



Operating Environment	24
Industry Review and Outlook	30
The Bank	36
Corporate Social Responsibility	42
Key Performance Indicators	48
Risk Management Disclosure	52

KEY PERFORMANCE INDICATORS

	2009		2008		2007		2006		
	Group %	Bank %	Group %	Bank %	Group %	Bank %	Group %	Bank %	
1 Net operating income growth	31.6	32.3	70.5	64.0	26.8	23.5	17.9	22.6	1 The percentage increase in net operating income before loan impairment and other credit risk charges since the previous year.
2 Net operating income mix									2 As a percentage of net operating income before loan impairment charges and other credit risk provisions.
Net interest income	62.4	60.7	55.7	53.1	47.8	45.7	53.5	55.1	3 Interest expense, operating expenses and other credit risk charges divided by net operating income before loan impairment and other credit risk charges.
Net fee and commission income	20.8	20.3	22.9	21.6	28.8	27.7	30.4	30.5	4 Net operating income divided by average risk-weighted assets.
Other income	16.8	19.0	21.5	25.3	23.4	26.6	16.1	14.4	5 Profit attributable to ordinary shareholders divided by invested capital.
3 Cost to income	66.8	67.4	63.7	64.5	71.6	72.1	73.1	73.7	6 The percentage increase in dividends per share since the previous year, based on the dividends paid in respect of the year to which the dividend relates.
4 Credit performance as measured by risk adjusted margin	10.7	12.0	13.8	15.5	16.4	16.4	18.8	17.5	7 Basic earnings per ordinary share is defined in Note 34 of the Financial Statements.
5 Return on shareholders' equity	3.7	9.9	10.4	8.9	22.0	21.0	24.0	24.0	
6 Dividends per share growth	0.0	12.5	0.0	20.0	0.0	0.0	(37.5)	(37.5)	
7 Basic earnings per ordinary share – reported (₦)	0.74	1.65	2.67	2.23	1.78	1.56	3.33	3.06	

1 INTRODUCTION

The FirstBank Group and affiliates are subject to extensive and increasing regulation, accounting standards and interpretations thereof, and legislation in the various countries in which the Group operates. From time to time, new laws are introduced, including tax, consumer protection, privacy and other legislation, which affect the operating environment in which the Group operates. As a result of the recent interventions by governments in response to global economic conditions, for instance, it is widely expected that there will be a significant review of government regulation such as the imposition of higher capital requirements and restrictions on certain types of transaction structure to engender stronger but effective supervision of the financial services industry.

If enacted, such new regulations might compel the Bank to inject fresh capital into its operations and those of its subsidiaries and affiliates. The development might require the Bank to enter into business transactions that are not otherwise part of its current Group strategy, prevent the Bank from continuing current lines of operations,

restrict the type or volume of transactions it may enter into, limit its subsidiaries' and affiliates' ability to declare dividends to FirstBank, or set limits on or require the modification of rates or fees that the Bank charges on certain loans or other products.

The Bank may also face increased compliance costs and limitations on its ability to pursue business opportunities. Separately, the Basel II Accord's requirement for financial institutions to increase their capital in response to deteriorating market conditions may have secondary effects on lending, which could exacerbate the current market downturn. These measures, alone or in combination, could have an adverse effect on its operations.

The Bank is currently subject to tax-related risks in the countries where it operates, which could have an adverse effect on its operating results.

A number of double taxation agreements entered into between countries also affect the taxation of the Group. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and

the risk of consequences arising from the failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to increased tax charges, including financial or operating penalties, for non-compliance as required by the law.

The Board of Directors and the Group Management Committee measure the Group's progress against its strategic objectives. Progress is assessed by comparison with the Group's strategy, its operating plan targets and its historical performance using both financial and non-financial measures.

As a prerequisite for the vesting of Performance Shares, the Board Governance Committee must satisfy itself that FirstBank Group's financial performance has shown sustained improvement in the period since the award date. In determining this, the Board Governance Committee will take account of all relevant factors, particularly comparisons against peer group with regard to the financial key performance indicators (KPIs) described below.

KEY PERFORMANCE INDICATORS



12.5% increase

in total dividend per share for 2009.

2 FINANCIAL KPIS

To support the Group's strategy and ensure that the Bank's performance can be monitored, management utilises a number of financial KPIS. The table on the previous page presents these KPIS for the period up till March 2009. At a business level, the KPIS are complemented by a range of benchmarks which are relevant to the planning process and to reviewing business performance. FirstBank has a number of key targets against which future performance can be measured (see table, previous page).

2.1 Net Operating Income Growth

Net operating income growth provides an important guide to the Group's success in generating business. In 2009, the Bank's total net operating income grew by 32.3% to ₦143.3 billion (Group 31.6% to ₦163.4 billion), reflecting the resilience of FirstBank's income-generating capabilities in these exceptionally turbulent economic circumstances.

2.2 Net Operating Income Mix

Net operating income mix represents the relative distribution of revenue streams between net interest income, net fee and commission income and other income. It is used to understand how changing economic factors affect the Group, to highlight dependence on balance sheet utilisation for income generation and to indicate success in cross-selling fee-based services to customers with loan facilities. This understanding assists the Bank's management in making business investment decisions. Comparison of the revenue mix between 2006 and 2009 shows a downward trend of the other income component.

2.3 Cost to Income

Cost to income is a relative measure that indicates the consumption of resources in generating revenue. Management uses this to assess the success of technology utilisation and, more generally, the productivity of the Group's distribution platforms and sales forces. There has been a consistent effort to reduce this ratio.

The Group's cost-to-income ratio rose to 66.8% (2008: 63.7%). This was driven predominantly by rising wage cost on

keen competition for skills as well as higher administrative and general expenses reflecting the inflationary environment.

2.4 Credit Performance

Credit performance, as measured by risk-adjusted margin, is an important gauge for assessing whether credit is correctly priced so that the returns available after recognising impairment charges meet the Group's required return parameters. The ratio for 2009 was 10.7% for the Group (2008: 13.8%) as loan impairment charges rose at a faster rate than income on higher average risk-weighted assets.

2.5 Shareholder Returns

The Bank aims to deliver sustained dividend per share growth for its shareholders. The total dividend for 2009, based on the year to which the dividends relate (rather than when they were paid), amounts to ₦1.35k, an increase of 12.5% over the preceding year (2008: ₦1.20).

Return on shareholders' equity measures the return on shareholders' investment in the business. This enables management to benchmark Group performance against competitors and its own targets. In 2009, the ratio was 3.73% lower than the 10.4% achieved in 2008 – a substantial part of which relates to risk assets impairment recognition.

Total Shareholder Return (TSR) is used as a method of assessing the overall return to shareholders on their investment in FirstBank, and this is defined as the growth in share value and declared dividend income during the relevant period. TSR is a key performance measure in rewarding employees. In calculating TSR, dividend income is assumed to be invested in the underlying shares. The TSR benchmark is an index set for the purpose of comparison with the performance of a group of competitor banks, which reflects the Bank's range and breadth of activities. The Bank aims to be in the top quartile of this index.

Management believes that financial KPIS must remain relevant to the business even though they may change over time to reflect changes in the Group's composition and the strategies employed.



The bagging section of IRS Rice Mills Company Kano, financed by FirstBank

The project was conceived and executed by the prime mover Khalifah Sheikh Isiyaku Rabi, Group Chairman of IRS Group, who has had an account relationship with the Bank for over 57 years. The Bank is providing working capital requirement of over ₦3 billion for the importation of brown rice and procurement of paddy rice for processing to parboiled and polished rice of international standard.

Operating Environment	24
Industry Review and Outlook	30
The Bank	36
Corporate Social Responsibility	42
Key Performance Indicators	48
Risk Management Disclosure	52

3 NON-FINANCIAL KPIS

FirstBank has chosen four non-financial KPIS which are important to the future success of the Group in delivering its strategic objectives. These non-financial KPIS are currently reported internally within the Bank, and not on a Group basis.

3.1 Employee Engagement

Employee engagement is a measure of employees' emotional and rational attachment to the Bank. It is critical to the long-term success of the Group and, as such, an employee engagement target was included in the 2008 objectives for Group Executives.

The Group Employee Engagement Index score for 2009 was 2.9 as against the targeted 3.3 and this is considered satisfactory as the Group achieved 87.9% of its target.

In 2008, the Bank conducted an Internal Customer Satisfaction Survey of its permanent workforce. The 2008 participation rate of 93% improved on the 2007 figure of 88%, which was already around the highest in the industry.

3.2 Brand Perception

In order to manage the FirstBank brand most effectively, the Group tracks brand health amongst personal financial services and commercial banking customers in each of the Bank's major markets. The survey is conducted on a consistent basis by accredited, independent, third-party organisations. A weighted scorecard of brand measures produces an overall score for each market on a 100-point scale, which is then benchmarked against that of main competitors. The scores from each market are then weighted according to the risk-adjusted revenues in that market to obtain the overall Group score.

3.3 Customer Satisfaction

Customer recommendation is an important driver of business growth for the Bank, which in turn uses a consistent measure of customer recommendation around the world to improve on the services being provided by the Group. This measurement is carried out by accredited, independent, third-party organisations and the resulting recommendation scores are benchmarked against competitors.

In the 2008/09 KPMG survey, the Bank was ranked 16 out of 23 banks. While some level of improvement has been achieved from the previous survey, service excellence and improving customer experience remain key to sustaining leadership within the industry. The Bank aims to be in the top quartile of this index in the next few years.

To meet this objective, the Bank has recently created the Corporate Transformation Office, charged with, amongst other things, improving customers' experience at the branch level by creating a world-class environment backed by excellent service.

3.4 IT Performance and Systems Reliability

FirstBank tracks two key measures as indicators of IT performance. They are the number of customer transactions processed and the reliability and resilience of systems measured in terms of service availability targets.

The number of customer transactions processed reflects the dependency on IT in the delivery channels that customers use to interact with the Bank. Monitoring the volumes by channel enables the Group to allocate resources appropriately. To improve efficiency, the Bank aims to manage the rate of increase in IT transaction processing costs to below the volume increase.

FirstBank's IT function establishes with its end-users service levels for systems performance, such as systems running 99.9% of the time or card authorisations within two seconds. It also monitors the achievement of each of these commitments.

Our Strategic Priorities

PERFORMANCE MANAGEMENT AND PEOPLE

Creating a performance culture with clear individual accountability at all levels is a sure route to delivering unmatched results and providing enhanced shareholder value.



Cross-section of the 108 on-growing tanks at West Farms Limited, Ibeju Lekki, Lagos, financed by First Bank

Conveniently located on the Lekki-Epe Expressway in Lagos, West Farm is currently the largest recirculation catfish farm in Nigeria, with annual production capacity of 1,600 tons of table-size catfish and 2.8 million fingerlings. The company has successfully built business alliances which ensure that West Farms is always in tune with current practices in the global aquaculture industry.