
CHAIRMAN'S INTRODUCTION



Oba Otudeko, CFR
Group Chairman

DEAR SHAREHOLDER,

Over the course of 2013, despite challenging circumstances, we endeavoured to hold true to our long-term values. We were unrelenting in our adoption of a sustainable approach to governance, while striving to do the right thing for our stakeholders. We recognise the strength of our culture and values are more important than ever.

We understand our brand's perception is steeped in the knowledge of our strong corporate values and governance. With good corporate practices demonstrating our commitment and dedication, we raised the bar and set the tone for other companies in our industry.

We fully comprehend our responsibilities to clients, customers, staff, communities in which we operate and the general public. We shall remain unrelenting in our discharge of these duties and continue to meet and exceed the expectations of our stakeholders.

OUR CULTURE

Culture is brought to life by values and it encompasses the consequential strategic growth of our Group. Just as with strategy, the Board plays a major role in shaping our culture and in setting out the principles and values that will drive long-term success. In addition, we believe it is the duty of the Board to ensure these common objectives of both the management and the Board are implemented throughout the institution.

Within the Group, we recognise the value of diversity in our colleagues from a broad and representative mix of backgrounds and experiences as different perspectives allow us to see and develop new opportunities. We promote internal initiatives to support diversity and inclusion within the Group and we realise we can only achieve our strategic objectives by building a sound reputation founded on the highest standards of responsible behaviour.

OUR GOVERNANCE FRAMEWORK

All companies within the Group have distinct boards and comply with the statutory and regulatory requirements of the industries in which they operate. They align their respective governance frameworks to that of the Group.

Considerable time and effort was spent in 2013 in putting in place structures to ensure strict observance of global best practices in corporate governance, including making key appointments from inside and outside the Group to aid coordination within the Group.

In last year's report, we outlined our Board succession plan and have taken a long-term approach to refreshing the Board, balancing both our need to maintain longevity and stability of the Board, while regularly refreshing its composition. As part of this plan, in the year under review, we announced the appointment of an independent director - Mr Chidi Anya - a seasoned legal practitioner to the Board. His appointment has added significant legal experience to the Board, as well as bringing fresh perspectives and diverse experience.

Throughout the transition period, we are mindful to ensure the overall size of the Board remains at an effective and manageable level, although we recognise it is likely to increase in the coming year.

We appreciate and encourage diversity and inclusion in all its forms - including gender, age and ethnicity - underpinned by a strong ethos of meritocracy. It is important our employees and leadership teams are representative of our markets, stakeholders and client profile. Although not in favour of quotas, in formulating our Board succession plan we have been mindful to ensure we continue to enhance the Board's diversity through future appointments.

We are regulated by the Securities and Exchange Commission's (SEC) Code of Corporate Governance and the Central Bank of Nigeria's (CBN) Code of Corporate Governance on 'other financial institutions'. The latter is yet to come into effect, hence the Group will be principally governed by the former code. We shall however use the CBN Code of Corporate Governance for Banks (CBN Code) as a guide from time to time.

We are pleased to state that for the year under review, we had no breach or sanctions imposed by any of our regulatory bodies.

HOW IS GOOD GOVERNANCE ACHIEVED?

Good and effective corporate governance is, to a large extent, dependent on the skills and experience of individuals on the Board and how well they work together as a whole to achieve long-term value for shareholders. A great deal is demanded and expected of our directors, particularly given the systemic importance of financial institutions such as ours to the global economy and the impact we have on the societies in which we operate.

As Chairman, I am responsible for the effective performance of the Board and, in that regard, one of my areas of focus since joining the Board has been to ensure we have a strong and well-functioning Board, comprised of individuals not only with the right abilities in terms of technical or business experience, but also with the personal qualities required to be effective, dedicated and committed stewards to the Company, particularly in times of stress. I was closely involved in the process of appointing the Group Chief Executive Officer and I am confident that, in appointing Bello Maccido, we have the right person to lead the Company, to deliver on our strategies and objectives and to implement the significant cultural and behavioural changes that we, as a Board, want to achieve.

We have revisited the range of skills and competencies we require around the boardroom and what the Board needs to have are non-executive directors with financial services experience and also access to other skills and experiences, particularly in the management of various companies across the Group.

HOW DO WE GOVERN FOR LONG-TERM SUSTAINABILITY?

We acknowledge that good governance practices are best initiated and observed in the boardroom. Hence, we shall ensure that the 'tone at the top' promotes good corporate governance. As a Board, we will continue to demonstrate good corporate governance practices and ensure this permeates through the business structure.

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

Across the Group, we shall continue to ensure that ethical practices are not substituted with sharp dealings and we will also remain unrelenting in upholding values whilst doing business. These practices not only keep us ahead of the competition, they also ensure the sustainability of our business.

ESTABLISHMENT OF A STATUTORY AUDIT COMMITTEE

As promised in the 2012 report, in order to achieve accountability to our shareholders, we established the Statutory Audit Committee (SAC) in accordance with the Companies and Allied Matters Act (CAMA). The SAC is composed of the following:

- Waheed Adegbite
- Abubakar Yahyah
- Job Onwughara
- Lt. General Garba Duba, (rtd)
- Oye Hassan-Odukale, MFR
- Chidi Anya

The SAC is tasked with overseeing financial reporting and disclosure and has met three times since its inauguration.

REPORTING STANDARDS AND QUALITY OF FINANCIAL DISCLOSURE

We continue to attach great importance to disclosure. As part of enhancing transparency and disclosure in our financial reports, the Group has adopted the International Financial Reporting Standards (IFRS); thus aligning with the strongest global standards of transparency in financial reporting. The adoption of IFRS will enhance shareholder value and bring added benefits to our business relationships with our overseas correspondent banks, multilateral organisations and international investors who require financial statements to make informed decisions about the Group.

THE NIGERIA STOCK EXCHANGE/CONVENTION FOR BUSINESS INTEGRITY CORPORATE GOVERNANCE RATING SYSTEM

In 2013, we became one of the first companies to participate in the pilot stage of the Corporate Governance Rating System, anchored jointly by The Nigeria Stock Exchange and The Convention for Business Integrity. The rating system is intended to strengthen good corporate governance practices in the financial industry by publishing to the public a company's level of compliance with governance practices. Our participation reiterates our unwavering commitment to transparency and accountability.

CONCLUDING REMARKS

On behalf of the Board, I reaffirm our commitment to adopting the highest standards of corporate governance practices as we bid to ensure the Group's long-term sustainability. In recognising the immense impact that good governance has on the performance and operations of the Group, we will go to great lengths to ensure the continual observance of good corporate governance practices at all levels across the Group.



Oba Otudeko, CFR
Group Chairman