FirstBank
Since 1894

ONE GROUP
MULTIPLE SOLUTIONS

First Bank of Nigeria Limited
Annual Report and Accounts 2014

FBNHOLDINGS IS ONE GROUP OFFERING MULTIPLE SOLUTIONS.

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

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

FBNHoldings: one Group, multiple solutions.

Using this interactive PDF

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- The contents list on the next page includes links to each of the report sections as well as to specific chapters within these sections.
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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 32,632,084,356 ordinary shares of 50 kobo each (₦16,316,042,178). In this report the abbreviations '₦mn' and '₦bn' represent millions and billions of naira respectively.

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

- The Commercial Banking business group comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC, First Pension Custodian Nigeria Limited and FBN Mortgages Limited. Others include International Commercial Bank (ICB) Senegal* and the FBNBank in Ghana, Guinea, The Gambia and Sierra Leone. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business group.
- Investment Banking and Asset Management business group consists of FBN Capital Limited, FBN Funds, FBN Trustees, FBN Securities, FBN Capital Asset Management and FBN Capital Partners. FBN Capital Limited is the lead entity of the Investment Banking and Asset Management business group.
- The Insurance business group comprises FBN Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services business group includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank and most recently Kakawa Discount House Limited.

This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement analysis compares the 12 months to December 2014 to the corresponding 12 months of 2013, and the balance sheet comparison relates to the corresponding position at 31 December 2013. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards are explained in the glossary or abbreviation section of this report.

Shareholders will receive a 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.

* To be renamed and rebranded to FBNBank Senegal.

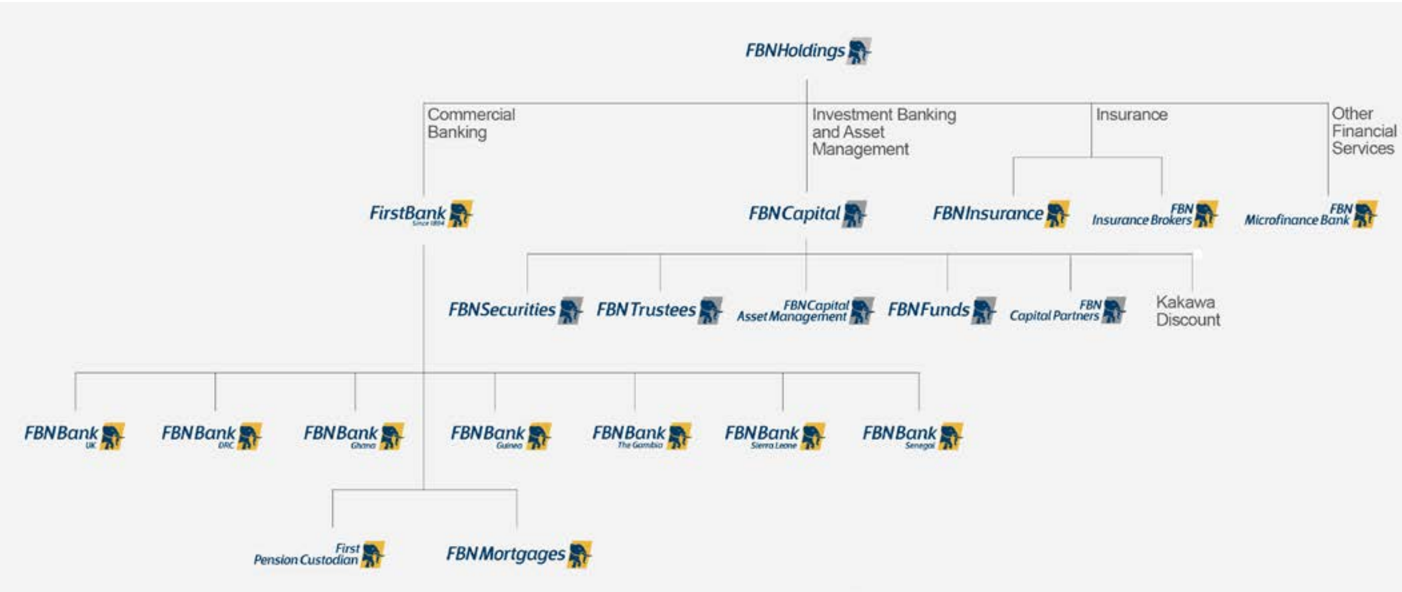
In this report

INTRODUCTION

The FirstBank strategy report covers the 2014 operating year performance. It includes an analysis of our business model, corporate strategy, business performance during the year and our outlook for the future including medium and long-term goals.

Overview

First Bank of Nigeria is the principal bank subsidiary of FBN Holdings Plc. FBNHoldings is the Nigeria-based (non-operating) financial holding company for the banking and non-banking operations of the FirstBank Group, with international subsidiaries but the majority of its business based in Nigeria. FBNHoldings, through its subsidiaries, offers a broad range of financial products and services, including commercial banking, investment banking and insurance.



WHO WE ARE

First Bank of Nigeria Limited (FirstBank) is the largest banking group by assets in Sub-Saharan Africa (excluding South Africa, i.e., 'middle Africa'), offering banking services to a rich network of both individual and corporate customers. First Bank of Nigeria represents the main legal entity and commercial banking subsidiary of FBNHoldings, with other banking entities under its portfolio. These entities include: FBNBank (UK) – a fully licensed Prudential Regulation Authority (PRA) bank with a representative office in Paris, France; FBNBank DRC – a leading tier 2 bank headquartered in the Democratic Republic of Congo (DRC); others include ICB Senegal* and the FBNBank in Ghana, Guinea, The Gambia and Sierra Leone, First Pension Custodian Nigerian Limited (FPCNL), providing pension fund custody services and FBN Mortgages, a primary mortgage institution (PMI).

WHAT WE DO

The Bank's Nigerian banking business operates nationally and boasts a customer base of over 9.7 million active customer accounts, served through a large distribution network consisting of 763 branches and 2,597 ATMs. FirstBank represents 93.5% of FBNHoldings' pre-tax profit at ₦81.4 billion with a return on average equity (ROaE) of 21.5%. It is the flagship among all business groups.

FirstBank offers a complete suite of banking products and services to individuals, small-scale businesses and wholesale customers (which include medium to large corporations and the public sector).

Our retail business covers the gamut of individual customer segments, which include the mass market, affluent, and high net worth individuals (HNI). We also serve the small and medium enterprises (SME) segment (defined as businesses with up to ₦500 million in annual turnover) within our Retail banking group. Key consumer banking products include credit cards, consumer loans, retail mortgages, investment products and transaction banking solutions offered through a strong network of service channels. The Nigerian retail banking industry will experience strong growth over the medium to long term, but growth will be slow in the immediate period due to the drop in government earnings from crude oil. FirstBank is positioned to benefit from projected growth given our industry-leading position. Growth in the retail segment will be driven by overall economic growth, population growth, increased banking penetration and the resulting uptake of banking products. Our Wholesale banking business serves businesses and public sector customers with products such as corporate lending/financial advisory services, transaction banking services (cash collections, liquidity management, payments, trade finance and foreign exchange (FX)). In addition, increased demand for cross-border services is expected as Nigerian corporates expand into other African countries.

* To be renamed and rebranded FBNBank Senegal.

HOW WE ARE STRUCTURED

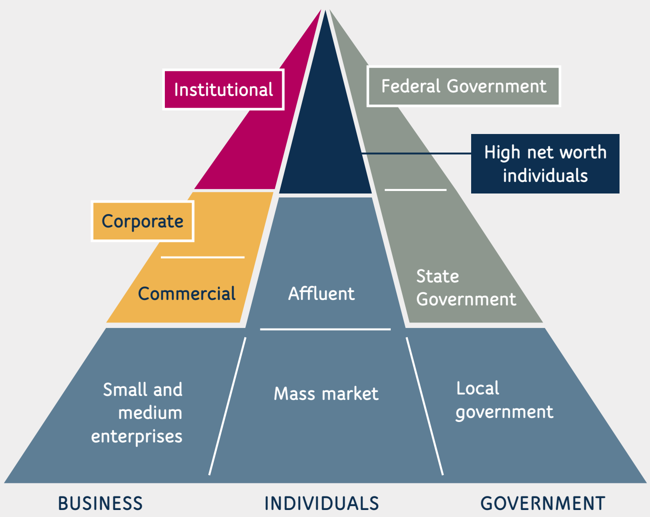
FirstBank is headquartered in Lagos, Nigeria, with subsidiaries across West African countries and the UK as well as a network of representative offices in Abu Dhabi, Beijing and Johannesburg set up to capture trade-related opportunities between respective countries. Our Nigerian marketing activities are organised along six customer segments, allowing for greater specialisation and an increased customer value proposition. These are:

- Institutional Banking group (IBG)
- Corporate Banking group (CBG)
- Commercial Banking group (CMG)
- Private Banking group (PBG)
- Retail Banking group (RBG)
- Public Sector group (PSG).

More information on each Strategic Business Unit (SBU) and their performance during the year is presented on pages 29 to 47.

FBNBank (UK) is a duly registered commercial UK bank with the Financial Services Authority, which also operates a representative office in Paris. It offers a full suite of commercial banking services including personal banking, corporate banking and correspondent banking. FBNBank DRC is the fourth most profitable bank in absolute terms in 2014, while it leads the pack on pre-tax returns on average equity. With revenues of ₦9.7 billion serving a total customer base of 0.18 million, FirstBank's West Africa subsidiaries include FBNBank Ghana, FBNBank Guinea, FBNBank Sierra Leone, FBNBank Gambia and ICB Senegal*.

Finally, we have First Pension Custodian Nigeria (FPCNL), which provides warehousing and asset management services to licensed pension fund managers and FBN Mortgages.



I INSTITUTIONAL BANKING GROUP

- Caters for the top end of the business banking value chain and consists of the largest organisations across our target industries.
- Target customers are structured multinationals with annual turnover in excess of ₦10 billion, Nigerian Stock Exchange-quoted companies, multinational agencies, etc.

C CORPORATE BANKING GROUP

- Serves the upper-middle segment of the business banking value chain.
- Companies with annual turnover of more than ₦3 billion and unrated and/or unlisted - this category of companies has no upper limit but their annual turnover is in excess of ₦3 billion.

C COMMERCIAL BANKING GROUP

- Serves the lower-middle segment of the business banking value chain.
- Companies with annual turnover of more than ₦500 million and up to ₦3 billion. Companies whose annual turnover does not exceed ₦3 billion.

P PRIVATE BANKING GROUP

- Private banking serves high net worth individuals and families in our network, providing them with wealth management services through privileged service and financial advisory services.
- Value proposition is focused on quality relationship management and seamless interface for services.

R RETAIL BANKING GROUP

- Cuts across private individuals, businesses (SMEs) and public sector clients (LGAs).
- Offers a differentiated value proposition to each customer sub-segment and has tailored products and services in line with segment characteristics.
- Customer base of 9.7 million and the Bank's 892 strong branch network, 2,597 ATMs and 9,700+ POS terminals.
- Convenient multi-channel access to our services.

PS PUBLIC SECTOR BANKING GROUP

- FBNHoldings public sector provides a full range of integrated banking products, financing and collection services for Federal and State Governments and agencies.
- Well-developed, versatile, multi-level products and services to serve these customers effectively across regions.
- Overarching goal to be a strong partner to the Government in economic development projects, achieve transaction excellence by improving internal processes and create/maintain an enabling environment for enhanced relationship management.

* To be renamed and rebranded FBNBank Senegal.

BUSINESS MODEL SUMMARY

At FirstBank, we are certain that Nigeria remains one of the largest financial services markets in the region, with significant growth opportunities. Our business model and strategy is designed to defend our current position and leverage on our size advantage, while extending our leadership along efficiency metrics and deepening our market penetration in selected business segments. We believe that setting aspirational, yet attainable objectives – and pursuing these in a disciplined fashion according to a robust, practical strategy – will be central to our continued success as one of West Africa's largest and fastest-growing financial institutions.

FirstBank is a leading Nigerian commercial banking group providing a range of banking and non-banking financial services to individual and corporate customers. Over the years, FirstBank has built a formidable deposit-gathering machine by leveraging a number of key structural advantages. These include a massive network of branches, a large retail client base, and strong relationships with the public sector and top institutional corporates.

BANKING

The business model for our banking services is designed around our capacity to serve retail, corporate and public sector customers across Nigeria with a range of deposit, lending, transactional, trade and FX products. The primary source of income is derived from extending credit at a rate marginally above the cost of safeguarding deposits. To provide value to our customers, we leverage our strategic advantage in customer relationships, our well-respected brand, and a wide, multi-channel distribution network. With over 9.7 million active customer accounts, leadership driven by efficiency, customer service and relationship focus is the key priority. We believe a customer-centric model will enable us to deliver sustainable value to our shareholders.

NON-BANKING

On the non-banking side, FPCNL provides custodian services to pension fund administrators. Income is mainly derived from custody fees driven by the market value of total custody assets. We also generate revenue from money market investments. The sustainability of this model stems from the high-quality (annuity type) income structure and the current regulation limiting pension scheme contributors from transfer between pension fund administrators. Notwithstanding, FPCNL continues to drive a number of efficiency initiatives to optimise its cost profile.

2014–2016 BUSINESS UNIT STRATEGY

Following the completion of the 2011–13 corporate strategy for the Bank, we embarked on the development of business unit strategies for our business lines. The guiding principles for developing the 2014–16 business unit strategies derived from our quest to continue to prime our business model to deliver best value to customers and superior returns to providers of finance. Hinged on the above, we revisited the operating model for the largest contributor to our business – Retail Banking – with a view to optimising our value proposition and earning capabilities in the segment. During the period under review, we continued to test our wholesale business model for relevance and positioning in the market in the face of significant shifts in the macroeconomic environment.

Our Retail Banking business continues to be the flagship proposition for the Bank; and it rides on the emergence of increased spending power of the population, dearth of relevant products in the consumer space and inadequate coverage of the market. FirstBank is the largest retail bank in Nigeria, with a customer base of over 9.7 million active customer accounts and an estimated market share of 31% in the mass market segment. Retail business continues to be a major source of deposits and revenue, and it is projected to have the fastest growth rate of all the segments during this strategic planning cycle. The bank therefore continues to maintain a major focus on the retail segment in the current strategic planning cycle.

Based on these factors, a business case was established to dichotomise our retail banking proposition in the southern region of the country, splitting it into Retail Banking Lagos, and West and South. The rationale for this decision was based on the following:

- harnessing opportunities that the demographics present, i.e., clusters of the working class, emerging generations, etc; and
- a rising middle class, growth of the mid-size corporates and SMEs, and multichannel expansion.

Increasingly, the emergence of the small/mid-corporates continues to form the fulcrum of the Nigerian economy and this shapes the way we see our market. Our wholesale banking strategy has continued to drive diversification of income streams and deliberate capacity development in the lower end of the wholesale market, i.e., mid-corporates. While this strategy speaks about the diversification of incomes, it also provides an inelastic market for increased earnings. Consequently, the Commercial Banking arm of our business will increasingly continue to play a significant part in our strategy in the medium term.

Performance highlights

Commercial Banking business group – performance highlights

FIRST BANK OF NIGERIA LIMITED

KEY HIGHLIGHTS

- Gross earnings amounted to ₦410.6 billion (Dec 2013: ₦339.3 billion) up 21.0%.
- Net interest income increased by 4.2% to ₦215.4 billion (Dec 2013: ₦206.7 billion) and non-interest income increased by +78.1% to ₦88.0 billion due to a one-off exchange rate movement gain on the long position of the Bank's.
- Highest deposit base in Nigeria of ₦2.6 trillion reflecting extensive distribution platform.
- Net customers loans and advances closing at ₦1.8 trillion (+21.7% year on year)), maintaining the lead as the biggest lender in the Nigerian banking space.
- Profit before tax at ₦81.4 billion increased by +5.9%.
- Achieved ISO 22301 recertification on business continuity management (BCM) in its commitment to meeting the expectation of our diverse stakeholder base through excellent service delivery.
- Maintained leadership position in domestic and international card issuance, electronic transaction processing and ATM deployment.
- Launched an exclusive partnership with PayPal geared towards accelerating the adoption of e-commerce in Nigeria.

NET REVENUE
₦303.0 billion (2013: ₦261.3 billion)

NPL
3.3% (2013: 3.1%)

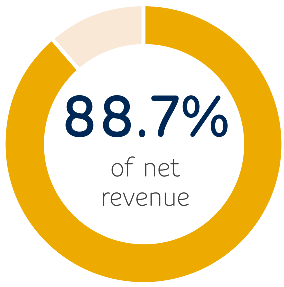
COST TO INCOME RATIO
66.2% (2013: 62.2%)

ROaE
20.5% (2013: 16.4%)

CAPITAL ADEQUACY RATIO
15.8% (2013: 16.8%)

NUMBER EMPLOYED
8,187 (2013: 7,906)

CONTRIBUTION



FBNBANK (UK)

KEY HIGHLIGHTS

- Increased deposits to ₦413.9 billion (+23.5%).
- Net loans to customer increased (+12.5%) to ₦369.7 billion.
- Decent returns as profitability increased to ₦9.2 billion (+8.0%), resulting from increased business volume including trade finance transactions and correspondent banking services.

NET REVENUE
₦19.4 billion (2013: ₦15.3 billion)

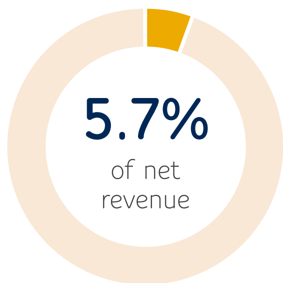
NPL
0.2% (2013: 0%)

COST TO INCOME
38.2% (2013: 37.7%)

ROaE
11.4% (2013: 12.1%)

NUMBER EMPLOYED
150 (2013: 125)

CONTRIBUTION



FBNBANK DRC

KEY HIGHLIGHTS

- Gross earnings increased (+16%) to ₦9.7 billion (2013: ₦8.4 billion).
- Deposit increased (+21.6%) to ₦52.5 billion (2013: ₦43.2 billion).
- Net loans to customers increased (+35.9%) to ₦32.3 billion driven by increased exposure to new customers and deepening existing relationships.
- Profit before tax down to ₦1.0 billion.

NET REVENUE
₦9.0 billion (2013: ₦8.0 billion)

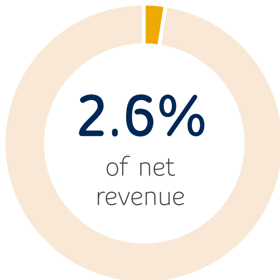
NPL
6.6% (2013: 13%)

COST TO INCOME
74% (2013: 72%)

ROaE
0.9% (2013: 14.8%)

NUMBER EMPLOYED
548 (2012: 498)

CONTRIBUTION



ICB WEST AFRICA

KEY HIGHLIGHTS

- Gross earnings grew (+428%) to ₦5.7 billion (2013: ₦1.1 billion).
- Net loans to customers closed at ₦15.6 billion (2013: ₦12.4 billion).
- Customers' deposits grew (+13.3%) to ₦26.1 billion.
- Profit before tax increased (+262.8%) to ₦1.3 billion (2013: ₦353 million).
- Acquisition of West African operations of ICB in Senegal.

NET REVENUE
₦4.55 billion (2013: ₦837 million)

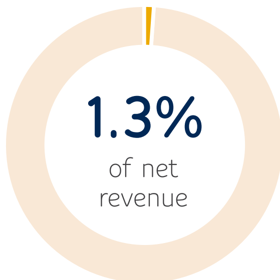
COST TO INCOME
58.6% (2013: 48.5%)

NPL
8.0%

ROaE
9.8% (2013: 0.8%)

NUMBER EMPLOYED
532 (2013: 426)

CONTRIBUTION



FIRST PENSION CUSTODIAN

KEY HIGHLIGHTS

- Net revenue increased (+22.17%) to ₦4.3 billion (2013: ₦2.2 billion) largely driven by a +22.5% increase in assets under custody.
- Profit before tax closed at ₦2.5 billion, representing an increase of +23.9% (2013: ₦2.0 billion).
- Maintains 34% of market share in pension fund custodian activities.

NET REVENUE
₦4.3 billion (2013: ₦3.3 billion)

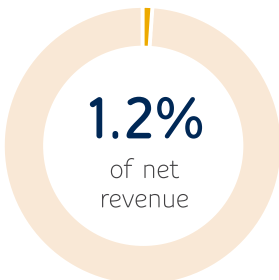
ASSETS UNDER CUSTODY
₦1.8 trillion (2013: ₦1.4 trillion)

COST TO INCOME
37.6% (2013: 38.4%)

ROaE
28.0% (2013: 32.2%)

NUMBER EMPLOYED
56 (2013: 60)

CONTRIBUTION



FBN MORTGAGES

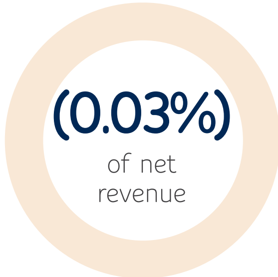
KEY HIGHLIGHTS

- Customer deposits at ₦11.1 billion.
- Divestment from real estate investment for primary mortgage institutions.

NET REVENUE
(₦1.1 million)* (2013: ₦356 million)

NUMBER EMPLOYED
39 (2013: 35)

CONTRIBUTION



2011-14: PERFORMANCE HIGHLIGHTS

An appraisal of the Bank's financial performance highlights significant growth and improvement in profit before tax (PBT), cost-to-income ratio and loan growth, even in the face of regulatory headwinds. A disproportionate focus on increasing leverage facilitated by the drive to secure low-cost deposits through the Retail Banking SBU – among other initiatives – has resulted in increased net revenue growth, with a resultant impact on the PBT.

Overall, the financial performance of the Bank has grown significantly from 2011, despite operating in a challenging environment with regulatory policy shifts that have had a negative impact on business. FirstBank has, however, remained focused on the right elements in its business and thus seeks to consolidate and enhance current achievements.

* Essentially, the profitability of the company was impacted negatively as a result of the losses from the real estate investment disposal.

Chairman's statement

Prince Ajibola Afonja, Chairman

INTRODUCTION

In 2014, the industry's regulatory burden weighed heavily on our operations. Whereas in the six years to the end of 2013 the regulatory focus was more concerned with the health of individual banks and the impact of this on overall systemic health, over the last 12 months macroprudential regulations have been added, which prioritise macroeconomic concerns in the design of bank regulations.

However, the net effect of these new regulations has been to dampen the industry's profit outlook. By virtue of our position in the industry, we must wholly embrace these changes and continue to work with the regulator to contribute responsibly to economic growth while continuously delivering value to our shareholders.

Nonetheless, a firm focus on our earlier agreed goals ensured that FirstBank ended 2014 with a much stronger balance sheet and profit numbers.

THE GLOBAL ECONOMY

The global economy was a mixed picture in 2014. Much of the publicity focused on Japan, where Abenomics – the economic policies of Prime Minister Shinzō Abe – began the year with great promise. Meanwhile, there were rising 'lowflation' worries in the eurozone, and the promise of an Indian renaissance on the back of the new government's reforming instinct.

Given the growth needs of the global economy, only the US economy produced growth noticeable enough to have had an effect. At 7.4%, Chinese growth was down from the elevated numbers that we have come to associate with that economy over the last three decades. Understandably, there was much worry over the ripple effect to the global economy of falling output rates in China, with most commentators linking the apparent end of the commodity supercycle with falling demand in China.

Emerging markets were unduly affected by lower export revenues from falling commodity prices, with exchange rates from Brazil through Malaysia to Nigeria reflecting these new pressure points. While commodity exporters, including those of crude oil, saw threats to their finances from lower export revenues, falling oil prices were a global net positive.

The fall in oil prices may have contributed to the increase in US output numbers, as consumers' disposable incomes rose, but in the eurozone in particular it contributed to depressing prices, and thus to the risk of deflation.

DOMESTIC ECONOMY

The rebasing of the domestic economy's output numbers, which resulted in its re-classification as the continent's biggest economy, promised a number of positive externalities, especially from an anticipated flow in investments into the new driver of the economy. A larger and growing services sector appeared to confirm anecdotal evidence of the emergence of a growing middle class, with enough disposable income to drive demand for new and more sophisticated service and product offerings.

The end of the commodity supercycle was also a net positive, as a lowering of prices across the range for most imports promised to boost domestic consumption and reinforce net welfare gains. Consequently, in inflation-adjusted terms, the economy grew by 6.25% in 2014, a rate consistent with that achieved by the best-performing economies in the world in the year.

Nevertheless, worries remain. Despite the new size of the economy, with Gross Domestic Product (GDP) at around ₦90 trillion (or USD550 billion), making it the world's 26th largest economy, in per capita terms, we remain 121st of 195 countries. Rising income inequalities further strengthen the need for domestic reforms that both transfer resources to the poor and vulnerable and improve their earning capacity, including through changes to the process of creating and accumulating social capital.

While a stronger economy is of immediate benefit to the financial services sector, through providing a more diverse need for financial services, rising income inequalities and poor poverty indices hurt our ability to drive higher levels of financial inclusion. Fortunately, the reforms to physical and social infrastructure required to drive productivity increases will directly benefit our operations (through lower costs) and our markets (by increasing disposable incomes across the population).

The fall in oil prices in the second half of the year, from a June peak of USD107 per barrel to USD43.14 per barrel at the end of December, was of the utmost importance. Given the economy's fiscal dependence on oil receipts, the full effect of this fall in prices will become evident in 2015. Already, however, these lower prices and the associated pressure on the country's external reserves have driven the naira's exchange value down, with adverse implications for inflation.

Both these new pressure points are a concern for the domestic banking industry going forward.

MONETARY POLICY

Following the mid-year fall in the oil price, and the subsequent pass-through of reduced government revenue to the naira's exchange rate, the focus on monetary policy during the year was on sustaining the naira. A concern with the naira's liquidity (as a possible source of elevated dollar demand) saw the Central Bank of Nigeria (CBN) tighten monetary policy, at first through administrative measures, including increases in the reserve requirements for public and private sector deposits.

By year end, however, as the pressure on the naira built up, the Central Bank of Nigeria (CBN) raised its policy rate by 100 basis points, and effectively devalued the naira when it moved the mid-point of the official exchange rate peg from ₦155 to ₦168.

OUR STRATEGY

In my report last year, I indicated as customary the adoption of our three-year plan for the period January 2014 to December 2016. At the heart of the new plan is the setting of segment-specific market share aspirations over the plan period.

Accordingly, in the retail market, our intention is to grow our share of the small- and medium-sized enterprises sector by the order of 11–15% over the next three years. Within this same period, we should see our wallet share of the affluent segment of the market for financial services grow by 5–6%, with the corporate and emerging corporate segments growing by 9–10% and 3–5% respectively.

Given ongoing structural changes to the public expenditure management framework, we have set rather narrow aspirations for the wholesale market, where we intend to defend our market shares in both the public sector and institutional segments. The volatility the changes in the public sector introduced into our model last year unintentionally validated our decision over the last plan cycle to pursue expansion aggressively in Sub-Saharan Africa. The operational diversity we have now acquired is a key strength to cushioning future economic shocks from a group perspective as we expect increased growth from these new investments going forward.

In furtherance of a more diverse operating base over the current plan cycle, we will be balancing our retail growth with a narrower focus on the high net worth individual segment of the market. Essentially, we intend to leverage existing strengths to grow our share of this market segment's wallet. This 'inside-out approach' involves us maximising the value of our already diverse portfolio of financial products and services and harnessing the accompanying synergies to serve a very discerning segment.

We have set these targets on the basis of our position in the market as the leading retail financial services provider, and in full cognisance of the increasingly narrow fiscal space within which the financial services industry will operate over the medium term. We have no doubt, therefore, of the eventual success of this strategic platform within the plan's timescale.

BOARD PRIORITIES 2014–15

Following the broadening of our continental footprint last year, the Board agreed a set of new short- to medium-term priorities. Basically, these priorities aim to increase the pace of the Bank's growth across its diverse operational bases over the plan period.

Three focus areas support this new set of priorities. The first is a strong value proposition focused on meeting our clients' diverse needs for financial services. Second is the continuous search for, and the single-minded implementation of, least-cost solutions based on the customer's ease of access to our different channels, and those channels' convenience of use. Third is the sustainable return of value to our stakeholders from all our business lines.

In specific terms, our priorities over the near-term include growing non-interest revenue, driving service delivery excellence, optimising enterprise-wide cost, addressing market perception gaps, and improving the productivity of our sales force while continuously enhancing our corporate governance and compliance spectrum.

The tasks facing us are far from insurmountable. They are underpinned equally by a strategy of leading from the front, and ensuring that measures put in place are holistic and clearly communicated across the business in order to galvanise our drive forward and ensure success in this regard. We remain aspirational and have no doubt in our ability as a bank to deliver.

FINANCIAL RESULTS

The uncertainties associated with the Nigerian general elections and the CBN's continued efforts to hold the floor on a domestic currency under pressure from lower oil earnings were the main variables in our operating environment in the period covered by the report. As a result of these issues, our operating environment was a lot more constrained last year.

Despite the downward pull of these variables, the Bank delivered robust results in the review period. The Bank's PBT closed the year at ₦81.36 billion compared with the ₦76.85 billion reported over the same period last year. The Group's PBT rose from ₦86.59 billion reported in the 12 months to end-December 2013 to ₦94.45 billion in the reporting period.

OUTLOOK

Current global realities put the price of oil at an average of USD60 per barrel this year and next. The impact of this on the domestic economy, in the light of our dependence on oil exports for much of our official revenue, will be to constrain the fiscal space over the next 12 months. Monetary policy will equally tighten as the CBN strives to support the naira's exchange rate over this period.

Reduced government spending and rising domestic prices will ultimately dampen domestic demand. Along with a fall-off in business investment, we should see domestic output growth slow considerably in 2015. The International Monetary Fund (IMF), for instance, expects growth to be lower by about 1.5% in 2015.

There is no doubt that a more difficult macroeconomic environment will impose huge costs on our operations. However, we have taken steps, some of which I have detailed here, both to guard against these shocks and to take advantage of the limited opportunities that will open over the coming months.

RESIGNATIONS

Ibiai Ani, former Non-Executive Director, resigned voluntarily with effect from 20 March 2014, while Adebayo Adelabu, former Executive Director/Chief Financial Officer, resigned with effect from 28 March 2014, to take up an appointment as a Deputy Governor with the CBN.

APPOINTMENTS

Dr Ije Jidenma was appointed a Non-Executive Director with effect from 24 March 2014; and Dr Adesola Adeduntan was appointed an Executive Director/Chief Financial Officer with effect from 1 July 2014.

ACKNOWLEDGEMENTS

On behalf of the Board, I thank our regulators and consultants for their cooperation over the last 12 months.

To our customers, partners (local and foreign), shareholders and other stakeholders, the Bank owes a continuing debt of gratitude. The clearest sign of our appreciation of our customers will be in the changes we make over the next 12 months with a view to serving them better.

The Bank also specially thanks Ibiai Ani and Adebayo Adelabu for their immeasurable contributions to the Board and committee deliberations.

I would like to place on record my appreciation to management for the clinical execution of bold initiatives in 2014. Special recognition is reserved for staff whose unstinting performance we are all witnesses of today.

Last but not least, I thank the entire Board for their unwavering resolve and total dedication to the affairs of the Bank in pursuit of excellence.

May God Almighty guide us through the financial year to the next AGM and beyond.

Thank you.

Yours sincerely

Prince Ajibola Afonja
Chairman

Leadership and governance

BOARD OF DIRECTORS

Prince Ajibola Afonja
Chairman

Bisi Onasanya, FCA
Group Managing Director/
Chief Executive Officer
BARAC BCC BF&HCC BGC
MCC MGC

Tokunbo Abiru
Executive Director,
Corporate Banking
BCC BF&HCC MCC MGC

UK Eke, MFR
Executive Director,
Public Sector (South)
BARAC BCC MCC MGC

Gbenga Shobo
Executive Director (Lagos
and West)
BCC MCC MGC

Dauda Lawal
Executive Director,
Public Sector (North)
BCC MCC MGC

Adesola Adeduntan
Executive Director/
Chief Financial Officer
BCC BF&HCC MCC MGC

Abiodun Odubola
Executive Director/
Chief Risk Officer
BARAC BCC BF&HCC
MCC MGC

Bello Maccido
Non-Executive Director

Lawal Ibrahim
Non-Executive Director
BF&HCC

Ambrose Feese, FCA
Non-Executive Director
BARAC BGC

Ebenezer Jolaoso
Non-Executive Director
BCC BF&HCC BGC

Committee membership key:

BARAC Board Audit & Risk Assessment Committee
BCC Board Credit Committee
BFGPC Board Finance & General Purpose Committee
BF&HCC Board Finance & Human Capital Committee
BGC Board Governance Committee
MCC Management Credit Committee
MGC Management Committee (General) – MANCO General

BOARD OF DIRECTORS continued

Ibukun Awosika
Non-Executive Director
BF&HCC

Mahey Rasheed, OFR
Independent Non-Executive Director
BCC BGC

Khadijah Alao Straub, LLB, LLM
Non-Executive Director
BCC BF&HCC

Obafemi Otudeko
Non-Executive Director
BCC BF&HCC

Tunde Hassan-Odukale
Non-Executive Director
BARAC BCC

Ibrahim Waziri
Non-Executive Director
BARAC BCC BF&HCC

Ijeoma Jidenma
Independent Non-Executive Director
BF&HCC

Olayiwola Yahaya
Company Secretary

GROUP EXECUTIVES

Cecilia Majekodunmi
Head, Commercial Banking
BCC MCC MGC

Bernadine Okeke
Head, Private Banking
BCC MCC MGC

Bashirat Odunewu
Head, Institutional Banking
BCC MCC MGC

Abdullahi Ibrahim
Head, Retail Banking North
BCC MCC MGC

Akinwumi Fanimokun
Head, Technology & Services
BARAC BCC BF&HCC MCC MGC

Committee membership key:

BARAC Board Audit & Risk Assessment Committee
BCC Board Credit Committee
BFGPC Board Finance & General Purpose Committee
BF&HCC Board Finance & Human Capital Committee
BGC Board Governance Committee
MCC Management Credit Committee
MGC Management Committee (General) – MANCO General

OUR SUBSIDIARIES

Michael Barrett
Managing Director,
FBNBank (UK) Limited

Cheikh Tidiane
Managing Director,
FBNBank DRC Limited

Kunle Jinadu
Managing Director,
First Pension Custodian Limited

Adenrele Oni
Managing Director,
FBN Mortgages Limited

Seyi Oyefeso
Managing Director,
FBNBank Ghana Limited

Akeem Oladele
Managing Director,
FBNBank Guinea Limited

Nelson Akande
Managing Director,
FBNBank Sierra Leone Limited

Uloma Olikagu
Managing Director,
FBNBank Gambia Limited

Philippe Kpenou
Managing Director,
International Commercial Bank Senegal*

* To be renamed and rebranded to FBNBank Senegal.

Awards

MOST VALUABLE BANK BRAND IN NIGERIA

***THE BANKER* MAGAZINE**

FirstBank has been named 'The Best Bank Brand in Nigeria' four times in a row – 2011, 2012, 2013 and 2014 by the globally recognised *The Banker* Magazine of the Financial Times Group. The Bank has achieved this feat in recognition of its steady transformation and increased brand value through the years.

BEST BANK IN NIGERIA

GLOBAL FINANCE AWARDS

FirstBank has been the winner of the 'Best Bank in Nigeria', awarded by Global Finance, for the past 11 consecutive years, in recognition of the Bank's consistent leadership in innovative banking in Nigeria.

OUTSTANDING BANK BRAND OF THE DECADE

MARKETING EDGE AWARDS

The Bank clinched the 'Outstanding Bank Brand of the Year' award in recognition of its consistent and outstanding performance in revamping its brand over the past several years.

MOST INNOVATIVE BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FirstBank was adjudged winner based on its innovative partnerships to drive e-commerce evolution in Nigeria. The Bank struck a partnership with online payment company PayPal – the only such project in the country – that allows customers to create and run a secure PayPal account directly from the FirstBank online banking platform, FirstOnline.

THE BEST RETAIL BANK IN NIGERIA

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

FirstBank was reaffirmed 'Best Retail Bank in Nigeria' for the fourth consecutive year by the Asian Banker. This award was earned based on the Bank's robust portfolio and exceptional performance in Nigeria's retail market.

BEST RETAIL BANK

BUSINESSDAY BANKING AWARDS

FirstBank won the 'Best Retail Bank in West Africa', awarded by BusinessDay in recognition of its continued drive to enhance retail banking business through e-banking interventions, and various retail product and service initiatives.

BEST COMPANY IN SME

SOCIAL ENTERPRISE REPORT AND AWARDS (SERAs)

The Bank was awarded the 'Best Company Supporting SME' in recognition of its role in promoting SME development in Nigeria. This it has done through capacity building initiatives championed through the FirstBank Sustainability Centre.

BEST PRIVATE BANK IN NIGERIA

***WORLD FINANCE* MAGAZINE**

FirstBank clinched the 2014 'Best Private Bank in Nigeria Award' in recognition of its attention to client services and its 'Best in Class' private banking hubs located in Abuja, Lagos and Port Harcourt, as well as the accelerated speed in growing its market share and registering 39% in revenues within a short span of operation.

BEST PRIVATE BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FirstBank clinched the 2014 'Best Private Bank in Nigeria Award' in recognition of its 'Best in Class' Private Banking Hubs located in Abuja, Lagos and Port Harcourt, as well as the value created for private banking clients.

BEST PRIVATE BANK

BUSINESSDAY

The Bank won the 'Best Private Bank Award', in recognition of the value created for its clients through an accurate understanding of clients' financial objectives, efficient asset/portfolio allocation and first-class customer service delivery, consistently providing best-in-class solutions to clients' investment needs and objectives.

THE BEST IN E-BANKING AWARD

NIGERIA TELECOM AWARDS

The 'Best Bank in E-Banking' was awarded to the Bank in recognition of its leadership in the growth and development of electronic payment solutions in Nigeria.

BEST MOBILE MONEY OPERATOR

EFINA FINANCIAL INCLUSION AWARDS

Firstmonie®, the FirstBank mobile money services platform was awarded the 'Best Mobile Money Operator in Nigeria'. This award recognises a leading mobile money operator that is making impact that has significantly driven the uptake of mobile money in Nigeria.

FINANCIAL BRAND OF THE YEAR

MARKETING WORLD AWARDS

The Bank won this award in recognition of its leadership in the provision of innovative products and services in the Financial Services Sector.

BEST SEGMENT SOLUTION AWARD

MASTERCARD INNOVATION FORUM

This award is in recognition of the Bank's leadership in the growth and development of card and electronic payment solutions in Nigeria.

MOST TRUSTED BRAND IN NIGERIA FOR 2014

BRANDHEALTH

This award reinforces FirstBank's reliability and dependability in the provision of innovative financial services.

AFRICA MID-STREAM OIL AND GAS DEAL OF THE YEAR 2014

EUROMONEY PROJECT FINANCE

FBN Capital was recognised by Euromoney Project Finance for its role as Global Facility Coordinator and Financial Modeling Bank on the Accugas USD225 million Project Finance Debt Facility. The firm also undertook the role of de facto Financial Adviser to the Borrower, Accugas (a wholly owned subsidiary of Seven Energy International), while FirstBank, UBA, FCMB and Stanbic IBTC jointly acted as Mandated Lead Arrangers on the transaction to assist the company in structuring and raising USD225 million for its gas pipeline project. Awarded in March 2014.

TELECOMS DEAL OF THE YEAR 2014

EUROMONEY PROJECT FINANCE

FBN Capital was recognised by Euromoney Project Finance for its role as the Joint Financial Adviser to Etisalat's USD1.25 billion Loan Facility. FBN Capital and Citigroup Global Markets, together as 'Financial Advisers', were mandated by Etisalat to raise financing to refinance its existing USD650 million senior debt facility, and finance needs for its network deployment plan across Nigeria. Awarded in March 2014.

BEST ENERGY INFRASTRUCTURE DEAL IN AFRICA 2014

EMEA FINANCE PROJECT FINANCE AWARDS

FBN Capital was once again recognised by EMEA Finance for its role as Global Facility Coordinator and Financial Modeling Bank on the Accugas USD225 million Project Finance Debt Facility. The firm also undertook the role of de facto Financial Adviser to the Borrower, Accugas (a wholly owned subsidiary of Seven Energy International), while FirstBank, UBA, FCMB and Stanbic IBTC jointly acted as Mandated Lead Arrangers on the transaction to assist the company in structuring and raising USD225 million for its gas pipeline project. Awarded in June 2014.

ICT/TELECOMS DEAL OF THE YEAR

AFRICA INVESTOR INFRASTRUCTURE INVESTMENT AWARD 2014

FBN Capital recently received recognition at the 2014 edition of the Africa Investor Infrastructure Investment Awards for the ICT/Telecoms deal of the year: Emerging Markets Telecommunications Limited. FBN Capital was the Joint Financial Adviser to Etisalat's USD1.25 billion loan facility to fund the addition of 924 BTS sites. FBN Capital and Citigroup Global Markets, together as 'Financial Advisers', were mandated by Etisalat to raise the funding required for the refinancing of the company's existing USD650 million senior debt facility, and finance the needs for its network deployment plan across Nigeria.

BEST ASSET MANAGER IN NIGERIA

EMEA FINANCE AFRICA BANKER AWARDS

FBN Capital Asset Management recently emerged the 'Best Asset Manager in Nigeria' at the Africa Banking Awards 2014 organised by *EMEA Finance Magazine*, which took place on 4 December 2014 in London, United Kingdom. The company was recognised for its impressive performance in the period under review where assets under management experienced a double-digit increase. According to *EMEA Finance Magazine*, 'This award is in recognition of the milestones and accomplishments recorded by the company within the review period. What is particularly impressive is the 200% growth rate in assets under management (AUM) across the mutual funds.'

BEST PROJECT FINANCE DEAL IN AFRICA 2014

EMEA FINANCE PROJECT FINANCE AWARDS

FBN Capital was recognised by EMEA Finance for its role as the Joint Financial Adviser to Etisalat's USD1.25 billion Loan Facility. FBN Capital and Citigroup Global Markets, together as 'Financial Advisers', were mandated by Etisalat to raise financing to refinance its existing USD650 million senior debt facility, and finance needs for its network deployment plan across Nigeria. Awarded in June 2014.

AFRICAN DEAL OF THE YEAR 2014

ISLAMIC FINANCE AWARDS

FBN Capital was the joint issuing house in 2013 in the Osun State Sukuk, African Deal of the Year as recognised by *Islamic Finance News*. Awarded in February 2014.

BEST INVESTMENT BANK

GLOBAL FINANCE AWARDS

In 2014, FBN Capital was announced as the 'Best Investment Bank in Nigeria' by Global Finance for the third consecutive year. Awarded in February 2014.

BEST LIFE INSURANCE COMPANY, NIGERIA 2014

***WORLD FINANCE* MAGAZINE**

This award is in recognition of FBN Insurance's delivery on premium value and excellent service standards as well as designing products that are in consonance with deepening market penetration in the industry through innovation and creativity.

LAGOS STATE GOVERNMENT CORPORATE SOCIAL RESPONSIBILITY AWARDS 2014

LAGOS STATE GOVERNMENT AWARDS

The Lagos State Government at its Corporate Social Responsibility Awards 2014 honoured FirstBank in recognition of the Bank's partnership in the Lagos State Support Our Schools Initiative.

BUSINESS REVIEW

The Bank's strategic and tactical responses are continuously fine-tuned in response to opportunities and threats in its operating environment, and we will continue to design them to deliver strong and sustainable financial performance.

GMD/CEO's review

Bisi Onasanya, FCA Group Managing Director/ Chief Executive Officer

INTRODUCTION

2014 was a year in which signals were mixed. On the one hand, economic performance remained strong: output growth was as good as any economy on the continent or outside it, and generally better than most. Prices did not rise as fast last year as they had done in the previous year, in part because of the end of the global commodity super-cycle, but largely because of the extent to which successful reforms to local agriculture practices have helped moderate food price volatility.

On the other hand, lower global oil prices threatened all indices, from our now traditionally healthy current account balances, through the fiscal balance, to the exchange rate of the naira. The monetary authority's action to alleviate the demand-dampening effect of these factors constrained banks' operations, especially through the apex bank's measures aimed at mopping up domestic liquidity.

The domestic banking industry was able to approach the new crisis with greater resilience than was the case in the previous crisis, in 2008/09. Nonetheless, super-competitive institutions in a shrinking market led most commentators to be concerned over declining sector profitability. We therefore had to address structural changes to our processes and functions, designed both to help defend our recent advances and to position us for the next upturn.

Despite these increasingly arduous conditions, we were able to record a strong performance in the year to 31 December 2014. Key anchors of our performance included the strength gained from our broader operating footprint, the deepening of alternative delivery channels and continuous investment in our staff.

OPERATING ENVIRONMENT

Despite concerns about the outlook for the economy, which became more widely expressed towards Q3 2014 as the price of crude oil fell in the global market, output growth for 2014 closed at 0.7% points higher than in 2013, at 6.1%. Inflation expectations, which entered the sub-10% range last year, remained well anchored, as the average price increase in the year stood at 8.0%.

The main downside risk in the first half of the year was from regulatory concern over the market's response to the prospects of a general election in 2015, and how this would feed into the supply and demand balance in the foreign exchange markets; by Q3 2014 rapid fall of crude oil prices had exacerbated this worry.

Given the dominance of oil export earnings in the nation's finance the Central Bank of Nigeria (CBN) acted to rein in banks' liquidity as part of a process of cutting off excess domestic demand for the dollar. Less accommodative monetary conditions, especially rising from the CBN raising the cash reserve ratio (CRR) on public sector deposits to 75%, meant we had to review the architecture of our public sector business.

On current trends, a leaner public sector profile remains the most cost-effective response to prevailing conditions, but we do not think that our overall strategy would necessarily be impacted adversely by this change. Instead, we are alive to the new opportunities that will arise from the Federal Government's commitment to bring all its agencies' accounts under a unified structure. While reinforcing our operations against shocks from the public sector's much-constrained finances, we have also taken steps to ensure that when structural corrections begin to take effect towards the second half of 2015, and the current oil price crisis bottoms out, we are properly positioned to ride the next upswing.

The CBN's directive during the year restraining banks with a bancassurance platform from running this business further was a downside risk to our strategic outlook. Although this was still a fledgling line of business for us, we had a lot of hopes for it, and had taken steps to ring-fence our deposit-taking business from known risks associated with it. These included not taking underwriting risks and guaranteeing that such risks were also spread outside FBNHoldings, with FBN Insurance redistributing the risks under both facultative and reinsurance arrangements.

BUSINESS DEVELOPMENT

In the period covered by my report, we made significant progress integrating our African subsidiaries into the FirstBank network. The key emphasis in this process was on fast-tracking the integration of our operations in Ghana, given its proximity to Nigeria and the opportunity to extract synergies speedily. Our Sierra Leone operations remained muted on account of travel restrictions resulting from the Ebola viral disease epidemic. We only recently commenced work on our operations in Senegal due to its later acquisition date.

Overall, the integration process in Ghana is about 90% complete, and approximately 30% complete across other locations, with various initiatives ongoing. We expect to conclude the key initiatives on the integration roadmap by the end of 2015, with the exception of back-end systems integration (specifically the Finacle core banking system), which will likely extend into Q2 2016.

In the light of the adverse impact of the CBN's new CRR rules on our Public Sector business unit's (current and medium-term) revenue stream, we considered a variety of options for restructuring/repositioning this business unit. Our strategic challenge is to address the volatility that this new rule change has introduced to the business unit, while mitigating the potentially disruptive effect on our operations (through exposure to public sector deposits).

In response to the less accommodative monetary conditions, we implemented a workforce productivity enhancement project in the period covered by my report. Designed to improve staff productivity (measured by earnings per staff) and adjust the front-back office ratio in favour of the front office, this project involved the transition of carefully selected personnel from mid/back-office roles to sales/front-office roles. We aim, through this initiative, to increase non-interest revenue (NIR) while consolidating growth in interest revenue (IR) from retail banking. Key revenue improvement action plans have been identified as necessary to grow retail risk assets and enhance fee generation capacity through e-products.

A stricter regulatory universe and a weakening economy were the main challenges to our e-banking operations in the 12 months to end December 2014. However, through leveraging the capabilities of our digital channels (mobile and internet) to create strong value offerings for acquiring, developing and retaining customers, building our product portfolios on volume, optimising the use of existing channels and introducing additional income-earning product/service offerings, we were able, in the review period, to attain industry leadership in domestic and international card issuance, electronic transaction processing and ATM deployment.

Last year, the launch of a strategic partnership with PayPal opened new revenue possibilities for our e-banking platform. Our customers, through their online banking links, can now link their MasterCard/Visa Card(s) to their PayPal accounts, and make online payments conveniently without opening and verifying PayPal accounts via Paypal.com.

The Bank has a single-minded focus on strengthening customer relationships and the customer experience. In pursuit of this, we held several 'voice of the customer' forums across our domestic sales network during the year in order to improve further our service delivery excellence. In addition, we are currently carrying out an extensive review of the Bank's complaints management framework through a detailed gap analysis of our complaints-handling processes and inter-departmental dependencies.

PERFORMANCE

In spite of the tough operating environment, our businesses have continued to perform creditably well. The Bank's operating model continues to evolve in line with recent regulatory changes and the business environment as we reviewed and refined the operating model to ensure strategic realignment and optimal use of available resources. To ensure we sustain our leadership in spite of the regulatory changes, we are deploying full-scale transaction banking capabilities (trade finance, cash management – payments and collections and liquidity management); scaling up and building an integrated cost containment programme, robust capital management programme and further enhancement of our service. These initiatives are expected to: drive our non-interest income; stimulate improved collections; grow low-cost deposits; and retain funds by executing (trade) transactions through the offering of e-payment and liquidity management solutions, while earning applicable revenues.

Our focus to consolidate our leadership in the retail and mid-cap/commercial segment in a measured and controlled manner will further enhance yields and revenue, while developing a robust middle office within existing resources. Our e-business solutions remain one of the best in the industry, evidenced by our exclusive partnership with PayPal, which offers customers a seamless e-commerce payment option to shop anywhere in the world. We will consolidate our leadership position while driving targeted improvements to improve our financial performance and reinforce our appeal as the bank of first choice.

Gross earnings of the Commercial Banking group increased by 22.1% year on year to ₦455.4 billion, supported by strong growth in non-interest income at ₦99.3 billion (+73.5% year on year), followed by a 12.6% year-on-year growth in interest income to ₦349.3 billion. The growth in non-interest income was driven primarily by growth in foreign exchange income as well as fees and commission income. Overall, gross earnings have been supported by increased business volume as well as enhanced treasury management activities.

Net interest income increased by 7.0% year on year to ₦239.6 billion (2013: ₦223.8 billion) despite a 27.0% year-on-year increase in interest expense. Net interest income improved due to the 4.7% increase in income from investment securities. Income on loans and advances to customers grew by 16.7% year on year to ₦255.6 billion. Interest income was supported by re-pricing and reallocation of assets and investments to the shorter end of the curve given the increasing interest rate environment. On the other hand, the growth in interest expenses reflects the higher interest rate environment driven by increased cash reserve requirements on public and private sector deposits, heightened competition for deposits among financial institutions and monetary policy rate (MPR) review in the last quarter of the year from 12% to 13%. The increase in MPR also led to an increase in the minimum savings deposit rate (30% of MPR) to 3.9% from 3.6%, further impacting interest expense. Additionally, pressure on interest expenses is attributable to the full-year impact of the interest payment on the USD300 million subordinated debt issued in 2013 as well as the interest payment on the USD450 million subordinated tier 2 debt issued in the international markets in July 2014.

Non-interest income (NII) grew strongly by +73.5% year on year to ₦99.3 billion (2013: ₦56.3 billion); driven primarily by a 9.9% year on year growth in fees and commission (F&C) income to ₦58.5 billion (2013: ₦53.2 billion). In addition, foreign exchange income rose to ₦43.3 billion (2013: ₦6.6 billion) on the back of enhanced treasury activities, increased volume of trade business and favourable exchange rate. The contribution of non-interest income to net revenue improved to 29.3% (2013: 20.0%). This is as a result of some of the initiatives developed, implemented and executed towards driving increased business generation and enhancement of non-interest income given the regulatory/revised bank tariffs. Some of these include: increasing focus on banking the value chain within the public sector and the institutional banking space; driving the mobile banking business through focused financial inclusion; reviewing the Bank's operating model in line with the evolving business environment to ensure strategic realignment and optimal use of available resources; increasing the contribution of treasury management; focusing and deepening transaction banking services to improve collections; sustaining awareness and drive to enhance cross-selling initiatives, improve performance and returns from other subsidiaries to provide diversified and sustainable revenue for the Group among others.

Overall, profit before tax stood at ₦94.5 billion (2013: ₦86.6 billion) a growth of 9.1% proving the resilience of our business. Our focus remains on continuous improvement of our business performance and meeting our clients' needs by reinforcing our risk management practice and increasing our operational efficiencies.

Total assets increased by 10.3% year on year to ₦4.1 trillion driven by growth in lending activities. Interest earning assets grew by 9.6% to ₦3,255.4 billion. Total customer deposits grew by 1.6% year on year to ₦3.0 trillion (2013: ₦2.9 trillion) as the group continues to enjoy access to low-cost deposits which constitute 75.9%, ensuring cheap and sustainable deposits to support the business. Our overall strategic intent is to have an efficiently balanced deposit mix, in line with the evolving business environment, to ensure optimal use of available resources.

Total loans and advances to customers (net) grew by +22.0% year on year to ₦2.2 trillion (2013: ₦1.8 trillion). Sectors driving loan growth on a year on year basis were general commerce, construction, oil and gas and power.

Although FirstBank remains the biggest bank by balance sheet size in Sub-Saharan Africa, our focus in coming periods will be to optimise our resources towards improved efficiency and profitability rather than size. We are confident that FirstBank is well positioned to drive targeted improvement and reinforce our appeal as the bank of first choice.

OUTLOOK AND CONCLUSION

Over the last 12 months, the industry's outlook worsened remarkably. Initially, this dour outlook was premised on deteriorating monetary conditions, including:

- rising bank liquidity, with potential feed-through into domestic prices and consequences for the exchange rate of the naira; and
- concern over the pass-through of election-related spending into the system, and its effects on major economic indices.

However, in the last two quarters of the year, a fiscal dimension was added to these fears. Oil traded below USD50 per barrel, triggering fears of revenue shortfalls at the federal level that might push the fiscal deficit beyond the 3% target and, by pushing down external reserves, force a rise in sovereign borrowing terms, precipitating a run on the naira.

The jury is still out on how these factors may feed into the financial services sector, but two issues are of particular and direct concern:

- the effect on banks' businesses as the CBN constricts domestic liquidity conditions to shore up the exchange rate of the naira; and
- the effect on dollar-denominated borrowing as the exchange rate of the naira falls or sovereign borrowing costs rise.

Nonetheless, at FirstBank, we are strengthened by the fact that the industry emerged from the last crisis with much more solid balance sheets, and thus most banks are uniquely positioned to weather this new storm.

However, it helps to remember that, lately, industry profitability has come under pressure from the CBN's continuing attempts to implement macro-prudential reforms in the sector and to reinforce consumer protection programmes. It is almost inevitable, therefore, that, combined with these new headwinds, the industry's advised numbers for the fiscal year 2015 might be under severe downward pressure.

The Bank's strategic and tactical responses are continuously fine-tuned in response to opportunities and threats in its operating environment, and we will continue to design them to leverage our reach and improve productivity and cross-border footprints to deliver strong and sustainable financial performance.

Operating environment

GLOBAL ECONOMY

Global growth strengthened marginally by 3.3% last year, with recoveries in the United States of America and the United Kingdom leading the way. Sub-par growth in both Europe and China dampened eventual global growth numbers, while Japan continued to send mixed signals. Emerging markets came under twin pressures from softening commodity prices, and a slowdown (and occasional reversals) in capital inflows.

Nonetheless, the dash towards developed market equities (the safe haven consideration) slowed down considerably in the review period (after rising by 20% in 2013). On the other hand, developing and emerging markets investments, which were considered especially risky as 2013 wound down, saw a recovery in the review period.

UNITED STATES OF AMERICA

Unemployment in the USA fell to 5.2%, its lowest rate since 2008, while higher profits and increased investment saw the S&P500 close the year higher, reflecting increased optimism in the economy.

In response to the US economy's recovery, the Federal Reserve called off its programme of quantitative easing, leaving the markets speculating over the US policy rate trajectory.

UNITED KINGDOM

On the back of falling overseas orders (especially from a drop in euro area demand), the manufacturing sector in the UK saw output drop to a three-month low in December. Markit Economics' Purchasing Managers' Index fell to 52.5 in December, from a revised 53.3 in November. The effect of lower global commodity prices, with some oil trading at below USD50 a barrel, saw the UK record its lowest inflation level in 10 years, and the eurozone end the year with negative inflation.

CHINA

China's first onshore default (Chaori Solar, missed payment on part of a bond coupon on 7 March) heightened concerns over the health of China's companies, while simultaneously clouding the outlook for emerging and developing economies. Still, domestic demand strengthened in China, responding appropriately to government stimuli. By year-end, stronger final consumption compensated for falling exports in the earlier part of the year as US demand eased.

Nonetheless, with activity in China subdued through most of last year, output growth fell to 7.4% in 2014 (from 7.5% in 2013).

JAPAN

Despite the apparent successes recorded by Prime Minister Shinzō Abe's efforts at reinvigorating the Japanese economy, much of the economic activity in the review period was overshadowed by the increase in value added tax on 1 April. Designed to help the government balance its books, the VAT increase appeared to have dampened consumer spending going forward.

By June, the Japanese government unfolded a second round of growth strategies including plans to revise the corporate governance code for listed companies, and reforms to the labour and agriculture sectors. Designed to improve the efficiency of domestic resource allocation and use, these new reforms would matter for the Japanese economy going forward.

THE EURO AREA

The euro area's output outlook remained differentiated among members, with the geopolitical crisis that has pitched Russia against the West over Ukraine, and falling global oil prices contributing to pressure points. Concerns over the outlooks for France and Italy, as well as a slowing German economy, were joined by the tense negotiations between the ECB, European Commission and the IMF on one hand, and the new government in Greece, on the other hand, over the terms of the latter's continued access to ECB financing.

The ECB's mid-year decision to reinforce the floor beneath its component economies by cutting its interest rate to a record low of 0.15% (from 0.25%) was a major positive, as was its decision later in the year to pursue quantitative easing.

Most oil-producing countries were, however, adversely affected by falling oil prices, in particular Russia (which was also hit by economic sanctions), Venezuela and Nigeria being the worst affected. This decline in oil prices raises the chances of an increase in global economic growth, since oil consuming nations are more likely to spend the price gains than are oil exporting ones. Nevertheless, the oil price drop constitutes a major threat to the economy of oil producers.

DOMESTIC ECONOMY

The domestic economy continued to do well last year. According to the IMF, Real Gross Domestic Product (GDP) grew by 6.1% in the third quarter of 2014 (compared to third quarter 2013), supported by robust performances in the non-oil economy (agriculture, trade and services). Annual inflation closed the year at 8%.

As oil prices fell, the outlook for the economy moderated, and most analysts worried about the Federal Government's ability to maintain overall fiscal balance. With the Bonny Light crude oil price down USD57 per barrel in December (and now USD50.89 per barrel), and gross external reserves down to USD34.5 billion (5.4 months of imports of goods and services), the current account surplus is now projected to decline to about 3.0% of GDP by next year.

In the wake of falling oil prices, the CBN tightened monetary conditions throughout the year. A number of key rates, such as the policy rate and the cash reserve requirement rates, were pushed up during the year. The mid-point of the official exchange rate peg moved from USD/₦155 to USD/₦168, and the official band around the mid-point of the exchange rate was widened from +/-3% to +/-5%. The net effect of these policy changes was to push up banks' cost of funds, with obvious additional implications for growing profits.

Given that most of the restrictive regulations were targeted at preserving the stability of the foreign exchange market, most commentators expect the straitened regulatory environment to remain, if not tighten, as oil prices touch new lows.

Were the fiscal impact of lower oil receipts to hurt more than currently, then the outlook for the industry could worsen, with the possibility that many of its counterparties could cease to be viable concerns.

TRENDS, CHALLENGES, OPPORTUNITIES, COMPETITION, REGULATORY INFLUENCES

Due to the oil price constraint on the economy, short-term considerations would move up in most corporate decision-making frameworks.

The main variables would be how (and to what extent) falling output levels and a rapidly depreciating domestic currency drive up prices and job losses. On balance, expectations are of a tapering off of domestic demand. The main implications of this would be to depress demand for durable goods, especially cars and white goods. Thus, in addition to the implosion of the oil and gas, and public sectors, the financial services industry should look to business slowing down in other areas of its operations. The non-durable goods sector, including distributive trade, should provide some succour from this trend.

In addition to reduced business opportunities, tighter monetary and fiscal conditions would drive up banks' business costs. If not properly managed, these higher costs, coupled with a leaner general business environment, might drive up banks' non-performing loan ratios. How much of the resulting charge on capital would imperil the industry's outlook, will depend on several other non-economic variables.

It would matter though for these scenarios, that the CBN is able to quickly put a floor on the naira's depreciation over the next few months.

OUTLOOK

Macroeconomic concerns will dominate conversation on the Nigerian economy over the next 12 months.

Traditional concerns with politics remain, of course. If anything, in an election year, these have only grown more significant. Two worries are pertinent at this level. First is the growing sense that the presidential election might be a lot closer than it was at the last general election. Anecdotal evidence supports the sense that the opposition platform may have made significant inroads into previously settled political spaces. Second is worry over the elections in those parts of the country most troubled by the Boko Haram insurgency, and how this would impact the eventual outcome of the general poll.

Significantly, the electoral body (INEC) has warned of its limited capacity to handle a run-off poll at the presidential level.

Perhaps the most serious issue is that of the precipitous drop in oil prices with its immediate and long-term consequences over the last six months. As at the end of December 2014, oil was trading below USD50 per barrel. With a number of states and some ministries, departments and agencies of the Federal Government failing to pay staff salaries for more than one month, we may already have started seeing the results of lower oil receipts on government revenues.

If this shortfall continues household spending could begin to contract, with an obvious adverse impact on domestic output growth. The main challenge to the Bank from lower consumer spending is how it impacts our counterparties. Especially for the fast-moving consumer goods (FMCG) and distributive trade sectors of the economy, a build-up of inventory as consumers rein in their spending could hurt our bottom line.

On the other hand, rising domestic prices, as the naira loses further to foreign currencies, could also see domestic rates rise, driving up cost across sectors of the economy. Invariably, caught in this double whammy, our counterparties could begin to face default risks on their outstanding facilities.

Ultimately, the central task would devolve to the macroeconomic authorities, including how well they manage their commitment to the declared austerity measures. In the interim, though, we are committed to working ever-more closely with our significant counterparties to mitigate the possibility of defaults. Accordingly, we shall be re-designing our loan acceptance criteria over the current plan cycle to keep abreast of (and ahead of if necessary) developments at the macroeconomic level.

Undoubtedly, the industry is facing very trying times over the next 12 months. Most commentators have concluded that the trend of declining profitability will be the hallmark of the current cycle. While we recognise this fact, we are confident that the measures we have in place, and our capacity to act as needed, as changes occur on our horizon, will see the Bank emerge stronger from the current economic downturn than it was before.

Strategy and performance

OVERVIEW

Our vision is to be the 'clear leader and Nigeria's bank of first choice'. To achieve this, the Bank has adopted a transformation-focused strategy. We aim to continue to utilise the Bank's strategic positioning in the industry as the biggest retail franchise in order to drive profitable growth. At the same time, we will strengthen its core processes to acquire and service more customers efficiently across all business segments.

Our 2014-2016 strategic initiatives capitalise on our strengths and address key challenges in our business. FirstBank has outlined an ambitious set of aspirations and targets to meet these expectations over a three-year period, together with a set of strategic goals and key enablers.

WHAT DIFFERENTIATES US?

FirstBank continues to maintain an edge as a market leader specifically in the Nigerian banking retail sector, with revenues of ₦411 billion. Our capacity to create long-term value derives from our commitment to sustainably deliver stakeholder returns. Over the past 120 years, FirstBank has consistently outperformed competition by continuously focusing on these competitive differentiators:

STRONG RETAIL BANKING FRANCHISE

We have steadily built a robust retail banking platform over many decades. Despite our physical presence in all parts of Nigeria through over 763 branches, we have aggressively invested in the deployment of alternative service points to extend our reach and interaction with customers. This uniquely positions us to amass significant retail deposits and has led to a true competitive advantage on cost of funds. This has permitted us to create high-quality assets and to provide a sustainable liquidity base to underpin our continuous growth ambitions. We continue to drive low-cost deposit mobilisation, even as we re-energise our business to enhance our value proposition to capture market share within the affluent segment.

OUR BRAND – STABILITY, SECURITY AND CONSISTENCY

The FirstBank brand continues to represent consistency, stability and security within the Nigerian banking industry. This year, we celebrated 120 years of our dynamic existence as a bank. Our commitment is to maintain an identity that appeals to a need for stability, security and consistency across many generations. To this end, we stay in close touch with customers' needs as well as their perceptions of our brand, to ensure that we remain the first port of call for solid, dependable, safe delivery of financial services that continue to evolve with the times.

FINANCIAL SUPERMARKET

As members of a leading financial services holding company, FirstBank provides a suite of financial services to our customers, ensuring that customers' business and personal needs are met. The synergies that we gain from relationships within the group are translated into customer insights and better service delivery, thus enabling us to stand apart from the competition.

EXCELLENT UNDERSTANDING OF CUSTOMERS' BUSINESS AND INDUSTRIES

Throughout our existence, FirstBank has remained committed to and shown keen understanding of customers' businesses and the various links between their industries, thus translating this understanding into increasing the share of our customers' business. In addition, this has honed our ability to originate and deliver huge, complex transactions, keeping us in the forefront of financial services delivery.

LEGACY OF SUSTAINABILITY

Our strong business delivery ethics, evidenced by our record throughout our existence, have provided a compass to guide our commitment to a legacy of sustainable banking. However, in light of significant shifts in global financial services on the back of the financial crisis and more stringent regulations to ensure that such shocks do not lead to the demise of institutions, FirstBank has gone further and signed up to the Sustainable Banking Principles set out by the CBN. This will help us to drive value by reducing costs, increasing revenues, enhancing brand reputation and minimising risks. We have begun training on these principles at Board level and we continue to evolve our business model to ensure sustainability in our business delivery, while taking advantage of growth opportunities within our markets.

BUSINESS MODEL

The Bank generates value by exploiting the immense Retail Banking franchise to trap and grow sustainable low-cost deposits as a platform for the various wholesale banking groups to create quality risk assets.

In delivering on the fundamentals of banking we have consistently adjusted the structure of our business to ensure it is aligned with the needs of our customers and how they hope to be served. Our business model is guided by the philosophy of continuously restructuring for growth, controlling and measuring this growth and delivering business responsibly.

We also recognise the need for sustainable growth, which has led our embedding robust controls on risk and costs as evidenced by the ISO 27001 certification achieved in November 2013. To ensure the Bank's business model is continuously optimised, we are creating two teams to enhance our customer engagement model; the transaction banking team and the middle office. The transaction banking team provides deep technical expertise in driving non-interest income across all our business segments to support the developments of products and the structuring of business transactions for corporate clients. The middle office operations team will take on the operational responsibilities of relationship managers so they dedicate more business hours to sales-related activities. These two teams are critical to driving the effectiveness of the Bank's sales team.

We have clearly delineated customer market segments within the retail and various wholesale banking groups to ensure a proper match of value proposition to customers' profile. As a result, we further defined a SME sub-segment within the Retail Banking group, as well as a newly created Commercial Banking niche group focusing on middle-market opportunities in trade. This will enable the Bank to further deepen our foray within existing markets and create new space within the high-growth customer markets. The Retail and Public Sector businesses are merged and run geographically. This was done in response to changing industry dynamics and also to take advantage of business opportunities. Consequently, we have three SBUs – North Directorate, Lagos & West Directorate, and South Directorate, which focus on both retail banking and public sector.

To enable the effective uptake and use of deposits generated by retail banking and institutional/corporate banking groups, we have put in place mechanisms to drive the value chain approach to provide a one-stop shop for customers' needs. This business model optimisation demands a holistic approach to customer engagement, which in turn provides huge opportunities for referrals and cross-selling across the various SBUs in the Bank as well as the exploitation of synergies within FBNHoldings. To this end, delivering a superior value proposition and ensuring customer satisfaction remain our key model drivers.

OUR STRATEGY

Against the backdrop of the market context and competitive position, FirstBank aspires to consolidate its leadership on all fronts and remain at the forefront of banking services in Nigeria and across our African markets.

Strategic themes and priorities for FirstBank 2014–16

CONSOLIDATE OUR LEADERSHIP ON ALL FRONTIERS AND REMAIN AT THE FOREFRONT OF BANKING SERVICES IN NIGERIA AND ACROSS OUR AFRICAN MARKETS

Themes	ATTAIN LEADERSHIP IN COMMERCIAL AND SME SEGMENTS	IMPROVE COST AND CAPITAL EFFICIENCIES	SERVICE EXCELLENCE
Strategic priorities	• Be the SME and commercial bank of choice • Build transaction banking capability • Institutionalise Relationship Manager (RM) sales excellence.	• Scale up integrated cost containment programme • Drive aggressive management of non-performing loans (NPL).	• Aggressively pursue service delivery excellence programme • Transform branch into best in class service and sales machines.

STRATEGIC PRIORITIES

To continue building on the Bank's strengths and successfully address challenges, the Bank has adopted a set of aspirations and targets to surpass analyst expectations over a three-year cycle (2014–16). In support of these efforts, the Bank has also outlined a set of strategic themes and key enablers. The agreed strategic themes are:

- Attain leadership in Commercial and SME segments
- Improve cost and capital efficiencies
- Service excellence.

Thus far, we have implemented specific initiatives along each of these themes – in some cases we set up pilots/proof of concepts, in others we executed some basic quick-wins, and in some we have commenced a full roll-out.

ATTAIN LEADERSHIP IN COMMERCIAL AND SME SEGMENTS

Be the bank of choice in the commercial segment – we are developing a tailored value proposition for identified high-growth segments within Retail and Commercial Banking SBUs by developing/modifying specific products and services. We have also focused on optimising coverage and distribution channels to balance revenue, cost and clients' needs. In addition, we have adopted a systematic approach to generating sales opportunities by leveraging on technology and cross-selling, developing competence and building in performance incentives.

Drive retail business – we have focused on deriving more value from our retail customer base, increasing consumer lending and growing transaction income by continuously strengthening our transaction platforms to drive increased usage of our internet and mobile platforms.

Build transaction banking capability – a Transaction Banking group has been created to drive non-interest income in the Bank by managing transaction-based products and providing technical support to relationship managers and their clients. This has ensured FirstBank is able to increase its share of wallet among its wholesale clients as it has capabilities to tailor solutions for clients. Our increased focus on banking services will stimulate improved collections, grow low-cost deposits, and retain funds through offering effective e-payment and liquidity management solutions.

Institutionalise Relationship Manager (RM) sales excellence – we are adopting a scientific approach to our sales and relationship model to assist our relationship managers to succeed in their roles. This programme incorporates the critical enablers required for a lead generation framework to work: tools, time management and performance management. In a pilot scheme conducted across 10 teams, this system has helped identify business opportunities, of which about 23% have been consummated.

Middle office transformation – our new middle office department will increase relationship managers' sales time, reduce service turnaround time and reduce the Bank's non-performing loan ratio. To this end, the middle office will aim to deliver the following:

- increase the time relationship managers spend with their customers by at least 50%;
- improve loan documentation quality, standard and processing time;
- improve loan account management and maintenance; and
- improve risk asset monitoring and collection.

Tasks to be executed by the middle office include, but are not limited to, contract verification, documents administration, stock/collateral management and warehousing, and loan covenant tracking.

Looking ahead: priorities for 2015
Conclude roll-out of RM excellence across all sales teams in August 2015
Continue to drive roll-out of branch transformation initiative in priority locations
Back/middle office to go live in 2015

IMPROVE COST AND CAPITAL EFFICIENCIES

In line with recent regulatory changes, as well as the evolving business environment, the Bank's business operating model has been reviewed to ensure proper strategic realignment and optimal use of available resources. The Bank continues to aggressively pursue cost optimisation and containment and efficient capital management strategies across its entire operations, and we are positive these efforts will yield results.

Scale-up integrated cost containment programme – in order to drive cost efficiency, the Bank developed a roadmap for implementing identified cost-containment initiatives. These include rationalising unprofitable branches, restructuring procurement processes and centralising processes to reduce transaction costs and processing cycles.

We are targeting a cost-to-income ratio of 55% by 2016 and, as at December 2014, we recorded a figure of 66.2%. We believe that our target is achievable with a focused implementation of these identified initiatives and close monitoring, as well as a greater emphasis on the ratio denominator – revenue.

Workforce realignment – we are realigning our workforce to optimise cost and capabilities. We seek to reverse the front-back office workforce ratio from 40:60 to 60:40 in favour of the front office to enhance customer touch points and deepen revenue generation, thus enhancing the overall efficiency and productivity of our manpower.

Non-performing loan management – this initiative is complemented by the creation of a middle office to ensure that teams proactively prevent loss. This will be driven by recoveries, proactive account monitoring and a more effective remedial management process.

SERVICE EXCELLENCE

Service excellence programme – service excellence is a key element of our strategic drive to being the 'clear leader and Nigeria's bank of first choice'. In line with the Bank's commitment to strengthen its service excellence proposition, we are focused on revamping the customer experience within the Bank, including branch experience and speed of processing. Excellent service and branch transformation strategies have been placed at the forefront of our drive to ensure we attain the leadership position in the industry.

The drive to improve our service excellence will be accomplished through the implementation of service programmes and standards, through internal/external customer engagement sessions and other forums, with the purpose of interacting with customers to continuously receive their feedback on expectations and service delivery.

Transform branches into sales centres – the Bank also seeks to maximise the benefit of customers' visits to our branches. We have introduced structures to reduce queue times and create cross-selling leads through a combination of process streamlining and customer migration to self-service channels.

In order to improve overall customer experience in the Bank, we have put in place structures to reinforce the importance of an efficient complaints-handling mechanism. Looking ahead, our focus is to reinforce the Bank's achievements across key customer touch points and continually enhance our process.

Collectively, these interventions will improve service but can also lead to tangible revenue and cost benefits. We are confident that we will have established a customer-centric bank at the end of our strategic cycle.

Looking ahead: priorities for 2015
Bridging staff's knowledge gap
Enhance staff productivity
Enhance service excellence culture

PERFORMANCE MANAGEMENT

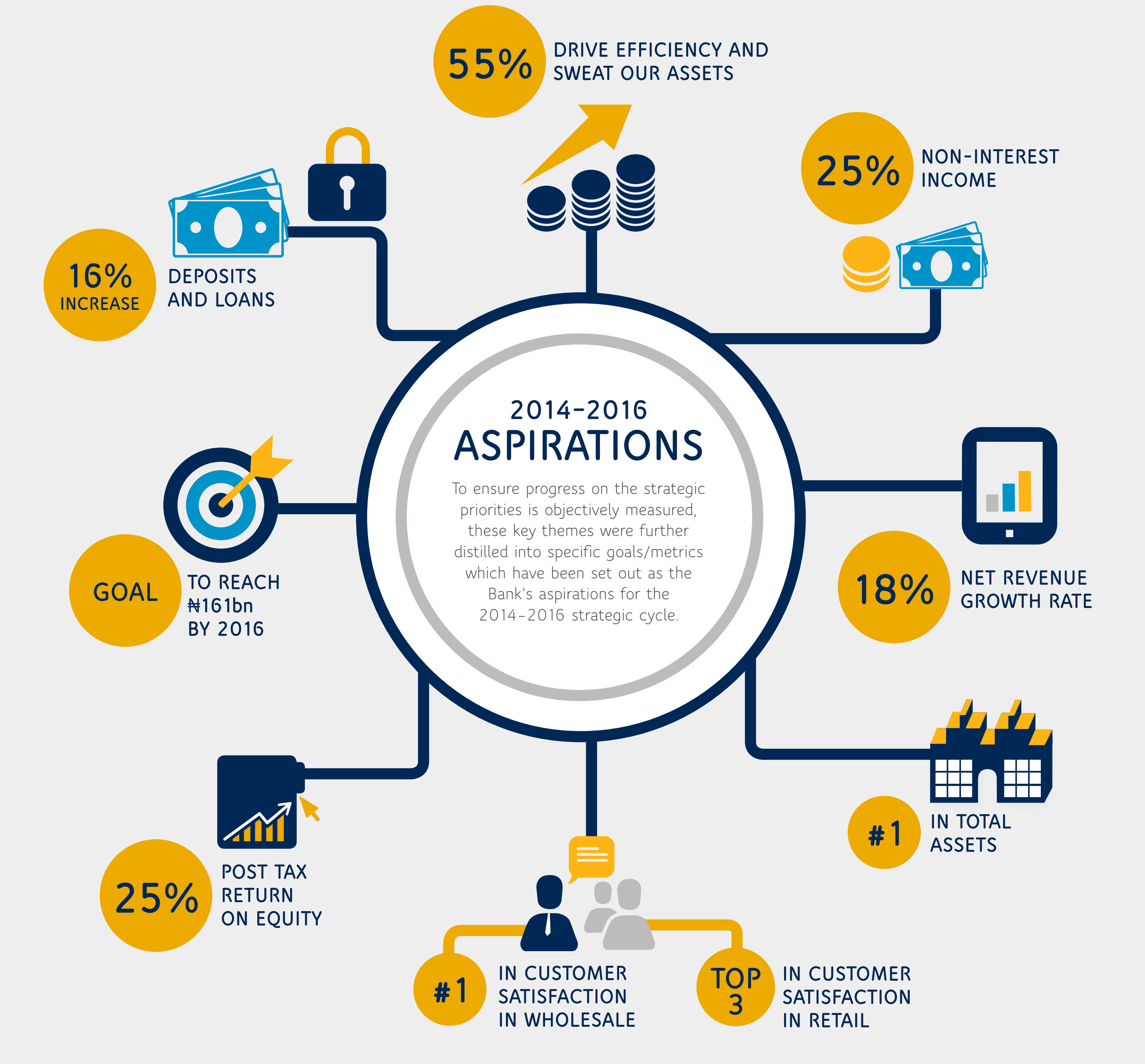
To continue building on its strengths and address the challenges it is currently facing, FirstBank has aligned some aspirations and targets to surpass analyst expectations over the next three years:

- post-tax ROE of 25% (from 2013: 18%);
- revenue growth of 18% cumulative annual growth rate (CAGR) for 2013-16 (from 6% 2011-2013);
- a non-interest revenue share of 25% (from 21% in 2013); and
- a cost-to-income ratio of 55% (from 63% in 2013).

In concluding this strategy, we are focused on ensuring a prompt transition to successful execution through the following actions:

- Developing a granular, segment-specific strategy at the SBU level to identify practical improvements to value propositions and service models. SBU strategies have been launched to optimise value capture in the various client segments.
- Working with the owners of the various priorities to develop detailed implementation plans and agree a tracking routine with the transformation team. Specific operational metrics are being defined and targets set for each strategic priority. Attainment of these targets will be continuously monitored.

The strategic vision for the Bank in the 2014-2016 cycle



DIVISIONAL OPERATING REVIEW
INSTITUTIONAL BANKING GROUP

INTRODUCTION

The Institutional Banking group is structured along six industry groups – energy (oil and gas), telecoms, construction and infrastructure, conglomerates and services, manufacturing, and financial institutions and multilaterals. Several top organisations bank with the group across these markets.

Bashirat Odunewu, Head, Institutional Banking

As a leading SBU of the Bank, our target markets and clients include multinationals, large corporates and corporate players, and specialised businesses, such as exploration and production companies, international oil traders, and financial institutions, both local and international.

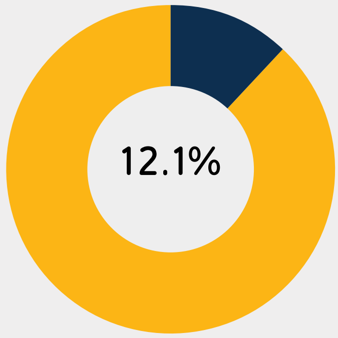
The group provides an array of banking and financial services, ranging from project finance, trade and corporate finance, reserve-based lending and term loans, to foreign exchange, treasury services, cash management and guarantees. Our distinguishing strength is our ability to customise solutions to meet our clients' individual requirements.

Across the key institutional banking market segments, we continue to build strategic partnerships either by financing cutting-edge transactions that drive revenues, or by adding value to customers' businesses or projects through the provision of advisory services. We have the flexibility needed to be at the forefront of the increasingly dynamic business environment and are positioned to take advantage of the opportunities.

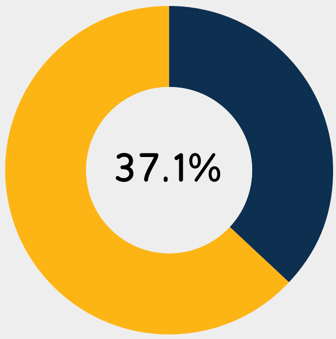
The SBU's operating structure is set up across the country's key business hubs, which constitute the main locations of our clients – Lagos, Port Harcourt and Abuja.

4,961 accounts opened at the end of December 2014

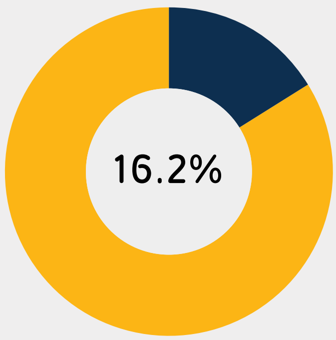
Percentage of deposits



Percentage of loans and advances



Percentage of net revenue



OPERATING ENVIRONMENT

ENERGY (OIL AND GAS)

This has been a modest year for FirstBank's operation in the energy sector. The Institutional Banking group participated in the final rounds of strategic asset divestment of oil mining leases by international oil companies and reserve-based lending for field development financing for crude oil and gas monetisation.

Trade transactions were equally on the front burner for the group. In this regard, the import financing volume for petroleum products exceeded USD1 billion and export financing for crude was USD854 million. Our value proposition as bank of choice in crude and petroleum product financing revolved around key offshore confirmation lines, which aid our clients' negotiations with suppliers.

The CBN's regulatory policies regarding oil and gas exposure in 2014, coupled with the dwindling oil price were the two most formidable environmental factors that affected the energy business. We have since modified our risk acceptance criteria to mitigate the adverse effect of these policies on future transactions.

Energy (oil and gas) contributed 30% to IBG's bottom line for the year ending 31 December 2014.

Our focus in 2015 is to improve our risk participation capabilities with key foreign financial institutions to accommodate new transactions in upstream financing in light of the regulatory constraints. We will also focus on deepening fee-based ancillary transactions to grow non-interest income.

TELECOMS

The Institutional Banking group continues to provide cutting-edge financial services to companies operating across the entire value chain of the Nigerian telecommunications sector. This includes mobile network operators (MNOs), such as MTN, Glo, Airtel and Etisalat, code division multiple access (CDMA) operators, original equipment manufacturers (OEMs), such as Huawei, infrastructure providers, contractors, value-added service providers and trade partners.

Product offerings in this market are generic but FirstBank's services are distinguished by top-notch and bespoke value addition, which includes providing financial advisory services in partnership with our sister company FBN Capital to all our valued customers.

The telecoms sector witnessed low activity in 2014 as most of the funding to major operators was done in the refinancing round in 2013. This marginally reduced risk asset yield in 2014 as the volume of fee income on facilities reflected the low activity in the year.

The strategy of the telecoms group in 2015 will be to identify new areas of growth in line with the National Broadband Plan and to enhance internal capacity and resources to capture market share. We also intend to hold on to maturing operators and other markets to enable us to play along the entire value chain and pursue the cash generated from it.

Based on the five-year National Broadband Plan (2013-2018), the growth areas of the market will include deployment and financing of broadband services, and licensing and financing of approved infrastructure companies that are expected to deploy 'open access' fibre optic transmission cables across Nigeria. Financing opportunities will also continue to abound in the areas of sale and leaseback of passive infrastructure, and funding of co-location and infrastructure companies. We are poised to take a leading position as these opportunities unfold. We expect to see growing, and better regulated, value-added services in the telecoms space in 2015.

MANUFACTURING

In the manufacturing sector, our focus in 2014 was to increase the Bank's share of wallet of transactional activities and to participate in key customer mandates. We achieved commendable growth in these areas, with trade and invisible transactions increasing significantly to in excess of USD600 million. This is in addition to being actively involved in the business value chains of our clients, structuring forward contracts to hedge against foreign exchange volatility, raising working capital via the issuance of commercial paper to meet short-term funding requirements and acquisition finance.

The last quarter of 2014 was quite unsettling for most manufacturing corporates, as a result of foreign exchange volatility and the devaluation of the naira, which led to businesses reducing their exposure to foreign currencies and, therefore, a surge in demand for the local currency. Our financing structure was modified to meet the funding gap and mitigate any adverse impact.

As one of the growth sectors of the economy in the coming dispensations, our goal in 2015 will be to attain our position as the bank of choice for both strategic and transactional mandates. We intend to deepen fee-based ancillary transactions in order to grow our non-interest income base, and to work in partnership with the Manufacturers Association of Nigeria to influence regulatory policies. This should lead to new clients signing on with us and an increased share of client spend both for corporate finance deals and ancillary businesses across the manufacturing value chain, such as distribution, supply, trade, collections and remittances.

FINANCIAL INSTITUTIONS AND MULTILATERALS

Leveraging on the Bank's brand, extensive branch network, investment in technology and improved customer service, our financial institutions and multilaterals team has continued to grow our relationships across all bank and non-bank financial institutions, both locally and internationally. Our team has also been the natural partner for both existing and new entrants to the Nigerian financial market.

In the past two years, we have increased our focus on the global financial space, particularly Asia. This resulted in the signing of a framework agreement with China Development Bank (CDB), which provides for comprehensive financial cooperation between both our institutions with a view to supporting Nigeria's economic development. As a start to this partnership, CDB has offered FirstBank an on-lending facility of USD100 million for five years, which is targeted at SMEs.

We have continued to build on our existing relationships with the development finance institutions and export credit agencies, and are always seeking to increase this list of alternative sources of medium- to long-term offshore finance for the benefit of the Bank's clients. Accordingly, our discussions with the European investment bank PROPARCO and the Export-Import Bank of Korea, among others, are expected to culminate in new credit lines in the near future.

Through our foreign correspondent banking relationships, we have been able to obtain trade lines for our African subsidiaries that before now were disadvantaged because of the risks associated with the country and our former brand. Following on from this, we have been able to create more synergies and business opportunities for them. The subsidiaries can now do business with foreign financial institutions based on our recommendation and existing relationships with these institutions.

CONGLOMERATES AND SERVICES

Our conglomerates and services team assists players in the services industry, in addition to companies with various subsidiaries across different business interests. In 2014, the regulatory and policy regimes in this space were largely restrictive, especially for transactions in automobile, rice and fish importation businesses. Despite the formidable effect of the regulatory changes, the group pulled its weight in liability generation, where it achieved 23% growth compared with 2013 numbers, and in trade ancillaries, where it posted 14% growth on last year's performance. We expect 2015 to be characterised by investments in the automobile industry as an offshoot of the automobile policy of the Government (depending on the outcome of the election) and foreign exchange trends, among other things. We will, however, continue our drive towards deposit mobilisation, participate actively in our clients' expansion projects, concentrate on fee-based transactions, deepen existing businesses, while bringing on new names, and focusing on other areas of our clients' businesses to cushion the possible adverse effects of the Government's recent policies.

CONSTRUCTION AND INFRASTRUCTURE

Over the past 12 months, we continued to play a key role in the financial sector's support for infrastructure development in the country. Continuing our efforts in 2013, specifically for the power sector, in funding some of the key projects within the sector.

This is in addition to increasing our collection network within the sector by adding three major collection points by leveraging our relationship with leading airlines, both domestic and international.

OPPORTUNITIES

The expected gains from the power sector reforms did not kick in as projected in 2014. The sector in 2015 is consequently expected to continue to receive the Government's attention and intervention. This will improve capacity utilisation and necessitate funding from banks, as well as generating ancillary business opportunities. The Institutional Banking group will be in pole position to seize these opportunities as they present themselves.

STRATEGIES AND OBJECTIVES

The strategic imperative for us, as the market becomes increasingly competitive, will be to diversify the Institutional Banking group's portfolio by investing in other industries, while deepening existing relationships by increasing its penetration of non-loan solutions and services. We will develop and build corporate and structured finance capabilities by upscaling our relationship team's capacity to meet our clients' increasingly dynamic and sophisticated needs. The key differentiating offerings of the group are its product customisation and excellent customer service, the efficiency of its transaction banking process and the quality of service provided by our transaction banking platforms.

Our objective would be to attain a market-leading position in the delivery of transactions and electronic solutions in the institutional banking space. We will give adequate priority to enhancing service delivery platforms to ensure our turnaround time and the quality of our information, among other things, are on par with the best in class.

KEY RISKS AND MITIGANTS

The major risks that may challenge the financial sector in the year ahead are trade sector-related trends, which are critical to our market. This is in addition to the naira devaluation, which heightens the cost of imports for manufacturers and other import-dependent concerns. There are also the uncertainties surrounding the outcomes of the 2015 election in relation to the direction of government policies. The Bank's appetite for risk asset expansion is also expected to play a role. We are, however, adequately poised to mitigate these concerns. Our trade financing transactions are well hedged ahead of adverse trends and this is in addition to our proven and proactive internal credit process.

PERFORMANCE

The Institutional Banking group achieved a moderate result across key metrics during the year. Net revenue decreased marginally by 4% to ₦48 billion in a year that witnessed tight regulations and restrictive lending coupled with deliberately sustained sell-downs in risk assets. Deposits closed at ₦301 billion, while loans and advances at year end reached ₦640 billion. Deposits dipped in 2014 because of the nature of our institutional clients' businesses, pricing pressure from increasingly sophisticated customers and the effect of government policy on public funds, which affected state corporates.

We will continue to be strategic in delivering our value propositions to the markets we serve, which we are certain will translate into improved numbers in 2015.

OUTLOOK AND 2015 PRIORITIES

A key priority is to increase the Investment Banking group's net revenue contribution to the Bank to 18%. We hope to achieve this by growing profitability, improving performance across all metrics, deepening relationships with customers and growing transaction volumes.

We also intend to focus on increasing the returns from our low-performing business relationships, driving the acquisition of new clients across identified growth areas and re-activating strategic inactive relationships, while making the most of the value chain of key principles. It will also be a priority to maximise non-interest opportunities and be more efficient in service delivery to clients, understanding their unique business needs better and thereby offering more value-added products to meet those needs.

DIVISIONAL OPERATING REVIEW
CORPORATE BANKING GROUP

INTRODUCTION

The Corporate Banking SBU is led by Executive Director Tokunbo Abiru and supported by a 14-strong team of Group heads; the SBU serves the high end of the middle-upper segment of the Nigerian corporate landscape. These companies are predominantly structured and semi-structured, providing a full range of business banking services from regional hubs across the nation. Customers in this category are typified with a minimum turnover of ₦3 billion and above per annum.

Tokunbo Abiru, Head, Corporate Banking

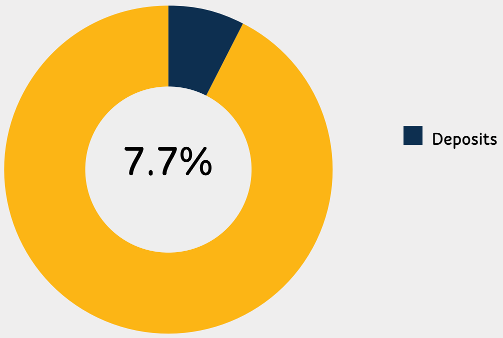
7,346 accounts opened at the end of December 2014

For effective coverage, we have 14 groups spread across the key business locations in Nigeria. They are largely focused on corporate clients in services including:

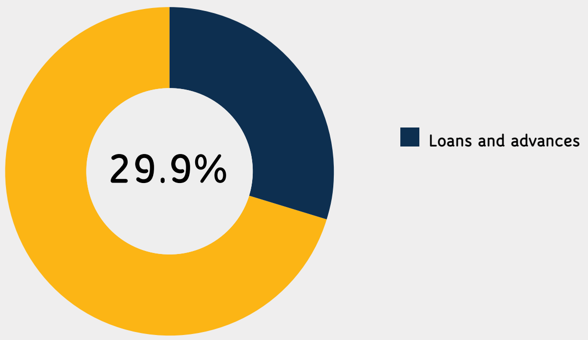
- education, entertainment and logistics;
- indigenous oil and gas businesses (excluding international oil companies);
- power distribution and its value chain;
- trading and general commerce;
- manufacturing including pharmaceuticals;
- construction and infrastructure;
- telecommunications; and
- agriculture and agro-processing.

The Directorate's contributions to the enterprise performance in 2014 include: total assets of ₦517 billion; deposits of ₦193 billion; and net revenue of ₦44 billion with a customer base in excess of 18,000. Value is created by strategic business partnerships with customers through customised services within the ambit of regulation. Major products offered include: trade products and derivative products such as forwards, term loans and syndicated facilities among others.

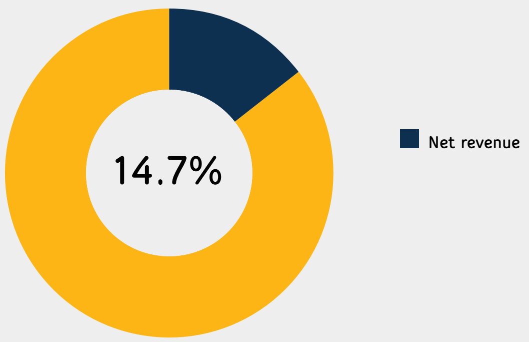
Percentage of deposits



Percentage of loans and advances



Percentage of net revenue



OUR TARGET MARKETS AND PRODUCT OFFERINGS

SERVICES

These include customers providing services in education, entertainment and logistics.

Product offerings include:

- schools solution/collection platforms/combo cards for educational institutions; and
- working capital and project finance.

OIL AND GAS

These are primarily indigenous oil servicing companies in the downstream sector and marginal field operators in the upstream sector of the oil and gas industry.

Product offerings include:

- oil and gas contract finance (OGCF);
- stock replacement facility (SRP);
- petroleum products lifting facility (PPLF);
- bonds and guarantees;
- equipment leasing;
- project finance;
- export proceeds domiciliary account; and
- funds transfer services.

POWER

These are players in the ongoing privatisation of the power sector, namely, power distribution companies (DISCOs) and power generation companies (GENCOs).

Product offerings include:

- bonds and guarantees;
- project finance; and
- collection platforms.

TRADING AND GENERAL COMMERCE

This segment is made up of importers of various fast-moving consumer goods as well as key distributors of manufacturing companies and exporters of raw materials.

Product offerings include:

- trade finance (import/export);
- key distributorship finance (KDF);
- warehouse financing; and
- letters of credit.

MANUFACTURING

These are essentially manufacturers of fast-moving consumer goods including pharmaceuticals.

Product offerings include:

- loans for capacity expansion;
- import finance for the importation of raw materials;
- collection platforms;
- warehouse financing; and
- letters of credit and bills for collection.

CONSTRUCTION AND INFRASTRUCTURE

These are companies in the fields of architecture, civil engineering and construction of roads, rails and ports, as well as provision of IT infrastructure.

Product offerings include:

- bond and guarantees;
- contract finance facility; and
- letters of credit.

TELECOMMUNICATIONS

These are typically dealers of major telecoms companies.

Product offerings include:

- telecoms dealership finance; and
- cash management.

AGRICULTURE AND AGRO-PROCESSING

These are companies operating in the agriculture value chain.

Product offerings include:

- loans for expansion under the Commercial Agricultural Credit Scheme (CACS);
- collections and cash management; and
- letters of credit.

BUSINESS MODEL

Our approach is to identify the specific needs of individual customers and develop tailor-made solutions. This requires a good understanding of the customers' businesses, their operating environment, competitors' offerings, etc. Furthermore, we find out the pain points of the players in the sectors that we serve and provide cost-effective solutions to earn their patronage and loyalty and, by extension, revenues.

Some of the attributes of our solutions include the following:

1. Uniqueness: our solutions are tailor-made to the specific needs of our individual customers.
2. Cost-effectiveness: our cost-effective solutions help to increase our customers' profit and maintain a low-cost profile to gain a competitive advantage.
3. Simplicity: our customers do not necessarily have to engage financial experts before understanding how our products work. They are all designed with the customer in mind.
4. Technology-driven: our robust collection platform serves as a great aid to our valued customers in the management of their working capital.

STRATEGY

The Corporate Banking SBU aligns with the overall enterprise objective of industry leadership position and extending this especially to profitability and efficiency.

Our strategies include:

- Expanding and deepening our sector coverage by establishing active banking relationships with at least six out of the top 10 CBG-type names in priority growth sub-sectors of general commerce (non-oil export, major retailers and importers of FMCG), manufacturing (FMCG, pharmaceuticals and chemicals), services, power and agro-processing and packaging.
- Developing a high-quality customer base by aggressively driving reactivation of low activity and inactive CBG accounts, focusing on the top 140 strategic high-potential clients across our portfolio with emphasis on the non-oil sector.
- Driving best-in-class credit and portfolio performance by focusing on disciplined growth with rigorous economic hurdle rates/benchmark rates for foreign currency and term loan origination and consciously grow short-term lending products.
- Investing and growing market share in solution capabilities, with specific focus on trade financing and payment and cash management.

OPERATING ENVIRONMENT

The majority of our customers import raw materials as inputs into their production process and, therefore, the devaluation of the naira has a direct impact on their performance. However, we have been able to provide advisory services on funding alternatives to our customers leveraging FBN Capital (a subsidiary of FBNHoldings) and provided derivative products to mitigate foreign currency risk.

We continue to create value by strategic business partnerships with customers through customised services within the ambit of regulation.

FINANCIAL PERFORMANCE

The Corporate Banking group's contribution to the Bank's performance in 2014 includes: total assets of ₦517 billion; deposits of ₦193 billion; and net revenue of ₦44 billion, with a customer base in excess of 18,000.

KEY RISKS

FOREIGN EXCHANGE

Current economic realities make foreign exchange risk a major issue in our business. We mitigate this by encouraging spot transactions and, where possible, offer derivatives and provide financial advice on best funding options based on the peculiar characteristics of each customer.

INTEGRITY OF FINANCIAL STATEMENTS

We are aware that the integrity of the financial statements of our customers could be in doubt. To mitigate this risk, we usually do a third-party confirmation to determine their reasonableness. This confirmation could be in the form of statements of accounts from the customers' major bankers, credit bureau checks, industry checks and peer review.

PRICE SENSITIVITY

Customers in our segment can be very price-sensitive, hence we offer well-researched, cost-effective solutions to meet their needs.

KEY MAN RISK

For most of the companies operating in this segment of the market, decision making and, ultimately, the survival of the company is centred on an individual or a family, such that whatever affects that individual or family might be likely to affect the profitability or survival of the company. This risk could be transferred by taking a key man risk insurance policy. In addition, exposures could be structured to be short-tenured in nature, especially where the risk and profitability are both high. This risk is gradually becoming less-prominent in our business because we have assisted most of our customers to build structures around their operations so that their businesses can outlive their promoters.

SOME OF THE MAJOR DEALS FINANCED IN 2014

1. We financed USD880 million in the oil and gas sector
2. We financed ₦3.6 billion in the agricultural sector
3. We financed USD112.68 million in the power sector
4. We financed USD9.5 million in the aviation industry.

2015 OUTLOOK

The strategic focus for 2015 is to continue to dominate the corporate banking space in all the regional hubs where we operate. We also aim to deepen our penetration in the non-oil sector of the economy, such as manufacturing, services (which include education, tourism and entertainment), trade, agriculture and agro-processing.

DIVISIONAL OPERATING REVIEW
COMMERCIAL BANKING GROUP

Cecilia Majekodunmi, Group Executive, Commercial Banking

INTRODUCTION

The Commercial Banking group offers banking services to the middle market segment of the economy, specifically:

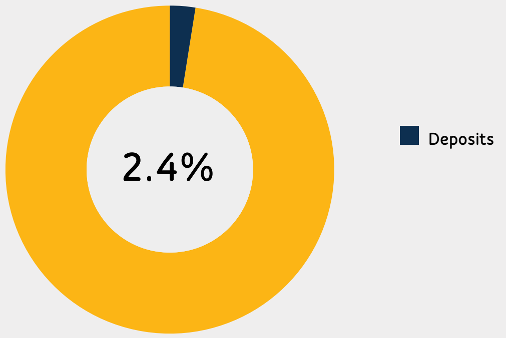
- oil and gas;
- pharmaceuticals;
- agriculture;
- mining;
- transportation;
- telecommunications distributors;
- general commerce;
- manufacturing;
- hospitality;
- government contractors;
- importers and exporters of commodities in focus sectors; and
- distributors and suppliers of FMCGs and services.

BUSINESS CLASSIFICATION

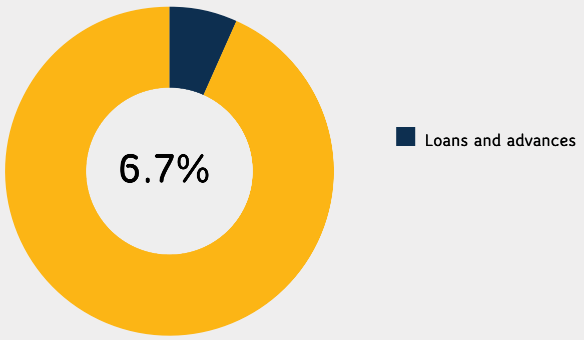
- Annual sales turnover of between ₦500 million and ₦3 billion comprising private sector enterprises, government contractors, hospitality and educational institutions.
- The management of companies that are not well structured.
- Sole ownership, i.e., entrepreneurs.
- Private sector enterprises.
- Non-governmental private institutions.
- Unstructured management.

4,315 accounts opened at the end of December 2014

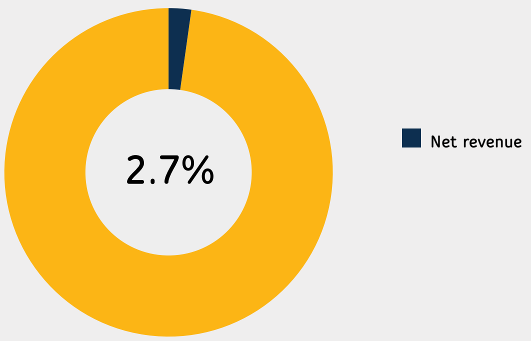
Percentage of deposits



Percentage of loans and advances



Percentage of net revenue



WHAT DIFFERENTIATES US

Our initiative of strict adherence to quality and innovative products and services has set us apart from the rest, thereby making us the choice for one-stop commercial banking products. The key focus of the Group is to create an environment where trade business thrives and this will, in turn, enable us to achieve our goal of becoming the established leader in commercial banking business.

PRODUCTS AND SERVICES

We have developed specialised products to cater for the peculiar needs of commercial banking customers including:

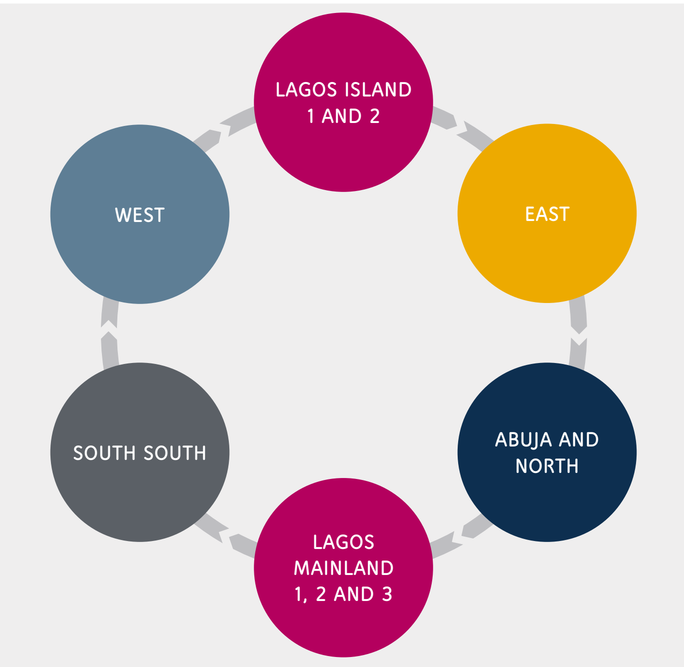
- import finance and export finance product programmes;
- the Procter & Gamble distributorship finance programme;
- the oil and gas contractors' finance product programme;
- the key distributorship finance product programme; and
- the agriculture financing scheme.

The impact of these products coupled with the Bank's robust technology platform will ensure that the middle market space is optimally served.

BUSINESS MODEL

Our business model, below, shows how we implement our strategic initiatives to generate revenue and sustain a profitable business operation.

The SBU is made up of 12 groups, which are located in key hubs around the country, with each group made up of four teams. The structure enables us to penetrate our target market and proffer tailor-made solutions to our customers' needs. The model has remained relatively unchanged since the last upgrade carried out in December 2013. The benefit of the upgrade is reflected in the improved performance by the SBU as evidenced by our FY2014 performance report.



These groups are located in Lagos, Oyo, Ondo, Osun, Anambra, Enugu, Aba, Akwa Ibom, Bayelsa, Rivers, Abuja, Kaduna and Kano. These locations give the Group a comparative advantage in providing service to a wide array of customers in the country.

STRATEGIC OBJECTIVES

- Robust trade platform/customer service centre
- Deeper market segmentation
- Periodic seminars for trade businesses
- Trade customer reward scheme
- Competitive pricing for our credit lines.

STRATEGIC IMPERATIVES	PRIORITY INITIATIVES
Achieve minimum two years' growth across all revenue streams	1 Leverage targeted, distinctive and flexible product offerings (short-cycled focus) to deepen penetration to individual commercial segment verticals (distributors, suppliers, manufacturers, importers, exporters and services).
Aggressively drive new client acquisition in priority sectors (trade, manufacturing, etc), underpenetrated locations (Lagos, South-south) and market hubs	2 Drive customer acquisition and penetration in target industries and locations: • trade customers (importers and exporters – non-oil and agro-allied) in Abia, Anambra, Kaduna, Kano, Lagos and South-south; and • independent businesses (education, healthcare and hospitality).
	3 Form strategic alliances in sectors targeted for growth by government: • export (partnerships with NEPC, BOI, Nexim); • agriculture (processing); • manufacturing (NIDRP); and – automotive – oil and gas (tank farms and oil services via local content initiative).
Reposition the Commercial Banking group as a true partner to our customers and drive the growth of their businesses	4 Deploy a 360-degree engagement approach/model that provides holistic support to commercial banking customers, facilitating advisory support for customers' needs, knowledge-based services and solutions to infrastructural needs.

RISKS AND MITIGANTS

Continuing a strong tradition of quality risk assets development, risk management will remain one of the central pillars of the Commercial Banking group. We will employ a holistic approach to managing and mitigating the risks inherent in our business. The key risks evident in this segment are:

- Diversion risk: this is the risk that funds availed/payments received are diverted to other purposes and other banks respectively. Our credit risk management has measured this risk and has mitigated against loss of funds availed. Some of the measures are to ensure the funds granted are availed directly to suppliers for goods/services and domiciliation of goods/proceeds in the account on contract employer/beneficiary of goods/services provided.
- Performance risk: this risk is associated with the probability that the borrower will not achieve high earnings and profitability from operations. We try to mitigate this risk before granting credit to the customer by gaining insight into what may happen to the earnings from operations – whether they would be sustained, increased or adversely affected in any way. This will enable the Bank to make an informed decision to approve or decline such a request. Most of the time, when products are tangible, profitability analysis is conducted before availability of funds is approved.

The Bank has also designed product programmes whose structures and terms recognise the various risks inherent in this market and run processes to mitigate them. As a result of strategies employed by the SBU our asset quality ratio has been zero for the past three years.

PERFORMANCE

FINANCIAL SUMMARY

- We maintained steady growth on our total deposits, which increased from ₦17 billion in FY2013 to ₦59 billion by the end of FY2014, thereby achieving year-on-year growth above 350%.
- We gained strong traction in the commercial banking space of the economy by building on the strength of the Bank's presence and brand.
- Net revenue grew by 100% on FY2013, increasing from ₦4.08 billion to ₦7.8 billion. This illustrates that more opportunities lie in wait for the Group to capture and convert.
- The Commercial Banking group has a total of 1,300 accounts as at the end of FY2014.
- We expect asset yields to grow in 2015, with the operating margin estimated at 7.1% and earning assets expected to reach ₦207 billion.
- As a result of the strong risk culture of the Commercial Banking group, our asset quality ratio has remained at 0% to date.

OUTLOOK AND 2015 PRIORITIES

More uncertainty abounds in 2015. There is an upcoming election in March, a transition of power in various states and the continued drop in oil prices is creating an unstable global economy. Despite all this, we remain confident that the middle market is on a sound footing and will be the driver of growth for the economy as a whole. However, it will be necessary for this segment to cultivate its inherent opportunities. Overall, and in line with the Group's 2014 to 2016 strategy, we envisage balance sheet growth of about 35%.

In this regard, the key priority for the Commercial Banking group in 2015 is to take advantage of the opportunities in the market and to grow the trade, general commerce and export businesses with a view to capturing about 25% of the available market share.

We intend to develop innovative products and deepen the penetration of existing products to drive revenue growth.

We aim to harness the value chain of key multinationals, major oil and gas organisations and key power sector players by increasing the business they do with FirstBank.

While we still have much to do, we are now closer than ever to achieving our objective of building a strong Commercial Banking group, thereby contributing to the growth of FirstBank.

CASE STUDIES OF NOTABLE BUSINESS ACTIVITIES IN 2014

ZONE 4 ENERGY LIMITED

SUMMARY

Zone 4 Energy Limited is a duly registered Nigerian company that was incorporated in December 2011. It is involved in the importation, trading, supply and distribution of refined petroleum products, with a vision of being a leading downstream company that focuses on providing an excellent customer experience for all its service offerings. Zone 4 Energy began a banking relationship with FirstBank in 2012.

OUR COMMITMENTS

To support the vision of Zone 4 Energy, the Bank financed a tank farm facility located at the Calabar Free Trade Zone, Cross River State, Nigeria. The facility, which is equipped with safety features, consists of seven tanks, with a total capacity of 33 million litres, for the storage and sale of premium motor spirit (PMS), dual purpose kerosene (DPK) and automotive gas oil (AGO). It also has two loading gantries, with a total of eight loading arms, two pump houses and two generating sets of 500kVA and 100kVA capacity.

PERFORMANCE

As a result of Zone 4 Energy's commitment to growing its business, the Bank has experienced a steady growth in its turnover over the years, particularly in 2014.

OMATEK COMPUTERS, IN PARTNERSHIP WITH FIRSTBANK

SUMMARY

Omatek Ventures, an Nigeria-based company, commenced business about 30 years ago, with its core business being in the sale and distribution of computers, and the assembling of its Omatek brand of computers. It also recently ventured into providing 24-hour lighting solutions that reduce energy/wattage use by 85% and solar-powered street lights. Omatek's relationship with FirstBank dates back to 2009.

OUR COMMITMENTS

Leveraging on the niche carved for itself in the assembly, production, sale and distribution of computers, notebooks, casings and speakers from completely knocked down (CKD) components, the Omatek Group, with the strong support and partnership of FirstBank in the areas of financial and advisory services, has successfully deployed its innovative solar and rural electrification initiative in Nigeria during the reporting year. This initiative will provide 24-hour lighting solutions that will lower power consumption by 85% and solar-powered street lighting.

PERFORMANCE

By working with FirstBank in 2014, Omatek was able to partner with the Nigerian Government and the National Identity Management Commission (NIMC) to successfully produce and deliver customised Omatek Computers (Omatek Panel PC2.5) for the National Identity Card Project. Having pioneered CKD factories in Nigeria and Ghana, the company, which has witnessed significant growth over the years, now exports its products to other African countries.

BROADBASED COMMUNICATIONS LIMITED

SUMMARY

BroadBased Communications Limited was registered in 2001 with registration number RC 410519. Its main areas of operation are telecoms infrastructure, fibre optic cabling and its data centre business. The company is licensed by the Nigerian Communications Commission (NCC) as a Metropolitan Fibre Network and Private Network Links Operator in Lagos, and operates an open access metropolitan fibre optic network covering all the major business districts in Lagos.

OUR COMMITMENTS

FirstBank's relationship with BroadBased Communications commenced in July 2014, and the Bank has continually supported the company's business through the development of financial products ranging from import finance and equipment leasing facilities, to revolving credit loans and various types of term loans. This has helped improve the company's service delivery to its customers and its subsequent growth. This growth includes moving its core operations to two locations, and, as at Q1 2015, the company's total cable now covers more than 700km, with 20 locations and a circuit capacity of 90,112.

PERFORMANCE

The company is known for neutrality, promoting an open access network for shared last-mile services, and has a proven track record, especially with regards to its expertise in delivering a good service. It is the preferred metropolitan fibre local loop provider of the leading telecom operators and internet service providers in Nigeria because of its quality of service. Currently, the company is working with 16 of the 20 internet service providers in Nigeria and all 22 of the banks. FirstBank financed the launch of BroadBased Communications' Horizontal Directional Drilling equipment (HDD) 'No Dig' solution. This solution allows the secure deployment of fibre optic cable at least six feet underground without having to manually dig up streets. This has earned the company fame in the industry.

PETROLOG LIMITED

SUMMARY

Petrolog Limited was established 30 years ago as an oil service company. Its relationship with FirstBank dates back to 2013, when it was looking for a strategic partner in its bid for expansion. Over the years Petrolog has expanded its services to include drilling, surface logging, mud engineering, geophysical exploration, engineering design, project management, diving, subsea solutions, offshore charters and other engineering services.

OUR COMMITMENTS

The Bank supported Petrolog in acquiring a 2014 build, ABS class, DP2 (dynamic positioning) diving support vessel (DSV Vinnice), which is now in Nigerian waters and is the only indigenously owned vessel in its class. This has been made possible by the Federal Government signing laws such as the Local Content and Cabotage laws. The vessel was commissioned by the Executive Secretary of the Nigerian Content Development and Monitoring Board (NCDMB), Ernest Nwapa, and the Group Managing Director of FirstBank, Bisi Onasanya, at the Nigerian Naval Dockyard in Lagos.

PERFORMANCE

Petrolog, with the acquisition of DSV Vinnice, now has the capacity to provide deep water and shallow water operations, and can be used for the construction and maintenance of oil rigs. The vessel also has a 100 tonne crane for the lifting of heavy equipment, with ample deck space for the transportation of equipment. DSV Vinnice has firefighting equipment installed and has 182 bed spaces for offshore accommodation. It is a DP2 double-hulled vessel, and has the capacity to moor and stabilise other vessels. Petrolog's annual turnover is expected to increase by more than 100% within the next year as a result of this acquisition. FirstBank is excited to be Petrolog's strategic partner in this growth.

DIVISIONAL OPERATING REVIEW
RETAIL BANKING GROUP

OVERVIEW

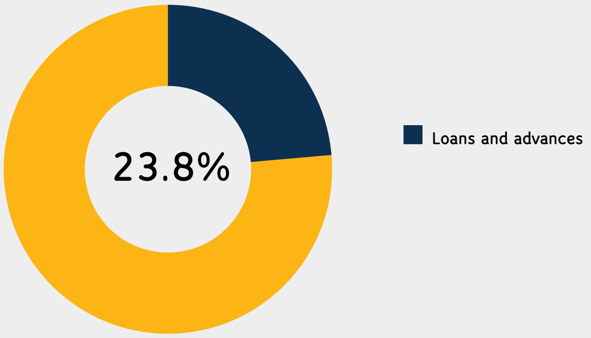
FirstBank's Retail Banking group (RBG) is focused on offering financial products and services to individuals and corporate customers with a turnover of ₦500 million and below per annum. This includes local governments and their parastatals.

Gbenga Shobo, Executive Director, Lagos & West

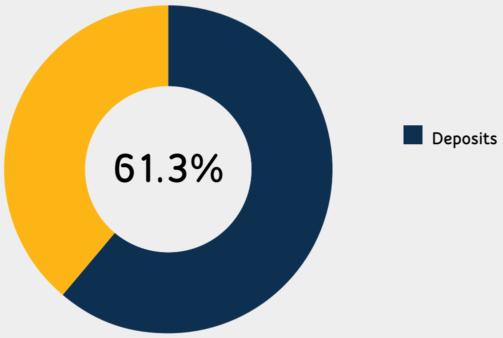
Abdullahi Ibrahim, Group Executive, Retail Banking North

UK Eke, Executive Director, South Region

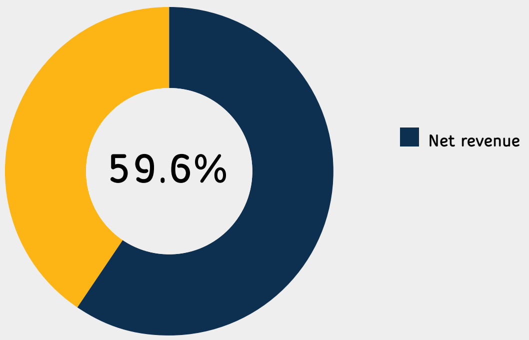
Percentage of loans and advances



Percentage of deposits



Percentage of net revenue



LAGOS & WEST
4.7 mn accounts opened at the end of December 2014

RETAIL NORTH
3.1 mn accounts opened at the end of December 2014

SOUTH REGION
3.4 mn accounts opened at the end of December 2014

The SBU is a one-stop shop for an array of beneficial financial products with highly specific value propositions for our individual customers and their businesses:

- **Personalised services:** we provide a relationship manager to handle the customer relationship for our clients thereby ensuring a high service quality.
- **Convenience:** various channels for customers to conveniently manage their financial activities and access their funds, including conveniently located branches, online and mobile banking and ATMs. We also have a number of card products that allow online purchases and channels for bill payments.
- **Loan products:** loan products include credit cards for customers, consumer loans and SME loans addressing specific customer needs like mortgages and household equipment purchase.

Retail banking in FirstBank has the widest geographic footprint of all banks in Nigeria and therefore the most diverse collection of customers across the country. The RBG presently has over 763 business locations spread across the 36 states and the Federal Capital territory, giving the Bank the largest branch and business network in Nigeria. There are over 8 million active customer accounts domiciled in those branches with a deposit base of ₦1.5 trillion. We have more than 6.9 million electronic cards issued out to our customers.

A deep focus on our customers across all lifestyles and income is what sets FirstBank's Retail Banking SBU apart from the competition. Based on their profile and market segment, we aim to consistently deliver products and effective services to our customers quickly and efficiently. In addition, we have ensured all customers have a dedicated relationship manager.

The RBG also plays some other strategic roles for the Group. These include:

- **low-cost liability generation:** Retail contributes 53.7% of the deposit base of the Bank's balance sheet by attracting low-cost funds from our large customer base;
- **increasing non-interest income:** we drive the sale of non-interest income products to all our retail segments through the identification and profiling of our customers to enable us to deepen our relationship managers' interaction with customers. Examples include our online and mobile banking and ATM facilities.
- **growing market share of all retail segments:** over the last year we have deployed our segment strategy to increase visibility across each retail segment and hence increase market share. The cornerstone of our segment strategy is increased engagement with each segment by identifying segment-specific needs and offering a product and service bundle that address these needs.
- **focusing on specific industries to drive business growth:** Retail consistently engages with trade groups in specific industries to create product programmes. This is built around the provision of required loans and services to the industry players tailored to their specific needs. Some of these areas include healthcare, entertainment, e-commerce and online retail;
- improving product sales to all customers across segments;
- **cross-selling of FBN subsidiary products:** over the last year we have strengthened our partnership with FBN subsidiaries, including FBN Insurance and FBN Capital, to drive their products through our retail locations across Nigeria; and
- cost optimisation initiatives in all activities/processes.

Our segment strategy is based on the precept that specific customers require a higher degree of engagement based on the level of business they conduct with the Bank. Customer segments are divided into the following:

- **SME:** SMEs are defined as corporates that have an annual turnover of ₦500 million and below.
- **Affluent:** affluent customers are individual customers that have annual turnover between ₦5 million and ₦50 million.
- **Mass market:** mass-market customers are individual and corporate customers with annual turnover below ₦5 million.

STRATEGIC PROGRESS

Over the course of 2013 and 2014, the RBG implemented initiatives designed to drive perception as an SME-focused bank. In the course of the year, that position was confirmed by the KPMG Survey Report, which showed that FirstBank was ranked by SMEs across Nigeria as the number one SME bank. This was based on loan transactions and account ownership. In 2015, we intend to introduce a number of new initiatives to deepen our engagement with this customer segment further.

For our affluent customers, our retail engagement strategy is built around presenting a clear value proposition for customers based on convenience, expedited turnaround times for transactions and a number of needs-based products meeting their loan and transaction needs. Footfall through our premium lounges has increased by a staggering 288% in just one region.

To further deepen our proposition to our mass-market customers, we have started to focus specific product offerings to the top end of the mass market by increasing our list of lending principals. We are also strengthening our ATM networks to increase their convenience.

We are also implementing certain strategic initiatives to increase brand appreciation among youth. To actualise this, we are driving engagement through our social media platforms and various areas that are of prime interest to the segment.

OPERATING ENVIRONMENT

The market for the retail banking business is largely individuals and corporate customers. Opportunities within the retail banking space in Nigeria are varied. There are now over 93 million adults in Nigeria, with 31% of the population living in urban areas. 36.9 million of the adult population are financially excluded. There are also more than 17 million SMEs in the country. There is therefore still significant room for growth for the Retail Banking group with regards to new customer acquisition and product sales.

OPPORTUNITIES AND CHALLENGES

Our projections for 2015 are tempered by two major items: the 2015 Nigerian elections and the CBN's regulatory interventions to reduce excess liquidity and defend the national currency. These issues will make it more difficult to raise deposits in the short term and, if extended, after the elections in the long term. The impact is already playing out with regards to our import and forex-reliant SME customers. This is also compounded by the fact that the full impact of the regulatory interventions imposed in 2013 are now being felt with regards to commission on turnover (COT) fees reduction, increased cost of savings accounts and reduction of ATM charges (even though this has been mitigated by a recent slight increase).

The expansion of the CBN cashless policy nationwide will also negatively impact the Retail Banking SBU. The security situation in the northern part of the country continues to adversely affect our branches in that area, as well as the client businesses in certain locations within the geopolitical zone. Also the increase in the cash reserve ratio (CRR) for public sector funds by the CBN from 50% to 75% means that banks require their retail businesses to provide more of their deposits and therefore heightens competition in that regard. We are also witnessing increased sensitivity of customers to bank charges, which threatens income.

Deepening of the cross-selling activities between the Bank and its subsidiaries will provide opportunities for increased revenues. Improvement in our technology platforms will allow retail to increase revenue from non-interest income. The Bank is also rolling out its agency banking network, which will allow the retail business to actually increase the Bank's share in the financial inclusion drive, and increase geographical footprints in further locations than the branch network would presently allow. We are also increasing our focus on providing financial access to large-scale markets. We have identified savings customers with large deposit amounts and are actively working on shifting them away to low-interest current accounts.

STRATEGIES AND OBJECTIVES

Our key strategic priority for 2015 is to increase our market share of the affluent, SME and mass markets as well as increase the transactions we do for them in order to drive up our profitability and deposit base, based on meeting customer needs and product sales. We also intend to deepen synergies with FBNHolding subsidiary companies to diversify the bouquet of products available for our customers. Identification of, and exploitation of, new opportunities throughout the year will also serve to strengthen our revenue lines.

Our focus points are:

- increasing our income from non-interest transactions by deepening our interactions with our customers beyond loans, towards supporting all aspects of their business;
- strengthening our core prudence in our retail loans business to minimise losses from bad loans by minimising exposures to risky industries and customer types;
- accelerated growth in priority customer segments (i.e., retail banking and emerging corporate) and continued implementation of modified service models for customers categorised as either affluent or SME;
- the drive of operational excellence to attain a top three position in service levels and customer satisfaction across the board. This will ensure strong links to corporate aspiration through all levels and functions via service-level agreements; and
- enhancing cost efficiency by implementing tactical initiatives.

KEY RISKS AND MITIGANTS

The key risks are from regulatory decisions and the impact on our various income streams as well as the impact of various election-related activities on business.

The RBG is preparing for this by increasing its non-interest income business. We are also intensifying our training programmes for our RMs to ensure our customer base is retained, adequately served and grown. We are positioned to benefit from the recent growth in e-commerce by providing payment platforms and advisory services to SME clients within that space.

OUTLOOK AND 2014 PRIORITIES

Our priority for 2015 is to increase our share of the affluent, SME and mass markets and also increase our proportion of product sales. Similarly, we intend to deepen our share of customer wallets to boost incomes/customers.

FINANCIAL PERFORMANCE

The RBG is the highest contributor to the Bank's net revenue with 52.9% (or ₦111.65 billion). Loans from this business unit are 11.8% of the Bank's outstanding loans, while it remains the source of low-cost liability generation, 53.7% (or ₦1.35 trillion) of the Bank's deposit is from the Retail Banking business unit.

NEW STRUCTURE

The Retail Banking group was recently restructured from the previous two SBUs into three SBUs as shown below, to increase our customer focus. Lagos & West Region has five groups, while South Region has eight groups and Retail North has another eight groups.

YEMKEM INTERNATIONAL

LEADING THE WAY: HOW FIRSTBANK IS SUPPORTING A RENOWNED ALTERNATIVE MEDICINE BRAND

Yemkem International Nigeria Limited is a renowned centre for alternative therapy, with an excellent distribution network across the country and abroad. Its relationship with FirstBank started in 2003. Yemkem International's products are well supported and have assumed a leading position in the alternative medicine industry in Nigeria. The company is responsible for the manufacturing, sales and distribution of products such as Erosil 5000, M&T Capsule, Supa A1, Super Bitters and Osomo energy booster.

OUR COMMITMENTS

Over the years, the Bank has continued to support the company's business through the provision of facilities such as overdraft and operational vehicle facilities. This has helped Yemkem International Nigeria to improve its service delivery to its customers, and its subsequent growth has made the company a leading brand in indigenous alternative therapy, winning many awards both locally and internationally.

PERFORMANCE

Before the close of the last financial year in December, Yemkem International Nigeria Limited secured, among others, the notable accolade of The Crystal Merit Award of Excellence from the UK, as one of the leading indigenous alternative medicine practitioners. This has earned the company both local and international recognition. Considering the sheer diligence, focus and determination of the prime mover, the Bank has witnessed good growth in its account turnover with Yemkem International Nigeria over the years.

Yemkem International Nigeria is based at 205 Idimu Egbeda Road, Idimu Lagos. http://www.yemkeminternational.com/

DIVISIONAL OPERATING REVIEW
PRIVATE BANKING

INTRODUCTION

The Private Banking SBU is focused on the upper segment of the individual customer market space. The business unit comprises three hubs: Lagos, Abuja and Port Harcourt, with teams located in eight clusters where the majority of our customers can be found.

Bernadine Okeke, Head, Private Banking

2,311 accounts opened at the end of December 2014

Private banking clients are the elite group of our society who are sophisticated and very sensitive about service. These clients are willing to pay a premium for good-quality service. They are considered to be within a premium bracket; they represent less than 1% of the Nigerian population and control a significant percentage of the nation's wealth.

The private banking business in Nigeria is no longer dominated by foreign banks due to the entrance of indigenous firms like ours into this space. This has increased our share of wallet and improved our brand image in this segment of the economy.

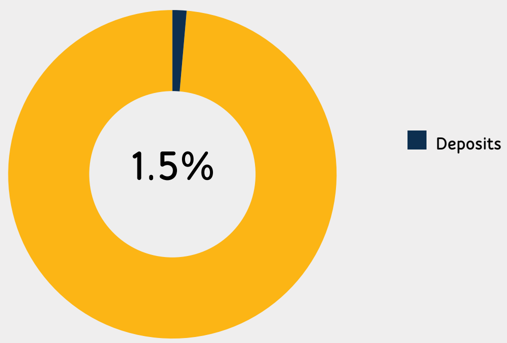
The achievements witnessed between 2011 and 2014 are indicators of the potential within the business of private banking. In 2014, with the implementation of the Global Private Banking Initiative, the Private Banking business unit commenced the journey to becoming an international participant.

The Nigerian economy presented considerable challenges to our operations; regulatory headwinds and insecurity had an impact on the confidence of investors which led to a flight-to-safety to instruments in other jurisdictions. This had an impact on our ability to grow our assets under management (AUM) portfolio significantly (approximately 12% growth achieved). However, we were able to rebalance our clients' portfolios and provide protection for them from the systemic shocks witnessed during the course of the year.

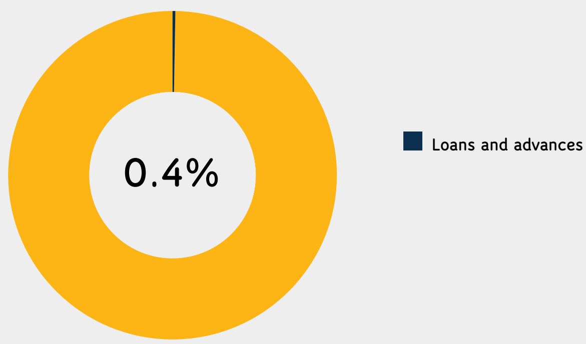
The strides made in the market by our SBU were recognised in the course of the year by World Finance (Best Private Bank, Nigeria 2014) and EMEA Finance's African Banking Awards (Best Private Bank in Nigeria 2014).

Our focus in 2014 was broadly on retaining our client base and increasing our wallet share. We achieved this through two primary offerings, structured to ensure the highest quality of service delivery to our clients:

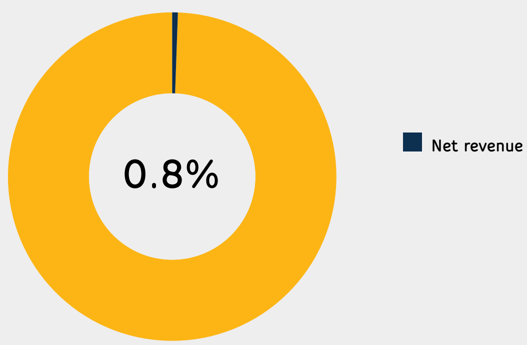
Percentage of deposits



Percentage of loans and advances



Percentage of net revenue



Personal banking and lifestyle management: this area provided our customers with products and services aimed at meeting their transactional banking needs. We also provided our customers with access to various world-class privileges through concierge services supported by Visa International. While this is not our primary role as private bankers and wealth managers, we managed to generate approximately 30% of our total revenue from fees charged on these services.

Wealth management: our job as wealth managers is to assist clients with the preservation, growth and transfer of their wealth to the next generation. In order to achieve this, we provided clients with solutions tailored to meet their needs. This area of our offerings provided us with over 50% of our total revenue through margins on investments, fees and interest earned on risk assets created, as well as other fees relating to the management of the clients' portfolios.

STRATEGIES AND OBJECTIVES

Looking ahead, the plan for the next three-year strategy cycle is to enhance the market penetration achieved and harness growth. The business model will also be reviewed, with a view towards increasing our focus on enhancing staff skills. In-house development of investment products is expected to increase as we look to significantly reduce the time-to-market for all our products. Cross-border business through the global Private Banking structure is expected to begin to yield results as we serve our clients across jurisdictions, creating seamless banking over our network. The successful execution of the strategies and objectives will ensure the SBU retains at least 7% market share of net revenue in the private banking business in Nigeria, improve client engagement, increase the client base to around 2,000, and increase the share of wallet of existing under-penetrated clients.

BUSINESS MODEL

We create value through a combination of accurately understanding our clients' financial objectives, efficient asset/portfolio allocation and first-class customer service delivery, consistently providing best-in-class solutions to our clients' investment needs and objectives.

We believe that the 100% customer retention achieved in 2014, despite the prevalent circumstances, lent more credence to the efficient business model of the SBU. This continues to provide an ever-growing bouquet of products and services specifically tailored to meet the diverse financial services and lifestyle management needs of our wealthy clients.

OPERATING ENVIRONMENT AND PERFORMANCE

OPERATING ENVIRONMENT

Regardless of the tough business terrain of local and offshore financial markets, characterised by constantly changing policy statements from local regulators and the indication of bond purchase tapering by the US treasury, the Private Banking group recorded considerable improvements on its wealth management portfolio, with a 12% growth in our AUM in 2014. The monetary policy adjustments made in the attempt to tackle inflation led to hikes in the risk asset rates and this affected our generation of loans and advances, as it was more prudent for our clients to utilise their funds in executing personal projects as well as those for their businesses.

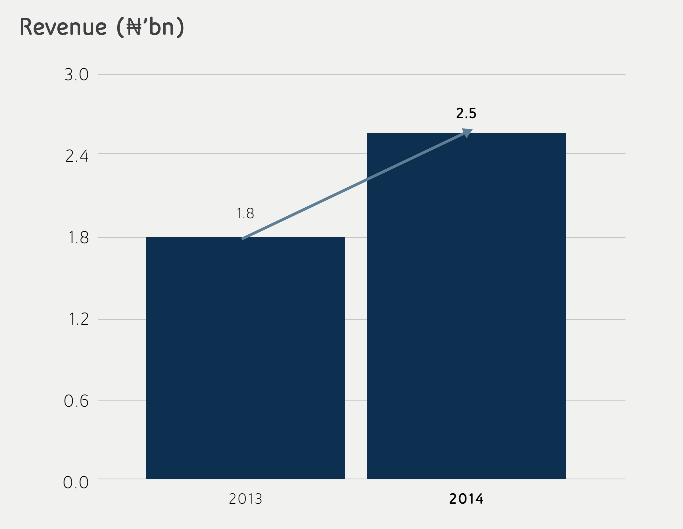
Though the private banking business in Nigeria has seen an increase in the number of indigenous banks in this space, the advantage will belong to those who are able to provide clients with bespoke wealth management solutions both on and offshore to meet their financial objectives. In a bid to exploit this opportunity, we have positioned ourselves to leverage the expertise and extensive network of our Investment Banking and Asset Management group. This means we can provide our clients with investment outlets and instruments globally that will enable them to preserve the value of their wealth, while optimising upside returns potential on their investments.

PERFORMANCE

There was a decline in our risk asset portfolio, which contributed to a marginal decline in our revenue generation (-1%). All the aforementioned notwithstanding, the SBU was able to live up to its commitment to adopt robust wealth management services structures aimed at creating and growing financial value for our clients. We were able to maintain our market share of the private banking business in the Nigerian economy with a 100% client retention rate, enabling the SBU to generate revenues in excess of ₦2.48 billion in 2014. Over the course of 2014, we engaged our staff in specialised wealth management and risk asset portfolio management training. This was aimed at improving their appreciation of the concept of private banking and wealth management.

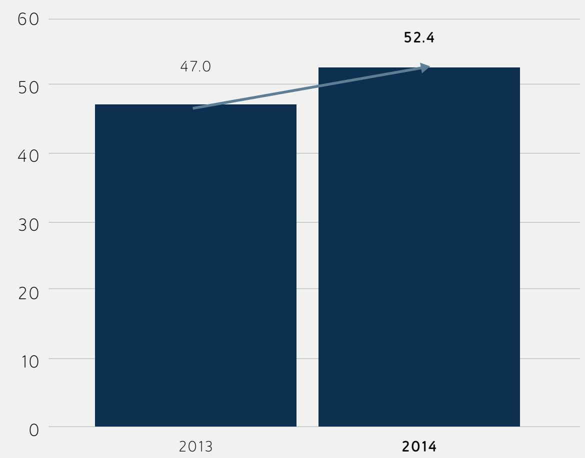
We achieved close to the client base growth projection of 30% for 2014. This was driven through our collaboration with the newly commissioned operations in the UK, which is aimed at capturing a significant market of Nigerians living in the diaspora. This growth occurred mainly due to intensified business development activities, referrals from existing clients, and leveraging the Bank's growing presence in Africa and Europe.

We recorded a growth of ₦5.43 billion in our AUM (financial assets managed by the SBU through its investment banking and asset management affiliates for its clients) business from ₦47 billion in 2013 to ₦52.4 billion in 2014. We were able to achieve this by providing customers with investment outlets in high-yielding products tradable in foreign jurisdictions through our collaborations with our investment banking and asset management affiliates. We expect a significant increase in the volume of our AUM over the coming year as we further increase our product offerings in this area and strengthen our portfolio management arm.



The client base growth projection for 2014 at 30% was close to being achieved especially through our collaboration with the newly commissioned operations in the United Kingdom. This is aimed at capturing a significant market of Nigerians living in the diaspora. This growth occurred mainly due to intensified business development activities, referrals from existing clients and leveraging on the Bank's ever-increasing presence in Africa and Europe.

Assets under management (₦'bn)



Opportunities: though the private banking business in Nigeria has seen an increase in the number of indigenous banks in this space, banks who are able to provide clients with bespoke wealth management solutions, both on and offshore, to meet their financial objectives will be at an advantage. In a bid to exploit this opportunity, we have positioned ourselves to leverage on the expertise and extensive network of our Investment Banking and Asset Management group. This provides our clients with investment outlets globally that would enable them to preserve the value of their wealth, while optimising upside returns potential on their investments.

KEY RISKS

Market risks: as was the case in 2013, the key determining factor with respect to guiding a client's decision to either maintain their relationship with the foreign banks or establish a relationship locally in 2014, was the ability to deliver premium service. This is critical, especially in an environment with significant infrastructural challenges such as Nigeria.

The long-term viability of the country, determined by the political and economic landscape, will also play a major role in helping customers decide whether or not to relocate their assets. We have positioned our SBU to provide clients with investment solutions within or outside Nigeria in the coming years.

OUTLOOK AND 2015 PRIORITIES

Looking ahead, to the next three-year strategy cycle, the plan is to enhance the market penetration achieved and harness growth; the business model will also be reviewed with a view towards increasing our focus on enhancing staff skills. In-house development of investment products is expected to increase as we look to significantly reduce the time-to-market for all our products. Cross-border business through the global Private Banking structure is expected to begin to yield results as we serve our clients across jurisdictions creating seamless banking over our network.

The economic realities of 2014 hampered some of our activities in terms of focus areas; however, in addition to our previously stated strategic imperatives, we intend to continue to drive the following in 2015:

Offshore and foreign currency-denominated investment: capitalise on the success of partnering with our investment banking subsidiary and foreign partners with a view to providing customers with more efficient outlets to invest in offshore assets as well as foreign currency-denominated instruments. We look to grow our bouquet of investment partners with a view towards providing an exhaustive basket of investment solutions; thus limiting the need for our very mobile clients to seek alternatives elsewhere.

Trustee business and the next generation: the average HNI in Nigeria has yet to appreciate the need for trust to be established for their dependants. However, it is a well-known fact that transfer of wealth can be a long and daunting task for survivors when the unexpected happens. We intend to leverage on the reputation gained by our trustee subsidiary to grow our share of activity in this segment. We made some strides in 2014 in this area (5% of AUM growth) and we intend to consolidate on the successes recorded here in 2015 and beyond towards securing the next generation of ultra high net worth (UHNW) clients with investible funds in excess of USD5 million and private banking clients.

Continuous talent management: we will continually seek to attract and retain the best talents in the industry to help drive our business objectives through specialised head hunting and exposure of our staff to industry best standards. Training programmes, local and international, would be structured to better enhance the perception of private banking by our staff. We would also engage in exchange programmes across our businesses in Nigeria, Europe and the United Arab Emirates to broaden and boost the confidence, skills and capabilities of our members of staff. We also intend to improve our portfolio management infrastructure through the acquisition of an efficient wealth management software to improve our business.

Human capital investment and customer relations management: customer relationship management (CRM) is growing in its significance as UHNW clients possess varying degrees of nuances and less loyalty to service providers. With the rapidly increasing mobility of skilled human capital, a CRM system has been put in place to ensure relationship managers attend to their clients' smallest details.

We intend to identify and invest in the talent required as this is going to be a major competitive advantage in the foreseeable future. With the continuous modifications in this digital age, we hope to fully maximise the capability of our newly installed CRM system. We intend to make it adaptable and enhance its capability to assist our wealth managers and private bankers in reading each client's ambitions towards mapping a plan for their future. Such capabilities include anticipating potential changes in life stages and the implications of these changes to all stakeholders especially the next generation; thus providing an opportunity to point these latent alterations ahead of the scrambling pack. The aforementioned investment would further optimise the client experience and endear the next generation to the bank who puts this much focus on the future of UHNW clients.

DIVISIONAL OPERATING REVIEW
PUBLIC SECTOR

Nigeria's public sector comprises the Federal Government, State Governments, MDAs and Government Tertiary Institutions. It is primarily funded by the Federal Government through a public finance and distribution framework. It is a priority sector for banking as it was the largest provider of liquidity to the banking sector and the economy at large.

UK Eke, Executive Director, Public Sector South

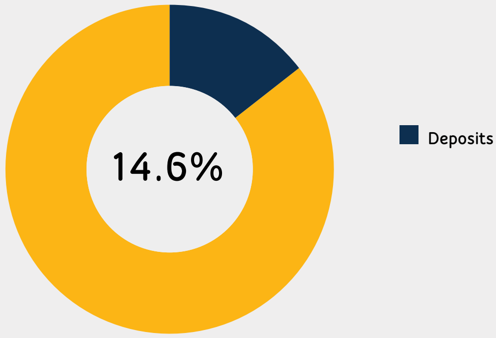
Dauda Lawal, Executive Director, Public Sector North

However, in the year under review, following increasing pressure on the national currency and monetary policy strategy, the CBN increased the cash reserve ratio (CRR) on the public sector fund to 75%, effectively contracting the liquidity in the economy. As a strategic response to the policy thrust of the Government, management commenced the phased review of the operating model of the Public Sector group (PSG).

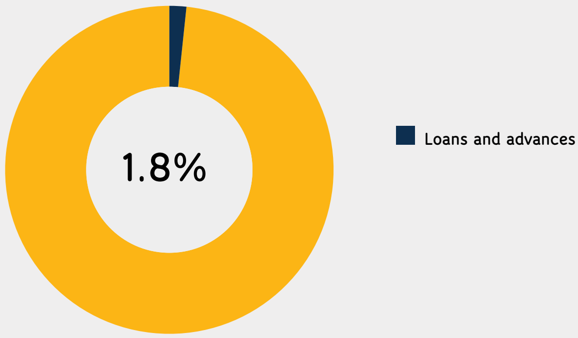
Phase 1 entailed the expansion of the business focus area of the group to include commercial transactions. This became effective in April 2014. In phase 2, the PSG was merged with the RBG and divided into regional Directorates. Thus the South Directorate and the Lagos & West Directorate emerged. The PSG North and RBG North were unaffected.

7,473 accounts at the end of December 2014 – South

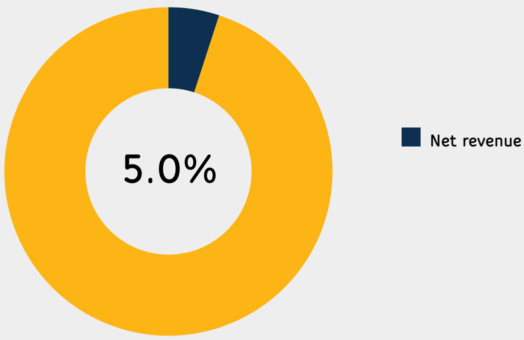
Percentage of deposits



Percentage of loans and advances



Percentage of net revenue



The third phase, which will commence in the subsequent financial year, will result in the discontinuation of the PSG as a distinct, stand-alone business focus, even as we continue to engage the PS (public sector) space for business opportunities and management of existing relationships. The anticipated commencement of the treasury single account policy of the Federal Government makes the adoption of the phase 3 strategy even more compelling.

Generally, PS business was impacted adversely by the 75% CRR, dwindling revenue receipts and huge spending on projects as the general election approached.

STRATEGY AND OBJECTIVES

The general policy trajectory of the Government following dwindling revenue and the multi-dimensional impact on the economy, combined with the increasing private sector relevance in the overall economy, compels a renewed focus on SMEs as key drivers of the economy.

Consequently, one of the Bank's strategic objectives is to redirect our business focus from PS to SMEs, to increase market share while retaining relevance in the PS as strategic partners and as leverage for the acquisition of related commercial businesses.

Accordingly, the Bank shall continue to partner with government in:

- enhancing internally generated revenue through formalised structures, and robust and automated collection platforms;
- providing alternative funding options including public-private partnerships, contractor-financing and concessions;
- promoting prudent management of public resources through compliance with the Fiscal Responsibility Act;
- ensuring financial inclusion through deployment of electronic banking solutions for payment of social benefits;
- creating a best-in-class learning environment at universities by providing wireless internet access and edu-portals for ease of administration;
- advancing research and teaching by institutionalising endowment funds and professorial chairs; and
- providing a one-stop shop for financial services, leveraging subsidiaries of FBNHoldings.

PERFORMANCE

Deposits dropped by 24.7% from ₦154.9 billion in 2013 to ₦116.5 billion in 2014; loans substantially grew by 0.4% from ₦130.4 billion to ₦130.9 billion, and net revenue declined by 15.4% from ₦149.5 billion to ₦129.6 billion in the same period.

We were also able to improve synergy among SBUs to optimise business opportunities in collections, asset creation, deposit retention, etc., and entrench value chain banking towards increasing overall market share.

KEY RISKS/CHALLENGES

A key challenge was sustained contraction of liquidity with CRR of 75% and consequent contraction of lending room. This challenge was managed through creative engagement with key customers in funds management and price adjustment.

Also a challenge was dwindling statutory receipts; this was mitigated through strategic partnerships with key customers in internal revenue generation by the robust deployment of automated revenue collection solutions to block revenue leakages.

Following the Federal Government's restrictions on lending to other tiers of government, there has been constrained lending to the public sector. This was managed by the strategic lending to commercial entities under the public sector purview.

OUTLOOK AND 2015 PRIORITIES

As the Federal Government moves towards a consolidated view of government cash through the Treasury Single Account (TSA), greater transparency, efficiency and accountability will be entrenched. The Bank will continue to target the corporate beneficiaries of the funds to reduce the velocity of outflow.

Following reduced revenue accruable to Federal and State Governments due to a drop in the crude oil price, there is a tendency towards deficit budgeting in 2015. With anticipated expenditure in the run-up to the 2015 elections, opportunities exist to issue debt instruments and raise taxes. This excludes increasing tax collection efficiency,

Our strategic response to the opportunities created by the deficit budgeting will be to provide funding support via direct lending, multilateral grants through advisory services and guarantees, and finally, leveraging our Group entities to ensure successful bond issuance. In addition, we will replicate the success recorded with some sub-nationals in the areas of deploying automated revenue collection platforms including the mobile payment and online options.

Following from the challenges in the public sector business environment, and given the Bank's overall strategic initiative to deepen the retail banking segment, the restructuring of the Retail and Public Sector South groups along regional lines was initiated in 2014. This initiative is expected to be consolidated and optimised in 2015. It has resulted in the redesign of the operating model in the south, bringing Public Sector groups (PSGs) and Retail Banking groups (RBGs) in the South-East and the South-South under the South Directorate with leadership provided by UK Eke, Executive Director, and bringing PSGs and RBGs in Lagos and the West under the Lagos & West Directorate, with leadership provided by Gbenga Shobo, Executive Director.

With the trajectory of the CBN's policy towards curbing inflation and defending the value of the naira following the drop in crude oil revenue, our strategic initiative would be priority lending to short-term, high-yield transactions.

However, given the pre-eminence of government in the overall economy, we shall continue to tactically engage governments and related institutions to maintain relevance and optimise opportunities identified.

DIVISIONAL OPERATING REVIEW
TRANSACTION BANKING

OVERVIEW

To help achieve the Group's key objective of growing non-interest income through transaction volumes, the Transaction Banking group (TBG) commenced operations in July 2014 with 27 staff. By December 2014, the group had recruited 46 of the 89 staff it was approved to hire.

These two quarters witnessed myriad economic and regulatory shifts that significantly challenged transaction volumes.

OUR PERFORMANCE

The Bank's anticipated growth from transaction banking was weakened by a series of factors, including the foreign exchange contraction in the Retail Dutch Auction System (RDAS) market, resulting from falling oil revenues and the CBN's treasury directives on public sector funds and contraction of fees from collections.

Notwithstanding these challenges, the intensive and focused business collaboration delivered the following performance over budgeted transaction volumes:

TRANSACTION CATEGORY	2014 VOLUME	2014 BUDGET	% ACHIEVED
Collections (₦ billion)	3,086	4,143	74
e-payment (₦ million)	17	18	94
Trade (₦ billion)	1,134	1,300	87

The Bank topped industry collection volumes on the Interswitch platform with 17% market share and retained its No. 2 ranking in RDAS trade volumes, doing 5% of the transactions in terms of count. Several new trade, e-payment and collection mandates were also won across all market segments.

Our key focus in 2015 will be to innovate trade and cash management transaction delivery by pursuing the deployment of the MISYS platforms and, through this efficiency, attract more customers to execute transactions with the Bank.

This, in conjunction with the sustained aggressive marketing of identified opportunities, should deliver on agreed TBG expectations for 2015.

TRANSACTION BANKING OPPORTUNITIES

Our strategic imperatives include growing volumes in all Transaction Banking business lines, increasing non-interest income and expanding the market share of the Bank in trade and collections, while ensuring a high rate of adoption of the Bank's e-payment services by customers. A careful dissection of the market shows opportunities in various sectors, including manufacturing, agricultural value chain, hospitality, state governments, export, schools and lots more. Our major quick win will be to revive the moribund transaction banking-type customer mandates through revamped and re-engineered service delivery.

TRANSACTION BANKING RISKS AND MITIGANTS

As with other businesses in the economy, transaction banking businesses are highly regulated by government and other regulatory bodies. Chief among the risks inherent in our line of business include a possible slowdown in risk asset growth, the rationalisation and inaccessibility of foreign exchange, changing government policies and regulations, the high rate of new entrants and, of course, heightened aggression from competition. Though these risks are common to players in this space, we aim to mitigate the effects by deploying innovative means to service delivery through automation, improving product offerings and building closer relationships with customers. In addition, we constantly source cheaper means to provide our customers with much-needed funds.

TRANSACTION BANKING MILESTONES

TBG successfully kicked off on 1 July 2014 and has already achieved 50% of its required staffing levels. Despite the lean resources, the model has, in the space of six months, delivered 24%, 18% and 13% growth in collections, trade and e-payments transaction volumes, and 58% growth in aggregate non-interest income (NII), generated from trade transactions between 2013 and 2014. In addition, greater traction was recorded in new Transaction Banking (TB) mandate acquisitions, as more customers are becoming aware of this offering from the Bank. The implementation of the TB model has led to the generation of more than 500 new mandates.

TRANSACTION BANKING PRIORITIES

To sustain the pace achieved thus far, we have outlined the key priorities for optimal service delivery to customers. These include, but are not limited to:

- the deployment of an end-to-end automated trade services solution;
- the deployment of state-of-the-art cash management solutions (collections, e-payments and liquidity management);
- the pursuit of increased adoption of our e-payment and collection services;
- continuously ensuring the stability of all Transaction Banking platforms; and
- driving market share expansion in the Transaction Banking business.

TRANSACTION BANKING 2015 OUTLOOK

The continuing decline in oil revenue has put significant pressure on foreign exchange demands with the resultant discontinuation of the RDAS market by the CBN. This, coupled with increased CBN fiscal measures in defence of the currency, will challenge trade transactions in 2015, with spillover effects on sales collections.

The Bank will focus on converting opportunities in the Government's recent interventions in the agricultural value chain, cotton, and garment and textiles sectors to grow export transaction volumes through financial support to them.

Trade automation will ultimately be achieved in 2015, which will promote customer acquisition and growth in trade transactions. We will also drive increased adoption of the Bank's e-payment and collection platforms to reduce operating costs and drive growth in non-interest revenue.

Financial review

First Bank of Nigeria Limited (FirstBank) is the largest banking group by assets in Sub-Saharan Africa (excluding South Africa, i.e., 'middle Africa'), offering banking services to a rich network of both individual and corporate customers. FirstBank represents the main legal entity and commercial banking subsidiary of FBNHoldings, with other banking entities under its portfolio.

These entities include: FBNBank (UK) Limited – a fully licensed Prudential Regulation Authority (PRA) bank with a representative office in Paris, France; FBNBank DRC – a leading tier II bank headquartered in the Democratic Republic of Congo (DRC); others include ICB Senegal* and the FBN Bank in Ghana, Guinea, The Gambia and Sierra Leone which were acquired in 2013; First Pension Custodian Nigeria Limited (FPCNL), providing pension fund custody services; and FBN Mortgages, a primary mortgage institution (PMI).

FirstBank offers a complete suite of banking products and services to individuals, small-scale businesses and wholesale customers (which include medium to large corporations and the public sector).

Our retail business covers the gamut of individual customer segments, which include the mass market, affluent, and HNWI. We also serve the SME segment (defined as businesses with up to ₦500 million annual turnover) within our Retail Banking group. Key consumer banking products include credit cards, consumer loans, retail mortgages, investment products and transaction banking solutions offered through a strong network of service channels. The Nigerian retail banking industry will experience strong growth over the medium to long term, but growth will be slow in the immediate period due to the drop in government earnings from crude oil. FirstBank is positioned to benefit from projected growth given our industry-leading position. Growth in the retail segment will be driven by overall economic growth, population growth, increased banking penetration and the resulting uptake of banking products. Our Wholesale banking business serves businesses and public sector customers with products such as corporate lending/financial advisory services, transaction banking services (cash collections, liquidity management, payments, trade finance and foreign exchange). In addition, increased demand for cross-border services is expected as Nigerian corporates (e.g., Dangote, Oando) expand into other African countries.

COMMERCIAL BANKING BUSINESS GROUP PERFORMANCE

The Commercial Banking business group is responsible for offering banking services to both individual and corporate clients in Nigeria and internationally. The Commercial Banking business recorded decent revenues despite the difficult operating environment the Group faced in the year under review. While the operating environment was difficult, particularly with a number of far-reaching regulatory changes such as the huge increase in cash reserve ratio (CRR) on public sector funds from 12% to 75%, increased interest on savings accounts and reduction of commission on turnover (COT) on banking transactions, the Banking Group still increased profits in excess of 10% with a higher contribution from its subsidiaries particularly FBNBank (UK) and FBNBank DRC.

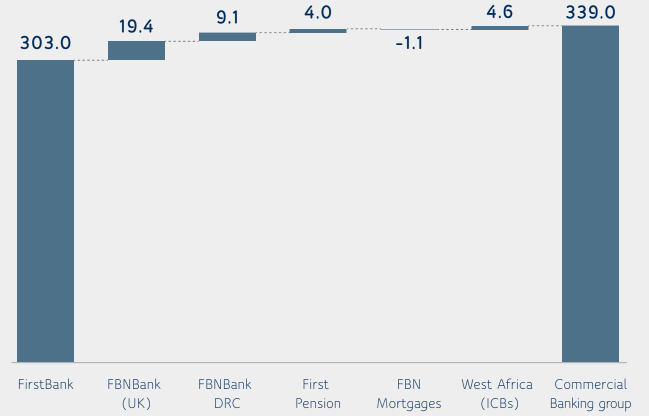
We expect our policy of deepening the customer experience across the spectrums of the market in which we play, to place us in good stead to leverage growth opportunities.

Our short-term goal will include leveraging on our distribution reach, improving productivity and strengthening our existing international business locations to deliver strong and sustainable financial performance optimally pricing our assets portfolio, managing our overall costs more efficiently, guarding against any deterioration in the quality of our assets, active treasury businesses, deepening transaction banking and improving services through alternative channels.

The Commercial Banking business group grew gross earnings by 22.1% to ₦455.4 billion, on the back of a 9.9% year-on-year increase in fee and commission income to ₦58.5 billion and interest income (+12.6%) to ₦349.3 billion. Net interest margin declined to 7.7% attributable to the increased reserve requirement which led to the reduction (-50.4%) in investment securities, mainly treasury bills. Furthermore, net interest income increased by 7.0% to ₦239.6 billion (2013: ₦223.8 billion), owing to the 12.6% increase in interest income but muted by a rise (+27.0%) in interest expense over the period, driven by the need to replace public sector deposits with private deposits following the increase in CRR and interest on savings deposit rate from 1% to 3.6% and then to 3.9% late in the year. Operating expenses increased by 26.4% year on year to ₦218.2 billion (2013: ₦172.7 billion), driven primarily by staff cost increase at 20.3% year on year to ₦72.7 billion, regulatory cost (+21.0%) to ₦29.8 billion and advert and corporate promotions +55.6% year on year to ₦11.6 billion. Staff costs, which make up 33.3% (2013: 34.9%) of operating expenses, grew 20.3% as a result of the Senegal acquisition (+68), aligning the compensation structure of the acquired West African subsidiaries with that of the Bank as well as promotion of staff across the FirstBank Group legacy businesses. Profit before tax was ₦94.5 billion (2013: ₦86.6 billion), while profit after tax increased by 27.7% to ₦84.8 billion (2013: ₦66.5 billion).

Total assets grew by 10.2% year on year to ₦4.1 trillion (2013: ₦3.7 trillion). Customer deposits grew 1.6% to ₦2.99 trillion (2013: ₦2.94 trillion), which in turn generated a 22.0% growth in loans and advances to customers to ₦2.2 trillion (2013: ₦1.8 trillion) supporting the balance sheet growth. The growth in loans resulted from lending activities to manufacturing, oil and gas as well as increased retail segments. Cash and balances with the CBN increased by 17.4% to ₦697.6 billion (2013: ₦594.0 billion) due to the increase in CRR and an introduction of the private sector cash reserve requirement of 15% with a subsequent increase to 20% in the fourth quarter of the year under review. Cost of risk currently at 1.3% with adequate provision made to maintain asset quality.

Fig 1: Net revenue (₦ billion)



* To be renamed and rebranded to FBNBank Senegal.

Fig 2: Profit before tax (₦ billion)

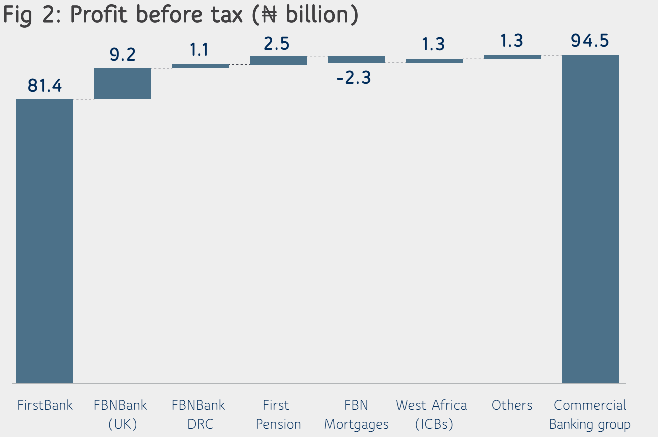
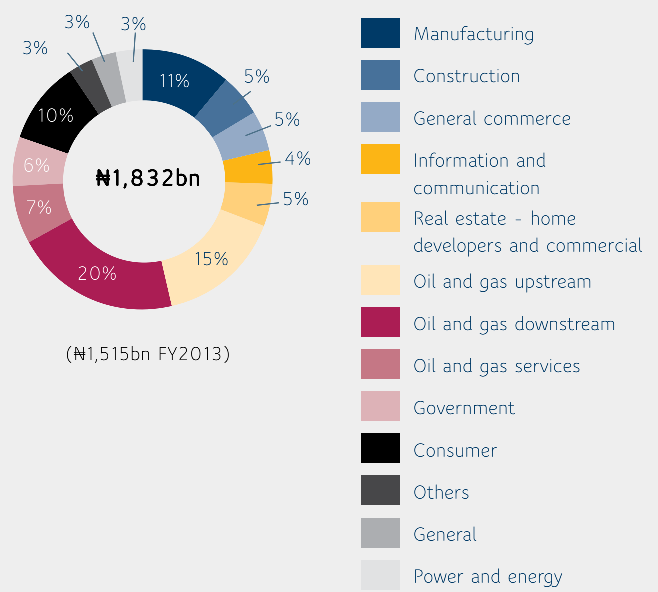


Fig 3: Gross loans breakdown by sectors



FIRST BANK OF NIGERIA LIMITED

Gross earnings of FirstBank rose 21.0% year on year to ₦410.6 billion in 2014, driven largely by an increase in interest income of 9.0% to ₦309.9 billion but muted by the 21.6% rise in interest expense to ₦94.5 billion (2013: ₦77.7 billion) as a result of the increase in minimum interest rate on savings deposit (to 3.9%), interest on borrowings particularly the additional interest from the recently issued USD450 million eurobond and continued intense competition for deposits. The increase in operating expenses, which closed at ₦200.7 billion (2013: ₦159.1 billion), largely reflected the impact of increased staff costs, regulatory costs, as well as corporate and advert promotions due to the rebranding exercise. Cost-to-income ratio stood at 66.2%.

Profit before tax increased to ₦81.4 billion (2013: ₦76.9 billion) while return on average equity and average assets stood at 20.5% and 2.4% respectively.

Gross loans, on the other hand, grew by 20.9% to ₦1.8 trillion (2013: ₦1.5 trillion) notably from increased exposure to the oil and gas sector buoyed by the devaluation of the naira as well as increased exposure in construction and general commerce.

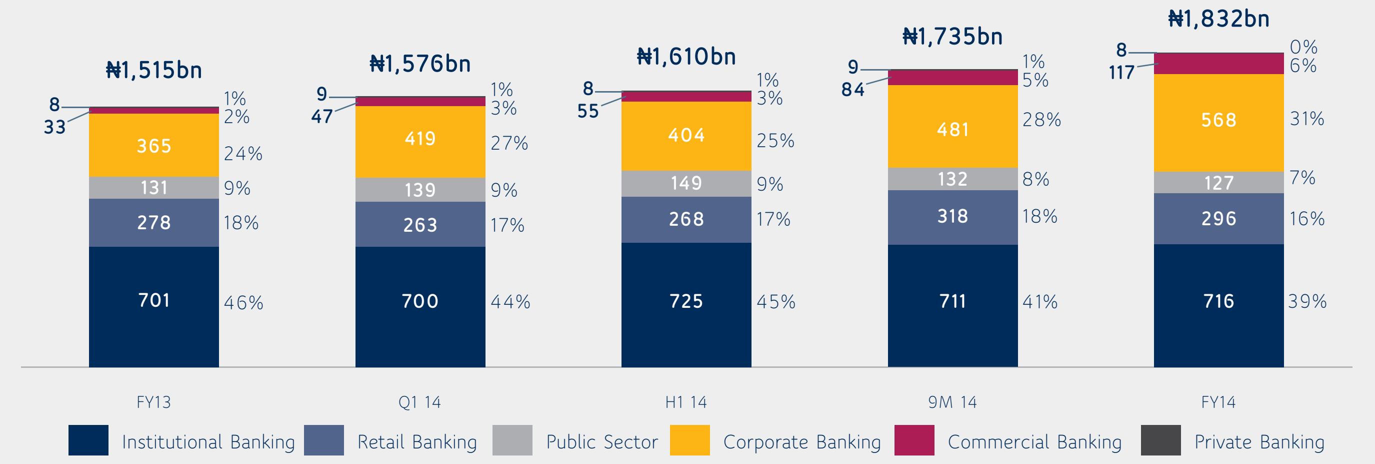
The Commercial Banking SBU, representing 6% of the loan book, recorded an impressive 254.5% year-on-year increase in loan growth to ₦109.9 billion; while the Retail business deepened coverage and grew 6.5% year on year from ₦278.0 billion to ₦296.0 billion as we reallocate our portfolio and optimise the existing retail infrastructure.

FirstBank's gross loan book increased by 20.9% year on year to ₦1.8 trillion in 2014 (2013: ₦1.5 trillion), while the net loan book also recorded a growth of 22.2% year on year to ₦1.8 trillion (2013: ₦1.5 trillion). Loan growth across the business segments was driven by the growth in the Corporate Banking SBU to ₦517.0 billion, Commercial Banking SBU loans to ₦115.5 billion (2013: ₦54.4 billion) and Retail Banking SBU by 6.5%. Commercial, Retail and Institutional Banking SBUs make up 61% of the Bank's loan book. Public Sector, Private and Corporate Banking make up the remaining 39%.

In the year, 1.2% (₦21.8 billion) of FirstBank's gross loans were restructured mainly to realign business cash flows with loan repayments; the short to medium term target of the oil and gas sector is 30% (FY2014: 40%).

The Bank closed with NPLs of ₦60.3 billion (2013: ₦46.9 billion). Our strategic focus is to grow retail and trade finance business to enhance liquidity and yield, and optimise portfolio mix.

Fig 4: Gross loans breakdown by SBUs



Total assets increased 7.5% year on year to ₦3.5 trillion (2013: ₦3.3 trillion), largely from the growth in loans and advances. Deposit liabilities constitute 73.4% of funding[1] (2013: 80.0%) as equity and long-term borrowings respectively represent 12.2% and 10.9%, while other liabilities made up 3.0%. Funding and liquidity positions have been strong throughout the period as the Bank continued to attract low-cost deposits, while the capital resource remains adequate to support lending activities. Cost of funds stood at 3.9% (2013: 3.0%) reflecting the high interest rate environment, increased interest rate on savings accounts and intense competition for deposits.

The decline in the deposit liabilities portfolio year on year by 0.8% to ₦2.55 trillion (2013: ₦2.57 trillion) is a strategic and deliberate move to shed off public sector deposits following the increased reserve requirement. This saw current accounts recording a 16.2% decline as CASA[2], which constitutes 76% of FirstBank's deposits, declined by 8.3%. The term deposits account for the balance of 24% deposit liabilities recorded a 34% growth to ₦614.0 billion (2013: ₦457.8 billion) as we shore up liquidity in an attempt to replace public sector deposits in addition to a number of CASA customers that migrated to the term deposits to benefit from the high interest rate. The Bank's focus is to deepen existing relationships and increase penetration in the various customer segments to further harness possible opportunities and enhance service delivery and offerings.

The Bank's operating model was reviewed in line with the evolving business environment to ensure strategic realignment and optimal use of available resources. Primarily, existing Public Sector and Retail Banking groups are now split along regional lines, Lagos & West, North and South Region, to enhance penetration across those regions. Corporate and Commercial Banking groups retain portfolio focus and continue to exploit latent opportunities in primary locations. There is also no change to the Institutional and Private Banking groups.

While our focus remained on increasing penetration in each of our customer segments, especially retail and commercial and leveraging our extensive retail platform with the goal of diversifying our deposit base, the retail banking unit currently accounts for 57% (2013: 49%) of the deposit liabilities. Growth in deposit liabilities was primarily due to increased focus on transaction banking services and review of the operating model to stimulate improved collections, grow low-cost deposits, and retain funds through offering effective e-payment and liquidity management solutions and also driving the mobile banking business through focused financial inclusion/increasing awareness as well as growing the number of customers, agents and transaction value.

Contributing 27.4% of the Bank's deposit base, current accounts still remains significant at ₦698.8 billion in spite of their 16.2% year-on-year decline from ₦833.9 billion, due to the increased cash reserve requirements particularly on public sector funds since these are in current accounts resulting in the Bank's decision to de-emphasise these type of funds. Savings accounts, representing 28.0% of deposit liabilities, grew by 9.2% year on year primarily due to increased focus on harnessing opportunities from our extensive distribution platform. The Firstmonie platform also contributed to this growth as the number of customers grew from 500,000 to c.2,000,000 impacting growth in transaction volume and value.

FBNBANK (UK)[3]

The UK economic recovery continued to gather pace with increasingly positive data emerging for the service, manufacturing and construction sectors. There was also a surge in both construction and manufacturing sectors confirming this recovery especially with the improvement in the labour market.

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

FBNBank (UK) grew gross earnings by 20.6% year on year to ₦26.9 billion (2013: ₦22.4 billion) resulting from general business expansion, improved asset mix and enhanced asset yield in spite of the challenging operating environment. Net interest income grew 27.8% to ₦16.1 billion resulting from increased interest income (+20.6%), driven by a combination of increased customer lending activities in oil and gas, finance and insurance. Net fee and commission income was ₦2.3 billion, recording a 40.4% year-on-year increase attributable to the growing business transactions.

Operating expenses increased by 28.2% to ₦7.4 billion (2013: ₦5.8 billion) as operational infrastructures and resources expanded to support business growth. However, FBNBank (UK) posted profit before tax of ₦9.2 billion, a 21.0% year-on-year increase (2013: ₦7.6 billion).

Total assets rose by 23.1% to ₦659.7 billion (2013: ₦535.9 billion) driven by an increase in customer deposits (+40.0%) generated to support increased lending activities. Loans to customers increased by 27.5% to ₦369.7 billion (2013: ₦291.1 billion). NPL ratio remained low at 0.1% and was fully provisioned net of collateral.

Customer deposits grew 40.0% year on year to close at ₦413.9 billion (2013: ₦295.7 billion) and this was strategically driven through wholesale and retail deposit liabilities to achieve an optimal funding mix. Funding and liquidity positions were strong throughout the period as the Bank continued to attract deposits. The Bank achieved an improved deposit tenor profile, as its deposit liabilities were composed more of tenored funds to add duration to the deposit profile compared to the previous year.

Total shareholders' equity increased by 20.1% to ₦62.8 billion (2012: ₦52.3 billion), resulting from a combination of high profit retention and reduction in revaluation reserve account. Return on shareholders' equity increased to 12.4% (2013: 12.1%) while return on assets remained flat year on year at 1.2% (2013: 1.2%).

FBNBank (UK) recorded a capital adequacy ratio of 18.6% (2013: 18.2%) with a core tier 1 capital ratio of 14.9% (2013:14.3%), reflecting the contribution from a high percentage profit retention and optimal balance sheet management. The capital ratios were in excess of regulatory requirements as at the reporting date and demonstrated the strong capital position of FBNBank (UK).

It is expected that FBNBank (UK)'s strategic plan to extend leadership position as the foremost Nigerian-owned bank in the UK, continuing to be the first African bank in the UK, will continue to strategically position her to take advantage of opportunities and mitigate risks resulting from changes in global economic and regulatory changes. FBNBank (UK) has built core competence in financial solutions for mid-tier to large corporates, operating specifically within or with the African market.

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

FBNBANK DRC

FBNBank DRC continues on a growth path despite the tough operating environment. Gross earnings increased by 16.0% to ₦9.7 billion (2013: ₦8.4 billion) with profit before tax down to ₦1.0 billion (2013: ₦1.4 billion). Notwithstanding the decline in profitability, FBNBank DRC is the fourth most profitable bank in absolute terms in 2014, while it leads the pack on pre-tax returns on equity. Retail and corporate banking constitute 82.9% of the loan book driven by general commerce, retail and SME as well as government sectors. Funding is primarily from equity and deposit at 86.9%. Risk assets remains largely concentrated in the capital – Kinshasa.

Total assets grew by 19.0% to ₦63.8 billion (2013: ₦53.6 billion). Net loans to customers increased 35.9% to ₦32.3 billion while customer deposits closed at (+21.6%) ₦52.5 billion (2013: ₦43.2 billion).

1 Funding comprises deposits from banks and customers, other liabilities, borrowings and equity.
2 CASA – current and savings accounts.
3 Prior year's performance translated at prior year's exchange rate.

FIRST PENSION CUSTODIAN NIGERIA LIMITED (FPCNL)

The 2014 financial year was challenging for the company, in terms of operational activities and competition. The entire investment horizon, right from the beginning of the year 2014, started on a cautious note and this reflected in the negative price movement experienced by many active stocks on the NSE. The capital market experienced myriads of highs and lows in 2014.

The last quarter of the year witnessed falling crude oil prices in the international market and slide in the value of the country's currency against major foreign currencies, which negatively impacted capital market activities. Given the macroeconomics conditions, the market has witnessed noticeable exits by foreign portfolio investors. All of these have grave implications, both for the country and the pension industry.

Regulatory framework continued to evolve with the signing into law of the Pension Reform Act 2014, which repealed the previous Pension Reform Act 2004. The major thrust of the Act is the upward review of the minimum rate of pension contribution from 15% to 18%. The provisions of the Act also expanded the pension base as it revised the obligatory criteria by bringing organisations with as few as three employees into the contributory pension scheme.

With the driving force to deliver sustainable growth year on year, FPCNL recorded a 22.5% growth in gross earnings to ₦4.0 billion (2013: ₦3.3 billion) and a 23.9% increase in profit before tax to ₦2.5 billion (2013: ₦2.0 billion).

Assets under custody (pension and non-pension assets) increased 25.5% to ₦1.82 trillion (2013: ₦1.5 trillion) due to newly won non-proprietary businesses resulting in a 23.5% rise in fee income. Equally, total interest income increased by 52.4% to ₦506.0 million driven by growth in the investible funds. Operating expenses, due to continued investment in infrastructure and other operational expenses grew 22.2% to ₦1.5 billion while cost to income ratio reduced to 37.0% (2013: 38.0%), aided by the continuous costs containment initiatives. Balance sheet size increased to close at ₦7.1 billion driven by the 17.0% growth in earning assets at ₦5.3 billion.

FBN MORTGAGES

FBN Mortgages is transitioning into a fully fledged mortgage-focused institution in line with the major policy thrust of the CBN that all primary mortgage banks (PMBs) divest from real estate investment. Hence, the principal activity of the company is to provide integrated mortgage solutions by providing mortgage funding to individuals and property investors.

The Bank's target markets are a mix of high-end to middle-class income earners as well as carefully screened and qualified self-employed customers. These customer classes represent about 60-70% of the Nigerian population and provide enormous opportunities for the Bank.

Offering risk assets, savings and deposits, the Bank is a market leader in the primary mortgage banking sector of the financial industry with a customer base of 5,468, deposit base of ₦11.3 billion and an asset base of ₦14.2 billion leveraging on the top-notch brand of FBNHoldings in the marketplace, robust information technology (IT) and highly seasoned personnel for its cutting-edge operations and service delivery.

Operating costs increased 41.6% year on year to ₦2.3 billion (2013: ₦1.6 billion); total assets declined by 9.0% to ₦14.2 billion (2013: ₦15.6 billion), principally from disposal of the real estate properties

The profitability of the company was impacted negatively as a result of the real estate investment disposal taking losses up to ₦2.3 billion (2013: ₦1.3 billion), reflecting the 11.9% decline in gross earnings as well at ₦985.9 million (2013: ₦1.1 billion).

Though access to long-term low-cost funding continues to create a major challenge for mortgage financing in Nigeria, the Bank will persistently strive to increase its risk asset portfolio with a focus to increase the ratio of risk assets to total assets. The Bank is already forming strategic partnership with some reputable development financial institutions (DFIs), which will provide the Bank with cheap long-term funding. In pursuit of our loan creation priorities, we will seek to improve our credit processes by deploying new initiatives and optimising the efficiency of the processes. We are focusing on strategies, processes and controls around our credit processes to ensure incidences of loan losses are reduced and kept below 5%. In addition, in improving our credit processes, we are enhancing customer service delivery to provide excellent and creative services to our esteemed customers in a timely manner.

WEST AFRICA OPERATIONS

Subsequent to the completion of the acquisition of the four International Commercial Banks (ICB), ICB Ghana, ICB Gambia, ICB Guinea and ICB Sierra Leone, in the preceding year, ICB Senegal's* acquisition was finalised on 27 May 2014, resulting in FirstBank gaining control of the operations of all five entities.

The acquisition of ICB Senegal is in line with the long-term objectives of our international expansion, especially the main goals of reducing country-specific risk, diversifying our earnings base and continuing to support our customers' trade requirements.

Senegal's business climate is conducive to a proven record for attracting large foreign direct investments. The country's low banking penetration, strong prospects for economic growth and political stability are its strongest selling points.

These five subsidiaries are tier 3 banks in their respective markets, offering a number of financial services and products to their customers comprising retail, corporate, SMEs and the public sector, with their operations classified into business and consumer banking. The integration of the five West African subsidiaries are being concluded in areas of structure, name change, rebranding and branch upgrades. We are also focused on extracting revenue opportunities through product innovation and extension, aligning the Group's corporate governance standards and optimising the processes and policies as well as the core banking applications.

The five West African subsidiaries, i.e., FBNBank Ghana, FBNBank Gambia, FBNBank Guinea, FBNBank Sierra Leone and ICB Senegal are now being integrated into the FBN structure to capture the desired value that informed the acquisitions.

The total asset of the five ICB West Africa banking operations was ₦47.4 billion, a 25.8% rise from 2013 at ₦37.7 billion, partly as a result of the addition of ICB Senegal. The West Africa operations accounts for 1.1% of the Banking Group's assets. Gross earnings were ₦5.7 billion (2013: ₦1.1 billion) demonstrating a quadruple turnover although this follows the complete incorporation of the ICB banks into the FBN structure as the 2013 financial statements incorporated only the fourth quarter (Q4) of the ICBs. The ICBs returned a profit before tax of ₦1.3 billion (2013: ₦0.4 billion).

* To be renamed and rebranded to FBNBank Senegal.

Relationships and responsibility

For 120 years, we have remained a leading financial institution in Sub-Saharan Africa. Our evolution has been all-encompassing: from good corporate governance to well-tailored financial solutions; and innovative processes and systems to a highly empowered workforce. One key reason for this commendable feat is the significance we place on building and enhancing mutually beneficial relationships with our stakeholders.

OUR CORPORATE RESPONSIBILITY AND SUSTAINABILITY APPROACH

Building strong relationships remains a key element of our responsible approach to doing business, which we call citizenship. Citizenship means that in making business decisions, we consider the opinions and suggestions of our stakeholders, including customers, employees, NGOs, regulators and the communities where we live and work. It's about our commitment to conducting business transparently and dependably by managing our business processes to ensure an inclusive, positive impact on society. It is also about operating ethically and sustainably in our dealings with all stakeholders, as well as empowering the communities where we operate. Such an approach enhances the Bank's reputation, contributes to customer loyalty, boosts employee morale and broadens our scope to operate.

Our responsible approach to doing business also requires that we consciously embed sustainability within the Bank to, among other things, minimise risks, drive efficiency and increase revenue both in the short and the long term.

Our corporate responsibility and sustainability strategy is designed to deliver value in a structured way along four key areas: driving sustainable finance; empowering people; supporting our communities; and contributing to environmental sustainability.

- Driving sustainable finance – we constantly seek responsible ways to provide products and services to meet our customers' needs while ensuring that we manage our environmental and social impacts in the process, thus contributing to overall sustainable growth and development.
- Empowering people – we are committed to nurturing an ethical workforce, providing opportunities and the appropriate environment and culture for personal and organisational development. This is why we have established the FirstBank Sustainability Centre as a hub for knowledge creation, dissemination and application. It is also a capacity-building centre for staff of FirstBank and other financial institutions.
- Our communities – we invest our time and resources as part of our community development responsibilities to enrich the communities in which we work and live. We constantly listen to members of our host communities and are there for them at their high and low moments.
- Contributing to environmental sustainability – we have a dedicated team of experts who evaluate potential environmental and social risk associated with certain corporate lending, debt and equity underwriting, and advisory transactions. In some cases, these efforts involve engagement with clients to discuss industry best practices and ways to strengthen performance. We are also committed to avoiding or minimising environmental impacts beyond our responsible lending efforts.

EMPLOYEE EMPOWERMENT, ENGAGEMENT AND INCLUSIVE WORKPLACE

Our responsibility to our employees includes the commitment to build capacity and engage them as well as provide an enabling environment for interaction and the exchange of ideas. Therefore, in line with the Group's aspiration of becoming a hub for the best industry talent, much premium is placed on developing and implementing best-in-class people management strategies and practices. To this end, First Academy, in partnership with major educational institutions such as INSEAD, Michigan Ross, China Europe International Business School/Wharton Business School and Cornell University (Johnson School of Management), achieved over 100% of the target for staff training hours with a cumulative approximate cost of ₦2.468 billion in 2014.

To further sustain improved employee productivity, the engagement team visited over 282 branches in 2014 to carry out career counselling and address issues on structure, poor staff attitude and poor staff knowledge. Beyond the policies put in place, employee engagement has also become a veritable platform to drive inclusivity. This has seen us set aside a Diversity & Inclusion Day to create awareness and ensure an inclusive workplace and work culture. To this end, and as part of our yearly event, the FirstBank 2014 Diversity & Inclusion Day was organised with the theme Leveraging Diversity for Business Success. The event was held simultaneously across all locations within the Group.

PROMOTING FINANCIAL INCLUSION: PUTTING OUR CUSTOMERS FIRST

A lot of people in the country do not have access to the basic financial tools, so our responsible approach involves creating opportunities for those people to participate in the economy. To achieve this, we have developed products, services, corporate responsibility and consumer education programmes tailored to meet the needs of the unbanked and under banked; enhancing their livelihoods as well as those of their families and communities.

To this end, we partnered with Osun State Government to promote entrepreneurial development and skills acquisition in Nigeria by empowering 3,000 youths under the Osun Youth Empowerment Scheme (OYES) as Firstmonie agents. Firstmonie is a mobile money service provided by FirstBank, which enables customers to access financial and other value-added services on their mobile phones.

In addition, to ensure we continually put our customers first, we have expanded our customer engagement framework through our segment-based customer engagement sessions. These include the voice of the customer sessions, three of which were held for our affluent retail customers in Lagos, Ibadan and Enugu.

IMPROVING THE RELIABILITY OF ONLINE BANKING

Leveraging our competitive advantage, and to consolidate on our leadership position within the industry, we have focused on ensuring the reliability and stability of our alternative channels. With improved channel monitoring in 2014, and with over 2,597 functional ATMs nationwide, we processed over 200 million transactions on our machines, equating to almost ₦3 trillion.

With the launch of our enhanced online banking platform, we processed a total of 5.07 million transactions with a total value of ₦684.42 billion. To gauge user experience on the online banking platform and ensure issues around the platform are properly highlighted and addressed, we utilised an instant feedback survey. A total of 7,094 users provided feedback on their online banking user experience in 2014 and all issues identified from the survey have been addressed.

SUPPORTING OUR COMMUNITIES

We have a responsibility to the communities where we live and work. Our success story cannot be told without the contributions of the communities. This fact has continually driven us to supporting our communities beyond providing employment and contributing to the growth of the economy. In 2014, we spent about ₦900 million on community support programmes under the banners of education, health and welfare; economic empowerment; and the environment. These included our FirstBank endowment, Future First, Infrastructure Development, Youth Development and Leadership, Hope Rising and Educational Endowment programmes, all of which are designed to be continuous.

THE JOURNEY OF EMBEDDING SUSTAINABILITY WITHIN THE BANK

To effectively drive responsible lending and mitigate the associated environmental, social and governance risks, the environmental, social and governance management system (ESGMS) document was developed in partnership with the management experts, Accenture. The ESGMS consists of environmental, social and governance policy, procedures for conducting ESG due diligence on potential transactions, guidance on how the Bank can monitor performance and maintain ESGMS records, and an overview of the types of roles and responsibilities for implementing the Bank's ESGMS as well as other relevant information. This document has been reviewed and signed by relevant stakeholders in the Bank including the Chief Risk Officer, Group Executive, Institutional Banking, the Head, Compliance, the Head, HCMD, the Head, Legal and the GMD/CEO.

The ESGMS document and the relevant implementation documents such as the environmental, social and governance risks screening checklist (which is to be completed by a relationship manager and verified by an analyst against the EIA report) have also been approved by the Management Committee (MANCO). We hope to begin full implementation of the ESGMS in 2015.

In addition, staff training on sustainability has commenced. Apart from the Board of Directors, over 500 staff have been trained on modules/requirements recommended for employees in partnership with First Academy, Accenture and the FirstBank Sustainability Centre. The modules are designed to provide employees with the right knowledge, skills, attitudes and behaviours. These include Nigerian Sustainable Banking Principles (NSBP)-specific requirements for employee training on sustainability such as sustainable banking training and reporting. These are structured for the MANCO/executive, head of departments/ head of units/sustainability champions/experts; and all other employees. The goal for 2015 is to ensure that all key staff are trained on sustainability as well as 70% of other employees.

To help deliver the sustainability strategy, a clear approach to customer education as part of the stakeholder engagement has been crafted. A key aspect of this is the partnership between the Lagos Business School and the FirstBank Sustainability Centre as a vehicle for customer and wider stakeholder engagement. The partnership has delivered programmes through workshops, seminars and conferences. Apart from students in LBS, the Centre has focused on customers and stakeholders in the oil and gas, financial, power, agricultural and telecommunications sectors with priority for SMEs.

Sustainability performance management and reporting is a key component of the sustainability strategy. It enables the Bank to effectively measure, manage and report its sustainability performance and also meet its NSBP obligations to report a wide range of metrics. To this end, we have partnered with Accenture in the provision of performance management, reporting and implementation software. The sustainability performance management and reporting process is made up of seven steps, which make up planning and delivery. We are currently at the last stage of planning.

THE SUSTAINABILITY GOVERNANCE STRUCTURE

To ensure sustainability becomes embedded throughout FirstBank with strong leadership and support, the newly recommended sustainability governance structure has been approved by MANCO, but Board approval is awaited. The governance structure has as its lead the Board Audit & Risk Assessment Committee; MANCO and Sustainability Committee. The Board Audit & Risk Assessment Committee provides an oversight role and direction; MANCO provides leadership and sponsorship while the Sustainability Committee is responsible for operational delivery and engagement. The other levels, delivery and enabling, are driven by the strategic business units and departments and the corporate responsibility and sustainability unit respectively.

RELATIONSHIPS AND RESPONSIBILITY
CUSTOMERS

OUR CUSTOMER-FOCUSED APPROACH

In 2014, we focused on ensuring fast and efficient service delivery to our customers. We did this by strengthening our alternative e-banking channels, such as our ATMs, the mobile and online banking platforms, point-of-sale (POS) terminals and website electronic payments systems. This assisted in reducing the queues at our branches, enhancing product innovation and streamlining the management of complaints regarding our products and services.

True customer satisfaction can only be achieved when the 'voice of the customer' plays an integral part in an organisation's service improvement efforts. With this in mind, we focused on strengthening our customer engagement framework in 2014. Consequently, we placed our customers at the heart of our business by focusing on the following:

- Expanding the scope and coverage of the independent customer satisfaction surveys to assist with identifying key service areas requiring urgent attention. Some of the key strengths identified through the survey include the location of our branches, the safety and security of funds and the quality of interactions with relationship managers. Some of the weaknesses highlighted include long queues at our branches, slow loan processing turnaround times, and poor issue resolution process and turnaround times.
- Building stronger engagement and feedback strategies with different customer segments.
- Driving product innovation and expected service levels within the Bank.
- Engendering a customer-centric culture through the incorporation of service quality indicators across all functions.
- Continuous tracking and measuring of the Bank's service performance.
- Adopting a zero tolerance approach for deliberate service infractions.
- Improving our complaints-handling framework and encouraging the proactive management of complaints.

MAIN ACTIVITIES IN 2014

- Deployment of the customer relationship management (CRM) tool to assist with efficient service management.
- Deployment of the FirstXpress terminals at branches as self-service channels for cash deposit, withdrawal and funds transfer.
- Roll-out of the 'branch as a sales and service centre' (BASSC) project targeted at reducing queues at our branches and transforming them into sales centres where business advisory services can be provided to customers. A key element of this project is the roll-out of the cash drop box initiative, which has significantly reduced the waiting time for deposit transactions.
- Partnership with PayPal, to make international payments easier and more secure.
- Further review of the service accountability framework, to include service Key Performance Indicators (KPIs) on all staff scorecards.
- Roll-out of the service excellence learning curriculum.
- Improved monitoring of Finacle 10 (FirstBank's core banking application) and improved stability and availability of our e-channels.
- Introduction of the online international funds transfer (FirstTrade) platform, to enable seamless transfer of funds abroad at any time and from any location.
- Introduction of the outbound Western Union services to more than 500,000 agent locations and 100,000 ATMs across 200 countries worldwide.

PUTTING OUR CUSTOMERS FIRST

We expanded our customer engagement framework through our segment-based customer engagement sessions. The FirstBank customer engagement framework clearly articulates the plan for engaging our customers (both internal and external). The framework highlights the customer's profile or segments, the platform to be adopted for the engagement and the frequency of engagements. The framework also defines the process for handling feedback received from these sessions until the final resolution of all the issues raised by the customers. The FirstBank customer engagement sessions serve as platforms where service pain points are discussed and addressed, with visible Executive Management participation. In 2014, we held three 'voice of the customer' (VoC) sessions for our affluent retail customers in Lagos, Ibadan and Enugu to ensure that we provide an avenue for customers to provide unfettered feedback regarding the service pain points faced. One of the issues raised at the sessions related to POS terminal connectivity and functionality issues, which resulted in our current focus on repositioning the Bank's POS business. Consequently, a POS Taskforce has been set up to coordinate efforts targeted at improving the Bank's POS business. Another major issue flowing from the engagement sessions relates to slow loan processing. To address this service pain point, the disbursement process for approved corporate loans has been automated, while the Finnone individual loan application platform has been further enhanced. Regarding the persistent feedback around long queues at our branches, the Bank has adopted a combination of interventions, including the introduction of the cash drop box initiative under the BASSC project, which is targeted at reducing overcrowding at branches where it is a persistent problem, and the launch of the FirstXpress solution to provide a fast and easy channel for depositing, withdrawing or transferring money within the Bank. Recently, the SMS (short message service) banking service was introduced to provide customers with a cheaper and more convenient means of accessing their account information without the need to visit a branch or an ATM. Furthermore, the solution supports the Bank's objective of migrating more customers to self-service alternative channels, thereby reducing the 'cost to serve' customers as well as queues at our branches.

Also, we administered customer satisfaction surveys and, as garnered from the surveys, satisfaction ratings for our Corporate, Institutional and Commercial Banking customers in 2014 stood at 81.5%, 78.5% and 83.5%, respectively, while satisfaction ratings for the Public Sector, Private Banking and Retail Banking groups were 78.5%, 80.5% and 75.5%, respectively. Following an analysis of the feedback received from the surveys, we have engaged internal stakeholders responsible for addressing the identified issues. We are tracking and monitoring the improvement plans flowing from the customer engagement sessions to ensure the resolution of all identified issues within agreed timelines.

As a proactive strategy, we made service-focused visits to our Corporate and Institutional Banking customers to ensure we deal promptly with the service issues that are peculiar to these categories of customers. We will continue to develop more robust customer engagement channels, to ensure we attain service excellence.

We also focused on ensuring the stability of our alternative channels with improved channels monitoring in 2014, and with more than 2,597 functional ATMs nationwide, we processed over 200 million transactions on our machines.

With the launch of our enhanced online banking platform, we processed a total of 5.07 million transactions, with a total value of ₦684.42 billion. To gauge user experience on the online banking platform and to ensure issues around the platform are promptly highlighted and addressed, we rolled out the instant feedback survey to serve as a platform for customers to provide on-the-spot feedback regarding the quality of our service delivery. A total of 7,094 users provided feedback on their online banking user experience in 2014 and all the issues identified from the surveys have been addressed.

ENSURING IMPROVED SERVICE PERFORMANCE

For improved collaboration and synergies between service stakeholders, the internal customer engagement framework has been expanded. Consequently, the voice of the employee (VoE) sessions held across Lagos, Ibadan, Abuja and Port Harcourt regions served as platforms for staff to highlight the internal service pain points faced on their jobs. The sessions also served as an avenue for measurable service improvement plans to be agreed.

In line with management's resolve to engender the right service behaviour, individuals and groups that advance the Bank's service aspirations are frequently rewarded and celebrated. Further to this, FirstBank's service excellence learning curriculum, which is a customised service training program, was rolled out bank-wide to provide support via training to both front and back-office staff. The curriculum is designed to ensure staff are aware of the unique roles they play in the service delivery excellence chain.

To prompt the right behaviour and strike a balance between rewards for desirable service behaviours and sanctions for deliberate service infractions, the Service Monitoring Committee (Service DC) was set up to ensure the prompt management of service infractions. In 2014, a total of 165 cases were managed by the Service DC across the Bank.

MEASURING OUR SERVICE PERFORMANCE

We have strengthened our service performance management framework to ensure achievement of the required synergy between our service goals, the service objectives we set and the collective efforts directed at achieving the set target. Currently, the service dashboard, which draws data from internal reports and surveys, measures our performance on the following metrics: convenience, customer care, transaction methods and systems, as well as products and services. We have observed consistent improvements in the Bank's performance across the quarters.

Also, our mystery shopping initiative afforded us the opportunity to walk in our customers' shoes. Under the initiative, we made 2,103 visits to our branches leveraging on vendors and internal assessors in line with the Bank's cost containment efforts. In 2014, we surveyed a total of 14,271 customers across our SBUs. Results from the survey indicate that more than 70% of customers are strong advocates of the Bank and are unlikely to switch to other banks.

IMPROVING OUR COMPLAINTS-HANDLING FRAMEWORK

As part of the Bank's service automation drive, and to institutionalise the best-in-class complaints management framework, FirstBank embarked on an extensive review of its complaints-handling process. Consequently, the CRM FirstCustomer solution was deployed in 2014 to provide an end-to-end view of the lifecycle of a customer complaint, from the time the complaint is lodged to the point of final resolution. With the deployment of the FirstCustomer solution, customers now receive periodic updates regarding the resolution of their complaints and are afforded an opportunity to state their satisfaction levels with the timeliness and quality of the resolution. One of the major benefits of this enterprise-wide CRM tool is the increased visibility of our interactions with customers across the Bank's channels (branches and FirstContact – FirstBank's interactive contact centre), which has allowed us to effectively track and monitor all complaints received since 2013.

In conjunction with Ernst & Young, we have conducted a detailed analysis of the existing complaints management framework, the Bank's complaints-handling processes and all inter-departmental dependencies. Through this exercise, the Bank has articulated a holistic complaints management model that supports our customer experience aspirations, as well as regulatory requirements. The Bank is currently working on achieving the British Standards Institution (BSI) ISO 10002:2004 certification for implementing a best-in-class complaints management system, which will enhance customer satisfaction by creating a customer-focused environment that is open to feedback. This will also enhance the Bank's ability to improve its products and customer service.

A breakdown of our complaints handled in 2014 compared to 2013, as well as the financial implications on the Bank, are shown below.

DESCRIPTION	NUMBER		AMOUNT CLAIMED (₦)		AMOUNT REFUNDED (₦)	
	2014	2013	2014	2013	2014	2013
Pending complaints brought forward	**670**	386	**5,295,753,038.34**	1,316,965,049.90	**123,561,481.28**	N/a
Received complaints	**77,185**	39,785	**18,222,117,149.71**	15,933,790,532.48	**1,270,519,125.13**	N/a
Resolved complaints	**68,328**	39,509	**21,101,788,635.74**	2,145,283,016.39	**1,270,519,125.13**	N/a
Unresolved complaints escalated to the CBN for intervention	**0**	0	**0**	0	**0**	0
Unresolved complaints pending with the Bank carried forward	**9,527**	670	**2,416,081,552.31**	5,295,753,038.34	**0**	123,561,481.28

Regarding the handling of complaints, we plan to leverage on the CRM tool to:

- improve on our customer complaints-handling process;
- ensure strict adherence to resolution turnaround time as defined by regulatory authorities; and
- involve customers in our complaints-handling process using the feedback mechanisms now available.

Overall for 2015, the Bank's service focus will be on the following areas:

- improving our knowledge of customers' businesses and industries, as well as the Bank's products and services;
- reducing failed transactions on our alternative channels;
- improving the quality of staff interactions with our customers;
- reducing queues at our branches;
- improving the performance of the Bank's electronic payment solutions; and
- improving the complaints-handling process.

RELATIONSHIPS AND RESPONSIBILITY
CUSTOMERS – OUR SOCIAL ROLE

At FirstBank, to live up to our promise of 'YOU First', we design products and services to support your personal, family and business needs. Our array of products – cards, channels, transfer services, loans and advances, deposit products, guarantees, distributorship financing, cash management and foreign trade service – create convenience for your transactions, empower your businesses and offer flexibility of choice.

The above is evidenced by the features and behaviours of products launched into the market. For example, the special overdraft, a variant of the Traders' Solution, was launched to encourage traders with less collateral capability to be able to access loans, which they ordinarily are unable to access due to collateral constraints.

We create solutions that help schools provide top-notch services to the large population of Nigerian youths. FirstEdu Loan and Private Tertiary Institution Finance contribute to the development of the educational sector by helping schools meet their working capital and expansion needs without collateral burden.

Our youth products, particularly the MeFirst product, enhances financial inclusion through the usage of prepaid cards by minors under the supervision of their parents/guardians while the XploreFirst product allows young adults in tertiary institutions to independently commence banking relationships to manage their finances.

Not leaving out artisans, drivers, house helps and other members of the lower mass-market segments, FirstInstant Savings Account has been creating financial inclusion for this segment and thus gradually changing the perception that deposit money banks are not meant for them.

ENSURING SMOOTH OPERATIONS OF THE EDUCATION SECTOR

Realising the importance of making education available to the millions of Nigerian youths, FirstBank actively supports private providers of education across the tiers – pre-primary, primary, secondary and tertiary. This offers access to convenient and flexible funding for the upgrading of school facilities, including short-term loans to meet funding gaps pending the receipt of school fees. The ease of payback has also been adequately taken care of as this is from the school collections.

MADE A LEKKI LANDLORD

As we celebrated our 120 years of banking services in Nigeria, the Bank considered it appropriate to reward our loyal customers in a special and unique way – by offering them the opportunity to become a Lekki landlord. We gave away a completed four-bedroom terraced house worth ₦50 million, located in the upmarket area of Lekki in Lagos to Kelechukwu Uchenna Frank (a customer of our Umuahia Market branch), who was the Grand Prize winner of the 120th Anniversary Edition of our Big Splash Promotion.

FIRSTBANK SAVINGS BONANZA

The Bank designed a savings reward scheme to encourage savings culture of the average Nigerian. The promo, which ended in February 2015, rewarded 1,452 savings customers with cash and gift prizes. Prizes included 32" LED television sets, home theatre systems, android phones and a brand new Hyundai Elantra saloon car.

CREATING MORE SUCCESSFUL SMES

SMEs are at the heart of national development. FirstBank, through its SMEConnect programme, has clearly identified the need to provide support through engendering creativity, improving capacity and providing capital. FirstBank is supporting new and growing businesses that are providing products and services that are adding meaning to the lives of Nigerians.

WORKING TO MAKE BUSINESSES DELIGHT THEIR CUSTOMERS

Through its array of products and services, FirstBank creates solutions that ensure businesses delight their customers. We are committed to fulfilling our mission of setting the 'gold standard' of customer experience and excellence in financial solutions across Sub-Saharan Africa. Highlighted below are some of the solutions we have implemented to support SMEs:

- **LPO finance:** SMEs no longer have to worry about delays in meeting their supply orders. LPO finance is a short-term loan for business owners that supply consumables like stationery, diesel, toiletries, etc.
- **Operational vehicle loan:** ensures businesses can own their operational vehicles. It offers part-finance for the acquisition of new vehicles to be used for the day-to-day running of the business.
- **Contract finance facility:** this enables customers to experience the peace of mind that comes with timely execution of contracts.
- **Commercial mortgage:** gives the opportunity for organisations to own their business premises. It offers the flexibility of financing the acquisition of landed property for commercial purposes.
- **Invoice discounting finance:** ensures SMEs stay ahead of business opportunities by having access to funds while awaiting payment for jobs executed.
- **Secured overdraft:** ensures organisations do not run out of working capital. Secured overdraft provides instant access to funds to meet short-term obligations and keeps day-to-day processes running smoothly.
- **First domestic transfers (FDT):** this leverages our nationwide branch network to send and receive money electronically within the country. Beneficiaries can receive transfers via bank cheques, ATM or cash with or without a bank account.
- **FirstCurrent business account:** helps business owners and individuals to manage their current accounts efficiently without paying commission on turnover (COT). It is a fee-based current account that increases business potentials, particularly for start-ups, through the advantage of reduced transaction costs. The fixed monthly fee is as low as ₦2,000, subject to defined turnover limits. There are three variants – Premium, Silver and Gold.
- **FirstSavings Plus:** a savings account variant with convenient features of a current account that allows customers to earn attractive interest on deposits and drive business transactions without COT charges. FirstSavings Plus allows clearing cheques/dividend warrants lodgement as well as third-party withdrawals with customised cheques.

FUNDING OIL AND GAS SECTOR DESPITE FALLING OIL PRICES

Despite the tough economic terrain and implications for the banking sector, the Bank continues to deliver on its aspirations of providing finance to key sectors and players. The oil and gas product bouquet developed to finance the business value chain of the oil and gas sector recorded an increase in volume year on year. The performance in the last quarter of 2014, however, was hampered as a result of changes in the money market against a backdrop of falling international oil prices with a huge impact on the oil and gas industry. The Bank will, however, continue to provide services to the sector, especially under the various contractor finance schemes.

ENHANCING PRODUCTS DISTRIBUTION

To ensure that manufacturers achieve a smooth distribution of their products, FirstBank offers key distributorship finance products for the FMCG industry and cement sector; this recorded notable growth. The performance of these products was a result of various initiatives to partner with the principals in providing funding at flexible terms to their key distributors for effective distribution and sales of their products. The Bank will continue to prioritise this business segment by providing products with high-value proposition to further impact the real sector of the economy. Though the effect of the current economic and money market trend is being felt in all sectors of the economy, the Bank will take into consideration the shrinking margins of the distributors while reviewing the terms and conditions of financing in a guided manner.

PROVIDING COMFORT FOR INSTITUTIONS

We facilitate all the processes involved in the award and execution of contracts that enable companies to meet their business objectives and the Government to provide basic infrastructure for the development of society. To attest to the value we are contributing in this space, our bonds and guarantees (B&G) recorded impressive growth. The growth recorded in the year is attributed to various projects awarded by Government at all levels and private/foreign investments in infrastructural development during the year.

CREATING MORE BUSINESS SUCCESS OPPORTUNITIES

Due to the increasing need to provide finance and specialised services in the education, aviation and financial sectors, FirstBank has product guidelines for funding private tertiary institutions and travel agencies, and for providing third-party cheque clearing services to microfinance banks. This will diversify the Bank's loans portfolio, grow deposits and revenue lines, and have a positive impact on the businesses of our customers by granting them easy access to financing and cheque clearing services.

INCREASING CONVENIENCE FOR MONEY TRANSFER

In order to make it more convenient for Nigerians to receive and send funds to loved ones, FirstBank has maintained its leadership position in the remittance space in Nigeria, with over 40% market share cumulatively. The outbound service, approved by the CBN in the last quarter of last year, has indeed witnessed high patronage, especially with Western Union. Other money transfer operators (MoneyGram and Ria) introduced the bank deposit option, which Nigerians embraced enthusiastically. With the CBN's cashless policy and the Nigerian law on money laundering, this option is the future of remittances.

IMPROVING ACCESS TO FUNDING

In 2014, the Bank launched the following products to improve access to funding for individuals and business owners:

Salary account overdraft (SODA) – a flexible borrowing mechanism designed to meet the short-term needs of salary account holders with FirstBank. This product is available in two variants: one-off overdraft and revolving overdraft.

FirstExclusive current account (FFSA) – a hybrid liability product designed to offer improved benefits of a current account at a reduced transaction cost to customers.

FirstTrader solution – a retail asset product to cater for the needs of small-scale businesses with minimal collateral base.

In view of the CBN's cashlite policy and the Nigerian law on money laundering, the focus in 2015 will be to encourage consumers to embrace the accounts option, through the introduction of more alternative delivery channels such as ATMs, Mobile Money, etc.

L-R: Director General/CEO, National Lottery Regulatory Commission, Chief Adolphus Joe-Ekpe; Executive Director, Lagos & West, FirstBank, Gbenga Shobo; FirstBank Big Splash Promo Grand Prize winner, Kelechukwu Uchenna Frank; Honourable Commissioner of Housing, Lagos State, Bosun Jeje; and Executive Director, South, FirstBank, UK Eke at the presentation of the four bedroom detached duplex grand prize to the winner in Lekki, Lagos.

The FirstBank Big Splash Promo Grand Prize – a completed, fully detached four bedroom duplex which was presented to the FirstBank Big Splash Promo Grand Prize winner, Kelechukwu Uchenna Frank in Lekki, Lagos.

RELATIONSHIPS AND RESPONSIBILITY
CUSTOMERS – INNOVATIVE BANKING SERVICES

GROWING SERVICE THROUGH ELECTRONIC PLATFORMS

As a bank that always puts customers first, we are continuing to focus on 24/7 self-service banking. We are encouraging our customers to embrace our various electronic platforms for convenient banking at their fingertips. Customers are increasingly utilising the available platforms and transaction volumes across these channels grew by 33% over the previous year. Our internet banking channel, FirstOnline, has witnessed tremendous growth since 2013.

The revamped internet banking solution, which was launched in November 2013, provided a more responsive, easy-to-use online banking portal for our customers. This was evidenced by the significant growth of 81% in the number of successful transactions processed, growing from ₦378 billion in 2013 to ₦685 billion in 2014. Transaction volumes on our mobile money platform, Firstmonie, also witnessed remarkable growth in excess of 700% in 2014. Through these platforms, we provide cheaper, faster and more convenient alternatives for our customers to carry out their transactions.

STRENGTHENING OUR ATM SERVICE

In a bid to keep improving our ATM service and ensure customer satisfaction, a total of 450 ATM terminals were deployed in the course of the year, 337 of which were replacements of older terminals. As the bank with the largest ATM network in Nigeria, with more than 2,597 ATMs across our branch network, we continue to employ effective monitoring tools to ensure service availability on our ATMs for both our customers and those of other banks.

The strength of our ATM service is also evident in that we processed about 35% of the total industry transaction volume as at December 2014. Our ATMs dispensed more than ₦2.1 trillion to both customers (₦1.5 trillion) and non-customers (₦0.6 trillion) compared to ₦1.7 trillion in 2013 – this represents 24% growth. Also, in line with the Cash-less Nigeria initiative, we have been promoting non-cash ATM transactions through a lot of awareness-raising. Currently, customers can perform various non-cash transactions on any of our ATMs, such as mobile phone airtime top-ups, bill payments and fund transfers to FirstBank or other bank accounts. The fund transfer functionality now includes an additional feature of 'name validation'. It should improve customer experience by confirming the actual account the fund is being transferred to before the transaction is completed. This certainty adds a level of comfort to customers and increases their confidence in using ATMs for non-cash transactions.

PROMOTING FINANCIAL INCLUSION

Since November 2013, when Firstmonie was launched, we have provided mobile financial services to more than 2.2 million Nigerians with in excess of 500,000 customers being non-account holders. Firstmonie has a network of 12,951 agents to cater for the needs of our large customer base, particularly those in remote areas with limited access to our branches. In 2014, we processed more than ₦35 billion in 6.5 million transactions.

In 2015, we will focus on developing strategic partnerships to better serve our customers, as well as expanding our agent network for increased accessibility. Our vision is to become the most used mobile money service in Nigeria by growing our subscriber base to more than 4.6 million, attaining 5,000 merchant/acceptance points and widening our nationwide agent network coverage to include at least 5,000 agents. Today, Firstmonie provides the convenience of banking right from our customers' mobile phones or, through a Firstmonie agent, customers are able to perform transactions such as money transfers, bill payments and mobile phone airtime recharges in the comfort of their own homes or on the go. This has encouraged financial inclusion in the country, as the previously unbanked population now has easy access to banking services without the entry barrier of obtaining a bank account.

PARTNERING WITH PAYPAL TO ACCELERATE E-COMMERCE GROWTH

To offer convenient online payment services across the world to our customers, we established an alliance with PayPal as its only official partner in Nigeria. PayPal is at the forefront of the digital payments revolution, giving people direct control over their money. PayPal serves more than 148 million active accounts in 26 currencies and across 203 markets, processing more than nine million payments daily. The service gives people simpler ways to send money without sharing financial information, and with the flexibility to pay using their account balances, bank accounts or credit cards.

In view of the limitations usually encountered by Nigerian cardholders when performing international transactions, we partnered with PayPal in order to offer convenience to our customers. This partnership allows our customers to sign on to PayPal from FirstOnline, our internet banking platform, and be verified immediately. Customers who register for PayPal through FirstOnline enjoy higher spending limits than those who register for PayPal in any other way, as well as priority treatment as a FirstBank customer.

Other benefits include secure transactions – as customers shop on merchant sites with only their email address rather than inputting card details – 100% buyer protection and exclusive PayPal deals from international merchants among others.

In time, we will also be launching a feature that will allow our customers (both individuals and businesses) to transfer funds from their PayPal account directly to their bank account through FirstOnline, and make withdrawals from any FirstBank branch nationwide.

GIVING OUR DIVERSE CUSTOMERS THE POWER TO CHOOSE

In recognition of the rich diversity of our customer base, we provide our customers with a choice of service channels and cards suitable for their various lifestyles. This is reflected in our array of card variants that cater to the needs of the average account holder, who requires minimum banking services, to the top executives of multinational corporations, who require more sophisticated services.

Our debit card gives customers 24/7 access to their bank account anywhere in the world. Our credit card (naira credit card) offers a line of credit for a rainy day (with an interest-free period), while our prepaid cards (local or international) provide all the benefits of the debit card without direct access to an actual bank account – this provides an added layer of protection for the customer.

In order to address the particular needs of young people, we also designed 'Expressions', a MasterCard debit card, and the MeFirst prepaid card to allow our customers to creatively reflect their individuality by customising their card design or selecting from an array of designs available.

LOOKING FORWARD

In the coming year, we are committed to putting our customers first through excellent service delivery that will result from an increased focus on operational efficiency and by listening to, and acting on, the voice of our customers.

As a bank, we are focused on innovatively solving real problems for our customers using our electronic platforms, thereby making payments faster, simpler and more intuitive. We will continue to focus on deepening the usage of existing products through incentives and strategic partnerships for the convenience of our customers.

We will also continue to drive the change in the behaviour of our customers from using ATMs for only the withdrawal of cash to performing other value-added services such as bill payments, mobile phone airtime purchases and fund transfers, while also encouraging the use of our other electronic channels, such as point of sale, internet banking and mobile banking.

RELATIONSHIPS AND RESPONSIBILITY
COLLEAGUES

INTRODUCTION

Our strategic goals and focus for 2014–2016 are to consolidate on our leadership position, while driving targeted improvements to elevate financial performance and reinforce our appeal as the bank of first choice.

This is captured under three themes:

- attain leadership in mid-corporate/commercial and SME segments;
- improve cost and capital efficiency; and
- drive service delivery excellence.

In 2014, the FirstBank Human Capital Management and Development (HCMD) department focused on structuring HR policies and practices to strengthen our global expansion strategy. The team also focused on realigning the HR initiatives to support and drive the Bank's (and Group's) aspirations.

Therefore, in 2014, we made conscious efforts to adopt global best HR practices to best fit with our organisation.

OUR HIGHLIGHTS IN 2014

- Achieved the full entrenchment of **the use of individual KPIs** to galvanise staff towards making their input to the implementation of the enterprise scorecard.
- Rolled out **74 streams of internal faculty training programmes** across all FirstAcademy campuses; the impact of this being cost savings estimated at **₦48.27 million**.
- Concluded the implementation of the **FirstBank Mobile Learning & Product Knowledge Repository®** aimed at significantly enhancing sales force effectiveness – saving time and making selling/cross-selling easy.
- Achieved an unprecedented **93,733 training credit/hours** on the FirstLearn (e-learning) platform; the impact of this being cost savings estimated at **₦748.61 million**.

OUR PRIORITIES IN 2015

- Deploy **360° appraisal** in a phased approach via a pilot using our current bank-wide competencies.
- Deploy more training interventions via e-learning and mobile learning platforms.
- Drive increased efficiency by optimising structures and use of technology.
- Deploy more employee engagement initiatives.

SUSTAINING THE BANK'S CULTURE AND VALUES

FirstBank aspires to be the top bank in Sub-Saharan Africa.

We are a nimble, vibrant, professional and passionate organisation and this is proudly flaunted by our people. Even as we work on our strategic priorities and structures, we want the FirstBank person to epitomise our stance. In line with other culture and people transformation initiatives, we revamped our change champions/agents initiative which commenced in 2013. The focus of this initiative in 2014 was to bring more visibility to the desired behavioural patterns a typical FirstBanker should exhibit. This became of vital importance following our corporate identity refresh in 2014. Change agents ensure brand compliance and a complete internal and external brand revolution.

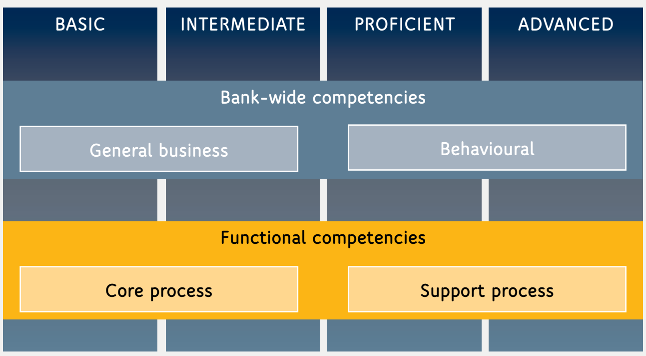
CAPACITY BUILDING

As the business environment becomes fiercer, we will continue to rely on our talents to provide the business with the competitive edge required for sustained growth. It is therefore critical to ensure that we do not just have the right structures in place but also have a well-developed and competent workforce working very closely with the line managers.

We had already implemented our competency framework, which details bank-wide competencies and proficiency levels required. Our capacity-building interventions are guided by the competency framework, which means that our entire training curricula across the various schools in FirstAcademy were tailored to address specific competency gaps.

Guided by the competency framework, we also increased our focus on the use of e-learning platforms to drive capacity building. In 2014, a key highlight was the fact that we were able to achieve an unprecedented 93,733 training credit/hours on the FirstLearn (e-learning) platform; the impact of this being cost savings estimated at ₦748.61 million.

Illustration of competency framework



FirstAcademy – at the forefront of talent development in Sub-Saharan Africa

FirstAcademy continued to pursue excellence in organisational learning and development with the continued implementation of the four school curriculum launched in 2013. In 2014, overall training coverage was 104%; a significant improvement on 2013 (91%). The four schools are as detailed below.

- **Foundation school:** this school provided basic banking knowledge for graduate hires in 2014.
- **Supervisory school:** this school was targeted at two categories of staff: those with supervisory responsibilities and those that will soon assume supervisory responsibilities.
- **Leadership schools:** in 2014, we ran trainings for staff in leadership positions and taught general leadership principles in the Bank. We are particularly proud of our leadership schools with Pan-African, Cornell, INSEAD and Michigan Ross Universities in signature programmes such as Blue Ocean Strategy.
- **Specialised school:** this school impacts skills and competencies across identified areas/functions such as credit, operations, treasury, people management and sales force.

TOWARDS SERVICE IMPROVEMENT

The Bank places very high value on excellent service delivery. In supporting the Bank to achieve this, HCMD implemented training interventions that led to process efficiency and service orientation among staff. We rolled out the 2014 session of the Banking Services School, which focused on enabling Banking Services group to deliver on its five service aspirations – service excellence, continuous process improvement, cost optimisation, clean books and regulatory compliance. We also developed and published a Guidebook for Relationship Management aimed at providing relationship managers with the requisite knowledge to be more effective while carrying out their function.

Overall, we have successfully trained more than 2,800 staff in 2014 alone.

TOWARDS GLOBAL EXPANSION

FirstBank is a strong player on the global stage. In line with our employee global mobility policies we strive to ensure that our talents in foreign locations and those identified for foreign assignments are well equipped in terms of capacity and capability needed. To this end, learning and capability development was implemented for the respective international banking roles (including rep offices and staff on secondment).The intervention programmes covered the following areas:

i) **Corporate governance:** to provide cutting-edge knowledge on critical issues around corporate governance in the financial services space globally.

ii) **Cultural orientation:** our focus here is to appreciate cultural diversity in the global business environment by creating awareness and understanding of the cultural peculiarities of countries where we operate.

iii) **Business orientation:** to provide a thorough understanding of the Group and the business of its respective departments. Sessions were held where officers were acquainted with the strategies, functions and processes of select departments (as they relate to their respective roles).

iv) **Coaching and mentoring:** coaches and mentors were also assigned where applicable. This was designed to ease assimilation into positions where the mentor would provide counselling on work issues and also reinforce desired organisational behaviour as well as ethics.

We further developed and implemented a framework for exchange programme. This programme provided a platform for staff in subsidiaries to be sent to FirstBank for hands-on training to bridge technical gaps. A total of 19 staff participated in this programme. We will further expand the pool in 2015.

TECHNOLOGY: TAKING CENTRE STAGE IN TRAINING DELIVERY

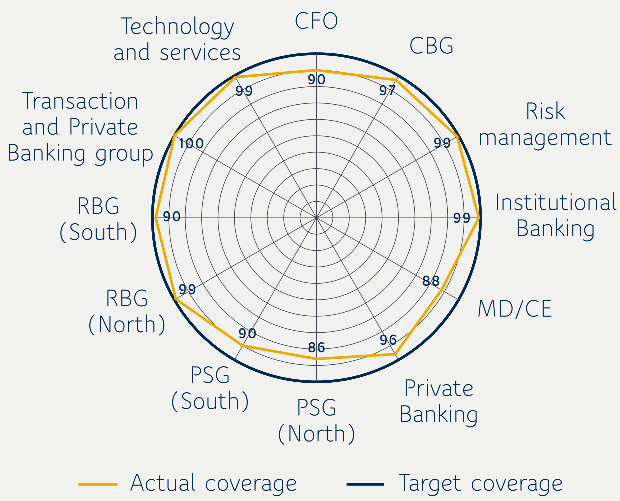
In order to address the dearth of product knowledge among the relationship managers, we have introduced mobile learning with a knowledge repository function to facilitate access to FirstBank product knowledge and features as well as business-critical information by our mobile workforce on the field real time. To this end, we have successfully installed and tested a fully integrated mobile learning platform that allows all e-learning courses to run/play from mobile devices.

There was also a need to ensure that staff are updated with the current skills and knowledge in the use of the Bank's core banking application – Finacle. In 2014, we implemented Finacle 10 refresher training sessions to over 2,100 Banking Services group (BSG) staff bank-wide. We have also worked closely with our IT department to develop and implement a simulation tool for Finacle and FinnOne interactive online training.

2014 FY IN RETROSPECT – KEY STATISTICS

1 **Training coverage/penetration = 98% (8,051 out of 8,221)**

Actual vs target training coverage across directorates



INDEX	COMPUTATION	2012	2013	2014	TREND
2 **Training hours achieved**	Cumulative actual training hours / Cumulative budget training hours	83%	91%	**104%**	↑
3 **Training spend/hour**	Training spend / Training hours achieved	₦6,446.81	₦5,477.44	**₦5,034.99**	↓
4 **Average training cost/FTE**	Training cost / Number of FTEs (mn)	₦0.32 million	₦0.31 million	**₦0.30 million**	↓

2013	2014		
Actual spend (₦)	**Budget (₦)**	**Actual spend (₦)**	**% Savings**
₦2.60 million	**₦2.80 million**	**₦2.46 million**	**12%**

TALENT MANAGEMENT

In managing our talents, we are constantly guided by the principles of the Bank's Talent Management framework. This clearly defines our approach to career management. Having a Talent Management process has benefits for both our employees and the Bank/Group. For the employee, it provides clear understanding of available development and career management options and creates the opportunity to broaden skills set via various cross-functional career management initiatives. The framework will also be beneficial for the Bank/Group in achieving strategic business objectives through appropriate employee placement and building a high performance work environment.

The Talent Management framework was aimed at effectively managing the process for attracting, developing and retaining people with the right skills and competencies to meet the strategic objectives of the organisation.

Nine-box talent management matrix

POTENTIAL			
	HIGH POTENTIAL/ LOW PERFORMANCE	HIGH POTENTIAL/ AVERAGE PERFORMANCE	HIGH POTENTIAL/ HIGH PERFORMANCE
	AVERAGE POTENTIAL/ LOW PERFORMANCE	AVERAGE POTENTIAL/ AVERAGE PERFORMANCE	AVERAGE POTENTIAL/ HIGH PERFORMANCE
	LOW POTENTIAL/ LOW PERFORMANCE	LOW POTENTIAL/ AVERAGE PERFORMANCE	LOW POTENTIAL/ HIGH PERFORMANCE
		PERFORMANCE	

In designing this framework, we have positioned the organisation with the following:

- an all-inclusive talent pool/career path framework;
- proper workforce segmentation guidelines;
- a clear career track definition framework;
- a holistic career management framework;
- a detailed assessment centre/skills audit framework; and
- succession planning framework.

ENGAGING OUR EMPLOYEES

In crafting our 2014 HR strategy, one of the things we aimed to achieve was sustained and improved employee productivity through collaboration, synergy and teamwork. This inspired our 2014 strategy theme, 'As-one'. However, in order to achieve this it was imperative that our talents remained engaged and committed. Over the course of 2014, we did notice some critical people transformation issues impacting employee engagement. These issues include:

- structure;
- poor staff attitude;
- poor staff knowledge; and
- poor employee engagement.

Initiatives we embarked on to drive employee engagement include:

- Work-life balance enforcement across all head office departments and branches. This was achieved by enforcing 'lights out' in head office departments after 8pm every weekday and restricting staff across the branch network from accessing the Finacle banking platform after 6pm every weekday.
- Use of blog and social media to drive interaction among staff.
- Welcome, birthday and anniversary messages to staff; including periodic telephone calls to employees, Campaigns on 'jerk-behaviour' led to marked reduction in these incidences bank-wide.
- Visited about 282 branches and also carried out counselling on identified staff.

INSTITUTIONALISING SOUND PERFORMANCE MANAGEMENT PRACTICES

The performance management system should be able to drive and reinforce performance-related behaviours. This defines the philosophy behind our performance management practices. We have been able to put in place the right policies, frameworks and practices that form the bedrock of a successful performance management system. For example, the Bank's Talent Management framework is a key driver of our performance management practices. Our achievements in the year include:

- Aligned the Bank's Talent Management framework with the performance management system.
- Successfully reviewed the scorecards of all Strategic Resource Functions and Strategic Business Units.
- Cascaded and aligned Key Performance Indicators (KPIs) down to all individuals.
- We created zonal approach to aspects of performance management to encourage understanding of the different business segments and for flexibility.
- Identification of change requirements and the upgrade of the appraisal process.

The FirstBank Annual Merit Award (FAMA) was also planned and completed with the theme 'YOU First' to depict the fact the Bank puts its customer first in everything. A number of teams and individuals were rewarded and this has also served as recognition to encourage high performance in the Bank.

HEALTH, SAFETY AND WELLBEING

The FirstBank medical scheme was reviewed bank wide. This included an assessment of local and international healthcare providers and managers. A comparative analysis done on 15 banks revealed that over 55% engaged health maintenance organisations (HMOs) services while about 25% adopted a mixed medical scheme. A bank-wide inspection/review of approved hospitals was embarked upon with a view to retaining/appointing standard facilities and maintaining quality services.

The following were achieved in 2014:

- We continued our periodic health screening exercises, one of which was conducted on World Health Day. The aim was to pick up undiagnosed cases of chronic and preventive illnesses and treat them promptly.
- We also conducted free eye screening for staff.
- Recreational clubs and activities such as dance/salsa club and aerobics also continued.
- Human Capital Management and Development facilitated a successful 'FirstBank 2014 Health Walk and Novelty Match' where staff were treated to aerobics, a health walk and novelty football match between the various workforce generations (veterans vs millennials) in the Bank.

DIVERSITY AND INCLUSION

We pride ourselves in being an equal opportunities employer and have integrated diversity and inclusion policies and awareness into our practices. The diversity and inclusion objective of the Bank is to be a recognised industry leader in workforce diversity and leverage diversity for the growth of FirstBank and the success of the customers and communities we serve.

The following are highlights of some of the areas where we have incorporated this:

- The Bank has a diversity team responsible for ensuring it has a diverse workforce and an inclusive workplace with opportunity for the talents of all employees to create value, deliver a superior client experience and develop innovative solutions for the markets and the communities we serve. In the team, we have a visually impaired member of staff as one of our diversity champions (key driver of diversity initiatives). We have also set aside a Diversity & Inclusion Day to create awareness and ensure an inclusive workplace/work culture. To this end and as part of our yearly event, the FirstBank 2014 Diversity & Inclusion Day was organised with the theme – 'Leveraging diversity for business success'.

EMPLOYEES AT THE FIRSTBANK 2014 DIVERSITY & INCLUSION DAY

GMD speaking on diversity and inclusion

GMD signing the diversity and inclusion charter

GMD (right) and Group Head, HCMD (left), displaying the diversity and inclusion charter

Staff at the Diversity & Inclusion Day

- As part of recruitment and posting this is subtly worked into selections without dampening the meritocracy that needs to be entrenched in the system.
- Create a working environment where the various workforce generations will thrive. We have also reviewed the gender policies and demographics.
- We have a male and female ratio at 61% and 39% respectively across the workforce while at the senior management level (SM – GM), the male/female ratio is 66.5% and 33.5% respectively. At the Board level, the male: female ratio is 84.2% and 15.8% respectively.

CONCLUSION

For the 2015 financial year our plans will hinge on the HCMD strategy, with our focus on the identified initiatives to serve as drivers for future growth in line with the Bank's strategy direction. Key for us will be on the institutionalisation of our talent management principles, commitment and engagement strategy, diversity and inclusion, improve efficiency and effectiveness of our structures, comprehensive resourcing strategy and capacity building.

We will also aim to achieve the following:

- Provide visible (active) support for the Bank, individual business units and international subsidiaries (Guinea, Ghana, Sierra Leone, Congo, Senegal, The Gambia, etc.), in achieving the set targets and aspirations.
- Develop a pool of next generational leaders that will take the Bank to its next level.
- To institutionalise overarching policies and monitoring framework at the Group level that would drive people management practices.

RELATIONSHIPS AND RESPONSIBILITY
COMMUNITIES

SUPPORTING OUR COMMUNITIES

The communities where we live and work have been instrumental to our success. It's been a relationship based on mutual trust, respect and support. Stakeholder engagement with our communities in education, health and welfare; economic empowerment and the environment are important in FirstBank's support of the community.

The major programmes under these platforms include FirstBank endowment programme; Future First programme; infrastructure development programme; youth and development leadership programme; Hope Rising programme and educational endowment programme. These programmes are continuous and have impacted lives in communities where we operate.

INFRASTRUCTURE DEVELOPMENT PROGRAMME

FirstBank infrastructure development programme is aimed at promoting infrastructure development under its identified areas of support. This includes providing infrastructure facilities in schools, hospitals and environmental infrastructure projects. This is in recognition of the importance of these facilities in improving the quality of life.

Some of the support projects under this purview include the Faculty of Arts building in the University of Port Harcourt; the Entrepreneur Centre in the University of Abuja; the Sports Pavilion for Queens College and the Squash Court for Kings College; the Administrative Block for Jesuit Memorial College, a Red Cross Clinic in Ibadan and the Bank's Ivory Park in Banana Island.

In 2014, as in previous years, we have carried out maintenance exercises on most of the infrastructure projects. In addition, the Bank commissioned the Langbasa Potable Water Projects for staff and students of Langbasa Primary School and its host community in Eti Osa local government area of Lagos State, built a 500 seater lecture theatre for the Federal University of Technology Akure, renewed partnership with the officials of Banana Island in the development of the Ivory Park as well as partnered with the City of David Church in the building of a Solar Lightening Project in Kirikiri Town, Apapa, Lagos.

Lecture Theatre Obafemi Awolowo University Ile Ife – donated by the Bank

500-seat Lecture Theatre donated by the Bank to the Federal University of Technology, Akure

Administrative building of Jesuit Memorial College Port Harcourt – donated by the Bank

Ivory Park, Banana Island, Lagos

HOPE RISING PROGRAMME

Hope Rising Initiative is one of the key programmes of the Bank designed to empower people living with disabilities. Its key objective is engendering inclusivity and diversity through education, advocacy and enlightenment; skills acquisition through training; as well as inclusive events. Some of the initiatives we have supported under this programme include:

- Support to Patrick Speech and Languages Centre in the sixth Talent in Autism Concert designed to seek outstanding talents among children with autism.
- The Bank continued its support for Folawiyo Jimoh Adisa, a Para-Badminton Champion to attend Para-Badminton Tournaments across Europe.
- Scholarships to Abdulateef Alani Azeez, a hearing impaired student of the Osun State Polytechnic for his HND II academic session, having supported him for his HND I academic session in the same higher institution.
- In addition, the Bank supported two visually impaired final-year law students of the University of Lagos, Fadiya Babatunde Samuel and Oluwaseun Adeeko Solomon, to further their education to the Nigerian Law School in Lagos and Abuja.
- The Bank also partnered with the Golden Hearts Touching Lives Initiative, an NGO, to provide medical outreach for less privileged persons in Obalende Ikoyi Community of Lagos State.
- Partnered with the Tristate Cardiovascular Institute to provide medical intervention for two eight year old children with holes in their hearts.

Our main focus is creating awareness of Down's syndrome and how to live with it. In 2014, awareness creation and advocacy for Down's syndrome has been enhanced by the Hope Rising drama series, which focuses on highlighting the challenges of Down's syndrome and exploring efforts at combating the disorder, and also providing the platform for advocacy and public enlightenment. Over ten million people were reached through the programme and 300,000 post reach on our social media platforms.

Blue House celebrating victory at the 2014 Down's Syndrome Foundation Inter-house Sports competition

Medical outreach to less privileged people in Obalende, Ikoyi axis, Lagos supported by the Bank

Adeeko Oluwaseun Solomon and Fadiya Babatunde Samuel: visually impaired final-year law students of the University of Lagos who received support from the Bank to proceed to Law School

FUTURE FIRST

DRIVING CAREER COUNSELLING AND FINANCIAL LITERACY FOR YOUNG ONES

Future First programme is designed to empower students of secondary schools between the ages of 13 and 17 in JSS3 to SSS2 in line with the youth strategy of FirstBank, which has two legs.

One of the expressions of Future First is career counselling. The key objective is to help build fulfilling careers for students.

Future First programme was launched in partnership with Lagos Empowerment and Resource Network (LEARN) and Junior Achievement Nigeria (JAN).

The second leg is financial literacy. One of the key objectives of Future First through Financial Literacy is to better equip students with the tools and knowledge for long-term financial independence.

In partnership with Junior Achievement Nigeria, one of the partners of Future First, FirstBank has been promoting financial literacy for young ones. As with all our programmes, Future First is also implemented through a structured Employee Volunteering Scheme (EVS). This involves our employees offering their time and knowledge to enlighten high school students on career counselling and financial literacy.

In 2014, FirstBank has continued to support JAN in driving financial literacy. As a board member of JAN, the Bank did not only pay its dues, it has strongly contributed to the different programmes of JAN. For example, FirstBank was a key driver in organising the 15th anniversary of JAN in 2014.

In addition, FirstBank has played active roles in the support of other JAN programmes such as the Company programme which aims to provide senior secondary school students with practical business experience through the organisation and operation of an after-school business enterprise. Among other objectives, the Company programme aims to: provide an experiential supplement to the business and economics educations of high school students to help them to better understand how businesses are organised and operated, help students develop critical thinking, speaking and leadership skills, and demonstrate the rewards of the free enterprise system. In 2014, through the Bank's support, the programme was held in different regions in the country.

YOUTH LEADERSHIP AND DEVELOPMENT PROGRAMME

The Youth Leadership and Development programme is designed by the Bank for young people between the ages of 14 and 35 years. The key objectives of the programme are: providing a platform for youth to imbibe a deeper understanding of the necessary but rewarding sacrifices and qualities of great leadership and equipping them with the relevant tools and skills to become great leaders; creating opportunities for youth participation in developing the country through sustainable community development programmes; and mentorship for the youth and value-based leadership. The Bank currently partners with the Nigeria Leadership initiative (NLI); Junior Achievement Nigeria (JAN); and LEAP Africa in driving this initiative.

PARTNERSHIP WITH NIGERIA LEADERSHIP INITIATIVE

The Bank has partnered with the Nigeria Leadership Initiative since 2008. Since the commencement of the Bank's partnership with NLI, about 350 NLI associates have been trained and mentored as future leaders. Through the annual Future Leaders Seminar, which sees the Bank nominating two outstanding staff to participate alongside other Nigerians outstanding in their different professions across the globe all under the age of 35, both the Future Leaders Seminar and Guest Speaker Forum serve as platforms for promoting value-based leadership among Nigerians through seminars, workshops, Leadership Projects and Essay Competitions designed to increase engagement between the citizenry and leadership.

PARTNERSHIP WITH LEAP AFRICA

In 2014, the Bank also partnered with LEAP Africa in implementing the Youth Development Training Programme (YDTP). The YDTP focuses on ensuring that youths become socially responsible and responsive, and strategically positioned to achieve life goals and effect positive change in their local communities across Nigeria, through the inculcation of knowledge on leadership, ethics and civics. The initiative has a volunteering leg to it which saw staff volunteers from the Bank who went through a Training of Trainers exercise teaching students different subjects, such as the act and art of leadership, building self confidence, connecting to your inner self, etc. A total of five schools in Lagos State were reached through this exercise and this featured 10 volunteers with a total of 5,000 hours expended.

Also, the Bank partners with LEAP Africa to promote the Social Innovators programme. The Social Innovators programme entails a year-long fellowship where 20 youths between the ages of 18 and 35 are selected based on predetermined criteria, among which is, initiator/co-founder of projects and enterprises to undergo workshops and trainings which would equip them with the skills, knowledge and tools required to run successful and sustainable social enterprises while creating measurable impact towards Nigeria's development.

The Bank also partnered with Junior Achievement Nigeria in 2014 to implement several youth-oriented programmes. Among these are the Financial Literacy programme to Caro Favoured School Ajegunle on the Eve of Children's Day, the Monopoly Bus Tour, which featured a tour of famous streets and neighbourhood in Lagos State, by children sourced from the Slum to School Project and Junior Achievement Nigeria. The purpose of the tour event is to educate the children on the significance of the historical monuments, famous streets and neighbourhoods as well as landmarks found in the City of Lagos Monopoly board game.

One of the Bank's volunteers teaching students about financial literacy in a secondary school in Lagos

The Head, Corporate Responsibility & Sustainability, with FirstBank volunteers and students at the Future First financial literacy training session at a secondary school in Lagos State

Participants at the 2014 Future Leaders seminar

EDUCATIONAL ENDOWMENT PROGRAMME

EMPOWERING YOUTH AND STAKEHOLDERS THROUGH EDUCATION

This programme was instituted by FirstBank as far back as 1994. It is dedicated to enhancing academic excellence geared towards a long-term development of Nigeria.

Currently, we have professorial chairs in 10 Nigerian universities, with the total endowments worth over ₦440 million. The most active endowment programmes include University of Lagos - Business Ethics; Federal University of Technology, Akure – Computer Science; and the FirstBank Sustainability Centre.

FIRSTBANK FUTA ENDOWMENT PROGRAMME

The FirstBank Federal University of Technology Akure Endowment Fund in Computer Science was initiated in 1997 in recognition of the vital role research plays in development and innovation, especially in the present digital age. Annually, FUTA Endowment Fund receives grants from the Bank to carry out research in information and communication technology-related issues. With the aid of the annual grant, the professorial chair occupant carries our research activities, which have contributed to knowledge creation and dissemination and have served as solutions to existing peculiar concerns. Among these research works are:

- Security Issues in Nigeria, getting ready for the digital challenge.
- DGM approach to network attacker and defender strategies, presented at the 8th International Conference for Internet Technology and Secured Transaction in London. The paper beat a whopping 1,241 papers received from 96 countries to emerge the overall best paper according to the panel of assessors.

Also, in 2014, a risk assessment and management system was developed for managing cybercrime in Nigeria.

The main objectives of the research paper are to:

i. Design an information risk assessment and management system in the Nigeria business environment.
ii. Design an internet users' identity module to track the activities of cyber criminals in Nigeria.
iii. Design of a digital rights management system.
iv. Design a graphical password system for online business in Nigeria.
v. Carry out pilot implementation schemes of the above designs.

Some of the research findings will be published in 2015.

FIRSTBANK SUSTAINABILITY CENTRE

DRIVING SUSTAINABILITY; ENHANCING KNOWLEDGE

We recently launched the FirstBank Sustainability Centre, to show our ongoing commitment to corporate citizenship and sustainable business practices within the Group.

The FirstBank Sustainability Centre is a specialised centre that focuses on sustainability and related areas. It drives sustainability through knowledge creation, knowledge dissemination and knowledge application.

These are achieved through relevant applied research in specified areas of interest; open and in-company seminars, workshops, and international and local conferences for the cross-fertilisation and exchange of ideas on sustainability.

The centre is designed to empower employees of the Group and other financial institutions who are signatories to the NSBP, FBNHoldings customers and other stakeholders a few of which include NGOs, media practitioners, SME operators, and staff in the energy, oil and gas sectors. The following programmes were held at the FirstBank Sustainability Centre in 2014:

IMPLEMENTING SUSTAINABLE STRATEGY IN THE OIL AND GAS INDUSTRIES

This is an executive programme that sought to embed sustainability thinking in the strategies of the energy and extractive industries. This is because a well-articulated and ingrained sustainability strategy enhances organisational adaptability in complex environments. The programme featured local and foreign sustainability experts who proffered knowledge on how the oil and gas industries can competitively minimise their negative impacts and enhance their positive impacts on society, the environment and economy without compromising their bottom line.

SUSTAINABILITY WORKSHOP FOR NGOS AND CORPORATE ORGANISATIONS

The workshop sought to provide capacity-building training for NGOs who want to partner with businesses on their sustainability programmes. The workshop provided in-depth insight on how corporations and NGOs can build mutually beneficial partnerships that will increase capacity and sustainability and deliver service to the community.

SEMINAR FOR WOMEN IN SMES – THE NEW GROWTH STRATEGY FOR WOMEN-OWNED SMES

The seminar focused on navigating sustainable entrepreneurship and providing a roadmap for women entrepreneurs to contribute as strategic partners to socio-economic national development. It expounds key issues and challenges that women-owned SMEs could possibly encounter, and how these challenges can be overcome while embedding sustainability practices into their businesses.

INTERNATIONAL CONFERENCE ON LEADING A SUSTAINABLE BUSINESS

The conference sought to espouse the need to adopt sustainability principles as key components of business development and continuity. Sustainability experts from Nigeria and the United Kingdom offered practical insights on minimising business risks, reducing cost, increasing revenues and enhancing brand reputation for businesses.

Participants included CEOs and top executives of corporations, institutional investors, academia, directors/heads of foundations, government agencies and NGOs as well as business regulators and top executives responsible for CSR and sustainability functions.

Participants at the Seminar for Women in SMEs organised by the FirstBank Sustainability Centre

From second left: Prof. David Grayson of Cranfield University, UK, GMD/CEO of FirstBank - Bisi Onasanya, Dean LBS Dr Enase Okonedo, senior fellow LBS Kayode Omoregie and Paul Gurney Head of Sustainability, Accenture, at the International Conference on sustainability organised by the FirstBank Sustainability Centre

Participants at the executive programme on implementing sustainable strategies in the energy and extractive industries

Employee volunteering visit to a care home in Port Harcourt

EMPLOYEE GIVING AND VOLUNTEERING

MAKING A DIFFERENCE

The employee giving and volunteering scheme is a platform, enabling and encouraging staff to give back. The platform sits within the employee volunteerism engagement strategy and allows staff to 'give back' through various CR initiatives. It is an integral element of the Group's corporate culture.

This approach complements business goals and values as it builds the morale of our workforce. It creates an enabling environment for team building and leadership activities and opportunities. More importantly, it helps to alleviate community development challenges, as our employee-inspired initiatives are mutually beneficial.

These employee-driven programmes, executed in fun ways, connect the FirstBank family with the community, while addressing pressing social issues. This then creates room for partnerships through access to valuable resources and skills. It generates a platform for new ideas, talents and concepts. This approach also leads to open and clear communication between the different sectors of the community and the Bank.

The volunteering programme has a two-pronged approach. Staff visits to less privileged homes and orphanages and secondly, the aspect that ties in with all key CSR programmes of the Group. On a quarterly basis, staff of the Group visit care homes in different regions of the country. In 2014, there was an EVS visit to a care home in Port Harcourt and to the Down Syndrome Foundation Resource Centre in Lagos. Also, staff volunteers of Future First, youth leadership and development, and Hope Rising programmes have engaged in empowering students in different schools within Nigeria. Over 5,200 students benefitted from the programme and about 10,450 volunteering hours were recorded.

Employee volunteering visit to the Down Syndrome Foundation Resource Centre

SUPPORTING COMMUNITIES: OUR PERFORMANCE IN 2014

Objective/programme measure	This year's accomplishment	Measures	2014 performance	2015 targets	
1 Infrastructure development programme					
Promoting and supporting infrastructure development in schools and society	Langbasa water project	Number of projects and number of people that benefited from the projects	Three projects executed Over 800 people (staff and students) of school benefited Over 5,000 residents of Langbasa Community benefited from the Langbasa water project	Two projects	
	Provision of solar lighting project in Kirikiri Town Ajegunle		2,000 Residents of Kirikiri Town benefited from the solar lighting project		
	Computers for Aje Comp. School project		About 900 students benefited from the use of the computers		
2 Hope Rising initiative					
Engender inclusivity and diversity through education, advocacy and skills acquisition	Radio drama series in partnership with Down Syndrome Foundation Nigeria	Number of people reached	A 13-episode radio drama series Drama reached over 10 million people	Drama to reach about 20 million people	
	Support Annual Awareness Week, talent hunts competition and Children's Day		Reached over 10,000 residents in Ikeja and environs	15,000 people	
	Support to Nigeria Society for the Blind fund raising event		Donated 150 white canes to the NAB	500 white canes to be donated	
	Support to Para-Badminton Sports and visually impaired law students				
3 Youth leadership and development initiative					
Provide platform and relevant tools for youth to imbibe qualities of great leadership	Partnership with NLI: Future Leaders seminar	% of positive feedback from participants. Number of youths that participated in the different youths initiatives	About 300 associates inducted as NLI fellows.	90%	95%
	Partnership with LEAP Africa: Youth Leadership Development programme		Over 1,000 students impacted through the LEAP Africa programme	92%	100%
4 Future First programme					
Ensure financial literacy and career counseling for young ones	Partnership with JAN on financial literacy	Number of students impacted	Partnership with JAN impacted 7,200 students	Five schools in Lagos State	To impact 10,000 students

Objective/programme measure	This year's accomplishment	Measures	2014 performance	2015 targets
5 Educational endowment programme				
Enhance sustainability and academic excellence towards the long-term development of Nigeria	FUTA endowment	Number of people impacted	FUTA endowment programme expected to impact 6,000 people	To conclude project
	FirstBank Sustainability Centre		Enrich the lives of over 1,000 people	3,000 people
6 Employee giving and volunteering				
Provide a platform for employee giving, volunteering and engagement	Volunteering on Future First, youth leadership programme	Number of volunteering hours	25,000 hours	34,500 hours
	EVS visit to Lagos and Port Harcourt			

RELATIONSHIPS AND RESPONSIBILITY

BUILDING SUPPLIER RELATIONSHIPS

OUR SOURCING GOAL

At FirstBank, when we purchase goods and services, we want to participate in a professional collaboration that creates long-term value for the Banking Group as well as our suppliers. We want to base our collaboration on trust and mutual interest. Quite recently, we have made significant progress towards achieving this goal, restructuring and enhancing our procurement functions and reporting lines with a view to developing a coherent plan that covers all aspects of our sourcing activities across the Banking Group. The reorganisation, which evolves and expands our current approach, was approved recently by our Board of Directors. It addresses sourcing activities across the Banking Group, using our existing sourcing policy as a starting point, along with supplier standards, through the creation of a Group sourcing policy.

HOW WE EVALUATE OUR SUPPLIERS

We believe that the way we manage our suppliers makes a huge difference in our performance, profitability, and the continuity/resilience of our Banking Group. At FirstBank, we have gone way beyond only chasing the lowest price to looking at the total cost across the Banking Group managing risks and outcomes, improving supplier performance, and getting more value out of the treasure trove of spend data we are sitting on.

We are constantly making efforts to put better programmes in place to manage our interactions with suppliers of goods and/or services to our organisation. This helps to maximise the value of those relationships. Overall, we intend to create closer, more collaborative relationships with our vendors, which will eventually result in more efficient service delivery to our customers.

We regularly check to see whether our supplier demands are being met on an ongoing basis. This is not just a yearly activity or a yearly assessment of the contractual provisions, but a continuous reassessment of our suppliers. The supplier reassessments include more upfront due diligence and a thorough assessment of suppliers well before verbal agreements are made or contracts are entered into, taking into account the state of the supplier's current (and future) financial position, its geographic location, its reputation and its risk management programme. Of course, we conduct more extensive due diligence when a supplier relationship involves critical activities.

Quite recently, we proactively took a tour of the facility of one of the companies licensed by the CBN for the production of cheque books and other security instruments. Our objective was to assess the capability and readiness of the company to undertake such specialised functions. This upfront due diligence better positions our organisation to take informed decisions on the award of contracts whenever the need arises.

In addition to the upfront due diligence, developing a contract that clearly defines responsibilities of the third party helps to ensure the contract's enforceability and limit our liability. Beyond great contracts and terrific procedures and policies, we are continuously checking up on suppliers over the course of our relationships. We take cognisance of the fact that performing ongoing monitoring, once the contract is in place, is essential to the Group's ability to manage risk of the third-party relationship. We equally evaluate our suppliers based on agreed service level agreements (SLA), with particular focus on exceeding set targets within the overall objectives of improving performance standards.

CONSOLIDATING OUR SUPPLIER RELATIONSHIP

Effective supplier relationship management is the best way to ensure optimal supplier performance. We are actively taking steps to build relationships with our suppliers, thereby creating solid partnerships, and we are proud of the strong relationships we have built with some of our suppliers, many of whom have been working with us for years.

We constantly seek suppliers who support our strategic goals and objectives, while continually looking for ways to manage our costs. We keep our communication lines open by inviting our suppliers to strategy sessions aimed at getting them to understand the importance of making and meeting commitments, and delivering the highest quality services. In view of the fact that our business environment is competitive, we help our suppliers to understand this dynamic and to be agile and flexible in responding to our changing business conditions. In return, we constantly remind ourselves that our suppliers have their business to run and so we have consistently paid our bills on time and this has earned us respect from our suppliers.

Rather than having too many vendors, which is overwhelming, inefficient and leads to higher administrative costs, we are continually creating significant savings by using the suppliers that give us their best, and eliminating those that negatively impact our bottom line. For instance, we are constantly exploring ways to consolidate multiple orders under one supplier to receive a bulk discount rather than use three to four suppliers to manage smaller orders. We have taken further steps to ensure we extract maximum value from our supplier relationships by engaging suppliers that are prime movers in their industry, thereby ensuring that we not only get the best services but we are properly positioned to take full advantage of any new ideas and technology.

In 2015, we will optimally leverage technology in managing our supplier relationships by placing more emphasis on software and automation. We will equally ensure we put adequate systems in place to monitor and track Key Performance Indicators (KPIs) effectively.

Overall, we remain committed to perfectly aligning our supply chain with business strategy thereby creating the competitive advantage we need to stay ahead of competition. We will further ensure that our investments are tied directly with our business value statements.

RELATIONSHIPS AND RESPONSIBILITY
STANDARDS AND CODES

We are committed to international standards and have only adopted principles that can be supported by the relevant frameworks, as well as those with a strategic fit with our business.

ISO 26000 GUIDANCE STANDARDS ON SOCIAL RESPONSIBILITY

ISO 26000 is an international standard giving guidance on social responsibility. It is intended for use by organisations of all types, in both public and private sectors, in developed and developing countries, as well as in economies in transition. It is designed to help organisations in their efforts to operate in a socially responsible manner. ISO 26000 contains voluntary guidance, not requirements, and therefore is not for use as a certification standard. FirstBank is a technical partner in the Nigerian adoption process, 'ISO 26000: NAP', which began last year.

As a technical partner, we are fully committed to the seven core subjects of ISO 26000 guidance. These are: community involvement and development; human rights; labour practices; the environment; fair operating practices; consumer issues; and organisational governance.

Clearly, being part of the process has allowed us to shape the thinking and outcomes in line with local understanding and relevance. We had promised that our 2014 report would be ISO 26000 based after the adoption ceremony, which took place in the fourth quarter of 2013. Unfortunately, this has not been possible as our sustainability performance process is still being completed. Once this has been finalised, our reports will be aligned with the ISO 26000 standard.

THE NIGERIAN SUSTAINABLE BANKING PRINCIPLES (NSBP)

The NSBP programme was constituted under the auspices of the CBN and the Bankers' Committee to formulate sustainable banking standards and guidelines for Nigerian banks. This led to the birth of the Strategic Sustainability Working Group (SSWG),

With support from the FMO Entrepreneurial Development Bank, the International Finance Corporation (IFC) and an independent adviser, the SSWG was instituted to work under the Bankers' Sub-Committee on Economic Development and Sustainability.

The priority focus areas for the sustainability programme were: agriculture (including water resource-related issues and the Nigeria Incentive-based Risk-sharing System for Agricultural Lending, NIRSAL); power (with an emphasis on renewable energy); and oil and gas.

The Bank actively participated in two of the sub-committees (agriculture and oil and gas), which made submissions that were approved by the Bankers' Committee for implementation by the sector regulators, banks and other related financial institutions.

FirstBank is a member of the steering committee responsible for providing implementation guidance on the NSBPs for signatories to the principles.

The table below sets out the NSBPs and how the Group has met the requirements.

NIGERIA SUSTAINABLE BANKING PRINCIPLES UPDATE

Principle	Requirements	Status update
Principle 1: Our Business Activities: Environmental and Social Risk Management:		
To integrate environmental and social considerations into decision-making processes relating to our business activities to avoid, minimise or offset negative impacts	• Development of appropriate Environmental & Social (E&S) policies • Development of appropriate E&S procedures • Development and customisation of E&S due diligence procedures • Articulation of E&S governance and approval authority measures • Monitoring E&S risks and reviewing E&S conditions • Provision of client engagement guidance on E&S issues • Development of appropriate E&S reporting criteria • Reporting on implementation progress • Support for investment in sustainable, innovative business opportunities	• Environmental, social and governance management system (ESGMS) document has been developed. This covers all requirements except last two • The document has been signed by all relevant stakeholders within the Bank and has been approved by the Bank's management committee • Update on progress of implementation sent to the Bank's Board of Directors • The ESGMS document has been sent to the Board for approval.

Principle	Requirements	Status update
Principle 2: Our Business Operations: Environmental and Social Footprint:		
We will avoid, minimise or offset the negative impacts of our business operations on the environment and local communities in which we operate and, where possible, promote positive impacts	• Development of an environmental management programme with facilities management. This should address climate change and greenhouse gas emissions reduction, water efficiency, waste management and environmentally friendly facilities, construction and management • Compliance with relevant labour and social standards • Implementation of a community investment programme • Application of E&S standards to relevant party	• The Bank is presently implementing the print optimisation programme that helps in reducing paper use and carbon footprints • Several community development programmes have been implemented and are still currently being implemented by the Bank. These programmes promote positive impacts in our host communities. They include: infrastructural development programmes, Future First; Hope Rising and youth development programmes.
Principle 3: Human Rights:		
We will respect human rights in our business operations and activities	• Development and implementation of a human rights policy (including labour and working conditions) • Integration of human rights due diligence into E&S procedures • Investment in resources and training of staff on human rights issues	• The Corporate Responsibility and Sustainability policy encompasses the respect for human rights in our business operations and activities.
Principle 4: Women's Economic Empowerment:		
We will promote women's economic empowerment through a gender-inclusive workplace culture in our business operations and seek to provide products and services designed specifically for women through our business activities	• Develop and implement a women's economic empowerment policy • Establish a women's economic empowerment committee • Develop initiatives and programmes to promote and celebrate women's empowerment • Invest and dedicate resources for female talent • Support the establishment of a sector-wide women's empowerment fund	• Commitment to women's economic empowerment is reflected in the Bank's sustainability policy • The Bank has a market share of 26% under the Federal Government's Growth Enhancement Support Scheme designed for SMEs and half of this is made up of women. Currently, over 3,000 SMEs run by women get support from FirstBank • FirstBank's Board composition consists of four women out of 19, representing 21% of the Board • Partners with Women of West Africa Entrepreneurs (WoWE) and Women in Management Business (WIMBIZ) on women's development • Developed a diversity policy for promoting inclusion and diversity • The Bank regularly holds seminars and workshops for women in SMEs through the FirstBank Sustainability Centre.
Principle 5: Financial Inclusion:		
We will promote financial inclusion, seeking to provide financial services to individuals and communities who traditionally have had limited or no access to the formal financial sector	• Developing and implementing a financial inclusion policy • Providing development and growth support to SMEs • Improving financial literacy and institutional practices • Improving access to Bank facilities and services	• Financial inclusion is part of the Group's Corporate Responsibility and Sustainability Policy • Provided financial services including loans for about 200,000 SMEs • Provided financial services for over 478,000 unbanked through Firstmonie and First Instant • Promoting financial literacy through Future First financial literacy programmes for youths, and other initiatives.

Principle	Requirements	Status update
Principle 6: E&S Governance:		
We will implement robust and transparent E&S governance practices in our respective institutions and assess the governance practices of our clients	• Establish E&S governance responsibility • Develop institutional E&S governance practices • Actively support key industry initiatives that aim to address E&S governance issues with clients operating in sensitive sectors • Implement E&S performance-linked compensation and incentive schemes • Establish internal and, where appropriate, external E&S audit procedures	• Developed sustainability governance team chaired by Chief Risk Officer (CRO) • A member of the NSBP steering committee.
Principle 7: Capacity Building:		
We will develop individual institutional and sector capacity necessary to identify, assess and manage the environmental and social risks and opportunities associated with our business activities and operations	• Identify relevant roles and responsibilities for delivery against sustainable banking commitments • Provide sustainable banking training sessions • Create practical E&S training tools and resources • Multi-stakeholder capacity building	• Board and executive management have been trained on sustainability • 40 strategic key heads of SBUs and department have been trained • Partnering with NSBP and IFC in training key staff • Plans within Group to ensure every staff member is trained in sustainability by December 2015 • Established the FirstBank Sustainability Centre as a centre for knowledge creation, dissemination and application on sustainability-related issues. Through the centre, the Bank has held workshops and seminars on leading sustainable businesses.
Principle 8: Collaborative Partnership:		
We will collaborate across the sector and leverage international partnerships to accelerate our collective progress and move the sector as one, ensuring our approach is consistent with international standards and Nigerian development needs	• Collaborate and coordinate with other banks • Convene sector-wide workshops and events • Commit to international standards and best practice initiatives • Establish and participate in Nigerian sector-level initiatives	• A member of NSBP steering committee • Participate in industry-wide workshops • Member of UN Global Compact (UNGC); signatory to ISO 26000 • Partners with organisations such as JA Nigeria, LEAP Africa, Nigeria Conservation Foundation etc. for sustainable initiatives designed to empower youth and conserve the environment.
Principle 9: Reporting:		
We will regularly review and report on our progress in meeting these principles at the individual institution and sector level	• Establish a sustainable banking reporting template • Set clear targets and relevant performance indicators • Ensure the necessary systems are in place to collect data • Agree the frequency, nature and format of internal and external reporting • Contribute to sector-level reporting	• Developed a reporting template • Targets and KPIs set. Implementation from 2014 • Developing a system to collect data • Internal reporting quarterly. External: yearly. FBNHoldings Citizenship report completed and circulated to stakeholders.

THE UN GLOBAL COMPACT (UNGC)

The UNGC is currently the highest body for corporate citizenship in the world today. The UNGC was established in 2000 to serve as a platform for dialogue, learning and partnership for organisations willing to commit to adopting corporate responsibility as part of their business strategy and daily operations. To date, it has successfully attracted and mobilised over 7,000 businesses in more than 130 countries across the world to become members.

Membership of the UNGC implies an organisation's willingness to align with the UN's values and support initiatives that advance the UN's goals as contained in the Millennium Development Goals (MDGs). Participants simply commit to align their strategies and operations with 10 principles in the areas of labour, human rights, environment and anti-corruption.

We started the process for UNGC membership in late 2012, with the goal of supporting the principles of the organisation. We became a member in the first quarter of 2013.

The Bank has continued its partnership role in 2014 and has been actively involved in the local network of the UNGC.

RELATIONSHIPS AND RESPONSIBILITY
STAKEHOLDER ENGAGEMENT

Stakeholders are those who affect or are affected by an organisation. Our key stakeholders include employees; customers; shareholders; communities and regulators.

	REASONS FOR THE ENGAGEMENT	TYPES OF ENGAGEMENT
EMPLOYEES		
	• To ensure that FirstBank remains a great place to work by providing a secure, positive and inspiring working environment. • Listening, understanding and responding to staff needs and concerns. • To ensure all staff are aware of the Bank's vision and activities and the role they are required to play.	• These include focus groups; knowledge-sharing sessions; roadshows; engagement surveys; emails, intranet communications; magazines and training.
CUSTOMERS		
	• To have a better understanding of the financial services needs of our customers. • To meet the needs of our customers by providing appropriate solutions.	• Interactions through branch service points; relationship managers; contact centres, complaint lines, customer engagement forums; social media, surveys and marketing and advertising activities.
INVESTORS/SHAREHOLDERS		
	• To provide the necessary information to current and future shareholders. • To improve the market's understanding of the company's investment proposition towards achieving a fair valuation.	• Roadshows. • Communications and responses to investor and analyst queries. • Annual general meeting. • Conferences and presentations.
REGULATORS		
	• To build and enhance relationships with regulators by ensuring all legal and compliance requirements are met to minimise associated risks and safeguard our licence to operate.	• Meetings. • Statutory reporting.
COMMUNITIES		
	• To develop and sustain mutually beneficial, trusting and meaningful relationships with our communities, focusing on the Bank's corporate responsibility goals. • To obtain inputs from communities regarding the Bank's corporate responsibility programmes and how their needs can be better met. • To partner with NGOs in ensuring that the Bank's activities and operations are conducted responsibly. • To create awareness of the Bank's corporate responsibility initiatives.	• Citizenship approach - ongoing support of projects and interaction with a wide variety of NGOs and government organisations. • Sustainability and corporate responsibility partnerships with Global Compact; LEAP Africa; and Junior Achievement Nigeria. • Steering Committee – Sustainability Champions of NSBP.

GOVERNANCE

First Bank of Nigeria has a well-defined corporate governance framework in place to support the Board's aim of achieving long-term and sustainable shareholder value.

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Chairman's statement

Prince Ajibola Afonja, Chairman

HOW WE GOVERN FOR LONG-TERM SUSTAINABILITY

Across the different dimensions of our operations, and especially so in matters of governance, FirstBank's overarching imperatives include a constant search for a balance that optimises stakeholders' expectations. Inevitably, this means we must respond to changes in our operating environment, and continue to reposition the business accordingly. In the review period, fundamental demand trends remained intact across the domestic economy. Fuelled by the natural financing needs of an expanding economy, our businesses focused on the needs of a burgeoning consumer segment. In addition, we continued to expand the cross-border frontiers of our businesses into regions with attractive trade flows with Nigeria, as well as growth prospects for their respective domestic banking industries.

OPERATION OF THE HOLDING COMPANY STRUCTURE

The change in the business operating structure of First Bank of Nigeria ('Bank', 'Banking Group', 'FirstBank' or 'Group') in mid-2012 to the holding company system resulted in FirstBank being the arrowhead for the Commercial Banking business of FBNHoldings. The FirstBank Group comprises nine subsidiaries operating in banking, pensions and mortgages, making it one of the largest financial services groups in Sub-Saharan Africa, excluding South Africa. FirstBank currently has business locations in London, Johannesburg, Paris, Beijing, Abu Dhabi, the Democratic Republic of Congo, Ghana, Sierra Leone, Guinea, The Gambia and Senegal. A broader stakeholder universe imposes additional pressure on the proper governance of our subsidiaries, especially through the conflation of idiosyncratic governance expectations in our new Sub-Saharan Africa jurisdictions with established practices in the Group. We have gone some way to address these concerns by seconding top management staff already immersed in the 'FirstBank way' to the boards and managements of the new acquisitions.

As a board, we are committed to implementing initiatives that improve corporate governance for the benefit of all stakeholders and to keeping our governance practices in line with international best practices.

THE GROUP GOVERNANCE FRAMEWORK

The Group operates a governance framework that enables the Board to balance its role of providing oversight and strategic counsel with its responsibility for ensuring compliance with regulatory requirements. Within this context, we are also concerned to ensure the Bank's compliance with acceptable risk-tolerance parameters in a manner consistent with our overarching aim of sustaining and enhancing value for all stakeholders. The Board continues to monitor the risks inherent in our business and in the past year reviewed our credit policies and the product programmes guiding our retail business to reflect changes in the dynamics in certain sectors of the economy. In addition, we strengthened our business continuity management practices, paying particular attention to further entrenching the culture and shared values of 'Passion, People, Partnership' within the company.

The Group operates in highly regulated industries and in compliance with applicable legislations, regulations, standards and codes, including transparency, accountability and disclosure, which remain essential characteristics of FirstBank's culture. As a board, we have strived to maintain a strategic balance between risk, growth and performance. Incorporating risk into the design of initiatives, and integrating our risk appetites and/or risk tolerances within the various business units, helps ensure that the associated risks are visible, thereby providing greater assurance that they will be fully identified and properly managed.

Global trends have seen banking industry regulation incorporate macro-prudential policy making into the financial services sector's regulatory ecosystem. In line with this, the CBN increased the cash reserve requirement for public sector deposits as it focused more on moderating industry liquidity. The larger part of the regulatory response function in the review period was taken up by a clear trend towards rising consumer protection. Indeed, the ongoing implementation of Basel II and III suggests a further heightening of the industry's regulatory and compliance risks.

On the back of these issues, we have had to rethink our policy response function and to recalibrate our businesses differently, particularly against the backdrop of heightened competition. The CBN has made significant progress in its drive towards the implementation of its risk-based supervisory framework, aimed at strengthening the overall fabric of the financial sector, and, in particular, banking. The apex bank's continued concern with increasing liquidity in the banking system has filtered through to domestic prices, especially the naira's exchange rate, and we saw it raise the cash reserve requirement on banks' public sector deposits. The resulting constraint on the public sector business meant that we had to redesign our business model as part of a process of responding to environmental stimuli.

Going forward, the lessons from the Great Recession indicate renewed emphasis by the CBN on financial stability. This will require further recourse to the design and implementation of macro-prudential regulation of the domestic banking space. The short- to medium-term prognosis is of a tighter regulatory space, along with the traditional concern with price stability.

In 2014, the importance of observing good corporate governance practices grew within the banking industry and, indeed, the national psyche. This may be discerned in the ongoing attempts by the Federal Government to develop a universal code of corporate governance applicable to all sectors and industries in the country.

Similarly, the NSE commenced a corporate governance rating system wherein listed companies are ranked based on their corporate governance compliance. FirstBank's parent company, FBNHoldings, is indeed one of the pilot companies that volunteered to kick-start the project. This underscores the importance the FirstBank Group places on transparency, disclosure and accountability.

OUR GOVERNANCE FRAMEWORK

The Bank's subsidiaries – FBNBank (UK), First Pension Custodian, FBNBank DRC, FBN Mortgages Limited, FBNBank Ghana, FBNBank Sierra Leone, FBNBank Guinea and FBNBank Gambia – have their own distinct boards and take account of the particular statutory and regulatory requirements of the industries they operate in. Our policy is to align the respective governance frameworks of our subsidiaries with those of the Group. We monitor compliance with these by means of management reports, which include information on the outcome of any significant interaction with key stakeholders.

The Board established a number of committees to assist in fulfilling our stated objectives. The committees' roles and responsibilities are set out in their charters, which are reviewed periodically to ensure they remain relevant. The committee charters set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board. More information on this can be found on pages 91 to 100 of this corporate governance report.

On a quarterly basis, the performance of the various segments of the business is monitored through management and committee reports, with the proceedings at meetings allowing for extensive deliberations on key issues. In addition, the non-executive members of the Board have access to management and other subject-matter experts, as the need arises, in order to improve their overall understanding of issues being discussed and their ability to review constructively. The Board plays an active role in strategy development and continuously monitors implementation to drive improved performance.

Overview of board and management committees and chairmen:

- Board Credit Committee
  Mahey Rasheed, OFR
- Board Finance & Human Capital Committee
  Ebenezer Jolaoso
- Board Audit & Risk Assessment Committee
  Ambrose Feese
- Board Governance Committee
  Ambrose Feese
- Executive Committee
  Bisi Onasanya
- Management Committee (General)
  Bisi Onasanya
- Management Committee (Credit)
  Bisi Onasanya
- Assets & Liabilities Management Committee
  Bisi Onasanya
- IT Steering Committee
  Bisi Onasanya

In compliance with the provisions and requirements of the CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistleblowing in the Nigerian Banking Industry, which came into effect on 1 October 2014, the Board of Directors implemented changes to the constitution of some board committees and also effected a split of the Board Audit & Risk Assessment Committee into two committees, known as the Board Audit Committee and Board Risk Management Committee.

The chairmanships of the board committees effective 1 January 2015, are as follows:

- Board Credit Committee
  Ambrose Feese
- Board Finance & Human Capital Committee
  Ibukun Awosika
- Board Audit Committee
  Mahey Rasheed, OFR
- Board Risk Management Committee
  Ibrahim Waziri
- Board Governance Committee
  Ebenezer Jolaoso

Also, in accordance with the provisions of the CBN Code, the Board Audit Committee is now composed entirely of non-executive directors and chaired by an independent non-executive director, Mahey Rasheed, OFR.

The Board remains well-diversified and is composed of distinguished individuals of varying ages, each possessing requisite experience in various fields of endeavour ranging from private to public service, legal, entrepreneurship, accounting, finance, information technology, human resource management, etc. Each board member brings valued perspectives and expertise to the Board's deliberations. This board diversity is considered a strategic advantage in achieving the Bank's goals. A good percentage of board members are highly accomplished women in their respective fields.

OUR STANDARDS OF REPORTING AND DISCLOSURE

Stakeholders' expectations continue to grow regarding the performance of organisations and the quality, transparency and timing of the information they disclose about their activities; from traditional financial topics to non-financial subjects, including environmental behaviour, workplace practices, corporate social responsibility and more. We have continued to improve the quality of disclosure in our operations, interim reports and annual reports by providing information on the financial and non-financial aspects of our banking services. This professional disposition is now well beyond the standards of the Companies and Allied Matters Act (CAMA) and is globally recognised.

In line with best-in-class global transparency and disclosure standards, the Bank reports using the International Financial Reporting Standards (IFRS). The adoption of IFRS further enhances shareholder value and encourages business relationships with correspondent banks, multilateral agencies and international investors. Local standards are complied with by remaining up to date with changes in reporting standards, as required by the Nigerian Accounting Standards Board and the Financial Reporting Council of Nigeria.

Our annual reports are very detailed and well thought through, with the intention of providing users of the reports with useful and insightful commentary on our business and helping them make informed decisions. We prepare our annual report and accounts in accordance with international best practice. This year, we have further improved the annual report by strengthening the discussion of governance and including a section on our business model, to improve overall understanding of our business.

INCREASING REGULATORY FOCUS ON GOVERNANCE

The new CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria mirrors the trends seen globally where regulators have strengthened the focus on governance and turned the searchlight onto the boardroom. The increase in regulations in this regard is aimed at improving overall levels of accountability and effectiveness of boards. The new CBN Code reflects a leaning by the apex bank towards entrenching increased regulatory oversight of the compliance levels observed by boards of banks on corporate governance issues. This further reflects global trends emphasising regulatory compliance and improved disclosure in the wake of significant destruction of shareholder value through a failure to adopt sound corporate governance practices.

Some of the key issues on the global corporate governance agenda remain:

- board composition and diversity;
- board classification;
- leadership structure;
- related-party transactions;
- anti-corruption efforts;
- sustainability; and
- say-on-pay.

In addition to the new Code of Corporate Governance for Banks, other applicable regulatory requirements affecting the corporate governance space are the CAMA, the Securities and Exchange Commission (SEC) Act and the Banks and Other Financial Institutions Act (BOFIA). In this regard, the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC Code), which regulates all corporate governance issues involving listed and public companies in Nigeria, is of persuasive influence on the Group's corporate governance practices.

2014 BOARD PRIORITIES

In the coming year, as in the past, the Board and its committees will continue to focus on successfully adapting strategies to turn challenges into opportunities, and leverage compliance requirements to make innovative developments. Key themes on the agenda will be:

1) Transform the branch into a best-in-class service and sales machine;
2) Develop a relationship manager sales excellence programme;
3) Launch an integrated cost-containment programme;
4) Build a distinctive transaction banking capability;
5) Be the commercial bank of choice;
6) Drive aggressive NPL management; and
7) Aggressively pursue a service excellence programme.

CONCLUDING REMARKS

While there is a limit to the effectiveness of prescriptive governance rules and external metrics, we expect that, over the coming periods, there will be a further regulatory push locally towards enforcement and entrenchment of best practices stipulated in the corporate governance codes. Globally, the financial services sector is undergoing a lot of changes, calling for boards and management to continually challenge existing business models. We remain confident in the sustainability of our business model, leveraging on the attractive demographics and dynamics of the different markets we choose to operate in. We recognise that the task of embedding high standards of corporate governance is never complete, and we remain committed to embedding them across our business. This, we believe, will help us perform well in our chosen markets, ultimately resulting in a higher return on capital relative to cost. We believe this will also give us continued access to public capital and market liquidity.

Regulation has undoubtedly become more complex and taxing. Events such as the Libor fixing scandal, with the ensuing resignation of high-ranking officers and widespread loss of faith in the sector's activities, remain potent reminders of what can go wrong when leaders fail to instil a principled tone from the top. For us, this highlights more than ever that the entire structure for good corporate governance begins in and permeates throughout the boardroom. It is our intention as a board to ensure that our standards of corporate governance, accountability and disclosure meet and exceed regulatory demands and threshold.

I, on behalf of the board, pledge to ensure continued adherence to global best practices and will remain unrelenting in the short and long terms in our commitment to the observance of good corporate governance practices to ensure our business model remains sustainable.

Prince Ajibola Afonja
Chairman

Key global trends in corporate governance

Following thorough and ongoing reforms of the domestic governance space, corporate governance infractions were not common in the period covered by this report. Nonetheless, compliance challenges have arisen as diverse regulators have tried to strengthen the regulatory space.

This means broadening the governance remit to monitor the extent to which work ecosystems have been structured to promote rule-based conduct. At FirstBank, this challenge means first, ensuring that compliance functions do not deteriorate into box-checking routines, and second, clearly delineating the goals of corporate governance. Increasingly, it is obvious that the Board and senior management's responsibility for good governance is a collective effort to strengthen both reporting and compliance mechanisms.

BOARD COMPOSITION AND DIVERSITY

Some countries have set diversity targets with a specific timeframe, and others have established quotas to improve the representation of women on boards. Today, the trend is for board composition and diversity to be two significant topics at the heart of corporate governance. With increased emphasis on director qualifications, gender, ethnicity and age, a new group of directors is bringing unique experience and perspectives to the boardroom.

BOARD CLASSIFICATION

A high number of board declassification proposals (annual election of all directors) can be expected in 2015 – continuing the trend of the past two years. Shareholder proposals to remove classified boards have been largely successful.

LEADERSHIP STRUCTURE

Board leadership structures continue to be of great concern around the world, particularly with regard to whether the roles of chairman and chief executive officer should be separate or combined. The appropriate board structure depends on applicable laws and regulations, as well as on company circumstances, all of which vary among countries.

RELATED-PARTY TRANSACTIONS

Countries have adopted a variety of approaches to address related-party transactions. Common solutions include one or more of the following: approval of these transactions by the board or a special committee of the board; full disclosure of the transactions or disclosure of material transactions; incremental policies and procedures for the transactions; and the evaluation of material transactions by independent experts.

SUSTAINABILITY

Sustainability includes ethical, social and governance factors, including workplace and community relations, compliance and reporting, in addition to the organisation's impact on the environment. Organisations' corporate social behaviour is closely scrutinised from all corners of the marketplace, by investors, employees, regulators, competitors, customers and communities, and is factored into their investment, business, purchasing and employment decisions.

CORPORATE GOVERNANCE DEVELOPMENTS IN NIGERIA IN 2014

With its ever-dynamic banking policies since its creation in 1894, FirstBank has maintained its pre-eminent status as Nigeria's largest, leading and most diversified bank. Now operating a holding company structure providing a spectrum of financial services covering commercial banking, investment banking, insurance and mortgage banking, and with a total assets base of ₦4.3 trillion, customer deposits of ₦3.0 trillion, 892 business locations in Nigeria and five subsidiaries, FBNHoldings has continued to consolidate its position every year in all financial sectors of the Nigerian economy and in corporate governance.

FirstBank has continued to sustain its formidable corporate governance structure as a leading player, keeping all contending Nigerian competitors at bay. It has also continued to produce renowned and formidable leaders for the Nigerian financial sector from among its management, replacing them with comparable banking leaders, thus ensuring business continuity and stability, building new and expanded networks in Nigeria and abroad, training and employing well-qualified staff, and creating and implementing successful and profitable banking models. The consequences have been the appointment of two former chief executives of FirstBank as the Governor of the Central Bank of Nigeria and the recent appointment of an executive director of FirstBank and Chief Financial Officer Bayo Adelabu, as a Deputy Governor of the Central Bank of Nigeria. The overall consequences of FirstBank's strict implementation of a properly structured corporate governance culture in 2014 were a harvest of local and international awards. Major awards garnered by the Bank locally and internationally in 2014 include:

- Bank CEO of the Year in the BusinessDay Banking Awards 2014;
- Number 1 Bank Brand in Nigeria by *The Banker Magazine* of The Financial Times Group;
- Most Innovative Bank in Nigeria by EMEA Finance African Banking Awards 2014;
- Best Bank in Nigeria 2014 in the Global Finance Awards 2014;
- Best Retail Bank in the BusinessDay Banking Awards 2014;
- Best Private Bank in Nigeria by *World Finance Magazine* Awards 2014;
- Best Private Bank in Nigeria by EMEA Finance African Banking Awards 2014;
- Best Private Bank in the BusinessDay Banking Awards 2014;
- Financial Brand of the Year in the Marketing World Awards 2014;
- Outstanding Bank Brand of the Decade by the Marketing Edge Awards;
- Best Company in SME in the Social Enterprise Report and Awards (SERAs) 2014;
- Best in E-Banking Award in the Nigerian Telecoms Awards 2014;
- Best Segment Solution Award in the MasterCard Innovation Forum 2014;
- Top 10 in BusinessDay Nigeria's Top 100 Most Respected Companies Awards;
- One of the Top 100 Companies in Nigeria by the Federal Ministry of Industry, Trade & Investment; and
- Most Supportive Financial Institution 2014 by CIBN Lagos.

The pilot stage of the Corporate Governance Rating System, organised by the NSE and the Centre for Business Integrity, began to rank listed companies on the basis of their compliance with corporate governance principles.

Following this, the NSE announced that all directors of listed companies would be required to undertake a fiduciary awareness course in order to be certified. The purpose of the course is to make directors understand their fiduciary duties to the companies they serve.

The Financial Reporting Council of Nigeria inaugurated a committee with the responsibility of developing a national code of corporate governance in Nigeria, to regulate all sectors and industries in the country on corporate governance matters.

The Society for Corporate Governance Nigeria, in collaboration with the NSE, organised a corporate governance programme for directors of 117 stockbroking and investment firms that are member firms of the Exchange, dealing with current issues that affect directors. These issues include how good boards are run, the importance of corporate governance, the fiduciary duties of directors, transparency and integrity of directors, critical issues in corporate governance in Nigeria, board evaluation and development and legal/regulatory framework and compliance.

Leadership

Standing from left: Abiodun Odubola, Gbenga Shobo, Khadijah Alao Straub, Lawal Ibrahim, Ebenezer Jolaoso, Tokunbo Abiru, Adesola Adeduntan, Dr Ijeoma Jidenma, Obafemi Otudeko.
Sitting from left: Tunde Hassan-Odukale, Dauda Lawal, Ibrahim Waziri, Bello Maccido, Bisi Onasanya, Prince Ajibola Afonja, Ibukun Awosika, Mahey Rasheed, Ambrose Feese, UK Eke, Olayiwola Yahaya (Company Secretary).

WHO IS ON OUR BOARD?

The FirstBank Board comprises 19 members, made up of 12 non-executive directors and seven executive directors, including the Group Managing Director/ Chief Executive Officer (GMD/CEO). This is in line with the CBN Code, which requires that the number of non-executive directors should be more than the number of executive directors, subject to a maximum board size of 20. The Bank is in compliance with the CBN Code, which requires that banks have a minimum of two independent directors. The two independent directors are Mahey Rasheed, OFR and Dr Ijeoma Jidenma. Dr Jidenma was appointed as the second independent director in March 2014, and her appointment was subsequently approved by the CBN.

The number and stature of non-executive directors ensures that adequate contributions are made to deliberations of the Board. The composition ensures a balance of authority and power, so that no one individual has absolute influence and power. In the area of equal opportunity and diversity in the workplace, FirstBank intends to implement the CBN circular, which enjoins banks to consider the diversity of gender when making board appointments. Part of the implementation plan is to give consideration to more qualified female candidates in seeking to fill vacancies on the Board as they occur in future. The gender composition of the Bank's Board is currently about 16% female and 84% male.

PROFILES OF THE MEMBERS OF THE BOARD OF DIRECTORS

Prince Ajibola Afonja
Chairman
Appointed Director 2005, appointed Chairman 2010

Prince Ajibola Afonja is a renowned entrepreneur and in 1974 established the first fibreglass manufacturing company in Nigeria, International Glass Fibre Industries Limited, Ibadan, of which he was the pioneer Managing Director. He was also the Chairman/CEO of Integrated Dimensional Systems Limited, Oyo. Prince Afonja has served on various committees on the FirstBank Board and continues to provide invaluable leadership for the Bank from his extensive experience in business administration and executive management in both public and private sectors of the economy. He has held distinguished appointments with the Federal Government of Nigeria, and was Federal Minister of Labour and Productivity in 1993. He is married with children and enjoys folk, country and rock and roll music. His hobbies include reading biographies, science magazines, children's story books and playing draughts.

Bisi Onasanya, FCA
Group Managing Director/Chief Executive Officer (GMD/CEO)
Appointed Executive Director 1 January 2009, appointed Group Managing Director 4 June 2009

Bisi Onasanya was appointed Group Managing Director/Chief Executive Officer in 2009. He was previously Executive Director, Banking Operations and Services and the pioneer MD/CEO, First Pension Custodian Nigeria, 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 as well as the Chartered Institute of Bankers of Nigeria. He is also an Associate Member of the Nigerian Institute of Taxation with over 30 years' post-qualification experience. He sits on the Board of several companies, including the Presidential Jobs Board. Bisi has served as a member of the Chartered Institute of Bankers' Sub-Committee on Fiscal & Monetary Policies as well as the Presidential Committee on Reduction of Interest Rates. He has attended various executive programmes at London Business School, Harvard Business School and Wharton Business School. He loves swimming and is married with children.

Tokunbo Abiru

Executive Director, Corporate Banking
Appointed 1 August 2013

Tokunbo Abiru joined the Board of the Bank in 2013 as Executive Director, Corporate Banking. Prior to this, he was Group Head, Corporate Banking and also a pioneer Business Development Manager in 2006 at the inception of this business model by the Bank. In the same year, he won the prestigious FirstBank MD/CEO Merit Award as the Best Branch Manager of the Year. He has over 23 years of banking experience, and served as the Commissioner of Finance for Lagos State between 2011 and 2013. He brings his far-reaching experience to bear on the Bank's board. He is a Director of FBNBank DRC, FBN Capital and Airtel Networks. Tokunbo is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA) and Honorary Senior Member, the Chartered Institute of Bankers of Nigeria (CIB). He is happily married with children and loves football, swimming and reading.

UK Eke, MFR

Executive Director, Public Sector, South
Appointed 24 March 2011

UK Eke (MFR) joined the Board of FirstBank in 2011 and, until his appointment as Executive Director, South he was Executive Director, Public Sector South. Before his appointment to the Board of FirstBank, he was Executive Director, Regional Businesses, Lagos & West, Diamond Bank Plc. His work experience spans Deloitte Haskins & Sells International, where he rose to the position of Senior Audit Consultant, and Diamond Bank Plc, where he was Branch Manager, Regional Manager and Divisional Head before becoming Executive Director. He has over 30 years' experience in financial services, auditing, consulting, taxation, process engineering and capital market operations. His sound managerial and motivational skills, coupled with his vast experience, have helped develop the Bank's businesses within the Public Sector group as well as on the Board. UK is a member of the Institute of Management Consultants and a Fellow of the Institute of Chartered Accountants of Nigeria. He is a Director of FBNBank (UK), First Pension Custodian Nigeria and the Financial Institutions Training Centre (FITC). He is involved in philanthropy and mentoring and is happily married with children.

Gbenga Shobo

Executive Director, Lagos & West
Appointed 11 September 2012

Prior to his appointment to the Board, Gbenga was Executive Vice President, Retail South. Gbenga was also General Manager in charge of Products and Channel deployment for the Bank, in addition to holding several management positions. His banking career spans over 24 years, with experience in corporate, institutional, commercial and retail banking, and treasury. His vast proficiency is epitomised by his achievements within the Bank's Retail Banking Directorate. He is an alumnus of the University of Ife, Harvard Business School and the Kellogg School of Management. Gbenga is a Fellow of the Institute of Chartered Accountants of Nigeria and a recipient of the FirstBank CEO Merit Award for Most Outstanding Business Development Manager in 2007. He is married with children and loves reading, playing golf and tennis.

Dauda Lawal

Executive Director, Public Sector, North
Appointed 11 September 2012

Prior to joining the Board, Dauda was Executive Vice President, Public Sector, North. He has held several management positions within the Bank, including Business Development Manager (BDM), Maitama Abuja, where, as his principal remit, he grew the Bank's business with the Abuja Metropolis. He has over 26 years' post-qualification experience covering commercial and public sector banking. Dauda's dexterity has seen him record strong achievements in his present function within the Public Sector group. He is a two-time recipient of the FirstBank CEO Merit Award for Outstanding Performance, as the Best Business Development Manager in 2006 and The Most Enterprising Staff in 2009. He is married with children and enjoys reading and travelling.

Adesola Adeduntan

Executive Director/Chief Financial Officer (CFO)
Appointed 24 April 2014, effective 1 July 2014

Dr Adesola Adeduntan (FCA) was appointed to the Board in 2014 as Chief Financial Officer. Before this appointment, he was a director and the pioneer Chief Financial Officer of Africa Finance Corporation. He has served as Senior Vice President and Chief Financial Officer of Citibank Nigeria Limited and was previously a Senior Manager in the Financial Services Group of KPMG Professional Services, where he managed high-profile assurance, financial and risk advisory engagements. He has garnered diverse expertise in treasury and financial management, risk management, accounting/auditing/internal controls, corporate governance, corporate strategy development and implementation, corporate finance, business performance management, business/financial advisory, investors, regulators and rating agencies relationship management, deployment and management of information technology, and compliance. Dr Adeduntan attended the University of Ibadan, where he obtained a Doctor of Veterinary Medicine (DVM) degree. He holds a master's degree in Business Administration (MBA) from Cranfield University Business School, United Kingdom, and has attended executive programmes at the Universities of Harvard, Cambridge and Oxford, and INSEAD.

Abiodun Odubola

Executive Director/Chief Risk Officer
Appointed 16 January 2014

Abiodun Odubola joined the Board of the Bank as Executive Director in 2014, after being appointed Chief Risk Officer in 2013. He had previously been Head, Credit Analysis & Processing department in FirstBank and Chief Risk Officer at Ecobank Plc. Abiodun started his banking career with Citibank over 19 years ago and garnered diverse, hands-on experience covering relationship management, credit underwriting, credit risk management, country risk management and credit audit within and outside Nigeria. He brings these varied experiences to bear in performing his function in the Bank. He is an Honorary Member of the Chartered Institute of Bankers of Nigeria (HCIB) and a Director of CRC Credit Bureau Limited. He is married with children and loves reading.

Bello Maccido

Non-Executive Director
Appointed 13 December 2012

Bello Maccido joined the Board of FirstBank in 2011 as Executive Director, Retail Banking, North and was in that role until September 2012, when he was appointed the Group Chief Executive Officer (GCEO) of FBN Holdings Plc. He subsequently rejoined the Board as a Non-Executive Director in December 2012. He has over 25 years' financial services experience covering retail, corporate and investment banking at Ecobank Nigeria Plc, New Africa Merchant Bank Limited and FSB International Bank Plc, where he rose to become Acting Managing Director. Bello was the pioneer Managing Director of Legacy Pension Managers, a pension fund administration company, a position he held before joining the Board of FirstBank. He thus brings very diverse experiences across the financial services industry to the Board. He was a member of the Finance Committee, National Council on Privatisation, the Implementation Committee, Financial System Strategy (FSS) 2020, and the Presidential Monitoring Committee on NDDC, among others. Between March 2009 and June 2012, he was also a Council Member of the Nigerian Stock Exchange. A Chartered Stockbroker, Bello is happily married with children. He holds the traditional title *Wakilin Sokoto* and loves basketball.

Lawal Ibrahim
Non-Executive Director
Appointed 28 October 2010

Lawal Ibrahim is an astute development banker and strategic transformation manager. His working career spans the Nigerian Bank for Commerce and Industry, and New Nigeria Development Bank Limited, Kaduna, where he rose through the ranks to become the Acting Group Managing Director. Ibrahim was a director in over 15 companies spread across Nigeria and in different sectors of the economy, and he brings this immense experience to bear on the Bank's business. He has professional certificates in Investment Banking, Managing and Measuring Organisational Culture, and Leading with Impact from the African Development Bank, Witwatersrand University, South Africa, and Harvard Business School respectively. He served as a member of Vision 20:20 Technical Working Group SMEs Thematic Area and is presently on the board of Borini Prono Nigeria Limited. He holds the traditional title of *Dallatun Kankiya* and is married with five children. He is a strong advocate of family values and loves reading, writing and philanthropy.

Ambrose Feese, FCA
Non-Executive Director
Appointed 28 October 2010

Ambrose Feese has over 26 years' banking experience spanning development, commercial and investment banking. He attained the position of Managing Director/Chief Executive at ICON Limited (Merchant Bankers) and has extensive boardroom experience, having served as Chairman and Director in several quoted blue-chip companies in the financial services and manufacturing sectors. Ambrose has served on several government committees and assignments, including service as the Federal Minister of State for Works and Housing in 1998/99. He qualified as a Chartered Accountant in 1970 and he brings varied and profoundly relevant experience to the Board. He is married with three children and loves cricket, reading and listening to global radio.

Ebenezer Jolaoso
Non-Executive Director
Appointed 28 October 2010

Ebenezer Jolaoso has a rich work experience in banking spanning over 23 years, with exposure to commercial banking, corporate banking, credit and risk management. He has also functioned as Head, Corporate Services and Administration at Nigerian Eagle Flour Mills Plc, with a wide range of responsibilities including corporate communications, branding, facilities management and human resource management. He also spearheaded and managed the organisation's corporate responsibility initiatives to give back to the immediate society within which the business is operated. He is an associate of the Chartered Institute of Bankers, UK (ACIB) and an associate of the British Institute of Management (ABIM). His cognate experience has been requisite in the administration of the Bank's business. Ebenezer is the proud father of five children. He plays table tennis, snooker and billiards and loves watching football.

Ibukun Awosika
Non-Executive Director
Appointed 28 October 2010

Ibukun Awosika is the founder and CEO of The Chair Centre Group. The companies in the group include The Chair Centre Limited, Sokoa Chair Centre Limited, Furniture Manufacturers Mart Limited, and TCC Systems and Services Limited, and are involved in furniture manufacturing, retail and bank-way security systems services. Ibukun serves on a number of corporate and not-for-profit boards, including First Bank of Nigeria, Cadbury Nigeria Plc, the Convention on Business Integrity (CBI), and the Nigerian Sovereign Investment Authority. She chairs the boards of FBN Capital and the Afterschool Graduate Development Centre (AGDC), a facility which she promoted to help address youth employability and enterprise issues in Nigeria. She was previously Chairman of FBN Life Assurance. Ibukun is a graduate in chemistry from University of Ife, Nigeria and an alumna of the Chief Executive Programme of Lagos Business School; the Global Executive MBA of IESE Business School, Barcelona, Spain; and the Global CEO Programme of Wharton, IESE and CEIBS Business Schools.

With a strong interest in social issues, including women's issues, Ibukun is a co-founder and past chairperson of Women in Management, Business and Public Service (WIMBIZ). An ordained Pastor and founder of the Christian Missionary Fund, Ibukun, through this faith-based organisation, she works with hundreds of missionaries spread across Nigeria to change lives through the provision of medical, educational and other supplies. Ibukun is a fellow of the African Leadership Initiative and Aspen Global Leadership network, a member of the Nigerian Economic Summit Group (NESG), served on National Committee on Job Creation (NCJC), and sits on the International Advisory Board of IESE Business School, Barcelona, Spain. She loves to watch investigative and legal series in her leisure time. She is married to Abiodun Awosika and they are blessed with three wonderful sons.

Mahey Rasheed, OFR
Independent Non-Executive Director
Appointed 21 July 2009

Mahey Rasheed started his career at the New Nigeria Development Company, Kaduna, and was a Principal Investment Executive before joining the Central Bank of Nigeria as an Assistant Director. He rose to the position of a Departmental Director, and was subsequently appointed a Deputy Governor of the Central Bank. He was a major player in economic and financial policy formulation and implementation during his career at the Central Bank. Mahey, an Edward Mason Fellow of Harvard University, has held several Federal Government appointments and sits on the boards of various institutions in the country. In addition, he is currently the Chairman of the Nigeria Sovereign Investment Authority, the nation's sovereign wealth fund. Mahey was conferred with the national honour of Officer of the Federal Republic (OFR) in 2004. He wields his in-depth expertise across industries on the implementation of the Bank's strategic objectives.

Khadijah Alao Straub (LLB, LLM)
Non-Executive Director
Appointed 1 January 2011

Khadijah Alao Straub's working career spans the Lister Group of Companies and The Fantastic Corporation, Switzerland, where she led legal negotiations and supervised attorneys who worked for the firm. She also worked with EurotaxGlass International AG, Switzerland, where she managed negotiations and contracts, and advised executive management on business strategy and legal matters. Khadijah is an active attorney and a member of the New York Bar, and her diverse experience in the formulation of structure, business and legal strategy is germane for her role on the Board. She is married with children. Khadijah was recently awarded a black belt in mixed martial arts. She enjoys target shooting and reading.

Obafemi Otudeko
Non-Executive Director
Appointed 1 January 2011

Obafemi Otudeko is an Executive Director with the Honeywell Group. He leads Group Corporate Development and is responsible for the comprehensive transformation of the Group into a world-class company. Previously, he worked at PricewaterhouseCoopers, where he led and managed various audit and consultancy engagements for major banks and non-bank financial institutions in Nigeria as well as other special projects. He also has wide experience managing oil and gas projects. Obafemi is an Associate Member of the Institute of Chartered Accountants of Nigeria, and is the second Vice President of the Nigerian Gas Association. He uses his wealth of experience in corporate finance and business development to great effect on the Board. He is married with children. His interests include horse riding, playing polo, watching football and reading.

Tunde Hassan-Odukale
Non-Executive Director
Appointed 1 January 2011

Tunde Hassan-Odukale is an Executive Director of Leadway Assurance Company Limited. His executive management experience spans over 20 years and includes asset management, finance, IT and life insurance operations. In particular, Tunde brings special expertise in evaluating proposals as well as forming IT strategy and direction, both of which are beneficial to the Bank's Board. Tunde also sits on the board of Total Health Trust Limited and other Leadway Assurance subsidiaries. He is happily married with a child. He loves playing tennis, reading and seeing new places.

Ibrahim Waziri
Non-Executive Director
Appointed 1 January 2011

Ibrahim Waziri has over 34 years' professional experience in banking and oil and gas businesses. His work experience includes: Group Executive Director at the Nigerian National Petroleum Corporation (NNPC); Financial Analyst and Manager, International Merchant Bank Limited; Executive Director, Nigeria Gas Company Ltd and the Pipeline and Product Marketing Company Ltd; Deputy Managing Director, Nigeria LNG Limited; Managing Partner, Gulf of Guinea Petroleum Consulting Limited; and Board Chairman of the Transmission Company of Nigeria. He is a fellow of the Institute of Directors (IOD) and his extensive experience across industries is brought to bear on his Board contributions. Ibrahim is married with five children and loves reading, swimming, golfing, listening to music and nature conservation.

Ijeoma Jidenma
Independent Non-Executive Director
Appointed 24 March 2014

Dr Ijeoma Jidenma is a notable human resources and organisational development professional and management consultant. She holds a PhD in Psychology with specialisation in psychometrics from the University of Lagos. Dr Jidenma is the Chief Executive of Leading Edge Consulting, and has consulted widely for organisations across diverse sectors of the economy, including the financial services sector. She has also consulted for the public sector and international non-governmental organisations as well as leading international joint venture initiatives. Dr Jidenma served as a Non-Executive Director of First Pension Custodian Nigeria from 2011 to 2014 and made effective contributions at committee and board levels. She brings to the Board an excellent blend of strategic and hands-on consolidated experience garnered over 30 years. Earlier in her career, she worked in operational capacities at the Industrial Training Fund and Price Waterhouse (now PwC), where she was a Senior Consultant in Human Resources. She worked in executive capacities as Head of Human Resources as well as Head, Strategic Planning at the Merchant Bank of Africa and served as a Senior Lecturer at ESUT Business School. Dr Jidenma is a Fellow of the Nigeria Institute of Management (NIM) and the Chartered Institute of Personnel Management (CIPM), where she is a member of the Board of Fellows, as well as the Institute of Directors (IOD), where she serves on its Governing Council. A firm believer in continuous learning, she has attended several executive and board-level developmental programmes across the world, including Harvard Business School, IESE Business School, Cranfield School of Management and Lagos Business School. A Paul Harris Fellow of Rotary International, Dr Jidenma also sits on the advisory boards of several reputable not-for-profit organisations and is a multiple role model awardee. She currently serves as a Trustee/Executive Secretary of the Goddy Jidenma Foundation. She is blessed with two children.

Olayiwola Yahaya
Company Secretary

Olayiwola Yahaya was appointed Company Secretary of the Bank in 2013. Before this appointment, he had been Deputy Company Secretary of the Bank, with a brief stint in Seawolf Oilfield Services Limited, to which he was seconded as Company Secretary for two years, before returning to the Bank in 2011. He has 25 years' legal and banking experience and is in charge of the Bank's Secretariat, by virtue of which he is the Secretary to the Board of Directors and Annual General Meeting, with supervisory oversight for the Company Secretarial functions of relevant subsidiaries of the Bank. Olayiwola brings his wealth of experience to bear on the Board of the Bank. He is an alumnus of Wharton Business School, a member of the Nigerian Bar Association, the International Bar Association and the Chartered Institute of Bankers of Nigeria. He is married with children and loves inspirational and recreational reading, work-out, table tennis, gardening and travelling.

OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

Cecilia Majekodunmi
Group Executive, Commercial Banking

Cecilia Majekodunmi was appointed Group Executive, Commercial Banking in 2013. She was the pioneer head of the Bank's Emerging Corporates Sub-Business Unit, which she steered to remarkable growth within two years. Her sterling performance informed the upgrade of FirstBank's Emerging Corporates business to a fully fledged commercial banking business. She is a versatile professional with over 28 years of banking experience covering human capital, marketing, customer relationship management, business development, institutional banking and corporate banking. She is an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria, a Member of the Institute for Fraud Management Control (IFMC), an alumna of London and Lagos Business Schools and has attended executive courses at the Harvard Business School. Cecilia is a recipient of the FirstBank CEO's Annual Merit Awards as The Best Business Development Manager of the Year in 2009 and The Best Market Facing Staff of the Year in 2011. She is married with children and loves travelling, reading and networking.

Bernadine Okeke
Group Executive, Private Banking

Bernadine Okeke was appointed Group Executive and Head of Private Banking in 2011. Before this appointment, she had been Business Development Manager (BDM), Lekki. Previously she was Head, Human Capital Management and Development, where she led major service quality and change management initiatives, which helped improve the overall service standard of the Bank. Bernie has over 28 years of diverse management and operational experience in banking and manufacturing. Her varied banking experience includes domestic banking operations, corporate banking, treasury, credit and marketing, as well as branch development and roll-out. These integrated experiences support her function in facilitating the Bank's Private Banking business. She is married with children and loves reading, travelling to new places and meeting new people.

Bashirat Odunewu
Group Executive, Institutional Banking

Bashirat Odunewu was appointed Group Executive, Institutional Banking group in 2011. Until this appointment, she was Group Head, Ikoyi/Victoria Island, in the Corporate Banking Directorate of the Bank. With over 26 years' experience across institutional, corporate, commercial and investment banking as well as treasury in various financial institutions, Bashirat brings her deep market-facing experience to bear on the Institutional Banking group. She was the recipient of the 2010 FirstBank CEO's Annual Merit Award for The Best Business Development Manager. She is a Fellow of the Institute of Chartered Accountants of Nigeria and has attended several executive programmes at Harvard Business School and Columbia Business School. She is married with children and is passionate about mentoring.

Abdullahi Ibrahim
Group Executive, Retail Banking North

Abdullahi Ibrahim was appointed Group Executive, Retail Banking North in 2012. He was formerly Group Head, Manufacturing in the Institutional Banking group. Abdullahi had served as Business Development Manager in the Bank with responsibilities across consumer, retail, commercial and wholesale banking segments, as well as the Group Head, Multinationals. His banking experience spans over 24 years and cuts across investment, wholesale and commercial banking as well as banking operations. His proven ingenuity in these areas is brought to bear on the Bank's retail business. Abdullahi is an Honorary Senior

Member, Chartered Institute of Bankers of Nigeria and an alumnus of Lagos Business School (Advanced Management Programme). He is also a member of the Institute of Directors. He is married with children and loves reading, photography and horse riding.

Akinwumi Fanimokun

Group Executive, Technology & Services

Akin Fanimokun was appointed Group Executive, Technology & Services in 2013. He was Managing Director/Chief Executive, First Pension Custodian Nigeria and had previously served as Manager, Marina Branch and London Branch of the Bank, as well as Group Head, Public Sector and Business Development Manager. He has over 34 years' banking experience spanning branch operations, marketing, credit, human resources and customer relationship management, and was the Project Manager responsible for the pioneering deployment of Finacle Banking Application and supporting systems infrastructure in the Bank. Akin oversees information technology, banking services, products and marketing support, and the e-business support groups of FirstBank. His vast experience provides him with the necessary insight to coordinate these support functions. He is an Honorary Senior Associate Member of the Chartered Institute of Bankers of Nigeria and has attended executive courses at Harvard Business School, London Business School and the University of Chicago Graduate Business School. Akin is married with children and loves driving and travelling.

RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors conducts the affairs of the Bank in a lawful and efficient manner so as to ensure that the company constantly improves in value creation for the benefit of the stakeholders. The Board's functions could be summarised as follows:

- policy direction;
- strategic planning;
- succession planning;
- stakeholder management;
- ensuring the integrity of financial reports and controls; and
- maintaining ethical standards and compliance.

ROLE OF THE CHAIRMAN

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Bank. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the CEO.

The Chairman acts as the communicator for Board decisions, where appropriate. He is also responsible for the effective and orderly conduct of Board meetings. The concept of separation of the role of the Chairman from that of the CEO implies that the Chairman should be independent from management and free from any interest and any business or other relationship that could interfere with the Chairman's independent judgement. At FirstBank, the role of the Chairman is clearly separated from that of the Chief Executive Officer and the roles are held by two different people.

ROLE OF THE GROUP MANAGING DIRECTOR/CEO

The GMD/CEO has overall responsibility for leading the development and execution of the Bank's long-term strategy with a view to creating sustainable shareholder value. The mandate of the GMD/CEO is to manage the day-to-day operations of FirstBank and ensure that operations are consistent with the policies developed by the Board of Directors and are carried out effectively. The GMD/CEO's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Group's long- and short-term plans.

ROLE OF INDEPENDENT DIRECTORS

According to CBN Circular BSD/DIR/GEN/CIR/VOL.1/013, an independent director, is a member of the board of directors who has no direct material relationship with the bank or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the director's ability to make independent judgements or compromise the director's objectivity in line with corporate governance best practices.

The position of an Independent Director on the Board is to enforce good corporate governance practices through independence of judgement and opinion.

FirstBank has two independent directors on its Board, in compliance with the CBN Code of Corporate Governance. The two independent directors are Mahey Rasheed OFR and Dr Ijeoma Jidenma.

THE ROLES OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The executive and non-executive directors collectively make up the Board. The CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria stipulates the following responsibilities of the Board:

- The Board is accountable and responsible for the performance and affairs of the Bank. Specifically, and in line with the provisions in the CAMA 1990, Directors owe the Bank the duty of care and loyalty and to act in the interest of the Bank's employees and other stakeholders.
- The Board shall define the Bank's strategic goals, approve its long- and short-term business strategies and monitor their implementation by management.
- The Board shall determine the skills, knowledge and experience that members require and work effectively as a team to achieve the Bank's objectives.
- The Board shall ensure that its human, material and financial resources are effectively deployed towards the attainment of set goals of the Bank.
- The Board shall appoint the CEO as well as top management staff and establish a framework for the delegation of authority in the Bank, which must comply with the provisions of the CBN's Circular on Harmonization of Job Roles in the Banking Industry.
- The Board shall ensure that a succession plan is in place for the CEO, other executive directors and top management staff.
- The Board shall set limits of authority, specifying the threshold for large transactions which it must approve before they take place. There shall be no exception for such large transactions.
- Members of the Board are severally and jointly liable for the activities of the Bank.
- The Board shall ensure strict adherence to the Code of Conduct for Bank Directors.

THE ROLE OF THE COMPANY SECRETARY

The Company Secretary's duties are regulated by statute, regulations and the Articles of Association of the Bank.

The duties of a Company Secretary include the following:

a. Attendance at meetings of the company, Board of Directors meetings, Board committee meetings and rendering all necessary secretarial services in respect of such meetings and advising on compliance and regulatory issues.
b. Maintaining statutory registers and other records of the company.
c. Rendering proper and timely returns as required under CAMA.
d. Carrying out such administrative and other secretarial duties as directed by the directors or the company.
e. The Company Secretary may, where duly authorised by the Board of Directors, exercise any powers vested in the directors.
f. Provide the Board and directors, individually, with detailed guidance as to how their responsibilities should be discharged in the best interest of the company.
g. Coordinate the orientation and training of new directors.

h. Assist the Chairman and CEO/MD to determine the annual Board plan and with the administration of other strategic issues at the Board level.

i. Compilation of the Board papers and ensuring that the Board's decisions and discussions are clearly and properly recorded and communicated to the relevant persons.

j. Notify the Board members of matters that warrant their attention.

k. Provide a central source of guidance and advice to the Board and the company, on matters of ethics, conflict of interest and good corporate governance.

BOARD CHANGES DURING THE YEAR

During the year, Adebayo Adelabu, Executive Director/Chief Financial Officer, and Ibiai Ani, Non-Executive Director, resigned from the Board with effect from 28 March and 20 March respectively.

Abiodun Odubola was appointed as an Executive Director/Chief Risk Officer effective 16 January, Dr Ijeoma Jidenma was appointed to the Board as an independent Non-Executive Director with effect from 24 March and Adesola Adeduntan was appointed Executive Director/Chief Finance Officer, with effect from 1 July.

MAKING BOARD MEETINGS EFFECTIVE

The Board and its committees have a clear set of guiding principles and policies to ensure it operates smoothly and efficiently:

- Each Board committee meets quarterly and as may be required.
- The annual calendar of board activities usually includes a board strategy retreat at an offsite location, to consider strategic matters and review opportunities and challenges facing the Bank.
- Urgent and material decisions may be taken between meetings through written resolutions.
- All directors are provided with notices, agenda and meeting memoranda in advance of each meeting. All directors are expected to attend each meeting; if unable to do so, they may discuss with the Chairman any matter they may wish to be raised at the meeting.
- The FirstBank Board met six times in 2014, two of which were extraordinary board meetings.
- Notices of meetings are usually sent at least 14 days before each scheduled meeting. The duration of meetings ranged between 30 minutes and six and a half hours.
- The Company Secretary is responsible for preparing the agenda of meetings in consultation with the Chairman and the Group Managing Director/CEO, based on memoranda submitted by the various directorates, business units and resource functions.
- The Bank has migrated from hard copy circulation of board memoranda to electronic circulation of memoranda to members of the Board, exemplifying the Bank's cost efficiency, dynamism and embrace of technology.

The number of issues slated for deliberation and, above all, the complexity of the issues, play a major role in determining the duration of the meetings. Board memoranda are dispatched in advance to enable directors to have adequate time to review and prepare for meetings. The time that each director spends in preparing for a meeting would vary based on the peculiarities of each director and his/her schedule at the material time.

In addition, to drive well-informed and high-quality decision-making, and ensure that the Board is effective, we:

- provide high-quality board documentation – typically, our board memoranda describe the process that has been used to arrive at and challenge a proposal prior to its presentation to the Board, thereby allowing directors not involved in the project to assess the appropriateness of the process as a precursor to assessing the merits of the proposal itself;
- obtain expert opinions when necessary;
- allow time for debate and challenge, especially for complex, contentious or business-critical issues;
- achieve timely closure; and
- provide clarity on the actions required, and timescales and responsibilities.

The process for setting the agenda of topics to be covered at meetings is coordinated by the Company Secretary, based on memoranda submitted. The Company Secretary consults the Chairman and the Group Managing Director/CEO in this regard. A director may, upon notice, request that a matter be considered at a meeting. In addition, any director may bring up any urgent issue, deemed deserving of discussion, for deliberation at a meeting, notwithstanding that prior notice was not given.

WHAT ARE THE RESPONSIBILITIES OF THE BOARD?

The Board has a formal charter that is reviewed at least once in every three years, or earlier if required, to ensure that it remains consistent with the purpose and remit of the Board. The charter covers policies regarding board membership and composition, board procedures, conduct of directors, risk management, remuneration, board evaluation and induction. The key responsibilities of the Board are to:

- approve the Group strategy and financial objectives and monitor the implementation of those strategies and objectives;
- review and approve the Group's capital and liquidity positions, and approve proposals for the allocation of capital and other resources within the Group;
- oversee the establishment, implementation and monitoring of a Group risk management framework to identify, assess and manage risks facing the Group. This includes credit, market, compliance, strategies, reputational and operational risks;
- decide and approve the expenditure, authorisation, investment and credit lending limits to be delegated to the board committees, boards of subsidiaries, executive and management members;
- review, on a regular and continuing basis, the succession planning for the Board and senior management staff (especially the Group Managing Director and other executive members);
- approve all appointments of directors to the boards of the subsidiary and affiliate companies;
- review the recommendation of independent consultants on annual review/appraisal of the performance of the Board and approve actions to be enforced;
- maintain a sound system of internal controls to safeguard shareholders' investments and Group assets;
- review significant audit and compliance issues and approve action and remediation plans;
- establish and maintain appropriate accounting policies for the Group;
- approve any significant changes in the organisational structure of the Group;
- approve the Group's performance-based compensation policy; and
- approve the Group's secondment/mobility policy.

BOARD DISCUSSION

BOARD FOCUS AREAS FOR 2014

The key deliberations held by the Board for the year under review focused on:

GROWTH

- **International expansion**

  Following the acquisition of the operations of International Commercial Bank West Africa in Ghana, Guinea, Sierra Leone, The Gambia and Senegal, the Board focused in the year under review on institutionalising an enduring organisational structure at those subsidiaries, fashioned around the FirstBank model. Under the monitoring of the Bank's International Banking Group and the Integration Project Team, a number of approvals were given to replicate and formalise the operational structures of these subsidiaries, as a precursor to greater integration and synergy with the FirstBank Group.

- **Strategic realignments**

  In the year under review, the Board approved the divestment of FirstBank's 40% stake in Kakawa Discount House Limited (KDHL) in favour of FBN Holdings Plc, its parent company. The divestment became necessary as the strategic direction of KDHL was towards merchant banking, which is not compatible with FirstBank's commercial banking licence.

  In the same year, the Board approved a capital injection into FBN Mortgages to reposition the mortgage institution on the path to profitability. The Board also approved a new management and board for the company.

APPOINTMENT OF DIRECTORS TO FILL CASUAL VACANCIES ON THE BOARD

The Board approved the appointment of three new directors, Abiodun Odubola, Dr Ijeoma Jidenma and Dr Adesola Adeduntan, to fill vacancies on the Board. The Board appointed Dr Ijeoma Jidenma as second Independent Director in compliance with the requirements of the CBN Code that banks should have a minimum of two independent directors.

IMPLEMENTATION OF IMPROVED GOVERNANCE ARRANGEMENTS AT THE GROUP AND SUBSIDIARIES

Considerable time was spent on the implementation of improved governance arrangements at the Group office and at the subsidiaries. At the Board level, a number of constituent documents, which include the charter of the Board of Directors and of the respective committees of the Board, were revised, in line with new CBN Code of Corporate Governance and with a view to ensuring that there is optimal interaction and performance by members of the Board. At Group office level, the Board also approved a revised organogram for the Bank and made key appointments to the positions of Chief Compliance Officer and Chief Internal Audit.

At the subsidiary level, a number of nominations to the boards of subsidiaries were approved by the Board, to bolster the membership complement and skills mix of the Boards of the subsidiaries.

The Board also approved a Code of Conduct and Ethics for Directors, in accordance with the CBN Code of Corporate Governance, to serve as a behavioural guide for directors of the Bank. The Anti-bribery and Corruption Policy Manual and a Whistleblowing Manual were also approved by the Board, to set the tone for acceptable conduct in the Bank.

BUSINESS LINE EXPANSION

Over the last year, the Board discussed FirstBank's growth capacity, leveraging its strong product platform and superior risk management capabilities to address the middle corporates segment, which is considered economically important and which has been traditionally untapped given the challenging risk profile.

Approval of financial statements

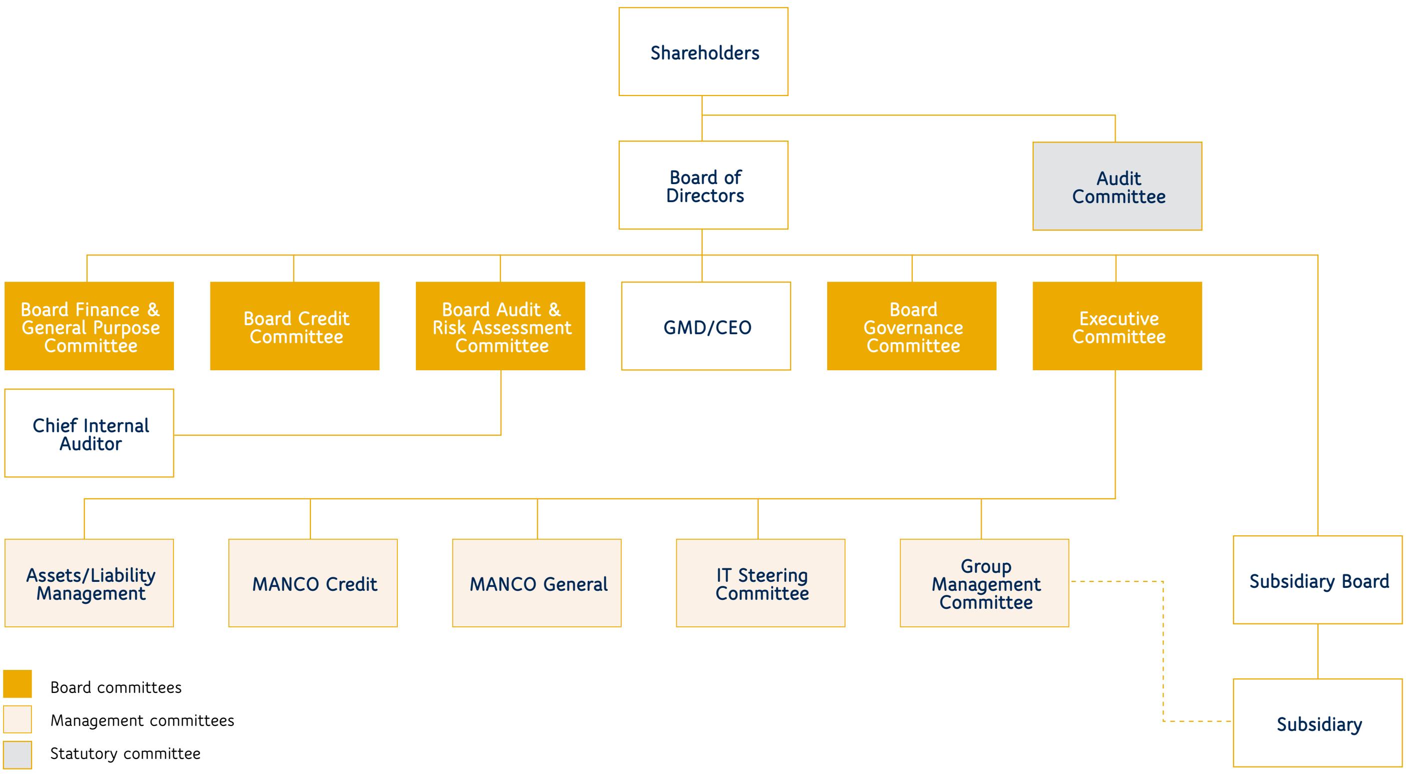
As is required of the Board, it considered, and approved over the last year, quarterly unaudited management financial statements and interim final audited financial statements.

BOARD FOCUS AREAS FOR 2015

Our focus and priorities for 2015 shall be to:

- transform the branch into a best-in-class service and sales machine;
- develop a relationship manager sales excellence programme;
- launch an integrated cost containment programme;
- build a distinctive transaction banking capability;
- be the commercial bank of choice;
- drive aggressive NPL management; and
- aggressively pursue a service excellence programme.

OUR CORPORATE GOVERNANCE FRAMEWORK



HOW WE DELEGATE AUTHORITY

The ultimate responsibility for the performance of the FirstBank Group rests with the Board. The Board retains effective control through a well-developed governance structure of board committees. These committees provide in-depth scope of specific board responsibilities. The Board delegates authority to the Group Managing Director/Chief Executive Officer (GMD/CEO) as well as the Executive Management Committee, of which s/he is also the Chairman. The GMD/CEO manages the business and affairs of the Group on a day-to-day basis within such limits as defined by the Board from time to time.

The GMD/CEO has the authority to sub-delegate such authority and powers to any member of the executive management team as s/he shall determine from time to time. The Management Committee (MANCO) comprises seven executive directors (including the CEO) and five group executives (who have equal responsibilities as the executive directors with the exception of board functions). MANCO is responsible for the management of the day-to-day affairs of the FirstBank Group. Biographies of the group executives are provided on page 15 of this report.

THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In strict compliance with corporate governance codes and practice, the roles of the Chairman and Chief Executive Officer are separate and distinct. The Chairman, Prince Ajibola Afonja, is a non-executive director and has responsibility for chairing the Board. The Group Managing Director/Chief Executive Officer, Bisi Onasanya, has the responsibility of leading the executive management team. In addition, the Chairman is not a member of the board of any subsidiary or of any of the board committees.

THE RECORD OF BOARD ATTENDANCE FOR 2014 IS PROVIDED BELOW:

Name	Attendance
Chairman	
Prince Ajibola Afonja	6 of 6
Executive Directors	
Bisi Onasanya	6 of 6
Tokunbo Abiru	6 of 6
Abiodun Odubola	4 of 6
UK Eke (MFR)	6 of 6
Dauda Lawal	6 of 6
Gbenga Shobo	6 of 6
Bayo Adelabu*	2 of 6
Adesola Adeduntan**	3 of 6
Non-Executive Directors	
Ibrahim Waziri	6 of 6
Obafemi Otudeko	6 of 6
Khadijah Alao Straub	6 of 6
Lawal Ibrahim	6 of 6
Ibukun Awosika	6 of 6
Ibiai Ani***	2 of 6
Mahey Rasheed	6 of 6
Ambrose Feese	6 of 6
Ebenezer Jolaoso	6 of 6
Tunde Hassan-Odukale	6 of 6
Bello Maccido	6 of 6
Ijeoma Jidenma****	4 of 6
Other attendees Employees and external parties, including consultants, may attend meetings to give the Board insight depending on the matters to be deliberated on.	

* Resigned from the Board on 28 March 2014.
** Appointed as Executive Director/Chief Financial Officer on 24 March 2014, with effect from 1 July 2014.
*** Resigned from the Board on 20 March 2014.
**** Appointed as an Independent Non-Executive Director on 24 March 2014.

STATEMENT OF COMPLIANCE

The Bank is a private limited liability company and subject to CBN regulations, including the CBN Code of Corporate Governance (CBN Code). For the period under review, there was no breach of the CBN Code as we complied with its relevant provisions. The Bank defers to the provisions of the CBN Code as the CBN is its primary regulator.

BREACHES OF THE CODE

In the period under review, the Bank was in substantial compliance with the provisions of the CBN Code and related regulations.

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

The Board carries out its oversight function through its five standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure, and reporting lines to the Board. The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Group. In line with best practice, the Chairman of the Board does not sit on any of the committees. The directors confirm that the committees functioned in accordance with their terms of reference during the financial year under review. Listed below are the committee membership and attendance together with details of attendees who are invited to the respective committees.

The following board committees operated within FirstBank in 2014:

BOARD FINANCE & HUMAN CAPITAL COMMITTEE (BF&HCC)

Ebenezer Jolaoso

As at December 2014, the composition of the Board Finance & Human Capital Committee was as follows:

- Ebenezer Jolaoso (Chairman)
- Lawal Ibrahim
- Dr Ijeoma Jidenma
- Obafemi Otudeko
- Ibukun Awosika
- Ibrahim Waziri
- Khadijah Alao Straub
- Bisi Onasanya
- Abiodun Odubola
- Tokunbo Abiru
- Dr Adesola Adeduntan

ROLE AND FOCUS

- Considering and approving the Bank's capital expenditure plan and specific capital projects above the approval limit of the Management Committee (MANCO General) and making recommendations for the consideration of the Board; and
- Advising the Board on its oversight responsibilities in relation to recruitment, compensation and benefits, promotions and disciplinary issues affecting senior officers of the Bank on principal manager grade and above.

KEY RESPONSIBILITIES

The Committee is responsible for the following:

- approval of capital expenditure within the monetary amounts specified by the Board;
- regularly reviewing and recommending to the Board limits of capital expenditure for the various levels of management, subsidiaries and the executive committee;
- recommending capital expenditure beyond the approval limits granted to the Committee, to the Board;
- recommending approval of the Bank's procurement policy to the Board;
- ensuring that the Bank complies with all laws and regulations in respect of director-related transactions;
- reviewing and recommending the Group's organisational structure, remuneration policy, and policies covering the evaluation, compensation and provision of benefits to employees, and any other human capital issues, for approval by the Board;
- reviewing and recommending the Bank's human resource strategies for approval by the Board; and
- reviewing and recommending the Group's secondment and mobility policy and any proposed amendments, for approval by the Board.

FOCUS OF BF&HCC DISCUSSIONS FOR 2014

Discussion	Rationale	Objective
Core infrastructure capacity upgrade of the data centre.	Disaster recovery readiness and upscaling of the ATM processing infrastructure of the Bank.	To ensure excellent service delivery.
End-of-year 2013 employee performance appraisal fall-out.	To identify the current and estimated potential of staff by systematically evaluating their performance and progress.	To manage the talent pool and cater for succession arrangements and staff mobility.
Firstmonie marketing campaign.	To position the Bank for the mobile money business, being the future of commercial banking.	To tap available opportunities for increased revenue.
Deployment and implementation of data security solution.	To comply with Payment Cards Industry Data Security Standards (PCI DSS) and need for vulnerability remediation.	To strengthen the Bank's IT security and payment cards security.
Deployment of 450 ATMs and related infrastructure.	To implement alternative delivery channels, decongest the banking halls and expand the opportunities for financial inclusion.	To improve on service delivery.
Implementation of the Data Cleansing Road Map.	To facilitate timely rendition of regulatory returns and ensure integrity of data for effective business decision making.	To establish a sustainable data cleansing framework and provide tools to aid continuous improvement of customer data quality.
Deployment of hardware infrastructure for Finacle 10 migration for the Bank's African subsidiaries – GHANA	To provide separate banking application servers for the subsidiaries, in compliance with regulatory requirements in the host countries of the African subsidiaries.	To bring the FirstBank subsidiaries under the same banking application platform as the Bank, thereby facilitating integration and improved brand synergy.
Deployment of Disaster Avoidance Solution (DAS).	To enable seamless processing of transactions by defaulting a server that is temporarily down to a secondary server.	To ensure that the Bank continues to maintain seamless services in the event of a disaster.
Upgrade of data centre electrical power system, uninterruptible power supply, safety fire fighting equipment and cooling/environmental infrastructure.	To ensure uninterrupted power supply, and safety of data centre infrastructure.	The upgrade is required to support business growth and expansion.

THE RECORD OF BF&HCC ATTENDANCE FOR 2014

Name	Attendance
Committee Chairman	
Ebenezer Jolaoso	6 of 6
Executive Directors	
Bisi Onasanya*	4 of 6
Tokunbo Abiru	6 of 6
Adebayo Adelabu**	1 of 6
Abiodun Odubola	6 of 6
Adesola Adeduntan***	1 of 6
Non-Executive Directors	
Ibrahim Waziri	6 of 6
Obafemi Otudeko	6 of 6

Name	Attendance
Khadijah Alao Straub****	5 of 6
Lawal Ibrahim	6 of 6
Ibukun Awosika	4 of 6
Ibiai Ani*****	2 of 6
Other attendees Employees and external parties, including consultants, may attend meetings to give the Board insight depending on the matters to be deliberated on.	

* Official assignment.
** Resigned from the Board on 28 March 2014.
*** Appointed as Executive Director/Chief Financial Officer on 24 March 2014, with effect from 1 July 2014.
**** Apology received for meeting not attended.
***** Resigned from the Board on 20 March 2014.

BOARD AUDIT & RISK ASSESSMENT COMMITTEE (BARAC)

Ambrose Feese

As at December 2014, the composition of the BARAC was as follows:

- Ambrose Feese (Chairman)
- Tunde Hassan-Odukale
- Ibrahim Waziri
- Bisi Onasanya
- UK Eke, MFR
- Abiodun Odubola

However, the BARAC has been split into Board Audit Committee and Board Risk Management Committee. The successor committees to the BARAC will be in operation in 2015.

ROLE AND FOCUS

The overall purpose of the BARAC is to protect the interests of FirstBank's shareholders and other stakeholders by overseeing, on behalf of the Board, the:

- integrity of financial reporting;
- adequacy of the control environment;
- management of risk;
- internal and external audit function; and
- compliance function.

KEY RESPONSIBILITIES

The Committee is responsible for the following:

Audit and financial reporting:

- Ascertain whether the accounting and reporting policies of the Group are in accordance with statutory requirements and agreed ethical practices.
- Review and approve the Group's accounting policies to be used in the preparation of audited financial statements.
- Review the scope and planning of audit by the external auditors including identified risk areas, relevance of audit plan to audit approach, and reporting timetable.
- Monitor the activities and performance of the statutory auditors by:
  i. liaising with the statutory auditors to ensure the audit is conducted effectively;
  ii. reviewing auditor's assessment of financial statement materiality;
  iii. ascertaining 'root causes' of any significant year-end audit adjustments made by the external auditors; and
  iv. appraising the quality of audit work carried out.
- Review the results of the annual audit and interim audit, and discuss the draft audited financial statements with management and the statutory auditors.
- Review and recommend the financial report for approval by the Board.
- Review with the Chief Financial Officer the significant financial reporting issues and practices of the Group, and ensure the adequacy and effectiveness of the accounting principles and financial controls applied within the Group, including controls relating to the 'closing of the books' process.
- Review the external auditors' management letter and ensure adequacy of management's response.
- Define the Bank's policy regarding press releases on financial statements as well as financial information provided to analysts and rating agencies.
- Review the Bank's legal representation letter presented to the external auditors and discuss significant items, if any, with the Company Secretary and Head, Legal Services.
- Assess and confirm the independence of the external auditors annually, in line with the Bank's External Audit Independence Policy (Appendix A to the Committee Charter). The report of this assessment should be submitted to the Board.
- Review and ensure compliance with the list of prohibited services that may not be rendered to the Group by the external auditors (Appendix B to the Committee Charter).
- Make recommendations to the Board with regard to the appointment, removal and remuneration of the statutory auditors.
- Review the reports of the external auditors relating to directors' related party transactions.
- Approve all external disclosures regarding related-party transactions.

Internal audit:

- Monitor the internal audit function of the Group, including its independence.
- Review and approve the annual audit plan encompassing all of the Group's auditable activities and entities and on a quarterly basis discuss the status of implementation of the internal audit plan.
- Review the reports of the internal audits completed since the previous Committee meeting as well as the focus of upcoming internal audit projects.
- Annually review and reassess the internal audit division's responsibilities and functions, making changes as necessary, and require an independent evaluation of the internal audit function's activities every five years in line with Institute of Internal Auditors (IIA) Professional Practice Standard (PPS) mandatory requirement.
- Oversee the establishment of whistleblowing procedures for the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal controls and/or auditing matters, unethical activity/breach of the corporate governance code and the confidential/anonymous treatment of submissions by stakeholders (employees, customers, suppliers, applicants, etc) of the Bank with respect to such complaints.
- Review with management its evaluation of the Group's internal control structure and procedures for financial reporting, including any significant deficiencies or material weaknesses in such controls and procedures.
- Investigate any matter brought to its attention within the scope of the Committee's duties.
- Review reports on all attempted and actual frauds, thefts and breaches of the law.
- Make recommendation to the Board for the conduct of an investigation by the Chief Internal Auditor, the external auditors or an independent forensic auditor on any matter as the Committee may deem necessary.
- All such other matters as are reserved to the Audit Committee by the CAMA, Cap C20, LFN 2004 and the Bank's Articles of Association.

Enterprise risk management:

- Oversee the establishment of a formal written policy on the overall risk management framework. The policy should define risks and risk limits that are acceptable and unacceptable to the Bank. It should provide guidelines and standards to administer the acceptance and ongoing management of all risks, namely operational, compliance, market, reputational and strategic risks.
- Ensure that adequate policies are in place to manage and mitigate adverse effects of both business and control risks in the operations of the Bank.
- Ensure compliance with established policy through periodic review of reports provided by management, statutory auditors and the supervisory authorities.
- Approve the appointment of qualified officers to manage the risk functions.

- Oversee the management of all risks in the Bank, except credit and human capital risks, which would be managed by the Board Credit and Board Finance & Human Capital Committees respectively.
- Re-evaluate the Risk Management Policy of the Bank on a periodic basis, to accommodate major changes in internal or external factors.
- Evaluate internal processes for identifying, assessing, monitoring and managing key risk areas, particularly:
  - i. important judgements and accounting estimates;
  - ii. business and operational risks in the areas of credit, market, information technology and operations;
  - iii. litigation and claims;
  - iv. specific risks relating to outsourcing; and
  - v. fraud and theft.
- Evaluate with management, the adequacy of the Bank's management systems and control environment.
- Ensure that an appropriate internal control framework is established and maintained, including systems for:
  - i. incurring, recording and payment of liabilities and expenses;
  - ii. recording, monitoring and maintaining assets;
  - iii. managing and investing funds;
  - iv. measuring financial performance of individual employees, business units and subsidiary companies, while monitoring their performance against budget.
- Evaluate the Bank's risk profile, the action plans in place to manage risks, and monitor progress against plan to achieve the action plans.
- Review the processes the Bank has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.

Compliance:

- Review activities of the Bank as they relate to its Code of Conduct and Ethics.
- Review the adequacy and effectiveness of the compliance framework for managing compliance risks within the Bank.
- Review and approve the processes in place for ensuring that new and changed legal and regulatory requirements are identified and reflected in the Bank's processes.
- Assess the scope and depth of compliance review activities and the resulting impact that the findings have on the risk profile of the Bank.
- Evaluate the nature and effectiveness of action plans implemented to address identified compliance weaknesses.
- Require management to present and discuss, as soon as practicable, all reports received from the regulators, e.g., the CBN, the Nigerian Deposit Insurance Corporation (NDIC), the Financial Services Authority (FSA), the Prudential Regulation Authority (PRA), National Pension Commission (PenCom) and rating agencies, etc., which may have a material effect on the Group's financial statements or related Group compliance policies.
- Review with the Company Secretary and the Head, Legal Services, legal and regulatory matters, contingent liabilities or other sensitive information that may have a material effect on the Group's financial statements, systems of internal control or regulatory compliance.

FOCUS OF BARAC DISCUSSIONS FOR 2014

Some of the deliberations held by the BARAC for the year under review focused on:

Discussion	Rationale	Objective
Quarterly internal audit activity report.	To give an overview of the activities of the internal audit function.	To obtain reasonable assurance on adherence to laid-down rules and regulations.
Compliance activities quarterly report.	To give a summary of the activities of the compliance function.	To determine the scope of regulatory compliance and avoid infractions/penalties.
Information security management quarterly report.	To protect and secure the vital information assets of the Bank through reliance on the latest technology and strategies.	To eliminate or minimise security-related threats and vulnerabilities, while ensuring that the Bank is in compliance with legal and regulatory requirements.
Summary of control issues.	To identify key internal control risks in the Bank's business or operations and mitigate such risks.	Adoption and implementation of effective internal control systems.
Internal audit plan.	To plan internal audit activities for the year.	To ensure that appropriate attention is devoted to important areas in the Bank's business and operations, and that risk areas are properly identified and the audit properly coordinated.
Review of the information security and payment card policy.	To incorporate updates into Payment Card Industry Data Security Standards (PCI DSS).	To strengthen the security for payment cards, and ensure compliance with regulations.
Compliance Plan and Compliance Risk Management Framework.	To adopt a consolidated and harmonised set of compliance processes in accordance with established regulations and legislations.	To focus on regulatory compliance standards relevant to the business and operational processes of the Bank.
FirstBank related-party transactions and conflict of interest policy and procedures.	To provide a framework for disclosure and treatment of actual and potential conflicts of interest by directors and eligible officers.	To ensure compliance with the law and regulations on disclosure of interest and conflict of interest.
Quarterly operational risk appetite report.	To report on management of the set tolerance limits for operational losses by the Bank.	To ensure that management operates within set limits for operational losses.
Market and liquidity risk management report.	To ensure that the Bank adequately manages market and liquidity risks.	To report on management of the risks that may arise from market and liquidity risks.
Review of the Anti-Money Laundering/Combatting Financing of Terrorism (AML/CFT) Manual.	To ensure that policy and procedures on anti-money laundering/combatting financing of terrorism are up to date.	To guard against money laundering and terrorist financing transactions in the Bank's business, and ensure compliance with all money laundering laws and regulations.
Review of the FirstBank whistleblowing policy.	To encourage active whistleblowing and adequate protection for whistleblowers.	To align existing whistleblowing procedures with the provisions of the CBN Guidelines for Whistleblowing in the Nigerian Banking Industry.
Draft Anti-Bribery and Corruption Policy Manual.	To institute best practice procedures to combat bribery and corruption in the conduct of the Bank's business.	To reinforce the Bank's business principle of zero tolerance on bribery and corruption, by providing a framework to safeguard and promote the Bank's reputation for integrity and responsibility.

THE RECORD OF BARAC ATTENDANCE FOR 2014

Name	Attendance
Committee Chairman Ambrose Feese	6 of 6
Executive Directors Bisi Onasanya*	4 of 6
UK Eke, MFR	6 of 6
Non-Executive Directors Ibrahim Waziri**	5 of 6
Tunde Hassan-Odukale	4 of 6
Abiodun Odubola (CRO)	6 of 6
Other attendees Employees and external parties, including consultants, may attend meetings to give the Board insight depending on the matters to be deliberated on.	

* On official assignment.
** On national assignment.

BOARD GOVERNANCE COMMITTEE (BGC)

Ambrose Feese

As at December 2014, the composition of the Board Governance Committee was as follows:

- Ambrose Feese (Chairman)
- Ebenezer Jolaoso
- Mahey Rasheed, OFR
- Bisi Onasanya

The Board of Directors has approved a change in the Chairmanship of the committee to Ebenezer Jolaoso, with effect from 1 January 2015.

ROLE AND FOCUS

The primary purpose of the Board Governance Committee is to advise the Group Board on its oversight responsibilities and board remuneration, to advise on the composition of the Board and board committees, and to design and execute a process for the appointment of new board members and the removal of non-performing board members.

KEY RESPONSIBILITIES

The responsibilities of the Committee are to:

- develop and maintain an appropriate corporate governance framework for the Group;
- develop and maintain an appropriate policy on the remuneration of directors, both executive and non-executive;
- evaluate the role of the board committees and boards of subsidiary companies, and ratify the performance appraisals of the executive directors as presented by the Group MD/CEO;
- ensure proper succession planning for the Group; and
- ensure compliance with the CBN Code of Corporate Governance.

FOCUS OF BGC DISCUSSIONS FOR 2014

Some of the deliberations held by the BGC for the year under review focused on the following issues:

Discussion	Rationale	Objective
Approval of a training curriculum for non-executive directors.	To ensure that non-executive directors possess the required skills to function effectively in their roles.	To tailor the training plan for non-executive directors in line with identified skills requirements and the needs of the Bank.
Consideration of the Executive Performance Monitoring Framework.	To properly motivate executives to achieve the strategic objectives of the Bank.	To align executive performance and remuneration with the strategic objectives of the Bank.
Code of Conduct and Ethics for Directors.	To attune directors to the culture of the Bank with respect to acceptable conduct.	To afford the directors a ready behavioural guide for acceptable conduct.
Reconstruction of board committees and revision of Charters of the Board and board committees.	To fine-tune terms of reference and memberships of the Board and committees of the Board, for better performance and alignment with regulations.	To ensure that the Board and board committees perform optimally within the ambits of regulation.
Nominations to the Boards of Sub-Saharan African (SSA) subsidiaries.	To ensure that the Boards of SSA subsidiaries have a complement of qualified directors who are capable of achieving the strategic goals of the subsidiaries.	To enable the Boards of SSA subsidiaries to function optimally, and deliver on goals which informed FirstBank's acquisition of those subsidiaries.
Appointment of a second independent director.	To ensure an optimally performing board in line with best practice and regulation.	To ensure compliance with the requirements of the CBN Code of Corporate Governance.

THE RECORD OF BGC ATTENDANCE FOR 2014

Name	Attendance
Committee Chairman Ambrose Feese	4 of 4
Non-Executive Directors Mahey Rasheed, OFR	4 of 4
Ebenezer Jolaoso	4 of 4

BOARD CREDIT COMMITTEE (BCC)

Mahey Rasheed

As at December 2014, the composition of the Board Credit Committee was as follows:

- Mahey Rasheed, OFR (Chairman)
- Ebenezer Jolaoso
- Obafemi Otudeko
- Tunde Hassan-Odukale
- Ibrahim Waziri
- Khadijah Alao Straub
- Bisi Onasanya
- Abiodun Odubola

Other executive directors are required to be in attendance at meetings of the Committee.

ROLE AND FOCUS

The Board Credit Committee is responsible for approval of credit product programmes and individual/business credits, in line with the Bank's credit approval authority limits.

The purpose of the Committee is to advise the Board on its oversight responsibilities in relation to the Bank and subsidiary companies' credit exposure, management and lending practices, and to provide strategic guidance for the development and achievement of the credit and lending objectives of the Bank and subsidiary companies. In performing this oversight role, the Committee works with management.

KEY RESPONSIBILITIES

The responsibilities of the Committee are to approve:

- risk management policies and standard proposals on the recommendation of the Management Credit Committee;
- definition of risk and return preferences and target risk portfolio;
- the assignment of credit approval authority on the recommendation of the Management Credit Committee;
- changes to credit policy guidelines on the recommendation of the Management Credit Committee;
- credit facility requests and proposals within limits defined by FirstBank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities; and recommending to the Board credit facility requests above its limit.

FOCUS OF BCC DISCUSSIONS FOR 2014

Discussion	Rationale	Objective
Project status reports.	To consider reports presented by relationship teams on key projects being financed by the Bank.	To monitor adherence to terms of approvals of key credits.
Credit portfolio report.	To consider an analysis of sectoral distribution of risk assets and relative performance of credits.	To maintain a proper balance in the Bank's exposure to different credit sectors.
Non-performing assets report.	To review criticised risk assets and remedial action.	To minimise potential loss on the credit portfolio.
Write-off of facilities.	To consider proposals for the work-out of classified and resolution accounts.	To achieve work-out of criticised risk assets.
Consideration of product programmes.	To confer requisite approvals for standard credit products.	To standardise credit offerings for ease of access by customers.
Amendments to the Bank's credit policies.	To ensure that credit policies are up to date and in alignment with prevailing standards, practices and regulations.	To ensure that credit policies and practices align with the strategic objectives of minimising NPLs and tapping market opportunities.
Credit Portfolio Plan.	To consider the Portfolio Plan and credit risk management methodology, risk management group strategy and structure, industry risk review and rating for the year, the risk appetite proposal (portfolio, industry and other concentration limits) and credit budget allocation for the year.	To allocate resources to sectors in line with the Bank's risk appetite and risk assets allocation strategy.
Approval of credit facilities.	To approve credit requests.	To implement the Bank's risk assets creation strategy and policies, to drive revenue.
Insider-related credits.	To review insider-related credits and ensure that they are in accordance with regulations.	To comply with the Bank's credit policy, the law and CBN regulations.

THE RECORD OF BCC ATTENDANCE FOR 2014

Name	Attendance
Committee Chairman	
Mahey Rasheed, OFR	**8 of 8**
Executive Directors	
Bisi Onasanya	**7 of 8**
Abiodun Odubola (CRO)	**8 of 8**

Name	Attendance
Non-Executive Directors	
Ebenezer Jolaoso	**7 of 8**
Khadijah Alao Straub	**5 of 8**
Tunde Hassan-Odukale	**6 of 8**
Obafemi Otudeko	**8 of 8**
Ibrahim Waziri	**6 of 8**

EXECUTIVE COMMITTEE (EXCO)

ROLE AND FOCUS

The Executive Committee is the highest executive management body within the Bank. The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Bank. Its primary responsibilities are to:

- ensure the implementation of the Bank's strategic and business plan approved by the Board;
- ensure efficient deployment and management of the Bank's resources; and
- provide leadership to the management team.

KEY RESPONSIBILITIES

The responsibilities of the Executive Committee are to:

- develop and review, on an ongoing basis, the Bank's business focus and strategy subject to the approval of the Board;
- confirm alignment of the Bank's plan with the overall Group strategy;
- recommend proposals on the issue of shares, bonds, debentures and any other securities to the Board for approval;
- track and manage strategic and business performance against approved plans and budget of the Bank;
- make proposals to the Board and board committees on major policies and principles (e.g., recruitment, promotion and termination of senior management staff, disciplinary measures against erring senior management staff, compensation matters, major capital spending, organisational structure, etc.);
- track and monitor progress and accomplishments on major Bank initiatives and projects;
- recommend opening and closing of new branches to the Board;
- articulate appropriate response to environmental factors, regulation, government policies, competition, etc. affecting the Bank;
- develop high-level policies to assist in the successful achievement of the Bank's overall business objectives;
- make recommendations to the Board on dividends to be paid out to shareholders at year end; and
- take important decisions in all other areas where delegated authority is granted to it.

In view of the delegation of its duties to the Management Committee, comprising all members of the Executive Committee and all group executives, the Executive Committee did not meet during the period under review.

MANAGEMENT COMMITTEES

FirstBank has the following management committees that play vital roles in the governance of the Bank:

MANAGEMENT COMMITTEE – GENERAL (MANCO GENERAL OR MGC)

The Committee discharges the responsibilities of the Executive Committee as detailed above, but is not responsible for any matter relating to making recommendations to the Board on the elevation of staff to the grade of assistant general manager and above, which is reserved to the Executive Committee.

KEY RESPONSIBILITIES

These include all the responsibilities of the Executive Committee with the exception of all matters relating to the consideration of the elevation of staff to the grade of assistant general manager and above.

FOCUS OF MANCO DISCUSSIONS FOR 2014

Discussion	Rationale	Objective
Approval of an Enterprise Programme Management Office (EPMO).	To establish a central coordination point for all internal projects, to ensure that projects are administered to deliver on the objectives of their establishment.	To better coordinate all internal projects and ensure that projects are tied to the achievement of the 2014-16 corporate strategy.
Review of relationships with bureau de change operators.	To ensure regulatory compliance.	To ensure that customers in this segment are appropriately licensed and adhere to appropriate AML/CFT regulations in their operations.
Authority to sign-on UAE – exchange money transfer service.	To tap into the money transfer business potentials existing in the UAE.	To provide customers with an alternative platform for money transfers.
Developing corporate finance capabilities.	To appropriately position the Bank for a greater share of the corporate finance market.	To harness potentials in that business sector by building corporate finance capabilities among staff.
Proposed regulatory body communication-handling process.	To standardise the process of interaction with regulators.	To improve the relationship with regulators and ensure regulatory compliance.
Review of Tax Policy Manual.	To ensure compliance with applicable laws on taxation.	To provide a framework that ensures a seamless compliance with taxation laws, processes and regulations.
Request for additional incentives for staff working out of security challenged areas of the north central part of Nigeria.	To ensure that staff working in volatile regions are suitably incentivised to perform their duties.	To provide palliatives and special incentives in view of the adverse impact of the security situation in affected areas on economic and social activities.
Opportunities for FirstBank in biometric identification.	To take advantage of the payment capabilities and prospects of the CBN Bank Verification Number registration and the National Identity Card project.	To expand e-payment capabilities for the Bank's customers and capture a greater market share of the e-business market.
Report on emergency response action plan for the Ebola virus pandemic.	To promote workplace health and safety, and provide assistance, as a responsible corporate citizen, for the fight against the Ebola virus infection across the West African sub-region.	Create awareness among staff and other stakeholders of the Ebola pandemic and precautions against it, and to deploy materials and devices to prevent the spread of the infection.

MANAGEMENT COMMITTEE – CREDIT (MANCO CREDIT OR MCC)

ROLE AND FOCUS

The Management Credit Committee is the highest management credit approval body in FirstBank and performs the dual role of credit policy articulation and credit approval.

The Committee reviews and recommends to the Board of Directors for approval, credit policy direction, including articulation of risk and return preferences, both at the corporate level and for individual asset-creating business units in the Bank. The Committee also, on an ongoing basis, ensures compliance by the credit environment in the Bank with approved policies and frameworks.

KEY RESPONSIBILITIES

In the credit policy articulation and direction-setting role, the Management Credit Committee:

- establishes and maintains an effective risk management environment in the Bank;
- reviews proposals in respect of credit policies and standards and endorses to the Board of Directors for approval;
- defines the Bank's risk and return preferences and target risk portfolio;
- monitors on an ongoing basis the Bank's risk quality and performance, reviews periodic credit portfolio reports and assesses portfolio performance;
- defines credit approval framework and assigns credit approval limits in line with Bank policy;
- reviews defined credit product programmes on the recommendation of the Head, Credit Analysis & Processing and endorses programmes for the Board of Directors' approval;
- reviews credit policy changes initiated by Management and endorses changes for the Board of Directors' approval; and
- ensures compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory/supervisory authorities.

GROUP MANAGEMENT COMMITTEE (GMC)

ROLE AND FOCUS

The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the FirstBank Group and to track performance of FirstBank and its subsidiaries/representative offices, at a group level.

The Group Management Committee comprises the GMD/CEO, members of the management committee of the Bank, all Managing Directors/CEOs of FirstBank subsidiaries, and Chief Representative Officers of FirstBank Representative Offices.

KEY RESPONSIBILITIES

The Group Management Committee's key responsibilities are to:

- develop and review, on an ongoing basis, the Group's business focus and strategy subject to the approval of the Board;
- ensure efficient deployment and management of the Group's resources;
- confirm alignment of each subsidiary company's plan with overall Group strategy;
- recommend proposals on the issue of shares, bonds, debentures and any other securities to the Board for approval;
- track and manage strategic and business performance against approved plans and budget of the Group;
- track and monitor progress and accomplishments on major Group initiatives and projects at subsidiary level;
- articulate appropriate responses to environmental factors, regulations, government policies, competition, etc. across the Group; and
- recommend high-level policies to assist in the successful achievement of the Group's overall business objectives.

FOCUS OF DISCUSSIONS AT THE GMC IN 2014

Discussion	Rationale	Objective
Group performance highlights/review.	Benchmarking actual quarterly performance against targets.	To ensure that the Bank and its subsidiaries meet and surpass performance.
Harmonising branding and communication across the Group.	To maximise group synergies and achieve branding standardisation.	To align branding across the Group.
Review of salaries and implementation of performance management framework for African subsidiaries.	To motivate staff to be more committed and propagate the FirstBank culture of performance.	To drive expected behaviour with respect to individual and business performance at the African subsidiaries.
Presentation on proposed scorecards for subsidiaries/representative offices.	To deploy the mirrored scorecard of the Group Managing Director for MDs of subsidiaries and drive performance with KPIs tied to the strategic aspirations of the Group.	To ensure a group-wide application of the performance management system for the attainment of FirstBank's strategic objectives.

ASSETS & LIABILITIES MANAGEMENT COMMITTEE (ALCO)

ROLE AND FOCUS

The ALCO is the highest technical organ of the Management Committee charged with market risk management. The Committee is responsible for the following.

KEY RESPONSIBILITIES:

- Reviewing policies relating to market risk management.
- Recommending market risk policies to the Board.
- Providing management oversight for the implementation of policies relating to foreign currency rates, interest rates and equity prices risks.
- Reviewing market risk strategy and recommending the same for board approval.
- Developing policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks.
- Evaluating market risks inherent in new products.
- Ensuring compliance with statutory and regulatory requirements relating to market risks.
- Reviewing and recommending for approval market risk-related limits, i.e., position, concentration, currency, dealing gap, total portfolio and counterparty limits, and approving the appointment of dealers.

FOCUS OF ALCO DISCUSSIONS IN 2014

Discussion	Rationale	Objective
Stress test report.	To assess the Bank's ability to survive low-tail events associated with market and liquidity risks, and determine the Bank's vulnerability to extreme but plausible market conditions.	To determine and implement changes or amendments to the Bank's contingency funding plan, based on the stress-test results.
Capital adequacy.	Assess the Bank's capital adequacy position on a regular basis.	To comply with the regulatory and Board-approved capital adequacy requirements and to identify any combination of strategic and/or tactical actions to correct any inadequacy.
Liquidity management.	To confirm that liquidity risk management efforts support the Bank's strategy, and to ensure that regulatory liquidity limits are complied with.	To determine and deploy appropriate management intervention or action, or any change in strategy, that may be required for medium/long-term liquidity management.
Funding concentration risk.	To review concentration risk in both local and foreign currency deposits and to ensure that sufficient liquid asset cover is in place for any identified concentration risk.	To ensure that dependency on certain significant sources of funding remains within approved thresholds.
Deposit mobilisation.	To consider the deposit growth achievements of the strategic business units and the Bank; to review business units' strategies for bridging any identified gap; and to consider deposit growth initiatives and track their progress.	To ensure that deposit levels support the liquidity and asset creation targets of the Bank.
Fixed-income securities portfolio.	To review fixed-income securities positions and the value at risk in the positions; to review mark-to-market results; and to consider and approve actions or strategies proposed by treasury and market and liquidity risk management departments to sell, buy or reclassify securities.	To ensure that the fixed-income securities portfolio remains within approved levels and that trading and investment positions do not pose a significant risk of loss to shareholders' value.
Foreign exchange risk.	To consider foreign exchange positions and value at risk in the positions; to review mark-to-market results; to consider and approve proposed actions and strategies for ensuring minimal losses on positions; and to consider reports on adherence to regulatory limits.	To ensure that foreign exchange positions are within approved levels and that foreign exchange positions do not pose significant risk of loss to shareholders' value.
Approval of policies.	To review and approve proposed amendments to market and liquidity risks management policies after in-depth consideration by the Market Risk Policy Committee.	To ensure that the overall approach to managing the Bank's market and liquidity risks is responsive to changes in the environment and the Bank's strategies.
Pricing of deposits and loans and advances.	To consider the effect of changes in regulatory benchmark rate – MPR – on the Bank's pricing of assets and liabilities and to consider and approve proposed reviews of deposit rates, and pricing of loans and advances.	To ensure that the pricing of deposit liabilities and loans and advances responds to changes in regulatory pronouncements and the direction of market indices.
Transfer pricing.	To review the results of benchmark market indices and compare them to existing pool rates and to consider and approve proposed changes to the pool rate methodology.	To ensure that agreed transfer pricing reflects the market direction and drives the desired behaviour in alignment with the overall strategy of the Bank.
Economic review.	To review the liquidity situation of the money market; to review the direction of interest rates, and the effect on market indices and fixed income instruments; to review the decisions of the CBN's Monetary Policy Committee and the effect on the market; and to consider any new information from the domestic or foreign economic environment that might have an impact on the Bank's business or strategy.	To keep pace with developments in the regulatory or economic environment, and the impact such developments may have on the Bank's business and operations.

GROUP IT STEERING COMMITTEE (GITSC OR ITSC)

ROLE AND FOCUS

The purpose of the Committee is to assist the Board to oversee IT-related activities.

KEY RESPONSIBILITIES:

The primary responsibilities of the ITSC are to:

- review and recommend an IT strategy and architecture for the Bank;
- review and recommend the IT policy, procedures and standards of the Bank;
- determine prioritisation of IT investment programmes in line with the enterprise's business strategy and priorities;
- review and recommend appropriate IT budget to the Board of Directors;
- monitor on an ongoing basis the achievement of the IT strategy, including application of and leverage technology in the Bank;
- establish a framework to measure and monitor IT performance;
- review on an ongoing basis the Group's IT focus and strategy subject to the approval of the Board;
- coordinate priorities between the IT department and user departments;
- monitor the service levels of the IT department and service improvements initiatives;
- promote effective relationships between the business groups and IT by encouraging communication of business requirements to IT management, addressing IT capacity requirements, and demanding routine discussions on IT service delivery and continuous service improvement;
- review the adequacy and allocation of IT resources in terms of funding, personnel, equipment and service levels;
- review, ratify and monitor the implementation of training programmes for end-users and IT personnel;
- confirm alignment of IT plan with overall Group strategy;
- provide oversight on activities of the Group IT Operations Committee (GITOC);
- make recommendations to the MANCO for approval of specific IT spending/ expense;
- encourage innovation and idea generation to support new product development;
- ensure that FirstBank derives optimal value from its investments in IT;
- ensure that the Board is regularly informed of the status of major IT projects or initiatives; and
- ensure that the Board has adequate information to make informed decisions about IT investments and operations.

FOCUS OF DISCUSSIONS AT THE GITSC IN 2014

Discussion	Rationale	Objective
IT strategic.	The development of an IT strategy to support the business.	To ensure alignment between IT and business objectives.
Project status reports and service performance management.	To ensure that approved IT projects are appropriately implemented and track IT service performance against set KPIs.	To ensure alignment of IT spend, projects and performance with the strategic aspirations of the Bank.
Business continuity plan update.	To ensure adequacy of operational business continuity plan for banking services in the event of a disruption to IT services; and to review the results of routine tests to ensure efficacy of the business continuity process.	To ensure that the Bank's IT infrastructure remains in the cutting edge of technology and can adequately support the Bank's business.
Business value proposition/justification for key initiatives.	To validate the business and strategic justifications for IT projects.	To ensure value for IT spend.
IT budget review.	To agree IT expenditure in line with the Bank's priorities.	To align IT budget proposals with the business priorities.
IT policy review and approval.	To review and approve new IT policies and amendments to existing ones.	Ensure alignment of IT policies with the corporate strategy and operating dynamics.
Vulnerability assessment remediation update.	To review the status of resolution of open items identified in IT vulnerability assessment reports.	To improve the Bank's IT security.
Oversight activities for GITOC.	To implement Group-wide policies and standards, and manage software licences and contracts at Group level, with a view to reducing operating expenses and application duplications.	To identify and tap into opportunities for shared services and Group synergy.
Review of IT architecture, innovation and idea management.	To evaluate and promote innovative ideas from concept to realisation.	To ensure that technology architecture standards are adhered to and institutionalise IT innovation.
Review adequacy of IT resources.	To ensure that IT infrastructure and human capacity are not over or under-utilised.	To ensure that the IT department has the right capacity to support business demands, improve service delivery, and reduce time to market for IT-related products.

Effectiveness

ENSURING BOARD EFFECTIVENESS

With an understanding that the combined quality and effectiveness of a board is a summation of the quality of its individual members, the Bank seeks to enrich the Board's collective quality by appointing to it individuals who have displayed excellent and proven business knowledge and board experience. The 'shareholder spring', which saw institutional shareholders find their voice, most notably about executive pay and Board elections, highlights the close alignment that should exist between the effectiveness and performance of the Board, and the creation of shareholder value.

Performance management is taken very seriously, at both Board and executive management levels, and this is cascaded through the rank and file of the institution. Each executive director, as well as other members of the executive management team including each group executive, has an individual scorecard, which aggregates all the relevant KPIs. These KPIs are set and agreed at the beginning of the year and form the basis upon which performance is monitored quarterly and on which year-end bonuses are paid.

PROCESS FOR MONITORING PERFORMANCE

As part of its oversight role, the Board continuously contributes new ideas to the strategic success of the Bank, through its engagement in corporate strategy, from the planning phase to execution and continuous monitoring. The Board holds an annual Board strategy retreat, to review the implementation of the corporate strategy in the preceding period. Also, the strategy for the coming year is rigorously debated and agreed by management and the Board at the annual strategy retreat. During this process, the Board is continuously updated on significant risks or challenges encountered in the course of implementation, and the steps being taken to mitigate those risks. On a quarterly basis, management reviews financial and performance indicators with the Board, and the Board measures progress and confirms alignment or otherwise with the strategic goals and objectives on a continuous basis. Actual performance is presented relative to planned/budgeted performance, to provide the Board with ongoing insight into the level of achievement. In addition, peer benchmarking forms a continuous part of our Board meetings in order to put in perspective our performance against competitors.

HOW CORPORATE GOVERNANCE AFFECTS OUR BUSINESS STRATEGY

The primary purpose of the Board is to build long-term shareholder value and ensure effective management oversight. Ultimate responsibility for governance rests with the Board, which ensures that appropriate controls, systems and practices are entrenched to safeguard the assets of FirstBank.

The Board considers and approves the Group strategy and financial objectives. FirstBank runs a three-year strategic planning cycle that is validated annually by the Board at a strategy retreat. The Bank is presently running a 2014 to 2016 strategic planning cycle, the main objectives of which are to transform the branch into a best-in-class service and sales machine, develop a relationship manager sales excellence programme, launch an integrated cost-containment programme, build a distinctive transaction banking capability, be the commercial bank of choice, drive aggressive NPL management, and aggressively pursue a service excellence programme.

Key members of senior management and all Board members attend each annual strategy session. Once the financial and strategic objectives for the following year have been agreed, the Board, on a quarterly basis, monitors performance against financial objectives and detailed budgets.

The Board has the responsibility to ensure that management effectively discharges its duties and responsibilities with respect to the management of the Bank and creating value for shareholders. The Board is also charged with the responsibility for succession planning. Though the Board is satisfied with its current pool of management talent, it continually takes initiatives to enlarge and deepen this pool so as to sustain both short- and long-term performance.

The depth of banking knowledge and experience in the Group cuts across executive directors, to non-executive directors, group executives and executive management. Non-executive directors have access to the Group's management and corporate information to enable them discharge their responsibilities effectively.

An annual appraisal of the Board provides a powerful and valuable feedback mechanism for improving board effectiveness, maximising strengths, and highlighting areas for further development. This is useful in assessing the role of the Board and its committees in formulating and directing the strategy of the Bank. Having been independently appraising the Board over the past seven years, we have made steady progress with respect to strengthening the fabric of our overall governance framework by:

- defining, articulating and reviewing the vision, mission and core values of the organisation;
- providing leadership and direction in developing a strategic plan;
- challenging management to determine that significant risks have been considered in the development of the plan;
- assessing and improving the planning process;
- confirming that Key Performance Indicators and financial objectives are developed; and
- monitoring performance against set goals, indicators and objectives.

BOARD APPRAISAL

A Board appraisal and individual director peer appraisal were conducted for the year ended 31 December 2014 by KPMG, an independent consulting firm. The Board appraisal was carried out in compliance with the Central Bank of Nigeria Code of Corporate Governance (the CBN Code) and driven by our commitment to strengthen the Bank's corporate governance practices and enhance the capacity of the Board of Directors in the effective discharge of its responsibilities.

The appraisal covered the Board's structure and composition, processes and relationships, competencies, roles and responsibilities. The evaluation criteria were all carefully designed and closely matched to the overall strategy of the Bank. The appraisal focused on the following five key areas of Board responsibility:

BOARD FOCUS AREA	DESCRIPTION
Board operations	The Board's ability to manage its own activities.
Strategy	The Board's role in the strategy process.
Corporate culture	The Board's role in setting and communicating standards of ethical organisational behaviour.
Monitoring and evaluation	The Board's role in monitoring management and evaluating its performance against defined goals.
Stewardship	The Board's responsibility for shareholders and other stakeholders and accountability for their interests.

The scope of work performed in carrying out the appraisal covered the following activities:

- a review loop to consider how effective the Board evaluation process had been, referencing the level of implementation of the previous year's recommendations;
- a review of Board operations and existing governance documentation;
- observation of a Board meeting;
- facilitation of a peer appraisal of directors through one-to-one interviews with each director; and
- a feedback session with the entire Board.

The consultant's approach incorporated the following corporate governance models:

- the CBN Code for Banks and Discount Houses in Nigeria;
- the SEC Code (Nigeria);
- King III Report on Corporate Governance (South Africa); and
- the UK Corporate Governance Code.

At the end of the exercise, specific recommendations for further improving the Bank's governance practices were articulated and included in detailed reports to the Board.

WHAT WE LEARNED FROM THE PROCESS

Below is a summary of areas identified as requiring further attention by the Board and the steps we have taken to address them:

2014 PRIORITY AREAS	PROGRESS TO DATE
Appointment of a second independent director.	The Board has appointed a second independent director in the person of Dr Ijeoma Jidenma. The appointment of a second independent director was required to ensure that the Bank achieved the statutory minimum of two independent directors prescribed by the CBN for deposit money banks.
Need for a board composition that sufficiently demonstrates gender diversity.	This is being addressed gradually with new appointments. Dr Ijeoma Jidenma's appointment to the Board was a deliberate step in this regard. The proportion of women on the Board will be gradually increased as vacancies occur.
Board committee effectiveness.	In order to advance the effectiveness of board committees, a number of initiatives, which include annual goal setting and outright recomposition of board committees, have been embarked upon to enhance the effectiveness of the committees of the Board of Directors.
Enhancement of the whistleblowing mechanism.	A dedicated phone number has been established to further enhance whistleblowing. This is in addition to the existence of a dedicated email address. Routine training of staff on the need for active whistleblowing is carried out on a regular basis.

APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

Our appointment philosophy ensures strategic alignment of all relevant regulations, especially the provisions of the CAMA, BOFIA, the Bank's Memorandum and Articles of Association, and CBN guidelines.

Board appointments are conducted in a formal and transparent manner, in accordance with the Board's appointment policy, taking cognisance of the skills, knowledge and experience of the candidate as well as other attributes necessary for the prospective role. Consideration for appointment as a director also takes cognisance of existing appointments to other boards for potential conflicts of interest and to ensure that directors will be able to dedicate time and attention to the Bank.

The Bank has a Board Governance Committee (BGC), which is responsible for identifying and nominating suitable candidates for appointment to the Board. The BGC comprises only non-executive directors.

Board appointments are preceded by a careful analysis of the existing Board's strengths, weaknesses, skills and experience gaps, appropriate demographic representation and diversity to ensure that the Board composition aligns with best practice and FirstBank's strategic objectives, while also ensuring that new members contribute new ideas and fresh perspectives.

The factors considered by the Governance Committee in identifying and nominating a candidate to the Board are possession of the requisite qualifications and experience, prior demonstration of business/professional acumen, and a successful management record.

TENURE OF DIRECTORS

Non-executive directors are appointed for an initial term of three years and can be re-appointed for a maximum of three subsequent terms of three years each, subject to satisfactory performance. In line with our Memorandum and Articles of Association, one-third of directors retire every year and may be re-elected by members. Hence, the maximum tenure of non-executive directors is 12 years.

An independent non-executive director is appointed for an initial term of four years and can be re-appointed for another term of four years, subject to satisfactory performance, in line with the CBN circular on Guidelines for the Appointment of Independent Directors. Hence, the maximum tenure of an independent non-executive director is eight years.

The GMD/CEO is appointed for an initial term of three years and can be re-appointed for a maximum of two subsequent terms of three years each, subject to satisfactory performance. Hence, the maximum tenure of a GMD/CEO is nine years.

Executive directors are appointed for an initial term of three years and their tenure can be renewed for another three years, subject to satisfactory annual performance. The GMD/CEO and all executive directors are also subject to the provision on retirement of directors by rotation, subject to re-election by members. Hence, the maximum tenure of an executive director is six years. Executive directors are discouraged from holding several other directorships outside FirstBank, unless as representatives of the Bank.

TRAINING

With an understanding that the collective effectiveness of a board is the summation of the quality of its individual parts – each director – FirstBank places emphasis on the training of its directors and has in place a robust induction and training programme. The Board of FirstBank established an induction programme for new directors to familiarise them with the Bank's operations, business environment, fiduciary duties, responsibilities, etc. in line with the relevant laws, the CBN Code, and leading corporate governance practices. There is also a continuous training programme for directors, which focuses on the key competencies for the continued performance of their roles.

The objective of the directors' induction training programme is to enable new directors to make maximum and effective contributions to the Board as quickly as possible after their appointment. The scope of the induction programme covers the following:

TRAINING FOCUS AREA	DESCRIPTION
Overview of the Bank and the banking industry.	This module covers the banking industry in Nigeria, the history of the Bank, an overview of applicable laws, rules and regulations, and an overview of the Bank's operations, strategy and key policies.
Overview of FirstBank's governance framework.	This module covers directors' legal obligations, liabilities, the roles and responsibilities of the Board, the roles and responsibilities of key officers of the Board, and highlights of the Bank's governance framework.
Performance expectations for directors.	This module entails briefing new directors on the Bank's expectations of them.
Introduction to senior management and site tours.	This section entails the introduction of new directors to key senior management staff and conducting new directors around the Bank's key facilities.

Following the introduction of the CBN Banking Industry Competency Framework (released in November 2012), a comprehensive competency-based learning curriculum for FirstBank's directors has been developed and is being implemented. It aims to deploy appropriate learning interventions to deliver the key competencies required by directors, through attendance at local and international training programmes.

In addition, management also undertakes regular presentations to update the Board on the progress of the respective areas of business and services operations, and the challenges, opportunities and risks facing those areas. This is achieved by way of regular management reporting and quarterly Board meetings.

THE ROLE OF OUR COMPANY SECRETARY

An effective board is one which observes good corporate governance practices, and an effective company secretary is one who is accountable to management and the board on all corporate governance matters. Though the Company Secretary does not sit on the Board, s/he contributes to the proceedings of the Board in their position as an adviser on procedure and corporate governance. The Company Secretary provides directors with guidance on their responsibilities, good governance and ethics. S/he is responsible to the Board for ensuring that Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary ensures this by being involved in compliance, disclosure and accountability, and by ensuring transparency in the administration of the Bank by the Board, as the first source of corporate advice to the Board. S/he plays an active role in board training, strategic retreat planning, Board administration, and the directors' induction and continuous training programmes. The Company Secretary advises and updates the Board on relevant corporate governance codes and rules to ensure compliance. The Board has ultimate responsibility for the appointment and removal of the Company Secretary.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

The Board has the power to obtain advice and assistance from, and to retain, at the Bank's expense, subject to the prior approval of the Chairman, such independent or outside professional advisers and experts as it deems necessary or appropriate to aid the Board's effectiveness. Individual directors may also request professional advice from experts at the Bank's expense, subject to the prior approval of the Chairman. We are not aware, however, of this right being exercised by any of our directors in 2014.

INDEPENDENCE OF THE INTERNAL AUDITOR

The internal audit function serves as the third line of defence in the Bank's risk management, control and governance framework. It provides independent and objective assurance services that enable the Bank to meet its business objectives via the deployment of a risk-based, technology-enabled methodology, in line with best practice.

The Chief Internal Auditor reported hitherto to the BARAC. However, following the Board-approved split of this committee into the Board Audit Committee and the Board Risk Management Committee, the Chief Internal Auditor now reports to the Board Audit Committee.

Remuneration report

This section provides stakeholders with an understanding of the remuneration philosophy and policy applied at FirstBank for non-executive directors, executive directors and employees.

REMUNERATION PHILOSOPHY

FirstBank's compensation and reward philosophy represents the values and beliefs that drive compensation decision-making in the organisation. Compensation philosophy is in line with FirstBank's quest to attract and retain highly skilled personnel who will keep the Bank ahead of its competition. In reviewing our compensation, some of the triggers include organisational policy, market positioning, financial performance of the Bank, government policies and regulations, industry trends, inflation and the cost-of-living index.

REMUNERATION STRATEGY

FirstBank's compensation and reward strategy is aimed at attracting, rewarding and retaining a motivated talent pool to drive the Bank's core ideology and strategic aspirations. FirstBank's compensation strategy supports its corporate strategy and is reviewed as required to reflect changes in internal and external environmental conditions. The compensation and reward strategy seeks to position the Bank as an employer of choice within its pay market by offering a well-packaged, attractive and sustainable compensation package. Compensation is equitable and rewards officers based on the relative worth of jobs (within the system), competencies and performance.

Compensation is also differentiating and it is used as a tool for retaining high-potential talent and driving the desired culture and values.

REMUNERATION POLICY

FirstBank's compensation policy includes remuneration, perquisites and benefits. The remuneration includes base pay, allowances, performance-based bonuses and incentives as follows:

BASE PAY

Includes the salary component for the defined job grade and it is mainly cash-based. It is guaranteed and payable monthly in arrears as per the employment contract and is the basis for the computation of some allowances and most benefits.

ALLOWANCES

Other pay items outside base pay. They are structured to support a standard of living for respective grades. These allowances include housing, furniture, lunch and clothing, etc. They are payable in cash and are paid monthly, quarterly or yearly for tax planning, liquidity planning and staff convenience. Allowances are separated into two, i.e., those that form part of staff salary and those categorised purely as allowances.

BONUSES/INCENTIVES

These are related to the achievement of certain targets and may be cash or non-cash, such as stock options or paid holidays, and include payments made for organisational achievements, e.g., profit sharing/end-of-year bonuses.

PERQUISITES/PERKS

These are usually 'lifestyle'-induced, e.g., status cars, and are designed to ensure the comfort, motivation, commitment and retention of employees, particularly senior or high-potential staff. Perquisites/perks are acquired by the Bank for the employee's use, or reimbursements are given to any employee who acquires them on his or her own.

BENEFITS

These are entitlements usually attainable subject to organisational conditions. They include leave, medical allowances, subscriptions and deferred benefits, such as pensions and gratuity. Benefits may be present (in service) or deferred payments (outside service).

To guarantee staff convenience, and also to ensure adherence to the Bank's ethical stance of being socially responsible and a good corporate citizen, payments are structured so that, while ensuring adequate cash flow for staff, the Bank does not run contrary to tax laws and other statutory regulations.

NON-EXECUTIVE DIRECTOR PAYMENT

In line with the CBN Code, non-executive directors receive fixed annual fees, directors' sitting fees for meetings attended and reimbursable travel expenses. Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The Board Governance Committee regularly reviews and makes recommendations to the Board on the remuneration of the Chairman and other non-executive directors.

EXECUTIVE DIRECTOR PAYMENT

Remuneration for executive directors is performance-driven and restricted to base salaries, allowances and performance bonuses. Executive directors are not entitled to sitting allowances for meetings attended. The Board Governance Committee reviews and makes recommendations to the Board on all retirement and termination payment plans for executive directors.

The amounts specified below represent the total remuneration paid to executive and non-executive directors for the period under review.

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Fees and sitting allowance	**118**	118.5
Executive compensation	**432**	403.3
Total	**550**	521.8

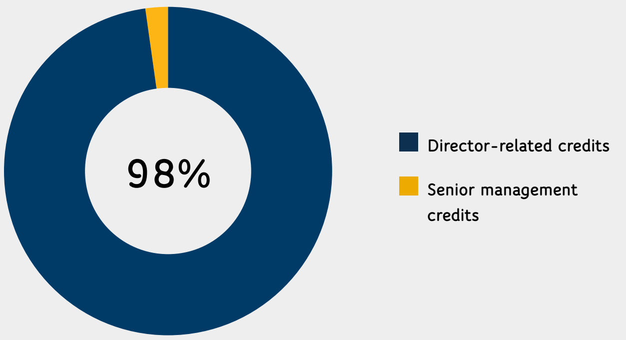
The Group will continue to ensure that its remuneration policies and practices remain competitive, incentivise performance and are in line with its core values. Additional details on the remuneration of the Board can be found on page 272 of this annual report and accounts.

INSIDER-RELATED CREDITS

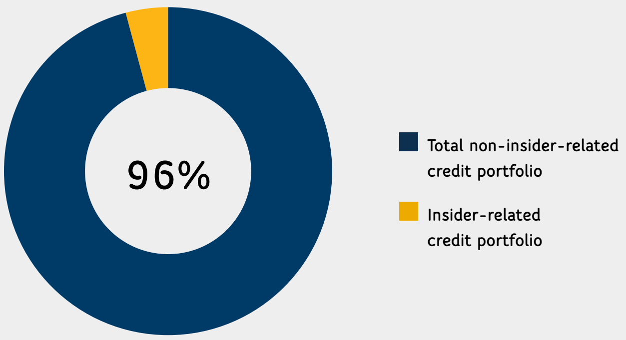
The Bank's total credit portfolio is ₦2.47 trillion, while our insider-related credit portfolio is ₦105.5 billion, representing 4% of the total credit portfolio. Director-related credits were ₦103.4 billion, or 98% of the total insider-related credit portfolio, while senior management credits were ₦2.1 billion, or 2% of the total insider-related credit portfolio.

The charts below represent the percentage of the insider-related portfolio relative to the total credit portfolio for the period.

Insider-related credits



Total credit portfolio



Report of the external consultants on the appraisal of the Board of Directors

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria (the CBN Code), First Bank of Nigeria Ltd (FirstBank or the Bank) engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors (the Board) for the year ended 31 December 2014. The Code mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

Corporate governance is the system by which business corporations are directed and controlled to enhance performance and shareholder value. It is a system of checks and balances among the Board, management and investors to produce a sustainable corporation geared towards delivering long-term value.

Our approach to the appraisal of the Board involved a review of the Bank's key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also assessed the level of compliance of the Board with the CBN Code.

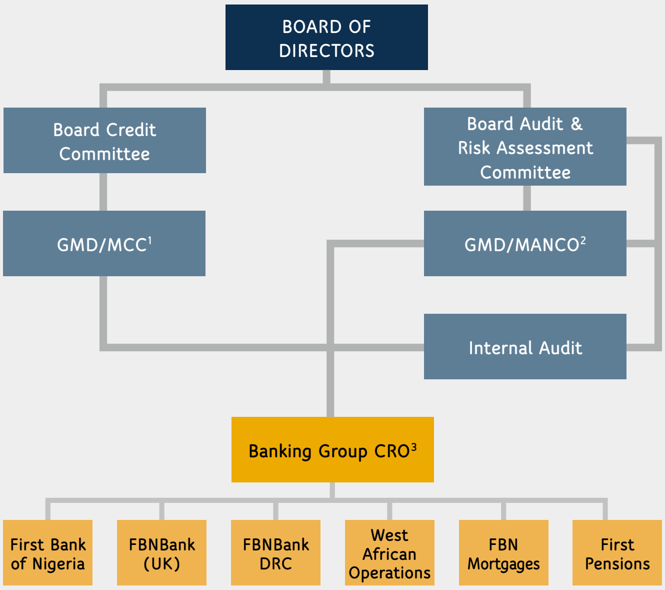
On the basis of our review, except as noted below, the Bank's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations in the following areas: Board appointment process, whistleblowing activities, Board approval process and related-party transactions.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/1CAN/00000000427
23 April 2015

Accountability

RISK MANAGEMENT GOVERNANCE FRAMEWORK

The Banking Group risk management governance framework is outlined in the diagram below.



1 Group Managing Director/Management Credit Committee.
2 Group Managing Director/Management Committee.
3 Chief Risk Officer.

ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

a) Approve and periodically review risk strategy and policies.
b) Approve the Banking Group's risk appetite annually and monitor the risk profile against this appetite.
c) Ensure executive management takes steps necessary to monitor and control risks.
d) Ensure that management maintains an appropriate system of internal control and reviews its effectiveness.
e) Ensure risk strategy reflects the Banking Group's tolerance for risk.
f) Review and approve changes/amendments to the risk management framework.
g) Review and approve risk management procedures and control for new products and activities.
a) Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management.

BOARD COMMITTEES

The above responsibilities of the Board of Directors shall be discharged primarily by two committees of the Board namely:

a) Board Audit & Risk Assessment Committee; and
b) Board Credit Committee.

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

BOARD AUDIT & RISK ASSESSMENT COMMITTEE

The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to risk management, control and audit. The Committee is made up of the Group Managing Director, three executive and two non-executive directors, with a non-executive director as Chairman. The Chief Risk Officer (CRO) reports to this Committee and is a non-voting member.

Specific roles of the committee for risk management are:

a) Evaluating internal processes for identifying, assessing, monitoring and managing key risk areas, particularly:
   - important judgements and accounting estimates;
   - business risk in the areas of credit risk, market risk, operational risk, information security risk and legal risk;
   - specific risks relating to outsourcing; and
   - consideration of environmental, community and social risks.

b) Evaluating:
   - the adequacy of the Banking Group's risk management systems and the adequacy of the Banking Group's control environment with management, and the internal and external auditors;
   - evaluating the Banking Group's risk profile, the action plans in place to manage risks, and progress against plans to achieve these actions; and
   - reviewing the processes the Bank has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.

c) Approving the provision of risk management services by external providers.

BOARD CREDIT COMMITTEE

Roles and responsibilities include:

a) ensure the effective management of credit risk in the Banking Group;
b) approve credit risk management policies and standard proposals on the recommendation of the Management Credit Committee (MCC);
c) approve definition of risk and return preferences and target risk portfolio;
d) approve credit risk appetite and portfolio strategy;
e) approve lending decisions and limit setting;
f) approve credit products and new processes;
g) approve assignment of credit approval authority on the recommendation of the MCC;
h) approve changes to credit policy guidelines on the recommendation of the Executive Committee (Credit);
i) approve credit facility requests and proposals within limits defined by FirstBank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities;
j) recommend credit facility requests above stipulated limit to the Board;
k) review credit risk reports on a periodic basis;
l) approve credit exceptions in line with Board approval; and
m) make recommendations to the Board on policy and strategy where appropriate.

The Committee is made up of the Banking Group Managing Director/Chief Executive, all the executive directors and five non-executive directors. The chairman is a non-executive director.

SENIOR MANAGEMENT COMMITTEES

Roles and responsibilities include:

a) implement risk strategy approved by the Board of Directors;

b) develop policies and procedures for identifying, measuring and controlling risk;

c) provide appropriate resources to evaluate and control risk;

d) review risk reports on a regular and timely basis;

e) review periodic risk reports for operational and other risks separate from credit and market risks; and

f) provide all reports required by the Board and its committees for the effective performance of risk management oversight functions.

The following management committees are directly responsible for risk management oversight:

- Management Committee
- Management Credit Committee
- Assets & Liabilities Management Committee

MANAGEMENT COMMITTEE (MANCO)

Roles and responsibilities include:

a) formulate risk policies;

b) monitor implementation of risk policies;

c) review risk reports for presentation to the Board/board committees; and

d) implement Board decisions across the Group

MANAGEMENT CREDIT COMMITTEE (MCC)

Roles and responsibilities include:

a) review proposals in respect of credit policies and standards and endorse them to the Board of Directors for approval;

b) approve credit facility requests within limits defined by FirstBank's credit policy, and within the statutory requirements set by the regulatory/supervisory authorities;

c) agree on portfolio plan/strategy for the Bank;

d) monitor on an ongoing basis, the Banking Group's risk quality and performance,

e) review periodic credit portfolio reports and assess portfolio performance;

f) establish and maintain effective risk management environment in the Banking Group;

g) review credit policy changes initiated by the management of the Banking Group and endorse to the Board of Directors for approval;

h) define the Banking Group's risk and return preferences and target risk portfolio;

i) define credit approval framework and assign credit approval limits in line with the Banking Group policy;

j) review defined credit product programmes on recommendation of the relevant risk management units and endorse to the Board of Directors for approval;

k) ensure compliance with the Banking Group credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;

l) request rapid portfolio reviews or sector/industry reviews from risk management units, wherever deemed appropriate;

m) review and recommend to the Board Credit Committee, credits beyond management approval limits;

n) approve exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limit; and

o) review and approve the relevant risk management unit's response to material events that may have an impact on the credit portfolio.

ASSETS & LIABILITIES MANAGEMENT COMMITTEE

Roles and responsibilities include:

Market risk

a) approval of ALM (asset and liability management) and market risk management policies;

b) policy oversight for liquidity, interest rate, foreign currency and equity risks;

c) approval of risk strategy in the money, forex and capital markets,

d) monitoring liquidity, asset and liability mismatch, pricing and interest rate;

e) development of policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks;

f) evaluating market risk inherent in new products;

g) ensure compliance with statutory and regulatory requirements;

h) limits setting for position, concentration, currency, dealing, gap, total portfolio and counterparty;

i) appointment of dealers; and

j) balance sheet management.

Liquidity risk

a) responsibility for the implementation of sound policies and procedures for managing liquidity risk in line with the strategic direction and risk appetite specified by the Board;

b) reviewing and articulating funding policy;

c) development and implementation of procedures and practices that translate the Board's goals, objectives and risk tolerances into operating standards that are well understood by Bank personnel and consistent with the Board's intent;

d) ensure adherence to the lines of authority and responsibility that the Board has established for managing liquidity risk;

e) overseeing the implementation and maintenance of management information and other systems that identify, measure, monitor and control the Bank's liquidity risk; and

f) establishment of effective internal controls and limits over the liquidity risk management process.

WHISTLEBLOWING PROCEDURES

Whistleblowing is a CBN directive to employees or other stakeholders to report and disclose alleged wrongdoing or unethical conduct of employees, management, directors and other stakeholders to appropriate authorities through laid-down procedures. Such conduct includes, but is not limited to, fraud, corruption, bribery and theft.

The Group's Board prioritises high ethical standards and probity, and expects all its employees and officers to observe such standards in all their dealings within the Group.

The Group's whistleblowing policy applies to both internal whistleblowers (staff, contract employees, management or directors) and external whistleblowers (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders including employees, customers, contractors and service providers).

The policy, which reflects the provisions of the CBN guidelines for whistleblowing for banks and other financial institutions in Nigeria, highlights the expectations of banks with regard to whistleblowing activities and also articulates the procedures for reporting. The process creates a work environment in which concerns about misconduct, irregularities or malpractices can be raised without fear of harassment or victimisation. Concerns are taken seriously and investigated, and the outcome communicated to all concerned parties.

Due to the Bank's evolving processes, whistleblowers may report misconduct, irregularities or malpractices to the phone line below:

0812 7166777

The expectations from banks with regard to whistleblowing activities include:

- the development of a whistleblowing policy by the Board of Directors which must be made known to all stakeholders, internal and external, and posted on the bank's website;
- rendering quarterly reports on compliance with the provisions of the whistleblowing guidelines along with corporate governance compliance status returns to the CBN and the NDIC;
- an annual report on the whistleblowing compliance status of each bank detailing the extent of compliance with the guidelines from its respective external auditor;
- reassurance of whistleblowers' confidentiality aimed at encouraging whistleblowing activities and creating an enabling environment through the deployment of a whistleblowing mechanism such as the provision of a dedicated email address or hotline to the bank and the CBN which can be used to report unethical practices anonymously;
- a review of reported cases by the Head of Internal Audit and appropriate recommendations to the Group Managing Director or Chief Executive Officer to be redressed within a reasonable period of time, as well as a summary of cases reported and the results of the investigation to be submitted to the Chairman, Board Audit Committee; and
- a review of the bank's whistleblowing policy every three years and notification of the regulatory authorities of all such reviews.

In line with its commitment to the highest standards of ethics, honesty, openness and accountability, and in seeking to entrench good governance, transparency and the integrity of the institution, FirstBank has developed a whistleblowing policy, as directed by these guidelines. The policy seeks to address all the issues that have been highlighted in the guidelines. The provisions of the policy, as they speak to the requirements of the guidelines are as follows:

- hosting the Bank's approved whistleblowing policy on the Bank's website;
- rendition of quarterly returns to both the CBN and the NDIC on the status of the Bank's compliance with the provisions of the whistleblowing guidelines;
- inclusion of the whistleblowing compliance status report on an annual basis, starting with the 2014 financial statements;
- prompt investigation of reported cases by the Chief Internal Auditor, and the communication of findings and outcomes to the appropriate authorities. Institution of disciplinary proceedings are done in appropriate cases;
- submission of periodic reports of reported cases and the outcomes of investigation into these cases by the Chief Internal Auditor to the Chairman, Board Audit Committee; and
- provision of a dedicated email address: anticorruptionunit@cbn.gov.ng for reporting directly to the CBN, and the following email addresses and phone numbers for reporting directly to the Bank:
  - whistleblowing@firstbanknigeria.com orwhistleblowing@fbnholdings.com;
  - www.firstbanknigeria.com – the whistleblowing portal on the website can be used for reporting any misconduct;
  - 0812 7166777.

We aim to protect the whistleblower and guarantee that he/she will not be victimised or harassed in any way as a result of information given with regard to any misconduct or malpractice. There is also a guarantee of the confidentiality of the information given by the whistleblower.

In the event that an allegation was made in good faith but not confirmed by subsequent investigation, no action will be taken against the person making the allegation. The policy, however, places a duty of care on the whistleblower to ensure that allegations made are substantially true, as any employee who knowingly makes an unsubstantiated claim, with full knowledge of its falsehood or with malicious intent, shall be subjected to appropriate disciplinary action.

THE CULTURE OF WHISTLEBLOWING

In the drive to entrench the culture of whistleblowing among members of staff, emails and fliers on the advantages of whistleblowing, and the channels through which the whistleblower could send their concerns, were published on the Bank's intranet in 2014.

The provisions of the whistleblowing policy, which mirror the Bank's core values, encourage members of staff to speak up when they believe something is wrong, with the assurance that management is always ready to address concerns. An effective feedback mechanism is part of the whistleblowing process.

WHISTLEBLOWING	2013	2014
Probable irregularities and non-compliance to the policies of the Group	1	**7**
Disciplinary measures	3	**3**
Cases under investigation	-	**7**
Unsuccessful attempts by outsiders to lure members of staff to committing fraud	1	**2**
Cases investigated but found to be untrue	-	**2**
Total	5	**21**

In accordance with the Bank's commitment to preventing fraud, information gathered from whistleblowing and the identity of the informant is treated with utmost confidentiality.

INTERNAL CONTROL

Internal control in FBNHoldings and its subsidiaries refers to the overall operating framework of the practices, systems, organisational structures, management philosophy, code of conduct, policies, procedures and actions that exist in the Group and are designed to ensure:

- essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against losses;
- the reliability of financial reporting and compliance with general accounting principles;
- compliance with applicable laws and regulations, including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events will be prevented or detected and corrected.

The Group is committed to creating and maintaining a world-class internal control environment capable of sustaining its current leadership position in the financial services industry.

GROUP INTERNAL CONTROL FRAMEWORK

This is predicated on Committee of Sponsoring Organisation (COSO) standards, which provide policies aimed at achieving internal control objectives of:

- reliability of financial statements;
- effectiveness and efficiency of operations; and
- compliance with applicable laws and regulations.

It also aligns defence and controls the responsibilities of the Board of Directors, CEO, management and subsidiaries.

The Group has adopted the COSO framework for its internal control practices. This was created to address challenges by identifying critical activities in the Bank, assessing the risk exposures, determining appropriate preventive and detective control measures, and monitoring such measures to ensure compliance.

ADOPTION OF COSO 2013 UPDATED INTERNAL CONTROL FRAMEWORK

In August 2008, FBN adopted the COSO Internal Control Integrated Framework. This was through the guidance provided by the Bank's appointed external consultant (Ernst and Young). This had been the basis for assessing and evaluating the effectiveness of internal control. COSO updated the Framework which was released in May 2013.

During the year, we internally initiated and commenced a project for the transition and upgrade of our internal controls with a view to adopting the COSO 2013 updated internal control framework.

The objective of the project was to align FBN's internal control practices with the new 2013 COSO framework in order to ensure that:

- risks are completely identified;
- controls adequately mitigate identified risks; and
- controls are effectively monitored on a continuous basis in line with leading practice.

In this regard, we engaged the services of KPMG Advisory Services to assist FBN in evaluating our adoption of the framework. The scope of work of the engagement included:

- reviewing the existing internal control framework to the requirements of COSO 2013; and
- providing recommendations on how the identified gaps should be rectified to ensure the content of each segment of the framework meets expectations of the COSO 2013 updated internal control framework.

The engagement of KPMG Advisory Services contributed immensely to the success of the project as issues and identified control gaps against the COSO 2013 framework, noted in the course of the engagement, were remediated while recommended control process improvement opportunities are currently being implemented.

The adoption of the COSO 2013 updated internal control framework has been of immense benefit as it has resulted in better entity level controls, improved control consciousness and a stronger control environment in FirstBank.

While absolute assurance cannot be achieved as it relates to the non-existence of control failures, measures have been and will continue to be put in place to ensure reasonable assurance of control effectiveness in line with the achievement of the organisational objectives.

GROUP INTERNAL CONTROL POLICY AND GUIDELINES

The framework is supported by an internal control policy and guidelines.

The internal control policy outlines best-practice control standards, roles and responsibilities of directors, management, subsidiaries and staff of the Group, while the guidelines outline procedures for identification, management and documentation of relevant processes and sub-processes, including the mapping of specific risks and control mitigants. The mission statement of our guidelines includes:

- proactively identifying key risks and responding with appropriate internal controls;
- ensuring the quality of internal and external financial reporting;
- ensuring compliance;
- identifying and exploring opportunities for improving efficiency of processes and controls; and
- effectively managing our business operations and achieving our strategic objectives.

STRATEGY AND POLICY

FBNHoldings and its subsidiaries operate in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the holding company from achieving its strategic business objectives. To effectively manage these risks, the Group has put in place internal control measures covering its subsidiaries, including the Bank.

The Group has also instituted effective and efficient internal control that ensures minimal operational losses from fraud, operational lapses, armed robberies, customer dissatisfaction and complaints, and other risk exposures.

Given the effect on the banking environment of advancing technology, IT control has been further strengthened to provide regular and frequent updates to the Group on activities that may constitute potential fraud.

ESTABLISHMENT OF A MINI SECURITY AND OPERATIONS CENTRE (SOC)

In line with the CBN's regulatory requirement on operation of instant payments and other electronic payments options, we established a mini Security and Operations Centre (SOC) during the year.

SOC represents a state-of-the-art operations centre focused on behavioural monitoring designed to detect and prevent suspicious internet banking activities as well as other doubtful transactions. The successful implementation of Phase 1 of the SOC has harnessed the already existing applications such as the Internal Control Anti-Fraud Automated Solution (ICAFAS), the Easy2Comply Governance Dashboard and the FraudWatch application in FirstBank.

With this feat, we have joined the league of banks globally that use behavioural monitoring of internet banking transactions as a fraud prevention technique. This will enable FirstBank to attain milestones in fraud reduction as well as provide a unique and exceptional service that will be of immense value to our customers.

INTERNAL CONTROL IMPROVEMENTS ACHIEVED IN 2014

We concluded the year with strategic priorities for improving the efficiency of internal control within the Group. Some of our achievements are as follows:

- successfully strengthening awareness of internal control and the responsibility of front-line staff in risk management. We carried out regular Control Awareness Campaigns in the branches where control issues and adherence to policy and procedures are discussed exhaustively. We also carried out effective training, classroom simulation exercises and hands-on practical training, particularly for front-line staff. The outcome of these trainings has been remarkable over the year;
- monitoring branch and subsidiary activities to ensure policies and procedures are adhered to. In this regard, cross-functional monitoring teams were constituted and periodic surprise visits were made to branches and subsidiaries to evaluate compliance;
- commenced process review of head office key control points. Head office processes were reviewed to determine possible synergies between our head office control point and branch controls;
- expanding the scope of revenue assurance to additional income lines, thereby ensuring total elimination of income leakages. This is a planned activity which is being carried out on a quarterly basis;
- strengthening and monitoring IT control to ensure adequate controls are built around all the software used by the Group. During the year, user administration control was successfully extended to most user applications in the Group and this was effectively administered and implemented by internal control; and
- preparing and presenting monthly reports to executive management and the Board Risk and Compliance Committee (BRCC), and quarterly reports to the BARAC on control failures and the actions taken to address such failures. This and the trend analysis are being tracked on a monthly basis to see how well recommendations are implemented.

INTERNAL CONTROL PRIORITIES FOR 2015

- Increased use of automated tools to monitor and improve turnaround time (TAT) of issues, thereby improving control consciousness at all levels of management.
- Continuous process improvement and implementation of the adopted COSO of the Tread way Commission's updated 2013 integrated internal control framework.
- Expanding the scope of control monitoring and review to ensure compliance to policies and procedures.
- Institution of internal governance committees, consisting of internal control and operations staff, to enhance inter-departmental collaboration, with a view to enhancing service delivery within a control-conscious environment.
- Implementation of measurable processes to enhance and maintain high-quality documentation and reduce TAT of the external audit function in performance of their duties.
- Complete the process review of head office key control points. We will continue with our culture of internal control improvements in this regard which will hopefully minimise redundancies and improve efficiency.
- Creation of knowledge hubs to guide staff on control activities to ensure adequate communication and clarification of control policies and procedures are made easily accessible to all staff.

Engagement

WHO ARE OUR SHAREHOLDERS?

With the adoption of the holding company structure in the latter part of 2012, First Bank of Nigeria Limited, previously known as First Bank of Nigeria Plc, became a fully owned subsidiary of FBN Holdings Plc, and the shareholders are FBN Capital Limited and FBN Holdings Plc.

WHAT HAPPENS AT OUR ANNUAL GENERAL MEETINGS (AGM)?

The Bank is a private limited liability company and has two shareholders, FBN Holdings Plc and FBN Capital Limited. Shareholders' meetings are convened and held in line with the Bank's Articles of Association and the CAMA, in an open manner. Representatives of the Bank's regulators, the CBN, NDIC and Corporate Affairs Commission, are in attendance on the Bank's invitation. A separate resolution is proposed on each item on the agenda for the AGM and voting is by a show of hands unless a poll is, in line with the Articles of Association, demanded before or on the declaration of the result of a show of hands.

The Bank's general meetings afford shareholders the opportunity to appraise the performance of the Bank and give their approvals on certain decisions. This forum gives them an opportunity to assess the performance of the Bank and, by implication, the performance of the directors who take responsibility for effective management of stakeholders' interest.

As the primary custodian of the Bank's corporate governance framework, it is the company secretary's responsibility to provide to the Board comprehensive advice on corporate governance in accordance with global best practice.

WHAT IS OUR APPROACH TO CITIZENSHIP?

Our goal is not just to provide excellent banking products and services, but also to positively impact the lives of our key stakeholders and society. At FirstBank, we believe that a business should be established to make profit. We equally believe that while profit-making is significant, we must do it in a responsible and sustainable way. As a good corporate citizen, doing business responsibly involves making conscious efforts aimed at ensuring a truly rewarding career for our employees; providing value-added, innovative and sustainable products and services for our customers; minimising our environmental impact; and empowering the communities in which we operate. It is about our ability to engage with our stakeholders today in a way that allows us to thrive competitively in the future. In order to create long-term value for our stakeholders, we ensure that we incorporate our stakeholders' perspectives in decision-making, knowing that our business decisions affect them. This approach informs our citizenship priorities.

Our projects continue to improve lives directly through financing and indirectly through education and capacity building. Please see pages 53 to 77 of this report for a detailed write-up on our relationships and responsibility.

CORPORATE ETHICS AND CULTURE

The Code of Ethics rolled out in the Bank in 2007 remained in force during 2014.

The Board of Directors, in conjunction with its committees, oversees compliance programmes by:

- setting the tone at the top, both internally and externally, and promulgating a compliance charter or values statement;
- focusing attention on critical risk areas;
- ensuring the institutionalisation of the whistleblower helpline process and taking active control when appropriate; and
- working with management to incorporate leading practices (e.g., protocols for investigating complaints, helpline statistics and internal reporting).

To influence culture and tone, the Board:

- reviews metrics and KPIs with respect to the Bank's compliance with laws and policy;
- maintains a deep understanding of the compliance monitoring, testing and issue resolution processes; and
- assesses the adequacy of management's response to specific issues and areas of internal control weakness.

At FirstBank, management takes the lead in developing tools to establish the Bank's culture, through messaging, updating and distributing codes of conduct, communicating helpline processes, and carrying out annual cultural surveys to test the effectiveness of the programme. The Board and management, working together, have been able to strengthen ethics and compliance in the organisation, thus leading to higher-quality information, process optimisation, improved effectiveness, a protected reputation and reduced costs.

CUSTOMER COMPLAINTS AND RESOLUTION

Complaints-management is an integral part of our overall Service Delivery Excellence framework and we take every complaint we receive seriously and work with our customers to deal with them quickly and in a satisfactory way. By listening to unsatisfied customers and taking action to remedy issues, where appropriate, we are able to review our service standards and delivery processes to meet the standards.

Our complaints-handling policy ensures that complaints received are dealt with in a clearly defined, effective and expeditious manner. We encourage customers to deal with their local branch, or the business unit in which the issue originated, because our goal is to resolve these complaints at the local level; where this is unsuccessful, we have an escalation mechanism in place.

Bank-wide, all complaints are recorded and classified to indicate the nature of the complaint, along with the product or service the complaint is about. Once complaints are classified, the data is analysed and reported on a regular basis through our Service Measurement Dashboard and, on a quarterly basis, our complaints management activity receives senior executive attention and accountability. Our goal is to identify themes or trends that occur with front-line service delivery. With recurring issues identified, we take action to improve front-line service delivery, including reviewing products and services, providing additional training to staff on products and services, updating service standards and improving communications. Changes are tracked and monitored closely to ensure actions result in fewer customer complaints.

It is our policy to acknowledge complaints within 24 hours of receipt and also communicate a final resolution to the customer. We strive to resolve most complaints received within three to five days. However, where there are complexities involved, which could extend resolution for more than five days, we provide the customer with a progress report. Where customers are not satisfied with the resolution provided, the Bank's service ombudsman will act as an independent arbiter in resolving cases.

It is essential that customers who make complaints are satisfied with the complaints management process; hence, in addition to our complaints management process, we also have a complaints feedback system, through which customers who complain are surveyed for feedback on the handling process. The feedback received helps us identify areas for improvement in our service delivery.

Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report on the affairs of First Bank of Nigeria (the Bank) and its subsidiaries (the Group), together with the financial statements and auditors' report for the financial year ended 31 December 2014.

LEGAL FORM

The Bank, which commenced operations in Nigeria on 31 March 1894 as a branch of Bank of British West Africa Limited (BBWA), was incorporated as a private limited liability company in Nigeria in 1969. It was converted to a public company in March 1970. The Bank's shares were listed on the floor of the Nigerian Stock Exchange by way of introduction in March 1971.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include: granting of loans and advances, corporate finance and money market activities.

The Bank has 10 subsidiaries, namely: FBNBank (UK), FBN Mortgages, First Pension Custodian Nigeria, FBNBank DRC, FBNBank Ghana, FBNBank Guinea, FBNBank Gambia, FBNBank Sierra Leone, FBNBank Senegal and FBN Finance Company (Netherlands).

The Bank prepares consolidated financial statements.

OPERATING RESULTS

Gross earnings of the Group increased by 22.2%, while the profit before tax increased by 9.1%, and the profit before tax for the Bank increased by 5.9%, over the previous year.

The directors recommend the approval of a final dividend of ₦9.79 billion (December 2013: ₦39.15 billion).

Highlights of the Group's operating results for the period under review are as follows:

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Gross earnings	455,392	372,557
Profit before tax	94,452	86,585
Taxation	(9,526)	(21,009)
Profit after tax from continuing operations	84,926	65,572
Profit/(loss) after tax from discontinued operations	(84)	875
Non-controlling interest	15	107
Appropriations		
Transfer to statutory reserves	12,536	9,015
Transfer to/(from) statutory credit reserves	41,043	(8,114)
Transfer to retained earnings reserve	84,827	66,342

DIRECTORS' ROTATION

In accordance with the company's Articles of Association, Bello Maccido, Mahey Rasheed, OFR, Ibukun Awosika, Ebenezer Jolaoso, Prince Ajibola Afonja and Bisi Onasanya would retire by rotation and, being eligible, offer themselves for re-election.

RESIGNATION/RETIREMENT

During the year under review, Ibiai Ani, a non-executive director, resigned from the Board with effect from 20 March 2014, and Adebayo Adelabu, the erstwhile Executive Director/CFO, resigned from the Board with effect from 28 March 2014.

APPOINTMENT OF DIRECTORS

Three directors were appointed in the 2014 financial year, as follows:

- Abiodun Odubola was appointed Executive Director/Chief Risk Officer with effect from 16 January 2014.
- Ijeoma Jidenma was appointed an Independent Non-Executive Director with effect from 24 March 2014.
- Adesola Adeduntan was appointed Executive Director/Chief Financial Officer with effect from 1 July 2014.

DIRECTORS' INTERESTS IN CONTRACTS

For the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004, none of the directors had direct or indirect interest in contracts or proposed contracts with the company during the year.

PROPERTY AND EQUIPMENT

Information relating to changes in property and equipment is given in Note 28 to the Accounts. In the directors' opinion, the market value of the Group's properties is not less than the value shown in the financial statements.

SHAREHOLDING ANALYSIS

The Bank is 99.9% owned by FBN Holdings Plc.

HUMAN RESOURCES

EMPLOYMENT OF DISABLED PEOPLE

It is the policy of the Bank that there should be no discrimination in considering applications for employment, including those from physically challenged people. All employees, whether or not physically challenged, are given equal opportunities to develop. As at 31 December 2014, 25 physically challenged people were employed by the Bank.

In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the Bank continues and appropriate training is arranged to ensure that they fit into the Bank's working environment.

HEALTH, SAFETY AND WELFARE AT WORK

Health and safety regulations are in force within the Bank's premises and employees are aware of existing regulations. The Bank provides subsidy to all levels of employees for medical, transportation, housing, etc.

Fire prevention and fire-fighting equipment are installed in strategic locations within the company's premises.

The company operates both Group Personal Accident and Workmen's Compensation insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act, 2004 (as amended).

EMPLOYEE INVOLVEMENT AND TRAINING

The Bank ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees through an appropriate two-way feedback mechanism.

In accordance with the Bank's policy of continuous development, training facilities are provided in the Bank's well-equipped training school First Academy. In addition, employees of the Bank are nominated to attend both local and international training courses. These are complemented by on-the-job training.

DIVERSITY IN EMPLOYMENT

The Bank is committed to maintaining a positive work environment and to conducting business in a positive, professional manner by consistently ensuring equal employment opportunity. As at 31 December 2014, the Bank had 32% females in top management positions. The table below shows the gender distribution of top management staff by grade:

TOP MANAGEMENT COMPLEMENT BY GENDER AS AT 31 DECEMBER 2014

	FEMALE	MALE	GRAND TOTAL
Group Managing Director/Chief Executive		1	**1**
Executive Director		6	**6**
General Manager	3	3	**6**
Deputy General Manager	13	13	**26**
Assistant General Manager	7	27	**34**
Total	23	50	**73**
% distribution	32	68	**100**

DONATIONS AND CHARITABLE GIFTS

The Bank made contributions to charitable and non-political organisations amounting to ₦1,194.51 million (December 2013: ₦1,248.78 million) during the year, as shown in the table below:

SN	DESCRIPTION	AMOUNT (₦)
1	Financial Markets Dealers Association's 25th anniversary	2,000,000.00
2	Kaduna Polo	2,015,000.00
3	God's Children Got Talent season 4	2,500,000.00
4	FirstBank Table Tennis Competition	2,500,000.00
5	Nigeria Guild of Editors	2,500,000.00
6	CIBN 8th Annual Banking Conference	2,500,000.00
7	LEAP Africa	3,000,000.00
8	Digital Africa Sponsorship	5,000,000.00
9	2014 Lagos Heritage week	5,000,000.00
10	The Digital Africa 2014	5,000,000.00
11	2014 CIBN Lagos Bankers' Nite	5,000,000.00
12	Ajumogobia Science Foundation	5,000,000.00
13	Young Inventors – NTA Television Programme	5,720,000.00
14	BusinessDay Banking Awards 2014	10,000,000.00
15	Nigeria Leadership Initiative – 2014	13,350,000.00
16	World Economic Forum	18,600,000.00
17	2014 Nigeria Economic Summit	18,760,000.00
18	Diamond Category Sponsorship of the 20th NESG	20,000,000.00
19	2014 Subvention of the FirstBank Sustainability Centre LBS	20,000,000.00
20	Sponsorship of Ignite TV series – SME	24,000,000.00
21	World Pension Summit – Africa Special 2014	25,000,000.00
22	Ogun State Investors forum	25,000,000.00
23	Crime Fighters – Police and You	25,000,000.00
24	Calabar Carnival	170,000,000.00
25	Nigeria Centenary Celebration	250,000,000.00
26	Donations to Victims of Terror	250,000,000.00
27	Others	277,065,700.00
	Total	**1,194,510,700.00**

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to act and continue in office as auditors. In accordance with Section 357 (2) of the CAMA, CAP C20 LFN 2004, a resolution will be proposed at the Annual General Meeting to authorise the directors to determine their remuneration.

By order of the Board

Olayiwola Yahaya
Company Secretary
Lagos, Nigeria
February 2015

RISK FACTORS

The FirstBank Group recognises a strong risk management practice as being central to the success of its business strategy.

Chief Risk Officer's report

Abiodun Odubola, Chief Risk Officer

OVERVIEW

The FirstBank Group has a robust and functional Enterprise Risk Management (ERM) Framework. It clearly articulates the various risk roles and responsibilities within the Banking Group, and aids the effective management of risks.

The tone for a responsive and accountable risk management culture is set at board level and is cascaded through the organisation to the business units and independent risk owners. This ensures the risk culture of the Banking Group is promoted across all employees to build resilience for the effective management of risk and capital.

This risk management disclosure therefore aims to provide stakeholders with information on the enterprise risks to which the Banking Group is exposed, and the policies and procedures put in place to mitigate and manage these risks. The information provided is a confirmation of the commitment of the Board of Directors to adhere to sound corporate governance and regulatory requirements on disclosures.

A CHANGING OPERATING ENVIRONMENT

In the period under review, there were significant regulatory headwinds and the CBN continued to enhance its supervisory role over the banking industry to promote the stability and resilience of the financial system. Nigerian banks commenced full adoption of the Basel II Accord in 2014 to evaluate the minimum capital requirements for credit, market and operational risk and improve supervisory review through the Internal Capital Adequacy Assessment Process (ICAAP).

In addition, the regulatory body tightened its monetary policy measures during the year to address the issue of declining external reserves, resulting from the continued drop in oil prices and strong demand for foreign exchange.

Towards the end of 2014 there was a currency devaluation as the official exchange rate of the dollar was moved from ₦155 to ₦168, the monetary policy rate increased from 12% to 13%, the private sector cash reserve ratio increased from 15% to 20% and a restriction was placed on the sale of foreign exchange to importers of selected items on the Retail Dutch Auction System (RDAS) market. The introduction of these policies is envisaged to have attendant impacts on the Bank's liquidity, cost of funds and the affordability of debt for its customers.

Other policies initiated by the CBN include new guidelines on dividend pay outs, which are now dependent on capital levels, statutory reserve requirements and the asset quality ratio of banks. Also, the framework for the regulation and supervision of Domestic Systemically Important Banks, which includes FirstBank, will take effect from 1 March 2015.

Despite the challenging operating environment, the Banking Group was able to pursue its most imperative strategy, which is to defend and extend its leadership position in key target markets, while ensuring conformity to evolving reforms and international best practice.

Below, we provide further insight into the methodology adopted for managing various risks within the Banking Group.

CREDIT RISK

With the full integration of the recently acquired entities, the Banking Group pursued its loan growth objective by increasing its focus on the viable sectors of the economy, including manufacturing, power and energy, oil and gas, general commerce and construction. The FirstBank Group recorded a 23% loan growth in 2014 owing to the availability of bankable one-off transactions within prescribed risk appetite limits. The asset quality ratio for the period was 3.1% and is within both the acceptable threshold of the Banking Group and the regulatory limit of 5%, with a cost of risk of 1.1%.

We would continue to promote sound risk management practices through careful selection of risk assets, tighter adherence to target market and risk acceptance criteria (RAC), and proactive management of concentration risk in the portfolio. Specifically, we would focus on the creation of low- to medium-risk assets to boost the risk profile of the portfolio and would redirect our marketing focus to retail and trade transactions to moderate credit risk capital consumption as it relates to Basel II.

MARKET AND LIQUIDITY RISK

The Banking Group maintained a strong liquidity profile for most of 2014, though our liquidity position came under immense pressure after further aggressive tightening of the CBN monetary policy, most especially the increase of the cash reserve ratio on both public and private sectors, which effectively quarantined more than ₦560 billion in non-earning reserves with the CBN, a 73% increase over the ₦325 billion reserves held by the CBN in 2013. The FirstBank Group has a good governance structure, which helps to ensure all exposures to market risks are well managed and understood. We have built a business that focuses on customer needs, and that puts less emphasis on tracking down profits from speculative activities driven by price fluctuations. Additionally, our deep-rooted stress-testing framework helps ensure our portfolio is not disproportionately exposed to extreme market events.

OPERATIONAL RISK

As banking services become more digitised, the Banking Group continues to monitor and manage associated risks with electronic banking and deploy advanced technology. Further to the Bank's achievement of ISO 22301 (Societal security: business continuity management systems) certification and the successful completion of its maintenance cycle, the Bank passed the recertification audit by British Standards Institute (BSI) conducted in November 2014. The Board and top management are committed to delivering sustained, consistent and exceptional services to our customers and meeting the expectations of all stakeholders, even in the event of disruptions.

INFORMATION SECURITY RISK

To ensure that the Banking Group's goals of retaining its position as a leading bank are achieved, it adopted an integrated approach to information security risk management. This is underpinned by its adoption of the ISO 27001 standard, which has as its fundamental objectives the assurance of confidentiality, integrity and availability of information assets using a risk-based methodology. The standard has been adopted globally by most Fortune 500 companies.

The FirstBank Group is keen to maintain its reputation as an institution that guarantees the security of its customers' funds and sensitive information, even as cybersecurity incidents are on the increase. In 2014, FirstBank successfully maintained its ISO 27001 and PCI DSS certifications after undergoing rigorous audits by the BSI in the United Kingdom and Control Case in the United States, respectively.

The Banking Group will continue to train its staff and make its customers aware of security concerns and trends to safeguard them from electronic scams, which have recently become very rampant.

LEGAL AND COMPLIANCE RISK

Regulators are increasingly demanding proactive management of regulatory risks, which has continued to place more pressure on financial institutions not only to put in place structures to identify, assess and understand the money laundering and terrorist financing risks they face and adopt measures that are commensurate with the risks identified, but also to ensure that their compliance programmes are adequate and robust enough to ensure compliance with all applicable laws and regulations so as to mitigate all forms of regulatory risks.

In the spate of these increasing and tightening regulatory obligations on financial institutions, the Banking Group is poised to look inwards, with a view to revalidating the compliance risk management processes and procedures of each group entity. This will help the Group to withstand the emerging pressures. The Banking Group is also committed to continuously educating its employees, including the Board, on regulatory changes and their attendant implications on the business and our customers.

ENVIRONMENTAL AND SOCIAL RISKS

The Banking Group ensures compliance with the Nigerian Sustainability Banking Principles, particularly reporting environmental and social performance in operations and in business activities, by ensuring that all transactions funded include adequate provision for actions and costs necessary to prevent, control and mitigate negative impacts on the environment and communities, and to improve environmental quality. New projects being financed by the Bank are structured to meet the requirements of this policy from the onset.

CONCLUSION

The Banking Group will proactively assess and manage the risks associated with its different business lines and areas of operations to meet its transformation objectives. Also, business initiatives will be subjected to risk considerations and will only be implemented when the associated risks are considered fair and acceptable within defined thresholds. Unguarded and uncalculated risk to capital will be avoided based on our commitment to upholding sound corporate governance, transparency and best-in-class risk management practices.

Abiodun Odubola
Chief Risk Officer

Risk management framework

The Banking Group addresses the challenge of risks comprehensively through an Enterprise Risk Management framework (ERM) by applying leading practices that are supported by a robust governance structure consisting of board-level and executive management committees.

The framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.

OUR RISK PHILOSOPHY AND CULTURE

OUR RISK

- Considers sound risk management as the foundation of a long-lasting financial institution.
- Adopts a holistic and integrated approach to risk management.
- Risk officers shall be empowered to perform their duties professionally and independently, without undue interference.
- Risk management shall be governed by well-defined policies that are clearly communicated across the Board.
- Risk management shall be handled as a shared responsibility.
- The risk management governance structure shall be clearly defined.
- There shall be a clear segregation of duties between market-facing business units and risk management functions.
- Risk-related issues shall be taken into consideration in all business decisions and a conservative balance between risk and revenue considerations shall be maintained.
- Risks are reported openly and fully to the appropriate levels once they are identified.
- Risk officers shall work as allies and thought partners to other stakeholders within and outside the Banking Group.
- The entities within the Banking Group shall be guided by the principles enshrined in this risk management policy.

OUR RISK CULTURE

- The Board and senior management shall consciously promote a responsible approach to risk and ensure that the sustainability and reputation of the Banking Group are not jeopardised while expanding its market share.
- The responsibility for risk management in the Banking Group is fully vested in the Board of Directors, which in turn shall delegates such to senior management.
- The Banking Group shall pay adequate attention to both quantifiable and unquantifiable risks.
- The Banking Group's management shall promote awareness of risk and risk management across the board.
- The Banking Group shall avoid products, markets and businesses where it cannot objectively assess and manage the associated risk.

OUR RISK APPETITE

The Banking Group's risk appetite is set at a level that minimises erosion of earnings or capital due to avoidable losses in the banking books or from frauds and operational inefficiencies.

Our appetite for risk shall be governed by the following:

- Optimisation of capital deployed to every business line.
- High-quality risk assets measured by the following three Key Performance Indicators:
  - ratio of non-performing loans to total loans;
  - ratio of loan loss expenses to interest revenue; and
  - ratio of loan loss provision to gross non-performing loans.

  The target is to record improved asset quality ratio year on year and be within the regulatory guidance limit of 5% of total loans.
- Predefined portfolio limits that drive portfolio diversification and minimised concentration risk.
- The broad objective is to consistently strive to minimise overall cost of risk through effective risk mitigation practices and also ensure there are adequate provisions for all non-performing assets Losses due to frauds and operational lapses should be a maximum of a specified percentage of gross earnings and in any case be lower than the industry average.
- Financial and prudential ratios should be at a level more conservative than regulatory requirements and better than the average of benchmark institutions.
- Aim to minimise the following independent indicators of excessive appetite for risk:
  - exception reporting by auditors, regulators and external rating agencies;
  - adverse publicity in local and international press;
  - incidents of frequent litigations;
  - regulatory/other infractions, breaches; and
  - above industry average staff and customer attrition rate.

The Banking Group shall not compromise its reputation through unethical, illegal and/or unprofessional conduct. The Banking Group shall also maintain zero appetite for association with disreputable elements.

RISK OVERSIGHT

The risk management units provide central oversight of risk management across the entities in the Banking Group to ensure that the full spectrum of risks facing the Banking Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The risk management units are complemented by other Strategic Resource Functions in the management of other important risks.

The respective risk management units coordinate the monitoring and reporting of all risks across the Banking Group.

Without prejudice to the above, the internal control function shall be responsible for second-level verification of the banking operations and testing of control measures across the Banking Group. Furthermore, Internal Audit shall have the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal Audit shall also test the adequacy of internal control measures and make appropriate recommendations where weaknesses are identified.

RELATIONSHIP OF RISK MANAGEMENT WITH OTHER UNITS

The relationships between the Risk Management Directorate and other sections of the Banking Group are highlighted below:

a) Risk Management shall set policies and define limits for other units in the Banking Group;

b) Risk Management shall perform risk monitoring and reporting and provide a framework for management of risk;

c) Other units shall provide relevant data to Risk Management for risk monitoring and reporting and identify potential risks in their line of business and Risk Management shall provide a framework for managing such risks;

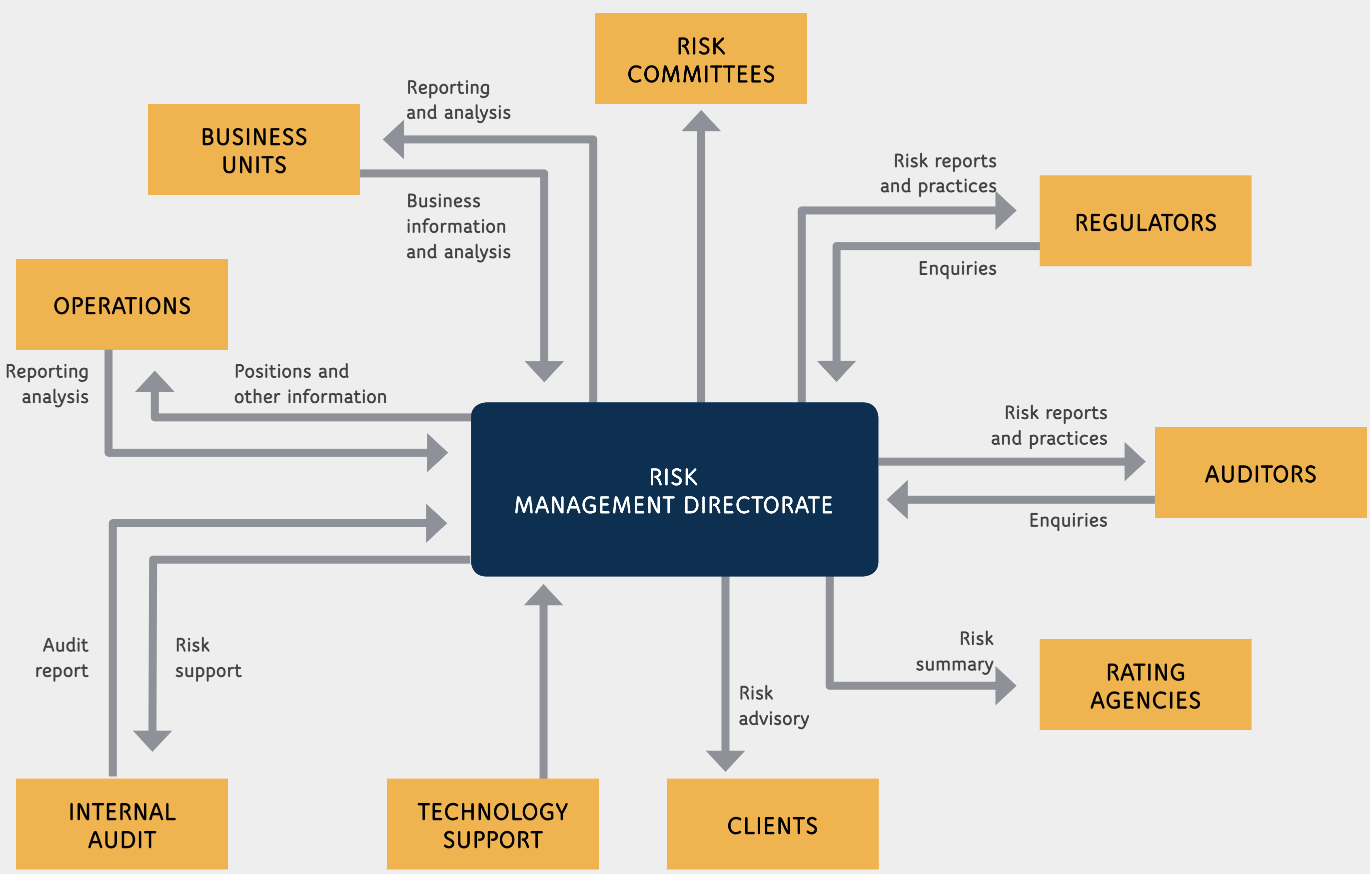
d) Risk Management shall collaborate with market-facing units in designing new products;

e) Risk Management and Internal Audit shall coordinate activities to provide a holistic view of risks across the Banking Group;

f) Risk Management shall make recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports; and

g) Risk Management shall collaborate with IT adopting tested and reliable software to automate the risk management process improvement initiatives.

Risk Management Directorate – relationships with other sections of the Banking Group



Risk management disclosures

RISK FACTORS

The scopes of risk impacting on the Group's activities are as follows:

FINANCIAL RISKS

CREDIT RISK	Risk that an obligor will fail to perform its obligation under a trading or loan contract or when the ability to perform such obligations is impaired.
MARKET RISK	Risk that the value of on and off balance sheet positions of a financial institution will be adversely affected by movements in market rates.
LIQUIDITY RISK	Risk of loss to the Group arising from either its inability to meet its obligations or to fund increases in assets as they fall due.

NON-FINANCIAL RISKS

OPERATIONAL RISK	Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
LEGAL RISK	Risk of real or threatened litigation against the Group. It can represent significant costs, disrupt operations and reduce the earnings and capital of the Group.
COMPLIANCE RISK	Risk to earnings, capital or reputation occurring from violations of, or non-conformance with, laws, regulations, prescribed practices or ethical standards.
STRATEGIC RISK	Risk of loss arising from ineffective business strategies.
INFORMATION SECURITY RISK	Unauthorised access, use, disclosure, modification, inspection, recording or destruction of information assets that could potentially cause disruption to operations.

A review of the key risks including how they affect the Group's operations and management are detailed in the subsequent sections.

CREDIT RISK

OVERVIEW

Credit risk arises when an obligor fails to perform its obligations under a trading or loan contract or when its ability to perform such obligation is impaired. It does not only arise when a borrower defaults on payment of a loan or settlement but also when its repayment capability decreases (as reflected in a rating downgrade).

Credit risk arises from activities both on and off the balance sheet. These can include:

- trade finance and acceptances;
- inter-bank transactions;
- foreign exchange;
- financial futures;
- swaps;
- bonds;
- equities;
- options;
- commitments and guarantees; and
- settlement transactions.

PHILOSOPHY

The Group's risk philosophy is shared by the Board and members of top management. It is then drilled down to all employees. It is a guide in deciding what type of credit to finance and what kind of customer to deal with, based on the Group's appetite for risk and return, as well as the corporate values, ethical standpoint and the reputation it seeks to have in the industry.

The following principles guide credit risk management across the Banking Group:

- deliberately manage risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised;
- ensure that exposures to any industry or customer are determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines;
- extend credit to only suitable and well-identified customers;
- never extend credit where the source of repayment is unknown or speculative nor where the purpose/destination of funds is undisclosed;
- risk considerations shall have priority over business and profit considerations;
- ensure that the primary source of repayment for each credit is from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements; the realisation of security remains a fall-back option;
- adopt a pricing model that reflects variation in the risk profile of various exposures to ensure that higher risks are compensated by higher returns;
- ensure that products to be sold in the retail market are backed by approved product programmes;
- ensure that the quantum of exposure and quality and value of collateral required are determined based on the risk profile of the counterparty;
- avoid all conflict of interest situations and report all insider-related credits to appropriate bodies; and
- ensure that there are consequences for non-compliance with the Bank's credit policies.

RESPONSIBILITIES AND FUNCTIONS OF KEY STAKEHOLDERS IN THE CREDIT PROCESS

In line with the Banking Group's philosophy to entrench sound corporate governance in its operations, the credit division under risk management is structured to ensure the separation of policy, monitoring, reporting and control functions from credit processing functions. To this end, the functions of the division are handled at different levels by four departments, namely:

- Credit Analysis & Processing (CAP);
- Specialised Lending Department (SLD);
- Credit Risk Management (CRM); and
- Classified Assets Management (CAM).

Credit Analysis & Processing (CAP) is responsible for the appraisal of non-specialised credit requests and processing to obtain requisite approvals in line with the Bank's policy. CAP also engages in the review of wholesale/retail/consumer credit product programmes.

Specialised Lending Department (SLD) is responsible for the appraisal of credit requests and processing through to the final decision of specialised types of credit, due to the peculiarity of such transactions in view of their size and complexity. The portfolios being handled by SLD include:

- Project finance
  - power;
  - oil and gas (upstream and downstream);
  - utilities (water projects, etc.);
  - transportation (mass transit, aviation);
  - commercial real estate projects, i.e., projects conceived for commercial gain; and
  - infrastructure, including public assets concessions (roads, airports, etc.).
- Agricultural credit product programmes.
- Financial institutions credit requests.
- Public sector.

Credit Risk Management (CRM) is responsible for the planning, monitoring and reporting of the credit portfolio. The monitoring of loans on obligor and portfolio basis as well as the reporting of these to management and the Board remains the core responsibility of CRM. The monitoring unit is delineated along the SBUs to provide independent support and guidance to the relationship teams in the management of facilities, by ensuring early warning signs of deterioration are promptly picked up and remedial action is set in motion. The credit control unit is responsible for ensuring adherence to control measures, confirming approval of credit, conveying approvals and ensuring conditions are satisfied while the credit availment unit ensures that all conditions precedent to drawdown on approved credits are fulfilled before drawdown by the obligor. CRM has ownership of all rating systems/scorecards and recommends and monitors the credit risk appetite for the year and reports periodically to the Board and management. The department serves as the credit secretariat and manages the documentation and other credit process initiatives for the Group. The remedial management function was incorporated under the department during the year.

Classified Assets Management (CAM) is responsible for the recovery of accounts classified lost with days past due (DPD) of over 540 days and accounts written off from on balance sheets into CAM SOL (Service Outlet). CAM will continue to liaise with debt recovery agents, receivers/managers and solicitors to ensure effective recovery of bad loans.

INTERNAL RATINGS SCALE

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Banking Group reflects the following components:

- the character and capacity to pay of the client or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development; and
- credit history of the counterparty and likely recovery ratio in case of default obligations – value of collateral and other ways out.

The Banking Group's rating scale, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Banking Group regularly validates the performance of the rating and their predictive power with regard to default events.

OBLIGOR RISK RATING (ORR) SYSTEM

The obligor risk rating grids have a minimum of 10 risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. The obligor risk rating is mapped to the probability of default of the customer and the rating adopted depends on the type of customer and the nature of business to reflect the inherent risks associated with each customer. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the obligor risk rating grid with impairment allowance calculated for losses that have been incurred. Each risk bucket may be denoted alphabetically in the table below:

COLLATERAL RISK RATING

The collateral risk rating grid indicates the acceptable collateral types and is rated 1-8 from best to worst in order of liquidity, controllability and realisable value.

The collateral risk rating is determined by the loss given default (LGD) of the facility which measures the severity of economic loss on the exposure.

The LGD is a measure of the expected economic loss if the obligor defaults, less recoveries from collaterals and other cash flow and includes write-offs, unearned interest income and recovery/legal costs.

The collateral risk rating bucket is as shown below:

Collateral type	Rating bucket	
Cash	AAA	1
Treasury bills/government securities	AA	2
Guarantee/receivables of investment grade banks	A	3
Legal and equitable mortgage	BBB	4
Debenture trust deed/fixed debenture and mortgage debenture	BBB	4
Legal mortgage on residential business real estate in prime locations	BBB	4
Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations	BBB	4
Domiciliation of receivables from acceptable corporates	BB	5
Enforceable lien on fast-moving inventory in bonded warehouses	BB	5
Equitable mortgages on real estates in any location	B	6
Negative pledge/clean lending	B	6
Domiciliation of other receivables	B	6
Letters of comfort or awareness, guarantee of non-investment grade banks and corporates	CCC	7
Letter of hypothecation, personal guarantee	CC	8

Description	Rating bucket		Range of scores	Probability of default			Grade
				Large corporate	Mid-corporate	SME	
Extremely low risk	AAA	1	100%-94.44%	1.00			Investment
Very low risk	AA	2	100%-83.33%	1.00	1.00		
Low risk	A	3	100%-72.22%	1.50	1.50	1.50	
Low risk	BBB	4	72.21%-66.67%	2.00	2.00	2.00	
Acceptable – moderately high risk	BB	5	66.66%-55.56%	4.00	4.00	4.00	Non-investment
High risk	B	6	55.55%-44.44%	6.00	6.00	6.00	
Very high risk	CCC	7	44.43%-33.33%	9.00	9.00	9.00	
Extremely high risk	CC	8	33.32%-16.67%	13.00	13.00	13.00	
High likelihood of default	C	9	16.66%-5.56%	15.00	15.00	15.00	
Default risk	D	10	5.55%-0.00%	100.00	100.00	100.00	Default

RISK LIMITS CONTROL AND MITIGATION POLICIES

The industry and portfolio limits are set by the Board of Directors on the recommendation of the CRO. Credit Risk Management (CRM) monitors compliance with approved limits.

PORTFOLIO LIMITS

The Banking Group engages in a detailed portfolio plan annually. In drawing up the plan, the Bank reviews the macroeconomic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The Bank's target loan portfolio is then distributed across acceptable target market industries, SBUs and approved product programmes. Portfolio limits are set on:

- aggregate large exposure limit as a percentage of shareholders' funds;
- public sector exposure; and
- industry/economic sectors based on risk rating and correlated industries.

GEOGRAPHIC LIMITS

Presently, the Group's exposures outside Nigeria are taken by its subsidiaries in the United Kingdom and other African countries, which operate within country limits defined by their Boards of Directors. However, the Banking Group has a fully developed country risk rating system that could be employed, should the need arise. In such eventuality, limits will be graduated on a country risk rating.

SINGLE OBLIGOR LIMITS

Limits are imposed on loans to individual borrowers. The Banking Group, as a matter of policy, does not lend above the regulatory lending limit for the countries it operates in. In addition, internal guidance limits lower than regulatory limits are set to create a prudent buffer.

Product programmes contain guidelines on single obligor limits in order to promote diversification of the loan portfolio.

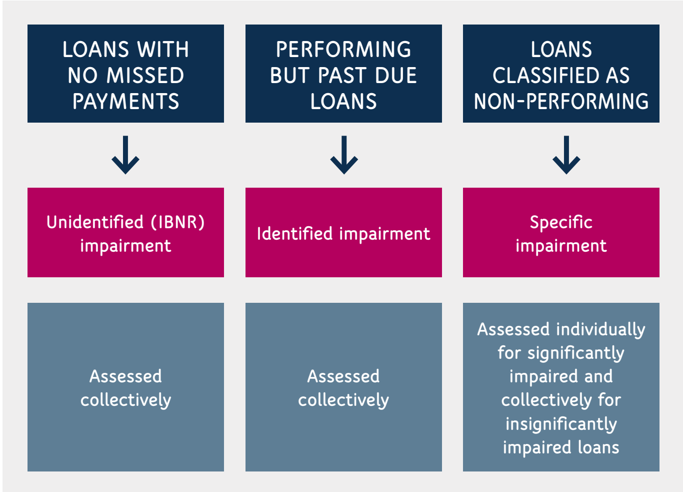
The Group also sets internal credit approval limits for various levels in the credit process. Approval limits are set by the Board of Directors and reviewed from time to time, as market and risk conditions demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

CLASSIFICATION AND PROVISIONING POLICY

Classification and loan loss provisions are made in recognition of the requirements of International Financial Reporting Standard (IFRS) IAS 39, which estimates expected future losses based on an incurred loss model. Under this requirement, impairment provisions are made where the recoverable amount of a loan is less than the carrying amount.

Impairment is classified under three categories, namely:

1. **Unidentified impairment:** collective impairment on a portfolio of performing loans where individual accounts cannot be identified as having experienced a loss event.
2. **Identified impairment:** collective impairment on a portfolio of performing accounts where individual accounts can be identified as having experienced a loss event although default has not yet being established.
3. **Specific/individual impairment:** individual impairment on a portfolio of non-performing loans where default has already being established.



Under the collective impairment methodology for identified and unidentified impairment, provision is calculated using a set of risk inputs determined based on internal loan loss models. As a rule, a minimum of three years' data is used in model development for estimating the risk parameters, namely: the probability of default (PD), the loss given default (LGD) and the incurred but not reported (IBNR) factor.

WRITE-OFF AND RECOVERIES

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off:

- continued contact with customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of credit collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.

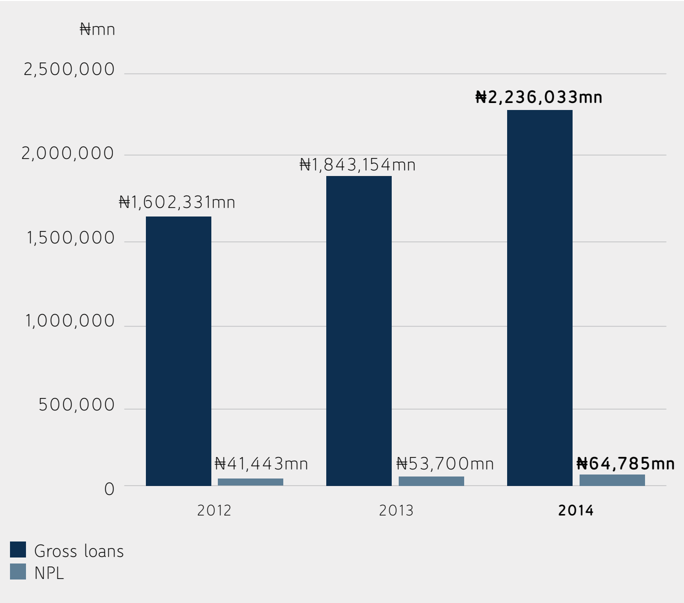
All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialled by the approving authority.

Whenever amounts are recovered on previously written-off credit exposures, such amounts recovered are recognised as income on a cash basis only.

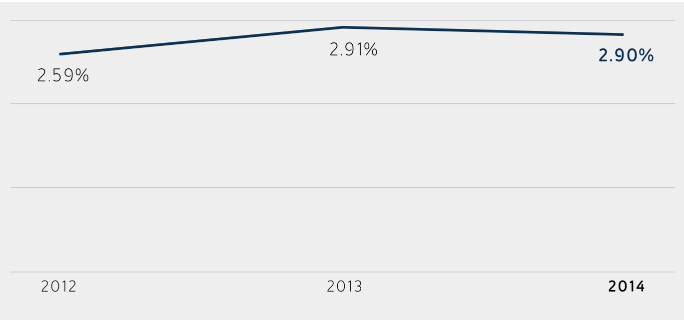
PORTFOLIO RATIOS

The Banking Group recorded a 21% loan growth year on year due to availability of bankable one-off transactions within prescribed risk appetite limits. Asset quality ratio for the period was 2.90% and within an acceptable threshold of the Group and regulatory limit of 5%.

LOAN GROWTH



ASSET QUALITY RATIO



OUTLOOK

The current economic climate is beset with a myriad of issues that might affect the macroeconomic indices of the West African and Global economy as a whole. Key issues include the effect of falling commodity prices; divergent monetary and fiscal policies across regional economies, slowing eurozone and Chinese economy, weak internal demand, geopolitical tensions, armed insurgency and the aftermath of the Ebola epidemic in some countries in the West African sub-region. In particular, the increased volatility in international crude oil prices since mid-2014 has dampened economic prospects for oil exporting countries.

The underlying impact of weaker crude oil prices is further highlighted in a number of monetary measures implemented by the CBN to protect dwindling foreign exchange revenue, curb inflation and achieve overall macroeconomic and financial stability. Such monetary policy measures include the devaluation of the naira, increase in cash reserve requirements (CRR) and a notch increase in monetary policy rate (MPR), which has created a more challenging financial environment resulting in a rise in the cost of doing business. Inflationary pressure and the threat of further currency devaluation are expected to constitute one of the major issues dominating the economic landscape in 2015.

Notwithstanding the challenges in the macroeconomic environment, the Group envisages appreciable business opportunities in some critical non-oil sectors specifically in agriculture, information and communication and service sectors as the Federal Government moves to diversify its income streams. The non-oil sector, particularly the small and medium enterprises (SME) which is largely under-funded, has been identified as a major catalyst for growth due to its potential to create jobs, boost production, generate income and reduce poverty. To foster growth in the SME sector, a number of initiatives to address the challenge of access to capital have been launched by the Central Bank in conjunction with financial institutions. These initiatives, together with government's investments in infrastructure - road and railways, coupled with the effect of higher tariffs on imported products, will enhance local production and drive growth in the sector. Furthermore, it is expected that the Federal Government's efforts to boost power generation and supply would improve economic activities in the long term and promote a more investor-friendly real sector. The Group as a result, has positioned itself to tap into the SME segment by sustaining credit growth to the sector. This shall, however, be subject to sound risk process and control that will not compromise asset quality.

In summary, regulation will continue to be the key driver to sustained growth in the banking sector as the Central bank seeks to maintain economic and financial stability. The Group will continue to promote sound risk and corporate governance practices in line with its overall strategic imperatives and ensure a well-diversified credit portfolio through effective management of concentration risks.

MARKET RISK

OVERVIEW

Market risk is the potential for adverse changes in the value of a trading or an investment portfolio due to changes in market risk variables, such as equity and commodity prices, interest rates and foreign exchange rates.

Market risk comes from positions in currencies and securities held in our trading portfolio, arising from our assets management, insurance, commercial and investment banking business, as well from other non-trading activities.

The movement in market risk variables may have a negative impact on the balance sheet or income statement.

Through the financial year, the Bank was exposed to market risk in its trading and non-trading activities, mainly as a result of:

- interest rate movements due to fiscal policy changes and market forces;
- foreign exchange fluctuations arising from demand and supply as well as government policies; and
- equity price movements in response to market forces and changing market dynamics.

PHILOSOPHY

The Banking Group's market risk management process applies disciplined risk-taking within a framework of well-defined risk appetites that enable the Group to boost shareholders' value while maintaining competitive advantage through effective utilisation of risk capital.

Our objective is to manage market risk exposures by optimising returns while maintaining a market profile consistent with our status in the financial services industry. Thus, the Banking Group's market risk management policy ensures:

- formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc.;
- management being responsible for the establishment of appropriate procedures and processes in implementing the Board-approved market risk policy and strategy. The procedures are documented in a periodically reviewed market risk procedural manual that spells out the procedures for executing relevant market risk controls;
- an independent market risk management function reporting directly to the Banking Group CRO;
- a Group-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with international best practice. Risk measurements are progressively based on modern techniques such as sensitivity, value-at-risk methodology (VaR), stress testing and scenario analysis;
- a robust market risk management infrastructure reinforced by a strong management information system (MIS) for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;
- continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
- the Banking Group does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products; and
- where the Banking Group takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

STRUCTURE AND FRAMEWORK

The Bank ensures that all the market risk exposures are consistent with its business strategy and within the defined risk tolerance. FirstBank therefore manages market risk within:

- a well-defined market risk appetite;
- an overall market risk exposure maintained at levels consistent with the available capital; and
- a stable and reliable methodology for identifying, measuring, controlling, monitoring and reporting market risk in a consistent manner across the businesses within the Bank.

GOVERNANCE

Oversight of the market risk management framework in the Banking Group is vested in the Board of Directors of the member entities and operated through the Board Audit & Risk Assessment Committee (BARAC).

The BARAC is responsible for the:

- approval of market risk management framework, policies, strategies, guidelines and philosophy;
- provision of oversight for the implementation of market risk management policies; and
- approval of market risk-related limits for the Commercial Banking business.

Also management oversight is provided by the Assets & Liabilities Management Committee (ALCO) in the various Institutions, the ALCO is the highest technical body responsible for market risk management.

The ALCO, made up of executive directors and other relevant divisional heads, is responsible for:

- reviewing policies relating to market risk management and making recommendations to the Board;
- providing management oversight for the implementation of market risk policies;
- reviewing market risk strategy and recommending it for Board approval;
- developing policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks;
- reviewing and recommending for approval of market risk-related limits, i.e., position, concentration, currency, dealing gap, total portfolio and counterparty limits; and
- approving the appointment of dealers.

The ALCO performs its technical functions through a Market Risk Policy Committee (MRPC).

The responsibilities of the MRPC as an advisory technical body responsible for market risk management include the following:

- recommending policies and guidelines for market risk measurement, management and reporting;
- ensuring that the market risk management processes (including people, systems, operations, limits and controls) are in line with market risk framework;

- reviewing and recommending for approval or amendments, the market risk limits package (MRLP), liquidity risk package (LRP), management action triggers (MATs) and triggers for accrual portfolios (TRAP) for all the risk taking units (RTUs);
- ensuring the certification of financial models and the effectiveness of the market risk systems and other systems used to calculate market risk;
- recommending changes in the market risk framework for ALCO's approval;
- recommending policies for identifying, measuring, monitoring, controlling and reporting market risk for ALCO's approval;
- providing oversight on limit exceptions and trigger breaks;
- recommending for approval the volatilities of risk factors, correlations of securities or currencies and credit risk factor tables (i.e., this will be a function of the type of contract, its tenor and the volatility of the underlying market factors) for different products;
- reviewing capital allocation, charge computations and stress-test reports;
- recommending steps to protect the Bank's capital ratios from the effects of changes in market risk factors;
- reviewing the market risk strategy periodically; and
- endorsing the appointment of the Head of Market and Liquidity Risk Department.

The day-to-day implementation of the market risk management policies, procedures and systems in the Commercial Banking business is delegated to the Head of the Market and Liquidity Risk Management department who reports to the Executive Director and Chief Risk Officer.

The Market and Liquidity Risk department is responsible for:

- implementation of the framework and establishment of the market risk policy;
- definition of identification standards and independent measurement, monitoring, controlling and reporting of market risk;
- definition, approval and monitoring of limits;
- performance of qualitative risk assessments; and
- performance of stress tests and scenario analyses.

PERFORMANCE

The Commercial Banking business uses VaR to estimate potential losses that could occur on its positions as a result of movements in market factors.

VaR measures potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days.

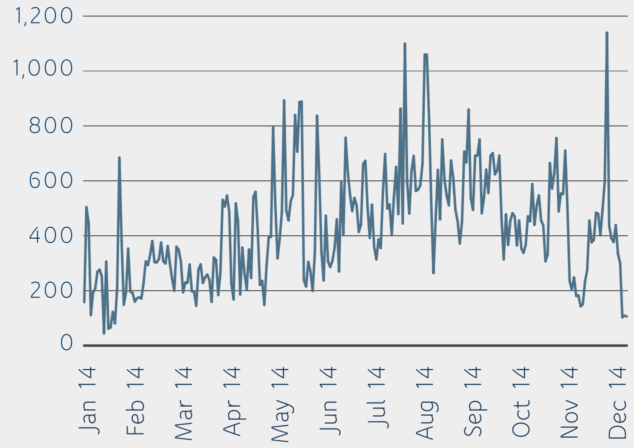
The parametric method is used as the VaR methodology, with an observation period of two years obtained from published data from pre-approved sources. VaR is calculated on the daily position.

The table and graph below shows the trading VaR of the Commercial Banking business. All the portfolios witnessed increases leading to increased VaR in positions held by the Bank during the period. The yield on various maturities for treasury bills declined by about 300 basis points on the average compared to the previous financial year, while the naira depreciated by about 11.94% in the interbank market following the movement of the official exchange rate midpoint from USD/₦155 to USD/₦168.

Daily VaR (@99%, 10-day) trading

	Average (₦'mn)	High (₦'mn)	Low (₦'mn)	Actual (₦'mn)
Bonds	35.72	215.45	-	-
Treasury bills	379.38	1,070.20	22.05	106.44
Foreign exchange	12.01	34.34	-	-

Daily VaR (₦ million)



STRESS TESTING

Based on the reality of an unpredictable market environment and the frequency of regulatory pronouncements with significant effect on market rates and prices, the Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

The ALCO is responsible for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates, exchange rates and equity prices. This covers all asset classes in the financial markets banking and trading books. Ad hoc scenarios are also prepared, reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

NON-TRADING PORTFOLIO

The principal objective of market risk management of non-trading portfolios is to optimise net interest income. Due to the size of the Commercial Banking business's holdings in rate-sensitive assets and liabilities, the Bank is exposed to interest rate risk.

Non-trading interest rate risk results mainly from differences in the mismatches or re-pricing dates of assets and liabilities, both on and off balance sheet as the interest rate changes.

The Bank uses a variety of tools to measure non-tradable interest rate risk such as:

- interest rate gap analysis (which allows the Bank to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
- forecasting and simulating interest rate margins;
- market value sensitivity;
- calculating earnings at risk (EaR) using various interest rate forecasts; and
- re-pricing risk in various portfolios and yield curve analysis.

HEDGED NON-TRADING MARKET RISK EXPOSURES

The Group's books have some key market risk exposures, which have been identified and are being managed using swaps and options.

OUTLOOK

The world economy in 2014 recorded its worst shape in two years, deviating from the expectation of moderate recovery and reviving of global growth to its pre-crisis levels and showing signs of weakness with significant downside risks going into 2015. A roller coaster of events, apparent in deterioration of the euro area and emerging markets; the Ebola virus outbreak in West Africa that led to fear and panic in other parts of the world, instigating suffering in some economies; rampant military conflicts and security crises in the Middle East, Africa and Russia-Ukraine; and the sharp drop in global oil prices, characterised the year.

Barring any geopolitical disturbance, we still expect the global economic growth to grip at a rate of 2-3% in 2015, leveraging on accommodative global monetary conditions as well as global disinflationary pressures. Growth in Europe will contribute, if any, very little to the global growth in 2015 but this Achilles' heel will be compensated by the growth in the US (which is emerging as the agent most likely to power global growth in 2015) and emerging markets, which will continue to grow, although growth may vary, depending on pace of reforms.

The Nigerian economy will record a slower growth in 2015, as the burden emanated from significant capital flight from its financial markets, initially at the instance of gradual completion of the US stimulus tapering, and the failing economic fundamentals in the latter half of the year led by the slump in global oil prices and multi-year low performance of the local currency translated into a lacklustre outlook for the nation despite its elevated profile as Africa's largest economy. The lowering oil prices will inexorably suggest a slowdown in the strong growth momentum of the nation in 2015. Estimated growth for 2015 has been slashed from the previously projected 6.4% to 5.5% due to the ruinous effect of the downtrodden oil prices on fiscal revenue of a highly oil dependent economy. This will have a domino effect on the financial market in 2015.

On the back of a weakening fiscal outlook, coupled with the upcoming general elections, 2015 holds a high level of uncertainty regarding the performance of the Nigerian fixed-income market. The debt space at the outset of the year 2014 saw a boom in the asset prices, and subsequently an extensive bearish trend towards the end of the year, as investor sentiments became battered by the nation's weakening economic indices. The continued exit of foreign capital is likely to worsen, in the first half of 2015 as investors' fears will be aggravated by election risks. The downward spiral of asset demand will thus spur yet spiking rates, but strong local demand for Federal Government bonds is expected to support prices. Additionally, from an international perspective, the probability that the US Federal Government will increase its key policy rate towards the middle of the year 2015 further dampens the prospects for the whopping return of foreign capital into the Nigerian market in the first half of the year. While the local investors like the pension fund administrator and People First Management Systems (PFMs) typically trade at the long end of the curve, we believe the scant foreign inflows and local bank funds channeled into the Nigerian debt space will most likely be inclined towards the short-end of the curve (treasury bills).

The monetary policy tightening experienced in 2014 will be sustained in 2015 contrary to the initial forward guidance of gradual lowering interest rates stated by the CBN's Governor in June 2014. The Monetary Policy Committee (MPC) of the CBN at its last meeting in 2014, became more aggressive with further monetary tightening measures against the backdrop of failing global oil prices, weak macroeconomic fundamentals, foreign exchange market volatility, inflation expectations stemming from election risks and superfluous liquidity in the financial system among others. The MPC adjusted the benchmark monetary policy rate (MPR) for the first time since October 2011; increasing it by 100 basis points to 13% with a systemic corridor of +/-200 basis points. Furthermore, the committee devalued the official exchange rate (naira-dollar); shifting its midpoint from ₦155/USD to ₦168/USD and widening the band around the midpoint to +/-5%. The cash reserve ratio for public and private sector deposits with deposit money banks was also increased to 75% from 50% and 20% from 15% respectively.

The expectation of further slide in oil prices, the need to create attractive financial markets amid dwindling confidence in economic fundamentals and a possible sharp swing in inflation suggest a less accommodative monetary policy stance in 2015. Hence, we expect further increase in the benchmark interest rates alongside manipulation of other monetary tools.

In an achievement worthy of commendation, the CBN was able to maintain price stability during the 2014 financial year; keeping the headline inflation rate within the target band of 6%-9% despite the inherent risks posed by excessive liquidity and pre-election spending (which was quite minimal during the year). However, the 2015 fiscal year could potentially be a different ball game as we expect government spending to substantially increase especially during the first quarter of the year, coupled with feasible impact of the devaluation of the naira on imported prices, which would push the headline inflation rate up.

Nigeria's foreign exchange market was volatile for the most part of 2014 due to foreign portfolio reversal, speculative attack on the local currency and lately the crash in oil prices. This forced the CBN to be largely visible in the FX market in the form of consistent direct interventions and a series of tightening regulatory policies and administrative measures in order to stabilise the market. It further responded to exchange rate pressures by excluding the bulk of transactions from the RDAS window and subsequently transferred to the interbank segment; devaluing the naira exchange rate and creating a temporary downward review of dealers' foreign exchange positions to 0% (from 1%) among others. Nigeria's over reliance on oil remains a potential threat to the foreign exchange market in 2015 as oil prices may continue to dip further to multi-year lows. Therefore, naira will continue to be pressured as the general election in the first quarter and reduced foreign capital inflow weighed, leaving the CBN struggling to stabilise the market amid limited capacity obvious in declining FX reserves in 2015. We expect the CBN to launch further monetary tightening and administrative measures to tame the interbank exchange rate around 184-190/US$ in 2015.

The Nigerian stock market was seen to completely reverse the exceptional performance of 2013; ending the year 2014 with a negative 28.7% year-to-date return on the back of weak macroeconomic fundamentals, excessive foreign portfolio reversals, unimpressive financial performances from most companies listed on the exchange as well as negative economic growth outlook for the nation. Consequently, stock prices have fallen to very attractive levels for which domestic investors might be interested in going into 2015. While we are not optimistic of increased foreign investors' participation in the equity market especially during the first quarter of 2015, we believe investors would trade cautiously in anticipation of the outcome of the 2015 general election.

We expect the global oil prices to remain low in 2015 as the supply gut which weighed uncontrollably on the commodity's price (hitting its five-year lows) in 2014 is most likely to extend beyond. **Organization of the Petroleum Exporting Countries (OPEC)** has reiterated no cut in output with the cartel presumably allowing prices to fall with the aim of taming US shale production (which cost more to produce). Besides, military conflicts in Iran, Iraq, Russia, Ukraine and elsewhere have not disrupted supply as anticipated while continuous growth in the US economy will strengthen the dollar, making oil less attractive on dollar denominated exchange while expectation of a gloomy global growth also remains a key factor.

We anticipate a slightly erratic trend in the financial system as the Nigerian economic outlook suggests a challenging and volatile operating environment in 2015. The daunting effect of the oil prices and relative low capital inflow will continue dawning on the fiscal revenue of the nation and cascade into a slower economic growth with a multiplier effect on the Nigerian financial market. Banks will continue to struggle with regulatory uncertainties as the government strives to balance fiscal and monetary policies in a bid to put the economy on track of a sustainable growth path. While 2015 will likely be a rocky path, we expect the market to astutely adapt to a changing business environment and possibly move to new highs in the second half of the year.

LIQUIDITY RISK MANAGEMENT

OVERVIEW

Liquidity risk is the risk that the Group does not have sufficient resources to meet its obligations as they fall due or will have to meet the obligations at excessive costs to the Group as they fall due. This risk arises from mismatches in the timing of cash flows.

Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The objective of the Group's liquidity risk management is to ensure that all anticipated funding commitments within the Group and member institutions can be met as and when due and that access to funding sources is coordinated and cost effective.

PHILOSOPHY

The Banking Group's liquidity risk management ensures the maintenance of an optimal level of liquidity through the active management of both assets and liabilities, while complying with regulatory requirements and optimising returns.

The following principles guide liquidity risk management across the Group:

- robust liquidity risk management framework that ensures maintenance of sufficient liquidity to withstand a range of stress events;
- clearly articulated liquidity risk tolerance appropriate for the Group's business strategy and its role in the financial system;
- alignment of risk-taking businesses with resultant liquidity risk exposure in fund transfer pricing, performance measurement and new product approval process.
- sound processes for identifying, measuring, monitoring and controlling liquidity risk including a robust framework for projecting cash flows arising from assets, liabilities and off balance sheet items over an appropriate set of time horizons;
- clear funding strategy that provides effective diversification in the sources and tenor of funding;
- ranking and prioritisation of funding sources by stability;
- early warning indicators of liquidity risk to aid the prompt identification of liquidity risk, such as concentrations either in assets or liabilities, deterioration in quality of the credit portfolio, and/or a large size of off balance sheet exposure; and
- a comprehensive contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations.

GOVERNANCE

The Group's risk governance structure is evolving; the overall philosophy is to institutionalise sound world-class risk management practices across the member companies.

Executive management oversight for all risk types will be delegated by the Group Executive Committee, and the MANCO, to a Group Risk Oversight Committee, which will implement a homogenous risk management framework across the Banking Group by recommending for approval by the relevant board committees:

- levels of risk appetite;
- stress-testing requirements;
- risk governance standards for each risk type;
- risk strategy and key risk controls across the Group; and
- utilisation of risk appetite, as well as the usage and allocation of economic capital.

Executive management in each business unit will be responsible for ensuring the implementation of Group risk governance standards.

Governance structures are currently maintained at individual business group levels, in order to aid coordination across analogous business lines and regulatory environments.

The ALCO provides oversight for the Commercial Banking business's liquidity risk management function.

The ALCO, made up of executive directors and other relevant divisional heads, is responsible for the following:

- review of policies relating to liquidity risk management;
- recommendation of liquidity risk policies to the Board;
- review of liquidity risk strategy and recommendation of the same for Board approval;
- provision of management oversight on the implementation of policies relating to liquidity risk;
- monitoring of liquidity risk inherent in the maturities mismatch of assets and liabilities;
- development of policies, procedures, tools and systems for identifying, measuring, controlling and reporting liquidity risks;
- ensuring compliance with statutory and regulatory requirements relating to liquidity risks;
- review of and recommendations on liquidity risk-related limits for approvals; and
- approving stress scenarios and contingency funding plan assumptions.

Implementation of market and liquidity risk management policies, procedures and systems are delegated to the Head of the Market and Liquidity Risk Management department who reports to the Executive Director and Chief Risk Officer.

POLICIES AND PROCEDURES

The principal mechanism for implementing the Banking Group's liquidity policy is the maintenance of liquid assets to deposit ratio over and above the defined regulatory minimum.

The liquidity ratio is interpreted in conjunction with cash flow projection and liability concentration ratios to measure the Banking Group's exposure to liquidity risk. The cash flow technique used is the maturity ladder that assesses all the Bank's cash inflows against its outflows to identify the potential for net shortfalls or net funding requirements.

The liquidity and funding management process also includes the preparation of multi-currency balance sheets, assessing cash flows by major currencies and projecting cash flows under stress scenarios.

The Bank's use of concentration ratios prevents it from relying on a limited number of depositors or funding sources.

PERFORMANCE

The Group operates within the regulatory liquidity risk management framework of the CBN and other regulatory bodies in the host countries. The regulatory guidelines stipulate:

- the eligible liquid assets or instruments;
- minimum liquidity ratios and limits;
- illiquidity determination and intervention; and
- maintenance of liquidity reserves.

The principal mechanism for implementing the liquidity policies within the Commercial Banking business is the maintenance of liquid assets to deposit ratio over and above the defined regulatory minimum.

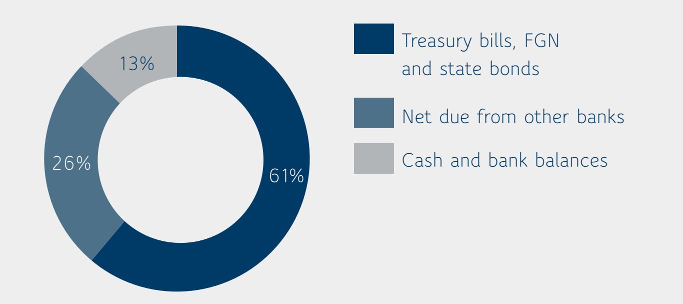
The liquidity ratio is interpreted in conjunction with cash flow projection and liability concentration ratios to measure exposure to liquidity risk. The cash flow technique used is the maturity ladder, which assesses all cash inflows against outflows to identify the potential for net shortfalls or net funding requirements.

The liquidity and funding management process also includes the preparation of multi-currency balance sheets, assessing cash flows by major currencies and projecting cash flows under stress scenarios.

The use of concentration ratios prevents the Banking Group from relying on a limited number of depositors or funding sources.

Liquid assets portfolio composition

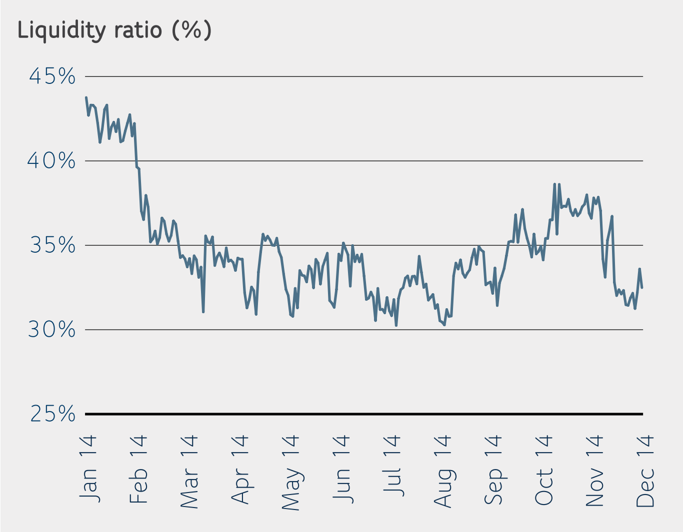
Commercial Banking business group	₦'bn
Cash and bank balances	94.90
Net due from other banks	259.59
Treasury bills, FGN and state bonds	547.09
Total liquid assets	**901.58**



Liquidity sources and trend

The Commercial Banking business is funded primarily by a well-diversified mix of retail and corporate deposits; a funding base that ensures stability and low funding cost with minimal reliance on higher cost time deposits and interbank takings as significant sources of funding. The Group places considerable importance on demand and savings deposits, which provide over 79% of its funding base. Although these accounts are contractually repayable on demand, in reality, they are stable and have formed a core component of the Group's liabilities.

Despite the reduced liquidity in the system on account of further regulatory tightening during the year, especially on account of an increase in cash reserve requirement on both public and private sector deposits, the Bank maintained a stable liquidity position, with an average liquidity ratio of 34.68%.



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

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

OUTLOOK

The Group is positioned to further strengthen its liquidity position in 2015, ensuring that financial obligations are met as and when due at minimal cost, by maintaining a well-diversified funding base sourced from economical and stable sources.

Increased market penetration and value chain banking will be key strategies for providing a stable, low-cost deposit base for the Group.

Deposit cost may trend higher than 2014 levels in the face of very intense competition, and increasing cost environment; however, maintaining deposit stability will be key to stable liquidity positions across the Commercial Banking business sector; especially as the velocity of money increases with the availability of non-conventional electronic transaction channels for both local and international transactions.

General market liquidity will be largely dependent on the fiscal and monetary policy directions of the government in 2015.

CAPITAL MANAGEMENT

OVERVIEW

The Banking Group's capital management framework is aimed at ensuring that the Group and its members are capitalised in line with the risk profile, economic capital standards and regulatory requirements.

RISK APPROACH

The Banking Group's capital management approach will aim to achieve a functional balance between capital levels that support business growth while maintaining depositor confidence and providing sustainable returns to shareholders.

The Banking Group's capital management strategy will aim to allocate capital to businesses based on their economic profit targets, with due consideration of cost of capital and within regulatory and economic capital requirements.

PERFORMANCE AND OUTLOOK

The Commercial Banking business operates within the regulatory capital management framework of the Basel Committee on Banking Supervision, the CBN and other regulatory bodies in the host countries. The regulatory guidelines stipulate minimum capital requirements and capital measurement.

The Commercial Banking business's capital management policies are in tandem with the relevant regulatory frameworks, ensuring the maintenance of capital over and above the regulatory minimum, and maintained economic capital sufficient for the members' risk profiles.

CAPITAL COMPOSITION AND ADEQUACY

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
TIER 1 CAPITAL		
Share capital	**16,316**	16,316
Share premium	**189,241**	189,241
Statutory reserve	**63,231**	51,329
Small and medium enterprise reserves	**6,076**	6,076
Retained earnings	**87,200**	67,166
Less: goodwill/deferred tax	**(1,343)**	(3,655)
Less: loan to subsidiary	**(14,541)**	-
Less: investment in unconsolidated subsidiaries	**(29,493)**	(29,265)
Total qualifying for tier 1 capital	**316,687**	297,208
TIER 2 CAPITAL		
Fair value reserve	**16,126**	13,063
Other borrowings	**141,819**	47,249
Total tier 2 capital	**157,945**	60,312
Tier 2 capital restriction	**120,688**	60,312
Less: investment in unconsolidated subsidiaries	**(29,493)**	(29,265)
Total qualifying for tier 2 capital	**91,195**	31,047
Total regulatory capital	**407,882**	328,255
RISK-WEIGHTED ASSETS		
Credit risk	**2,131,421**	2,029,705
Operational risk	**453,746**	393,993
Market risk	**46**	783
Total risk-weighted assets	**2,585,213**	2,424,481
Risk-weighted capital adequacy ratio (CAR)	**15.78%**	13.54%
Tier 1 CAR	**12.25%**	12.26%

OPERATIONAL RISK

OVERVIEW

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in FirstBank is composed of the following risk types: operational risk, legal risk, regulatory compliance risk, financial crime risk, people risk, property, technology, vendor, financial, and social and environmental risk.

The Banking Group recognises the significance of operational risk, inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

Components of operational risk

OBJECTIVES

The Group is committed to the management of operational risks. The Group's operational risk management framework aims to:

- reduce losses arising from operational risk – a key role of operational risk management in the Group is to reduce losses from operational failure and in particular avoid potentially large or catastrophic risk losses;
- improve performance measurement – the Group's improved understanding of its operational risk profile shall enable appropriate allocation of risk and economic capital to individual lines of business, which would allow improved performance measurement and evaluation of activities;
- ensure better control of operations – the Bank expects that increased understanding of risk activities within various business units, the Board and senior management will lead to improvements in the control of operations and the emergence of a more proactive operational risk management culture;
- provide early warning signals of deterioration in the Bank's internal control system; and
- raise awareness of operational risk in the Bank from top to bottom through the implementation of an enterprise-wide operational risk approach.

PHILOSOPHY AND PRINCIPLES

The following philosophy and principles govern the management of operational risk in the Banking Group:

- the Board of Directors is responsible for setting the operational risk strategy of the Group and its implementation;
- the Board approves and periodically reviews the operational risk management framework;
- operational risk in the Bank is coordinated through a centralised and independent operational risk management function;
- ownership, management and accountability for operational risk is decentralised with businesses and functional units;
- there are consistent standards for defining, evaluating, measuring, monitoring and reporting operational risk;
- the Group's operational risk management practices are in line with Basel II;
- the Group's operational risk management practices are subject to regular independent review by internal and external auditors;
- operational risk management is governed by well-defined policies and procedures which are clearly communicated across the Bank;
- operational risk-related issues are taken into consideration in business decisions including new product and process designs;
- operational risk and loss events are reported openly and fully to the appropriate levels once they are identified; and
- adequate processes and systems for identifying, measuring, monitoring, reporting and controlling operational risks are being implemented by the Banking Group.

METHODOLOGIES

In order to meet its operational risk management objectives, each business function within the Banking Group is required to identify, assess, measure and control its operational risk in line with the policy set by the Board.

Operational risk management process

The following are some of the key tools and techniques used by each business unit, in line with the nature and scale of the business risks.

OPERATIONAL RISK ISSUES REPORTING USING THE ISSUE AND ACTION MODULE OF 'SAS' OPRISK MONITOR

This SAS OpRisk tool is used for operational risk issues reporting on an online real-time basis. Issues to be reported using this tool range from significant operational risk exposures, exceptions from key risk indicators (KRI) analysis and trending, exception from control risk self-assessment (CRSA), operational and fraudulent losses incidences, significant control breakdowns rectified during the month, all exceptions to corporate governance standards and outstanding audit issues, and any other issues with operational risk implication.

REAL-TIME INCIDENCE REPORTING

This is for reporting urgent and significant operational risk issues/events that have to be escalated to relevant senior management stakeholders within 48 hours of the incidence in addition to reporting it through the issue and action module of the SAS OpRisk Monitor. Examples of significant operational risk issues are: armed robbery attack, fraud and losses.

CONTROL AND RISK SELF ASSESSMENT (CRSA)

CRSA is a key component of Banking Group operational risk framework and involves, on a periodic basis, each business unit and support unit within the Banking Group proactively carrying out a self-check of their compliance with key controls put in place by management with a view to identify areas of weakness and implementing remedial actions. The purpose of CRSA is to assess if specific controls are operating as intended. Exceptions, whether due to control lapses or human error, can highlight inherent procedural weaknesses that need to be addressed. Early detection of control weaknesses can help prevent systemic and recurring risks.

CRSA is used to check:

- compliance with relevant Bank policy and procedure manuals;
- compliance with regulatory requirements; and
- whether the key controls are effective in managing the risks.

INTERNAL LOSS DATA

The tracking of internal loss event data is a key component of the Banking Group's operational risk framework. Internal loss events and data are analysed with a view to focusing attention on where they are needed and to forestall re-occurrence through sharing of lessons learnt.

KEY RISK INDICATORS (KRIS)

KRIs are measures that track the risk profile of the Banking Group. Each business unit within the Banking Group develops and monitors key risk indicators for its significant risks, which:

- target key operational risk exposures for the business unit;
- enable management of the underlying causes of risk exposures;
- use thresholds aligned to FirstBank's risk appetite and enable risk-based decision-making;
- are monitored with a frequency that matches the nature of the risks;
- complement the self-assessment and loss-event collection processes; and
- are reported as part of the monthly management reporting.

SCENARIO ANALYSIS

Basel II requires that 'a bank must use scenario analysis of expert opinion in conjunction with external data to evaluate its exposure to high-severity events'. FirstBank Group will use scenario analysis of expert opinion in conjunction with external data to evaluate exposure to high-severity events. This approach draws on the knowledge of experienced business managers and risk management experts to derive reasoned assessments of plausible severe losses.

The Banking Group shall adopt the following procedures in generating scenarios:

- use internal loss events and explore the potential for these events to become high impact incidents;
- use external loss events to test internal resilience and explore potential impact if such events were to occur internally;
- use the knowledge of the management team to develop realistic scenarios to test operational resilience and adequacy of capital by exploring areas of perceived internal weakness;
- use the knowledge of the management team to explore exposures in areas where internal losses have occurred;
- develop disaster scenarios to conduct similar tests and examine the effect on the Bank;
- create scenarios based on areas of control weakness or on perceived changes in environment;
- use this information to adjust control structure/enhance mitigation/refine contingency plans as appropriate to ensure that the Bank can survive potential scenarios;
- use relevant scenarios in the model to complete the picture of the Bank's risk exposures; and
- compare scenarios with actual losses and changes in the business/market on an ongoing basis and adjust as appropriate.

KEY OPERATIONAL RISKS

Major operational risks faced by the Group are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed, control failures identified and new controls designed. Analysis also revealed that the quality of people and their integrity is a critical panacea to mitigating these key operational risks. As a result, the Bank has adopted and developed a competency-based recruitment framework in which attitude, skills and knowledge are tested through background checks, psychometric test, and personality checks before engaging any employee. Also, the Group has invested in enhanced physical security measures and collaborating with the security agencies to improve protection of the Bank's assets. Other key counter-measures put in place include:

- enhanced staff training;
- enhanced Know Your Customer (KYC) drive and background checks on employees;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- dissemination of email and SMS alerts to the Bank's customers for each debit on their accounts;
- imposition of stiff disciplinary measures including prosecution of fraudulent staff;
- installation of panic alarm system, CCTV, deadman doors etc.; and
- implementation of rules-based anti-fraud solutions.

STRATEGY

Failure to manage operational risk effectively often results in significant financial losses, regulatory fines or censure, reputational damage, brand erosion or even the loss of banking licence, all of which directly impact shareholder value.

Accordingly, the Banking Group's operational risk strategy aims to minimise the impact of operational risk on its shareholders' value. In more specific terms, the Bank's strategy is to:

a) reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
b) minimise the impact of unexpected and catastrophic events including related costs through risk financing strategies that support the Group's long-term growth, cash flow management and balance sheet protection; and
c) make all managers responsible for the management of operational risk and thus minimise actual or potential losses. The Group recognises that some losses, such as operational errors, are inevitable and are normal business costs; but the Bank will ensure these costs are kept within acceptable levels and potential losses are minimised.

In implementing this strategy:

- best practice operational risk management policies and procedures are put in place. These include toolkits to help identify, assess, control, manage and report on operational risk within the Group;
- the Bank ensures that roles and responsibilities are agreed and clearly understood by employees at all levels;
- it is ensured that all staff in the business and support functions are aware of their responsibilities for operational risk management;
- consideration of he potential operational risk impact of its activities and products at the outset with a view to minimising these as far as possible;
- structures and processes for reporting control failures to designated individuals and escalating material issues to Business Risk and Compliance Committee (BRCC), MANCO and the BARAC have been put in place;
- the Bank ensures staff are provided with appropriate operational risk management training that is commensurate to their roles;
- the Bank establishes a workable business continuity plan (including disaster recovery and crisis management procedures) that minimises the impact of unexpected and catastrophic events on business operations and customer service;
- financial impact of operational losses, through management of risk factors and utilisation of insurance or other risk transfer strategies are minimised; and
- it is ensured that staff responsibility with respect to operational risk management is communicated through ongoing risk awareness workshops and management action.

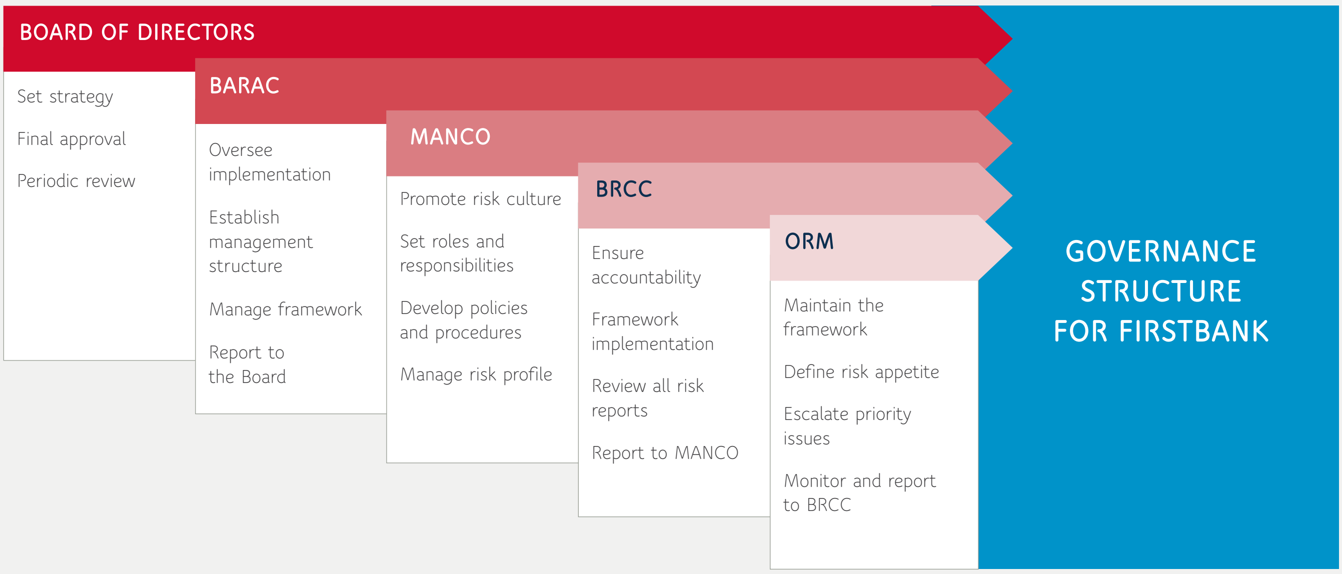
GOVERNANCE

The overall responsibility for operational risk management in the Banking Group resides with the Board. The responsibility of the day-to-day management has been delegated as described in this section. On a regular basis, the Board receives reports on the Group's operational risk profile.

To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- the overall governance is owned by the Board and board committees (BARAC and MANCO);
- the approval of operational risk Group policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board and board committees (MANCO and BARAC);
- the operational risk management framework is owned by Group Operational Risk Management; and
- the implementation of the operational risk framework within the SBUs, Strategic Resource Functions (SRFs), business development offices (BDOs), branches, departments/business units and control and support units and the day-to-day management of operational risks is owned by their respective management and executed through their management structure, supported by the operational risk relationship managers and nominated coordinators reporting into the respective senior management officials or their designates.

Operational risk governance structure



THE BOARD AND BOARD COMMITTEES

The Board of Directors, BARAC and MANCO shall have overall oversight for operational risk management. It shall be their responsibility to ensure effective management of operational risk and adherence to the approved operational risk policies.

Board of Directors

The Board of Directors:

- sets the Group's operational risk strategy and direction in line with the Group's corporate strategy;
- gives final approval for the Group's operational risk management framework, policies and procedures; and
- periodically reviews the framework to ensure its relevance and effectiveness, and ensures that senior management is performing its risk management responsibilities.

Board Audit & Risk Assessment Committee (BARAC)

The BARAC:

- ensures that the operational risk management framework is comprehensive and in line with the Bank's strategy;
- approves the operational risk management framework and oversees its implementation; and
- establishes a management structure capable of implementing the framework with clear lines of responsibility, accountability and reporting, and reports significant operational risk issues to the Board of Directors.

Management Committee (MANCO)

The MANCO:

- ensures that the framework is implemented consistently across the Bank;
- ensures policies and procedures are developed for managing operational risk in the Bank's products, activities, systems and processes;
- ensures that all levels of staff understand their responsibilities with respect to operational risk management;
- reviews the Bank's risk profile and assesses potential impact on the activities of the Bank or business unit;
- ensures the Bank's risk profile is within established risk parameters;
- ensures that staff are adequately trained and have access to the necessary resources;
- obtains and reviews periodic reports on operational loss events, risk profiling and control failures bank-wide and monitors corrective measures being implemented;
- ensures that the outputs from the operational risk management process are factored into the day-to-day management decisions of the Bank; and
- ensures that the Bank's operational policies and procedures promote the desired risk culture.

Business Risk and Compliance Committee (BRCC)

The BRCC, as a sub-committee of the MANCO, ensures the effective and efficient management of the operational and business risks within the Bank and reports through the MANCO to the BARAC, which serves as a link between the Board of Directors and senior management with respect to business risk management and the audit function.

The BRCC:

- carries out the first-level review and challenging of developed operational risk and business risk frameworks, policies, procedures, processes and toolkits;
- ensures senior management become aware of, and more directly accountable for, risks in their jurisdiction;
- manages significant operational risks where they originate within the business function;
- ensures compliance with Group business/function operational and business risk policies and procedures;
- ensures that operational risks identified within the business are assessed in terms of implications for wider business risk and to ensure that the identified business risks are reviewed and reported accordingly through the operational risk reporting process;
- ensures implementation of the approved operational risk framework, policies, procedures, processes and tool-sets;
- continually promotes risk awareness throughout the Bank so that complacency does not set in;
- identifies, reports and manages the top 20 operational risks in the now and six months' timeframe;
- assists the MANCO to manage ongoing corporate governance issues;
- reports through the MANCO to the BARAC on key business risk and compliance issues and decisions taken by the committee;
- reviews the reports from head of all risk areas (operational, market and credit) management, business lines and their respective risk profiles and to concur on areas of highest priority and put in place the related mitigation strategies;
- reviews the reports of internal audit relating to operational risk and the appropriateness of management's response thereto, and reports as necessary to the BARAC and/or to the Board of Directors;
- ensures that adequate resources are allocated at various levels to manage business risk across the Bank;
- receives copies of regulatory examination reports pertaining to matters that are within the purview of the Committee and the MANCO's responses thereto; and
- performs other activities related to this charter as requested by the MANCO and the Board.

Operational Risk Management function

The Group Operational Risk Management (ORM) function is independent of the BDOs, branches, departments/business units and control and support units and reports to the CRO, a member of the MANCO.

The core responsibility of the Group ORM function is the development and implementation of operational risk management across the Group.

This entails:

- drafting operational risk management policies, standards, processes and procedures;
- playing the role of a thought partner with businesses and support functions in management of their operational risk;
- developing and driving implementation and maintenance of the operational risk management framework;
- developing and distributing tools, techniques, methodologies, common risk language, risk frameworks, analysis, reports, communication and training;
- coordinating, aggregating and facilitating operational risk management activities across the Bank;
- monitoring the operational risk profile, including accumulations of risk, trends, and risks from internal and external market changes;
- escalating high-priority issues to senior management and the Board;
- collating, challenging and reporting on aggregate risk profile, control effectiveness and actions to risk committees and the Board;
- analysing BDOs, branches, departments/business units and control and support units' operational risk to derive emerging themes for the Bank;
- defining yearly operational risk limit and appetite for the Bank, business and support units respectively; and
- liaising with external parties, e.g., regulators, analysts, external auditors, etc., on the Bank's operational risk management practices.

MILESTONES

ISO 22301 (SOCIETAL SECURITY: BUSINESS CONTINUITY MANAGEMENT SYSTEM) RE-CERTIFICATION SUCCESS STORY

The general security situation in the country remains a concern having taken a different dimension with the political, social and economic undercurrent. The Banking Group continues to work at ensuring safety and protection of assets, staff and customers' investments through implementation of a robust Business Continuity Management System (BCMS) in line with global best practice.

Further to the Bank's achievement of the ISO 22301 (Societal Security: Business Continuity Management System) certification and successful completion of its maintenance cycle, the Bank has successfully passed the recertification audit by BSI conducted in November 2014.

OUTLOOK

Beyond complying with regulatory requirements, the Banking Group continues to embed a robust operational risk management practice, culture and environment, as a value driver that enhances and contributes to stakeholders' value, long-term existence and survival of the institution. To this end, a number of initiatives and projects are currently ongoing that, when completed, will enhance the risk management culture and practices within the organisation and, by extension, significantly reduce the Group's operational risk exposures and incidences.

Some of these key initiatives and projects are as follows:

- implementation and roll-out of the world-class risk intelligence solution to the Bank's local and international subsidiaries;
- collaborating with internal audit to help embed the culture of CRSA in all activities and across all levels in the Bank;
- extend and embed business continuity management culture to the Bank's branches and subsidiaries;
- review and update existing operational risk management toolsets and processes and introduce new ones; and
- capacity building/aggressive Bank-wide operational risk awareness campaign to increase employees' risk-awareness level and competence in managing risks.

INFORMATION SECURITY RISK

OVERVIEW

The Group considers information assets as a strategic business resource critical to the success of the Group's activities and operations. In view of the importance of this key resource, each entity within the Group has in place an information security risk management framework, which dictates at a very high level the governance structure for the management of information assets and related risk. The Group Enterprise Risk Management (ERM) framework sets the direction for the management of information security across the Group.

POTENTIAL IMPACTS ON BUSINESS

Information is critical to the Group's operations and crucial to the effective and efficient delivery of the service by the Group to its customers.

Disruptions to these information assets could have dire consequences for the Group such as huge financial losses, reputational damage, and regulatory and legal infractions.

MITIGATING MEASURES

- Implementing globally recognised information security models as well as approved standards and best practices in information security and asset management.
- Use of advanced technology and efficient processes for information management and protection.
- Continued risk evaluation through the use of a proven risk assessment methodology, which identifies key risk areas and prescribes controls necessary in reducing these risks to an acceptable level.
- Documenting and standardising processes within the Group while building appropriate security controls into them.
- Identifying and classifying all information assets within the Group, assigning appropriate priorities and ownership, and ensuring that all assets are handled according to documented handling procedures.
- Group-wide security risk assessment carried out by an independent security assessment company, to determine the security risk posture of the Group and recommend appropriate safeguards to its information assets.
- Developing and implementing a Group-wide security awareness programme and making information security a key responsibility of all staff.
- Aligning the Group's processes to international standards and best practices such as the ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS) and other key and regulatory mandated standards.

RESPONSIBILITY

The primary responsibility for the security of the Group's information assets and compliance with applicable legislations lies with members of staff, while the Board and management have the overall responsibility to ensure that all information assets within the Group are adequately protected.

OVERVIEW

The Group, in reiterating its commitment to the protection of its customers and staff data, recertified the organisation to the PCI DSS, which is the standard established and maintained by a consortium of five global major card brands (American Express, Discovery Financial Services, JCB International, MasterCard, and Visa Incorporated) and was developed to help reduce card data theft and the resulting fraud. The award of this certificate is a strong value indicator which shows that FirstBank consistently operates with its customers' interests at heart. The Bank also within the financial year successfully passed the ISO 27001 surveillance audit which places its ISO 27001 certificate initially awarded to the Bank in 2010 in good condition for 2015. The standard as part of its maturity growth model compels certified organisations to a biannual surveillance audit and recertification exercise which is conducted every three years.

FirstBank Information Security Framework

FirstBank, through a comprehensive risk governance methodology and its implementation of the top three international standards, ensures the security of its customers, staff, information and assets. This is achieved through collaborative effort and innovation, which has promoted healthy competition among its staff, giving the Bank competitive advantage in cyberspace, which is recognised as the future of retail banking.

With the continued growth in the number of people who have access to the internet through devices which are getting cheaper, organisations worldwide are taking advantage of this number by either the provision of new products or making their operations cheaper. Cyberspace has given organisations enormous benefits through improved innovation, collaboration, productivity, competitiveness and customer engagement. While these benefits have enhanced services and operations across the globe it has had enormous consequences for organisations who have adopted the technology without appropriate assessment and controls for the risk.

To take advantage of cyberspace, organisations must manage new risks beyond those traditionally covered by the implementation of firewalls and demilitarised zones (DMZs).

The Group's information security management structure and operation gives it the capability to detect potential attacks on its brand and infrastructure and the ability to forestall these attacks when they take place.

The Group continues to pioneer information security best practices within the Nigerian financial services sector and is a recognised contributor in international information security management policy and standards formulations, and overall growth.

FirstBank was the first financial institution to achieve the prestigious ISO 27001 certificate in Nigeria, the first and to date the only African institution to be elected into the Board of the Payment Card Industry Security Standard Council (PCI SSC), and has been a member of the global Information Security Forum (ISF) for three years.

PHILOSOPHY AND APPROACH

Security is a business concern and the Group's management takes ownership of, and directs at a strategic level the requirements for, information security management as captured in the Group's information security management system (ISMS). Information security requirements will continue to be aligned with organisational goals and the ISMS is intended to be an enabling mechanism for information sharing, electronic operations, e-commerce and reduction of information-related risks within the risk appetite of the organisation.

The information security methodology of the Group focuses on risk identification and mitigation rather than the traditional method of a reactive risk management. The Group's daily operations are guided by clearly defined and documented policies and procedures, which promote information assets protection and management of assets confidentiality, integrity and availability.

CULTURE

The Group over time has created a culture of value for information. Information is recognised and managed as a valuable asset by all staff and third-party service providers. This value is driven down from top management as documented in the Information Security Framework and information security policy.

APPETITE

The Group's information security risk appetite is set by the Board of Directors as identified in the risk assessment methodology; it is set at a level that minimises adverse risk to information assets.

FirstBank Information Security Triad

In FirstBank information security is assured through extensive risk awareness, assets valuation and information assets handling principles and guidelines, which assure the Bank of the security of its assets and those of its customers.

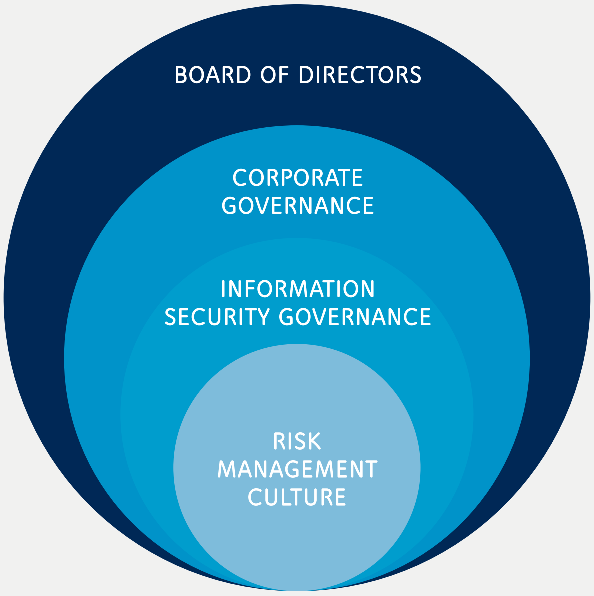
GOVERNANCE STRUCTURE

THE BOARD

The Board and management have the overall responsibility to ensure that all information assets within the Group are protected and adequately secure.

These responsibilities include preserving the confidentiality, integrity and availability of all the physical and electronic information assets in the Group to ensure all customer information receives adequate protection. In addition, it ensures that the Group complies with all legal, regulatory, contractual and commercial requirements of information security.

Governance structure



FirstBank information security governance structure is driven by the Bank's strong risk governance culture with information security implementations and management being overseen at Board level ensuring comprehensive oversight function and management support.

Consideration will also be given to high-level risks identified in the previous year as well as other likely threats identified for 2014 in major security reports. It should be noted that threats are considered in the context of the Group's environment (industry, geography, preparedness, etc.) to determine the level of risk each pose to the organisation.

GOVERNANCE (ORGANISATIONAL STRUCTURE)

Function	Role
Board of Directors	Final authority and responsibility for safeguarding FirstBank's information assets rests with the Board of Directors.
Board Audit & Risk Assessment Committee	The Board Audit & Risk Assessment Committee (BARAC) reviews and approves information security policies and budgets to ensure they are in line with the Bank's strategic vision before passing on to the Board for final approval.
Management Committee	The Management Committee (MANCO) recommends for approval information security policies, strategies and budget. The MANCO is responsible for reviewing and approving the information security monitoring programmes and the key results of monitoring activity, identifying key risks and the actions needed to keep them at an acceptable level.
Executive Director Risk Management (Chief Risk Officer)	The executive sponsor has the ultimate responsibility to provide an accurate view of the information security condition of the Bank and encourage information owners and users to keep risks at an acceptable level.
Information Security Forum	The Information Security Forum (ISF) consists of a number of FirstBank departmental heads and Business Development Managers (BDMs). It is a forum where security issues affecting the Bank are discussed, monitored and controlled.
Internal Audit	The Internal Audit function and information security office support the monitoring process without losing independence.
Compliance	The Compliance function is to protect business growth and sustainability by ensuring compliance to regulation.
Internal Control	The Internal Control function undertakes transactional monitoring. Maintaining a close working relationship with the information security office, Internal Control forwards results of information on security-related transaction investigations and reviews.
Information Security Champions	As part of FirstBank's implementation of the information security management practice, FirstBank has designated staff within business units and departments as Information Security Champions.
Information asset owners	Information asset owners are specific individuals (typically management personnel) who have been formally appointed by the Bank as being accountable for the secure storage and use of major information assets.
All FirstBank workers	All FirstBank workers (i.e., employees on the payroll and others acting in a similar capacity, such as contractors, consultants, student placements, etc.) are responsible for complying with the principles and policies in the information security policy manual where relevant to their jobs.

OVERSIGHT

The BARAC at the Banking Group performs an oversight function. It ensures that detailed policies, procedures and standards are created, updated regularly and effectively communicated to stakeholders.

The risks posed to its information assets require the effective management of data confidentiality, integrity and availability. This is achieved by applying defined control objectives and best-practice information security policies and techniques. Risk management routinely measures the functionality of data information systems against policy requirements, in order to ensure their compliance.

Information security risk is managed through two principal committees: the Business Risk and Compliance Committee (BRCC) and Board Audit & Risk Assessment Committee (BARAC).

BUSINESS RISK AND COMPLIANCE COMMITTEE (BRCC)

The BRCC is responsible for approving the information security policies and budget prior to further approvals by the BARAC and the Board.

Key responsibilities of the BRCC on information security risk include:

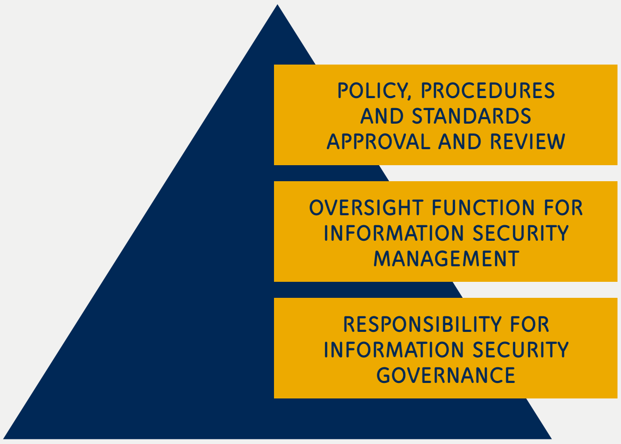
- ensuring that the information security policies are up to date to support the business;
- ensuring that a business continuity plan is in place;
- adequate budgetary provision to support the IT infrastructures made annually; and
- ensuring information security procedures are up to date with modern security developments.

BOARD AUDIT & RISK ASSESSMENT COMMITTEE (BARAC)

The BARAC reviews and approves information security policies and budgets to ensure they are in line with the Bank's strategic vision before passing them to the Board for final approval. The key responsibilities of the BARAC for information security are to ensure that:

- top management as well as key stakeholders responsible for information security possess the requisite expertise and knowledge required to secure the Bank's information assets;
- the Bank implements a sound methodology for managing information security consistent with the ISO 27001 standard; and
- detailed policies, standards and procedures are created, updated regularly and effectively communicated within the Bank.

BARAC oversight function



RELATIONSHIPS WITH OTHER UNITS

The Information Security department maintains key relationships with other units in the Group through activities such as:

- getting involved in strategic projects within the Bank to ensure that information security and information security policy requirements are built into applications and processes at the conceptual stage and not bolted on at disparate junctions after full implementation;
- an information security awareness programme for the Bank, this includes awareness concepts, computer-based training and facilitator-led training for all staff;
- organisation-wide asset identification, valuation and risk assessment based on the requirement of ISO 27001;
- liaising with Information Security Champions, information asset owners and subsidiary coordinators;
- incident documentation and learning points dissemination; and
- monitoring information security incidents enterprise-wide.

STRATEGY AND POLICY

FirstBank has adopted an integrated approach to information security risk management in line with the ISO 27001 standard. Its fundamental objective is to ensure the confidentiality, integrity and availability of its information assets.

Information assets are viewed as a very critical asset of the Group and shall therefore be adequately protected. The protection of the Group's information assets is critical to the Group's business continuity and its ability to meet business objectives. Accordingly, the Information Security Management department (ISMD) has been assigned the responsibility of ensuring that the Group's information assets are adequately protected at all times; this is achieved through well-documented policies and constant training and retraining of staff on policy requirements and good information security practices.

This responsibility is to be shared by both the management and the employees of the Group, irrespective of designation or function. Information security management in the FirstBank Group is a continuous process. As part of its responsibility, the ISMD monitors risk indicators, such as information security-related incidents supplemented by trend analysis that highlights high-risk or emerging issues, so that prompt action can be taken.

CERTIFICATION DRIVES

FirstBank has continued to maintain its certificates in good standards; this includes the ISO 27001 and PCI DSS which it was initially awarded in 2010 and again in 2013.

OUTLOOK

Information security aligns itself with the strategic endeavours of the organisation by ensuring that proactive security measures are put in place that guarantee that the organisation is not deterred from reaching its key goals.

For 2015, with the drive for full integration and alignment of operations and procedures across its African subsidiaries and growth of new market segments, such as its mobile services and expansion of its internet market, a key focus would be security of information assets as the Group and its operations gets bigger and more complex.

Information exchange, transmission and storage has to be managed in a secure manner to ensure that information compromises as witnessed by some major cooperations in 2014 do not occur. Cyber security will remain a major issue for all big organisations in 2015 and the best proven way to manage this risk is through awareness building and culture change for all those in the information value chain.

As for cyber security, this is already an area receiving utmost attention from the Bank following the announcement of the cashless policy by the CBN. However, given the increased presence of the Bank in cyberspace, criminals will continue to attempt to breach the security of the Bank's networks and infrastructure, and customers and staff are primary targets as well. It is therefore pertinent to widen our focus on cyber security.

The Group will continue with its time-proven risk management methodology which focuses on information assets identification, risk identification and treatment thereby providing it with a global view of all possible risk exposures and ability to proactively manage them. The core outlook for 2015 for the Group would remain the management of cybercrime and growing cyber terrorism targeted at national assets and organisations to which financial institutions are not immune.

COMPLIANCE RISK

OVERVIEW

First Bank of Nigeria recognises that it is accountable to all its stakeholders under applicable legal and regulatory requirements and is committed to high standards of integrity and fair dealing in the conduct of its business. It is committed to fully comply with both the spirit and the letter of applicable requirements and to always act with due skill, care and diligence.

Thus, the Bank instituted a compliance risk management framework that comprises the strategy, governance structure, processes and tools that the management and staff of the Bank adopt in managing compliance risk, with the following vision and mission:

- **Vision:** to protect business growth and sustainability through compliance with regulation and business conduct standards.
- **Mission:** to proactively and constructively assist the Bank to run an efficient and profitable business, in line with compliance requirements.

RISK MANAGEMENT PHILOSOPHY

In order to promote a culture of compliance across the Bank, the following philosophy governs compliance and compliance risk management in FirstBank:

- Compliance starts at the top, hence the Board and management set the tone by creating an environment where compliance-related issues are taken into consideration in all business decisions.
- Compliance concerns everyone within the Bank, therefore it is embedded in the culture of the Bank and not just the responsibility of specialist compliance staff.

OBJECTIVES

- Assist and support line management to ensure that business is conducted in accordance with applicable statutory, regulatory and supervisory requirements.
- Promote adherence with the Bank's Code of Ethics and business conduct.
- Facilitate the management of compliance risks and prevent disciplinary action by regulators.
- Minimise the possibility of civil and criminal action against the Bank.

RISK MANAGEMENT STRATEGY

The following strategies are adopted in achieving the above stated objectives:

Empowerment: the Bank compliance function possesses the requisite knowledge and skills set, and financial resources as well as authority and independence for optimal performance.

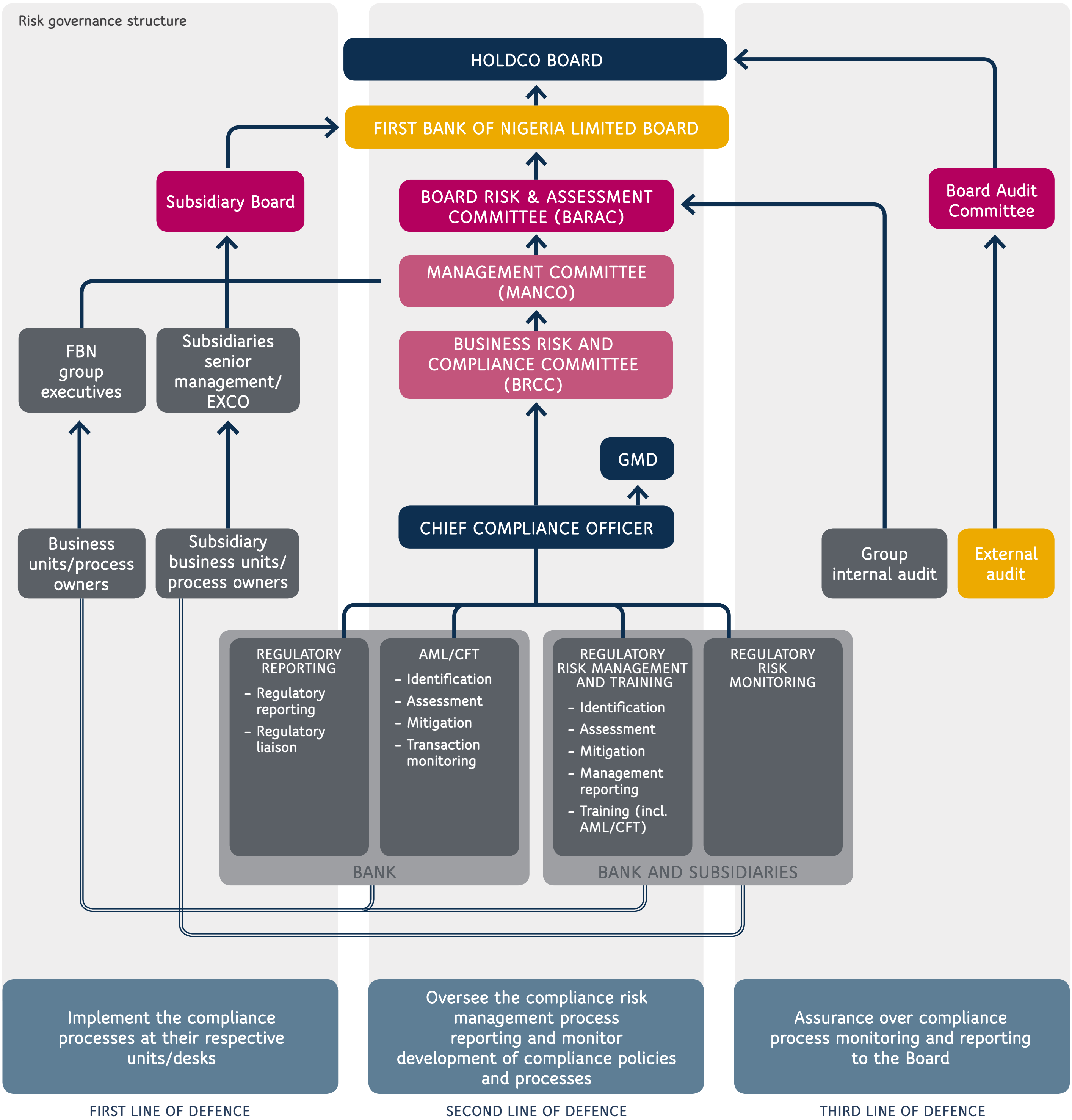
Training and awareness: the Bank creates, cultivates and sustains a healthy compliance culture through continuous training and education of staff and management.

Regulatory intelligence: the Bank is constantly updated with regulatory requirements through environmental scanning and maintaining a cordial relationship with the relevant regulators. A compendium of the relevant regulatory compliance rules is maintained to ensure that the Bank is aware of compliance obligations at all times.

Compliance risk appetite: the Bank's appetite for compliance risk is zero tolerance for payment of fines and other penalties associated with regulatory infractions and non-compliance with laws, standards and rules. This is measured and monitored using the following three performance indicators:

- number of sanctions received, amount of fines and penalties paid with respect to non-compliance with laws and regulatory standards;
- number of cautions and summons received from regulatory authorities; and
- number of infractions identified in the Bank by the Internal Audit function.

COMPLIANCE RISK GOVERNANCE STRUCTURE



COMPLIANCE ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

The Board has the overall responsibility for managing compliance in the Bank. However, the Board could delegate it to any appropriate Board committee.

BOARD AUDIT & RISK ASSESSMENT COMMITTEE (BARAC)

The BARAC provides supporting oversight on the management of compliance risk within the Bank.

Business units, management and all staff are the first line of defence.

They are committed to complying with all relevant and applicable regulatory requirements within the business department, inclusive of any outsourced business.

MANAGEMENT COMMITTEE (MANCO)

The MANCO is responsible for reviewing the compliance risk management framework to ensure its continuous relevance and appropriateness, as well as endorse changes for Board approval.

BUSINESS RISK AND COMPLIANCE COMMITTEE (BRCC)

The BRCC has the responsibility of ensuring the implementation of the approved compliance risk policies, procedures, processes and tool-sets.

CHIEF COMPLIANCE OFFICER (CCO)

The CCO is responsible for setting an entity-wide policy and compliance standards, and coordinating the overall compliance system in the Bank.

INTERNAL CONTROL AND ENHANCEMENT GROUP

Internal control assists the compliance function in the conduct of independent monitoring.

INTERNAL AUDIT

The internal Audit department is responsible for developing and implementing audit programmes to evaluate the level of compliance by the Compliance department with policies and procedures.

BOARD AUDIT COMMITTEE

The Board Audit Committee oversees the Internal Audit function.

SCOPE OF THE COMPLIANCE FUNCTION

The management of regulatory risk comprises ensuring compliance with all the statutory, regulatory and supervisory requirements/rules imposed on the business by external parties as well as the Bank's Code of Conduct.

Responsibility for managing compliance with internal rules created by FirstBank is the responsibility of the internal control function. These are monitored as part of their normal duty of ensuring that an effective system of internal controls is maintained by FirstBank. However, certain internal rules are of such importance that management may require the compliance function to be involved in ensuring that they are complied with.

The compliance function operates independently from Internal Audit. The compliance function leverages on the Internal Control and Internal Audit infrastructure by developing compliance checklists which are to be completed by Internal Control and Internal Audit as part of their routine procedures. Reports of their findings on issues that have regulatory implications are forwarded to the compliance function for use in its monitoring exercises.

Compliance risk management process

RISK IDENTIFICATION	RISK ASSESSMENT	RISK MITIGATION	RISK MONITORING	REPORTING
Scanning of the external regulatory environment	Interviewing stakeholders to obtain an understanding of the business activities being conducted	Policies (on ethical issues inclusive) or procedures specifically designed to facilitate compliance	Develop annual monitoring plan	To BARAC
Identification and analysis of new laws and regulations	Perform regulatory risk assessment: assessing impacts and likelihoods	People and/or other resources such as information technology	Document results and commitment to findings to relevant stakeholders	To BRCC
		Training and education	Remedial actions	To MANCO
		Sound relationships with regulatory agencies	Action tracking	To regulatory agencies
			Incidence management	
			Investigations	

OUTLOOK

The regulatory landscape is ever-evolving. During the course of the year the CBN announced tighter monetary policies, in a bid to check the excessive pressure on prices due to the forthcoming 2015 general elections.

The CBN embarked on several finance initiatives through the formulation and implementation of various policies, innovation of appropriate products and creation of enabling environment for financial institutions to deliver services in an effective, efficient and sustainable manner. The initiatives were mainly targeted at the agricultural sector, rural development and micro, small and medium enterprises with far-reaching implications for compliance particularly for the Banking Group.

Furthermore, financial inclusion has continued to assume increasing recognition across the globe among policy makers, researchers and development-oriented agencies. Its importance derives from the promise it holds as a tool for economic development, particularly in the areas of poverty reduction, employment generation, wealth creation and improving welfare and general standards of living. As a result of this, the CBN has continued to impress on financial institutions the need to have products that will assist in driving the initiative.

The CBN's efforts in the implementation of the Nigerian Financial Inclusion Strategy are very laudable. We are aware that the journey to achieving financial inclusion is long; it is our belief that the sustained efforts of the industry will go a long way towards reaching the financial inclusion goals and targets in 2015 and beyond.

The payments system plays a very crucial role in any economy, being the channel through which financial resources flow from one segment of the economy to the other. It, therefore, represents the major foundation of the modern market economy. The Nigerian e-payments system witnessed remarkable achievements during the year, with the introduction of a number of initiatives under the Payments System Vision 2020. This was further entrenched through:

- implementation of the Bank Verification Number (BVN) scheme to address issues associated with the absence of unique identifiers of bank customers across the industry;
- issuance of guidelines on international money transfer services in Nigeria;
- issuance of revised guidelines for card issuance and usage in Nigeria;
- implementation of industry e-reference portal; and
- abolishment of fees on cash deposit above the cashless policy threshold.

The positive effects of these policy initiatives are expected to manifest during 2015.

Despite the enormous challenges in the face of a fast-changing regulatory environment and the need for financial institutions to comply with the numerous regulations, we believe these measures by the CBN will be accompanied by short-term pain, but also longer-term benefits. Some of the immediate gains include, among others, the opening up of the international money transfer services to accommodate both inbound and outbound services.

In view of various initiatives within the Bank in response to the increasing and tightening regulatory obligations on financial institutions, the Group is poised to look inwards with a view to revalidating the compliance risk management processes and procedures of each group entity to withstand the emerging pressures, and is committed to continuously educate its employees, including the Board, on regulatory changes and their attendant implications on the business and our customers.

FINANCIAL STATEMENTS

Our financial statements for the year ending 31 December 2014 are prepared according to International Financial Reporting Standards (IFRS).

DIRECTORS AND ADVISORS

DIRECTORS

Prince Ajibola Afonja	Chairman
Bisi Onasanya	Group Managing Director/CEO
Abiodun Odubola	Appointed 16 January 2014
Adebayo Adelabu	Resigned 28 March 2014
Adesola Adeduntan	Appointed 1 July 2014
Tokunbo Abiru	
Ambrose Feese	
Bello Maccido	
Dauda Lawal	
Ebenezer Jolaoso	
Francis Shobo	
Ibiai Ani	Resigned 20 March 2014
Ibrahim Waziri	
Ibukun Awosika	
Ijeoma Jidenma	Appointed 24 March 2014
Khadijah Alao Straub	
Lawal Ibrahim	
Mahey Rasheed	
Obafemi Otudeko	
Tunde Hassan-Odukale	
UK Eke	

COMPANY SECRETARY

Olayiwola Yahaya

REGISTERED OFFICE

Samuel Asabia House
35 Marina
Lagos

AUDITORS

PricewaterhouseCoopers
(Chartered Accountants)
252E Muri Okunola Street
Victoria Island
Lagos

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

		Group		Bank	
	Note	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
CONTINUING OPERATIONS					
Interest income	7	**349,277**	310,224	**309,936**	284,438
Interest expense	8	**(109,722)**	(86,409)	**(94,487)**	(77,729)
Net interest income		**239,555**	223,815	**215,449**	206,709
Impairment charge for credit losses	9	**(25,730)**	(20,521)	**(20,924)**	(19,838)
Net interest income after impairment charge for credit losses		**213,825**	203,294	**194,525**	186,871
Fee and commission income	10 (a)	**58,499**	53,246	**49,416**	45,847
Fee and commission expense	10 (b)	**(6,940)**	(5,448)	**(8,574)**	(5,479)
Net gains on foreign exchange income	11	**43,284**	6,625	**41,283**	4,750
Net gains on investment securities	12	**837**	1,383	**146**	2,931
Net gains/(losses) from financial assets classified as held for trading	13	**541**	(1,386)	**541**	(1,386)
Dividend income		**1,202**	905	**3,716**	2,079
Other operating income	14	**1,837**	967	**1,433**	661
Personnel expenses	15 (b)	**(72,726)**	(60,456)	**(63,011)**	(53,287)
Amortisation of intangible assets	29	**(1,268)**	(1,517)	**(647)**	(662)
Depreciation of property, plant and equipment	28	**(10,531)**	(9,823)	**(9,741)**	(9,164)
Other operating expenses	15 (a)	**(134,108)**	(101,205)	**(127,727)**	(96,308)
Profit before tax		**94,452**	86,585	**81,360**	76,853
Income tax expense	16	**(9,526)**	(21,009)	**(6,185)**	(17,488)
Profit for the year from continuing operations		**84,926**	65,576	**75,175**	59,365
Discontinued operations					
(Loss)/profit for the year from discontinued operations	26	**(84)**	875	**4,176**	-
Profit for the year		**84,842**	66,451	**79,351**	59,365
Profit attributable to:					
Owners of the parent		**84,827**	66,344	**79,351**	59,365
Non-controlling interests		**15**	107	**-**	-
		84,842	66,451	**79,351**	59,365
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/loss per share:	49				
- From continuing operations		**2.60**	2.01	**2.30**	1.82
- From discontinued operations		**(0.00)**	0.03	**0.13**	-
		2.60	2.04	**2.43**	1.82

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	Group		Bank	
		31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Profit for the year		84,842	66,451	79,351	59,365
Other comprehensive income (OCI)					
Items that may be subsequently reclassified to profit or loss					
Net gains/(loss) on available-for-sale financial assets:					
– Unrealised net gains or losses arising during the period, before tax		1,557	(15,217)	5,124	(14,104)
– Net reclassification adjustments for realised net gains/(losses), before tax		(2,466)	2,487	(2,061)	2,487
Share of other comprehensive income of associates		-	(259)	-	-
Exchange difference on translation of foreign operations		5,296	434	-	-
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefits scheme	35	(373)	1,860	(408)	1,936
Income tax relating to components of other comprehensive income		804	917	122	635
Other comprehensive income for the year, net of tax		4,817	(9,778)	2,777	(9,047)
Total comprehensive income for the year		89,659	56,673	82,128	50,318
Total comprehensive income attributable to:					
– Owners of the parent		89,644	56,566	82,128	50,318
– Non-controlling interests		15	107	-	-
		89,659	56,673	82,128	50,318
Total comprehensive income attributable to owners of the parent arises from:					
Continuing operations		89,728	55,691	82,128	50,318
Discontinued operations	26	(84)	875	-	-
		89,644	56,566	82,128	50,318

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

		Group			Bank	
	Note	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
ASSETS						
Cash and balances with central banks	17	**697,601**	593,973	298,024	**670,045**	541,221
Loans and advances to banks	19	**430,053**	415,210	394,173	**242,842**	367,571
Loans and advances to customers	20	**2,193,563**	1,797,935	1,562,695	**1,794,037**	1,473,839
Financial assets held for trading	21	**10,708**	4,743	2,565	**9,258**	2,225
Investment securities:						
– Available-for-sale (AFS) investments	22	**442,551**	451,423	353,499	**404,508**	359,052
– Held-to-maturity (HTM) investments	22	**156,353**	283,267	330,860	**140,467**	278,876
Asset pledged as collateral	23	**64,527**	53,651	50,109	**63,158**	52,406
Other assets	31	**39,457**	44,729	39,725	**29,173**	36,067
Investment in associates	27	**-**	6,225	5,609	**-**	2,224
Investment in subsidiaries	24	**-**	-	-	**58,986**	56,307
Property, plant and equipment	28	**83,404**	78,489	74,474	**74,782**	71,895
Intangible assets	29	**8,103**	8,594	3,417	**2,272**	1,241
Deferred tax	30	**2,384**	4,587	7,955	**1,343**	3,655
		4,128,704	3,742,826	3,123,105	**3,490,871**	3,246,579
Asset held for sale	26	**2,931**	4,549	5,221	**-**	-
Total assets		**4,131,635**	3,747,375	3,128,326	**3,490,871**	3,246,579
LIABILITIES						
Deposits from banks	32	**163,710**	77,481	87,551	**19,246**	10,155
Deposits from customers	33	**2,989,735**	2,942,782	2,405,035	**2,551,022**	2,570,719
Financial liabilities held for trading	21	**9,913**	1,701	1,796	**7,946**	1,697
Current income tax liability	16	**8,530**	31,633	22,536	**6,558**	29,836
Other liabilities	36	**131,704**	182,542	118,290	**103,556**	156,989
Borrowings	34	**362,976**	126,302	75,541	**377,950**	125,363
Retirement benefit obligations	35	**2,012**	1,776	18,648	**1,546**	1,111
Deferred tax	30	**38**	10	9	**-**	-
		3,668,618	3,364,227	2,729,406	**3,067,824**	2,895,870
Liabilities held for sale	26	**-**	-	819	**-**	-
Total liabilities		**3,668,618**	3,364,227	2,730,225	**3,067,824**	2,895,870

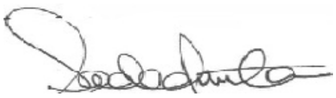
STATEMENT OF FINANCIAL POSITION

		Group			Bank	
	Note	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
EQUITY						
Share capital	37	**16,316**	16,316	16,316	**16,316**	16,316
Share premium	38	**189,241**	189,241	189,241	**189,241**	189,241
Retained earnings	38	**118,620**	93,584	97,437	**87,200**	67,166
Other reserves	38	**137,199**	82,381	93,754	**130,290**	77,986
		461,376	381,522	396,748	**423,047**	350,709
Non-controlling interest		**1,641**	1,626	1,353	**-**	-
Total equity		**463,017**	383,148	398,101	**423,047**	350,709
Total equity and liabilities		**4,131,635**	3,747,375	3,128,326	**3,490,871**	3,246,579

The financial statements on pages 148 to 279 were approved and authorised for issue by the Board of Directors on 24 February 2015 and signed on its behalf by:

Prince Ajibola Afonja
Chairman
FRC/2013/ICAN/00000002304

Bisi Onasanya
Group Managing Director/CEO
FRC/2013/ICAN/00000001962



Adesola Adeduntan
Executive Director/CFO
FRC/2014/ICAN/00000010466

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – GROUP

	Attributable to equity holders of the parent										
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Statutory reserve ₦ million	SSI reserve ₦ million	AFS fair value reserve ₦ million	Statutory credit reserve ₦ million	FCTR ₦ million	Total ₦ million	Non-controlling interest ₦ million	Total equity ₦ million
Balance at 1 January 2013	16,316	189,241	97,437	42,973	6,076	26,936	16,101	1,668	396,748	1,353	398,101
Profit for the year	-	-	66,344	-	-	-	-	-	66,344	107	66,451
Other comprehensive income											
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	434	434	-	434
Tax effects on revaluation of financial assets			-			281			281		281
Fair value movements on financial assets						(12,730)			(12,730)	-	(12,730)
Remeasurements on defined benefits scheme			2,496						2,496		2,496
Share of OCI of associates, net of tax	-	-		-	-	(259)	-	-	(259)	-	(259)
Total comprehensive income	-	-	68,839	-	-	(12,708)	-	434	56,565	107	56,672
Transactions with equity holders, recorded directly in equity											
Remeasurement of goodwill									-	182	182
Dividends	-	-	(71,791)	-	-	-	-	-	(71,791)	(16)	(71,807)
Transfer between reserves	-	-	(901)	9,015		-	(8,114)	-	-	-	-
Total contributions by or distributions to equity holders	-	-	(72,692)	9,015	-	-	(8,114)	-	(71,791)	166	(71,625)
At 31 December 2013	16,316	189,241	93,584	51,988	6,076	14,228	7,987	2,102	381,522	1,626	383,148
Profit for the year	-	-	84,827	-	-	-	-	-	84,827	15	84,842
Other comprehensive income											
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	5,296	5,296	-	5,296
Fair value movements on financial assets						(909)			(909)	-	(909)
Remeasurements on defined benefits scheme	-	-	(373)	0	-	-	-	-	(373)	-	(373)
Income tax relating to components of OCI			122			682			804		804
Total comprehensive income	-	-	84,575	-	0	(227)	0	5,296	89,644	15	89,659
Transactions with equity holders, recorded directly in equity											
Dividends	-	-	(9,790)		-	-	-		(9,790)		(9,790)
Transfer between reserves	-	-	(49,749)	12,536	-	-	37,213	-	-	-	-
Total contributions by or distributions to equity holders	-	-	(59,539)	12,536	-	-	37,213	-	(9,790)	-	(9,790)
At 31 December 2014	16,316	189,241	118,620	64,524	6,076	14,001	45,200	7,398	461,376	1,641	463,017

Other changes represents the change in non-controlling interest arising from the acquisition or disposal of unit holdings in FBN Heritage Funds. FBN Heritage Funds is an open-ended mutual fund.

BANK STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Statutory reserve ₦ million	SSI reserve ₦ million	AFS fair value reserve ₦ million	Statutory credit reserve ₦ million	Total ₦ million
Balance at 1 January 2013	16,316	189,241	77,344	42,423	6,076	24,680	16,101	372,181
Profit for the year	-	-	59,365	-	-	-	-	59,365
Other comprehensive income								
Fair value movements on financial assets						(11,617)		(11,617)
Remeasurements on defined benefits scheme	-	-	2,570	-	-	-	-	2,570
Total comprehensive income	-	-	61,935	-	-	(11,617)	-	50,318
Transactions with equity holders, recorded directly in equity								
Dividends	-	-	(71,790)	-	-	-	-	(71,790)
Transfer between reserves			(323)	8,906	-	-	(8,583)	-
Total contributions by or distributions to equity holders	-	-	(72,113)	8,906	-	-	(8,583)	(71,790)
At 31 December 2013	16,316	189,241	67,166	51,329	6,076	13,063	7,518	350,709
Profit for the year	**-**	**-**	**79,351**	**-**	**-**	**-**	**-**	**79,351**
Other comprehensive income								
Fair value movements on financial assets						**3,063**		**3,063**
Remeasurements on defined benefits scheme			**(408)**					**(408)**
Income tax relating to components of other comprehensive income			**122**					**122**
Total comprehensive income	**-**	**-**	**79,065**	**-**	**-**	**3,063**	**-**	**82,128**
Transactions with equity holders, recorded directly in equity								
Dividends	**-**	**-**	**(9,790)**	**-**	**-**	**-**	**-**	**(9,790)**
Transfer between reserves	**-**	**-**	**(49,241)**	**11,902**	**-**	**-**	**37,339**	**-**
Total contributions by or distributions to equity holders	**-**	**-**	**(59,031)**	**11,902**	**-**	**-**	**37,339**	**(9,790)**
At 31 December 2014	**16,316**	**189,241**	**87,200**	**63,231**	**6,076**	**16,126**	**44,857**	**423,047**

STATEMENT OF CASH FLOWS

		Group		Company	
	Note	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash flow used in operations	39	**(676,144)**	(109,278)	**(691,756)**	(31,818)
Income taxes paid		**(30,276)**	(8,455)	**(27,028)**	(3,734)
Interest received		**342,481**	316,263	**300,537**	290,527
Interest paid		**(96,306)**	(83,705)	**(88,418)**	(75,025)
Net cash flow (used in)/generated from operating activities		**(460,245)**	114,825	**(506,665)**	179,950
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities		**(405,833)**	(352,003)	**(383,723)**	(312,820)
Proceeds from the sale of investment securities		**406,794**	368,398	**388,733**	355,321
Cash and cash equivalent acquired from subsidiary	25	**191**	5,253	**-**	-
Additional investment in subsidiaries		**-**	-	**(4,850)**	(15,959)
Dividends received		**1,202**	905	**3,716**	2,079
Purchase of property, plant and equipment		**(15,212)**	(12,807)	**(13,154)**	(12,699)
Purchase of intangible assets		**(2,086)**	(1,160)	**(1,896)**	(603)
Proceeds on disposal of property, plant and equipment		**654**	396	**591**	886
Net cash (used in)/generated from investing activities		**(14,290)**	8,982	**(10,583)**	16,205
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		**(39,159)**	(32,632)	**(39,159)**	(32,632)
Proceeds from new borrowings		**309,298**	96,297	**288,179**	98,353
Repayment of borrowings		**(71,308)**	(46,473)	**(65,545)**	(54,975)
Net cash (used in)/generated from financing activities		**198,831**	17,192	**183,475**	10,746
Increase in cash and cash equivalents		**(275,704)**	140,999	**(333,773)**	206,901
Cash and cash equivalents at start of year	18	**762,421**	621,422	**707,290**	500,389
Effect of exchange rate fluctuations on cash held		**(438)**	-	**216**	-
Cash and cash equivalents at end of year	18	**486,279**	762,421	**373,734**	707,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

1 GENERAL INFORMATION

These financial statements are the consolidated financial statements of First Bank of Nigeria Limited (the Bank) and its subsidiaries (hereafter referred to as 'the Group').

The Registered office address of the Bank is at 35 Marina, Samuel Asabia House, Lagos, Nigeria.

The principal activities of the Bank are mainly retail and corporate banking. Retail banking provides banking services and products to individuals and small/medium-scale enterprises, such as savings accounts, investment savings products, loans and money transfers. Corporate banking provides banking services and products to multinational and local corporations, as well as financial and governmental institutions, such as credit facilities and project finance.

The consolidated financial statements for the year ended 31 December 2014 were approved for issue by the Board of Directors on 24 February 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The Group's consolidated financial statements for the year 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, the statement of changes in equity, statement of cash flows and the related notes for the Group and the Bank.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed.

The directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and are applicable to the Group:

(i) **Amendments to IAS 36 – Impairment of assets (effective 1 January 2014)**
These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments require disclosure of the recoverable amount of an asset or cash-generating unit (CGU) when an impairment loss has been recognised or reversed; and it requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. The amendment did not have an impact on the consolidated financial statements of the Group, as the Group did not reverse or recognise an impairment loss on any non-financial assets whose recoverable amount was based on fair value less costs of disposal.

(ii) **Amendments to IAS 32 – Offsetting financial assets and financial liabilities (effective 1 January 2014)**
These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. They do not change the current offsetting model in IAS 32 but clarify that the right of set-off must not be contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

(iii) **IFRS 13 – Fair value measurement**
The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

(iv) **IFRIC 21 – Levies (effective 1 January 2014)**
IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation could result in recognition of a liability later than today, particularly in connection with levies that are triggered by circumstances on a specific date. It addresses the accounting for a liability to pay a levy recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income taxes'. The interpretation does not address whether the liability to pay a levy gives rise to an asset or an expense. Entities will need to apply other standards to determine the accounting for the expense. The Group is not subjected to levies that are not income taxes within the scope of IAS 12, thus the standard did not have an impact on the consolidated financial statements for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.2.1 New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards, interpretations and amendments thereto, had been issued by IASB that are not yet effective for these consolidated financial statements. The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2014.

(i) **IFRS 9 – 'Financial instruments' (effective for periods beginning on or after 1 January 2018)**
This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The guidance in IAS 39 on impairment of financial assets continues to apply. However, entities will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The standard also provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Group is yet to assess the full effect of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

(ii) **IFRS 15 – 'Revenue from contracts with customers' (effective annual periods beginning on or after 1 January 2017)**
IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The Group is yet to assess the full effect of IFRS 15 and intends to adopt IFRS 15 not later than the accounting period beginning on or after January 2017.

(iii) **IAS 24 – 'Related-party disclosures' (effective annual periods beginning on or after 1 July 2014)**
The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

(iv) **IFRS 8 – 'Operating segments' (effective annual periods beginning on or after 1 July 2014)**
The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

(v) **Amendment to IAS 19 (effective annual periods beginning on or after 1 July 2014)**
The amended IAS 19 states that changes in the defined benefit obligation and fair value of plan assets are recognised in the period as they occur. The 'corridor' method is eliminated and actuarial gains and losses and unrecognised past service costs are recognised directly in other comprehensive income. Because actuarial gains and losses are no longer deferred, both the net defined benefit liability/asset and the amounts recognised in income statement are affected. The amended standard splits changes in defined benefit liabilities/assets in:

- service cost (including past service costs, curtailments and settlements) – in income statement;
- net interest costs (i.e., net interest on the net defined benefit liability) – income statement; and
- remeasurement of the defined benefit liability/asset – in other comprehensive income.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 CONSOLIDATION

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

a. **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Investment in subsidiaries is measured at cost in the separate financial statements of the parent.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.3 CONSOLIDATION (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(i) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

b. **Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in associates is measured at cost in the separate financial statements of the investor.

Investment in associates are accounted for using the equity method of accounting in the consolidated financial statements of the Group. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Management Committee that makes strategic decisions.

2.5 COMMON CONTROL TRANSACTIONS

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Bank, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement, directors consider the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework.

Directors also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS interpretation.

Accordingly, the Bank's policy is that the assets and liabilities of the business transferred are measured at their existing book value in the consolidated financial statements of the parent, as measured under IFRS.

The Bank incorporates the results of the acquired businesses only from the date on which the business combination occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.6 FOREIGN CURRENCY TRANSLATION

a. **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in Naira, which is the Group's presentation currency.

b. **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c. **Group companies**

The results and financial position of all the Group entities which have functional currency different from the Group's presentation currency, are translated into the Group's presentation currency as follows:

- assets and liabilities of each foreign operation are translated at the rates of exchange ruling at the reporting date;
- income and expenses of each foreign operation are translated at the average exchange rate for the period, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case income and expenses are translated at the exchange rate ruling at transaction date; and
- all resulting exchange differences are recognised in other comprehensive income.

d. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 INCOME TAXATION

a. **Current income tax**

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that current tax is related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

b. **Deferred income tax**

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes (assets and liabilities) relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.8 INVENTORIES

The mortgage subsidiary of the Group purchases and constructs properties for resale.

Thus the Group recognises property as inventory under the following circumstances:

(i) Property purchased for the specific purpose of resale.

(ii) Property constructed for the specific purpose of resale (work in progress under the scope of IAS 18, 'Revenue').

(iii) Property transferred from investment property to inventories. This is permitted when the Group commences the property's development with a view to sale.

They are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads which have been incurred in bringing the inventories and work in progress to their present location and condition. Cost is determined using weighted average cost. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.9 FINANCIAL ASSETS AND LIABILITIES

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.9.1 Financial assets

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Directors determine the classification of its financial instruments at initial recognition.

a. **Financial assets held for trading**

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively.

The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

b. **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group upon initial recognition designates as available for sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers or other assets and cash balances. Interest on loans is included in the profit or loss and is reported as 'Interest income'.

In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss as 'impairment charge for credit losses'.

c. **Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

(i) those that the Group upon initial recognition designates as held for trading;

(ii) those that the Group designates as available for sale; and

(iii) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the income statement and reported as 'Interest income'. In the case of an impairment, the impairment loss has been reported as a deduction from the carrying value of the investment and recognised in the income statement as 'Net gains/(losses) on investment securities'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.9.1 Financial assets (continued)

d. **Available-for-sale financial assets**

Available-for-sale investments are financial assets that are 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 or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

However, interest is calculated using the effective interest method, and foreign currency gains and losses on non-monetary assets classified as available for sale are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the income statement in 'dividend income' when the Group's right to receive payment is established.

e. **Recognition**

The Group uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

2.9.2 Financial liabilities

The Group's holding in financial liabilities is in financial liabilities held for trading and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a. **Financial liabilities held for trading**

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

b. **Other liabilities measured at amortised cost**

Financial liabilities that are not classified at held for trading fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

2.9.3 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.

2.9.4 Embedded derivatives

Hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and measured at fair value with gains and losses being recognised in the income statement.

2.9.5 Determination of fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, NSE) and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, London Interbank Offered Rate (LIBOR) yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.9.5 Determination of fair value (continued)

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted securities (including those with embedded derivatives) and other instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.7

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary - particularly in view of the current market developments.

The estimated fair value of loans and advances represents an estimation of the value of the loans using average benchmarked lending rates which were adjusted for specific entity risks based on history of losses.

2.9.6 Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.10 OFFSETTING FINANCIAL INSTRUMENTS

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 REVENUE RECOGNITION

a. **Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. 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 instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b. **Fees and commission income**

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.12 IMPAIRMENT OF FINANCIAL ASSETS

a. **Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

b. **Assets classified as available for sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.14 COLLATERAL

The Group obtains collateral, where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customers in the event that the customer defaults.

The Group may also use other credit instruments, such as stock-borrowing contracts, and derivative contracts in order to reduce their credit risk.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

2.15 DISCONTINUED OPERATIONS

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property, recognised in the income statement for the period in which it arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.16 LEASES

Leases are divided into finance leases and operating leases.

a. **The Group is the lessee**

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counterparty.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b. **The Group is the lessor**

(i) Operating lease

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight-line basis.

(ii) Finance lease

When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method which allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.17 PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly branches and offices. All property, plant and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land included in leasehold land and buildings is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	20%
Computer hardware and equipment	33.3%
Plant and machinery	20%
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above and over expected useful life for under 50 years

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review on an annual basis to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments, the expected market requirements for, and the expected pattern of usage of the assets.

When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.17 PROPERTY, PLANT AND EQUIPMENT (continued)

No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

Construction cost and improvements in respect of offices are carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment.

2.18 INTANGIBLE ASSETS

a. **Goodwill**

Goodwill arises on the acquisition of subsidiary and associates, and represents the excess of the cost of acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition. For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated impairment losses, if any. Goodwill that is recognised as an asset is reviewed at least annually for impairment. Any impairment loss is immediately recognised in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit that is expected to derive benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill on acquisitions of associates is included in the amount of the investment.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

b. **Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

(i) It is technically feasible to complete the software product so that it will be available for use.
(ii) Management intends to complete the software product and use or sell it.
(iii) There is an ability to use or sell the software product.
(iv) It can be demonstrated how the software product will generate probable future economic benefits.
(v) Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
(vi) The expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over three years and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

c. Bank brands, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over three years, five years and two years respectively.

2.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and non-restricted balances with central banks.

2.20 EMPLOYEE BENEFITS

The Group has both defined benefit and defined contribution plans.

a. **Defined contribution plan**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.20 EMPLOYEE BENEFITS (continued)

b. **Defined benefit plan**

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Federal Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurements are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

2.21 PROVISIONS

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income and other benefits.

The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

2.22 FIDUCIARY ACTIVITIES

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.23 ISSUED DEBT AND EQUITY SECURITIES

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial assets to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Bank. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

2.24 SHARE CAPITAL

a. **Share issue costs**

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

b. **Dividends on ordinary shares**

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

Dividends proposed by the directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

c. **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.24 SHARE CAPITAL (continued)

d. **Treasury shares**

Where the Bank or other members of the Group purchase the Bank's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

e. **Statutory credit reserve**

In compliance with the Prudential Guidelines for Licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. The guidelines apply objective and subjective criteria towards providing for losses in risk assets. Assets are classed as performing or non-performing. Non-performing assets are further classed as substandard, doubtful or lost with attendants provision as per the table below based on objective criteria.

Classification	Percentage	Basis
Substandard	10%	Interest and/or principal overdue by 90 days but less than 180 days
Doubtful	50%	Interest and/or principal overdue by 180 days but less than 365 days
Lost	100%	Interest and/or principal overdue by more than 365 days

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from retained earnings and included in a non-distributable 'Statutory credit reserve'. Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in income statement.

Following an examination, the regulator may also require more amounts to be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to statutory risk reserve.

2.25 FINANCIAL GUARANTEES

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

3 FINANCIAL RISK MANAGEMENT

3.1 INTRODUCTION AND OVERVIEW

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Bank's Risk Management Directorate (the Directorate) under policies approved by the Board of Directors. The Bank's Risk Management Directorate provides central oversight of risk management across the Bank and its subsidiaries to ensure that the full spectrum of risks facing the Bank and the Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal control is responsible for the independent review of risk management and the control environment, while internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of the internal controls and makes appropriate recommendations where weaknesses are identified with the view of strengthening the Group's risk management framework.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk and market risk (discussed in subsequent sections).

The key elements of the risk management philosophy are the following:

- The Bank considers sound risk management to be the foundation of a long-lasting financial institution.
- The Bank continues to adopt a holistic and integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions.
- Risk officers are empowered to perform their duties professionally and independently without undue interference.
- Risk management is governed by well-defined policies that are clearly communicated across the Bank.
- Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is grounded in consensus.
- The Bank's risk management governance structure is clearly defined.
- There is a clear segregation of duties between market-facing business units and risk management functions.
- Risk-related issues are taken into consideration in all business decisions. The Bank shall continue to strive to maintain a conservative balance between risk and revenue considerations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.1 INTRODUCTION AND OVERVIEW (continued)

- Risk officers work as allies and thought partners to other stakeholders within and outside the Bank and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.
- Risks are reported openly and fully to the appropriate levels once they are identified.
- Risk officers work as allies and thought partners to other stakeholders within and outside the Bank, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.
- All subsidiaries are guided by the principles enshrined in the risk management policies of the Bank.

3.2 CREDIT RISK

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the CRO regularly.

3.2.1 Credit risk measurement

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group reflects the following components:

- the character and capacity to pay of the client or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development;
- credit history of the counterparty; and
- the likely recovery ratio in case of default obligations – value of collateral and other ways out. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Obligor risk rating (ORR system)

The obligor risk rating grids have a minimum of 10 risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. The obligor risk rating is mapped to the probability of default of the customer and the rating adopted depends on the type of customer and the nature of business to reflect the inherent risks associated with each customer. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the obligor risk rating grid with impairment allowance calculated for losses that have been incurred. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating bucket		Range of scores	Probability of default			Grade
				Large corporate	Mid corporate	SME	
Extremely low risk	AAA	1	100-94.44%	0.01			Investment
Very low risk	AA	2	100-83.33%	0.01	0.01		
Low risk	A	3	100-72.22%	0.02	0.02	0.02	
Low risk	BBB	4	72.21-66.67%	0.02	0.02	0.02	
Acceptable – moderately high risk	BB	5	66.66-55.56%	0.04	0.04	0.04	Non-investment
High risk	B	6	55.55-44.44%	0.06	0.06	0.06	
Very high risk	CCC	7	44.43-33.33%	0.09	0.09	0.09	
Extremely high risk	CC	8	33.32-16.67%	0.13	0.13	0.13	
High likelihood of default	C	9	16.66-5.56%	0.15	0.15	0.15	
Default risk	D	10	5.55-0.00%	1.00	1.00	1.00	Default

Collateral risk rating (CRR)/facility risk rating (FRR)

- The Bank does not lend to non-investment grade obligors, on an unsecured basis, except as specified under a product programme. The facility risk rating (FRR) is different from the obligor risk rating (ORR) to the extent of the perceived value of collateral/enhancement provided.

  The facility risk rating approximates a 'loss norm' for each facility, and is the product of two components:

  - the Default Probability of the obligor, i.e., the ORR; and
  - the Loss Given Default, i.e., a measure of the expected economic loss if the obligor defaults, and includes write-offs, recoveries, interest income and legal costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.1 Credit risk measurement (continued)

- The collateral risk rating grid indicates the acceptable collateral types, which are rated 1-8 from best to worst in order of liquidity, controllability and realisable value.

Collateral risk rating	Collateral type
1	Cash
2	Treasury bills/Government securities
3	Guarantee/receivables of investment grade banks
4	Legal and equitable mortgage
4	Debenture trust deed/fixed debenture and mortgage debenture
4	Legal mortgage on residential business real estate in prime locations A and B
4	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
5	Domiciliation of receivables from acceptable corporates
5	Enforceable lien on fast-moving inventory in bonded warehouses
6	Equitable mortgages on real estates in any location
6	Negative pledge/clean lending
6	Domiciliation of other receivables
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Letter of hypothecation, personal guarantee

3.2.2 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and counterparty are set by the Board of Directors on the recommendation of the Executive Director/Chief Risk Officer.

a. **Portfolio limits**

In line with the Group's credit policy, a detailed portfolio plan is prepared annually and provides a framework for creation of credits and risk appetite development. In drawing up the plan, the Group reviews macroeconomic, regulatory and political factors, identifies sectors/industries with opportunity as well as the Group's business targets to determine appropriate portfolio and sub-portfolio limits.

The Group's portfolio limit includes:

- maintain aggregate large exposure of not more than 400% of Bank's shareholders' funds;
- maintain minimum weighted average obligor risk rating (obligor-WARR) of 'BB';.
- maintain minimum weighted average facility risk rating (facility-WARR) of 'BB'; and
- the Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
  - the Group would not have more than 25% of its portfolio in any group of positively correlated industries in terms of risk (e.g., oil exploration and oil service, tyre manufacturing and tyre distribution, etc.)
  - the Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better
  - no more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse
  - no more than 10% of the Group's portfolio in any single industry rated 'B' or worse.

b. **Geographical limits**

Presently, the Group's exposures outside Nigeria are taken by its subsidiaries in the United Kingdom and other African countries, which operate within country limits defined by their Board of Directors. However, the Group has a fully developed country risk rating system that could be employed, should the need arise. In that eventuality, limits will be graduated on country risk rating.

c. **Single obligor limits**

- The Group, as a matter of policy, does not lend above the regulatory lending limit in each of the jurisdiction in which it operates. Internal guidance limits are also set to create a prudent buffer.
- For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realisable value of collateral. The Group shall apply the granularity criterion on its retail credit portfolio: no single retail loan should amount to more than 0.2% of total retail portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.2 Risk limit control and mitigation policies (continued)

The Group also sets internal credit approval limits for various levels in the credit process and these are shown in the table below.

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Group demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Standard credit approval grid for wholesale and retail lending

	Approval levels	Investment grade ₦'000	Non-investment grade ₦'000
1	Board of Directors	>58,000,000	>58,000,000
2	Board Credit Committee	58,000,000	58,000,000
3	Management Credit Committee	30,000,000	15,000,000
4	Group Managing Director + Chief Risk Officer + Business Senior Credit Officer 1/SCO2	10,000,000	3,000,000
5	Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	8,000,000	2,500,000
6	Business Senior Credit Officer 1 + Risk Senior Credit Officer 2	5,000,000	1,000,000
7	Risk Senior Credit Officer 3 + Business Senior Credit Officer 2	500,000	250,000
8	Risk Senior Credit Officer 4 + Business Development Manager/Group Head	100,000	100,000
9	Business Manager + Group Head + Credit Officer	25,000	25,000

The Group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for loans and advances to customers

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security on loans and advances, which is a common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- cash/government securities;
- mortgages over residential properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Lending decisions are usually based on an obligor's ability to repay from normal business operations rather than on proceeds from the sale of any security provided. Collateral values are assessed by a professional at the time of loan origination and are thereafter monitored in accordance with the provisions of the credit policy. The types of collateral acceptable and the frequency with which they are required at origination is dependent on the size and structure of the borrower. For exposures to corporate and large institutions, the Group will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a mortgage debenture over the company's undertaking on one or more of its assets and keyman insurance. The decision as to whether or not collateral is required is based upon the nature of the transaction, the credit worthiness of the customer and obligor risk rating. Other than for project finance, object finance and income producing real estate where charges over the subject assets are a basic requirement, the provision of collateral will not determine the outcome of a credit application. The fundamental business proposition must evidence the ability of the business to generate funds from normal business sources to repay the debt.

The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cash flows, any collateral provided may impact other terms of a loan or facility granted. This will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality. The Group credit risk disclosures for unimpaired lending report assets gross of collateral and therefore disclose the maximum loss exposure. The Group believes this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state. For impaired lending, the value of collateral is re-evaluated and its legal soundness re-assessed if there is observable evidence of distress of the borrower, this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt. Unimpaired lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel.

The Group takes physical possession of properties or other assets held as collateral and uses external agents to realise the value as soon as practicable to settle indebtedness. Any surplus funds realised from such disposal are returned to the borrower or are otherwise dealt with in accordance with appropriate regulations. The assets in such cases are not carried on the Group's balance sheet.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.4 Exposure management

To minimise the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear requirements and guidelines for ongoing management of the risk asset portfolio and individual risk exposures are defined. Ongoing exposure management entails collateral management, facility performance monitoring, exposure quality reviews, prompt and timely identification of decline in quality and risk portfolio reporting.

3.2.5 Delinquency management/loan workout

The Group's delinquency management process involves effective and timely management of accounts showing signs of delinquency to reduce the crystallisation of impairment loss. In line with the Group's delinquency management process, all activities are geared towards resuscitating delinquent loans and includes restructuring and loan workout arrangements.

3.2.6 Credit recovery

In the event of continued delinquency and failure of remediation, full credit recovery action is initiated to recover on such exposures and minimise the overall credit loss to the Group. Recovery action may include appointment of a receiver manager, external recovery agent and/or sale of pledged assets.

3.2.7 Management of concentration risk

The Group manages limits and controls concentrations of credit risk to individual counterparties, groups, industries and countries.

The Group defines levels of concentration risk it is wiling to take by placing limits on credit exposure to a single borrower, groups of borrowers and geographic and industry segments. Such concentration risk limits approved by the Board of Directors on the recommendation of the Executive Director/Chief Risk Officer and monitored on a regular basis. The concentration risk limits may be reviewed from time to time to reflect changing macroeconomic and regulatory conditions as well as the Group's business thrust.

3.2.8 Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

3.2.9 Measurement basis of financial assets and liabilities

Group

31 December 2014	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	697,601	697,601
Loans and advances to banks	-	-	430,053	430,053
Loans and advances to customers:				
– Overdrafts	-	-	314,112	314,112
– Term loans	-	-	1,792,119	1,792,119
– Staff loans	-	-	7,013	7,013
– Project finance	-	-	77,558	77,558
– Advances under finance lease	-	-	2,761	2,761
Investment securities:				
– Available-for-sale investments	-	442,551	-	442,551
– Held-to-maturity investments	-	-	156,353	156,353
Asset pledged as collateral	-	19,203	45,324	64,527
Financial assets held for trading	10,708	-	-	10,708
Other assets	-	-	26,728	26,728
Total financial assets	**10,708**	**461,754**	**3,549,622**	**4,022,084**
FINANCIAL LIABILITIES				
Customer deposits	-	-	2,989,735	2,989,735
Deposits from banks	-	-	163,710	163,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.9 Measurement basis of financial assets and liabilities (continued)

Group

31 December 2014	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
Financial liabilities held for trading	9,913	-		9,913
Borrowings	-	-	362,976	362,976
Other liabilities	-	-	129,484	129,484
Total financial liabilities	9,913	-	3,645,905	3,655,818

Group

31 December 2013	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	593,973	593,973
Loans and advances to banks	-	-	415,210	415,210
Loans and advances to customers:				
- Overdrafts	-	-	340,054	340,054
- Term loans	-	-	1,388,912	1,388,912
- Staff loans	-	-	6,071	6,071
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Investment securities:				
- Available-for-sale investments	-	451,423	-	451,423
- Held-to-maturity investments	-	-	283,267	283,267
Asset pledged as collateral	-	20,382	33,269	53,651
Financial assets held for trading	4,743	-	-	4,743
Other assets	-	-	30,318	30,318
Total financial assets	4,743	471,805	3,153,972	3,630,520
FINANCIAL LIABILITIES				
Customer deposits	-	-	2,942,782	2,942,782
Deposits from banks	-	-	77,481	77,481
Financial liabilities at fair value through profit or loss	1,701	-	-	1,701
Borrowings	-	-	126,302	126,302
Other liabilities	-	-	181,734	181,734
Total financial liabilities	1,701	-	3,328,299	3,330,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.9 **Measurement basis of financial assets and liabilities** (continued)

Bank

31 December 2014	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	670,045	670,045
Loans and advances to banks	-	-	242,842	242,842
Loans and advances to customers:				
- Overdrafts	-	-	295,257	295,257
- Term loans	-	-	1,473,342	1,473,342
- Staff loans	-	-	6,152	6,152
- Project finance	-	-	16,525	16,525
- Advances under finance lease	-	-	2,761	2,761
Financial assets held for trading	9,258	-	-	9,258
Investment securities:				
- Available-for-sale investments	-	404,508	-	404,508
- Held-to-maturity investments	-	-	140,467	140,467
Asset pledged as collateral	-	19,203	43,955	63,158
Other assets	-	-	17,323	17,323
Total financial assets	**9,258**	**423,711**	**2,908,669**	**3,341,638**
FINANCIAL LIABILITIES				
Customer deposits	-	-	2,551,022	2,551,022
Deposits from banks	-	-	19,246	19,246
Financial liabilities held for trading	7,946	-	-	7,946
Borrowings	-	-	377,950	377,950
Other liabilities	-	-	101,652	101,652
Total financial liabilities	**7,946**	**-**	**3,049,870**	**3,057,816**

Bank

31 December 2013	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	502,249	502,249
Loans and advances to banks	-	-	367,571	367,571
Loans and advances to customers:				
- Overdrafts	-	-	327,209	327,209
- Term loans	-	-	1,078,200	1,078,200
- Staff loans	-	-	5,532	5,532
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Investment securities:				
- Available-for-sale investments	-	359,052	-	359,052
- Held-to-maturity investments	-		278,876	278,876
Asset pledged as collateral	-	19,137	33,269	52,406
Financial assets held for trading	2,225	-	-	2,225
Other assets	-	-	22,968	22,968
Total financial assets	2,225	378,189	2,678,772	3,059,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.9 Measurement basis of financial assets and liabilities (continued)

Bank

31 December 2013	Fair value through profit and loss held for trading ₦ million	Fair value through other comprehensive income available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES				
Customer deposits	-	-	2,942,782	2,942,782
Deposits from banks	-	-	77,481	77,481
Financial liabilities held for trading	1,697	-	-	1,697
Borrowings	-	-	125,363	125,363
Other liabilities	-	-	156,821	156,821
Total financial liabilities	1,697	-	3,302,447	3,304,144

3.2.10 Maximum exposure to credit risk before collateral held or credit enhancements

Credit risk exposures relating to on balance sheet assets are as follows:

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Balances with central banks	**634,295**	522,292	**625,706**	502,249
Loans and advances to banks	**430,053**	415,210	**242,842**	367,571
Loans and advances to customers:				
- Overdrafts	**314,112**	340,054	**295,257**	327,209
- Term loans	**1,792,119**	1,388,912	**1,473,342**	1,078,200
- Staff loans	**7,013**	6,071	**6,152**	5,532
- Project finance	**77,558**	60,803	**16,525**	60,803
- Advances under finance lease	**2,761**	2,095	**2,761**	2,095
Financial assets held for trading	**10,708**	4,743	**9,258**	2,225
Investment securities – debt:				
- Available-for-sale investments	**400,205**	416,013	**362,382**	325,839
- Held-to-maturity investments	**156,353**	283,267	**140,467**	278,876
Asset pledged as collateral	**64,527**	53,651	**63,158**	52,406
Other assets	**26,728**	30,318	**17,323**	22,968
	3,916,432	3,523,429	**3,255,173**	3,025,973
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	**90,379**	408,008	**77,188**	352,008
Letter of credit and other credit-related obligations	**701,997**	693,615	**642,751**	672,545
	792,376	1,101,623	**719,939**	1,024,553
Total maximum exposure	**4,708,808**	4,625,052	**3,975,112**	4,050,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure

a. **Geographical sectors**

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2014 and 31 December 2013. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets held for trading analysed below excludes investments in equity instruments.

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	625,707			8,160	428		634,295
Loans and advances to banks	78,391	-	2,717	21,905	271,640	55,400	430,053
Loans and advances to customers:							-
- Overdrafts	220,337	58,629	16,745	17,411	991		314,113
- Term loans	1,047,805	332,387	102,839	97,653	211,435		1,792,119
- Staff loans	6,173	-	-	798	42		7,013
- Project finance	38,310	803	9,563	25,896	2,986		77,558
- Advances under finance lease	2,039	683	39	-	-	-	2,761
Financial assets held for trading	904	-	-	-	8,674	1,130	10,708
Investment securities:							
- Available-for-sale investments	376,523	3,235	799	9,065	10,583		400,205
- Held-to-maturity investments	137,678	7,334	504	10,837	-		156,353
Asset pledged as collateral	63,158	-	-	1,369	-		64,527
Other assets	12,830	8,584	609	4,479	227		26,729
31 December 2014	**2,609,855**	**411,655**	**133,815**	**197,573**	**507,006**	**56,530**	**3,916,434**

Credit risk exposure relating to off balance sheet items are as follows.

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	63,409	7,172	10,327	2,239	7,232	-	90,379
Letters of credit and other credit-related obligations	458,546	66,959	46,960	18,602	110,929		701,996
31 December 2014	**521,955**	**74,131**	**57,287**	**20,841**	**118,161**	**-**	**792,375**

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	502,252	-	-	6,569	13,471	-	522,292
Loans and advances to banks	113,615	-	440	37,220	135,824	128,111	415,210
Loans and advances to customers:							
- Overdrafts	258,027	43,577	25,609	12,402	439		340,054
- Term loans	835,666	179,725	92,626	105,245	124,964	50,686	1,388,912
- Staff loans	5,526	-	-	513	32	-	6,071
- Project finance	20,865	30,742	9,196	-	-	-	60,803
- Advances under finance lease	1,587	482	26	-	-	-	2,095
Financial assets held for trading	2,213	-	-	-	2,530	-	4,743
Investment securities:							
- Available-for-sale investments	342,228	2,690	3,008	14,504	50,467	3,116	416,013
- Held-to-maturity investments	273,064	9,276	927	-	-	-	283,267
Asset pledged as collateral	52,406	-	-	1,245	-	-	53,651
Other assets	13,490	11,791	1,404	2,587	328	718	30,318
31 December 2013	2,420,939	278,283	133,236	180,285	328,055	182,631	3,523,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure (continued)

Credit risk exposure relating to off balance sheet items are as follows.

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	286,761	30,345	34,902	49,353	6,647	-	408,008
Letters of credit and other credit-related obligations	440,762	88,555	92,032	1,078	71,188	-	693,615
31 December 2013	727,523	118,900	126,934	50,431	77,835	-	1,101,623

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	625,706	-	-	-	-	-	625,706
Loans and advances to banks	28,650	-	2,717	3,168	185,287	23,020	242,842
Loans and advances to customers:							
- Overdrafts	219,883	58,629	16,745	-	-	-	295,257
- Term loans	1,037,772	332,387	102,839	-	344	-	1,473,342
- Staff loans	6,152	-	-	-	-	-	6,152
- Project finance	6,159	803	9,563	-	-	-	16,525
- Advances under finance lease	2,039	683	39	-	-	-	2,761
Financial assets held for trading	904	-	-	-	7,224	1,130	9,258
Investment securities:							
- Available-for-sale investments	358,348	3,235	799	-	-	-	362,382
- Held-to-maturity investments	132,630	7,334	504	-	-	-	140,468
Asset pledged as collateral	63,158	-	-	-	-	-	63,158
Other assets	8,130	8,584	609	-	-	-	17,323
31 December 2014	2,489,531	411,655	133,815	3,168	192,855	24,150	3,255,174

Credit risk exposure relating to off balance sheet items are as follows.

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	59,689	7,172	10,327	-	-	-	77,188
Letters of credit and other credit-related obligations	427,361	66,959	47,150	1,572	99,709	-	642,751
31 December 2014	487,050	74,131	57,477	1,572	99,709	-	719,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure (continued)

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	502,249	-	-	-	-	-	502,249
Loans and advances to banks	12,149	-	440	16,164	216,672	122,146	367,571
Loans and advances to customers:							
- Overdrafts	258,024	43,577	25,609	-	-	-	327,210
- Term loans	805,849	179,725	92,626	-	-	-	1,078,200
- Staff loans	5,532	-	-	-	-	-	5,532
- Project finance	20,865	30,742	9,196	-	-	-	60,803
- Advances under finance lease	1,587	482	26	-	-	-	2,095
Financial assets held for trading	2,213	-	-	-	12	-	2,225
Investment securities:							
- Available-for-sale investments	320,141	2,690	3,008	-	-	-	325,839
- Held-to-maturity investments	268,673	9,276	927				278,876
Asset pledged as collateral	52,406	-	-	-	-	-	52,406
Other assets	12,152	9,008	1,090	-	-	718	22,968
31 December 2013	2,261,840	275,500	132,922	16,164	216,684	122,864	3,025,974

Credit risk exposure relating to off balance sheet items are as follows.

Bank

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	286,761	30,345	34,902	-	-	-	352,008
Letters of credit and other credit-related obligations	491,958	88,555	92,032	-	-	-	672,545
31 December 2013	778,719	118,900	126,934	-	-	-	1,024,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure (continued)

b. **Industry sectors**

The following table breaks down the Group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties. Investment securities and financial assets held for trading analysed below excludes investments in equity instruments.

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas				-			4,408
Consumer credit				-			-
Manufacturing			-	-	1,007	-	-
Real estate			-	-	-	-	-
Construction			-	-	-	-	-
Finance and insurance	634,295	430,053	9,804	38,079	5,170	-	21,766
Transportation			-	-	-	-	-
Communication			-	-	-	-	-
General commerce				-	-	-	-
Utilities			-	-	-	-	-
Retail services			-	-	-	-	-
Public sector			904	362,126	150,176	64,527	554
Total at 31 December 2014	634,295	430,053	10,708	400,205	156,353	64,527	26,728

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	1,611	56,305	-	-	-	57,916
Oil and gas	130,255	679,423	-	33,805	284	843,767
Consumer credit	5,137	163,494	5,592	-	29	174,252
Manufacturing	54,165	294,080	-	18,043	405	366,693
Real estate	20,297	164,114	1,421	-	-	185,832
Construction	32,709	43,257	-	14,322	-	90,288
Finance and insurance	853	15,971	-	1,744	14	18,582
Transportation	3,710	4,316	-	3,851	28	11,905
Communication	2,432	59,384	-	-	-	61,816
General commerce	23,987	69,615	-	209	9	93,820
Utilities	6,888	51,201	-	-	-	58,089
Retail services	25,869	77,762	-	4,409	1,974	110,014
Public sector	6,199	113,197	-	1,174	18	120,588
Total at 31 December 2014	314,112	1,792,119	7,013	77,557	2,761	2,193,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure (continued)

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	6,653
Oil and gas	-	-	1,625	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,923	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	522,292	415,210	2,530	33,610	5,171	-	23,665
Transportation	-	-	4	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	584	382,403	276,173	53,651	-
Total at 31 December 2013	522,292	415,210	4,743	416,013	283,267	53,651	30,318

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	549	64,456	-	-	-	65,005
Oil and gas	173,008	445,678	-	2,697	47	621,430
Consumer credit	4,649	134,933	3,682	-	23	143,287
Manufacturing	63,144	207,958	-	-	113	271,215
Real estate	9,752	104,140	2,237	45,755	-	161,884
Construction	10,875	24,758	-	12,351	-	47,984
Finance and insurance	1,689	9,817	117	-	-	11,623
Transportation	5,171	2,972	-	-	142	8,285
Communication	4,936	90,623	-	-	-	95,559
General commerce	31,868	61,114	3	-	-	92,985
Utilities	5,738	27,537	-	-	18	33,293
Retail services	22,842	78,400	32	-	1,720	102,994
Public sector	5,833	136,525	-	-	31	142,389
Total at 31 December 2013	340,054	1,388,911	6,071	60,803	2,094	1,797,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure (continued)

Bank

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas			-	-	-	-	4,408
Consumer credit			-	-	-	-	
Manufacturing			-	-	1,007	-	
Real estate			-	-	-	-	
Construction			-	-	-	-	
Finance and insurance	625,706	242,842	8,354	6,427	5,170	-	12,361
Transportation			-	-	-	-	
Communication			-	-	-	-	
General commerce			-	-	-	-	
Utilities			-	-	-	-	
Retail services			-	-	-	-	
Public sector			904	355,955	134,290	63,158	554
Total at 31 December 2014	625,706	242,842	9,258	362,382	140,467	63,158	17,323

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	1,412	18,848	-	-	-	20,260
Oil and gas	127,954	644,237	-	2,204	284	774,679
Consumer credit	4,847	161,732	4,731	-	29	171,339
Manufacturing	51,247	158,350	-	-	405	210,002
Real estate	19,628	94,423	1,421	-	-	115,472
Construction	32,288	42,864	-	14,322	-	89,474
Finance and insurance	259	12,778	-	-	14	13,051
Transportation	2,310	1,173	-	-	28	3,511
Communication	1,815	58,523	-	-	-	60,338
General commerce	17,918	52,408	-	-	9	70,335
Utilities	6,797	51,142	-	-	-	57,939
Retail services	22,885	66,092	-	-	1,974	90,951
Public sector	5,895	110,772	-	-	18	116,685
Total at 31 December 2014	295,257	1,473,342	6,152	16,526	2,761	1,794,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure (continued)

Bank

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	1,626	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,924	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	502,249	367,571	12	4,866	5,170	-	-
Transportation	-	-	4	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	22,968
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	584	320,973	271,782	52,406	-
Total at 31 December 2013	502,249	367,571	2,226	325,839	278,876	52,406	22,968

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	437	25,175	-	-	-	25,612
Oil and gas	171,668	383,384	-	2,697	47	557,796
Consumer credit	3,742	131,620	3,295	-	23	138,680
Manufacturing	58,482	114,584	-	-	113	173,179
Real estate	9,685	38,356	2,237	45,755	-	96,033
Construction	10,774	24,535	-	12,351	-	47,660
Finance and insurance	1,646	12,938	-	-	-	14,584
Transportation	2,690	600	-	-	142	3,432
Communication	4,804	90,434	-	-	-	95,238
General commerce	30,850	21,390	-	-	-	52,240
Utilities	5,669	27,537	-	-	18	33,224
Retail services	22,252	77,587	-	-	1,720	101,559
Public sector	4,511	130,060	-	-	31	134,602
Total at 31 December 2013	327,210	1,078,200	5,532	60,803	2,094	1,473,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure (continued)

Credit risk exposure relating to off balance sheet items are as follows:

Group

	Loan commitments 31 Dec 2014 ₦ million	Letter of credit and other related obligations 31 Dec 2014 ₦ million	Loan commitments 31 Dec 2013 ₦ million	Letter of credit and other related obligations 31 Dec 2013 ₦ million
Agriculture	138	6,896	2,443	3,662
Oil and gas	19,145	116,243	169,100	115,457
Consumer credit	432	24	15,427	484
Manufacturing	39,004	171,184	79,175	11,976
Real estate	1,436	663	10,005	27,944
Construction	10,923	85,179	18,357	205,450
Finance and insurance	9	189,320	1,911	99,042
Transportation	1,686	9,748	1,240	1,786
Communication	8,218	2,024	54,962	7,062
General commerce	3,341	39,642	27,464	147,327
Utilities	3,911	48,350	2,364	457
Retail services	2,097	29,183	22,640	66,890
Public sector	39	3,541	2,920	6,078
Total	90,379	701,997	408,008	693,615

Bank

	Loan commitments 31 Dec 2014 ₦ million	Letter of credit and other related obligations 31 Dec 2014 ₦ million	Loan commitments 31 Dec 2013 ₦ million	Letter of credit and other related obligations 31 Dec 2013 ₦ million
Agriculture	138	4,340	432	3,662
Oil and gas	11,352	114,391	165,777	115,457
Consumer credit	432	24	2,144	484
Manufacturing	38,988	190,583	75,798	11,976
Real estate	974	663	8,948	27,944
Construction	10,923	85,428	17,261	128,859
Finance and insurance	9	115,449	1,483	99,042
Transportation	324	8,987	150	1,786
Communication	7,989	2,024	53,189	7,062
General commerce	19	39,818	7,157	202,848
Utilities	3,911	48,350	1,370	457
Retail services	2,091	29,153	18,126	66,890
Public sector	39	3,541	172	6,078
Total	77,189	642,751	352,007	672,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 Loans and advances to customers

Credit quality of loans and advances to customers is summarised as follows:

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	300,766	1,691,269	7,081	77,424	1,698	2,078,238
Past due but not impaired	11,087	81,046	-	284	1,058	93,475
Individually impaired	14,571	37,798	-	-	241	52,610
Collectively impaired	3,151	8,977	-	-	46	12,174
Gross	329,575	1,819,090	7,081	77,708	3,043	2,236,497
Less: allowance for impairment (Note 20)	(15,464)	(26,971)	(68)	(151)	(282)	(42,936)
Net	314,111	1,792,119	7,013	77,557	2,761	2,193,561
Specific impairment (see Note 20)	11,845	15,640	-	-	241	27,726
Portfolio allowance (see Note 20)	3,619	11,331	68	151	41	15,210
Total	15,464	26,971	68	151	282	42,936

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2013						
Neither past due nor impaired	321,174	1,248,568	6,124	59,425	1,616	1,636,907
Past due but not impaired	14,771	135,055	122	2,109	490	152,547
Individually impaired	14,889	16,545	38	-	696	32,169
Collectively impaired	3,744	17,724	3	-	60	21,531
Gross	354,578	1,417,892	6,287	61,534	2,862	1,843,154
Less: allowance for impairment (Note 20)	(14,524)	(28,981)	(216)	(731)	(768)	(45,220)
Net	340,054	1,388,912	6,071	60,803	2,095	1,797,934
Specific impairment (see Note 20)	10,465	9,393	31	-	696	20,585
Portfolio allowance (see Note 20)	4,060	19,587	185	731	71	24,634
Total	14,524	28,981	216	731	768	45,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 **Loans and advances to customers** (continued)

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	283,576	1,373,529	6,220	16,676	1,698	1,681,699
Past due but not impaired	9,998	79,074	-	-	1,058	90,130
Individually impaired	13,795	36,677	-	-	241	50,713
Collectively impaired	1,354	8,164	-	-	46	9,564
Gross	308,723	1,497,444	6,220	16,676	3,043	1,832,106
Less: allowance for impairment (Note 20)	(13,467)	(24,102)	(68)	(151)	(282)	(38,070)
Net	295,256	1,473,342	6,152	16,525	2,761	1,794,036
Specific impairment (see Note 20)	11,299	14,616	-	-	241	26,156
Portfolio allowance (see Note 20)	2,168	9,486	68	151	41	11,914
Total	13,467	24,102	68	151	282	38,070

Bank

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2013						
Neither past due nor impaired	312,638	943,411	5,702	59,425	1,616	1,322,792
Past due but not impaired	11,930	131,063	-	2,109	490	145,592
Individually impaired	13,433	12,388	-	-	696	26,517
Collectively impaired	2,854	17,473			60	20,387
Gross	340,855	1,104,335	5,702	61,534	2,862	1,515,288
Less: allowance for impairment (Note 20)	(13,645)	(26,135)	(170)	(731)	(767)	(41,448)
Net	327,210	1,078,200	5,532	60,803	2,095	1,473,840
Specific impairment (see Note 20)	10,022	7,297	-	-	696	18,016
Portfolio allowance (see Note 20)	3,623	18,838	170	731	71	23,433
Total	13,645	26,135	170	731	767	41,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 Loans and advances to customers (continued)

Group – December 2014

a. **Loans and advances to customers – neither past due nor impaired**

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (see section 3.2.1 for an explanation of the internal rating system).

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	141	4,598	1	-	-	4,740
AA	-	17,667	-	-	-	17,667
A	390	44,251	32	-	-	44,673
BBB	66,005	130,344	-	1,404	-	197,753
BB	163,467	870,472	6,323	14,464	1,066	1,055,792
B	69,614	329,111	685	1,973	632	402,015
CCC	-	5,974	-	-	-	5,974
CC						-
C	1,149	288,852	40	59,583		349,624
Total	300,766	1,691,269	7,081	77,424	1,698	2,078,238

b. **Loans and advances past due but not impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	10,046	57,356	-	-	996	68,398
Past due by 30-60 days	178	3,035	-	-	-	3,213
Past due by 60-90 days	863	20,655	-	284	62	21,864
Gross amount	11,087	81,046	-	284	1,058	93,475

c. **Collectively impaired loans**

These represent insignificant impaired loans, which are assessed on a collective basis.

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	3,151	8,977	-	-	46	12,174

d. **Loans and advances individually impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	14,571	37,798	-	-	241	52,610
Specific impairment	11,845	15,640	-	-	241	27,726
Net amount	2,726	22,158	-	-	0	24,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 Loans and advances to customers (continued)

Group – December 2013

a. **Loans and advances to customers – neither past due nor impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	939	8,271	133	-	-	9,343
AA	6,189	10,816	-	-	-	17,005
A	6,224	50,110	-	2,580	-	58,914
BBB	20,318	91,007	2,311	1,051	56	114,743
BB	205,461	509,398	7	21,566	623	737,055
B	82,042	578,967	3,580	34,227	938	699,754
CCC	-	-	92	-	-	92
Total	321,173	1,248,569	6,123	59,424	1,617	1,636,906

b. **Loans and advances past due but not impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	12,397	62,668	110	1,467	484	77,126
Past due by 30-60 days	2,220	64,035	3	642	5	66,905
Past due by 60-90 days	154	8,353	8	-	-	8,515
Gross amount	14,771	135,056	121	2,109	489	152,546

c. **Collectively impaired loans**

These represent insignificant impaired loans, which are assessed on a collective basis.

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	3,744	17,724	3	-	60	21,531

d. **Loans and advances individually impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	14,889	16,545	38	-	696	32,168
Specific impairment	10,465	9,393	31	-	696	20,585
Net amount	4,424	7,152	7	-	-	11,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 Loans and advances to customers (continued)

Bank – December 2014

a. **Loans and advances to customers – neither past due nor impaired**

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (see section 3.2.1 for an explanation of the internal rating system).

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	141	1	-	-	-	142
AA	-	8,707	-	-	-	8,707
A	390	44,251	-	-	-	44,641
BBB	66,005	124,363	-	1,404	-	191,772
BB	161,655	864,141	6,197	14,464	1,066	1,047,523
B	55,385	326,093	24	808	632	382,942
CCC	-	5,973	-	-	-	5,973
Total	283,576	1,373,529	6,221	16,676	1,698	1,681,699

b. **Loans and advances past due but not impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	9,600	57,214	-	-	996	67,810
Past due by 30-60 days	6	2,588	-	-		2,594
Past due by 60-90 days	392	19,272	-	-	62	19,726
Gross amount	9,998	79,074	-	-	1,058	90,130

c. **Collectively impaired loans**

These represent insignificant impaired loans, which are assessed on a collective basis.

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	1,354	8,164	-	-	46	9,564

d. **Loans and advances individually impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	13,795	36,677	-	-	241	50,713
Specific impairment	11,299	14,616	-	-	241	26,155
Net amount	2,496	22,061	-	-	-	24,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 Loans and advances to customers (continued)

Bank – December 2013

a. **Loans and advances to customers – neither past due nor impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	5,405	-	-	-	-	5,405
AA	5,659	49,945	-	2,580	-	58,184
A	18,573	80,313	2,311	1,051	56	102,304
BBB	203,910	503,833	-	21,566	623	729,932
BB	79,090	309,321	3,391	34,227	938	426,967
Total	312,637	943,412	5,702	59,424	1,617	1,322,792

b. **Loans and advances past due but not impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	9,749	59,602	-	1,467	484	71,302
Past due by 30-60 days	2,163	63,708	-	642	5	66,518
Past due by 60-90 days	18	7,753	-	-	-	7,771
Gross amount	11,930	131,063	-	2,109	489	145,591

c. **Collectively impaired loans**

These represent insignificant impaired loans, which are assessed on a collective basis.

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	2,854	17,473	-	-	60	20,387

d. **Loans and advances individually impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	13,433	12,388	-	-	696	26,517
Specific impairment	10,022	7,297	-	-	696	18,015
Net amount	3,411	5,091	-	-	-	8,502

e. **Sensitivity analysis on impairment**

The loan portfolio of First Bank of Nigeria, the most significant entity of the Commercial Banking group, has been adopted for this sensitivity test; this is based on the premise that the outcome of this stress test on the Bank is reflective of the entire portfolio of the group. The credit factors considered for this sensitivity are highlighted below:

Probability of default (PD): This represents the probability that a currently performing account will decline in credit quality. The probability of default model is designed to provide a measurement of obligor quality by estimating the likelihood default over a short-term horizon (usually 12 months). A low probability of default indicates a borrower with good credit quality while a high probability of default indicates a borrower with low credit quality and a high likelihood of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 Loans and advances to customers (continued)

Loss given default (LGD): The loss given default estimates the expected loss on a default account after all recoveries have being exhausted. In estimating the LGD for the credit portfolio, recoveries made on historic loan loss data by way of loan repayment, recovery efforts and/or sale of collateral was applied.

Approach to sensitivity analysis
In performing the sensitivity analysis, two scenarios were considered as detailed below.

Scenario 1

The PD of the performing book was flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default.

Scenario 2

The LGD of the performing book and insignificant non-performing loans were flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realising collaterals pledged.

Outcome of the sensitivity analysis is shown below as well as the impact on profit or loss:

	Impairment charge in profit or loss		
	Current year ₦ million	Scenario 1 ₦ million	Scenario 2 ₦ million
31 DECEMBER 2014			
Overdrafts	**10,253**	**10,638**	**10,675**
Term loans	**13,956**	**15,579**	**15,813**
Staff loans	**(102)**	**(88)**	**(88)**
Project finance	**(580)**	**(550)**	**(550)**
Advances under finance lease	**(456)**	**(433)**	**(432)**
Total	**23,071**	**25,146**	**25,418**
31 DECEMBER 2013			
Overdrafts	11,806	12,350	12,350
Term loans	10,117	10,792	10,792
Staff loans	(430)	(396)	(396)
Project finance	(1)	145	145
Advances under finance lease	681	691	691
Total	22,173	23,582	23,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.13 Loans and advances to banks

Credit quality of loans to banks is summarised as follows:

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody's rating, Agusto & Agusto's rating (credit rating agency) and the Bank's internal rating system at 31 December 2014 and 31 December 2013.

	Group	Bank
	Loans to banks ₦ million	Loans to banks ₦ million
31 DECEMBER 2014		
A+ to A-	254,781	180,615
B+ to B-	108,576	57,587
Unrated	66,697	4,641
	430,054	242,843
31 DECEMBER 2013		
A+ to A-	220,663	170,615
B+ to B-	164,519	196,956
Unrated	30,029	-
	415,211	367,571

3.2.14 Credit quality of investment in debt securities and other assets is summarised as follows:

All investments in debt instruments are neither past due nor impaired.

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Agusto's rating (credit rating agency) at 31 December 2014 and 31 December 2013.

Group					
	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Other assets ₦ million
31 DECEMBER 2014					
A+ to A-	-	19,001	-	22,359	937
B+ to B-	308,984	91,423	8,970	165,999	8,316
Unrated			4,350	-	17,475
	308,984	110,424	13,320	188,358	26,728
31 DECEMBER 2013					
A+ to A-	276,233	136,956	10,498	306,037	-
B+ to B-	-	20,607	-	-	
Unrated	-	2,597	-	-	30,318
	276,233	160,160	10,498	306,037	30,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.14 Credit quality of investment in debt securities and other assets is summarised as follows: (continued)

Bank

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Other assets ₦ million
31 DECEMBER 2014					
A+ to A-	-	8,418	-	22,358	937
B+ to B-	302,814	70,353	-	162,064	8,316
Unrated	-	-	-	-	8,302
	302,814	78,771	-	184,422	17,323
31 DECEMBER 2013					
A+ to A-	217,235	127,741	6,107	306,037	-
Unrated	-	-	-	-	22,968
	217,235	127,741	6,107	306,037	22,968

3.2.15 Collateralised assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ('over-collateralised assets') and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ('under-collateralised assets'). The effect of collateral at 31 December 2014 and 31 December 2013 are shown below.

(i) Group

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 DECEMBER 2014				
FINANCIAL ASSETS				
Loans and advances to banks			430,053	19,837
Financial assets held for trading			10,708	5,983
Total financial assets	-	-	440,761	25,820
31 DECEMBER 2013				
FINANCIAL ASSETS				
Loans and advances to banks			415,210	8,800
Total financial assets	-	-	415,210	8,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.15 Collateralised assets (continued)

(ii) Bank

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 DECEMBER 2014				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	242,842	19,837
Financial assets held for trading	-	-	9,258	5,983
Total financial assets	-	-	252,100	25,820
31 DECEMBER 2013				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	367,571	8,800
Total financial assets	-	-	367,571	8,800

Loans and advances to customers have been excluded from the tables above, as no aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel. See further details on collateral management for the loan book in Note 3.2.3.

The underlisted financial assets are not collateralised:

- Cash and balances with central banks.
- Investment securities:
  - available-for-sale investments; and
  - held-to-maturity investments.
- Asset pledged as collateral.
- Other assets.

The Group's investment in risk-free government securities (constituting 90% of debt instruments portfolio) and its cash and balances with central banks are not considered to require collaterals given their sovereign nature.

3.2.16 Statement of Prudential adjustment

In compliance with the CBN circular dated 19 March 2013 reference BSD/DIR/CEN/LAB/06/014, the impairment provision under IFRS and the provisions under the Nigerian Prudential Guidelines as determined by the CBN were compared and shown below:

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Total IFRS impairment losses	(38,867)	(42,650)
Prudential provisions	83,724	50,168
Balance in statutory credit reserve	44,857	7,518
ANALYSIS OF THE IFRS IMPAIRMENT LOSSES		
Loans: specific impairment (Note 20)	26,156	18,015
Loans: collective impairment (Note 20)	11,914	23,433
Other assets (Note 31)	797	1,202
Total IFRS impairment losses	38,867	42,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligation as they fall due or will have to meet the obligations at excessive costs. This risk could arise from mismatches in the timing of cash flows.

Funding risk is a form of liquidity risk that arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The objective of the Group's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- active monitoring of the timing of cash flows and maturity profiles of assets and liabilities to ensure mismatches are within stipulated limits;
- monitoring the liquidity ratios against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Particular attention is also paid to the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquidity risk on derivatives is managed using the same source of funding as for the non-derivative liabilities.

Funding approach

The Group is funded primarily by a well-diversified mix of retail, corporate and public sector deposits. This funding base ensures stability and low funding cost with minimal reliance on more expensive tenured deposit and interbank takings as significant sources of funding.

Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in table A below, are the contractual undiscounted cash flow, whereas the Group manages the liquidity risk on a behavioural basis which is shown in table B below.

Table A – liquidity analysis on a contractual basis

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	118,294	42,793	2,623	-	-	-	163,710
Deposits from customers	2,287,945	404,931	69,393	91,319	134,030	9,658	2,997,276
Borrowings	59,211	130,550	7,489	11,624	62,302	164,086	435,262
Other liabilities	70,516	30,464	566	25,966	1,971		129,483
Total financial liabilities	2,535,966	608,738	80,071	128,909	198,303	173,744	3,725,731
Loan commitments	947	198	433	3,714	28,921	56,166	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	229,697	68,127	49,396	99,616	79,522	266,018	792,376
Assets held for managing liquidity risk	240,924	271,270	210,521	31,470	300,519	114,123	1,168,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.3.1 Management of liquidity risk (continued)

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2013							
Financial liabilities							
Deposits from banks	28,205	47,412	1,864	-	-	-	77,481
Deposits from customers	2,489,503	271,246	47,330	60,609	78,684	823	2,948,195
Borrowings	17,568	32,494	1,854	8,013	40,498	54,931	155,357
Other liabilities	11,996	156,172	548	24	-	12,994	181,734
Total financial liabilities	2,547,272	507,323	51,597	68,646	119,182	68,748	3,362,768
Loan commitments	58,505	85,962	62,610	67,961	56,415	76,555	408,008
Letters of credit and other credit-related obligations	643,247	4,347	5,940	23,934	16,147	-	693,615
Total commitments	701,752	90,309	68,550	91,895	72,562	76,555	1,101,624
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021

Bank

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	19,246	-	-	-	-	-	19,246
Deposits from customers	2,197,510	286,199	52,547	22,307	-	-	2,558,563
Borrowings	61,536	142,515	8,266	11,586	62,302	164,086	450,291
Other liabilities	42,685	30,464	566	25,966	1,971	-	101,652
Total financial liabilities	2,320,977	459,178	61,379	59,859	64,273	164,086	3,129,752
Loan commitments	48	198	433	3,714	16,630	56,166	77,189
Letters of credit and other credit-related obligations	250,700	63,232	20,309	51,171	50,578	206,760	642,750
Total commitments	250,748	63,430	20,742	54,885	67,208	262,926	719,939
Assets held for managing liquidity risk	406,913	73,600	194,554	13,192	158,331	72,228	918,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.3.1 Management of liquidity risk (continued)

Bank

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2013							
Financial liabilities							
Deposits from banks	10,155	-	-	-	-	-	10,155
Deposits from customers	2,346,507	175,119	38,561	11,812	3,118	-	2,575,117
Borrowings	17,568	31,555	1,854	8,013	40,498	54,931	154,419
Other liabilities	56,818	90,642	-	4,811	-	4,550	156,821
Total financial liabilities	2,431,048	297,316	40,415	24,636	43,616	59,481	2,896,512
Loan commitments	10,567	79,315	61,195	67,961	56,415	76,555	352,008
Letters of credit and other credit-related obligations	622,177	4,347	5,940	23,934	16,147	-	672,545
Total commitments	632,744	83,662	67,135	91,895	72,562	76,555	1,024,553
Assets held for managing liquidity risk	631,976	105,878	56,933	42,427	50,080	22,512	909,806

Table B – liquidity analysis on a behavioural basis

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	78,002	42,793	42,915	-	-	-	163,710
Deposits from customers	465,588	488,305	227,152	281,624	324,473	1,210,135	2,997,277
Borrowings	59,211	130,542	7,489	11,624	62,302	164,086	435,254
Other liabilities	70,516	30,464	566	25,966	1,971		129,483
Total financial liabilities	673,317	692,104	278,122	319,214	388,746	1,374,221	3,725,724
Loan commitments	947	198	433	3,714	28,921	56,166	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	229,697	68,127	49,396	99,616	79,522	266,018	792,376
Assets held for managing liquidity risk	240,924	271,270	210,521	31,470	300,519	114,123	1,168,827
31 DECEMBER 2013							
Financial liabilities							
Deposits from banks	28,205	47,412	1,864	-	-	-	77,481
Deposits from customers	2,489,503	271,246	47,330	60,609	78,684	823	2,948,195
Borrowings	17,568	32,494	1,854	8,013	40,498	54,931	155,358
Other liabilities	11,996	156,172	548	24	-	12,994	181,734
Total financial liabilities	2,547,272	507,324	51,596	68,646	119,182	68,748	3,362,768
Loan commitments	58,505	85,962	62,610	67,961	56,415	76,555	408,008
Letters of credit and other credit-related obligations	643,247	4,347	5,940	23,934	16,147	-	693,615
Total commitments	701,752	90,309	68,550	91,895	72,562	76,555	1,101,623
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.3.1 Management of liquidity risk (continued)

Bank

	0–30 days ₦ million	31–90 days ₦ million	91–180 days ₦ million	181–365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	19,246						19,246
Deposits from customers	412,437	369,507	172,948	212,750	190,443	1,200,477	2,558,562
Borrowings	61,465	142,515	8,267	11,586	62,302	164,086	450,221
Other liabilities	42,685	30,464	566	25,966	1,971	-	101,652
Total financial liabilities	535,833	542,486	181,781	250,302	254,716	1,364,563	3,129,681
Loan commitments	48	198	433	3,714	16,630	56,166	77,189
Letters of credit and other credit-related obligations	250,700	63,232	20,309	51,171	50,578	206,760	642,750
Total commitments	250,748	63,430	20,742	54,885	67,208	262,926	719,939
Assets held for managing liquidity risk	406,913	73,600	194,554	13,192	158,331	72,228	918,818
31 DECEMBER 2013							
Financial liabilities							
Deposits from banks	10,155						10,155
Deposits from customers	2,346,507	175,119	38,561	11,812	3,118		2,575,117
Borrowings	17,568	31,555	1,854	8,013	40,498	54,931	154,419
Other liabilities	56,818	90,642		4,811		4,550	156,821
Total financial liabilities	2,431,048	297,316	40,415	24,636	43,616	59,481	2,896,512
Loan commitments	10,567	79,315	61,195	67,961	56,415	76,555	352,008
Letters of credit and other credit-related obligations	622,177	4,347	5,940	23,934	16,147	-	672,545
Total commitments	632,744	83,662	67,135	91,895	72,562	76,555	1,024,553
Assets held for managing liquidity risk	631,976	105,878	56,933	42,427	50,080	22,512	909,806

Assets held for managing liquidity risk

The Group holds a diversified portfolio of liquid assets, largely cash and government securities to support payment and funding obligations in normal and stressed market conditions across foreign and local currencies. The Group's liquid assets comprise:

- cash and balances with the central bank comprising reverse repos and overnight deposits;
- short-term and overnight placements in the interbank market;
- government bonds and treasury bills that are readily accepted in repurchase agreements with the central bank and other market participants;
- secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios; and
- the ability to access incremental short-term funding by interbank borrowing from the interbank market.

The Bank is largely deposit funded and thus, as is typical among Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, while lending is longer term. On an actuarial basis, our demand deposits exhibit much longer duration, with 75.53% of our current account balances and 67.48% of savings account balances being deemed core.

To manage liquidity shocks in either foreign or local currency, largely as a result of episodic movements, the Bank typically holds significant short-term liquidity in currency placements or taps the repo markets to raise short-term funding as is required. To grow local currency liquidity the Group has also systematically worked towards reducing the duration of our securities portfolio in the last year, shifting the emphasis to holding more liquid, shorter dated treasury bills over longer-term bonds, to allow more flexibility in managing liquidity. While on the foreign currency side, the Group has built up placement balances with our offshore correspondents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.3.2 Derivative liabilities

Derivatives settled on a net basis

The put options and the accumulator forex contract will be settled on a net basis.

The table below analyses the Group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Derivative liabilities							
Accumulator-forward FX contract	-	-	98	-	-	-	98
Put options	919	2,664	2,783	6,066	9,528	-	21,960
	919	2,664	2,881	6,066	9,528	-	22,058
Derivative assets							
Put options	938	2,728	2,842	6,257	9,848		22,613
Forward contract	1,011	439	-	-	-	-	1,450
	1,949	3,167	2,842	6,257	9,848	-	24,063
	2,868	5,831	5,723	12,323	19,376	-	46,121
AT 31 DECEMBER 2013							
Derivative liabilities							
Accumulator-forward FX contract	-	-	-	-	(71)	-	(71)
Put options		-	-	-	-	1,626	1,626
	-	-	-	-	(71)	1,626	1,555
Derivative assets							
Cross-currency swap	-	-	-	12	-	-	12
Foreign exchange derivatives	1,546	602	370	-	-	-	2,518
Put options		-	-	-	-	1,626	1,626
	1,546	602	370	12	-	1,626	4,156
	1,546	602	370	12	(71)	3,251	5,711

Bank

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Derivative liabilities							
Accumulator-forward FX contract	-		98				98
Put options	919	2,664	2,783	6,066	9,528	-	21,960
	919	2,664	2,881	6,066	9,528	-	22,058
Derivative assets							
Put options	938	2,728	2,842	6,257	9,848		22,613
	938	2,728	2,842	6,257	9,848	-	22,613
	1,857	5,392	5,723	12,323	19,376	-	44,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.3.2 Derivative liabilities (continued)

Bank

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
AT 31 DECEMBER 2013							
Derivative liabilities							
Accumulator-forward FX contract	-	-	-	-	(71)	-	(71)
Put options		-	-	-	-	(1,626)	(1,626)
	-	-	-	-	(71)	(1,626)	(1,697)
Derivative assets							
Cross-currency swap	-	-	-	12	-	-	12
Put options		-	-	-	-	1,626	1,626
	-	-	-	12	-	1,626	1,637

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis are foreign exchange derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cash flows on all derivatives including derivatives classified as 'liabilities held for trading'. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Total ₦ million
31 DECEMBER 2014						
Liabilities held for trading						
FX swap – payable	14,777	-	-	-	-	14,777
FX swap – receivable	(14,884)	-	-	-	-	(14,884)
Forward contract – payment	1,169	1,022	162	-	-	2,353
Forward contract – receipt	(376)	-	-	-	-	(376)
	686	1,022	162	-	-	1,870
AT 31 DECEMBER 2013						
Derivatives held for trading						
Foreign exchange derivatives	6	2	-	-	-	8
	6	2	-	-	-	8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.3.2 Derivative liabilities (continued)

Bank

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Total ₦ million
31 DECEMBER 2014						
Liabilities held for trading						
FX swap – payable	14,777	-	-	-	-	14,777
FX swap – receivable	(14,884)	-	-	-	-	(14,884)
Forward contract – payable	386	-	-	-	-	386
Forward contract – receivable	(376)	-	-	-	-	(376)
	(97)	-	-	-	-	(97)
AT 31 DECEMBER 2013						
Derivatives held for trading						
Foreign exchange derivatives	2	2	-	-	-	4
	2	2	-	-	-	4

3.4 MARKET RISK

Market risk is the potential for adverse changes in the value of a trading or an investment portfolio due to changes in market risk variables such as equity and commodity prices, interest rates and foreign exchange rates.

Market risk arises from positions in currencies, interest rate and securities held in our trading portfolio and from our retail banking business, investment portfolio, and other non-trading activities. The movement in market risk variables may have a negative impact on the balance sheet and/or income statement.

Through the financial year, the Bank was exposed to market risk in its trading and non-trading activities, mainly as a result of:

- interest rate movements in reaction to monetary policy changes by the CBN, fiscal policies changes and market forces;
- foreign exchange fluctuations arising from demand and supply as well as government policies; and
- equity price movements in response to market forces and changing market dynamics, such as market making on the NSE.

3.4.1 Management of market risk

FirstBank Group market risk management process applies disciplined risk-taking within a framework of well-defined risk appetite that enables the Group to boost shareholders' value while maintaining competitive advantage through effective utilisation of risk capital. Thus, FirstBank's Group market risk management policy ensures:

- formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc.;
- management is responsible for the establishment of appropriate procedures and processes in implementing the Board-approved market risk policy and strategy. The procedures are documented in a periodically reviewed market risk procedural manual that spells out the procedures for executing relevant market risk controls;
- an independent market risk management function reporting directly to the Bank's Chief Risk Officer;
- a Group-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with international best practice. Risk measurements are progressively based on modern techniques such as sensitivity, value-at-risk methodology (VaR), stress testing and scenario analysis;
- a robust market risk management infrastructure reinforced by a strong management information system (MIS) for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;
- continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
- the Group does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products; and
- where the Group takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.2 Market risk measurement techniques

The major measurement techniques used to measure and control market risk are outlined below:

a. **Value at risk (VaR)**

VaR measures potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only the Bank is subject to the VaR methodology. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the VaR of the Bank is deemed to be fairly representative of the Group.

The Bank continues to use VaR to estimate the potential losses that could occur on its positions as a result of movements in market factors.

The Bank uses the parametric method as its VaR methodology with an observation period of two years obtained from published data from pre-approved sources. VaR is calculated on the Bank's positions at close of business daily.

The table below shows the trading VaR of the Bank. The major contributors to the trading VaR are treasury bills and foreign exchange due to volatility in those instruments impacting positions held by the Bank during the period.

The assets included in the VaR analysis are the held-for-trading assets.

The treasury bill trading VaR is ₦106 million as at 31 December 2014 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was nil as at 31 December 2014, reflecting the new regulatory trading open position of zero stipulated by the CBN. Hence, there was no open position as at year end.

Bank

VaR summary	Average	High	Low
12 MONTHS TO 31 DECEMBER 2014			
Foreign exchange risk	**12**	**34**	**-**
Interest rate risk	**415**	**1,286**	**22**
Total VaR	**427**	**1,320**	**22**
12 MONTHS TO 31 DECEMBER 2013			
Foreign exchange risk	16	52	-
Interest rate risk	528	1,738	38
Total VaR	544	1,790	38

b. **Stress tests**

Based on the reality of unpredictable market environment and the frequency of regulations that have had a significant effect on market rates and prices, the Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

The ALCO is responsible for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates, exchange rates and equity prices. This covers all asset classes in the financial markets banking and trading books. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.2 Market risk measurement techniques (continued)

Non-trading portfolio

The principal objective of market risk management of non-trading portfolios is to optimise net interest income. Due to the size of the Bank's holdings in rate-sensitive assets and liabilities the Bank is exposed to interest rate risk.

Non-trading interest rate risk results mainly from differences in the mismatches or re-pricing dates of assets and liabilities, both on and off balance sheet as interest rate changes.

The Bank uses a variety of tools to measure non-tradable interest rate risk such as:

- interest rate gap analysis (which allows the Bank to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
- forecasting and simulating interest rate margins;
- market value sensitivity;
- calculating earnings at risk (EaR) using various interest rate forecasts; and
- re-pricing risk in various portfolios and yield curve analysis.

Hedged non-trading market risk exposures

The Bank's books have some key market risk exposures, which have been identified and are being managed using swaps and options.

3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2014 and 31 December 2013. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2014						
Financial assets						
Cash and balances with central banks	664,466	14,526	2,599	4,203	11,807	697,601
Loans and advances to banks	22,453	232,292	147,746	22,959	4,603	430,053
Loans and advances to customers:						
- Overdrafts	186,565	109,295	117	99	18,036	314,112
- Term loans	755,911	884,209	60,655	80,648	10,696	1,792,119
- Staff loans	6,152	-	42	-	819	7,013
- Project finance	15,766	60,048	-	1,743	0	77,557
- Advances under finance lease	2,761	-	-	-	-	2,761
Investment securities:						
- Available-for-sale investments	373,078	64,330	-	1	5,142	442,551
- Held-to-maturity investments	145,519	-	-	-	10,834	156,353
Asset pledged as collateral	63,159	-	-	-	1,368	64,527
Financial assets held for trading	904	8,354	-	1,450	-	10,708
Other assets	16,754	5,215	238	1	4,520	26,728
	2,253,488	1,378,270	211,397	111,105	67,825	4,022,083
Financial liabilities						
Customer deposits	2,037,521	529,284	340,812	8,115	74,003	2,989,735
Deposits from banks	13,086	126,205	18,416	5,897	105	163,709
Financial liabilities held for trading	58	9,722	-	133	-	9,913
Borrowings	30,414	327,488	105	958	4,011	362,976
Other liabilities	78,273	20,240	21,724	3,433	5,814	129,484
	2,159,352	1,012,939	381,057	18,536	83,933	3,655,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.3 Foreign exchange risk (continued)

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2013						
Financial assets						
Cash and balances with central banks	560,399	8,904	3,646	16,049	4,975	593,973
Loans and advances to banks	15,590	325,094	46,284	23,887	4,355	415,210
Loans and advances:						
- Overdrafts	272,675	63,248	85	95	3,951	340,054
- Term loans	633,468	604,024	53,972	88,205	9,243	1,388,912
- Staff loans	5,525	254	32	-	260	6,071
- Project finance	50,150	10,653	-	-	-	60,803
- Advances under finance lease	2,095	-	-	-	-	2,095
Investment securities:						
- Available-for-sale investments	335,383	60,896	46,687	4	8,453	451,423
- Held-to-maturity investments	283,267					283,267
Asset pledged as collateral	52,406	-	-	-	1,245	53,651
Financial assets held for trading	2,225	1,598	-	784	136	4,743
Other assets	15,069	12,361	1,881	111	896	30,318
	2,228,252	1,087,032	152,587	129,135	33,514	3,630,520
Financial liabilities						
Customer deposits	1,963,923	688,267	223,116	9,007	58,469	2,942,782
Deposits from banks	1,487	44,263	15,688	15,665	378	77,481
Financial liabilities held for trading	1,697	-	-	-	4	1,701
Borrowings	28,698	95,442	140	2,012	10	126,302
Other liabilities	53,724	85,427	24,473	13,576	4,534	181,734
	2,049,529	913,399	263,417	40,260	63,395	3,330,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.3 Foreign exchange risk (continued)

Bank

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2014						
Financial assets						
Cash and balances with central banks	664,452	4,238	827	525	3	670,045
Loans and advances to banks	22,081	174,600	33,210	11,688	1,263	242,842
Loans and advances to customers:						
- Overdrafts	186,895	108,305	7	51		295,257
- Term loans	755,267	717,731	-	344		1,473,342
- Staff loans	6,152	-	-	-		6,152
- Project finance	15,766	759	-	-		16,525
- Advances under finance lease	2,761	-	-	-		2,761
Investment securities:						
- Available-for-sale investments	371,831	32,677	-	-	-	404,508
- Held-to-maturity investments	140,467	-	-	-	-	140,467
Asset pledged as collateral	63,158	-	-	-	-	63,158
Financial assets held for trading	904	8,354	-	-	-	9,258
Other assets	12,096	5,215	11	1	0	17,323
	2,241,830	1,051,879	34,055	12,609	1,266	3,341,638
Financial liabilities						
Customer deposits	2,030,463	505,144	9,827	5,588	0	2,551,022
Deposits from banks	13,087	6,131	-	24	3	19,245
Financial liabilities held for trading	58	7,755	-	133	-	7,946
Borrowings	30,416	346,227	256	1,029	22	377,950
Other liabilities	76,731	20,240	553	3,433	695	101,652
	2,150,755	885,497	10,636	10,207	720	3,057,815
31 DECEMBER 2013						
Financial assets						
Cash and balances with central banks	538,350	1,753	477	638	3	541,221
Loans and advances to banks	9,623	315,410	28,513	11,756	2,269	367,571
Loans and advances:						
- Overdrafts	273,020	54,184	-	5	-	327,209
- Term loans	637,944	422,758	-	17,495	3	1,078,200
- Staff loans	5,532	-	-	-	-	5,532
- Project finance	50,150	10,653	-	-	-	60,803
- Advances under finance lease	2,095	-	-	-	-	2,095
Investment securities:						
- Available-for-sale investments	328,171	30,881	-	-	-	359,052
- Held-to-maturity investments	278,876	-	-	-	-	278,876
Asset pledged as collateral	52,406	-	-	-	-	52,406
Financial assets held for trading	2,225	-	-	-	-	2,225
Other assets	10,559	12,124	191	85	9	22,968
	2,188,951	847,763	29,181	29,979	2,284	3,098,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.3 Foreign exchange risk (continued)

Bank

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
Financial liabilities						
Customer deposits	1,952,814	605,971	8,120	3,814	-	2,570,719
Deposits from banks	1,487	124	-	8,544	-	10,155
Financial liabilities held for trading	1,697	-	-	-	-	1,697
Borrowings	28,699	94,506	140	2,012	6	125,363
Other liabilities	50,017	75,880	21,058	7,485	2,381	156,821
	2,034,714	776,481	29,318	21,855	2,387	2,864,755

The Group is exposed to the US dollar and euro currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in naira against the US dollar and euro. Management believes that a 5% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analysis below include outstanding US dollar and euro denominated financial assets and liabilities. A positive number indicates an increase in profit where the naira weakens by 5% against the US dollar and euro. For a 5% strengthening of the naira against the US dollar and euro, there would be an equal and opposite impact on profit.

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Naira strengthens by 5% against the US dollar profit/(loss)	**(18,267)**	(8,682)	**(8,319)**	(3,564)
Naira weakens by 5% against the US dollar profit/(loss)	**18,267**	8,682	**8,319**	3,564
Naira strengthens by 5% against the euro profit/(loss)	**(4,628)**	(4,444)	**(120)**	(406)
Naira weakens by 5% against the euro profit/(loss)	**4,628**	4,444	**120**	406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.4 Interest rate risk

Interest rate risk is the risk of loss in income or portfolio value as a result of changes in market interest rates. The Group is exposed to interest rate risk in its fixed-income securities portfolio, as well as on the interest-sensitive assets and liabilities in the course of banking and/or trading. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the ALCO.

The table below summarises the Group's interest rate gap position showing its exposure to interest rate risks. Value at risk exposure is disclosed in Note 3.4.2.

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	697,601	8,238	7,500	681,863
Loans and advances to banks	430,053	207,842	43,777	178,434
Loans and advances:				
- Overdrafts	314,112	314,112	-	-
- Term loans	1,792,119	1,792,119		-
- Staff loans	7,013	-	7,013	-
- Project finance	77,558	77,558	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
- Available-for-sale investments	442,551	-	400,206	42,345
- Held-to-maturity investments	156,353	-	156,353	
Assets pledged as collateral	64,527	-	64,527	-
Financial assets held for trading	10,708	-	2,354	8,354
Other assets	26,728	-	-	26,728
	4,022,084	2,402,630	681,730	937,724
Financial liabilities				
Customer deposits	2,989,735	1,360,118	1,084,852	544,765
Deposits from banks	163,710	144,599	9,100	10,011
Financial liabilities held for trading	9,913	-	-	9,913
Borrowings	362,976	185,000	177,976	-
Other liabilities	129,484	-	-	129,484
	3,655,818	1,689,717	1,271,928	694,173
Interest rate mismatch		712,913	(590,198)	243,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.4 Interest rate risk (continued)

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
31 DECEMBER 2013				
Financial assets				
Cash and balances with central banks	593,973	181,281	-	412,692
Loans and advances to banks	415,210	287,412	126,019	1,779
Loans and advances:				
- Overdrafts	340,054	340,054	-	-
- Term loans	1,388,912	1,346,891	42,021	-
- Staff loans	6,071	-	6,071	-
- Project finance	60,803	60,803	-	-
- Advances under finance lease	2,095	2,095	-	-
Investment securities:				
- Available-for-sale investments	451,423	-	416,013	35,410
- Held-to-maturity investments	283,267		283,267	-
Assets pledged as collateral	53,651	-	53,650	-
Financial assets at fair value through profit or loss	4,743	-	3,102	1,641
Other assets	30,318	-	-	30,317
	3,630,520	2,218,536	930,143	481,839
Financial liabilities				
Customer deposits	2,942,782	2,282,463	627,520	32,799
Deposits from banks	77,481	68,052	8,745	684
Financial liabilities held for trading	1,701	-	-	1,701
Borrowings	126,302	1,603	124,699	-
Other liabilities	181,732	-	-	181,732
	3,329,998	2,352,118	760,964	216,916
Interest rate mismatch		(133,582)	169,178	264,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.4 Interest rate risk (continued)

The table below summarises the Bank's interest rate gap position.

Bank

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	670,045	-	7,500	662,545
Loans and advances to banks	242,842	36,105	28,332	178,405
Loans and advances:				
- Overdrafts	295,257	295,257	-	-
- Term loans	1,473,342	1,473,342		-
- Staff loans	6,152	-	6,152	-
- Project finance	16,525	16,525	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
- Available-for-sale investments	404,508		362,383	42,125
- Held-to-maturity investments	140,467		140,467	
Assets pledged as collateral	63,158	-	63,158	-
Financial assets held for trading	9,258	-	904	8,354
Other assets	17,323	-	-	17,323
	3,341,638	1,823,990	608,896	908,752
Financial liabilities				
Customer deposits	2,551,022	1,344,143	713,611	493,268
Deposits from banks	19,246	136	9,100	10,010
Financial liabilities held for trading	7,946	-	-	7,946
Borrowings	377,950	205,716	172,234	-
Other liabilities	101,652	-	-	101,652
	3,057,816	1,549,995	894,945	612,876
Interest rate mismatch		273,995	(286,049)	295,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.4 Interest rate risk (continued)

Bank

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest bearing ₦ million
31 DECEMBER 2013				
Financial assets				
Cash and balances with central banks	541,221	177,507	-	363,714
Loans and advances to banks	367,571	252,999	112,794	1,779
Loans and advances:				
- Overdrafts	327,209	327,209	-	-
- Term loans	1,078,200	1,036,179	42,021	-
- Staff loans	5,532	-	5,532	-
- Project finance	60,803	60,803	-	-
- Advances under finance lease	2,095	2,095	-	-
Investment securities:				
- Available-for-sale investments	359,052	-	325,839	33,213
- Held-to-maturity investments	278,876	-	278,876	
Assets pledged as collateral	52,406	-	52,406	-
Financial assets held for trading	2,225	-	584	1,641
Other assets	22,968	-	-	22,968
	3,098,158	1,856,792	818,052	423,315
Financial liabilities				
Customer deposits	2,570,719	2,112,914	457,805	-
Deposits from banks	10,155	956	8,533	666
Financial liabilities held for trading	1,697	-	-	1,697
Borrowings	125,363	1,603	123,760	-
Other liabilities	156,821	-	-	156,821
	2,864,755	2,115,473	590,098	159,184
Interest rate mismatch		(258,681)	227,954	264,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4.4 Interest rate risk (continued)

Interest rate sensitivity gap analysis

The table below summarises the repricing profile of FirstBank's non-trading book as at 31 December 2014. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the repricing profile of the Bank is deemed to be fairly representative of the Group.

	<=30 days ₦ billion	31-90 days ₦ billion	91-180 days ₦ billion	181-365 days ₦ billion	1-2 years ₦ billion	Over 2 years ₦ billion	Rate sensitive ₦ billion
Treasury bills	54	74	162	13	-	-	303
Government bonds	-	-	33	(2)	153	72	256
Corporate bonds	-	-	-	2	5	-	7
Loans and advances to banks	243	-	-	-	-	-	243
Project finance	20	28	4	4	4	-	60
Term loans	159	224	109	226	364	300	1,382
Overdraft	24	49	73	150	-	-	296
Equipment on lease	-	-	3	-	-	-	3
Staff loans	-	-	6	-	-	-	6
Total assets	500	375	390	393	526	372	2,556
Deposits from customers	412	365	172	211	190	439	1,789
Deposits from banks	20	-	-	-	-	-	20
Medium-term loan	54	129	8	-	1	142	334
Total liabilities	486	494	180	211	191	581	2,143
	14	(119)	210	182	335	(209)	413

Current and savings deposits, which are included within customer deposits, are repayable on demand on a contractual basis. In practice, however, these deposits form a stable base for the Bank's operations and liquidity needs because of the broad customer base - both numerically and by depositor type. From the Bank's experience, about 49% of these demand deposits are non-rate sensitive. These classes of deposits have been allocated into maturity buckets based on historical maturity patterns.

The sensitivity analysis below for FirstBank has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 7% increase or decrease is used when reporting interest rate risk for NIBOR and 3% is used when reporting interest rate risk for USD LIBOR or EURIBOR. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the repricing profile of the Bank is deemed to be fairly representative of the Group.

Management believes that the following movements in either direction (per currency) are reasonably possible at the balance sheet date.

Reasonable possible movement

	Bank	
	31 Dec 2014	31 Dec 2013
NIBOR increases by 7% profit/(loss)	(10,810)	9,769
NIBOR decreases by 7% profit/(loss)	19,086	(7,366)
USD LIBOR increases by 3% profit/(loss)	16,435	9,593
USD LIBOR decreases by 3% profit/(loss)	(17,938)	(11,466)
EURIBOR increases by 3% profit/(loss)	(22)	205
EURIBOR decreases by 3% profit/(loss)	(5)	473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.5 EQUITY RISK

The Group is exposed to equity price risk by holding investments quoted on the NSE and other non-quoted investments. Equity securities quoted on the NSE are exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

As at 31 December 2014, the market value of quoted securities held by the Group is ₦1.47 billion (2013: ₦3.9 billion). If the all share index of the NSE moves by 1,600 basis points from the 34,657.45 position at 31 December 2014, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦25.25 million.

The Group holds a number of investments in unquoted securities with a market value of ₦40.65 billion (2013: ₦35.54 billion), of which investments in the African Finance Corporation (63%), Airtel Nigeria Ltd (23%) and Interswitch Ltd (9%) are the significant holdings. These investments were valued at ₦25.65 billion (cost ₦12.7 billion); ₦9.53 billion (cost ₦2.9 billion) and ₦3.73 billion (cost ₦31 million) respectively as at 31 December 2014. AFC is a private sector-led investment bank and development finance institution, which has the Central Bank as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications services using the Global System for Mobile Communications (GSM) platform. Interswitch is an integrated payment and transaction processing company that provides technology integration, advisory services, transaction processing and payment infrastructure to banks, government and corporate organisations. These investments are level 3 instruments (see sensitivity analysis in Note 3.6).

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

3.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

a. Financial instruments measured at fair value

The following table presents the Group's assets and liabilities that are measured at fair value at reporting date. There was no transfer between levels during the year.

Recurring fair value measurement

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Financial assets held for trading				
Debt securities	604	300	-	904
Derivatives	-	9,804	-	9,804
Available-for-sale financial assets				
Investment securities – debt	349,546	50,659	-	400,205
Investment securities – unlisted equity	-	-	40,722	40,722
Investment securities – listed equity	1,623	-	-	1,623
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities held for trading				
Derivatives	-	9,913	-	9,913

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2013				
Financial assets held for trading				
Debt securities	584	-	-	584
Derivatives	-	4,159	-	4,159
Available-for-sale financial assets				
Investment securities – debt	343,074	72,939	-	416,013
Investment securities – unlisted equity	-	-	31,659	31,659
Investment securities – listed equity	3,751	-	-	3,751
Assets pledged as collateral	20,382	-	-	20,382
Financial liabilities held for trading				
Derivatives	-	1,701	-	1,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Bank

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Financial assets held for trading				
Listed debt securities	604	300	-	904
Derivatives	-	8,354	-	8,354
Available-for-sale financial assets				
Investment securities – debt	317,985	44,397	-	362,382
Investment securities – unlisted equity	-	-	40,655	40,655
Investment securities – listed equity	1,470	-	-	1,470
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities held for trading				
Derivatives	-	7,946	-	7,946

Bank

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2013				
Financial assets				
Financial assets held for trading				
Listed debt securities	584	-	-	584
Derivatives	-	1,641	-	1,641
Available-for-sale financial assets				
Investment securities – debt	265,562	60,277	-	325,839
Investment securities – unlisted equity	-	-	31,659	31,659
Investment securities – listed equity	1,554	-	-	1,554
Assets pledged as collateral	19,137	-	-	19,137
Financial liabilities held for trading				
Derivatives	-	1,697	-	1,697

(i) **Financial instruments in Level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily bonds and equity investments classified as trading securities or available for sale.

(ii) **Financial instruments in Level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

a) quoted market prices or dealer quotes for similar instruments;

b) the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and

c) other techniques, such as discounted cash flow analysis and sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Note that all of the resulting fair value estimates are included in Level 2 except for certain unquoted equities explained below.

(iii) **Financial instruments in Level 3**

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

The following table presents changes in Level 3 instruments

	Group
At 1 January 2013	-
Transfer out of Level 3 due to availability of market data	46,309
Total losses recognised through OCI	(14,650)
At 31 December 2013	31,659
Total gains/(losses) recognised through OCI	**8,996**
Transfer into Level 3 due to change in observability of market data	**67**
At 31 December 2014	**40,722**

	Bank
At 1 January 2013	-
Transfer out of Level 3 due to availability of market data	46,309
Total losses recognised through OCI	(14,650)
At 31 December 2013	31,659
Total gains/(losses) recognised through OCI	**8,996**
Transfer into Level 3 due to change in observability of market data	-
At 31 December 2014	**40,655**

Total gains or losses for the period included in profit or loss are presented in net gains/(losses) on investment securities.

Information about the fair value measurements using significant unobservable inputs (Level 3)

Description	Valuation technique	Range of unobservable input (probability-weighted average)	Relationship of unobservable inputs to fair value
Airtel Nigeria	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS Plc	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
Afrexim Bank Limited	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
Interswitch Limited	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
Africa Finance Corporation	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value

EV/EBITDA or P/E valuation multiple – the Bank determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The Bank then calculates a trading multiple for each comparable company identified. The multiple is calculated by either dividing the enterprise value of the comparable company by its earning before interest, tax, depreciation and amortisation (EBITDA), or dividing the quoted price of the comparable company by its net income (P/E). The trading multiple is then adjusted for discounts/premiums with regards to such consideration as illiquidity and other differences, advantages and disadvantages between the Bank's investee company and the comparable public companies based on company-specific facts and circumstances.

A reasonable change in the illiquidity discount will not result in a material change to the fair value of the investment.

(iv) **Group's valuation process**

The Group's asset liability management (ALM) unit performs the valuation of financial assets required for financial reporting purposes. This team also engages external specialist valuers when the need arises, and reports directly to the Chief Risk Officer. Discussions on the valuation process and results are held between the ALM team and the Chief Risk Officer on a monthly basis in line with the Group's management reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.7 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

a. The table below shows the carrying value of financial assets not measured at fair value.

Fair value hierarchy

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	-	697,601	-	697,601
Loans and advances to banks	-	430,053	-	430,053
Loans and advances to customers:				
- Overdrafts	-		314,112	314,112
- Term loans			1,792,119	1,792,119
- Staff loans	-	-	7,013	7,013
- Project finance	-	-	77,558	77,558
- Advances under finance lease	-	-	2,761	2,761
Held-to-maturity investments	110,139	46,214	-	156,353
Asset pledged as collateral	43,962	1,362	-	45,324
Other assets	-	26,728	-	26,728
Deposit from customers	-	2,989,735	-	2,989,735
Deposit from bank	-	163,710	-	163,710
Borrowing	141,819	221,157	-	362,976
Other liabilities	-	129,484	-	129,484
31 DECEMBER 2013				
Financial assets				
Cash and balances with central banks	-	593,973	-	593,973
Loans and advances to banks	-	415,210	-	415,210
Loans and advances to customers:				
- Overdrafts	-		340,054	340,054
- Term loans			1,388,912	1,388,912
- Staff loans	-	-	6,071	6,071
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Held-to-maturity investments	159,791	123,476	-	283,267
Asset pledged as collateral	33,269	-	-	33,269
Other assets	-	30,318	-	30,318
Deposit from customers	-	2,942,782	-	2,942,782
Deposit from bank	-	77,481	-	77,481
Borrowing	-	126,302	-	126,302
Other liabilities	-	181,734	-	181,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.7 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (continued)

Bank

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	-	670,045	-	670,045
Loans and advances to banks	-	242,842	-	242,842
Loans and advances to customers:				
- Overdrafts	-		295,257	295,257
- Term loans			1,473,342	1,473,342
- Staff loans	-	-	6,152	6,152
- Project finance	-	-	16,525	16,525
- Advances under finance lease	-	-	2,761	2,761
Held-to-maturity investments	105,087	35,380	-	140,467
Asset pledged as collateral	43,955	-	-	43,955
Other assets	-	17,323	-	17,323
Deposit from customers	-	2,551,022	-	2,551,022
Deposit from bank	-	19,246	-	19,246
Borrowing	141,819	236,131	-	377,950
Other liabilities	-	101,652	-	101,652
31 DECEMBER 2013				
Financial assets				
Cash and balances with central banks	-	541,221	-	541,221
Loans and advances to banks	-	367,571	-	367,571
Loans and advances to customers:				
- Overdrafts	-		327,209	327,209
- Term loans			1,078,200	1,078,200
- Staff loans	-	-	5,532	5,532
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Held-to-maturity investments	155,400	123,476	-	278,876
Asset pledged as collateral	33,269	-	-	33,269
Other assets	-	22,968	-	22,968
Deposit from customers	-	2,570,719	-	2,570,719
Deposit from bank	-	10,155	-	10,155
Borrowing	-	125,363	-	125,363
Other liabilities	-	156,821	-	156,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.7 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (continued)

b. The fair value of loans and advances to customers (including loan commitments), investment securities and assets held for sale are as follows:

Group

	At 31 December 2014		At 31 December 2013	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers:				
- Fixed-rate loans	7,013	4,989	48,308	47,489
- Variable-rate loans	2,186,550	2,186,550	1,749,627	1,749,615
Investment securities (held to maturity)	156,353	124,566	283,266	251,533
Asset pledged as collateral	45,324	30,649	33,269	24,040
Financial liability				
Borrowings	362,976	350,437	126,302	127,592

Bank

	At 31 December 2014		At 31 December 2013	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers:				
- Fixed-rate loans	6,152	4,377	47,553	47,070
- Variable-rate loans	1,787,885	1,787,885	1,426,287	1,425,893
Investment securities (held to maturity)	140,467	108,580	278,875	247,550
Asset pledged as collateral	43,955	29,281	33,268	24,040
Financial liability				
Borrowings	377,950	365,343	125,363	126,652

Investment securities have been fair valued using market prices and are within Level 1 of the fair value hierarchy.

The carrying value of the following financial assets and liabilities for both the Bank and Group approximate their fair values:

- Cash and balances with central banks.
- Loans and advances to banks.
- Assets held for sale.
- Other assets (excluding prepayments).
- Deposits from banks.
- Deposits from customers.
- Other liabilities (excluding provisions and accruals).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

4 CAPITAL MANAGEMENT

The Group's objectives in managing capital are (i) to comply with the capital requirements set by the CBN, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain an optimal capital structure suitable for the Group's business strategy.

The Group's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors. The Bank has an internal capital adequacy assessment process which proactively evaluates capital needs versus business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Bank's internal capital adequacy assessment entails periodic review of risk management processes and stress-testing models to gauge the vulnerability of the Bank to exceptional yet possible events; monitoring of levels of risk exposures; and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group's capital is divided into two tiers:

- tier 1 capital: core equity tier 1 capital including ordinary shares, statutory reserve, share premium and general reserve. Non-controlling interests arising on consolidation from interests in permanent shareholders' equity. The book value of goodwill, unpublished losses and under provisions are deducted in arriving at qualifying tier 1 capital; and
- tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available for sale. Under the Basel II requirements as implemented in Nigeria, tier 2 capital is restricted to 33.33% of tier 1 capital.

During the year, Nigerian banks based on regulatory requirements issued by the Central Bank migrated from Basel I to Basel II in terms of capital adequacy monitoring and reporting. Basel II introduced capital charges for operational risk and market risks which hitherto were unweighted, in addition to the credit risk.

The CBN prescribed a minimum limit of 15% of total qualifying capital/total risk-weighted assets as a measure of capital adequacy of banks with international banking licence in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

The Bank works to maintain adequate capital cover for its trading activities, with a minimum internal target of 16%. Current position is closely monitored and reported fortnightly to the ALCO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

4 CAPITAL MANAGEMENT (continued)

The table below summarises the Basel II capital adequacy ratio for 2014 and 2013 (December 2013 capital adequacy ratio Group: 17.73% and Bank: 16.76% was initially reported in accordance with the requirements of Basel 1 Accord as adopted by the CBN). It shows the composition of regulatory capital and ratios for the years. During those years, the individual entities within the Group complied with all the regulatory capital requirements to which they are subjected.

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
TIER 1 CAPITAL				
Share capital	**16,316**	16,316	**16,316**	16,316
Share premium	**189,241**	189,241	**189,241**	189,241
Statutory reserve	**64,524**	51,988	**63,231**	51,329
Non-controlling interest	**1,641**	1,626	**-**	-
SMEEIS reserves	**6,076**	6,076	**6,076**	6,076
Retained earnings	**118,620**	93,584	**87,200**	67,166
Less: goodwill/deferred tax	**(6,736)**	(11,172)	**(1,343)**	(3,655)
Less: loan to subsidiary			**(14,541)**	
Less: investment in unconsolidated subsidiaries	**-**	-	**(29,493)**	(29,265)
Total qualifying for tier 1 capital	**389,682**	347,658	**316,687**	297,208
TIER 2 CAPITAL				
Fair value reserve	**14,001**	14,228	**16,126**	13,063
Other borrowings	**141,819**	47,249	**141,819**	47,249
Total tier 2 capital	**155,820**	61,477	**157,945**	60,312
Tier 2 capital restriction	**132,139**	61,478	**120,688**	60,312
Less: investment in unconsolidated subsidiaries	**-**	-	**(29,493)**	(29,265)
Total qualifying for tier 2 capital	**132,139**	61,478	**91,195**	31,047
Total regulatory capital	**521,821**	409,136	**407,882**	328,255
RISK-WEIGHTED ASSETS				
Credit risk	**2,641,045**	2,587,551	**2,131,421**	2,029,705
Operational risk	**485,259**	421,658	**453,746**	393,993
Market risk	**46**	783	**46**	783
Total risk-weighted assets	**3,126,350**	3,009,991	**2,585,214**	2,424,481
Risk-weighted capital adequacy ratio (CAR)	**16.69%**	13.59%	**15.78%**	13.54%
Tier 1 CAR	**12.46%**	11.55%	**12.25%**	12.26%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

a. **Impairment charges on financial assets**

The Group reviews its loan portfolios for impairment on an ongoing basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Group's impairment charge on financial assets are set out in the financial risk management section (see Note 3).

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See Note 3 for more information.

b. **Fair value of financial instruments**

The fair value of financial instruments where no active market exists, or where quoted prices are not otherwise available, is determined by using valuation techniques: in these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 3.6 for additional sensitivity information for financial instruments.

c. **Held-to-maturity investments**

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

d. **Retirement benefit obligation**

For defined benefit pension plans, the measurement of the Group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See Note 35, 'Retirement benefit obligations,' for a description of the defined benefit pension plans. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligations of the Group.

e. **Impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

An impairment charge of ₦501 million arose in ICB Guinea in the retail segment during the course of the year 2014, resulting in the carrying amount of the CGU being written down to its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

5 **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** (continued)

If the terminal growth rate had been higher by 0.5% the Group would have recognised impairment lower by ₦20 million, while if it had been lower by 0.5% a further charge of ₦19 million would have been recognised in the Group books. See Note 29 for key assumptions on impairment testing for goodwill.

If the weighted average cost of capital rate had been lower by 0.5% the Group would have recognised impairment lower by ₦45 million, while if it had been higher by 0.5% a further charge of ₦43 million would have been recognised in the Group's books.

6 SEGMENT INFORMATION

Following the management adoption of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's MANCO (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses their performance.

The Group is divided into the following business units:

Retail Banking

Retail Banking cuts across private individuals, businesses and public sector clients, at the lower end of the market. It also covers SMEs, local government agencies and affluent customers.

Corporate Banking

Corporate Banking serves the middle segment of the business banking value chain, and clients comprise predominantly unrated and non-investment grade companies with a generally higher risk profile compared to institutional clients.

Institutional Banking

The Institutional Banking segment is at the top end of the business banking value chain and consists of the largest organisations across our target industries, i.e., oil and gas, conglomerates and services, manufacturing, telecommunications, transport, financial institutions/multilaterals, construction and infrastructure.

Public Sector

Public Sector banking serves the three tiers of government especially the state governments. It also caters for government's parastatals, ministries, departments and agencies (MDAs) by serving their banking needs and providing structured facilities to aid in the economic development of the country.

Treasury Services

The corporate treasury serves the needs of the Group in the following areas among others:

- cash management;
- liquidity planning and control;
- management of interest, currency and commodity risks;
- procurement of finance and financial investments;
- contacts with banks and rating agencies; and
- corporate finance.

Others

This segment includes the corporate office excluding treasury services.

The Group's management reporting is based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group MANCO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

6 SEGMENT INFORMATION (continued)

Segment result of operations

Total revenue in the segment represents: interest income, fee and commission income, net gains or losses on foreign exchange income, net gains/losses on investment securities, net gains/losses from financial assets classified as held for trading, dividend income and other operating income.

The segment information provided to the Group MANCO for the reportable segments for the year ended 31 December 2014 is as follows:

	Institutional Banking ₦ million	Corporate Banking ₦ million	Retail Banking ₦ million	Public Sector ₦ million	Treasury Services ₦ million	Others ₦ million	Total ₦ million
AT 31 DECEMBER 2014							
Total segment revenue	61,828	88,038	230,325	34,622	28,829	11,454	455,096
Inter-segment revenue	21,356	20,461	(81,189)	(17,287)	61,055	(4,397)	-
Revenue from external customers	83,183	108,499	149,136	17,335	89,884	7,057	455,096
Profit/(loss) before tax	37,105	47,526	149,346	10,183	24,890	(174,599)	94,451
Income tax expense	(44)	(2,035)	(165)	-	(377)	(6,905)	(9,526)
Profit for the year	37,061	45,491	149,181	10,183	24,513	(181,504)	84,925
Impairment charge on credit losses	(561)	(14,257)	(9,180)	(637)	-	(3,213)	(27,848)
Impairment charge on doubtful receivables	-	-	-	-	-	(17)	(17)
Impairment charge on goodwill	-	-	-	-	-	(501)	(501)
Profit for the year from discontinued operations	-	-	-	-		(84)	(84)
Depreciation	-	-	-	-	-	(10,531)	(10,531)
AT 31 DECEMBER 2014							
Total assets	684,887	1,030,227	450,833	37,260	548,163	1,380,265	4,131,635
Other measures of assets:							
Loans and advances to customers	677,724	1,030,227	448,331	37,260	-	21	2,193,563
Investment in associates	-	-	-	-	-	-	-
Expenditure on non-current assets	-	-	-	-	-	83,404	83,404
Investment securities	7,163	-	2,503	-	546,893	42,345	598,904
Total liabilities	312,649	694,974	1,619,975	429,508	4,896	606,616	3,668,618
AT 31 DECEMBER 2013							
Total segment revenue	79,988	74,637	98,468	34,843	83,371	375	371,682
Inter-segment revenue	(23,801)	(12,815)	82,985	29,609	(75,955)	(23)	-
Revenue from external customers	56,187	61,822	181,453	64,452	7,416	352	371,682
Profit/(loss) before tax	44,825	34,952	133,369	37,647	22,434	(186,643)	86,586
Income tax expense						(21,009)	(21,009)
Profit for the year	44,825	34,952	133,369	37,647	22,434	(207,652)	65,577
Impairment charge on credit losses	(5,458)	(11,014)	(7,107)	691	-	-	(22,887)
Impairment charge on doubtful receivables		-	-	-	-	(264)	(264)
Profit for the year from discontinued operations	-	-	-	-	-	875	875
Depreciation	-	-	-	-	-	(9,823)	(9,823)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

6 **SEGMENT INFORMATION** (continued)

	Institutional Banking ₦ million	Corporate Banking ₦ million	Retail Banking ₦ million	Public Sector ₦ million	Treasury Services ₦ million	Others ₦ million	Total ₦ million
AT 31 DECEMBER 2013							
Total assets	616,291	670,530	328,797	182,317	757,674	1,193,766	3,749,375
Other measures of assets:							
Loans and advances to customers	616,291	670,530	328,797	182,317	-	-	1,797,935
Investment in associates	-	-	-	-	-	6,225	6,225
Expenditure on non-current assets	-	-	-	-	-	78,489	78,489
Investment securities	-	-	-	-	699,280	35,410	734,690
Total liabilities	321,558	589,275	1,333,723	705,693	143,360	270,618	3,364,227

Geographical information

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
REVENUES		
Nigeria	**413,913**	344,806
Outside Nigeria	**41,181**	26,876
Total	**455,094**	371,682
NON-CURRENT ASSET		
Nigeria	**76,590**	73,724
Outside Nigeria	**6,814**	4,766
Total	**83,404**	78,490

7 INTEREST INCOME

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Investment securities	**79,627**	76,071	**69,516**	71,571
Loans and advances to banks	**14,071**	15,085	**8,044**	9,202
Loans and advances to customers	**255,579**	219,068	**232,376**	203,665
	349,277	310,224	**309,936**	284,438

Interest income on loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is analysed as follows: Group ₦0.598 billion (2013: ₦1.3 billion) and Bank ₦0.499 billion (2013: ₦1.3 billion).

8 INTEREST EXPENSE

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Customer deposits	**89,085**	79,678	**81,788**	73,592
Deposits from banks	**2,713**	2,631	**2,248**	2,094
Borrowings	**17,924**	4,100	**10,451**	2,043
	109,722	86,409	**94,487**	77,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Loans and advances to customers (see Note 20)				
Increase in collective impairment	**2,960**	1,265	**2,343**	1,262
Increase in specific impairment	**24,888**	21,622	**20,727**	20,912
	27,848	22,887	**23,070**	22,174
Net recoveries on loans previously written off	**(2,135)**	(2,630)	**(2,089)**	(2,597)
Other assets (refer to Note 31)				
Increase/(decrease) in impairment	**17**	264	**(57)**	261
	25,730	20,521	**20,924**	19,838

The Group impairment charge in the financial year ended December 2014 stood at ₦27.8 billion from ₦22.8 billion recorded in December 2013. This is due to the recognition of impairment in some small and medium-sized exposures to fast track remedial action in line with the Bank's delinquency management/loan workout process.

10a FEE AND COMMISSION INCOME

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Credit-related fees	**2,435**	2,782	**1,374**	1,919
Commission on turnover	**15,284**	17,618	**15,270**	17,615
Letters of credit commissions and fees	**6,636**	5,472	**5,327**	4,527
Electronic banking fees	**11,465**	7,648	**11,465**	7,648
Money transfer commission	**2,195**	3,634	**2,177**	1,837
Commission on bonds and guarantees	**1,146**	617	**1,131**	620
Funds transfer and intermediation fees	**5,086**	3,388	**3,171**	3,193
Account maintenance	**8,344**	7,931	**7,749**	7,220
Brokerage and intermediations	**4,631**	3,810	**1,076**	1,154
Other fees and commissions	**1,277**	346	**676**	114
	58,499	53,246	**49,416**	45,847

10b FEE AND COMMISSION EXPENSE

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
	6,940	5,448	**8,574**	5,479

Fee and commission expense relates to charges raised by other banks on holders of FirstBank ATM cards, who make use of the other banks' machines while transacting business, and SMS alert-related expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

11 NET GAINS/(LOSSES) ON FOREIGN EXCHANGE INCOME

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Fair value gains/(losses) on foreign exchange	**29,174**	(2,417)	**28,607**	(2,620)
Foreign exchange trading income	**14,110**	9,042	**12,676**	7,370
	43,284	6,625	**41,283**	4,750

The revaluation gain in 2014 is due to exchange rate movements on the Bank's long foreign currency balance sheet position as at 31 December 2014.

12 NET GAINS/(LOSSES) ON INVESTMENT SECURITIES

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Equity securities	**769**	(489)	**91**	(554)
Debt securities	**68**	1,872	**55**	3,485
	837	1,383	**146**	2,931

13 NET GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS HELD FOR TRADING

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Derivatives	**569**	595	**569**	595
Trading income on debt securities	**-**	(20)	**-**	(20)
Fair value loss on debt securities	**(28)**	(1,961)	**(28)**	(1,961)
	541	(1,386)	**541**	(1,386)

14 OTHER OPERATING INCOME

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Profit on sale of property, plant and equipment	**382**	284	**401**	302
Other income	**1,455**	683	**1,032**	359
	1,837	967	**1,433**	661

Other income largely comprises income made by the Group from private banking services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

15a OPERATING EXPENSES

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Auditors' remuneration	315	321	250	300
Directors' emoluments	5,340	6,085	4,311	5,262
Regulatory cost	30,159	24,922	29,809	24,627
Maintenance	19,079	21,916	18,668	21,924
Insurance premium	1,729	1,296	1,333	1,296
Rent and rates	4,025	2,710	3,670	2,710
Advert and corporate promotions	11,783	7,704	11,629	7,474
Legal and professional fees	2,109	2,011	1,531	1,526
Donations and subscriptions	1,792	1,747	1,458	1,558
Stationery and printing	2,195	2,016	1,972	1,869
Consultancy fees	1,966	1,534	1,676	1,418
Communications, lights and power	6,106	3,053	5,987	3,053
Cash handling charges	3,042	2,771	3,016	2,771
Operational and other losses	18,488	5,155	16,950	3,947
Passages and travel	5,058	5,092	5,054	5,092
Outsourced cost	12,248	9,850	12,248	9,850
Impairment of investment in subsidiaries	-	-	2,121	-
Other operating expenses	8,674	3,022	6,044	1,631
	134,108	101,205	127,727	96,308
15a PERSONNEL EXPENSES				
Wages and salaries	67,625	52,579	58,298	45,617
Pension costs:				
- Defined contribution plans	2,711	2,550	2,463	2,429
- Defined benefit plans (Note 35)	166	3,689	26	3,603
- Other employee benefits	2,224	1,638	2,224	1,638
	72,726	60,456	63,011	53,287

16 TAXATION

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Corporate tax	6,161	15,200	2,937	11,748
National fiscal levy/contingent tax	-	13	-	-
Education tax	-	1,301	-	1,258
Technology tax	814	769	814	769
Capital gains tax	-	27	-	27
Under provision in prior years	-	11	-	-
Current income tax – current period	6,975	17,321	3,751	13,802
Origination and reversal of temporary deferred tax differences	2,551	3,688	2,434	3,686
Income tax expense	9,526	21,009	6,185	17,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

16 **TAXATION** (continued)

Group

	2014 ₦ million	2014 %	2013 ₦ million	2013 %
Profit before income tax	**94,367**		87,460	
Tax calculated using the domestic corporation tax rate of 30% (2013: 30%, 2012: 30%)	**28,310**	30%	26,238	30%
Effect of tax rates in foreign jurisdictions	**(129)**	0%	-	0%
Non-deductible expenses	**17,090**	18%	4,516	5%
Effect of education tax levy	**-**	0%	1,301	1%
Effect of information technology	**814**	1%	769	1%
Effect of capital gains tax	**-**	0%	27	0%
Effect of minimum tax	**21**	0%	-	0%
Effect of national fiscal levy	**22**	0%	-	0%
Effect of excess dividend tax	**403**	0%	5,349	6%
Tax exempt income	**(36,797)**	(39%)	(17,712)	(19%)
Effect of disposal of items of PPE	**-**	0%	1	0%
Effect of change in PBT due to IFRS adjustments	**-**	0%	15	0%
Tax incentives	**(230)**	0%	(231)	0%
Tax loss effect	**-**	0%	(4)	0%
(Over)/under provided in prior years	**-**	0%	13	0%
Effect of prior period adjustment on deferred tax	**22**	0%	727	1%
Total income tax expense in income statement	**9,526**	0%	21,009	0%
Income tax expense	**9,526**	10%	21,009	24%

Bank

	2014 ₦ million	2014 %	2013 ₦ million	2013 %
Profit before income tax	**85,536**		76,853	
Tax calculated using the domestic corporation tax rate of 30% (2013: 30%, 2012: 30%)	**25,661**	30%	23,056	30%
Non-deductible expenses	**16,292**	19%	3,782	4%
Effect of education tax levy	**-**	0%	1,258	1%
Effect of information technology	**814**	1%	769	1%
Effect of capital gains tax	**-**	0%	27	0%
Effect of excess dividend tax	**402**	0%	5,346	6%
Tax exempt income	**(36,754)**	(43%)	(17,383)	(20%)
Tax incentives	**(230)**	0%	(94)	0%
Effect of prior period adjustment on deferred tax		0%	727	1%
Total income tax expense in income statement	**6,185**	7%	17,488	23%
Income tax expense	**6,185**	7%	17,488	23%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

16 **TAXATION** (continued)

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
The movement in the current income tax liability is as follows:				
At start of the year	31,633	22,536	29,836	19,768
Effect of adjustment on acquired entities	3	(729)	-	-
Tax paid	(30,276)	(8,455)	(27,029)	(3,734)
Withholding tax credit utilised	(11)	(4)	-	-
Prior period (over)/under provision	-	(2)	-	-
AFS securities revaluation tax charge/(credit)	(682)	(282)	-	-
Income tax charge	6,975	17,321	3,751	13,802
Effect of changes in exchange rate	888	1,248	-	-
At 31 December	8,530	31,633	6,558	29,836
Current	8,530	31,633	6,558	29,836

17 CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Cash	63,306	71,681	44,338	38,973
Balances with central banks excluding mandatory reserve deposits	71,058	181,281	65,630	177,507
	134,364	252,962	109,968	216,480
Mandatory reserve deposits with central banks	563,237	341,011	560,077	324,741
	697,601	593,973	670,045	541,221

Included in balances with central bank is a call placement of ₦7.5 billion for Group and Bank (31 December 2013: ₦137.04 billion).

Restricted deposits with central banks are not available for use in the Group's day-to-day operations. The Bank had restricted balances of ₦560.08 billion with the CBN as at 31 December 2014 (December 2013: ₦325 billion). This balance is the CBN cash reserve requirement. The cash reserve ratio represents a mandatory 15% of non-government deposits (December 2013 :12%) and 75% of government deposits (December 2013: 50%) which should be held with the CBN as a regulatory requirement. FBNBank (UK), FBNBank Ghana, FBNBank Gambia, FBNBank Guinea and FBNBank Senegal had restricted balances of ₦0.428 billion, ₦0.968 billion, ₦0.159 million, ₦1.407 billion and ₦0.198 billion respectively with their respective central banks.

18 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Cash (Note 17)	63,306	71,681	44,338	38,973
Balances with central banks other than mandatory reserve deposits (Note 17)	71,058	181,281	65,630	177,507
Loans and advances to banks excluding long-term placements (Note 19)	290,692	311,581	212,679	346,970
Treasury bills included in financial assets held for trading (Note 21)	174	438	174	438
Treasury bills and eligible bills excluding pledged treasury bills (Note 22.1 and 22.2)	61,049	197,440	50,913	143,402
	486,279	762,421	373,734	707,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

19 LOANS AND ADVANCES TO BANKS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current balances with banks within Nigeria	52,962	4,768	3,478	1,620
Current balances with banks outside Nigeria	156,808	287,414	171,567	337,348
Placements with banks and discount houses	80,922	19,399	37,634	8,002
	290,692	311,581	212,679	346,970
Long-term placement	139,361	103,629	30,163	20,601
Carrying amount	430,053	415,210	242,842	367,571

Included in loans to banks is a non-current placement of ₦139.36 billion for Group and ₦30.16 billion for Bank (31 December 2013: ₦103.6 billion for Group and ₦20.6 billion for Bank) which does not qualify as cash and cash equivalent.

All other loans to banks are due within three months.

20 LOANS AND ADVANCES TO CUSTOMERS

Group

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2014					
Overdrafts	329,576	11,845	3,619	15,464	314,112
Term loans	1,819,090	15,640	11,331	26,971	1,792,119
Staff loans	7,081	-	68	68	7,013
Project finance	77,709	-	151	151	77,558
	2,233,456	27,485	15,169	42,654	2,190,802
Advances under finance lease	3,043	241	41	282	2,761
	2,236,499	27,726	15,210	42,936	2,193,563
31 DECEMBER 2013					
Overdrafts	354,578	10,465	4,060	14,524	340,054
Term loans	1,417,892	9,393	19,587	28,981	1,388,912
Staff loans	6,287	31	185	216	6,071
Project finance	61,534	-	731	731	60,803
	1,840,291	19,889	24,563	44,452	1,795,840
Advances under finance lease	2,862	696	71	768	2,095
	1,843,153	20,585	24,634	45,220	1,797,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

Bank

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2014					
Overdrafts	308,724	11,299	2,168	13,467	295,257
Term loans	1,497,444	14,616	9,486	24,102	1,473,342
Staff loans	6,220	-	68	68	6,152
Project finance	16,676	-	151	151	16,525
	1,829,064	25,915	11,873	37,788	1,791,276
Advances under finance lease	3,043	241	41	282	2,761
	1,832,107	26,156	11,914	38,070	1,794,037
31 DECEMBER 2013					
Overdrafts	340,854	10,022	3,623	13,645	327,209
Term loans	1,104,336	7,297	18,838	26,135	1,078,200
Staff loans	5,702	-	170	170	5,532
Project finance	61,534	-	731	731	60,803
	1,512,426	17,319	23,362	40,681	1,471,744
Advances under finance lease	2,862	696	71	768	2,095
	1,515,288	18,015	23,433	41,449	1,473,839

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current	1,196,808	931,142	989,639	719,304
Non-current	996,755	866,793	804,398	754,535
	2,193,563	1,797,935	1,794,037	1,473,839

20a CBN/Bank of Industry facilities

Included in loans and advances to customers are term loans granted to customers in line with CBN ₦200 billion intervention funds for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

CBN/Commercial Agricultural Credit Scheme (CACS)

This relates to the balance on term loan facilities granted to customers under CBN Commercial Agriculture Credit Scheme. The facilities under the scheme are for a period of seven years at 9% interest per annum. These balances are included in the loans and advances.

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
CBN/Bank of Industry	14,514	7,429
CBN/Commercial Agricultural Scheme Credit	13,733	20,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

Reconciliation of impairment allowance on loans and advances to customers:

Group

	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2014					
Specific impairment	10,465	9,393	696	31	20,585
Collective impairment	4,058	19,587	72	916	24,633
	14,523	28,980	768	947	45,218
Additional provision/(write-back)					
Specific impairment	7,490	16,409	(455)	(31)	23,413
Collective impairment	2,918	2,213	1	(697)	4,435
	10,408	18,622	(454)	(728)	27,848
Loans written off					
Specific impairment	(6,444)	(10,239)	-	-	(16,683)
Collective impairment	(3,359)	(10,470)	(31)	-	(13,860)
Acquisition through business combination (specific impairment)	335	77			412
At 31 December 2014	15,463	26,970	283	219	42,935
Specific impairment	11,846	15,640	241	-	27,727
Collective impairment	3,617	11,330	41	219	15,208
	15,463	26,970	282	219	42,935
AT 1 JANUARY 2013					
Specific impairment	6,882	10,251	-	-	17,133
Collective impairment	3,402	17,372	87	1,332	22,193
	10,284	27,623	87	1,332	39,326
Additional provision/(write-back)					
Specific impairment/(write-back)	11,628	9,267	696	31	21,622
Collective impairment/(write-back)	647	1,048	(15)	(416)	1,265
	12,275	10,315	681	(385)	22,887
Loans written off	(8,693)	(10,447)	-	-	(19,140)
Acquisition through business combination (specific impairment)	648	322			970
Acquisition through business combination (collective impairment)	9	1,167	-	-	1,176
At 31 December 2013	14,523	28,980	768	947	45,219
Specific impairment	10,465	9,393	696	31	20,585
Collective impairment	4,058	19,587	72	916	24,634
	14,523	28,980	768	947	45,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

Bank

	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2014					
Specific impairment	10,020	7,297	698	-	18,015
Collective impairment	3,623	18,838	71	901	23,433
	13,643	26,135	769	901	41,448
Additional provision/(write-back)					
Specific impairment	8,346	12,838	(457)	-	20,727
Collective impairment	1,906	1,118	1	(682)	2,343
	10,252	13,956	(456)	(682)	23,070
Loans written off					
Specific impairment	(7,068)	(5,519)		-	(12,587)
Collective impairment	(3,360)	(10,470)	(31)	-	(13,861)
At 31 December 2014	13,467	24,102	282	219	38,070
Specific impairment	11,298	14,616	241	-	26,155
Collective impairment	2,168	9,486	41	219	11,915
	13,466	24,102	282	219	38,069
AT 1 JANUARY 2013					
Specific impairment	6,585	8,222	-	-	14,807
Collective impairment	3,602	17,150	87	1,332	22,171
	10,187	25,372	87	1,332	36,978
Additional provision/(write-back)					
Specific impairment	11,785	8,429	698	-	20,912
Collective impairment	21	1,688	(15)	(431)	1,262
	11,806	10,117	683	(431)	22,174
Loans written off	(8,350)	(9,354)	-	-	(17,704)
At 31 December 2013	13,643	26,135	769	901	41,448
Specific impairment	10,020	7,297	698	-	18,015
Collective impairment	3,623	18,838	71	901	23,433
	13,643	26,135	769	901	41,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

Loans and advances to customers include finance lease receivables as follows:

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Gross investment in finance lease, receivable				
– No later than one year	**168**	547	**168**	547
– Later than one year and no later than five years	**3,555**	2,678	**3,555**	2,678
– Later than five years	**-**	24	**-**	24
	3,723	3,249	**3,723**	3,249
Unearned future finance income on finance leases	**(680)**	(387)	**(680)**	(387)
Impairment allowance on leases	**(282)**	(768)	**(282)**	(768)
Net investment in finance lease, receivable	**2,761**	2,094	**2,761**	2,094
Net investment in finance lease, receivable is analysed as follows:				
– No later than one year	**151**	147	**151**	147
– Later than one year and no later than five years	**2,610**	1,925	**2,610**	1,925
– Later than five years	**-**	22	**-**	22
	2,761	2,094	**2,761**	2,094

20.1 Nature of security in respect of loans and advances:

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Legal mortgage/debenture on business premises, factory assets or real estates	**579,351**	627,755	**490,974**	544,204
Guarantee/receivables of investment grade banks and state government	**746,557**	178,923	**738,045**	373,890
Domiciliation of receivables	**630,801**	112,102	**484,648**	402,821
Clean/negative pledge	**79,749**	47,791	**78,012**	138,238
Marketable securities/shares	**14,755**	374,221	**14,755**	23,955
Otherwise secured	**81,184**	484,590	**2,290**	15,540
Cash/government securities	**104,102**	17,772	**23,383**	16,640
	2,236,499	1,843,154	**1,832,107**	1,515,288

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

21 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Treasury bills with maturity of less than 90 days	**174**	438	**174**	438
Treasury bills with maturity of over 90 days	**730**	146	**730**	146
Total debt securities	**904**	584	**904**	584
Derivative assets	**9,804**	4,159	**8,354**	1,641
Total assets held for trading	**10,708**	4,743	**9,258**	2,225

The Group did not designate any financial assets as fair value through profit or loss on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

21 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (continued)

The Group uses the following derivative strategies:

Economic hedges

The Group use of derivative instruments is very nascent and has been limited to hedging of risk exposures resulting from adverse movement in market risk factors. The Group's derivative transactions are principally in:

- forward FX contracts entered into to hedge against foreign exchange risks arising from cross-currency exposures; and
- exchange rate risk in euro borrowing disbursed in USD is being managed by the use of forward FX contracts that allows a notional accrual of euros that will close the open position over the life of the borrowing.

Customers' risk hedge needs

The Group offers its customers derivatives in connection with their risk-management objectives to transfer, modify or reduce foreign exchange risk for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. Currently all hedge transactions with the customers are backed by trade (visible and invisible) transactions. The Group also manages its derivative-risk positions through calculation of pre-settlement risk exposure and daily reporting of positions and risk measures to senior management.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

	Group – 31 December 2014			Bank – 31 December 2014		
	Notional contract amount ₦ million	Fair values		Notional contract amount ₦ million	Fair values	
		Asset ₦ million	Liability ₦ million		Asset ₦ million	Liability ₦ million
Foreign exchange derivatives						
Forward FX contract	281,325	1,450	(1,975)	386	-	(8)
FX accumulator contract	565	-	(133)	565	-	(133)
Currency swap	14,884	-	(58)	14,884	-	(58)
Put options	52,996	8,354	(7,747)	52,996	8,354	(7,747)
	349,770	9,804	(9,913)	68,831	8,354	(7,946)
Current	296,774	1,450	(2,166)	15,835	-	(199)
Non-current	52,996	8,354	(7,747)	52,996	8,354	(7,747)
	349,770	9,804	(9,913)	68,831	8,354	(7,946)

	Group – 31 December 2013			Bank – 31 December 2013		
	Notional contract amount ₦ million	Fair values		Notional contract amount ₦ million	Fair values	
		Asset ₦ million	Liability ₦ million		Asset ₦ million	Liability ₦ million
Foreign exchange derivatives						
Forward FX contract	189,302	2,522	(71)	1,425	4	(71)
Currency swap	19,617	12	(4)	19,617	12	-
Put options	34,361	1,626	(1,626)	34,361	1,626	(1,626)
	243,280	4,160	(1,701)	55,403	1,642	(1,697)
Current	195,510	2,534	(4)	7,633	16	-
Non-current	47,770	1,626	(1,697)	47,770	1,626	(1,697)
	243,280	4,160	(1,701)	55,403	1,642	(1,697)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

22 INVESTMENT SECURITIES

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
22.1 SECURITIES AVAILABLE FOR SALE				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**57,083**	197,440	**50,913**	143,402
– Treasury bills with maturity of more than 90 days	**232,698**	58,616	**232,698**	54,696
– Government bonds	**72,169**	139,626	**72,169**	107,410
– Other bonds	**38,256**	20,331	**6,603**	20,331
Equity securities – at fair value:				
– Listed	**1,623**	3,751	**1,470**	1,554
Equity securities – at fair value:				
– Unlisted	**40,722**	31,659	**40,655**	31,659
	442,551	451,423	**404,508**	359,052
Assets pledged as collateral				
Debt securities – at fair value:				
– Treasury bills	**19,203**	20,178	**19,203**	19,137
– Bonds	**-**	204	**-**	-
	19,203	20,382	**19,203**	19,137
Total securities classified as available for sale	**461,754**	471,805	**423,711**	378,189
22.2 SECURITIES HELD TO MATURITY				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	**3,966**	-	**-**	-
– Treasury bills with maturity of more than 90 days	**7,993**	10,498	**-**	6,107
– Bonds	**144,394**	272,769	**140,467**	272,769
	156,353	283,267	**140,467**	278,876
Assets pledged as collateral				
Debt securities – at amortised cost:				
– Treasury bills	**1,360**	-	**-**	-
– Bonds	**43,964**	33,269	**43,955**	33,269
	45,324	33,269	**43,955**	33,269
Total securities classified as held to maturity	**201,677**	316,536	**184,422**	312,145
Total investment securities	**663,431**	788,341	**608,133**	690,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

23 ASSETS PLEDGED AS COLLATERAL

The assets pledged by the Group are strictly for the purpose of providing collateral to counterparties. To the extent that the counterparty is not permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities.

The nature and carrying amounts of the assets pledged as collateral are as follows:

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Available-for-sale debt securities (Note 22.1)	19,203	20,382	19,203	19,137
Held-to-maturity debt securities (Note 22.2)	45,324	33,269	43,955	33,269
	64,527	53,651	63,158	52,406
The related liability for assets held as collateral include:				
Bank of Industry	14,791	7,394	14,791	7,394
CBN/Commercial Agricultural Credit Scheme intervention fund	15,624	21,305	15,624	21,305

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of ₦40.24 billion for the Group in December 2014 (2013: ₦40.3 billion) and ₦40.24 billion for the Bank in December 2014 (2013: ₦40.3 billion) for which there is no related liability.

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current	20,563	20,178	19,203	19,137
Non-current	43,964	33,473	43,955	33,269
	64,527	53,651	63,158	52,406

24 INVESTMENT IN SUBSIDIARIES

24.1 PRINCIPAL SUBSIDIARY UNDERTAKINGS

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
FBNBank (UK) Limited (Note 24.1 (i))	30,695	30,695
First Pension Custodian Nigeria Limited (Note 24.1 (ii))	2,000	2,000
FBN Mortgages Limited (Note 24.1 (iii))	4,777	2,100
FBN Bureau de Change Limited (Note 24.1 (iv))	-	50
FBNBank DRC Limited (Note 24.1 (v))	5,503	5,503
FBNBank Ghana Limited	10,559	10,559
International Commercial Bank (ICB) Sierra Leone	1,685	1,685
FBNBank Guinea Limited	2,378	2,243
International Commercial Bank (ICB) Gambia	1,472	1,472
International Commercial Bank (ICB) Senegal*	2,038	-
Impairment loss on investment in subsidiaries	(2,121)	-
	58,986	56,307

During the year, the Bank made additional investments of ₦2.677 billion and ₦135.3 million in FBN Mortgages and FBNBank Guinea respectively.

* To be renamed and rebranded FBNBank Senegal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24.1 PRINCIPAL SUBSIDIARY UNDERTAKINGS (continued)

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the Group owned the total issued shares in all its subsidiary undertakings except Banque Internationale de Crédit in which it owned 75%. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the Group do not differ from the proportion of ordinary shares held. The total non-controlling interest for the year is ₦1.64 billion.

SUBSIDIARY	Principal activity	Country of incorporation	Proportion of shares held directly by parent (%)	Proportion of shares held directly by the Group (%)	Statutory year end
FBNBank (UK) Limited (Note 24.1 (i))	Banking	United Kingdom	100	100	31 December
First Pension Custodian Nigeria Limited (Note 24.1 (ii))	Pension fund assets custodian	Nigeria	100	100	31 December
FBN Mortgages Limited (Note 24.1 (iii))	Mortgage banking	Nigeria	100	100	31 December
FBN Bureau de Change Limited (Note 24.1 (iv))	Bureau de change	Nigeria	100	100	31 December
FBNBank DRC Limited (Note 24.1 (v))	Banking	Democratic Republic of Congo	75	75	31 December
FBNBank Ghana Limited (Note 24.1 (vi))	Banking	Ghana	100	100	
ICB Sierra Leone (Note 24.1 (vii))	Banking	Sierra Leone	100	100	31 December
FBNBank Guinea Limited (Note 24.1 (viii))	Banking	Guinea	80	100	31 December
ICB Gambia (Note 24.1 (ix))	Banking	The Gambia	100	100	31 December
ICB Senegal (Note 24.1 (x))	Banking	Senegal	80	100	31 December

i. FBNBank (UK) Limited

FBNBank (UK) (FBNUK) is a company incorporated in the United Kingdom under the Companies Act 1985 as a UK-registered bank authorised by the Financial Services Authority to accept deposits and undertake banking business. FBNUK was incorporated in November 2002. It is a wholly owned subsidiary of First Bank of Nigeria Limited. The bank has a branch in Paris.

ii. First Pension Custodian Nigeria Limited

First Pension Custodian Nigeria was incorporated on 12 August 2005 and granted an approval in principle by the National Pension Commission on 1 August 2005 while the operating licence was obtained on 7 December 2005. The principal activity of the company is to act as a custodian of pension fund assets in accordance with the Pension Reform Act 2004.

iii. FBN Mortgages Limited

The company was incorporated on 17 March 2003 and commenced operations on 1 May 2004. Its principal activities include acceptance of deposits, provision of mortgage finance for customers and investment in properties.

iv. FBN Bureau de Change Limited

This represents the Bank's 100% holding in FBN Bureau de Change. The Bank obtained approval from the CBN to operate a bureau de change on 8 August 2006. In September 2013, the CBN withdrew the licence of FBN Bureau de Change. During the period, the company was wound up and the Bank assumed the residual assets and liabilities.

v. FBNBank DRC Limited

FBNBank DRC (previously known as Banque Internationale de Crédit (BIC)) is a company incorporated in the Democratic Republic of Congo (DRC) on 6 April 1994, following the approval granted by the Central Bank of Congo on 24 September 1993.

FirstBank has a holding of 75% in the equity of BIC.

vi. FBNBank Ghana Limited

FBNBank Ghana (previously known as ICB Ghana) is a company incorporated in Ghana on 19 March 1996, and commenced operations in November 1996. The bank operates with a class 1 universal banking licence and is a tier III bank in the Ghana banking landscape with a network of 17 branches and two cash agencies. Its principal activities include business banking and consumer banking. The target customers of the consumer banking are individuals, while SMEs and corporates are the focus of the business banking unit.

FirstBank has a holding of 100% in the equity of FBNBank Ghana. The Bank obtained the CBN's approval for the acquisition of ICB West Africa including ICB Ghana on 7 June 2013, while the Bank of Ghana (BoG) gave its provisional approval for the transaction on 19 September 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24.1 PRINCIPAL SUBSIDIARY UNDERTAKINGS (continued)

vii. ICB Sierra Leone
ICB Sierra Leone is a company incorporated in Sierra Leone on August 2004, and is one of the 10 foreign-owned commercial banks in Sierra Leone. Presently, the bank has a branch network of two branches located in one of the four regions of Sierra Leone. Its principal activities include public sector, retail banking, SMEs and corporate banking.

FirstBank has a holding of 100% in the equity of ICB Sierra Leone. The Bank obtained the CBN's approval for the acquisition of ICB West Africa including ICB Sierra Leone on 7 June 2013 while the Bank of Sierra Leone (BoSL) gave its approval for the acquisition on 25 June 2013.

viii. FBNBank Guinea Limited
FBNBank Guinea (previously known as ICB Guinea) is a tier III bank in Guinea banking sector. The bank was incorporated on 17 September 1996 and commenced operations in 1997. ICB Guinea currently operates from five locations in Conakry, the capital city and is well known in Guinea as one of the leading banks with quality services, transparent transactions and compliance with legal and regulatory policies. Its principal activities include business and commercial banking. The business banking group focuses on corporate and institutional customers while the consumer banking group provides services to retail customers.

FirstBank has a holding of 80% in the equity of FBNBank Guinea, while FBNBank Ghana holds the other 20% equity. The CBN's approval for the acquisition of FBNBank Guinea was gained alongside the other ICBs operations in West Africa in 7 June 2013, while the Central Bank of Republic of Guinea (BCRG) gave its final approval for the transaction on 26 August 2013.

ix. ICB Gambia
ICB Gambia is an incorporated company and commenced operations in The Gambia on July 2004. The bank is a tier III bank in the Gambian banking sector, and currently operates from four locations in one of the six regions in The Gambia. Key sectors targeted by the bank are public sector, corporate companies, SMEs and retail customers.

FirstBank has a holding of 100% in the equity of ICB Gambia. The approval for the acquisition was granted by the CBN on 7 June 2013 while the Central Bank of Gambia (CBG) gave its provisional approval on 24 April 2013.

x. ICB Senegal
ICB Senegal was incorporated and commenced operations in Senegal on June 2001. The bank is a tier III bank, and currently operates from three locations in Senegal. Its principal activities include retail and commercial banking. Key sectors targeted by the bank are public sector, corporate customers, SMEs and retail customers.

FirstBank acquired 80% in the equity of ICB Senegal, with FBNBank Ghana holding the remaining 20% equity. The acquisition of ICB Senegal was deferred until the Central Bank of West Africa States, the regulatory authority in charge of banking business in Senegal, gave its final approval for the transaction on 28 May 2014.

xi. FBN Finance Company B.V.
This is a special purpose entity which issued eurobonds during the year. The results of the SPE have been consolidated by the Bank.

xii. First Dependants Nigeria Limited
First Dependants was set up as a special purpose vehicle/fund established by a trust deed for the purpose of provisions for pensions and other benefits on retirement for and in respect of employees of FirstBank. Being a fund established by a trust deed, the management entered into a fund management agreement with First Trustees Limited to invest the funds in eligible transactions and assets held in anticipation of needs.

xiii. First Nominees Nigeria Limited
First Nominees Nigeria Limited was set up as a special purpose vehicle by the Bank and funded by contributions from the Bank. A provident fund and profit-sharing scheme, which was replaced by the Pension and Gratuity Scheme. The fund was managed to provide for pensions and other benefits on retirement for and in respect of employees of FirstBank. The fund is being managed by First Trustees Nigeria Limited.

xiv. Sinking Fund
The fund is an in-house insurance scheme established as a fund against the risk on FBNHoldings Group's motor vehicles. This fund is being managed by FBN Insurance Brokers, who has the responsibility to manage, operate and administer the fund in settlement of claims.

xv. FBC Assets Limited
FBC Assets Limited (previously called First Bank Capital Assets Limited) is a special purpose vehicle (SPV) incorporated to acquire shares of Zain Nigeria Limited (now Airtel Networks Limited). The shares are held in trust for FirstBank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24.2 CONDENSED RESULTS OF CONSOLIDATED ENTITIES FROM CONTINUING OPERATIONS

31 December 2014	Parent ₦ million	FBNUK ₦ million	BIC ₦ million	ICB Ghana ₦ million	ICB Gambia ₦ million	ICB Sierra Leone ₦ million	ICB Guinea ₦ million	ICB Senegal ₦ million	Mortgages ₦ million	Pension ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Banking Group ₦ million
SUMMARISED INCOME STATEMENT														
Operating income	303,008	19,390	9,049	2,861	294	396	601	401	(1)	4,025	1,668	341,692	(3,261)	338,431
Operating expenses	(200,726)	(7,414)	(6,678)	(1,468)	(188)	(156)	(413)	(442)	(2,268)	(1,514)	(548)	(221,815)	3,565	(218,250)
Provision expense	(20,924)	(2,800)	(1,326)	(452)	(57)	(33)	1	(63)	(76)	-	-	(25,730)	-	(25,730)
Operating profit	81,358	9,176	1,045	941	49	207	189	(104)	(2,345)	2,511	1,120	94,147	304	94,451
Associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	81,358	9,176	1,045	941	49	207	189	(104)	(2,345)	2,511	1,120	94,147	304	94,451
Tax	(6,185)	(2,023)	(984)	(141)	(20)	(63)	(66)	(1)	(20)	-	(24)	(9,526)	-	(9,526)
(Loss)/profit for the year	75,173	7,153	61	800	29	144	123	(105)	(2,365)	2,511	1,096	84,621	304	84,925
Other comprehensive income	2,777	(2,160)	8	101	4	18	15	(13)	1	-	(1,105)		5,172	5,172
Total comprehensive income	77,950	4,993	69	901	33	162	138	(118)	(2,364)	2,511	(9)	84,621	5,476	90,097
Total comprehensive income allocated to non-controlling interest	-	-	15	-	-	-	-	-	-	-	-	15	-	15
Dividends paid to non-controlling interest	-	-		-	-	-	-	-	-	-	-	-	-	-
SUMMARISED FINANCIAL POSITION														
Assets														
Cash and balances with central bank	670,045	8,238	10,937	2,060	1,203	1,190	3,167	761	-	-	-	697,601	-	697,601
Due from other banks	242,843	246,767	4,873	6,700	366	-	1,946	294	4,424	209	3,226	511,648	(81,594)	430,054
Loans and advances	1,794,037	369,660	32,338	9,063	735	1,034	1,936	2,815	2,638	21	-	2,214,278	(20,716)	2,193,562
Financial assets held for trading (HFT)	9,258	1,450	-	-	-	-	-	-	-	-	-	10,708	-	10,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24.2 CONDENSED RESULTS OF CONSOLIDATED ENTITIES FROM CONTINUING OPERATIONS (continued)

31 December 2014	Parent ₦ million	FBNUK ₦ million	BIC ₦ million	ICB Ghana ₦ million	ICB Gambia ₦ million	ICB Sierra Leone ₦ million	ICB Guinea ₦ million	ICB Senegal ₦ million	Mortgages ₦ million	Pension ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Banking Group ₦ million
Investment securities	544,975	31,653	5,142	846	330	2,503	1,849	5,319	58	5,059	144,226	741,960	(143,056)	598,904
Assets pledged as collateral	63,158	-	-	1,360	-	-	-	9	-	-	-	64,527	-	64,527
Investment in subsidiaries	58,986	-	-	-	-	-	-	-	-	-	-	58,986	(58,986)	0
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	29,174	592	4,265	503	37	43	435	126	3,974	549	376	40,074	(618)	39,456
Deferred tax	1,343	-	754	71	9	14	-	-	71	117	-	2,379	5	2,384
Intangible assets	2,272	516	93	37	7	1	3	9	2	98	-	3,038	5,067	8,105
Property, plant and equipment	74,782	810	5,412	337	57	12	60	127	53	995	37	82,682	723	83,405
Assets held for sale	-	-	-	-	-	-	-	-	2,931	-	-	2,931	-	2,931
	3,490,873	659,686	63,814	20,977	2,744	4,797	9,397	9,460	14,151	7,048	147,865	4,430,812	(299,174)	4,131,638
Financed by														
Customer deposits	2,551,022	413,912	52,500	9,686	1,465	3,159	7,047	4,771	11,265	-	-	3,054,827	(65,092)	2,989,735
Due to other banks	19,246	144,463	-	-	-	-	-	1	-	-	-	163,710	-	163,710
Financial liabilities held for trading	7,948	1,967	-	-	-	-	-	-	-	-	-	9,915	-	9,915
Borrowed funds	377,950	14,546	-	4,896	282	-	-	2,530	-	-	143,012	543,216	(180,240)	362,976
Tax payable	6,558	463	1,031	-	15	7	13	2	94	319	27	8,530	-	8,530
Other liabilities	103,556	21,495	3,744	488	42	29	658	438	3,291	456	105	134,302	(2,601)	131,701
Retirement benefit obligations	1,546	-	-	-	-	11	81	3	-	92	-	1,733	280	2,013
Deferred income tax liabilities	-	38	-	-	-	-	-	-	-	-	-	38	-	38
	3,067,826	596,884	57,275	15,071	1,803	3,206	7,799	7,745	14,650	867	143,144	3,916,271	(247,653)	3,668,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24.2 CONDENSED RESULTS OF CONSOLIDATED ENTITIES FROM CONTINUING OPERATIONS (continued)

31 December 2014	Parent ₦ million	FBNUK ₦ million	BIC ₦ million	ICB Ghana ₦ million	ICB Gambia ₦ million	ICB Sierra Leone ₦ million	ICB Guinea ₦ million	ICB Senegal ₦ million	Mortgages ₦ million	Pension ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Banking Group ₦ million
Equity and reserves	423,047	62,801	6,539	5,906	941	1,591	1,597	1,714	(499)	6,181	4,719	514,538	(51,521)	463,021
SUMMARISED CASH FLOWS														
Operating activities														
Interest received	300,537	-	-	3419	306	244	502	574	797	-	179	306,558	35,923	342,481
Interest paid	(88,418)	-	-	(685)	(80)	(148)	(105)	(185)	988	-	-	(88,633)	(7,672)	(96,306)
Purchase of investment securities	(383,723)	-	-	0	(858)	-	426	-	-	(6,330)	(208)	(390,693)	(15,140)	(405,833)
Proceeds from the sale of investment securities	388,733	-	-	0	1,558	-	-	-	-	8,342	-	398,633	8,161	406,794
Income tax paid	(27,028)	(1,713)	(927)	(145)	(32)	(139)	88	(0)	10	-	(23)	(29,907)	(369)	(30,276)
Cash flow generated from operations	(691,756)	(9,384)	(3,555)	656	(235)	768	157	(820)	1,560	2,249	642	(699,718)	(20,974)	(720,692)
Net cash generated from operating activities	(501,655)	(11,097)	(4,482)	3,245	660	725	1,067	(431)	3,355	4,261	591	(503,761)	(71)	(503,832)
Net cash used in investing activities	(15,593)	(513)	(1,173)	2223	(57)	(90)	1,386	16	(1,358)	(41)	908	(14,290)	(0)	(14,290)
Net cash used in financing activities	183,475	(1,431)	(1,275)	(2,161)	282	-	-	-	-	(1,003)		177,886	20,945	198,831
Increase in cash and cash equivalents	(333,773)	(13,041)	(6,931)	3,307	885	635	2,454	(415)	1,997	3,217	1,499	(340,166)	20,875	(319,291)
Cash and cash equivalents at start of year	707,290	96,300	26,678	4484	732	555		6,587	2,427	373	1,713	847,139	(84,718)	762,421
Effect of exchange rate fluctuations on cash held	216	-	-	-	-	-	-	-	-	-	-	216	(654)	(438)
Cash and cash equivalents at end of year	373,733	83,260	19,747	7,791	1,617	1,190	2,454	6,171	4,424	3,590	3,212	507,190	(64,497)	442,692

The total balances are before intercompany eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24.2 CONDENSED RESULTS OF CONSOLIDATED ENTITIES FROM CONTINUING OPERATIONS (continued)

BREAKDOWN OF OTHERS IN NOTE 24.2

31 December 2014	FBN Finance ₦ million	Sinking Funds ₦ million	First Nominees ₦ million	First Dependants ₦ million	Total ₦ million
SUMMARISED INCOME STATEMENT					
Operating income	16	312	942	398	1,668
Operating expenses	(9)	(66)	(463)	(9)	(548)
Provision expense	-	-	-	-	-
Operating profit	7	246	479	389	1,120
Associate	-	-	-	-	-
Profit before tax	7	246	479	389	1,120
Tax	(1)	-	(23)	-	(24)
(Loss)/profit for the year	6	246	456	389	1,096
Other comprehensive income	1	(2)	(406)	(698)	(1,105)
Total comprehensive income	7	244	50	(309)	(9)
Total comprehensive income allocated to non-controlling interest					
Dividends paid to non-controlling interest					
SUMMARISED FINANCIAL POSITION					
Assets					
Cash and balances with central bank	-	-	-	-	-
Due from other banks	17	398	1,002	1,809	3,226
Loans and advances	-	-	-	-	-
Financial assets held for trading (HFT)	-	-	-	-	-
Investment securities	143,012	1,045	134	35	144,226
Assets pledged as collateral	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-
Investment in associates	-	-	-	-	-
Other assets	13	1	75	287	376
Deferred tax	-	-	-	-	-
Intangible assets	-	-	-	-	-
Property, plant and equipment	-	-	37	-	37
Assets held for sale	-	-	-	-	-
	143,042	1,444	1,248	2,131	147,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24.2 CONDENSED RESULTS OF CONSOLIDATED ENTITIES FROM CONTINUING OPERATIONS (continued)

31 December 2014	FBN Finance ₦ million	Sinking Funds ₦ million	First Nominees ₦ million	First Dependants ₦ million	Total ₦ million
Financed by					
Customer deposits	-	-	-	-	-
Due to other banks	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-
Borrowed funds	143,012	-	-	-	143,012
Tax payable	1	-	26	-	27
Other liabilities	12	32	61	-	105
Retirement benefit obligations	-	-	-	-	-
Deferred income tax liabilities	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-
	143,025	32	87	-	143,144
Equity and reserves	16	1,412	1,160	2,131	4,719
Total equity and liabilities	143,041	1,444	1,247	2,131	147,863
SUMMARISED CASH FLOWS					
Operating activities					
Interest received	-	151	7	21	179
Interest paid	-				-
Purchase of investment securities	-	(208)			(208)
Proceeds from the sale of investment securities	-			-	-
Income tax paid	-		(23)		(23)
Cash flow generated from operations	-	162	479	1	642
Net cash generated from operating activities	-	105	463	22	590
Net cash used in investing activities	-	-	(329)	1,237	908
Net cash used in financing activities	-	-	-		-
Increase in cash and cash equivalents	-	105	134	1,259	1,498
Cash and cash equivalents at start of year	-	294	868	551	1,713
Effect of exchange rate fluctuations on cash held	-	-	-	-	-
Cash and cash equivalents at end of year	-	399	1,002	1,810	3,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

25 ACQUISITION OF SUBSIDIARY

In May 2014, FirstBank acquired 80% equity interest in ICB Senegal. This concluded the 100% acquisition of the West Africa operations of International Commercial Bank (ICB) from International Commercial Bank Financial Group Holdings AG (ICBFGH) which commenced in 2013 with the acquisition of equity interests in four entities (ICB Ghana, ICB Sierra Leone, ICB Guinea and ICB Gambia) in October 2013. As a result of these acquisitions, the Commercial Banking segment of the Group will consolidate its position as one of the largest corporate and retail banking financial institutions in Sub-Saharan Africa (excluding South Africa). This acquisition will enhance the Group's total asset base by about 1%. The accounting for the acquisition of these subsidiaries was completed on 30 September 2014 and this resulted in a change to goodwill by ₦1.081 billion from the provisional amount recognised in the 2013 consolidated financial statements.

ICB Senegal contributed interest income of ₦326 million and fee commission of ₦61 million to the Group for the period June 2014 to 31 December 2014 but with a loss of ₦104 million. If the acquisition had occurred on 1 January 2014, ICB Senegal would contribute interest income of ₦232 million, fee and commission of ₦39 million and a loss before tax of ₦227 million to the Group.

The following table summarises the consideration paid for the subsidiaries, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	ICB Ghana 31 Oct 2013 ₦ million	ICB Sierra Leone 31 Oct 2013 ₦ million	ICB Guinea 31 Oct 2013 ₦ million	ICB Gambia 31 Oct 2013 ₦ million	ICB Senegal 31 May 2014 ₦ million
Consideration					
Cash	10,559	1,685	2,243	1,435	2.038
Recognised amounts of identifiable assets acquired and liabilities assumed	Fair value	Fair value	Fair value	Fair value	Fair value
Cash and balances with central banks	1,768	416	2,846	949	139
Investment securities	10,632	1,647	1,501	767	4,422
Loans and advances to banks	404	-	3,073	-	952
Loans and advances to customers	9,316	1,111	1,655	659	3,218
Deferred tax asset	76	14	-	-	-
Other assets	277	238	234	73	62
Property, plant and equipment	319	14	67	22	102
Intangible assets	725	172	202	60	88
Deposits	(11,687)	(1,999)	(7,284)	(1,517)	(4,743)
Other liabilities	(4,695)	(217)	(706)	(84)	(2,438)
Total identifiable net assets	7,135	1,396	1,588	929	1,802
Non-controlling interest	-	-	-	-	-
Goodwill	3,424	290	655	506	236

Cash and cash equivalents acquired from the subsidiary are made up of the following:

	ICB Ghana 31 Oct 2013 ₦ million	ICB Sierra Leone 31 Oct 2013 ₦ million	ICB Guinea 31 Oct 2013 ₦ million	ICB Gambia 31 Oct 2013 ₦ million	ICB Senegal 31 May 2014 ₦ million
Cash and balances with central banks	723	416	1,230	782	(12)
Treasury bills	10,632	1,647	1,501	767	1,288
Loans and advances to banks	404	-	3,073	-	952
	11,759	2,063	5,804	1,549	2,228
Net cash on acquisition of subsidiary	1,200	377	3,561	114	190

The cash and balances with central banks did not include any mandatory or restricted balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

25 ACQUISITION OF SUBSIDIARY (continued)

The goodwill of ₦5.1 billion from the acquisition of the five ICB entities arises from a number of factors such as expected synergies through combining a highly skilled workforce and obtaining economies of scale.

There was no contingent consideration. So the fair value of the contingent consideration arrangement was deemed nil.

The treasury bills were not marked to market as at acquisition date. The treasury bills are highly liquid investments that are convertible into cash with an insignificant risk of changes in value, with original maturities of less than three months. The maturity of the treasury bills ranges between seven days and 28 days. The amount represents its fair value.

The carrying amount of cash and balances with central bank and loans and advances to banks represents their respective fair value.

The gross contractual amount for loans and advances to customers is ₦18.6 billion, which excludes a loan loss provision of ₦2.6 billion.

The gross carrying value of other assets is ₦0.882 billion; this includes an account receivable of ₦0.15 billion. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected. The difference between the fair value and the gross amount is the result of discounting over the expected timing of the cash collection.

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for ICB Ghana, ICB Sierra Leone, ICB Gambia and ICB Guinea have been finalised in the current year with no material changes to the fair value disclosed in the 2013 consolidated financial statements.

26 DISCONTINUED OPERATIONS

a. Following the Board's approval to dispose the Group's 40% interest in Kakawa Discount House Limited on 24 April 2014, the equity method of accounting was discontinued and the Group's interest was classified as asset held for sale, having met all the conditions to be classified as such in accordance with IFRS 5 as the carrying amount is expected to be recovered principally by a sale rather than through continuing use. On 22 December 2014, the Group sold its entire shareholding in Kakawa to its parent company – FBN Holdings Plc – at a price of ₦6.4 billion. The Group's share of results of Kakawa to the date of classification as held for sale is shown within the discontinued operations for the current and prior periods, while the gain/(losses) on the disposal is included in the current period.

The results from discontinued operations, which have been included in the consolidated income statement are as follows:

	Group		Bank	
	2014 ₦ million	2013 ₦ million	2014 ₦ million	2013 ₦ million
Share of results of equity accounted investments	136	875	-	-
Profit/(loss) on disposal of discontinued operations	(220)	-	4,176	-
Profit/(loss) for the year – discontinued operations	(84)	875	4,176	-

Profit/(loss) on disposal of discontinued operations is calculated as follows:

	Group	Bank
	₦ million	₦ million
Consideration	6,400	6,400
Carrying value as at point of sale (Note 27)	(6,361)	(2,224)
Share of associate's OCI recycled (Note 27)	(259)	-
	(220)	4,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

26 DISCONTINUED OPERATIONS (continued)

b. Assets classified as held for sale

The property development portfolio of First Mortgages Limited is being presented as held for sale following the commitment to its sale by the Group's management in compliance with the CBN's Regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which require banks in Nigeria to concentrate on banking businesses. In August 2012, as part of the capital restructuring scheme of the FirstBank Group, shareholders approved the full divestment by FirstBank of all the property development business of FBN Mortgages, prior to the CBN cut-off date of June 2013. Subsequently, the CBN again extended the cut-off date to 30 June 2014 to afford all affected primary mortgage banks sufficient time to exercise any of the options for capital raising and business combination. The prior-year balance was restated during the year. See details in Note 42.

Management assessed the appropriateness of the continued classification of the assets in line with IFRS 5 and remains committed to completing the sale.

	Group	
	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million
Assets classified as held for sale		
Inventory	**2,931**	4,549
	2,931	4,549

27 INVESTMENT IN ASSOCIATES (EQUITY METHOD)

FirstBank had a 40% shareholding in Kakawa Discount house (KDH). Following the Board's approval to dispose the Group's interest in KDH on 24 April 2014, the equity method of accounting was discontinued and the Group's interest was classified as asset held for sale. The sale was subsequently made on 22 December 2014.

KDH is a company incorporated in Nigeria and is involved in trading in, holding and provision of discount and re-discount facilities for treasury bills, commercial bills and other eligible financial instruments normally purchased by banks, corporate bodies and the investing public. KDH has share capital consisting only of ordinary share capital which is held directly by the Group; the country of incorporation or registration is also their principal place of business. KDH is not publicly traded and there is no published price information.

	Group		Bank	
	2014 ₦ million	2013 ₦ million	2014 ₦ million	2013 ₦ million
Balance at beginning of year	**6,225**	5,609	**2,224**	2,224
Share of profit	**136**	875		-
Share of other comprehensive income	**-**	(259)	**-**	-
Classification as held for sale	**(6,361)**	-	**(2,224)**	-
At end of year	**-**	6,225	**-**	2,224

	2014 ₦ million	2013 ₦ million
SUMMARISED BALANCE SHEET FOR KDH IS AS FOLLOWS:		-
Cash and balances with CBN		1,039
Loans and advances to banks		25,661
Loans and advances to customers		6,330
Financial assets held for trading		48,696
Investment securities		-
Investment in subsidiaries		19,900
Pledged assets		73
Other assets		1,051
Property, plant and equipment		30
Intangible assets		2,533
Deferred tax assets		-
Assets held for sale		105,313
Total assets		105,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

27 INVESTMENT IN ASSOCIATES (EQUITY METHOD) (continued)

	2014 ₦ million	2013 ₦ million
Due to banks		38,123
Due to customers		52,541
Derivative financial instruments		265
Current income tax liability		87
Other liabilities		792
Deferred tax liabilities		101
Liabilities held for sale		-
Total liabilities		91,909
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME		
Discount and similar income		12,418
Discount and similar expense		(9,629)
Net discount income		2,789
Impairment (charge) for/reversal of credit losses (net)		-
Net interest income after net impairment charge		2,789
Net gains from financial assets held for trading		933
Net gains from investment securities at fair value		(241)
Other operating income		607
Operating income		4,088
Operating expenses		(1,746)
Income tax		(176)
Profit for the year from continuing operations		2,166
Profit for the year from discontinued operations		23
Profit for the year		2,189
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Net gains on available-for-sale financial assets:		
– Unrealised net gains arising during the period, before tax		(648)
Other comprehensive income for the year net of tax		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,541

The information above reflects the amounts presented in the financial statements of the associates (and not FirstBank's share of those amounts).

Reconciliation of summarised financial information presented to the carrying amount of its interest in associates.

	2013 ₦ million
Opening net assets on 1 January	14,712
Profit or loss for the period	2,189
Other comprehensive income	(648)
Closing net assets	16,253
Interest in associates (40%)	6,501
Carrying value	6,225

KDH did not have any commitment or contingent liabilities as at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

28 PROPERTY, PLANT AND EQUIPMENT

Group

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings and equipment ₦ million	Plant and machinery ₦ million	Work in progress ₦ million	Total ₦ million
COST									
At 1 January 2013	32,988	13,626	10,675	33,595	15,466	6,878	-	10,883	124,111
Additions	3,901	2,491	2,500	2,664	1,169	2,019	-	814	15,558
Acquisition of new subsidiary	226	134	109	134	228	57	36	24	948
Reclassifications	569	1,410	4	1,815	123	(344)	(36)	(3,541)	-
Other adjustments	-	-	-	(0)	-	-		(1,776)	(1,776)
Disposals	(357)	(63)	(1,747)	(489)	(2,136)	(106)	-	-	(4,898)
Write-offs	(87)	-	(3,423)	(8,226)	(7,302)	(1,894)	-	-	(20,932)
Exchange difference	26	-	44	151	52	2	-	-	275
At 31 December 2013	37,266	17,598	8,162	29,644	7,600	6,612	-	6,404	113,286
ACCUMULATED DEPRECIATION									
At 1 January 2013	3,853	-	6,873	21,657	12,933	4,335	-	-	49,651
Charge for the year	776	(2)	1,735	4,734	1,676	902	1	-	9,822
Acquisition of new subsidiary	192	4	83	98	176	43	26	-	622
Reclassifications	200	-	-	27	-	(200)	(27)	-	-
Disposals	(61)	-	(1,383)	(510)	(2,139)	(129)	-	-	(4,222)
Write-offs	(85)	-	(3,423)	(8,222)	(7,302)	(1,894)	-	-	(20,926)
Exchange differences	-	-	(21)	(41)	(55)	(33)	-	-	(150)
At 31 December 2013	4,875	2	3,864	17,743	5,289	3,024	(0)	-	34,797
Net book amount at 31 December 2013	32,391	17,595	4,298	11,901	2,311	3,588	0	6,404	78,489
COST									
At 1 January 2014	37,266	17,598	8,162	29,644	7,600	6,612	-	6,404	113,286
Additions	1,455	2,188	2,173	4,653	2,205	748	7	1,783	15,212
Acquisition of new subsidiary	-	23	33	13	36	58	19	-	182
Reclassifications	1,159	456	-	1,241	173	124	-	(3,153)	-
Disposals	-	-	(898)	(34)	(4)	(10)	(2)	(41)	(989)
Write-offs	-	-	(26)	(4)	(3)	(3)	-	(344)	(380)
Exchange difference	490	37	142	140	234	80	2	160	1,284
At 31 December 2014	40,370	20,302	9,586	35,653	10,241	7,609	26	4,809	128,595
ACCUMULATED DEPRECIATION									
At 1 January 2014	4,875	2	3,864	17,743	5,289	3,024	(0)	-	34,796
Exchange differences	70	-	95	61	192	53	3	-	475
Charge for the year	903	6	1,855	4,850	1,778	1,133	5	-	10,531
Acquisition of new subsidiary	-	-	19	10	30	32	15	-	106
Disposals	-	-	(670)	(35)	(4)	(8)	-	-	(717)
At 31 December 2014	5,848	8	5,164	22,629	7,285	4,234	23	-	45,191
Net book amount at 31 December 2014	34,521	20,294	4,422	13,024	2,956	3,375	3	4,809	83,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

28 PROPERTY, PLANT AND EQUIPMENT (continued)

Exchange difference on PPE

The exchange difference on PPE occurs as a result of translation of balances relating to the foreign entities of the Group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBNBank (UK) and FBNBank Congo.

Bank

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings and equipment ₦ million	Work in progress ₦ million	Total ₦ million
COST								
At 1 January 2013	31,142	13,563	9,986	32,853	14,106	5,975	9,868	117,493
Additions	1,767	2,491	2,278	2,524	944	1,986	708	12,698
Reclassifications	-	1,468	4	1,779	123	119	(3,493)	-
Other adjustments	-	-	-	-	-	-	(1,776)	(1,776)
Write-offs	(60)	-	(3,423)	(8,219)	(7,302)	(1,894)	-	(20,898)
Disposals	(357)	-	(1,670)	(479)	(2,135)	(99)	-	(4,740)
At 31 December 2013	32,492	17,522	7,175	28,458	5,736	6,087	5,307	102,777
ACCUMULATED DEPRECIATION								
At 1 January 2013	3,631	-	6,397	21,071	11,872	3,801	-	46,772
Charge for the year	636		1,596	4,645	1,424	862	-	9,163
Write-offs	(60)		(3,423)	(8,219)	(7,302)	(1,894)	-	(20,898)
Disposals	(61)		(1,333)	(500)	(2,139)	(122)	-	(4,155)
At 31 December 2013	4,146	-	3,237	16,997	3,855	2,647	-	30,882
Net book amount at 31 December 2013	28,346	17,522	3,938	11,461	1,881	3,440	5,307	71,895
COST								
At 1 January 2014	**32,492**	**17,522**	**7,175**	**28,458**	**5,736**	**6,087**	**5,307**	**102,777**
Additions	**539**	**2,127**	**1,874**	**4,491**	**1,751**	**691**	**1,680**	**13,153**
Reclassifications	**459**	**455**	**-**	**1,241**	**174**	**124**	**(2,453)**	**(0)**
Write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**(322)**	**(322)**
Disposals	**-**	**-**	**(763)**	**(26)**	**(1)**	**(1)**	**-**	**(791)**
At 31 December 2014	**33,490**	**20,104**	**8,286**	**34,164**	**7,660**	**6,901**	**4,212**	**114,817**
ACCUMULATED DEPRECIATION								
At 1 January 2014	**4,146**	**-**	**3,237**	**16,997**	**3,855**	**2,647**	**-**	**30,882**
Exchange differences	**-**	**-**	**12**	**-**	**-**	**-**	**-**	**12**
Charge for the year	**663**	**-**	**1,728**	**4,743**	**1,534**	**1,073**	**-**	**9,741**
Disposals	**-**	**-**	**(573)**	**(25)**	**(1)**	**(1)**	**-**	**(600)**
At 31 December 2014	**4,809**	**-**	**4,404**	**21,715**	**5,388**	**3,719**	**-**	**40,035**
Net book amount at 31 December 2014	**28,681**	**20,104**	**3,882**	**12,449**	**2,272**	**3,182**	**4,212**	**74,782**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

29 INTANGIBLE ASSETS

	Group					
	Goodwill ₦ million	Customer relationship ₦ million	Brand ₦ million	Core deposits ₦ million	Computer software ₦ million	Total ₦ million
COST						
At 1 January 2013	1,646	-	-	-	4,722	6,368
Additions	-	-	-	-	1,042	1,042
Write-offs	-	-	-	-	(2,218)	(2,218)
Other changes	(542)	-	-	-	-	(542)
Acquisition of subsidiary	6,033	-	-	-	151	6,184
Exchange difference	-	-	-	-	19	19
At 31 December 2013	7,137	-	-	-	3,716	10,853
Additions	**-**	**-**	**-**	**-**	**2,086**	**2,086**
Acquisition of subsidiary	**346**	**-**	**-**	**-**	**251**	**597**
Write-offs	**-**	**-**	**-**	**-**	**(732)**	**(732)**
Other changes	**(1,081)**	**52**	**330**	**699**	**-**	**(0)**
Exchange difference	**(996)**	**-**	**-**	**-**	**126**	**(870)**
At 31 December 2014	**5,406**	**52**	**330**	**699**	**5,447**	**11,934**
AMORTISATION AND IMPAIRMENT						
At 1 January 2013	-	-	-	-	2,951	2,951
Amortisation charge	-	-	-	-	857	857
Write-offs	-	-	-	-	(2,218)	(2,218)
Acquisition of subsidiary	-	-	-	-	108	108
Impairment charge	552	-	-	-	-	552
Exchange difference	-	-	-	-	9	9
At 31 December 2013	552	-	-	-	1,707	2,259
Amortisation charge	**-**	**20**	**207**	**139**	**901**	**1,267**
Acquisition of subsidiary	**-**	**-**	**-**	**-**	**228**	**228**
Write-offs	**-**	**-**	**-**	**-**	**(512)**	**(512)**
Impairment charge	**501**	**-**	**-**	**-**	**-**	**501**
Exchange difference	**-**	**-**	**-**	**-**	**88**	**88**
At 31 December 2014	**1,053**	**20**	**207**	**139**	**2,412**	**3,831**
NET BOOK VALUE						
At 31 December 2014	**4,352**	**32**	**123**	**560**	**3,035**	**8,103**
At 31 December 2013	6,585	-	-	-	2,009	8,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

29 INTANGIBLE ASSETS (continued)

	Bank	
	Computer software ₦ million	Total ₦ million
COST		
At 1 January 2013	3,904	3,904
Additions	603	603
Write-offs	(2,219)	(2,219)
At 31 December 2013	2,288	2,288
Additions	**1,897**	**1,897**
Write-offs	**(732)**	**(732)**
At 31 December 2014	**3,453**	**3,453**
AMORTISATION AND IMPAIRMENT		
At 1 January 2013	2,602	2,602
Amortisation charge	662	662
Write-offs	(2,218)	(2,218)
At 31 December 2013	1,046	1,046
Amortisation charge	**647**	**647**
Write-offs	**(512)**	**(512)**
At 31 December 2014	**1,181**	**1,181**
NET BOOK VALUE		
At 31 December 2014	**2,272**	**2,272**
At 31 December 2013	1,241	1,241

The amortisation charge for the year is included in the income statement.

The software is not internally generated.

The goodwill balance of ₦4.35 billion includes ₦0.55 billion attributable to the acquisition of BIC (Banque Internationale de Crédit in the Democratic Republic of Congo) concluded in 2013 and ₦3.80 billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014.

See Note 25 on goodwill arising on acquisition of ICB entities.

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entities to which the goodwill relates is recognised as a cash-generating unit (CGU) and segmented as part of the retail business outside Nigeria.

In the prior year, the value of goodwill on the BIC acquisition was reduced to the recoverable amount by an impairment loss which was recognised in operating expenses in the income statement. In the current year, the value of goodwill in ICB Guinea was reduced to the recoverable amount by an impairment loss which has been recognised in operating expenses in the income statement.

The impairment in Guinea arose as a result of the outbreak of Ebola which has had an adverse effect on the economy. The epidemic has recently been brought under control, and this is expected to reflect positively on the economy with time.

The recoverable amount of each CGU has been based on value in use and the weighted average cost of capital (WACC). These calculations use pre-tax cash flow projection covering five years. The discount rate used is pre-tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

29 INTANGIBLE ASSETS (continued)

The key assumptions used in the value-in-use calculation for 2014 are as follows:

	BIC	Ghana	Guinea	Gambia	Sierra Leone	Senegal
Terminal growth rate: %	6%	6%	10%	6%	7%	5%
Discount rate: %	24%	27%	31%	25%	30%	18%
Deposit growth rate: %	12%	15%	15%	18%	18%	15%
Recoverable amount of the CGU: (₦ million)	12,983	8,776	2,065	1,448	2,053	2,927

Management determined deposits to be the key value driver in each of the entities.

	BIC	Ghana	Guinea	Gambia	Sierra Leone	Senegal
Goodwill (₦ million)	1,104	2,285	678	478	291	230
Net asset (₦ million)	6,158	5,272	1,937	925	1,556	1,755
Total carrying amount (₦ million)	7,262	7,557	2,615	1,403	1,847	1,985
Excess of recoverable amount over carrying amount	5,722	1,219	(550)	45	206	942

30 DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2013: 30%, 2012: 30%).

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Deferred income tax assets and liabilities are attributable to the following items:				
DEFERRED TAX ASSETS				
Property, plant and equipment	(8,304)	(490)	(8,245)	(361)
Allowance for loan losses	3,432	3,591	2,047	2,128
Tax losses carried forward	10,360	(426)	10,791	(0)
Other assets	1,100	(597)	1,254	(445)
Other liabilities	(7,598)	(630)	(7,671)	(703)
Defined benefit obligation	3,269	3,139	3,167	3,036
Effect of changes in exchange rate	125	-	-	-
	2,384	4,587	1,343	3,655
DEFERRED TAX LIABILITIES				
Property, plant and equipment	(13)	-	-	-
Allowance for loan losses	32	-	-	-
Tax losses carried forward	(2)	-	-	-
Other assets	11	-	-	-
Other liabilities	10	10	-	-
Defined benefit obligation	-	-	-	-
	38	10	-	-
Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	1,284	5,185	89	4,100
- Deferred tax asset to be recovered within 12 months	1,100	(597)	1,254	(445)
	2,384	4,588	1,343	3,655
Deferred tax liabilities				
- Deferred tax liability to be recovered after more than 12 months	27	10	-	-
- Deferred tax liability to be recovered within 12 months	11	-	-	-
	38	10	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

30 **DEFERRED TAX** (continued)

Group

	1 Jan 2014 ₦ million	Adjustment on acquired entities ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2014 ₦ million
Movements in deferred tax assets during the year:					
Property, plant and equipment	(490)	-	(7,814)	-	(8,304)
Allowance for loan losses	3,591	-	(158)	-	3,433
Tax losses carried forward	(426)	-	10,786	-	10,360
Other assets	(597)	-	1,697	-	1,100
Other liabilities	(630)	-	(6,968)	-	(7,598)
Defined benefit obligation	3,139	-	9	122	3,270
Effect of changes in exchange rate	-	-	125	-	125
	4,587	-	(2,323)	122	2,385

Group

	1 Jan 2013 ₦ million	Adjustment on acquired entities ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2013 ₦ million
Movements in deferred tax assets during the year:					
Property, plant and equipment	9,253	(115)	(9,628)	-	(490)
Allowance for loan losses	3,159	(258)	406	283	3,591
Tax losses carried forward	-	(426)	-	-	(426)
Other assets	527	(5)	(1,119)	-	(597)
Other liabilities	(10,286)	-	9,657	-	(630)
Defined benefit obligation	5,301	206	(3,004)	635	3,139
	7,954	(598)	(3,688)	918	4,587

Group

	Opening balance ₦ million	Discontinued operations ₦ million	Recognised in profit and loss ₦ million	Closing balance ₦ million
Movements in deferred tax liabilities during the year:				
2014				
Property, plant and equipment	-	-	(13)	(13)
Allowance for loan losses	-	-	32	32
Tax losses carried forward	-	-	(2)	(2)
Other assets	-	-	11	11
Other liabilities	10	-	-	10
Defined benefit obligation	-	-	-	-
	10	-	28	38
2013				
Other liabilities	9	-	1	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

30 DEFERRED TAX (continued)

Bank

	1 Jan 2014 ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2014 ₦ million
Movements in temporary differences during the year:				
Property, plant and equipment	(361)	(7,884)	-	(8,245)
Allowance for loan losses	2,128	(81)	-	2,047
Tax losses carried forward	-	10,791	-	10,791
Other assets	(445)	1,700	-	1,255
Other liabilities	(703)	(6,968)	-	(7,671)
Defined benefit obligation	3,036	8	122	3,166
	3,655	(2,435)	122	1,343

Bank

	1 Jan 2013 ₦ million	Recognised in profit and loss ₦ million	Recognised in other comprehensive income ₦ million	31 Dec 2013 ₦ million
Movements in temporary differences during the year:				
Property, plant and equipment	9,254	(9,615)	-	(361)
Allowance for loan losses	1,762	366	-	2,128
Other assets	527	(972)	-	(445)
Other liabilities	(10,287)	9,584	-	(703)
Defined benefit obligation	5,447	(3,046)	635	3,036
	6,703	(3,683)	635	3,655

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Temporary difference relating to the Group's investment in subsidiaries is ₦7.8 billion (2013: ₦5.2 billion). As the Group exercises control over the subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

31 OTHER ASSETS

	Group		Bank	
	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
FINANCIAL ASSETS				
Accounts receivable	**27,612**	31,536	**18,120**	24,170
	27,612	31,536	**18,120**	24,170
Less specific allowances for impairment	**(884)**	(1,218)	**(797)**	(1,202)
	26,728	30,318	**17,323**	22,968
NON-FINANCIAL ASSETS				
Inventory	**1,326**	2,464	**1,320**	2,128
Prepayments	**11,403**	11,947	**10,530**	10,971
	12,729	14,411	**11,850**	13,099
Net other assets balance	**39,457**	44,729	**29,173**	36,067

	Group		Bank	
	2014 ₦ million	2013 ₦ million	2014 ₦ million	2013 ₦ million
RECONCILIATION OF IMPAIRMENT ACCOUNT				
At start of year	**1,218**	6,238	**1,202**	6,224
Write-off	**(351)**	(5,284)	**(349)**	(5,283)
Increase/(write-back) of impairment	**17**	264	**(57)**	261
At end of year	**884**	1,218	**796**	1,202

All other financial assets on the statement of financial position of the Group and Bank had a remaining period to contractual maturity of less than 12 months.

32 DEPOSITS FROM BANKS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Due to banks within Nigeria	**71,417**	2,496	**13,127**	1,739
Due to banks outside Nigeria	**92,293**	74,985	**6,119**	8,416
	163,710	77,481	**19,246**	10,155

Deposits from banks only include financial instruments classified as liabilities at amortised cost and have a remaining period to contractual maturity of less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

33 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current	750,252	927,225	698,754	833,917
Savings	728,728	664,899	714,987	654,479
Term	985,280	726,021	614,039	457,805
Domiciliary	515,476	616,368	513,243	616,353
Electronic purse	9,999	8,269	9,999	8,165
	2,989,735	2,942,782	2,551,022	2,570,719
Current	2,823,835	2,863,177	2,551,022	2,567,602
Non-current	165,900	79,605	-	3,117
	2,989,735	2,942,782	2,551,022	2,570,719

Deposits from customers only include financial instruments classified as liabilities at amortised cost.

34 BORROWINGS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Long-term borrowings comprise:				
FBN Eurobond (i)	141,819	47,249	141,819	47,249
Due to European Investment Bank (ii)	565	1,603	565	1,603
On-lending facilities from financial institutions (iii)	32,449	31,389	32,449	31,389
Borrowing from correspondent banks (iv)	188,143	46,061	203,117	45,122
	362,976	126,302	377,950	125,363
Current	206,299	55,739	223,802	54,801
Non-current	156,677	70,563	154,148	70,562
	362,976	126,302	377,950	125,363
At start of the year	126,302	75,541	125,363	81,987
Acquisition of subsidiary	2,497	937	-	-
Proceeds of new borrowings	309,298	96,297	288,179	98,353
Finance cost	17,924	4,100	10,451	2,043
Foreign exchange (gains)/losses	(9,927)	(1,611)	26,707	(1,611)
Repayments of borrowings	(71,308)	(46,473)	(65,545)	(54,975)
Interest paid	(11,810)	(2,489)	(7,205)	(434)
At end of year	362,976	126,302	377,950	125,363

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2013: nil).

(i) Facilities represent dollar notes I and II issued by FBN Finance Company B.V., Netherlands on 7 August 2013 and on 18 July 2014 for a period of seven years. Notes I bear interest at 8.25% per annum up to the bank call date of 7 August 2018, while notes II bear interest at 8.00% per annum to the bank call date of 23 July 2019. From the call date up to the maturity date, notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States dollar swap transactions with a maturity of two years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

34 BORROWINGS (continued)

(ii) Facility represents a medium-term loan (callable notes) secured from European Investment Bank. The loan is divided into tranche A of €35 million for a tenure of five years and tranche B of €15 million for a tenure of eight years, which qualifies it as tier II capital. Interest is payable half-yearly at 2% and 3% above LIBOR rate for tranche A and tranche B respectively. The outstanding balance at 31 December 2014 relates to tranche B.

(iii) Included in on-lending facilities from financial institutions are disbursements from other banks and financial institutions which are guaranteed by FirstBank for specific customers. These facilities include the BOI funds and CACS intervention funds. See further notes below.

a. CBN/BOI facilities

The CBN, in a bid to unlock the credit market, approved the investment of ₦200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, the Bank of Industry (BOI) disbursed an additional ₦9.16 billion (2013: ₦2.4 billion) to FirstBank. The fund is disbursed for a period of 15 years effective from the disbursement date at an interest rate of 7% per annum.

b. CBN/CACS Intervention funds

The CBN in collaboration with the FGN represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the CACS. During the year, FirstBank received ₦6.8 billion (2013: ₦3.77 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven-year period at an interest rate of 9% per annum.

(iv) Borrowings from correspondence banks include loans from foreign banks utilised in funding letters of credit for international trade.

35 RETIREMENT BENEFIT OBLIGATIONS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Defined benefits plan				
Gratuity scheme (i)	-	343	-	-
Defined benefits – pension (ii)	1,636	1,111	1,546	1,111
Gratuity scheme (iii)	376	322	-	-
	2,012	1,776	1,546	1,111

Plan liabilities are based upon an independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2014 and 31 December 2013.

Defined benefit – Pension (2)

FPCNL has a non-contributory defined gratuity scheme for staff and directors. Staff who have spent a minimum number of five years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of nine years. The Board approved the discontinuance of the staff gratuity scheme on 30 April 2014. On 30 June 2014, FPCNL funded the schemes and transferred the balance of ₦349 million to a fund manager. When the scheme was funded it was transferred from gratuity scheme (1) into defined benefit scheme (2). The calculated curtailment loss was adjusted in the current year. The directors' scheme is on a continuing basis.

The Bank has an old defined benefit scheme, discontinued in March 2001. The funds are placed with fund managers and the Bank is under obligation to fund the deficit.

The movement in the defined benefit pension (2) over the year is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

35 RETIREMENT BENEFIT OBLIGATIONS (continued)

Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million
DEFINED BENEFIT PENSION OBLIGATIONS AT 1 JANUARY 2013	13,596	(9,233)	4,363
Interest expense/(income)	1,439	(984)	455
Remeasurement:		-	-
– Return on plan assets not included in net interest cost on pension scheme	-	(216)	(216)
– Change in demographic assumptions	(1,719)	-	(1,719)
Contributions:			-
– Employer	-	(1,772)	(1,772)
Payments:			-
– Benefit payment	(1,515)	1,515	-
Defined benefit pension obligations at 31 December 2013	11,801	(10,690)	1,111
Transfer from gratuity scheme (1)	343		343
Interest expense/(income)	1,254	(1,190)	64
Service cost	69		69
Curtailment losses	23		23
Remeasurement:			-
– Return on plan assets not included in net interest cost on pension scheme		1,861	1,861
– Change in demographic assumptions	(1,445)		(1,445)
Contributions:			-
– Employer	-	(381)	(381)
Payments:			-
– Benefit payment	(1,608)	1,598	(10)
Defined benefit pension obligations at 31 December 2014	10,437	(8,802)	1,635

Bank

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million
DEFINED BENEFIT PENSION OBLIGATIONS AT 1 JANUARY 2013	13,596	(9,233)	4,363
Interest expense/(income)	1,439	(984)	455
Remeasurement:			-
– Return on plan assets not included in net interest cost on pension scheme	-	(216)	(216)
– Change in demographic assumptions	(1,719)	-	(1,719)
Contributions:			-
– Employer	-	(1,772)	(1,772)
Payments:			-
– Benefit payment	(1,515)	1,515	-
Defined benefit pension obligations at 31 December 2013	11,801	(10,690)	1,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

35 RETIREMENT BENEFIT OBLIGATIONS (continued)

Bank

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million
Interest expense/(income)	1,216	(1,190)	26
Remeasurement:			
– Return on plan assets not included in net interest cost on pension scheme		1,861	1,861
– Change in demographic assumptions	(1,453)		(1,453)
Contributions:			-
– Employer	-	-	-
Payments:	-	-	-
– Benefit payment	(1,486)	1,486	-
Defined benefit pension obligations at 31 December 2014	**10,078**	**(8,533)**	**1,545**

The actual return on plan assets was Group ₦671 million (2013: ₦1.2 billion); Bank ₦671 million (2013: ₦1.2 billion).

Composition of plan assets

Group

	2014			2013		
	Quoted ₦ million	Unquoted ₦ million	Total ₦ million	Quoted ₦ million	Unquoted ₦ million	Total ₦ million
Equity instruments			1,557			3,316
– Banking	1,471			3,220		
– Oil service	53			44		
– Real estate	33			52		
Debt instruments			7,247			7,374
– Government		5,738			5,436	
– Corporate bond		466			155	
– Money market investments		976			1,564	
Money on call		67			209	
Others		-			10	
Total	1,557	7,247	8,804	3,316	7,374	10,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

35 **RETIREMENT BENEFIT OBLIGATIONS** (continued)

Bank

	2014			2013		
	Quoted ₦ million	Unquoted ₦ million	Total ₦ million	Quoted ₦ million	Unquoted ₦ million	Total ₦ million
Equity instruments			1,557			3,316
– Banking	1,471			3,220		
– Oil service	53			44		
– Real estate	33			52		
Debt instruments			6,977			7,374
– Government		5,491			5,436	
– Corporate bond		466			155	
– Money market investments		976			1,564	
Money on call		44			209	
Others					10	
Total	1,557	6,977	8,534	3,316	7,374	10,690

The fair value of plan assets is calculated with reference to quoted prices and is within level 1 of the fair value hierarchy.

Arising from the defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: the plan liabilities are calculated using a discount rate set with reference to Federal Government bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. In the equity market, the focus will be to seek to reduce the volatility on the fund and align asset allocation with the long-term objectives of the fund while taking advantage of selling off government bonds to enter duration at attractive yields.

Changes in bond yields: a decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The rate used to discount post-employment benefit obligations is determined with reference to market yields at the balance sheet date on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The Group is of the opinion that there is no deep market in corporate bonds in Nigeria and as such assumptions underlying the determination of discount rate are referenced to the yield on Nigerian Government bonds of medium duration, as compiled by the Debt Management Organisation.

Life expectancy: the majority of the plans' obligations are to provide benefits for members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan, which is currently six years and retirement age of 60 years.

Under the funded plan the Legacy scheme, the Group ensures that the investment positions are managed within the ALM framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation.

The weighted average duration of the defined benefit obligation is six years.

Group/Bank

	31 Dec 2014 %	31 Dec 2013 %
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	14%	11%
Inflation rate	9%	9%
Future pension increases	0%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

35 RETIREMENT BENEFIT OBLIGATIONS (continued)

The sensitivity of the pension liability to changes in the weighted principal assumptions is shown in the table below:

	Assumption %	Defined benefit obligation ₦ million	Impact on liability %
Discount rate	14%	10,079	0.0%
	15.0%	9,584	(4.9%)
	13.0%	10,628	5.4%
Life expectancy	Base	10,079	0.0%
	Improved by 1 year	10,148	0.7%
	Decreased by 1 year	10,010	(0.7%)

The above sensitivity analysis is for FirstBank and deemed to be representative of the Group. It is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Gratuity scheme 3

This relates to the schemes operated by the subsidiaries of the Bank as follows:

Banque Internationale de Crédit (BIC) Congo has a scheme whereby on separation, staff who have spent a minimum of three years in service are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank.

ICB Guinea and ICB Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receive a lump sum based on their qualifying basic salaries on the number of years spent in service. The aggregate balance on this scheme is deemed immaterial.

36 OTHER LIABILITIES

	Group		Bank	
	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
FINANCIAL LIABILITIES				
Customer deposits for letters of credit	34,264	58,029	16,579	43,403
Accounts payable	59,012	84,698	55,088	83,444
Creditors	13,882	20,474	8,647	12,255
Bank cheques	14,964	12,823	14,580	12,630
Collection on behalf of third parties	7,362	5,710	6,758	5,089
	129,484	181,734	101,652	156,821
NON-FINANCIAL LIABILITIES				
Accruals	2,220	808	1,904	168
Other liabilities balance	131,704	182,542	103,556	156,989

Other liabilities are expected to be settled within 12 months after the date of the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

37 SHARE CAPITAL

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
AUTHORISED		
50 billion ordinary shares of 50k each (2013: 50 billion)	**25,000**	25,000

Issued and fully paid

	Number of shares ₦ million	Ordinary shares ₦ million
MOVEMENTS DURING THE YEAR		
At 31 December 2013	**32,632**	16,316
At 31 December 2014	**32,632**	16,316

38 SHARE PREMIUM AND RESERVES

The nature and purpose of the reserves in equity are as follows:

- **Share premium:** premiums from the issue of shares are reported in share premium.
- **Retained earnings:** retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.
- **Statutory reserve:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital, and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.
- **Available-for-sale (AFS) fair value reserve:** the AFS fair value reserve shows the effects from the fair value measurement of financial instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the consolidated income statement.
- **SSI reserve:** this reserve is maintained to comply with the CBN requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying SMEs. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The SME equity investment scheme reserves are non-distributable.
- **Statutory credit reserve:** the Group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential Guidelines (as prescribed by the CBN) is recorded in this reserve. This reserve is non-distributable.
- **Foreign currency translation reserve (FCTR):** records exchange movements on the Group's net investment in foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

39 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Profit before tax from continuing operations	94,368	87,460	85,536	76,853
Adjustments for:				
– Depreciation and amortisation	11,798	10,849	10,388	9,826
– Impairment on goodwill	501	552	-	-
– Profit from disposal of property, plant and equipment	(382)	(284)	(401)	(302)
– Foreign exchange losses/(gains)	(9,927)	(1,611)	26,707	(1,611)
– Profit from disposal of investment in associate	-	-	(4,176)	-
– Profit/(loss) from disposal of investment securities	(837)	(1,383)	(146)	(2,931)
– Net gains/(losses) from financial assets classified as held for trading	(541)	1,386	(541)	1,386
– Impairment on loans and advances	27,845	22,887	23,070	22,174
– PPE written off	(401)	-	333	-
– Change in provision in other assets	17	264	(57)	261
– Change in provision for impairment of investments	-	-	2,121	-
– Change in retirement benefit obligations	(138)	(14,377)	26	(15,325)
– Share of loss/(profit) from associates	-	(875)	-	-
– Dividend income	(1,202)	(905)	(3,716)	(2,079)
– Net interest income	(239,555)	(223,815)	(215,449)	(206,709)
Increase/(decrease) in operating assets				
– Cash and balances with the central bank (restricted cash)	(222,075)	(146,674)	(235,335)	(137,286)
– Loans and advances to banks	(35,732)	(102,923)	(9,562)	(7,337)
– Loans and advances to customers	(410,847)	(253,020)	(335,204)	(184,453)
– Financial assets held for trading	563	(3,319)	(505)	(840)
– Other assets	19,590	(3,433)	13,400	(2,087)
– Pledged assets	(10,877)	(3,538)	(10,752)	(2,296)
Increase/(decrease) in operating liabilities				
– Deposits from banks	84,924	(10,368)	7,853	(8,606)
– Deposits from customers	36,212	514,467	(21,284)	398,118
– Financial liabilities	1,963	(95)	-	419
– Other liabilities	(21,411)	19,477	(24,062)	31,007
Cash flow used in operations	**(676,144)**	(109,278)	**(691,756)**	(31,818)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

40 COMMITMENTS AND CONTINGENCIES

40.1 CAPITAL COMMITMENTS

At the balance sheet date, the Bank had capital commitments amounting to ₦375 million (31 December 2013: ₦573 million) in respect of authorised and contracted capital projects. The expenditure will be funded from the Group's internal resources.

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Authorised and contracted		
Group	375	573
Bank	375	573

40.2 OPERATING LEASE RENTALS

At 31 December 2014, the Group 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 June 2031 and February 2017 respectively.

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Within one year	257	250	-	-
Between two and five years	834	918	-	-
More than five years	2,265	2,173	-	-
	3,356	3,341	-	-

40.3 LEGAL PROCEEDINGS

The Group is a party to a number of legal actions arising out of its normal business operations.

The directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate. Consequently, no provision has been made in these financial statements.

40.4 OTHER CONTINGENT COMMITMENTS

In the normal course of business the Group is a party to financial instruments which carry off balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off balance sheet financial instruments are:

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Performance bonds and guarantees	429,279	459,723	420,805	475,377
Letters of credit	272,718	233,892	221,946	197,168
	701,997	693,615	642,751	672,545

40.5 LOAN COMMITMENTS

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Undrawn irrevocable loan commitments	90,379	408,008	77,188	352,008

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit-related commitments is disclosed in Note 3.7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

40.6 COMPLIANCE WITH COVENANTS

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Bank's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

The Group and the Bank are subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Group complied with this loan covenant. See Note 4 for the calculation of the composition of the Group's capital in accordance with the Basel Accord. Others covenants are a maximum NPL ratio, a maximum related-party lending ratio, a minimum liquidity ratio, and minimum provisions for NPLs. Management believes that the Group is in compliance with these covenants at 31 December 2014 and 31 December 2013.

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This information is shown for the Bank as no other entity within the Group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2014:

	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure (f)=(c)-(e) ₦ million
				Financial instruments (d) ₦ million	Cash collaterals received (e) ₦ million	
ASSETS						
Financial assets at fair value through profit or loss	9,258	-	9,258	-	5,983	3,275
Total assets subject to offsetting, master netting and similar arrangements	9,258	-	9,258	-	5,983	3,275
LIABILITIES						
Financial derivatives	7,946	-	7,946	-	-	7,946
Total liabilities subject to offsetting, master netting and similar arrangements	7,946	-	7,946	-	-	7,946

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position. The Group also made margin deposits with Merrill Lynch and Goldman Sachs as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

42 RESTATEMENT

The Group has restated its previously issued consolidated statements of financial position as at 31 December 2013 and 31 December 2012 to correct for an error made in the reporting of the 'held for sale' property development portfolio of a subsidiary, FBN Mortgages.

The restatement in 2014 is to adjust for wrong classifications into the held-for-sale portfolios in 2012 and 2013. The restatement impacted on the following balances: other assets, other liabilities, assets held for sale and liabilities held for sale.

The effect of the above errors is limited to the consolidated statement of financial position and as such the restatement has no impact on the income statement and statement of changes in equity.

(i) Impact of restatement on consolidated statement of financial position

(a)	As at 31 December 2013 previously reported ₦ million	Restatement adjustment ₦ million	As at 31 December 2013 restated ₦ million
ASSETS			
Other assets	40,494	4,235	44,729
Asset held for sale	10,784	(6,235)	4,549
LIABILITIES			
Other liabilities	182,795	(253)	182,542
Liabilities held for sale	**1,747**	**(1,747)**	**-**

(b)	As at 31 December 2012 previously reported ₦ million	Restatement adjustment ₦ million	As at 31 December 2012 Restated ₦ million
ASSETS	33,984	5,740	39,725
Other assets	12,978	(7,757)	5,221
Asset held for sale			
LIABILITIES			
Liabilities held for sale	2,836	(2,017)	819
Total liabilities	2,732,242	(2,017)	2,730,226
EQUITY			
Share capital	16,316	-	16,316
Share premium	189,241	-	189,241
Retained earnings	97,437	-	97,437
Other reserves			
– Statutory reserve	42,973	-	42,973
– SSI reserve	6,076	-	6,076
– AFS fair value reserve	26,936	-	26,936
– Statutory credit reserve	16,101	-	16,101
– Foreign currency translation reserve	1,668	-	1,668
	396,748	0	396,748
Non-controlling interest	1,353	-	1,353
Total equity	398,101	0	398,101
Total equity and liabilities	3,130,343	(2,017)	3,128,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

43 RELATED-PARTY TRANSACTIONS

The Group is controlled by FBN Holdings Plc, incorporated in Nigeria, which owns 99.9% of the ordinary shares.

FBN Holdings Plc is the immediate parent company of FirstBank as well as the ultimate controlling party.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

The outstanding balances at the year-end, and related expense and income for the year are as follows:

43.1 LOANS AND ADVANCES TO RELATED PARTIES

The Bank granted various credit facilities to other companies that have common directors with the Bank and those that are members of the Group. Details of these are described below:

	Bank				
	Parent ₦ million	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
31 DECEMBER 2014					
Loans and advances to customers					
Loans outstanding at 1 January	-	32,033	60,962	-	-
Loans issued during the year	-	11,719	12,548	-	-
Loan repayments during the year	-		(13,258)	-	-
Loans outstanding at 31 December	-	43,752	60,252	-	-
31 DECEMBER 2013					
Loans and advances to customers					
Loans outstanding at 1 January	-	22,963	62,218	-	-
Loans issued during the year	-	9,070	17,055	-	-
Loan repayments during the year	-	-	(18,311)	-	-
Loans outstanding at 31 December	-	32,033	60,962	-	-

The loans to directors and other key management personnel are repayable from various cycles ranging from monthly to annually over the tenor and have average interest rates ranging from 0% to 24%.

43.2 DEPOSITS FROM RELATED PARTIES

	Bank				
	Parent ₦ million	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
31 DECEMBER 2014					
Due to customers					
Deposits at 1 January	1,471	10,786	977	792	338
Deposits received during the year	8,824	598,936	10,432	101,162	123,303
Deposits repaid during the year	(10,287)	(585,231)	(10,357)	(101,789)	(118,873)
Transfer to subsidiary		165		(165)	-
Deposits at 31 December	8	24,656	1,052	-	4,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

43.2 DEPOSITS FROM RELATED PARTIES (continued)

	Bank				
	Parent ₦ million	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
31 DECEMBER 2013					
Due to customers					
Deposits at 1 January	-	3,657	642	128	2,113
Deposits received during the year	38,379	1,007,058	6,122	59,968	247,997
Deposits repaid during the year	(36,908)	(999,929)	(5,787)	(59,304)	(249,772)
	1,471	10,786	977	792	338

43.3 OTHER TRANSACTIONS WITH RELATED PARTIES

	Entities controlled by parent and associates of the parent ₦ million	Directors and other key management personnel and close family members ₦ million	Associates ₦ million	Subsidiaries ₦ million
31 DECEMBER 2014				
Interest income	**5,573**	**8,522**	**-**	**-**
Interest expense	**(427)**	**(37)**	**-**	**(502)**
Fee and commission income	**53**	**3**	**-**	**17**
31 DECEMBER 2013				
Interest income	4,168	7,081	-	-
Interest expense	(76)	(27)	-	(74)
Fee and commission income	116	3	-	(2)

43.4 KEY MANAGEMENT COMPENSATION

Key management includes executive directors and members of the MANCO. The compensation paid or payable to key management for employee services is shown below:

	Group		Bank	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Salaries and other short-term employee benefits	**799**	757	**799**	757
Post-employment benefits	**383**	516	**383**	516
	1,182	1,273	**1,182**	1,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

43.5 DIRECT CREDIT ASSETS TO DIRECTORS

Name of borrowers	Relationship to reporting institution	Name of the related interest	Outstanding credit performing (₦)	Outstanding credit non-performing (₦)	Total (₦)	Status	Collateral
Abiodun Odubola	Executive director	Abiodun Odubola	71,783,333		71,783,333	Performing	Legal mortgage over property
Tokunbo Abiru	Executive director	Tokunbo Abiru	67,500,000		67,500,000	Performing	Legal mortgage being perfected
Tokunbo Abiru	Executive director	Tokunbo Abiru	1,837,159	-	1,837,159	Performing	Legal mortgage being perfected
Tokunbo Abiru	Executive director	Tokunbo Abiru	20,218,726	-	20,218,726	Performing	Legal mortgage being perfected
Tokunbo Abiru	Executive director	Tokunbo Abiru	6	-	6	Performing	Legal mortgage being perfected
Adesola Adeduntan	Executive director	Adesola Adeduntan mortgage account	73,000,000		73,000,000	Performing	Legal mortgage over property
Ibukun Awosika	Non-executive director	Ibukun Awosika	4,883,122	-	4,883,122	Performing	Domiciliation of salary
Bisi Onasanya	Executive director	Bisi Onasanya	3,491,250		3,491,250	Performing	Domiciliation of salary
Ambrose Feese	Non-executive director	Ambrose Feese	2,528,682	-	2,528,682	Performing	Domiciliation of salary
Agusto & Co Limited	Executive director	Gbenga Shobo	603,530	-	603,530	Performing	Comprehensive insurance on assets purchased
Agusto & Co Limited	Executive director	Gbenga Shobo	6,768,016	-	6,768,016	Performing	Comprehensive insurance on assets purchased
Lawal Ibrahim	Non-executive director	Lawal Ibrahim	516,188	-	516,188	Performing	Domiciliation of salary
Ebenezer Jolaoso	Non-executive director	Ebenezer Jolaoso	218,358	-	218,358	Performing	Fixed deposits to the tune of 200% of the credit limit
Lister Flour Mills (Nigeria) Limited	Non-executive director	Khadijah Alao Straub	-	514,505,824	514,505,824	Non-performing	Mortgage debenture on Lister Flour Mills. Legal mortgage
Al-Fil Petroleum Company Ltd	Non-executive director	Khadijah Alao Straub	-	241,069,179	241,069,179	Non-performing	Charge on asset financed
Lister Flour Mills (Nig) Ltd	Non-executive director	Khadijah Alao Straub	-	6,700,376,836	6,700,376,836	Non-performing	Mortgage debenture on property valued at ₦1.6 billion
Borini Prono & Co. Ltd	Non-executive director	Lawal Ibrahim	668,858,448	-	668,858,448	Performing	Ispo/domiciliation
Borini Prono & Co. Ltd	Non-executive director	Lawal Ibrahim	561,747,722	-	561,747,722	Performing	Ispo/domiciliation
Lawal Ibrahim	Non-executive director	Lawal Ibrahim	235,774	-	235,774	Performing	Legal mortgage on property financed
Lawal Ibrahim	Non-executive director	Lawal Ibrahim	3,495,702	-	3,495,702	Performing	Domiciliation of salary
Bello Maccido	CEO FBN Holdings Plc	Bello Maccido	5,060,908	-	5,060,908	Performing	Domiciliation of salary
Le Global Oilfield Services Ltd	Chairman FBN Bank Senegal	Remi Makanjuaola	-	350,390,046	350,390,046	Non-performing	Legal mortgage over property
Honeywell Group Limited - non-checking A/C	Ex-chairman/ non-executive director	Obafemi Otudeko	8,022,913,784	-	8,022,913,784	Performing	Legal mortgage on property, corporate guarantee of pivot and Honeywell Oil & Gas, personal guarantee of Oba Otudeko. All asset debenture of HTM
Honeywell Oil & Gas Limited - non-checking	Ex-chairman/ non-executive director	Obafemi Otudeko	5,313,949,705	-	5,313,949,705	Performing	Lien, debenture, personal guarantee and corporate guarantee

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

43.5 DIRECT CREDIT ASSETS TO DIRECTORS (continued)

Name of borrowers	Relationship to reporting institution	Name of the related interest	Outstanding credit performing (₦)	Outstanding credit non-performing (₦)	Total (₦)	Status	Collateral
Honeywell Flour Mills Plc (Srf) D/A	Ex-chairman/ non-executive director	Obafemi Otudeko	4,153,204,686	-	4,153,204,686	Performing	Legal mortgage on property, corporate guarantee of pivot and Honeywell Oil & Gas, personal guarantee of Oba Otudeko. All asset debenture of HTM
Honeywell Flour Mills Plc – non-checking	Ex-chairman/ non-executive director	Obafemi Otudeko	8,999,792,522	-	8,999,792,522	Performing	Legal mortgage on property, corporate guarantee of pivot and Honeywell Oil & Gas, personal guarantee of Oba Otudeko. All asset debenture of HTM
Fan Milk Plc loan	Ex-chairman/ non-executive director	Obafemi Otudeko	715,036,121	-	715,036,121	Performing	Mortgage, debenture. Over Kano & Ibadan Factory
Pivot Engineering Ltd (CL)	Ex-chairman/ non-executive director	Obafemi Otudeko	106,804,743	-	106,804,743	Performing	Corporate guarantee of Honeywell Flour Mill, debenture
Fan Milk Plc	Ex-chairman/ non-executive director	Obafemi Otudeko	212,524,077	-	212,524,077	Performing	Mortgage, debenture. Over Kano & Ibadan Factory
Honeywell Oil & Gas Ltd (CP)	Ex-chairman/ non-executive director	Obafemi Otudeko	263,040,039	-	263,040,039	Performing	Lien, debenture, personal guarantee and corporate guarantee
Honeywell Oil & Gas Ltd	Ex-chairman/ non-executive director	Obafemi Otudeko	97,138	-	97,138	Performing	Lien, debenture, personal guarantee and corporate guarantee
Honeywell Oil & Gas Ltd	Ex-chairman/ non-executive director	Obafemi Otudeko	7,465,956	-	7,465,956	Performing	Lien, debenture, personal guarantee and corporate guarantee
Pivot Engineering Co. Ltd – non-checking 1	Ex-chairman/ non-executive director	Obafemi Otudeko	3,544,935,229	-	3,544,935,229	Performing	Corporate guarantee of Honeywell Flour Mill, debenture
Pivot Engineering Ltd	Ex-chairman/ non-executive director	Obafemi Otudeko	203,051,370	-	203,051,370	Performing	Corporate guarantee of Honeywell Flour Mill, debenture
Honeywell Flour Mill Ltd (Srf)	Ex-chairman/ non-executive director	Obafemi Otudeko	5,993,535,989	-	5,993,535,989	Performing	Legal mortgage on property, corporate guarantee of pivot and Honeywell Oil & Gas, personal guarantee of Oba Otudeko. All asset debenture of HTM
Pivot Engineering Ltd	Ex-chairman/ non-executive director	Obafemi Otudeko	1,079,291,615	-	1,079,291,615	Performing	Corporate guarantee of Honeywell Flour Mill, debenture
Pivot Engineering Co. Ltd – non-checking 2	Ex-chairman/ non-executive director	Obafemi Otudeko	1,469,822,768	-	1,469,822,768	Performing	Corporate guarantee of Honeywell Flour Mill, debenture
Honeywell Flour Mills Plc (Srf) D/A	Ex-chairman/ non-executive director	Obafemi Otudeko	1,000,767,123	-	1,000,767,123	Performing	Legal mortgage on property, corporate guarantee of pivot and Honeywell Oil & Gas, personal guarantee of Oba Otudeko. All asset debenture of HTM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

43.5 DIRECT CREDIT ASSETS TO DIRECTORS (continued)

Name of borrowers	Relationship to reporting institution	Name of the related interest	Outstanding credit performing (₦)	Outstanding credit non-performing (₦)	Total (₦)	Status	Collateral
Honeywell Flour Mills Plc – non-checking account	Ex-chairman/ non-executive director	Obafemi Otudeko	1,516,721,883		1,516,721,883	Performing	Legal mortgage on property, corporate guarantee of pivot and Honeywell Oil & Gas, personal guarantee of Oba Otudeko. All asset debenture of HTM
Honeywell Flour Mill Ltd (Cl)	Ex-chairman/ non-executive director	Obafemi Otudeko	3,211,813,333	-	3,211,813,333	Performing	Legal mortgage on property, corporate guarantee of pivot and Honeywell Oil & Gas, personal guarantee of Oba Otudeko. All asset debenture of HTM
Anchorage Leisure Ltd	Ex-chairman/non-executive director/ex-non-executive director	Obafemi Otudeko/Alhaji Abdullahi Mahmoud	988,077,372	-	988,077,372	Performing	Debenture, legal mortgage on property, domiciliation, corporate guarantee of Honeywell Group
Obafemi Otudeko	Non-executive director	Obafemi Otudeko	49,437	-	49,437	Performing	Corporate guarantee of Honeywell Flour Mill, debenture
Abiodun Odubola	Executive director	Abiodun Odubola	21,661,875		21,661,875	Performing	Legal mortgage over property
Onasanya S.O. and H.O. Mr And Mrs	GMD/CEO	Bisi Onasanya	179,587		179,587	Performing	Domiciliation of salary
Bisi Onasanya	GMD/CEO	Bisi Onasanya	643,331		643,331	Performing	Domiciliation of salary
Obafemi Otudeko	Non-executive director	Obafemi Otudeko	4,146,948	-	4,146,948	Performing	Corporate guarantee of Honeywell Flour Mill, debenture
Seawolf Oilfield Services	Non-executive director/ ex-non-executive director	Seawolf Oilfield Services		2,606,570,981	2,606,570,981	Non-performing	Charge over asset financed
UK Eke	Executive director	UK Eke	66,338,161		66,338,161	Performing	Legal mortgage over property
Rainbow Town Development Limited		Rainbow Town Development Limited	30,086,795,245	-	30,086,795,245	Performing	Mortgage debenture trust deed in favour of the security ventures (First Trustees Ltd) on behalf of FirstBank over Rainbow Town Estate, Port Harcourt, River State
Rainbow Town Development Limited		Rainbow Town Development Limited	8,131,206,362	-	8,131,206,362	Performing	Mortgage debenture trust deed in favour of the security ventures (First Trustees Ltd) on behalf of FirstBank over Rainbow Town Estate, Port Harcourt, River State
Rainbow Town Development Limited		Rainbow Town Development Limited	5,234,454,795	-	5,234,454,795	Performing	Mortgage debenture trust deed in favour of the security ventures (First Trustees Ltd) on behalf of FirstBank over Rainbow Town Estate, Port Harcourt, River State

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

43.5 DIRECT CREDIT ASSETS TO DIRECTORS (continued)

Name of borrowers	Relationship to reporting institution	Name of the related interest	Outstanding credit performing (₦)	Outstanding credit non-performing (₦)	Total (₦)	Status	Collateral
Rainbow Town Development Limited - Interest Capitalisation (11)		Rainbow Town Development Limited - Interest Capitalisation (11)	299,655,376	-	299,655,376	Performing	Mortgage debenture trust deed in favour of the security ventures (First Trustees Ltd) on behalf of FirstBank over Rainbow Town Estate, Port Harcourt, River State
Premium Poultry Farms Limited	Non-executive director	Mahey Rasheed	680,335,342	-	680,335,342	Performing	All assets debenture on assets of Premium Farms valued at ₦138.5 million
Premium Poultry Farms Limited	Non-executive director	Mahey Rasheed	720,355,069	-	720,355,069	Performing	All assets debenture on assets of Premium Farms valued at ₦138.5 million
Premium Poultry Farms Limited	Non-executive director	Mahey Rasheed	50,072,875	-	50,072,875	Performing	All assets debenture on assets of Premium Farms valued at ₦138.5 million
			93,591,486,780	10,412,912,866	104,004,399,646		

Related-party transactions and balances disclosed above are in accordance with the CBN Circular BSD/1/2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

44 EMPLOYEES

The average number of people employed by the Group during the period was as follows:

	Group		Bank	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Executive directors	7	6	7	6
Management	187	65	66	57
Non-management	9,474	9,127	8,103	7,840
	9,668	9,198	8,176	7,903

See Note 15 for compensation for the above staff.

The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Group		Bank	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
₦300,000 – ₦2,000,000	1,140	1,096	28	33
₦2,000,001 – ₦2,800,000	691	65	546	19
₦2,800,001 – ₦3,500,000	410	624	388	586
₦3,500,001 – ₦4,000,000	8	6	-	-
₦4,000,001 – ₦5,500,000	2,357	2,600	2,333	2,597
₦5,500,001 – ₦6,500,000	1,686	1,580	1,678	1,569
₦6,500,001 – ₦7,800,000	743	1,024	714	1,010
₦7,800,001 – ₦9,000,000	448	213	412	203
₦9,000,001 and above	2,185	1,981	2,077	1,886
	9,668	9,189	8,176	7,903

45 DIRECTORS' EMOLUMENTS

Remuneration paid to the Group's directors (excluding certain allowances) was:

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Fees and sitting allowances	118	118
Executive compensation	432	403
Retirement benefit costs	474	1,467
Other director expenses	3,287	3,274
	4,311	5,262
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	26	25
Highest paid director	100	100

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	31 Dec 2014	31 Dec 2013
₦5,500,001 and above	19	18
	19	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

46 COMPLIANCE WITH REGULATIONS

- A penalty of ₦88 million was paid by the Bank for inability to provide evidence on CBN's no objection letter to promotions/appointments of 28 senior officers.
- A penalty of ₦2 million was imposed on the Bank for failure to comply with the CBN directives on the issue of Eurobonds.
- The Bank paid a penalty of ₦2 million for failure to render suspicious transactions to NFIU within 72 hours of transaction.
- A penalty of ₦2 million was imposed on the Bank for failure to conduct due diligence before opening a Politically Exposed Persons (PEPs).
- The Bank paid a penalty of ₦2 million for issuing a single draft of ₦30.5 million.
- The Bank paid a penalty of ₦2 million for contravening Section 25(2) of Banks and Other Financial Institutions Act LFN 2004 on rendition of statutory returns through FINA application to CBN and NDIC.
- The Bank paid ₦210 million penalty for opening/closing 62 cash centres and 32 branches without stipulated approval from the CBN.
- The Bank was charged a penalty of ₦74 million for mis-reporting public sector deposit.
- The Bank paid ₦2 million penalty for failure to address all observations and recommendations of external auditors (year ended 31 December 2013).
- The Bank paid ₦2 million penalty for failure to address all observations and recommendations of external auditors (period ended 30 September 2014).
- A penalty of ₦2.3 million was imposed on the Bank for delay on unapplied funds.

47 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

The Bank has no events after the financial position date that will materially affect the financial position shown in these financial statements.

48 DIVIDENDS PER SHARE

A dividend of ₦0.3 kobo per share was proposed by the Board of Directors on 24 December 2014. This interim dividend amounts to ₦9,790 million. A dividend of ₦32,632 million at ₦1.00 per share that relates to the year to 31 December 2012 was approved at the AGM in May 2013 and paid in June 2013. In addition, an interim dividend of ₦39,158 million at ₦1.20 kobo per share proposed by the Board of Directors on 6 December 2013 was paid on 9 January 2014.

49 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the members of the Group and held as treasury shares.

The company does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders of the parent.

	Group		Bank	
	31 Dec 2014	31 Dec 2013	**31 Dec 2014**	31 Dec 2013
Profit from continuing operations attributable to owners of the parent (₦ million)	**84,926**	65,576	**75,175**	59,365
Profit/(loss) from discontinued operations attributable to owners of the parent (₦ million)	**(84)**	875	**4,176**	-
Weighted average number of ordinary shares in issue (million)	**32,632**	32,632	**32,632**	32,632
Basic/diluted earnings per share (expressed in kobo per share):				
- From continuing operations	**2.60**	2.01	**2.30**	1.82
- From discontinued operations	**(0.00)**	0.03	**0.13**	0.00
	2.60	2.04	**2.43**	1.82

VALUE ADDED STATEMENT

	Group			
	31 Dec 2014 ₦ million	%	31 Dec 2013 ₦ million	%
Gross income	**455,392**		372,840	
Interest and fee expense	**(116,662)**		(91,857)	
	338,730		280,983	
Administrative overheads:				
– Local	**(134,108)**		(95,966)	
– Foreign			(5,238)	
Value added	**204,622**	**100**	179,779	100
DISTRIBUTION				
Employees				
Salaries and benefits	**72,726**	**36**	60,456	34
Government				
Taxation	**9,526**	**5**	21,009	12
The future				
Asset replacement (depreciation):				
– Local	**10,530**	**5**	9,279	5
– Foreign		**-**	546	0
Asset replacement (amortisation):				
– Local	**1,268**	**-**	1,381	1
– Foreign		**-**	136	0
Asset replacement (provision for losses)	**25,730**	**13**	20,521	11
Expansion (transfers to reserves)	**84,842**	**41**	66,451	37
	204,622	**100**	179,779	100

VALUE ADDED STATEMENT

	Bank			
	31 Dec 2014 ₦ million	%	31 Dec 2013 ₦ million	%
Gross income	**410,648**		339,320	
Interest and fee expense	**(103,061)**		(83,208)	
	307,587		256,112	
Administrative overheads	**(127,727)**		(96,308)	
Value added	**179,860**	**100**	159,804	100
DISTRIBUTION				
Employees				
Salaries and benefits	**63,012**	**35**	53,287	33
Government				
Company income tax	**6,185**	**4**	17,488	11
The future				
Asset replacement (depreciation)	**9,741**	**5**	9,164	6
Asset replacement (amortisation)	**647**	**0**	662	0
Asset replacement (provision for losses)	**20,924**	**12**	19,838	13
Expansion (transfers to reserves)	**79,351**	**44**	59,365	37
	179,860	**100**	159,804	100

FIVE-YEAR FINANCIAL SUMMARY – GROUP

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
ASSETS					
Cash and balances with central bank	**697,601**	593,973	298,024	199,228	75,517
Loans and advances to banks	**430,053**	415,210	394,173	463,328	575,467
Loans and advances to customers	**2,193,563**	1,797,935	1,562,695	1,252,153	1,160,293
Financial assets held for trading	**10,708**	4,743	2,565	5,964	16,636
Investment securities	**598,904**	734,690	684,359	697,001	254,708
Assets pledged as collateral	**64,527**	53,651	50,109	72,129	122,009
Inventory	**-**	-	-	25,609	23,081
Managed funds	**-**	-	-	-	-
Investment in associates	**-**	6,225	5,609	7,489	8,996
Investment in subsidiaries	**-**	-	-	-	-
Other assets	**39,457**	44,729	33,984	63,061	39,282
Investment property	**-**	-	-	4,055	2,440
Intangible assets	**8,103**	8,594	3,417	1,008	494
Property, plant and equipment	**83,404**	78,489	74,474	65,889	63,634
Deferred tax	**2,384**	4,587	7,954	6,954	12,274
Assets held for sale	**2,931**	4,549	12,978	-	-
	4,131,635	3,747,375	3,130,341	2,863,868	2,354,831
FINANCED BY					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	254,524	254,524
Reserves	**255,819**	175,965	191,190	98,425	129,607
Non-controlling interest	**1,641**	1,626	1,353	964	1,148
Deposits from banks	**163,710**	77,481	87,551	183,500	148,352
Deposits from customers	**2,989,735**	2,942,782	2,405,035	1,951,011	1,447,600
Financial liabilities held for trading	**9,913**	1,701	1,796	2,857	1,639.00
Liabilities on investment contracts	**-**	-	-	49,440	76,446
Liabilities on insurance contracts	**-**	-	-	824	-
Borrowings	**362,976**	126,302	75,541	106,204	126,350
Retirement benefit obligations	**2,012**	1,776	18,648	15,081	11,426
Current income tax	**8,530**	31,633	22,536	24,328	20,052
Other liabilities	**131,704**	182,542	118,289	159,325	120,470
Deferred income tax liabilities	**38**	10	9	1,069	901
Liabilities held for sale	**-**	-	2,836	-	-
	4,131,635	3,747,375	3,130,341	2,863,868	2,354,831

FIVE-YEAR FINANCIAL SUMMARY – GROUP

INCOME STATEMENT

	As reported under IFRS				As reported under NGAAP
	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	12 months ended 31 Dec 2012 ₦ million	12 months ended 31 Dec 2011 ₦ million	12 months ended 31 Dec 2010 ₦ million
Gross earnings	**455,392**	372,840	338,921	265,580	232,079
Net operating income	**338,814**	280,107	280,410	230,853	178,062
Operating expenses	**(218,632)**	(173,001)	(182,329)	(136,668)	(119,274)
Group's share of associate's results	**-**	-	1,008	(1,507)	(3,657)
Impairment charge for credit losses	**(25,730)**	(20,521)	(12,912)	(38,011)	(21,590)
(Loss) on sale of assets to AMCON	**-**	-	-	(15,501)	-
Exceptional item	**-**	-	-	-	226
Profit before taxation	**94,452**	86,585	86,177	39,166	33,767
Taxation	**(9,526)**	(21,009)	(14,918)	(18,864)	(4,590)
Profit from continuing operations	**84,926**	65,576	71,259	20,302	29,177
Profit from discontinuing operations	**(84)**	875	3,838	(1,666)	-
Profit for the year	**84,842**	66,451	75,097	18,636	29,177
Profit attributable to:					
Owners of the parent	**84,827**	66,344	75,040	19,520	27,244
Non-controlling interest	**15**	107	57	(884)	1,933
	84,842	66,451	75,097	18,636	29,177
Earnings per share in kobo (basic/diluted)	**260**	204	230	57	89

In line with IFRS 1.22(d), the figures reported in the above income statement for years 2011 to 2014 have been prepared using relevant IFRS guidelines and standards. In contrast, the figures in the above income statement for year 2010 has been prepared using relevant Nigerian GAAP guidelines and standards.

Therefore, the numbers in the affected relevant areas listed below should not be compared when being used.

INCOME STATEMENT

- Interest income
- Impairment charge for credit losses
- Net operating income.

FIVE-YEAR FINANCIAL SUMMARY – BANK

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
ASSETS					
Cash and balances with central bank	**670,045**	541,221	288,125	199,091	74,894
Loans and advances to banks	**242,842**	367,571	329,120	222,347	383,880
Loans and advances to customers	**1,794,037**	1,473,839	1,316,407	1,144,461	1,046,925
Financial assets held for trading	**9,258**	2,225	1,942	2,552	11,485
Investment securities	**544,975**	637,928	631,211	670,624	245,494
Assets pledged as collateral	**63,158**	52,406	50,109	72,129	122,009
Investment in associates	**-**	2,224	2,224	14,099	14,099
Investment in subsidiaries	**58,986**	56,307	40,348	32,416	30,416
Other assets	**29,173**	36,067	32,459	43,734	33,344
Intangible assets	**2,272**	1,241	1,302	734	265
Property, plant and equipment	**74,782**	71,895	70,724	64,056	62,252
Deferred tax	**1,343**	3,655	6,703	5,195	12,146
	3,490,871	3,246,579	2,770,674	2,471,438	2,037,209
FINANCED BY					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**189,241**	189,241	189,241	254,524	254,524
Reserves	**217,490**	145,152	166,619	106,404	144,769
Deposits from banks	**19,246**	10,155	18,463	51,306	55,221
Deposits from customers	**2,551,022**	2,570,719	2,171,807	1,784,490	1,328,218
Financial liabilities held for trading	**7,946**	1,697	1,278	1,143	1,639
Borrowings	**377,950**	125,363	81,987	104,287	126,096
Retirement benefit obligations	**1,546**	1,111	18,156	14,676	11,075
Current income tax	**6,558**	29,836	19,768	21,354	15,118
Other liabilities	**103,556**	156,989	87,039	116,938	84,233
Deferred income tax liabilities	**-**	-	-	-	-
	3,490,871	3,246,579	2,770,674	2,471,438	2,037,209

FIVE-YEAR FINANCIAL SUMMARY – BANK

INCOME STATEMENT

	As reported under IFRS				As reported under NGAAP
	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	12 months ended 31 Dec 2012 ₦ million	12 months ended 31 Dec 2011 ₦ million	12 months ended 31 Dec 2010 ₦ million
Gross earnings	**410,648**	339,320	313,822	251,312	209,187
Net operating income	**303,410**	256,112	258,554	220,706	163,142
Gain from disposal of associate	**-**	-	3,490	-	-
Operating expenses	**(201,126)**	(159,421)	(168,908)	(133,368)	(107,392)
Impairment charge for credit losses	**(20,924)**	(19,838)	(9,847)	(32,165)	(22,596)
(Loss) on sale of assets to AMCON	**-**	-	-	(15,501)	-
Exceptional item	**-**	-	-	-	383
Profit before taxation	**81,360**	76,853	83,289	39,672	33,537
Taxation	**(6,185)**	(17,488)	(12,145)	(16,620)	(1,414)
Profit from continuing operations	**75,175**	59,365	71,144	23,052	32,123
Profit from discontinuing operations	**4176**	-	-	-	-
Profit for the year	**79,351**	59,365	71,144	23,052	32,123
Earnings per share (basic)	**243**	182	218	71	98

In line with IFRS 1.22(d), the figures reported in the above income statement for years 2011 to 2014 have been prepared using relevant IFRS guidelines and standards. In contrast, the figures in the above income statement for year 2010 only has been prepared using relevant Nigerian GAAP guidelines and standards.

Therefore, the numbers in the affected relevant areas listed below should not be compared when being used.

INCOME STATEMENT

- Interest income
- Impairment charge for credit losses
- Net operating income.

GLOSSARY OF RATIOS

Ratio		Basis of computation
Average cost of deposits	=	Interest expense (on deposits) / Average deposit (i.e., opening + closing balance)/2
Basic earnings per share	=	Profit attributable to ordinary shareholders (after deduction of debenture interest and tax) / Weighted average no. of shares in issue
Cost of borrowed funds	=	Expense on borrowed funds / Average borrowed funds (opening + closing)/2
Cost of funds	=	Interest expense / Average interest-bearing liabilities (opening + closing)/2
Cost of interbank takings	=	Interest expense on interbank takings / Average interbank takings (opening + closing)/2
Cost of managed funds	=	Expense on managed funds / Liabilities on investment contracts
Cost of risk	=	Loan loss expense / Average loans
Cost-to-income ratio (1)	=	Total cost (interest expense, operating cost before loan loss expense) / Gross earnings
Cost-to-income ratio (2)	=	Total overhead cost (operating cost before loan loss expense) / Total net revenue
Debt to capital	=	Long-term debt / Long-term debt + equity
Debt to EBITDA	=	Long-term debt / Operating income
Gearing ratio	=	Long-term debt / Total shareholders' funds
Interest-earning assets	=	Due from other banks + treasury bills + trading securities (bonds) + loans and advances
Leverage	=	Total assets / Total shareholders' funds
Liquidity ratio	=	Liquid assets / Deposit liabilities (as prescribed by the CBN)
Loan to deposit ratio	=	Total loans / Total deposit
Marginal cost of fund	=	Increase in interest expense during the month / Increase in average deposits during the same month (annualised)
Net interest margin (1)	=	Net interest income / Average interest-earning assets (i.e., opening + closing)
Net interest margin (2)	=	Net interest income / Total interest income
Net loans	=	Gross loans – loan loss provision
Net revenue	=	Net interest income + net fee and commission income + other income
Net revenue from funds	=	Interest income – (interest expense + loan expense)
NPL coverage	=	Loan loss provision (including interest in suspense) / Gross NPLs
NPL ratio	=	Non-performing loans / Gross loans
Operating profit margin	=	Operating profit / Gross earnings
Pre-provision operating profit	=	Operating profit + impairment charge on credit losses / Impairment charge on credit losses
Provisioning level (non-performing loans coverage)	=	Total provision / Total NPL
Return on average assets	=	PAT / Average total assets x 100
Return on average equity	=	PAT / Average total equity x 100

GLOSSARY OF RATIOS

Ratio		Basis of computation
Risk asset ratio	=	Total loans / Total assets
Risk-weighted assets*	=	Assets x weight of risks x 100
Tier 1 ratio	=	Total tier 1 capital / Risk-weighted assets
Tier 2 ratio	=	Total tier 2 capital / Risk-weighted assets
Total capital adequacy ratio	=	Total qualifying capital / Risk-weighted assets
Yield on interest-earning assets	=	Interest income / Average interest-earning assets

*Risk asset is computed using risk weights supplied by CBN/Basel.

ABBREVIATIONS

AFS	Available for sale
ALCO	Assets & Liabilities Management Committee
ALM	Asset and liability management
AMCON	Asset Management Corporation of Nigeria
ATM	Automated teller machine
AUM	Assets under management
BARAC	Board Audit & Risk Assessment Committee
BCC	Board Credit Committee
BCMS	Business Continuity Management System
BDM	Business Development Manager
BDO	Business development office
BFGPC	Board Finance & General Purpose Committee
BF&HCC	Board Finance & Human Capital Committee
BGC	Board Governance Committee
BIC	Banque Internationale de Crédit SARL
BOFIA	Banks and Other Financial Institutions Act
BOI	Bank of Industry
BRCC	Business Risk and Compliance Committee
CACS	Commercial Agricultural Credit Scheme
CAGR	Cumulative annual growth rate
CAM	Classified Assets Management
CAMA	Companies and Allied Matters Act
CAP	Credit Analysis & Processing
CAR	Capital adequacy ratio
CASA	Current and savings accounts
CBG	Corporate Banking group
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CFP	Contingency funding plan
CGU	Cash-generating units
CMG	Commercial Banking group
COSO	Committee of Sponsoring Organisations
COT	Commission on turnover
CRM	Customer relationship management
CRO	Chief Risk Officer
CRR	Cash reserve ratio
CRSA	Control and risk self-assessment
CSR	Corporate social responsibility
DRC	Democratic Republic of Congo
EaR	Earnings at risk
ED	Executive Director
EPS	Earnings per share
ERM	Enterprise Risk Management
ESGMS	Environmental, social and governance management system
EXCO	Executive Committee
FBN BDC	FBN Bureau de Change Limited
FBN MB	FBN Microfinance Bank Limited
FBN (UK)	FBNBank (UK) Limited
FFL	First Funds Limited
FGN	Federal Government of Nigeria
FMCG	Fast-moving consumer goods
FPCNL	First Pension Custodian Nigeria Limited
FRNL	First Registrars Nigeria Limited
FRR	Facility risk rating
FSA	Financial Services Authority
FX	Foreign exchange
GDP	Gross Domestic Product
GITSC	Group IT Steering Committee
GMD	Group Managing Director
HCMD	Human Capital Management and Development
HNI	High net worth individuals
HR	Human Resources
HTM	Held to maturity
IBAM	Investment Banking and Asset Management group
IBG	Institutional Banking group
IBNR	Incurred but not reported
ICAFAS	Internal Control and Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
ICB	International Commercial Bank
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISF	Information Security Forum
ISMD	Information Security Management department
ISMS	Information security management system
ISO	International Organization for Standardization
IT	Information technology
KPI	Key Performance Indicator
KRI	Key risk indicator
KYC	Know Your Customer
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LRP	Liquidity risks package
MANCO	Management Committee
MATs	Management action triggers
MCC	Management Credit Committee
MDAs	Ministries, departments and agencies
MDG	Millennium Development Goal
MGC	Management General Committee

ABBREVIATIONS

MPC	Monetary Policy Committee
MPR	Monetary policy rate
MRLP	Market risk limits package
MRPC	Market Risk Policy Committee
₦	Naira
NDIC	Nigeria Deposit Insurance Corporation
NGO	Non-governmental organisation
NIBOR	Nigerian Interbank Offered Rate
NII	Non-interest income
NIR	Non-interest revenue
NPL	Non-performing loan
NSBP	Nigerian Sustainable Banking Principles
NSE	Nigerian Stock Exchange
OCI	Other comprehensive income
OFR	Officer of the Federal Republic
ORM	Operational risk management
ORR	Obligor risk rating
PAT	Profit after tax
PBG	Private Banking group
PBT	Profit before tax
PCI DSS	Payment Card Industry Data Security Standard
PD	Probability of default
PFA	Pension fund administrator
PFMS	People First Management System
PMI	Primary mortgage institution
POS	Point of sale
PPE	Property, plant and equipment
PSG	Public Sector group
RBG	Retail Banking group
RCSA	Risk and control self-assessment
RDAS	Retail Dutch Auction System
RM	Relationship management
ROE	Return on equity
RTU	Risk taking unit
SBU	Strategic Business Unit
SEC	Securities and Exchange Commission
SLA	Service level agreement
SLD	Specialised Lending Department
SME	Small and medium enterprises
SRF	Strategic Resource Function
SSA	Sub-Saharan Africa
SSWG	Strategic Sustainability Working Group
TAT	Turnaround time
TRAP	Triggers for accrual portfolios
TSA	Treasury Single Account
UHNW	Ultra high net worth
UNGC	United Nations Global Compact
VaR	Value at risk
WACC	Weighted average cost of capital

CONTACT INFORMATION

	Business address	Telephone number
SUBSIDIARY		
First Bank of Nigeria Limited	35 Samuel Asabia House, Marina, Lagos	0700 FIRSTCONTACT, +234 1 4485500
FBNBank (UK) Limited	28 Finsbury Circus, London EC2M 7DT, UK	+44 207 920 4920
FBNBank DRC SA	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 81 555 8858
FBN Capital Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
First Pension Custodian Nigeria Limited	124 Awolowo Road, Ikoyi, Lagos	+234 1 2777800-1
FBN Mortgages Limited	76 Awolowo Road, Ikoyi, Lagos	+234 1 4615860-2
FBN Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos	+234 1-4622673; +234 1-4622831-34; +234 1-4605120-24; +234 1-4605124; +2347080653100
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4444, +234 1 905 4428 and +234 1 9054364
FBN Microfinance Bank Limited	305 Herbert Macaulay Way, Yaba, Lagos	+234 1 3428703, +234 1 3425517
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1 4622181-5
FBN Securities Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
FBN Funds Limited	90 Awolowo Road, South-West, Ikoyi, Lagos	+234 1 2793910-9
Kakawa Discount House Limited	2 Broad Street, Lagos	+234 1 2702290, 2702291, 2702292, 2702293, 2702294
FBNBank Ghana	Meridian House, Ring Road Central, Private Mail Bag No 16, Accra North, Accra, Ghana	+233 302 23 6133 / 235611
FBNBank Guinea	Ex-cite Chemin de Fer, Immeuble Mamou, BP 3547, Conakry, Republic of Guinea	+224657256667, +224657321105
FBNBank Sierra Leone	22 Rawdon Street, Freetown, Sierra Leone	+232 76 741 737, +232 22222877, +232 22222273, +232 22222814; +232-99-3056-00
FBNBank Gambia	48 GIEPA House, KSMD, PO Box 1600, Banjul, The Gambia	+2207993502, +2204377889, +2209147426
International Commercial Bank Senegal	18 Av Léopold Sédar Senghor, Dakar, Senegal	+221 842 07 42
FIRSTBANK REPRESENTATIVE OFFICES		
South Africa Rep Office	The Forum Building, 10th Floor No 2 Maude Street, Sandton 2146, Johannesburg, South Africa	+27 11 7849922
Beijing Rep Office	Unit 1431, Tower B COFCO Plaza No 8 Jianguomennei Street, Dong Cheing District, Beijing, China	+86 10 65286820
UAE Rep Office	Salam HQ Plot No C6, Sector E, Abu Dhabi, UAE	+97 02 43319915, +97 5092777394

FirstBank
Since 1894

CUSTOMER ENQUIRIES

Email: firstcontact@firstbanknigeria.com
Tel: 0700 FIRSTCONTACT
Tel: +234 1 4485500
Tel: +234 708 0625000

REGISTERED ADDRESS

Samuel Asabia House
35 Marina, Lagos
PO Box 5216, Nigeria

Registration No. RC6290

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