



FBNBank



FBN Bank (UK) Limited  
Report and Financial  
Statement

31 March 2009



## Our Vision

To be the first choice UK  
and European Bank for Africa

## Our Mission

To provide world class international  
banking and trade services in support  
of commercial relations between  
Africa and the European Union

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## Profile

FBN Bank (UK) Ltd commenced trading on the 1st November 2002 following receipt of the relevant authorisation from the Financial Services Authority and the approval of the courts under the Financial Services and Markets Act 2000. The assets and liabilities of the former London branch of First Bank of Nigeria PLC were absorbed by FBN Bank (UK) Ltd.

It is a wholly owned subsidiary of First Bank of Nigeria Plc and the office is based in the heart of the city of London, at 28 Finsbury Circus, EC2M 7DT.

First Bank of Nigeria Plc for over a century has distinguished itself as a leading banking institution and a major contributor to the economic advancement and development of Nigeria.

Founded in 1894 by a shipping magnate from Liverpool, Sir Alfred Jones, the Bank commenced as a small operation in the office of Elder Dempster & Company in Lagos.

It was incorporated as a Limited Liability Company on March 31, 1894, with the Head Office in Liverpool. It started business under the corporate name of the Bank for British West Africa (BBWA) with a paid – up capital of £12,000, after absorbing its predecessor, the African Banking Corporation, which was established earlier in 1892. This signalled the pre-eminent position which the Bank was to establish in the banking industry in West Africa. In the early years of operations, the Bank recorded impressive growth and worked closely with the Colonial Government in performing the traditional functions of a Central Bank.

To justify its West Africa coverage, a branch was opened in Accra, Gold Coast (now Ghana) in 1896 and another in Freetown, Sierra Leone in 1898. These marked the creation of the Bank's international banking operations. The second branch of the Bank in Nigeria was in the old Calabar in 1900 and two years later, services were extended to Northern Nigeria.

Currently with 536 branches spread throughout Nigeria, the Bank maintains one of the largest branch network in the industry.

To satisfy the needs of its customers, the First Bank Group has diversified into a wide range of banking and non-banking activities and services. These include Corporate and Retail Banking, Registrarship, Pension Fund Custodianship, Trusteeship, Insurance Brokerage, Private Equity, Venture Capital and Microfinance.

Over the years, the Bank has experienced phenomenal growth. With a share Capital of ₦55.6 million in 1980, the Group's Capital grew to ₦337 billion as at March 2009. The Group's total asset base was ₦2,009 billion while its deposit base stood at ₦1.19 trillion as at March 2009.

Market capitalization stood at ₦393 billion ie ₦15.80/share as at 31st March 2009.

To reposition and to take advantage of opportunities in the changing environment, the Bank embarked on several restructuring initiatives. In 1957, it changed its name from Bank of British West Africa to Bank of West Africa. In 1969, the Bank was incorporated locally as the Standard Bank of Nigeria Limited in line with the Companies' Decree of 1968.

Changes in the name of the Bank also occurred in 1979 and 1991, to First Bank of Nigeria Limited and First Bank of Nigeria Plc, respectively. In 1985, the Bank introduced a decentralized structure with five regional administrations. This was reconfigured in 1992 to enhance the Bank's operational efficiency. In 1996, the Bank introduced the FBN Century – II project to revolutionise its operations in line with the dynamics of the environment.

FBN obtained a listing on the Nigerian Stock Exchange (NSE) in March 1971 and has won the NSE President's merit award nine times for the best financial report in the banking sector.

The Bank has continued to be a leader in financing long-term development of the economy, which was demonstrated in 1947 when the first long-term loan was advanced to the then colonial government. To demonstrate its commitment to its customers and the development of the Nigerian economy, the Bank has since broadened its loan and credit portfolios to various sectors of the economy.

The Bank has developed tremendously judging from a number of parameters including number of branches, growth in deposit base, asset size and size of loans and advances. Furthermore, its track record of profitability and reliability in sound banking has continually placed the Bank in its leadership position.

In line with its mission statement "remain true to our name by providing the best financial services possible" the Bank will consistently transform itself as it forges ahead in its second century of qualitative banking to the nation.

# Officers and professional advisers

## Directors

<b>Ayoola Oba Otudeko, OFR</b>	Chairman
<b>Peter Stuart Hinson</b>	Managing Director/Chief Executive
<b>John Oche Aboh</b>	Resigned, 31 December 2008
<b>Jacobs Moyo Ajekigbe</b>	Resigned, 31 December 2008
<b>Michael John Bamber</b>	Executive Director, Operations
<b>Christiana Etukudo Fashogbon</b>	Executive Director, Business Development
<b>Peter Arnhem Grafham</b>	
<b>Abdullahi Sarki Mahmoud</b>	
<b>Sanusi Lamido Sanusi</b>	Appointed, 1 September 2008
<b>Anthony Robert Paget Williams</b>	

## Company Secretary

**Venetia Carpenter, FCIS**

## Registered office

28 Finsbury Circus  
London  
EC2M 7DT

## Bankers

HSBC Bank plc, London

Standard Chartered Bank PLC, New York

WestLB AG, Dusseldorf

The Bank of Tokyo – Mitsubishi UFJ, Ltd, Tokyo

Credit Suisse, Zurich

## Solicitors

DLA Piper UK LLP, London

## Auditors

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London

## Chairman's statement



“...our goal is to ensure that we maintain our momentum, and by doing so capitalise on new opportunities that arise in the market.”

**Dr Oba Otudeko (OFR)**  
Chairman

### **Fellow shareholders, invited guests, distinguished ladies and gentlemen,**

Once again, our commitment to running a responsible and responsive business has provided a sound foundation for success, thus making 2008/2009 another record year for our bank. The year saw us broaden our footprint as we built on our strong reputation for customer focus, innovative product development, and quality service. These priorities have continued to be a powerful formula for sustainable growth. Commendably, our bank managed to maintain high rates of growth in income, prudent cost control, and outstanding management of capital and risk.

During the year, we solidified our position as the correspondent bank of choice in the face of new entrants into this market segment. Our leadership position amongst UK subsidiaries of Nigerian banks is reinforced by our clear comparative advantage. Staying ahead of the pack rests on our ability to sustain a strong Basel II standard capital base, profitability, robust growth potential, and a competent workforce.

Our success is particularly noteworthy given the current uncertain economic climate. Perceptibly, the ongoing financial crisis continues to be the obvious subtext to declining global economic activities, which portends a difficult 2009 and unprecedented changes to the global financial system.

The US sub-prime mortgage crisis, an opaque securities market, misguided ratings guidance, and rapid deleveraging of the credit markets all contributed to global economic mayhem in the latter part of 2008. Policy and regulatory failures had triggered a long period of spurious and credit-fuelled growth, so-called toxic assets, and a damaging spillover into the real economy. With the most hallowed names in finance falling victim to the crisis, our host country, the United Kingdom which has a large financial services sector, has been a focal point in the resulting turmoil.

Faced with possibly the worst economic crisis since World War II, national and regional governments have enacted a plethora of initiatives and regulatory reforms to stabilise their economies. Fiscal stimulus packages backed by tougher lending standards are now commonplace, while policies geared at rewinding economic activity and forestalling deflation are the norm. Many central banks the world over are keeping interest rates low and it is now apparent that these efforts will need to be sustained well into the future.

Inescapably, Nigeria's economy has been under pressure on multiple fronts. The Naira has declined by over 20% relative to the U.S. dollar since December 2008, and the nation's stock market has plunged to a three-year low, down 13 percent so far in 2009, after dipping 46 percent in 2008. The decline in oil revenues has gravely impacted fiscal projections and dampened the country's investment profile in the short term. Managing the fallout from reduced revenues is a serious concern even though Nigeria's economic fundamentals at this time are fairly sound.

The recent G-20 summit held in London offered room for plausible optimism. Heads of state, finance ministers and central banks leaders of the G-20 may not have radically altered the global financial architecture but nevertheless took landmark decisions aimed at restoring global confidence. Committed to

fostering a more robust regulatory environment, the leaders also pledged to fight insidious protectionism and crippling trade barriers that could worsen the crisis. With so much at stake, the G-20 member states agreed to relax monetary policies, recapitalise anaemic banks, strengthen multilateral institutions, and improve global liquidity.

Ahead of a projected 2010 economic rebound, we shall continue to rely on the strength of our bank's business model and prudent use of our capital. Our broad strategy obliges us to maintain high quality assets, and to strive for continuous revenue growth, cost efficiency and brand leadership.

### Operating Environment

As the banking crisis in the United States spread to Europe last year, the virtual collapse of the Icelandic economy exemplified the endemic vulnerabilities fostered by slack financial regulation. The slowdown in the United Kingdom ended 16 years of continuous economic growth, the longest expansion in the United Kingdom since the 19th century. With global financial markets experiencing severe liquidity setback and losses from re-pricing of financial assets, the past 12 months saw a near-collapse of inter-bank lending and taxpayers' £600bn rescue to keep the banking industry afloat. Other UK policy proposals have included quantitative easing and record-low interest rates, with the spectre of enormous fiscal deficits looming over the horizon. Current economic data, in a best-case scenario, suggest that the recession will run through 2009.

African economies have been predominantly affected by reduced global demand and lower prices of commodities such as oil, platinum, nickel, and copper. As a leading oil exporter, Nigeria's economy suffered when global oil prices fell from a peak of \$147 in July 2008 to below \$50, and also from a depreciating local currency. Ominously, the Nigerian Stock Exchange (NSE) All Share Index depreciated from a high of 63,016.60 as at January 2008 to 31,450.78 at the last trading day of 2008.

### Operating Results

It is with great delight that we declare the bank's best results to date. The net interest income rose 39% compared to last year's performance, despite the slowdown in banking activity. Furthermore, total operating income enjoyed significant growth of 25.5% relative to last year. This heralded another consecutive year of record pre-tax profits for the bank with an 11.2% growth to £16.34m compared to last year's £14.68m. Post-tax profits grew 12.9% from last year.

With turbulent financial markets as a backdrop, our bank's determination to continually deliver value to all its customers and partners is very gratifying. The recurrence of excellent results is recognition of the importance the bank attaches to high performance, commitment to best business practices, and adherence to a strong risk strategy irrespective of market behaviour.

### Outlook

From the foregoing, it is heartening to report that the bank faces the future from a strong and confident position. The recent establishment of a Structured Commodity Trade Finance team looks to build a diversified customer base with the top-tier

European commodity traders, producers and manufacturers, and build on the bank's existing Trade Finance offering. We also intend to develop a portfolio under bilateral facilities across the various commodity sectors, with oil, metals and soft commodities being the focus supporting Sub-Saharan African, Eastern Europe and Asian trade flows.

This exciting development will allow new collaborative initiatives and opportunities arising from the resulting synergies. At the core of these developments, however, is our determination to provide a wider range of financial products and convenient channels that would differentiate us from other London-based African banks. The scale of the advances we have set in motion parallels the motivation, commitment and resilience already evident from the bank's management and staff, which affirms my belief that 2009 should see continued progress.

### Appreciation

The past year will be remembered as a period of profound and historic restructuring of global financial markets. Evidently, your bank is one of the institutions that have shown the vigour and imagination to transcend these troubled times.

On behalf of the Board, I wish to extend our heartfelt gratitude to all our loyal customers to whom we owe our remarkable success. I thank the Board for its unwavering vision, not forgetting our strong Management team and dedicated staff for their loyal support.

The enthusiasm of the Board, Management and staff shows a determination to work towards greater achievements in the future while maintaining high business standards that are a fundamental part of FBN Bank (UK)'s growing heritage. Looking ahead, I am confident that the bank's investment in our people, product innovation, and delivery channels will continue to serve us well.

Another significant milestone in the past year was the culmination of 32 years of meritorious service achieved by our former Group Managing Director, Mr. Jacobs Moyo Ajekigbe. Also retiring at this time is Mr. John Aboh, our astute non-Executive Director, whose incisive contributions will be sorely missed. Their intellect, professionalism and diligence were always representative of the bank's core values, while their profound leadership ethic boosted the First Bank brand to world-class status. They have the best wishes and immense gratitude of the Board.

The UK banking sector is now operating in an altered business landscape characterised by greater regulation. The economic prospects for the UK and the entire globe remain uncertain. However, the fundamental strength of the business and our underlying strategies give us great hope for the future. That your bank will continue to grow to enviable heights is an aspiration we continue to uphold.

Thank you for your kind attention.

**Dr. Oba Otudeko, OFR**  
Chairman

# Managing Director/Chief Executive's Review



“ Whilst the future for the overall industry is a little uncertain in the short term, we remain confident that the successful execution of our chosen strategy will deliver the returns our shareholder expects ”

**Peter S Hinson**  
Managing Director & Chief Executive

## **Distinguished shareholders, ladies and gentlemen,**

I am delighted to present my report to the seventh Annual General Meeting of FBN Bank (UK) Ltd.

### **The Industry**

The state of shock in the industry that I referred to in my previous report continued and deepened in the year under review. Whilst some commentators are now predicting that we have seen the bottom of the curve, the aftermath of the appalling failure by the banks, rating agencies and regulators will cast a shadow over the industry for years to come.

Governments and international agencies have played major roles in preventing systemic failure and, whilst there will be a severe economic cost for future generations to bear, some stability has returned to the economy. Careful management of economies will be essential to ensure the current historically low interest rates do not lead to inflationary times as confidence returns.

The future of the industry will undoubtedly be different to the past with higher capital and liquidity requirements. The introduction of new rules by individual country regulators will also be challenging to ensure as much of a level playing field is maintained as possible.

The Foreign Bankers Association, The British Bankers Association and The International Chamber of Commerce, of which we are members, continue to work actively to help guide the industry on these and other major issues.

### **Regulatory Framework**

The Regulatory Framework in the UK under the auspices of the Financial Services Authority ('FSA') has played a significant role in proposing new regulatory standards in the wake of the crisis, even though there has been a level of criticism over the past year. The fact remains that the industry is well regulated and retail consumers have not lost money, albeit at a cost to the taxpayer.

We ensure that the FSA are kept closely informed of our future direction and strategy and that this aligns with good market practice.

### **Our Business**

Our main office remains in Finsbury Circus, London where we have recently expanded to ensure we can continue to welcome our growing customer base in pleasant surroundings and, at the same time, provide our international back office services on site. We see this as a distinct competitive advantage to competitors with a growing list of compliments for the consistently high standard of service we manage to achieve.

Our Paris Branch is growing in significance as it pursues business opportunities in Francophone Africa and again is able to welcome customers in quality offices.

Our largest market remains in Nigeria and it is pleasing to report that our Representative Office has now moved to very respectable premises in the Osborne Estate, Lagos. Staffed with several Managers, it allows us to offer daily face to face contact in our most important market.

Our Banking Division now serves six main markets: Correspondent Banking, Government and Parastatal Banking, Commercial and Corporate Banking (Trade Finance), Structured Trade Finance, Private Banking and UK Savers.

*Correspondent Banking* – working closely with international banks, we offer a professional service to most of the upper quartile Banks and their customers in West Africa, largely through the facilitation of Trade Finance, Foreign Exchange and Payment transactions.

*Government and Parastatal Banking* – The banking needs of Government and parastatal or state industries are immense and, whilst the main Nigerian Government relationships are managed through our parent bank, we provide the essential international leg of the services.

*Commercial and Corporate Banking, (Trade Finance)* – according to available statistics Nigeria is the world's leading issuer of Letters of Credit and we have seen significant growth in this business for the seventh consecutive year. Projections of future growth are uncertain but our standing in international trade services will allow us to capitalise on our strength and pursue global opportunities.

*Structured Trade Finance* – a new business line that has an excellent strategic fit alongside our existing business units. We offer structured secured facilities financing trade flows, mostly but not exclusively, into Africa.

*Private Banking* – London has traditionally been a place for 'High Net Worth' visitors from West Africa and this continues. We provide a highly professional and personal service to this niche market sector and expect to offer international debit cards and advice on investment products before the end of 2009.

*UK savers* – a relatively new market for the Bank where we offer a range of internet based savings accounts under the 'FirstSave' brand name.

## Business Development

With business development teams now operating out of London, Paris and Nigeria, we are offering customers a unique face to face service across West Africa. We have however been conservative in our approach to risk, thereby ensuring we remain apart from those banks that have faced severe credit risk challenges.

We continue to strive to offer superior levels of customer service which, when added to the ability for customers to access their bank accounts from anywhere in the world through our internet banking module, it is a unique offering.

Our core business remains that of Trade Finance and our highly experienced teams have gained an excellent reputation in the market. Quality of service and timely delivery are the bedrock which continues to attract good new business.

Our FirstSave internet savings brand which offers UK residents the opportunity of achieving high interest rates on savings through our internet portal continues to be successful playing an increasingly important part in our overall business.

We have also further developed our Private Banking business which primarily provides mortgages for 'buy to let' property investment in the UK. A friendly efficient service and face to face meetings either in London or Nigeria is seen by customers as attractive. Later this year we expect to be able to offer investment advice and provide customers with international debit cards and a concierge service.

## Financial Performance

For the seventh consecutive year the Bank performed in accordance with the strategic plan. Profit before tax grew by some 11% to £16.3 million and whilst not such a dramatic increase compared to the previous year, it is still highly commendable against the background of turmoil in the industry. The slower growth rate also reflects a more prudent approach to risk which we believe is valid in the current climate.

The balance sheet grew by some 40% to over £1.3 billion reflecting the growth in our customer base and the deposit mix has broadened reducing concentration risk in the business.

All income lines evidenced good growth except that relating to exchange income which was negatively affected by the revaluation effect due to the weakened value of the pound. Costs grew at an acceptable rate leaving a cost income ratio of 40%, well within the boundaries of what is considered respectable.

Against the background of the need to maintain higher capital ratios, our parent increased the subordinated loan by £5m which qualifies as Tier 2 capital. Our focus on capital and liquidity has, we believe, left us very well placed for the future and set us apart from our peer group.

## Our Customers

I have again had the pleasure of meeting many of our customers, both in the UK and West Africa – the most important asset a bank can have. The continuing support received is immense and we are very grateful for their business. It has also been exciting to listen to our customers' plans for the future, plans in which we will assist to ensure their visions translate into reality.

## Corporate Governance

The Board of Directors is composed of 8 members, 5 Non Executives and 3 Executives.

The Board, in summary, agrees the strategic direction, business plan and annual budget which are then implemented by the Executive. The Board is currently supported by the following Committees which meet at least quarterly.

### Board Governance Committee

<i>Chairman</i>	A O Otudeko OFR	Non Executive Chairman
<i>Members</i>	S L Sanusi	Non Executive Director
	A R P Williams	Non Executive Director

### Board Audit Committee

<i>Chairman</i>	P A Grafham	Non Executive Director
<i>Members</i>	A Mahmoud	Non Executive Director
	A R P Williams	Non Executive Director

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## Board Credit Committee

<i>Chairman</i>	S L Sanusi	Non Executive Director
<i>Members</i>	P S Hinson	Managing Director
	C E Fashogbon	Executive Director, Business Development
	A Mahmoud	Non Executive Director
	A R P Williams	Non Executive Director

## Board Establishment Committee

<i>Chairman</i>	S L Sanusi	Non Executive Director
<i>Members</i>	P S Hinson	Managing Director
	P A Grafham	Non Executive Director
	A R P Williams	Non Executive Director

## Board Strategy Review Committee

<i>Chairman</i>	A R P Williams	Non Executive Director
<i>Members</i>	P S Hinson	Managing Director
	M J Bamber	Executive Director, Operations
	C E Fashogbon	Executive Director, Business Development
	P A Grafham	Non Executive Director
	A Mahmoud	Non Executive Director

## Executive Committees

The Executive operate through the following Committees to implement the business plan.

### Executive Management Committee

<i>Chairman</i>	P S Hinson	Managing Director
<i>Members</i>	M J Bamber	Executive Director, Operations
	C E Fashogbon	Executive Director, Business Development
	S O Aiyere	Head of Finance
	M J Barrett	Head of Risk
	M C Connell	Head of Compliance

### Executive Credit Committee

<i>Chairman</i>	P S Hinson	Managing Director
<i>Members</i>	M J Bamber	Executive Director, Operations
	C E Fashogbon	Executive Director, Business Development
	S O Aiyere	Head of Finance
	M J Barrett	Head of Risk
	M C Connell	Head of Compliance & MLRO

## Anti Money Laundering Committee

<i>Chairman</i>	P S Hinson	Managing Director
<i>Members</i>	M J Bamber	Executive Director, Operations
	C E Fashogbon	Executive Director, Business Development
	S O Aiyere	Head of Finance
	M J Barrett	Head of Risk
	M C Connell	Head of Compliance & MLRO
	T Fall	Head of Customer Services & Assistant Deputy MLRO
	R Harris	Compliance Manager & Assistant MLRO

## Asset & Liability Committee

<i>Chairman</i>	P S Hinson	Managing Director
<i>Members</i>	M J Bamber	Executive Director, Operations
	C E Fashogbon	Executive Director, Business Development
	S O Aiyere	Head of Finance
	M J Barrett	Head of Risk
	M C Connell	Head of Compliance & MLRO
	M J Newcomb	Treasurer

## Risk Management Committee

<i>Chairman</i>	P S Hinson	Managing Director
<i>Members</i>	M J Bamber	Executive Director, Operations
	C E Fashogbon	Executive Director, Business Development
	S O Aiyere	Head of Finance
	M J Barrett	Head of Risk
	M C Connell	Head of Compliance & MLRO
	M J Newcomb	Treasurer

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## Corporate Responsibility

Working with our parent bank we have undertaken to be a good corporate citizen by supporting worthy causes in various ways. Donations are approved by the Executive Management Committee and take into account the benefit to society and the support of our staff who may be either directly or indirectly involved in the good cause.

We are proud to have specifically supported the following during the year:-

The Nigeria High Commission Nigeria Day celebrations

The London Business School

The Anthony Nolan Trust

## The Future

A cautious approach will be applied to ensure the good name of the Bank is not put at risk at a time when there will undoubtedly be many changes to the industry. Growth aspirations may therefore have to be tempered building to growth over the longer term.

## Conclusion

I am grateful for the continuing support of the Group's Lagos based Executives and the way in which they have helped with our establishment and growth as well as the guidance from the learned Non-Executive Directors. We have a sound business model which has proved resilient in difficult times and we will take advantage of the challenges as they arrive.

In closing I would especially thank our customers, our employees and our Board alike.

## Peter S Hinson

Managing Director/Chief Executive

# FBN Bank (UK) Limited

## Executive Directors



**Peter Stuart Hinson**  
Managing Director/  
Chief Executive



**Michael John Bamber**  
Executive Director,  
Operations



**Christi Etukudo Fashogbon**  
Executive Director,  
Business Development

## Non Executive Directors



**Ayoola Oba Otudeko, OFR**  
Chairman



**Sanusi Lamido Sanusi**



**Abdullahi Sarki Mahmoud**



**Peter Arnhem Grafham**



**Anthony Robert Paget Williams**

## Senior staff



**Samuel Aiyere**  
Head of Finance



**Michael Barrett**  
Head of Risk



**Frederic Le Bourgeois**  
General Manager, FBN  
Bank (UK) Ltd, Paris Branch



**Christopher Brown**  
Head of Administration



**Michael Connell**  
Head of Compliance



**Trevor Fall**  
Head of Customer Services



**Chris Gorman**  
Country Manager,  
FBN (UK) Nigeria Ltd



**Martin Newcomb**  
Treasurer



**Graham Thorpe**  
Head of Trade Finance



**John Vowell**  
Director, Structured  
Trade Finance

# Report and Financial Statements

## Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 March 2009.

### Principal activities

FBN Bank (UK) Ltd is an authorised banking institution regulated by the Financial Services Authority and provides a range of domestic and international banking and financial services.

The principal activities are the provision of Correspondent Banking, Corporate Banking, Trade Finance, Private Banking and Treasury services to our clients.

The Bank concentrates on the provision of services to existing and new customers with business interests spanning Europe and Africa. We work very closely with our colleagues in First Bank of Nigeria Plc and through the FBN Bank (UK) Ltd Representative Office in Nigeria, to provide structured trade finance products and target a large volume of corporate lending facilities. We also focus on banks in Africa for their correspondent banking needs, by providing trade links to Europe and the rest of the world.

Private Banking has a client base largely resident in the West Africa region and the United Kingdom. We are currently focused on a deposit driven customer proposition which is outsourced in the United Kingdom.

Treasury acts as the funding and liquidity management hub for FBN Bank (UK) Ltd. Its focus is primarily on foreign exchange and money market activities.

While we continue to improve existing products and services, it is the intention of the Bank to launch new products in the coming year for the benefit of its customers. These initiatives will be driven by the Business Development team through our offices in London, Paris and Lagos. The initiatives will ultimately assist in expanding the Bank's customer base.

### Business review

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

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

As shown in the company's income statement, the net interest income and fee income increased by 39% and 25% respectively over the prior year (2008: 64% and 91%). Overall, operating income increased by 26% (2008 – 69%), a direct reflection of increased business volume.

One of the company's key measurements of the effectiveness of its operations is calculating operating margin after direct costs. The company achieved an operating margin after direct costs of 58.4% (2008 – 65.9%).

The balance sheet shows that the company's financial position at the year end has significantly improved, in net assets terms, over the prior year. The company's asset level increased by 38.3%, from £989m as at March 2008 to £1,368m as at March 2009. The growth is due to a general increase in the customer base and business conducted.

### Directors

The directors, who all served throughout the year unless otherwise shown, are as listed on page 1 of the report.

### Results and dividend

The profit for the year after taxation amounted to £11,695,614 (2008 – £10,212,250).

A dividend of £5,000,000 in respect of the year ended 31 March 2009 (2008 – £4,900,000) was paid during the year. No final dividend is proposed (2008 – nil).

### Future prospects and going concern

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

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

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

### Charitable contributions

During the year the Bank made charitable contributions totalling £15,985 (2008 – £25,675).

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## Directors' Report continued

### Financial Risk Management Objectives and Policies

The principal risks associated with the business of FBN Bank (UK) Ltd are credit risk, market risk, liquidity risk and operational risk.

FBN Bank (UK) Ltd has an established and comprehensive risk management framework to manage these risks as it complies with Basel II requirements. Hence the risk management framework is constantly evolving as business activities change and expand in response to credit, market, product and other developments.

The risk management framework is guided by a number of principles as outlined in Basel II including the formal definition of risk management governance, an evaluation of risk appetite expressed in terms of formal risk limits, risk oversight independent of business units, disciplined risk assessment and measurement including portfolio stress testing and various risk monitoring and mitigation techniques.

The Board of Directors sets FBN Bank (UK) Ltd overall risk parameters, gives risk tolerances and sets the significant risk management policies.

The FBN Bank (UK) Ltd Executive Credit Committee and Risk Management Committee, chaired by the Managing Director, have the primary responsibilities for sanctioning risk taking activities and risk management policies respectively, within the overall risk parameters and tolerances defined by the Board of Directors.

The risk management control process is based on a detailed structure of policies, procedures and limits and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks.

Periodic reviews by both the Internal Auditor and regulatory authorities subject the risk management processes to additional scrutiny which helps to further strengthen the risk management environment.

The financial risk management and objectives are disclosed in note 25.

### Capital structure

FBN Bank (UK) Ltd has two key components to its capital structure, being £82m share capital and subordinated debt amounting to £16.5m. Whilst the subordinated debt is correctly shown as a liability it counts as upper tier 2 capital for the regulated capital base.

No new ordinary shares were issued during the year (2008 – 60,000,000).

An additional £5m (2008 – nil) subordinated debt was issued by the Bank during the year.

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

### Auditors

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



**Venetia Carpenter, FCIS**  
Company Secretary  
24 June 2009

# Report and Financial Statements

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# Report and Financial Statements

## Independent auditors' report to the members of FBN Bank (UK) Limited

We have audited the financial statements of FBN Bank (UK) Limited for the year ended 31 March 2009, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

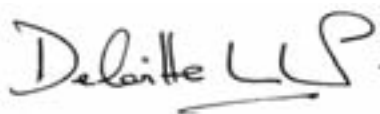
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Approved by the Board of Directors  
and signed on behalf of the Board



Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

24 June 2009

# Report and Financial Statements

## Income statement – Year ended 31 March 2009

	Note	2009 £	2008 £
<b>Continuing activities</b>			
Interest receivable	4	59,630,224	48,172,645
Interest payable	4	(36,902,715)	(31,843,992)
<hr/>			
<b>Net interest income</b>		22,727,509	16,328,653
Fees and commissions income	5	4,515,221	3,604,315
Dealing and exchange profits		419,872	2,056,592
Other operating income		295,678	278,614
<hr/>			
<b>Operating income</b>		27,958,280	22,268,174
Administrative expenses	6	(11,214,713)	(7,626,788)
Impairment charge	22	(408,377)	(1,560)
Loan recovery	22	1,560	45,677
<hr/>			
<b>Profit on ordinary activities before taxation</b>	8	16,336,750	14,685,503
Tax expense	9	(4,641,136)	(4,473,253)
<hr/>			
<b>Profit on ordinary activities after taxation</b>		11,695,614	10,212,250

# Report and Financial Statements

## Balance sheet – Year ended 31 March 2009

	Note	2009 £	2008 £
<b>Assets</b>			
Cash at bank and in hand	11	35,004,076	17,231,738
Loans and advances to banks	12	1,087,050,405	875,202,404
Loans and advances to customers	13	243,864,461	94,102,442
Property and equipment	14	564,039	303,447
Intangible assets	15	544,999	615,617
Other assets	16	856,077	1,008,926
Deferred tax asset	10	103,409	38,464
Financial assets – derivatives		-	297,767
<b>Total assets</b>		<b>1,367,987,466</b>	<b>988,800,805</b>
<b>Current liabilities</b>			
Deposits by banks	17	581,960,332	576,596,711
Customer accounts	18	590,749,699	165,505,746
Other liabilities	19	77,307,672	139,626,128
Financial liabilities – derivatives		322,297	1,120,368
		<b>1,250,340,000</b>	<b>882,848,953</b>
<b>Non-current liabilities</b>			
Subordinated liabilities	20	16,500,000	11,500,000
<b>Total liabilities</b>		<b>1,266,840,000</b>	<b>894,348,953</b>
Called up share capital	21	82,000,000	82,000,000
Retained earnings		19,147,466	12,451,852
<b>Equity shareholders' funds</b>		<b>101,147,466</b>	<b>94,451,852</b>
<b>Total liabilities and shareholders' funds</b>		<b>1,367,987,466</b>	<b>988,800,805</b>

These financial statements were approved by the Board of Directors and authorised for issue on 24 June 2009.

Signed on behalf of the Board of Directors



**Ayoola Oba Otudeko, OFR**  
Chairman



**Peter Stuart Hinson**  
Managing Director/Chief Executive

# Report and Financial Statements

## Statement of changes in equity – Year ended 31 March 2009

	Share capital £	Retained Earnings £	Total Equity £
Balance as at 1 April 2007	22,000,000	7,139,602	29,139,602
Profit for the year	-	10,212,250	10,212,250
New capital	60,000,000	-	60,000,000
Dividends paid	-	(4,900,000)	(4,900,000)
Balance attributable to equity shareholders as at 31 March 2008	82,000,000	12,451,852	94,451,852
Profit for the year	-	11,695,614	11,695,614
Dividend paid	-	(5,000,000)	(5,000,000)
Balance attributable to equity shareholders as at 31 March 2009	82,000,000	19,147,466	101,147,466

# Report and Financial Statements

## Cash flow statement – Year ended 31 March 2009

	Note	2009 £	2008 £
<b>Cash flow from operating activities</b>			
Profit before tax		16,336,750	14,685,503
<b>Adjustment to reconcile net profit to cash flow from operating activities:</b>			
Depreciation of property and equipment		198,547	108,430
Amortisation of intangible assets		264,065	245,689
		16,799,362	15,039,622
<b>Net (increase)/decrease in assets relating to operating activities</b>			
Loans and advances to banks		(211,848,001)	(404,866,536)
Loans and advances to customers		(149,762,018)	(69,962,638)
Other assets		450,615	(402,411)
		(344,360,042)	(460,191,963)
<b>Net increase/(decrease) in liabilities relating to operating activities</b>			
Due to banks		5,363,622	238,583,955
Due to customers		425,243,953	117,335,631
Other liabilities		(62,848,390)	67,560,892
		367,759,185	423,480,478
Income tax paid		(4,974,219)	(3,123,557)
<b>Net cash from/(used in) operating activities</b>		18,424,924	(39,835,042)
<b>Cash flow from investing activities</b>			
Acquisition of fixed assets		(652,586)	(513,540)
<b>Net cash used in investing activities</b>		(652,586)	(513,540)
<b>Cash flow from financing activities</b>			
Proceeds from borrowed funds		5,000,000	-
Dividend paid		(5,000,000)	(4,900,000)
Issue of shares	21	-	60,000,000
<b>Net cash from financing activities</b>		-	55,100,000
Net increase in cash and cash equivalents		17,772,338	14,751,418
Cash and cash equivalents at 1 April 2008	11	17,231,738	2,480,320
<b>Cash and cash equivalents at 31 March 2009</b>	11	35,004,076	17,231,738

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 1. Accounting policies

#### General Information

FBN Bank (UK) Ltd (“the Bank”) is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 5. The nature of the Bank’s operations and its principal activities are set out in the Directors’ Report and in the notes.

#### Basis of Preparation

FBN Bank (UK) Ltd has prepared these financial statements using International Financial Reporting Standards (IFRS) as adopted in the EU.

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

#### Going concern

The Bank’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors’ Reports on pages 13 to 14. The financial position of the Bank, its cash flow and capital position are as described on pages 18 to 20. In addition, the Bank’s business objectives, capital structure policies and financial risk management objectives are as stated in the financial report. Details of its financial instruments and hedging activities, and its exposures to credit and liquidity risks are in notes 25 and 26 of the financial statements.

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

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

#### Accounting convention

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

#### Income recognition

##### a) Interest income and expense

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities is recognised in ‘Interest income’ and ‘Interest expense’ in the income statement using the “effective interest rate” method.

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

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

##### b) Non-interest income

#### Fees and commissions

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

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

#### Foreign currency

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

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

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 1. Accounting policies (continued)

#### Financial instruments

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

The bank classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss; and
- loans and receivables

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

#### Financial assets at fair value through profit and loss

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

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

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

#### Loans and receivables

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

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

#### Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss is impaired.

A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events since initial recognition of the assets that have adversely affected the amount or timing of future cash flows from the assets.

Impairment losses are assessed individually for financial assets that are individually significant, and individually or collectively for assets that are not individually significant.

In making collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status, historical loss status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Losses expected from future events, no matter how likely, are not recognised.

#### Impairment of financial assets held at amortised cost

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

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

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

#### Financial liabilities

The bank classifies its financial liabilities in the following categories:

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

Management determines the classification of financial liabilities at initial recognition.

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### Financial liabilities at fair value through profit or loss

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

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

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

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

### Other financial liabilities

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

### Determining fair value

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

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

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

### Derivative financial instruments

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

### Property and equipment

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

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

Leasehold improvement	10 years (lease period)
Office equipment/furniture	5 years
Computer hardware	3 years
Motor vehicles	4 years

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

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

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 1. Accounting policies (continued)

#### Intangible assets

Intangible assets are stated at cost less amortisation and provisions for impairment. The assets are primarily computer software and amortised over their useful life, generally 5 years, in a manner that reflects the pattern to which they contribute to future cash flows.

#### Leases

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

#### Provisions

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

#### Taxation

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

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

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

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

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

#### Pension costs

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

#### Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

#### Use of estimates

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

#### Capital instruments

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

#### Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8	Operating segments
IAS 1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements
IFRIC 12	Service Concession Arrangements
IFRIC 16	Hedges of a Net Investment in a Foreign Operations

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank except for additional segment disclosures when IFRS 8 comes into effect for period commencing on or after 1 January 2009.

### **Critical accounting judgements and key sources of estimation uncertainty**

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

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

### **Fair value of derivatives and other financial instruments**

As described in note 25, the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

## **2. Dealing and exchange profits**

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

## **3. Segmental information**

The Bank has one main activity, commercial banking, which is carried out in the United Kingdom and France.

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 4. Net Interest income

### Interest and similar income

Due from banks

Loans and advances to customers

	2009 £	2008 £
Due from banks	52,976,287	44,749,968
Loans and advances to customers	6,653,937	3,422,677
	59,630,224	48,172,645

### Interest expense and similar charges

Due to banks

Due to customers

Borrowed funds

	2009 £	2008 £
Due to banks	17,054,017	28,489,916
Due to customers	19,259,131	2,606,134
Borrowed funds	589,567	747,942
	36,902,715	31,843,992

## 5. Fees and commissions income is derived from:

Fees and commissions income

Loans

Letters of credit

Funds transfer

Others

	2009 £	2008 £
Loans	282,372	119,086
Letters of credit	3,673,349	3,178,240
Funds transfer	490,111	304,193
Others	69,389	2,796
	4,515,221	3,604,315

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 6. Administrative expenses

Average number of employees  
(including three (2008 – three) executive directors)

Banking Division

Operations

Administration

	2009 Number	2008 Number
Banking Division	38	19
Operations	26	19
Administration	11	5
	75	43

Wages and salaries (including directors)

Social security costs

Other pension costs

Total staff costs

Other administrative expenses

	2009 £	2008 £
Wages and salaries (including directors)	4,576,177	3,476,154
Social security costs	435,681	224,176
Other pension costs	194,492	104,378
Total staff costs	5,206,350	3,804,708
Other administrative expenses	6,008,363	3,822,080
	11,214,713	7,626,788

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 7. Directors' emoluments

	2009 £	2008 £
Directors' fees	341,732	310,077
Other emoluments	1,005,722	774,990
Contribution to a money purchase pension scheme	44,750	23,160
	<u>1,392,204</u>	<u>1,108,227</u>

The highest paid director received emoluments, excluding pension contributions, totalling £400,700 (2008 – £337,968) and pension contributions of £16,000 (2008 – £14,560).

Mortgages were approved and advanced on a commercial arm's length basis, to two group directors during the year (Note 24).

## 8. Profit on ordinary activities before taxation

	2009 £	2008 £
Operating profit is stated after charging:		
Depreciation	198,547	108,430
Amortisation	264,065	245,689
Auditors' remuneration:		
– audit of annual accounts	95,333	90,500
– tax services (audit related)	1,300	1,210
– consultancy (non audit related)	75,000	46,440
Rental of premises held under operating leases	463,399	369,910

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 9. Taxation

Tax on profit on ordinary activities charged in the income statement

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

United Kingdom corporation tax based on the profit for the year

Prior year current tax adjustment

Total current tax

Deferred tax:

Timing differences, origination and reversal

Effect of tax rate change

Prior year deferred tax adjustment

Tax expense

	2009 £	2008 £
United Kingdom corporation tax based on the profit for the year	4,653,760	4,447,529
Prior year current tax adjustment	52,320	44,012
Total current tax	4,706,080	4,491,541
Deferred tax:		
Timing differences, origination and reversal	(26,604)	26,062
Effect of tax rate change	-	2,747
Prior year deferred tax adjustment	(38,340)	(47,097)
Tax expense	4,641,136	4,473,253

#### (ii) Reconciliation of the total tax charge

The standard UK corporation tax rate changed from 30% to 28% with effect from 1 April 2008.

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

Profit on ordinary activities before tax

Tax at 28% (2008 – 30%) thereon

Effects of:

Expenses not deductible for tax purposes

Effect of tax rate change

Prior year adjustment

Tax expense

	2009 £	2008 £
Profit on ordinary activities before tax	16,336,750	14,685,503
Tax at 28% (2008 – 30%) thereon	4,574,290	4,405,651
Effects of:		
Expenses not deductible for tax purposes	52,866	67,940
Effect of tax rate change	-	2,747
Prior year adjustment	13,980	(3,085)
Tax expense	4,641,136	4,473,253

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 10. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £	IFRS transitional adjustment £	Total £
<b>At 1 April 2007</b>	26,874	(6,697)	20,177
Credit to income	14,337	6,697	21,034
Effect of change in tax rate – income statement	(2,747)		(2,747)
<b>At 1 April 2008</b>	38,464	-	38,464
Credit to income	30,109	(3,504)	26,605
Prior year adjustment	6,796	31,544	38,340
<b>At 31 March 2008</b>	75,369	28,040	103,409

### 11. Cash and cash equivalents

	2009 £	2008 £
Cash	66,241	97,250
Short-term placements with other banks	34,937,835	17,134,488
	35,004,076	17,231,738

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 12. Loans and advances to banks

	Performing Loans £	Non Performing Loans £	Total Loans £	Performing Loans £	Non Performing Loans £	Total Loans £
Repayable on demand or at short notice	62,304,527	7,339	62,311,866	21,474,684	121,626	21,596,310
Remaining maturity:						
– 3 months or less excluding on demand or at short notice	847,494,679	3,318,314	850,812,993	690,423,092	-	690,423,092
– 1 years or less but over 3 months	130,528,865	3,492,962	134,021,827	158,392,673	-	158,392,673
– 5 years or less but over 1 year	40,308,257	-	40,308,257	4,911,955	-	4,911,955
Less:						
Allowances for impairment (note 22)	-	(404,538)	(404,538)	-	(121,626)	(121,626)
	1,080,636,328	6,414,077	1,087,050,405	875,202,404	-	875,202,404

Total loans advanced to First Bank of Nigeria Plc (Parent Bank) at 31 March 2009 were £11,246,484 (2008 – £37,375,234).

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

The Bank does not hold collateral in respect of loans and advances to banks (2008 – nil).

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 13. Loans and advances to customers

	Performing Loans £	Non Performing Loans £	Total £	Performing Loans £	Non Performing Loans £	Total £
Repayable on demand or at short notice	15,644,784	-	15,644,784	4,022,874	1,560	4,024,434
Remaining maturity:						
– 3 months or less excluding on demand or at short notice	84,213,312	-	84,213,312	444,744		444,744
– 1 years or less but over 3 months	16,004,141	497,401	16,501,542	10,098,596		10,098,596
– 5 years or less but over 1 year	104,054,564	1,177,312	105,231,876	65,908,385		65,908,385
– Over 5 years	21,954,915	318,032	22,272,947	13,627,843		13,627,843
Less:						
Allowances for impairment (note 22)	-	-	-	-	(1,560)	(1,560)
	241,871,716	1,992,745	243,864,461	94,102,442	-	94,102,442

As at 31 March 2009, the Bank had advanced £15,644,784 overdrafts (2008 – £4,024,434) and £228,165,242 fixed term loans (2008 – £90,079,568) to customers. £54,435 was granted as staff loans (2008 – £105,866).

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

The Bank held collateral (£2,172,440) in respect of the non performing loans (2008: nil).

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 14. Property and equipment

	Computer Hardware £	Leasehold Improvements £	Furniture and Equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At 31 March 2008	316,368	404,297	224,555	9,454	954,674
Additions	20,817	176,555	173,402	88,365	459,139
At 31 March 2009	337,185	580,852	397,957	97,819	1,413,813
<b>Accumulated depreciation</b>					
At 31 March 2008	236,082	230,040	181,560	3,545	651,227
Charge for the year	57,267	81,296	34,598	25,386	198,547
At 31 March 2009	293,349	311,336	216,158	28,931	849,774
<b>Net book value</b>					
At 31 March 2009	43,836	269,516	181,799	68,888	564,039
At 31 March 2008	80,286	174,257	42,995	5,909	303,447

## 15. Intangible assets

	Computer Software £
<b>Cost</b>	
At 31 March 2008	1,396,783
Additions	193,447
At 31 March 2009	1,590,230
<b>Accumulated amortisation</b>	
At 31 March 2008	781,166
Charge for the year	264,065
At 31 March 2009	1,045,231
<b>Net book value</b>	
At 31 March 2009	544,999
At 31 March 2008	615,617

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 16. Other assets

Prepayments

	2009 £	2008 £
Prepayments	856,077	1,008,926
	856,077	1,008,926

## 17. Deposits by banks

Repayable on demand

With agreed maturity dates  
or periods of notice by remaining maturity:

Three months or less

One year or less, but over three months

	2009 £	2008 £
Repayable on demand	200,785,142	39,284,519
With agreed maturity dates or periods of notice by remaining maturity:		
Three months or less	381,175,190	428,384,375
One year or less, but over three months	-	108,927,817
	581,960,332	576,596,711

Total deposits due to First Bank of Nigeria Plc at 31 March 2009 were £113,359,270 (2008 – £75,999,775).

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

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 18. Customer accounts

	2009 £	2008 £
Repayable on demand	76,294,415	81,678,616
With agreed maturity dates or periods of notice by remaining maturity:		
Three months or less but not repayable on demand	168,147,384	62,152,970
One year or less but over three months	287,622,900	6,549,064
More than one year but less than five years	58,685,000	15,125,096
	<hr/> 590,749,699	<hr/> 165,505,746

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

### 19. Other liabilities

	2009 £	2008 £
Taxation and social security	2,891,189	2,571,585
Trade creditors	67,021,174	132,972,009
Customers unclaimed balances	581,675	895,664
Other payables	6,813,634	3,186,870
	<hr/> 77,307,672	<hr/> 139,626,128

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 20. Subordinated liabilities

Subordinated debt

	2009 £	2008 £
	16,500,000	11,500,000
	16,500,000	11,500,000

Subordinated liabilities represent subordinated loans of £11,500,000 and £5,000,000 granted by the parent company, First Bank of Nigeria Plc, on 6 December 2005 and 31 March 2009. The loans are repayable on 7 December 2015 at interest rates of 0.25% and 3% margins over period LIBOR respectively. First Bank of Nigeria Plc has the right to determine the interest period at each reprice date.

## 21. Called up share capital

### Authorised

Ordinary shares of £1 each

	2009 No. of Shares	2009 Amount £	2008 No. of Shares	2008 Amount £
Ordinary shares of £1 each	82,000,000	82,000,000	82,000,000	82,000,000
<hr/>				
<b>Issued, allotted and fully paid</b>				
Ordinary shares of £1 each	82,000,000	82,000,000	82,000,000	82,000,000

### Ordinary Shares:

First Bank of Nigeria Plc holds 82,000,000 (2008 – 82,000,000) or 100% (2008 –100%) of the ordinary shares. No new shares (2008 – 60,000,000) were authorised and issued during the current year.

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 22. Allowances for impairment

	2009 £	2008 £
Opening balance	123,186	169,990
Charge to income statement	408,377	1,560
Loan recovery	(1,560)	(45,677)
Exchange difference	(3,839)	(2,687)
Amount written off	(121,626)	-
Closing balance	404,538	123,186
Loans and advances to banks (Note 12)	404,538	121,626
Loans and advances to customers (Note 13)	-	1,560
	404,538	123,186

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 23. Contingent liabilities and commitments

#### a) Legal issues

At 31 March 2009, there are no pending legal cases or issues in progress which may have a material impact on the financial statements of the Bank (2008 – nil).

#### b) Operating lease commitments

At 31 March 2009 the Bank was committed to making the following future payments in respect of operating leases for land and buildings. The lease is expected to expire in June 2016.

Within one year

Between one and five years

More than five years

	2009 £	2008 £
Within one year	734,727	440,000
Between one and five years	2,603,510	1,760,000
More than five years	650,877	880,000
	<u>3,989,114</u>	<u>3,080,000</u>

#### c) Off-balance sheet liabilities

##### Contingent liabilities

Letters of credit

Guarantees given to third parties

	2009 £	2008 £
Letters of credit	187,084,874	208,451,726
Guarantees given to third parties	3,609,025	53,938,508
	<u>190,693,899</u>	<u>262,390,234</u>

##### Loan commitments

Undrawn irrevocable loan commitments

Undrawn irrevocable loan commitments	<u>6,985,923</u>	<u>9,831,155</u>
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# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 25 Financial Risk Management

#### Derivatives and other financial instruments

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

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

The Bank holds and issues financial instruments for three main purposes:

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

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

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

#### Credit risk

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

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

#### Credit risk and asset/liability concentration

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

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

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

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

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

As a result the credit limits are adjusted if considered necessary. In addition the above analysis takes into account the interest rate spread and collaterals held.

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

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

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 25 Financial Risk Management (continued)

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

**As at 31 March 2009**

### Assets

	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Not exposed to credit risk £'000	Total £'000
Cash at bank and in hand	35,004	-	-	-	-	-	35,004
Loans and advances to banks	912,942	61,670	72,130	40,308	-	-	1,087,050
Loans and advances to customers	99,858	15,475	1,026	105,232	22,274	-	243,865
Tangible fixed assets	-	-	-	-	-	564	564
Intangible fixed assets	-	-	-	-	-	545	545
Other assets	-	-	-	-	-	856	856
Deferred tax	-	-	-	-	-	103	103
Financial assets-derivatives	-	-	-	-	-	-	-
<b>Total assets</b>	<b>1,047,804</b>	<b>77,145</b>	<b>73,156</b>	<b>145,540</b>	<b>22,274</b>	<b>2,068</b>	<b>1,367,987</b>

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 25 Financial Risk Management (continued)

As at 31 March 2008

### Assets

	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Not exposed to credit risk £'000	Total £'000
Cash at bank and in hand	17,232	-	-	-	-	-	17,232
Loans and advances to banks	712,493	84,390	73,426	4,894	-	-	875,203
Loans and advances to customers	4,913	1	10,048	65,580	13,560	-	94,102
Tangible fixed assets-	-	-	-	-	-	616	616
Intangible fixed assets	-	-	-	-	-	303	303
Other assets	-	-	-	-	-	1,009	1,009
Deferred tax	-	-	-	-	-	38	38
Financial assets-derivatives	298	-	-	-	-	-	298
<b>Total assets</b>	<b>734,936</b>	<b>84,391</b>	<b>83,474</b>	<b>70,474</b>	<b>13,560</b>	<b>1,966</b>	<b>988,801</b>

### Age Analysis of past due but not impaired assets

The table below shows the age analysis of past due but not impaired assets. The bank held no collateral (2008 – £2,249,000) against these assets.

	2009 Gross Amount £	2009 Collateral £	2009 Net Amount £	2008 Net Amount £	2008 Collateral £	2008 Net Amount £
Within three months	2,495,937	-	2,495,937	1,058,079	2,064,000	-
Between three to six months	-	-	-	126,228	185,000	-
Over six months but less than one year	-	-	-	-	-	-
Over one year	-	-	-	-	-	-
	<b>2,495,937</b>	<b>-</b>	<b>2,495,937</b>	<b>1,184,307</b>	<b>2,249,000</b>	<b>-</b>

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 25 Financial Risk Management (continued)

### Credit exposure by sector

	2009 £	2008 £
Banks	1,122,054	892,434
Corporate	200,643	78,840
Individuals	43,222	15,262
	1,365,919	986,536

### Credit exposure by location

	2009 £	2008 £
Europe	730,379	481,956
Eastern European	168,407	163,846
Africa	207,821	296,131
Others	259,312	4,603
	1,365,919	986,536

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 25 Financial Risk Management (continued)

The sector and geographical analyses only include cash at bank and in hand and loans and advances to banks and to customers.

The bank extends credit facilities to quality rated and unrated counterparties. All rated counterparties must have a Fitch (or equivalent) rating of no less than B. A large percentage (82%) (2008 – 90%) of the Bank's total financial assets was to high quality financial institutions, the majority of which had ratings of between A and AAA.

As at 31 March 2009, the Bank's maximum exposure to credit was £1,477m (2008 – £1,072m), of which £8.4m (2008 – nil) was deemed to be impaired or doubtful. These amounts include all financial assets and undrawn irrevocable loan and trade commitments.

Total trade related exposure was £191m (2008 – £262m) against which the Bank held cash collateral of £87m (2008 – £133m). In addition, the Bank had collateral of £102m (2008 – £49m) in respect of other credit exposures.

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

In the ordinary course of business, the Bank also pledged assets as collateral to secure trade related liabilities. The aggregate amount of assets pledged was £61.5m (2008 – £18.8m)

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and price risk. The objective of market risk management is to maintain market risk exposures within acceptable parameters, whilst optimising the return on risk.

#### Interest rate risk

Interest rate risk originating from banking activities arises due to the Bank holding a combination of fixed and variable rate assets and liabilities that arise during the normal course of business. The tables summarise the variable rate assets and liabilities as at 31 March 2009 as a basis of disclosing the Bank's interest rate sensitivity analysis.

#### Interest rate sensitivity analysis

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

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

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 25 Financial Risk Management (continued)

### Interest rate sensitivity analysis (continued)

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

#### As at 31 March 2009

	GBP £'000	USD £'000	EUR £'000	Other CCY £'000	Total £'000
Total financial assets	655,159	679,276	27,687	3,797	1,365,919
Less: Fixed rate assets	-	(71,221)	(1,186)	-	(72,407)
<b>Total variable rate assets</b>	<b>655,159</b>	<b>608,055</b>	<b>26,501</b>	<b>3,797</b>	<b>1,293,512</b>
Total financial liabilities	564,002	578,341	20,340	10,027	1,172,710
Less: Fixed rate liabilities	(393,976)	-	-	-	(393,976)
<b>Total variable rate liabilities</b>	<b>170,026</b>	<b>578,341</b>	<b>20,340</b>	<b>10,027</b>	<b>778,734</b>
Net Cash Flow Interest Rate Risk exposure	485,133	29,714	6,161	(6,230)	514,778
Possible movement in Libor/Euribor (bps)	100	150	100	100	
Possible impact of increase in Libor/Euribor on profit/loss	4,851	446	62	(62)	5,297
Possible impact of decrease in Libor/Euribor on profit/loss	(4,851)	(446)	(62)	62	(5,297)

# Report and Financial Statements

Notes to the Accounts – Year ended 31 March 2009

## 25 Financial Risk Management (continued)

As at 31 March 2008

	GBP £'000	USD £'000	EUR £'000	Other CCY £'000	Total £'000
Total financial assets	284,561	660,062	32,621	9,292	986,536
Less: Fixed rate assets	-	(4,832)	(4,024)	-	(8,856)
<b>Total variable rate assets</b>	<b>284,561</b>	<b>655,230</b>	<b>28,597</b>	<b>9,292</b>	<b>977,680</b>
Total financial liabilities	241,381	627,628	20,775	3,428	893,212
Less: Fixed rate liabilities	(20,940)	-	-	-	(20,940)
<b>Total variable rate liabilities</b>	<b>220,441</b>	<b>627,628</b>	<b>20,775</b>	<b>3,428</b>	<b>872,272</b>
Net Cash Flow Interest Rate Risk exposure	64,120	27,602	7,822	5,864	105,408
Possible movement in Libor /Euribor (bps)	100	100	100	100	-
Possible impact of increase in Libor/Euribor on profit/loss	641	414	78	59	1,192
Possible impact of decrease in Libor/Euribor on profit/loss	(641)	(414)	(78)	(59)	(1,192)

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 25 Financial Risk Management (continued)

#### Foreign Currency risk

Foreign exchange exposure arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of the Bank to match the currencies and its assets and liabilities as far as practicable. It is also the policy of the Bank to adhere to the limits laid down by the Board in respect of the "overall net open position". The tables below give details of the company's net foreign currency exposures as at 31 March 2009 as a basis of disclosing the Bank's foreign currency sensitivity analysis.

#### Foreign Currency Sensitivity

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

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

#### As at 31 March 2009

	US dollar £'000	EUR £'000	Other currencies £'000
<b>Net foreign currency exposures</b>	10,208	7,120	(1,230)
Impact of 5% increase in FC: GBP rate	(510)	(356)	62
Impact of 5% decrease in FC: GBP rate	510	356	(62)

#### As at 31 March 2008

	US dollar £'000	EUR £'000	Other currencies £'000
<b>Net foreign currency exposures</b>	(2,037)	14,666	5,864
Impact of 5% increase in FC: GBP rate	(102)	733	293
Impact of 5% decrease in FC: GBP rate	102	(733)	(293)

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 26 Liquidity risk

The Bank is regulated in the United Kingdom by the Financial Services Authority (FSA) who set the required liquidity mismatch parameters. The Bank manages the liquidity structure of its assets, liabilities and commitments so that cash flows are appropriately balanced to ensure that all funding

obligations are met when due and the required mismatch parameters by the FSA are not breached. The policy of the Bank is to match the maturities and currencies as far as practicable for all (and particularly large) exposures or placements.

### As at 31 March 2009

	Not more than three months £'000	More than three months but not more than six months £'000	More than six months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
<b>Liabilities</b>						
Deposits by banks	581,960	-	-	-	-	581,960
Customer accounts	244,443	105,539	182,083	58,685	-	590,750
Other financial liabilities	77,308	-	-	-	-	77,308
Financial liabilities - derivatives	322	-	-	-	-	322
Subordinated liabilities	-	-	-	-	16,500	16,500
Off B/S items: undrawn loan commitments	6,986	-	-	-	-	6,986
<b>Total liabilities</b>	<b>911,019</b>	<b>105,539</b>	<b>182,083</b>	<b>58,685</b>	<b>16,500</b>	<b>1,273,826</b>
<b>As at 31 March 2008</b>						
<b>Liabilities</b>						
Deposits by banks	467,826	108,771	-	-	-	576,597
Customer accounts	143,986	10	6,539	14,971	-	165,506
Other financial liabilities	62,656	71,212	-	-	-	133,868
Financial liabilities - derivatives	1,120	-	-	-	-	1,120
Subordinated liabilities	-	-	-	-	11,500	11,500
Off B/S items: undrawn loan commitments	9,831	-	-	-	-	9,831
<b>Total liabilities</b>	<b>685,419</b>	<b>179,993</b>	<b>6,539</b>	<b>14,971</b>	<b>11,500</b>	<b>898,422</b>

# Report and Financial Statements

## Notes to the Accounts – Year ended 31 March 2009

### 27. Fair values of financial instruments

Set out below is a year-end comparison of current and book values of all the company's financial instruments by category. Market values are used to determine fair values. In the absence of readily ascertainable market values, directors' estimation is used to determine fair values.

	Book Value 2009 £'000	Book Value 2008 £'000	Fair Value 2009 £'000	Fair Value 2008 £'000
<b>Assets</b>				
Cash at bank and in hand	35,004	17,232	35,004	17,232
Loans and advances to banks	1,087,050	875,203	1,087,050	875,203
Loans and advances to customers	243,865	94,102	243,865	94,102
Financial assets – derivatives	-	298	-	298
	1,365,919	986,834	1,365,919	986,834
<b>Liabilities</b>				
Deposits by banks	581,960	576,597	581,960	576,597
Customer accounts	590,750	165,506	590,750	165,506
Financial liabilities – derivatives	322	1,120	322	1,120
Subordinated liabilities	16,500	11,500	16,500	11,500
	1,189,532	754,723	1,189,532	754,723

## **28. Pension costs**

The Bank operates a defined contribution pension scheme for staff and contributions were made during the year totalling £194,492 (2008 –£104,378). This amount forms part of total staff costs recorded under administrative expenses.

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

## **29. Ultimate parent company and controlling party**

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

## **30. Dividend paid**

During the year, a dividend payment of £5,000,000 was made in respect of the year ended 31 March 2009 (2008 – £4,900,000).





**Banking Code  
Standards Board**

Company Registration No. 4459383