

# CHAIRMAN'S INTRODUCTION



*“ As a Board we realise that there is no better time than now to stay true to the strong ethics for which we have been renowned, and to hold firm to best corporate governance practices. ”*

## DEAR SHAREHOLDER,

**You will agree with me that 2015 was a deeply challenging year for us as a business, the economy and the country at large. The year witnessed a significant and sustained drop in the price of Nigeria's main export, crude oil, which resulted in a weakened Naira, restrictive monetary policy in the management of foreign exchange, depletion in the foreign reserves, an austere economy and uncertainties occasioned by the general elections. These challenges have worsened the risk profile of the country, heightened vulnerability and fuelled capital flight as evidenced by the persistent bearish trend in the capital market.**

### 2015 in review

The Nigerian capital market was severely impacted by earlier mentioned factors, which resulted in significant portfolio flight, consistent with the trend in other commodities exporting emerging markets in particular, as investors shifted allocation to developed markets.

In spite of the challenging environment, there were positives for the Group in 2015. FBN Holdings Plc was admitted to the Premium Board of the Nigerian Stock Exchange, a platform for first-line listed companies in Nigeria. This was in recognition of the strength of our corporate governance practices and decades of unwavering support for the growth of the Nigerian Capital Market. We consider this recognition a duty call to continue to provide exemplary leadership in the market and further raise the stake in the observance of good corporate governance practices. The entire Board and Management of FBN Holdings Plc are fully aligned and resolute in our objective to continue to set the highest standards in good corporate governance practices.

We understand fully that adherence to good governance practices will provide us with a foundation to realise the benefits in-built in our extensive footprint, rich heritage, extended offerings and public goodwill. We have intensified our oversight function in ensuring the extraction of synergies intrinsic to our diversified operations across markets and geographies, as well as over 10.9 million active customer accounts. In the second half of the year, we took the bold decision to further enhance the breadth of our service offerings to the market by acquiring a investment banking licence via the acquisition of Kakawa Discount House Limited and also renamed our general insurance business as part of the post-acquisition integration process subsequent to the acquisition of Oasis Insurance Plc (now FBN General Insurance Limited). With these acquisitions, we have significantly enhanced the resilience of our structure and diversified our earnings base to reduce our reliance on the commercial banking business. In addition, our cross-border commercial banking operations, led by FBNBank (UK) Limited, will further ensure that we are, to a large extent, cushioned against country-specific risks. All of these are geared towards the realisation of our aspiration to become the foremost financial institution in Sub-Saharan Africa, irrespective of today's circumstances and the challenging macroeconomic backdrop.

### Our short to medium term plan

Nigeria faces a challenging near-term outlook. Commodity prices are expected to stabilise but remain low through 2017. Notwithstanding the challenges, a more stable political environment and increased government spending on social welfare and infrastructure are expected to support growth in 2016.

As a Group, we acknowledge our peculiar challenges in addition to the general macroeconomic difficulties, particularly as it relates to the significant drop in oil price and its effect on the macroeconomic indices of Nigeria and other emerging economies. Our performance for the financial year 2015 was negatively impacted by very high impairment charges on the loan book in our commercial banking business.

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As a result, we have had to review extensively our overall risk management framework, as well as practices, particularly as it relates to credit risk management. Delegated lending limits have been reduced across the board, with increased Board oversight. Risk appetite and framework have been reviewed to capture the desired change in our risk management practice, which should see stronger obligors, a reduction in new non-performing loan formation, strengthened monitoring and management of the loan book. The credit monitoring and remedial management functions are being strengthened for proactive credit portfolio management. Furthermore, during the year, the Group Enterprise Risk Management (ERM) framework was approved, and is being embedded across the Group. This will, in no small measure, further strengthen our risk management practices. In addition, an aggressive recovery plan has been put in place, and is being driven by the Board.

I recognise the existing mismatch between the actual value and potential value derivable from our huge asset base, particularly the risk assets of the Commercial Banking group. I have the commitment of the Board as well as Management that we will not only weather the storm, but emerge stronger, more resilient and better equipped for the next phase of our growth story. A detailed diagnostic of root causes has been carried out and key initiatives, both tactical and strategic, to aggressively reposition and improve the performance of the business are being implemented. I expect that this will improve the quality of our assets, enhance the quality of our earnings, improve our efficiency, impact our risk-adjusted return and drive disciplined cost-containment strategy and optimal extraction of synergies, central to our immediate strategy.

Today, synergy identification and realisation initiatives have been escalated to the Group Executive Committee (GEC), the highest organ of management in the Group, and directly under the Board's radar. Consequently, the performance management framework has been remodelled across the Group to ensure that executive management is measured on cross-sell and cost synergy. Synergy champions have been appointed at senior management levels across all operating companies, with the responsibility to drive cross-sell across the Group and cascade synergy measurement to the lower level for the purpose of entrenching the 'one-stop' boutique agenda.

Our resolve to do business the 'proper' way is unremitting. Our pledge to our shareholders, therefore, is to always ensure that in the discharge of our duties, we shall endeavour to deliver on our promises and exceed your expectations.

### Our governance framework

Our governance framework is in line with global best practices and in compliance with the regulations and codes of corporate governance. Our oversight functions are discharged through the Boards of Directors of all operating companies within the Group. All operating companies have distinct Boards and ensure compliance with the statutory and regulatory requirements of the sectors in which they operate.

At the Holding Company and in the other operating entities, the Boards operate through various committees which are constituted in adherence to the various codes and regulations. Our robust framework ensures a good blend of Board autonomy and Group coordination at the operating company level.

### Board changes during the year

Since the last Annual General Meeting of FBN Holdings Plc, there have been three retirements and three appointments to the Board.

During the year, Abdullahi Mahmoud, Bisi Onasanya and Bello Maccido retired from the Board, effective 31 December 2015. On behalf of the Board, I would like to place on record our gratitude to Bello Maccido, the pioneer Group Chief Executive Officer of FBN Holdings Plc, who laid the solid foundation upon which future successes of the Group will be built. Bello Maccido joined the Board of our newly licensed investment bank, FBN Merchant Bank Limited, as the pioneer Chairman, effective 1 January 2016. His replacement as Group Managing Director, FBN Holdings, Urum Kalu (UK) Eke, MFR, was until his appointment, the Executive Director, South, First Bank of Nigeria Ltd. UK is a highly experienced business administrator with deep financial services industry experience spanning diverse areas including business assurance, business development, risk management and capital market operations. UK is best equipped to lead us at this time.

Consistent with our objective of deepening the experience base of the Board, balancing our need to maintain the Board's longevity and stability, and regularly refreshing its composition, we effected the appointment to the Board, subject to your approval, of Muhammad Kabiru (MK) Ahmad. MK Ahmad is a seasoned administrator and his appointment has brought significant and diverse experience to the Board. In the same vein, Dr Adesola Adeduntan, the newly appointed Managing Director of First Bank of Nigeria Limited and its Subsidiaries, was appointed to replace Bisi Onasanya on the Board as a non-executive director subject to your approval at the AGM.

### How is good governance achieved?

Effective corporate governance practices are largely dependent on the skills, integrity and experience of individuals on the Board and how well they are committed to doing business in accordance with global best practices.

As Chairman of the Board, I am responsible for ensuring that the Board performs effectively. In that regard, one of my areas of focus since joining the Board has been to ensure that the FBN Holdings Board, and indeed the boards of the operating companies, are strong and well functioning, composed of individuals who possess not only the right technical abilities and business experience, but also the personal qualities required to be effective, dedicated and committed stewards of the Company. A review of the current composition across the boards of the various operating companies will reveal these qualities.

We acknowledge that good governance practices are best initiated and observed in the boardroom. Hence, our 'tone from the top' will consistently be driven to encourage adherence to good corporate governance practices across the Group to keep us ahead of competition and ensure the sustainability of our business.

As with the preceding year, in 2015, FBN Holdings Plc as a stand-alone company, had no sanctions imposed by any of its regulatory bodies. However, two of our subsidiaries, First Bank of Nigeria Limited and FBN Capital Limited, were fined by their respective regulators for different infractions. Internally, we have reinforced our compliance processes to safeguard against future reoccurrence of such regulatory breaches.

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### Quality of disclosure

We do not take lightly our responsibility to shareholders and the investing public with respect to providing the market with timely and quality information. To this end, we continually enhance transparency and disclosure in our financial reports, and other communications to the market, ensuring that our reports are detailed and comprehensive enough to provide shareholders with sufficient context and help the investment decision process.

**OUR RESOLVE TO DO BUSINESS THE  
'PROPER' WAY IS UNREMITTING.**

**AS A BOARD, WE FULLY COMPREHEND  
OUR RESPONSIBILITIES TO SHAREHOLDERS,  
CUSTOMERS, STAFF, THE COMMUNITIES  
IN WHICH WE OPERATE AND THE  
GENERAL PUBLIC.**

### Our corporate culture

We understand that our corporate culture is influenced by the Board, brought to life by Management, and distilled Group-wide to drive our long-term business model. Within the Group, we recognise the value of diversity in our employee base that comes from a broad and representative mix of background and experience, 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.

### Conclusion

These are trying times for our Company, the financial services industry and the economy at large. However, we are resolute in our desire and commitment to emerge stronger and more resilient. Dear shareholders, this is not the time to panic. You can be assured that, as a Board, we remain steadfast in ensuring that our processes are continually improved upon and that the Board, Management and employees internalise the implementation of the highest standards of corporate governance practices which will guarantee our Group's long-term sustainability.



**Dr Oba Otudeko, CFR**

Group Chairman, Board of Directors