

# FORGING AHEAD



**Investor & Analyst Presentation**

For the nine months ended 30 September 2020

# DISCLAIMER

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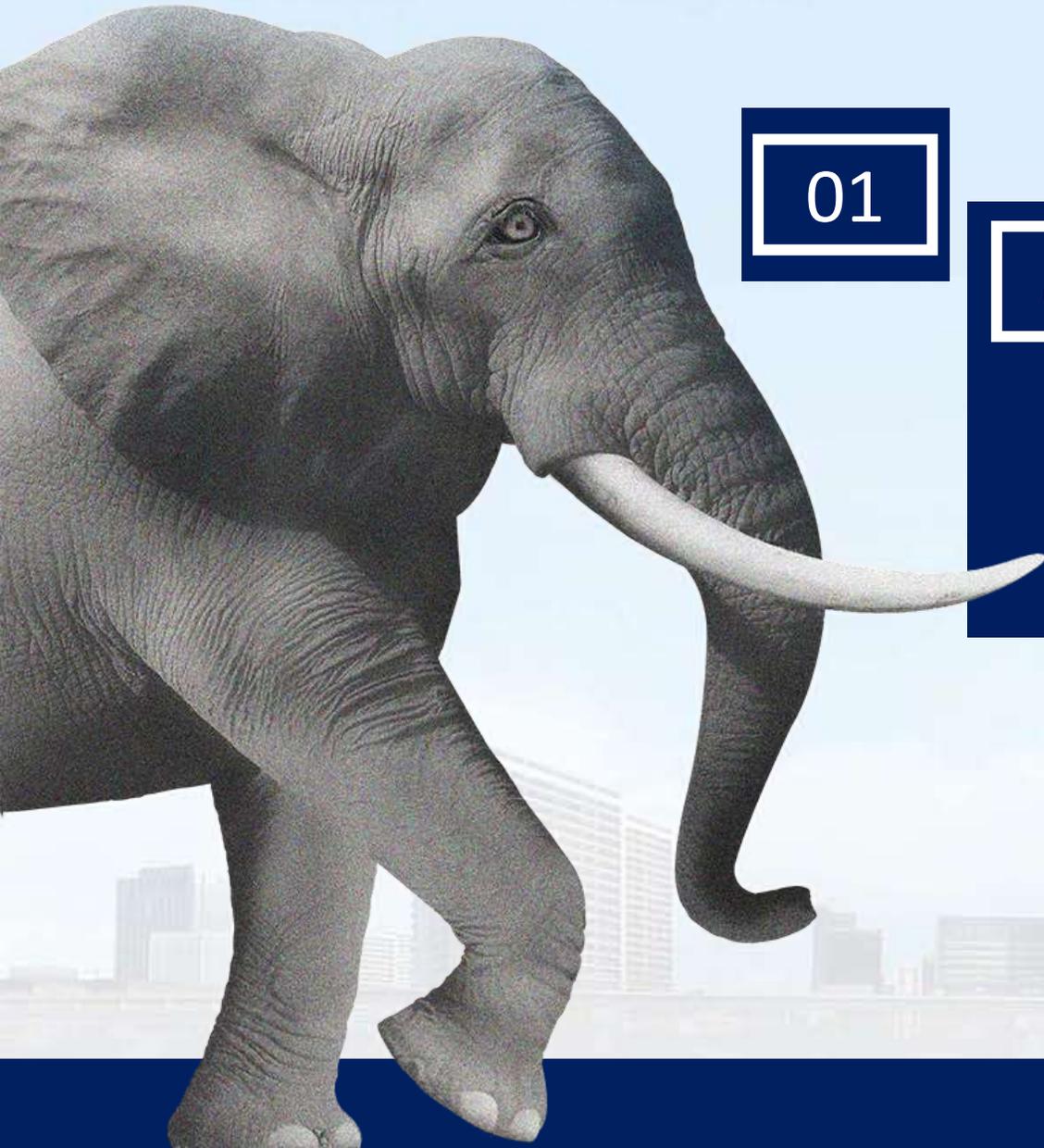
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# Outline

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01



# Key Highlights



## Key highlights for the period

- Strong financial performance despite the adverse macro-economic situation
- Maintained market leadership in the digital space with increasing customer adoption
- Improving cost efficiency and strengthening asset quality remain key tenets of our strategy
- Issued US\$350 million Senior Unsecured 5-Year Notes
- Gross earnings up 5.1% y-o-y to ₦439.3 billion
- Non-interest income increased by 50% year-on-year driven by fees and commissions and trading income
- Focus remains on maximizing the potential of the business, by optimising current channels and by creating new ones
  - Currently, there are more than over 14 million users on the Group's digital channels and the number of FirstMonie Agents has risen to 75,996 from 59,024 at the end of H1 2020
  - In Q3 2020, 83.4 million transactions, for a value of ₦1.9 trillion, were conducted on the Agent Banking platform, vs 68.3 million transactions (₦1.6 trillion) in Q2 2020
- Operating expenses remain under control despite the inflationary environment and devaluation of the Naira
- Profit for the period up 31.7% y-o-y to ₦68.2 billion
- Solid and well-diversified funding base, with low-cost deposits representing 81.2% of total deposits, is testament to our strong franchise
- Resilient asset quality position with NPL ratio stable at 8.8%
- FirstBank issued a 5-year Reg S / 144A US\$350 million Eurobond proceeds of which will be used for general banking purposes



## Improvement in profitability while strengthening the balance sheet

Growth, y-o-y

### Income Statement Snapshot

#### Gross Earnings

**9M20: ¥439.3 billion**

9M19: ¥417.9 billion

**5.1%**

#### Operating Income

**9M20: ¥319.7 billion**

9M19: ¥288.2 billion

**10.9%**

#### Net-Interest Income<sup>2</sup>

**9M20: ¥192.7 billion**

9M19: ¥203.5 billion

**-5.3%**

#### Operating Expenses

**9M20: ¥209.8 billion**

9M19: ¥205.3 billion

**2.2%**

#### Impairment Charges

**9M20: ¥46.7 billion**

9M19: ¥28.5 billion

**64.0%**

#### Profit Before Tax

**9M20: ¥63.3 billion**

9M19: ¥54.5 billion

**16.2%**

#### Non-Interest Income

**9M20: ¥127.0 billion**

9M19: ¥84.7 billion

**50.0%**

#### Profit After Tax<sup>1</sup>

**9M20: ¥68.2 billion**

9M19: ¥51.7 billion

**31.7%**

### Statement of Financial Position

#### Total Assets

**9M20: ¥7,243.2 billion**

FY19: ¥6,203.5 billion

**16.8%**

#### Loans & Advances (net)

**9M20: ¥2,054.3 billion**

FY19: ¥1,852.4 billion

**10.9%**

#### Total Equity

**9M20: ¥712.0 billion**

FY19: ¥661.1 billion

**7.7%**

#### Customer Deposits

**9M20: ¥4,630.1 billion**

FY19: ¥4,019.8 billion

**15.2%**
<sup>1</sup> Includes Profit from discontinued operations

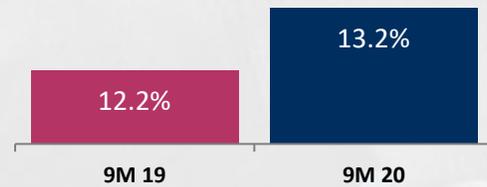
Please note some 9M 2019 numbers have been restated.

<sup>2</sup> Before impairment charge for losses

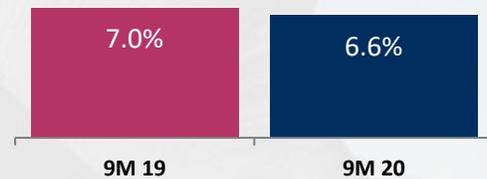
## Resilient financial performance

### Key Income Statement Ratios (%)

#### Post Tax ROaE<sup>(1)</sup>



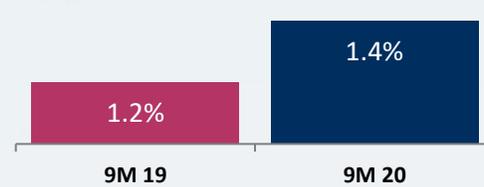
#### Net Interest Margin



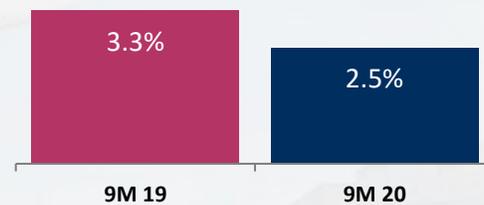
#### Cost to Income



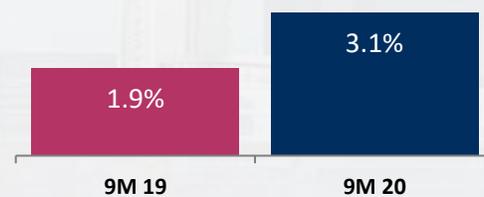
#### Post Tax ROaA<sup>(1)</sup>



#### Cost of Funds

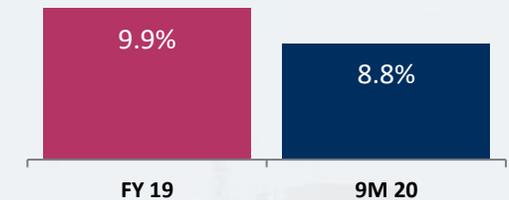


#### Cost of Risk

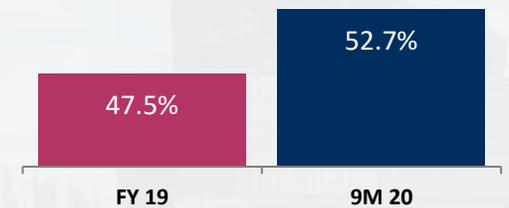


### Key Balance Sheet Ratios (%)

#### Non-Performing Loans (NPL)



#### NPL Coverage



#### Capital Adequacy Ratio<sup>(2)</sup>



<sup>1</sup> After discontinuing operations

<sup>2</sup> CAR is for FirstBank (Nigeria); CAR for the Merchant Banking business is 17.1% & 17.2% respectively



## Solid performance within the context of a challenged operating environment

Organisational  
Resilience

Maintained earnings  
growth momentum  
through increase in non-  
interest income

Balance sheet further  
strengthened

Consistent volume growth  
reinforcing leadership in  
e-banking

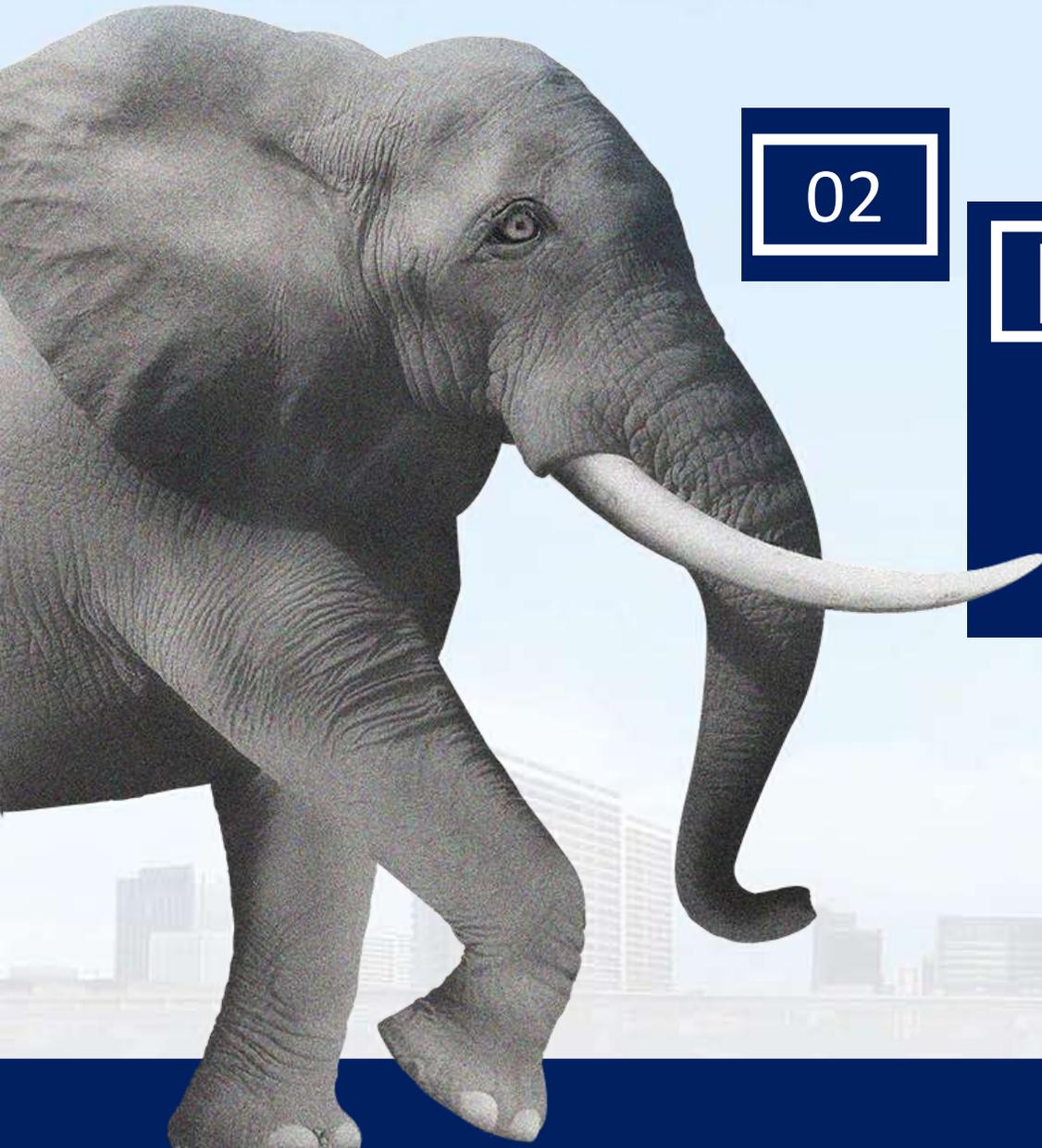
Strategic Execution

Costs under control with  
efficiency remaining a key  
priority

Strong funding base

Enhanced focus on  
corporate sustainability

Long-term Value  
Creation



02



# 9M 2020 Performance

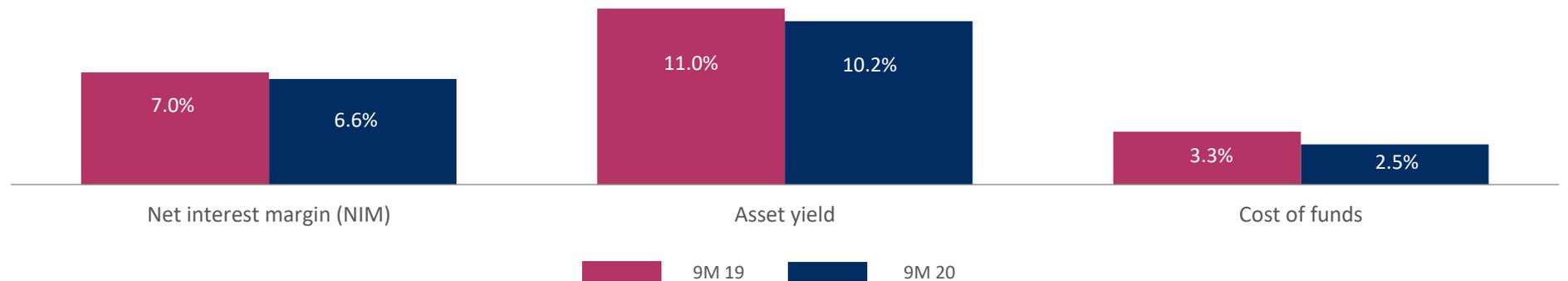
## Non-interest income drives Group's earnings in line with our transaction-led strategy

- Gross earnings increased 5.1% y-o-y, (9M 2019: ₹417.9bn; 9M 2020: ₹439.3bn)
- Non-interest income up 50% y-o-y mainly on the back of an increase in fees and commissions and strong gains in trading income
- Interest income affected by the lower interest rate environment and sterilized CRR

GROSS EARNINGS BREAKDOWN  
(9M 2019: ₹417.9bn; 9M 2020: ₹439.3bn)



NET INTEREST MARGIN DRIVERS

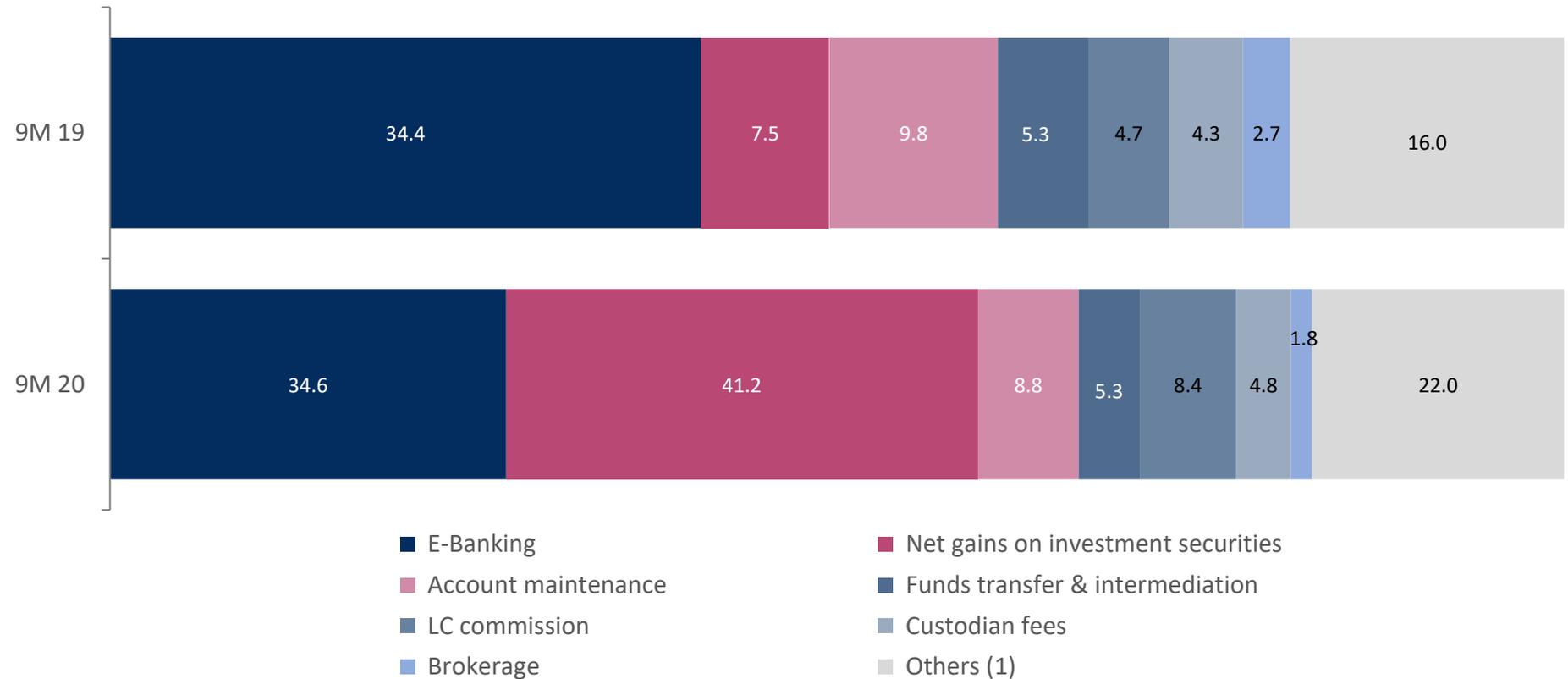


<sup>1</sup> Non interest income includes fee and commission expense

## E-business revenue sustained through volume growth in a downward fee environment

- Non-interest income up 50% y-o-y in the first nine months of 2020
- Electronic banking remains the main contributor to non-interest income, excluding trading income
- Notable increase in trading income due to the significant volatility in the financial markets
- Focus on manufacturing and trade businesses leads to an increase in letters of credit commissions and fees (up 78.5% y-o-y)

NON-INTEREST INCOME BREAKDOWN (NET)  
(9M 2019 ¥84.7bn; 9M 2020: ¥127.0bn)

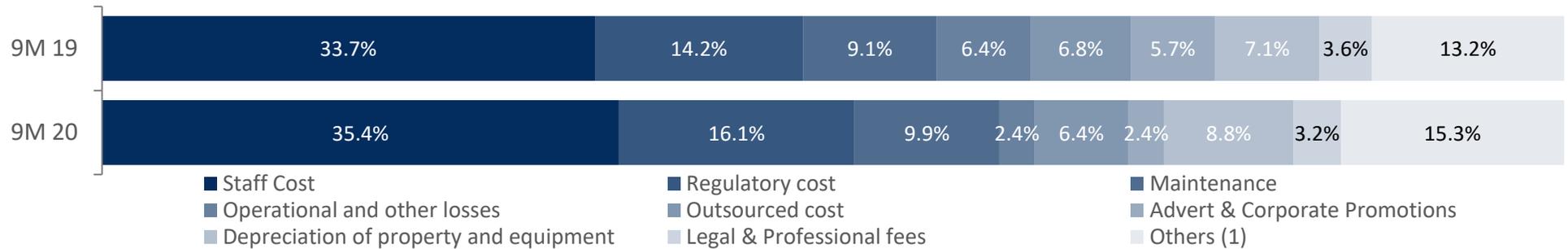


<sup>1</sup>Others include financial advisory fees, commission on bonds and guarantees, F&C expense, fund management fees, other fees & commission and net gains/(losses) from financial instruments at fair value through profit or loss

## Reining in costs as opex grows marginally and substantially below inflation

- As recent investments in new technologies taper and cost saving initiatives are institutionalized, opex has held up largely despite currency devaluation and rising inflation
- Cost to income ratio improved to 65.6% despite the impact of the CRR on earnings generation
- We are focusing on optimising our distribution network to enhance revenue, while we institute further cost optimization measures

MAIN OPEX DRIVERS  
(9M 2019: ₺205.3bn; 9M 2020: ₺209.8bn)



COST TO INCOME RATIO

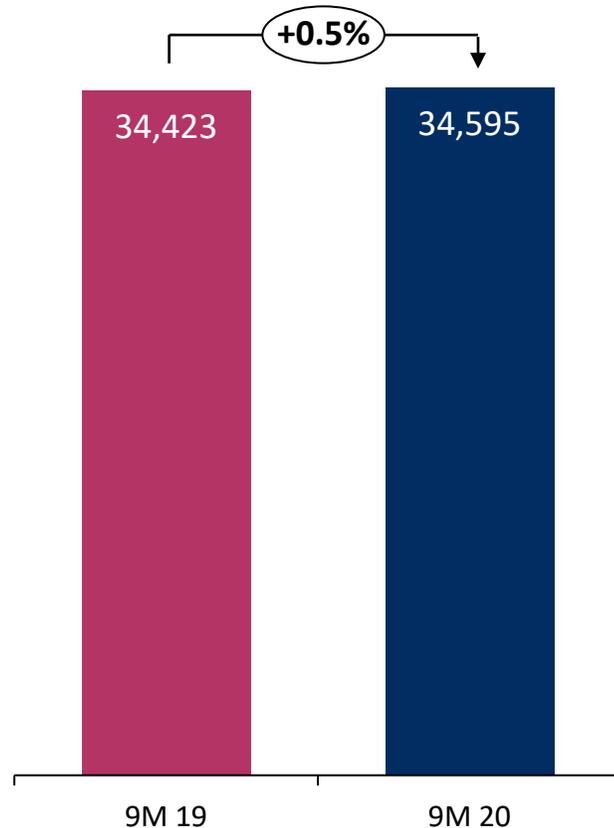


<sup>1</sup>Others include: Directors remuneration, Cash handling charges, Communication, light & power, Donations & Subscriptions, Insurance premium, Stationery & Printing, Passages & Travels & Other Operating Expenses

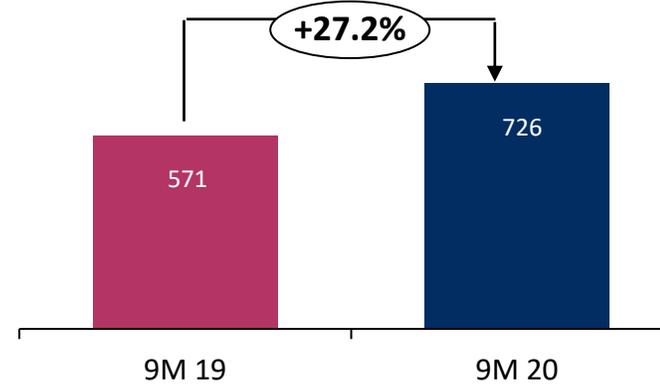
## Maintained and continue to sustain our leadership in E-business

- Continued volume and value growth across digital channels
- Revenue stable in a lower fee environment due to the growth in the customer base and in number of transactions
- Leader in transaction processing
  - 30% market share of transactions processed by the dominant switching company
  - 22% market share of interbank transfers on the NIBSS<sup>(1)</sup> platform
  - >130 million electronic-banking transactions processed per month

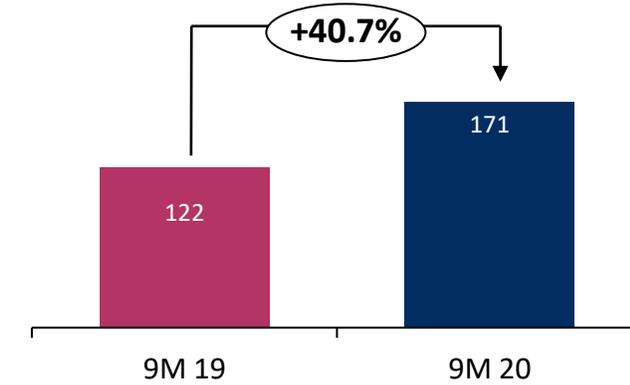
GROWING REVENUE FROM ELECTRONIC BANKING CHANNELS (₦' MILLION)



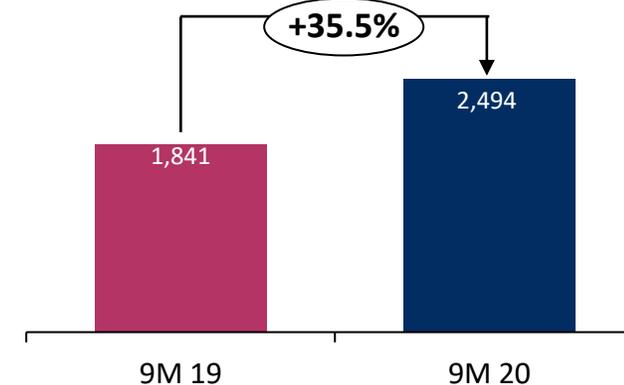
USSD BANKING TRANSACTION VOLUME (MILLION)



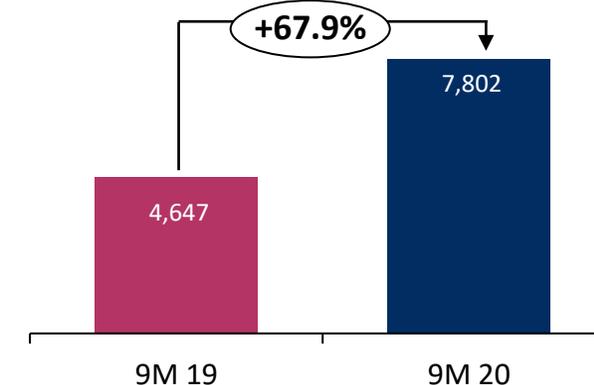
MOBILE BANKING APP TRANSACTION VOLUME (MILLION)



USSD BANKING SCHEME TRANSACTION VALUE (₦' BILLION)



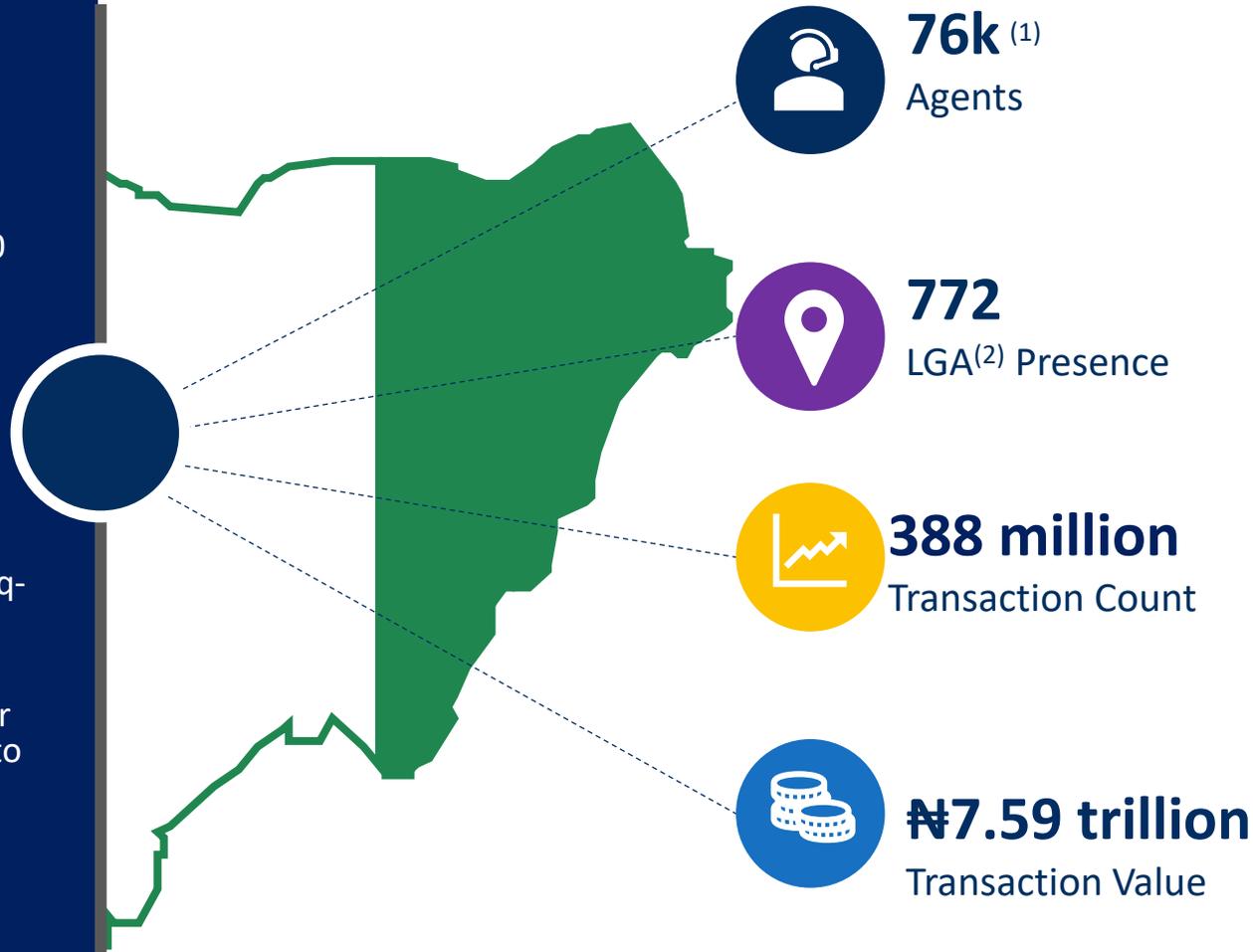
MOBILE BANKING SCHEME TRANSACTION VALUE (₦' BILLION)



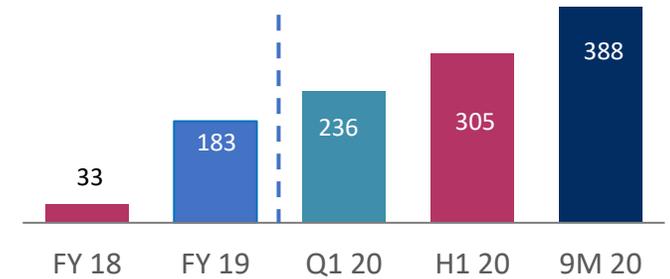
<sup>1</sup> Nigerian Inter-Bank Settlement System

## Confirming our leadership in Agent banking as the pandemic accelerates a shift in customer behaviour

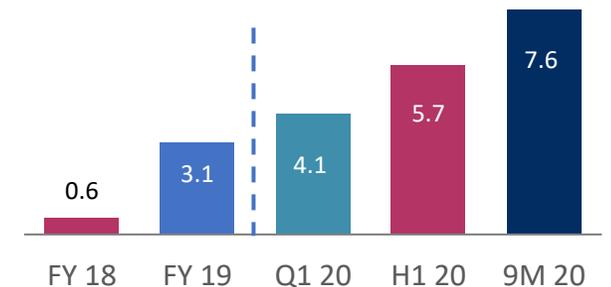
- Since inception to date, the value of the transactions processed by agents totals ₦7.6trillion
- Transaction value up 162.8% and volume up 95.1% y-o-y in 9M 2020
- Agent banking contribution to e-business revenue doubled y-o-y, from 15.3% in 9M 2019 to 30.2% in 9M 2020
- Revenues up 98% y-o-y in 9M 2020 and 13.2% q-o-q
- Continued to grow the Agent network; number of agents up by 28.4% to 75,996 at the end of September 2020, from 59,024 at the end of June 2020



CUMULATIVE AGENTS TRANSACTION COUNT FROM INCEPTION TO DATE ('Million)



CUMULATIVE AGENTS TRANSACTION VALUE FROM INCEPTION TO DATE (₦ TRILLION)



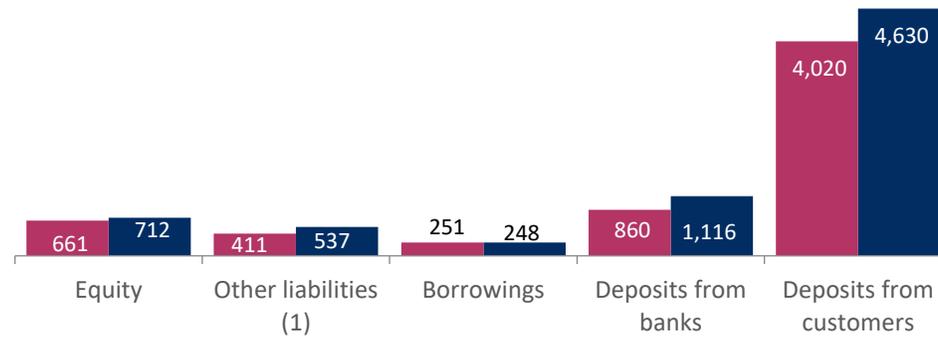
<sup>(1)</sup>As at September 30, 2020

<sup>(2)</sup> LGA = Local Government Area

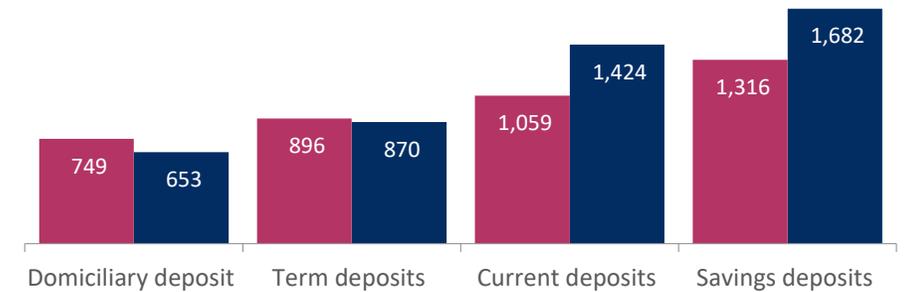
## Well-diversified funding base driven by customer deposits benefiting from a strong retail franchise and network

- Funding base remains strong and well diversified with customer deposits up 15.2% y-o-y
- 89.3% of total deposits at FirstBank Nigeria is made up of low-cost deposits (Dec 2019: 85.7%)
- Retail franchise remains strong leading to 27.8% y-o-y increase in savings deposits, contributing 36.3% to total customer deposits (Dec 2019: 32.7%)
- Savings deposits now ₦1.7 trillion from ₦1.3 trillion in Dec 2019

FUNDING BY TYPE | FBNHOLDINGS  
(FY 2019: ₦6.2tr; 9M 2020: ₦7.2tr)



DEPOSITS BY TYPE | FBNHOLDINGS  
(FY 2019: ₦4.0tr; 9M 2020: ₦4.6tr)



DEPOSITS BY SBU TREND | FIRSTBANK (NIGERIA)  
(FY 2019: ₦3.4tr; 9M 2020: ₦3.8tr)



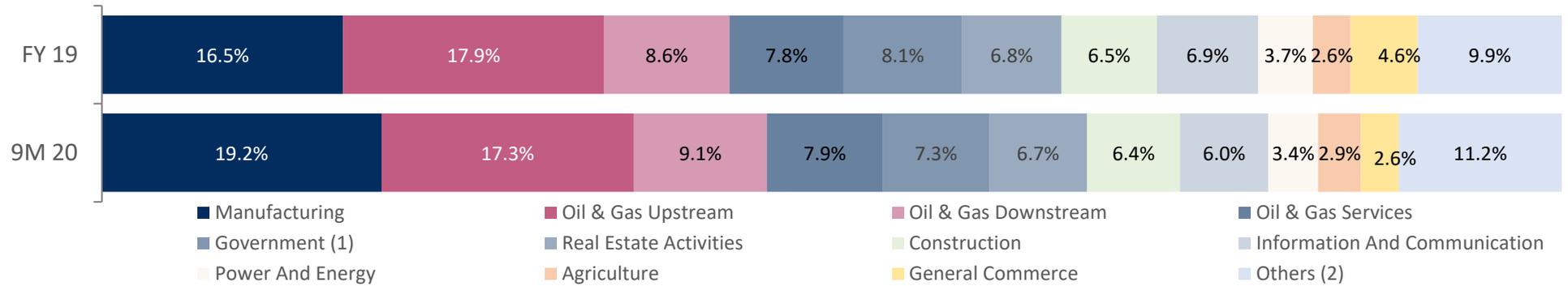
Legend: ■ FY 2019 ■ 9M 2020

<sup>(1)</sup> Other liabilities include financial investment liabilities

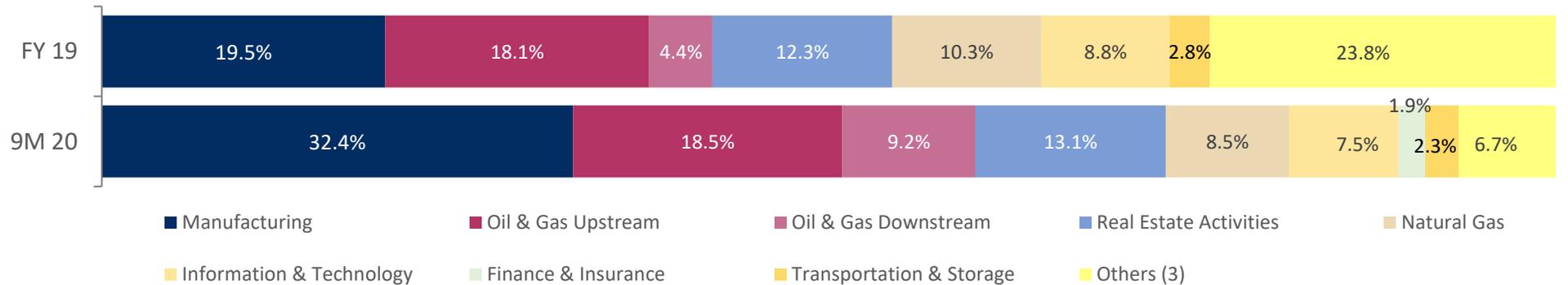
## A diversified loan book with strict adherence to a disciplined risk management framework providing a resilient revenue base

- Gross loan book was up 10.9% year to date
- Focus on the real sector, with manufacturing now accounting for 19.2% of FirstBank's loan book
- We continue to have very limited exposure to sectors mostly affected by COVID-19 (such as Aviation and Hospitality)
- Going forward focus will be on Manufacturing, Trade, retail/consumer, Telecommunication and Agric & Agro-allied sectors

FIRSTBANK (NIGERIA) GROSS LOANS BY SECTOR  
(FY 2019: ₦1,619bn; 9M 2020: ₦1,797bn)



FBNQUEST MERCHANT BANK GROSS LOANS BY SECTOR  
(FY 2019: ₦48.1bn; 9M 2020: ₦54.6bn)



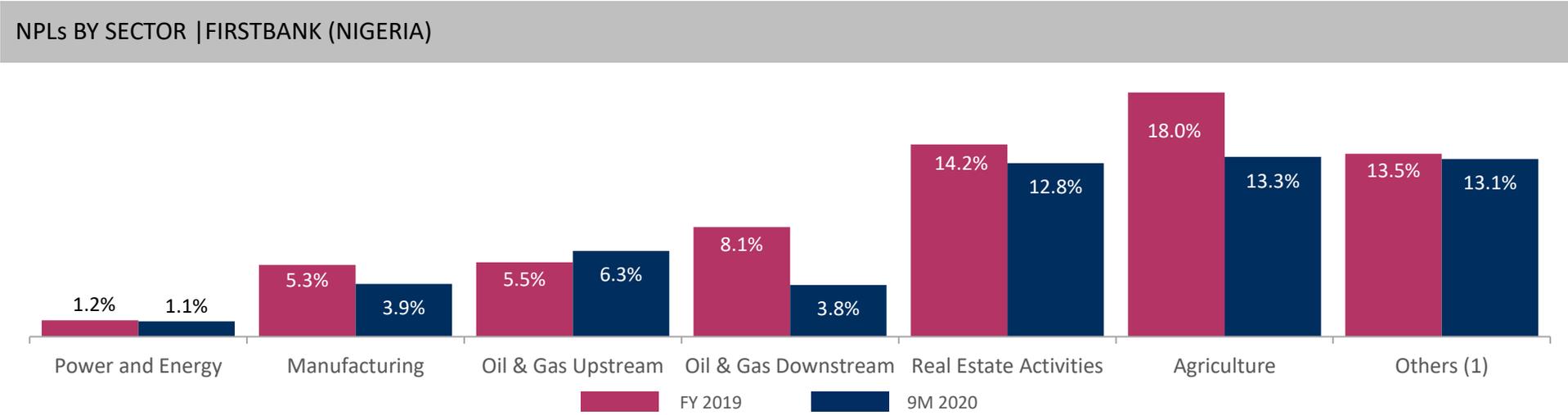
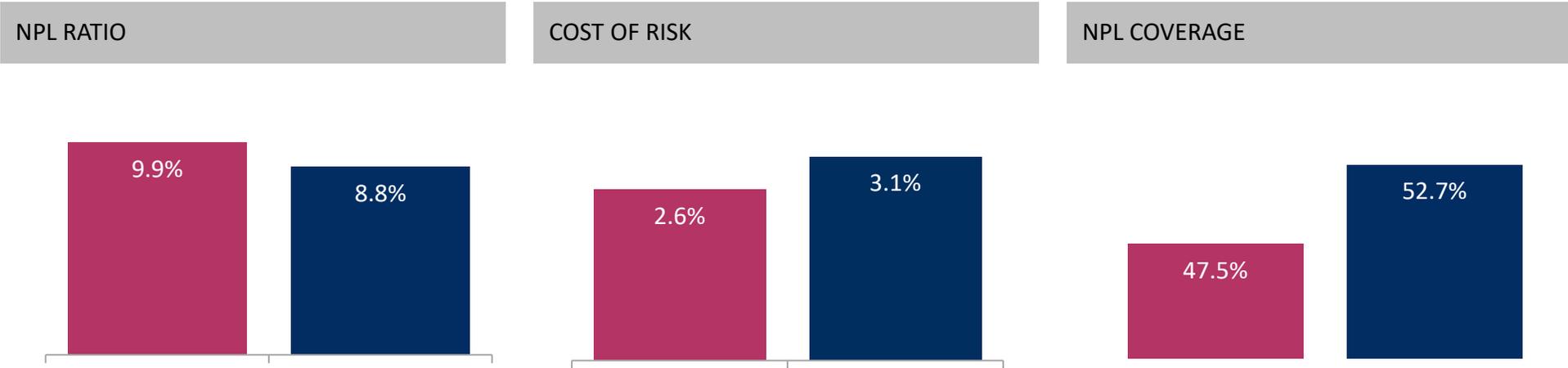
<sup>1</sup>Government loans are loans to the public sector (federal and state)

<sup>2</sup>Others include finance and insurance, capital market, public utilities, personal & professional, administrative & support services, human health & social work

<sup>3</sup>Others include government, general, agriculture, public utilities, construction, power & energy & general commerce

## Despite the difficult economic environment, NPL ratio remains below year-end levels

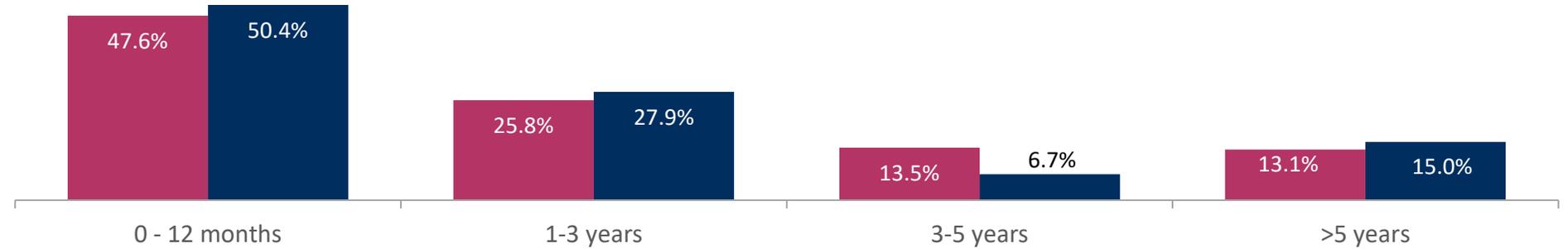
- Asset quality remains resilient with NPL ratio at 8.8%
- The adverse macro environment coupled with the weaker Naira resulted in an increase in impairment charge
- Impaired assets are adequately covered by adhering strictly to the results from our highly regarded ECL model



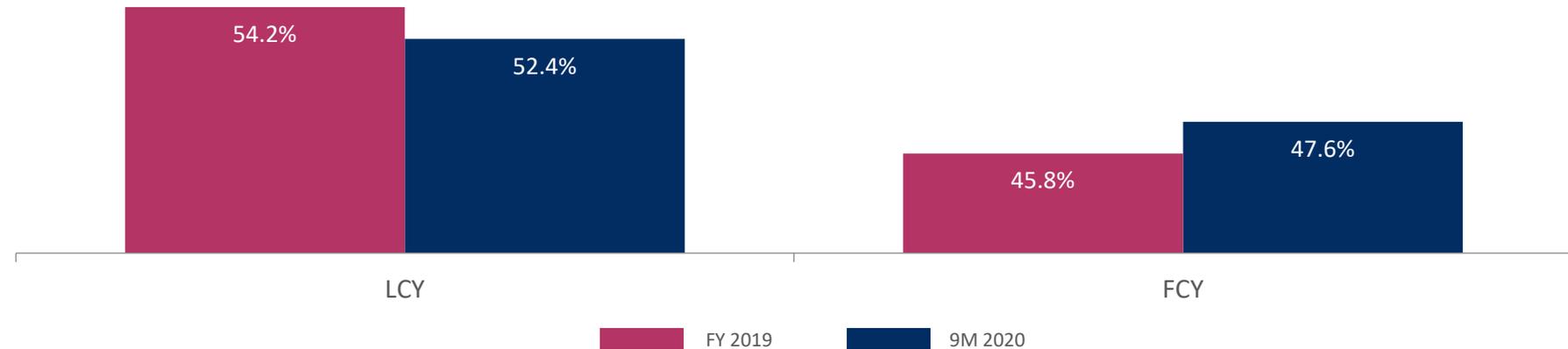
<sup>1</sup> Others include: Oil & Gas Servicing, Transportation, Construction, Health activities, Finance, Education, General commerce, Information & communication

## Rebalancing our portfolio to ensure maximum resilience

LOANS AND ADVANCES BY MATURITY | FIRSTBANK (NIGERIA)  
(FY 2019: ₦1,619bn; 9M 2020: ₦1,797bn)



LOANS AND ADVANCES BY CURRENCY | FIRSTBANK (NIGERIA)  
(FY 2019: ₦1,619bn; 9M 2020: ₦1,757bn)



- Given the current macro-economic situation and low-interest rate environment, the focus has been on short-term loans
- The increase in FCY loans is due to FX translation impact. The Group's loan strategy remains growing LCY loans
- The proportion of the loan book restructured remains unchanged at 15.0% from H1 2020

## Strong earnings accretive capacity ensures efficient capital

TOTAL RWA (₦'bn) | FIRSTBANK (NIGERIA)



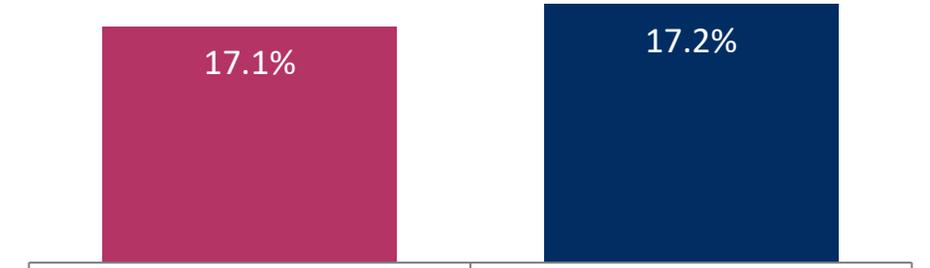
CAR | FIRSTBANK (NIGERIA)



TOTAL RWA (₦'bn) | FBNQUEST MERCHANT BANK



CAR | FBNQUEST MERCHANT BANK

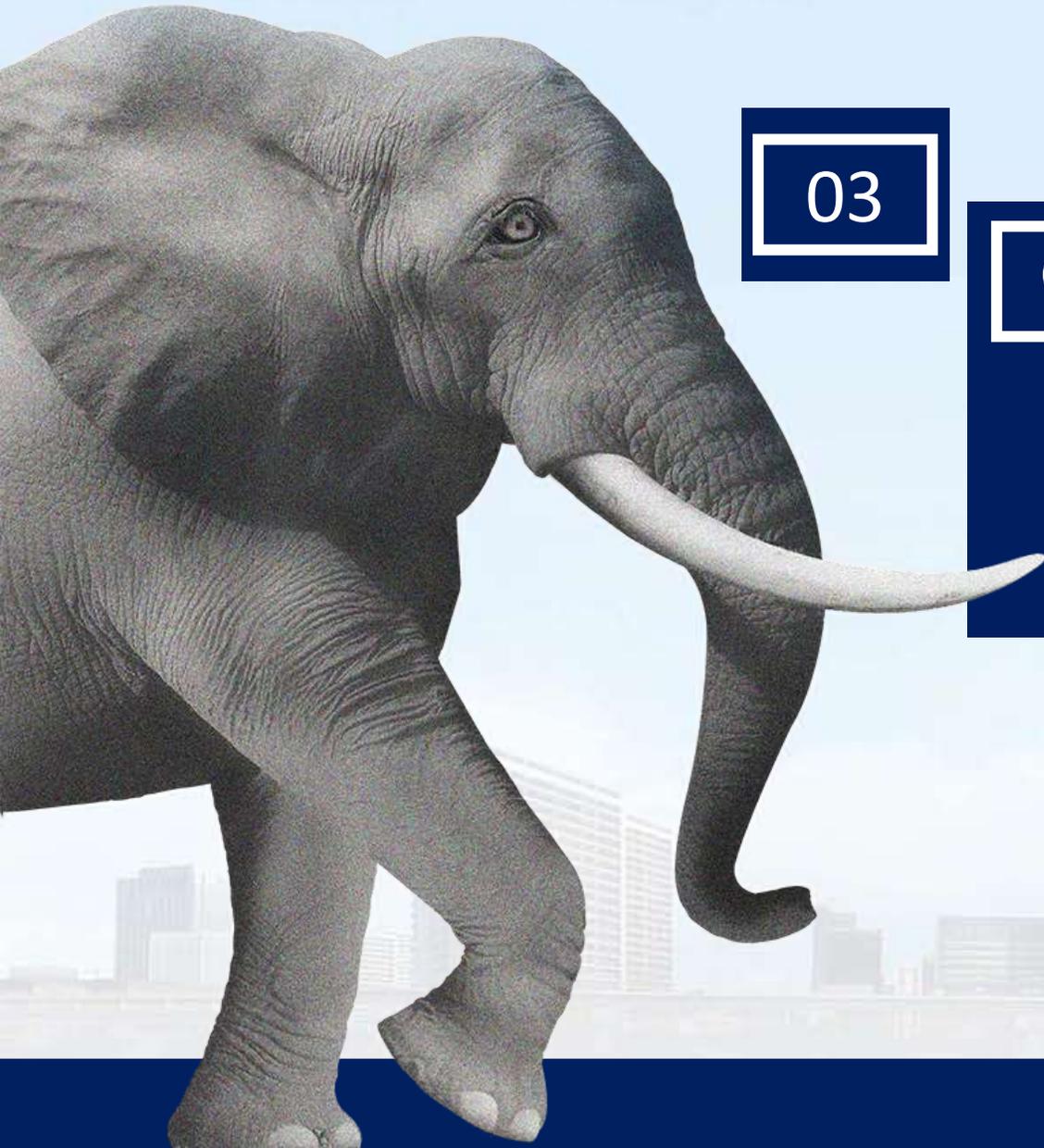


 FY 2019

 9M 2020

- Efficient balance sheet growth provides a solid platform for sustainable revenue base
- Solid and increasingly diversified earnings from non-capital consuming sources
- A cleaner balance sheet and resilient earnings generative capacity ensure a strong opportunity for capital accretion
- Sufficient capital for business growth requirement
- Long FCY position replenishes capital buffers as Naira devalues
- CAR<sup>1</sup> is 17.5%, including profit for the year

<sup>1</sup> FirstBank



03



# Outlook



## FY 2020 – Improving performance for enhanced profitability

Enhancing  
Earnings Capacity

Effective Cost  
Management

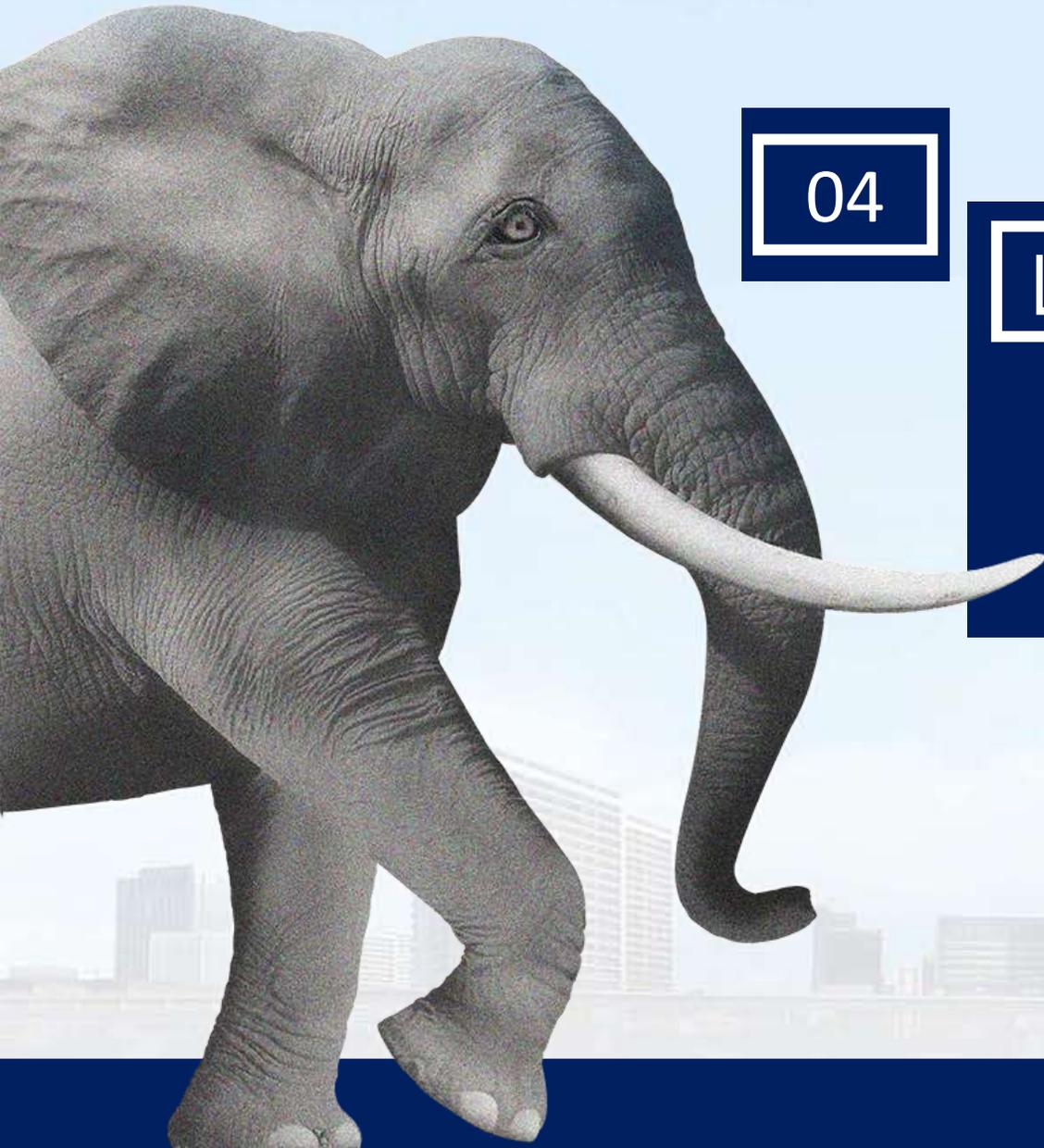
Strong Risk  
Management  
Architecture

Strengthening the  
Balance Sheet

Consolidate our  
leadership in the in  
digital and agent  
banking space

Continue the transition  
towards a more  
diversified transaction-  
led financial services  
group

Continuous focus on  
improving asset quality



04



# Appendix



## COMMERCIAL BANKING GROUP

Well positioned for sustainable growth and profitability through customer led innovation and disciplined execution

### KEY FINANCIAL HIGHLIGHTS

#### Income statement

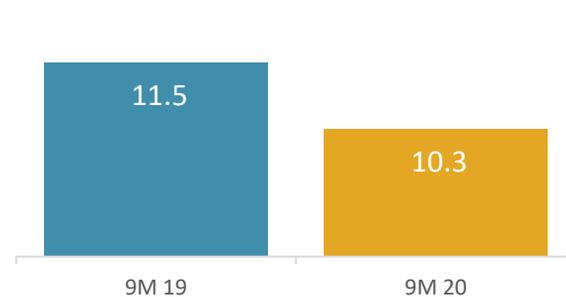
₹bn	9M 19	9M 20	y-o-y
Gross earnings	390.6	410.0	5.0%
Operating income	272.6	299.0	9.7%
Impairment charge	-28.1	-46.5	65.4%
Net interest income	196.7	185.2	-5.8%
Non-interest income	75.9	113.7	49.8%
Operating expense	-194.4	-197.7	1.7%
Profit before tax	50.1	54.8	9.3%
Profit after tax	44.4	48.8	9.9%

#### Statement of Financial Position

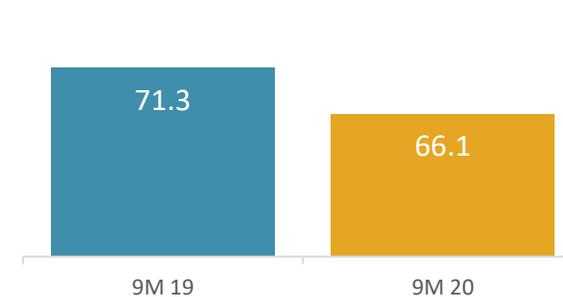
₹bn	FY 19	9M 20	y-t-d
Loans and advances	1,866.0	2,062.0	10.5%
Deposits from customers	3,911.9	4,466.8	14.2%
Shareholders fund	591.0	668.8	13.2%
Total assets	5,869.2	6,927.2	18.0%

### KEY PERFORMANCE RATIO

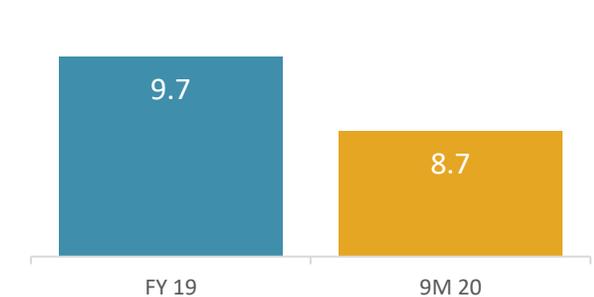
#### Return on Average Equity [%]



#### Cost to Income [%]



#### Non-Performing Loan Ratio [%]



- Significantly improved balance sheet quality, as NPL ratio remains resilient at single digit despite the challenging economic environment
- Sustained technological innovation leadership in the digital space and further strengthened financial inclusion services resulting in enhanced revenue growth
- Delivered revenue growth through significant increase in non-interest income, as electronic banking sustained its strong contribution
- Operating expenses remain firmly under control with minimal growth y-o-y despite the high inflationary environment
- Focus remains on propelling performance for enhanced profitability



## MERCHANT BANKING AND ASSET MANAGEMENT GROUP

Sustained strong performance driven by Fixed income trading, the annuity businesses (Asset Management & Trustees) and corporate banking

### KEY FINANCIAL HIGHLIGHTS

#### Income statement

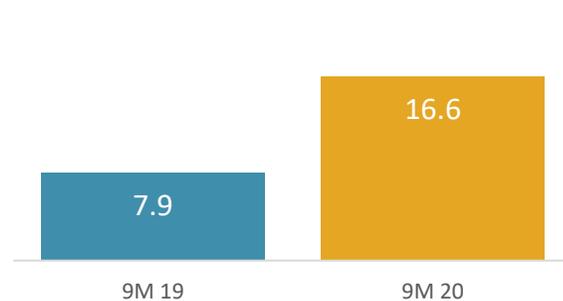
A/bn	9M 19	9M 20	y-o-y
Gross earnings	26.2	27.6	5.5%
Operating income	13.5	18.7	38.7%
Impairment charge <sup>1</sup>	-0.2	-0.2	-29.4%
Operating expense	-8.2	-9.2	12.5%
Profit before tax	5.0	9.3	84.7%
Profit after tax	3.6	6.5	78.7%

#### Statement of Financial Position

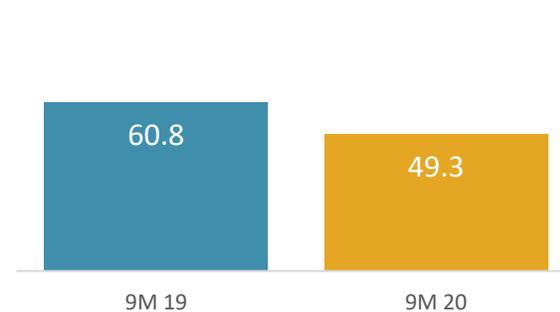
A/bn	FY 19	9M 20	y-t-d
Loans and advances	46.5	52.8	13.7%
Deposits from customers	135.5	181.7	34.1%
Shareholders fund	48.0	55.9	16.4%
Total assets	248.6	333.3	34.1%

### KEY PERFORMANCE RATIO

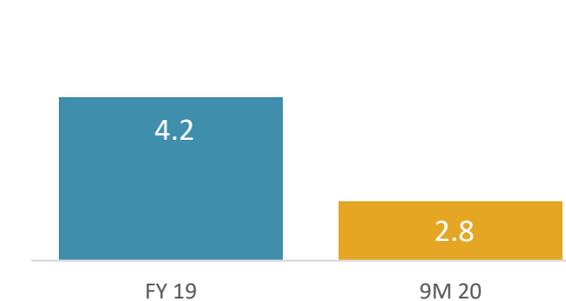
#### Return on Average Equity [%]



#### Cost to Income [%]



#### Non-Performing Loan Ratio <sup>1</sup> [%]

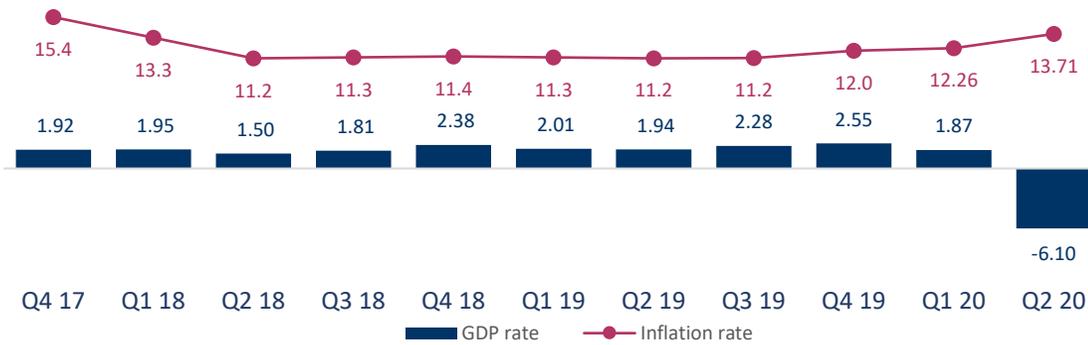


- Strong 9M 2020 performance resulted in over 78.7% growth in y-o-y profit after tax, driven by strong growth in trading activities and Corporate banking, along with resilient performance across the Asset Management and Trustees businesses, while maintaining a relatively stable cost profile
- Solid and fortified balance sheet evidenced by growth of 13.7% in loans and advances and a 34.1% growth in customer's deposit
- The Group continues to focus on enhancing the quality of and diversifying earnings by growing the annuity businesses – our investment management businesses (AuM increased by 28.8% to close at ¥440.1bn), along with strong performances from our FICT<sup>2</sup> and CCB<sup>3</sup> businesses
- We have managed risk effectively, leading to a reduction in non-performing assets and a decline in the NPL ratio to 2.8%

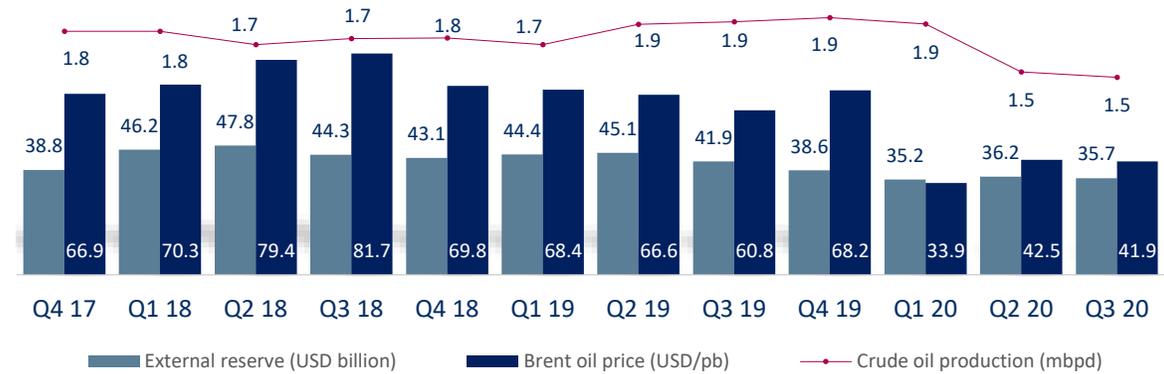


## Nigeria's operating environment remained challenging

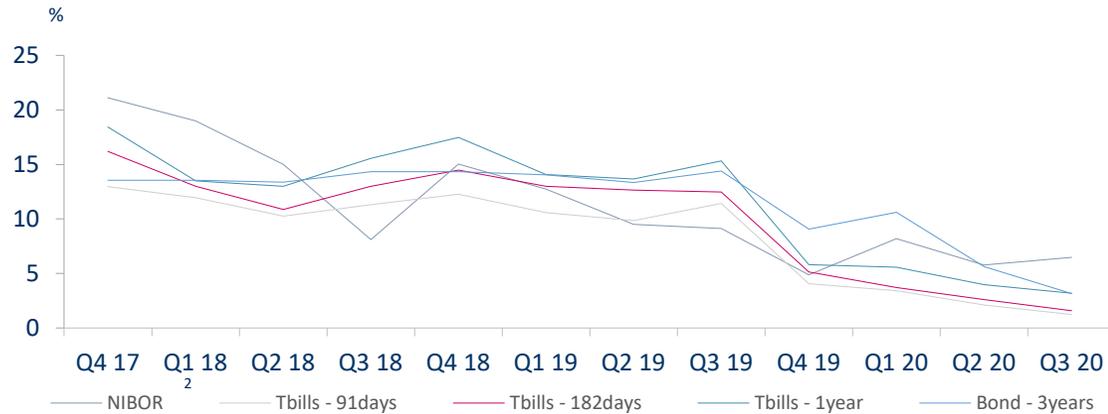
### GROSS DOMESTIC PRODUCT RATE DECLINES AMIDST RISING INFLATION



### REBOUND IN OIL PRICES BUT CRUDE OIL PRODUCTION CAPACITY DECREASES



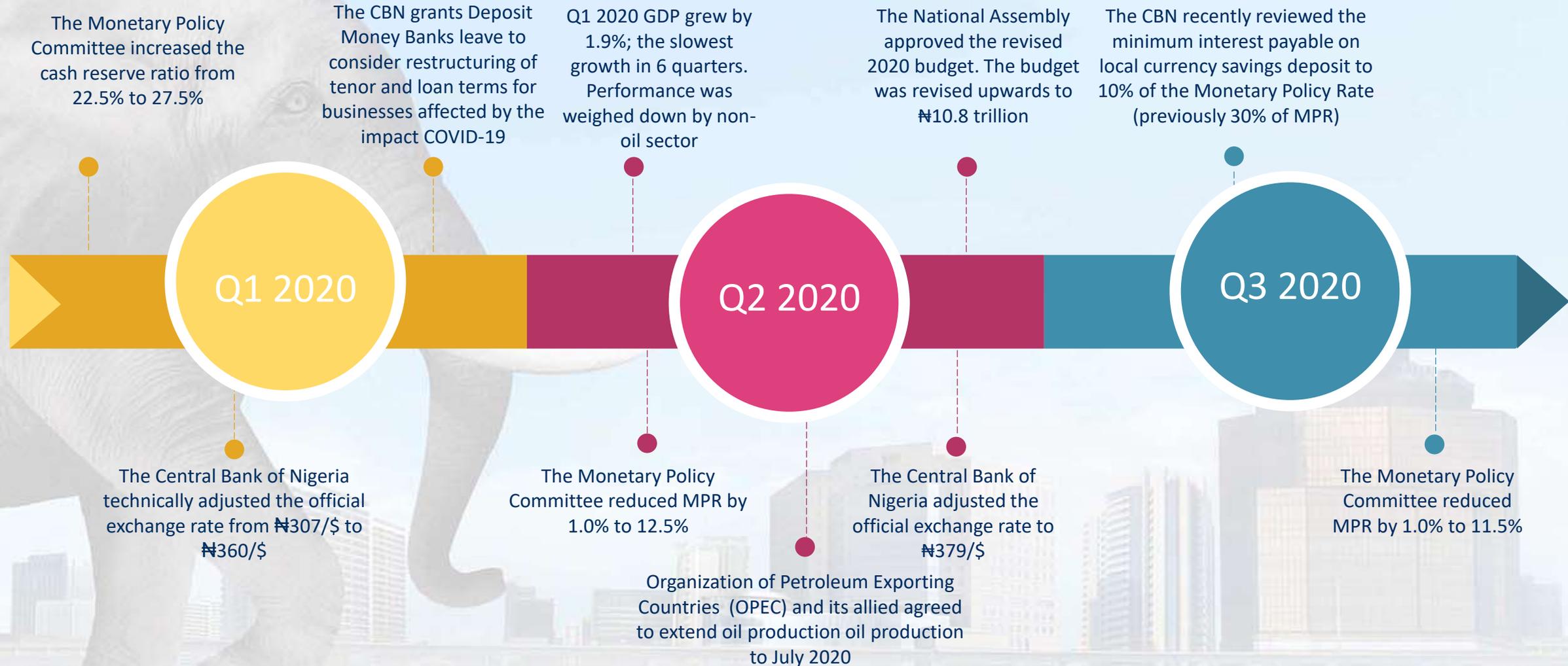
### DECLINING YIELDS ON INVESTMENT SECURITIES



### GAP BETWEEN OFFICIAL AND PARALLEL EXCHANGE RATE WIDENS



## Key macro economic and regulatory developments



# Global Footprint





## Definitions

- Cost-to-income ratio computed as operating expenses divided by operating income
- Cost of risk computed as annualised credit impairment charges divided by the average opening and closing gross loans balances
- Net-interest margin computed as annualised net interest income divided by the average opening and closing balances of interest earning assets excluding financial assets at fair value through profit & loss plus unlisted debts
- Operating income is defined as gross earnings less interest expense, fee and commission expense, insurance claims and share of profit/loss from associates
- Pre-provision operating profit computed as operating profit plus impairment charge
- Net revenue computed as operating income plus share of profit/loss from associates
- NPL coverage computed as loan loss provisions plus statutory credit reserves divided by non-performing loans
- Loans to deposits ratio computed as gross loans divided by total customer deposits
- Leverage ratio computed as total assets divided by total shareholders' funds
- Return on average equity computed as profit after tax (annualised) divided by the average opening and closing balances attributable to its equity holders
- Return on average assets computed as profit after tax (annualised) divided by the average opening and closing balances of total assets
- Tier 2 capital comprises foreign exchange revaluation reserves, hybrid capital instrument and minority interest for the FirstBank (Nigeria)



## Contact Details

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