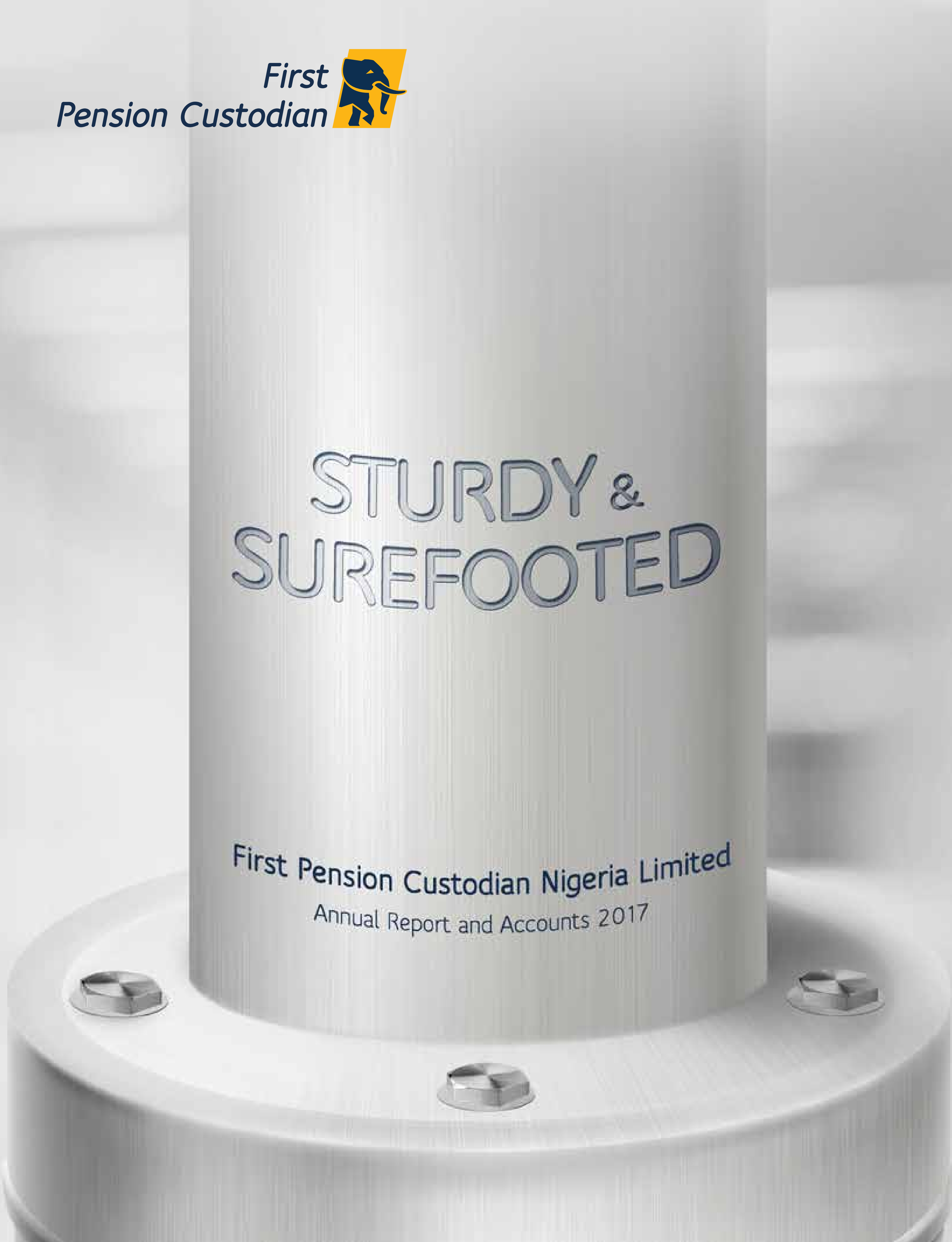
First
Pension Custodian



STURDY & SUREFOOTED

First Pension Custodian Nigeria Limited

Annual Report and Accounts 2017

IN THIS REPORT

The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries, which includes First Pension Custodian Nigeria Limited. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other financial services' sector on 26 November 2012 and has issued and fully paid-up share capital as 35,895,292,792 ordinary shares of 50kobo each (₦17,947,646,396). In this report, the abbreviations '₦mn', '₦bn' and '₦tn' represent millions, billions and trillions of naira respectively.

FBN Holdings Plc is structured along the following business groups, namely: Commercial Banking, Merchant Banking and Asset Management and Insurance.

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited and First Pension Custodian Nigeria Limited. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business.

- The Merchant Banking and Asset Management business consists of FBNQuest Merchant Bank and FBNQuest Capital Limited. The subsidiaries of FBNQuest Merchant Bank Limited include: FBNQuest Asset Management Limited and FBNQuest Securities Limited while the subsidiaries of FBNQuest Capital Limited include: FBNQuest Trustees Limited, FBNQuest Funds Limited and FBNQuest Capital Partners Limited.

- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.

This report encompasses First Pension Custodian Nigeria Limited. Unless otherwise stated, the profit or loss statement analysis compares the 12 months to December 2017 to the corresponding 12 months of 2016, and the statement of financial position comparison relates to the corresponding position at 31 December 2016. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or the International Financial Reporting Standards (IFRS) are explained in the glossary or abbreviation section of this report. This report is also available online at www.firstpensioncustodian.com/download/2017 financial report.

Shareholders will receive a compact disc (CD) containing the Annual Report and Accounts for FBN Holdings Plc, as well as information on outstanding dividend claims and a list of all our business locations. There will be an option to view a navigable PDF copy of the FBNHoldings report as well as PDFs of certain subsidiary reports at the download centre of the Investor Relations section of the FBNHoldings website. A CD will be available on request by contacting FBN Holdings Plc Investor Relations department, Samuel Asabia House, 35 Marina Street, Lagos.

Due to rounding, numbers presented throughout the report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

INTRODUCTION

We are one of the foremost pension custodians in the Nigerian pension industry. Our business model is focused on building a sustainable business as a pension fund custodian, simultaneously creating long-term value for our shareholder and supporting our clients to achieve their operational objectives. The business structure reflects our strategy for sustainable profitable growth through an effective service-oriented approach to customers and delivering better shareholder's return.

OUR BUSINESS

OVERVIEW

First Pension Custodian Nigeria Limited (FPCNL) is one of the foremost pension custodians in the Nigerian pension industry. We are a wholly owned subsidiary of First Bank of Nigeria Limited (FirstBank), the principal bank subsidiary of FBN Holdings Plc.

WHO WE ARE

The principal activity of FPCNL as a pension fund custodian is to provide a wide range of custody services covering our assigned responsibilities under the Pension Reform Act 2014, in addition to our boutique of global services.

WHAT WE DO

With the current world evolution, innovation has become crucial to the continuing success of any organisation. At FPCNL, we have translated our understanding of ideas and innovations into services that create value enjoyed by our esteemed clientele vide our people and technology. We offer our clients a full spectrum of custodial services, all designed to meet their business needs. Our overriding priority is to be the leader in customer services, driven by superior customer insight and cutting-edge relationship management.

We have a strong focus on understanding and responding to our customers' various requirement and offer bespoke solutions. This is achieved through the efficient use of information technology and dedicated staff, as well as various initiatives aimed at developing value-added services (VAS).

OUR MISSION, VISION AND CORE VALUES

OUR MISSION

To provide best-quality custodial services and optimum protection of contributors' assets.

OUR VISION

True to our name, to be the custodian of first choice.

OUR CORE VALUES

Integrity:
We uphold the highest levels of business ethics and personal integrity

Excellence:
Delivery of superior customer-value proposition and excellenct customer satisfaction.

Teamwork:
We believe that working as a team is an important source of competitive advantage.

Professionalism:
The skills and expertise of our people and shared values.

OUR BUSINESS

FBN HOLDINGS PLC (FBNHOLDINGS)

COMMERCIAL BANKING

First Bank of Nigeria Limited

- FBNBank (UK) Limited
- FBNBank DRC Limited
- FBNBank Ghana Limited
- FBNBank The Gambia Limited
- FBNBank Guinea Limited
- FBNBank Sierra Leone Limited
- FBNBank Senegal Limited
- First Pension Custodian Nigeria Limited

MERCHANT BANKING AND ASSET MANAGEMENT

FBNQuest Merchant Bank Limited

- FBNQuest Asset Management Limited
- FBNQuest Securities Limited

FBNQuest Capital Limited

- FBNQuest Trustees Limited
- FBNQuest Funds Limited
- FBNQuest Capital Partners Limited

INSURANCE

FBN Insurance Limited

- FBN General Insurance Limited

FBN Insurance Brokers Limited

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

GROSS EARNINGS

2016
₦5.55bn

₦7.81bn

41%

PROFIT BEFORE TAX

2016
₦4.05bn

₦5.77bn

42%

ASSETS UNDER CUSTODY

2016
₦2.51tn

₦3.04tn

21%

RETURN ON AVERAGE ASSETS

2016
27.7%

35.4%

7.7%

EARNINGS PER SHARE

2016
141kobo

218kobo

55%

PROPOSED DIVIDEND

2016
113 kobo

174kobo

54%

NON-FINANCIAL HIGHLIGHTS

OUR CORPORATE VALUES

Our customers are at the heart of everything we do, and we continually embark on initiatives aimed at improving their experience. We are focused on maintaining a culture of doing the right things, all the time, for our customers, our shareholder, our employees and the communities in which we do business. We place premium on offering services that adds value, in the right way, with consistent standards of quality and compliance assurance across our customer base. We also strive to create an inclusive and diverse workforce by having a strong focus on respect for different perspectives. Our capability resides in the knowledge, expertise and relationships of our people. We are committed to properly training and developing our people to enable them grow and succeed, throughout their careers. We operate an open door policy for our employees direct to Top Management to air their views and obtain appropriate feedback.

Opinions and feedback from clients are valuable source of information to improving our business and generating new solutions to meet our clients' evolving needs. We are committed to handling all customer complaints and ensure that all complaints are dealt with promptly. This demonstrates the Company's commitment to treating customers fairly and ensuring the best risk mitigation practices. Controls have been put in place so that any systematic problems can be identified and corrective action taken.

SERVICE DELIVERY AND OPERATIONAL EFFICIENCY

We maintained high standards of customer service delivery and operational efficiency throughout the year. To ensure realisation of our strategic objectives, the Company continued the practice to always upgrade its technology aimed at ensuring a more efficient internal processing and working environment. In 2017, we leveraged technology for the enhancement of customer payment portals, complaint management framework, prompt issues resolution and performance monitoring. This is to drive improvement in service performance and improve customer complaints resolution. This, expectedly will translate to customer retention and open opportunities for new businesses.

We continuously seek to deliver improved and sustainable returns by focusing on areas of competitive advantage.

LEADERSHIP

We have a highly skilled and experienced Board and Management team. Our employees are all groomed to be amongst the best in their areas of expertise, and together with the Management team, are encouraged to shape the future of FPCNL. We place priority on the well-being of our staff and continue to invest in them, including, but not limited to career development, enhanced benefits packages, and an approach that rewards performance. We aim for all our staff to feel a sense of belonging and that they are making a positive impact with their contributions to the Company.

An Executive Director was appointed in December 2017, to further enhance and strengthen both Management and Board capabilities and position the Company for future growth.

CHAIRMAN'S STATEMENT

"Going into 2018, growth projections remain positive as long as the recent improvement in oil production and global oil price is sustained."

Umar Yahaya
Chairman

In my last statement for the year 2016, I expressed our determination to improve the overall efficiency of our Company, to be reflected by strong financial performance, ethics and people values. It is again my pleasure to present to you our annual report and financial statements for the financial year ended 31 December 2017 and our outlook for the year 2018.

THE OPERATING ENVIRONMENT

Global economy

A decade after the sub-prime mortgage crises that plunged the world into one of the worst financial meltdowns of the century, advanced economies seem to all be on the path of recovery. Macroeconomic parameters appear positive with the global economy now more resilient to withstand shocks, including commodity, cyclical bust and boom and fundamental terrorism. The sovereign debt crisis of confidence that spread from Spain to the basket case of Greece has all but abated.

Based on an atmosphere of cautious optimism, many central banks have commenced the gradual unwinding of the coordinated quantitative easing stimulus packages of the last 10 years.

Pickups in investment, trade, and industrial production, in addition to stronger business and consumer confidence, supported the recovery. With early 2018 growth generally stronger than expected, upward revisions to projections for the euro area, Japan, China, emerging Europe, and Russia more than offset downward revisions for the United States, the United Kingdom and India.

With its strongest growth in a decade, the euro area outpaced other major developed economies this year and was up on previous forecasts. The OECD forecasted a growth of 2.4% for the euro area in 2017, dropping to 2.1% in 2018. Even the United Kingdom, which dropped to the bottom of the Group of Seven growth league, performed a little stronger than expected.

The year 2017 has been an eventful year in which the US Federal Reserve continued its tightening cycle, saw the Bank of England raising interest rates for the first time in more than 10 years, witnessed the relentless surge of bitcoin and OPEC's strategic alliance with Russia in what has been a successful attempt to prop up oil prices and ensure an acceptable positive cash flow for oil producers.

The outlook for the global economy in 2018 is positive, supported by loose monetary conditions. The US President, Donald Trump has pledged to increase infrastructure spending as a pro-cyclical complement to the stimulus effect of the tax reform bill – which will lower the tax burden and boost both consumer and investment spending. Markets have rallied in anticipation of these policies and now expect faster economic growth, higher inflation and higher interest rates in 2018. Going into 2018, the main risks to the global outlook are political, including the struggling NAFTA negotiations, the increasingly hawkish, protectionist stance of the Trump administration and its consequence on international free trade flows, North Korea's nuclear ambitions and the middle east situation.

CHAIRMAN'S STATEMENT

The Nigerian economic environment

The first half of 2017 was marked by continued economic slowdown occasioned by the decline in oil prices and the recession that carried over from 2016. However, after five consecutive quarters of negative growth, the economy recorded a growth of 1.40% at the end of the third quarter, effectively exiting recession. Unemployment and underemployment, still remain high at 40%. The spike in unemployment and underemployment rates occurred within the same period Nigeria exited a recession and recorded a positive GDP growth rate, indicating the need for strategies to cascade the indices of growth to embrace a greater percentage of the populace and to reduce the misery index.

Headline inflation at the end of December 2017 eased to 15.37% from 15.98% as of September 2017, which was the 11th consecutive decline in headline inflation rate since February 2017. The decline can be attributed primarily to a bountiful harvest and stronger currency. Core inflation was unchanged at 12.10% in December. The prices of clothing, household consumables and utilities were the major drivers of the year-on-year decline in core inflation. Transport costs increased during the period, as the average price of diesel rose to ₦205/litre in quarter four of 2017 from ₦185/litre in the previous quarter. However, the improvement in power supply from 3,433MW/hr in September to 4,067MW/hr in December restricted the impact of rising diesel prices.

Going into 2018, growth projections remain positive as long as the recent improvement in oil production and global oil price is sustained. Short-term growth will be supported by higher oil prices and domestic production, increased foreign exchange liquidity and market deregulation. These factors will boost investor confidence, foreign direct inflows and foreign portfolio inflows.

Furthermore, the passage and implementation of the 2018 budget is expected to facilitate growth, especially through the disbursement of funds for capital projects. On the flipside, the International Monetary Fund has cautioned that the country's projected economic growth of 2.1% is still lower than its population growth rate of 2.7%. Furthermore, delays in policy implementation and the resurgence of security challenges could undermine investor confidence and output growth in the near term.

Fiscal excesses, the disbursement of funds for capital projects and rising political spending are all threats to consumer price stability in the near to medium term. Political risk may begin to rise again throughout 2018 as the 2019 elections draw nearer. We expect some progress in improving security in the North-East, South-South, Zamfara, Benue and Taraba states, all bedeviled by various kinds of insurgencies.

Pension industry

Pension funds remained remarkably resilient through the years even in the face of turbulences. Pension fund assets continue to achieve slow consistent growth. The resilience of the industry is underpinned by the promulgation of supportive laws, rigorous oversight and uncommon transparency.

“Pension funds remained remarkably resilient through the years, even in the face of turbulences. Pension fund assets continue to achieve slow consistent growth. The resilience of the industry is underpinned by the promulgation of supportive laws, rigorous oversight and uncommon transparency.”

According to National Pension Commission data, membership under the contributory pension scheme as of the fourth quarter of 2017 stood at 7.88 million contributors, an increase of 6.48% over the corresponding period in 2016, despite rising unemployment rate. The most recent survey by the National Bureau of Statistics puts Nigeria's labour force at 85.09m, meaning only 9.2% of the labour force maintain pension accounts 11.32%, if you discount for unemployment rate of 18.8%.

Total industry pension assets as of 31 December 2017 was ₦7.52tn, an increase of 22.01% above the December 2016 figure of ₦6.16tn. The various asset classes have also recorded commendable growth, with RSAs (active and retiree funds), which account for 75.56% of total pension assets, expanding by 23.47%. Approved existing schemes and closed PFAs, which account for the rest, also grew by 17.79%. This alludes to the fact that the players in the pension value chain have been able to deliver value through meticulous investment decision and management.

An industry development worthy of mention here is the intended implementation of Section 82(1) of the Pension Reform Act 2014 providing for the establishment of a Pension Protection Fund to guarantee minimum pensions for all retirement savings account holders that had contributed for a number of years to licensed Pension Fund Administrators. This will be used for the payment of compensation to eligible pensioners for any shortfall or financial loss arising from investment activities. The sources of the funding of the PPF include an annual subvention of 1% of the total monthly wage bill payable to employees in the public service of the federation, and an annual levy paid by PenCom and all licensed pension operators at a rate to be determined by the commission from time-to-time.

First Pension Custodian's performance

Despite the various economic challenges, coupled with intensified competition and increased regulatory challenges, your Company's financial performance in 2017 has been satisfactory, as detailed in the

CHAIRMAN'S STATEMENT

financial statements and the CFO's report, with reported profit before tax rising 42.3% to ₦5.77bn. Total assets was ₦13.76bn, representing an increase of 25.7% from prior year's position of ₦10.89bn. This was achieved through responsive adaptation to the operating environment, rigorous cost controls and sound investment decisions.

FPCNL continues to make significant progress in its determination to be a Custodian of first choice with an outstanding team of top professionals, dedicated to providing excellent services and offering innovative solutions for superior customer experience.

Governance and conduct

The charter of the Board and its Committees are regularly reviewed to keep pace with developments, with focus on risk management, the regulatory landscape and people care. Senior Management assists the Board in ensuring that as many potential risks as possible are identified, monitored and effectively managed.

During the course of the year, the Company did not record any governance breach in its operations. Our governance framework sets out the roles, responsibilities and expectations of our Directors and our structures. This is reviewed and benchmarked against best practices every year and we continue to receive commendable ratings in the Annual Appraisal of the Board of Directors. Governance remains a key focus at FPCNL. This is an important element of our Board environment, and this feeds into how we do business.

In the interest of good corporate governance, all Directors are required to submit themselves for re-election on an annual basis. To ensure the right balance of skills and experience on the Board, the composition and diversity of backgrounds of its members is continuously undertaken.

To strengthen and enhance the capacity at the Board and Management levels, Funso Sobande was appointed as an Executive Director during the year.

Our People

The Company prides itself at being an employer of choice, attracting the best minds in the industry and ensuring that our skills development provides our employees with career opportunities that allows us to be customer-centric and continue to provide our clients with superior service.

> "During the course of the year, the Company did not record any governance breach in its operations. Our governance framework sets out the roles, responsibilities and expectations of our Directors and our structures."

Looking ahead

The economic recovery recorded in 2017 is expected to be sustained, although at a sluggish pace of 2.1%. The drivers of growth will remain unchanged: increased agricultural output, stable oil production and higher government expenditure on capital projects. However, being a pre-election year, economic activities will be overshadowed by full blown electioneering and influence peddling. Key economic reforms may take the back stage as more focus is placed on preparing for the 2019 elections.

On the policy front, the proposed 2018 budget of ₦8.61tn is expected to consolidate the gains recorded in 2017. However the success of the budget is based on its timely implementation. An accommodative monetary policy is expected, although this is subject to a resolution of the stalemate between the executive and legislative arms of government. Forex liquidity and exchange rate stability will persist throughout the year, although we expect heightened demand pressures following the anticipated increase in liquidity. This will impact negatively on inflation. Other policy issues that may be addressed within the first six months include the upward review in minimum wage, and the resolution, one way or the other, of the fuel subsidy debacle. These, coupled with increased government spending and campaign funds could exacerbate inflationary pressure in 2018.

Despite the uncertainty in the operating environment, we approach 2018 with a clear strategy and are confident that FPCNL is well-placed to meet the challenges ahead. Our priority going into 2018 is to further improve our financial performance, encourage strong customer value and enhance stakeholders returns. FPCNL's investment in innovative technological solutions and staff development will ensure continued service delivery improvements and maintain the Company as a Custodian of first choice.

The employees are the drivers of the Company's customer-centric service culture and I would like to thank the Management and every member of staff for their commitment and invaluable contributions to our accomplishments and continued success of the organisation.

I also congratulate members of the Board of Directors for their deep commitment and for the vibrancy and team work, which ensured the delivery of the commendable results being tabled before the shareholder.

To our customers, shareholder and other stakeholders, on behalf of the Board, I thank you for your commitment and support, and I assure you that I have every confidence that FPCNL will continue to grow and prosper in the years ahead.

Umar Yahaya
Chairman

BUSINESS REVIEW

This section is a review of our financial performance in 2017 and the outlook for our business in the future.

CHIEF EXECUTIVE OFFICER'S REVIEW

"Notwithstanding the less than perfect operating environment, the Company made further progress in the strategy to become the Custodian of first choice as we enhanced the financial performance and generated value for our shareholder"

Kunle Jinadu
Managing Director/CEO

COMPANY'S PERFORMANCE

First Pension Custodian Nigeria Limited recorded a solid operating performance in the 2017 financial year, with growth in revenue and profit before tax at 40.7% and 42.3% respectively. The Company recorded N5.77bn in profit before tax. The cost-to-income ratio was 26.1%. FPCNL ended the year, poised for continuing growth and success, as we further realise the long-term benefits of our investments in technological infrastructure and customer experience.

We are especially pleased to deliver these results in what was a challenging operating environment for the industry in 2017. Looking ahead to 2018, a key component to executing our growth strategy is achieving our cost-saving targets while maintaining a low risk profile.

Operating Environment

The Nigerian economy rallied back into growth in the second quarter of 2017 after suffering contractions throughout the previous year. The recession period was marked by significant economic downturn, which included rising inflation, dwindling oil prices, lower government revenue and volatility of the foreign exchange market.

Nigeria's economic recovery was driven by the performance of four main economic activities comprising oil, agriculture, manufacturing and trade. These developments have impacted new job opportunities and restored employment in areas that had previously experienced job losses. Pension funds remained remarkably resilient in the face of turbulent markets. Pension funds' assets continue to make slow but consistent growth. The resilience of the pension funds has thrived on moderate contributions associated with the level of compliance and the long bond/fixed income exposures.

Notwithstanding the less than perfect operating environment, the Company made further progress in the strategy to become the Custodian of first choice as we enhanced the financial performance and generated value for our shareholder, whilst continuing to leverage on the Group's synergy to provide our customers with innovative service offerings.

Strategy

In 2017, we concluded the review of the Company's strategy and commenced the implementation of a three-year strategic plan (2017-2019). This resulted in new objectives and aspirations aimed at transforming the culture and performance of FPCNL over the next three years. This step takes us closer to achieving our vision of being the 'Custodian of first choice' for all our stakeholders. Our business strategy document sets out the path for our long-term aspirations and objectives. FPCNL's strategic direction setting was carried out within the context of the FirstBank Group's aspirations and overall strategic objectives of market leadership in all key businesses.

CHIEF EXECUTIVE OFFICER'S REVIEW

FPCNL key strategy themes are: drive profitable growth; transform customer experience; build a high performing team; whilst leveraging technology to drive business. The Company's success will continue to be linked directly to our determination to deliver world-class customer service and our culture of innovation. We understand that listening to our customers' needs and offering bespoke and innovative solutions that meet and exceed their expectations is the road to enhanced customer satisfaction and customer retention. In pursuance of enhancing operational efficiency and increasing customer satisfaction, we continue to actively promote our e-solutions to customers, to lessen their dependence on costly manual transaction channels.

Making all this possible are our people, who are the drivers of the Company's customer-centric service culture and vision. Going into 2018, our focus is centered on improving our end-to-end operating processes to find more efficient ways of meeting our stakeholders' needs and implementing a more robust performance management structure.

> "Our business strategy document sets out the path for our long-term aspirations and objectives. FPCNL's strategic direction setting was carried out within the context of the FirstBank Group's aspirations and overall strategic objectives of market leadership in all key businesses."

Risk and compliance

Effective management of our risks and controls remain a priority as FPCNL is exposed to various risks, with varying degree of significance. Key risks include regulatory and compliance, liquidity, operational, reputational, market/investment, information security and legal risks. During the year, we put in place measures aimed to improve our processes and procedures. These are to ensure that we maintain a robust control of our environment, actively monitor the identified risks and apply appropriate control measures to mitigate and contain the risks. We constantly bear in mind that the nature of risk is dynamic and pervasive in our business and the responsibility for effective monitoring resides with the Management team, with Board oversight through the Board Audit, Risk and Compliance Committee.

Outlook

The economic outlook remains cautiously optimistic, but we are confident that FPCNL is excellently placed to adapt and grow with the changing times and yet, remain a significant player in innovation and service excellence. In the coming year, our aspiration is to be a customer-centric Company, competitively and efficiently delivering bespoke solutions and quality service to our customers.

The very encouraging results reported speak to the dedication and commitment of our people. The challenging times have brought out the very best in our employees and I would like to thank each member of FPCNL for their dedication to the Company's continued success.

Our priorities for 2018 is to build on our strong financial performance and focus our efforts aimed at consistently delivering world-class services to our varied customers. We will continue to engage our stakeholders to understand their changing needs and focus on our processes to improve overall performance and efficiency and deliver on our primary objective of increased long-term shareholder value.

Kunle Jinadu
Chief Executive Officer

OUR BUSINESS MODEL AND STRATEGY

How we create value for our stakeholders.

We are focused on building a sustainable profitable business....	....simultaneously creating value for our stakeholders....	....and supporting our clients to achieve their operational objectives....	....by leveraging our strength and group brand
Income Resilient income generation - Fee income, interest income and other sundry income. **Profits** Enhanced profitability through improved revenue generation and cost optimisation. **Return on equity** Profit generated relative to equity invested.	**Clients** We focus on understanding our clients and combine our capabilities with the strength of the Group to deliver quality service. **Shareholder** Aim to deliver sustainable earnings through dividend and capital growth. Effective delivery of our business model and strategy will engender sustainable returns to our shareholder. **Employees** We empower our people, hold them accountable, and reward them appropriately for a value-driven team. We are proactive and have a delivery mindset. **Regulators/Industry bodies/ Government** Engage applicable bodies to support the effective functioning and sustainable landscape of the pension industry and the broader economy in the long-term. **Society** Collaborate with local partners to promote social and economic development.	**Innovative and bespoke business solutions** Improving our service proposition and creating value for our customers is fundamental to our business model and the long-term sustainability of the business. We create value for our customers by providing leading innovative business solutions by anticipating their needs and delivering effective service enabled by technology and people for greater efficiencies.	**Strong brand** Belong to a leading international banking Group with 124 years' history with an identity for consistency, stability and security. **Core values** • Integrity: We uphold the highest levels of business ethics and personal integrity. • Excellence: Delivery of superior customer-value proposition and excellent customer satisfaction. • Teamwork: Working as a team is an important source of competitive advantage. • Professionalism: The skills and expertise of our people and the shared values. **Strong corporate governance** Right considerations underpin every decision we take. We are guided by both the letter and spirit of the laws and regulations.

Our business activity is founded on a strong Risk Management Framework

- We apply risk management principles and processes to every business activity to determine potential threats and adopt appropriate control measures to contain risks with the aim of achieving our objectives.
- We follow best practice in Enterprise-wide Risk Management, which aligns people, strategy, policies, processes, technology and business intelligence in order to evaluate, manage and optimise the opportunities and threats we may face in our efforts to maximise sustainable stakeholders' value within the defined risk appetite.

OUR BUSINESS MODEL AND STRATEGY

STRATEGY AND PERFORMANCE

Our strategy is to enhance our reputation as a pension custodian that delivers competitive service in an ever-changing environment, and in doing so become the custodian of first choice. To achieve this aim in 2017, we concluded the revalidation of the Company's strategy and commenced the implementation of a three-year strategic plan (2017-2019). This resulted in new objectives and aspirations aimed at transforming the culture and performance of FPCNL over the next three years. The key themes are:

- Drive profitable growth;
- Transform customer experience;
- Build a high performing team; whilst
- Leveraging technology to drive our business.

Custodian of first choice in the Nigerian Pension Industry

Drive Profitable Growth

Explore opportunities to grow inorganically by acquiring new customers and funds.

Sustain effective cost optmisation drive.

Leverage technology to streamline processes and improve efficiency.

Transform Customer Experience

Bespoke service propositions to meet customers' evolving needs.

Increase collaboration and integration with our parent company.

Leverage technology to drive service delivery excellence to customers.

Build a high performing team

Foster a customer-centric culture.

Highly motivated staff with deep knowledge of the industry as a source of competitive advantage.

Drive profitable growth

In order to deliver on the new strategy and meet our objectives, we are exploring opportunities for inorganic growth. Prospects for new business remain our primary focus to accelerate the delivery of our strategy.

In 2017, total assets under custody increased by 21.2% to close at ₦3.04tn, with pension assets contributing 79.5%. Assets under custody is a key indicator of overall performance to our stakeholders and asset growth is a key strategic priority. In our bid for market sector leadership, we have put in place measures to ensure continued growth. Revenue growth is an indication of our success, in generating business, we recorded a growth of 40.7% in 2017. This coupled with the cost optimisation initiatives posted a cost-to-income ratio of 26.1%.

Our cost strategy is strictly that of operational efficiency and we remain focused on attaining and retaining a cost-to-income ratio of 25% or less. Our ongoing efforts aims at operational efficiencies and cost optmisation initiatives coupled with growth potentials, these will better position us for profitable growth and enable us deliver enhanced and sustainable shareholder value.

Transform customer experience

As a customer-centric business, we are committed to meeting our customers' evolving needs effectively through our various service offerings and we explore new ways of thinking and working to improve and deliver to the customer.

We are leveraging on technology to fulfil their daily operational needs, while providing innovative solutions for competitive advantage. In 2017, we leveraged on technology for the enhancement of customer payment portals, complaint management framework, prompt issues resolution and performance monitoring. This expectedly will translate to customer retention and open opportunities for new businesses.

Build a high performing team

An organisation is only as good as its people and our people are our most important resource. The achievement of our strategy cannot happen without the support of our people. We have aligned human capital resources with our business strategy and improved workforce skills and competencies through training and development. In 2017, we achieved 100% training for all employees

OUR BUSINESS MODEL AND STRATEGY

within the organisation. We are committed to creating the best environment for our people to succeed. Reward and incentives are critical enablers of behavioural changes and we incentivise our people by linking reward to performance in order to build a high performing team and drive excellent service delivery.

We track our strategy implementation progress with a range of financial and non-financial measures. These are reviewed regularly to ensure stated targets are achieved, and where necessary allow for timely corrective action. We have made progress against many aspects of the strategy.

We will continuously seek to deliver improved and sustainable returns by focusing on areas of competitive advantage.

FINANCIAL REVIEW

> During the year, gross earnings rose by 40.7% to ₦7.81bn (2016: ₦5.55bn), driven by a combination of increase in underlying assets and improved asset yield.

Bunmi Aderonmu
Chief Financial Officer

OVERVIEW

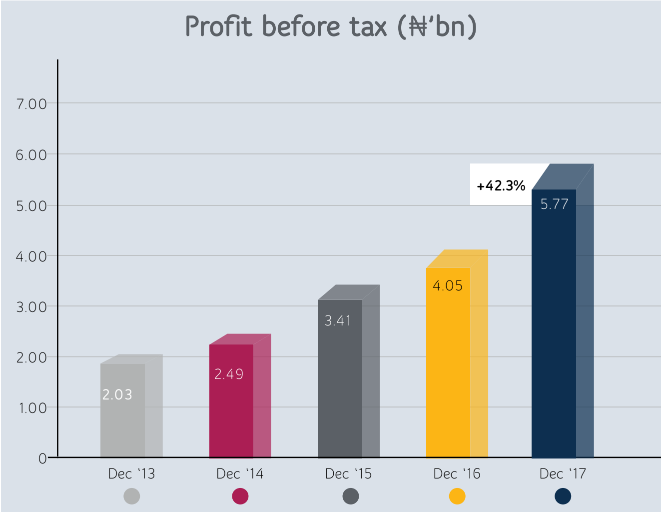
As a result of disciplined execution of our various strategic initiatives in 2017, we delivered another year of strong financial performance. This is notwithstanding an economy that was characterised by foreign exchange imbalances and decline in oil prices in the first half of the year.

INCOME STATEMENT ANALYSIS

During the year, gross earnings rose by 40.7% to ₦7.81bn (2016: ₦5.55bn), driven by a combination of increase in underlying assets and improved asset yield. Net custody fee income grew by 25.6% to ₦5.96bn (2016: ₦4.75bn) driven by 21.2% growth in assets under custody for the year. The growth in earning assets of 28.9% coupled with favourable interest/discount rates translated to a 129.4% increase in interest income. Other income recorded an increase of 166.7% mainly from sundry income.

Operating expenses rose by 36.5% to ₦2.04bn (2016: ₦1.49bn). A rise in regulatory and related staff costs was recorded, which partly explains the increase in operating costs. Our operating expenses are primarily influenced by level of business activities, prevailing market conditions and compensation. In line with the customer centric strategy, significant investments were made on our employees including leadership and development talent training interventions, which is key to ensuring continued success of the Company. We continue to invest to enhance our IT infrastructure for increased operational efficiency and customer satisfaction. This is critical to ensuring we continue to provide world class service to our clients.

The Company's profit before tax increased by 42.3% in the year to ₦5.77bn (2016 ₦4.05bn). This was driven by the effect of gross earnings increasing at a higher rate (40.7%) compared to total expenses (36.5%). We continue to make progress in our cost management initiatives.

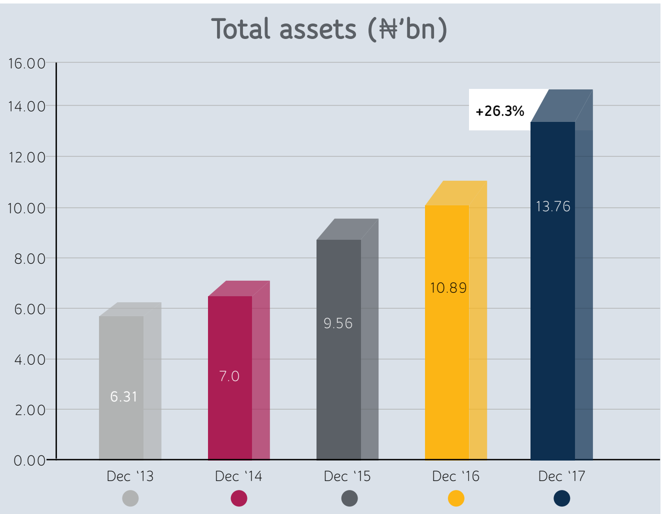


FINANCIAL POSITION ANALYSIS

As of December 2017, the Company posted a financial position growth of 26.3% to ₦13.76bn (2016: ₦10.89bn). This increase was primarily due to increase in earning assets. Earnings assets rose by 28.9% to ₦11.42bn (2016: ₦8.86bn) in 2017, driven mainly by increase of 28.8% in investible funds.

FINANCIAL REVIEW

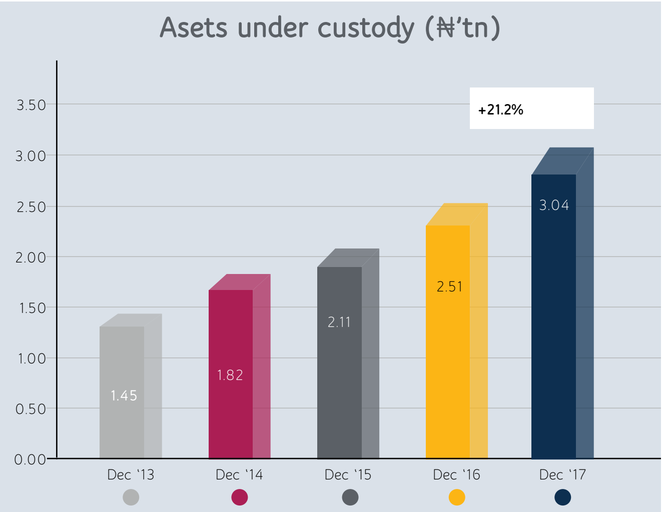
Total liabilities was ₦3.30bn, an increase of 30.1% from December 2016 figure of ₦2.54bn. This increase was primarily due to a decrease in account payables and tax liabilities. Total shareholders' fund increased by 25.1% to ₦10.46bn (2016: ₦8.36bn) from good profit retention. During the year, we made final dividend payment of ₦2.26bn to our shareholder for 2016 financial year. One of our most important risk management disciplines is our ability to effectively manage our balance sheet, as we continue to operate a sustainable business model.



ASSETS UNDER CUSTODY

Assets under custody comprise the pension and non-pension assets under custody. We successfully grew our assets under custody by 21.2% to ₦3.04tn compared to prior year closing balance of ₦2.51tn. This is reflective of the average growth of 23.6% and 12.8% in pension and non-pension assets respectively, assisted largely by new businesses, newly added volumes from fresh contributions and improved yield on investment.

During the review period, the National Pension Commission issued a circular, barring all Pension Fund Custodians from holding non-pension assets under custody. This directive was premised on the provision of Section 62 (a) of the Pension Reform Act 2014 as amended, which clearly states that the sole object of PFCs is to keep custody of pension funds and retirement benefits. Consequently, all PFCs are required to wind down and discontinue dealings in non-pension assets under custody by mid-2018. This is going to impact our position in 2018.



OUTLOOK

Against the backdrop of subdued economic expectations, the Company remains confident going into 2018. A number of operational initiatives to improve our processes was embarked on in 2017 and will continue in the year. We believe we have the right strategy in place, alongside our resilient business model, to continue to grow and deliver profitable sustainable growth for our shareholder in the years ahead.

> "We successfully grew our assets under custody by 21.2% to ₦3.04tn compared to prior year closing balance of ₦2.51tn. This is reflective of the average growth of 23.6% and 12.8% in pension and non-pension assets respectively"

RELATIONSHIPS AND RESPONSIBILITY

INTRODUCTION

The successful execution of our strategy is dependent on the relationships we build. At FPCNL, maintaining strong relationships with all stakeholders is crucial to achieving our goals. Doing business in a responsible and sustainable manner is integral to our business model and strategy. We believe in consistently building and nurturing mutually beneficial relationships by putting our stakeholders first, and by so doing, we build trust and brand loyalty.

CUSTOMER SATISFACTION

Our customers are at the heart of everything we do and we can only succeed with their continued support and trust. It is vital we meet their service expectations, which is why we invest significant resources in making customers the focus of our Company. In 2017, we made numerous improvements to our customer offerings including deployment of collection portal, upgrade of business intelligence portal, implementation of PIN upload process through web service. We continue to build on these successes.

We strengthened our approach to obtaining and addressing client feedback by engaging a consultant, which allowed us to benchmark our performance against competition, gain expert insights and more accurate feedback across all client segments. Equally, there were frequent customer engagements that allowed for direct feedback from customers and we responded to their needs by taking prompt and appropriate action. These activities have shown us the need to further optimise efficiencies in our operations and improve service delivery. We are committed to achieving this goal.

Going into 2018, we are positioned to drive a customer-centric focus in line with our strategy and continue to put the customer first in everything we do. Our target is to leverage technology platforms to proactively meet evolving needs and deepen relationships to improve customer experiences.

OUR PEOPLE

To remain an employer of choice, we constantly seek employee feedback through both formal and informal channels to help us understand and respond to their needs and concerns. We know that our employees are our greatest assets and provide the competitive advantage.

Driving the right performance culture is key. Our culture is ever evolving to ensure all employees are empowered and inspired to do the right thing, thus, the Company's business strategic objectives

“We believe in consistently building and nurturing mutually beneficial relationships by putting our stakeholders first, and by so doing, we build trust and brand loyalty.”

are cascaded down to individuals and implementation is measured at Company and individual levels. Therefore, rewards are linked to performance to induce and reinforce the right performance behaviour.

Capacity building

To ensure that employees are adequately equipped to perform optimally on the job, regular training programmes are organised based on identified interventions required. We are committed to providing learning and development opportunities in order to inculcate a culture of learning that sustains high performance. Employees attend both local and international trainings, workshops and seminars. We ensure that the skills and talents of our people are properly harnessed to achieve the strategic and business goals of the Company.

A major focus for us in 2017, particularly with the intense business environment, was developing our people on technical competencies, especially on attitude and work ethics.

Diversity and inclusion

At FPCNL, we ensure that our Company is genuinely an inclusive place to work, with every employee treated fairly, with dignity and respect. We work to build a culture in which all employees can be themselves at work and progress solely based on merit. We are an equal opportunity employer and ensure that the best people are recruited on merit, appointed/promoted into roles. Our processes are free from bias, discrimination or prejudices and yet comply with applicable employment and labour laws. We have a male: female ratio of 68:32 across the workforce .

RELATIONSHIPS AND RESPONSIBILITY

Health, safety and wellbeing

The Company operates a comprehensive Health Insurance Scheme for the employees and their dependants. In addition, the Company provides Group Personal Accident and the Workmen's Compensation Insurance cover for the benefit of its employees. It also operates a contributory pension scheme in line with the Pension Reform Act of 2014. Fire-prevention and fire-fighting equipment are installed at strategic locations across all our premises and fire drills are conducted on a regular basis.

In 2018, we will not stop striving to be the employer of choice, so that we attract and retain the best talents to work for the company, drive and sustain our business performance.

REGULATORS

We aim to meet the legal and compliance obligations established by our regulators in an open and honest manner to minimise associated risks and safeguard pension assets under custody. We engage with them constructively to support the continuing development of the pension industry, and have procedures in place to address any regulatory concerns, taking corrective action where necessary.

GOVERNANCE

At First Pension Custodian, we recognise that reliable corporate governance is essential to the continuity of our business, hence we are committed to ensuring and maintaining good corporate governance to maximise our long-term success.

We continually strengthen our governance practices through assurance of transparent and sound management.

CHAIRMAN'S INTRODUCTION

> Our Board is responsible for shaping the culture, values and ethics of FPCNL, by setting the tone from the top and establishing high standards of behaviour

Umar Yahaya
Chairman

An effective Board is essential to the sound foundation of good corporate governance. Our Board is responsible for shaping the culture, values and ethics of FPCNL, by setting the tone from the top and establishing high standards of behaviour. We are continuously mindful of the need for the Board to consider if the current risk management and internal control practices and culture support the continued sustainability of the Company.

As a Board, we continue to support constructive challenge, encourage robust debate and recognise the value of different thinking styles. This is particularly important as membership of the Board changes with onboarding of new members. The behaviours and dynamics of the Board will be an ongoing focus for us as we strive to continually improve our effectiveness and performance.

During the course of the year, one new Director, Funso Sobande was brought on board, to enhance and strengthen the capacity at the Board and Management levels.

In 2017, we embarked on the review of our strategy, prioritising transforming customer experience, driving profitable growth and long-term competitive advantage. As a Board, we spent a great deal of time reviewing all aspects of the strategy of the three-year strategic plan (2017 - 2019), which culminated in the new strategy set out in 2017.

In addition to strategy, one of the most important roles of the Board is setting the right tone and culture for the organisation which supports our strategy. During the year, the Board focused on many aspects of its culture including leadership, performance, risk, conduct and remuneration.

I am pleased to report that the positive outcome of the Board and Committee evaluation process reflects this effectiveness. The Board continues to receive commendable ratings in the Annual Appraisal of the Board of Directors conducted by KPMG Professional Services, though there is always room for improvement and we will continue to make improvements.

LEADERSHIP

BOARD OF DIRECTORS

The Board of Directors are elected to direct and oversee the affairs of the Company to create sustainable value for all its stakeholders.

Umar Yahaya
Chairman
Appointed October 2014

Knowledge and skill:
Umar Yahaya has extensive and a wealth of knowledge in commercial and investment banking. He has significant experience as a Director across various sectors, and with his broad experience and analytical mind, drives robust debate and culture of openness in the boardroom. He has a B.Sc in Business Administration and an MBA.

Experience:
- Non-Executive Director, Fidelity Bank Plc
- Non-Executive Director, PZ Cussons Foundation
- Non-Executive Director, Leadway Assurance Co.
- Non-Executive Director, Courier Masters
- Executive Director of First Bank of Nigeria, Ltd
- Non-Executive Director, FBN Merchant Bank Ltd
- MD/CEO of the defunct New Africa Merchant Bank
- President, Kaduna Chambers of Commerce and a member of the 2020 Vision Team

Kunle Jinadu
Chief Executive Officer
Appointed April 2013
BF&GPC | MANCO

Knowledge and skills:
Kunle Jinadu has over 30 years extensive local and international banking, finance and global custody experience. He has attended a number of trainings and development programmes both locally and abroad. He brings his far-reaching experience to bear in performing his function as the MD/CEO. He has a B.Sc in Accounting. He is a Fellow of the Chartered Institute of Accountants and a Fellow of the Chartered Institute of Stockbrokers.

Experience:
- Non-Executive Director, Tiddo Securities Ltd
- General Manager, Corporate Finance, Stanbic Bank Nigeria (formerly ANZ Grindlays Merchant Bank Ltd)
- Head, Global Custody and Managing Director/CEO of Stanbic Equities Ltd

Dr Bayo Odeniyi
Independent Non-Executive Director
Appointed April 2009
BARAC | BF&GP | BGC

Knowledge and skills:
Dr Bayo Odeniyi brings his experience in research and consulting to bear on the activities of the Board. He is a strong advocate of the application of new technology for effective operations and customer satisfaction, which directly supports FPCNL strategy. He has degrees in Veterinary Medicine and Business Administration.

Experience:
- Lecturer, Tai Solarin University of Education
- Research Fellow, National Animal Production Research
- Lagos State Ministry of Agriculture and Co-operative

LEADERSHIP

Ijeoma Nwogwugwu
Non-Executive Director
Appointed April 2014
BARAC | BF&GP

Knowledge and skills:
Ijeoma Nwogwugwu is a business leader with over 25 years' experience in the banking, media and public sector industries. Ijeoma possesses the skill and experience to provide valuable insights and contribute as a Non-Executive Director. She holds a B.Sc in Accounting and a postgraduate qualification in International Housing Finance.

Experience:
- Editor and Director, Editorial, THISDAY Newspapers
- Alternate Director, Nigerian Security Printing and Minting Company Ltd
- Director, Daily Times of Nigeria Plc
- Member, Governing Board, National Hospital Abuja

Dr Philip Olufunwa
Non-Executive Director
Appointed July 2014
BGC | BARAC

Knowledge and skills:
Dr Phililp Olufunwa has a Bachelor of Medicine and Bachelor of Surgery degrees. He is a member of the Royal College of Obstetricians and Gynaecologists and a Fellow of the Royal Society of Medicine. He is a Member of the Institute of Directors, United Kingdom.

Experience:
- Principal Partner, Westbourne Green Surgery Formerly Clinical Lead for Community Gynaecology, Central London.
- Board member, Central London Health
- Director, Westminster Clinical Commissioning Group National Health Service

Dr Remi Oni
Non-Executive Director
Appointed December 2016
BGC | BF&GP

Knowledge and skills:
Dr Remi Oni brings strong business management, relationship management and strategy experience to the Board. He has held a number of senior and executive roles in the banking industry and is currently Executive Director, Corporate Banking at First Bank Nigeria Limited. His extensive knowledge provides the Board with valuable strategic insight. He holds an MBA in Finance from the University of Ilorin, a Doctor of Veterinary Medicine, as well as Master of Science in Public Health and Preventive Medicine from Ahmadu Bello University, Zaria. He is an honorary member of the Chartered Institute of Bankers of Nigeria, a member of the Equipment Leasing Association of Nigeria and the Nigerian Veterinary Medical Association.

Experience:
- Executive Director, Corporate Banking, First Bank of Nigeria Ltd
- Executive Director, Corporate and Institutional Banking, Nigeria and West Africa, Standard Chartered Bank, Lagos, Nigeria
- Executive Director/Head, Origination and Client Coverage, Standard Chartered Bank Ltd, Uganda
- Regional Head, Standard Chartered Bank, Network Clients, Africa
- General Manager/Head, Local Corporates, Wholesale Banking Group, Standard Chartered Bank Ltd., Lagos, Nigeria
- Head, Multinational and other Corporates Group Banking SBU, Sterling Bank Plc
- Head, Corporate Banking SBU, Magnum Trust Bank Plc, Nigeria
- Head, Business Dept – Corporate Banking Group, Chartered Bank Nigeria Plc

LEADERSHIP

Funso Sobande
Executive Director
Appointed w.e.f. December 2017

Knowledge and skills:
Funso Sobande has over 27 years' diverse and rich experience spanning the financial services and manufacturing industry, which he brings to bear on the Board. He has attended several programmes in Nigeria and abroad.

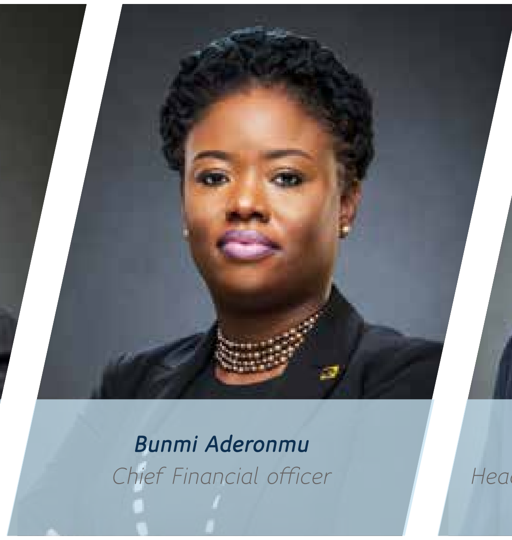
Experience:
- Group CFO, Flour Mills of Nigeria Plc
- CEO, Interchange Supplies Management Ltd
- Chief Dealer/Fiscal and Financial Strategists, Central Bank of Nigeria
- Treasurer and Group Head, Global Markets, Bank PHB Ltd
- Group Head, Corporate Finance and Treasury, Westcom Group
- GM/Head of Fixed Income and Debt Capital Market Origination, Standard Chartered Bank Nigeria Ltd
- Director, Stanbic Equities Ltd

LEADERSHIP

MANAGEMENT TEAM

The team is responsible for making day-to-day management and operational decisions necessary to safeguard the interests of the Company and to further the strategy, business objectives and targets established by the Board.

Kunle Jinadu
Managing Director/CEO



Bunmi Aderonmu
Chief Financial officer

Akin Denton
Head, Trade Process and Settlement

Muyiwa Fagbenro
Head, Information Technology

Tunde Folayan
Head, Audit, Risk and Compliance

Wole Fanimokun
Head, Business Support

LEADERSHIP

BOARD ROLES AND RESPONSIBILITIES

The Board of FPCNL is responsible for ensuring leadership through effective oversight and review for the long-term success of our business. It is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, risk controls, performance against budget and adopting a process of good corporate governance. The aim of the Board is the sustainable performance of the Company and creating value for its shareholder, whilst taking into consideration the interests and expectations of all stakeholders. The work of the Board compliments, enhances and supports the work of the Management Committee. The Board is responsible for ensuring that appropriate values, ethics and behaviours and conduct of the Company and staff are agreed and that appropriate procedures and training are in place to ensure that these are observed throughout the Company.

There are clear divisions of responsibilities between the roles. The role of the Chairman and other Board members are set out below:

Chairman

- Leadership and management of the Board and its governance;
- Sets the Board meeting agendas to ensure that the Board devotes its time and attention to the right matters;
- Ensures Directors receive accurate, timely and relevant information and keeps them advised on key developments to enable the Board to operate effectively;
- Promotes a culture of openness and debate; and
- Ensures cordial relations between Executive and Non-Executive Directors.

Managing Director/CEO

- Responsible for the executive leadership and managing of the day-to-day operations of the Company;
- Ensures that the Company has appropriate systems in place to enable it conduct its activities both lawfully and ethically;
- Manages the Company within established policies; maintains a regular policy review process, and revises or develops policies for presentations to the Board;
- Ensures that the Company maintains high standards of corporate governance and social responsibility wherever it does business;
- Ensures that the Directors are properly informed and that sufficient information is provided to the Board to enable the Directors form appropriate judgments;
- Works together with the Chairman and Company Secretary to determine the date and time of the Board meetings and to develop the agenda for the meeting;
- Ensures the Company operates within approved budgets and within all regulatory requirements; and
- Develops and recommends to the Board the annual operating and capital budget, and on approval of the budget, to fully implement the plan.

Non-Executive Director

- Brings independence and external dimensions to the Board's activities;
- Effectively and constructively challenges Management;
- Helps develop strategy and monitors its success within the risk appetite and control framework set by the Board;
- Promotes the long-term success of the Company for the benefit of its shareholder;
- Oversees risks and controls;
- Ensures that the Company acts responsibly, having due regard to its reputation by doing the right thing, the right way, for all our stakeholders;
- Ensures the integrity of financial information and that financial controls and systems of risk management are robust and defensible; and
- Provides remuneration and succession planning for Executive Directors.

Independent Director

- Employs neutral, specialised/expert skills towards achieving a balance of knowledge, skills, judgement and other directional resources;
- Serves as check to the Management by providing unbiased and independent views to the Board; and
- Helps the Board of the Company to get the most out of its businesses by providing objective inputs to strategic thinking and decision-making, while ensuring full compliance with statutory rules and regulations.

LEADERSHIP

Company Secretary

- Ensures that Board procedures are followed and reviewed regularly;
- Ensures that each Board member is made aware and provided with guidance as to their duties, responsibilities and powers;
- Ensures flow of information within the Board and its committees, between Senior Management and Non-Executive Directors;
- Advises the Board through the Chairman on all governance matters and regulatory affairs;
- Administers the Company Secretariat in such manner to ensure that Company information is accessible to all qualified stakeholders;
- Renders proper and timely returns as required under CAMA; and
- Carries out such administrative and other secretarial duties as directed by the Directors or the Company.

BOARD CHANGES DURING THE YEAR

Funso Sobande was appointed as Executive Director during the year. The Board has a formal charter that is reviewed at least once every three years, or earlier if required, to ensure that it remains consistent with the purpose and remit of the Board. The charter covers policies regarding Board membership and composition, Board procedures, conduct of Directors, risk management, remuneration, Board evaluation and Directors' induction.

MAKING BOARD MEETINGS EFFECTIVE

The Board met eight times in the course of the year and complied with the quarterly statutory meetings in line with extant regulations. In addition to the formal scheduled meetings, a retreat was held in 2017 to facilitate interactions between the Board and Management.

The annual calendar of Board meetings is approved in advance at the first meeting of the Board in each financial year. The Company Secretary is responsible for preparing the agenda of meetings in consultation with the Chairman and the Managing Director/CEO, based on memoranda submitted by the various business units. The Directors are provided with notices; an agenda and meeting papers are sent in advance of each meeting to members.

Board memoranda are dispatched electronically in advance to enable Directors have adequate time to review and prepare for meetings. Urgent and material decisions may be taken between meetings through written resolutions.

Where due to expediency, a member of the Board is unable to be physically present at a meeting, such may participate via teleconference. A Director who is unable to attend a meeting is still provided with the relevant papers for the meeting and reserves the right to discuss with the Chairman matters he/she may wish to have raised at the meeting.

The Board has the power to obtain advice and assistance from, and to retain at the Company's expense, subject to prior approval of the Chairman, such independent or outside professional advisers and experts as it deems necessary or appropriate to aid the Board's effectiveness. Individual Directors may also request professional advice from experts at the Company's expense, subject to prior approval of the Chairman.

BOARD FOCUS AREAS IN 2017

In the course of 2017, the Board considered all relevant matters within its sphere of activity, but focused, in particular, on the following:

- Discussed executive succession planning;
- Assessed the challenges posed by our competitors and the implication for our Company's intent to be the market leader;
- Considered and advised on the appropriate response to key regulatory changes in the pension industry as they affect our business;
- Reviewed composition of Board Committees;
- Approved changes to the Company's organisational structure;
- Approved revised Board and Board Committees charters
- Approved revised policies; and
- Approved revalidated 2017 – 2019 Strategy Plan.

BOARD FOCUS AREAS FOR 2018

Our focus and priorities for 2018 shall be:

- Driving business performance against key performance indicators and link to strategic context;

LEADERSHIP

- Benchmarking against competition;
- Strengthening information technology infrastructure to drive efficiency; and
- Ensuring progress against the actions from the 2017 Board and committee evaluation.

HOW WE DELEGATE AUTHORITY

The Board provides leadership and determines the strategic direction for the long-term success of the Company. To assist in carrying out its function of ensuring independent oversight, the Board delegates certain responsibilities to its Committees, who play key roles in supporting the Board. The Board delegates authority to the Managing Director/Chief Executive Officer (MD/CEO), as well as to the Management Committee of which the MD/CEO is the Chairman. The MD/CEO manages the business and affairs of the Company on a day-to-day basis within such limits as are defined by the Board from time-to-time. The MD/CEO has the authority to sub-delegate such authority and powers to any member of the Management team from time-to-time. The Management Committee comprises six business unit heads (including the CEO). MANCO is responsible for the management of the day-to-day affairs of the Company. Details of the Management Committee are provided on page 25 of this report.

ATTENDANCE AT BOARD MEETINGS

Attendance is expressed as the number of meetings attended out of the number possible or applicable for the individual Director during the year to 31 December 2017.

Name	Attendance
Chairman	
Umar Yahaya	8 of 8
Executive	
Kunle Jinadu	8 of 8
Non-Executive	
Dr Bayo Odeniyi	7 of 8
Ijeoma Nwogwugwu	8 of 8
Dr Philip Olufunwa	8 of 8
Dr Remi Oni	6 of 8

BOARD COMMITTEE REPORTS

The Board Committees assist the Board in carrying out its functions and provide independent oversight of the internal control and risk management framework. There are three committees namely the Board Governance Committee, Board Audit, Risk and Compliance Committee and the Board Finance and General Purpose Committee. Each Board Committee has a clearly defined set of responsibilities and fully governed by applicable charters.

BOARD GOVERNANCE COMMITTEE (BGC)

Dr Philip Olufunwa

Chairman, Board Governance Committee

Committee composition and role

The Committee is made up of one Independent Non-Executive Director and two Non-Executive Directors. The purpose of the BGC is to review and make recommendations to the Board on matters of governance relating to the structure, size, composition of the Board and committees. Its activities also cover the appointment of all Directors and succession plans for Executive and Senior Management. The importance of people as a driving force in sustaining a business over the long-term through their expertise, innovation and commitment cannot be overemphasised. This is equally true of the Board, where it is crucially important that we have strong leaders able to make tough, strategic decisions while energising their colleagues and galvanising them into action.

Review of the year

The Committee meets at least four times annually with additional meetings when required to achieve its objectives. Comprehensive minutes of meetings are kept. The Committee may invite any of the Directors, professional advisors or officers whose input may be required to the meetings. Matters relating to the charter of this committee are normally dealt with as an integral part of the normal proceedings of the quarterly Board meetings.

LEADERSHIP

Succession planning continues to be an important responsibility of this Committee, and is reflected in the time spent on the topic this year. The Committee considered succession planning over the long-term, for executive positions, to ensure that we have the right mix of skills and experience as the Company evolves and so that change can be effectively managed. The process of building a strong and effective executive team requires a good balance of continuity and renewal. During the year, we have undertaken a rigorous assessment/recruitment process to appoint an Executive Director, a key appointment to the executive team and the Board. We continued to foster executive succession by engaging and mentoring Senior Management, in order to nurture high potential individuals and help build a stronger succession pipeline.

Following the changes in Board membership by end of 2016, the composition of Board committees was reviewed. Ijeoma Nwogwugwu has become the Chairman of Finance and General Purpose Committee in place of UK Eke, MFR; Dr Remi Oni joined the Governance and Finance and General Purpose Committee as a member.

As part of Board and Committees effectiveness strategy, an externally facilitated effectiveness review was conducted by KPMG Advisory Services in 2017. The feedback was discussed by the Committee and action plan designed to address the key observations were implemented during the year.

Matters considered

- The executive succession planning process, with focus on the identification, development and readiness of successors;
- Successions for key Board appointments, and a plan to deal with upcoming retirements;
- The monitor of progress of actions arising from the 2016 annual Board effectiveness review process; and
- The continuous review of the Board's governance framework and appropriate recommendations made to the Board to ensure that they are consistent with best practice.

Committee membership and attendance

In 2017, there were three meetings of the Committee. Committee membership and attendance at meetings is set out below.

Attendance is expressed as the number of meetings attended out of the number possible or applicable to the individual Director during the year to 31 December 2017.

Name	Attendance
Chairman	
Dr Philip Olufunwa	3 of 3
Non-Executive	
Dr Bayo Odeniyi	3 of 3
Dr Remi Oni	3 of 3
In attendance	
Kunle Jinadu	3 of 3

BOARD FINANCE AND GENERAL PURPOSE COMMITTEE (BF&GP)

Ijeoma Nwogwugwu

Chairman, Board Finance and General Purpose Committee

Committee composition and role

The Committee is made up of one Independent Non-Executive director, two Non-Executive Directors and one Executive Director. The Board Finance and General Purpose Committee oversees the Company's financial strategy and structure with a view to recommending appropriate financial policies and measures to enhance the financial health of the Company. The Committee also has oversight for the effective execution of the overall strategy of the Company, make recommendations to the Board on material staff welfare issues and provide direction for the alignment of information technology in driving the objectives of the business. The Committee reviews and, if appropriate, recommends to the Board issues that require the Board's notice and/or approval.

LEADERSHIP

Review of the year

Following UK Eke, MFR's resignation from the Board at the end of 2016, I took over as chairman of the Committee. I have been a member of the Committee for the last three years and over this time, we have seen the Company make significant progress in its strategy implementation and overall performance.

During the year, the Committee received regular reports and updates on the Company's financial performance, strategic plan, investment, information technology innovation and projects to keep the committee advised on progress and we approved recommendations where appropriate. We have continued to focus on effective implementation of the organisation's strategy, financial policies and plan to enhance shareholder's value. We also reviewed and made recommendations to the Board on reviewed/revised service conditions for staff as recommended by Management.

Matters considered

- Reviewed status of implementation of the strategic plan;
- Reviewed the draft budget and strategic projections prepared by the Management and made recommendations to the Board for approval;
- Updates on ongoing information technology projects; reviewed and provided guidance on strategic matters relating to technology and innovation;
- Reviewed and recommended to the Board for approval of revalidated policy documents;
- Reviewed and recommended to the Board for approval,staff welfare and conditions of service; and
- Ensured alignment between the Company's strategic objectives and operational/technology plans.

Committee membership and attendance

In 2017, there were seven meetings of the Committee. Committee membership and attendance at meetings is set out below.

Attendance is expressed as the number of meetings attended out of the number possible or applicable to the individual Director during the year to 31 December 2017.

Name	Attendance
Chairman	
Ijeoma Nwogwugwu	7 of 7
Executive	
Kunle Jinadu	7 of 7
Non-Executive	
Dr Bayo Odeniyi	7 of 7
Dr Remi Oni	5 of 7
In attendance	
Bunmi Aderonmu	5 of 7

BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE (BARAC)

Dr Bayo Odeniyi

Chairman, Board Audit, Risk and Compliance Committee

First Pension Custodian Nigerian Limited operates in the pension industry in Nigeria and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Company's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks and mitigating its impact.

The Board is responsible for the company-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the Board Audit, Risk and Compliance Committee whose responsibility is to develop, communicate and monitor the management process across all business units in the Company. The Committee is integral to the risk management process, with specific oversight of financial, operational, reputational and

LEADERSHIP

information technology risks and the associated controls. The Head Audit, Risk and Compliance who is the Chief Risk Officer attended all the Committee meetings.

The day-to-day responsibility for identifying, evaluating and managing risks remain the responsibility of the Senior Management, who are supported by the internal audit function. The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks which are then combined and addressed by the relevant managers. Currently, the combined assurance plan serves as the source for the Company's top-down risk management programme.

Board Audit, Risk and Compliance Committee operates within a charter that is reviewed and approved by the Board.

Roles of the committee

The Committee has an independent role with accountability to the Board. The Committee's main responsibilities are as follows:

Financial reporting

- Ensure that the Company complies with provisions of the relevant accounting standards and policies in the preparation of its financial standard.

Internal audit

- Review and approve the internal audit charter and annual audit plans;
- Assess the adequacy of resources devoted to the audit function;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures relevant to the audit function.

External audit

- Act as a liaison between the external auditors and the Board;
- Determine the scope of audit and non-audit services which the external auditor may provide to the Company;
- Recommend the remuneration of the external auditors and assess their performance;
- Review the external auditor's appointment, independence, the audit fee, and any questions on resignation or dismissal;
- Ensure that no Management restrictions are being placed upon the external auditor;
- Discuss problems and reservations arising from the interim (review) and final audits, and other matters the auditors may wish to discuss (in the absence of Management where necessary); and
- Review the external auditor's management letter and Management's response.

Risk Management

- Ensure that Management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks;
- Review all risk exposures and how they are managed; and
- Ensure that an adequate Enterprise Risk Management framework is in place.

Internal controls and compliance

- Ensure that the Company operates sound and effective compliance processes that guarantee compliance to relevant rules and regulations;
- Review the Company's system of internal control including financial controls, ensuring that Management is adhering to, and continually improving these controls;
- Approve internal control and compliance plans at the beginning of the financial year;
- Review specific compliance and control issues and receive regular reports on regulatory compliance, as well as risk management across the Company;
- Improve internal control system to ensure effective management of risks;
- Review any regulatory reports on the Company's operations and Management's response;
- Monitor the Company's performance in accordance with its compliance policy and approach;

LEADERSHIP

- Implement a compliance plan for identifying, assessing, monitoring, reporting on and managing compliance issues throughout the Company;
- Establish appropriate structure for reporting on compliance; and
- Evaluate the Company's compliance with relevant laws relating to its business operations.

General

- Perform other functions as determined by the Board

Key areas of focus in 2017
1. Review of Enterprise Risk Management Framework to accommodate the current realities.
2. Integrity and completeness of the Company's financial reporting.
3. Oversight of the independence and objectivity of the external auditors.
4. Deepening engagement on governance controls, particularly risk management.
5. Adequacy, independence and effectiveness of internal audit functions.
6. Quarterly review of internal audit, risk/control and compliance reports, comment and give appropriate directives on timely resolution of highlighted issues.
7. Timely resolution of observations noted during examinations by regulators, external and internal audits.
8. Approval of plans, policies and manuals for audit, risk, compliance and internal control functions.
9. Strict compliance to the Pension Reform Act 2014.
10. Monitoring external reporting to ensure its consistency with legal obligations.
11. Ensure adequate scope and budget for execution of Internal Audit responsibilities.

Review of the year

The year 2017 was a remarkable and challenging one as the effect of the country's economic conditions particularly non-payment of salaries and retrenchment in public and private sectors respectively impacted negatively on the pension industry. Despite the enormous exposures during the year, the Company was able to sail through without infractions, frauds or losses.

Notable activities in 2017

The Pension Industry, like every other sector of the economy witnessed various events during the year under review. This is detailed in the Chief Risk Officers report on page 46.

INDEPENDENCE OF EXTERNAL AUDITOR

The Committee discussed issues relevant to the audit for purposes of evaluating the quality and effectiveness of the external audit function.

We are satisfied with the performance of our external auditors, Akintola Williams Deloitte, and confirm that the auditors are independent in issuing their opinion on the Company's financial statements.

Activities for 2018

- Review and recommend plans, policies and programs of Internal Audit and Compliance and Risk department to the Board for approval;
- Review and approve Compliance Charter for alignment with regulation and effective risk management tool;
- Ensure seamless transfer of non-pension assets under custody by July 2018;
- Equip Internal Audit, Compliance, Control, Risk and Compliance functions with appropriate tools;
- Review Internal Audit, Control, Risk and Compliance reports quarterly and ensure timely resolution of issues raised;
- Ensure that staff of these departments are adequately trained; and
- Adequate monitoring of business and regulatory environments.

LEADERSHIP

Committee membership and attendance

In 2017, there were seven meetings of the Committee. Committee membership and attendance of meetings is set out below.

Attendance is expressed as the number of meetings attended out of the number possible or applicable to the individual Director during the year to 31 December 2017.

Name	Attendance
Chairman	
Dr Bayo Odeniyi	5 of 5
Non-Executive	
Ijeoma Nwogwugwu	5 of 5
Dr Philip Olufunwa	5 of 5
In attendance	
Kunle Jinadu (MD/CEO)	1 of 1
Tunde Folayan	5 of 5
Bunmi Aderonmu	1 of 1

MANAGEMENT COMMITTEE (MANCO)

The Management Committee is responsible for making day-to-day management and operational decisions necessary to safeguard the interests of the Company and to further the strategy, business objectives and targets established by the Board. It is the highest decision-making organ of the Company, subject only to the directives of/or parameters set by the Board of Directors, who retain supervisory powers over the Management and is authorised to review or approve all decisions of Management as it deems fit. The Committee's primary responsibilities are:

- Oversee the safety, operational and financial performance of the Company;
- See to the day -to-day management, operational decisions of safeguarding the Company;
- Ensure the establishment of the Company's strategic plan as approved by the Board;
- Drive targets established by the Board and ensure efficient deployment and management of the company's resources; and
- Protection and enhancement of the brand reputation.

Focus of discussion for 2018

- Approval of 2016 Staff Performance Appraisal Report;
- 2017 – 2019 Corporate Strategy Formulation;
- Implementation of Corporate Strategy;
- Consideration of the Monthly/Quarterly Management Accounts;
- Review of Employee Conditions of Service;
- General Business Review; and
- Review of Regulatory Issues.

The Management Committee carries out its mandate through the following committees:

INFORMATION TECHNOLOGY STEERING COMMITTEE

The Committee has overall responsibility for IT strategy and policy in the Company. The ITSC's primary responsibilities are to:

- Review and recommend IT strategy and architecture for the Company;
- Review and recommend appropriate IT budget for the consideration of the Management Committee and subsequent approval from the Board of Directors;
- Monitor on an ongoing basis the achievement of Information Technology objectives including application of and leverage on technology to drive business;
- Ensure that the Company is deriving optimal benefits from investments in Information Technology; and
- Presentation of other matters requiring attention.

PROCUREMENT COMMITTEE (PC)

The Committee is primarily responsible for monitoring and verifying the Company's procurement actions and ensuring that approved procurement procedures have been properly applied. The primary responsibilities are:

- Ensure compliance with Procurement Policy and Guidelines;
- Approve evaluation criteria at each relevant stage of the process and review proposals submitted against such criteria;
- Conduct interviews and dialogue sessions with bidders as necessary in accordance with the approved plan;
- Based on the evaluation conducted, recommend the shortlist of bidders and, at final stage, recommend the preferred bidder for Management approval; and
- Report to the Board on a regular basis on the progress of the procurement process.

EFFECTIVENESS

ENSURING BOARD EFFECTIVENESS

Today's rapidly changing business environment requires a responsive Board in order to meet unexpected needs and challenges. An effective Board is one that has inculcated the right ethics for doing business and observes good corporate governance principles.

Our approach to ensuring our Board's effectiveness is threefold – through composition, training and a rigorous Board appraisal process. The successful delivery of our strategy depends upon attracting and retaining the right talent. This starts with having a high-quality Board with the right mix of skills and knowledge, as well as ability to work effectively as a team. Balance is an important requirement for the composition of the Board, not only in terms of the number of Executive and Non-Executive Directors, but also in terms of expertise and backgrounds. The Board currently comprises one Executive Director, four Non-Executive Directors and the Chairman.

Details of the current Directors of the Company and summaries of the experience and perspectives that they bring to the Board are set out on page 22.

APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

Our appointment philosophy is guided by relevant regulatory guidelines and laws. The objective when making any appointment to the Board is based on possession of requisite qualifications, skills and management competencies. The responsibility for onboarding a new Director starts with the Board Governance Committee. Thereafter, recommendations on candidates' suitability are made to the full Board, which then decides on the appointment of the candidate subject to the approval of the National Pension Commission.

Once appointed, a new Director, whether Executive or Non-Executive, is expected to go through an induction process to familiarise themselves with the Company's operations, business environment, and legal requirements in line with National Pension Commission Code and leading corporate governance practices. The Board is continuously updated on the challenges, risks and opportunities facing the business, through Management reporting at quarterly Board and Committee meetings. The Directors are kept abreast of all applicable regulations, changes to rules, standards and codes.

TENURE OF DIRECTORS

The Board believes it is important to maintain an appropriate balance between length of service, independent judgement and a suitable level of experience and skill. The Non-Executive Directors are appointed for an initial term of three years, and can be re-elected for a maximum of three terms, subject to retirement age of 70 years.

Executive Directors are appointed for an initial term of three years and their tenure can be renewed for another three years, subject to the performance of the Director.

PROFESSIONAL DEVELOPMENT AND TRAINING

FPCNL recognises the importance of training to improve the effectiveness of its Directors in their work, thus places premium on the need to ensure that Directors' skills and knowledge are refreshed and updated regularly to meet up with the changing operating environment. The members of the Board of Directors attended formal and informal sessions in the course of the financial year to enhance Board performance and deepen their knowledge in relation to the expectations and demands of their office. To further strengthen the Directors' knowledge and understanding of the Company, Board meetings regularly include updates and briefings on current and emerging issues in Company's business and operating environment. Updates on corporate governance and regulatory matters are also provided at the meetings. Directors attended the following training in 2017:

1. Finance for Non-Financial Managers (LSBF)
2. African Pension Funds Summit
3. Global Custody Forum (International Centre for Business Information)
4. Role of the Chair (Institute of Directors)

BOARD APPRAISAL

In compliance with PenCom Code of Corporate Governance for Licensed Pension Operators, and in the bid to further strengthen the Company's corporate governance practices and enhance the capacity of the Board of Directors in the effective discharge of its responsibilities, the Board engaged the services of an independent consultant, KPMG Professional Services, to conduct an appraisal of the Board of Directors and individual Director peer appraisal for the year ended 31 December 2017. The appraisal exercise

EFFECTIVENESS

covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities. The review process consisted of: administration of a survey to assess the effectiveness of the Board, its Committees and individual Directors and facilitate peer appraisal; one-on-one interview sessions with certain Directors; feedback to the Board; and a recommended action plan.

Overall the Board is considered strong, bringing a good balance and mix of expertise and experience and offering real diversity of view and perspective. The Independent Consultant adjudged the performance of the Board, its Committees, the Chairman and each of the Directors effective in areas of governance and compliance. All Directors demonstrated commitment to their roles. However, in certain areas, performance was not considered to be strong; members are aware that there are key areas that need to be addressed and changes that should be implemented to improve the Board's overall effectiveness. These now form the core of the 2018 Board focus areas to improve on our corporate governance practices.

REMUNERATION

Non-Executive Directors receive fixed annual fees and sitting allowances for service on Boards and Board Committee meetings. Non-Executive Directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

Remuneration for Executive Directors is performance-driven and restricted to base salaries, allowances and performance bonuses. Executive Directors are not entitled to sitting allowances.

Description	Amount (₦'mn)
Fees and sitting allowances	16.70
Executive compensation	57.33
Other Director expenses	94.37

PERFORMANCE MONITORING

The Board continuously engages with Management and contributes ideas to the Company's strategy from the planning phase to the execution phase. Once a strategy is defined, updates on strategic objectives form part of the ongoing Board agenda. The Board is continuously updated on significant issues and challenges encountered in the course of strategy implementation.

On a quarterly basis, Management reviews the financial and performance indicators with the Board, and the Board assesses the progress and alignment with the Company's strategic goals and objectives, and budgeted performance. In cases of identified gaps, strategies are devised for improving performance. Peer benchmarking forms a continuous part of our Board meetings in order to put our performance into perspective against that of our competitors.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

The Board has the power to obtain advice and assistance from independent professional advisers and experts as it deems necessary to carry out its duties effectively, and to retain same at the Company's expense, subject to the prior approval of the Chairman. All Directors, including Non-Executive Directors, have access to the services of the Company Secretary as it relates to the discharge of their duties.

ACCOUNTABLITY

The Management of First Pension Custodian Limited has an obligation to account for the Company's activities, accept responsibilities for them, and disclose the results in a transparent manner. The risk management unit of FPCNL is primarily responsible for coordinating the Company's cross functional response to risks.

RISK MANAGEMENT PHILOSOPHY

The risk management policies and procedures instituted by First Pension Custodian Nigeria Limited are strategically aimed at managing potential residual risks inherent in our operations.

The motivating factor in the Company remains adequate risk management and the organisation's success is largely driven by how wisely it takes risks and how effectively it manages the risks. The Company's vision and mission statement provides the basis for the risk management philosophy and objectives while the Board sets the tone of the organisation's risk culture.

At PCNL, approved enterprise-wide risk management methodology and philosophy guides risk management approach to ensure adequate and effective risk management. In addition, the methodology also provides regulatory principles that, together with the risk management approach, will continue to ensure optimum return on the parent Company's investment through the application of the following core principles:

- Sound risk management as the foundation of a long-lasting financial institution;
- Governance of risk management by well-defined policies which are clearly communicated across the Company;
- The Company's risk management governance structure shall be clearly defined;
- Risk-related issues are taken into consideration in all business decisions;
- Risks are reported openly and fully to the appropriate levels once they are identified;
- Risk management is a shared responsibility; and
- Integration of risk management activities within the Company and across its value chain.

Risk culture

FPCNL Board of Directors recognise that the practice of risk management is critical to the achievement of corporate objectives and have actively encouraged a risk culture that embrace innovation and opportunity, primed risk-taking and acceptance of risk as inherent in all our activities.

- Board and Management consciously promote a responsible approach to risk and ensure that the long-term survival and reputation of the Company are not endangered while expanding the Company's market share;
- Responsibility for risk management at FPCNL is fully vested in the Board of Directors, which delegates the same to Management;
- Unit heads are responsible for identifying and assessing risk within their respective business units ;
- Company pays adequate attention to both quantifiable and unquantifiable risks; and
- Management promotes awareness of risk and risk management across the Company.

Risk appetite

Risk appetite is the maximum level of residual risk that the Company is prepared to accept. It is a core consideration in an enterprise risk management approach and a method to help guide organisation's approach to risk management. FPCNL risk appetite is primarily characterised by a clear risk strategy, monitoring and reporting procedure that helps to identify potential deviations from our risk tolerances in a timely manner across the Company. The appropriate level of acceptable risk is contained in FPCNL's approved enterprise risk management framework.

The Company's risk appetite is governed by:

- Efficient operations, sound internal control and respect for law and regulations;
- Avoidance of loses due to frauds and operational lapses;
- Minimising exception reporting by auditors, regulators and external rating agencies;
- Averting adverse publicity in local and international press;
- Avoiding litigation;

ACCOUNTABLITY

- Avoiding regulatory penalties and fines;
- Upholding its reputation through ethical, legal and professional conduct; and
- Zero tolerance for association with disreputable elements.
- Risk management oversight

We constantly bear in mind that the nature of risk is dynamic and pervasive in our business and the responsibility is that of all, hence we have created a structured approach across all functions of the organisation, flowing from strategic planning to the service level in order to identify, mitigate and report these risks.

The Board of Directors' effective oversight is critical to a sound risk management process. The Board of Directors has approved the overall policies and enterprise risk management framework of the Company thus ensuring that Management takes the steps necessary to identify, measure, monitor and control these risks.

Line of Defence

We operate and maintain three lines of defence for the Management and oversight of risk to ensure adherence to guiding principles and control. The lines of defence are:

First Line of Defence – Board, Management and Responsible officers

Responsible officers in the first line of defence have direct responsibility for the management and control of risk in the Company. These are the staff in each business unit, core resource functions, department heads, Management and Board who are responsible for implementing policies and high level oversight;

Second Line of Defence – Risk management team

The second line of defence comprises staff and officers responsible for the co-ordination of risk management in the Company, these are: Internal Control and Risk unit, Compliance unit, Management Committee, the Chief Risk Officer, Board Committees and the various risk functions in the Company. The Internal Control performs first-level check and continuous independent verification/testing of control measures put in place to manage all risks across the Company.

The Company's risk management unit is responsible for designing risk framework methodologies and tools which support the business in analysing and managing risks and providing early warnings of adverse trends. This unit is expected to report its findings and recommendations to the Management and Board through the assigned Board Committee.

Third Line of Defence – Audit functions

The third line of defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the risk management function and framework. This level shall involve the External and Internal Auditors who have the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal Audit shall also test the adequacy of internal controls and make appropriate recommendations where weaknesses are identified.

INTERNAL CONTROL

OVERVIEW

At FPCNL, Internal Control is a process for ensuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. It is the overall operating framework of practices, systems, policies, organisational structures, management, philosophy, code of conduct, procedures and actions, which exists in the Company and is designed to ensure that the organisation is being run in an orderly and efficient manner.

The Company is committed to creating and maintaining a world-class internal control environment that can sustain its current leadership position in the pension industry.

Internal Audit complements the works of internal control by evaluating the effectiveness of the controls and advising management accordingly.

Effectiveness of internal control

The Managing Director/Chief Executive Officer has overall responsibility for designing and implementing effective control. The Management Committee ensures that the controls embedded in operations are fully complied with by the staff. The Head Audit, Risk and Compliance oversees the internal control procedures of the Company.

Effectiveness of internal control is ensured through periodic testing and review of the control systems.

Objectives of internal control

Internal controls are the system's ability to detect or prevent material data processing errors or fraud and provide for correction on a timely basis.

Internal control objectives include:

- The optimal use of Company resources;
- Preventing and detecting errors and fraud, safeguarding of Company's assets;
- Maintaining reliable control systems;
- Providing a reasonable assurance that undesirable events will be prevented or detected and corrected in line with international best practices; and
- Compliance with global best practice and ensuring end-to-end security of all critical system applications and adequate security of the Company network.

Importance of internal control

At FPCNL, internal control plays a pivotal role as a main unit that conducts regular checks on activities of all business units. Internal controls serve as a key factor in keeping an audit “focused”. Effective controls reduce the risk of asset loss and help ensure that plan information is complete and accurate, financial statements are reliable, and that the plan complies with laws and regulations. Control system at FPCNL ensures material errors or mistakes are identified and corrected on time, safeguard of assets, economy and efficiency of operation.

Roles and responsibilities for internal control

Everyone in FPCNL has a responsibility for internal control. Virtually all employees produce information used in the internal control system or take other actions needed to effect control. Also, all personnel are responsible for communicating upward problems in operations, non-compliance with the code of conduct, or other policy violations or illegal actions. Each major entity in corporate governance has a role to play. These roles are:

Board of Directors

Management of FPCNL is accountable to the Board of Directors, which provides governance, guidance and oversight. Effective Board members are objective, capable and inquisitive. They also have a knowledge of the entity's activities and environment, and commit the time necessary to fulfil their Board responsibilities.

Management

The Chief Executive Officer of the organisation has overall responsibility for designing and implementing effective internal control system. More than any other individual, the Chief Executive sets the ''tone at the top" that affects integrity and ethics and other factors of a positive control environment. At FPCNL, the Chief Executive Officer fulfils this duty by providing leadership and direction to other management staff and reviewing the way they are managing the business. Management staff, in turn, assign responsibilities for the establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions.

INTERNAL CONTROL

Auditors

Internal and external auditors of FPCNL also measure the effectiveness of internal control. They assess whether the controls are properly designed, implemented, adequate and working effectively, and make recommendations on how to improve internal controls. They also review information technology controls which relate to the IT systems of the organisation. They also provide reasonable assurance that internal controls involved in the financial reporting process are effective, they are tested by the external auditors, who are required to opine on the internal controls of the Company and the reliability of its financial reporting.

Board Audit Risk and Compliance Committee

The roles and the responsibilities of the Board Audit Committee are to:

- Provide oversight on quality and adequacy of the organisation's internal control system and risk management process, their effectiveness and outcomes, and meet regularly with the Head of Audit Risk and Compliance;
- Review and discuss with Management and the external auditors and approve the audited financial statements of the organisation, make recommendation regarding inclusion of those financial statements. Also, review with Management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet issues in the organisation's financial statements;
- Review and discuss with Management the types of information to be disclosed and its presentation in the Company's annual reports and account;
- Confirm the scope of audits to be performed by the external and internal auditors, monitor progress, review results and review fees and expenses. Review significant findings or unsatisfactory internal audit reports, or audit problems or difficulties encountered by the external independent auditor. Monitor Management's response to all audit findings;
- Receive regular reports from the Head of Audit Risk and Compliance regarding deficiencies in the design or operation of internal controls and any fraud that involves Management or other employees with a significant role in internal controls; and
- Support Management in resolving conflicts of interest. Monitor the adequacy of the organisation's internal controls and ensure that all fraud cases are acted upon.

Internal Control Strategy, Plan and Policies

Reduction of risk is principally anchored by internal control at FPCNL. The Company has in place an internal control plan and programme approved by the Board of Directors. The plan and programme is being implemented by the internal control team.

Additionally, other means used to manage risk at FPCNL includes the transfer of risks to third parties, risk sharing, contingency planning and withdrawal from unacceptable risky activities. FPCNL operates in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the institution from achieving its strategic business objectives.

To effectively manage these risks, FPCNL has put in place internal control measures that cover all business units in the Company such as verification and authentication of all client instructions by call-back confirmation and signature verification based on previously received mandates, maker/checker control on all transactions captured on the applications, independent review of all processed instructions by control and audit staff, independent checks on all transactions by the compliance unit; and control of access to data and restricted areas, effective back up and disaster recovery process, account activity is sent to clients daily to aid regular monitoring of inflow and outflow into clients' accounts.

As part of strategy to ensure effectiveness of internal control at FPCNL, an internal control policy is also established by the Management to provide overall operating framework and authority to control teams. The internal control policy document specifies the following standards to be followed by transaction processors at FPCNL:

- Documentation of all transactions by business units and making the registers and/or files available for examination;
- Proper recording of transactions and other significant events;
- Only persons acting within the scope of authority can authorise and execute transactions;
- Clear separation of duties;
- Access to resources and records are properly controlled and limited to only authorised personnel;
- An effective maker and checker (4-Eyes) process whereby no individual starts and concludes a transaction process;
- Expenditure limits set and controlled to ensure transparency

INTERNAL CONTROL

in disbursement of Company funds; e.g. Company cheques are signed by two signatories and there are expenditure approval limits;

- A training plan that ensures all members of staff are trained annually;
- Training is achieved locally, internationally and on the job, and improves staff skills, knowledge of the job and internal control requirements;
- Job rotation and leave policy that ensures that individuals observe annual leave days;
- Audit, Risk and Compliance personnel are precluded from getting involved in processes that could jeopardise their independence; and
- Constantly maintaining internal control awareness.

COMPONENTS OF INTERNAL CONTROL

Control Environment

The control environment is the foundation on which an effective system of internal control is built and operated in an organisation that strives to achieve its strategic objectives.

FPCNL's internal control environments extends to policies, plans, procedures, processes, systems, activities, functions, projects, initiatives and endeavours of all types at all levels of the Company.

The control environment sets the tone of an organisation's influence on the control consciousness of the people. The control environment includes:

- Management Philosophy and Operating Style;
- Board of Director, Audit Committee – independent, level of involvement;
- Organisational Structure – reporting relationships;
- Management Control Methods – ability to delegate, supervise, budgets, performance evaluation system;
- Assigning of Authority and Responsibility – conflicts of interest;
- System Development – methodology, update of computer files/programs;
- Personnel Policies – hiring, termination, training, performance evaluation, compensation;
- Internal Audit;
- Good compliance culture by Board, Management and staff;
- An ethical Board;
- Sound organisational structures;
- Good Corporate Governance;
- Excellent understanding of the Company's operations by staff;
- Separation of duties;
- An effective financial and management reporting system; and
- Strong regulatory environment.

Entity's Risk Assessment Process

FPCNL risk assessment process comprises the risk assessment relating to reliability of financial statements. This involves the following:

- How Management identifies and responds to risks;
- The significance of internal and external events and circumstances should be considered; and
- Likelihood of occurrence, and how they should be managed.

Information Communication and Technology

This stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers, as well as necessary enterprise software, middleware, storage and other ICT infrastructures and components. ICT processes includes:

- Considering the information system relevant to financial reporting- how does the system ensure all transactions are recorded (completeness), valid, accurate and timely with all appropriate disclosures;
- Need to understand how and when all information is captured for both regular and unusual transactions;
- Consider extent of IT and E-Transactions; and

INTERNAL CONTROL

- Control procedures and monitoring.

Control procedure and monitoring involves the following:

- Policies and procedures are required – this ensures people know what they are supposed to do, when and how;
- Information processing controls and general (controls over the data center/server) applications controls (processing of individual transactions);
- Physical controls – security over assets;
- Separation of duties – recording/authorisation;
- Accessing the quality of internal controls over time; and
- Taking corrective action as required.

Fraud management objectives

Risk management is crucial to fraud control, guiding the development of an effective fraud control plan and associated strategies and activities to minimise the opportunities for fraud to occur. Risk management provides a framework to identify, analyse, evaluate, and treat fraud risks. Some of the fraud management measures include:

- Preventing fraud occurrences or losses, and where prevention is not possible, prompt detection and mitigation. Efficient fraud loss mitigation measures, i.e. rapid escalation of fraud occurrence, insurance recovery and effective management of law enforcement agencies;
- Preventing a repeat of operational lapses and system defects that facilitate fraud incidents;
- Minimising other operational loss associated with fraud; and
- Automation of fraud preventive and detective measures.

Control activities

Control activities are an integral part of the Company's day-to-day operations. The approved control structure ensures that control activities cut across every business area. The control activities include:

- Internal Audit Reports exposing control weaknesses are periodically presented to Management and Board Audit, Risk and Compliance;
- Transaction calls over early detection of errors;
- Company's physical and financial assets are protected by policies;
- Separation of duties to deter a staff from starting and concluding transactions;
- All accounts are regularly reconciled and exception reports generated for remediation; and
- Whistleblowing culture has been instituted among staff.

Learning from internal control failure

Learning comes in various forms. FPCNL places importance on learning from mistakes and control failures as this helps the learning process and guides against recurrence. When control failure occurs, we take the following steps:

- review the process to identify reasons for the deviation from approved procedures;
- check if other control weaknesses can be identified;
- communicate the control weaknesses discovered to all concerned;
- proffer and agree mitigating controls;
- document and approve a new procedure for the function; and
- update the procedural manual and communicate the new information to all concerned.

Compliance with external regulations

FPCNL is committed to complying with all relevant legislation and obligations. The Company has in place a compliance Risk Management Framework approved by the Board of Directors, which details its approach to identifying, assessing, measuring, monitoring and managing Compliance Risks across all its operations and processes.

This is designed essentially to drive its compliance with applicable laws, regulations, codes of conduct and standard of good practices as well as prevent regulatory penalties, financial or regulatory loss. The framework defines roles and responsibilities for the different parties involved in the Compliance Risk and management process, including Board of Directors, Board Committee, Management, Audit, Risk and Compliance and staff.

WHISTLEBLOWING PROCEDURES

The Company is committed to the highest standards of openness, probity and accountability; hence the need for an effective and efficient whistleblowing process as a key element of good corporate governance and risk management.

Whistleblowing is a mechanism by which suspected breaches of the Company's internal policies, processes, procedures and unethical activities by all stakeholders (staff, clients, service providers, suppliers and pensioners) are reported for necessary action. The reputation of the Company is of utmost importance and all staff in the Company have a responsibility to protect the Company from any persons or acts that might jeopardise its reputation.

The platform for whistleblowing is accessible to all and some of the whistleblowing measures in FPCNL is highlighted below:

- FPCNL ensures adherence to the Whistleblowing Guidelines for pension operators issued by PenCom in line with its commitment to good corporate governance and transparency;
- The Whistleblowing Guidelines from PenCom is circulated periodically to staff and everyone is encouraged to follow its dictates;
- Internal Control, Audit and Compliance perform independent checks on all areas and report breaches discovered to Management periodically and to the Board (during the quarterly Board meetings);
- Regulatory breaches of the Company and the PFA clients discovered are reported in the monthly exception report sent to PenCom;
- Staff members are encouraged to report breaches noticed to the Chief Compliance Officer;
- Issues can also be reported under anonymity; and
- The Head, Audit, Risk and Compliance is responsible for monitoring and reporting on whistleblowing.

Who Can Blow the Whistle

In FPCNL, any individual who has observed reportable misconduct can report his/her concerns to designated parties as prescribed by this policy, provided they are made in good faith and the disclosure is true and reasonable.

There are two categories of whistleblowers namely:

(i) Internal whistleblowers - employee who report incidents of misconduct involving a colleague, a supervisor or a Top Management staff, including Directors/members of the Board.

(ii) External whistleblowers - mostly PFAs, counterparties, pensioners, suppliers or the public at large who reports observed wrong doings of FPCNL's staff, Management or Board.

Whistleblowing Procedures

This whistleblowing procedure provides a mechanism for reporting any unlawful conduct at work and reassurance that exposing wrong doing would not pose any risk to the whistleblower.

Whistleblower may raise concerns either by declaration or anonymously through any of the following:

- Formal letter or e-mail to the Managing Director of First Pension Custodian Nigeria Limited or the Head Audit, Risk and Compliance.
- Call 012777849, extension 7849 or 7807
- Call or Text 08023407776
- Email the Managing Director:
  kunle.jinadu@firstpensioncustodian.com
- E-mail Head Audit, Risk and Compliance:
  tunde.folayan@firstpensioncustodian.com
- Electronically log on to www.firstpensioncustodian.com and click on the whistleblowing portal to report the misconduct.

During the year 2017, no case of whistleblowing was recorded, as such the Company rendered nil report on monthly basis to the National Pension Commission and quarterly to the Board Audit, Risk and Compliance Committee.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of First Pension Custodian Nigeria Limited (the Company), together with the financial statements and auditors' report for the year ended 31 December 2017.

Legal form and principal activity

The Company was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 12 August 2005. It was granted a license on 7 December 2005 to carry on the business of a Pension Fund Custodian.

The principal activity of the Company is to act as a custodian of pension fund assets in accordance with the Pension Reform Act 2014, or any amendment or re-enactment thereof for the time being in force.

Operational results

First Pension Custodian's profit for the year after taxation amounted to ₦4.36bn (31 December 2016: ₦2.83bn). The Directors recommended for approval a dividend of ₦1.74 per ordinary shares for the financial year ended 31 December, 2017.
Withholding tax will be deducted at the time of payment.

Appointment of Directors

During the year under review, Funso Sobande was appointed as an Executive Director.

Directors and their interests

The Directors do not have any direct and indirect interests in the issued share capital of the Company (2016: Nil) as recorded in the register of Directors' shareholding and or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act.

Directors' interest in contracts

For the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Company during the year.

Property, plant and equipment

Information relating to changes in property, plant and equipment, is given in note 9 to the financial statements. In the Director's opinion, the market value of the Company's properties is not less than the value shown in the financial statements.

Events after the reporting period

There are no events after the reporting period known to the Directors which are to be reported.

Human resources

- **Employment of disabled persons** – It is the policy of the Company that there should be no discrimination in considering applications for employment, including those from people with disabilities. As at 31 December 2017, there were no persons with disabilities in the employment of the Company.

- **Health, safety and welfare at work** – Health and safety regulations are in force within the premises of the Company. Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises.

  The Company operates both Group Personal Accident and the Workmen's Compensation Insurance cover for the benefit of its employees. It also operates a contributory pension scheme in line with the Pension Reform Act 2014.

- **Employee involvement and development** – The Company ensures, through various fora, that employees are informed on matters concerning them.

  In accordance with the Company's policy of continuous development, employees of the Company attend both in-house and external courses. These are complemented by on-the-job training.

- **Diversity in employment** – The Company is committed to conducting business in a positive, professional manner by consistently ensuring equal employment opportunities.

  The Company's gender breakdown during the year is as follows:

  a. Board and Top Management staff

	Gender (Number)			Gender (%)	
	Male	Female	Total	Male	Female
Board members (Executive and Non-Executive)	5	1	6	83	17
Top Management (Principal Manager – General Manager)	3	1	4	75	25

  b. Non-Management

	Gender (Number)			Gender (%)	
	Male	Female	Total	Male	Female
Employees	49	24	73	67	33

DIRECTORS' REPORT

AUDITORS

The auditors, Messrs Deloitte & Touche, have indicated their willingness to act and continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004. A resolution will be proposed at the Annual General Meeting to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Adewunmi Odebunmi
Company Secretary
FRC/2014/NBA/00000014065

RISK FACTORS

Risk is at the heart of custody business. FPCNL attaches a great deal of importance to the proper identification and management of risks, which is a foundation for a long-lasting financial institution.

CHIEF RISK OFFICER'S REPORT

> "Adherence to Board approved risk appetite has remained strong throughout the period with the underlying quality of the pension fund portfolio exhibiting strong performance"

Tunde Folayan
Chief Risk Officer

INTRODUCTION

Throughout 2017, significant progress was made in embedding the Enterprise Risk Management (ERM) Framework across the Company. We did this through extending the core risk disciplines defined by the ERMF across all key underlying risk categories and we paid attention to risk analytical capabilities, data management and management information and reporting.

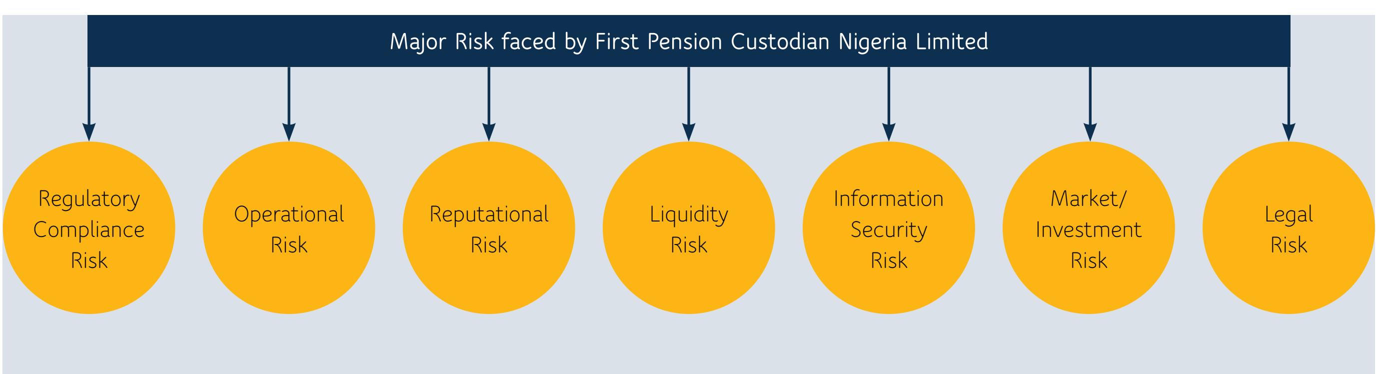
The Company continued to grow its balance sheet during 2017 in a profitable and prudent manner. Adherence to Board approved risk appetite has remained strong throughout the period with the underlying quality of the pension fund portfolio exhibiting strong performance. The Company has further strengthened its core ratios in an uncertain economic, political and regulatory environment.

The risk function continues to deliver against its overarching objective of being a strategic partner whilst retaining its independence. This has been achieved by judicious and considered investment in risk data and analytics and enhancing risk management capability through further increase in the size and structure of the risk function. The nature and quality of engagement with internal and external stakeholders has further strengthened the risk culture and ensured increased embeddedness of the risk disciplines.

RISK PROFILE REVIEW

In addition to the strong financial performance, the Company's risk profile has been managed in accordance with the Board's approved risk appetite. The performance against key risk indicators has been strong throughout the year

KEY RISK INDICATORS OVERVIEW/SUMMARY OF KEY RISKS



CHIEF RISK OFFICER'S REPORT

REGULATORY AND COMPLIANCE RISK

The Company is committed to the highest standards of regulatory conducts and aims to minimise breaches, financial costs and reputational damages associated with non-compliance. However, given the growing scale and complexity of regulatory changes, it is acknowledged that there may be isolated instances where the Company's response to new regulatory requirements may be subject to interpretation risk.

The Company has an established compliance function which actively identifies, assesses and monitors adherence with current regulations and the impact of emerging regulations. In order to minimise regulatory risk, FPCNL maintains a proactive relationship with key regulators, engages with industry bodies such as PenOps and seeks external advice from professionals.

During 2017, the Company has responded effectively to a broad range of regulatory changes impacting its primary products.

The Compliance unit, under the leadership of the Head, Audit, Risk and Compliance, is well positioned to guide against the risk of failure to comply with applicable laws and regulations, regulatory policies, codes, internal policies, procedures and ethical standards which may result in regulatory sanctions and financial or reputational loss, the unit ensures that statutory and regulatory requirements are adhered to and that breaches are promptly reported.

The department also organises compliance awareness training and periodically circulates PenCom regulations and circulars and Board approved internal policies.

OPERATIONAL RISK

FPCNL continues to assume a proactive approach to the management of operational risks. The Risk Management Framework has been designed to ensure a robust approach to the identification, measurement and mitigation of operational risks, utilising a combination of both qualitative and quantitative techniques in order to promote an environment of progressive operational risk management. The Company's operational processes, systems and controls are designed to minimise disruptions to customers, damage to the Company's reputation and any detrimental impact on financial performance. The Company actively promotes the continual evolution of its operating environment through the identification, evaluation and mitigation of risks, whilst also recognising that the complete elimination of operational risk is not possible.

A strong culture of transparency and escalation has been cultivated throughout the organisation, with the operational risk function that ensures a risk management model that is well-embedded and consistently applied. In addition, a community of Risk Champions representing each business line and functional area have been identified. Operational Risk Champions ensure that the operational risk identification and assessment processes are established across the Company in a consistent manner.

Appropriate steps are also taken to control major operational risks before they adversely affect operations and hence the business. The steps include:

- Zero tolerance for regulatory infractions and penalties;
- The highest ethical standards always;
- Zero tolerance for fraud;
- Appropriate policies and processes always;
- Appropriate risk assessment and controls in exploiting new business opportunities; and
- Low tolerance for system downtimes and business disruptions.

Other key counter-measures put in place by the Management of FPCNL include:

- Enhanced staff training;
- Issuance of appropriate and deterrent circulars;
- Job rotation and separation;
- Continuous improvement of Company policies and processes;
- Implementation of whistleblowing policy to encourage staff to report unethical activities to the Chief Compliance Officer/ Head, Audit, Risk and Compliance, Board, and PenCom where necessary; and
- Risk transfer (insurance arrangement).

REPUTATIONAL RISK

This is the risk that an organisation's high standing among others, high esteem and honour may be affected. Reputational risk is a risk of corporate trust and can expose the Company to loss of customers, financial loss, regulatory sanctions and costly litigation. The risk affects the Company's ability to establish new relationships or services and retention of existing relationships.

During the year under review, the Company strove to maintain quality customer service/procedures and business operations that

CHIEF RISK OFFICER'S REPORT

enable compliance with regulatory rules and legislation in order to minimise the risk of a decline in the reputation of the Company. The Company also promoted sound business ethics among its employees.

The Company did not compromise its reputation through unethical, illegal or unprofessional conducts. Management constantly creates awareness among all members of staff on the need to be more diligent in the conduct of transactions, ensuring quality services to the customers and apply best practice in dealing with various stakeholders. Also, the Company continues to maintain zero appetite for association with disreputable individuals and entities.

LIQUIDITY AND FUNDING RISK

The Company has a prudent approach to liquidity management through maintaining sufficient liquid resources to cover cash flow imbalances and fluctuations in funding under both normal and stressed conditions which can arise from market-wide and Company-specific events. The Company's liquidity risk appetite has been calibrated to ensure that the Company always operates with sufficient contingency for unexpected stresses whilst actively minimising the risk of holding excessive liquidity which would adversely impact the financial efficiency of the business model.

During 2017, the Company actively managed its liquidity and funding profile within the confines of its risk appetite as set out in the Liquidity Risk Policy.

The adequacy of the Company's liquidity position is determined using the following factors:

- historical funding requirements;
- current liquidity position;
- present and future earnings capacity; and
- sources of funds.

FPCNL ensures that it maintains sufficient liquidity, including high liquid assets, to withstand a range of stress events and is able to settle its financial obligations. Most of the Company's transactions are naira denominated hence the fluctuations in foreign exchange currencies did not have negative impact on the organisation. Also, cash flow planning and other liquidity management techniques were employed to mitigate this risk.

The Company's liquidity management process is managed by Chief Financial Officer under the direct supervision of the Managing Director and in conjunction with the Management Committee. The Board Finance and General Purpose Committee and the Board of Directors have an oversight responsibility in this regard.

INFORMATION SECURITY RISK

The advancement of information technology has brought about rapid changes to the way businesses and operations are conducted in the pension industry and other spheres of life. It is no longer a support function for pension fund companies but a key enabler for business strategies including reaching out and meeting customer needs.

In view of this, FPCNL instituted a sound and robust IT Risk Management framework that offers the confidence from information technology's ability to deliver business value efficiently and securely, while providing high-quality assurance around data integrity, availability and confidentiality.

One area of operational risk involves the use of information and communication technology systems and other infrastructure in the conduct of business. In the case of a disaster, either natural or man-made, which may render existing buildings and/or infrastructures inoperable, contingency plans are in place to mitigate such. To this end, the Company is able to run operations from a disaster recovery site located away from the vicinity of the main office. This alternative location is regularly tested and provides online replication of the main office transactions.

In addition to measures mentioned above, back up of data is done on tape and stored in an approved location away from the main office. These tapes are tested at intervals to confirm that backed up data is retrievable.

The Company's information security risk management framework therefore ensures that information assets are protected at all times. This responsibility is shared by Management and all staff through programmes targeted at increasing staff knowledge and client protection.

Information security control is being built into all processes and procedures through the development of appropriate safeguards.

MARKET RISK

The Company proactively manages its risk profile in respect to adverse movements in interest rates, foreign exchange rates and counterparty exposures. Interest rate exposure is mitigated on a continuous basis through portfolio diversification within limits set and approved by the Board. Exchange rates and counterparty exposure is managed by ensuring that most contracts are naira denominated

CHIEF RISK OFFICER'S REPORT

LEGAL RISK

Legal risk is the risk of real or threatened litigation against the Company. Legal risk can cause significant costs to the Company, disrupt its operation and reduce earnings and capital. The risk has enormous cost implications to the organisation and affects the reputation of the organisation as well.

The Company manages this risk by monitoring new legislation, raising awareness of legislation among employees, entrenched sound corporate governance and identifying significant legal risks, as well as assessing their potential impact and establishing adequate mitigating controls.

In 2017, legal risk management was carried out through proper management of various sources from which this risk could occur. Some of the controls adopted include:

- Service Level Agreements (SLAs) were executed between clients and various service providers;
- The SLAs were monitored to ensure compliance;
- Continuous review and monitoring of contingent liability reports; and
- Continuous contract review.

The level of awareness of the need to identify, mitigate and manage legal risks in our business activities and transactions continues to improve. Legal risk has been well managed and there has been no incident of litigation directly involving the Company.

RISK PRINCIPLES AND CULTURE

The Board has established overarching risk based principles. These risk principles provide for a clearly articulated risk vision and strategy, and ensure that the Company's risk capabilities and processes are aligned. The risk principles are:

- **Customer Interests:** Customer outcomes and conduct risk are central to all aspects of FPCNL's business and control functions;
- **Proportionate and Commensurate:** The ERM Framework reflects the complexity of the Company's business model and is scalable to accommodate future growth;
- **Defined Risk Appetite:** Risks are assumed subject to defined qualitative statements and quantitative limits and thresholds;
- **Coverage:** All principal risks are identified, assessed and managed based on robust systems and controls;
- **Risk Governance:** Risk-taking and oversight responsibility is appropriately segregated, in adherence to the 'three lines of defence' principle;
- **Integration and Usage:** Risk management disciplines are fully integrated into the Board and Senior Management decision-making processes; and
- **Versatile:** Risk framework and underlying capabilities are subject to ongoing review and are adaptive to the changing operating environment and the Company's business model.

The Company's corporate vision of being a leading pension custodian within its chosen markets helps to shape its risk culture. The Board and Senior Management have cultivated a risk culture which encourages a proactive, transparent and informed approach to risk management in a balanced and considered manner, taking into consideration stakeholder expectations and good customer outcomes.

RISK APPETITE

At FPCNL, we have established a clear linkage between our strategy and risk appetite, ensuring that the setting and monitoring of risk appetite is embedded within the business (with respect to processes e.g. business planning processes). Our risk appetite is informed by our strategic choices and our business strategy, which in turn is developed within the confines of our articulated risk appetite. Our risk appetite is calibrated to ensure our strategy and business model remains resilient under a range of macroeconomic environments. The risk appetite process is informed by robust statistical analysis which supports the development of scenario analysis and stress testing. Our risk appetite framework ensures we understand how the Company performs under current market and economic conditions and under a range of stress scenarios.

RISK GOVERNANCE AND ORGANISATIONAL STRUCTURE

Risk governance refers to the processes and structures established by the Board to ensure that risks are taken within the approved appetite, with clear delineation between risk taking and oversight responsibilities.

The Company has established a structural approach to risk governance, ensuring an effective level of alignment between oversight and Management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for Board and Management committees, control functions and accountable executives. The risk-based roles and responsibilities are organised in adherence to the 'three lines of defence' principle to ensure appropriate levels of separation.

The Board acts directly or through its committees to discharge its risk oversight and control responsibilities. The Board and its committees are provided with appropriate and timely information relating to the nature and level of risks to which the Company is exposed and the adequacy of risk controls and mitigants. Internal Audit provides independent assurance as to the effectiveness and compliance with the EMF and the underlying risk management policies and procedures.

The executive function has day-to-day responsibility for managing the risk profile of the Company within the defined risk appetite, with oversight and guidance provided by the Board and its Risk Committee. The Chief Risk Officer is the executive accountable for establishing an effective risk management and reporting framework. The Chief Risk Officer has dual reporting lines into the Chief Executive Officer and the Chairman of the Board Audit, Risk and Compliance Committee.

The Chief Risk Officer has management responsibility for ensuring an independent risk oversight and reporting function is established and is able to undertake its second line responsibility. The risk function is organised to ensure an appropriate level of resources and capabilities are in place to identify, assess, manage and report all material risks.

RISK MANAGEMENT APPROACH

Risk management is implemented in accordance with policies approved by the Board of Directors and in line with PenCom guidelines and best practice. FPCNL's risk management process is organised along three lines of defence each having a distinct role.

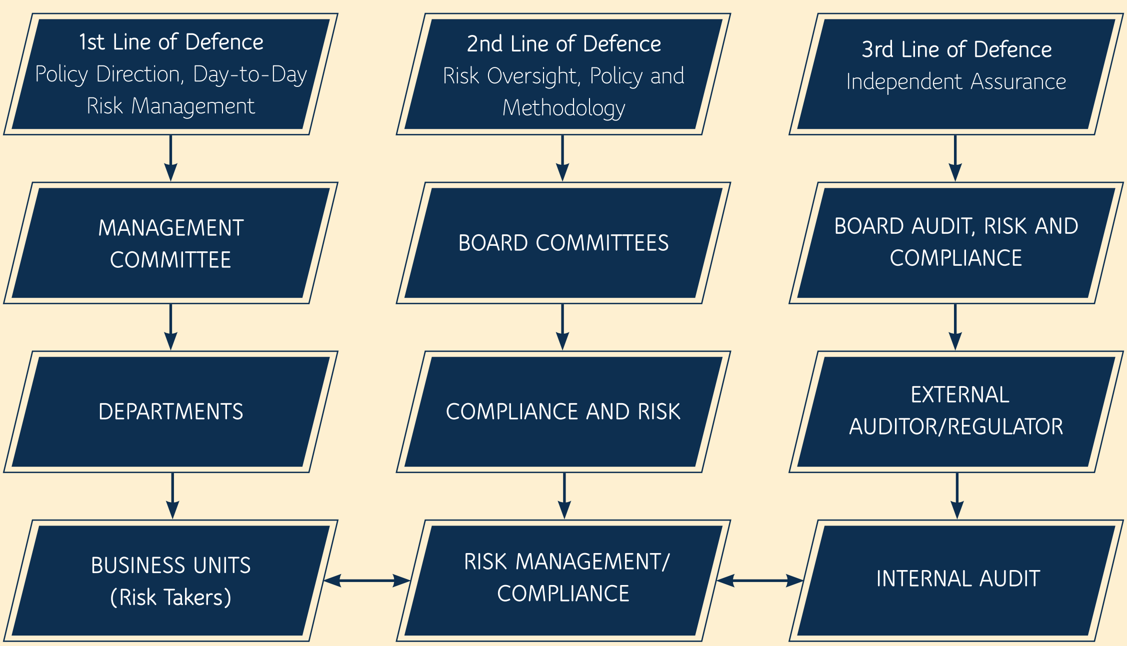
The organisation has properly separated duties between-

(i) Business units that interface with clients and originate the risk

(ii) Control staff expected to provide risk oversight and controls and

(iii) Internal audit to provide validation and assurance on the risk management process.

The three lines of defence are depicted in the diagram below:



CHIEF RISK OFFICER'S REPORT

MAJOR EVENTS IN THE PENSION INDUSTRY

The Pension Industry in Nigeria witnessed various activities and challenges during 2017. The industry was not left out in the excruciating macroeconomic challenges faced by the Nigerian economy, caused mainly by the decline in crude oil prices and glum experienced in the equity market worldwide.

The declining crude oil prices increased the supply gap in foreign exchange market thereby putting significant pressure on the naira, hence the value of the naira remained low against other foreign currencies. This has caused some employers to either lay-off staff due to cut in production, especially with the oil exploration companies or the need to reduce overhead cost by others. Some state governments were unable to pay salaries and remittance of pension contribution. This trend has impacted the membership base negatively while the slump in the equity market has negative impact on the market value of pension fund assets. Some notable events that occurred in the industry include:

1. In September 2017, a public hearing was organised by House of Representatives Committee on Pensions on a Bill for an Act to amend the Pension Reform Act, 2014 to exempt members of the Nigeria Police Force, the Security and Civil Defense Corps, the Immigration Service, the Economic and Financial Crimes Commission, the Nigeria Drug Law Enforcement Agency and other related Agencies from the Contributory Pension Scheme. The public hearing also covered another Bill to amend certain provisions of the PRA, 2014. The bill if passed into law will have serious negative impact on the pension industry.

   The public hearing was attended by operators, their Board members, and respected people from various walks of life. Papers were presented in support of PRA 2014 and the outing was adjudged a success. The report of the House on the hearing is still being awaited.

2. The year of adoption of IFRS for all pension funds shall be 2017. Consequently, the 1st IFRS statements for pension funds shall be 31 December 2017 and the transition date shall be 1 January 2016.

3. In April 2017, the Executive Management of National Pension Commission led by Director-General, Chinelo Anohu-Amazu was removed from office by Federal Government. Consequently, Aisha Dahir Umar was appointed as Acting – Director General, pending the confirmation of a substantive Director General.

4. PenCom commenced implementation of periodic pension enhancement for retirees on Programed Withdrawal under Contributory Pension Scheme by using surplus generated from Return on Investment effective December 2017.

5. In April 2017, the Commission released amended Regulation on Investment of Pension Assets to replace the earlier one issued in December 2012. The new regulation introduced the following:

- Multi-Fund Structure for RSA funds thereby splitting the fund into Type I, Type II and Type III. The structure provides option for contributors on how their contributions can be invested.

- Sukuk as additional allowable investment.

- Acceptability of ratings by foreign rating agencies recognised by SEC.

- All Bonds and other debt instruments in which pension funds are to be invested are now to be rated by at least two rating agencies, one of which must be incorporated in Nigeria and registered with SEC.

- A minimum of 60% of infrastructure fund shall be invested in projects within Nigeria as against minimum of 75% specified in the previous regulation.

6. Following the persistent agitation by States and Local Government Pension Bureau/Boards to share in the administrative fees being charged by PFAs on contribution remittances. The Commission, during the year, issued Regulations for Fee Sharing between States and Local Government Pension Bureau/Boards and PFAs on the Administration of State and Local Government Employees' RSA.

7. The Commission also issued Guidelines for the Administration of Retirement Benefits of Professors and a Category of Political Appointees to set out modalities for the administration and implementation of retirement benefit of Professors and Political Appointees who are entitled to 100% of their total emoluments at the time of retirement as pension for life.

Other circulars issued in 2017 to guide the operations of the pension business are:

1. Circular on the Use of Retirement Saving Account Balances to Repay Outstanding Financial Obligations

PenCom via the circular directed operators to disregard any request from State Governments. Pension Bureaus or any employer to make deductions from RSA balances for settlement of any outstanding financial obligation.

2. Circulars on Provision of BVN for Clearance of Candidates to Board and Top Management Positions

Operators are required to henceforth forward the BVN of their nominees for Board and Top Management positions along with

CHIEF RISK OFFICER'S REPORT

the documents specified by the Commission's Guidelines for Appointment to Board and Top Management positions of PFAs and PFCs when requesting for the Commission's approval for appointments.

3. Circular on Outsourcing of Company Secretarial Services/ Legal Advisory Function

The Circular prohibits all operators from outsourcing the Company Secretarial Services/Legal Advisory function and directed operators to wind-off all existing arrangements with third parties on these functions immediately.

4. Circular on Holding of Non-Pension Assets by PFCS

The Commission via the circular barred all licensed PFCs from holding non-pension assets under their custody in line with Section 62(a) of PRA 2014 which states that PFC should be a limited liability company incorporated with the sole object of keeping custody of pension fund and retirement benefits.

5. Circular on the Submission of Personal Identification Numbers by PFAs to the Commission for Validation and Identification of First PINs

The Circular was addressed to all Licensed Pension Operators by PenCom specifying a template for submission of PINs to the Commission going forward.

6. Withdrawals from Voluntary Contributions

The highlights of the circular are listed below:

- Voluntary contribution withdrawals will now be once every two years from the last approved withdrawal date;
- Subsequent withdrawals will be on incremental contributions made by the RSA holder from the last approved withdrawal date.
- For those covered under CPS (Mandatory Contributors); 50% of the amount remitted as Voluntary Contributions (VC) shall be treated as contingent available for withdrawal every two years and tax will be deducted only on income earned. The balance of 50% shall be fixed for pension to be utilised upon retirement.
- For exempted retirees and foreigners, withdrawal shall be every two years, subject to deduction of taxes on both income and principal.
- PFAs and PFCs are required to inform EFCC of any single lodgment above ₦5million made as VC by any RSA holder.
- Tax deducted from VC withdrawal shall be remitted to the appropriate tax authorities within 21 days after the end of the month of payment of Voluntary Contribution.

The National Pension Commission had mandated risk management and reporting for all pension operators in Nigeria via its Guidelines on Risk Management Framework for Licensed Pension Operators. To this end, FPCNL fully identified and assessed the risks associated with major processes and activities in the year 2017. The risks assessed as High and Very High are reported to the Commission in line with the framework.

In addition, various risk management initiatives were implemented by FPCNL during the year which include deployment of Electronic Risk Management Portal which allows business owners to log any identified risk embedded in their process for adequate assessment.

FOCUS IN 2018

On the forward-looking basis, the risk function has identified the following areas of priority:

- Prepare for major risks that may be associated with the implementation of Micro Pensions (Pension Scheme for Informal Sector) and any other regulations/guidelines that may be released during the year;
- Improve risk awareness within the organisation;
- Further review and update of Risk Register;
- Improve on use of technology in monitoring compliance;
- Increase attention to training and equipping staff with the skills necessary to perform effectively;
- Enhance the mobility programme to ensure staff rotation, thereby renewing motivation and avoiding risks associated with monotony of activities;
- Continue to emphasise the use of technology as a competitive tool; and
- Review the internal control process taking into consideration various improvement changes that has occurred at the business units.

CHIEF RISK OFFICER'S REPORT

MANAGING EMERGING RISK

Emerging risks are risks which do not currently exist but may occur at some time in future due to changes in the environment. Adequate control will be put in place to mitigate risks that may arise as a result of the industry initiatives that may be implemented in the coming year. Such initiatives include:

- Inclusion of employees in the Informal Sector, Small and Medium Enterprise in the contributory pension scheme.
- Development and utilisation of suitable products for investment of pension funds in infrastructure and real estate.

CONCLUSION

FPCNL recognises its continual sustainability initiative is largely contingent upon brand protection, service delivery, customer retention, and ultimately enhancement of stakeholder's value and that risk management guidelines are not prescriptive enough to stimulate a good governance model.

As such, the Company remains committed to promoting a sound business environment and will continue to imbibe the culture of creating an enabling business environment through the development and implementation of a robust/sound enterprise risk management framework and enhanced risk culture across the organisation.

The focus will be to maintain risks at acceptable levels and avoid dealings that are inimical to the system and industry at large. The risk matters in FPCNL is championed by Head, Audit, Risk and Compliance with the support of Management, while the Board of Directors provides an oversight function on risk related issues.

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

DIRECTORS AND ADVISORS

DIRECTORS AND ADVISORS

DIRECTORS			DATE OF APPOINTMENT
Umar Yahaya	-	Chairman	Appointed Chairman, 1 October 2014
Kunle Jinadu	-	Managing Director/CEO	Appointed MD/CEO, 17 April 2013
Ijeoma Nwogwugwu	-	Non-Executive Director	Appointed, 30 April 2014
Dr Bayo Odeniyi	-	Non-Executive (Independent) Director	Appointed 7 April 2009
Dr Philip Olufunwa	-	Non-Executive Director	Appointed 15 July 2014
Dr Remi Oni	-	Non-Executive Director	Appointed 13 December 2016
Funso Sobande	-	Executive Director	Appointed 1 December 2017

COMPANY SECRETARY

Adewunmi Odebunmi
FRC/2014/NBA/00000014065

BUSINESS OFFICE

6, Maduike Street
Off Raymond Njoku Street
Ikoyi, Lagos

AUDITORS

Deloitte & Touche
Civic Towers
Plot GA1, Ozumba Mbadiwe Avenue
Victoria Island
Lagos

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, require the directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

i. Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;

ii. Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

iii. Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable judgments and estimates, in conformity with:

- International Financial Reporting Standards;
- The requirements of the Companies and Allied Matters Act;
- The requirements of the Financial Reporting Council of Nigeria Act; and
- Relevant circulars issued by the National Pension Commission.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of the financial performance and cash flows for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

Kunle Jinadu
Managing Director/CEO
FRC/2013/ICAN/00000002122

REPORT OF THE BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

In compliance with the provisions of Section 359 of the Companies and Allied Matters Act and Pension Reform Act 2014, we have reviewed the Audit Report for the year ended 31 December 2017 and hereby state as follows:

- The scope and planning of the audit were adequate in our opinion.
- The accounting and reporting policies of the Company are in accordance with statutory requirements and agreed ethical practices.
- The internal control was being constantly and effectively monitored.
- The external auditors' management report received satisfactory response from Management.

Dr Bayo Odeniyi
Chairman, Board Audit, Risk and Compliance Committee
FRC/2015/VCN/00000011082
6 March, 2018

MEMBERS OF THE COMMITTEE

Ijeoma Nwogwugwu
Dr Philip Olufunwa

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FIRST PENSION CUSTODIAN NIGERIA LIMITED

Opinion

We have audited the accompanying financial statements of First Pension Custodian Nigeria Limited which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present gives a true and fair view of the financial position of First Pension Custodian Nigeria Limited as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of First Pension Custodian Nigeria Limited in accordance with the requirements of the Institute of Chartered Accountants of Nigeria (ICAN) Professional Code of Conduct and Guide for Accountants and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were supposed to be addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we should not provide a separate opinion on these matters. No key audit matter came to our attention in relation to theses financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Audit Committee's Reports as required by Companies and Allied Matters Act CAP C20 LFN 2004, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that a give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council of Nigeria Act 2011, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FIRST PENSION CUSTODIAN NIGERIA LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFC 2004, Pension Reform Act 2014, Circulars and Guidelines issued by the National Pension Commission (PenCom) and Financial Reporting Council Act 2011, we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears form our examination of those books.

iii) The Company's financial position and its statements of profit or loss and other comprehensive income are in agreement with the books of account.

No contravention of the sections of the Pension Reform Act 2014 or PENCOM circulars and guidelines came to our knowledge during the year ended December 2017.

Joshua Ojo, FCA
FRC/2013/ICAN/00000000849
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
20 March 2018

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 ₦'000	31 December 2016 ₦'000
Custody fees	4	**5,959,839**	4,746,300
Interest income	5	**1,808,372**	787,843
Other income	6	**40,264**	14,954
Total income		**7,808,475**	5,549,097
Personnel expenses	7.2	**349,287**	302,587
Depreciation of property, plant and equipment	9	**120,906**	93,452
Amortisation of intangible assets	10	**4,577**	58,626
Other operating expenses	7	**1,565,738**	1,040,090
Total operating expenses		**2,040,508**	1,494,755
Profit before tax		**5,767,967**	4,054,342
Income tax expense	8	**(1,405,693)**	(1,224,818)
Profit for the year		**4,362,274**	2,829,524
Basic earnings per share (kobo)	26	**218**	141

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 ₦'000	31 December 2016 ₦'000
Profit for the year		**4,362,274**	2,829,524
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss		-	-
Items that may not be subsequently reclassified to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**4,362,274**	2,829,524

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017 ₦'000	31 December 2016 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**1,272,330**	1,249,728
Intangible assets	10	**6,729**	5,883
Deferred tax assets	11	**171,224**	103,092
		1,450,283	1,358,703
Current assets			
Loans and other receivables	12	**769,454**	564,321
Other assets	13	**156,084**	128,168
Investment securities: held-to-maturity	14	**9,903,684**	8,756,662
Cash and cash equivalents	15	**1,477,603**	87,052
		12,306,825	9,536,203
Total assets		**13,757,108**	10,894,906
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**2,000,000**	2,000,000
Retained earnings		**8,457,548**	6,358,893
Total equity		**10,457,548**	8,358,893
Current liabilities			
Creditors and accruals	18	**1,084,985**	746,933
Income tax liabilities	8	**2,214,575**	1,789,080
Total liabilities		**3,299,560**	2,536,013
Total equity and liabilities		**13,757,108**	10,894,906
Pension assets under custody	19.1	**2,420,701,587**	1,958,902,756
Non-pension assets under custody	19.2	**621,991,192**	551,562,982

These financial statements were approved by the Board of Directors on 6 March 2018 and signed on its behalf by:

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

Kunle Jinadu
Managing Director/CEO
FRC/2013/ICAN/00000002122

Bunmi Aderonmu
Chief Financial Officer
FRC/2013/ICAN/00000001939

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital ₦'000	Other reserves ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2017	2,000,000	-	6,358,893	8,358,893
Profit or loss for the year	-	-	4,362,274	4,362,274
Other comprehensive income or loss	-	-	-	-
Total comprehensive income or loss	2,000,000	-	10,721,167	12,721,167
Dividend paid	-	-	(2,263,619)	(2,263,619)
Total transactions with owners of the Company at 31 December 2017	2,000,000	-	8,457,548	10,457,548
Balance at 1 January 2016	2,000,000	-	4,525,867	6,525,867
Profit or loss for the year	-	-	2,829,524	2,829,524
Other comprehensive income or loss	-	-	-	-
Total comprehensive income or loss	2,000,000	-	7,355,391	9,355,391
Dividend paid	-	-	(996,498)	(996,498)
Total transactions with owners of the Company at 31 December 2016	2,000,000	-	6,358,893	8,358,893

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 ₦'000	31 December 2016 ₦'000
Profit for the year		4,362,274	2,829,524
Income tax charge		1,405,693	1,224,818
Profit before income tax		5,767,967	4,054,342
Adjustment for non-cash items:			
Depreciation of property and equipment	9	120,906	93,452
Amortisation of intangibles	10	4,577	58,626
Withholding tax credit applied on tax payment		-	(5,595)
Gain on disposal of property and equipment		(770)	(400)
Allowance for doubtful accounts		-	(1,059)
Employee benefit liability		-	(38,543)
Gain on reclassification of assets		(684)	-
Changes in operating assets and liabilities			
Other receivables		(205,133)	26,631
Prepayments		(27,916)	32,628
Creditors and accruals		338,052	(787,578)
Cash generated from operations		5,996,999	3,432,505
Income taxes paid	8	(1,048,330)	(881,428)
Net cash flow generated from operating activities		4,948,669	2,551,077
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(144,810)	(212,908)
Proceeds from sale of property, plant and equipment		2,756	400
Acquisition of intangibles	10	(5,423)	(10,782)
Sale/purchase of investment securities		(1,147,022)	(7,242,348)
Net cash used in investing activities		(1,294,499)	(7,465,638)
Cash flows from financing activities			
Dividend paid		(2,263,619)	(996,498)
Net cash used in financing activities		(2,263,619)	(996,498)
Net increase/(decrease) in cash and cash equivalents		1,390,551	(5,911,059)
Increase in cash and cash equivalents		1,390,551	(5,911,059)
Cash and cash equivalents at start of year		87,052	5,998,111
Cash and cash equivalents at end of year	15	1,477,603	87,052

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

First Pension Custodian Nigeria Limited ('the Company') was incorporated in Nigeria, as a Limited Liability Company on 12 August 2005. It was granted its operating license on 7 December 2005 to act as a Custodian of Pension Fund Assets in accordance with the Pension Reform Act 2004, or any amendment or re-enactment thereof for the time being in force.

First Pension Custodian Nigeria Limited ('the Company') is a wholly owned subsidiary of First Bank of Nigeria Limited. The ultimate parent company is FBN Holdings Plc.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements comprise the income statement, statement of other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and selected notes for the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention.

2.2 Changes in accounting policy and disclosures

2.2.1 Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017

The following amendments to IFRSs became mandatorily effective in the current year. The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses; and
- Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014-2016 Cycle.

IFRS	EFFECTIVE DATE	SUBJECT OF STANDARD/AMENDMENT
Amendments to IAS 7 Disclosure Initiative;	1 January 2017	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

IFRS	EFFECTIVE DATE	SUBJECT OF STANDARD/AMENDMENT
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	Effective for annual periods beginning on or after 1 January 2017	The amendments clarify the following: 1. Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows; 2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences; 3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and 4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences. The amendments apply retrospectively.
Amendments to IFRS 12 included in the 2014-2016 Annual Improvements Cycle	(Effective for annual periods beginning on or after 1 January 2017)	The 2014-2016 Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after 1 January 2017. See details below for a summary of the other amendments included in this package that are not yet effective.

STANDARD	SUBJECT OF AMENDMENT	DETAILS
IFRS 12 Disclosure of Interests in Other Entities	Clarification of the scope of the Standard	IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held-for-sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments apply retrospectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2.3 New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2017

i IFRS 9 Financial Instruments;

ii. IFRS 15 Revenue from Contracts with Customers and related Clarifications;

iii. IFRS 16 Leases

iv. Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

v. Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;

vi. Amendments to IAS 40 Transfers of Investment Property;

vii. Annual Improvements to IFRS Standards 2014-2016 Cycle; and

viii. IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The IASB has also issued Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts', which is effective for annual periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments
(Effective for annual periods beginning on or after 1 January 2018)
In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities
With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held-for-trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Phase 2: Impairment methodology
The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting
The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a period which ended on 17 October 2014. The project is under redeliberation at the time of writing.

Transitional provisions
IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and

2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS 9 for details.

The Directors of the Company have undertaken an assessment of the impact of the adoption of IFRS 9 on its financial statements and have determined that the application of the standard will not have a material impact on the Company's financial statement as the Company's investments are mainly in short-term placements and treasury bills all maturing within one year.

IFRS 15 Revenue from Contracts with Customers
(Effective for annual periods beginning on or after 1 January 2018)
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

As suggested by the title of the new revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue Standard introduces a 5-step approach to revenue recognition and measurement:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Extensive disclosures are also required by the new Standard.

In April 2016, the IASB issued Clarifications to IFRS 15 in response to feedback received by the IASB/FASB Joint Transition Resource Group

- Identifying performance obligations: by providing illustrative factors for consideration in assessing whether the promised goods
- Principal versus agent considerations: by clarifying that an entity should assess whether it is a principal or agent for each distinct
- Licensing application guidance: in determining whether the licence grants customers a right to use the underlying intellectual property

IFRS 16 Leases
(Effective for annual periods beginning on or after 1 January 2019)
IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases – Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Identification of a lease
IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

a) the right to obtain substantially all of the economic benefits from the use of an identified asset; and

b) the right to direct the use of that asset.

The Standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

Lessee accounting
IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting
In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the new Standard.

Due to the prominence of leasing transactions in the economy, many entities across different industries will be affected by IFRS 16.
In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component of equity as appropriate).

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
(Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

(i) the original liability is derecognised;

(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
IFRS 2 was amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Effective date is 1 January 2018

Annual Improvements to IFRSs 2014 – 2016 Cycle
The Annual Improvements include amendments to a number of IFRSs, which have been summarised below. The package also includes amendments to IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after 1 January 2017 (see details below).

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STANDARD	SUBJECT OF AMENDMENT	DETAILS
IFRS 1 International Financial Reporting Standards	Deletion of short-term exemptions for first-time adopters	The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.
IAS 28 Investments in Associates and Joint Ventures	Measuring an associate or joint venture at fair value	The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by Management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

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The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle
The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a Company of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

2.4 Financial assets and liabilities

2.4.1 Financial assets

The Company classifies its financial assets in the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

In 2017 and 2016, the Company had no available-for-sale financial assets but held-to-maturity investments.

The Company did not designate financial assets upon initial recognition at fair value through profit or loss (fair value option)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) those that the Company intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Company upon initial recognition designates as available-for-sale; or

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(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans to staff or other assets and cash balances. Interest on loans is included in the profit or loss and is reported as "Interest income".

2.4.2 Financial liabilities

The Company's holding in financial liabilities is in financial liabilities at amortised cost. Financial liabilites are derecognised when extinguished.

(a) Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade payables. Trade payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method.

The Company did not have any financial liabilities that meet the classification criteria at fair value through profit or loss and did not designate any financial liabilities as at fair value through profit or loss.

2.4.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, company, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, Management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances, as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.4.4 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the entity tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

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2.4.5 Reclassification of financial assets

The Company may choose to reclassify a non-derivative financial asset held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively. The Company did not reclassify any of its financial assets.

2.4.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held-at-call with banks and other short-term highly liquid assets with original maturities of three months or less.

For the purposes of statement of cash flows, cash and cash equivalents include cash and liquid investments with original maturities of three months of less.

2.6 Revenue recognition

Custody fees

Custody fees represents fees earned by the Company for holding pension fund assets on behalf of pension fund beneficiaries and their administrators. Fees are also earned from AMCON and non-proprietary business lines in respect of Treasury bills, Bonds, etc. held on behalf of clients. Custody fee income is recognised on an accrual basis as the service is rendered and is stated net of tax.

Interest income

Interest income is recognised using the effective interest method. It includes interest income from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated 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 asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7 Impairment of financial assets

a) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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Objective evidence that a financial asset is impaired includes observable data that comes to our attention about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or
    (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

2.8 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable either through sale or use. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial year.

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Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Computer hardware and equipment	3
Office equipment	5
Plant and machinery	5
Furniture and fittings	5
Motor vehicles	4

The useful life and residual value of each and individual assets are being reviewed annually.

Gains and losses on disposals are determined by comparing proceeds on disposals with carrying amount. These are included in 'other (losses)/gains - net' in the statement of profit or loss.

Payments in advance for items of property and equipment are included in "Other assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment.

2.10 Intangible assets

Costs associated with maintaining computer software are recognised as an expense incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company, are recognised as intangible assets. Subsequent expenditure on software assets is capitalised only if it increases the future economic benefits embodied in the specific assets to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over three years and are carried at cost less any accumulated amortisation. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. The Company does not have any intangible assets with indefinite useful lives.

2.11 Taxation

(a) Current income tax

Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities and provisions for pensions and other post-retirement benefits. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS
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2.12 Employee benefits

The Company has both defined contribution and benefit plans.

Defined contribution plan (Pension)

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Employee benefits

In line with the Pension Reform Act 2014, the Company pays contributions to a Pension Fund Administrator (PFA) on a mandatory or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The employee contributions are funded through payroll deductions while the Company's contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available while unpaid contributions are recognised as a liability.

Severance benefits

The Company has put in place a severance benefit package for the Executives. The severance benefits are calculated based on the number of years in service at specified amounts approved by the Board of Directors.

2.13 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provision are recognised when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

2.14 Share capital

Dividend on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

Dividend for the year that are declared after the reporting date are dealt with in the subsequent events note.

Dividend proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

2.15 Assets under custody

These assets represents the value of the investments of pension fund beneficiaries/obligors, managed by their respective pension fund administrators/ AMCON and held by the Company in its capacity as the custodian in compliance with the Pension Reform Act 2014/AMCON Act 2010. The Company also keep under custody money market instruments on behalf of banks and discount houses in accordance with CBN directives. These assets include cash balances held with banks, investments in money market instruments, equities and real estate. These assets are not included in these financial statements, but reported as an off balance sheet item.

Financial assets held under custody by the Company are accounted for in line with International Financial Reporting Standards.

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2.16 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Commitee that makes strategic decisions. The Company has only one operating segment hence we are not doing segment reporting.

2.18 Going concern

The Management Committee (MANCO) has made an assessment of its ability to continue as a going concern and is satified that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast any significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate, risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Audit, Risk and Compliance department under policies approved by the Board of Directors. The Audit, Risk and Compliance department identifies and evaluates financial risks in close cooperation with all operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

3.1 Credit Risk

Credit risk is the risk of financial loss, should any of the Company's clients or counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from cash and cash equivalents, as well as from outstanding custody fees. For counterparty banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If funds are independently rated, these ratings are used. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Custody fees are deducted directly from funds under management. Management does not expect any losses from non-performance by any fund under the Company's custody.

	31 December 2017 ₦'000	31 December 2016 ₦'000
< 30days	544,836	388,845
30 - 90 days	83,607	40,891
91 - 180 days	89,586	36,882
> 180 days	12,091	77,664
	730,120	544,282

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3.1.1 Credit quality

Credit risk arises from deposits with banks, as well as credit exposures to staff loans.

Loans and receivables held by the Company consist mainly of custody fee receivable and staff loans which are all classified as neither past due nor impaired. Custody fee payment is guaranteed, as all fees are debited from the fund at the end of each month after the amount have been approved by the National Pension Commission, hence risk is minimised. All the amounts outstanding relate to unpaid months as at reporting date.

The maximum exposure to credit risk for deposits approximates the amount recognised on the balance sheet.

3.2 Liquidity risk

The Company does not have any borrowings. Surplus cash held by the Company over and above balance required for working capital management are invested in interest bearing current accounts and short-term deposits, choosing instruments with appropriate maturities. At the reporting date, the Company held liquid cash assets of ₦11.4billion which is expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months ₦'000	Between 3 months and 1 year ₦'000	Between 1 and 2 years ₦'000	Between 2 and 5 years ₦'000
At 31 December 2017				
Accounts payable	148,129	–	–	–
At 31 December 2016				
Accounts payable	136,608	–	–	–

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3.3 Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, equity prices and commodity prices. The Company is not exposed to equity price risk nor commodity price risk.

3.4 Foreign exchange risk

The Company enters into most of it's transactions in Naira which is also the functional currency. The Company is therefore not exposed to any material foreign exchange risk.

3.5 Interest rate risk

The Company is exposed to cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rate risk. The Company takes on exposure to the effect of fluctuations in the prevailing levels of market interest on both its fair value and cash flow risks.

The table below summarises the Company's interest rate gap position:

	Carrying amount ₦'000	Variable interest ₦'000	Fixed interest ₦'000	Non-interest bearing ₦'000
At 31 December 2017				
Assets				
Cash and cash equivalents	1,477,603	1,477,603	-	-
Investment securities	9,903,684	-	9,903,684	-
Staff loans	39,398	-	39,398	-
Other assets	730,056	-	-	730,056
31 December 2016				
Assets				
Cash and cash equivalents	87,052	87,052	-	-
Investment securities	8,756,662	-	8,756,662	-
Staff loans	20,103	-	20,103	-
Other assets	544,218	-	-	544,218
Liabilities				
The Company has no borrowings.				

NOTES TO THE FINANCIAL STATEMENTS

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3.6 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As at the reporting date, the Company was nil geared i.e. had no borrowings nor overdraft.

The Company is in a highly regulated industry and is constantly under review by the National Pension Commission (Pencom).

3.7 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

	At 31 December 2017		At 31 December 2016	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Cash and cash equivalents	1,477,603	1,477,603	87,052	87,052
Investment securities (held-to-maturity)	9,903,684	9,903,684	8,756,662	8,756,662
Staff loans	39,398	39,398	20,103	20,103
Other receivables	730,056	730,056	544,218	544,218
Financial liabilities				
Account payables	148,129	148,129	136,608	136,608

(b) Financial instruments measured at fair value

IFRS 7 requires disclosures for all financial instruments measured at fair value. The Company does not have any financial instruments measured at fair value.

4 CUSTODY FEES

Custody fees represent income earned by the Company for performing the custodial service functions over the pension fund/ non-pension assets on behalf of pension fund administrators/AMCON/banks and other financial institutions for the benefit of the contributors/obligors.

5 INTEREST INCOME

	31 December 2017 ₦'000	31 December 2016 ₦'000
Placements	13,228	83,305
Treasury bills	1,788,187	697,609
Current account	1,334	2,788
Others	5,623	4,141
	1,808,372	787,843

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

6 OTHER INCOME

	31 December 2017 ₦'000	31 December 2016 ₦'000
Admin/processing fees	4,431	3,490
Sundry income	35,833	11,464
	40,264	14,954

Included in Sundry Income is a write back of ₦34.3mn representing provisions made in prior year no longer required in the current year.

7 OPERATING EXPENSES

		31 December 2017 ₦'000	31 December 2016 ₦'000
Auditors' remuneration		10,000	10,000
Directors' emoluments	(note 7.1)	168,401	158,674
Passages, travels and medical		51,165	46,270
Corporate promotions		106,146	21,881
Statutory fees		121,817	-
Maintenance		153,451	100,219
Bank and sundry charges		15,923	14,929
Training		87,760	34,636
Other losses		1,150	28,688
Donations and subscriptions		7,994	3,870
Communications, postages, light and printing		23,981	22,898
Insurance premiums, rent and rates		41,966	46,303
Amortisation of prepaid employee benefit		2,617	2,109
Professional fees and other consultancy costs		42,556	31,560
Other expenses		673,131	477,510
Nigeria Informatiion Technology Development Agency levy		57,680	40,543
		1,565,738	1,040,090

7.1 Directors emoluments included on the statement of profit or loss for the year 2016 was re-classified to operating expenses in 2017.

7.2 Personnel expenses

Staff costs (excluding Executive Directors):

	31 December 2017 ₦'000	31 December 2016 ₦'000
Wages and salaries	336,625	292,188
Defined contribution plan	12,662	10,399
	349,287	302,587

7.2a The average number of persons, employed by the Company during the year was as follows:

	31 December 2017 Number	31 December 2016 Number
Executive	1	1
Management	5	5
Non-management	71	63
	77	69

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7.2b The number of employees, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	31 December 2017 Number	31 December 2016 Number
₦300,000 - ₦2,000,000	56	52
₦2,000,001 - ₦2,800,000	6	3
₦2,800,001 - ₦3,500,000	4	6
₦3,500,001 - ₦4,000,000	6	3
₦4,000,001 - ₦5,500,000	-	-
₦5,500,001 - and above	4	4
	76	68

8 INCOME TAX EXPENSE

	31 December 2017 ₦'000	31 December 2016 ₦'000
Corporate tax	1,375,419	1,136,534
Education tax	98,406	80,053
Current income tax - current period	1,473,825	1,216,587
Origination and reversal of temporary deferred tax differences	(68,132)	8,231
Total income tax expense	1,405,693	1,224,818
The movement in the current income tax payable balance is as follows:		
At 1 January	1,789,080	1,459,516
Tax paid	(1,048,330)	(881,428)
Withholding tax credit utilised	-	(5,595)
Income tax charge	1,473,825	1,216,587
At 31 December	2,214,575	1,789,080

Reconciliation of effective tax rate

	31 December 2017 ₦'000	31 December 2016 ₦'000
Profit before income tax	5,767,967	4,054,342
Tax using domestic rate of 30% (2016: 30%)	1,730,390	1,216,303
Non-deductible expenses	282,162	193,780
Education tax levy	98,406	80,053
Tax exempt income	(536,456)	(209,283)
Tax incentives	(168,809)	(56,035)
Income tax expense	1,405,693	1,224,818

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9 PROPERTY, PLANT AND EQUIPMENT

	Land ₦'000	Computer and office equipment ₦'000	Leasehold Premises ₦'000	Computers-WIP ₦'000	Motor Vehicles ₦'000	Total ₦'000
Cost						
Balance as at 1 January 2017	864,228	408,016	227,156	1,260	151,438	1,652,098
Reclassification	-	24,617	(24,617)	-	-	-
Additions	-	19,045	-	94,685	31,080	144,810
Disposals		(110,847)	-	-	(15,298)	(126,145)
Balance as at 31 December 2017	864,228	340,831	202,539	95,945	167,220	1,670,763
Depreciation and impairment losses						
Balance as at 1 January 2017	-	306,064	29,135	-	67,171	402,370
Reclassification		2,475	(3,159)	-	-	(684)
Depreciation for the year	-	40,349	51,712	-	28,845	120,906
Disposals	-	(108,861)	-	-	(15,298)	(124,159)
Balance as at 31 December 2017	-	240,027	77,688	-	80,718	398,433
Net book value						
At 31 December 2017	864,228	100,804	124,851	95,945	86,502	1,272,330
Cost						
Balance as at 1 January 2016	864,228	303,476	198,388	1,260	126,638	1,493,990
Additions		104,540	28,768	0	79,600	212,908
Disposals		-			(54,800)	(54,800)
Balance as at 31 December 2016	864,228	408,016	227,156	1,260	151,438	1,652,098
Depreciation and impairment losses						
Balance as at 1 January 2016	-	264,595	-	-	99,123	363,718
Depreciation for the year	-	41,469	29,135	-	22,848	93,452
Disposals	-	-	-	-	(54,800)	(54,800)
Balance as at 31 December 2016	-	306,064	29,135	-	67,171	402,370
Net book value						
At 31 December 2016	864,228	101,952	198,021	1,260	84,267	1,249,728

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10 INTANGIBLE ASSETS

	31 December 2017 ₦'000	31 December 2016 ₦'000
Computer software		
Cost		
As at 1 January	277,290	266,508
Additions	5,423	10,782
As at 31 December	282,713	277,290
Accumulated amortisation		
As at 1 January	271,407	212,781
Amortisation charge for the year	4,577	58,626
As at 31 December	275,984	271,407
Carrying amount		
As at 31 December	6,729	5,883

11 DEFERRED TAX ASSET

	31 December 2017 ₦'000	31 December 2016 ₦'000
At 1 January	103,092	111,323
Changes during the year:		
- Charge/(credit) to profit and loss	68,132	(8,231)
At 31 December	171,224	103,092

The Directors have assessed the availability of taxable profit as at the reporting date and are of the opinion that it is appropriate to recognise the deferred tax asset as it is probable that taxable profit will be available against which the deferred taxation asset will be utilised.

11.1 The deferred income tax (assets)/liabilities are attributable to the following items:

	31 December 2017 ₦'000	31 December 2016 ₦'000
Property, plant and equipment	26,981	38,250
Defined benefit obligations	-	(194)
Loans and other receivables	(4,244)	(4,948)
Creditors and accruals	(194,188)	(136,200)
Intangibles assets	227	-
At 31 December	(171,224)	(103,092)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12 LOANS AND RECEIVABLES

	Notes	31 December 2017 ₦'000	31 December 2016 ₦'000
Loans	12.1	39,398	20,103
Custody fee receivables	12.2	730,056	544,218
		769,454	564,321

12.1 Loans

	31 December 2017 ₦'000	31 December 2016 ₦'000
Amortised cost		
Staff loans	39,398	20,103
Impairment allowance on loans	-	-
	39,398	20,103

12.2 Custody fee receivables

	31 December 2017 ₦'000	31 December 2016 ₦'000
Custody fee receivable	730,120	544,282
Allowance for doubtful accounts	(64)	(64)
	730,056	544,218
The movement in allowance for doubtful account is as follows:		
At 1 January		
Allowance written-off	64	1,123
	-	(1,059)
At 31 December	64	64

13 OTHER ASSETS

	31 December 2017 ₦'000	31 December 2016 ₦'000
Prepayments	121,959	128,168
Account receivables others	34,125	-
	156,084	128,168

13.1 Account receivables others

	31 December 2017 ₦'000	31 December 2016 ₦'000
Other receivables	48,209	14,084
Provision for other account receivables	(14,084)	(14,084)
	34,125	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

14 INVESTMENT SECURITIES

	31 December 2017 ₦'000	31 December 2016 ₦'000
Treasury bills with maturity of more than 90 days	9,903,684	8,756,662

Treasury bills represent short-term instruments issued by the Central Bank of the juridisction where the Company has operation. The fair value of treasury bills through profit and loss are determined with reference to quoted prices in active markets for identical assets. The estimated fair value of treasury bills at amortised costs represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

15 CASH AND CASH EQUIVALENTS

	31 December 2017 ₦'000	31 December 2016 ₦'000
Cash and bank balance	18,378	27,037
Short-term placements	123,133	60,015
Treasury bills (maturing within three months)	1,336,092	-
	1,477,603	87,052

For the purpose of statement of cash flows, cash and cash equivalents comprises balances with less than three months' maturity from date of acquisition, including cash in hand, deposits held-at-call with banks and other short-term highly liquid investments with original maturities of three months or less.

15a Cash and short-term funds

	31 December 2017 ₦'000	31 December 2016 ₦'000
Cash and bank balance	18,378	27,037
Short-term placements	123,133	60,015
	141,511	87,052

16 SHARE CAPITAL

	31 December 2017 ₦'000	31 December 2016 ₦'000
Authorised, issued and fully paid		
2,000,000,000 ordinary shares of ₦1 each	2,000,000	2,000,000

The issued ordinary shares comprise 2,000,000,000 ordinary shares of ₦1 each. The Company is a wholly-owned subsidiary of First Bank of Nigeria Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17 RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the statement of financial position arising from the Company's obligation in respect of its defined benefit plan:

	31 December 2017 ₦'000	31 December 2016 ₦'000
Defined benefit obligation at the end of the year	**(148,018)**	(129,527)
Fair value of plan assets at the end of the year	**185,428**	152,470
Funded status	**37,410**	22,943
Provision for severance benefits (note 17.1)	**-**	-

17.1 The provision for severance benefit for Directors over the year is as follows:

The provision for severance benefit for Directors over the year is as follows:

The Directors severance benefit was discontinued for Non-Executive Directors with effect from 29 February 2016. The gratuity for Executive Management continued and at the end of the year, the actuarial valuation was done by Messrs Ernst & Young (O.O.Okpaise FRC/2012/NAS/00000000738). The Defined Benefit Obligation was ₦148mn which was matched against the planned asset of ₦185m. There is thus a positive funded status of ₦37mn. Management has however established that the Company does not have unconditional right to the refund of the money as such this was not recognised as an asset in the statement of financial position.

	31 December 2017 ₦'000	31 December 2016 ₦'000
As at 1 January 2017	**129,527**	226,125
Current service charge	**18,749**	21,243
Interest cost	**20,465**	13,199
Benefits paid	**-**	(96,180)
Actuarial (gains)/losses	**(20,723)**	(33,902)
Curtailment (gains)/losses	**-**	(958)
Pledged assets with FBN Capital (note 17.1)	**(185,428)**	(152,470)
As at 31 December 2017	**(37,410)**	(22,943)
Reconciliation of obligation		
As at 1 January 2017	**129,527**	226,125
Current service charge	**18,749**	21,243
Interest cost	**20,465**	13,199
Curtailment (gains)/losses	**-**	(958)
Benefits paid by fund	**-**	(96,180)
Actuarial (gains)/losses due to assumption	**2,300**	(18,753)
Actuarial (gains)/losses due to experience	**(23,023)**	(15,149)
As at 31 December 2017	**148,018**	129,527
Reconciliation of fair value of plan		
As at 1 January 2017	**152,470**	187,582
Interest income	**25,376**	22,584
Contribution to the scheme	**-**	42,399
Benefits paid	**-**	(96,180)
Actuarial gains	**7,582**	(3,915)
As at 31 December 2017	**185,428**	152,470

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17.1 The provision for severance benefit for Directors over the year is as follows (continued):

	31 December 2017 ₦'000	31 December 2016 ₦'000
Funded status		
Defined benefit obligation at the end of the year	**(148,018)**	(129,527)
Fair value of plan assets at the end of the year	**185,428**	152,470
As at 31 December 2017	**37,410**	22,943
The principal actuarial assumptions were as follows:		
	2017	**2016**
Discount rate (p.a.)	**14.0%**	15.8%
Inflation rate (p.a.)	**12%**	12%
Future salary increase (p.a.)	**0%**	0%

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

Valuation method
As required by IAS 19, we have adopted the projected Unit Credit (PUC) method to establish the value of the the accrued liabilities. In calculating the liabilities, the method:

- Recognise the Company service rendered by each member of the Board at the review date.
- Discounts the expected benefit payments to the review date

The emerging total value (for each individual) is described by IAS 19 as the Defined Benefit Obligation.

Interest Cost
Since our liability values are discounted, they will automatically increase by the discount rate over a period. The interest cost is the expected increase in liabilty values in the course of the review year.

Service Cost
This is the value of benefits acquire by service rendered in the review year.

Net Period Benefit Cost
The Company benefit expense to be charged/recognised for the year.

Defined Benefit Obligation (DBO)
This is the total value of leaving service benefits accrued as at the review date, as described above.

Actuarial (Gains)/Losses
Changes in Benefit Obligations or Fair Value of Assets arising form change in acturial valuation assumptions or actual experience deferring from expectation.

(Accrued)/Prepaid Benefit Cost
This is the Net Benefit Cost recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18 CREDITORS AND ACCRUALS

	31 December 2017 ₦'000	31 December 2016 ₦'000
Accounts payable	148,129	136,108
Accrued expenses**	726,584	548,670
Deferred income	20,275	11,112
Audit fee payable	10,500	10,500
Statutory Pension Protecton Fund	121,817	-
Nigeria Informatiion Technology Development Agency Levy	57,680	40,543
	1,084,985	746,933

** Accrued expenses for 2016 includes Other Provisions which was re-classified to accrued expenses in 2017.

19 ASSETS UNDER CUSTODY

19.1 Pension assets under custody

	31 December 2017 ₦'000	31 December 2016 ₦'000
Cash and bank balances	21,931,838	13,825,421
Financial assets fair value through profit/loss	1,866,686,611	1,572,072,655
Held-to-maturity (Redemtive instruments)	413,202,112	239,350,975
Other assets	779,541	214,900
Investment in properties	118,101,485	133,438,805
	2,420,701,587	1,958,902,756
Non-pension assets under custody	621,991,192	551,562,982

19.2 The non-pension assets under custody relates to the assets managed by the Company on behalf of Asset Management Corporation of Nigeria (AMCON) under and agreement signed between the Company and AMCON. The amount relates to financial assets obtained from obligors of delinquent credit facilities that were taken over from the banks.

The Company also keeps custody of non-proprietary assets on behalf of banks and other financial institutions in accordance with CBN guidelines.

This is in line with its license to perform as Custodian for Money Market and Fixed Income Instruments, issued to it by the Central Bank of Nigeria. The agreement has obtained the consent of PenCom.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

20 RELATED PARTIES

The Company is a member of the FirstBank Group and is thus related to other subsidiaries of the bank through common shareholdings or common directorships. The Company identifies its key management personnel as the Board of Directors. Balances arising from dealing with related parties are as follows:

a Remuneration of key Management personnel/Directors

	31 December 2017 ₦'000	31 December 2016 ₦'000
Fees and sitting allowance	**16,700**	16,008
Executive compensation	**57,326**	56,707
Post-employment benefits	**-**	3,856
Other Director expenses	**94,375**	82,103
	168,401	158,674

b The number of Directors who received fees and other emoluments in the following ranges are:

	2017 Number	2016 Number
₦5,000,000 and above	**6**	6

c Due from related companies

This represents the balance due to related parties stated below as at year end.

Description	Nature of relationship	Nature of transaction	31 December 2017 ₦'000
First Bank of Nigeria Ltd.	Parent company	Treasury bills inv.	**11,239,776**
	Parent company	Short-term placements	**123,133**
	Parent company	Bank balance and unpaid interest	**18,378**
FBNQuest Merchant Bank Ltd.	Co-subsidiary	Treasury bills inv.	**-**
	Co-subsidiary	Short-term placements	**-**

The Company earned a total of ₦13mn from First Bank of Nigeria Limited in respect of placements.

Description	Nature of relationship	Nature of transaction	31 December 2016 ₦'000
First Bank of Nigeria Ltd.	Parent company	Treasury bills inv.	7,519,237
	Parent company	Short-term placements	60,015
	Parent company	Bank balance and unpaid interest	27,037
FBNQuest Merchant Bank Ltd.	Co-subsidiary	Treasury bills inv.	1,237,425
	Co-subsidiary	Short-term placements	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

d Due to related companies

There were no amounts due to related parties at the year end (2016-Nil).

21 CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

The Company makes estimates and assumptions in determining the carrying amounts of certain assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. The resulting estimates seldom equal the related actual results.

The key assumptions concerning the future, and other key sources of estimation uncertainty, are shown below:

Gratuity benefits

Assumptions are made in the actuarial valuing of future defined gratuity obligations. The principal assumptions relate to the discount rate and rate of inflation. The assumed rate of inflation affects the rate at which salaries are expected to grow and subsequently the gratuity that employees receive on retirement. The discount rate is equal to the yield on high-quality corporate bonds that have a term to maturity approximating that of the related liability. As a result, there is uncertainty that these assumptions will continue in the future. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

Tax

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Judgments have been made as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

22 CONTINGENT LIABILITIES AND COMMITMENTS

The Company in its ordinary course of business was not involved in any suit as at year end (31 December 2017: Nil). The Directors of the Company are not aware of any pending or threatened claims or litigations, which may be material to the financial statements. There were no other contingent liabilities requiring disclosure in these financial statements.

23 CAPITAL COMMITMENTS

The Company had no capital commitments as at 31 December 2017 (31 December 2016: Nil).

24 SUBSEQUENT EVENTS

There were no events subsequent to the financial position date which require adjustment to or disclosures in the financial statements.

25 CONTRAVENTIONS

There were no infractions during the year. (2016: Nill)

26 EARNINGS/LOSS PER SHARE

Basic earnings or loss per share (EPS) is calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	31 December 2017 ₦'000	31 December 2016 ₦'000
Number of shares (Units '000)	**2,000,000**	2,000,000
Profit attributable to equity holders	**4,362,274**	2,829,524
Basic EPS	**218**	141
Adjusted EPS	**218**	141

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF VALUE ADDED

	31 December 2017 ₦'000	%	31 December 2016 ₦'000	%
Gross earnings	7,808,475		5,549,097	
Bought in materials and services - Local	(1,565,738)		(1,040,090)	
Provision for other receivables	-		-	
Value-added	6,242,737	100	4,509,007	100
Distribution				
Employees				
Salaries and benefits	349,287	6	302,587	7
Government				
Taxation	1,473,825	24	1,216,587	26
Retained for future replacement of				
assets and expansion of business:				
Asset replacement (depreciation and amortisation)	125,483	2	152,078	3
Deferred taxation	(68,132)	(1)	8,231	-
Transfers to reserves	4,362,274	69	2,829,524	63
	6,242,737	100	4,509,007	100

Value-added is the wealth created by the efforts of the Company and its employees and its allocation between employees, shareholders, government and re-investment for the creation of further wealth.

FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 December 2017 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2014 ₦'000	31 December 2013 ₦'000
ASSETS					
Non-current assets					
Property, plant and equipment	**1,272,330**	1,249,728	1,130,266	994,072	1,049,236
Intangible assets	**6,729**	5,883	53,727	97,972	155,803
Deferred tax assets	**171,224**	103,092	111,323	71,981	116,868
	1,450,284	1,358,703	1,295,316	1,164,025	1,321,907
Current assets					
Loans and other receivables	**769,454**	564,321	589,899	501,920	421,928
Other assets	**156,084**	128,168	160,796	65,940	73,594
Investment securities	**9,903,684**	8,756,662	1,554,339	5,059,871	4,391,426
Cash and cash equivalents	**1,477,603**	87,052	5,958,086	209,032	102,945
	12,306,825	9,536,203	8,263,120	5,836,763	4,989,893
Total assets	**13,757,108**	10,894,906	9,558,436	7,000,788	6,311,800
EQUITY AND LIABILITIES					
Equity					
Share capital	**2,000,000**	2,000,000	2,000,000	2,000,000	2,000,000
Other reserves	**-**	-	-	-	(17,241)
Retained earnings	**8,457,548**	6,358,893	4,525,867	3,399,011	2,690,125
Total equity	**10,457,548**	8,358,893	6,525,867	5,399,011	4,672,884
Non-current liabilities					
Deferred tax liabilities	**-**	-	-	-	-
Retirement benefit obligations	**-**	-	38,543	90,582	343,266
			38,543	90,582	343,266
Current liabilities					
Creditors and accruals	**1,084,985**	746,933	1,534,510	461,799	480,281
Income tax liabilities	**2,214,575**	1,789,080	1,459,516	1,049,396	815,369
	3,299,560	2,536,013	2,994,026	1,511,195	1,295,650
Total liabilities	**3,299,560**	2,536,013	3,032,569	1,601,777	1,638,916
Total equity and liabilities	**13,757,108**	10,894,906	9,558,436	7,000,788	6,311,800
Pension assets under custody	**2,420,701,587**	1,958,902,756	1,814,340,864	1,514,882,901	1,353,076,127
Non-pension assets under custody	**621,991,192**	551,562,982	299,954,655	300,321,681	93,731,367

FIVE-YEAR FINANCIAL SUMMARY

INCOME STATEMENT

	As reported under IFRS				
	31 December 2017 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2014 ₦'000	31 December 2013 ₦'000
Gross earnings	**7,808,475**	5,549,097	4,947,521	4,032,755	3,287,106
Profit before income tax	**5,767,967**	4,054,342	3,408,770	2,493,381	2,026,400
Income tax expense	**(1,405,693)**	(1,224,818)	(991,981)	(781,639)	(522,773)
Profit for the year	**4,362,275**	2,829,524	2,416,789	1,711,742	1,503,627
Per share data					
Earnings per share - basic (kobo)	**218**	141	121	86	75
Net (liabilities)/assets per share (Naira)	**5**	4	3	3	2

GLOSSARY OF RATIOS

Ratio		Basis of computation
Cost to income ratio	=	Total cost / Total income
Dividend per share	=	Dividend / Number of shares in issue
Average earnings per share		Net profit for the year / Number of average outstanding shares
Return on average assets	=	PAT / Average Total Asset x 100
Return on average equity	=	PAT / Average Total Equity x 100
Total market value of assets under custody	=	Market value of all investment options available to the fund

ABBREVIATIONS

AC	Audit Committee
AGM	Annual General Meeting
AMCON	Asset Management Corporation of Nigeria
BIC	Banque Internationale de Crédit SARL
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CON	Commander of the Order of the Niger
CPFA	Closed Pension Fund Administrator
CSR	Corporate Social Responsibility
ED	Executive Director
FPCNL	First Pension Custodian Nigeria Limited
FX	Foreign Exchange
IBAM	Investment Banking and Asset Management
IFRS	International Financial Reporting Standards
IT	Information Technology
KPI	Key Performance Indicator
MBAM	Merchant Banking and Asset Management
MFR	Member of the Order of the Federal Republic
₦	Naira
OFR	Officer of the Order of the Federal Republic
PAT	Profit After Tax
PBT	Profit Before Income Tax
PFA	Pension Fund Administrator
PFC	Pension Fund Custodian
PenCom	National Pension Commission
PTADS	Pension Transition Arrangement departments
RSA	Retirement Savings Account

NOTES

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