



FBNBank



FBN Bank (UK) Limited
Report and Financial
Statements

Period ended 31 December 2010



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 1 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 31 March, 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 652 branches, agencies and subsidiaries spread throughout Nigeria, the Bank maintains one of the largest branch networks 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 was ₦340.6 billion as at 31 December 2010. The Group's total asset base was ₦2,305 billion while its deposit base stood at ₦1,450 billion as at 31 December 2010.

Market capitalization stood at ₦448 billion ie ₦13.73 per share as at 31 December 2010.

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 to 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 quality banking to the nation.

Officers and professional advisers

Directors

Stephen Olabisi Onasanya Acting Chairman, (Appointed 1 February 2010)

Peter Stuart Hinson Managing Director/Chief Executive

Michael John Bamber Executive Director, Operations

Christiana Ekaete Fashogbon Executive Director, Business Development

Peter Arnhem Grafham

Remilekun Adetola Odunlami

Anthony Robert Paget Williams

Ayoola Oba Otudeko, OFR Chairman, (Resigned 1 February 2010)

Abdullahi Sarki Mahmoud (Resigned 29 January 2010)

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
London

Chairman's statement



The bank will continue to focus strongly on its underlying principles of personal and expert service

Stephen O Onasanya
Acting Chairman

Fellow shareholders, invited guests, distinguished ladies and gentlemen

It is with great pleasure that I welcome you to the 9th Annual General Meeting of FBN Bank (UK) Limited.

As recovery efforts improved globally in 2010, FBN UK built on the expertise that sustained it through the last financial crisis, generating strong revenues and increasing profitability, strengthening its balance sheet and posting the excellent results for the year, which I have the pleasure of presenting to you today. Before reporting the bank's performance it is worth reflecting upon the year in which it was achieved and the events that overshadowed the operating environment.

2010 was a challenging year for both governments and the business community as efforts to pull out of the global economic slump intensified. The European Commission made \$440bn available to struggling Euro-zone countries, including Ireland, Greece and Spain, which implemented harsh austerity measures in order to reduce their deficits and public debts. Concerns over rising inflation, and worries over the economy's growth outlook emerged in 2010 on the back of rising crude oil, food and commodity prices.

Going forward, 2011 has had an eventful and tragic start. Revised IMF forecasts of a continuing recovery in global activity leading to a 4.5% output growth in 2011, with advanced economies averaging 2.4% and emerging and developing economies averaging 6.4%, have been subsequently overshadowed by political events in the Middle East and North African (MENA) region and the earthquakes and tsunami in Japan. Estimates of global output growth in 2011 were always susceptible to downgrades, which may have arisen if major economies resorted to competitive currency devaluations to address their current account imbalances. However, this vulnerability is now exacerbated by geo-political concerns in the MENA region, and the toll on the Japanese economy from the recent natural disaster.

In the UK, the new coalition government adopted a policy of fiscal consolidation to bring the high level of public debt into sustainable territory. With a budget deficit of 12% of GDP, ranking amongst the highest in the world and a public sector net debt of 59.3% of GDP, the UK government continues to support the economy through its £200bn quantitative easing programme, despite rising inflationary pressures. As at the first quarter of 2011, inflation was 3.7%. With the Bank of England (BOE) rate at 0.5% for two years running, inflation is almost double government's target rate. Banks that accepted government's bailout funds have since restructured their operations to ensure returns on the public investment.

The Nigerian economy reported GDP growth of 7.85% for 2010. Growth in the oil sector, following gains from government's amnesty programme in the Niger Delta region, complimented traditional sources of economic performance. Improved revenue performance from better oil export values fed through to the trade balance, although a looser fiscal framework in the year weakened the budget balance, leading to a decrease in the Excess Crude Account (ECA). With the 2010 budget deficit and projections for 2011 in excess of the 3% of GDP indicated as desirable limit by the Fiscal

Responsibility Act, government's expenditure management framework should increasingly favour fiscal consolidation. The proposed Nigerian Sovereign Investment Authority (NSIA) and government's recent foray into the Eurobond market are useful moves in this direction.

Operating environment

The adoption of austerity measures by governments across the European Union created a challenging operating environment in 2010. Although spending cuts and increased taxation may be necessary to address the markets' concerns about the sustainability of the sovereign debt burdens of the region's peripheral economies, their potential to constrain demand is a downside risk to current projections for output growth. In the UK, falling house prices, deleveraging by households, increasing taxes and inflationary threats are likely to further slow growth. Confronted by these challenges, FBN UK has improved its position from last year, effectively utilising shareholders' funds to generate positive results.

Looking ahead, our operating environment will witness increased regulation as macroprudential reforms are introduced, including Basel III and the Anti-bribery Act. In addition, new entrants to the industry will increase competition through lower prices, and a broader product range. Investments in defence of market share and in search of new market opportunities would, on the other hand, lead to higher operating costs. Nonetheless, with a portfolio of innovative products and services, FBN UK is equipped to stay ahead of competition.

The Nigerian economy is key to FBN UK's performance given that the bank aspires to be the preferred London bank for Nigerian businesses. Although GDP grew by 7.85% in 2010, year-end inflation remained in double-digits at 11.8% as domestic prices responded to increasing monetary aggregates. Following the Central Bank of Nigeria's (CBN) intervention in support of troubled banks in 2009, banks that reported negative equity that year had their capital market-related bad debts absorbed by the newly established Asset Management Company of Nigeria (AMCON). The CBN has continued to strengthen the industry especially through reforms to prudential regulations. In the medium- to long-term, these should result in a sounder banking system, and a capital market better able to support economic development. With full recapitalisation of the rescued banks expected to follow from their eventual sale, the complexion of the Nigerian banking industry should change. Consequently, supply limitations in the domestic market for bank lending to the productive sectors of the economy should ease.

Given this environment, FBN UK successfully consolidated its position in Nigeria, in terms of both the private banking and corporate business markets. The new private banking and wealth management arm of the bank launched in Nigeria, penetrating the market and establishing its benchmark level of service for high net worth clients. Similarly, the structured finance arm that commenced operations in July 2010 has made inroads into the Nigerian/African project finance market.

With its growing sub-Saharan African footprint, FBN UK is establishing itself as the bank of choice for African businesses in Europe. We have expanded through the structured finance

and structured trade commodity finance business areas into many African markets, and with the wide array of experience and resources that FBN UK has, we are poised to expand profitably into these markets.

Financial Results

I am pleased to inform you that there was significant improvement in the financial performance of the bank over the preceding year, despite challenges in the operating environment. With approximately 155% increase in net interest income from £10.2m in 2009 (9 months) to £26.2m in 2010, the bank reported a total comprehensive income of £14.2m (2009 - £522k). Over the year, the bank grew its total assets by 23% from £1.1bn to £1.4bn, a testament of its increased activities resulting from the diversification into new products and new markets. Supporting this growth was a shareholder base of £111m (2009 -£101.6m), an increase of 9.3% from the previous year as earnings were retained in the business.

This improvement is attributable to our commitment to diligently grow new products and markets launched in 2010, as well as emphasis on prudent risk management and effective credit control. These contributed to the success of the bank in recovering previously written-down debts.

Outlook

Regulatory reforms and international co-ordination of monetary and fiscal policies remain essential for a sustainable global recovery. In accordance with our traditionally prudential stance, we will continue to uphold our corporate governance responsibilities while balancing a healthy financial performance with a robust and efficient risk management system.

In previous years, FBN UK expanded its operations, product base and geographical coverage, which were major driving forces in growing our business. This year will not be an exception as we further extend our products into new markets across Africa.

Our goal is to remain the premier UK bank for the African market and we aim to achieve this through our commitment to excellence, capitalising on new opportunities and investment in our people. The bank will continue to focus strongly on its underlying principles of personal and expert service, prudential risk management and treating customers fairly to reinforce its position as the choice London bank for Africans.

Appreciation

On behalf of the Board, I would like to extend my sincere gratitude to our highly esteemed customers, shareholders and other stakeholders for their immense support. I wish to also thank all staff, Management and the Board of Directors for their continued dedication, professionalism and passion towards building a world-class institution. As we begin a new financial year, we proceed with high expectations of maintaining our premier position as the West African bank of choice in the UK, while focusing on delighting our customers and returning profitability to our shareholders.

Thank you.

Stephen O Onasanya
Acting Chairman

Managing Director/Chief Executive's Review



The year has seen us review and refine our strategy, leading us to focus more on the abundant opportunities that are available with an African flavour

Peter S Hinson
Managing Director & Chief Executive

Distinguished shareholders, ladies and gentlemen,

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

The Industry

The financial services industry continues to be the focus of intense examination by Governments and commentators alike as the UK economy struggles to achieve growth which is invariably stimulated by bank lending. Achieving the correct balance between appropriate and inappropriate levels of lending and risk has been a long existing challenge and it is no different on this occasion. For many, growth is seen as paramount but if this leads to unacceptably high levels of provisions, the achievements will be short lived. There has however been a stabilisation of the industry in the UK, albeit the once very active interbank market has yet fully to return to pre crisis normality and while we work with many overseas banks we are encouraged by the progress made by the Central Bank of Nigeria in similarly stabilising the industry it regulates.

It is also worth noting that we have seen trade volumes gradually returning, which is encouraging although increasing commodity prices present a challenge for all of us.

Regulatory Framework

The Government driven restructuring of the Financial Services Authority is progressing and we expect The Prudential Regulation Authority and The Consumer Protection and Markets Authority to be in place by 2012. Whilst much of the detail needs to be resolved, it will be essential to ensure that during this period of significant change, the industry continues to be regulated in the appropriate way.

Our Business

The year has seen us review and refine our strategy, leading us to focus more on the abundant opportunities that are available with an African flavour. A reflection of our success has been the receipt of the award for the 'Best Trade Finance Bank in West Africa' for the second year running from Global Trade Review magazine. Specifically we have further developed our Structured Finance businesses and launched our Private Banking service. I will comment upon each in turn below.

On the liability side, we attracted a growing number of deposits through our FirstSave® offering and this is now a key part of the makeup of our balance sheet, diversifying our dependence on large deposits. We regularly receive a good flow of positive customer feedback on both the quality of our offering and delivery standards.

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, both English and French speaking. This is largely through the facilitation of Trade Finance, Foreign Exchange and Payment transactions. During 2010 we have expanded our reach into East Africa and now have relationships in over 20 countries.

Government and Parastatal Banking – the banking needs of Government and parastatal or state industries are immense. Whilst the main Nigerian Government relationships are managed through our parent bank, we provide the essential international leg of the services. With the offered high quality level of service, we have seen good growth in transactional business.

Commercial and Corporate Banking, (Trade Finance) – according to available statistics, Nigeria continues to be the world's leading issuer of Letters of Credit and whilst we serve many customers in a number of countries the majority are in Nigeria. Once again, we expanded our reach outside of Nigeria and our name has become recognized throughout Africa.

Structured Trade Commodity Finance – drawing on inherent strengths, in a relatively short period of time this business line has established itself as a recognized and serious player in our chosen markets and a key part of our overall business. Identifying financing opportunities, we offer customers solutions around structured secured facilities financing trade commodity flows, mostly but not exclusively into Africa. We were delighted to receive a 'deal of the year' award in 2010 for a facility we put in a place for a major customer. We see opportunities for further growth with a wide spread of commodity risk in the market in the years ahead.

Structured Finance – following the success of our Structured Trade Commodity Finance business mentioned above, we entered this longer term market in 2010 and are steadily developing a book of assets which are used to finance projects and medium term corporate needs, often but not exclusively focused on Africa.

Private Banking – London has traditionally been a destination for 'High Net Worth' visitors from West Africa and this continues. We now provide a highly professional and personal service to this niche market sector, offering advice on investment products to improve yield allied to wealth protection alongside the more traditional banking services.

UK Property – We provide finance for property investment within the M25 area of London meeting the needs of African and UK property investors. Whilst previously focused on the 'buy to let' market, we have recently received regulatory approval for owner occupied mortgages.

UK savers – Our 'FirstSave®' brand is now an established and recognised player in this market offering demand, notice and fixed term accounts. Often quoted in the UK press, this provides us with visibility in our home market and a valuable additional source of funding for our balance sheet.

Financial Performance

The Bank performed strongly in 2010 delivering a commendable set of results particularly when compared to annualised 2009 figures, whilst still investing in new business lines. Net interest income increased by 91% to over £26m and non interest income by 54% to over £10m. Total operating income amounted to £36.9m, an increase of 79%.

This strong income growth triggered a requisite increase in costs but, ignoring impairment charges, these were held to £14.1m, a comparatively lower increase of 34%. Consequently we saw a significant improvement in our cost to income ratio to 38% from 51% in the preceding year. We expect this ratio to settle in the 40-45% range in the future.

The Bank incurred further net impairments charges but these are expected to reduce in the future with the return to more normality in the financial services market.

The balance sheet grew by 23% which underlines our strategy of focusing on profitability and returns rather than simply overall growth. As a result our ROE for the year was 17% and, anticipating future requirements, we decided to increase the capital strength of the Bank by introducing further Tier 2 capital in the form of subordinated debt from our parent. Our year end capital ratio was therefore an impressive 19.4%.

Our Customers

I have been honoured to meet with many of the customers of both our London and Paris offices in the past year as these are the bank's most important asset. Our Directors and Managers travel extensively across the globe meeting customers on their own patch, in our view a vital element of the customer/bank relationship, to gain a detailed understanding of their needs. We deeply value the relationship we manage to build with our customers.

Corporate Governance

The Board of Directors is currently composed of 7 members, 4 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.

Continued overleaf...

Managing Director/Chief Executive's Review

Board Governance Committee

<i>Chairman</i>	S O Onasanya	Non Executive Director
<i>Member</i>	A R P Williams	Non Executive Director

Board Audit and Risk Assessment Committee

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

Board Credit Committee

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

Board Establishment Committee

<i>Chairman</i>	S O Onasanya	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
	R A Odunlami	Non Executive Director

Executive Committees

The Executives 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 & MLRO

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
	R Harris	Compliance Manager & Deputy 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
	V Murataj	Head of Human Resources
	M J Newcomb	Treasurer

Treating Customers Fairly Committee

<i>Chairman</i>	CE Fashogbon	Executive Director, Business Development
<i>Members</i>	M J Bamber	Executive Director, Operations
	N Hawkins	Director & Head of Private Banking
	M C Connell	Head of Compliance & MLRO
	T Fall	Head of Customer Services

New Products Committee

<i>Chairman</i>	S O Aiyere	Head of Finance
<i>Members</i>	M J Bamber	Executive Director, Operations
	M J Barrett	Head of Risk
	M C Connell	Head of Compliance & MLRO

Managing Director/Chief Executive's Review

Investment Committee

<i>Chairman</i>	N Hawkins	Director & Head of Private Banking
<i>Members</i>	M J Bamber	Executive Director, Operations
	CE Fashogbon	Executive Director, Business Development
	M J Barrett	Head of Risk
	M C Connell	Head of Compliance & MLRO
	M J Newcomb	Treasurer

Corporate Responsibility

Working with our parent bank we have undertaken to be a good corporate citizen by supporting worthy causes in various ways. Donations totaling £12,740 were 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

Whilst world economies start to recover, a cautious approach is appropriate but we are quietly confident that our business is aligned correctly to capitalize on the opportunities that will appear. Regulatory demands continue and these will be met producing what we believe will be a very sound and progressive business.

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.

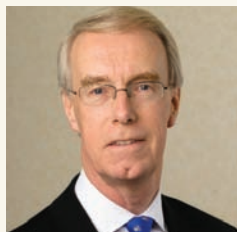
In closing, I would especially thank our customers, our employees and our Board alike.

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

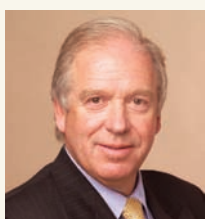


Christi Etukudo Fashogbon
Executive Director,
Business Development

Non Executive Directors



Stephen Olabisi Onasanya
Acting Chairman



Peter Arnhem Grafham



Anthony Robert Paget Williams



Remilekun Adetola Odunlami

Senior Staff



Samuel Aiyere
Head of Finance



Michael Barrett
Head of Risk



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



Kamoru Oladimeji
Head of FBNUK Nigeria
Representative Office



Michael Connell
Head of Compliance



Trevor Fall
Head of Customer Services



Martin Newcomb
Treasurer



Simon Singer
Head of Trade Finance



John Vowell
Director, Structured
Trade Commodity Finance



Nicolas Pitiot
Director, Head of
Structured Finance



Nigel Hawkins
Director, Head of
Private Banking



David Oberheim
Director of Financial
Institutions

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 December 2010.

Principal activities

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

The Group consists of the following:

- FBN Bank (UK) Ltd
- FBN Bank (UK) Ltd, Paris Branch
- FBN UK (Representative office in Nigeria) Limited

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

The Group 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 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 continuing to focus 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, money market and other investment activities.

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

The Group 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 Group's income statement, the net interest income and fee income increased by 91% and 24% respectively over the prior full year (2009 - 55% and 24% increase). Overall, operating income increased by 79% (2009 - 45% increase), a direct reflection of increased business volume. These comparisons are based on the 2009 nine months figures, annualised.

One of the Group's key measurements of the effectiveness of its operations is calculating operating margin after direct costs. The Group achieved an operating margin after direct costs of 46% (2009 - 4.9%). The large increase in operating margin is attributable to improved interest margin, strong fee income and loan recovery made during the year.

The balance sheet shows that the Group's net assets at the year end, have significantly increased, compared to the prior year end. The Group's asset level has increased by 23.2%, from £1,145m as at 31 December 2009 to £1,411m as at 31 December 2010. The growth in the balance sheet size is due to general increased 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 Group's profit for the year after taxation amounted to £12,171,030 (2009 - £522,662).

A dividend of £5,000,000 was paid by the Bank in respect of the year ended 31 December 2010 (2009 - £nil). No final dividend is proposed (2009 - nil).

Future prospects and going concern

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

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 Group maintains a strong liquidity position at all times in order to meet its financial obligations. The directors believe that the Group 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 Group made charitable contributions totalling £12,740 (2009 - £21,500).

Report and Financial Statements

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 established a 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 Group's approach to financial risk management and its objectives is disclosed in note 28.

Capital structure

FBN Bank (UK) Ltd has two key components to its capital structure, being £82m share capital and subordinated debt amounting to £50m. Whilst the subordinated debt is disclosed as a liability in the financial statements, it counts as upper tier 2 capital for the regulatory capital base.

No new ordinary shares were issued during the year (2009 - £nil).

An additional £33.5m subordinated debt was issued by the Group during the year (2009 - £nil).

Further information regarding the Group'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>

Auditor

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

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

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

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

By Order of the Board



Venetia Carpenter, FCIS
For and on behalf of

FBN Bank (UK) Ltd

23 March 2011

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

Report and Financial Statements

Statement of directors' responsibilities

The Directors are responsible for preparing the report and the financial statements in accordance with applicable laws and regulations.

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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 Group'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 December 2010 which comprise the Consolidated and Bank Statements of comprehensive income, the Consolidated and Bank Balance Sheets, the Consolidated and Bank Statements of changes in equity, the Consolidated and Bank cash flow statements, and the related notes to the consolidated accounts 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and the Bank's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group and the Bank's affairs as at 31 December 2010 and of the Group and the Bank's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Independent auditor's report to the members of FBN Bank (UK) Limited (continued)

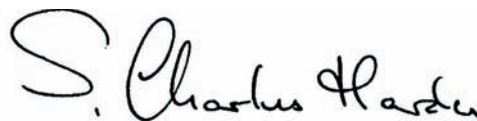
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Simon Hardy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

23 March 2011

Report and Financial Statements

Consolidated and Bank Statement of comprehensive income As at 31 December 2010

	Notes	Group Year Ended 31 December 2010 £	Bank Year Ended 31 December 2010 £	Group Nine Months Period Ended 31 December 2009 £	Bank Nine Months Period Ended 31 December 2009 £
Interest receivable	4	45,250,344	45,250,344	27,956,128	27,956,128
Interest payable	4	(19,098,413)	(19,098,413)	(17,705,772)	(17,705,772)
Net interest income		26,151,931	26,151,931	10,250,356	10,250,356
Fees and commissions income	5	5,680,909	5,680,909	3,438,924	3,438,924
Dealing and exchange profits		1,795,279	1,795,279	1,560,101	1,560,101
Other operating income		399,910	399,910	242,000	242,000
Investment revenues	4	2,881,521	2,881,521	–	–
Operating income		36,909,550	36,909,550	15,491,381	15,491,381
Administrative expenses	6	(14,153,616)	(14,153,616)	(7,928,254)	(7,928,254)
Impairment charge	25	(11,815,498)	(11,815,498)	(6,802,735)	(6,802,735)
Loan recovery	25	6,140,393	6,140,393	–	–
Profit on ordinary activities before taxation	9	17,080,829	17,080,829	760,392	760,392
Tax expense	9	(4,909,799)	(4,909,799)	(237,730)	(237,730)
Profit on ordinary activities after taxation		12,171,030	12,171,030	522,662	522,662
Revaluation available for sale financial assets		2,070,694	2,070,694	–	–
Exchange differences on translation of foreign operations	24	22,984	–	–	–
Total comprehensive income for the period		14,264,708	14,241,724	522,662	522,662

The results above arose wholly from continuing activities.

Report and Financial Statements

Consolidated and Bank Balance sheet As at 31 December 2010

	Notes	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Assets					
Cash at bank and in hand	11	16,805,201	16,738,427	7,136,337	7,136,337
Loans and advances to banks	12	756,193,496	756,193,496	849,553,076	849,553,076
Loans and advances to customers	13	575,790,096	575,790,096	270,978,606	270,978,606
Investments in Subsidiary	14	–	10,373	–	10,373
Securities-held-to-maturity	15	–	–	14,233,782	14,233,782
Available for sale financial assets	15	58,330,632	58,330,632	–	–
Property and equipment	16	451,774	360,095	524,529	369,860
Intangible assets	17	681,489	680,430	682,688	681,262
Other assets	18	2,126,959	2,045,993	1,220,738	1,134,384
Deferred tax asset	10	71,161	71,161	92,284	92,284
Financial assets – derivatives		22,835	22,835	549,063	549,063
Total assets		1,410,473,643	1,410,243,538	1,144,971,103	1,144,739,027
Liabilities					
Deposits by banks	19	608,855,076	608,855,076	456,807,863	455,975,834
Customer accounts	20	590,292,118	590,292,118	500,227,751	500,227,751
Other liabilities	21	47,738,148	47,531,027	69,573,251	70,173,204
Financial liabilities – derivatives		2,647,513	2,647,513	16,069	16,069
Subordinated liabilities	22	50,005,952	50,005,952	16,676,041	16,676,041
Total liabilities		1,299,538,807	1,299,331,686	1,043,300,975	1,043,068,899
Called up share capital	23	82,000,000	82,000,000	82,000,000	82,000,000
Revaluation Reserves		2,070,694	2,070,694	–	–
Translation reserves	24	22,984	–	–	–
Retained earnings		26,841,158	26,841,158	19,670,128	19,670,128
Equity shareholder's funds		110,934,836	110,911,852	101,670,128	101,670,128
Total liabilities & shareholder's funds		1,410,473,643	1,410,243,538	1,144,971,103	1,144,739,027

These financial statements were approved by the Board of Directors and authorised for issue on 23 March 2011. Signed on behalf of the Board of Directors



Stephen Olabisi Onasanya
Acting Chairman



Peter Stuart Hinson
Managing Director/
Chief Executive

Report and Financial Statements

Consolidated and Bank Statement of changes in equity For the year ended 31 December 2010

	Share Capital £	Revaluation Reserve £	Translation Reserve £	Retained Earnings £	Total Equity £
Group					
Balance attributable as at 31 March 2009	82,000,000	–	–	19,147,466	101,147,466
Profit for the year	–	–	–	522,662	522,662
Balance attributable to equity as at 31 December 2009	82,000,000	–	–	19,670,128	101,670,128
Revaluation of AFS securities	–	2,070,694	–	–	2,070,694
Profit for the year	–	–	22,984	12,171,030	12,194,014
Dividend paid	–	–	–	(5,000,000)	(5,000,000)
Balance attributable to equity shareholders as at 31 December 2010	82,000,000	2,070,694	22,984	26,841,158	110,934,836

	Share Capital £	Revaluation Reserve £	Translation Reserve £	Retained Earnings £	Total Equity £
Bank					
Balance attributable as at 31 March 2009	82,000,000	–	–	19,147,466	101,147,466
Profit for the year	–	–	–	522,662	522,662
Balance attributable to equity as at 31 December 2009	82,000,000	–	–	19,670,128	101,670,128
Revaluation of AFS securities	–	2,070,694	–	–	2,070,694
Profit for the year	–	–	–	12,171,030	12,171,030
Dividend paid	–	–	–	(5,000,000)	(5,000,000)
Balance attributable to equity shareholders as at 31 December 2010	82,000,000	2,070,694	–	26,841,158	110,911,852

Report and Financial Statements

Consolidated
Cash flow statement
For the year ended 31 December 2010

Group

Cash flow from operating activities

	Notes	Group Year Ended 31 December 2010 £	Group Nine Months Period ended 31 December 2009 £
Profit before tax		17,080,829	760,392
Adjustment to reconcile net profit to cash flow from (used in) operating activities:			
Depreciation of property and equipment		213,337	192,329
Amortisation of intangible assets		242,564	162,684
IFRS Adjustment to Securities		296,679	–
Risk Asset Impairment		9,991,670	–
		27,825,079	1,115,405
Net (increase)/decrease in assets relating to operating activities			
Loans and advances to banks		95,183,409	237,497,329
Loans and advances to customers		(304,819,307)	(27,114,145)
Securities-held-to-maturity		–	(14,263,264)
Securities-available-for-sale		(53,833,838)	–
Other assets		(395,466)	(990,763)
		(236,040,123)	196,244,562
Net increase/(decrease) in liabilities relating to operating activities			
Due to banks		152,047,213	(124,976,428)
Due to customers		90,064,367	(90,521,948)
Other liabilities		(22,682,538)	(5,951,518)
		219,429,042	(221,449,894)
Corporation tax paid		(1,657,408)	(2,183,543)
Net cash (used in) operating activities		(18,268,489)	(27,388,875)
Cash flow (used in) investing activities			
Acquisition of fixed assets		(392,558)	(478,864)
Net cash used in investing activities		(392,558)	(478,864)
Cash flow from financing activities			
Subordinated Loans		33,329,911	–
Proceed from borrowed funds		–	–
Dividend paid		(5,000,000)	–
		28,329,911	–
Net increase/(decrease) in cash and cash equivalents		9,668,864	(27,867,739)
Cash and cash equivalents at 31 December 2009	11	7,136,337	35,004,076
Cash and cash equivalents at 31 December 2010	11	16,805,201	7,136,337

Report and Financial Statements

Bank

Cash flow statement

For the year ended 31 December 2010

Bank

Cash flow from operating activities

	Notes	Bank Period Ended 31 December 2010 £	Bank Nine Months Period ended 31 December 2009 £
Profit before tax		17,080,829	760,392
Adjustment to reconcile net profit to cash flow from/(used in) operating activities:			
Depreciation of property and equipment		153,807	117,863
Amortisation of intangible assets		242,208	162,417
IFRS Adjustment to Securities		296,679	–
		9,991,670	
		27,765,193	1,040,672
Net (increase)/decrease in assets relating to operating activities			
Loans and advances to banks		95,183,409	237,497,329
Loans and advances to customers		(304,819,307)	(27,114,145)
Securities-held-to-maturity		–	(14,263,264)
Securities-available-for-sale		(53,833,838)	–
Other assets		(377,965)	(658,525)
		(236,082,508)	196,502,067
Net increase/(decrease) in liabilities relating to operating activities			
Due to banks		152,879,242	(125,819,269)
Due to customers		90,064,367	(90,521,948)
Other liabilities		(23,540,244)	(5,370,706)
		219,403,365	(221,711,923)
Corporation tax paid		(1,657,408)	(2,183,543)
Net cash (from/used in) operating activities		(18,336,551)	(27,393,399)
Cash flow (from/used in) investing activities			
Acquisition of fixed assets		(391,270)	(474,340)
Net cash used in investing activities		(391,270)	(474,340)
Cash flow from financing activities			
Subordinated Loans		33,329,911	–
Proceed from borrowed funds		–	–
Dividend paid		(5,000,000)	–
		28,329,911	–
Net increase/(decrease) in cash and cash equivalents		9,602,090	(27,867,739)
Cash and cash equivalents at 31 December 2009	11	7,136,337	35,004,076
Cash and cash equivalents at 31 December 2010	11	16,738,427	7,136,337

Report and Financial Statements

Notes to the consolidated accounts For the year ended 31 December 2010

1. Accounting policies

General Information

FBN Bank (UK) Ltd (“the Bank”) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. FBN UK (Representative office in Nigeria) Limited became a subsidiary during 2009, and is registered in Nigeria. The nature of the Group’s operations and its principal activities are set out in the Directors’ Report.

Basis of Preparation

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entity controlled by the Bank (its subsidiary) made up to 31 December each year. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Group’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 2 to 5. The financial position of the Group, its cash flow and capital position are as described on pages 10 to 13. In addition, the Group’s business objectives, capital structure policies and financial risk management objectives are as stated in the Directors’ report. Details of its financial instruments and hedging activities, and its exposures to credit and liquidity risks are in notes 28 and 29 of the financial statements.

The Group 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 Group has developed a broader customer base thereby ensuring stable and long tenured deposits to support profitable business growth. The financial forecasts indicate that the Group will continue to operate profitably in the future. As a consequence, the directors believe that the Group 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 Group 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 are recognised in ‘Interest income’ and ‘Interest expense’ in the income statement using the “effective interest rate” method.

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

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

b) Non-interest income

Fees and commissions

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

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

Foreign currency

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

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

Report and Financial Statements

Notes to the consolidated accounts For the year ended 31 December 2010

Financial instruments

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

The Group classifies its financial assets into the following categories:

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

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

Financial assets held-to-maturity

Held-to-maturity investments are financial instruments with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that the Group, upon initial recognition, elects to designate as fair value through profit and loss or available for sale or that meet the definition of loans and receivables.

Held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

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 Group manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not closely related to the host contract.

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

Loans and receivables

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

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

Financial assets available-for-sale

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

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

Impairment of financial assets held-to-maturity

The Group 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 whether they are individually significant or not individually significant.

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.

Report and Financial Statements

Notes to the consolidated accounts For the year ended 31 December 2010

1. Accounting policies (continued)

Impairment of financial assets available-for-sale

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

Reclassification of financial assets

The Group has reclassified its financial assets from the held-to-maturity category into the available-for-sale category as a consequence of tainting. The financial assets were no longer considered viable to be held-to-maturity due to the Group's decision to sell some assets prior to maturity. This meant that the entire portfolio had to be reclassified to available-for-sale in accordance with IAS 39.

The difference between the assets carrying amount and their fair value is recognised in other comprehensive income on the profit & loss account as required by IAS 39.51 and IAS 39.55 (b).

Financial liabilities

The Group classifies its financial liabilities in the following categories:

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

Management determines the classification of financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

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

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

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

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

Other financial liabilities

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

Determining fair value

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

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

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

Derivative financial instruments

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

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

Report and Financial Statements

Notes to the consolidated accounts For the year ended 31 December 2010

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

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

Intangible assets

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

Leases

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

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

Provisions

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Pension costs

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

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Notes to the consolidated accounts For the year ended 31 December 2010

1. Accounting policies (continued)

Capital instruments

The Group 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 Group after the deduction of liabilities. The components of a compound financial instrument issued by the Group 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 have been adopted in the current year:

- IAS 7 (amended) Cash Flow Statements
- IAS 38 (amended) Intangible assets

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 7 (amended) Financial Instruments Disclosures
- IFRS 9 Financial Instruments
- IAS 1 (amended) Presentation of Financial Statements
- IAS 24 (revised) Related Party Disclosures

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 Group.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Loan impairment provisions

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

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

Fair value of derivatives and other financial instruments

As described in note 30, 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 Group has one main activity, commercial banking, which is carried out in the United Kingdom and France. The Group also has a subsidiary in Nigeria whose sole purpose is to support the banking operations in the London and Paris offices.

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4. (a) Net Interest income

Interest and similar income	<i>Group & Bank Year Ended 31 December 2010 £</i>	<i>Group & Bank Nine Months Period Ended 31 December 2009 £</i>
Due from banks	28,514,417	22,861,444
Loans and advances to customers	11,939,184	4,690,658
Held-to-maturity investments	–	404,026
Available-for-sale financial assets	4,796,743	–
	45,250,344	27,956,128

Interest expense and similar charges	<i>Group & Bank Year Ended 31 December 2010 £</i>	<i>Group & Bank Nine Months Period Ended 31 December 2009 £</i>
Due to banks	2,574,536	2,098,857
Due to customers	16,208,623	15,295,243
Debt issued and other borrowed funds	315,254	311,672
	19,098,413	17,705,772

(b) Investment revenues

Investment revenues	<i>Group & Bank Year Ended 31 December 2010 £</i>	<i>Group & Bank Nine Months Period Ended 31 December 2009 £</i>
Investment Revenues	2,595,043	–
Gain on sale of held-to-maturity investments	286,478	–
	2,881,521	–

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5. Fees and commissions income is derived from:

	Group & Bank Year Ended 31 December 2010 £	Group & Bank Nine Months Period Ended 31 December 2009 £
Loans	860,108	497,123
Letters of credit	3,756,161	2,218,187
Funds transfer	451,262	287,157
Others	613,378	436,457
	5,680,909	3,438,924

6. Administrative expenses

	Group Year Ended 31 December 2010 Number	Bank Year Ended 31 December 2010 Number	Group & Bank Nine Months Period Ended 31 December 2009 Number	Bank Nine Months Period Ended 31 December 2009 Number
Average No of employees (including three (December 2009 – three) executive directors)				
Banking Division	44	37	35	28
Operations	36	35	29	24
Administration	10	6	12	12
	90	78	76	64

	Group Year Ended 31 December 2010 £	Bank Year Ended 31 December 2010 £	Group & Bank Nine Months Period Ended 31 December 2009 £	Bank Nine Months Period Ended 31 December 2009 £
Wages and salaries (including directors)	7,011,910	7,011,910	2,607,777	2,607,777
Social security costs	532,060	532,060	450,359	450,359
Other pension costs	318,822	318,822	241,617	241,617
Total staff costs	7,862,792	7,862,792	3,299,753	3,299,753
Other administrative expenses	6,290,824	6,290,824	4,628,501	4,628,501
	14,153,616	14,153,616	7,928,254	7,928,254

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7. Directors' emoluments

	Group & Bank Year Ended 31 December 2010 £	Group & Bank Nine Months Period Ended 31 December 2009 £
Directors' fees	127,000	284,000
Other emoluments	623,156	947,458
Contribution to a money purchase pension scheme	43,624	49,530
	793,780	1,280,988

The highest paid director received emoluments, excluding pension contributions, totalling £243,830 (2009 - £348,396) and pension contributions of £17,830 (2009 - £12,360).

8. Profit on ordinary activities before taxation

	Group Year Ended 31 December 2010 £	Bank Year Ended 31 December 2010 £	Group Nine Months Period Ended 31 December 2009 £	Bank Nine Months Period Ended 31 December 2009 £
Operating profit is stated after charging:				
Depreciation – property and equipment	213,337	153,807	192,329	117,863
Amortisation	242,564	242,208	162,684	162,417
Auditors' remuneration:				
– audit of annual accounts	112,999	99,500	115,326	95,000
– tax services (audit related)	5,816	5,816	–	–
– consultancy (non-audit related)	52,645	52,645	15,750	15,750
Rental of premises held under operating leases	738,878	626,259	470,407	470,407

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9. Taxation

Tax on profit on ordinary activities charged in the income statement

(i) Analysis of tax charge on ordinary activities

	Group & Bank Year Ended 31 December 2010 £	Group & Bank Nine Months Period Ended 31 December 2009 £
United Kingdom corporation tax based on the profit for the year	4,843,537	237,962
Prior period current tax adjustment	45,139	(11,356)
Total current tax	4,888,676	226,606
Deferred tax:		
Temporary differences, origination and reversal	6,619	212
Effect of tax rate change	2,635	–
Prior period deferred tax adjustment	11,869	10,912
Tax expense	4,909,799	237,730

(ii) Reconciliation of the total tax charge

	Group & Bank Year Ended 31 December 2010 £	Group & Bank Nine Months Period Ended 31 December 2009 £
Profit on ordinary activities before tax	17,080,829	760,392
Tax at 28% (31 December 2009: 28%) thereon	4,782,632	212,911
Effects of:		
Expenses not deductible for tax purposes	67,524	28,452
Effect of tax rate change	2,635	–
Prior period adjustment	57,008	(3,633)
Tax expense	4,909,799	237,730

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10. Deferred tax

The following are the deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period. Deferred tax is calculated on temporary differences using the tax rate of 27% (2009 28%). Finance Act 2010 reduced the UK corporation tax rate from 28% to 27% with effect from 1 April 2011; the UK Government also announced proposed further tax phased reductions of 1% annually reaching 24% on 1 April 2014.

Group and Bank	<i>Accelerated tax depreciation £</i>	<i>Other Temporary Differences £</i>	<i>Total £</i>
At 1 April 2009	75,369	28,039	103,408
Credit / (Charge) to income	2,417	(2,629)	(212)
Prior year adjustment	(10,912)	–	(10,912)
At 31 December 2009	66,874	25,410	92,284
Charge to income	(381)	(6,238)	(6,619)
Effect of tax rate change	(1,853)	(782)	(2,635)
Prior period adjustment	(14,602)	2,733	(11,869)
At 31 December 2010	50,038	21,123	71,161

11. Cash and cash equivalents

	<i>Group Year Ended 31 December 2010 £</i>	<i>Bank Year Ended 31 December 2010 £</i>	<i>Group Period Ended 31 December 2009 £</i>	<i>Bank Period Ended 31 December 2009 £</i>
Cash at Bank	193,068	126,294	111,151	111,151
Short-term placement with other banks	16,612,133	16,612,133	7,025,186	7,025,186
	16,805,201	16,738,427	7,136,337	7,136,337

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For the year ended 31 December 2010

12. Loans and advances to banks

Group & Bank	Performing Loans as at 31 December 2010 £	Impaired Loans as at 31 December 2010 £	Total £	Performing Loans as at 31 December 2009 £	Impaired Loans as at 31 December 2009 £	Total £
Repayable on demand or at short notice	58,345,743	–	58,345,743	67,472,541		67,472,541
Remaining maturity:						
– 3 months or less excluding on demand or at short notice	471,145,669	–	471,145,669	642,636,747	14,915,775	657,552,522
– 1 years or less but over 3 months	147,657,318	–	147,657,318	66,671,084	–	66,671,084
– 5 years or less but over 1 year	79,044,766	–	79,044,766	64,192,410	–	64,192,410
Less allowances for impairment	–	–	–	–	(6,335,481)	(6,335,481)
	756,193,496	–	756,193,496	840,972,782	8,580,294	849,553,076

Total loans advanced to First Bank of Nigeria Plc (Parent Bank) at 31 December 2010 were £6,526,705 (2009 - £119,359,706).

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

None of the loans and advances to banks were impaired (2009 - £6,335,481) and no collateral was held in respect of December 2009 impaired loans.

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For the year ended 31 December 2010

13. Loans and advances to customers

Group & Bank	31 December 2010			31 December 2009		
	Performing Loans as at £	Impaired Loans as at £	Total £	Performing Loans as at £	Impaired Loans as at £	Total £
Repayable on demand or at short notice	51,570,929	1,052,306	52,623,235	23,171,803	825,242	23,997,045
Remaining maturity:						
– 3 months or less excluding on demand or at short notice	288,527,587		288,527,587	53,236,908	–	53,236,908
– 1 years or less but over 3 months	35,706,646		35,706,646	69,333,276	–	69,333,276
– 5 years or less but over 1 year	127,894,722	500,000	128,394,722	80,506,959	500,000	81,006,959
– Over 5 years	71,031,047	232,800	71,263,847	43,889,742	232,800	44,122,542
Less Allowances for impairment (note 25)	–	(725,941)	(725,941)	–	(718,124)	(718,124)
	574,730,931	1,059,165	575,790,096	270,138,688	839,918	270,978,606

As at 31 December 2010, the Group had advanced £52,623,235 overdrafts (2009 - £23,997,045) and £523,108,594 fixed term loans (2009 - £246,953,355) to customers. £58,267 was granted as staff loans (2009 - £28,206).

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

The Group held collateral £900,000 (2009: £743,000) in respect of the impaired loans.

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14. Investments

Details of the Company's Subsidiaries are as follows

Name	Place of Incorporation	Proportion of Ownership %	Proportion of voting Power %
FBN UK (Representative office in Nigeria) Limited	Nigeria	100	100

The Bank paid N2, 500,000.00 (GBP £10,372.80) for the consideration of 2,500,000.00 ordinary shares at N1 each on the 22 June 2009. FBN UK (Representative office in Nigeria) Limited is incorporated in Nigeria.

Subsidiaries

	Bank Year Ended 31 December 2010 £	Bank Period Ended 31 December 2009 £
FBN UK (Representative office in Nigeria) Limited	10,373	10,373

15. Securities

	Group Year Ended 31 December 2010 £	Bank Year Ended 31 December 2010 £	Group Period Ended 31 December 2009 £	Bank Period Ended 31 December 2009 £
Available for Sale Investments carried at fair value				
Opening balance	–	–	–	–
Reclassification of Bonds from HTM	67,982,820	67,982,820	–	–
Available for Sale valuation	2,070,694	2,070,694	–	–
Less Impairment	(11,722,882)	(11,722,882)	–	–
Balance as at 31 December 2010	58,330,632	58,330,632	–	–
Held-to-maturity securities carried at amortised cost				
Opening balance	14,233,782	14,233,782	–	–
Bonds purchased during the period	92,044,093	92,044,093	14,233,782	14,233,782
Sales of Bonds	(38,295,055)	(38,295,055)	–	–
Reclassification to Available-for-sale	(67,982,820)	(67,982,820)	–	–
Balance as at 31 December 2010	–	–	14,233,782	14,233,782
Total Investments	58,330,632	58,330,632	14,233,782	14,233,782

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15. Securities (continued)

Maturity:

Between one year and five years

Group Year Ended 31 December 2010 £	Bank Year Ended 31 December 2010 £	Group Period Ended 31 December 2009 £	Bank Period Ended 31 December 2009 £
58,330,632	58,330,632	14,233,782	14,233,782

The Group has reclassified the securities portfolio from held-to-maturity to available-for-sale. The Group's intention at initial recognition was to hold these securities to maturity. However, as a result of the reassessment of the Group's risk strategy the decision to sell part of the portfolio on the 8th November 2010 tainted the remainder of the portfolio in accordance with IAS 39.51 and IAS 39.55 (b). Consequentially, the financial assets were reclassified to the available-for-sale portfolio at their fair value at the date of reclassification being 8 November 2010.

16. Property and equipment

Group

Cost

	Computer Hardware £	Leasehold Improvements £	Furniture and Equipment £	Motor Vehicles £	Total £
at 31 December 2009	444,850	585,725	443,077	97,819	1,571,471
Additions	69,934	66,510	12,103	–	148,547
Exchange differences	211	(11,928)	(13,696)	(8,496)	(33,909)
at 31 December 2010	514,995	640,307	441,484	89,323	1,686,109

Accumulated Depreciation

at 31 December 2009	344,777	398,627	255,704	47,834	1,046,942
Charge year to date	63,165	70,488	59,944	19,740	213,337
Exchange differences	(150)	(5,946)	(10,350)	(9,498)	(25,944)
at 31 December 2010	407,792	463,169	305,298	58,076	1,234,335

Net Book Value

at 31 December 2010	107,203	177,138	136,186	31,247	451,774
at 31 December 2009	100,073	187,098	187,373	49,985	524,529

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16. Property and equipment (continued)

Bank

Cost

	Computer Hardware £	Leasehold Improvements £	Furniture and Equipment £	Motor Vehicles £	Total £
at 31 December 2009	436,641	509,232	323,302	–	1,269,175
Additions	68,646	66,510	12,103	–	147,259
Exchange differences	(184)	(2,791)	(1,279)	–	(4,254)
at 31 December 2010	505,103	572,951	334,126	–	1,412,180

Accumulated Depreciation

at 31 December 2009	341,964	334,294	223,057	–	899,315
Charge year to date	60,122	62,052	31,633	–	153,807
Exchange differences	(107)	(532)	(398)	–	(1,037)
at 31 December 2010	401,979	395,814	254,292	–	1,052,085

Net Book Value

at 31 December 2010	103,124	177,137	79,834	–	360,095
at 31 December 2009	94,677	174,938	100,245	–	369,860

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17. Intangible fixed assets

Group

Cost

	Computer Software £
At 31 December 2009	1,891,856
Additions	244,011
Exchange differences	(3,608)
At 31 December 2010	2,132,259

Accumulated depreciation

At 31 December 2009	1,209,168
Charge year to date	242,564
Exchange differences	(962)
At 31 December 2010	1,450,770

Net book value

At 31 December 2010	681,489
At 31 December 2009	682,688

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17. Intangible fixed assets (continued)

Bank

Cost

	Computer Software £
At 31 December 2009	1,890,074
Additions	244,011
Exchange differences	(3,591)
At 31 December 2010	2,130,494

Accumulated depreciation

At 31 December 2009	1,208,812
Charge year to date	242,208
Exchange differences	(956)
At 31 December 2010	1,450,064

Net book value

At 31 December 2010	680,430
At 31 December 2009	681,262

18. Other assets

	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Prepayments	2,126,959	2,045,993	1,220,738	1,134,384
	2,126,959	2,045,993	1,220,738	1,134,384

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Notes to the consolidated accounts For the year ended 31 December 2010

19. Deposits by banks

	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Repayable on demand	177,757,501	177,757,501	154,759,306	153,927,277
With agreed maturity dates or periods of notice by remaining maturity:				
Three months or less	431,097,575	431,097,575	302,048,557	302,048,557
One year or less, but over three months	–	–	–	–
	<u>608,855,076</u>	<u>608,855,076</u>	<u>456,807,863</u>	<u>455,975,834</u>

Total deposits due to First Bank of Nigeria Plc at 31 December 2010 were £105,893,219 (2009 - £88,932,589). Deposits by banks are categorised as other liabilities in accordance with IAS 39.

20. Customer accounts

	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Repayable on demand	165,054,414	165,054,414	105,547,018	105,547,018
With agreed maturity dates or periods of notice by remaining maturity:				
Three months or less but not repayable on demand	287,529,788	287,529,788	252,268,841	252,268,841
One year or less, but over three months	54,278,678	54,278,678	108,286,112	108,286,112
More than one year but less than five years	83,429,238	83,429,238	34,125,780	34,125,780
	<u>590,292,118</u>	<u>590,292,118</u>	<u>500,227,751</u>	<u>500,227,751</u>

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

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21. Other liabilities

	Group Year Ended 31 December 2010 £	Bank Year Ended 31 December 2010 £	Group Period Ended 31 December 2009 £	Bank Period Ended 31 December 2009 £
Taxation	3,462,912	3,462,912	237,962	237,962
Social Security	437,698	437,698	595,675	585,925
Cash collateral	31,864,861	31,864,861	62,046,483	62,046,483
Customers unclaimed balances	587,387	587,387	566,324	566,325
Others payable	11,385,290	11,178,169	6,126,807	6,736,509
	47,738,148	47,531,027	69,573,251	70,173,204

22. Subordinated liabilities

	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Subordinated debt				
Principal	50,000,000	50,000,000	16,500,000	16,500,000
Accrued Interest	5,952	5,952	176,041	176,041
	50,005,952	50,005,952	16,676,041	16,676,041

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

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23. Called up share capital

	Group 31 December 2010 No. of Shares	Group 31 December 2010 Amount £	Bank 31 December 2010 No. of Shares	Bank 31 December 2010 Amount £
Authorised				
Ordinary shares of £1 each	82,000,000	82,000,000	82,000,000	82,000,000
Issued, allotted and fully paid				
Ordinary shares of £1 each	82,000,000	82,000,000	82,000,000	82,000,000

	Group 31 December 2009 No. of Shares	Group 31 December 2009 Amount £	Bank 31 December 2009 No. of Shares	Bank 31 December 2009 Amount £
Authorised				
Ordinary shares of £1 each	82,000,000	82,000,000	82,000,000	82,000,000
Issued, allotted and fully paid				
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 (2009 - 82,000,000) or 100% (2009 -100%) of the ordinary shares. No new shares (2009 - nil) were authorised and issued during the current period. Each share carries a voting right of 1 vote.

24. Translation Reserves

	Group Translation Reserve £	Bank Translation Reserve £
Balance as at 31 December 2009	-	-
Exchange differences on translating the net assets of foreign subsidiary	22,984	-
Balance as at 31 December 2010	22,984	-

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25. Impairment

	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Opening balance	7,053,605	7,053,605	404,538	404,538
Charge to income statement	11,815,498	11,815,498	6,802,735	6,802,735
Loan recovery	(6,140,393)	(6,140,393)	–	–
Exchange difference	74,861	74,861	(147,085)	(147,085)
Amount written off	(354,748)	(354,748)	(6,583)	(6,583)
Closing balance	12,448,823	12,448,823	7,053,605	7,053,605
Available-for-sale financial assets (Note 15)	11,722,882	11,722,882	–	–
Loans and advances to banks (Note 12)	–	–	6,335,481	6,335,481
Loans and advances to customers (Note 13)	725,941	725,941	718,124	718,124
	12,448,823	12,448,823	7,053,605	7,053,605

26. Contingent liabilities and commitments

a) Legal issues

At 31 December 2010, there were no pending legal cases or issues in progress which may have a material impact on the financial statements of the Group (2009 - nil).

b) Operating lease commitments

At 31 December 2010 the Group 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.

	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Within one year	718,310	628,310	671,840	671,840
Between one and five years	2,535,743	2,513,243	2,603,510	2,603,510
More than five years	706,424	706,424	650,877	650,877
	3,960,477	3,847,977	3,926,227	3,926,227

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26. Contingent liabilities and commitments (continued)

c) Off-balance sheet liabilities contingent liabilities

Contingent Liabilities	Group 31 December 2010 £	Bank 31 December 2010 £	Group 31 December 2009 £	Bank 31 December 2009 £
Letters of credit	128,840,897	128,840,897	123,361,696	123,361,696
Guarantees given to third parties	13,959,835	13,959,835	81,104,159	81,104,159
	142,800,732	142,800,732	204,465,855	204,465,855

Loan Commitments	Year Ended 31 December 2010 £	Year Ended 31 December 2010 £	Period Ended 31 December 2009 £	Year Ended 31 December 2009 £
Undrawn irrevocable loan commitments	14,946,640	14,946,640	55,450,026	55,450,026

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27. Related party transactions

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

	Group Year Ended 31 December 2010 £	Bank Year Ended 31 December 2010 £	Group Nine Months Period Ended 31 December 2009 £	Bank Nine Months Period Ended 31 December 2009 £
Assets				
Amounts due to parent bank	6,526,705	6,526,705	119,359,706	119,359,706
	6,526,705	6,526,705	119,359,706	119,359,706
Liabilities				
Amounts due to parent bank	105,893,213	105,893,213	88,932,589	88,932,589
Amount due to fellow subsidiaries	3,142,361	3,142,361	3,771,281	3,771,281
	109,035,580	109,035,580	92,703,870	92,703,870
Letters of guarantee				
From parent bank	65,038,807	65,038,807	31,034,322	31,034,322
Income				
From parent bank	1,510,139	1,510,139	3,608,057	3,608,057
Expenses				
To parent bank	783,967	783,967	544,034	544,034
To fellow subsidiaries	39,727	39,727	9,417	9,417
	823,694	823,694	553,451	553,451

Mortgages were approved and advanced on a commercial arm's length basis, to three (2009 - three) directors of First Bank of Nigeria Plc, during the year. As at 31 December 2010, a total mortgage amount of £1,190,556 (2009 - £1,465,532) was outstanding in respect of these directors. No loans (2009 - £nil) were advanced to key management personnel of the Group as at 31 December 2010.

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

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

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28. Financial risk management

Derivatives and other financial instruments

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

The Group 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 Group's operations.

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

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

The main risks arising from the Group'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 Group's credit function which are designed to ensure that loans are made in accordance with the Group'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 Group's Credit Committee is responsible for approving credit recommendations and making other credit decisions as per its delegated authority within the Group'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 Group'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 Group's exposure to credit risk is determined by the counterparties with whom the Group 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 Group performs credit appraisal procedures prior to the advancing of any facilities. The Group also has policies on the levels of collateral that are required to secure facilities.

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28. Financial Risk Management (continued)

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

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

Group

As at 31 Dec 2010

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	16,805	–	–	–	–	–	16,805
Loans and advances to banks	529,491	28,539	119,118	79,046	–	–	756,194
Loans and advances to customers	341,316	20,283	15,424	127,744	71,023	–	575,790
Investment	–	–	–	–	–	–	–
Available-for-sale financial assets	–	5,020	–	53,311	–	–	58,331
Tangible fixed assets	–	–	–	–	–	452	452
Intangible fixed assets	–	–	–	–	–	681	681
Other assets	–	–	–	–	–	2,127	2,127
Deferred tax	–	–	–	–	–	71	71
Financial assets – derivatives	23	–	–	–	–	–	23
Total assets	887,635	53,842	134,542	260,101	71,023	3,331	1,410,474

Bank

As at 31 Dec 2010

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	16,738	–	–	–	–	–	16,738
Loans and advances to banks	529,491	28,539	119,118	79,046	–	–	756,194
Loans and advances to customers	341,316	20,283	15,424	127,744	71,023	–	575,790
Investment	–	–	–	–	10	–	10
Available-for-sale financial assets	–	5,020	–	53,311	–	–	58,331
Tangible fixed assets	–	–	–	–	–	360	360
Intangible fixed assets	–	–	–	–	–	681	681
Other assets	–	–	–	–	–	2,046	2,046
Deferred tax	–	–	–	–	–	71	71
Financial assets – derivatives	23	–	–	–	–	–	23
Total assets	887,568	53,842	134,542	260,101	71,033	3,158	1,410,244

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28. Financial Risk Management (continued)

Group

As at 31 Dec 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	7,136	–	–	–	–	–	7,136
Loans and advances to banks	718,760	26,678	39,958	64,157	–	–	849,553
Loans and advances to customers	76,602	37,057	32,245	80,972	44,103	–	270,979
Investment	–	–	–	–	–	–	–
Held-to-maturity securities	–	–	–	14,234	–	–	14,234
Tangible fixed assets	–	–	–	–	–	525	525
Intangible fixed assets	–	–	–	–	–	682	682
Other assets	–	–	–	–	–	1,221	1,221
Deferred tax	–	–	–	–	–	92	92
Financial assets – derivatives	549	–	–	–	–	–	549
Total assets	803,047	63,735	72,203	159,363	44,103	2,520	1,144,971

Bank

As at 31 Dec 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	7,136	–	–	–	–	–	7,136
Loans and advances to banks	718,760	26,678	39,958	64,157	–	–	849,553
Loans and advances to customers	76,602	37,057	32,245	80,972	44,103	–	270,979
Investment	–	–	–	–	10	–	10
Held-to-maturity securities	–	–	–	14,234	–	–	14,234
Tangible fixed assets	–	–	–	–	–	370	370
Intangible fixed assets	–	–	–	–	–	681	681
Other assets	–	–	–	–	–	1,135	1,135
Deferred tax	–	–	–	–	–	92	92
Financial assets – derivatives	549	–	–	–	–	–	549
Total assets	803,047	63,735	72,203	159,363	44,113	2,278	1,144,739

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28. Financial Risk Management (continued)

Age analysis of past due but not impaired assets

The table below shows the age analysis of past due but not impaired assets. The Group held no collateral (2009 - £4,162,601) against these assets.

	Group & Bank Gross Amount 31 December 2010 £	Group & Bank Collateral 31 December 2010 £	Group & Bank Amount 31 December 2010 £	Group & Bank Gross Amount 31 December 2009 £	Group & Bank Collateral 31 December 2009 £	Group & Bank Amount 31 December 2009 £
Group & Bank						
Within three months	–	–	–	4,162,601	4,162,601	–
Between three to six months	–	–	–	–	–	–
Over six months but less than one year	–	–	–	–	–	–
Over one year	–	–	–	–	–	–
	–	–	–	4,162,601	4,162,601	–

Analysis of impaired financial assets

The following table shows analysis of impaired financial assets.

	Group & Bank Amortised cost 31 December 2010 £	Group & Bank Provision on 31 December 2010 £	Group & Bank Net book value 31 December 2010 £
Loans and advances to banks	–	–	–
Loans and advances to customers (note 13)	1,785,106	725,941	1,059,165
	1,785,106	725,941	1,059,165

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28. Financial Risk Management (continued)

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

Group & Bank	<i>Group & Bank 31 December 2010 £</i>
Residential property	250,000
Commercial property	650,000
	900,000

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

Credit exposure by sector

Group & Bank	<i>Group Year Ended 31 December 2010 £'000</i>	<i>Bank Year Ended 31 December 2010 £'000</i>	<i>Group & Bank Nine Month Period Ended 31 December 2009 £'000</i>
Bank	813,844	813,788	870,706
Corporates	533,031	533,031	221,205
Individuals	60,244	60,244	49,990
	1,407,119	1,407,063	1,141,901

Credit exposure by location

Group & Bank	<i>Group & Bank Year Ended 31 December 2010 £'000</i>	<i>Bank Year Ended 31 December 2010 £'000</i>	<i>Group & Bank Nine Month Period Ended 31 December 2009 £'000</i>
Western Europe	512,299	512,299	479,550
Eastern Europe	214,101	214,101	109,175
Africa	473,482	473,426	432,520
Others	207,237	207,237	120,656
	1,407,119	1,407,063	1,141,901

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

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28. Financial Risk Management (continued)

The Group 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 (45%) (2009 - 55%) of the Group's total financial assets was to high quality financial institutions, the majority of which had ratings of between A and AAA.

As at 31 December 2010, the Group's maximum exposure to credit risk was £1,489m (2009 - £1,247m), of which £13.98m (2009 - £9.4m) 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 £143m (2009 - £204m) against which the Group held cash collateral of £61m (2009 - £74m). In addition, the Group had collateral of £121m (2009 - £149m) in respect of other credit exposures.

Generally, the Group 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 terms of the collateral agreements, cash deposits are charged to the Group 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 Group also pledged assets as collateral to secure trade related liabilities. The aggregate amount of assets pledged was £55.3m (2009 - £67.4m).

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 Group holding a combination of fixed and variable rate assets and liabilities that arise during the normal course of business. The tables summarise the variable rate assets and liabilities as at 31 December 2010 as a basis of disclosing the Group's interest rate sensitivity analysis.

Interest rate sensitivity analysis

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

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

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28. Financial Risk Management (continued)

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

Group	GBP £'000	USD £'000	EUR £'000	Other ccy £'000	Total £'000
As at 31 December 2010					
Total financial assets	349,226	990,152	63,562	4,179	1,407,119
Less: Fixed Rate assets	–	(389,718)	(13,233)	–	(402,951)
Total Variable Rate Assets	349,226	600,434	50,329	4,179	1,004,168
Total Financial Liabilities	501,795	657,383	39,215	754	1,199,147
Less: Fixed Rate Liabilities	(365,191)	–	–	–	(365,191)
Total Variable Rate Liabilities	136,604	657,383	39,215	754	833,956
Net Cash Flow Interest Rate Risk exposures	212,622	(56,949)	11,114	3,425	170,212
Possible movement in Libor/Euribor (bps)	100	150	100	100	–
Possible impact of increase in Libor/Euribor on profit/loss	2,126	(854)	111	34	1,417
Possible impact of decrease in Libor/Euribor on profit/loss	(2,126)	854	(111)	(34)	(1,417)

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28. Financial Risk Management (continued)

Bank

As at 31 December 2010	<i>GBP £'000</i>	<i>USD £'000</i>	<i>EUR £'000</i>	<i>Other ccy £'000</i>	<i>Total £'000</i>
Total financial assets	349,170	990,152	63,562	4,179	1,407,063
Less: Fixed Rate assets	–	(389,718)	(13,233)	–	(402,951)
Total Variable Rate Assets	349,170	600,434	50,329	4,179	1,004,112
Total Financial Liabilities	501,795	657,383	39,215	754	1,199,147
Less: Fixed Rate Liabilities	(365,191)	–	–	–	(365,191)
Total Variable Rate Liabilities	136,604	657,383	39,215	754	833,956
Net Cash Flow Interest Rate Risk exposures	212,566	(56,949)	11,114	3,425	170,156
Possible movement in Libor/Euribor (bps)	100	150	100	100	–
Possible impact of increase in Libor/Euribor on profit/loss	2,126	(854)	111	34	1,417
Possible impact of decrease in Libor/Euribor on profit/loss	(2,126)	854	(111)	(34)	(1,417)

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28. Financial Risk Management (continued)

Group & Bank

As at 31 December 2009	<i>GBP £'000</i>	<i>USD £'000</i>	<i>EUR £'000</i>	<i>Other ccy £'000</i>	<i>Total £'000</i>
Total financial assets	415,955	677,573	40,792	7,581	1,141,901
Less: Fixed Rate assets	(15,000)	(86,419)	(10,441)	–	(111,860)
Total Variable Rate Assets	400,955	591,154	30,351	7,581	1,030,041
Total Financial Liabilities	475,571	458,451	22,619	381	957,022
Less: Fixed Rate Liabilities	(291,546)	–	–	–	(291,546)
Total Variable Rate Liabilities	184,025	458,451	22,619	381	665,476
Net Cash Flow Interest Rate Risk exposures	216,930	132,703	7,732	7,200	364,565
Possible movement in Libor/Euribor (bps)	100	150	100	100	–
Possible impact of increase in Libor/Euribor on profit/loss	2,169	1,991	77	72	4,309
Possible impact of decrease in Libor/Euribor on profit/loss	(2,169)	(1,991)	(77)	(72)	(4,309)

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28. 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 Group to match the currencies and its assets and liabilities as far as practicable. It is also the policy of the Group 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 Group's net foreign currency exposures as at 31 December 2010 as a basis of disclosing the Group's foreign currency sensitivity analysis.

Foreign Currency Sensitivity

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in the Group'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 Group's profit or loss of reasonably possible changes in the currency exposures embedded within the functional currency environment that the Group operates in. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

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

Group & Bank

As at 31 December 2010

	US Dollar £'000	EUR £'000	Other currencies £'000
Net foreign currency exposures	3,812	(496)	(941)
Impact of 5% increase in FC: GBP rate	(191)	25	47
Impact of 5% decrease in FC: GBP rate	191	(25)	(47)

Group & Bank

As at 31 December 2009

	US Dollar £'000	EUR £'000	Other currencies £'000
Net foreign currency exposures	(397)	(303)	451
Impact of 5% increase in FC: GBP rate	20	15	(23)
Impact of 5% decrease in FC: GBP rate	(20)	(15)	23

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29. Liquidity risk

The Group is regulated in the United Kingdom by the Financial Services Authority (FSA) who set the required liquidity mismatch parameters. The Group 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 Group is to match the maturities and currencies as far as practicable for all (and particularly large) exposures or placements.

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

Group	<i>Not more than three months £'000</i>	<i>More than three months but not more than six months £'000</i>	<i>More than six months but not more than one year £'000</i>	<i>More than one year but not more than five years £'000</i>	<i>More than five years £'000</i>	<i>Total £'000</i>
As at 31 December 2010						
Liabilities						
Deposits by banks	608,855	–	–	–	–	608,855
Customer accounts	452,728	13,106	41,029	83,429	–	590,292
Other financial liabilities	47,738	–	–	–	–	47,738
Financial liabilities - derivatives	2,648	–	–	–	–	2,648
Subordinated liabilities	6	–	–	–	50,000	50,006
Off B/S items:						
Undrawn Loan Commitments	14,947	–	–	–	–	14,947
Total Liabilities	1,126,922	13,106	41,029	83,429	50,000	1,314,486

Bank	<i>Not more than three months £'000</i>	<i>More than three months but not more than six months £'000</i>	<i>More than six months but not more than one year £'000</i>	<i>More than one year but not more than five years £'000</i>	<i>More than five years £'000</i>	<i>Total £'000</i>
As at 31 December 2010						
Liabilities						
Deposits by banks	608,855	–	–	–	–	608,855
Customer accounts	452,728	13,106	41,029	83,429	–	590,292
Other financial liabilities	47,531	–	–	–	–	47,531
Financial liabilities - derivatives	2,648	–	–	–	–	2,648
Subordinated liabilities	6	–	–	–	50,000	50,006
Off B/S items:						
Undrawn Loan Commitments	14,947	–	–	–	–	14,947
Total Liabilities	1,126,715	13,106	41,029	83,429	50,000	1,314,279

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29. Liquidity risk (continued)

Group

As at 31 December 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
Liabilities						
Deposits by banks	456,808	–	–	–	–	456,808
Customer accounts	357,817	47,581	60,705	34,125	–	500,228
Other financial liabilities	69,574	–	–	–	–	69,574
Financial liabilities - derivatives	16	–	–	–	–	16
Subordinated liabilities	255	81	163	1,290	16,802	18,591
Off B/S items:						
Undrawn Loan Commitments	55,045	–	–	–	–	55,045
Total Liabilities	939,515	47,662	60,868	35,415	16,802	1,100,262

Bank

As at 31 December 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
Liabilities						
Deposits by banks	455,976	–	–	–	–	455,976
Customer accounts	357,817	47,581	60,705	34,125	–	500,228
Other financial liabilities	70,173	–	–	–	–	70,173
Financial liabilities - derivatives	16	–	–	–	–	16
Subordinated liabilities	255	81	163	1,290	16,802	18,591
Off B/S items:						
Undrawn Loan Commitments	55,045	–	–	–	–	55,045
Total Liabilities	939,282	47,662	60,868	35,415	16,802	1,100,029

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For the year ended 31 December 2010

30. Fair values of financial instruments (continued)

Categories of financial instruments

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

Group	Fair Value Year Ended 31 December 2010 £'000	Fair Value Period Ended 31 December 2009 £'000
Financial assets		
Cash at bank and in hand	16,805	7,136
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	23	549
Investment in Subsidiaries	–	–
Held-to-maturity securities	–	14,234
Available-for-sale financial assets	58,331	–
Loans and receivables	1,331,984	1,120,532
	1,407,143	1,142,451
Financial liabilities		
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	2,648	16
Amortised cost	1,249,153	973,712
	1,251,801	973,728

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30. Fair values of financial instruments (continued)

Bank

Financial assets

	Fair Value Year Ended 31 December 2010 £'000	Fair Value Period Ended 31 December 2009 £'000
Cash at bank and in hand	16,738	7,136
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	23	549
Investment in Subsidiaries	10	10
Held-to-maturity securities	–	14,234
Available-for-sale financial assets	58,331	–
Loans and receivables	1,331,984	1,120,532
	1,407,086	1,142,461

Financial liabilities

Fair value through profit and loss (FVTPL)		
Designated as FVTPL	2,648	16
Amortised cost	1,249,153	973,712
	1,251,801	973,728

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30. Fair values of financial instruments (continued)

Set out below is a year-end comparison of current and book values of all the Group'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.

Group	<i>Book Value Year Ended 31 December 2010 £'000</i>	<i>Book Value Period Ended 31 December 2009 £'000</i>	<i>Fair Value Year Ended 31 December 2010 £'000</i>	<i>Fair Value Period Ended 31 December 2009 £'000</i>
Financial assets				
Cash at bank and in hand	16,805	7,136	16,805	7,136
Loans and advances to banks	756,194	849,553	756,194	849,553
Loans and advances to customers	575,790	270,979	575,790	270,979
Investment in Subsidiaries	–	–	–	–
Held-to-maturity securities	–	14,263	–	14,234
Available-for-sale financial assets	68,279	–	58,331	–
Financial asset - derivatives	20	554	23	549
	1,417,088	1,142,485	1,407,143	1,142,451
Financial liabilities				
Deposits by banks	608,855	456,808	608,855	456,808
Customer accounts	590,292	500,228	590,292	500,228
Financial liabilities - derivatives	2,147	17	2,648	16
Subordinated liabilities	50,006	16,676	50,006	16,676
	1,251,300	973,729	1,251,801	973,728

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30. Fair values of financial instruments (continued)

Set out below is a year-end comparison of current and book values of all the Group'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 Year Ended 31 December 2010 £'000	Book Value Period Ended 31 December 2009 £'000	Fair Value Year Ended 31 December 2010 £'000	Fair Value Period Ended 31 December 2009 £'000
Bank				
Financial assets				
Cash at bank and in hand	16,738	7,136	16,738	7,136
Loans and advances to banks	756,194	849,553	756,194	849,553
Loans and advances to customers	575,790	270,979	575,790	270,979
Investment in Subsidiaries	10	10	10	10
Held-to-maturity securities	-	14,263	-	14,234
Available-for-sale financial assets	68,279	-	58,331	-
Financial asset - derivatives	20	554	23	549
	1,417,031	1,142,495	1,407,086	1,142,461
Financial liabilities				
Deposits by banks	608,855	455,976	608,855	455,976
Customer accounts	590,292	500,228	590,292	500,228
Financial liabilities - derivatives	2,147	17	2,648	16
Subordinated liabilities	50,006	16,676	50,006	16,676
	1,251,300	972,897	1,251,801	972,896

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30. Fair values of financial instruments (continued)

Fair value measurement recognised in the statement of financial position

The following tables provide an analysis of financial instruments for the Group that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

Group	Year Ended 31 December 2010 Level 1 £'000	Year Ended 31 December 2010 Level 2 £'000	Year Ended 31 December 2010 Level 3 £'000	Total £'000
Financial assets at FVTPL				
Available-for-sale financial asset	58,331	–	–	58,331
Financial asset - derivatives	23	–	–	23
	58,354	–	–	58,354
Financial liabilities at FVTPL				
Financial liabilities - derivatives	2,648	–	–	2,648
	2,648	–	–	2,648

Bank	Year Ended 31 December 2010 Level 1 £'000	Year Ended 31 December 2010 Level 2 £'000	Year Ended 31 December 2010 Level 3 £'000	Total £'000
Financial assets at FVTPL				
Available-for-sale financial asset	58,331	–	–	58,331
Financial asset - derivatives	23	–	–	23
	58,354	–	–	58,354
Financial liabilities at FVTPL				
Financial liabilities - derivatives	2,648	–	–	2,648
	2,648	–	–	2,648

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30. Fair values of financial instruments (continued)

Group	<i>Period Ended 31 December 2009 Level 1 £'000</i>	<i>Period Ended 31 December 2009 Level 2 £'000</i>	<i>Period Ended 31 December 2009 Level 3 £'000</i>	<i>Total £'000</i>
Financial assets at FVTPL				
Financial asset - derivatives	549	–	–	549
	549	–	–	549
Financial liabilities at FVTPL				
Financial liabilities - derivatives	16	–	–	16
	16	–	–	16

Bank	<i>Period Ended 31 December 2009 Level 1 £'000</i>	<i>Period Ended 31 December 2009 Level 2 £'000</i>	<i>Period Ended 31 December 2009 Level 3 £'000</i>	<i>Total £'000</i>
Financial assets at FVTPL				
Financial asset - derivatives	549	–	–	549
	549	–	–	549
Financial liabilities at FVTPL				
Financial liabilities - derivatives	16	–	–	16
	16	–	–	16

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31. Pension costs

The Group operates a defined contribution pension scheme for staff and contributions were made during the year totalling £318,822 (2009 - £241,617). This amount forms part of total staff costs recorded under administrative expenses.

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

32. Ultimate parent company and controlling party

The ultimate parent company and controlling party is 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 Bank 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.

33. Dividend paid

During the year a dividend payment of £5,000,000 was made in respect of the year ended 31 December 2010 (2009 - £nil). The dividend paid, was agreed and passed by the board. (41% of estimated profit after tax).

