

## Chairman's Statement



### WELCOME

Fellow Shareholders, Invited Guests, Gentlemen of the Press, Distinguished Ladies and Gentlemen, thank you for honouring our invitation to the 41st Annual General Meeting of First Bank of Nigeria Plc.

In the best tradition of our corporate governance culture, I recently assumed the Chairmanship of First Bank of Nigeria Plc, thus signifying another milestone in the Bank's long and distinguished history. This change took place when my predecessor, Alhaji (Dr) Umaru Abdul Mutallab (CON), attained the mandatory retirement age of 70. Please join me in thanking Alhaji Mutallab for his leadership and invaluable contributions to the landmark achievements of the Bank in the last 14 years, the last 10 of which he served as Chairman. During his tenure, he successfully managed the adoption by the Bank of changes to our governance framework that put us at par with some of the best institutions in the world.

This seamless transition at the helm of our Bank speaks to the resilience of our governance model, and the strength of our succession planning process. Significantly, this discipline contrasts with the turmoil that has been the dominant trend in the operating environment in the review period. Over the past nine months, we operated in a local and international environment where 'uncertainty of developments' reigned supreme. As markets responded to the new ambience, operators' traditional focus on market share gave way to defensive strategies which, ultimately, adversely affected the industry's health. To some degree, this concern, which was evident in the regulatory response across jurisdictions, mirrored major dips in investor confidence and market trust.



“...our paramount goal is to ensure that **our institution achieves pre-eminence in each of its businesses**, through a deep commitment to service excellence to our customers...”

Chairman

Fortunately, the unprecedented and massive non-traditional quantitative easing introduced by monetary authorities worldwide in response to the global financial crisis, and also evident in the Central Bank of Nigeria's (CBN) intervention in our local economy, led to an improvement in financial conditions in the review period. In Western economies, particularly, the deceleration in output experienced since August 2008 had reversed marginally by mid-2009, and by the third quarter of the year, signs of economic expansion were noticeable. This contrasted with the efforts of the authorities in China to boost domestic consumption, as a counterweight to falling external demand. By end-December 2009, this appeared to yield dividends as GDP growth in China reached 10%. Globally, the evidence of recovery remained uneven, and worries persisted over its sustainability.

In these circumstances, the domestic economy has proved a lot more resilient than most commentators feared at the beginning of the recession. Stronger than expected demand in countries like China and India combined with weakness in the dollar to lift oil prices above their recent lows. Along with revenue over-performance from oil exports, firmer non-oil sector performance and political gains from the pacification programmes introduced in the Niger Delta region boosted the general outlook for the domestic economy.

Nevertheless, aftershocks from the global crisis took a toll on the financial services industry. While it is fashionable to focus on the CBN's reform efforts, starting with its audit of the banks, the reality is starker. As FirstBank's provisioning mid-year indicated, the industry was only responding to the consequences of its aggressive risk-taking at the height of the Bull Run, which ran aground with the onset of the global crisis. Consequently, the industry's inability to steady itself before the CBN's intervention meant that there were (and still might remain) serious governance issues in a number of financial institutions. Incidentally, these residual issues will have to be addressed expeditiously.

## SETTING A ROADMAP FOR THE TIMES

It is against this background that I wish to set out my vision of where FirstBank is headed over the current plan horizon, and my preferred route for reaching this goal.

In my inaugural address to the Board, I described this roadmap to include a definition of our vision in this period of rapid change. Our primary strategic goal must be to ensure that FirstBank achieves a dominant position in every business line that it pursues. Doing so the old-fashioned way demands our traditional commitment to excellence in service to our customers. Incidentally, the changing nature of customer expectations places a premium not just on the quality of our service, but also on the depth of the available service/product mix. Over the next five years, therefore, we should strive for a balance between the services/products that we offer, and the multiple service channels available to our growing customer base. Put simply, FirstBank must remain the bank of first choice for the majority of Nigerians, and indeed Africans, throughout the world.

Our ability to achieve these objectives will depend partly on how well we are able to tailor our services to meet the individual needs of our customers. Essentially, we will need to:

- put people at the heart of our operations, by creating a cadre of staff that is comfortable owning all the Bank's processes from conception to the end;
- equip and develop our people to ensure that, as individuals and collectively, we are truly first among our peers in the industry;
- build a first-class Pan-African financial services institution, by leveraging FirstBank's natural premium respect and first mention privilege in our regional market; and
- focus on our traditional commitment to a strong ethical base. The challenge in this regard is to return to the time-tested basics of conservatism and probity.

Conclusively, there is no doubt that the continued growth and development of this country's economy increasingly depends on its full integration into the global marketplace. While it is widely acknowledged that urgent steps must be taken to institute changes in our infrastructure endowment, both physical and social, we often ignore the equally important need to build national institutions that leverage a robust infrastructure to support our development objectives.

**"Our actions must result in a consistent return of sterling performance in dividends and growth of shareholder value"**

**Chairman**

In his address to you last year, my predecessor described our medium-term goal as aiming to lead the industry in terms of financial strength, service excellence, desirability as an employer, and contribution to national development. In the last year, we have pursued this goal diligently, constructing all our service intervention initiatives around the three pillars of growth, service and operational excellence, and performance management and people.

Building on this, I recognise that if we must continue to address near-term challenges and seize opportunities to strengthen our platform for the future, then we must transform FirstBank into a first-class Pan-African financial services institution. Considerable work has already gone into realising this goal; hence, the main task is to build on our medium-term strategy to become the dominant financial services provider in our local economy. Invariably, this implies that FirstBank must remain the bank of choice for the majority of Nigerians, and our subsidiaries must become dominant in their respective markets. In the long run, this will also require us to strengthen existing offshore locations (London, Paris, Johannesburg and Beijing), and expand the Bank's global footprint, by following the new trade lines that have emerged as a result of the domestic economy's growing integration with global networks. We must continually attract new investments, partners and customers globally, because of our commitment to delivering competitive returns and growth in shareholder value to our over 1.3 million shareholders, and based on the ease, convenience and value that our more than five million customers derive from doing business with us.

Emphatically, this requires us to:

- reinforce our brand appeal through changes in our processes, people and systems that allow the younger generation of Nigerians to connect with FirstBank;
- ground this brand transition on changes to our service channels that encourage innovation, and the rendering of bespoke services across the value chain of every customer; and
- put our people at the heart of our operations. We will strengthen the quality of our human capital support by creating a work culture which attracts the best talent to all our businesses, and through a reward system that elicits the best from our workforce.

It is fair to say that FirstBank enjoys a natural premium respect and first mention privilege in our market. Consequently, it is important that we remain trailblazers in all that we do, specifically in our governance practices and ethical suite. Our antecedents, especially our well-known commitment to strong ethics, have stood us in good stead throughout the years. Now, more than ever, in the rich history of our Bank,

we must not lose sight of this pedigree. This is necessary not just because recent industry developments place an enormous premium on a stronger moral backbone among practitioners, but also because banking is essentially a conservative industry from an historical perspective.

## OUR PERFORMANCE

The realities of the operating environment, especially the CBN's rearguard action to stabilise the industry, have had clear adverse impact on the industry's short-term fortunes. This was further exacerbated by the rapid decline in the quantum of credit made available to the private sector.

Consequently, FirstBank's gross earnings on an annualised basis rose by 20.3% from ₦217.6 billion recorded in the year ended March 2009, to ₦196.4 billion in the nine month review period. Because of the significant provisioning which we had to make, added to increased operational expenses, profit before tax in the nine months ended December 2009 declined to ₦11.6 billion from the ₦53.8 billion recorded in the year to end-March 2009.

Thus, in this difficult environment, we missed our profitability targets. Under the twin pressures of the financial and economic crisis, and industry response to concerns raised about capital adequacy by the Central Bank's recent intervention, we saw our loan-to-deposit ratio rise over the review period. Because this is an industry-wide trend, concerns have emerged over the industry's growth and profit prospects, as domestic credit opportunities become scarcer.

More worrisome was our cost-to-income ratio, which rose by 73.4% over the nine-month period from 66.4% in March 2009. Although the current economic environment makes it significantly more difficult to grow the income side of our operations, paradoxically we firmly believe that it is the time to invest in new capacities, if we are to profit from the next upturn in the business cycle. Inescapably, the main task over the next business cycle is to maintain costs within profitable bounds.

At 15.8%, our capital adequacy ratio remained well above statutory requirements of 10%, providing us a much-needed buffer in the current uncertain environment.

We have responded to recent developments in the market by focusing on deepening our market share, while building on existing strengths. While the domestic market was growing during the last boom cycle, this translated into a focused search for organic and inorganic growth opportunities. At the operational level, this has seen us build competences around our customers' value chain, including the use of multi-channel delivery platforms.

**“FirstBank (Nigeria) vision: To be the clear leader and Nigeria’s bank of First choice”**

**Chairman**

With the onset of the financial downturn, the danger from the adoption of policies that may exacerbate current imbalances has been a real and present one. While we recognise the need for the authorities to respond appropriately to a contraction in the market, through efforts that maintain liquidity at current levels or higher, we are also aware that the prospects of a full recovery may be several years down the road. However, once signs of a recovery begin to emerge, including stronger inflation figures over longer periods, the authorities must negotiate a structured exit of the stimulus package in order to steady the markets.

Accordingly, as FirstBank persistently reinforces its risk management and corporate governance processes, we will continue to invest in capacity that will improve our service delivery in the current atmosphere. We will also ensure that we are in a position to serve a bigger and more discerning market when the economy recovers. Among others, we must continue to drive growth in the domestic market and grow our international footprint, while building our business around growth, operational excellence and people/performance management.

Whether in the design of processes to minimise future challenges, or in the structuring of our processes to take advantage of windows of opportunity as they open, my commitment is to have in place a bank with lean and flexible structures. I envision a nimble FirstBank that is able to leverage opportunities in a fast-changing environment. Thus, we have embarked on a review of our operating model towards aligning processes with the requirements of our new operating environment to enable us to gain a greater share of clients’ wallets.

## BOARD CHANGES

### Appointment

Dr Abdu Abubakar and Alhaji Mahey R Rasheed, OFR were appointed executive director and independent/Non-Executive Director respectively on Tuesday 21 July 2009.

### Demise

Alhaji Aliyu Alkali, mni died on 25 September 2009.

### Resignation

Mr Sanusi Lamido Sanusi resigned as the Group Managing Director/Chief Executive on Friday 3 July 2009 consequent upon his appointment as Governor, Central Bank of Nigeria.

### Retirement by rotation

In accordance with the Company’s Articles of Association, the following Directors, Dr Alex C Otti, Mrs Bola Adesola, Mr Kehinde Lawanson, Ms Ibia Ajumogobia and Prince Ajibola Afonja retire by rotation and, being eligible, offer themselves for re-election; while Dr Abdu Abubakar and Alhaji Mahey R Rasheed, OFR, be and are hereby elected Executive Director and Independent Director of the Company.

## APPRECIATION

Permit me once again to express the Bank’s deepest gratitude to our immediate past Chairman, Alhaji (Dr) Umaru Abdul Mutallab (CON), for his indelible contributions to the Bank’s success. Our history and governance imply that the opportunities for any one individual to change the face of the Bank are necessarily limited but, even within this constraint, Alhaji Mutallab’s impact was immeasurable.

Furthermore, I would also wish to acknowledge and thank our distinguished shareholders, the Board of Directors, and management and staff for their unstinting support each year.

Finally, while our business environment has changed considerably over the reporting period, there is clear evidence that in our most important initiatives in the past, we did anticipate the general trend of current reform efforts, beyond our constant drive to strengthen our governance practice. Remarkably, we have seen improvements in our business resulting from these anticipatory initiatives and past innovations. On the back of these, we are uniquely positioned to emerge stronger from the current crisis and, due to the sheer strength of our position, we shall continue to implement industry-defining and game-changing strategies, going forward.

Thank you

Yours sincerely



**Mr Oba Otudeko, OFR**  
Chairman