NSE: FBNH
27 April 2017

Bloomberg: FBNH NL
Reuters: FBNH.LG

PRESS RELEASE

Lagos, Nigeria – 27 April 2017

FBN HOLDINGS PLC. REPORTS GROSS EARNINGS OF ₦581.8 BILLION FOR THE FULL YEAR ENDED 31 DECEMBER 2016

FBN Holdings Plc. ("FBNH" or "FBNHoldings" or the "Group") today announces its audited results for the full year ended 31 December 2016.

Income Statement[1]

- Gross earnings of ₦581.8billion, up 15.7% year-on-year (y-o-y) (Dec 2015: ₦502.7 billion)
- Net-interest income of ₦304.4 billion, up 14.8% y-o-y (Dec 2015: ₦265.2 billion)
- Non-interest income of ₦165.5 billion, up 68.9% y-o-y (Dec 2015: ₦97.9 billion)
- Operating income of ₦469.9 billion, up 29.4% y-o-y (Dec 2015: ₦363.1 billion)
- Impairment charge for credit losses of ₦226.0 billion (Dec 2015: ₦118.8 billion)
- Operating expenses of ₦220.9 billion, down 0.8% y-o-y (Dec 2015: ₦222.7 billion)
- Profit before tax of ₦22.9 billion, up 6.3% y-o-y (Dec 2015: ₦21.6 billion)
- Profit after tax ₦17.1 billion, up 10.3% y-o-y (Dec 2015: ₦15.5 billion)[2]

Statement of Financial Position

- Total assets of ₦4.7 trillion, up 13.7% (Dec 2015: ₦4.2 trillion)
- Customer deposits of ₦3.1 trillion, up 4.5% (Dec 2015: ₦3.0 trillion)
- Customer loans and advances (net) of ₦2.1 trillion, up 14.7% (Dec 2015: ₦1.8 trillion)

Key Ratios

- Post-tax return on average equity of 3.0% (Dec 2015: 2.8%)
- Post-tax return on average assets of 0.4% (Dec 2015: 0.4%)
- Net-interest margin of 8.8% (Dec 2015: 8.1%)
- Cost to income ratio of 47.0% (Dec 2015: 61.3%)
- NPL ratio of 24.4% (Dec 2015: 18.1%)
- 52.7% liquidity ratio (FirstBank (Nigeria)) (Dec 2015: 58.6%)
- 17.8% Basel 2 capital adequacy ratio ((FirstBank (Nigeria)) (Dec 2015: 17.1%)
- 22.6% Basel 2 CAR (FBN Merchant Bank) (Dec 2015: 23.0%)

Notable Developments

- Key leadership changes across the group[3]:
    - Appointed new executives within the Commercial Banking group
        - ✓ Executive Director - Corporate Banking
        - ✓ Chief Risk Officer
        - ✓ Chief Financial Officer
        - ✓ Group Executive, Technology and Services
- Overhauled the Risk Management framework and governance of the Commercial banking group
- African Development Bank (AfDB) approval of $300 million to refinance FirstBank's trade finance transactions
- FirstBank sustained its leadership as the only financial institution in Nigeria to achieve 100 million electronic-banking transactions per month.

[1] Prior year numbers have been adjusted for appropriate year-on-year comparison following respective board decisions to dispose and divest from Rainbow Town Development Limited and FBN Mortgages Limited. These assets have been classified as held for sale / discontinued operations

[2] For continuing operation

[3] Appointments in the CBN regulated entities are subject to approval

- Launched *894# USSD banking service to deepen financial inclusion
- FBN Insurance now the fastest growing Insurance company in Nigeria

Selected Financial Summary

(₦billion)	FY 2016	FY 2015	∆%
Gross earnings	581.8	502.7	15.7
Interest income	405.3	395.2	2.6
Net-interest income	304.4	265.2	14.8
Non-interest income[7]	165.5	97.9	68.9
Operating Income[9]	469.9	363.1	29.4
Impairment charge for credit losses	226.0	118.8	90.3
Operating expenses	220.9	222.7	-0.8
Profit before tax	22.9	21.6	6.3
Profit after tax	17.1	15.5	10.3
Basic EPS (kobo)[12]	53	44	20.4
Total assets	4,736.8	4,166.2	13.7
Customer loans & advances (Net)	2,083.9	1,817.3	14.7
Customer deposits	3,104.2	2,970.9	4.5
Non-performing loans	584.2	353.5	65.2
Shareholders' funds	582.6	578.8	0.7

Key Ratios %	FY 2016	FY 2015
Post-tax return on average equity[4]	3.0	2.8
Post-tax return on average assets[5]	0.4	0.4
Earnings yield[6]	11.7	12.1
Net-interest margin[8]	8.8	8.1
Cost of funds[10]	2.8	3.7
Cost to income[11]	47.0	61.3
Gross loans to deposits	77.1	65.9
Liquidity (FirstBank(Nigeria))	52.7	58.6
Capital adequacy (FirstBank (Nigeria))	17.8	17.1
Capital adequacy (FBN Merchant Bank)	22.6	23.0
NPL/Gross Loans	24.4	18.1
NPL coverage[13]	57.3	40.2
PPOP[14]/impairment charge (times)	1.1	1.2
Cost of risk[15]	10.4	5.7
Leverage (times)[16]	8.1	7.2
BVPS[17]	16.2	16.7

[4] Post-tax return on average equity is computed as profit after tax before discontinued operations divided by the average of opening and closing balances attributable to equity holders
[5] Post-tax return on average assets is computed as profit after tax before discontinued operations divided by the average of opening and closing balances of its total assets
[6] Earnings yield is computed as interest income divided by the average opening and closing balances of interest earning assets
[7] Non-interest income is net of fee and commission expenses
[8] Net-interest margin is computed as net interest income divided by the average opening and closing balances of interest earning assets
[9] Operating income is defined as net interest income plus non-interest income
[10] Cost of funds is computed as interest expense divided by average interest bearing liabilities
[11] Cost to income ratio computed as operating expenses divided by operating income
[12] Basic EPS is computed as profit after tax from continuing operations attributable to shareholders divided by average number of shares in issue
[13] NPL coverage is computed as loan loss provisions plus statutory credit reserve divided by gross NPLs
[14] PPOP - Pre-provision operating profit is computed as sum of operating profit and impairment charge
[15] Cost of risk is computed as credit impairment charges divided by the average opening and closing gross loans balances
[16] Total assets divided by shareholders' equity
[17] BVPS – Book Value Per Share computed as total equity divided by number of outstanding shares

Commenting on the results, UK Eke, the Group Managing Director said:

"*2016 has been a year characterised by significant uncertainty in the operating environment. Despite this, FBNHoldings has delivered a solid performance while focusing on addressing the pre-existing issues in the loan book which resulted in the current loan loss. This performance has been achieved through ongoing initiatives in driving efficiency across the various businesses, transforming the risk management and control environment, containing cost, as well as enhancing revenue generation from the banking and non-banking subsidiaries.*

We expect an improved economic environment through 2017 and are confident that the foundations we have put in place will drive improved financial performance and consequently enhance shareholder returns."

Group Financial Review

Income Statement

Gross earnings increased by 15.7% y-o-y to ₦581.8 billion (Dec 2015: ₦502.7 billion), driven by 2.6% y-o-y growth in interest income to ₦405.3 billion and 68.9% y-o-y growth in non-interest income to ₦165.5 billion. This highlights the revenue generating capacity of the Group despite the challenging business environment and it clearly demonstrates the resilience of our business and is consistent with our aspiration of becoming the foremost financial services company in Middle Africa.

Net-interest income closed at ₦304.4 billion (Dec 2015: ₦265.2 billion), a growth of 14.8% y-o-y driven by a 22.4% reduction in interest expense to ₦100.8 billion (Dec 2015: ₦130.0 billion) and a 2.6% y-o-y increase in interest income to ₦405.3 billion (Dec 2015: ₦395.2).

The reduction in interest expense is in line with our deliberate strategy of letting off expensive customers' deposits and only accepting deposits that are within our price ranges. This initiative resulted in 24.5% y-o-y decline in interest in customers' deposits closing at ₦78.8 billion (Dec 2015: ₦104.2 billion). The gain in interest to customers was however partly offset by the 22.9% y-o-y increase on borrowings to ₦18.8 billion (Dec 2015: ₦15.3 billion), primarily driven by translation effect of the devaluation of the currency.

The growth in interest income was driven primarily by 14.2% y-o-y growth in interest in investment securities to ₦115.4 billion (Dec 2015: ₦101.0 billion) as interest earning investment securities grew by 23.1% y-o-y to ₦1,194 billion (Dec 2015: ₦970.2 billion). Interest on customer loans on the other hand grew marginally by 0.2% as loans to customers grew by a 14.7% y-o-y. However, the growth in customer loans was essentially driven by the translation effect of the currency movement.

Cost of funds improved to 2.8% (Dec 2015: 3.7%) indicating better efficiency in pricing. While blended cost of borrowings increased to 6.6% from 5.3% in the prior year, blended cost of bank and customer deposits declined to 1.2% and 2.6% from 6.6% and 3.5% respectively. Average yield on assets declined marginally from 12.1% to 11.7% by 2016 year end. Consequently, net interest margin increased to 8.8% from 8.1% in the prior year.

Non-interest income (NII) increased by 68.9% y-o-y to ₦165.5 billion (Dec 2015: ₦97.9billion) contributing 35.2% to net revenue (Dec 2015: 26.9%). The increase in non-interest income can be attributed to the foreign exchange translation gain as well as an increase in fees and commission income. Foreign exchange income for the year increased to ₦89.1 billion (Dec 2015: ₦22.2 billion), representing 53.8% of non-interest income (Dec 2015: 22.7%). The revaluation gain arose from exchange rate movements on the Group's long foreign currency balance sheet position as at reporting date.

Fees and commission (F&C) income, representing 43.1% (Dec 2015: 65.2%) of total non-interest income, grew by 11.7% to ₦71.4 billion (Dec 2015: ₦63.9 billion). The growth in F&C income is driven predominantly by a 42.1% y-o-y increase in electronic banking fees to ₦21.8 billion (Dec 2015: ₦15.4 billion) and to a lesser extent, remittance fees and money transfer commissions increase to ₦5.4 billion (+18.4% y-o-y) and ₦5.2 billion (+64.2% y-o-y) respectively. This was partly offset by a 2.2% decline in account maintenance fees to ₦15.6 billion (Dec 2015: ₦16.0). Electronic banking fees is now the highest component of F&C at 30.6% (Dec 2015: 24.1%), with account maintenance fees accounting for 21.9% of F&C (Dec 2015: 25.0%).

In line with our Group strategy, we remain focused on extracting the opportunities within our business and improve revenue generation. In line with this initiative, the non-interest income of the group was enhanced by the 14.8% growth of our net insurance premium revenue of ₦8.4 billion (Dec 2015: ₦7.3 billion). Similarly, financial advisory fees from our merchant banking and assets management business contributed to the growth in total financial advisory income to ₦7.1 billion at the end of December 2016 from ₦5.3 billion at the end of December 2015 and contributing 10.0% to group fees and commission income.

Operating expenses declined by 0.8% y-o-y to ₦220.9 billion (Dec 2015: ₦222.7 billion) despite the high inflationary environment. This demonstrates the success of our cost optimisation initiatives which resulted in increased operational efficiency of our business and in a decline in: regulatory costs[18] (-4.0%, ₦1.2 billion) to ₦28.8 billion, advert and corporate promotions (-25.3%, ₦2.1 billion) to ₦6.3 billion, directors remuneration (-45.0%, ₦2.9 billion) to ₦3.5 billion, legal and professional fees (-19.7%, ₦1.2 billion) to ₦4.9 billion, net insurance claims (-33.8%, ₦1.1 billion) to ₦2.2 billion amongst other several cost line declines. These costs savings were however partly offset by some operational expenses partly due to the inflationary environment. These include: maintenance cost (+18.4%, ₦3.5 billion) to ₦22.8 billion, staff cost (+4.7%, ₦3.7 billion) to ₦83.8 billion, operational and other losses (+174.7%, ₦3.8 billion) to ₦6.0 billion.

Notwithstanding what we have achieved so far, we will continue to focus on operational efficiency to further improve current results. Currently, we are implementing the First Share Service (FSS) initiative which aims at centralising transaction processes at the branches. This ensures that the Commercial Bank optimises its human resources, leverages the technology platform and frees-up resources for market facing activities including revenue generation. Furthermore, the ongoing implementation of our ERP/ERM project in addition with other initiatives including the Group Share Service project, will fundamentally change the way we operate and further drive down operating cost.

Cost-to-income ratio improved to 47.0% (Dec 2015: 61.3%) following strong operating income growth and a sustained decline in operating expenses. Current improvement has been achieved largely through entrenched discipline in budget and procurement, optimising manning levels across functions and other conscious cost containment measures of the Group. We remain resolute in our commitment to further enhance our efficiency level.

[18] AMCON and NDIC costs. AMCON cost dropped by 4.5% y-o-y to ₦16.8 billion from ₦17.6 billion while NDIC decreased by 2.5% y-o-y to ₦12.1 billion from ₦12.4 billion

Net impairment charge on credit losses amounted to ₦226.0 billion (Dec 2015: ₦118.8 billion), largely driven by the translation effect of the foreign currency portfolio due to the Naira devaluation as well as an exceptional credit charge from legacy exposures in subsidiaries. Credit losses are predominately driven by the oil and gas sector exposures and to a lesser extent real estate/residential mortgages, general commerce and the general sectors[19]. As a result, **Cost of risk** increased to 10.4% (Dec 2015: 5.7%), while **NPL ratio** closed at 24.4% (Dec 2015: 18.1%).

We have remained focused on remediation and recovery activities towards declassifying non-performing accounts and driving asset quality improvements. In line with this, we have made significant progress on remediation and recovery of NPLs in the last nine months. One of the three major accounts contributing to the NPL has been fully restructured and will be reclassified as a performing loan in 2017 in line with IFRS guideline, while asset realization is at advanced stage on the second material NPL.

Resolution on Atlantic Energy has taken longer than expected but despite the delays we are confident in achieving a positive outcome in the near future.

Profit before tax closed 6.3% higher y-o-y at ₦22.9 billion (Dec 2015: ₦21.6 billion). Income tax expense was ₦5.8 billion (Dec 2015: ₦6.0 billion), resulting in an effective tax rate for the period at 25.3% (Dec 2015: 28.0%). This resulted in **earnings per share**[20] of ₦0.53 (Dec 2015: ₦0.44), with **post-tax return on average equity** of 3.0% (Dec 2015: 2.8%) and **post-tax return**[19] **on average total assets** of 0.4% (Dec 2015: 0.4%).

Statement of Financial Position

Total assets increased by 13.7% y-o-y to ₦4.7 trillion (Dec 2015: ₦4.2 trillion) driven by: increase in loans to customers as well as growth in investment securities. Net loans to customers grew by 14.7% to ₦2.1 trillion (Dec 2015: ₦1.8 trillion), while total investment securities[21] were up by 23.8% y-o-y to ₦1.3 trillion (Dec 2015: ₦1.0 trillion). Total interest earning assets grew by 17.7% y-o-y to ₦3.7 trillion from ₦3.2 trillion, representing 79.0% of total assets (Dec 2015: 76.3%).

Total customer deposits rose by 4.5%[22] y-o-y to ₦3.1 trillion (Dec 2015: ₦3.0 trillion). We continue to focus on ensuring an appropriate deposit mix at the optimum price. Low-cost deposits now represent 72.9% of the Group's total deposits, up from 67.3% as at December 2015. The growth in deposit has been driven by a 14.8% and 31.5% increase in savings and domiciliary deposits to ₦952.7 billion (Dec 2015: ₦829.8 billion) and ₦564.7 billion (Dec 2015: ₦429.4 billion) respectively, with term deposits declining by 13.2% y-o-y to ₦842.3 billion (Dec 2015: ₦970.4 billion). This is testament to the strength of our franchise as well as of our ability to attract a well-diversified funding base, despite the difficult market environment. Within FirstBank(Nigeria) retail banking[23] deposits continue to grow strongly at 70.6% of total deposits (Dec 2015: 67.7%) as deposits in other business lines grew stronger during the year. Foreign currency deposits now represent 18.2% of the Group's total deposits (Dec 2015: 14.5%) but 18.9% (Dec 2015: 17.8%) of the FirstBank (Nigeria) deposits at ₦470.7 billion.

[19] This includes personal & professional, hotel& leisure, logistics and religious bodies
[20] From continued operations
[21] Interest earning investment securities grew by 23.1% y-o-y from ₦970 billion to ₦1.2 trillion
[22] Adjusting for the impact of Naira devaluation, the Group's deposit book would have declined by 2.5%
[23] Including Private Banking

At year end, FirstBank(Nigeria) had ₦536.95 billion (Dec 2015: ₦473.1 billion) in mandatory CRR balances, representing 22.5% of qualifying deposits with Central Bank of Nigeria (CBN). This amount represents 21.6% of the Bank's customer deposits.

Total loans & advances to customers (net) increased by 14.7% y-o-y to ₦2.1 trillion (Dec 2015: ₦1.8 trillion), driven by the translation effect of the Naira devaluation. As a result, FCY loans now constitute 51.1%[24] of the loan portfolio (Dec 2015: 44.7%). The oil and gas sector which was predominantly impacted by the devaluation now accounts for 42.2% of the loan portfolio with the upstream segment accounting for 21.3%, downstream at 14.1% and services at 6.8%. Accordingly, the impact of devaluation because of translation including a classified legacy loan in one of our subsidiaries contributed to the growth in the non-performing loan book and the corresponding impairment charge.

There have been intense remediation and recovery activities for prompt declassification of the non-performing accounts. Significant progress has been made with approximately 5% of the loan book restructured. Oil and gas constitute about 70% of the restructured loans, with upstream at 30% and downstream and midstream (oil services) at 70%. Portfolio of subsidiaries reflect legacy assets but analysis indicate NPLs are less than 2%.

Furthermore, we have implemented various initiatives and overhauled our risk management approach from origination to recovery. Considerable emphasis has been placed on ensuring quality at entry, based on moderate risk appetite as well as an increase in portfolio diversification along obligor, industry, product and geography in the three-year portfolio strategy plan. We have seen progressive improvement in risk indicators from NPL, portfolio diversification to reverse trend in NPL formation.

Other key initiatives that have been instituted to prevent a recurrence of past events include a holistic culture change, retooling, training and automation of the credit process. To further strengthen the risk environment, we are overhauling the risk management framework across our subsidiary businesses including risk appetite, target market and risk acceptance criteria to align with moderate risk appetite. Similarly, the governance model and oversight of the subsidiaries has been enhanced through centralising the coordination of subsidiary risk management.

We continue to de-risk the balance sheet, especially from currency movement by converting loans from FCY to Naira as we prioritise loan growth to top tier corporates, trade and export oriented transactions as well as the retail and consumer segments. We expect improvements in asset quality to manifest by end 2017 through 2018.

Shareholders' funds closed at ₦582.6 billion, up 0.7% y-o-y (Dec 2015: ₦578.8 billion), benefitting from revaluation gains of ₦26.7 billion, taking foreign currency translation reserves to ₦34.8 billion (Dec 2015: ₦8.0 billion) as well as statutory credit reserve of ₦21.2 billion, closing at ₦23.6 billion (Dec 2015: ₦2.4 billion). This was partly offset by a y-o-y decline in share premium and AFS fair value reserve by 7.7% and 51.1% to ₦233.4 billion and ₦27.5 billion respectively.

Capital adequacy ratio for FirstBank (Nigeria) closed at 17.8% (Dec 2015: 17.1%) above the current regulatory minimum of 15%, while tier 1 ratio was 13.97% (Dec 2015: 13.3%). Capital adequacy ratio for FBN Merchant

[24] Pre-devaluation in June 2016, foreign currency loans represented 42.9% of total loans

Bank closed at 22.6% (Dec 2015: 23.0%) above the 10% required by regulation for Merchant Banks, with a tier 1 ratio of 25.9% (Dec 2015: 22.6%).

Liquidity ratio for FirstBank (Nigeria) closed at a healthy 52.7% (Dec 2015: 58.6%) above the 30% regulatory mark demonstrating the strong and stable funding profile of the franchise.

Business Groups[25] [26] [27]:

Commercial Banking

- Gross earnings of ₦535.5 billion, up 15.0% y-o-y (Dec 2015: ₦465.8 billion)
- Net interest income of ₦294.3 billion, up 13.6% y-o-y (Dec 2015: ₦258.9billion)
- Non-interest income of ₦140.4 billion, up 84.5% y-o-y (Dec 2015: ₦76.1 billion)
- Operating expenses of ₦199.0 billion, down 0.3% y-o-y (Dec 2015: ₦199.7 billion)
- Profit before tax of ₦10.7 billion, down 4.9% y-o-y (Dec 2015: ₦10.2 billion)
- Profit after tax of ₦10.5 billion, over 100% y-o-y (Dec 2015: ₦2.9 billion)
- Total assets of ₦4.51 trillion, up 13.6% y-o-y (Dec 2015: ₦3.97 trillion)
- Customers' loans and advances (net) of ₦2.09 trillion, up 14.9% y-o-y (Dec 2015: ₦1.82 trillion)
- Customers' deposits of ₦3.0 trillion, up 4.3% y-o-y (Dec 2015: ₦2.9 trillion)

Commenting on the results Dr. Adesola Adeduntan, the MD/CEO of FirstBank and subsidiaries said:

"*The Commercial Banking group has delivered a robust performance with a 15.6% y-o-y growth in gross earnings to ₦535.5 billion in a challenging operating environment while addressing the quality of the asset portfolio and overhauling the group risk management governance and architecture.*

During the year, we strengthened leadership in key business areas ensuring we have the appropriate skillset in place to drive us forward. We remain resolute in our commitment to transform the bank's risk management approach towards sustainable improvement in asset quality, enhancing the revenue generation capacity of our business and optimising costs. In all, we will ensure profitable growth of the group leveraging technology to drive innovation as we position for improved performance"

FirstBank (Nigeria)[28] ("FirstBank")

Gross earnings grew by 13.5% y-o-y to ₦478.2 billion (Dec 2015: ₦421.2 billion), driven by the 72.2% y-o-y increase in non-interest income to ₦127.5 billion (Dec 2015: ₦74.0 billion). Interest income remained flat, up only 0.5% to ₦339.3 billion (Dec 2015: ₦337.8 billion) with interest from investment securities, contributing 28.0% to total interest income, increased by 13.5% y-o-y to ₦95.0 billion (Dec 2015: ₦83.7 billion). This growth was offset primarily by the decline in interest on loans to customers by 3.5% to ₦234.3 billion (Dec

[25] Please refer to the 'Notes to Editors' section on page14 for the companies in each business group
[26] The pre-consolidation numbers of each of the business groups have been considered in discussing their performance
[27] Post consolidation, the Commercial Banking, Merchant Bank & Asset Management, Insurance and Others contributed 91.6%, 6.2%, 2.1% and 0.2% (Dec 2015: 90.9%, 6.6%, 2.0% and 0.6%) respectively to the Group's gross earnings and 36.1%, 59.7%, 14.9% and -10.7% (Dec 2015: 56.0%, 47.9%, 10.0% and -14.0%) to the Group's profit before tax.

[28] This relates to FirstBank Nigeria only

2015: ₦242.8 billion). The impact of the flat interest income was mitigated by a 27.4% y-o-y reduction in interest expense to ₦79.7 billion (Dec 2015: ₦109.9 billion), in line with our strategic objective of improving efficiencies in our pricing structure. As a result, net interest margins grew stronger to 10.2% from 9.1% in the previous year as net interest income improved by 13.9% y-o-y to ₦259.6 billion (Dec 2015: ₦227.9 billion)

Non-interest income was largely driven by gains in foreign exchange income (>100%) and fees and commission income (+12.0%) resulting in a 72.2% y-o-y growth to ₦127.5 billion (Dec ₦74.0 billion). Fees from electronic banking (+42.1% y-o-y) and account maintenance (+>100% y-o-y) essentially contributed to the growth in F&C, followed by money transfer commission (+65.5% y-o-y) and funds transfer & intermediation fees (+25.9% y-o-y) to a lesser extent.

Cost-to-income ratio at FirstBank (Nigeria) improved strongly from 59.3% in the previous year to 44.9% as at the end of the 2016 financial year. This is as a result of the 28.2% y-o-y growth in operating income to ₦387.0 billion (Dec 2015: ₦301.9 billion) supported by a 3.0% y-o-y decrease in operating expenses to ₦173.6 billion (Dec 2015: ₦179.0 billion). Reflected in the growth in electronic banking is the introduction of the USSD banking service, with over one million users currently, deepening financial inclusion by providing an alternative platform to customers to perform simple banking transactions without the use of a smart phone or internet service.

Asset quality challenges exacerbated by the scarcity of foreign currency to repay maturing obligations and the impact of foreign currency translation resulted in cost of risk of 9.1% from a 24.8% NPL with a coverage ratio of 50.3%. Despite this challenges, FirstBank(Nigeria) remained resilient and returned a stronger profit before tax of ₦53.5 billion (Dec 2015: ₦2.8 billion).

The Commercial Banking business contributed 91.4% (Dec 2015: 91.4%) to gross earnings of the Group and 38.4% (Dec 2015: 44.1%) profit before tax.

Merchant Banking & Asset Management (MBAM)[29]/ FBNQuest

Notwithstanding the challenging operating environment, the merchant banking and asset management businesses recorded a strong performance, demonstrating the resilient and diversified nature of the business portfolio.

Total revenue increased by 13.5% to ₦37.8 billion from ₦33.3 billion in Dec. 2015 while profit before tax increased by 28.8% to ₦13.7 billion from ₦10.6 billion in Dec 2015. This performance reaffirms our position as one of the leading players in the merchant banking and asset management segment.
Assets under management (AuM) across the group (FBN Capital Asset Management and FBN Trustees) dipped slightly by 3% to close at ₦211 billion while total assets closed at ₦195.1 billion. Our businesses are well capitalised, with total group equity of ₦48.1 billion, capital adequacy of about 22.6%, and 14% growth in the loan portfolio for the merchant bank.

Our equities brokerage business moved up one position to rank 5th in the top ten broker ranking, while our asset management business closed the year in the 3rd position based on SEC registered funds (2nd position in 2015) now back to the 2nd position as at end of first quarter 2017.

[29] Following the acquisition of the Merchant Banking License in the latter part of 2015, the Merchant Banking & Asset Management Business (MBAM) is also known as FBNQuest

Looking ahead, we expect the weak macroeconomic conditions to prevail in the first half of the year and anticipate a gradual pickup in business activity from the second half of 2017. We will continue to progress with organisational restructuring and optimisation of the merchant banking license. Our strategy remains to continue to accelerate growth, optimise internal and external collaboration, and excel in delivery by leveraging technology.

The Merchant Banking and Asset Management business contributed 6.4% (Dec 2015: 6.5%) to gross earnings of the Group and 49.3% (Dec 2015: 46.1%) profit before tax.

Insurance

The insurance industry, similar to the rest of the financial services industry, was impacted by the volatile macroeconomic and operating environment in 2016. The decelerating trends had huge impacts on the Nigerian insurance industry as players re-evaluated their business approaches with a view to delivering optimal value to stakeholders. The industry also witnessed a number of reformatory initiatives from the regulator including the implementation of the 2009 corporate governance code and a draft road map for the transition to Risk Based Supervision (RBS) to enhance corporate governance and develop a focused risk supervisory approach in the industry.

In spite of the prevailing headwinds, we remained resolute in delivering a strong performance, further supporting our strategic view of positioning the group as a leading underwriting business in the country. Amidst the economic challenges, the Gross Premium Written within the insurance group increased by 6.0% to close at N11.6 billion (Dec 2015: N10.9 billion) with total revenue for the group increasing by 18.9% y-o-y to ₦12.5 billion in 2015 from ₦10.5 billion in 2015, while profit before tax rose to ₦3.4 billion, up 50.4% y-o-y for the year Dec 2015, from ₦2.3 billion in Dec 2015. The business group closed with a 36.9% y-o-y increase in Total assets to ₦32.3 billion (Dec 2015: ₦23.6 billion).

The success of the business in 2016 can be attributed to deeper retail penetration essentially in the life business and corporates in the general business. Other drivers include a combination of product innovation, robust risk management and efficient service delivery with increased investment income on account of improvement in securities yield. Going forward, we will remain focused on deepening our retail life footprints, which we consider as a sustainable market segment while driving agency expansion and enhancing productivity. Furthermore, we will expand annuity sales to new locations, enhance operational efficiency and effectiveness across key organisational functions and leverage on technology for superior service delivery to customers. Overall, we are confident that in 2017, we will once again build on the successes of previous years.

The insurance business contributed 2.1% (Dec 2015: 2.1%) to gross earnings of the Group and 12.3% (Dec 2015: 9.8%) to profit before tax.

– ENDS –

Conference call

FBNHoldings will host a question and answer teleconference call with analysts and investors on the audited results for the full year 31 December 2016 and unaudited results for the three months 31 March 2017 on **Friday 28 April 2017 at 3:00pm UK / 3:00pm Lagos / 10:00am New York / 4:00pm Johannesburg & Cape Town**.

The teleconference call facility can be accessed by dialling:
+234 1 277 6330 (Nigeria); **0800 279 7204** (United Kingdom) or **+44 330 336 9412** (United Kingdom); **+1 888 882 8941 or +1 719 325 2385** (United States); or **0800 998 654** or **+27 11 844 6118** (South Africa).

And then entering the following confirmation code: **4047778#**

Participants are advised to register for the call at least five minutes before the start of the call.

For those who are unable to listen to the live call, a recording will be posted on the Company's website. Replay facilities are also available for a week after the call by dialling:

United Kingdom: **0808 101 1153** or **+44 20 7660 0134**; US: **+1 719 457 0820** or **+1 888 203 1112; South Africa: 0 800 980 995 or +27 11 062 3065**

Passcode: **4047778#**

An investor presentation will be available on the FBNHoldings website ahead of the call.

Click here to access the presentation.

The following documents are also available on our website http://ir.fbnholdings.com/

- FY 2016 financial statements (audited) Click here
- Q1 2017 financial statements (unaudited) Click here

For further information please contact:

Tolulope Oluwole (Ag. Head, Investor Relations) +234 1 905 2720
Tolulope.o.oluwole@fbnholdings.com

FBN Holdings Plc.

STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
ASSETS				
Cash and balances with central banks	690,165	715,871	-	-
Loans and advances to banks	444,871	385,769	645	4,792
Loans and advances to customers	2,083,894	1,817,271	65	63
Financial assets at fair value through profit or loss	46,711	26,426	-	-
Investment securities				
-Available-for-sale investments	921,753	799,850	12,350	7,019
-Held to maturity investments	108,479	106,623	-	-
-Loans and receivables	20,356	7,306	-	-
Asset pledged as collateral	197,420	105,646	-	-
Other assets	47,786	35,483	10,599	4,670
Inventory	-	49,649	-	-
Investment properties	3,003	3,025	-	-
Investments in associates accounted for using the equity method	1,114	-	-	1,500
Investment in subsidiaries	-	-	242,395	263,595
Property, plant and equipment	88,315	88,398	849	1,192
Intangible assets	15,328	9,687	-	-
Deferred tax assets	17,278	14,615	-	-
	4,686,473	4,165,619	266,903	282,831
Assets held for sale	50,332	570	-	-
Total assets	**4,736,805**	**4,166,189**	**266,903**	**282,831**
LIABILITIES				
Deposits from banks	416,078	144,652	-	-
Deposits from customers	3,104,221	2,970,922	-	-
Financial liabilities at fair value through profit or loss	37,137	12,488	-	-
Current income tax liability	8,897	8,773	84	-
Other liabilities	235,388	168,441	7,114	5,751
Liability on investment contracts	9,440	10,157	-	-
Liability on insurance contracts	10,287	11,837	-	-
Borrowings	316,792	256,116	-	-
Retirement benefit obligations	2,662	3,764	-	-
Deferred tax liabilities	813	239	-	-
	4,141,715	3,587,389	7,198	5,751
Liabilities held for sale	12,515	-	-	-
Total liabilities	**4,154,230**	**3,587,389**	**7,198**	**5,751**
EQUITY				
Share capital	17,948	17,948	17,948	17,948
Share premium	233,392	252,892	233,392	252,892
Retained earnings	161,631	163,198	8,008	5,885
Other reserves				
Statutory reserve	76,226	66,647	-	-
Capital reserve	1,223	1,223	10	10
SSI Reserve	6,076	6,076	-	-
AFS fair value reserve	27,507	56,241	347	345
Contingency reserve	727	438	-	-
Statutory credit reserve	23,640	2,433	-	-
Foreign currency translation reserve	34,753	8,029	-	-
	583,123	575,125	259,705	277,080
Non-controlling interest	(548)	3,675	-	-
Total equity	**582,575**	**578,800**	**259,705**	**277,080**
Total equity and liabilities	**4,736,805**	**4,166,189**	**266,903**	**282,831**

FBN Holdings Plc.

INCOME STATEMENT	GROUP		COMPANY	
	31 December 2016 N 'million	31 December 2015 N 'million	31 December 2016 N 'million	31 December 2015 N 'million
Continuing operations				
Interest income	405,281	395,162	885	614
Interest expense	(100,839)	(129,997)	-	-
Net interest income	**304,442**	**265,165**	**885**	**614**
Impairment charge for credit losses	(226,037)	(118,794)	-	-
Net interest income after impairment charge for credit losses	**78,405**	**146,371**	**885**	**614**
Insurance premium revenue	9,606	8,448	-	-
Insurance premium revenue ceded to reinsurers	(1,175)	(1,107)	-	-
Net insurance premium revenue	**8,431**	**7,341**	**-**	**-**
Fee and commission income	71,360	63,860	-	-
Fee and commission expense	(11,073)	(9,583)	-	-
Net gains on foreign exchange	89,077	22,226	105	31
Net gains/(losses) on sale of investment securities	3,930	6,666	(12)	35
Net (losses)/gains from financial instruments at fair value through profit or loss	(6)	2,055	-	-
(Loss)/gain from disposal of subsidiary	(8)	1,572	-	1,600
Gain from disposal of investment in associates	-	-	144	-
Dividend income	897	1,531	11,559	4,493
Other operating income	2,868	2,277	34	22
Insurance claims	(2,190)	(3,306)	-	-
Personnel expenses	(83,805)	(80,057)	(702)	(685)
Depreciation of property, plant and equipment	(11,584)	(11,479)	(381)	(384)
Amortisation of intangible assets	(3,324)	(2,154)	-	-
Impairment loss on investment	-	-	(1,700)	(850)
Operating expenses	(120,030)	(125,739)	(2,321)	(2,696)
Profit before tax	**22,948**	**21,581**	**7,611**	**2,180**
Income tax expense	(5,807)	(6,042)	(104)	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**17,141**	**15,539**	**7,507**	**2,180**
Discontinued operations				
Loss for the year from discontinued operations	(4,898)	(391)	-	-
PROFIT FOR THE YEAR	**12,243**	**15,148**	**7,507**	**2,180**
Profit/(loss) attributable to:				
Owners of the parent	14,122	15,406	7,507	2,180
Non-controlling interests	(1,879)	(258)	-	-
	12,243	**15,148**	**7,507**	**2,180**
Earnings per share for profit attributable to owners of the parent				
Basic/diluted earnings/ loss per share (in Naira):				
From continuing operations	0.53	0.44	0.21	0.06
From discontinued operations	(0.14)	(0.01)	-	-
From profit for the year	0.39	0.43	0.21	0.06

- Notes to Editors -

FBN Holdings Plc. (ISIN: NGFBNH000009) is the most diversified financial services group in Nigeria. FBN Holdings Plc. was incorporated in Nigeria on 14 October 2010, following the business reorganisation of the FirstBank Group into a holding company structure. The Company was listed on the Nigerian Stock Exchange under the 'Other Financial services' sector on 26 November 2012 and now has issued and fully paid-up share capital of 35,895,292,792 ordinary shares of 50 kobo each (₦17,947,646,396). More information can be found on our website www.fbnholdings.com.

The subsidiaries of FBNHoldings offer a broad range of products and services across commercial banking in 12 countries (Lagos, Nigeria; London, United Kingdom; Paris, France; Johannesburg, South Africa; Beijing, China; Abu Dhabi, UAE; Kinshasa, Democratic Republic of Congo; Accra, Ghana; Banjul, Gambia, Conakry, Guinea, Freetown, Sierra Leone and Dakar, Senegal), merchant banking and asset management as well as insurance. The Group, employing about 9,099 staff, has about 12.4 million active customer accounts (in the principal subsidiary – FirstBank (Nigeria)), through about 875 business locations (617 local branches, 130 agencies for FirstBank (Nigeria) and 128 (local and international) subsidiary locations). FBN Holdings Plc. is structured essentially under three business groups, namely: Commercial Banking, Merchant Banking and Asset Management as well as Insurance.

Commercial Banking comprises First Bank of Nigeria Limited, FBNBank (UK), FBNBank DRC[30], West Africa[31] subsidiaries, representative offices in Beijing and Paris as well as First Pension Fund Custodian. This group provides both individual and corporate clients/ customers with financial intermediation services. This business segment includes the group's local, international and representative offices with operations in 12 countries offering commercial banking services.

Merchant Banking & Asset Management comprises (**FBNQuest**) FBN Merchant Bank Limited and FBN Capital Group. Both entities are wholly owned by the holding company. The FBN Capital group comprises FBN Capital Ltd and its subsidiaries; FBN Securities Limited, FBN Capital Asset Management Limited, FBN Trustees Limited, FBN Funds Limited and FBN Capital Partners Limited. The group creates value by providing advisory, asset management, markets and private equity services to a large institutional (corporations and governments) clientele, as well as merchant banking services.

Insurance comprises FBN Insurance Limited and FBN General Insurance Limited (both owned by FBNHoldings 65% and Sanlam 35%) as well as FBN Insurance Brokers (100% owned subsidiary). The business group offers Life and General insurance services as well as insurance brokerage services.

[30] Previously, Banque Internationale de Credit (BIC)
[31] Comprising locations in Ghana, Gambia, Guinea, Sierra Leone, Ghana and Senegal

Cautionary note regarding forward looking statements

This release contains forward-looking statements which reflect management's expectations regarding the Group's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend", "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Group's management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. Forward-looking statements therefore speak only as of the date they are made.

FBNHoldings cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain risks or factors, reference should be made to the Group's continuous disclosure materials filed from time to time with the Nigerian Stock Exchange. The Group disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.