TIMELESS

First Pension Custodian Limited

Annual Report and Accounts 2018

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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 Limited and FBNQuest Capital Limited. The subsidiaries of FBNQuest Merchant Bank Limited are: FBNQuest Asset Management Limited and FBNQuest Securities Limited while the subsidiaries of FBNQuest Capital Limited are: 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 2018 to the corresponding 12 months of 2017, and the statement of financial position comparison relates to the corresponding position at 31 December 2017. 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/2018* 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 at the cutting-edge of the Nigerian Pension business, with a competence that draws respect and a spirit that commands loyalty. Our business is simple: creating a formidable Pension Fund Custodial service that provides our stakeholders with incomparable value. Our business has been designed to ensure sustained profitability by meeting customer needs at their unique service touch points while growing shareholders, return on equity.

OVERVIEW

INTRODUCTION

First Pension Custodian Nigeria Limited (FPCNL) is one of the foremost local provider of custodial pension services in Nigeria. We are a wholly owned subsidiary of First Bank of Nigeria Limited (FirstBank), the commercial banking subsidiary of FBN Holdings Plc.

The driving purpose of FPCNL is to effectively respond to change by applying the distinct knowledge and expertise of our people to meet our customers' rapidly evolving business needs, while equally helping retirees attain their dreams of pleasurable retirement.

OUR PROFILE

The principal activity of FPCNL is to provide a wide range of custodial services covering assigned responsibilities under the Pension Reform Act 2014, designed to meet customers' business needs. These include, but not limited to, pension contributions collection directly from employers on behalf of the Pension Fund Administrators (PFAs) for the benefit of the contributors; investment transactions settlement; safekeeping of assets; corporate actions across all categories of assets; pensions and benefit payment nationwide; portfolio valuation; cash management; and performance measurement and compliance monitoring assistance. FPCNL currently has custodial relationships with sixteen (16) Pension Fund Administrators (PFAs) and two (2) Closed Pension Fund Administrators (CPFAs).

We have remained resilient in the face of the challenging operating environment and are prepared to tackle the challenges and risks ahead while bracing up to the opportunities available in the fast evolving business environment.

VISION, MISSION, VALUES

OUR VISION

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

OUR MISSION

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

OUR 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:
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 STRUCTURE

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

4.1%

₦8.13bn

2017: ₦7.81bn

GROSS EARNINGS

Gross earnings grew by 4.1%, driven by a 7.6% growth in fee income, which was offset by a drop of 6.7% in interest and other income.

0.3%

₦5.79bn

2017: ₦5.77bn

PROFIT BEFORE TAX

Profit before tax increased by 0.3% following a 4.1% improvement in gross earnings, which was offset by a 14.7% increase in operating expenses.

8.9%

₦2.77tn

2017: ₦3.04trn

ASSETS UNDER CUSTODY

Pension assets increased by 14.0%, while non-pension assets declined by 98% on the back of the transfer of same due to regulatory requirements. This translated to a decline of 8.9% in total assets under custody.

16.4%

29.6%

2017: 35.4%

RETURN ON AVERAGE ASSETS

Return on average assets fell due to an increase in assets and drop in PAT.

15.7%

39.1%

2017: 46.4%

RETURN ON AVERAGE EQUITY

Return on average equity dropped following increase in equity and a fall in PAT.

2.8%

₦2.12

2017: ₦2.18

EARNINGS PER SHARE

The drop in earnings per share reflects a decrease in profit after tax.

NON-FINANCIAL HIGHLIGHTS

OUR CORPORATE VALUES

We place a premium on offering services that add value in the right way, with consistent standards of quality and compliance across our customer base. We have deliberately created an inclusive and diverse workforce while encouraging ownership at personal levels, fostering team spirit and commitment to shared vision and goals. We are committed to developing our people into world-class professionals while providing an enabling environment that supports them to attain their career goals and ultimate satisfaction.

In 2018, the Company commenced a series of extensive wellness programmes that were designed to encourage employees to be in control of their health while having fun. The programmes addressed important health topics such as eating habits, physical exercise, emotional wellness, and comprehensive health screening. The Company sees management of the health of its people as important to achieving organisational goals and objectives.

SERVICE DELIVERY AND OPERATIONAL EFFICIENCY

Our customers are at the heart of our strategy. We set our sights on maintaining high standards of customer service delivery and operational efficiency. In the course of the year, we successfully implemented the online customer payment portal and performance monitoring platform. We also deployed the helpdesk solution portal on the website to track customer complaints and ensure rapid resolution. In 2018, the annual customer experience survey report revealed an improvement in our service delivery. Specific recommendations to further improve our processes and operations were also highlighted and included in a detailed report to Management. We have adopted these recommendations and the necessary actions have been initiated to improve on the overall customer service experience.

LEADERSHIP

Our skilled and experienced Board and Management teams set the tone for our maxim of being the custodian of 'first' choice. Our employees are groomed to be amongst the best in their respective areas and together with Management, are encouraged to shape the future of FPCNL. We aim for staff to have a sense of belonging thereby enabling them make positive contributions to the Company.

Our yearly employee survey tests the views of colleagues on topics such as strategy, regulation, culture and customer experience. Results are presented to the Management and insight from the survey and other employee engagements guide the policies, processes and strategies across the Company and helps leadership make employee-friendly decisions.

STRATEGIC REPORT

This section is a review of our financial performance in 2018 and the outlook for our business in the future.

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STRATEGIC REPORT

MACROECONOMIC REVIEW

The bullish run in global markets in 2017, continued into 2018, however, concerns over weaker economic growth, geopolitical tensions and uncertainties surrounding trade disputes resulted in sell-offs across equity markets. As a result, the MSCI World, Emerging and Frontier Markets indices all posted negative returns in 2018.

In 2018, the world's two largest economies, the US and China, became embroiled in a trade war, the impact of which will weigh on global growth in 2019. We expect that the US and China will be able to strike a deal soon to prevent further escalation in the bilateral trade war. Although a deal between the two countries cannot be ruled out, it is likely to be limited in nature. In particular, it will not materially address the fundamental issues of concern to the US, such as forced technology transfer and intellectual property protections. Consequently, we would expect the deal to be short-lived and trade tensions to endure in the forecast period. In 2019, as a result of the trade war, a maturing business cycle and the waning impact of tax cuts, we expect the US economy to slow to 2.3%, from an estimated 2.9% in 2018, and China's economy to slow to 6.3% from an estimated 6.6% in 2018 (this forecast assumes limited economic stimulus by the Chinese government).

> "The consumer price index, (CPI) which measures inflation increased by 11.44%, year-on-year in December 2018. This is 0.16% higher than 11.28% recorded in November 2018."

In its April 2018 World Economic Outlook (WEO), the International Monetary Fund (IMF) initially estimated global growth at 3.9% in 2018, owing to expectations of sustained momentum in advanced economies and emerging markets. However, in its October 2018 WEO, the IMF revised global growth downwards to 3.7% in 2018, unchanged from growth in 2017. The downward review in growth mainly reflected slower than expected economic activity in advanced economies as global trade and industrial production declined.

The rally in oil prices, which began in 2017, was sustained into 2018 as global oil demand improved, with oil prices reaching a two-year high of USD86.29 per barrel (03/10/18). In addition to improved demand for oil, higher oil prices were expected as renewed sanctions on Iran curbed global oil supply. On the contrary, a downturn was recorded in the market as oil prices trended lower owing to waivers granted to eight countries to continue importation of Iranian oil as well as increased supply from the US (17.8mb/d) which now produces more oil than Saudi Arabia (12.1mb/d) and Russia (11.2mb/d). Despite weaker prices in the last two months of 2018, oil prices averaged USD71.7 per barrel, higher than the average oil prices of USD52.51 per barrel in 2017.

In Nigeria, the delay by parliament in approving the 2018 budget affected implementation and increased fiscal uncertainty by pushing the bulk of spending to the second half of the year. Oil revenues, a value added tax on luxury items, and a tax amnesty narrowed the fiscal deficit, financed mainly by public debt.

By June 2018, the stock of public debt stood at USD73.2billion, up from USD71.0billion in 2017, representing 17.5% of GDP. Despite the increase, Nigeria remained at moderate risk of debt distress. In November 2018, the government issued a Eurobond of USD2.9billion, which reflects its new debt management strategy of prioritising foreign debt to mitigate the high financing costs of domestic borrowing. Furthermore, relatively strong oil receipts solidified the current account surplus to an estimated 3.7% and bolstered improvements in the terms of trade by about 13% in 2018 alone.

STRATEGIC REPORT

The consumer price index (CPI), which measures inflation increased by 11.44%, year-on-year in December 2018. This is 0.16% higher than 11.28% recorded in November 2018.

Considered as a looming crisis, Nigeria's unemployment rate has continued to deteriorate. Based on the new data released by the NBS, unemployment rate stood at 23.1%. The combined unemployment and underemployment rate is now 43.3%. Nigeria's misery index, computed as the combined unemployment, underemployment and inflation is now 54.58%, one of the highest in sub-Saharan Africa. This implies that total unemployed figure has increased to 20.9 million people. About 63% of the total unemployed Nigerians are youth who experience much higher unemployment rates (29.7% in quarter three 2018) than the rest of the population.

Given Nigeria's teeming young population structure, large numbers of labour entrants are expected going forward. The current emergence of a vibrant entrepreneurial class that cuts across agriculture, services, and technology could be supported through the provision of credit facilities and enabling infrastructure.

The Federal Government commenced negotiations with the leadership of organised labour to increase the minimum wage from ₦18,000.00 (Eighteen Thousand Naira) to about ₦30,000.00 (Thirty Thousand Naira). The negotiation has been contentious, though we expect it will be completed and implemented early 2019.

CHAIRMAN'S STATEMENT

"The progress recorded in our performance is proof of the strength of our business model, the commitment of our employees and the quality of the Company's leadership."

Umar Yahaya
Chairman

The year 2018 was another year of progress for the Company, both financially and strategically, despite the challenging operating environment and other regulatory constraints that characterised most of the year. The progress recorded in our performance is proof of the strength of our business model, the commitment of our employees and the quality of the Company's leadership.

The increase in our revenue and customer base were achieved through investment in technology capabilities to improve service delivery and value offerings to our customers.

OPERATIONAL PERFORMANCE

The year offered another solid performance. Gross earnings for the year grew by 4.1% to ₦8.13billion from ₦7.81billion reported in December 2017; driven primarily by growth in fee income. Profit before tax stood at ₦5.79bn, representing a growth of 0.3% over the ₦5.77billion recorded in the corresponding period of December 2017.

GOVERNANCE AND CONDUCT

The Board place emphasis on its exemplary corporate culture. Our strategic values of putting customers first and team work were prominent features of 2018. During the year, we took steps to define the culture and the corporate behaviour needed to achieve our strategic objectives. Though we still have a long way to go, getting this culture right is critical to our success.

The culture of the Board is measured in the Board Effectiveness Review which is facilitated externally annually. In the interest of good corporate governance, all Directors are required to submit themselves for re-election on an annual basis. We are committed to ensuring the right balance of skills and experience within the Board, and we annually review the Board's composition, and the diversity of backgrounds of Board members. You can read more about this review in our corporate governance report on page 22 to 36.

OUR PEOPLE

Our people are our core assets. Their ability to deliver value as a fully-integrated team remains the driving force for growth. Consequently, we continue to provide employees with the resources and opportunities to build their careers; reach their full potential and remain effective and motivated. In 2018, we continued to invest in people-development initiatives at all levels to ensure a strong succession pipeline of present and future leaders.

CHAIRMAN'S STATEMENT

OUTLOOK

We expect 2019 to be another challenging year with regards to the political, economic and regulatory environment. The economic environment remains uncertain, the level of regulatory change remains high, and competition continues to be fierce. As a Company, we will continue to refine our strategy to address evolving operating and market conditions. We recognise that our future success will depend on adapting our business model to provide the quality of service required to effectively meet customer needs in a rapidly changing environment.

Throughout 2019, the Board will focus on using a risk-based approach to ensure our oversight is appropriate to achieve sustainable growth and on exploring new ways in which we can use technology to improve customer service delivery.

On behalf of my colleagues on the Board, I would like to express my appreciation to our customers, shareholder, Management and staff for their loyalty and contributions to the continued success of our business. In the coming year, I look forward to delivering on our commitments of being a customer-focused Company underpinned with strong performance, ethics and people values.

Umar Yahaya
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

"... we played to our strength by leveraging technology to enhance our service offerings to continue to improve our customers' experience, while simplifying our businesses and growing in target markets."

Kunle Jinadu
Managing Director/CEO

In 2018, our focus was to improve overall corporate performance and efficiency in the face of a rapidly evolving operating environment; improve service offerings to our customers, while delivering sustainable returns to our shareholder. We knew that the business environment in 2018 would be difficult given the political uncertainty, depressed oil earnings, increased foreign portfolio investment outflows and the challenging business conditions. However, we played to our strength by leveraging technology to enhance our service offerings to continue to improve our customers' experience, while simplifying our businesses and growing in target markets.

The performance of the domestic stock market in 2018 was largely bearish as sustained sell offs dragged the benchmark index down 17.8%. The year began with optimism, riding on the positive wave of 2017 which was stoked by the launch of the Investors' & Exporters' (I&E) foreign exchange window but this slowly dissipated by the end of January 2018. In January, the benchmark index rapidly accelerated to as high as 17.9% before a bearish run set in. However, the impact of the upcoming elections was a major drawback to market performance in the year alongside increased policy normalisation by the CBN. Consequently, investor sentiment remained weak for the greater part of 2018 despite rising oil prices and stronger reserves (2018 high at USD47.9billion) as foreign and domestic participation in the market waned significantly. On average, domestic investors accounted for 50.5% of transactions relative to 49.5% of foreign investors; while net value of transactions by foreign investors was negative as outflows at ₦513.5billion surpassed inflows at ₦477.7billion.

The fixed income market was quite volatile in 2018, similar to the previous year, even as the Monetary Policy Committee (MPC) opted to maintain the policy rate at 14.0% throughout the year. The CBN maintained its tight monetary stance more vigorously as issues around weak global growth, heightened polity risk and higher interest rates in advanced economies which prompted capital flow reversals in developing markets came to the fore in 2018. The volatility in the market was apparent, from the direction of yields through the quarters in 2018. This afforded investor the opportunity to record substantial gains in the year, as the CBN utilised policy levers to affect market yields and stem intensifying capital flow reversals precipitated by a combination of Emerging Markets and Frontier Markets pressures and policy normalisation by systemically important Central Banks.

Growth has retreated, below long-term growth rate of 6-7%, just as unemployment and underemployment worsened at 23.1% and 20.1% respectively in the third quarter of 2018. According to a report by the Brookings Institution, Nigeria now has the highest number of poor people in the world, making Nigeria the world's poverty capital. Also, while security has improved slightly, the risk of instability is still elevated across regions. In the North-East, Boko-Haram continues to wreak

CHIEF EXECUTIVE OFFICER'S REVIEW

havoc. In the South-East, secessionist agitations which have recently calmed down remain a latent risk, while conflict between farmers and herders has elevated insecurity in the Middle-Belt of the country. Meanwhile, the situation with cattle rustling in the North-West is yet to abate. In the Niger-Delta, a delicate pact has restored calm, but the situation remains precariously balanced.

The direction of inflation was positive for most of 2018 as there was a deceleration to a 30-month low of 11.1% in July 2018. The disinflation was mainly driven by a high base and continued exchange rate stability. However, the streak turned for most of second half of 2018 as inflation rose slightly due to a low base, although moderating food prices tempered the increase in headline inflation.

Exchange rate stability was achieved for most of 2018. The official rate remained unchanged from ₦305.00/USD1.00, its level since September 2016. However, in the I&E window and parallel market, rates converged at ₦360.00/USD1.00. The current account balance to GDP which hit a five-year high of 4.4% in second quarter 2018 supported exchange rate stability. However, turbulence emerged in H2 2018 when investors retreated from emerging and frontier markets. In Nigeria, policy uncertainty as a result of the upcoming elections also made investors jittery. Consequently, increased foreign exchange demand led to depreciation in rates to ₦366.00/USD1.00 in the parallel market and the rate at the I&E window was also pressured. To support stability, the CBN responded by increasing the size and frequency of its intervention for BDCs and this restored calm.

PENSION INDUSTRY REVIEW

The regulatory environment also continues to evolve with various regulations that affected the performance of the Company during the financial year. The Nigerian pension industry has continued a steady growth path and is no doubt, one of the fastest growing sectors of the economy since the introduction of the Contributory Pension Scheme in 2004. Since 2004, significant success has been recorded in achieving the perfect pension system aimed at ensuring enjoyable retirement for Nigerian workers and equally building long-term investible funds that will help keep Nigeria on a stable economic path.

According to the National Pension Commission, Pension Asset and RSA Membership data of 30 November the year 2018 showed that 8.38million workers are registered under the pension scheme, an increase of 6.35% compared to 7.88million registered workers in fourth quarter 2017, while Pension Fund Asset under Management as at 30 November 2018 stood at ₦8.50trillion as against ₦7.52trillion in fourth quarter 2017. This means only 12% of the 69.54million in employment as at third quarter 2018 maintained pension accounts.

During the course of the year, the National Pension Commission issued several guidelines and circulars which significantly reshaped the industry. With effect from 2 July 2018, the new multi-fund structure was introduced which replaced the previous RSA arrangement for all pension contributors in order to resolve the risk management challenges faced in the industry. The multi-fund structure has been designed according to the risk appetite of each age classification and investments will be in line with their risk appetite and profile in terms of age. Fund managers investing for younger members are allowed to take on more risk and invest in equities, real assets and private equity. Furthermore, funds aimed at younger savers can place up to 75% of assets in instruments other than government securities.

The introduction of the multi-fund structure resulted in the issuance of a new fee structure for all the operators and regulator, which took effect from July 2018. The burden of the revised fees structure is staggered over the next three years to year 2020. Review cycle of the fees structure for the industry shall be put in place with effect from 2021 based on triggers that will be communicated by the Commission.

The guideline for the micro pension scheme was issued in third quarter 2018, to create an opportunity for participation of contributors outside the civil service and organised private sector, especially artisans and small private businesses with less than three employees. The micro pension plan is expected to take effect from first quarter 2019. When fully operational, the micro pension scheme is expected to, not only boost pension assets, but also give hope of safe and enjoyable retirement to the informal sector of the economy. Access will be through multichannel platforms and investors will be able to withdraw up to 40% of their contributions before their retirement.

COMPANY'S PERFORMANCE

FPCNL presented a strong financial performance in the course of the year despite the challenges of economic uncertainty in both local and global financial markets. We stayed true to our corporate purpose of delivering value to our stakeholders. This was done by upholding our corporate culture of hard work, discipline and a commitment to higher social values while remaining profitable.

> “We continue to invest in our customer propositions to improve processes and enhance customer experience.”

CHIEF EXECUTIVE OFFICER'S REVIEW

Corporate profit was ₦5.79billion, while return on ordinary equity was 39.1%. Operating expenses increased as a result of the various initiatives to improve customer experience; this was offset by higher revenue. There are further details of these in the Financial Review on page 19 to 20.

STRATEGIC PROGRESS

A lot of our progress is due in large part to the strategic actions taken in 2017. We have continued to make advances in our strategic priorities in 2018. Critical to our strategy is the creation of unique customer experience by leveraging technology for more efficient service delivery. We have met our strategic objectives over the last two years which involved reshaping the Company for efficiency and effectiveness. This was complemented by sustainable corporate profitability and decent returns on shareholder funds. Despite this, 2018 proved that the business environment requires a fresh approach to protecting the gains so far achieved. A new way of working and an alignment of strategy to evolving market realities will ensure that FPCNL continues to be the market leader in offering innovative and competitive solutions to customers' needs.

We are committed to meeting our customers' evolving needs and preferences through the various service offerings. We continue to invest in our customer propositions to improve processes and enhance customers experience. In line with this thinking in 2018, we deployed our online tools and platforms which allows customers to track their returned cheques and send investment instructions. This has led to reduced processing times and improved customer experience.

We continue to invest significantly in Information Technology with a focus on ensuring that our systems and processes are both robust and efficient and significantly meet customer expectations through end-to-end automation of key customer transactions. Technological improvements enhance the experience of our clients and can reduce costs. The investments required can be expensive in the short run, but certainly will generate rewards in the long run. Our performance in 2018 reflects the hard work undertaken by my colleagues and I would like to thank everyone for their effort and commitment.

The Company aims to deliver sustainable growth in line with its low-risk business model. We have continued to make progress in growing market share by increasing our assets both organically and through winning a number of new business mandates. We will continue to develop the brand and the business.

RISK AND COMPLIANCE

At FPCNL, managing risk and ensuring adherence to internal control protocol is a major priority. During the year, we put in place measures aimed at improving our processes and procedures, to ensure we maintain a robust control environment that supports our long-term aspirations. We have also improved our risk management framework.

BUSINESS OUTLOOK

Our financial and strategic targets reflect our confidence in the future. The Company more than ever is focused on delivering superior customer experience and continuing to upgrade our technological capabilities.

For 2019, we recognise that challenges in our operating environment are likely to persist, but our commitment to delivering exceptional services to our customers, and adding value to all stakeholders remains strong. With significant investment in technology and organisational repositioning, we are confident in our capability to continually delight our customers whilst enhancing cost-efficiency and reducing risk. We will continue to focus on strengthening our operations to become the custodian of 'first' choice for our customers, in order to ensure long-term value and deliver sustainable returns to our shareholder. We are confident that the combination of our strategy and workforce, has served us well in the past, and will continue to serve us in the future as we transform to the delight of all our stakeholders.

Kunle Jinadu
Managing Director/CEO

OUR BUSINESS MODEL

Our business model is designed to ensure creation and delivery of value to different categories of customers. We continue to align our operations with the evolving operating environment and changing needs of our customers. To ensure our business model delivers sustainable returns, we place emphasis on effective risk management, good corporate governance and our focus and vision remain clear – to be the custodian of 'first' choice.

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 from our operations **Profits** Drive enhanced profitability through improved revenue generation, cost optimisation and shared services within our Group.	**Customers** We forge deeper relationships with our customers and combine our capabilities with the strength of the Group to deliver bespoke service propositions to meet our customers evolving needs. **Shareholder** Deliver sustainable returns through dividend and capital growth. Ensure the required business drivers are in place to support this objective. **Employees** 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.	**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. Creating 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** We continue to create value by leveraging the opportunities inherent in our Group Holding company structure. We belong to a leading international banking Group with 125 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** What matters to us is not just what we do but the way we do it. Right considerations underpin every decision we take.

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.

STRATEGY AND PERFORMANCE

OUR STRATEGY

Our strategy has always been to be the dominant player in the pension industry. Our business objectives and performance targets are guided by our three-year strategic plan (2017-2019), which will come to an end in 2019. The plan focused on providing great customer experience, staying competitive, and developing a high-performance culture enabled by information technology. Our day-to-day business functions have been aligned with the overall corporate strategy to enable us achieve our objectives and aspirations aimed at transforming the culture and performance of FPCNL. The focus of our strategy is detailed below:

STRATEGIC THEMES AND PRIORITIES FOR 2017-2019

Our strategy focus over the past three years has revolved around a number of key areas, which include:

- Optimising the use of technology to drive efficient business operations and processes, by implementing new technological platforms;
- Driving customer acquisition and profitability;
- Achieving leading service delivery in the industry through proactive customer engagement;
- Enhancing of personnel skills and capabilities to improve accountability and proactively respond to business needs;
- Strengthening corporate culture and branding; and
- Increasing collaboration and integration with our parent company, First Bank of Nigeria Limited to create synergies and efficiency for successful execution of our various strategic initiatives.

We have made progress against many aspects of the strategy, in spite of the challenging environment, and will continuously seek to deliver improved and sustainable returns by focusing on areas of competitive advantage.

As part of our response to constantly changing market dynamics, and to position ourselves for the future, we have begun a major review to revalidate our strategic aspirations for the 2020-2022 cycle. Our aim is to provide industry-leading services to our clients to allow them meet their strategic objectives and financial goals. We will equally focus on key metrics around profitability and growth.

COMPLAINTS HANDLING

First Pension Custodian aim to provide the highest possible quality of service to its clients, but recognises that there are times when things go wrong and fail to meet the expectations of customers. The Company's complaints procedure provides customers with a clear and structured way to provide feedback on their dissatisfaction with FPCNL services in easily accessible ways. The Company welcomes feedback because it provides necessary information for staff to learn, and improve on service delivery.

Complaints resolution and response to enquiries and requests are managed through our dedicated client relationship team and various other channels. Our clients are informed of the channels available and the timeframe within which their complaints will be treated. We also have in place an escalation process for complaints that are not adequately resolved within specified timeframes as contained in our Service Level Agreements with clients.

Complaints Procedure

FPCNL's complaints procedure is based on a seven-stage process outlined below. The procedure seeks to resolve customer complaints as close as possible to the point of service delivery and to conduct thorough, impartial and fair investigations of customer grievances. Client relationship officers are empowered to resolve straightforward complaints, requiring little or no investigation.

	FPCNL COMPLAINTS PROCEDURE
Step 1	Complaints are sent via e-mail or Helpdesk where relevant senior representatives of various process areas and Client Relationship Officers (CRO) are recipients. The Helpdesk also provides automatic escalation to top management based on stipulated timeline within which issues are expected to have been addressed.
Step 2	Upon receipt of complaints, the CRO resolves issues that do not require investigation or whose resolution information is at his/her disposal.
Step 3	If otherwise, the CRO immediately contacts and engages the concerned officer or team whose responsibility is to investigate the complaints and respond to the client immediately.
Step 4	If the complaints are not resolved after engaging the concerned staff or team, the CRO escalates to the Unit Head or an appropriate alternative Senior Staff if the Unit Head is not available.
Step 5	The CRO puts a call through to the client after 24hrs to confirm if his/her expectation has been met. This is usually followed up with emails or letters where necessary.
Step 6	If the client's expectation is met, close the issues but if otherwise, escalate the issue to the Managing Director or Management Committee (MANCO).
Step 7	CRO reconfirms client's satisfaction after the issues are finally resolved.

COMPLAINTS HANDLING

There is ongoing evidence that improvement in complaints management remains, and is regarded by the Company as a valuable aspect of the client service experience at FPCNL. Customer satisfaction with FPCNL is captured regularly through periodic assessment provided by our clients using agreed templates, and a major high-level annual survey contracted out to a consultant. We recognise it would be useful to capture clients' experiences; and during 2019, we plan to continue developing sound customer feedback.

Client Complaints Received in 2018

S/N	Description	Number	
		2018	2017
1	Pending complaints brought forward	**0**	0
2	Complaints received	**376**	451
3	Complaints resolved	**376**	451
4	Outstanding complaints	**0**	0

The number of complaints the Company received and resolved during the financial year was 376. This is a decrease in complaints compared to 451 reported in the previous year. The Company will continue to analyse complaints to guide service improvement, identify training opportunities for staff and prioritise our activities to meet the changing needs of our business environment.

Summary of Complaints Performance

For our members of staff, complaints provide a first-hand account of customer's views and experiences. Resolving complaints early saves resources and creates better customer relations; the incidence of reinvestigations and referrals to the Management Committee (MANCO) has reduced in the past year. The Management team scrutinises complaints monthly at the Management meetings, and every employee has received awareness training on our complaints management procedure.

FINANCIAL REVIEW

"Effective risk management is at the heart of our business operations, supporting a robust balance sheet."

Bunmi Aderonmu
Chief Financial Officer

Slow and uneven growth made 2018 a challenging year; the year witnessed large volatility of the capital market, coupled with worsening unemployment and underemployment rates. These factors, together with strict regulatory enforcement and high levels of competitiveness, affected financial performance in the year.

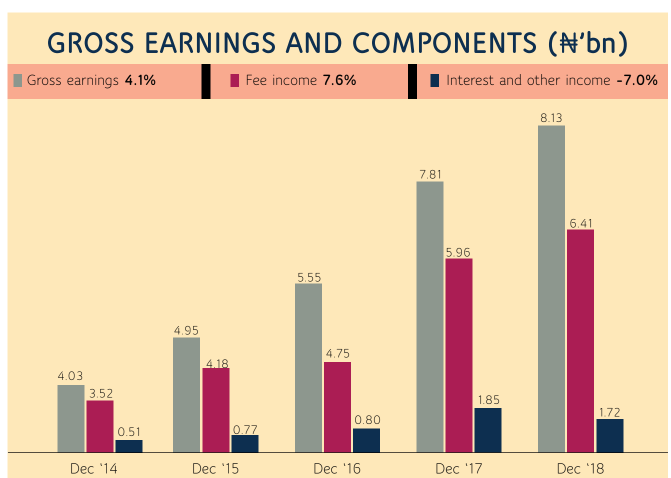
INCOME STATEMENT ANALYSIS

Gross earnings rose 4.1% year-on-year to ₦8.13billion (2017: ₦7.81billion), as core-income grew by 7.6% to ₦6.41billion (2017: ₦N5.96billion), driven by increase in underlying assets. Core income (custody fee) was affected by a number of changes, which includes the regulatory downward review of the fee structure and the transfer of non-pension assets during the year in compliance with the directive from the National Pension Commission. Interest income fell 4.9% to ₦1.72billion. The reduction in non-core income compared to the previous year resulted mainly from a drop in interest income on the back of reduced yields, though there was volume growth in investment securities by 6.7%.

Operating expenses rose by 14.7% to ₦2.34billion (2017: ₦2.04billion). A rise in regulatory, Board and related staff costs was recorded, which partly explains the increase in operating costs. We continue to pursue technological advancements and capabilities to keep us ahead of the curve for increased operational efficiency and customer satisfaction. This is critical to ensuring we continue to provide world class service to our clients.

Consequently, cost-to-income ratio closed at 28.8% (2017: 26.1%). Profit Before Tax (PBT) increased to ₦5.79billion (2017: ₦5.77billion), while return on average equity and average assets closed at 39.1% and 29.6% respectively dampened by higher increase in equity and assets.

Appropriate operational framework and systems remain in place to support the Company's business and safeguard assets.



FINANCIAL REVIEW

FINANCIAL POSITION ANALYSIS

Total assets for the Company increased by 8.4% year-on-year to ₦14.90billion (2017: ₦13.74billion), largely from growth in investment securities. Total liabilities was ₦3.72billion, an increase of 12.7% from 2017 figure of ₦3.30billion, driven by a rise in account payables and tax liabilities. Total shareholders' fund increased by 7.1% to ₦11.18billion (2017: ₦10.44billion) from profit retention. During the year, we made final dividend payment of ₦3.49billion to our shareholder for 2017 financial year. Effective risk management is at the heart of our business operations, supporting a robust balance sheet.

ASSETS UNDER CUSTODY

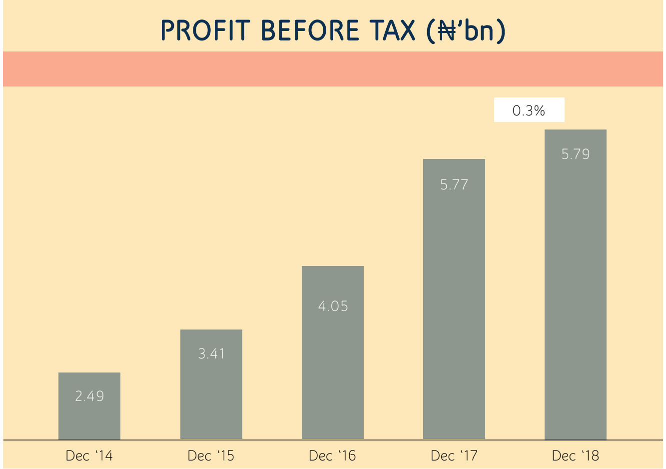
During the year, the Company wound down and discontinued dealings in non-pension assets under custody in compliance with regulatory directives. Assets worth ₦650.39billion were transferred out by 31 December 2018, which largely impacted the total assets under custody closing balance as at 31 December 2018. Total assets (pension and non-pension) decreased by 8.9% to ₦2.77trillion (2017: ₦3.04trillion).

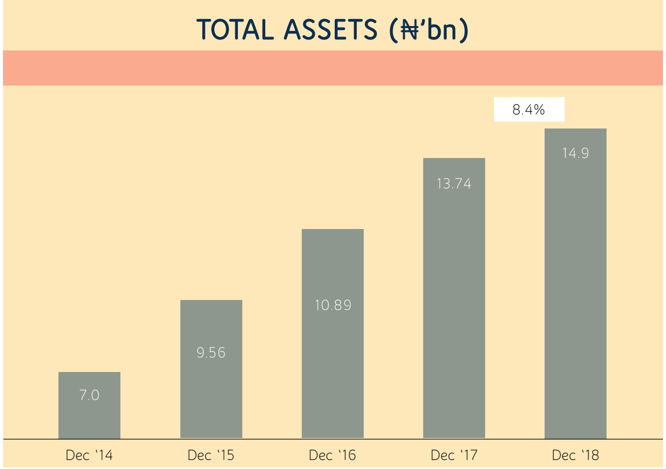
We successfully grew our pension assets under custody by 14.0% from ₦2.42trillion in 2017 to ₦2.76trillion in 2018, despite the difficult environment. This was assisted largely by new businesses and newly added volumes from fresh contributions.

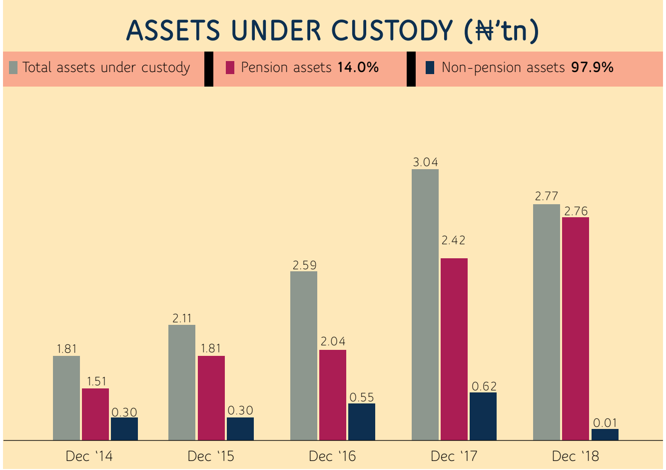
OUTLOOK

An uncertain political outlook and volatility in the financial markets pose a downside risk to the outlook for 2019. We are, however, confident that we will achieve our growth targets through the resilience of our business and focus on our strategic priorities. Customer satisfaction and operational efficiency will remain a touch point in our continued bid for profitable growth and sustained returns for our shareholder.

"Customer satisfaction and operational efficiency will remain a touch point in our continued bid for profitable growth and sustained returns for our shareholder."







SUSTAINABILITY REPORT

CUSTOMER SATISFACTION

In 2018, concerted efforts were targeted at improving service offerings and promoting a customer-focused culture. We implemented a number of specific actions aimed at delivering excellent service to our customers, which includes the online customer payment portal and performance monitoring platform. We also deployed the helpdesk solution portal on the website to track customer complaints and ensure resolution.

We have in place an effective complaints handling process. All customer complaints and requests are routed through the help-desk and are attended to in writing, over the telephone or face-to-face and are recorded on the Complaints Register application. We aim to reply all written correspondences within 24hours of receipt and inform our customers of the time frame within which the matter will be treated.

In the course of the year, we commenced the upgrading of our Information Technology applications and systems for enhanced operational efficiency, delivery of service excellence to our clients, whilst ensuring regulatory compliance and enhanced risk controls.

We continually engage our clients through monthly, quarterly and annual performance rating to ensure direct regular feedback is obtained. This helped to measure the level of customer satisfaction and areas of improvement.

Going into 2019, we will continue to focus on our customer experience enhancement and retention by offering excellent service, through innovative service offerings and leveraging technology platforms.

OUR PEOPLE

Our employees are our greatest assets and are critical to the success and survival of our business. We are committed to growing our people and providing opportunities for personal development. Our responsible approach to empowering our employees includes talent management and capacity building. In 2018, we continued to place emphasis on employee capacity building in a bid to drive exceptional results across the Company through our people. We are aware of the importance of having a skilled workforce by deploying capacity-building initiatives and interventions. To ensure that employees are adequately equipped to perform optimally on the job, regular training programmes are organised based on identified interventions required to inculcate a culture of learning that sustains high performance. We ensure that the skills and talents of our people are properly harnessed to achieve the strategic and business goals of the Company.

We pride ourselves as being an equal opportunity employer, and have integrated diversity and inclusion awareness into our practices. Our processes are free from bias, discrimination or prejudices and yet comply with applicable employment and labour laws. We aim to be a well-recognised employer of choice in workforce diversity. Across our workforce, we have a male to female ratio of 66:34.

FPCNL enforces strict health and safety rules and practices in the work environment which are reviewed and tested regularly. The Company operates a comprehensive Health Insurance Scheme for the employees and their dependents. During the year, there was periodic deployment of health communication to all staff. 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.

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.

"We aim to be a well-recognised employer of choice in workforce diversity. Across our workforce, we have a male to female ratio of 66:34."

GOVERNANCE

The Board and Management of First Pension Custodian remain committed to the principle of good corporate governance for the long-term success of the Company. We continuously subject our operations to the highest standards of governance in order to achieve continuous corporate success. What matters to us is not just what we do, but also, the way we do it.

Chairman’s Introduction >> 23 | Accountability >> 39 | Directors’ Report >> 44

CHAIRMAN'S INTRODUCTION

"Our approach to culture and values is led by the Board, where there is a clear emphasis on setting the 'tone from the top', which supports our strategy."

Umar Yahaya
Chairman

This report sets out our approach to governance in practice, the work of the Board and includes reports from each of the Board's Committees. 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.

Notwithstanding the volatile and challenging operating environment in 2018, the Board and Management of First Pension Custodian remained steadfast in our unified belief that observing good corporate governance remains the best tool to deliver increased shareholder value.

As a Board, we continue to support constructive challenges, encourage robust debate and make decisions dispassionately. One of my goals as Chairman is to ensure we continue to build a culture in which our colleagues are empowered, inspired and rewarded to do the right thing for customers. Our approach to culture and values is led by the Board, where there is a clear emphasis on setting the 'tone from the top', which supports our strategy. This is reflected in the focus we give in the Board to ensuring every aspect of our management approach such as targets and incentives, organisational structures, values and behaviours; helps support the right culture, and is cascaded through our governance structure to every part of the business. We recognise that everyone is different and a key element to achieving our vision is having a diverse and inclusive workforce.

"As a Board, we continue to support constructive challenges, encourage robust debate and make decisions dispassionately."

The Board recognises that governance is not static but must adapt to continually changing risks and changes in the regulatory environment. The corporate governance arrangements are therefore regularly reviewed to ensure they remain effective. 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 is elected to direct and oversee the affairs of the Company to create sustainable value for all its stakeholders.

Umar Yahaya

Chairman
Appointed Non-Executive Director January 2011
Appointed Chairman October 2014

Knowledge and skill:

Umar Yahaya has extensive and executive level management experience 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 holds both a Bachelor's and Master's degrees in Business Administration from Ahmadu Bello University, Zaria. He has an Advanced Diploma in Management from Harvard Business School, Boston, Massachusetts and an Executive Management Diploma in Strategy and Organisation from Stanford Graduate School of Business, USA.

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, First Bank of Nigeria Ltd.
- Non-Executive Director, FBNQuest 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.

Umar Yahaya
Chairman

Kunle Jinadu

Managing Director/Chief Executive Officer
Appointed Executive Director April 2009
Appointed Managing Director/CEO April 2013

Knowledge and skill:

Kunle Jinadu has over 30 years extensive local and international banking, finance and global custody experience. He has attended several training and development programmes locally and abroad. He brings his broad experience to bear in performing his function as the MD/CEO. He has a BSc 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 Limited.
- General Manager, Corporate Finance, Stanbic Bank Nigeria (formerly ANZ Grindlays Merchant Bank Limited).
- Head, Global Custody and Managing Director/CEO of Stanbic Equities Ltd.

Kunle Jinadu
Managing Director/CEO

LEADERSHIP

Funso Sobande
Executive Director
Appointed 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 holds a BSc in Economics from the University of Ibadan and a Master of Finance from the Strathclyde University, Glasgow, United Kingdom. He was President, Money Market Association of Nigeria between 2004 and 2005. He has attended several programmes in Nigeria and abroad.

Experience:
- Group Treasurer, 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.
- 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.

Dr Bayo Odeniyi
Independent Non-Executive Director
Appointed April 2009

Knowledge and skill:
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, Preventive 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.

Ijeoma Nwogwugwu
Non-Executive Director
Appointed April 2014

Knowledge and skill:
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 has a BSc in Accounting and a postgraduate qualification in International Housing Finance.

Experience:
- Managing Director, Arise News Channel.
- Group Executive Director, THISDAY Newspaper Group.
- Independent Non-Executive Director, Ikeja Electric.
- Alternate Director, Nigerian Security Printing and Minting Company Limited.
- Non-Executive Director, Daily Times of Nigeria Plc.
- Member, Governing Board, National Hospital Abuja.

LEADERSHIP

Dr Philip Olufunwa
Non-Executive Director
Appointed July 2014

Knowledge and skill:
Dr Phillip 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 Philip Olufunwa
Non-Executive Director

Dr Remi Oni
Non-Executive Director
Appointed December 2016

Knowledge and skill:
A seasoned banker with over 24 years' experience in Corporate Banking, Corporate Finance, Commercial Banking and Retail Banking, 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 (DVM), 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 (CIBN), a member of the Equipment Leasing Association of Nigeria (ELAN) and the Nigerian Veterinary Medical Association (NVMA). He has also attended trainings in many renowned international institutions, including the prestigious Oxford University and INSEAD, Singapore campus.

Experience:
- Executive Director, Corporate Banking, First Bank of Nigeria Limited.
- 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 Uganda Ltd.
- 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 Department, Corporate Banking Group, Chartered Bank Nigeria Plc.

Dr Remi Oni
Non-Executive Director

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

Funso Sobande
Executive Director, Operations and IT

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

Anike Jaiyeola
Head, Trade Process and Settlement

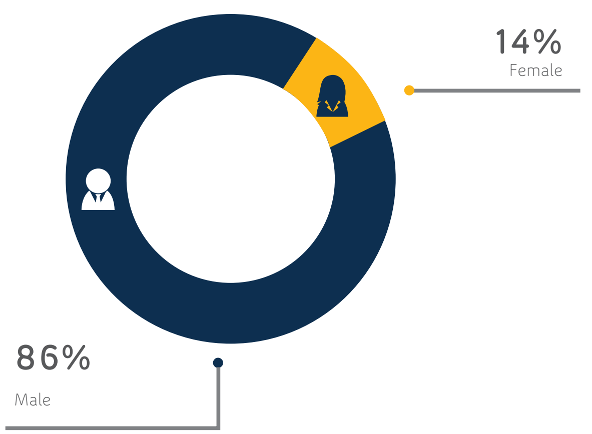
LEADERSHIP

BOARD COMPOSITION

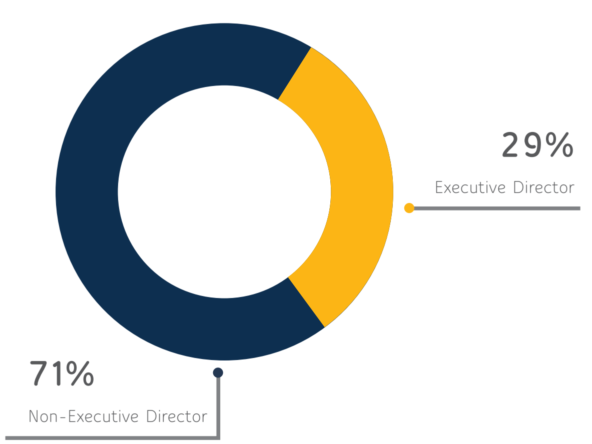
The Board was composed of seven (7) members made up of five (5) Non-Executive Directors and two (2) Executive Directors. One of the Non-Executive Directors is Independent and meets PenCom's Guidelines on Independent Directors.

Today's rapidly changing business environment requires a responsive Board in order to meet unexpected needs and challenges. The Directors possess the right balance of expertise, skills and experience, needed to provide effective oversight of the business. The number and status of the Non-Executive Directors ensure that adequate contributions are made to the Board's deliberations.

BOARD DIVERSITY



EXECUTIVE AND NON-EXECUTIVE DIRECTORS



BOARD RESPONSIBILITIES

The Board is responsible for ensuring leadership through effective oversight and review for the long-term success of the Company. It is responsible for effective management of risk, monitors financial performance and reporting and ensures that succession planning and remuneration policies are in place. The Board equally sets the Company's business strategy and monitors the delivery of the strategy and its performance.

The Board is responsible for ensuring that appropriate values, ethics and conduct of the Company and staff are agreed and appropriate procedures and training are in place to ensure that these are observed throughout the Company. The Board ensures that appropriate levels of checks and balances are maintained, and decisions are taken with the best interest of the Company's stakeholders in mind. Directors of the Company possess the right balance of expertise, skills and experience, which translates to an effective Board and a Management team capable of steering the affairs of the Company in an ever-changing and challenging environment

In line with best global practice, there is a clear leadership division of responsibilities. The Chairman and the Chief Executive Officer roles are assumed by different individuals ensuring balance of power and authority. The Chairman has overall responsibility for the leadership of the Board and for ensuring its effectiveness while the Chief Executive Officer manages and leads the business with the support of Management.

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.

LEADERSHIP

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 judgements;
- 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 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.

Company Secretary

The Company Secretary advises the Board and ensures good information flow and comprehensive practical support are provided to Directors. Maintains the Group's Corporate Governance Framework and organises Directors' induction and training. The Company Secretary advises the Board through the Chairman on all governance matters and regulatory affairs and administers the Company Secretariat in such manner to ensure that Company information is accessible to all qualified stakeholders. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

MAKING BOARD MEETINGS EFFECTIVE

The Board met six 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, sessions were held 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.

LEADERSHIP

Where due to expediency, a member of the Board is unable to be physically present at a meeting, such may participate through 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 2018

In the course of 2018, the Board considered all matters relevant to the Company's operations, but focused on the following:

Strategy and planning

- Review progress in implementing the Company's three-year strategic and operating plan (2017-2019).
- Assess the challenges posed by competitors and the implication for the Company's position in the industry.
- Review key regulatory changes, future operating environment and business model.

Finance

- Budget for 2018.
- The Company's performance against the annual approved budget and Group expectations.
- The Company's performance in relation to competition in terms of cost efficiency and robust growth.

Risk, governance and compliance

- Approval of Risk Management Framework.
- Maintain oversight on effective risk management, compliance and internal control, to guide against loss, avoid regulatory sanctions, ensure customer satisfaction and safeguard the Company's assets.
- Ensure that key financial and operational controls are robust to protect the business from operational, financial and reputational risk.
- Review the progress against the 2017 Board Action Plan. Discuss the outcome of the Board evaluation process conducted by the external facilitator.

Culture and values

- Review the business strategy including improved customer engagement.
- Customer performance dashboard.
- Employee engagement within the organisation.
- Succession and performance management.

LEADERSHIP

Regular agenda items

- Performance report from the Chief Executive Officer.
- Report on financial performance, including budgets and forecasts from the Chief Financial Officer, risk report from the Chief Risk Officer, reports from Committee Chairmen.

BOARD FOCUS AREAS FOR 2019

- Drive business performance against key performance indicators and linking it to strategic context;
- Drive customer acquisition and profitability;
- Improve risk management and controls;
- Strengthen corporate culture;
- Strengthen information technology infrastructure to drive efficiency; and
- Ensure progress against the actions from the 2018 Board and committee evaluation.

ATTENDANCE AT BOARD MEETINGS

The Board met six times in 2018. The record of attendance is provided below:

Name	Attendance
Chairman	
Umar Yahaya	6 of 6
Executive	
Kunle Jinadu	6 of 6
Funso Sobande	5 of 6
Non-Executive	
Dr Bayo Odeniyi	6 of 6
Ijeoma Nwogwugwu	5 of 6
Dr Philip Olufunwa	6 of 6
Dr Remi Oni	6 of 6

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 independence, the Board delegates certain responsibilities to its Committees, who play major roles in supporting the Board. The Board delegates authority to the Managing Director/Chief Executive, as well as to the Management Committee chaired by the MD/CEO.

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 further 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 27 of this report.

BOARD COMMITTEE REPORTS

The Board exercises its oversight responsibilities through its three standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure and reporting lines.

The Company has in place the following Board Committees:

BOARD GOVERNANCE COMMITTEE

Dr Philip Olufunwa
Chairman, Board Governance Committee

Membership

- Dr Philip Olufunwa
- Dr Bayo Odeniyi
- Dr Remi Oni

LEADERSHIP

Role and focus

The primary purpose of the Board Governance Committee is to advise the Board on its oversight responsibilities, to advise and make recommendations on the structure, size and composition of the Board and Board committees, and to design and execute a process for the appointment of new Board members and the removal of non-performing Board members.

Key responsibilities

The Committee is responsible for:

- Developing and maintaining an appropriate corporate governance framework for the Company;
- Developing and maintaining appropriate policy on remuneration of Executive and Non-Executive Directors;
- Ensuring adequate succession plan for Board of Directors and key Management positions;
- Ensuring that the Board composition includes at least one (1) Independent Director who meets the independence criteria as defined in the Board charter;
- Ratifying the performance appraisals of the Executive Directors as presented by the MD/CEO;
- Ensuring compliance with the PenCom Code of Corporate Governance;
- Overseeing Board performance and evaluation;
- Reviewing and approving amendments to the Corporate Governance Framework.

Focus of discussions for 2018

- 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 2017 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.

Attendance at BGC Meetings in 2018

Name	Attendance
Chairman	
Dr Philip Olufunwa	4 of 4
Executive	
Dr Bayo Odeniyi	6 of 6
Dr Remi Oni	5 of 6

BOARD FINANCE AND GENERAL PURPOSE COMMITTEE

Ijeoma Nwogwugwu
Chairman, Board Finance And General Purpose Committee

Membership

- Ijeoma Nwogwugwu
- Kunle Jinadu
- Funso Sobande
- Dr Bayo Odeniyi
- Dr Remi Oni

Role and focus

- Consider and approve operating and capital expenditure plan and projects above the approval limit of the Management Committee (MANCO) and making recommendations for the consideration of the Board.
- Advise the Board on its oversight responsibilities on recruitment, compensation and benefits, promotions and disciplinary issues affecting senior officers of the Company.
- Review and providing oversight on matters relating to technology and innovation.

LEADERSHIP

Key responsibilities

- Approve operating and capital expenditure within the monetary amounts specified by the Board;
- Recommend approval of the Company's procurement policy to the Board;
- Review and recommend the remuneration policy, and policies covering evaluation, compensation and provision of benefits to employees and any other human capital issues as the Board may assign;
- Review and provide guidance on strategic matters relating to technology and innovation.

Focus of discussions for 2018

- Financial performance of the organisation, including budgets and forecasts;
- 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;
- Reviewed the draft budget and strategic projections prepared by the Management and made recommendations to the Board for approval; and
- Ensured alignment between the Company's strategic objectives and operational or technological plans.

Attendance at BF&GPC Meetings in 2018

Name	Attendance
Chairman	
Ijeoma Nwogwugwu	6 of 6
Executive	
Kunle Jinadu	6 of 6
Funso Sobande	5 of 6
Non-Executive	
Dr Bayo Odeniyi	6 of 6
Dr Remi Oni	6 of 6
In attendance	
Bunmi Aderonmu (Chief Financial Officer)	6 of 6

BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

Dr Bayo Odeniyi
Chairman, Board Audit, Risk And Compliance Committee

Membership

- Dr Bayo Odeniyi
- Ijeoma Nwogwugwu
- Dr Philip Olufunwa

Role and focus

The Committee operates within a Board mandate and terms of reference which include its overall objective to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, the assessment of the Company's going concern status, ensuring that pertinent

LEADERSHIP

compliance and relevant risk management processes are in place, reviewing the work performed by the external auditors and the internal audit function, and to review interim financial information and annual financial statements which are provided to shareholders and other key stakeholders.

The Audit, Risk and Compliance Committee is an independent Advisory Committee of the Board whose primary purpose is to advise on the effectiveness of the Company's systems, processes and culture for managing risks and complying with its legal and financial obligations. The Committee has adopted comprehensive and formal terms of reference which have been approved by the Board. The mandate of the Committee includes:

- The integrity of the financial statements and financial reporting process;
- The identification, assessment and management of the array of risks facing the Company;
- The evaluation of the independence and performance of the external and internal audit function;
- The effectiveness of the system of internal controls, accounting and operating procedures;
- Ensuring compliance with legal and regulatory requirements;
- Adequacy, expertise and experience of resources within each of the function; and
- Ensuring that each function is properly placed within the organisation structure.

Focus of discussions for 2018

- Integrity and completeness of the Company's financial reporting.
- Oversight of the independence and objectivity of the external auditors.
- Deepening engagement on governance controls, particularly risk management.
- Adequacy, independence and effectiveness of internal audit functions.
- Quarterly review of Internal Audit, Risk management, Control and Compliance reports.
- Comment and give appropriate directives on timely resolution of highlighted issues.
- Timely resolution of exceptions noted during examination by regulators, external and internal audits.
- Approval of plans, policies and manuals for Audit, Risk, Compliance and Internal Control functions.
- Strict Compliance to the Pension Reform Act 2014.
- Monitoring external reporting to ensure its consistency with legal obligations.
- Ensure adequate scope and budget for execution of Internal Audit, Compliance and other control functions.

Focus areas for 2019

- Review and recommend plans, policies and programs of Internal Audit, and Compliance, Internal Control and Risk Departments to the Board for approval.
- Review and approve Business Risk and Compliance Committee Charter.
- Implement planned Micro Pension scheme by first quarter of 2019.
- Ensure that Internal Audit, Control, Risk and Compliance functions are equipped with appropriate tools.
- Review and approve Enterprise Risk Management Framework to reflect current realities.
- Review and approve Fraud Risk Management Framework for the company.
- Review Internal Audit, Control, Risks and Compliance reports quarterly and ensure timely resolution of issues raised.
- Ensure that staff of these departments are adequately trained.
- Enhance the level of information provided to and interaction with stakeholders.
- Monitor business and regulatory environments.

Assurance statement

As Chairman, I can confirm that the Committee has reviewed its business for 2018 and met its designated duties. There are no significant issues of concern for the Board.

Attendance at BARAC Meetings in 2018

Name	Attendance
Chairman	
Dr Bayo Odeniyi	5 of 5
Non-Executive	
Ijeoma Nwogwugwu	5 of 5
Dr Philip Olufunwa	5 of 5
In attendance	
Tunde Folayan (Chief Compliance Officer)	5 of 5
Tayo Odufuwa (Head, Internal Audit)	2 of 5

MANAGEMENT COMMITTEE

Role and focus

The Management Committee is responsible for making day-to-day management and operational decisions necessary for safeguarding the interests of the Company and to pursue the strategic imperatives and goals of 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 it deems necessary.

Key responsibilities

The Committee's responsibilities are:

- Develop and review, on an ongoing basis, the Company's business focus and strategy subject to the approval of the Board;
- Confirm alignment of the Company's plan with the overall strategy of the Company;
- Track and manage strategic and business performance against approved plans and the Company's budget;
- Drive targets established by the Board and ensure efficient deployment and management of the Company's resources;
- Make proposals to the Board and Board committees on policies and decisions pertaining to the staff recruitment and compensation, major operational and capital structure, etc;
- Develop policies to assist in the successful achievement of the Company's overall business objectives;
- Track and monitor progress and accomplishments on major initiatives and projects;
- Protect and enhance the brand reputation; and
- Consider all other matters that pertain exclusively to the Board or a Director, and which Management is required to deliberate.

Focus of discussions for 2018

- Approval of 2017 end of year appraisal report;
- 2017-2019 corporate strategy formulation;
- Implementation of corporate strategy;
- Consideration of the monthly or quarterly Management accounts;
- Review of regulatory issues; and
- General business review.

The Management Committee carries out its mandate through the following committees, who meet as frequently as necessary to immediately take action and decisions within the confines of their powers:

INFORMATION TECHNOLOGY STEERING COMMITTEE

Role and focus

- Review and recommend IT strategy and architecture for the Company;
- Establish standardised IT risk management practices and ensuring compliance, for institutionalising IT risk management in the Company's operations at all levels;
- Monitor on an ongoing basis the achievement of Information Technology strategy and objectives including application of and leverage on technology to drive business;
- Identify and implement cost-effective solutions for IT risk mitigation. Ensure that the Company is deriving optimal benefits from investments in Information Technology;
- Coordinate priorities between the IT department and user departments;
- Promote effective relationships between the business groups and IT by encouraging communication of business requirements to IT management, addressing IT capacity requirements, and demanding routine discussions on IT service delivery and continuous service improvement;

- Review and monitor the implementation of training programmes for end users and IT personnel;
- Ensuring the effectiveness of disaster recovery plans and review reports on periodic disaster recovery testing;
- Make recommendations to the Management Committee for approval of IT spend; and
- Assess and improve the Company's overall IT competitiveness.

PROCUREMENT COMMITTEE (PC)

Role and focus

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

Global trends suggest the need for a nimble Board prepared to tackle fast-paced changes in the business environment. The Board draws its effectiveness from the careful balance of skills and competence of its members.

Our approach to ensuring our Board's effectiveness is threefold– through composition, training and a rigorous appraisal process. The Company seeks to enrich the Board's quality by appointing individuals who have displayed excellence, business knowledge and Board experience as well as shown 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.

APPOINTMENT PROCESS, INDUCTION AND TRAINING

Our appointment philosophy ensures alignment of all relevant regulations, especially the provisions of the Companies and Allied Matters Act, the Company's Memorandum and Articles of Association and PenCom guidelines. In making Board appointments, due consideration is given to the knowledge, skill and experience of a potential Director as well as other attributes considered necessary for the role. The Governance Committee is responsible for both Executive and Non-Executive Directors succession planning and recommendation of new appointments to the Board.

Directors go through an induction process on appointment. The induction programme covers an overview of the Company's operations as well as Board processes and policies. A new Director receives an induction pack which includes charters of the various Board Committees, significant reports, important policies and legal requirements in line with National Pension Commission Code and leading Corporate Governance Practices.

Irrespective of the depth of knowledge and experience of those appointed to the Board, regular domestic and international training programmes are organised for Board members to improve their decision-making capacity, thereby contributing to the Board's effectiveness. Directors attended the following training programmes in 2018:

1. Consolidating the Nigerian Pension Industry Through Sustainable Investment and Excellence in Corporate Governance

2. 2018 World Pension Summit

3. High Impact Leadership

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. In order to ensure both continuity and injection of fresh ideas, 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 a 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.

APPOINTMENT OF COMPANY SECRETARY

During the year, the Board appointed a new Company Secretary, Adeyoola Adebayo to replace Adewunmi Odebunmi. Adebayo is set to continue where Odebunmi stopped, by providing excellent secretarial support and advising the Board on the best governance practices.

EFFECTIVENESS

BOARD APPRAISAL

In compliance with PenCom Code of Corporate Governance for Licensed Pension Operators, and in line with best governance practices and to enhance the capacity of the Board of Directors in the effective discharge of its responsibilities, the Board engaged the services of KPMG Professional Services, to conduct an Independent Board Evaluation for the year ended 31 December 2018. The evaluation was a 360-degree online survey covering Directors' self-assessment, peer assessment and evaluation of the Board and the Committees. The appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities. The scope of the review included the following four (4) key areas of Board responsibility:

- Leadership and strategy
- Performance monitoring and evaluation
- Accountability and audit
- Communication to stakeholders

The report and recommendations at the end of the exercise, specific recommendations for further improving the Board's governance practices were articulated and included in detailed reports to the Board.

REMUNERATION

Our approach to reward aims to provide a clear link between remuneration and delivery of the Company's strategic objectives, to achieve the aim of becoming the custodian of 'first' choice, whilst delivering long-term sustainable returns to shareholders.

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

PERFORMANCE MONITORING

As part of its oversight role, the Board continuously engages with Management and contributes ideas to the Company's strategy from planning to execution phases. Management's report on the execution of defined strategic objectives is a regular feature of the Board's agenda, thus providing the Board with the opportunity to evaluate and constructively challenge Management in the execution of strategy.

On a quarterly basis, Management reviews the financial 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 review forms a continuous part of our Board meetings in order to put our performance in perspective.

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.

INDEPENDENCE OF THE INTERNAL AUDITOR

The internal audit function serves as the third line of defence in the Company's risk management, control and governance framework. It provides independent and objective assurances that enable the Company to meet its business objectives, through the deployment of a risk-based methodology, in line with best practice.

ACCOUNTABILITY

An accountability system is organised at all levels of the business, through job descriptions and delegation of powers. The Board of Directors, with the support of the Board Audit, Risk and Compliance Committee (BARCC), ensures that the internal control functions are operating properly. The BARCC ensures that the Management implements internal control and risk management procedures based on the risks identified, such that the company's objectives are achieved. Management is responsible for designing and deploying specific components of this internal control and risk management system within each area of responsibility. The Compliance and Risk department pursues a continual process aimed at strengthening the assessment of the role and involvement of all employees in terms of internal control. Training initiatives tailored to the various stakeholders involved in the internal control process are regularly launched within the organisation.

To this end, we have taken extensive measures to increase transparency, establish frameworks for financial accountability and be good stewards.

INTERNAL CONTROL

Internal control is a dynamic and integrated process, driven by First Pension Custodian Nigeria Limited's Board of Directors, Management, and other personnel, designed to provide reasonable assurance regarding the attainment of Company objectives relating to operations, reporting, and compliance. It covers all the policies, processes, procedures and organisational structures within FPCNL that help the Management Board, to ensure the Company meets its objectives, the business conduct is ethical and in compliance with all applicable laws and regulations, the Company's assets, including its brand, are safeguarded, and its financial reporting is correct.

Internal control is embedded within FPCNL's operations and operates at all levels of the organisation. FPCNL maintains and develops its internal control system with the aim of improving business performance and complying with laws and regulations.

Approach

First Pension Custodian Nigeria Limited's approach to Internal Control recognises the three (3) lines of defence, representing the relationship between the operations, reporting, and compliance objectives that the Company seeks to achieve and the organisational structure through which these objectives are pursued.

Internal Control Framework

The framework describes the structure and methodology by which FPCNL aims to develop its internal control systems in a dynamic operating environment, in order to mitigate risks, support sound decision-making and governance, and deliver strong performance. The five components of the framework which are stated below work to support the achievement of the entity's mission, strategies and related business objectives:

1. **Control environment**

   The control environment sets the tone of the organisation and influences the control consciousness of its people. It is the foundation of all other components of the internal control framework. It is represented by the group of standards, processes, and structures on which the organisation's internal control system is established.

2. **Risk assessment process**

   Risk is the possibility that an event will occur and adversely affect the achievement of FPCNL's objectives. The Company faces diverse risks from external and internal sources in the pursuit of its corporate objectives. The Company shall embrace a robust risk management process entailing identification, measurement and management of risks so that risk levels are within defined tolerance levels.

3. **Control activities**

   Control activities are established through policies and procedures to ensure that Management's directives to mitigate risks to the achievement of objectives are implemented. These activities shall be preventive and detective, performed at all levels of the organisation, at various stages within the business processes, and over the technology environment.

4. **Information Communication and Technology (ICT)**

   Information is necessary for the Company to support the functioning of sound internal control systems, and to enable internal control carry out its control responsibilities. The business generates, or obtains, and uses relevant information from both internal and external sources to support the functioning of internal control systems. Communication is the iterative and continual process of sourcing and providing necessary information to support decision-making.

5. **Control procedures and monitoring**

   Monitoring activities represent ongoing and periodic evaluations that aim to ascertain whether each of the five components of internal control process are present and

INTERNAL CONTROL

functioning as designed. These evaluation procedures are built into business processes and they provide timely information on findings that are then evaluated against established criteria and deficiencies communicated to Management and the Board of Directors. Control procedures and monitoring involve the followings:

- Policies and procedures;
- Information processing controls (general and application controls);
- Physical controls;
- Segregation of duties;
- Assessment the quality of internal controls over time; and
- Take corrective action as required.

Internal Control Strategy, Plan and Policies

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

Additionally, other means used to manage risk at FPCNL including the transfer of risk 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 changes. Such risks may prevent the organisation 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 clients' instructions by call-back confirmation and signature verification based on previously received mandates, maker and 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, 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 standards to be followed by transaction processors at FPCNL.

Improvements achieved during 2018

- Effectively managed the Company's business operations to achieve its strategic objectives.
- Elimination of ineffective, redundant, or inefficient controls through periodic process review and monitoring.
- Systematic approach of identifying, analysing, and responding to risk, and changes in the operating environment.
- Reduction in the number of operational errors.

Priorities for 2019

- Orderly and efficient conduct of business by implementation of appropriate processes and systems.
- Safeguard the assets of the organisation.
- Prevention and detection of fraud.
- Completeness and accuracy of accounting records.
- Timely preparation of financial information through statutory and management reporting.

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 such as; staff, clients, service providers, suppliers and pensioners are reported for necessary action. The reputation of the Company is of utmost importance and all members of 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 members of the public. Some of the whistleblowing measures in FPCNL are highlighted below:

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

Whistleblowing procedure

The procedure provides an avenue for reporting any unlawful conduct at work and reassurance that disclosing wrongdoing would not expose the whistleblower to any risk. The whistleblower should make it clear that their disclosures are made within the scope of the Company's whistleblowing policy. This will ensure that the recipient of the disclosure conduct the investigation within the ambit of the policy and protect the identity of the whistleblower if required.

Internal whistleblowing

An internal whistleblower may raise concerns either by declaration or anonymously through any of the following:

- Formal letter to the Managing Director/Chief Executive Officer (MD/CEO), First Pension Custodian Nigeria Limited or the Head Compliance and Risk.
- Call or text the dedicated phone number: 08023407776.
- Call extension 7849 or 7807.
- E-mail the Managing Director: kunle.jinadu@firstpensioncustodian.com.
- E-mail the Chief Compliance Officer: tunde.folayan@firstpensioncustodian.com.
- Electronically log on to www.firstpensioncustodian.com and click on the whistleblowing portal to report the misconduct.
- Directly to the National Pension Commission on e-mail address: complaints@pencom.gov.ng.

WHISTLEBLOWING PROCEDURES

External whistleblowing procedure

External whistleblowers are clients, suppliers, service providers and other members of the public who report wrongdoings of employees to the Chief Compliance Officer or the Managing Director/Chief Executive Officer. An external whistleblower may raise concerns either by declaration or anonymously through any of the following:

- Formal letter to the Managing Director/Chief Executive Officer (MD/CEO), First Pension Custodian Nigeria Limited or the Chief Compliance Officer.
- Call or text the dedicated phone number: 08023407776.
- E-mail the Chief Compliance Officer: tunde.folayan@firstpensioncustodian.com.
- E-mail the Managing Director: kunle.jinadu@firstpensioncustodian.com.
- E-mail the Chairman: Umar.Yahaya@firstpensioncustodian.com.
- Electronically log on to www.firstpensioncustodian.com and click on the whistleblowing portal to report the misconduct.
- Directly to the National Pension Commission on e-mail address: complaints@pencom.gov.ng or letter to: The Director General, National Pension Commission (PENCOM), Plot 174, Adetokunbo Ademola Crescent Wuse II Abuja.

Changes to any of the channels detailed above would be promptly communicated to all stakeholders by the Company through the approved channels after which the policy would be amended accordingly.

Where the concern is received by staff other than the MD/CEO and the Chief Compliance Officer, the staff to which the concern is directed shall be required to immediately forward the concern(s) to the Chief Compliance Officer with a copy to the Managing Director/Chief Executive Officer, First Pension Custodian Nigeria Limited.

If the concern affects the Chief Compliance Officer, the Managing Director must be notified, and where such issues affect the Managing Director or a particular Director such concern shall be referred to the Chairman, Board of Directors. If the concern affects the full Board of Directors and the Chairman, such concern shall be reported to the National Pension Commission (PenCom).

Reporting format

All concerns raised should include background to the concerns with relevant dates, reason(s) why the whistleblower is particularly concerned about the situation and supporting evidence for the allegations, if available, would be helpful in the investigation. For full details on whistleblowing, please read the Whistleblowing Policy on the Company's website.

Protection for whistleblower

FPCNL has an obligation to adequately protect the whistleblower. Therefore, reprisal against any employee who in good faith reports a concern about illegal or unethical conduct will not be tolerated. The Company is committed to maintaining confidentiality and provides assurance that all reports will be subject to appropriate investigation and conclusion through an efficient process.

Consequently, whistleblowers are encouraged to disclose their names when filing reports, to enhance credibility. However, anonymous disclosures may be considered on the following discretionary basis:

i) The seriousness of the issues
ii) The significance and credibility of the concerns
iii) The possibility of confirming the allegation

Time limit for investigation

First Pension Custodian Nigeria Limited is committed to prompt resolution of all concerns or issues raised. If the investigation of whistleblowing complaint is not concluded promptly, the Chief Compliance Officer must keep the Managing Director/CEO abreast of progress.

Disclosure

No whistleblowing reports were received during 2018 through the channels provided.

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 2018.

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.

Operating results

The profit for the year after taxation amounted to ₦4.23billion (2017: ₦4.36billion).

The Directors recommend for approval a dividend of ₦1.69 per ordinary share for the financial year ended 31 December 2018. Withholding tax will be deducted at the time of payment.

Directors and their interests

The Directors do not have any direct and indirect interests in the issued share capital of the Company (2017: Nil) as recorded in the register of Directors' shareholding or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act.

Directors interests 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 10 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 Physically Challenged persons: The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from physically challenged persons. All employees, whether or not physically challenged, are given equal opportunities to develop. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the Company continues and appropriate training arranged to ensure that they fit into the Company's working environment.

- Health, Safety and Welfare at Work: Health and safety regulations are in force within the premises of the Company. The Company maintains business premises designed with a view to guaranteeing the safety and healthy working conditions of its employees and customers alike.

  Employees are adequately insured against occupational and other hazards. In addition, the Company at its expense provides medical facilities to its employees and their immediate families.

  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.

DIRECTORS' REPORT

- Employee Involvement and Development: The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well-being through various forums, including town hall meetings.

  In accordance with the Company's policy of continuous development, employees of the Company attend various training courses, both locally and overseas, in the year under review.

- Diversity in Employment: The Company is committed to conducting business in a positive, professional manner by consistently ensuring equal employment opportunities. The Company recognises the value of diversity in the employee base. Diversity comes from a broad and representative mix of backgrounds and experience; as different perspectives allow the development of new opportunities. The Company remains an equal opportunity employer.

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

Adeyoola Adebayo
Company Secretary
FRC/2015/NBA/00000012468
Lagos, Nigeria

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.

RISK MANAGEMENT REPORT

OVERVIEW

Introduction

During the year 2018, First Pension Custodian Nigeria Limited has taken an active approach to risk management and has continued to build on its best-in-class capability, ensuring that risks are rewarded where strategic, mitigated where appropriate, and properly understood in all cases.

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 a difficult economic, political and regulatory environment.

The risk function has continued to meet expectations given its overarching objective of being a strategic partner whilst retaining its independence. This has been achieved by judicious and considerable investment in risk data and analytics and enhancing risk management capability through further improvement in the size and structure of the risk function. The nature and quality of engagement with internal and external stakeholders have further strengthened the risk culture and ensured increased integration of the risk disciplines.

From the shareholders' perspective, we generate value by selectively taking exposures to risks that are adequately rewarded and that can be appropriately quantified and managed. FPCNL's approach is to retain risks where doing so contributes to value creation, the Company is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes and controls to manage risk.

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

Effective Risk Management

First Pension Custodian Nigeria Limited has a strong risk management culture and considers effective risk containment of great importance to business operations. The Company follows 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 it may face in its efforts to maximise sustainable stakeholder value.

As a responsible Company, effective risk management is vital for FPCNL. We use a multi-layered approach to ensure identification, awareness and effective management of our business-related risks, including sustainability risks. This includes identifying business opportunities that may arise from changing conditions. In FPCNL, we recognise that businesses today need to fully integrate sustainability and risk management into their strategy, not only to minimise potential losses but also to exploit new business opportunities arising from the sustainability agenda. These may include new services to meet developing sustainability needs, new technologies to improve sustainability or risk performance, or new business models to access and develop emerging markets and support the creation of sustainable communities.

RISK MANAGEMENT REPORT

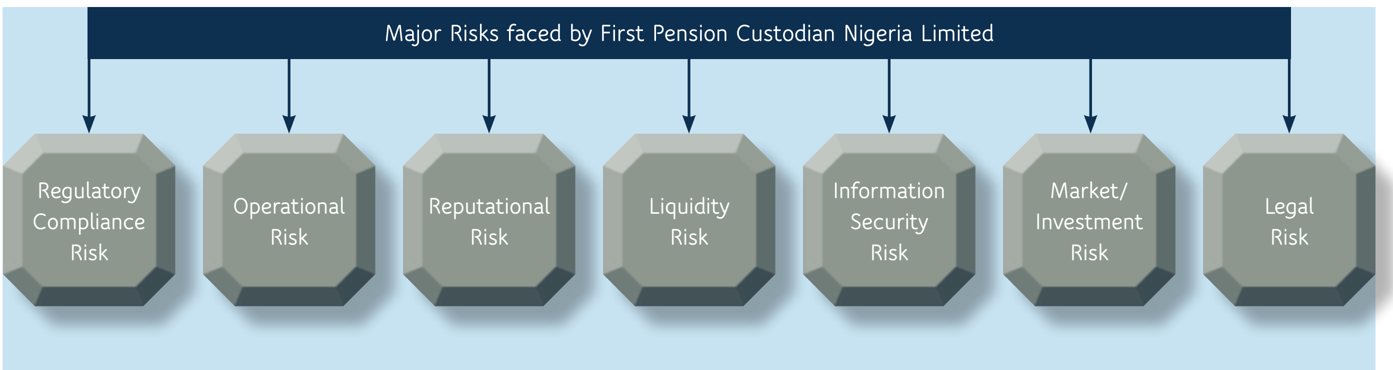
The Company's risk framework has been developed to monitor and manage the risk of the business at all levels and is owned by the Board. The aggregate company exposure to market, reputational, legal, liquidity and operational risks is monitored and managed by the Company's Risk department whose responsibility it is to seek to ensure the maintenance of an adequate risk exposure and solvency position from an economic, regulatory and ratings perspective. Our risk framework requires that all our business units establish processes for identifying, evaluating and managing the key risks faced by the Company and is based on the concept of the 'three lines of defence'. These comprise risk-taking and management, risk control and oversight, and independent assurance.

External and Internal Challenges

The external environment continues to present challenges, including political uncertainty, market volatility and increasing cyber risk across all sectors. Our financial plan is primarily driven by internal efforts, relying on our staff technical skills and capabilities, with a strong focus on cost discipline. The plan does not rely on factors FPCNL does not control.

Risk Profile and Mitigation

The Company's risk profile has been managed in accordance with the Board approved risk appetite. The performance against key risk indicators has been strong throughout the year. We manage our risk profile in accordance with our risk acceptance criteria. To do this, the Company maintains risk registers that include details of the risks identified and of the controls and mitigating actions used in managing them. Our identified key risks are set out in the diagram below.



Risk governance and organisational structure

The organisational structures, reporting relationships, delegation of authority, and roles and responsibilities that FPCNL establishes to make decisions and control its activities on risk-related matters form the foundation of the Company's risk governance. Effective risk governance encompasses individuals, company-wide functions and committees involved in the management of risk.

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 segregation.

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 Enterprise Risk Management Framework 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 effective risk management and reporting framework. He has dual reporting lines to the Chief Executive Officer and the Chairman of the Board Audit, Risk and Compliance Committee.

RISK MANAGEMENT REPORT

The Chief Risk Officer has management responsibility for ensuring an independent risk oversight and reporting function is established; and 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 CATEGORIES

Our risk management framework considers the following broad categories of risks:

RISK TYPE	RISK DEFINITION	RISK MANAGEMENT AND MITIGATION
Operational Risk	This is a risk of loss (direct or indirect) resulting from inadequate or failed internal processes, people or personnel (human factors) and systems or from external events. It is a risk linked with the Company's quality of personnel, work ethics, processes and systems. Example of operational risk is the breakdown of Information Technology systems leading to loss of manhours, embezzlement, frauds, inadequate reconciliation of accounts, inappropriate follow-up on stock positions or corporate action entitlements, misappropriation of assets, wrong and delayed treatment of client's instructions.	The impact of operational risk on FPCNL is significant if allowed to crystalise. Apart from resulting in financial loss, it could also have great negative effect on FPCNL's shareholders' fund and eventual loss to shareholders as well as reputational damage. In line with best practice, a number of measures employed in managing these risks are; • Clearly documented procedures and process flow for all business units, • Segregation of duties, • Maker-checker control process in place; • Well-defined risk assessment procedures.
Regulatory Compliance Risk	These are risks to the Company arising from non-adherence to rules and regulations as stipulated in the guidelines issued by PenCom and other regulatory bodies. The risks include release of pension funds for prohibited or unapproved investment, late submission of regulatory returns, payment without PenCom approval, failure to deduct and remit tax and other regulatory non-compliant issues. Crystallisation of regulatory compliance risk may result in regulatory sanctions, financial or reputational loss and in extreme cases, withdrawal of licence and outright closure of the business may arise.	To ensure sustainable services to our clients and all stakeholders as well as mitigating the possible impact of regulatory compliance risks, FPCNL has in place measures like whistleblowing guidelines, code of corporate governance and ethics issued by PenCom, know your customers (KYC) guidelines, independent compliance checks of all transactions, compliance and risk trainings, adequate monitoring of all rules affecting the business, copy of staff handbook is signed by all staff, staff members are being encouraged and empowered to report any violation of rules and regulations without fear of victimisation.
Reputational Risk	Reputational risk relates to the occurrence of events that result in the impairment or damage to the trustworthiness and standing of the Company with its stakeholder, in its market and wider environment. Risk to reputation is caused by a misalignment of values; the organisation failing in some way to meet stakeholders' expectations. As reputation is a relational concept, this failure can manifest itself in a number of different ways from mild disappointment to extreme outrage. This risk undermines public interest, integrity and trust in a company's brand.	To mitigate this type of risk, the FPCNL has adopted and implemented the use of customer feedback mechanisms, counter-party's relation management, providing quality services to customers, identify, assess and investigate grievances and complaints of customers.

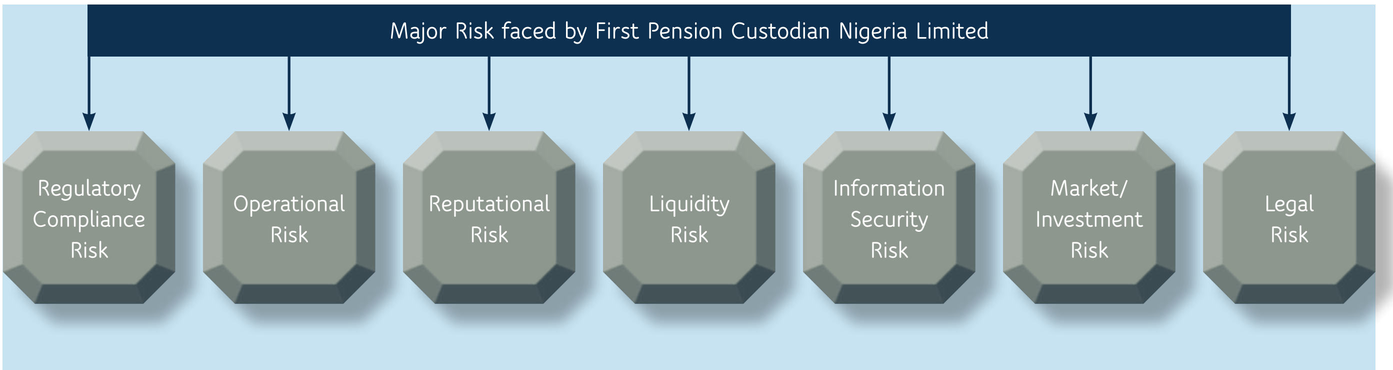
RISK MANAGEMENT REPORT

RISK TYPE	RISK DEFINITION	RISK MANAGEMENT AND MITIGATION
Liquidity risk	Liquidity risk is the possibility of the Company not being able to meet its financial obligations as and when due. The Company is said to face liquidity risk if it does not have enough cash or liquid assets to meet its short-term obligations. The principal uncertainties for liquidity risk are that obligations are not settled as they fall due or having to meet financial obligation at excessive costs, which may result in insolvency and eventual damage to the Company's reputation.	First Pension Custodian Nigeria Limited manages its liquidity prudently by ensuring diverse funding base. Our funding plans include a portfolio of liquid assets, effective cash flow planning, marketable securities that can be realised if liquidity stress occurs and efficient asset and liability management.
Legal risk	Legal risk is the risk of loss to an institution due to real or threatened litigation which is primarily caused by a defective transaction. The risk can cause significant costs to the Company, disrupt the operation of the Company and reduce the earnings and capital of the Company.	First Pension Custodian Nigeria Limited mitigate legal risk by strict adherence to sound business practices, avoidance of litigation against the company and strict adherence to the service level agreements (SLAs) between the Company and other parties.
Information security risk	Information security risk is a business risk in relation to confidentiality, integrity or availability of an information system. It is a risk associated with dissemination and flow of information within an organisation through the use of information assets. This risk can expose the Company to financial loss, customer dissatisfaction and regulatory breaches and could also compromise confidentiality, integrity or availability of information.	First Pension Custodian Nigeria Limited manages this type of risk through compliance with all relevant information security certification requirements, building appropriate information security control into all processes and procedures. Disaster recovery site is provided for either natural or man-made misadventure that may render existing buildings or infrastructures useless and regular awareness campaigns are used to drive information security and business continuity culture in the Company.
Market/Investment Risk	Market risk arises from unexpected falls in the market value of Company assets possibly leading to a reduction in the desired solvency level and the need for additional capital. The risk could also be viewed as risk of loss, or adverse change in financial situation, resulting directly or indirectly from fluctuations arising from the volatility of market prices of assets, liabilities and financial instruments. The key risk exposures under market risk include interest risk, equity risk and foreign exchange risk.	First Pension Custodian Nigeria Limited has a well-defined investment policy which guides how company fund is invested in diversified government portfolio and high rated counterparties.

RISK MANAGEMENT REPORT

KEY RISK PERFORMANCE INDICATORS OVERVIEW

Each risk owner has the responsibility of monitoring the risks belonging to the business unit. The monitoring process involves a continuous gathering of data relating to each key risk indicators. While gathering these metrics, the risk owner must keep an open line of communication with the senior officer of the business unit in regard to how the risk is being managed. This dialogue includes mitigation strategies that are being implemented, the status of the strategies, and any plans for developing new strategies.



KEY RISK PERFORMANCE

Regulatory Compliance Risk

The Company is committed to the highest standards of regulatory conduct and aims to minimise breaches, financial costs and reputational damage associated with non-compliance. However, given the growing scale and complexity of regulatory changes, it is acknowledged that there may be isolated instances whereby 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 regulation and the impact of emerging regulation.

In order to minimise regulatory risk, FPCNL maintains a proactive relationship with key regulators, engages with industry bodies such as PenOp and seeks external advice from our professional advisers.
During 2018, the Company responded effectively to a broad range of regulatory changes impacting its primary products.

The Compliance unit, under the leadership of the Head, Compliance and Risk, 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 and 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.

RISK MANAGEMENT REPORT

KEY RISK PERFORMANCE

Operational Risk

First Pension Custodian Nigeria Limited 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 disruption 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 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 has been identified. Operational Risk Champions ensure that 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 at all times
- Zero tolerance for fraud
- Appropriate policies and processes at all times
- Appropriate risk assessment and controls in exploiting new business opportunities
- Low tolerant 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 segregation
- continuous improvement of Company policy and processes
- Implementation of whistleblowing policy to encourage staff to report unethical activities to the Chief Compliance Officer/Head, Compliance and Risk, Board and PenCom where necessary
- 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 strived to maintain quality client service or procedures and business operations that 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 and unprofessional conduct. Management creates awareness among all members of staff on the need to be more diligent in the conduct of transactions, ensuring quality services to the clients and apply best practice in dealing with various stakeholders. Also, the Company has continued to maintain zero appetite for association with disreputable individuals and entities.

RISK MANAGEMENT REPORT

KEY RISK PERFORMANCE

Liquidity Risk

The Company has a prudent approach to liquidity management by maintaining sufficient liquid resources to cover cash flow imbalances and fluctuations in funding under both normal and stressed conditions arising 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 the course of 2018, 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 earning capacity; and
- sources of funds.

First Pension Custodian Nigeria Limited ensures that it maintains sufficient liquidity, including high liquid assets, to withstand a range of stress events and 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 the 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 oversight responsibility in this regard.

Information Security Risk

The advancement of information technology (IT) 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 to and meeting customer needs.

In view of this importance of Information Technology, FPCNL instituted a sound and robust IT Risk Management framework that provides confidence that information technology can deliver business value efficiently and securely while providing high-quality assurance around data integrity, availability and confidentiality of its information assets.

One area of information security risk involves the use of information and communication technology (ICT) systems and other infrastructure in the conduct of business. In the case of a disaster, either natural or man-made which may render existing 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's 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.

RISK MANAGEMENT REPORT

KEY RISK PERFORMANCE

Market Risk

The Company proactively manages its risk profile in respect of 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.

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 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 2018, 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 liabilities 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 MANAGEMENT REPORT

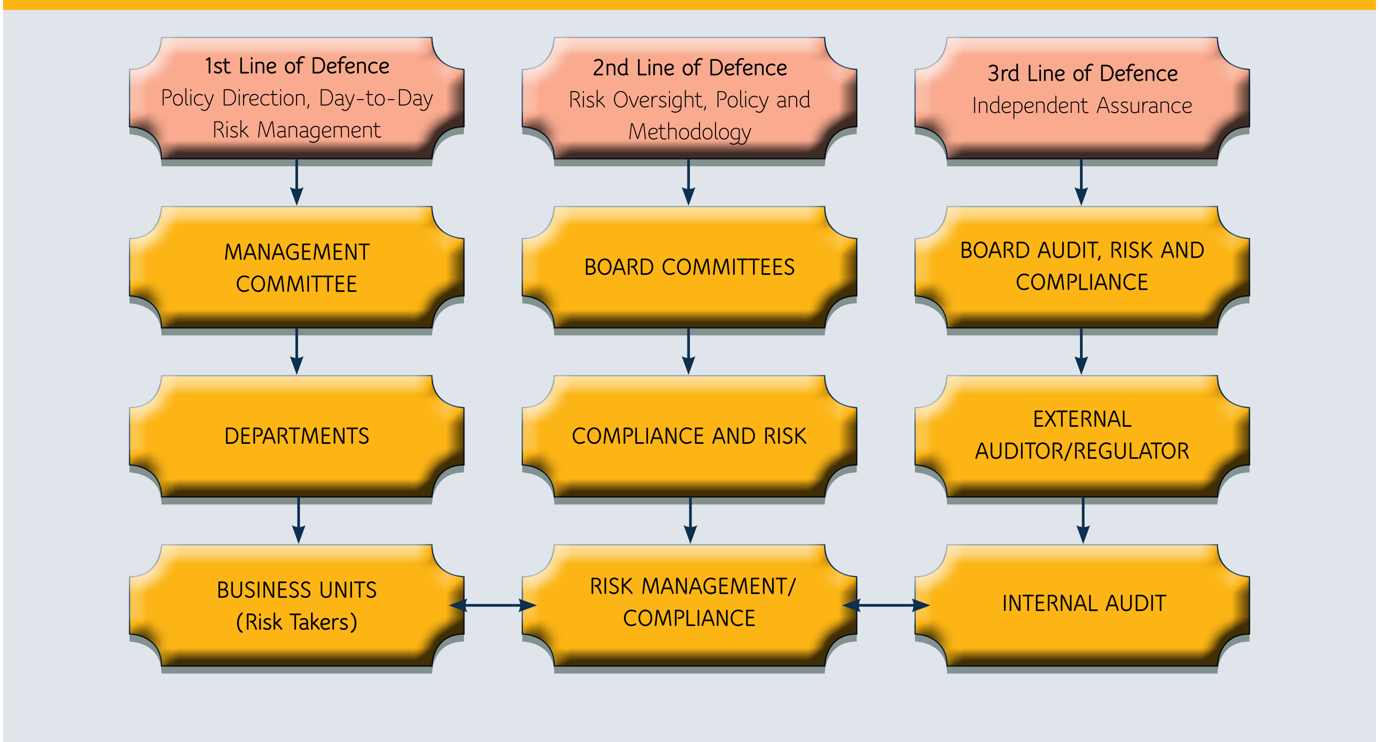
RISK MANAGEMENT FRAMEWORK

First Pension Custodian Nigeria Limited's risk management framework consists of systems, structures, policies and processes. Under the framework, staff are responsible for identifying, measuring, evaluating, monitoring, reporting and managing material risks. The risk management framework incorporates active management and monitoring of a range of risks. These include cyber, legal, liquidity, market, operational, regulatory and compliance and reputation risks. The framework applies to all business activities across the company. Policies and procedures are in place to manage the risks arising in all operations. Formalising practices and principles into policies assists in the consistent management of risks. It also results in the sharing of experience and expertise gained from managing risks in various business activities. First Pension Custodian Nigeria Limited's key risk management policies are periodically reviewed by the owner. Material changes are approved by the Board.

The assumption of risk is made within a calculated and controlled framework that assigns clear risk roles and responsibilities represented by 'three lines of defence':

- primary responsibility for risk management lies at the business level. This is the first line of defence. Part of the role of all business managers throughout FPCNL is to ensure they manage risks appropriately.
- the risk management function forms the second line of defence and independently assesses all material risks.
- the third line, which includes Internal Audit, independently reviews and challenges the Company's risk management controls, processes and systems.

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



RISK MANAGEMENT REPORT

Risk management approach

Doing business inherently involves taking risks, and First Pension Custodian Nigeria Limited can be adversely affected by a variety of business risks and economic developments. A structured risk management process helps Management to better understand how risks might impact the Company and to take appropriate risk mitigation initiatives. Deploying effective risk management is a key success factor for realising our strategic objectives as it provides reasonable assurance to prevent material misstatements or losses. Our risk management is organised along the three lines of defence and implemented in accordance with policies approved by the Board of Directors and in line with PenCom guidelines and best practice.

A comprehensive risk management and control framework, based on the 'three lines of defence model', has been established that provides the Management and Board with a clear overview of the effectiveness of internal controls and risk management. Within the framework, the Board is responsible for designing, implementing, and operating an adequately functioning risk management and control framework within the company. The objective of this framework is to identify and manage the risks to which FPCNL is exposed, to promote effectiveness and efficiency in our operations, to promote reliable financial reporting, and to promote compliance with laws and regulations.

Risk principle and culture

A sound risk culture has been integral to FPCNL's risk management framework since inception. It is continuously being maintained and improved. Primary responsibility for risk management in FPCNL, including risk culture, is at the business level. One important attribute that influences how risk is managed within a business is its risk culture. The key elements that define an effective risk culture at FPCNL include:

- Setting the tone at the top.
- Level of engagement from Senior Management in the risk management process.
- An understanding of the key risks that face the business.
- Understanding the level of risk that the business is prepared to accept
- The integration of risk into the decision-making process.

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 the Company'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's principle.
- Integration and Usage: Risk management disciplines are fully-integrated into the Board and Senior Management decision-making processes.
- 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 account stakeholder expectations and good customer outcomes.

Risk appetite

Undertaking business activity inevitably leads to taking risks. Each type of risk encountered is dealt with in a manner that matches the risk appetite of the Company. Risk appetite is the level of risk we deem acceptable to achieve our objectives. First Pension Custodian Nigeria Limited's risk appetite is primarily established based on the defined and agreed strategy and the individual objectives within this strategy. The risk appetite is the total residual impact of risks that FPCNL is willing to accept in the pursuit of its strategic objectives. Our risk appetite is calibrated to a plausible level which seeks to ensure that our strategy and business model remains

RISK MANAGEMENT REPORT

resilient under a range of macroeconomic environments. The risk appetite per objective or risk area is determined by the Board. Overall, FPCNL's risk appetite did not change materially compared to the previous year. 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 MANAGEMENT ACTIVITIES

Risk management highlights for the year

During the year, our risk management practices were primarily focused on the effectiveness of strategic programs in improving our competitive position and differentiation in market segments, the momentum of new initiatives to achieve our long-term business aspirations, our preparedness to address any incidents that may cause business disruptions to our physical and technological infrastructure, strengthening internal controls to detect fraudulent activity, leadership development, leadership succession planning, and monitoring possible impact of changes in our regulatory environment.

We carried out the following risk management activities during 2018 financial year:

- Assessed and strengthened the enterprise risk management framework for further standardisation of risk identification, assessment and governance of risks across the organisation.

- Regularly assessed progress on the execution of strategic programs, specifically, progress on enhancing efficiency of operations, increasing business opportunities and operating cost optimisation.

- Reviewed key operational risks and actions based on inputs from the risk register, external assessments, internal audit findings and incidents. Reviewed operational risk areas including client service delivery, information security such as cyber-attacks and threat intelligence, physical security, capital expenditures on infrastructure and business continuity management.

- Development of holistic control view through synergies, exchanges and reviews between Risk management, Internal control, Internal audit.

- Adopted an approach of assessing the organisation behaviours as a component part of understanding the overall risk culture.

- Enhanced business continuity planning with a focus on IT recovery.

- Further improvement of the Company's level of preparation for crisis management.

MAJOR EVENTS IN THE PENSION INDUSTRY

The Pension Industry in Nigerian witnessed various activities and challenges in 2018. The industry was not left out in the excruciating macroeconomic challenges faced by the Nigerian economy which have caused some employers to either lay-off staff due to cut in production or reduce overhead cost. 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 negatively impacted the market value of pension fund assets. Some notable events that occurred in the industry include:

1. In line with the Federal Government of Nigeria directive of making National Identification Number (NIN) mandatory for every Nigerian, the National Pension Commission (PenCom) has directed all Pension Fund Administrators (PFAs) to update the records of their clients with NIN.

2. The Micro Pension Guidelines which is expected to attract over ₦3trillion into the Pension Assets was approved by the Federal Government and the take-off of the Micro Pension Scheme is billed for 2019.

3. In January 2018, the National Pension Commission (PENCOM) directed that pension assets denominated in foreign currency should be value-based on applicable rate as provided on the Central Bank of Nigeria (CBN) Investors and Exporters Window as at reporting date.

4. The fees structure in the industry was reviewed downward by the Commission effective 1 July 2018 after due consultation with the Executive committee and members of the Pension Fund Operators Association of Nigeria (PenOp).

5. The Commission has developed Enhanced Contributor Registration System (ECRS) to aid the enrolment of participants in the Micro Pension Scheme which is billed for roll out in January 2019.

RISK MANAGEMENT REPORT

6. The Retirement Saving Account Multi-Fund Structure, which was designed with the aim of achieving proper alignment between the assets and liabilities of pension funds as well as making pension fund investments in line with the risk appetite and profile of pension contributors, commenced in the industry effective Monday, 2 July 2018.

7. In February 2018, the Commission released the revised fund accounting guidelines to be adopted by all pension fund operators for the purpose of providing guidance on accounting for pension funds.

8. In October 2018, the Commission released a Circular on revised procedures on processing of death benefits in order to curb the issue of wrongful payment and strengthen the processes and practices in processing and payment of death benefits.

9. The Commission in its circular dated 3 October 2018 issued guideline on RSA Multi-Fund Structure advertising campaigns detailing the broad principles which shall guide the advertising campaigns of the licensed pension fund operators, with respect to the RSA multi-fund structure.

10. In furtherance of carrying out its mandate of regulating the pension industry, the National Pension Commission (PenCom) has issued new guidelines on operation of voluntary pension contributions (VC) in order to establish a uniform set of rules for the operation of Voluntary Contributions and eligibility criteria for participation in the contributions.

11. Circular on Maintenance of Pension Protection Fund by Licensed Pension Operators was released on 21 November 2018 by the Commission to advise operators to open an account with a PFC and transfer the accrued portion of the Pension Protection Fund as maintaining the fund with statutory reserve fund would distort the true position of the account and would not provide a clear representation of the sizes of both funds.

The National Pension Commission (PenCom) had mandated risk management and reporting for all pension operators in Nigeria through 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 2018. The risks assessed as High or Very High are reported to the Commission in line with the framework.

FOCUS IN 2019

On a 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 and guidelines that may be released during the year.
- review risks associated with the multi-fund structure on a continuous basis.
- Improve risk awareness within the organisation.
- review and update the 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.
- Review the Internal control process taking into consideration various improvement changes that occurred at the business units.
- Review of, and continuous improvement to the format of the risk management report.
- Continue to provide subject expertise, and work in collaboration with the risk owners to agree and support a consistent approach to risk register management across the organisation.
- Consider an approach to assessing organisation behaviours as a component part of understanding the overall risk culture.
- Annual review of the risk management strategy.

RISK MANAGEMENT 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 environments. 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.

First Pension Custodian Nigeria Limited will proactively assess and manage the risks associated with its business lines and areas of operations to meet its transformation objectives. Also, business initiatives will be subjected to risk considerations and only implemented when the risks associated with such initiative are considered fair and acceptable within defined thresholds. Unguarded and uncalculated risk on capital will be avoided based on our commitment to upholding sound corporate governance, transparency and best-in-class risk management practices. 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 sound enterprise risk management framework and enhanced risk culture across the organisation.

Risk related matters in First Pension Custodian Nigeria Limited are championed by the Head, Compliance and Risk department with the support of Management; while the Board of Directors provides oversight function on risk related issues.

FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

DIRECTORS AND ADVISORS

DIRECTORS AND ADVISORS

DIRECTORS

Umar Yahaya	–	Chairman
Kunle Jinadu	–	Managing Director/CEO
Ijeoma Nwogwugwu	-	Non-Executive Director
Dr Bayo Odeniyi	-	Independent Non-Executive Director
Dr Philip Olufunwa	-	Non-Executive Director
Dr Remi Oni	-	Non-Executive Director
Funso Sobande	-	Executive Director

COMPANY SECRETARY

Adeyoola Adebayo

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 Pension Reform 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 judgements 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 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 2018 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.

Bayo Odeniyi
Chairman, Audit, Risk and Compliance Committee
FRC/2015/VCN/00000011082
24 January 2019

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 financial statements of **FIRST PENSION CUSTODIAN NIGERIA LIMITED** which comprise the statement of financial position as at 31 December 2018, 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 fairly in all material respects the financial position of **FIRST PENSION CUSTODIAN NIGERIA LIMITED** as at 31 December 2018, 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, Pension Reform Act 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 professional code of conduct and guide for Accountants (ICAN code) and other ethical requirements in the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants adopted in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Pension Reform Act, 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.

Auditor's responsibilities for the audit of the entity's 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 judgement and maintain professional skepticism throughout the audit.

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

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 those charged with governance 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 LFN 2004, Pension Reform Act and the Financial Reporting Council of Nigeria 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 statements of financial position and its statements of profit or loss and other comprehensive income are in agreement with the books of account.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
4 March 2019

Engagement Partner: Joshua Ojo, FCA
FRC/2013/ICAN/00000000845

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 ₦'000	31 December 2017 ₦'000
Custody fees	4	**6,409,599**	5,959,839
Interest income	5	**1,720,378**	1,808,372
Other income	6	**4,094**	40,264
Total income		**8,134,071**	7,808,475
Personnel expenses	9	**470,912**	349,287
Depreciation of property, plant and equipment	10	**141,760**	120,906
Amortisation of intangible assets.	11	**3,450**	4,577
Impairment loss allowance (ECL)	8	**4,793**	-
Other operating expenses	7	**1,722,421**	1,565,738
Total operating expenses		**2,343,336**	2,040,508
Profit before tax		**5,790,735**	5,767,967
Income tax expense	20	**(1,560,215)**	(1,405,693)
Profit for the year		**4,230,520**	4,362,274
Basic earnings per share (kobo)	28	**212**	218

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 ₦'000	31 December 2017 ₦'000
Profit for the year		4,230,520	4,362,274
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		-	-
Actuarial gains/(losses) on post-employment obligations		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Deferred tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		4,230,520	4,362,274

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018 ₦'000	31 December 2017 ₦'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**1,534,959**	1,272,330
Intangible assets	11	**4,434**	6,729
Deferred tax assets	12	**150,171**	171,224
		1,689,564	1,450,283
Current assets			
Loans and other receivables	13	**714,890**	764,521
Other assets	14	**117,667**	156,084
Investment Securities	15	**10,547,474**	9,889,063
Cash and cash equivalents	16	**1,827,967**	1,475,645
		13,207,998	12,285,313
Total assets		**14,897,562**	13,735,596
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**2,000,000**	2,000,000
Retained earnings		**9,176,737**	8,436,036
Total equity		**11,176,737**	10,436,036
Current liabilities			
Creditors and accruals	19	**1,204,809**	1,084,985
Income tax liabilities	20	**2,516,016**	2,214,575
Total liabilities		**3,720,825**	3,299,560
Total equity and liabilities		**14,897,562**	13,735,596
Pension assets under custody	21.1	**2,760,627,093**	2,420,701,587
Non-pension assets under custody	21.2	**12,865,621**	621,991,192

These financial statements were approved by the Board of Directors on 24 January 2019 and signed on its behalf by:

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

Kunle Jinadu
Managing Director/CEO
FRC/2013/ICAN/0000000212

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital N'000	Retained earnings N'000	Total equity N'000
At 1 January 2018	2,000,000	8,457,548	10,457,548
Impact of initial application of IFRS 9	-	(21,512)	(21,512)
Restated balance at 1 January 2018	2,000,000	8,436,036	10,436,036
Profit for the year	-	4,230,520	4,230,520
Total comprehensive income	2,000,000	12,666,556	14,666,556
Dividend paid	-	(3,489,819)	(3,489,819)
Total transactions with owners of the company at 31 December 2018	2,000,000	9,176,737	11,176,737

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 ₦'000	31 December 2017 ₦'000
Profit for the year		**4,230,520**	4,362,274
Income tax charge		**1,560,215**	1,405,693
Profit before income tax		**5,790,735**	5,767,967
Adjustment for non-cash items:			
Depreciation of property and equipment	10	**141,760**	120,906
Amortization of intangibles	11	**3,450**	4,577
ECL Impairment adjustment	8	**4,793**	-
(Gain) on disposal of property and equipment		**(28)**	(770)
Gain on reclassification		**-**	(684)
Changes in operating assets and liabilities			
Other receivables		**45,420**	(205,133)
Prepayments		**38,417**	(27,916)
Creditors and accruals		**119,825**	338,052
Cash generated from operations		**6,144,372**	5,996,999
Income taxes paid	20	**(1,237,721)**	(1,048,330)
Net cashflow from operating activities		**4,906,651**	4,948,669
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	**(405,085)**	(144,810)
Proceeds from sale of property, plant and equipment		**723**	2,756
Acquisition of Intangibles	11	**(1,155)**	(5,423)
Sale/purchase of investment securities		**(658,648)**	(1,147,022)
Net cash from investing activities		**(1,064,165)**	(1,294,499)
Cash flows from financing activities			
Dividend paid		**(3,489,819)**	(2,263,619)
Net cash from financing activities		**(3,489,819)**	(2,263,619)
Net increase in cash and cash equivalents		**352,667**	1,390,551
Increase in cash and cash equivalents		**352,667**	1,390,551
Cash and cash equivalents at start of year		**1,477,603**	87,052
Cash and cash equivalents at end of year	16a	**1,830,270**	1,477,603

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 General information

First Pension Custodian Nigeria Limited was incorporated in Nigeria, as a limited liability company on 12 August 2005. It was granted 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 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 and measurement

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 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

i) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS9 Financial Instruments that replaces IAS39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS9. IFRS9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore, for non derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

Impairment

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on investment securities, cash equivalents and other receivables not held at fair value through profit or loss be reflected in impairment allowances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ii) IFRS 15 Revenue from Contracts with Customers:

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

Amendments to IAS 12 - Income Taxes: The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses. The amendment does not impact the bank.

iii) Amendments to IAS 7 - Statement of Cash Flows: The amendments to IAS 7 Statement of Cash Flows are part of the IASB's disclosure initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt. The amendment results in additional disclosures being made by the Bank in its financial statements.

(a) New and amended standards and interpretations not yet adopted by the Company

A number of new standards, interpretations and amendments are effective for annual period beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these financial statements:

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including 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.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on balance sheet accounting model for leases. A leasee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard, i.e, lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions.

No significant impact is expected for the Company's finance leases as the Company has a few offices under operating leases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

New or amended standards and effective date	Summary of the requirements	Possible impact on financial statements
Amendments to IFRS 10 and IAS 28 (Sept 2014) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IAS 28 was amended so that a. The current requirements regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations b. The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognised in full. It was also recommended to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture. Implementation of this amendment has been postponed.	The entity does not have any subsidiary or associate and not also involved in any form of joint venture agreement. Hence, this amendment is not applicable to the entity.
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

New or amended standards and effective date	Summary of the requirements	Possible impact on financial statements
Amendments to IAS 28 (Oct 2017) Long-term Interests in Associates and Joint Ventures	The amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are: • Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. • Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests. The amendments are accompanied by an illustrative example. The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted.	The entity is does not have any subsidiary or associate and not also involved in any form of joint venture agreement. Hence, this amendment is not applicable to the entity.
Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec 2017) IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments	In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs: · IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. · IAS 12 Income Taxes – The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. · IAS 23 Borrowing Costs – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

New or amended standards and effective date	Summary of the requirements	Possible impact on financial statements
Amendments to IAS 19) (February 2018) Plan Amendment, Curtailment or Settlement	On 7 February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.	
Amendments to References to the Conceptual Framework in IFRS Standards	The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the IASB to develop requirements in IFRS® Standards based on consistent concepts. Consideration of these concepts, in turn, should result in the IASB developing IFRS Standards that require entities to provide financial information that is useful to investors, lenders and other creditors. The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: • A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.	
IFRS 17 Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021.	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

2.3 Changes in accounting policies

First Pension Custodian Limited has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. First Pension Custodian Limited did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, First Pension Custodian Limited elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. First Pension Custodian Limited does not currently apply hedge accounting.

Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on First Pension Custodian Limited. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in sections below.

2.3.1 Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount ₦'000	Measurement category	Carrying amount ₦'000
Financial assets				
Loans and other receivables	HTM	769,454	Amortized cost	764,521
Investment securities	HTM	9,903,684	Amortized cost	9,889,063
Cash and cash equivalents	HTM	1,477,603	Amortized cost	1,475,645

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in own credit risk for financial liabilities measured at fair value through profit or loss.

First Pension Custodian Nigeria Limited does not have any financial liabilities measured at fair value through profit or loss.

2.3.2 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount ₦'000	Reclassifications ₦'000	Remeasurements ₦'000	Expected credit losses ₦'000	IFRS 9 carrying amount ₦'000
Amortised cost					
Loans and other receivables					
Opening balance under IAS 39	769,454	-	-	-	-
ECL Allowance	-	-	-	(4,933)	-
Closing balance under IFRS 9	-	-	-	-	764,521
Investment securities - amortised cost					
Opening balance under IAS 39	9,903,684				
ECL Allowance	-	-	-	(14,621)	-
Closing balance under IFRS 9	-	-	-	-	9,889,063
Cash and cash equivalents					
Opening balance under IAS 39	1,477,603	-	-	-	-
ECL allowance	-	-	-	(1,958)	-
Closing balance					1,475,645
Total financial assets measured at amortised cost	12,150,741	-	-	21,512	12,129,229

The total remeasurement loss of ₦21.5million was recognised in opening reserves at 1 January 2018

a) As of 1 January 2018, the Company's analysis highlighted the components of its cash and cash equivalents as including short-term deposit (i.e. call deposits, bank accounts balances held with banks and treasury bills less than 90 days. The balances meet the SPPI criterion and they were classified as financial assets carried at amortised cost.

The Company further assessed for ECL based on the counterparty credit ratings adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the balances and this resulted in a loss allowance provision of ₦1.978million.

b) The Company also assessed its investment securities and other receivables balances previously carried at held-to-maturity under IAS 39 and concluded that the payments meet the SPPI criterion and based on the Company's business model for holding the balances, concluded that they remain valued at amortised cost as was the case under IAS 39. The balances were assessed for impairment and the ECL recognised amounted to ₦19.6million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2.4 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.

Other income
Other income includes Admin and processing fees and others relating to transactions carried out during the year.

2.5 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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2.6 Financial assets and liabilities

a) Initial recognition and measurement

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

c) Classification and related measurement

Subsequent to initial measurement, financial instruments are measured either at amortized cost or fair value depending on their classification category.

Financial assets

Subsequent to initial recognition, all financial assets within the Company are measured at

Amortised cost
Fair value through comprehensive income (FVOCI); or
Fair value through profit or loss (FVTPL)

Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how group of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company has more than one business model for managing its financial instruments which reflect how the Company manages its financial assets in order to generate cash flows. The Company's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

NOTES TO THE FINANCIAL STATEMENTS

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The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Company takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

As at 31 December 2018, the company does not hold any debt instrument measured at fair value through other comprehensive income (FVOCI).

Debt instruments Fair value through profit or loss

Financial assets at FVTPL are:

Assets with contractual cashflows that are not SPPI; or/and assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised on profit or loss.

Offsetting financial instruments

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

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on the following financial instruments measured at amortised cost:

Debt investment securities;

Other receivables.

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ECLs are required to be measured through a loss allowance at an amount equal to:

12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Company measures ECL on an individual basis, or on a collective basis for debt instruments that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Significant increase in credit risk

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL. The Company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Company monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

As a back-stop when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Company considers the following:

NOTES TO THE FINANCIAL STATEMENTS
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Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised paramount because there remains a high risk of default which has not been reduced by the modification. The Company monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

The Company derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Debt securities and other receivables are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains.

NOTES TO THE FINANCIAL STATEMENTS

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Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

It has been incurred principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

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The Company does not have any financial liabilities at fair value through profit or loss at the reporting date.

(ii) Other financial liabilities

Other financial liabilities, including borrowings, is initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

2.7 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.

2.8 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.

2.9 Prepayment

Prepayment include costs paid relating to both current and subsequent financial years and are measured at cost.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS
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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.

An asset is recognised when it is probable that economic benefits associated with the item flow to the Company and the cost item can be reliable measured. All repairs and maintenance cost are charged to other operating expenses in the financial period in which they occur.

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
Land	-
Computer and office equipment	3
Office equipment	5
Leasehold Premises	Leasehold period
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.

2.11 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 3 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.

2.12 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.

In line with the Pension Reform Act 2014, the Company pays contributions to a Pension Fund Administrator (PFA). The Company has no further payment obligations once the contributions have been paid. The employee contributions are funded through payroll

NOTES TO THE FINANCIAL STATEMENTS
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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 Assets under custody

These assets represent 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 IFRS.

2.15 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 to changes in presentation in the current year.

2.16 Going concern

The Management Committee (MANCO) has made an assessment of its ability to continue as a going concern and is satisfied 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.

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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 co-operation 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.

Management of credit risk

The Board of Directors is responsible for oversight of the Entity's credit risk, including:

- Formulating credit policies for The Entity, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Board of Directors as appropriate.
- Reviewing and assessing credit risk in all credit exposures prior to making commitment to customers. Renewals and reviews of facilities are subject to the same review process.
- Developing and maintaining The Entity's criteria for categorising exposures, and to focus Management on the attendant risks. The responsibility for approving and reviewing the Risk Assets Acceptance Criteria and Credit Risk Policy lies with the Board of Directors
- Reviewing compliance of with exposure and concentration limits, and promotion of best practices throughout The Entity in the management of credit risk.

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 ₦8.8billion 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.

At 31 December 2018	Less than 3 months ₦'000	Between 3 months and 1 year ₦'000	Between 1 and 2 years ₦'000	Between 2 and 5 years ₦'000
Accounts payable	**129,484**	**-**	**-**	**-**
At 31 December 2017				
Accounts payable	148,129	-	-	-

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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 its 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:

31 December 2018	Carrying amount ₦'000	Variable interest ₦'000	Fixed interest ₦'000	Non-interest bearing ₦'000
Assets				
Cash and cash equivalents	1,827,967	1,827,967	-	-
Investment securities	10,547,474	-	10,547,474	-
Staff loans	41,437	-	41,437	-
Other assets	673,453	-	-	673,453
31 December 2017				
Assets				
Cash and cash equivalents	1,475,645	1,475,645	-	-
Investment securities	9,889,057	-	9,889,057	-
Staff loans	34,465	-	34,465	-
Other assets	730,056	-	-	730,056
Liabilities				
The Company has no borrowings				

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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 2018		At 31 December 2017	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Cash and short-term funds	1,827,967	1,827,967	1,475,645	1,475,645
Investment securities (held-to-maturity)	10,547,474	10,547,474	9,889,057	9,889,057
Staff loans	41,437	41,437	34,465	34,465
Other receivables	673,453	673,453	730,056	730,056
Financial liabilities				
Account payables	129,484	129,484	148,129	148,129

(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

	2018 ₦'000	2017 ₦'000
Custody fees	6,409,599	5,959,839

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.

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5 Interest income

	2018 ₦'000	2017 ₦'000
Placements	**2,511**	13,228
Treasury bills	**1,704,826**	1,788,187
Current account	**1,948**	1,334
Others	**11,093**	5,623
	1,720,378	1,808,372

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.

6 Other income

	2018 ₦'000	2017 ₦'000
Admin/processing fees	**3,952**	4,431
Sundry ncome	**142**	35,833
	4,094	40,264

7 Operating expenses

	2018 ₦'000	2017 ₦'000
Auditors' remuneration	**10,000**	10,000
Directors' emoluments	**384,053**	168,401
Passages, travels and medical	**50,308**	51,165
Corporate promotions	**92,203**	106,146
Statutory fees	**138,788**	121,817
Maintenance	**141,287**	153,451
Bank and sundry charges	**18,889**	15,923
Training	**84,911**	87,760
Other losses	**11,263**	1,150
Donations and subscriptions	**9,377**	7,994
Communications, postages, light and printing	**35,641**	23,981
Insurance premiums, rent and rates	**46,735**	41,966
Amortisation of prepaid employee benefit	**8,981**	2,617
Professional fees and other consultancy costs	**58,897**	42,556
Other expenses	**573,180**	673,131
Nigeria Information Technology Development Agency levy	**57,908**	57,680
	1,722,421	1,565,738

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8 ECL Impairment allowance on cash and cash equivalents and financial assets at amortised cost

	2018 ₦'000	2017 ₦'000
Cash and cash equivalents	345	-
Investment securities	(537)	-
Loans and receivables	237	-
Safe custody receivables	4,748	-
	4,793	-

8.1 Movement in ECL Impairment

	At 1 January ₦'000	Additions during the year ₦'000	At 31 December ₦'000
Cash and cash equivalents	1,958	345	2,303
Staff loans	4,933	(537)	4,396
Investment securities	14,621	237	14,858
Safe custody fees receivables	-	4,748	4,748
	21,512	4,793	26,305

8.2

	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
Cash and cash equivalents	345	-	-	345
Staff loans	(537)	-	-	(537)
Investment securities	237	-	-	237
Safe custody fees receivables	-	-	4,748	4,748
	45	-	4,748	4,793

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9 Personnel expenses

	31 December 2018 ₦'000	31 December 2017 ₦'000
Wages and salaries	451,725	336,625
Defined contribution plan	19,187	12,662
	470,912	349,287

a Personnel level

	2018 Number	2017 Number
Executive	2	1
Management	6	5
Non-management	72	71
	80	77

b Personnel remuneration band

	31 December 2018 Number	31 December 2017 Number
₦300,000 - ₦2,000,000	57	56
₦2,000,001 - ₦2,800,000	7	6
₦2,800,001 - ₦3,500,000	4	4
₦3,500,001 - ₦4,000,000	5	6
₦4,000,001 - ₦5,500,000	1	-
₦5,500,001 - and above	4	4
	78	76

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Property, plant and equipment

	Land ₦'000	Computer and office equipment ₦'000	Leasehold premises ₦'000	Computers-WIP ₦'000	Motor vehicles ₦'000	Total ₦'000
Cost						
At 1 January 2018	864,228	340,831	202,539	95,945	167,220	1,670,763
Additions	-	17,807	10,964	300,689	75,625	405,085
Disposals	-	(4,194)	-	-	(36,400)	(40,594)
At 31 December 2018	864,228	354,444	213,503	396,634	206,445	2,035,254
Depreciation and impairment losses						
At 1 January 2018	-	240,027	77,688	-	80,718	398,433
Depreciation for the year	-	44,420	52,648	-	44,692	141,760
Disposals	-	(3,499)	-	-	(36,400)	(39,899)
At 31 December 2018	-	280,948	130,336	-	89,010	500,294
Net book value						
At 31 December 2018	864,228	73,496	83,167	396,634	117,435	1,534,960
Cost						
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)
At 31 December 2017	864,228	340,831	202,539	95,945	167,220	1,670,763
Depreciation and impairment losses						
At 1 January 2017	-	306,064	29,135	-	80,718	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)
At 31 December 2017	-	240,027	77,688	-	94,265	398,433
Net book value						
At 31 December 2017	864,228	100,804	124,851	95,945	86,502	1,272,330

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11 Intangible assets

	31 December 2018 ₦'000	31 December 2017 ₦'000
Computer software		
Cost		
At 1 January	282,713	277,290
Additions	1,155	5,423
At 31 December	283,868	282,713
Accumulated amortisation		
At 1 January	275,984	271,407
Amortisation charge for the year	3,450	4,577
At 31 December	279,434	275,984
Carrying amount		
At 31 December	4,434	6,729

12 Deferred tax asset

	2018 Number	2017 Number
At 1 January	171,224	103,092
Changes during the year:		
-(credit)/charge to profit and loss	(21,053)	68,132
At 31 December	150,171	171,224

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.

12.1 The deferred income tax Assets are attributable to the following items:

	31 December 2018 Number	31 December 2017 Number
Property, plant and equipment	18,680	26,981
Loans and other receivables	(4,225)	(4,244)
Other assets	(1,424)	-
Creditors and accruals	(163,590)	(194,188)
Intangible assets	389	227
At 31 December	(150,170)	(171,224)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Loans and receivables

		31 December 2018 ₦'000	31 December 2017 ₦'000
Staff loans	13.1	41,437	34,465
Safe custody fees receivables	13.2	673,453	730,056
		714,890	764,521

13.1 Staff loans

	31 December 2018 ₦'000	31 December 2017 ₦'000
Amortized cost		
Staff loans	45,833	39,398
ECL adjustment (note 8.1)	(4,396)	(4,933)
	41,437	34,465

13.2 Safe Custody fees receivables

	31 December 2018 Number	31 December 2017 Number
Custody fee receivable	678,201	730,120
Provision for doubtful balances	-	(64)
ECL adjustment-stage 3 (note 8.1)	(4,748)	-
	673,453	730,056

13.3 The movement in allowance for doubtful account is as follows:

	31 December 2018 Number	31 December 2017 Number
At 1 January	64	64
Allowance written-off	(64)	-
At 31 December	-	64

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14 Other assets

	31 December 2018 ₦'000	31 December 2017 ₦'000
Prepayments	117,667	121,959
Account receivables others (note 14.1)	-	34,125
	117,667	156,084

14.1 Account receivables others

	31 December 2018 ₦'000	31 December 2017 ₦'000
Other receivables	14,084	48,209
Provision for other account receivables	(14,084)	(14,084)
	-	34,125

15 Investment securities

	31 December 2018 Number	31 December 2017 Number
Treasury bills with maturity of more than 90 days	10,562,332	9,903,684
ECL adjustment (note 8.1)	(14,858)	(14,621)
	10,547,474	9,889,063

Treasury bills represent short term instruments issued by the Central Bank of the jurisdiction 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.

16 Cash and cash equivalents

	31 December 2018 Number	31 December 2017 Number
Cash and bank balance	17,584	18,378
Short-term placements	170,076	123,133
Treasury bills (maturing within three months) (note 16b)	1,640,307	1,334,134
	1,827,967	1,475,645

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

16a Cash and cash equivalents for cashflow

	31 December 2018 ₦'000	31 December 2017 ₦'000
Cash and bank balance	17,584	18,378
Short-term placements	170,076	123,133
Treasury bills (maturing within three months) (note 16b)	1,642,610	1,336,092
	1,830,270	1,447,603

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.

16b Treasury bills (maturing within three months)

	31 December 2018 ₦'000	31 December 2017 ₦'000
Treasury bills maturing within three months	1,642,610	1,336,092
ECL Impairment	(2,303)	(1,958)
	1,640,307	1,334,134

17 Share capital

	31 December 2018 Number	31 December 2017 Number
Authorised		
2,000,000,000 ordinary shares of ₦1 each	2,000,000	2,000,000
Issued		
At 31 December	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 2018

18 Retirement benefit obligations

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

	31 December 2018 ₦'000	31 December 2017 ₦'000
Defined benefit obligation at the end of the year (note 18.1)	**(197,069)**	(148,018)
Fair value of plan assets at the end of the year	**215,173**	185,428
Funded status	**18,104**	37,410
Provision for severance benefits (note 18.1)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

The Defined Benefit Obligation was ₦197mn which was matched against the planned asset of ₦215mn. There is thus a positive funded status of ₦18mn hence no provision for severance benefit at year end. 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 2018 ₦'000	31 December 2017 ₦'000
At 1 January 2018	**148,018**	129,527
Current service charge	**18,749**	18,749
Interest cost	**20,723**	20,465
Plan amendment	**(23,727)**	-
Actuarial (gains)/losses	**33,306**	(20,723)
Pledged assets with FBNCapital (note 17.1)	**(215,173)**	(185,428)
At 31 December 2018	**(18,104)**	(37,410)
Reconciliation of obligation		
At 1 January 2018	**148,018**	129,527
Current service charge	**18,749**	18,749
Interest cost	**20,723**	20,465
Plan amendment	**(23,727)**	-
Actuarial (gains)/losses due to assumption	**(4,266)**	2,300
Actuarial (gains)/losses due to experience	**37,572**	(23,023)
At 31 December 2018	**197,069**	148,018
Reconciliation of fair value of plan		
At 1 January 2018	**185,428**	152,470
Interest income	**26,104**	25,376
Actuarial gains	**3,641**	7,582
As at 31 December 2018	**215,173**	185,428
Funded status		
Defined benefit obligation at the end of the year	**(197,069)**	(148,018)
Fair value of plan assets at the end of the year	**215,173**	185,428
At 31 December 2018	**18,104**	37,410
The principal actuarial assumptions were as follows:		
	2018	**2017**
Discount rate (p.a.)	**15.5%**	14%
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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Creditors and accruals

	31 December 2018 ₦'000	31 December 2017 ₦'000
Accounts payable	**129,484**	148,129
Accrued others	**737,560**	726,584
Deferred income	**8,753**	20,275
Audit fee payable	**10,500**	10,500
Statutory Pension Protection Fund	**260,604**	121,817
Nigeria Information Technology Development Agency Levy	**57,908**	57,680
	1,204,809	1,084,985

20 Income tax expense

	31 December 2018 ₦'000	31 December 2017 ₦'000
Corporate tax	**1,440,716**	1,375,419
Education tax	**98,446**	98,406
Current income tax - current period	**1,539,162**	1,473,825
Origination and reversal of temporary deferred tax differences	**21,053**	(68,132)
Total income tax expense	**1,560,215**	1,405,693
The movement in the current income tax payable balance is as follows:		
At 1 January	2,214,575	1,789,080
Tax paid	(1,237,721)	(1,048,330)
Income tax charge	1,539,162	1,473,825
At 31 December	2,516,016	2,214,575
Reconciliation of effective tax rate		
Profit before income tax	5,790,735	5,767,967
Tax using domestic rate of 30% (2017: 30%)	1,737,221	1,730,390
Non-deductible expenses	251,066	282,162
Education tax levy	98,446	98,406
Tax exempt income	(511,602)	(536,456)
Tax incentives	(14,916)	(168,809)
Income tax expense	1,560,215	1,405,693

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Assets under custody

21.1 Pension assets under custody

	31 December 2018 ₦'000	31 December 2017 ₦'000
Cash and bank balances	27,998,362	21,931,838
Financial assets fair value through profit/loss	1,068,285,585	1,866,686,611
Held-to-maturity (Redemptive instruments)	1,548,212,302	413,202,112
Other assets	2,035,631	779,541
Investment properties	114,095,213	118,101,485
	2,760,627,093	2,420,701,587

21.2 Non-pension assets under custody

	31 December 2018 ₦'000	31 December 2017 ₦'000
Non-pension assets under custody	12,865,621	621,991,192

The non-pension assets under custody relates to the assets managed by the Company on behalf of Asset Management Corporation of Nigeria (AMCON) under an 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.

22 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 2018 ₦'000	31 December 2017 ₦'000
Fees and sitting allowance	86,325	16,700
Executive compensation	127,977	57,326
Other Director expenses	169,751	94,375
	384,053	168,401
b The number of Directors who received fees and other emoluments in the following ranges are:		
	Number	Number
₦5,000,000 and above	6	6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 ₦'000
First Bank of Nigeria Ltd.	Parent company	Treasury bills inv.	**12,187,782**
	Parent company	Short-term placements	**170,076**
	Parent company	Bank balance and unpaid interest	**17,584**
FBNQuest	Co-subsidiary	Treasury bills inv.	**-**
	Co-subsidiary	Short-term placements	**-**

The Company earned a total interest of ₦4.4mn from First Bank of Nigeria Ltd.

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	Co-subsidiary	Treasury bills inv.	-
	Co-subsidiary	Short-term placements	-

d Due to related companies

There were no amounts due to related parties at the year-end (2017-Nil).

23 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 judgement 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. Judgements have been made as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

24 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.

25 Capital commitments

The Company had no capital commitments as at 31 December 2018 (31 December 2017: Nil).

26 Subsequent events

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

27 Contraventions

There were no infractions during the year. (2017: Nil).

28 Earnings per share (EPS)

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 2018 ₦'000	31 December 2017 ₦'000
Number of shares (Units '000)	2,000,000	2,000,000
Profit attributable to equity holders (₦'000)	4,230,520	4,362,274
Basic EPS (kobo)	212	218

STATEMENT OF VALUE-ADDED

	31 December 2018 ₦'000	%	31 December 2017 ₦'000	%
Gross earnings	8,134,071		7,808,475	
Bought in materials and services - Local	(1,722,421)		(1,565,738)	
ECL Impairment	(4,793)		-	
Value-added	6,406,857	100	6,242,737	100
Distribution				
Employees				
Salaries and benefits	470,912	7	349,287	5
Government				
Taxation	1,539,162	24	1,473,825	24
Retained for future replacement of assets and expansion of business:				
Asset replacement (depreciation and amortisation)	145,210	2	125,483	2
Deferred taxation	21,053	1	(68,132)	(1)
Transfers to reserves	4,230,520	66	4,362,274	70
	6,406,857	100	6,242,737	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

	31 December 2018 ₦'000	31 December 2017 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2014 ₦'000
ASSETS					
Non-current assets					
Property, plant and equipment	**1,534,959**	1,272,330	1,249,728	1,130,266	994,072
Intangible assets	**4,434**	6,729	5,883	53,727	97,972
Deferred tax assets	**150,171**	171,224	103,092	111,323	71,981
	1,689,564	1,450,283	1,358,703	1,295,316	1,164,025
Current assets					
Loans and other receivables	**714,890**	764,521	564,321	589,899	501,920
Other assets	**117,667**	156,084	128,168	160,796	65,940
Investment securities	**10,547,474**	9,889,063	8,756,662	1,554,339	5,059,871
Cash and cash equivalents	**1,827,967**	1,475,645	87,052	5,958,086	209,032
	13,207,998	12,285,313	9,536,203	8,263,120	5,836,763
Total assets	**14,897,562**	13,735,596	10,894,906	9,558,436	7,000,788
EQUITY AND LIABILITIES					
Equity					
Share capital	**2,000,000**	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	**9,176,737**	8,436,036	6,358,893	4,525,867	3,399,011
Total equity	**11,176,737**	10,436,036	8,358,893	6,525,867	5,399,011
Non-current liabilities					
Deferred tax liabilities	**-**	-	-	-	-
Retirement benefit obligations	**-**	-	-	38,543	90,582
	-	-	-	38,543	90,582
Current liabilities					
Creditors and accruals	**1,204,809**	1,084,985	746,933	1,534,510	461,799
Income tax liabilities	**2,516,016**	2,214,575	1,789,080	1,459,516	1,049,396
Total liabilities	**3,720,825**	3,299,560	2,536,013	2,994,026	1,511,195
Total equity and liabilities	**14,897,562**	13,735,596	10,894,906	9,558,436	7,000,788
Pension assets under custody	**2,760,627,093**	2,420,701,587	2,035,542,499	1,814,340,864	1,514,882,901
Non-pension assets under custody	**12,865,621**	621,991,192	551,562,982	299,954,655	300,321,681

FIVE-YEAR FINANCIAL SUMMARY

INCOME STATEMENT

	31 December 2018 ₦'000	31 December 2017 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2014 ₦'000
Gross earnings	**8,134,071**	7,808,475	5,549,097	4,947,521	4,032,755
Profit before income tax	**5,790,735**	5,767,967	4,054,342	3,408,770	2,493,381
Income tax expense	**(1,560,215)**	(1,405,693)	(1,224,818)	(991,981)	(781,639)
Profit for the year	**4,230,520**	4,362,274	2,829,524	2,416,789	1,711,742
Per share data					
Earnings per share - basic (kobo)	**212**	218	141	121	86

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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www.firstpensioncustodian.com/download/2018financialreport