

Chairman's introduction



Oba Otudeko, CFR
Group Chairman

How do we govern for long-term sustainability?

Lessons learnt from corporate governance failures such as Enron, WorldCom, Sunbeam and Cadbury emphasise the importance of strict adherence to the principles of good corporate governance for the achievement of long-term sustainability. Failures of the Boards of the aforementioned companies exemplify what may result when leaders fail to instil a principled approach from the top. For us this highlights, more than ever, that the entire structure for good corporate governance is best initiated and monitored in the boardroom. Compliance with corporate governance practices by the Board is guaranteed to be cascaded down to the lower echelons of the business.

We recognise that the task of embedding high standards of corporate governance is never complete; yet, we remain committed to embedding the same high standards across the Group. This, we believe, will help us perform well in our chosen markets, ultimately resulting in a higher return on capital relative to cost.

Across the Group, we remain committed to our oversight function and long-term monitoring of good corporate governance practices. These practices not only keep us ahead of the competition, they also ensure the sustainability of our business.

The creation of FBN Holdings Plc ('Group' or 'FBN Holdings') is the culmination of a long journey. As far back as 2009, ahead of the repeal of universal banking by the Central Bank of Nigeria (CBN), the FirstBank Group recognised the need to reappraise and strengthen its Group operating model to enable stronger coordination and alignment across subsidiaries, through a holding company structure. The directive by the CBN ensured that the process was fast-tracked, resulting in the creation of FBN Holdings Plc.

The implementation of this holding company structure is geared towards driving operational efficiency, supporting growth strategies and increasing shareholder value in the long run, while also ensuring compliance with the guidelines issued by the CBN for the separation of banking and non-banking financial services businesses.

The new structure streamlines the Group's operating model, permitting the Group to better serve key market segments, provide clarity on the conduct of banking business, deliver superior and increasingly personalised services to customers and drive value for shareholders. The new holding company will ensure strategic, operational and brand synergies are maintained, whilst underlining renewed management focus on all customer segments.

Our governance framework

All the companies within the Group have distinct Boards and comply with the statutory and regulatory requirements of the industries in which they operate. They are also required to align their respective governance frameworks to that of the Group. We will monitor compliance with this by means of regular management reports, which are expected to include information on the outcome of any significant interaction with key stakeholders.

As the holding company structure of the Group has only recently been established, we shall spend considerable time and effort in the coming year putting in place structures to ensure strict observance of global best practices in corporate governance, including making key appointments from within and outside the Group to aid coordination within the Group.

We will be regulated by the Securities and Exchange Commission (SEC)'s Code of Corporate Governance and any other regulations stipulated by the CBN.

Establishment of a Statutory Audit Committee

As part of the overall oversight of the Group and in order to ensure that we achieve accountability to our shareholders, we shall establish the Statutory Audit Committee (Audit Committee). The provisions of the Companies and Allied Matters Act (CAMA) make it mandatory for all public companies to have in place an Audit Committee to be chosen at the Company's Annual General Meeting (AGM). The first AGM of the Group post-conversion to a holding company has been scheduled for later in the year and we expect to actualise the formation of the Audit Committee at that meeting.

Reporting standards and quality of financial disclosure

We attach a high level of importance to the quality of disclosure in our annual report and accounts. We have provided information not just on the financial, but also on the non-financial aspects of our business. This diligence, going beyond the requirements of CAMA, is aptly exemplified by one of the Group's subsidiary companies, FirstBank, which is widely recognised as having the most comprehensive disclosures in its annual report.

As part of enhancing transparency and disclosure in our financial reports, the Group has adopted the International Financial Reporting Standards (IFRS) (in line with the adoption of the Nigerian Accounting Standards Board (NASB) Roadmap on the IFRS by the Federal Executive Council that stated that companies and other corporate bodies in the country would prepare their accounts in accordance with the IFRS from January 2012), thus aligning with the strongest global standards of transparency in financial reporting. The adoption of the IFRS will enhance shareholder value and bring added benefits to our business relationships with our overseas correspondent banks, multilateral organisations and international investors that require financial statements to make informed decisions about the Group.

Gender diversity

The current composition of the Group's Board is wholly male. Consideration will be given to future appointments to ensure the Board achieves gender balance.

Succession planning

Due to the recent formation of the Group, a clear framework for the Group Board's succession planning is yet to be developed. It should be noted, however, that the boards of all subsidiary companies across the Group are comprised of individuals with board experience and knowledge and skills that make them capable of filling vacancies that may arise on the Board of the holding company. The Board will develop a formal policy in this regard.

Corporate social responsibility (CSR)

For us as a Group, our approach to CSR is concerned with how we conduct our business with regard to all our activities, and this includes operating ethically and fairly in our dealings with all stakeholders as well as sustainably impacting the communities in which we operate. We intend to impact our society by providing socially responsible products and services; enabling sustainable growth through our projects in the areas of leadership, education, youth empowerment, and health; and building connections with our stakeholders through active engagement. The Group's CSR initiatives will be implemented principally through each subsidiary company which has a framework in place.

2013 Board focus

The priorities of the Board for the coming year shall be influenced and determined by the role of the Group in supervising its subsidiaries. The primary focus of the Board, therefore, shall be to ensure maximisation of shareholder value through optimal allocation of financial, capital and human resources effectively across companies within the Group, and efficient coordination to enhance Group synergy.

We plan, where necessary, to restructure some of our subsidiary companies to ensure they provide adequate contribution to consolidated earnings and to adjust our equity exposure to such companies based on our assessment of whether or not they are able to meet centrally defined operational and financial targets.

It shall also be our priority to establish a policy framework for the Group, and to monitor the policies of all subsidiaries to ensure alignment. Our policies' procedures are entrenched and controls are in place to avoid concentration of risks on a consolidated basis.

We have begun the process of operationalising the holding company structure by appointing a Group Chief Executive Officer (CEO), Bello Maccido. We shall continue this process by setting risk-based and absolute limits related to exposure to industries and, where applicable, market and foreign currency risk as well as exposure to risk concentrations for the Group.

2013 Board priorities:

The priorities of the Board for 2013 shall be as follows:

- to facilitate the actualisation of identified Group synergies across the business groups;
- to maximise revenue through the monitoring of the implementation of the Group strategy;
- to implement the Group-wide risk management framework;
- to recruit key staff for the holding company;
- to appoint an independent director;
- to ensure effective capital allocation between the subsidiaries as well as efficient capital investment; and
- to encourage interlocking directorship on the Boards of subsidiaries in the Group, in particular by the Group CEO.

Statement of compliance

HoldCo is a public limited liability company and therefore subject to the jurisdiction of the SEC Code of Corporate Governance. Save for the breach of the Code stated below, we are compliant with the relevant provisions of the SEC Code except that in the case of any conflict between the provisions of the SEC Code and any other code regarding any matter, the HoldCo will defer to the provisions of the SEC Code.

Breach of the Code

We are not in compliance with the SEC Code at the moment with respect to the minimum number of independent directors. There is presently no independent director on the Board, while the SEC Code requires at least one independent director on the Board. This is explained by our start-up status and is being addressed to comply with the Code.

Concluding remarks

I, on behalf of the Board, confirm that we shall adopt a rigorous approach towards ensuring compliance with the best corporate governance practices as we realise this is crucial to ensuring the Group's long-term sustainability. We understand that good governance drives good performance, lays the foundation for the way in which we operate and ensures that our stakeholders receive maximum yield for their investments. We shall strive to achieve the objective of a rigorous approach to comply with best practices.



Oba Otudeko, CFR
Group Chairman