First Pension Custodian

First Pension Custodian Nigeria Limited

Annual Report and Accounts 2020

PREMIUM BOARD LISTED

For over a century, we have remained committed to delivering a diverse range of innovative products and services while creating opportunities that provide sustainable value over the long term. In line with this avowed commitment and focus to lead in the digital age, we are leveraging cutting-edge technology to develop and deliver mutually beneficial innovative financial solutions to our customers in an environmentally friendly and sustainable manner. Consequently, we re-organised our workforce, revamped our processes, and currently overhauling, upgrading, and re-modelling our IT infrastructure as an enabler of our digital initiatives.

Our ability to reach the hitherto unbanked and underbanked to seamlessly deliver tailor-made financial solutions, provide multiple financial access and inclusion, even at the height of the debilitating and rampaging COVID-19 pandemic, while embedding flexible working arrangements to improve overall employee experience and productivity, is a testament to the Group's current transformation.

Confident of the on-going improvements in our business, following continuous investments in innovative financial solutions, resulting in improving financial metrics despite the challenges, we continue to forge ahead with vigor and unwavering commitment towards a brighter future.

In this Report

The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries.

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' section on 26 November 2012 and has issued and fully paid-up share capital of 35,895,292,791 ordinary shares of 50 kobo each (₦17,947,646,396). In this Report, the abbreviations '₦mn', '₦bn' and '₦tn' represent millions, billions and trillions of Naira respectively.

The First Pension Custodian Nigeria Audited Audited Financial Statements in this Annual Report have been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement compares the 12 months of December 2020 to the corresponding 12 months of 2019, while the statements of financial position comparison represents the corresponding position as at 31 December 2019. Except as otherwise disclosed, all the balances and figures relate to continuous operations. Relevant terms that are used in this document, but not defined under applicable regulatory guidance or the IFRS are explained in the abbreviation section of this Report. This Report is also available online at www.firstpensioncustodian.com/download/2020 financial Report.

There will be an option to view PDF copies of the FBNHoldings Annual Report, list of unclaimed dividend and a list of all business locations on the Investor Relations section of the FBNHoldings website.

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.

FPCNL at a Glance

At First Pension Custodian Nigeria Limited, we provide custody services to our broad customer base of licensed pension fund administrators to benefit the contributors. This service ensures contributors receive adequate retirement benefits when due and reduces old-age poverty. Our Business is simple, we leverage our considerable knowledge and experience, in combination with continuous improvement of our processes, services and people, to provide our stakeholders with incomparable value in pension fund custody.

COMPANY PROFILE

First Pension Custodian Nigeria Limited (FPCNL) is a subsidiary of First Bank Nigeria Limited (FirstBank) and one of Nigeria's leading pension custodians. We offer our clients innovative and competitive services that include: collecting pension contributions; pensions and benefit payments to beneficiaries from their respective retirement saving accounts; the safekeeping of assets and managing real estate assets of the funds under custody; the settlement of transactions in financial investments such as equities, bonds and treasury bills; corporate actions across all categories of assets; and performance measurement and compliance monitoring.

Our highly experienced team ensures that we provide our varied clients best-in-class services and continue to create value for them by leveraging technology.

Vision

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

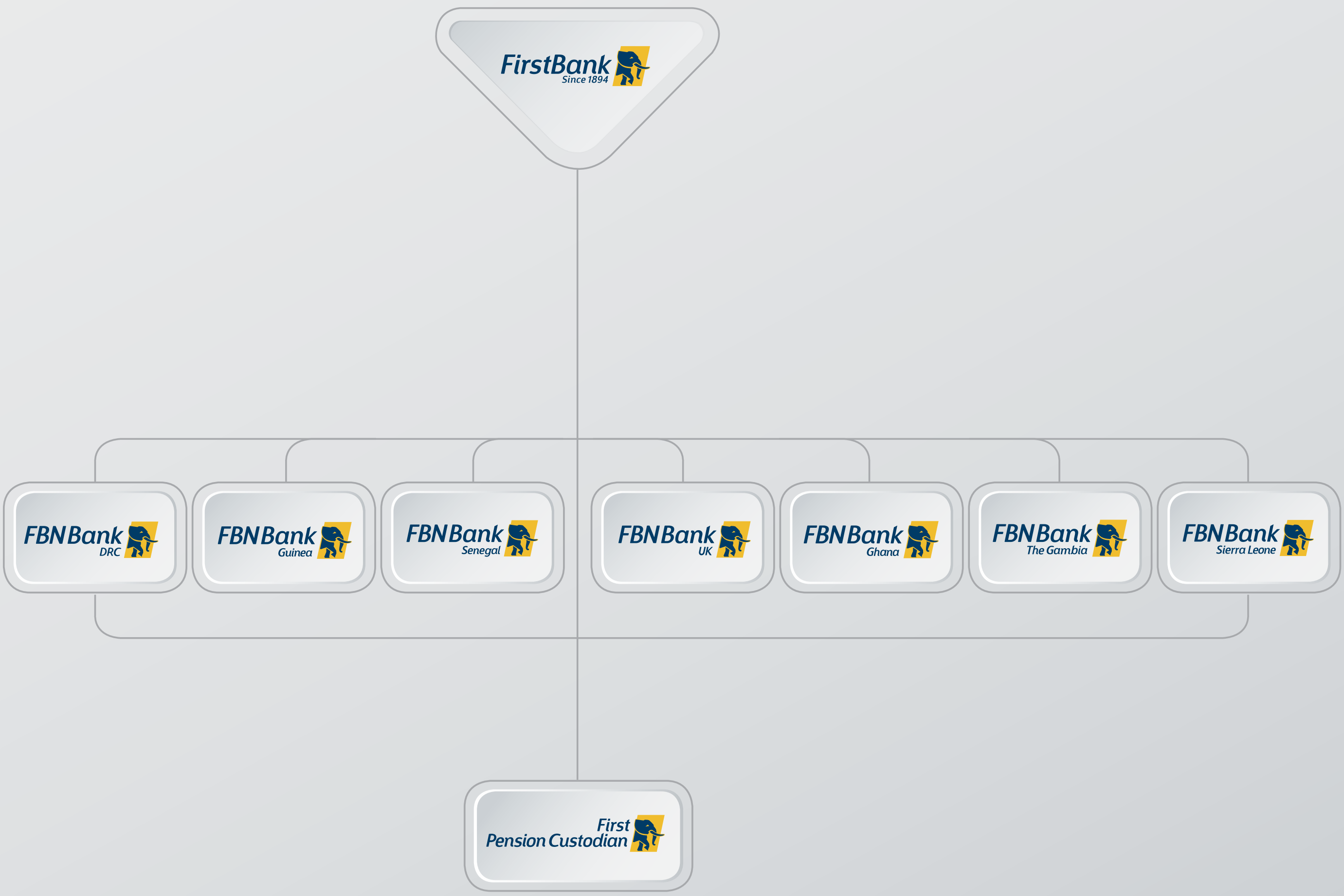
Mission

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

Core Values

- Professionalism
- Innovation
- Integrity
- Customer-Centricity
- Teamwork

OUR STRUCTURE



PERFORMANCE HIGHLIGHTS - FINANCIAL HIGHLIGHTS

₦7.76bn
2019: ₦7.54bn

GROSS EARNINGS

2.89%

Gross earnings increased, driven by growth in Assets Under Custody and the attendant fees thereon.

₦5.34bn
2019: ₦5.19bn

PROFIT BEFORE TAX

3.08%

The increase in profit before tax resulted from higher revenues and margin growth in operating expenses.

₦4.02tn
2019: ₦3.29tn

ASSETS UNDER CUSTODY

22.19%

The increase in pension assets was driven by incremental contributions and an inflow of new funds.

21.83%
2019: 27.60%

RETURN ON AVERAGE ASSETS

5.77%

Return on average assets dipped due to an increase in tax provision, thus resulting in lower net profit.

27.61%
2019: 35.72%

RETURN ON AVERAGE EQUITY

8.09%

The decline in return on average equity was driven by a higher rate of increase in equity over profit after tax.

₦1.87
2019: ₦2.16

EARNINGS PER SHARE

0.13%

The drop in earnings per share reflects the impact of higher corporate tax charges in the year.

PERFORMANCE HIGHLIGHTS – NON-FINANCIAL HIGHLIGHTS

SERVICE EXCELLENCE

During the year, various applications were developed and deployed to eliminate paperwork and enhance our processes and procedures. Highly manual repetitive processes that are key to the Business were automated for improved operational efficiency, enhanced customer experience and greater competitiveness. In addition, appropriate controls were put in place to ensure strict compliance with regulatory guidelines and codes.

LEVERAGING TECHNOLOGY AND DRIVING INNOVATION

- Upgraded core custody applications to accommodate larger transaction volumes and execute more complex transaction types.
- Increased customer-induced transactions executed over our digital platforms.

PEOPLE

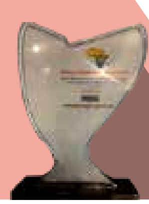
The Company focused on continuous engagement with employees, which included wellness activities, health talks and other initiatives, to combat and manage the impacts of the COVID-19 pandemic effectively.

RECOGNITION OF OUR PERFORMANCE

West Africa Pension Custodian of the Year 2020, Pension and Finance Leadership Category

AFRICAN FINANCE

First Pension Custodian received the Gold Award in recognition of the company's outstanding contribution to the growth and development of the Nigerian Pension industry.



FIFTEEN YEARS OF EXCELLENCE

The Pension Reform Act of 2004 was enacted on 1 July 2004. The Act established a contributory pension scheme for the payment of retirement benefit obligations of employees in the private sector, the Nigerian public service and the Federal Capital Territory. Consequently, enabling organs such as the National Pension Commission, Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) came into effect.

In order to leverage the opportunity ushered in by the Act, the First Bank of Nigeria Group incorporated its pension subsidiary, First Pension Custodian Nigeria Limited (FPCNL), as a private limited liability company on 12 August 2005. Subsequently, FPCNL secured a license to carry out a Pension Fund Custodian business on 7 December 2005.

Since its inception, a decade and a half ago, FPCNL has attained consistent growth and is now regarded as a major player within the Pension industry. The Company's current commanding heights bear testament to the efficacy of its Board and Management over time. From a pioneer staff count of seven and Assets Under Custody of less than ₦100mn in the first full year of operations, we have grown to a staff strength of over 80 core employees with an Assets Under Custody of over ₦4tn. Total Assets also increased from ₦2bn to almost ₦18bn, with Shareholders Funds topping ₦14bn. In the same vein, our client base has grown from nine in our first full year of operations to 25 clients at the end of 2020.

> **From a pioneer staff count of seven and Assets Under Custody of less than ₦100mn in the first full year of operations, we have grown to a staff strength of over 80 core employees with an Assets Under Custody of over ₦4tn.**

Our impressive growth trajectory since inception is underpinned by the following:

Corporate Governance - Evidenced by a Strong Board and Competent Management

Our Board of Directors has traditionally been made up of distinguished individuals with diverse experience and in-depth knowledge spanning various spheres of the economy. The inaugural Chair of the Board was Chief (Dr) Joseph Oladele Sanusi, CON, a former Managing Director of First Bank of Nigeria Plc and one-time Governor of the Central Bank of Nigeria. Similarly, the incipient Executive Management team was ably led by Mr. Olabisi Onasanya, who later became the Group Managing Director of the parent entity, First Bank of Nigeria Plc.

In keeping with this tradition of having a competent, diverse and distinguished Board of Directors, the current Board is led by Alhaji Umar Yahaya who served as an Executive Director of First Bank of Nigeria Plc for many years and is on the Board of numerous companies in Nigeria. The Company's Executive Management is presently led by the indefatigable Oloruntimilehin George, a consummate professional with over 25 years of experience in local and international banks including Standard Chartered Bank and First Bank of Nigeria Plc.

The Board has also benefited from the experience of seasoned technocrats who have contributed immensely to the growth of the institution in the intervening years. These include former Managing Directors, Akin. Fanimokun and Kunle Jinadu; and former Non-Executive Directors; Dr Oba Otudeko, CFR, Jacobs Ajekigbe, Alhaji Abdullahi Sarki Mahmoud, Alhaji Muhammadu Ibrahim, OFR, Dr Remi Oni, U.K. Eke, MFR and Dr Ijeoma Jidenma.

People

Our People are our greatest asset; this is reflected in our organisation's low staff attrition rates since inception. From about 20 employees in our first full year of operations, we have grown to over 80 core staff with very low staff turnover.

FIFTEEN YEARS OF EXCELLENCE

Besides these full-time employee (FTE) numbers, we have a non-FTE complement of over 20 staff. The average age of our staff at 38 years reflects a mix of youth and experience, with 95% of the staff strength being either Generation X or millennials.

Clients

We have grown our clientele from nine in the first full year of operations to 25 at present. Our client base comprises fund managers through all the pension portfolios, including 11 Retirement Savings Schemes, five Defined Benefit Schemes, two Closed Pension Fund Administrators, seven Annuity Funds and Retiree Funds. Seven of these funds were added to the portfolio in the year 2020 despite the disruptions caused by the COVID-19 pandemic.

Strategic Ambition

We look towards the future with great optimism as we strive towards our strategic ambition to be the custodian of choice in the Nigerian pension industry. This ambition is guided by our core values of entrepreneurship, professionalism, innovation and customer-centricity.

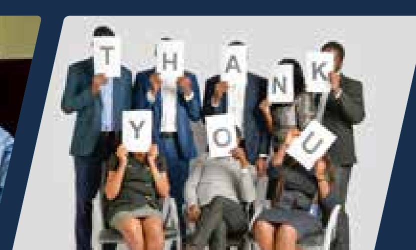
THE 15 YEAR JOURNEY

Inaugural Board of Directors

Pioneer Managing Director/Chief Executive Officer

1st Office location (Mabata House)

Current Chairman, GMD FBN Holdings Plc, Inaugural Chairman after a Board Meeting

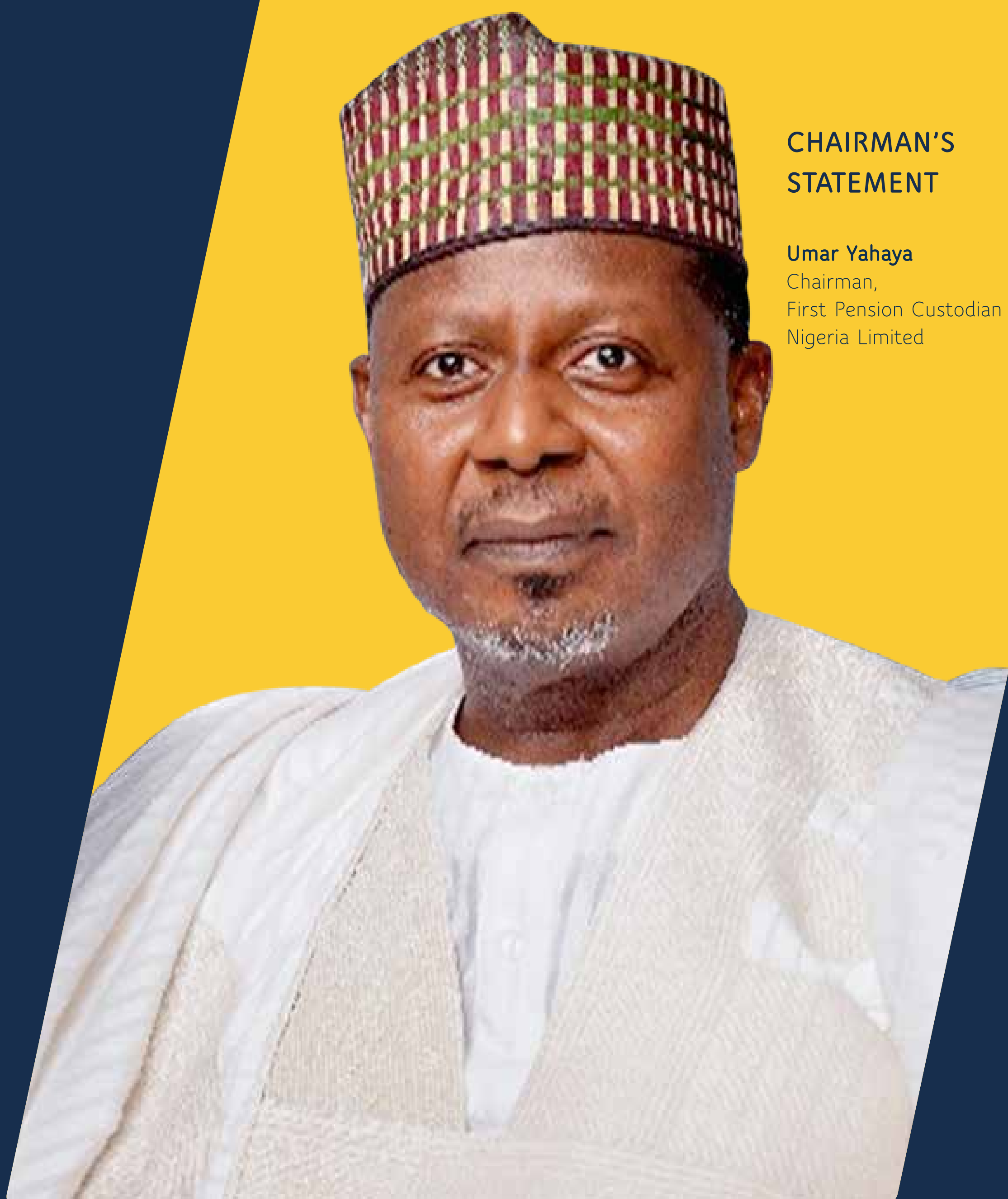


Thank you for all your support over the years

Working and Growing Together

Strategic Report

We are poised to take advantage of emerging opportunities in the current fiscal year and will continue to work with our regulators, clients and stakeholders to transform the pension industry through innovation and by raising the bar on service delivery.



CHAIRMAN'S STATEMENT

Umar Yahaya
Chairman,
First Pension Custodian
Nigeria Limited

CHAIRMAN'S STATEMENT

Despite starting on a very optimistic note, 2020 soon gave way to angst and economic turmoil as the ravaging effects of the COVID-19 pandemic began to take hold. The uncertainties heralded by the pandemic led to large-scale lockdowns across major world cities and global financial centres, with unprecedented travel restrictions instituted to curb infection rates.

These public health measures did little to help an already fragile global economy, as well as Nigeria's weak recovery from recession. As a result, job losses soared both globally and locally with household incomes severely impacted; in most cases (especially in the West), record amounts in economic stimuli were pumped into countries' economies to forestall deep recessionary trends. In Nigeria, the situation was worsened by rising insecurity and social unrest that culminated in the #EndSars protests in the last quarter of the year. The local organised private sector largely responded to the peculiar challenges of 2020 by reviewing operations, re-evaluating staff job roles, imposing cost discipline and implementing remote work policies.

On a macroeconomic scale, returns on fixed-income investments spiralled downwards due to rising inflation. The foreign exchange market did not fare any better as the currency sharply depreciated in the face of depressed oil prices. The Central Bank of Nigeria responded to these headwinds through a raft of policy measures but failed to achieve any meaningful progress on key macroeconomic indicators.

Operational Performance

Despite these headwinds, the Nigerian pension industry posted a 12% growth in total industry assets, standing at over ₦12tn. Our Company held a respectable market share of about 34% with Assets Under Custody of over ₦4tn. This was reflected in improved profit indices with profit before tax growing by 3% to ₦5.34bn, a testament to the Company's resilience in tough times. The Board is confident that with improved market conditions and a resurgence in global economic growth (supported by the recent roll-out of effective COVID-19 vaccines), there will be marked improvement in the Company's financial position in 2021.

Governance and Board Development

The Board continually provided strategic insight and direction to the Business on the happenings within local and international markets. The culture of open communication within the boardroom continued through all the Board engagements during the year. The Company's business strategy was also reviewed and approved by the Board to allow for rapid recovery from the fallout of the pandemic.

Our former Managing Director and Chief Executive Officer, Kunle Jinadu, retired from the Board in April 2020 after serving the Company meritoriously for 12 years. In addition, Dr Oluremi Oni, a Non-Executive Director, who served dutifully on the Finance & General Purpose and Governance Committees of the Board, resigned from the Board in October 2020. The Board appointed Patrick Iyamabo as Non-Executive Director with effect from December 2020. Patrick has over 25 years of experience in auditing, consulting and banking. He is a Fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria. He is also a member of the Pharmaceutical Society of Nigeria and an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (CIBN).

Our People

Our people remain our greatest asset as we continue to build an organisation in which our employees work together to achieve the Company's vision. The safety and wellbeing of our employees remained paramount to the Board's objectives as we navigated the rough terrain of 2020. We are still committed to providing resources and opportunities for our staff to further develop their careers and attain their highest potential.

Outlook

There has been renewed optimism about the country's economy; this is reflected in the AllShare Index of the equities market, which gained 50.05% in the 4th quarter, thus becoming a more attractive proposition for investors even as fixed-income assets began to reverse their earlier bullish trend allowing the yield curve to gradually inch towards pre-COVID-19 levels.

CHAIRMAN'S STATEMENT

In its final meeting of the year, the Central Bank's Monetary Policy Committee projected a rebound in economic trends with a return to growth in the first quarter of 2021. This position was corroborated by subsequent economic data from the National Bureau of Statistics, which indicated that Nigeria officially exited recession with a GDP growth of 0.11% in the last quarter of 2020.

The general consensus among economic pundits and analysts is that, with the signing into law of the 2021 budget termed the Budget of Economic Resilience and Recovery by the President just before the end of year marking a departure from the traditional late approvals, 2021 may indeed herald the arrival of improved economic fortunes. Furthermore, the implementation of the Finance Act 2020, which incorporated changes into extant tax laws, is expected to improve ease of doing business. Other positive highlights for the period include the implementation of the African Continental Free Trade Agreement (AfCFTA) and the appointment of a Nigerian national, Ngozi Okonjo-Iweala, as the Director-General of the World Trade Organization.

We are poised to take advantage of emerging opportunities in the current fiscal year and will continue to work with our regulators, clients and stakeholders to transform the pension industry through innovation and by raising the bar on service delivery.

In closing, I would like to express my gratitude to our clients and stakeholders for their unwavering support through an unprecedented period in our recent economic history. My gratitude and appreciation also go to all our employees for their passion, hard work and commitment through the year. The value of your dedication and hard work in a very difficult year cannot be overemphasised; we are counting on your continued enthusiasm and uncommon work ethic to again deliver on our commitments in the new fiscal year.

Umar Yahaya
Chairman
First Pension Custodian Nigeria Limited

> Nevertheless, our Company recorded a respectable performance, bearing testament to the character and resilience of our people. Achieving this feat in a period punctuated by lockdowns and movement restrictions was not without a number of modifications to our way of working.

MANAGING DIRECTOR'S REVIEW

Oloruntimilehin George
Managing Director/CEO,
First Pension Custodian
Nigeria Limited

MANAGING DIRECTOR'S REVIEW

DELIVERING SUSTAINABLE GROWTH

The year under review was challenging, with the COVID-19 pandemic having devastating consequences on the global economy. The ensuing record job losses in the wake of the pandemic and general contraction of some of the most robust economies heightened the risk of significant erosion of value in the pension industry in particular, and the financial markets in general. In addition to this Black Swan event, our particular internal security and economic challenges as a nation were notable headwinds.

Nevertheless, our Company recorded a respectable performance, bearing testament to the character and resilience of our people. Achieving this feat in a period punctuated by lockdowns and movement restrictions was not without a number of modifications to our way of working. By leveraging technology amid investment in health and safety awareness, we were able to maintain close relationships with our clients and consistently met and exceeded their service level expectations.

Financial Performance

I am delighted to report that our Company delivered a strong performance in 2020, growing profit before tax by 3% from ₦5.19bn in 2019 to ₦5.34bn in 2020.

Following a similar trend, total operating income grew by 3% on the back of a 22% volume growth in Assets Under Custody. Fee income constituted 85% of total operating income with 15% from our utilisation of investible funds. Costs grew marginally by 2% year-on-year as our cost containment strategy tightened the leash on discretionary spending throughout the year.

The increase in our Assets Under Custody portfolio of 22%, from ₦3.29tn in 2019 to ₦4.02tn in 2020, reflects the resilience of the Company and strong customer retention capability, even in the face of difficulty. Likewise, our effective balance sheet management led to 10% balance sheet growth closing the year at ₦17.87bn compared to ₦16.31bn in 2019. We also saw earning assets grow by an impressive 11% to close at ₦12.53bn compared to ₦11.32bn in 2019.

Our Strategic Priorities

The Company's strategic priorities have been refreshed to drive our primary ambition of being the custodian of choice in the Nigerian pension industry. This was reviewed in line with key developments within the macroeconomic environment, including but not limited to, the signing of the Finance Act 2020 into law and the implementation of the Africa Continental Free Trade Agreement (AfCFTA).

The strategic focus in 2020 was the continuous transformation of the way we deliver services to meet our clients' needs; this remains central to our strategic priorities and critical to our success. During the year, our customer satisfaction scores improved, aided by continuous enhancement of customer touch points. To improve our growth and financial returns, our focus will be on the following, which are the core pillars of the Company's refreshed strategy for the next two years:

- **Grow Market Share** – Leverage our competencies to increase our share of wallet. Use strong regulatory influence and advocacy to position the Company as an industry thought leader.
- **Transform Customer Experience** – Drive the use of digital and online platforms to serve our clients. Improve workstreams and processes to reduce turnaround time for service delivery.
- **Leverage Innovation** – Embed change management within the institution. Infuse intelligent automation in core operations.
- **Drive Efficiency** – Design a lean operating model and optimise technological platforms for key processes.
- **Exploit Synergies** – Provide value-added services through partnerships with the parent entity.

Business Outlook

In 2021, our focus is on consolidating the gains from 2020 and building on initiatives that ensure our business processes remain immune to undue disruption during the year. Furthermore, we will continue to leverage technology, brand equity and service standards to improve our services.

MANAGING DIRECTOR'S REVIEW

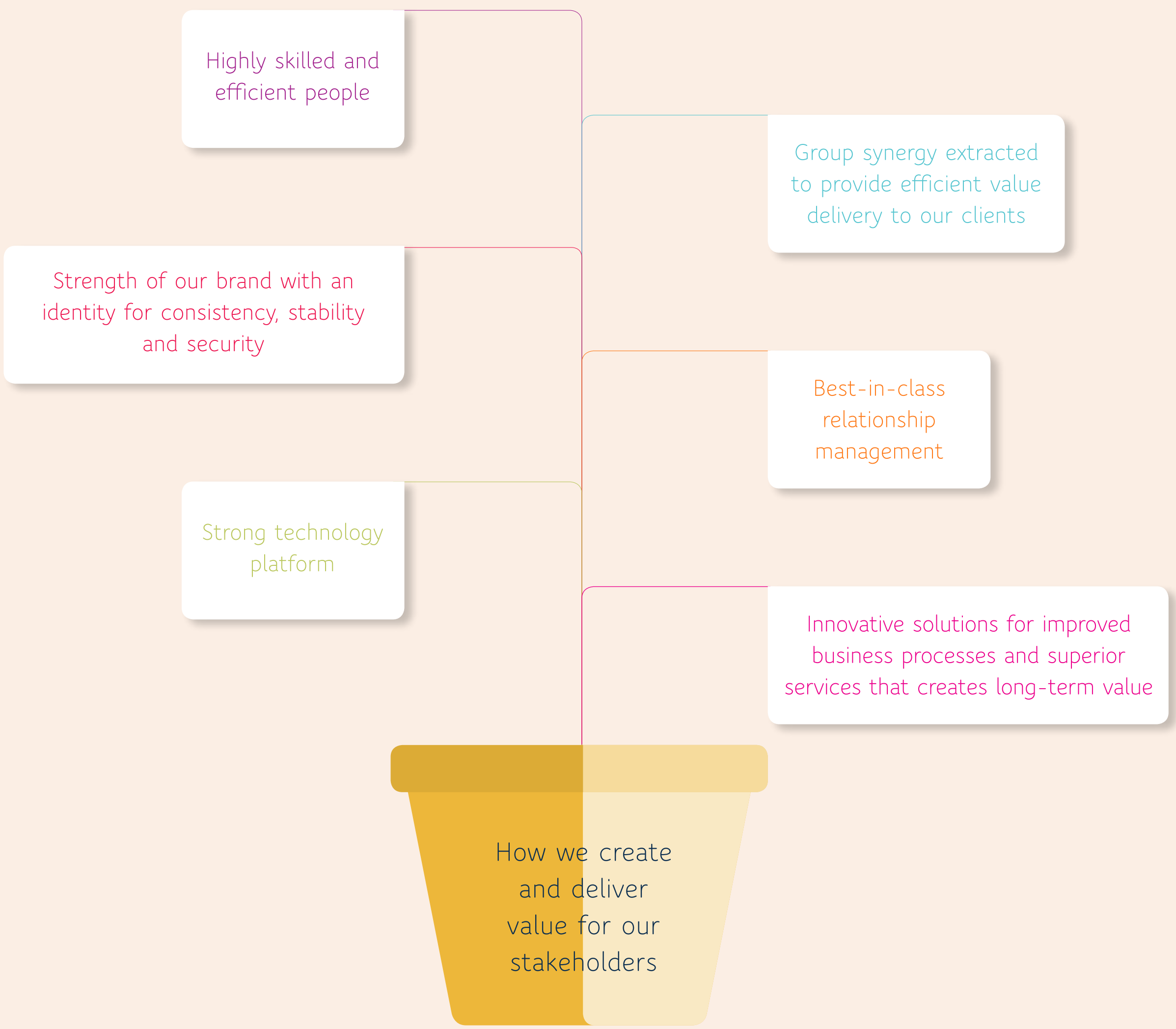
The current spate of uncertainties is a worldwide phenomenon and, as economies recover from the pandemic's after-effects, we are keen to retain our competitive advantage and to keep soaring to greater heights.

Please permit me to once more celebrate and commend our people's work ethic and resilience in what has been a truly challenging period across the entire socioeconomic landscape. I appreciate the Board for its steadfast support amid all these challenges. We look forward to 2021 with renewed hope and optimism. We aim to achieve our strategic objectives for the year and believe we are well-positioned to become Nigeria's custodian of choice in the near future.

Oloruntimilehin George
Managing Director/CEO
First Pension Custodian Nigeria Limited

BUSINESS MODEL

Our business model drives how we create and deliver value for our stakeholders. Our stakeholders' priorities shapes our strategy, and we are committed to consistently providing innovative business solutions to meet our clients' evolving needs. Our business and value creation model is focused on building a sustainable business while generating value for our clients and shareholders, considering the realities of our operating environment.



As we advance into the future, our focus is on the continuously developing of our people, effectively management of our risk profile, cultivating innovative thinking and leveraging technology to consistently provide excellent services to our clients. The successful execution of our strategic initiatives will ensure improved financial performance and deliver increased value to our stakeholders.

FINANCIAL REVIEW

Adefemi Ogundele
Chief Financial Officer

The year 2020 began with renewed optimism on the economic prospects for Nigeria. However, this was tempered by the onset of the COVID-19 pandemic at the end of the first quarter of 2020. The attendant lockdown and stall in economic activities in the second quarter of 2020 impacted the macroeconomic environment as the GDP contracted by 6.10%, the worst contraction in 15 years. Furthermore, the Nigerian economy officially entered a recession when the economy shrank by 3.6% in the third quarter of 2020.

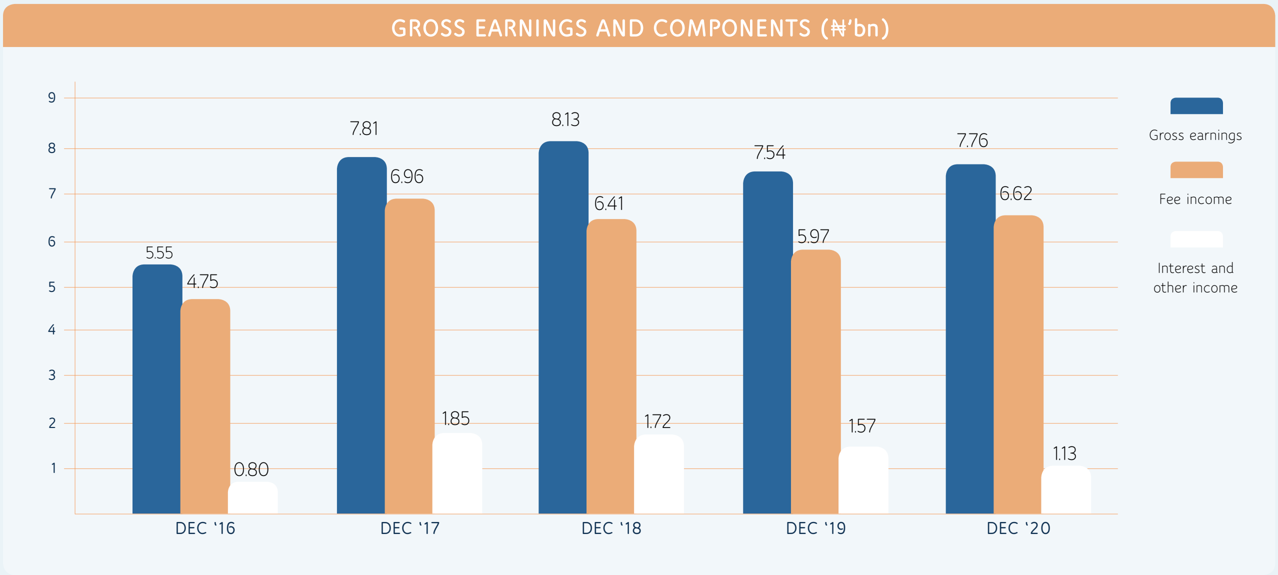
Despite the headwinds caused by the COVID-19 pandemic, the Company met its 2020 aspirations and delivered on various initiatives in its drive to build a sustainable and profitable business.

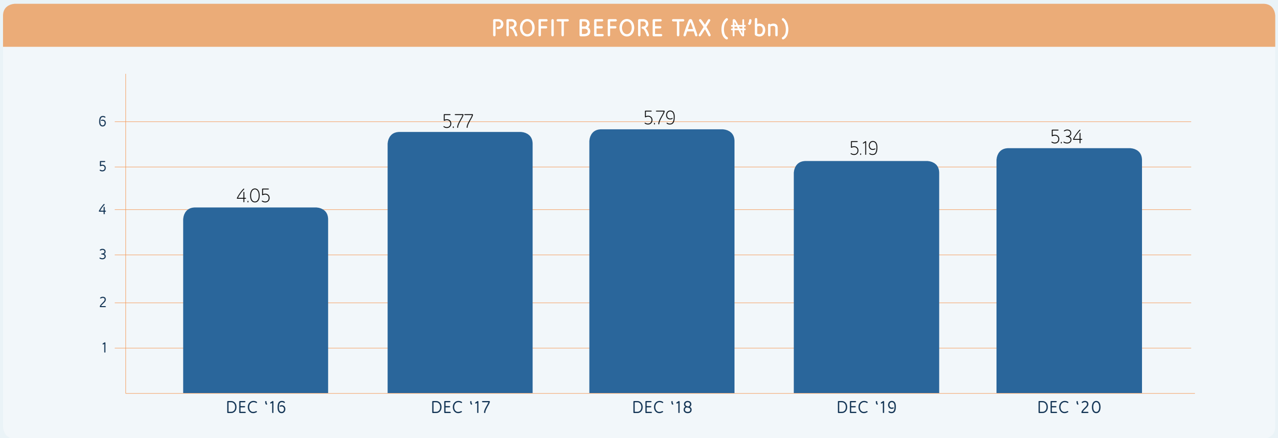
INCOME STATEMENT ANALYSIS

The impact of prior year policy decisions, which included the restriction of OMO Bill purchases by non-financial institutions, downward review of fees by the regulator and declining equity-market indices, resulted in lower yields across most asset classes. Nevertheless, the Company performed admirably, achieving most of the profitability indices year-on-year.

The Company continued to deliver strong top-line performance as revenue grew year-on-year by 3% to close at ₦7.76bn (2019: ₦7.54bn). This was primarily driven by growth in underlying assets as the Accounts Under Custody grew 22% to ₦4.02tn (2019: ₦3.29tn). Revenue growth also resulted in improved indices with the cost-income ratio declining by 80 bps to 31.1% (2019: 31.9%). Thus, profit before tax closed at ₦5.34bn, a 3% increase from the prior year (2019: ₦5.19tn). However, basic earnings per share decreased 13% to ₦1.87k (2019: ₦2.16k), primarily due to an increase in the year's effective tax charge. A dividend payment of ₦2.33bn was made during the year to our shareholders for the 2019 financial year; this was down 9% from the amount paid for the 2018 financial year.

FINANCIAL REVIEW





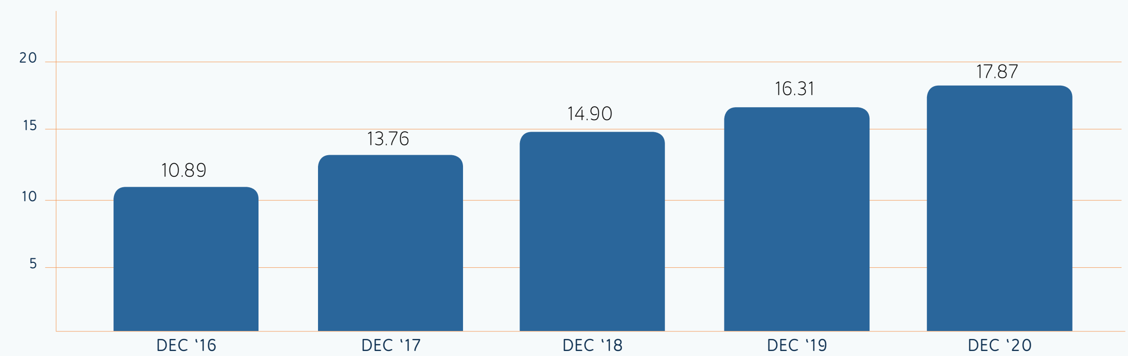
FINANCIAL REVIEW

FINANCIAL POSITION ANALYSIS

As of December 2020, total assets amounted to ₦17.87bn (2019: ₦16.31bn), an increase of 10% on the prior year. Earning Assets grew 11% to close at ₦12.53bn (2019: ₦11.32bn), with non-earning assets increasing by 10% to ₦5.34bn (2019: ₦4.89bn) on account of project spend on the new head office building.

Total liabilities closed at ₦3.79bn, an increase of 13% from the December 2019 figure of ₦3.36bn driven by an increase in outstanding income tax liabilities at year end. Total Shareholder Funds closed at ₦14.08bn, a growth of 10% from the 2020 figure of ₦12.95bn on account of current year profit retentions. One of our most important risk management disciplines as we continue to build a sustainable business model is effective balance sheet management.

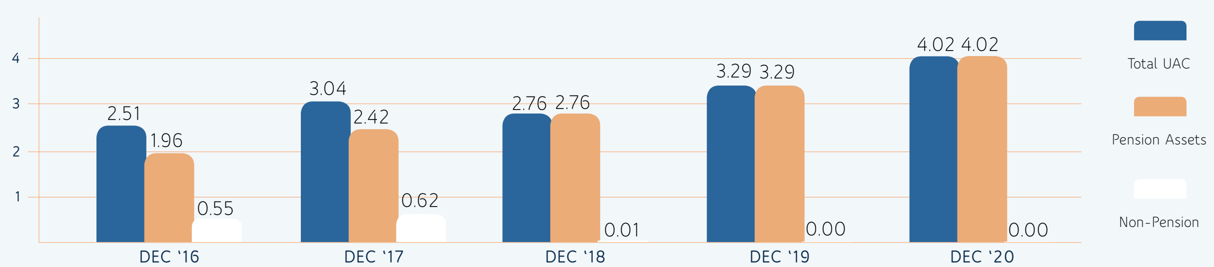
TOTAL ASSETS (₦'bn)



ASSETS UNDER CUSTODY

Total assets under custody increased by 22% to close at ₦4.02tn (2019: ₦3.29tn). Despite the challenging business and general macroeconomic environment, we were able to maintain market share on the back of growth in the existing portfolio and the onboarding of new funds during the year.

ASSETS UNDER CUSTODY (₦'bn)



FINANCIAL REVIEW

OUTLOOK 2021

While we anticipate a challenging macroeconomic operating environment, the early passage of the 2021 Federal Government Budget and the reopening up of world economies post-development of the COVID-19 vaccine leaves room for optimism. The recovery of global economies with an IMF growth projection of 5.2% should have a contagion effect as oil prices are expected to surge upwards between $55-60. Nigeria's GDP forecast is expected to grow by 2.0% as the effect of border reopening, the passage of the Finance Act 2020 into law and potential rate cuts are expected to stimulate investment across various sectors of the economy.

At FPCNL, we will continue to respond to the economic and social headwinds with our sustained focused and prudent business approach. We will keep a lid on our cost profile with greater focus on discretionary spend and ensure that our platforms are robust and support client delivery across all areas of the Business.

Corporate Responsibility & Sustainability

EMPOWERING OUR PEOPLE FOR SUCCESS

The year 2020 was challenging because of the global effects of the COVID-19 pandemic. The economic and social impact it caused was far-reaching, with mounting job-losses, reductions in disposable income and disruptions in global travel being a few of the effects.

The focus of Human Resources, as a part of the broader company strategy during this period, was to ensure an agile and engaged workforce capable of delivering on initiatives for our business strategy.

This approach was guided by the four pillars of our Human Resources Strategic Plan:

Talent Management:
By attracting, assessing, onboarding and supporting a highly qualified and diverse workforce.

World-class Performance Culture and Climate:
By building an environment where everyone can thrive, anticipating and meeting the workforce's changing needs and enhancing services through technology.

Risk Mitigation and Compliance:
By managing our Business' complexities safely and wisely.

Professional Development:
By championing career and professional growth, and growing our talent to reach its highest potential.

Human Resources Initiatives and Achievements in 2020

A. Talent Management

Performed staff evaluations and job rotations to ensure employees remain fit for growth.

B. World-Class Performance Culture and Climate

1. **Process improvement initiative:** Review and upgrade of existing performance management model.

2. **Promote our core values:** Dissemination of new Group Brand values via various communication channels to all staff.

3. **Employee engagement:** Conducted virtual town hall meetings that encouraged staff to bring pertinent issues to the attention of the leadership team. It also facilitated two-way communication between top Management and members of staff.

4. **Employee wellness program:** Implementation of a more robust healthcare plan and ongoing online seminars that focus on health, lifestyle, nutrition and fitness.

C. Risk Mitigation and Compliance

1. Regular awareness of risk and compliance dictates.

2. Policy review: The remote working policy was reviewed in line with best practices.

EMPOWERING OUR PEOPLE FOR SUCCESS

D. Professional Development

1. Knowledge sharing sessions/training: There were knowledge sharing and training sessions held during the year. Learnings were centred around developments within the Pension Industry, Risk, Compliance and Financial Markets, as well as improving customer service.

E. How we empowered our people, particularly during the COVID-19 pandemic

The FPCNL management team swung into action at the onset of the COVID-19 pandemic by instituting daily war-room meetings to review the country's situation and proactively respond to happenings within the environment.

The Company was able to make the most of the disruption caused by the pandemic by implementing protocols and processes that ensured that our staff and visitors to the Company's premises were always well protected, as follows

- We conducted several awareness campaigns for our people on the COVID-19 virus through email broadcasts, regular staff virtual town-hall meetings and displays within the premises;
- Remote working for employees: Guidelines to improve remote working and how to navigate this was given to all employees as stipulated in our business continuity plan;
- Appointed and trained COVID-19 champions to ensure compliance with protocols across the organisation; and
- Revised the Health Management Organisation's offerings to include COVID-19 diagnostics and support.

EMPOWERING OUR PEOPLE FOR SUCCESS

Our People Statistics

Total Staff Strength
81

Gender

Total Number of New Hires
NIL

Average Age
38

Auxiliary Staff Strength
26

Workforce Generation Classification

Generation Z	-	1%
Millennials	-	58%
Generation X	-	37%
Baby Boomers	-	4%

Governance

CHAIRMAN'S INTRODUCTION

The sustainable and long-term success of the Company has been, and will continue to be, the primary objective of the Board of Directors. The Board remains committed to the highest standards of governance and ethics; in 2020, the Board ensured the governance framework was in alignment with global best practices.

The framework was also in compliance with the requirements of the industry-specific Corporate Governance Guidelines for Pension Fund Operators, as codified by the National Pension Commission (PenCom) and the Nigerian Code of Corporate Governance ('the Code'), and issued by the Financial Reporting Council of Nigeria.

The strength of the Board remains the vast experience of its members and their commitment to the growth of the organisation.

Board Changes

Dr Remi Oni, a Non-Executive Director, resigned from the Board with effect from 22 October 2020. Patrick Iyamabo joined the Board as a Non-Executive Director, effective 12 December 2020, as approved by the National Pension Commission, and joined two committees – the Governance and the Finance and General-Purpose Committees. He brings to the Board a wealth of experience that spans various aspects of the financial and consultancy services industries.

> **The strength of the Board remains the vast experience of its members and their commitment to the growth of the organisation.**

External Board Evaluation

DCSL Corporate Services Ltd conducted an independent and rigorous evaluation of the Board's and Committees' performance. The Board and its Committees carried out annual self-assessments to evaluate compliance with the terms of reference as contained in their respective Charters. The Board Evaluation report revealed that the Company was in substantial compliance with the provisions of the FRC Code. Furthermore, each Board member received an individual evaluation and the Board had a combined action plan.

Outlook

We will continue to enhance our governance practices in line with the relevant Codes to promote the long-term sustainability and success of First Pension Custodian Nigerian Ltd.

BOARD OF DIRECTORS

Umar Yahaya

Chairman

Appointed Non-Executive Director January 2011
Appointed Chairman October 2014

Umar Yahaya has extensive executive-level management experience in commercial and investment banking. He also has diverse Board-level experience across various sectors, gained from current and previous executive and non-executive directorships.

With his broad experience and analytical mind, Umar drives robust debate and facilitates a culture of openness in the boardroom. He has served on the Boards of FirstBank, FBNQuest Merchant Bank Ltd and the former New Africa Merchant Bank, and was Chairman of Leadway Assurance Plc. He was the President of the Kaduna Chamber of Commerce and a member of the Nigeria Vision 2020 Business Support Group.

Umar holds both 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 and an Executive Management Diploma in Strategy and Organisation from Stanford Graduate School of Business, both in the USA.

Key Current Appointments

Chairman Smart Meters Limited; Non-Executive Director Associated Haulages Nigeria Ltd; Non-Executive Director PZ Cussons Foundation; Non-Executive Director Courier Masters.

Committees

None.

BOARD OF DIRECTORS

Oloruntimilehin George

Managing Director/Chief Executive Officer

Appointed March 2020

Oloruntimilehin (Timi) was appointed Managing Director and Chief Executive Officer of First Pension Custodian Nigeria Ltd in March 2020; he comes with a wealth of experience spanning over two and a half decades earned across diverse areas of banking including Financial Institutions, Wholesale/Corporate Banking, Financial Markets, Commercial Banking as well as Retail Banking. He is a strong deal originator and possess excellent relationship management skills evidenced by a track record of managing and delivering superlative performance working for key institutions and clients in the Banking sector.

Prior to this appointment, he was the Group Head, Financial Institutions and Multilaterals for First Bank of Nigeria Limited between February 2008 and February 2010. Before then, he was at Standard Chartered Bank (Stanchart) for almost 8 years where he championed the execution of a wide range of transactions in the Financial Institutions (Banks & Broker Dealers), Investors & Intermediaries and Portfolio Management space; His stint at Stanchart also saw him oversee complex deals in the Development Organizations/Public Sector, Wholesale/Corporate Banking and International/Global Corporates space.

Timi is an alum of the Lagos Business School, Advanced Management Program (AMP 20, 2008). A graduate of Business Administration and holds an MBA in Strategic Management and an MBA Essentials from the London School of Economics & Political Science. He is a Fellow of the Institute of Strategic Management, Fellow, Institute of Credit Administration, Member, National Association for Family Development (NEFAD), and Honorary Member, Chartered Institute of Bankers.

Oloruntimilehin is a serial collaborator who is passionate about economic empowerment, social services and is an avid Music aficionado.

Committees

Finance and General Purpose

BOARD OF DIRECTORS

Bunmi Aderonmu
Executive Director

Appointed March 2020

Knowledge and Experience

Bunmi Aderonmu is a consummate professional with experience spanning over two decades in operations and financial control within the Nigerian financial services industry. Before her appointment in March 2020, Bunmi served the Company in the capacity of Chief Financial Officer. Prior to joining First Pension Custodian Nigeria Ltd as a pioneer staff, she worked for First Bank of Nigeria Ltd, where she served in various roles.

She is an alumna of the prestigious Lagos Business School, where she completed the Advanced Management Program. Bunmi is a Fellow, Institute of Chartered Accountants of Nigeria (FCA); holds a Bachelor of Economics degree from University of Ilorin; and Honorary Member, Chartered Institute of Bankers of Nigeria (HCIB).

Committees

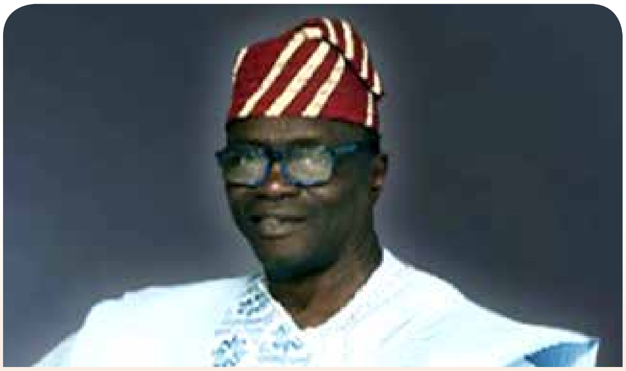
Finance and General Purpose.

BOARD OF DIRECTORS

Dr Bayo Odeniyi

Independent Non-Executive Director

Appointed April 2009



Knowledge and Experience

Dr Bayo Odeniyi brings his experience in research and consulting to bear on the activities of the Board. He has considerable experience in planning and implementing, as well as monitoring and evaluating community development projects from his previous public service appointments.

Dr Odeniyi is a Doctor of Veterinary Medicine and has an MSc in Preventive Veterinary Public Health and an MBA. He was a lecturer at the Tai Solarin University of Education, Ogun State. Before joining the National Animal Production Research Institute as a Research Fellow, he worked with the Lagos State Ministry of Agriculture and Co-operative as a veterinary officer. He was the Institute's Small Ruminants Multiplication Outstation pioneer project officer.

He is a strong advocate for the application of new technology for effective operations and customer satisfaction, which directly supports FPCNL's strategy.

Key Current Appointments

Chairman, Clear Sight International Foundation, Nigeria.

Committees

Audit, Risk and Compliance (Chairman); Finance and General Purpose; Governance.

BOARD OF DIRECTORS

Ijeoma Nwogwugwu

Non-Executive Director

Appointed April 2014

Ijeoma Nwogwugwu has a wealth of experience and expertise in both the private and public sectors as a banker, financial analyst, business strategist and journalist, having worked at the Merchant Bank of Africa, the Bureau of Public Enterprises and THISDAY Newspaper Group. A member of the Nigerian Union of Journalists and the Nigerian Guild of Editors, she served as the Group Executive Director, THISDAY Newspaper Group and has sat on the Boards of the Nigerian Security Printing and Minting Company Ltd, Daily Times of Nigeria Plc and the National Hospital, Abuja.

She has a BSc in Accounting and a postgraduate qualification in International Housing Finance.

Key Current Appointments

- Managing Director of Arise News Channel Africa
- Executive Director, Thisday-Arise Global Media
- Independent Non-Executive Director, Ikeja Electric.

Committees

Audit, Risk and Compliance; Finance and General Purpose (Chairperson).

BOARD OF DIRECTORS

Dr Philip Olufunwa

Non-Executive Director

Appointed July 2014

Dr Philip Olufunwa has strong corporate governance experience, having served on the boards of several companies. He is a former Board member of Central London Health and a former Director of the Westminster Clinical Commissioning Group within the UK's National Health Service. Dr Olufunwa has a Bachelor's degree in Medicine and Surgery. 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 both the Institute of Directors UK and the Corporate Governance Institute, UK.

Key Current Appointments

Principal Partner, Westbourne Green Surgery; formerly Clinical Lead for Community Gynaecology, Central London.

Committee

Audit, Risk and Compliance; Governance (Chairman).

BOARD OF DIRECTORS

Dr Remi Oni
Non-Executive Director

Appointed December 2016
Resigned October 2020

Dr Remi Oni has extensive business management and operational performance culture experience and is currently Executive Director, Corporate Banking at FirstBank. He brings significant leadership and strategic oversight experience to the Board from his current and previous roles.

He joined FirstBank from Standard Chartered Bank, Lagos, Nigeria, where he held various senior and executive roles including Executive Director, Corporate and Institutional Banking, Nigeria and West Africa. He also had concurrent primary responsibilities for the International Corporate Clients Segment business for Standard Chartered Bank in West Africa.

Dr Remi Oni holds an MBA in Finance, a Doctor of Veterinary Medicine and a Master of Science in Public Health and Preventive Medicine. He is an honorary member of the Chartered Institute of Bankers of Nigeria (CIBN), a member of the Equipment Leasing Association of Nigeria and the Nigerian Veterinary Medical Association.

Key Current Appointments

- Executive Director, Corporate Banking, First Bank of Nigeria Ltd
- Non-Executive Director, FBNBank UK Ltd
- Non-Executive Director Airtel Nigeria Ltd.

Committees

Finance and General Purpose; Governance.

BOARD OF DIRECTORS

Mercy DaSilva

Non-Executive Director

Appointed September 2019

Mercy DaSilva has over 26 years of experience in finance, accounting, human resources, information systems and administration. She is the founder and CEO of Merant Financial Group, a renowned accounting, tax and consulting firm based in Maryland, USA. She has served as Chairman of the Board of Trustees of the USA Chapter of the Institute of Chartered Accountants of Nigeria. Mercy is versed in the financial management of non-profit organisations and institutions and with both public and private accounting.

Mercy has a BSc in Accounting and an MBA. She is a Chartered Global Management Accountant and a Fellow of the Institute of Chartered Accountants of Nigeria.

She is also a Member of the American Institute of Certified Public Accountants, the Maryland Association of CPAs, ICAN, Maryland Society of Accountants, the National Association of Female Executives and the Association of Certified Anti-Money Laundering Specialists.

Key Current Appointments

CEO, Merant Financial Group.

Committees

Audit, Risk and Compliance; Governance.

BOARD OF DIRECTORS

Patrick Iyamabo

Non-Executive Director

Appointed December 2020

Patrick Iyamabo is the Chief Financial Officer of FirstBank, with accountability for FirstBank's finance function and all its subsidiaries. He has over 25 years of professional experience spanning finance, accounting, strategy, risk management and business development, during which he advised and worked for local and multinational institutions, both within and outside Nigeria, at the executive management level.

He joined FirstBank in 2016 after nine years with FCMB Group Plc where he was Senior Vice President of Strategy and Mergers & Acquisitions at First City Monument Bank Ltd, and the Group Chief Financial Officer thereafter. Patrick also worked at Arthur Anderson where he was a founding member of the risk management practice, offering audit and financial assurance services to financial institutions. He has worked with Booz Allen Hamilton in New York and LEK Consulting in Boston, providing strategic management and corporate finance services to private and listed corporations.

Patrick holds a Bachelor's degree in Pharmacy from Ahmadu Bello University and a Master of Business Administration (MBA) with dual majors in Finance and Strategic Management from the Wharton School, University of Pennsylvania. He has participated in various global immersion programmes across Asia and Europe, and also attended the INSEAD Singapore MBA exchange programme. He has further attended various executive and specialised programmes at the Harvard Business School and the Wharton School.

He is a Fellow, Institute of Chartered Accountants of Nigeria (FCA); Fellow, Chartered Institute of Taxation of Nigeria; member Pharmaceutical Society of Nigeria; and Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (HCIB).

Committees

Finance and General Purpose; Governance.

MANAGEMENT COMMITTEE

OLORUNTIMILEHIN GEORGE
Managing Director/Chief Executive Officer

BUNMI ADERONMU
Executive Director, Operations & I.T

AKIN DENTON
Head Business Development/ Client Services

TUNDE FOLAYAN
Chief Compliance Officer

ADEFEMI OGUNDELE
Chief Financial Officer

WOLE FANIMOKUN
Head, Contributions Management

ANIKE JAIYEOLA
Head, Trade Process & Settlement

MUYIWA FAGBENRO
Head, Information Technology

ADEYOOLA ADEBAYO
Company Secretary

EFFECTIVENESS

The Board of Directors is responsible for the long-term success of the Company. They provide leadership within a well-defined framework of controls, ensuring risks are assessed and managed. The Board acts in compliance with applicable laws and regulations in carrying out their duties.

To assist the Board in carrying out its functions, the Board has three standing Committees and one ad hoc committee which reports to it regularly. These committees are the Audit, Risk and Compliance Committee, the Governance Committee, the Finance and General-Purpose Committee and the Ad Hoc Building Committee. The Committees meet at least once a quarter or whenever necessary, and their reports are considered at Board meetings. The Committees all have charters approved by the Board, which specifies their terms of reference. The Committees consist of a minimum of three Directors. Their membership is reviewed periodically by the Board to avoid undue influence on some Directors and to ensure no individual Director dominates decision-making. Furthermore, the Board appoints the chairmen of all the Committees.

To enable the committees to carry out their responsibilities appropriately, each Committee has the power to obtain advice and retain, at the Company's expense, independent or outside professional advisers and experts as it deems necessary (subject to the Chairman's approval).

The Company provides information on its governance structures, policies and practices in its governance report.

BOARD ROLES AND RESPONSIBILITIES

Responsibilities

The Board is responsible for providing strategic leadership and monitoring the Company's strategic initiatives. It is also responsible for ensuring that effective reporting structures are in place with defined reporting lines. To fulfil its responsibilities and ensure the Company runs smoothly, the Board has delegated the day-to-day management of the Company to the Managing Director. The Company also has an Executive Director who works with the Managing Director on ensuring the implementation of the Company's strategic initiatives. Both Executives have contracts of employment that clearly state their responsibilities.

Notwithstanding the delegation to Management, the Board has a charter that sets out its responsibility and specifies the matters reserved for Board decision-making. Some matters reserved for the Board include the review and approval of the Company's strategy, review of the implementation of the Company's strategy, approval of the internal audit plan and overseeing the effectiveness and adequacy of the Company's internal control functions. Through its Audit, Risk and Compliance Committee, the Company also reviews the Company's risk management framework's effectiveness and the risk reports periodically.

The Board periodically reviews its Charter to align with changes in regulations and laws, and in corporate governance best practices.

Chairman

- Provides overall leadership and ensures the Board functions effectively
- Chairs all Board meetings and General Meetings of the Company
- Sets the Board meeting agenda in consultation with the Company Secretary and other Directors to ensure that the Board devotes its time and attention to the right matters
- Develops and sustains effective stakeholder engagement and confidence
- Ensures Directors receive accurate, timely and relevant information, and keeps them informed of key developments to enable the Board to operate effectively
- Promotes a culture of openness and debate
- Ensures cordial relations between Executive and Non-Executive Directors
- Assesses and monitors the Board's effectiveness and the performance of individual Directors.

EFFECTIVENESS

Managing Director/CEO

- Responsible for the executive leadership and managing of the day-to-day operations of the Company
- Develops the Company's strategy for Board approval and ensures the implementation of the strategy
- Ensures that the Company has appropriate systems in place to enable it to conduct its activities both lawfully and ethically
- Ensures the Board receives accurate and timely information to enable it to make sound decisions
- 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 the Company operates within approved budgets and all regulatory requirements
- Develops and recommends to the Board the annual operating and capital budget, and on approval of the budget, to fully implement the plan
- Engage stakeholders and shareholders regularly on the progress of the Company.

Executive Director

- Supports the Managing Director in the implementation of the Company's strategy
- Works with the Managing Director in providing the Board with accurate and timely information to make sound decisions
- Oversees the Company's operations and ensures adequate systems are in place to enhance productivity
- Ensures the Company's finances and resources are managed prudently.

Non-Executive Director

- Monitors Management's performance in line with agreed objectives
- Brings an external dimension to the Board's deliberations and activities
- Effectively and constructively challenges Management in the development of strategy
- Regularly reviews the implementation of the Company's strategy
- Promotes the long-term success of the Company and value creation
- Ensures that the Company acts responsibly, having due regard for 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
- Determines the Executive Directors' appropriate levels of remuneration and succession planning.

Independent Director

- Employs neutral skills in balancing the interest of conflicting stakeholders
- Brings independent judgement to bear during Board deliberations and helps the Board get the most out of our Business by providing objective inputs to decision-making
- Ensures full compliance with statutory rules and regulations
- Provides independent oversight to Management by giving unbiased views to the Board.

EFFECTIVENESS

Company Secretary

The Company Secretary ensures a seamless flow of information between Management and the Board, 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 a manner that ensures the Company's information is accessible to all eligible stakeholders. The Company Secretary has a dual reporting line to the Board through the Chairman for functional responsibilities and the Managing Director for administrative duties. The performance evaluation of the Company Secretary includes a Board assessment rating and a corporate governance rating. Both the appointment and removal of the Company Secretary are matters for the Board.

Attendance at Board meetings held in 2020

NAMES	12 FEBRUARY	20 APRIL	22 JULY	21 OCTOBER	3 DECEMBER
Umar Yahaya	✓	✓	✓	✓	✓
Oloruntimilehin George	NYA	✓	✓	✓	✓
Kunle Jinadu	✓	R	R	R	R
Ijeoma Nwogwugwu	✓	✓	✓	×	✓
Dr Bayo Odeniyi	✓	✓	✓	✓	✓
Dr Remi Oni	X	✓	✓	✓	R
Dr Philip Olufunwa	✓	✓	✓	✓	✓
Mercy DaSilva	✓	✓	✓	✓	✓
Bunmi Aderonmu	NYA	✓	✓	✓	✓
Patrick Iyamabo	NYA	NYA	NYA	NYA	NYA

✓ - Attendance | X - Apology | NYA - Not Yet Appointed | R - Retired/Resigned

2020 Focus

- Review of budget implementation
- Review and monitoring of the implementation of the Company's strategic plan
- Consideration of annual accounts, quarterly performance reports and half-year reports
- Review of regulatory matters and significant regulations affecting the Company
- Review of existing charters and policies

EFFECTIVENESS

EFFECTIVENESS AND EVALUATION

An annual assessment of the Board and its committees is conducted to ensure compliance with their respective terms of reference and the approved annual goals. The Board's composition is reviewed regularly to ensure that the Board's skills, knowledge and experience are adequate to support the Company in executing its strategy. Furthermore, regular awareness is provided to Directors on applicable laws and regulations. Directors are also informed of developments in the industry that could affect business operations.

Board Composition

The Board, through the Governance Committee, regularly reviews the composition of the Board, the balance of skills, knowledge, experience, diversity and background in line with the needs of the Company, and makes recommendations on appropriate appointments to the Board. The Company has a well-defined structure and process for the appointment of new Directors. Subject to the satisfactory performance evaluation and approval of the National Pension Commission, Non-Executive Directors are appointed for an initial term of three years renewable for further terms of three years, while Executive Directors are appointed for an initial term of three years renewable. The Board comprises more Non-Executive Directors than Executive Directors. The Company also has a succession policy that provides the framework for the succession of Directors and top management.

Training

The Company is committed to providing continuing education for its Directors. The Company has a Directors' Development and Training Policy that sets out the framework for the development of Directors' induction and training programmes, in line with the Company's goals and objectives. All Directors are expected to keep their skills up to date and familiarise themselves with the laws and regulations that guide the Company's business.

In line with the Training Policy, Directors attend training programmes every other year. During the year 2020, the Directors attended relevant training programmes on corporate governance, finance and the economy.

Appraisal

The Board conducts an annual evaluation of its performance, Committees and individual Directors. The annual Board evaluation exercise provides an avenue for Directors to benchmark their performance against set goals and identifies areas requiring improvement. The external consultants, DCSL Corporate Services Limited, facilitated the 2020 annual evaluation. The evaluation was a 360-degree online survey covering Directors' self-assessment, peer assessment and evaluation of the Board and the Committees.

The topics covered by the induction included:

- Composition of the Board;
- Performance of the Board Committees;
- Leadership and strategy;
- Performance monitoring and evaluation;
- Accountability and audit;
- Communication to stakeholders;
- Risk management and internal control; and
- Succession planning and human resources management.

The reports, which comprised specific recommendations for further improving the Board's governance practices, were presented to the Board at the end of the exercise.

Maintaining an Ethical Culture

The Board is committed to maintaining an ethical culture company-wide by ensuring compliance with applicable laws, regulations and internal policies. Ethical considerations underpin the decisions taken by the Board.

The Company has a Conflict of Interest and Related Party Transactions Policy and Procedures, which defines the framework within which Directors and Management must disclose any actual or potential conflict of interest and related party transactions. The Policy mandates Directors to declare their financial interests in any contract or arrangement in institutions, companies or partnerships in which he or she is a Director,

EFFECTIVENESS

officer, servant, creditor or holder of substantial shares above 5% or other securities. The Directors are required to declare at the commencement of each meeting any conflicts of interest they have in any matter on the Board agenda.

The Policy requires each Director and management staff to declare, upon appointment and annually, any contract in which they have interest and details procedures to ensure adequate identification of Directors' related party interests.

The Company Secretary maintains a conflict of interest register, which is updated regularly and referenced when business transactions are being considered.

The Board Audit, Risk and Compliance Committee is responsible for reviewing and ratifying Directors' related party transactions.

Business Code of Conduct

Through its Board of Directors Code of Conduct and Employee Code of Conduct, the Company promotes a sound ethical culture among Directors and staff. The Board of Directors Code of Conduct sets out the fundamental standards to be followed by each Director on behalf of the Company, while the Code of Conduct for employees specifically details behaviour and conduct that are appropriate and inappropriate. It further specifies the procedures for reporting and dealing with inappropriate behaviours within the organisation.

Directors and employees are expected to submit an annual declaration affirming compliance with the Codes.

Access to Independent advice

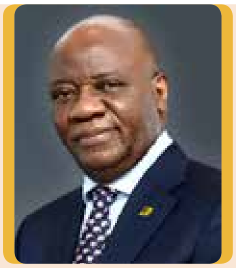
The Directors have access to independent professional advice at the Company's expense in line with the Board and Board Committee charters.

COMMITTEE REPORTS

In line with the Board Charter and the Nigerian Code of Corporate Governance 2018, the Board has delegated some of its responsibilities to its committees. Each Committee has an approved charter that specifies its purpose, composition and structure, frequency of meetings, duties, tenure and reporting lines. With the exception of the Board Finance and General-Purpose Committee, committees are constituted of Non-Executive Directors. The Chairmen of all committees are Non-Executive Directors.

EFFECTIVENESS

Board Governance Committee



Membership

- Dr Philip Olufunwa – Chairman
- Dr Adebayo Odeniyi – Independent Non-Executive Director
- Dr Remi Oni
- Mercy DaSilva
- Patrick Iyamabo

Attendance at Board Committee Meetings Held in 2020

NAMES	11 FEBRUARY	16 APRIL	14 JULY	20 OCTOBER	2 DECEMBER
Dr Philip Olufunwa	✓	✓	✓	✓	✓
Dr Adebayo Odeniyi	✓	✓	✓	✓	✓
Dr Remi Oni	x	✓	✓	✓	R
Mercy DaSilva	✓	✓	✓	✓	✓
Patrick Iyamabo	NYA	NYA	NYA	NYA	NYA

✓ - Attendance | X - Apology | NYA - Not Yet Appointed | R - Retired/Resigned

Key Responsibilities

- Regular review of the Board structure, size and composition in line with the needs of the Company
- Evaluate the balance of skills, knowledge and experience on the Board, and identify and appraise suitable candidates for Board appointment
- Determining the appropriate levels of Directors' remuneration and structure
- Ensuring adequate succession planning for the Board of Directors and key management staff of the Company
- Ensuring proper reporting and disclosure of the Company's corporate governance to stakeholders.

Key Focus Areas for 2020

- Ensured the implementation of the recommendation from the annual Board performance appraisal
- Reviewed corporate governance policy documents to ensure compliance with the Nigerian Code of Corporate Governance 2018
- Considered and brought to the Board's notice for implementing the reporting template issued by the Financial Reporting Council of Nigeria for compliance with the Nigerian Code of Corporate Governance
- Considered succession for Board appointments and recommended to the Board for approval of Patrick Iyamabo to replace Dr Remi Oni, who resigned effective 22 October 2020.

EFFECTIVENESS

Board Finance and General-Purpose Committee

Membership

- Ijeoma Nwgwugwu – Chairman
- Dr Adebayo Odeniyi – Independent Non-Executive Director
- Oloruntimilehin George
- Bunmi Aderonmu
- Patrick Iyamabo

Attendance at Board Committee Meetings Held in 2020

NAMES	11 FEBRUARY	16 APRIL	18 JULY	20 OCTOBER	2 DECEMBER
Ijeoma Nwogwugwu	✓	✓	✓	✓	✓
Dr Adebayo Odeniyi	✓	✓	✓	✓	✓
Oloruntimilehin George	NYA	✓	✓	✓	✓
Dr Remi Oni	X	✓	✓	✓	R
Bunmi Aderonmu	NYA	✓	✓	✓	✓
Patrick Iyamabo	NYA	NYA	NYA	NYA	NYA

✓ - Attendance | X - Apology | NYA - Not Yet Appointed | R - Retired/Resigned

Key Responsibilities

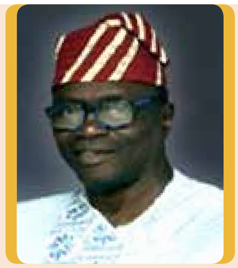
- Formulates the annual budget of the Company
- Establishes financial policies and plans
- Reviews and oversees the governance of technology and innovation to support the organisation in achieving its strategic objectives
- Oversees and reviews the financial implications of staff recruitment, training and development, promotion, resignation, dismissal, retirement and cstaff conditions, excluding Executive Directors
- Establishes strategic alternatives to enhance shareholder value.

Key Focus Areas for 2020

- Implementation of the Company's budget, including oversight of financial performance and financial metrics achievement
- Monitoring the Company's technology competitiveness, including its technological efforts and innovation effectiveness
- Review of the Company's short, medium and long-term financing options/sources
- Ensured alignment between the Company's strategic objectives and operational/technology plans.

EFFECTIVENESS

Board Audit, Risk and Compliance Committee



Membership

- Dr Bayo Odeniyi – Chairman
- Ijeoma Nwogwugwu
- Dr Philip Olufunwa
- Mercy DaSilva

Attendance at Board Committee Meetings Held in 2020

NAMES	11 FEBRUARY	16 APRIL	18 JULY	20 OCTOBER
Dr Bayo Odeniyi	✓	✓	✓	✓
Ijeoma Nwogwugwu	✓	✓	✓	✓
Dr Philip Olufunwa	✓	✓	✓	✓
Mercy DaSilva	✓	✓	✓	✓

Key Focus Areas for 2020

- Integrity and completeness of the Company's financial reporting
- Oversight of the independence and objectivity of the External Auditors
- Adequacy, independence and effectiveness of internal audit functions
- Quarterly review of Internal Audit, Risk Management, Control and Compliance reports
- Assessment of Management's response to significant audit findings and recommendations
- Approval of plans, policies and manuals for audit, risk, compliance and internal control functions
- Monitoring external reporting to ensure its consistency with legal obligations.

Priorities for 2021

- Review and recommend plans, policies and programmes of Internal Audit, Compliance, Internal Control and Risk departments to the Board for approval
- Monitor current and emerging risk exposures on behalf of the Board
- Ensure that Internal Audit, Control, Risk and Compliance functions are equipped with appropriate tools and personnel
- Review and approve Compliance Process Policy to reflect current realities
- Review and approve Compliance Charter
- Review Internal Audit, Control, Risk and Compliance reports quarterly and ensure timely resolution of issues raised
- Enhance the level of information provided to and interaction with stakeholders
- Adequate monitoring of business and regulatory environments.

To ensure that the Board Committee remains effective, the Board appoints an external consultant to conduct an independent review of the Committee to assess its performance every year. The reporting period's review found the Committee to be thorough and fully effective in meeting its objectives.

ACCOUNTABILITY

The Company has a system of accountability embedded throughout the organisation via well-defined job descriptions, departmental organisation charts, delegation of authorities and succession planning.

The Board Audit, Risk and Compliance Committee of the Board of Directors ensures that there is a risk culture embedded within the organisation, and that the internal control function operates effectively. The Board Audit, Risk and Compliance Committee ensures this by establishing a strong control environment that sets the standards, processes and structures for the organisation's Internal Control department.

The Board of Directors and Senior Management establish the tone at the top regarding the importance of internal control and expected standards of conduct.

Accountability

The Management is responsible for all company activities and for reporting performance transparently. Risk Management is tasked with ensuring the Company adequately responds to identified risks.

Risk Management Philosophy

Risk management policies are geared towards managing potential risks inherent within our operations. Our vision and mission statement provides the base for our risk management approach, and this is guided by an established enterprise-wide risk management methodology. The following core principles guide this risk management methodology:

- A sound risk management framework;
- Well-defined and communicated risk management policies;
- A governance structure that is well-defined and communicated;
- A robust risk reporting model; and
- Shared responsibility towards managing risk.

Risk Management Oversight

Risk management oversight is primarily a Board responsibility driven by the Board Audit, Risk and Compliance Committee.

Our Enterprise Risk Management (ERM) framework ensures that risks are appropriately identified, monitored and controlled using the 'three lines of defence' as detailed in the Risk Management' section.

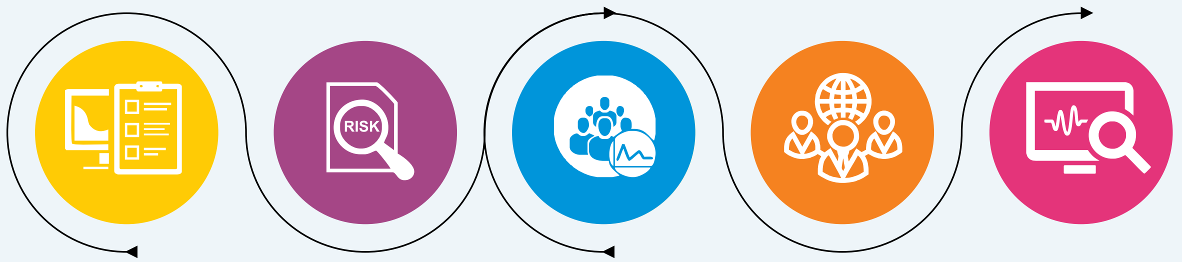
INTERNAL CONTROL

Internal Control in First Pension Custodian Nigeria Ltd refers to the overall operating framework of the practices, systems, organisational structures, management philosophy, code of conduct, policies, procedures and actions in the Company. These controls are embedded in all operations across the organisation.

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system. This is reviewed regularly by the Board, its Committees, Management and the external/internal audit function.

Group Internal Control Framework

Internal Control at FPCNL adheres to the standard COSO 2013 framework, which describes the structure and methodology through which we effectively and efficiently develop our internal control systems to mitigate risks to acceptable levels. The framework supports sound decision-making, governance and the delivery of strong performance. The framework is made up of five components:



1. Control Environment

The Board and Management establish an effective control environment through communication and by setting the tone at the top. The oversight role includes, among other responsibilities, ensuring that quality accounting policies, internal controls and independent and objective statutory auditors are in place to prevent and detect fraud, and material errors in financial reporting.

To this end, the Board and Management ensure that the Company has robust risk management policies in place, the appropriate mechanisms for identifying risks and effective controls. The Board approves the organisation's annual plan and ensures that a robust budgetary process is operated with the appropriate authorisation process to regulate capital and operating expenses.

2. Risk Assessment Process

The Board and Management regularly assess the risks to which the organisation is exposed, including risks relating to financial reporting. The Company utilises a robust risk management process that entails the identification, measurement and management of risks so that they are within defined tolerance levels. This forms the basis for determining how risks will be managed and controlled in the institution.

The Company also considers whether the existing internal controls are effective in relation to the risks identified in the financial reporting process.

3. Control Activities

Control activities are a fundamental part of the Company's day-to-day operations. Management has set up a control structure to ensure control activities are defined for every business area. Control activities include authorisations, approvals, verifications, reconciliations, business performance reviews and the segregation of duties.

INTERNAL CONTROL

4. Information Communication and Technology (ICT)

The Business generates and uses relevant information from both internal and external sources to support the functioning of internal control systems. Management understands the need for a timely, reliable and accurate information flow within the organisation, effective decision-making and enhanced financial reporting. All the Company's activities are arranged in the standard operating procedure. The accessibility of information, a clear and evident plan for communicating roles and expectations are crucial to a sound internal control system.

5. Control Procedures and Monitoring

The internal control system is reviewed periodically to ensure control remains effective and fit for purpose. Evaluation procedures, which include any necessary corrective action, are built into business processes and the results are regularly communicated to Management and the Board.

Internal Control Strategy, Plan and Policies

FPCNL has an internal control plan and programme approved by the Board and implemented by the Internal Control department.

Other means used to manage risk include transferring risk to third parties, risk sharing, contingency planning and withdrawal from unacceptably risky activities.

The Company operates in an environment that is continuously exposed to uncertainties and changes that may prevent the organisation from achieving its strategic business objectives.

Thus, FPCNL has established internal control measures covering all business units to manage these risks effectively. These measures include:

- Verification and authentication of all clients' instructions;
- Maker/checker control on all transactions;
- Independent reviews of all processed instructions by control and audit staff;
- Control of access to data and restricted areas; and
- Effective backup and disaster recovery processes.

Account activity is sent to clients daily to aid regular monitoring of inflow and outflow into clients' accounts.

Notable Events in 2020

- Workshop on 'Risk Identification and Review of Risk Register' was held for all critical functions during the reporting year
- Compliance, Risk Management and cyber-security trainings were held for all personnel during 2020
- The Company joined the rest of the world in marking the annual compliance and ethics week from 7 to 13 November 2020
- Reduction in the number of operational errors through a sound internal control framework and risk culture
- The Company's Standard Operating Procedures were reviewed to reflect current practice
- An enterprise-wide risk review was conducted in conjunction with all stakeholders. Pertinent risk issues were identified and appropriate mitigation strategies adopted
- Regular publication of e-flyers to reiterate/awaken the control consciousness of the processors.

INTERNAL CONTROL

Priorities for 2021

- Ensure that the Company's resources are utilised only for their intended purposes
- Expand the scope of control review and monitoring to ensure compliance with policies and procedures
- Prevention of financial irregularities by prompt detection and regularisation
- Deployment of more technology for control and reconciliation functions
- Regular communication of updates and reminders of policies and procedures to staff
- Continuous assessment of the level of internal control required to protect FPCNL's assets and records related to identified risks
- Monitor the alignment of achievements with strategies
- Improve the monitoring of corporate governance
- Drive acceptable behaviour and de-incentivise misconduct

WHISTLEBLOWING PROCEDURES

Whistleblowing is the process of escalating wrongdoings, illegal acts or unlawful conducts, e.g., fraud, corruption, bribery or theft. The Board of First Pension Custodian Nigeria Limited attaches priority to high ethical standards and integrity, and expects all its employees and officers to do the same in all their dealings. The Company's Whistleblowing Policy outlines the processes for investigating and resolving any misconduct and related issues reported through our dedicated portal or through designated senior management staff through letters, emails or phone calls. The portal allows individuals, including current or former employees, contractors, consultants or suppliers, to anonymously raise conduct issues. It also describes the whistleblowing procedure.

The Whistleblowing Policy prohibits any form of retaliation or victimisation against the whistleblower, and includes protecting the whistleblower from termination of employment, harassment and discrimination. Whistleblowers are, however, expected to act in good faith.

The Policy is in line with the Whistleblowing Guideline for Pension Operators issued by the National Pension Commission (PenCom) and other ethical codes established by the institution to ensure commitment to good corporate governance and transparency. The guidelines were circulated to all staff, and everyone is encouraged to act accordingly.

Internal Whistleblowing

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

- A formal letter to the Managing Director/Chief Executive Officer or the Chief Compliance Officer, FPCNL;
- Calling or texting the dedicated phone number 08023407776;
- Calling: Ext 7807 or 7849;
- Emailing the Managing Director: timi.george@firstpensioncustodian.com;
- Emailing the Chief Compliance Officer: tunde.folayan@firstpensioncustodian.com;
- Using the whistleblowing portal on www.firstpensioncustodian.com; and
- Contacting the PenCom through its website pencom.gov.ng.

External Whistleblowing

An external whistleblower may raise concerns by declaration or anonymously using any of the following channels:

- A formal letter to the Managing Director/Chief Executive Officer or the Chief Compliance Officer, FPCNL;
- Calling: +234 (1) 2777807 or +234 (1) 2777849;
- Texting the dedicated phone number 08023407776;
- Emailing the Managing Director: timi.george@firstpensioncustodian.com;
- Emailing the Chief Compliance Officer: tunde.folayan@firstpensioncustodian.com;
- Emailing the Chairman: umar.yahaya@firstpensioncustodian.com;
- Using the whistleblowing portal on www.firstpensioncustodian.com; and
- Contacting the PenCom through its website pencom.gov.ng or via writing to the Director-General, PenCom, Plot 174 Adetokunbo Ademola Crescent, Wuse II, Abuja.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of First Pension Custodian Nigeria Limited together with the audited financial statements and auditor's report for the year ended 31 December 2020.

a. Legal Form and Principal Activity

First Pension Custodian Nigeria Limited ('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 licence on 7 December 2005 to carry on the business of a Pension Fund Custodian.

The principal activity of the Company is to act as 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.

b. Operating Results

Highlights of the Company's operating results for the year are as follows:

	31-Dec-20 ₦'mn	31-Dec-19 ₦'mn
Gross Earnings	7,757,974	7,539,995
Profit Before Tax	5,344,518	5,185,072
Taxation	(1,613,450)	(873,371)
Profit After Tax	3,731,068	4,311,701

c. Dividends

The Directors proposed a dividend of ₦1.12 per ordinary share for the financial year ended 31 December 2020 (31 December 2019: ₦1.29).

d. Directors and their Interest

The Directors who held office during the year and to the date of this Report and their interests are shown below:

- Umar Yahaya - Chairman
- Kunle Jinadu* - Managing Director
- Oloruntimilehin George** - Managing Director
- Bunmi Aderonmu** - Executive Director
- Ijeoma Nwogwugwu - Non-Executive Director
- Dr Bayo Odeniyi - Independent Non-Executive Director
- Dr Philip Olufunwa - Non-Executive Director
- Dr Remi Oni*** - Non-Executive Director
- Mercy DaSilva - Non-Executive Director
- Patrick Iyamabo**** - Non-Executive Director

The Directors do not have any direct and indirect interests in the issued share capital of the Company (2019: Nil) as recorded in the register of Directors' shareholding and/or as notified by the Directors for the purposes of Sections 301 and 302 of the Companies and Allied Matters Act 2020.

e. Directors' Interest In Contracts

For the purpose of Section 303 of the Companies and Allied Matters Act 2020, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Company during the year.

*Retired effective 12 April 2020

**Appointed effective 1 March 2020

***Resigned effective 22 October 2020

****Appointed effective 3 December 2020

DIRECTORS' REPORT

f. Shareholding Analysis

According to the statement of share capital and return of allotment of shares, the shareholders of the Company as at 31 December 2020 were as follows:

Shareholder	Number of shares held	% holding
First Bank of Nigeria Limited	1,999,999,999	99.99999995
Dr Adesola Adeduntan	1	0.00000005
	2,000,000,000	100%

g. Property and Equipment

Information relating to changes in property, plant and equipment is given in Note 16 to the financial statements. In the Director's opinion, the realisable value of the Company's property and equipment is not less than the value shown in the financial statements.

h. Donations and Charitable Gifts

The Company did not make any donations during the 2020 financial year (2019: Nil).

i. Human Resources

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 provides medical facilities to its employees and their immediate families at its expense.

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.

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 is arranged to ensure that they fit into the Company's working environment.

Employees' involvement and development

The Company encourages the participation of employees in arriving at decisions that concern matters affecting their wellbeing, through various forums including town hall meetings. To this end, the Company provides opportunities (formal and informal channels) for employees to deliberate on issues affecting the Company and employee interests, with a view to providing input for decision-making.

In accordance with the policy of continuous development, the Company organises in-house and external trainings for its employees.

Diversity in Employment

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

Gender Analysis

(i) The number and percentage of males and females employed as at 31 December 2020 vis-à-vis total workforce is as follows:

	Number		%	
	Male	Female	Male	Female
Employees	57	24	62	38

(ii) Gender analysis in terms of Board and Top Management as at 31 December 2020 is as follows:

	Number			%	
	Male	Female	Total	Male	Female
Board	5	3	8	63	37
Management	6	3	9	67	33

j. Events Occurring After Reporting Period

There are no events after the reporting date that could have a material effect on the financial position of the Company as at 31 December 2020, and the financial performance for the year ended on that date that has not been adequately provided for or disclosed in the financial statements.

Auditor

Messrs KPMG Professional Services, which was appointed as the auditor of the Company in September 2020, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as auditor to the Company. In accordance with Section 401(2) of the Companies and Allied Matters Act (CAMA) 2020, the auditors will be re-appointed at the next Annual General Meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Adeyoola Adebayo
FRC/2015/NBA/00000012468
Company Secretary
18 February 2021

Risk Overview

RISK SUMMARY

As a leading Nigerian Pension Fund Custodian, the Board and Management of FPCNL understand that having effective and integrated risk management is key to the success of both our Business and clients. This helps us deliver long-term shareholder value and protect our Company, people, assets, capital and reputation. To this end, the organisation has adopted a conservative approach underpinned by a sound risk culture. FPCNL's robust Risk Management framework and risk culture are embedded across all functions.

The Company continued to grow its balance sheet profitably and judiciously during 2020 despite the economic turbulence and new risks resulting from the COVID-19 pandemic. Adherence to Board-approved risk appetite has remained strong throughout the period. The Company has further strengthened its core ratios in an uncertain economic, political and regulatory environment.

While ensuring appropriate support to our clients, we have taken measures to guarantee our risk management's ongoing effectiveness, maintaining a strong and resilient team, certifying that areas of growth are well-controlled and sustainable.

Risk Profile and Mitigation

The Company's risk profile has been managed in line with the Board-approved risk appetite, coupled with strong financial performance. The performance against key risk indicators has been strong throughout the year 2020. Our risk profile is managed according to our desired acceptance of risk.

The Company maintains risk registers that include details of risks identified and the controls or mitigating actions used in managing them. Overall, FPCNL's risk appetite did not change materially compared to the previous year. Our identified key risks are set out in the diagram below:

Major Risk Faced by First Pension Custodian Nigeria Limited

- Regulatory Compliance Risk
- Operational Risk
- Reputational Risk
- Liquidity Risk
- Information Security Risk
- Market Risk
- Legal Risk

Principal Risk Mitigants

Regulatory Compliance Risk

There is an established compliance function that actively identifies, assesses and monitors adherence with current regulation and the impact of emerging regulation.

Operational Risk

A strong culture of transparency and escalation has been cultivated throughout the organisation. The operational risk function ensures a risk management model that is well-embedded and consistently applied.

Reputational Risk

FPCNL strives to maintain quality client service/procedures and business operations that enable compliance with regulatory rules, and legislation to minimise the risk of a decline in the reputation of the Company.

RISK SUMMARY

Liquidity Risk

The Company actively manages its liquidity and funding profile within its risk appetite confines as set out in the Liquidity Risk Policy.

Information Security Risk

FPCNL established a sound and robust IT risk management framework. The framework gives the confidence that IT can deliver business value proficiently and securely while providing high-quality assurance in data integrity, and the availability and confidentiality of its information assets.

Market Risk

The Company proactively manages its risk profile regarding adverse movements in interest rates, inflation, foreign exchange rates and counterparty exposures.

Legal Risk

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

FOCUS IN 2021

The risk function has the following responsibilities:

- Preparing for significant risks associated with the foreseeable mergers/acquisitions in the pension industry and new regulations/guidelines that may be released during the year;
- Conducting a Vulnerability Assessment and Penetration Test;
- Continuously tracking risks associated with the Micro Pension Plan, the transfer window and remote working;
- Performing periodic Business Continuity and Disaster Recovery Tests;
- Improving risk awareness and enhancing the risk culture company-wide;
- Further reviewing and updating the risk register;
- Allocating more resources to information/cyber risk reviews and increasing review capability of the same;
- Improving on the use of technology for monitoring risks;
- Liaising with process owners and IT on further automation and innovation;
- Collaborating with the Group's Risk Management team and FirstAcademy;
- Continuing to review process areas to proactively identify new risks and reduce process redundancy;
- Reviewing and continuously improvementing the format of the risk management report;
- Continuing to provide subject expertise and collaborate with the risk owners to agree and support a consistent approach to risk register management across the organisation; and
- Conducting an annual review of the risk management strategy.

RISK SUMMARY

Managing Emerging Risk

Emerging risks are those that do not currently exist but may occur in the future due to changes in the environment. Adequate controls will be put in place to mitigate risks due to industry initiatives implemented in the coming year. Such initiatives include:

- A transfer window to enable contributors under the Contributory Pension Scheme to change their Pension Fund Administrators; and
- Development and utilisation of suitable products to invest pension funds in infrastructure and real estate.

CONCLUSION

Risk is an area that provides both challenges and opportunities. FPCNL will continue to proactively assess and manage the risks associated with its Business and areas of operations to meet its transformation objectives. We are confident that the continued focus on our areas of priority over the next year will sustain improvement in the maturity of the Company's risk management practices and lead to better customer and risk outcomes.

Risk-related matters in FPCNL are championed by the Head, Risk Management department with Management support, while the Board provides an oversight function.

RISK MANAGEMENT

Risk management is about understanding the uncertainties that our Business faces and developing strategies to either benefit from them or minimising their impact on achieving our purpose and strategy. With factors such as the advancement of new emerging technologies, the shifting of societal expectations, elevated regulatory oversight, uncertain macroeconomic conditions, the changing environment and the competitive landscape, financial institutions are increasingly exposed to greater uncertainty levels and require innovative and robust management practices.

Our risk management is organised along the 'three lines of defence' model and implemented in line with policies approved by the Board of Directors, PenCom guidelines and best practices. In this model, Management control is the first line of defence in risk management, the various risk control and compliance oversight functions established by Management are the second, and independent assurance is the third.

Within this framework, the Board is responsible for designing, implementing and operating an adequately functioning risk management and control framework within the Company. Through the framework, risks are identified and managed, supporting our operations' effectiveness and efficiency, and compliance with laws and regulations.

Risk Governance Framework

FPCNL is committed to ensuring that its risk management practices reflect a high governance standard. 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 of the effectiveness and compliance with the Enterprise Risk Management framework and the underlying risk management policies and procedures.

The executive function has the day-to-day responsibility for managing the Company's risk profile within the defined risk appetite, with oversight and guidance provided by the Board and its Risk Committee. The Head, Risk Management, is responsible for ensuring an independent risk oversight and reporting function and undertaking its second line responsibility.

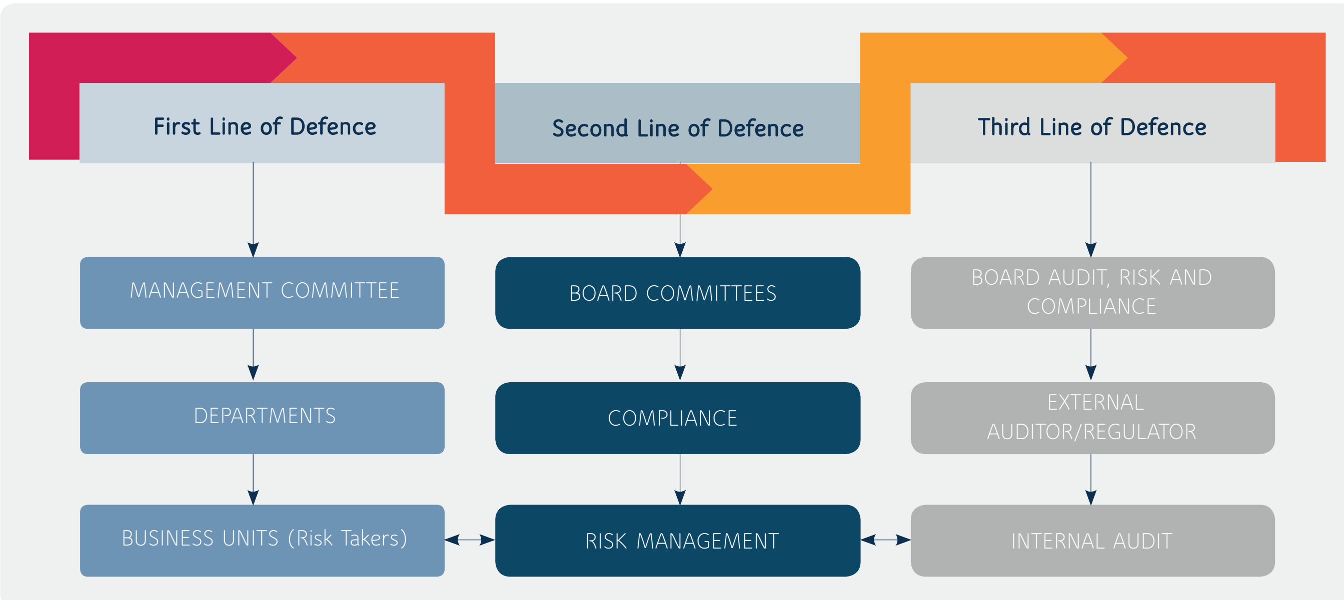
Under FPCNL's risk management framework, staff are responsible for identifying, measuring, evaluating, monitoring, reporting and managing material risk, including cyber, legal, liquidity, regulatory and compliance, market, operational and reputation risks. The Company operates a 'three lines of defence' model to create and promote a culture that emphasises effective operational management and adherence to operating controls.

First Line of Defence – business managers throughout FPCNL ensure they manage risks appropriately.

Second Line of Defence – the risk management function independently assesses all material risks.

Third Line of Defence – Internal Audit/Control independently reviews and challenges the Company's risk management controls, processes and systems.

RISK MANAGEMENT



FPCNL's approach to the effective and prudent management of key risks is at the forefront of our business strategy. We use a multi-layered approach to ensure identification, awareness and effective management of our business-related risks, including sustainability risks that identify business opportunities arising from changing conditions.

At FPCNL, we recognise that businesses today need to integrate sustainability and risk management into their strategy to minimise potential losses and 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 sustainable communities.

Our risk governance framework, which the Board owns, ensures the appropriate oversight of and accountability for the effective management of risks and has been developed to monitor and manage the business's risk profile at all levels. The Company's exposure to market, reputational, legal, liquidity and operational risks are monitored and managed by our risk function, taking account of economic, regulatory and rating perspectives.

Risk Appetite

Recognising that there are inherent risks associated with pursuing growth opportunities in achieving its strategic objectives, FPCNL's risk appetite expresses the aggregate level of risk that the organisation is willing to assume in this context. While the risk philosophy articulates how inherent risks are considered when making decisions, the Board and Management of the organisation determine the acceptable risks based on its capabilities in terms of capital, people and technology. The risk appetite is set annually by the Board, and it aims to minimise the erosion of earnings or capital due to avoidable losses, and to drive business initiatives without loss of value or unmitigated exposures to related risks. The appropriate level of acceptable risk is FPCNL's approved enterprise risk management framework.

In line with FPCNL's risk appetite, we are strongly committed to maintaining a moderate risk profile. The risk profile is managed based on an integrated risk management framework. In this framework, all types of risks are identified to provide an integrated view of the organisation's risk profile.

RISK MANAGEMENT

The Company's risk appetite is governed by:

- Efficient operations, sound internal control, and respect for law and regulations;
- Avoidance of losses due to fraud and operational lapses;
- Minimising exception reporting by auditors, regulators and external rating agencies;
- Averting adverse publicity in the local and international press;
- Avoidance of litigation;
- Avoidance of regulatory penalties and fines; and
- Not compromising its reputation through unethical, illegal or unprofessional conduct.

Risk Principle and Culture

The Company's risk culture provides guiding principles for the behaviours expected from our people when managing risk. It is continuously being maintained and improved. At FPCNL, the primary responsibility for risk management, including risk culture, is at the business level. A key priority of the Board and Management is to ensure our risk culture is one of accountability, empowerment, constructive challenge, reflection and striving for best risk management practices. The key elements that define an effective risk culture at FPCNL include:

- 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; and
- The integration of risk into the decision-making process.

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

- **Customer Interests:** Customer outcomes and conduct risk are central to all aspects of FPCNL's Business and control functions.
- **Proportionate and Commensurate:** The ERM framework reflects the complexity of the Company's business model and is scalable to accommodate future growth.
- **Defined Risk Appetite:** Risks are assumed subject to defined qualitative statements and quantitative limits and thresholds.
- **Coverage:** All principal risks are identified, assessed and managed based on robust systems and controls.
- **Risk Governance:** Risk-taking and oversight responsibilities are appropriately segregated in adherence to the three lines of defence' model.
- **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 shape its risk culture. The Board and Management have cultivated a risk culture that encourages a proactive, transparent and informed approach to risk management in a balanced manner, considering stakeholder expectations and good customer outcomes.

EMERGING RISKS

In addition to our principal risks managed through a risk framework, policies and risk appetite, we also maintain an inventory of emerging risks. Emerging risks are those risks with largely unknown components whose impact could set in over time. At present, these risks could be deemed inconsequential; however, in the longer term, they could individually or collectively affect FPCNL's strategy and cause the same outcomes as material risks. The Management of FPCNLhas identified the following emerging risks that may affect the Business.

RISKS	KEY MITIGATING STRATEGIES
Regulatory and Compliance Risks Given the growing scale and complexity of regulatory changes, there may be instances whereby the Company's response to new regulatory requirements may be subject to interpretation risk.	The Company has an established compliance function that actively identifies, assesses and monitors adherence with current regulation and the impact of emerging regulation. To curtail the occurrence of regulatory risk, FPCNL engages with industry bodies such as the Pension Fund Operators Association of Nigeria, maintains a proactive relationship with key regulators and seeks external advice from our professional advisers. During 2020, the Company responded effectively to a wide range of regulatory changes impacting its primary products. The compliance function organises compliance periodic awareness training and circulates PenCom regulations, circulars and Board approved internal policies.
Operational Risk The Company's operational processes, systems and controls are intended to reduce disruption to customers, minimise damage to the Company's reputation and forestall any detrimental impact on financial performance.	The Company actively encourages the continual growth of its operating environment by identifying, evaluating and mitigating risks, while acknowledging that the complete elimination of operational risk is unlikely. Appropriate steps are also taken to control major operational risks before they adversely affect operations, and consequently, the Business. These steps include: • Zero tolerance for regulatory infractions and penalties; • The highest ethical standards; • Zero tolerance for fraud; • Appropriate policies and processes; • Appropriate risk assessment and controls for exploiting new business opportunities; and • Low tolerance for system downtimes and business disruptions.

EMERGING RISKS

RISKS	KEY MITIGATING STRATEGIES
Reputational Risk This is the risk that an organisation's reputation, high esteem and honour may be affected through negative publicity from its business practices, corporate interactions or financial status. Reputational risk is a risk of corporate trust and can expose the Company to loss of customers, financial loss, regulatory sanctions and costly litigation. This risk affects the Company's ability to establish new relationships or services, and retain existing relationships.	In 2020, the Company strived to maintain high-quality client service/ procedures and business operations that enable compliance with regulatory rules and legislation to minimise the risk of a decline in the Company's reputation. FPCNL also promoted proper business ethics among its employees. The Company did not compromise its reputation through unethical, illegal or unprofessional conduct. Management creates awareness among all members of staff on the need to be more diligent in the conduct of transactions, ensure the provision of quality services to clients and apply best practices in dealing with all stakeholders. Furthermore, FPCNL continued to maintain zero appetite for association with disreputable individuals and entities.
Liquidity Risk The Company has a judicious approach to liquidity management by maintaining sufficient liquid resources to cover cash flow imbalances and fluctuations in funding under normal and stressed conditions arising from market-wide and Company-specific events.	The Company's liquidity risk appetite has been tuned to ensure that the Company is able to operate with adequate exigencies for unexpected pressures while actively minimising the risk of holding excessive liquidity, which would adversely affect the financial efficiency of the Business. During 2020, the Company actively managed its liquidity and funding profile within risk appetite confines as set out in the Liquidity Risk Policy. The capability 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. FPCNL ensures that it maintains adequate liquidity, including high liquid assets, to withstand various stress events and is able to settle its financial obligations. Most of the Company's transactions are naira denominated. Therefore, the fluctuations in foreign exchange currencies did not negatively impact the organisation. Other techniques used to mitigate this risk were cash flow planning and other liquidity management.

EMERGING RISKS

RISKS	KEY MITIGATING STRATEGIES
Information Security Risk The advancement of IT has caused 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 organisations, but a key enabler for business strategies and meeting customer needs.	One aspect of information security risk is the use of ICT systems and other infrastructure in business conduct. In the case of a disaster, either natural or man-made, that may render existing buildings and/or infrastructure inoperable, contingency plans are in place to mitigate this risk. Consequently, 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 these measures, data is backed up 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.
Market Risk This is the risk of loss in balance sheet positions resulting from the adverse movement in the foreign exchange rate, interest rate and counterparty exposures. Where the Company may encounter market risks, the finance function ensures these risks are managed and controlled according to the investment policy while optimising returns on risk.	The Company diligently manages its risk profile regarding adverse movements in interest rates, foreign exchange rates and counterparty exposures. Interest rate exposure is continuously mitigated through portfolio diversification within limits set and approved by the Board. Exchange rates and counterparty exposure are managed by ensuring that most contracts are naira denominated.
Legal Risk This is the risk of actual or threatened litigation against the Company. Legal risk can cause substantial costs to the Company, disrupt its operations, and reduce earnings and capital. The risk has enormous cost implications to the organisation and affects its reputation.	The Company mitigates this risk by monitoring new legislation, raising awareness of legislation among employees, entrenching sound corporate governance, identifying significant legal risks, assessing their potential impact and establishing adequate mitigating controls. In 2020, legal risk management was executed through the proper management of various sources from which this risk could occur. Some of the controls adopted include: • Service level agreements (SLAs) executed between clients and various service providers; • The SLAs were monitored to ensure compliance; • Continuous review and monitoring of contingent liabilities report; 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 risks were well managed, and there has been no litigation incident involving the Company.

PRINCIPAL RISKS

The FPCNL's ERM framework is designed to govern, identify, measure, manage, control and report the principal risks to which the organisation is exposed. The principal risks are broadly categorised as follows:

OPERATIONAL RISK

This is a risk of loss (direct or indirect) due to inadequate or failed internal processes, personnel (human factors) and systems, or from external actions. It is a risk linked with the Company's work ethics, quality of personnel, processes and procedures. Examples of operational risks are the breakdown of IT systems leading to loss of manhours, embezzlement, inadequate reconciliation of accounts, inappropriate follow-up on stock positions or corporate action entitlements, wrong and delayed treatment of client's instructions, misappropriation of assets and fraud.

There could be a significant impact of operational risk on FPCNL if allowed to crystallise. This risk could result in financial loss that negatively effecting FPCNL's shareholders' funds and leads to eventual losses for shareholders, causing reputational damage to the Business.

Risk Management and Mitigation

A strong culture of transparency and escalation of matters has been cultivated throughout the organisation, with the operational risk function ensuring that a risk management model is prominently embedded into the Business and consistently applied. In addition, a community of Risk Champions representing each business line and the functional area has been put in place. Operational Risk Champions ensure that the operational risk identification and assessment processes are consistently established across the Company.

In line with best practice, the measures employed in managing these risks are:

- Documented procedures and process flow for all business units;
- Maker-checker control process put in place;
- Well-defined risk assessment procedures;
- Enhanced staff training;
- Issuance of regular risk awareness e-flyers and relevant deterrent circulars;
- Job rotation and segregation of duties;
- Continuous improvement of Company policy and processes;
- Implementation of the Whistleblowing Policy to encourage staff to report unethical activities to the Chief Compliance Officer/Head, Compliance Board and PenCom where necessary; and
- Risk transfer (insurance arrangement).

PRINCIPAL RISKS

REGULATORY COMPLIANCE RISK

These are risks to the Company emanating from non-adherence to rules and regulations specified in the PenCom guidelines and by other regulatory bodies. The risks include the release of pension funds for unapproved/prohibited investment, payment without PenCom approval, late submission of regulatory returns, failure to deduct and remit tax, and other regulatory non-compliance issues.

The crystallisation of regulatory compliance risk may result in regulatory sanctions, financial or reputational loss, and in extreme cases, the withdrawal of the operating licence and outright closure of the Business.

The Compliance function, 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. The department ensures that statutory and regulatory requirements are adhered to, and that breaches are promptly reported.

Risk Management and Mitigation

To ensure sustainable services to our clients and all stakeholders, as well as mitigating the possible impact of regulatory compliance risks, FPCNL has measures such as whistleblowing guidelines, Nigerian Code of Corporate Governance and Ethics issued by PenCom, independent compliance checks on all transactions, Know Your Customer guidelines, compliance and risk training, adequate monitoring of all rules affecting our Business and a copy of the staff handbook signed-off by all staff. Employees are also encouraged and empowered to report any violation of rules and regulations without fear of victimisation.

Risk mitigants include the early identification, appropriate assessment and measurement, and reporting of risks. The primary risk mitigants for regulatory risk are the presence of proper controls in place throughout the Business and the effective planning for and execution of regulatory change.

PRINCIPAL RISKS

REPUTATIONAL RISK

This relates to events that result in the impairment or damage to the trustworthiness and standing of the Company with its stakeholders, in its market and its wider environment. Misalignment of values causes risk to reputation, with the organisation failing in some ways to meet stakeholders' expectations. As reputation is a relational concept, this failure can manifest in different ways – from mild disappointment to extreme outrage. This risk undermines public interest, integrity and trust in a Company's brand.

Reputational risk arises from differences between stakeholders' current and emerging perceptions, performance, behaviours, beliefs and expectations relative to our current and planned activities. This risk typically materialises through a loss of business in the areas affected.

Reputation is not a stand-alone risk but overlaps with other risk areas and may often result from external events or operational risk-related issues. FPCNL reviews reputational risk as part of the annual risk identification process. The Company's reputation is considered in decision-making, which is paramount in mitigating reputational risk.

Risk Management and Mitigation

FPCNL has continued to adopt practical measures to manage risks of loss that directly or indirectly impact earnings, capital adequacy or value that are caused by:

- Adverse perceptions of the Company by any of its customers, the community, shareholders, investors, regulators or rating agencies; or
- Conduct risk associated with the organisation's employees or contractors (or both).

To mitigate this type of risk, the Company has adopted and implemented customer feedback mechanisms, counter-party's relation management, quality services to customers and identifies, assesses and investigates grievances and complaints of customers.

FPCNL also manages reputational risk by maintaining a positive and dynamic culture that:

- Ensures we act with integrity; and
- Enables us to build strong and trusted relationships with customers, clients, colleagues and the wider society.

We have well-established decision-making frameworks and policies to ensure our business decisions are guided by sound social and environmental standards that consider reputational risk.

PRINCIPAL RISKS

LIQUIDITY RISK

Liquidity risk is the possibility of the Company being unable to meet its financial obligations as and when due. A Company is said to face liquidity risk if it does not have enough cash or liquid assets to meet its short-term obligations. The main uncertainty for liquidity risk is that debts are not settled as they fall due or meeting financial obligation at high costs, resulting in insolvency and eventual damage to the Company's reputation.

Liquidity risk arises from differences in timing between cash inflows and outflows. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets. Funding risk is the risk that the Company does not have sufficiently stable and diverse sources of funding or has an inefficient funding structure.

The Company implements these strategies in managing its liquidity risk:

- Effective cash flow planning;
- Strive to achieve a balance between maximising profit and maintaining liquidity;
- Diversified funding sources;
- Avoiding and minimising concentration on volatile sources; and
- Efficient asset and liability management.

The Chief Financial Officer manages the Company's liquidity management process under the Managing Director's direct supervision 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.

Risk Management and Mitigation

FPCNL manages its liquidity prudently by ensuring a diverse funding base. Our funding plans include a portfolio of liquid assets, effective cash flow planning and marketable securities that can be realised if liquidity stress occurs, and efficient asset and liability management.

The Company uses a number of measures to monitor and manage liquidity and funding risks. These include ratios, deposit outflow triggers, liquidity triggers, stress scenarios and early warning signals. Liquidity risk is measured using stress testing and scenario analysis.

FPCNL has a contingency funding plan that incorporates early warning indicators to monitor market conditions. The Company consistently monitors its liquidity position and funding strategies. Still, it recognises that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. Contingency funding plans are reviewed in the light of evolving market conditions and stress test results.

The Company has adopted both qualitative and quantitative approaches to measuring liquidity risk. These approaches are:

- Funding and liquidity plan;
- Gap analysis; and
- Ratio analysis.

PRINCIPAL RISKS

LEGAL RISK

Legal risk is the risk of loss to an institution due to actual, or threatened litigation, primarily caused by a defective transaction. The risk can cause substantial costs to the Company, disrupt Company operations and reduce the Company's earnings and capital.

The legal risk policy framework provides guidelines for Management to strengthen legal risk controls in order to enhance overall risk management in the Company.

The specific goals of the Company's legal risk management policy are to:

- Establish a process that allows the Board and senior management to remain informed of pending litigation or existing litigation;
- Provide a consistent framework to assess the potential losses that may result from pending or existing litigation;
- Establish a procedure for reviewing new relationships and services for litigation risk;
- Determine the capital required to cover potential negative judgements or settlements; and
- Ensure that all contracts entered by the Company are enforceable and that the Company is not exposed in any way.

The legal service of FPCNL is being performed by FirstBank legal department under a shared service arrangement.

Risk Management and Mitigation

The Company is cognizant of the potential losses that can arise where a financial institution faces a negative court judgement, where a contract does not provide the required legal protection, or where it incurs liability for damages to third parties. To this end, it has established a shared service arrangement with FirstBank Legal department, that focuses on managing and mitigating legal risk.

The legal risk function, as part of the legal risk management process:

- Ensures that service agreements are executed between the Company and its services providers;
- Reviews and monitors legal claims made against the Company; and
- Obtains independent legal opinions on all litigation instituted against FPCNL.

FPCNL mitigates legal risk by strict adherence to sound business practices, avoidance of litigation against the Company and strict adherence to the SLAs between the Company and other parties.

Internal Audit is responsible for reviewing controls and data regarding the Company's custodial and service level agreements and responding to changes in the pension environment.

If actual or threatened litigation is identified, the legal services unit shall assess and manage the risks associated with the litigation and other legal matters.

PRINCIPAL RISKS

INFORMATION SECURITY RISK

Information security risk is a business risk that pertains to the confidentiality, integrity or availability of an information system. It is a risk associated with the dissemination and flow of information within an organisation via information assets. This risk can expose the Company to financial loss, customer dissatisfaction, and regulatory breaches; it could also compromise the confidentiality, integrity or availability of information.

Given the importance of Information Technology, FPCNL instituted a sound and robust IT risk management framework that provides confidence that IT can deliver business value efficiently and securely while giving high-quality assurance around data integrity, availability and confidentiality of its information assets.

Information security control is being built into all processes and procedures by developing appropriate safeguards.

The Company's information security risk management framework ensures that information assets are always protected. The Management and all staff share this responsibility through programmes targeted at increasing staff knowledge and client protection.

Risk Management and Mitigation

FPCNL manages this risk through compliance with all relevant information security certification requirements and builds the appropriate information security controls into all processes and procedures. A disaster recovery site is provided in the event that either a natural or man-made disaster renders existing buildings and/or infrastructures useless.

This alternative location is regularly tested and provides online replication of the main office's transactions.

Furthermore, data is backed up 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 has embarked on an enterprise-wide comprehensive awareness/education campaign to ensure that the culture of information protection is entrenched and the risks associated with improper handling of information are mitigated.

With the advent of the 'new normal' due to the COVID-19 pandemic and its associated exposures, the Risk Management, in conjunction with other relevant stakeholders' has developed a robust Remote Work Policy to align the Company's modus operandi with current realities.

PRINCIPAL RISKS

MARKET/INVESTMENT RISK

Over the years, the Nigerian financial market has witnessed a dramatic expansion in the array of financial services and products offered. This tremendous growth in scale and scope has also generated new risks with global consequences, especially market risk, necessitating an assessment of exposure to the underlying risk drivers' volatility.

Market risk arises from unexpected falls in the market value of the Company assets, possibly reducing the desired solvency level and the need for additional capital. The risk could also be viewed as the risk of loss, or adverse change in financial situation, resulting directly or indirectly from fluctuations caused by 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.

Risk Management and Mitigation

FPCNL's capital and earnings are exposed to risk due to changes in market price. Consequently, the Company has a robust market risk management framework to reduce exposure to changes in interest rate, foreign exchange and equity prices. The aim is not to avoid these risks, but to ensure exposure to these risks through our financials and pension funds' book positions are kept within the Company's defined risk appetite and tolerance.

The Company has a well-defined investment policy that guides how the Company fund is invested in diversified government portfolios and highly rated counterparties.

FPCNL recognises that the effective management of market risk/investment is essential to maintaining stable earnings, preserving capital resources and achieving the Company's strategic objectives.

Financial Statements

CORPORATE INFORMATION

DIRECTORS	
Umar Yahaya	Chairman
Kunle Jinadu *	Managing Director/Chief Executive Officer
Oloruntimilehin George**	Managing Director/Chief Executive Officer
Bunmi Aderonmu**	Executive Director
Ijeoma Nwogwugwu	Non-Executive Director
Dr Bayo Odeniyi	Independent Non-Executive Director
Dr Philip Olufunwa	Non-Executive Director
Dr Remi Oni***	Non-Executive Director
Mercy Dasilva	Non-Executive Director
Patrick Iyamabo****	Non-Executive Director
	* Retired effective 12 April 2020
	** Appointed effective 1 March 2020
	*** Resigned effective 22 October 2020
	**** Appointed effective 3 December 2020
REGISTERED OFFICE	6 Maduike Street,
	Off Raymond Njoku Street,
	Ikoyi,
	Lagos.
AUDITOR	KPMG Professional Services
	KPMG Tower
	Bishop Aboyade Cole Street
	Victoria Island
	PMB 40014, Falomo
	Lagos.
COMPANY SECRETARY	Adeyoola Adebayo
	FRC/2015/NBA/00000012468
BANKER	First Bank of Nigeria Limited
RC NUMBER	631471

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and Financial Reporting Council of Nigeria Act, 2011, the Pension Reform Act 2014 and the National Pension Commission (PENCOM) guidelines.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the years ahead.

SIGNED ON BEHALF OF THE BOARD BY:

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223
18 February 2021

Oloruntimilehin George
Managing Director/CEO
FRC/2020/003/00000021829
18 February 2021

REPORT OF THE BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2020

In compliance with the provisions of Section 404(7) of the Companies and Allied Matters Act 2020, the members of the Board Audit, Risk and Compliance Committee report on the financial statements for the year ended 31 December 2020 as follows:

1. The scope and planning of the audit were adequate in our opinion.

2. The accounting and reporting policies of the Company are in accordance with statutory requirements and agreed ethical practices.

3. The internal control was being constantly and effectively monitored.

4. The external auditors' management report received satisfactory response from Management.

Dr Bayo Odeniyi
Chairman, Audit, Risk and Compliance Committee
FRC/2015/VCN/00000011082
18 February 2021

MEMBERS OF THE COMMITTEE

Dr Bayo Odeniyi	- Chairman
Ijeoma Nwogwugwu	- Member
Dr Philip Olufunwa	- Member
Mercy Dasilva	- Member

INDEPENDENT AUDITOR'S REPORT

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

To the Shareholders of First Pension Custodian Nigeria Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Pension Custodian Nigeria Limited (the Company), which comprise:

- the statement of financial position as at 31 December, 2020;
- the statement of profit or loss and statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Pension Reform Act 2014 and the National Pension Commission (PENCOM) guidelines

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 the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on the financial statements on 27 February 2020.

KPMG

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Results at a glance, Directors' Report, Corporate Governance Report, Report on the outcome of the Board Evaluation, Statement of Directors' Responsibilities and Other national disclosures, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does 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 the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Pension Reform Act 2014 and the National Pension Commission (PENCOM) guidelines, and for such internal control as the 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, the Directors are responsible for assessing the Company'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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

KPMG

- Conclude on the appropriateness of 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 the Board of Directors and the Board Audit, Risk and Compliance Committee 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 Board of Directors and the Board Audit, Risk and Compliance Committee 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, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

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

ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.

iii. The Company's statement of financial position, statement of profit or loss and statement of comprehensive income are in agreement with the books of account and returns;

A. A. Oyelami

Adegoke Oyelami, FCA
FRC/2012/ICAN/00000000444
For: KPMG Professional Services
Chartered Accountants
12 March 2021
Lagos, Nigeria

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 ₦'000	31 December 2019 ₦'000
Custody fees	7	**6,619,982**	5,973,447
Interest income calculated using the effective interest method	8	**1,130,400**	1,558,828
Other income	9	**7,592**	7,720
Total Income		**7,757,974**	7,539,995
Personnel expenses	10	**1,072,746**	1,072,155
Depreciation of property, plant and equipment	16	**196,812**	148,401
Depreciation of right of use assets	17	**36,852**	-
Amortisation of intangible assets.	18	**17,390**	9,897
Impairment loss charge	**11**	**21,305**	48,407
Other operating expenses	12	**1,068,351**	1,076,063
Total Expenses		**2,413,456**	2,354,923
Profit before tax		**5,344,518**	5,185,072
Income tax expense	**20(a)**	**(1,613,450)**	(873,371)
Profit for the year		**3,731,068**	4,311,701
Basic and diluted earnings per share (kobo)	**31**	**187**	216

The accompanying notes form an integral part of the financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 ₦'000	31 December 2019 ₦'000
Profit for the year		**3,731,068**	4,311,701
Other comprehensive income			
Actuarial gains/(losses) on post employment obligations	22(b)	**(18,265)**	-
Deferred tax relating to components of other comprehensive income	19	**5,480**	-
Other comprehensive income for the year, net of tax		**(12,785)**	-
Total comprehensive income for the year		**3,718,283**	4,311,701

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000	Restated 1 January 2019 ₦'000
Assets				
Cash and cash equivalents	13	**2,191,766**	3,809,490	1,827,967
Investment securities	14	**10,342,165**	7,513,516	10,547,474
Trade and other receivables	15	**832,097**	916,412	832,557
Property, plant and equipment	16	**4,104,652**	3,597,017	1,534,960
Right of Use assets	17	**98,963**	135,815	-
Intangible assets	18	**194,283**	204,848	4,434
Deferred tax assets	19	**109,763**	132,270	150,170
Total Assets		**17,873,689**	16,309,368	14,897,562
Liabilities				
Current tax liabilities	20(b)	**2,389,346**	2,009,418	2,573,922
Other liabilities	21	**1,372,306**	1,345,856	1,146,903
Retirement benefit obligations	22	**30,646**	3,968	-
Total Liabilities		**3,792,298**	3,359,242	3,720,825
Equity				
Share capital	23	**2,000,000**	2,000,000	2,000,000
Retained earnings	24	**12,094,176**	10,950,126	9,176,737
Actuarial reserves	25	**(12,785)**	-	-
Total Equity		**14,081,391**	12,950,126	11,176,737
Total Liabilities and Equity		**17,873,689**	16,309,368	14,897,562
Pension assets under custody	26	**4,016,531,213**	3,287,050,565	2,760,627,093

These financial statements were approved by the Board of Directors on 18 February 2021 and signed on its behalf by:

Umar Yahaya
Chairman
FRC/2013/IODN/00000003223

Oloruntimilehin George
Managing Director/CEO
FRC/2020/003/00000021829

Adefemi Ogundele
Chief Financial Officer
FRC/2013/ICAN/00000001633

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital ₦'000	Actuarial reserves ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2020	2,000,000	-	10,950,126	12,950,126
Total comprehensive income for the year:				
Profit for the year	-	-	3,731,068	3,731,068
Remeasurement of defined benefit obligation, net of tax	-	(12,785)	-	(12,785)
Total comprehensive income or loss	-	(12,785)	3,731,068	3,718,283
Transactions with shareholders, recorded directly in equity:				
Dividend paid	-	-	(2,587,018)	(2,587,018)
Balance at 31 December 2020	**2,000,000**	**(12,785)**	**12,094,176**	**14,081,391**
Balance at 1 January 2019	2,000,000	-	9,176,737	11,176,737
Total comprehensive income for the year:				
Profit or loss for the year	-	-	4,311,701	4,311,701
Other comprehensive Income or loss	-	-	-	-
Total comprehensive income or loss	-	-	4,311,701	4,311,701
Transactions with shareholders, recorded directly in equity:				
Dividend paid	-	-	(2,538,312)	(2,538,312)
Balance at 31 December 2019	**2,000,000**	**-**	**10,950,126**	**12,950,126**

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000
Profit for the year		**3,731,068**	4,311,701
Income tax charge	20(a)	**1,613,450**	873,371
Profit before income tax		**5,344,518**	5,185,072
Adjustment for non-cash items:			
Write-off - PPE	16	**-**	1,260
Write-off - Fee receivable	11(a)	**-**	-4,748
Depreciation of property and equipment	16	**196,812**	148,401
Depreciation of ROU asset	17	**36,852**	-
Amortisation of intangibles	18	**17,390**	9,897
ECL Impairment adjustment	11	**21,305**	48,407
(Gain)/loss on disposal of property and equipment	9/12	**(3,786)**	13,695
Interest cost on RBO	22(b)	**642**	-
Current service cost	22(b)	**7,913**	-
Expected return on plan assets	22(b)	**(142)**	-
Changes in operating assets and liabilities			
Right of Use	17	**-**	(135,815)
Trade and other receivables	32(a)	**80,714**	(141,739)
Retirement Benefit Obligation	22	**-**	3,968
Other liabilities	32(b)	**26,450**	198,952
Cash generated from operations		**5,728,668**	5,327,350
Income taxes paid	20(b)	**(1,205,535)**	(1,419,974)
Net cashflow generated from operating activities		**4,523,133**	3,907,376
Cash flows from investing activities			
Acquisition of property, plant and equipment	16	**(706,764)**	(2,471,495)
Proceeds from sale of property, plant and equipment	32(c)	**6,103**	45,389
Acquisition of Intangibles	18	**(6,825)**	(9,618)
Sale/Purchase of investment securities	32(d)	**(2,846,353)**	3,045,880
Net cash (used in)/generated from investing activities		**(3,553,839)**	610,156
Cash flows from financing activities			
Dividend paid	24	**(2,587,018)**	(2,538,312)
Net cash (used in)/generated from financing activities		**(2,587,018)**	(2,538,312)
Net decrease)/increase in cash and cash equivalents		**(1,617,724)**	1,979,220
Cash and cash equivalents at start of year		**3,809,490**	1,830,270
Cash and cash equivalents at end of year	13	**2,191,766**	3,809,490

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 General information

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

First Pension Custodian Nigeria Limited ('the Company') is a wholly owned subsidiary of First Bank of Nigeria Limited. The ultimate parent company is
FBN Holdings Plc. Its Head Office is at 6 Maduike Street, Ikoyi, Lagos.

2 Summary of significant accounting policies

(a) Statement of compliance with International Financial Reporting Standards

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Pension Reform Act 2014 and the National Pension Commission (PENCOM) guidelines.

These financial statements were authorised for issue by the Board of Directors on 18 February 2021.

(b) Basis of measurement

These financial statements have been prepared in accordance with the going concern principle under the historical cost basis except otherwise stated.

(c) Functional and presentation currency

The financial statements are presented in Naira, which is the Company's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Assumptions and judgements about accounting policies regarding estimates have been evaluated in response to the impact of COVID-19 pandemic.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future period affected. Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 5 of the financial statements.

(e) Changes in accounting policy and disclosures

Except for the changes below, the Company has consistently applied the accounting policies set out from Note 2.4 to all periods presented in these financial statements. A number of amendments to existing standards are effective from 1 January 2020 but they do not have a material effect on the Company's financial statements. These amendments are described below:

Amendment to IAS 1 and IAS 8

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The adoption of the amendment has no impact on the Company's financial statements.

Amendments to references to conceptual framework in the IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain 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.

The adoption of the amendment has no impact on the Company's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Amendments to IFRS 9, IAS 39 and IFRS 7 were issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The adoption of the amendments has no impact on the Company's financial statements

Amendments to IFRS 16

The amendments to IFRS 16 were issued to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification and it requires lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications. Lessees that apply the exemption are required to apply the exemption retrospectively and also disclose the fact on the adoption of the exemption. The adoption of the amendments has no impact on the Company's financial statements.

(f) New standards and interpretations issued but not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

Property, Plant and Equipment – Proceeds before Intended Use: Amendments to IAS 16 Property, Plant and Equipment

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of PPE is available for use; and
- costs associated with making the item of PPE available for its intended use.
  Making this allocation of costs may require significant estimation and judgement.

The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements

A Company classifies a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting period.

The Board has now clarified that a right to defer exists only if the Company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

This new requirement may change how Companies classify their debt. How the new requirements (in particular IAS 1.72A) will apply to financial liabilities is unclear. It may change current practice and result in more debt being classified as current.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Amendments to IAS 37 regarding onerous contracts

The IASB issued 'Onerous contracts - Cost of Fulfilling a Contract' on 14 May 2020 as an amendments to IAS 37 to amend the standard regarding the costs a Company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

The amendments are effective for annual reporting periods beginning on or after
1 January 2022.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - IBOR reform Phase 2

The IASB issued 'Interest Rate Benchmark Reform - Phase 2 with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

The amendments are effective for annual periods beginning on or after 1 January 2021.

3 Summary of significant accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Assets under custody

These assets represents the value of the investments of pension fund beneficiaries/obligors, managed by their respective Pension Fund Administrators and held by the Company in its capacity as the Custodian in compliance with the Pension Reform Act 2014. 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.

3.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of discounts and value added taxes.
The revenue for the Company comprises asset based fees on pension assets. It also includes interest income which comprises interest income on funds invested and interest bearing financial assets. Other miscellaneous fees are recognised in profit or loss as Other Income. Interest income is recognised as it accrues in the Statement of Profit or Loss, using the effective interest method.

(a) Custody fees

Custody fees represents fees earned by the Company for holding pension fund assets on behalf of pension fund beneficiaries and their administrators. Custody fee income is recognized on an accrual basis as the service is rendered and is stated net of tax.

(b) Interest

Interest income are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not Expected Credit Losses (ECL). The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Interest income presented in the statement of profit or loss are interest on financial assets measured at amortised cost calculated on an effective interest rate basis.

i) Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

ii) Calculation of interest income

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

iii) Presentation of interest income

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets measured at amortised cost. Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

3.3 Other income

Other income mostly comprises of revenue generated from sources other than custody fee and investment income. All income streams are recognised when the right to receive income is established.

3.4 Financial instruments

(a) Recognition and initial measurement

The Company initially recognises placements, treasury bills, bonds and staff loans on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(b) Classification and subsequent measurement and gains and losses

Financial assets

Subsequent to initial measurement, financial assets are measured either at fair value or amortised cost, depending on their classification. On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A financial instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported to the Company's management;
- how managers of the business are compensated.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held-for-trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and 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 profit margin.
In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Gains and losses on financial instruments

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial liabilities	Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(d) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If such a modification is carried out because of financial difficulties of the borrower/counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(e) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

(f) Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

(g) Impairment

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- Cash equivalent
- Trade and other financial assets

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. This Lifetime ECL is measured using the simplified approach. The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive) and

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Lifetime ECL credit impaired financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;

- the rating agencies' assessments of creditworthiness;

- the country's ability to access the capital markets for new debt issuance and the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets measured at amortised cost.

Write-off

Loans and debt securities are written-off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally 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. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written-off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.5 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets.

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

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and placements with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost (cost plus accrued interest) in the statement of financial position.

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the liability.
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

3.8 Other liabilities

Other liabilities which consist of trade and other payables, financial liabilities and non financial liabilities. The financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of non-interest bearing liability is its discounted repayment amount. It the effect of discounting is immaterial, discounting is omitted.

3.9 Prepayments

Prepayments are carried at cost less accumulated amortisation and impairment losses.

3.10 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current Tax

Current tax comprise Company Income Tax, Tertiary Education Tax, National Information Technology Development Agency levy and Nigeria Police Trust Fund levy). Current tax also includes any tax arising from dividends. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax.
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Company during the year).

(ii) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Minimum tax

Minimum tax which is based on a gross amount outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. The Company is subject to the Finance Act (amendments made to Companies Income Tax Act (CITA)). Minimum tax is determined based on 0.5% of the qualifying Company's turnover less franked investment income.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax. The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

3.11 Intangible assets

Computer Software

(i) Recognition and measurement

Software not integral to the related hardware acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as 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 when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available-for-use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

(ii) Subsequent expenditure

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that the asset is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is 3 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(iv) Work-in-progress

Work-in-progress consists of items of intangible assets (development cost) that are not yet available for use. Work in progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of Computer software or property and equipment as appropriate.

(v) De-recognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.12 Property and equipment

(i) Recognition and measurement

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(iii) Depreciation

Property and equipment are depreciated on the straight line basis to their residual values over the estimated useful lives of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date and the depreciation method is reviewed at each financial year end. Leasehold land and buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate. Depreciation is included in profit or loss.

Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fittings	5 years
Motor vehicles	4 years
Leasehold improvements	lower of the lease term and 4 years
Right of use assets	lower of lease term or the useful life for the specified class of item

(iv) Work-in-progress

Work-in-progress consists of items of property and equipment that are not yet available for use. Work in progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(v) Leasehold improvements

The Company recognises leasehold improvements as property and equipment. The improvements are measured at cost on initial recognition, when it is probable that economic benefits will flow to the entity and the resources will be used for more than one financial period. Subsequent to initial recognition the asset is measured at cost less accumulated depreciation and amortisation in the same policy as other items of property and equipment.

(vi) De-recognition

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss of the year that the asset is de-recognised.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.13 Share capital

The Company classifies ordinary shares and share premium as equity when there is no obligation to transfer cash or other financial assets.

3.14 Retained earnings

The accumulated profit in current and prior years are accumulated in retained earnings.

3.15 Earnings per share

The Company presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of shares outstanding during the year.

Where there are shares that could potentially affects the numbers of share issued, those shares are considered in calculating the diluted earnings per share. There are currently no share that could potentially dilute the total issued shares.

3.16 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the spot exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined and are recognised in the profit or loss. Exchange differences on non-monetary assets are accounted for based on the classification of the underlying items.

3.17 Employee benefits

(a) Defined contribution plan

The Company has a defined contribution plan.

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. For defined contribution plans, the Company makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Pension Reform Act. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense 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. For entities operating in Nigeria, the contribution by employees and the employing entities are 8% and 10% respectively of the employees' basic salary, housing and transport allowances.

(b) Defined benefit plan

The Company operates a severance benefit package for its Executive Directors. The severance benefits are calculated based on the number of years in service at specified amounts approved by the Board of directors.

The calculation of the obligation is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the liability are recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the obligation at the beginning of the annual period to the then-defined benefit liability during the period as a result of contributions and benefit payments. Interest expense and other expenses related to the plan are recognised in personnel expenses in profit or loss.

(c) Short-term benefits

Short-term benefits consist of salaries, accumulated leave allowances, profit share, bonuses and any non-monetary benefits. Short-term employees' benefits are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

3.18 Expenditure

All expenses are accounted for on an accrual basis.

3.19 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3.20 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. When measuring the fair value of an asset or a liability, the Company uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly(i.e. as prices) or indirectly(i.e. derived from prices).
- Level 3: inputs for the assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

The Company recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

3.21 Contingent assets and liabilities

Contingent assets

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are disclosed in the financial statements when they arise.

Contingent liabilities

Contingent liability is the probable obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. However, they are recognised, if it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Contingent liabilities are disclosed in the financial statements when they arise.

3.22 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Company, as a lessee has recognised the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.
The details of the accounting policies adopted for leases are disclosed below.

A. Definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (where the Company is a lessee in the lease contract). At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single component.

B. The Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

C. The Company as a lessee

Leases, under which the Company possess a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is disclosed in the Company's statement of financial position and recognised as a leased asset. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

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

b) the right to direct the use of the identified asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for a lease contract in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

4 Financial risk management

a) Introduction and overview

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

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

The Company's Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

(b) Credit Risk

Credit risk is the risk of financial loss, should any of the Company's clients or counterparties fail to fulfill their contractual obligations to the Company. Credit risk arises mainly from cash and cash equivalents, investment securities, staff loans as well as from outstanding custody fees. 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 subject to approval by the regulaotry authority.

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.

(i) Exposure to credit risk

The Company's exposure to credit risk is influenced mainly by the characteristics of the counterparties. Management considers the default risk of the industry in which the counterparty operates based on economic factors as this may have an influence on credit risk. The Company is exposed to credit risk on its cash and cash equivalents, investment securities, custody fee receivable, and other financial assets due from its customers in the public and private sectors respectively.

Maximum exposure to credit risk

The carrying amounts of the Company's financial assets which represent the maximum exposure to credit risk at the reporting date are as follows:

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	31 December 2020 ₦'000	31 December 2019 ₦'000
Cash and cash equivalents	2,191,766	3,809,490
Investment securities	10,362,805	7,516,452
Trade and other receivables	874,400	954,920
	13,428,971	12,280,862

The maximum exposure to credit risk by type of counterparty at the reporting date was:

Government	10,362,805	10,309,824
Financial institutions	2,191,766	1,016,118
Individuals and corporate bodies	874,400	954,920
	13,428,971	12,280,862

The maximum exposure to credit risk by industry at the reporting date was:

General (Retail SME)	67,681	81,824
Government	10,362,805	10,309,824
Finance and Insurance	2,998,485	1,889,214
	13,428,971	12,280,862

The maximum exposure to credit risk by geographical region at the reporting date was:

Nigeria	13,428,971	12,280,862
	13,428,971	12,280,862

(ii) Credit quality

The following table presents an analysis of the credit quality of investment securities, cash and cash equivalents as well as exposure to credit risk for loans and receivables. It indicates whether the financial assets were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit impaired.

	31 December 2020			
	Cash and cash equivalents ₦'000	Investment securities ₦'000	Trade and other receivable ₦'000	Total ₦'000
AAA to A-	-	-	-	-
B+ to B-	183,243	10,362,805	-	10,546,048
Unrated	2,008,523	-	874,400	2,882,923
Gross amount	2,191,766	10,362,805	874,400	13,428,971
Less allowance for impairment				
12 month ECL	-	(20,640)	-	(20,640)
Lifetime ECL not impaired	-	-	-	-
Lifetime ECL credit impaired	-	-	(84,713)	(84,713)
Total ECL impairment allowance	-	(20,640)	(84,713)	(105,353)
Carrying amount	2,191,766	10,342,165	789,687	13,323,618
ECL coverage ratio (%)	0.00%	0.20%	9.69%	0.78%

	31 December 2019			
	Cash and cash equivalents ₦'000	Investment securities ₦'000	Trade and other receivable ₦'000	Total ₦'000
AAA to A-	-	-	-	-
B+ to B-	2,818,957	7,516,452	-	10,335,409
Unrated	990,533	-	954,920	1,945,453
Gross amount	3,809,490	7,516,452	954,920	12,280,862
Less allowance for impairment				
12 month ECL	-	(2,936)	-	(2,936)
Lifetime ECL not impaired	-	-	-	-
Lifetime ECL credit impaired	-	-	(81,112)	(81,112)
Total ECL impairment allowance	-	(2,936)	(81,112)	(84,048)
Carrying amount	3,809,490	7,513,516	873,808	12,196,814
ECL coverage ratio (%)	0.00%	0.04%	8.49%	0.68%

Cash and cash equivalents

The Company held cash and cash equivalents of ₦2.2billion at 31 December 2020 (2019: ₦3.8billion). The cash and cash equivalents comprises of bank balances held with FirstBank Nigeria Limited and short-term placements with FBNquest Asset Management Limited. First Bank Nigeria was rated B in the short-term and B- in the long-term by the international rating agencies, Standard & Poor's and Fitch.

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

Trade and other receivables

Other financial assets held by the Company, are custody fee receivable, staff loans and other receivables. Custody fee payment is guaranteed, as all fees are debited from the fund at the end of each month after the amount have been approved by the National Pension Commission, hence risk is minimised. All the amounts outstanding relate to unpaid months as at reporting date.

The Company establishes an allowance for impairment that represents its estimate of expected loss in respect of other financial assets. The main components of these allowances are specific loss components that relates to individually significant exposures.

Investment securities

The Company limits its exposure to credit risk by investing only in debt securities issued by the Federal Government of Nigeria and Lagos State Goverment. Default expectations on these securities is minimal as the Bonds are denominated in the local currencies.

(c) Liquidity risk

Liquidity risk is the potential loss arising from the Company's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other Company's risks such as credit, market and operational risk.

The Company does not have borrowings or other significant financial liabilities. A significant portion of the Company's assets is also invested in short-term placements and liquid debt securities. Therefore, liquidity risk is considered minimal.

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.

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		31 December 2020				
	Note	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Less than 3 months ₦'000	3 months to 1 year ₦'000	Over 1 year ₦'000
Cash and cash equivalents	13	2,191,766	2,198,529	2,198,529	-	-
Investment securities	14	10,342,165	14,021,378	123,507	1,058,618	12,839,253
Trade and other receivables	15	789,687	874,400	874,400	-	-
		13,323,618	17,094,307	3,196,436	1,058,618	12,839,253
Other liabilities	21	852,367	852,367	852,367	-	-
Gap (assets - liabilities)		12,471,251	16,241,940	2,344,069	1,058,618	12,839,253

		31 December 2019				
	Note	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Less than 3 months ₦'000	3 months to 1 year ₦'000	Over 1 year ₦'000
Cash and cash equivalents	13	3,809,490	3,823,776	3,823,776	-	-
Investment securities	14	7,513,516	7,680,255	4,715,434	2,964,821	-
Trade and other receivables	15	873,808	954,920	954,920	-	-
		12,196,814	12,458,951	9,494,130	2,964,821	-
Other liabilities	21	51,435	51,435	51,435	-	-
Gap (assets - liabilities)		12,145,379	12,407,516	9,442,695	2,964,821	-

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, and interest rate and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The Company's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Company.

The Company is not exposed to equity price risk nor commodity price risk

(i) Foreign exchange risk

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

(ii) Interest rate risk

The Company is exposed to a considerable level of interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Volatility in interest rates could have a negative impact on the net interest income, if not properly managed.

The Company carries some interest rate-sensitive assets and liabilities on its books, which are largely priced with fixed rates. Such financial instruments include short-term placements and investment securities. The management of interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various scenarios.

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

		31 December 2020				
		Rate sensitive				
	Note	Carrying amount ₦'000	Less than 3 months ₦'000	3 months to 1 year ₦'000	Over 1 year ₦'000	Non-rate sensitive ₦'000
Assets						
Cash and cash equivalents	13	2,191,766	2,008,523	-	-	183,243
Investment securities	14	10,342,165	-	-	10,342,165	-
Trade and other receivable	15	789,687	-	-	-	789,687
		13,323,618	2,008,523	-	10,342,165	972,930
Liabilities						
Other liabilities	21	852,367	852,367	-	-	852,367
Gap (assets- liabilities)		12,471,251	1,156,156	-	10,342,165	120,563

		31 December 2019				
		Rate sensitive				
	Note	Carrying amount ₦'000	Less than 3 months ₦'000	3 months to 1 year ₦'000	Over 1 year ₦'000	Non-rate sensitive ₦'000
Assets						
Cash and cash equivalents	13	3,809,490	3,783,905	-	-	25,585
Investment securities	14	7,513,516	2,867,672	4,645,844	-	-
Trade and other receivable	15	873,808	-	-	-	873,808
		12,196,814	6,651,577	4,645,844	-	899,393
Liabilities						
Other liabilities	21	707,608	707,608	-	-	707,608
Gap (assets- liabilities)		11,489,206	5,943,969	4,645,844	-	191,785

Interest rate sensitivity analysis

The table below sets out the impact on net interest income of a 100 basis points parallel fall or rise in all yields. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel fall in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Company to mitigate interest rate risk.

Interest sensitivity analysis - 31 December 2020

Impact of 100 basis points changes in rates over a one year period (₦'000) on profit or loss and equity

Time Band	Size of gap	100 basis points decline ₦'000	100 basis points decline ₦'000
Up to 3 months	1,156,156	(11,562)	11,562
3 months - 1 year	-	-	-
Over 1 year	10,342,165	(103,422)	103,422
	11,498,321	(114,983)	114,983

Interest sensitivity analysis - 31 December 2019

Impact of 100 basis points changes in rates over a one year period (₦'000) on profit or loss and equity

Time Band	Size of gap	100 basis points decline ₦'000	100 basis points decline ₦'000
Up to 3 months	5,943,969	(59,440)	59,440
3 months - 1 year	4,645,844	(46,458)	46,458
Over 1 year	-	-	-
	10,589,813	(105,898)	105,898

(e) Capital risk management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Company's strategic plan. Specifically, the Company considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Company's assessment and against the supervisory/ regulatory capital requirements taking account of the Company's business strategy and value creation to all its stakeholders.

As at the reporting period, the Company had no borrowings nor overdraft.

5 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The development, selection and disclosure of the Company's critical accounting policies and their application and assumptions made relating to major estimation uncertainties are discussed with management. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below.

These disclosures supplements the commentary on financial risk management. Key sources of estimation uncertainty are as disclosed below

(a) Determining fair values

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly - i.e., as prices- or- indirectly - i.e. derived from prices.

  This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes unquoted equity securities.

There were no financial instruments measured at fair value as at year end.

(b) Allowance for impairment losses

Assets accounted for as amortised cost are evaluated for impairment on a basis described in Note 3.4(g).

The Company establishes an allowance for impairment losses that represents its estimate of expected credit losses on its financial assets. In accordance with IFRS 9 which requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit-impaired (stage 3).

Stage 1 – This is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company recognises 12 month ECL and interest income is recognised on a gross basis – this means that interest will be calculated on the gross carrying amount of the loan before adjusting for ECL.

Stage 2 - This is where credit risk has increased significantly since initial recognition (stage 1). When a financial asset is transferred to stage 2, the Company recognises lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 – At stage 3, the asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For loans in stage 3, the Company continues to recognise lifetime ECL but interest income is recognised on a net basis. This means that interest income will be calculated based on the gross carrying amount of the asset less ECL.

(c) Income taxes

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Deferred taxes

A deferred tax asset is recognised for unused tax losses, tax credit and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

6 Accounting classification, measurement basis and fair values

The following tables shows the classification of the Company's financial assets and liabilities, the carrying amounts and fair values, including their levels in the fair value hierarchy.

		31 December 2020				
	Note	FVTPL ₦'000	FVOCI ₦'000	Amortised cost ₦'000	Fair value ₦'000	FV Hierarchy ₦'000
Cash and cash equivalents	13	-	-	2,191,766	2,191,766	1
Investment securities	14	-	-	10,342,165	11,744,804	1
Trade and other receivables	15	-	-	789,687	789,687	3
		-	-	13,323,618	14,726,257	
Other liabilities	21	-	-	852,367	852,367	3
				852,367	852,367	

		31 December 2019				
	Note	FVTPL ₦'000	FVOCI ₦'000	Amortised cost ₦'000	Fair value ₦'000	FV Hierarchy ₦'000
Cash and cash equivalents	13	-	-	3,809,490	3,809,490	1
Investment securities	14	-	-	7,513,516	7,513,516	1
Trade and other receivables	15	-	-	873,808	873,808	3
		-	-	12,196,814	12,196,814	
Other liabilities	21	-	-	707,608	707,608	3
		-	-	707,608	707,608	

7 Custody fees

	31 December 2020 ₦'000	31 December 2019 ₦'000
Custody fees	6,619,982	5,973,447
	6,619,982	5,973,447

Custody fees represent income earned by the Company for performing the custodial service functions over the pension fund assets on behalf of pension fund administrators for the benefit of the contributors.

8 Interest income

	31 December 2020 ₦'000	31 December 2019 ₦'000
Interest income under the effective interest method on;		
Placements	194,198	11,708
Treasury bills	181,011	1,533,400
Bonds	689,068	-
	1,064,277	1,545,108
Current account	2,227	2,488
Securities lending (see Note (a) below)	53,970	-
Staff loans	9,926	11,232
Total interest income	1,130,400	1,558,828

(a) This represents the interest income on the Company's securities lending transaction with FBNQuest Merchant Bank during the year which involves the lending of Federal Government and Lagos State Government bond for a period ranging between 6months to 1 year at an interest rate that ranges between 0.85% to 1.5% per annum. See Note 14(a).

9 Other income

	31 December 2020 ₦'000	31 December 2019 ₦'000
Administrative processing fees	83	103
Refund of training fees by Industrial Training Fund	-	2,362
Provision no longer required	3,723	1,679
Profit on sale of Property and Equipment	3,786	-
Recoveries on safe custody fees	-	3,576
	7,592	7,720

10 Personnel expenses

	31 December 2020 ₦'000	31 December 2019 ₦'000
Staff costs (excluding Executive Directors):		
Wages and salaries	526,514	488,207
Defined contribution plan	21,445	19,648
Other staff costs	524,787	564,300
	1,072,746	1,072,155

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

	31 December 2020	31 December 2019
Executive	2	1
Management	5	6
Non-management	74	75
	81	82

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

	31 December 2020	31 December 2019
₦300,000 - ₦2,000,000	58	60
₦2,000,001 - ₦2,800,000	7	7
₦2,800,001 - ₦3,500,000	6	4
₦3,500,001 - ₦4,000,000	3	5
₦4,000,001 - ₦5,500,000	2	1
₦5,500,001 - and above	3	4
	79	81

11 ECL Impairment loss

	31 December 2020 ₦'000	31 December 2019 ₦'000
Investment securities	17,704	(14,225)
Trade and other receivables	3,601	62,632
	21,305	48,407

(a) Movement in ECL impairment

	31 December 2020			
	At 1 January ₦'000	Write-off during the year ₦'000	Additions/ (Reversal) during the year ₦'000	At 31 December ₦'000
Investment securities	2,936	-	17,704	20,640
Trade and other receivables	81,112	-	3,601	84,713
	84,048	-	21,305	105,353

	31 December 2019			
	At 1 January ₦'000	Write-off during the year ₦'000	Additions/ (Reversal) during the year ₦'000	At 31 December ₦'000
Investment securities	17,161	-	(14,225)	2,936
Trade and other receivables	23,228	(4,748)	62,632	81,112
	40,389	(4,748)	48,407	84,048

12 Operating expenses

	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000
Auditors' renumeration	**14,000**	15,000
Directors' emoluments	**462,815**	261,818
Passages, travels and medical	**30,355**	42,272
Corporate promotions	**121,346**	80,926
Statutory fees	**143,930**	217,666
Maintenance	**197,207**	178,630
Bank and sundry charges	**12,941**	24,775
Training	**9,053**	72,561
Other losses	**-**	1,430
Donations and subscriptions	**18,481**	14,527
Loss on disposal	**-**	13,695
Communications, postages, light and printing	**23,137**	39,232
Insurance premiums, rent and rates	**17,986**	49,410
Amortisation of prepaid employee benefit	**-**	5,129
Professional fees and other consultancy costs	**11,630**	58,925
Other expenses	**5,470**	67
	1,068,351	1,076,063

13 Cash and cash equivalents

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Cash and bank balance	**183,243**	25,585	17,584
Short-term placements	**2,008,523**	990,533	170,076
Treasury bills	**-**	2,793,372	1,640,307
	2,191,766	3,809,490	1,827,967
Current	2,191,766	3,809,490	1,827,967
Non-current	-	-	-
	2,191,766	3,809,490	1,827,967

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.

14 Investment securities at amortised cost

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Treasury bills	-	7,516,452	10,562,332
Bonds (see Note (a) below)	10,362,805	-	-
	10,362,805	7,516,452	10,562,332
Impairment allowance (see Note 11(a))	(20,640)	(2,936)	(14,858)
	10,342,165	7,513,516	10,547,474
Current	-	7,513,516	10,547,474
Non-current	10,342,165	-	-
	10,342,165	7,513,516	10,547,474

(a) Included in investment securities are bonds with face value of ₦9.35billion involved in the securities lending arrangement with FBNQuest Merchant Bank Limited.

15 Trade and other receivables

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Financial:			
Fee receivable	752,749	873,096	678,201
Staff loans	48,313	50,868	45,833
Receivables on securities lending (see Note 8)	53,970	-	-
Other receivables	19,368	30,956	14,084
Gross	874,400	954,920	738,118
Impairment allowance (see Note 11(a))	(84,713)	(81,112)	(23,228)
	789,687	873,808	714,890
Non-financial			
Prepayments	42,410	42,604	117,667
	42,410	42,604	117,667
Total trade and other receivables	832,097	916,412	832,557
Current	832,097	916,412	832,557
Non-current	-	-	-
	832,097	916,412	832,557

16 Property, plant and equipment

	Land ₦'000	Computer & Office equipment ₦'000	Leasehold Premises ₦'000	Work in Progress ₦'000	Motor Vehicles ₦'000	Total ₦'000
Cost						
Balance as at 1 January 2020	864,228	642,263	213,503	2,339,057	149,622	4,208,673
Reclassification	-	3,320	-	(3,320)	-	-
Additions	-	7,559	-	404,565	294,640	706,764
Disposals	-	(762)	-	-	(79,600)	(80,362)
Balance as at 31 December 2020	864,228	652,380	213,503	2,740,302	364,662	4,835,075
Accumulated depreciation						
Balance as at 1 January 2020	-	329,516	184,848	-	97,292	611,656
Depreciation for the year	-	122,283	24,225	-	50,304	196,812
Disposals	-	(511)	-	-	(77,534)	(78,045)
Balance as at 31 December 2020	-	451,288	209,073	-	70,062	730,423
Net book value						
At 31 December 2020	864,228	201,092	4,430	2,740,302	294,600	4,104,652

	Land ₦'000	Computer & Office equipment ₦'000	Leasehold Premises ₦'000	Work in Progress ₦'000	Motor Vehicles ₦'000	Total ₦'000
Cost						
Balance as at 1 January 2019	864,228	354,444	213,503	396,634	206,445	2,035,254
Reclassification	-	220,756	-	(421,449)	-	(200,693)
Write-off (WIP)	-	-	-	(1,260)	-	(1,260)
Additions	-	79,606	-	2,365,132	26,757	2,471,495
Disposals	-	(12,543)	-	-	(83,580)	(96,123)
Balance as at 31 December 2019	864,228	642,263	213,503	2,339,057	149,622	4,208,673
Accumulated depreciation						
Balance as at 1 January 2019	-	280,948	130,336	-	89,010	500,294
Depreciation for the year	-	59,575	54,512	-	34,314	148,401
Disposals	-	(11,007)	-	-	(26,032)	(37,039)
Balance as at 31 December 2019	-	329,516	184,848	-	97,292	611,656
Net book value						
At 31 December 2019	864,228	312,747	28,655	2,339,057	52,330	3,597,017
At 1 January 2019	864,228	73,496	83,167	396,634	117,435	1,534,960

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year.
(ii) The Company had no capital commitment as at 31 December 2020 (2019: Nil).
(iii) No impairment loss on property and equipment was recognised during the year ended 31 December 2020 (2019: Nil)
(iv) All property and equipment are non-current.

17 Right of Use

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Opening balance	135,815	-	-
Additions	-	135,815	-
Depreciation expense	(36,852)	-	-
	98,963	135,815	-
Current	-	-	-
Non-current	98,963	135,815	-
	98,963	135,815	-

18 Intangible assets

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Computer software			
Cost:			
At 1 January	494,179	283,868	282,713
Reclassification from WIP	-	200,693	-
Additions	6,825	9,618	1,155
At 31 December	501,004	494,179	283,868
Accumulated amortization			
At 1 January	289,331	279,434	275,984
Amortization charge for the year	17,390	9,897	3,450
At 31 December	306,721	289,331	279,434
Carrying amount			
At 31 December	194,283	204,848	4,434

(a) All intangible assets are non-current. Intangible assets of the Company have finite useful life and are amortised over 3 years.

(b) The Company does not have internally generated intangible assets

19 Deferred tax asset

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The deferred tax amounting to ₦109.76million (2019: ₦132.27million) was recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. The analysis of recognised deferred tax is as follows:

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Property, plant and equipment	**73,730**	43,275	18,680
Investment securities	**(881)**	-	-
Trade and other receivables	**(1,287)**	(21,919)	(5,649)
Other liabilities	**(175,845)**	(160,494)	(163,590)
Intangibles assets	**-**	6,868	389
Retirement obligation	**(5,480)**	-	-
At 31 December	**(109,763)**	(132,27)	(150,170)
Current	**-**	-	-
Non-current	**(109,763)**	(132,270)	(150,170)
	(109,763)	(132,270)	(150,170)

The movement in deferred tax assets is as follows:

	31 December 2020			
	Opening balance ₦'000	Recognised in profit or loss ₦'000	Recognised in OCI ₦'000	Closing balance ₦'000
Property, plant and equipment	43,275	30,455	-	73,730
Investment securities	-	(881)	-	(881)
Trade and other receivables	(21,919)	20,632	-	(1,287)
Other liabilities	(160,494)	(15,351)	-	(175,845)
Intangibles assets	6,868	(6,868)	-	-
Retirement obligation	-	-	(5,480)	(5,480)
At 31 December	(132,270)	27,987	(5,480)	(109,763)

19 Deferred tax asset continued

	31 December 2019			
	Opening balance ₦'000	Recognised in profit or loss ₦'000	Recognised in OCI ₦'000	Closing balance ₦'000
Property, plant and equipment	18,680	24,595	-	43,275
Other receivables	(4,225)	(17,339)	-	(21,564)
Other assets	(1,425)	1,070	-	(355)
Other liabilities	(163,590)	3,096	-	(160,494)
Intangibles assets	389	6,479	-	6,868
At 31 December	(150,171)	17,901	-	(132,270)

20 Taxation

(a) Income tax expense

	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000
Company income tax	**1,429,949**	1,268,425
Tertiary education tax	**101,440**	90,696
NITDA Levy	**53,887**	51,055
Nigerian Police Trust Fund Levy	**187**	-
Excess tax provision up to 2015 FY written back	**-**	(554,706)
Current tax expense	**1,585,463**	855,470
Deferred tax expense/(credit)	**27,987**	17,901
Total income tax expense	**1,613,450**	873,371

The Directors are of the opinion that its accrual for tax liabilities are adequate for all open tax years based on its assessment of relevant factors, including interpretations of tax law and prior experience

(b) Current income tax liabilities

The movement on the current income tax payable account during the period was as follows:

	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000	Restated 1 January 2019 ₦'000
Opening balance	**2,009,418**	2,573,922	2,214,575
Income tax charge (see Note (a) above)	**1,585,463**	1,410,176	1,597,069
Excess tax provision up to 2015 written back	**-**	(554,706)	(1,237,722)
Tax paid	**(1,205,535)**	(1,419,974)	-
Closing balance	**2,389,346**	2,009,418	2,573,922
Current	**2,389,346**	2,009,418	2,573,922
Non-current	**-**	-	-
	2,389,346	2,009,418	2,573,922

(c) Effective tax reconciliation

	%	31 December 2020 ₦'000	%	Restated 1 January 2019 ₦'000
Profit before income tax		**5,344,518**		5,185,072
Tax using domestic rate of 30% (2019: 30%)	**30%**	**1,603,355**	30%	1,540,205
Non-deductible expenses	**6%**	**344,273**	5%	280,343
Education tax levy	**2%**	**101,440**	2%	90,696
NITDA levy	**1%**	**53,887**	1%	51,055
Tax exempt income	**-7%**	**(397,035)**	-9%	(460,104)
Tax incentives	**-2%**	**(92,470)**	-1%	-74,118
Over provision up to 2015 FY	**0%**	**-**	-11%	(554,706)
Income tax expense	**30%**	**1,613,450**	17%	873,371

21 Other liabilities

	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000	Restated 1 January 2019 ₦'000
Financial:			
Payable to IT consultants	**145,434**	-	-
Payable to employees	**613,619**	621,301	559,576
Audit fee payable	**15,613**	8,175	10,500
Other professional fee payable	**11,739**	-	-
Accounts payable	**51,435**	78,132	129,484
Director fees payable	**14,527**	-	-
	852,367	707,608	699,560
Non financial:			
Accrued others (see Note (a) below)	**-**	159,977	177,985
ITF Payable	**6,860**	-	-
Deferred income	**-**	-	8,754
Statutory Pension Protection Fund (see Note (b) below)	**179,806**	478,271	260,604
Indirect tax and regulatory payables	**333,273**	-	-
	519,939	638,248	447,343
	1,372,306	1,345,856	1,146,903
Current	**1,372,306**	1,345,856	1,146,903
Non-current	**-**	-	-
	1,372,306	1,345,856	1,146,903

(a) The comparative figure has been further disaggregated in the current year to align with the presentation format adopted in the current year.

(b) This relates to provision for a fund established and maintained in respect of guarantee minimum pension as stipulated by the National Pension Commission. The assessment was based on the approved custody fees by the Commission.

22 Retirement benefit obligations

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

	31 December 2020 ₦'000	31 December 2019 ₦'000	Restated 1 January 2019 ₦'000
Defined benefit obligation at the end of the year	**(31,749)**	(5,020)	(198,469)
Fair value of plan assets at the end of the year	**1,103**	1,052	215,173
Funded Status	**(30,646)**	(3,968)	16,704
Current	**-**	-	-
Non-current	**(30,646)**	(3,968)	16,704
	(30,646)	(3,968)	16,704

(a) The Company operates a defined benefit plan for its Executive Directors. The actuarial valuations of the present value of the defined benefit obligation were carried out by Ganiu Shefiu, an actuarial specialist working with Logic Professional Services. The specialist is a member of the USA Associate Society of Actuaries and is registered with the Financial Reporting Council with FRC/2017/NAS/00000017548. The present value of the defined benefit obligation and the related service cost were measured using the projected unit credit method.

The Defined Benefit Obligation was ₦31.75mn as at 31 December 2020 and was matched against the planned asset of ₦1.1mn resulting in an underfunded status of ₦30.65million (31 December 2019: ₦3.97million). However, the overfunded status ₦16.7million as at 1 January 2019 was not recognised in the statement of financial position as the Company did not have an unconditional right to the refund of the money.

(b) The movement in the benefit obligation and the related plan asset during the year is as follows:

	31 December 2020 ₦'000	31 December 2019 ₦'000	Restated 1 January 2019 ₦'000
Defined benefit obligation			
At 1 January	**5,020**	198,469	148,018
Current service charge	**7,913**	12,706	18,749
Interest cost	**642**	7,329	20,723
Plan ammendment	**-**	-	(22,491)
Curtailment (Gains)/Losses	**-**	12,023	-
Benefits paid by the Fund	**-**	(225,507)	-
Actuarial (gains)/losses due to assumption	**9,499**	-	(2,866)
Actuarial (gains)/losses due to experience	**8,675**	-	36,336
At 31 December	**31,749**	5,020	198,469
Plan Assets			
At 1 January	**1,052**	215,173	185,428
Expected return on Plan assets	**142**	32,276	26,104
Benefits paid by the Fund	**-**	(225,507)	-
Actuarial (gains)/losses on the Plan Assets	**(91)**	(20,890)	3,641
As at 31 December	**1,103**	1,052	215,173
Funded status			
Defined benefit obligation at the end of the year	**(31,749)**	(5,020)	(198,469)
Fair value of plan assets at the end of the year	**1,103**	1,052	215,173
At 31 December	**(30,646)**	(3,968)	16,704

The principal actuarial assumptions were as follows:

	2020	2019	2018
Discount rate (p.a.)	**6.25%**	13.5%	15.5%
Pay increase rate (p.a.)	**0.0%**	0.0%	0.0%
Inflation rate (p.a.)	**12%**	11%	12%
Rate of Increase in Annual Gratuity Amount (p.a.)	**0%**	0%	0.0%
Turnover rates	**0%**	0%	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.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the liability by the amounts shown below:

Assumptions		31 December 2020 ₦'000
Base assumptions		**31,749**
Discount rate	+1%	30,183
	-1%	33,412
Mortality	Age rated up by 1 year	31,769
	Age rated down by 1 year	31,730

23 Share capital

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Authorised			
2,000,000,000 ordinary shares of ₦1 each	**2,000,000**	2,000,000	2,000,000
Issued and fully paid			
2,000,000,000 ordinary shares of ₦1 each	**2,000,000**	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.

24 Retained earnings

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Opening balance	**10,950,126**	9,176,737	8,457,548
Impact of initial application of IFRS 9	**-**	-	(21,512)
	10,950,126	9,176,737	8,436,036
Profit for the year	**3,731,068**	4,311,701	4,230,520
Dividend paid	**(2,587,018)**	(2,538,312)	(3,489,819)
	12,094,176	10,950,126	9,176,737

25 Actuarial reserves

This represents the actuarial gain or loss on remeasurements of defined benefits obligation.

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Opening balance	-	-	-
Actuarial loss during the year	18,265	-	-
Deferred tax on actuarial loss	(5,480)	-	-
Closing balance	12,785	-	-

26 Assets under custody

Pension assets under custody

	31 December 2020 ₦'000	31 December 2019 ₦'000	1 January 2019 ₦'000
Cash and bank balances	85,752,628	45,620,358	27,998,362
Financial assets reported at fair value	853,599,451	1,092,297,512	1,068,285,585
Financial assets reported at amortised cost	2,969,201,561	2,041,001,522	1,548,212,302
Other assets	317,768	368,393	2,035,631
Investment properties	107,659,805	107,762,780	114,095,213
	4,106,531,213	3,287,050,565	2,760,627,093

Financial asset reported at fair value and amortised cost comprises of bonds, treasury bills, equities etc.

27 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) Renumeration of key management personnel/Directors

	31 December 2020 ₦'000	31 December 2019 ₦'000
Fees and sitting allowance	100,145	82,424
Executive compensation	166,399	87,492
Other Director expenses	187,856	91,902
	454,400	261,818

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

	Number	Number
₦5,000,000 and above	9	7

(c) Transactions with related parties

The transactions with related parties are as follows:

Description	Nature of relationship	Nature of transaction	31 December 2020 ₦'000
First Bank of Nigeria Ltd.	Parent company	Bank balance	183,243
FBNQuest Asset Management Limited	Co-subsidiary	Short term placement	2,008,523
FBNQuest Merchant Bank Limited	Co-subsidiary	Securities lending	9,350,000

Description	Nature of relationship	Nature of transaction	31 December 2020 ₦'000
First Bank of Nigeria Ltd.	Parent company	Treasury bills inv.	9,236,123
	Parent company	Bank balance and unpaid interest	25,585
FBNQuest Merchant Bank Limited	Co-subsidiary	Treasury bills inv.	1,070,765
	Co-subsidiary	Short term placements	990,533

28 Contingent liabilities and commitments

As at 31 December 2020, the Company in its ordinary course of business was involved in an ongoing litigation (31 December 2019: Nil). The litigation involves a claimant seeking redress in court for wrongful termination of employment and compensation amounting to ₦20million for general damages and other entitlements at the point of dismissal.

Based on legal advice, the Directors do not expect the outcome of the litigation to have a material effect on the Company's financial position, and are not aware of any other pending or threatened claims and litigation. Hence, no provision has been recognised in these financial statements related to legal proceedings.

29 Subsequent events

There are no events which could have a material effect on the financial position of the Company as at 31 December 2020 and its financial performance for the year ended which have not been adequately provided for or disclosed in the financial statements.

30 Contraventions

There were no infractions during the year. (2019: Nill).

31 Earnings/loss per share

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

	31 December 2020 ₦'000	31 December 2019 ₦'000
Number of shares (Units '000)	**2,000,000**	2,000,000
Profit attributable to equity holders(₦'000)	**3,731,068**	4,311,701
Basic and Diluted EPS (kobo)	**187**	216

32 Cash flow workings

Details of the statement of cash flow workings are presented below. Certain comparative figures have been reclassified in the statement of cash flows in order to align to the presentation adopted in current year. The impact of these reclassification has been considered to be immaterial.

(a) Trade and other receivables

	Notes	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000
Balance at the beginning of the year	15	**997,524**	855,785
Cash (inflow)/outflow		**(80,714)**	141,739
Balance at the end of the year	15	**916,810**	997,524

(b) Other liabilities

	Notes	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000
Balance at the beginning of the year	21	**1,345,856**	1,146,904
Cash (inflow)/outflow		**26,450**	198,952
Balance at the end of the year	21	**1,372,306**	1,345,856

(c) Proceeds from disposal of PPE

	Notes	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000
Cost of disposed asset	16	**80,362**	96,123
Accumulated depreciation of disposed asset	16	**(78,045)**	(37,039)
Net book value of disposed asset		**2,317**	59,084
Profit/(loss) on disposal	9/12	**3,786**	(13,695)
Cash flows		**6,103**	45,389

(d) Investment securities

	Notes	31 December 2020 ₦'000	Restated 31 December 2019 ₦'000
Balance at the beginning of the year	14	**7,516,452**	10,562,332
Cash inflow/(outflow)		**2,846,353**	(3,045,880)
Balance at the end of the year	14	**10,362,805**	7,516,452

33 Restatement of Prior Year Balances

Certain prior period balances have been restated to correct prior year errors in the Company's financial statements. The details of the restatements are as follows:

(a) The Company previously recognised the National Information Technology Development Agency (NITDA) levy which is usually computed as 1% of profit before tax as an operating expense item. In line with the requirements of IAS 12 which defines income taxes as being inclusive of all domestic and foreign taxes that are based on the taxable profit, NITDA is an income tax that falls under the scope of IAS 12. As a consequence, other operating expenses and their related liabilities have been misstated. The error has been corrected by restating each of the affected line item on the financial statement items in prior year. The following tables summarise the impacts on the financial statements of the Company.

(i) Operating expenses

	31 December 2019 ₦'000
Balance previously reported	1,691,418
Reclassification of NITDA levy	(51,055)
Reclassification of staff related costs to personnel expenses (see Note b(i) below)	(564,300)
Balance restated	1,076,063

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

(ii) Tax expense

	31 December 2019 ₦'000
Balance previously reported	822,316
Reclassification of NITDA levy	51,055
Balance restated	873,371

(iii) Other liabilities

	31 December 2019 ₦'000	1 January 2019 ₦'000
Balance previously reported	1,396,911	1,204,809
Reclassification of NITDA levy	(51,055)	(57,907)
Balance restated	1,345,856	1,146,902

(iv) Current income tax liabilities

	31 December 2019 ₦'000	1 January 2019 ₦'000
Balance previously reported	1,958,363	2,516,015
Reclassification of NITDA levy	51,055	57,907
Balance restated	2,009,418	2,573,922

(b) The Company also previously recognised some staff related costs in operating expenses. These amounts have been correctly reported in Personnel expenses in the financial statements of the current year and the prior year figures were restated accordingly.

(i) Personnel expenses

	31 December 2019 ₦'000
Balance previously reported	507,855
Reclassification of staff related costs from operating expenses (see Note (a)(i) above)	564,300
Balance restated	1,072,155

(c) Work-in-progress (WIP) items that relates to intangible assets were reported as part of property and equipment balance. The balance has been correctly reported in PPE in the financial statements of the current year and the prior year figures were restated accordingly.

(i) Property and equipment

	31 December 2019 ₦'000	1 January 2019 ₦'000
Balance previously reported	3,760,408	1,534,959
Reclassification of intangible WIP	(163,391)	-
Balance restated	3,597,017	1,534,959

(ii) Intangible assets

	31 December 2019 ₦'000	1 January 2019 ₦'000
Balance previously reported	41,457	4,434
Reclassification of intangible WIP	163,391	-
Balance restated	204,848	4,434

(d) Summary of the impact of the restatements

The aggregate of the restatements of prior year balances detailed above has a nil impact on the net profit after tax, total assets, total liabilities and equity as the restatements are reclassification of balances.

VALUE ADDED STATEMENT

AS AT 31 DECEMBER 2020

	31 December 2020 ₦'000	%	31 December 2019 ₦'000	%
Gross earnings	7,757,974	117	7,539,995	130
Bought in materials and services - Local	(1,124,324)	(17)	(1,691,418)	(29)
ECL Impairment	(21,305)	(0)	(48,407)	(1)
Value added	**6,612,345**	**100**	**5,800,170**	**100**
Distribution				
Employees				
Salaries and benefits	1,072,746	16	507,855	9
Government				
Taxation	1,585,463	24	804,415	14
Retained for future replacement of assets and expansion of business:				
Asset replacement (depreciation & amortisation)	251,055	5	158,298	3
Deferred taxation	(27,987)	(0)	17,901	0
Transfers to reserves	3,731,068	55	4,311,701	74
	6,612,345	100	5,800,170	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 2020 ₦'000	Restated 31 December 2019 ₦'000	Restated 31 December 2018 ₦'000	31 December 2017 ₦'000	31 December 2016 ₦'000
ASSETS					
Cash and cash equivalents	**2,191,766**	3,809,490	1,827,967	1,475,645	87,052
Investment securities	**10,342,165**	7,513,516	10,547,474	9,889,063	8,756,662
Trade and other receivables	**832,097**	916,412	832,557	920,605	692,489
Property, plant and equipment	**4,104,652**	3,597,017	1,534,959	1,272,330	1,249,728
Right of Use of Asset	**98,963**	135,815	-	-	-
Intangible assets	**194,283**	204,848	4,434	6,729	5,883
Deferred tax assets	**109,763**	132,270	150,171	171,224	103,092
Total assets	**17,873,689**	16,309,368	14,897,562	13,735,596	10,894,906
LIABILITIES					
Income tax liabilities	**2,389,346**	2,009,418	2,516,016	2,214,575	1,789,080
Other liabilities	**1,372,306**	1,345,856	1,204,809	1,084,985	746,933
Retirement benefit obligation	**30,646**	3,968	-	-	-
Total liabilities	**3,792,298**	3,359,242	3,720,825	3,299,560	2,536,013
EQUITY					
Equity					
Share capital	**2,000,000**	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings	**12,094,176**	10,950,126	9,176,737	8,436,036	6,358,893
Actuarial reserves	**(12,785)**	-			
Total equity	**14,081,391**	12,950,126	11,176,737	10,436,036	8,358,893
Total equity and liabilities	**17,873,689**	16,309,368	14,897,562	13,735,596	10,894,906
Pension assets under custody	**4,016,531,213**	3,287,050,565	2,760,627,093	2,420,701,587	1,958,902,756
Non-pension assets under custody	**-**	-	12,865,621	621,991,192	551,562,982

FIVE-YEAR FINANCIAL SUMMARY

INCOME STATEMENT

	31 December 2020 ₦'000	31 December 2019 ₦'000	31 December 2018 ₦'000	31 December 2017 ₦'000	31 December 2016 ₦'000
Gross earnings	**7,757,974**	7,539,995	8,134,071	7,808,475	5,549,097
Profit before income tax	**5,344,518**	5,185,072	5,790,735	5,767,967	4,054,342
Income tax expense	**(1,613,450)**	(873,371)	(1,560,215)	(1,405,693)	(1,224,818)
Profit for the year	**3,731,068**	4,311,701	4,230,520	4,362,274	2,829,524
Per share data					
Earnings per share - basic (kobo)	**187**	216	212	141	121
Net assets per share (Naira)	**7**	6	6	4	4

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

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
COMMERCIAL BANKING		
First Bank of Nigeria Limited	Samuel Asabia House, 35 Marina, Lagos, Nigeria	00700 FIRSTCONTACT, +234 1 448 5500
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FBNBank DRC S.A. Limited	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 82 000 0107
FBNBank Ghana Limited	Plot No: 6, 7 and 9 Liberation Road Accra, near the Golden Tulip Hotel, Accra Ghana	+233 302 23 6133, +233 302 23 5819
FBNBank Gambia Limited	FBNBank Building 38, Kairaba Avenue, Serrekunda, KSMD, P.O. Box 1600, Banjul, The Gambia	+220 799 3502, +220 437 7889, +220 914 7426
FBNBank Guinea Limited	Immeuble Kalinko Dye, Boulevard Telli Diallo, Koulewondy Commune, Kaloum, Conakry, Guinea	+224 664 53 53 53
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FirstBank Representative Office		
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