FBN Holdings Plc

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FBN HOLDINGS PLC REPORTS 7.7% RISE IN GROSS EARNINGS TO ₦194.9 BILLION FOR THE FIRST HALF ENDED 30 JUNE 2013

FBN Holdings Plc. (“FBNH” “FBN Holdings” or the “Group”) today announces its unaudited IFRS compliant results for the first half ended June 2013.

Profit & Loss Highlights

- Gross earnings of ₦194.9 billion, up 7.7% year-on-year (Jun 2012: ₦180.9 billion)
- Net interest income of ₦112.7 billion, up 3.6% year-on-year (Jun 2012: ₦108.9 billion)
- Non-interest revenue of ₦44.1 billion, up 2.4% year-on-year (Jun 2012: ₦43.1 billion)
- Operating income of ₦156.9 billion, up 3.2% year-on-year (Jun 2012: ₦152.0 billion)
- Impairment charge for credit losses of ₦9.9 billion (Jun 2012: ₦9.1 billion)
- Profit before tax of ₦55.1 billion, up 3.2% year-on-year (Jun 2012: ₦53.5 billion)

Balance Sheet Growth

- Total assets of ₦3.4 trillion, down 2.3% quarter-on-quarter (Mar 2013: ₦3.5 trillion) but up 6.1% year-to-date (Dec 2012: ₦3.2 trillion)
- Total customer deposits of ₦2.6 trillion, an increase of 0.9% quarter-on-quarter (Mar 2013: ₦2.5 trillion) and 6.4% year to date (Dec 2012: ₦2.4 trillion)
- Total customer loans and advances (net) of ₦1.5 trillion, down 1.4% quarter-on-quarter and 1.2% year to date (Dec 2012: ₦1.5 trillion)

Key Ratios

- Return on average equity of 22.1% (Jun 2012: 24.9%)
- Net interest margin of 8.2% (Jun 2012: 8.3%)
- Cost to income ratio of 58.7% (Jun 2012: 58.8%)
- NPL ratio of 3.8% (Jun 2012: 3.2%)
- 62.7% liquidity ratio (Jun 2012: 56.3 %)

Operational Highlights

- 17 new business locations deployed thus far 2013, bringing the total to 807 (Dec 2012: 790)

Selected Financial Summary

(₦billion)	H1 2013	H1 2012	∆%
Gross earnings	194.9	180.9	8
Interest income	150.7	137.8	9
Net interest income	112.7	108.9	4
Non-interest income	44.1	43.1	2
Operating Income[5]	156.9	152.0	3
Impairment charge for credit losses	9.9	9.1	9
Profit before tax	55.1	53.5	3
Profit after tax	46.1	45.4	1
Basic EPS (kobo)[8]	281	278	1
Total assets	3,381.1	3,093.7	9
Customer loans & advances (Net)	1,523.5	1,455.5	5
Customer deposits	2,555.0	2,208.5	17
Non-performing loans	60.2	48.3	25
Shareholdersô Funds	452.8	384.4	18

Key Ratios %	H1 2013	H1 2012
Return on average equity[1]	22.1	24.9
Return on average assets[2]	2.8	3.0
Net interest margin[3]	8.2	8.3
Cost of funds[4]	3.0	2.4
Cost to income[6]	58.7	58.8
Gross loans to deposit	61.7	67.4
Liquidity[7]	62.7	56.3
Capital adequacy	21.1	26.3
Tier 1 capital	18.9	21.7
NPL/Gross Loans	3.8	3.2
NPL coverage[9]	113.0	106.6
PPOP[10]/credit impairments (times)	6.5	7.0
Cost of risk[11]	1.3	1.3
Leverage (times)[12]	7.4	8.0

1 computed as net profit attributable to shareholders divided by the average opening and closing balances attributable to equity holders
2 computed as net profit divided by the average opening and closing balances of its total assets
3 computed as net interest income divided by the average opening and closing balances in its interest earning assets
4 computed as interest expense divided by average interest bearing liabilities
5 operating income (net revenue) defined as gross earnings less interest expense
6 computed as operating expenses divided by net revenue
7 liquidity ratio is a measure of the total specified liquid assets/ total deposits (less domiciliary deposits
8 annualised and computed as profit before tax divided by number of outstanding shares
9 computed as loan loss provisions plus statutory credit reserves divided by non- performing loans
10 Pre-provision operating profit (PPOP) computed as sum of operating profit and credit impairments
11 computed as credit impairment charges divided by the average opening and closing gross loans balances
12 computed as assets divided by equity

Commenting on the results, Bello Maccido, Chief Executive Officer of FBN Holdings said: *"Over the first half of 2013, the performance of the Group remained resilient, delivering year-on-year growth of 8% in gross earnings to ₦194.9 billion. The regulatory environment across our portfolio of businesses has continued to evolve, as authorities take measures to strengthen the various sub-sectors within the financial services industry. We have sustained efforts to refine our approach and responses to these developments, focusing on the strong natural synergies and cross-selling opportunities that exist between banking and the other financial services sectors we are active in. We have intensified efforts to leverage our unique offering to forge deeper relationships with our customers as we navigate the evolving terrain.*

We have made progress with the launch of our Banc assurance as well as, more recently, the launch of the FBN Life mobile insurance product; and will be driving product uptake in coming periods. FBN Holdings is uniquely positioned to benefit from existing and emerging opportunities across its core Nigerian market, as well as the other high growth markets it operates in. Ultimately, the focus remains on extracting and unlocking value from the exciting portfolio of businesses within the Group, increasing efficiency and deepening share of wallet, thus improving profitability and return to shareholders.

Group Financial Review

Profit & Loss Account

Gross earnings grew year-on-year (y-o-y) by 7.7% to ₦194.9 billion and was primarily driven by the increase in interest income from loans and advances (+17.8 %), foreign exchange income (+155.8%) and growth in other operating income (+44.7 %).

Net interest income rose 3.6% to ₦112.7 billion, from ₦108.9 billion in the corresponding period of 2012, due to rising interest expense (+31.2%) resulting from a sustained high interest rate environment, commencement of the minimum 3.6%[13] interest rate on savings deposits in the second quarter, as required by the Central Bank of Nigeria (CBN), as well as intense competition for deposits within the industry. Overall, the Group recorded blended average cost of funds of 3.0% (Q1 2013: 3.1%, FY 2012: 2.5%, H1 2012: 2.5%). Net interest margins (NIMs) declined to 8.2% in the period under review, in line with the year ago period (8.3%), but lower than the 9.4% achieved in Q1 2013.

Non-interest revenue (NIR) rose a marginal 2.4% y-o-y to ₦44.1 billion (Jun 2012: ₦43.1 billion), impacted by a 15.9% decline in fee and commission income (57% of NIR), which was offset by the 44.7% growth in other operating income and very strong growth (+155.8%) in foreign exchange income. This underscores the success in replacing income streams lost in the decline in fee and commission income, which was driven primarily by a 21.9% decline in commission on turnover, coupled with a 75% reduction in credit-related fees (due to the reclassification of certain credit related fees in the current period into other fees & commission as well as for purposes of computation of effective interest rate), as well as the onset of the CBNś revised banking tariffs. The revised tariff now requires fees previously charged

13 30% of Monetary Policy Rate

periodically over the life of the facility, to be charged as a one-off throughout the life of the facility - depending on the terms of agreement. As a result, management fees will now only be charged on new loans created during the period under review.

Operating expenses rose 3.1% to ₦92.2 billion y-o-y (H1 2012: ₦89.4 billion), well below average inflation rate of 8.8% as we continued to consolidate on the expense base. Regulatory costs[14] rose 44.5%, and now constitute 13.2% of operating expenses, relative to 9.4% in the year ago period. In particular, AMCON levy rose +77.3% while the NDIC[14] premium rose 17.0%. Driving the consolidation in the cost base was a 1.1% reduction in staff costs and a 3.6% reduction in other operating expenses which constitute 48.8% and 31.8% of operating expenses respectively. This reflects benefits of the various business repositioning, transformation and cost optimisation initiatives we have embarked on over the past few years.

The cost-to-income ratio improved to 58.7%, in line with 58.8% recorded in the corresponding period in 2012, and significantly lower than the 57% as at Q1 2013 and 61.9% as at December 2012.

This reflects our approach to entrenching efficiency in our business and is two-pronged: optimising our expenditure and enhancing revenue streams. With a slowdown in our infrastructure spend this year, and in the medium term on slower new branch deployment, coupled with efforts geared at restructuring compensation structures for long term sustainability, we expect cost growth to be contained for the rest of the year. In the coming periods, as the various transformation and business repositioning initiatives pick up steam and we consolidate our leadership position within the commercial banking business, we will use it as a platform to extract energy benefits inherent across the Group, and unlock new revenue streams, we expect income growth to outpace cost growth, keeping our CIR sustainably within our medium term guidance of 55%.

Regulatory costs are set to rise further with the expansion of the 0.5% AMCON levy to cover 33% of off balance sheet items, effective beginning of 2014 as recently guided by the CBN. We will continue to explore additional ways of streamlining the cost base, optimising expenditure and continuing to enhance revenue streams to achieve further efficiency in our operations.

Net impairment charge on credit losses rose 8.9% y-o-y to ₦9.9 billion, (H1 2013: ₦9.1 billion) bringing the annualised cost of risk to 1.3%, in line with the corresponding period last year but higher than 0.5% as at March 2013. The Group recorded a NPL ratio of 3.8% (Q1 2013: 3.0%, FY 2012 2.6%, H1 2012: 3.2%), with a NPL coverage ratio[15] of 113% (Q1 2013: 117.9%, FY 2012: 133.1%, H1 2012: 106.6%). The decline in asset quality was driven primarily by the commercial banking business in Nigeria. This related to proactive classification and provisioning of a couple of customer obligations in downstream oil/gas and a logistics provider, as well as recognised impairment in respect of some retail products. The

14 Includes Nigerian Deposit Insurance Corporation (NDIC) Premium and AMCON levy; AMCON levy now based on 0.5% of total assets, up from 0.3% in 2012

15 Including statutory credit reserve; excluding the statutory credit reserve, NPL coverage would have been 86.4% and 98.9% as at June 2012

impaired assets are adequately collateralised and we expect reasonable write back of provisions as collateral is realised and remedial action embarked upon yield positive results.

The Group will maintain a constant review of its risk appetite definitions and acceptance criteria. New credits will only be extended to suitable and well identified customers, in line with Board approved policy with the loan selection criteria remaining rigorous and appropriate pricing to reflect the risks being taken on such exposures.

Profit before tax increased 2.9% y-o-y to ₦55.1 billion (Jun 2012: ₦53.5 billion), driven by moderate growth in revenue, higher impairment charges and slower expense growth. This includes ₦322 million profit from sale of real estate assets held by FBN Mortgages in compliance with the CBN directive as contained in its circular on ñthe scope of banking activities and ancillary matters 2010ò.

Tax expense (provisional) came in at ₦9.0 billion, higher than ₦8.1 billion as at the end of June 2012, resulting in an effective tax rate of 16.3% (Q1 2013: 22.2%; H1 2012 15.2%).

Profit after tax improved marginally by ₦429 million ₦46.1 billion from ₦45.4 billion.

The above performance translated into annualised **after tax return on average equity** of 22% (Q1 2013: 2.7%, H1 2012: 25.1%).

Earnings per share (annualised) of ₦2.8 at the end of June 2013, 0.9% higher than the corresponding period in 2012 at ₦2.78.

Balance Sheet

Total assets increased 6.1% year-to-date (y-t-d) primarily from growth in customersô deposits but constricted by 2.3% decline q-o-q to ₦3.4 trillion (Mar 2013: ₦3.5 trillion, Dec 2012: ₦3.2 trillion), due to minimal decline in loan book.

Total customer deposits increased by ₦154.2 billion or 6.4% year to date and 0.9% q-o-q to ₦2.6 trillion, from ₦2.5 trillion in March 2013 and ₦2.4 trillion as at December 2012, with growth achieved across all deposit buckets. Overall, 76.3% of our deposits remain low cost with blended average cost of funds of 3.0% relative to 3.4% and 2.7% as at March 2013 and December 2012 respectively. In view of the headwinds to cost of deposits following regulatory pressure and the competitive environment, the decline in funding costs was driven to a large extent by more efficient balance sheet management, on reduced borrowings.

Competition for deposits has continued to intensify, which coupled with regulatory interventions, suggest that funding costs across the industry will continue to rise. In this regard, FirstBankõs diverse and extensive funding base, with retail deposits accounting for about 50% of the deposit base, cuts across over 9 million customer accounts, with a relatively high core portion, provides very stable funding. We will continue to strengthen our deposit gathering franchise, leveraging our extensive retail platform and deep customer relationships.

Total loans & advances (LAD) to customers (net) contracted marginally year to date, to ₦1.52 trillion from ₦1.54 trillion as at December 2012. The slight decline in total LAD growth was driven by:

- modest growth in corporate business, flattish performance in Retail following suspension of some retail product programs with higher than expected delinquencies as well as competitive pressures in consumer lending especially personal loans against salaries; and,
- decline in the Institutional Banking business was driven by some pay downs following the re-pricing, which was not unanticipated.

All issues are being addressed and we are beginning to see an uptick in loan growth. We maintain guidance of minimum 10% loan growth for the year.

Shareholders' equity[16] of ₦452.8 billion, up 3.8% (Dec 2012: ₦436.3 billion), reflects the increase in retained earnings.

The Group achieved a **capital adequacy ratio** of 21.1% (Mar 20.5%, Dec 2012: 21.9%) and tier 1 ratio of 18.8% (Mar 18.2%, Dec 2012: 19.6%).

Liquidity ratio of 62.74% (Mar 2013: 65.4%, Dec 2012: 55.4%).

16 Excludes non-controlling interests

Business Groups: Financial & Operational Review

As at June 2013	Commercial banking	IBAM[17]	Insurance	Other financial services	Total
			N' million		
Total Assets	3,276,778	42,794	9,089	52,465	3,381,123
% of total	**96.9%**	**1.3%**	**0.3%**	**1.5%**	**100%**
Net operating income	147,774	5,107	1,065	2,942	156,886
% of total	**94.2%**	**3.3%**	**0.7%**	**1.8%**	**100%**
Profit/(loss) before tax	50,284	2,805	319	1,725	55.133
% of total	**91.2%**	**5.1%**	**0.6%**	**3.1%**	**100%**
Profit after tax	42,115	2,442	238	1,307	46,102
% of total	**91.4%**	**5.3%**	**0.5%**	**2.8%**	**100%**

Commercial Banking[18]

Gross earnings for the first half of 2013 stood at ₦186.1 billion, representing a 2.8% increase year-on-year, with profit before tax of at ₦50.9 billion, a slight decline of 6.7% impacted by a 22% contraction in commission on turnover, a 16% reduction in other fees and commissions and to a lesser extent 75% drop in credit related fees. The aggregate balance sheet grew by 5.9% to ₦3.3 trillion (Dec 2012: ₦3.1 trillion), driven by the growth in deposit liabilities (+6.6%). Operating expenses for the commercial banking group declined by 1.3% to ₦87.9 billion from ₦89.4 billion in the year ago period.

Commenting on the results for the Commercial Banking Group, GMD/CEO of First Bank of Nigeria, Bisi Onasanya said: *"The commercial banking group faced significant headwinds in the second quarter of the year, with the prognosis being for the operating environment to get even tougher over the course of the second half of 2013. Nonetheless, we are seeing tangible benefits of a modified operating model within the commercial Bank in Nigeria, with the development of segment and functional specialists. We will focus our efforts in coming periods on acquiring new customers in the emerging corporates and retail priority segments.*

We have dimensioned the impact of the revised charges from the CBN and commenced the implementation of initiatives to mitigate the impact and ensure sustainability of our income streams. As these initiatives gain traction, and we rollout an increasing number of measures to counter the pressure on revenues, and as benefits of the investments made in the prior period begin to come to fruition, we

17 Investment Banking and Asset Management

18 Commercial Banking includes: FirstBank of Nigeria Ltd, FBN Bureau Change Ltd, FBN (UK) Ltd, Banque Internationale de Credit, First Pension Custodian Nigeria Ltd and FBN Mortgages Ltd.

expect to see an improved run rate relative to those observed in the immediate aftermath of the implementation of the new tariffs. Looking ahead, we will focus on increasing the overall volumes and activity levels across our business, increasing our share of the customers' wallet, as well as driving productivity gains and additional efficiencies across the business. In the near to medium term, we intend to raise our profile beyond its current borders, establishing presence in select SSA countries which are of interest. This expansion is expected to result in a number of benefits, including greater earnings diversification and increased shareholder value through higher returns on equity.

First Bank of Nigeria Ltd. ("FirstBank")

Gross earnings for the period under review stood at ₦171.2 billion which represents an increase of 8.8% y-o-y, while profit before tax declined by 9.3% y-o-y to ₦44.1 billion (Jun 2012: ₦48.6 billion). In the first half of 2013, total assets increased by 3.3% year to date to ₦2.9 trillion, with deposit growth of 4.1% over the same period.

In the six months to June 2013, FirstBank grew its distribution network by 15 locations (9 branches and 6 quick service points), bringing the total to 729 business locations[19]. Our branch strategy remains centred around improving overall convenience of banking to our customers, whilst driving increasing penetration across all customer segments, with a particular focus on the affluent, youth and SME sub-segments. In line with this strategy, for the remainder of this year, we will complete and deploy an additional 18 branches, whilst at the same time driving enhanced productivity across the branch network.

As at the end of June 2013, the total number of accounts stood at approximately 9.4 million, with about 675,000 new accounts opened since the start of the year, representing a y-t-d increase of 7.8%.

The debit card base as at the end of the first half stood at 5.95 million, of which 5.39 million are VERVE Cards, representing over 92% of the total Debit Card portfolio. FirstBank sustained the 30% market share of the total Cards issued on the industryǭs largest network ï Interswitch and, at 91% (Mar 2013: 90%), has also maintained the highest active Debit Card rate in the industry. The number of active cards[20] to total issued cards across the 3 card brands[21] currently being issued by the Bank rose by 6% to over 5.2 million (Mar 2013: 4.9 million, Dec 2012: 5.2 million). Our Instant Card and PIN issuance strategy, ensuring the customer is issued VERVE and MasterCard within 15 minutes, with immediate activation at the branches has ensured continued healthy growth in our card base. Within our cards business, we have continued to innovatively develop products that will appeal to different segments of the customer base to drive greater acceptance and use of the card products across a wider portion of our customer base. We believe that growth in these products will be important to the Bank in sustaining revenues given the tough operating environment.

As at the end of H1 2013, the Bank had deployed a total of 2,220 ATMs out of the total industry installed base of 11,702, representing a market share of about 19% and growth of 2.6% when compared to the

19 Split into 614 branches, 46 QSPs and 69 cash centres across Nigeria

20 Refers to cards that have had their pins changed

21 Verve, Master Card & VISA

2,163 ATMs deployed at the end of Q1–2013. The average monthly volume of withdrawal transactions processed by our ATMs in H1 2013 decreased by 15% to 10.6 million over Q1 2013 and increased by 35% over the same period in 2012, whilst the value of cash dispensed by our ATMs (to both our customers and other bank's customers) rose 26.6% from ₦597.6 billion in H1 2012 to ₦735.6 billion in H1 2013.

FirstBank, as at the end of June 2013, had deployed a total of 18,105 POS terminals which represents a growth of 8% compared to the 16,832 terminals deployed as at H1 2012. Following the implementation of a number of initiatives, we achieved a 16% growth in the number of active POS terminals from 4,585 at the end of Q1 2013 to 5,324 at the end of Q2 2013. As at June, the total POS terminals deployed by the industry stood at 122,350, of which 38,187 were active, representing an industry active rate of 31.2%. FirstBank continues to engage all relevant parties in the POS ecosystem to address challenges associated with POS channel management in the country.

Firstmonie was launched on 19 September 2012, with over 213,000 customers and 9,350 agents with an average monthly addition of about 40,000 subscribers. To scale up effectively, we have secured several mandates of strategic importance with various corporate and public sector organisations to support aspects of their business. Leveraging on the strong retail platform and distribution network of FirstBank, Firstmonie is the preferred partner for the mobile money solution, aimed at both the unbanked and under banked, with several mandates/relationships won. Some noteworthy developments are:

- conclusion of the maiden UNICEF fund disbursement scheme in Kaduna and Kano states respectively; the first of its kind within the mobile money space in Nigeria, with disbursement of ₦10 million at pilot phase;
- current engagement with "Save the Child International" with an estimated monthly disbursement of ₦450 million for 5 years; and,
- on-going joint telecommunications campaign with Firstmonie and Airtel Limited, aimed at acquiring Airtel subscribers to Firstmonie payment system.

We will continue to build strategic relationships and mandates, as well as product enhancements, which will provide on-going support to the Bank's long term retail and agency banking aspirations. During the quarter, to support our aggressive Agent Network development, we completed the implementation of a robust Agent on-boarding platform that ensures that all agent recruitment processes are completed at the branches thereby improving the turnaround time. We believe that Agent Banking provides the Bank with a strong opportunity to deepen its retail footprint, and grow its customer base in a cost effective manner, and accessing low cost deposits, while increasing its non-interest revenues without the burden of huge capital investments.

Despite a tough operating environment occasioned by regulatory pressures and policy directives of CBN, we have sustained our leadership position in domestic card issuance, electronic transaction processing, ATM deployment and POS activity. We are implementing strategies to ensure the increased availability and visibility of our ATMs to manage the amount paid out to other banks, switches, card schemes and processors. We have focused largely on renegotiating existing contracts with card Schemes and

Switches, driving efficiency in our operations. Our strategy continues to be anchored on innovatively unlocking new revenue opportunities across our channels, driving down our cost of operating the business, and deepening the usage of our services through improved customer experience.

In coming periods, with respect to managing our e-business, we will focus on channels integration of existing platforms for greater customer convenience, enhance our e-business platform and prioritise management of the cost of our customerõs use of other banksô ATMs (Us-On-Them) and growing the number of ñThem-On-Usò through a number of initiatives to drive behaviour change. Some of these include strategic deployment of additional ATMs, rolling out Firstmonie, driving behaviour change from the use of ATMs (Cash) to the use of Point-Of-Sale terminals, web and mobile channels through incentives, increasing visibility and revenue generation on our international cards and our ATMs, and continuing to improve the efficiency of our overall product offerings to meet the needs of our customers.

Operational Highlights

Board changes

Effective 31 May 2013, the Executive Director, Corporate Banking, Mr Kehinde Lawanson and Executive Director and Chief Risk Officer, Mrs Remi Odunlami retired from the service of the Bank. The Bank benefitted significantly from the expertise of the retiring directors who pioneered several initiatives in the corporate banking and risk management directorates, which have enhanced the on-going transformation agenda, particularly in the area of delivering superior financial solutions to corporates and upholding globally acclaimed risk management processes.

While Lawanson concluded his tenure, Odunlami had served a substantial part of her tenure; giving the Bank an opportunity to rejuvenate the Board in line with its commitment to good corporate governance and culture of seamless succession planning. Lawanson, who had been with the Bank for over 9 years having joined as a Deputy General Manager (DGM) in May 2004, was appointed Executive Director in August 2007. He led the Bank's Corporate Banking Directorate for 6 years. Odunlami joined FirstBank 4 years ago in March 2009 as the Chief Risk Officer in an Executive Director capacity and contributed immensely to the development of the Bankõs risk management practice, up-skilling and restructuring for improved performance and timelines.

Mr Biodun Odubola has been appointed to serve in an acting capacity as the Chief Risk Officer, while Mr Tokunbo Abiru has been appointed as the substantive Executive Director in charge of Corporate Banking.

Banking application upgrade

The Bankõs Core banking application was upgraded to Finacle 10 from Finacle 7 (developed by Infosys), which is expected to significantly enhance our ability to meet our customersô banking needs and increase our product offering. With the upgrade, the Bank can now achieve seamless ñround-the-clockò operations, simplified end-user interfaces (especially for our frontline service delivery team), enhanced Know-Your-Customer (KYC)/Anti Money Laundering (AML) functionalities for regulatory compliance, better relationship management with new improved Customer Relationship Management (CRM) module, enhanced control and audit functionalities, supports for multi-entity operations (which would support the Bankõs International rollout plans), improved treasury process compatibility and capability to support new lines of businesses

Improvements in customer service ranking

Reflecting the significant progress along our transformation agenda, FirstBank has continued to record improvements in our ranking within the KPMG annual Banking Industry Customer Satisfaction Survey. FirstBank moved from third to second in the corporate segment, sixth to fifth in the SME segment, and eighth to seventh in the Retail segment. We continued to expand our internal service measurement activities, to aid us in identifying areas where service improvements are required across all channels, thereby improving our overall competitive positioning.

Differentiated service offerings to enhance market penetration

Sustained progress with the introduction of new premium lounges for affluent customers within our existing branches, with increasing acceptance and use by our affluent customers.

FBN UK

Gross earnings increased by ₦2.3 billion[22] (29%) in the six months to June 2013 to ₦10.6 billion with profit before tax of ₦4.3 billion (Jun 2012: ₦2.4 billion) ï benefitting from increased lending activities, realized gain on sale of Bond and accelerated release of fee income from prepaid loans to profit & loss account. Total assets reduced in the quarter ended June 2013 by about ₦15.3 billion (3%) to ₦501 billion, largely driven by net customer deposit outflow.

Operating expenses increased by ₦206.3 million (16%) compared to previous quarter. All expense lines were largely within budget as management continued to apply strict cost control measures.

There was no credit impairment charge during the period as the non-performing loan ratio remained low with all criticised assets fully provisioned net of collateral.

FBN UK posted a profit before tax (PBT) of ₦4.3 billion for the half year period ended June 2013. The profit amount exceeded ₦2.4 billion posted during the same period last year by ₦1.9 billion (77%). FBN UK delivered PBT of ₦2.5 billion in the quarter ended June 2013 representing 37% increase in PBT from previous quarter. This performance was influenced by combination of strong net interest margin generated and appreciable operating cost savings.

The Bank maintained adequate liquidity position during the quarter as 38% of total assets were held in liquid asset form. Capital position remained strong with relevant capital ratio at 18.7%. Management continues to operate a diversified funding base as part of its strategy for a sustainable business model. Regulatory rules, particularly those relating to liquidity and capital remained stringent and constraining for bank lending business. Nonetheless, the Bank has the capacity for business expansion and strong profit

[22] Rate:₦236.763/ GBP£1. This rate has been held constant for the prior period to reflect the relative performance of the business

performance in the future, leveraging on its robust operational infrastructure and strong risk management framework.

Operational highlights

The Bank successfully delivered a system upgrade project in the quarter. The banking system, Flexcube was upgraded in June to the latest version, which is expected to enhance operational efficiency and improve quality of customer service delivery.

Banque Internationale de Credit[23]

Gross earnings rose 30.1% y-o-y to ₦3.58 billion (Jun 2012: ₦2.75 billion), driven by interest income and fees/commission. Fees and commission rose 39% to ₦2.00 billion (Jun 2012: ₦1.43 million), while net interest income rose 18.5% to ₦1.40 billion (Jun 2012: ₦1.18 billion). Profit before Tax rose 232% y-o-y to ₦726.4 million (Jun 2012: ₦218.7 million). Operating expenses rose 2.5% to ₦2.5 billion from ₦2.40 billion in the year ago period. The company recorded profit after tax of ₦367.6 million (Jun 2012: ₦13.3 million).

First Pension Custodian Nigeria Limited (FPCNL)

Cumulative earnings of ₦1.5 billion for the six months ended June 2013 was higher than prior year by 45.2%. This was due to an increase of 61.8% in custody fee income arising from growth in the underlying assets and payment of outstanding fee income from prior period. Custody fee income contributed 87.1% of total earnings from 78.2% in the prior year, whilst investment income and other income contributed 12.4% and 0.5% respectively. Operating expenses of ₦609 million for the six months to June 2013 increased by ₦40.7million (7.2%) above prior year corresponding figure of ₦568.3 million. Cost to income ratio for the half year was 40.9%, an improvement from 53.9% for 2012. The company recorded profit before tax of ₦904.3 million for the half year ended June 2013 (+86.1% y-o-y). The total market value of assets under custody (AuC) of the company (inclusive of capital contribution, capital appreciation and income accruing to the assets) as at June 30, 2013 was ₦1.24 trillion, a growth of 4.4% when compared with ₦1.19 trillion as at March 2013, 14.1% y-t-d and 30.4% y-o-y. Total AuC of ₦1.24 trillion comprised pension assets of ₦1.19 trillion (95.9%) and non-pension assets of ₦0.05 trillion (4.1%).

Review of the Pension Reform Act 2004

The National assembly commenced the process of revising the Pension Reform Act (PRA) tagged "PRA 2013". The Bill has passed through second reading and the National Assembly has held a public hearing towards harmonising all stakeholders' views. If enacted into law in its current form, the bill portends some key fundamental changes. The scheme will be applicable to employers with 3 or more employees (currently 5 or more is required); the total rate of contribution will increase from the current 15% of monthly emolument (being 7.5% each by the employer and the employee) to 20% with a minimum of 12% by the employer and a minimum of 8% by the employee. The major objectives of the review are:

- Identify ways to fully integrate the informal sector, States and Local Governments into the Scheme;

[23] Rate:₦155.25/ US$1. This rate has been held constant for the prior period to reflect the relative performance of the business.

- Examine ways to diversify pension fund investments to provide adequate returns while guaranteeing safety of the pension assets;
- Revision of the Guarantee by parent Bank of the Custodian from 100% of all Pension Assets under Custody to only balances in the current account and any other assets with the parent bank; and,
- Draw lessons from other jurisdictions on how to promote best practices in the pension industry; and harvest inputs from all stakeholders and professionals with a view to conducting a comprehensive review of the PRA 2004.

If the objectives are achieved, this will drive increased inflows of pension contribution from employers/employees, which will increase the pension assets under custody and ultimately positively impact the company's profitability.

Investment Banking and Asset Management (IBAM)[24]

IBAM grew gross revenue by 47.5% to ₦6.5 billion (Jun 2012: ₦4.4 billion). Net operating income rose by 14% to ₦1.7 billion (Jun 2012: ₦1.5 billion) and recorded profit before tax of ₦2.8 billion (Jun 2012: ₦851 million). The performance was impacted by:

- Strong contribution from the Project & Structured Finance as well as Trust & Agency business ~31% & 24% of total revenues respectively;
- Slower than anticipated growth in assets under management (AuM); and,
- Subdued market activity in the debt capital markets and slower than anticipated return of issuers to the primary side of the equity capital markets.

Key imperative is to achieve optimal performance in the Investment Banking, Trust & Agency & Alternative Investments businesses, significantly grow revenues particularly within the Markets & Asset Management divisions as well as contain operating expenses.

Insurance[25]

Gross earnings recorded a significant growth of ₦530 million or 42% to ₦2.5 billion (Jun 2012: ₦1.7 billion). Total Gross Premium Income (GPI) of ₦1.7 billion was achieved by FBN Life. This GPI figure is 148% of the corresponding period in 2012 and 61% of the 2012 full year figure; underscoring the Company's increased drive to capture more share of the market while ensuring that good quality risk assets that will increase the Company's profitability drive is adhered to.

Total assets closed the half year at ₦10.3 billion, an increase of 40% (Dec 2012: ₦7.2 billion).

Operating expenses grew by 27% compared to June 2012. This is attributable to expenses incurred in the courses of relocating to the new head office as well as business expansion costs. Profit before Tax grew

24 IBAM includes: FBN Capital Ltd, FBN Securities Ltd, First Funds Ltd, First Trustee Nigeria Ltd and FBN Capital Asset Management Ltd.

25 Insurance division includes: FBN Life Assurance Ltd and FBN Insurance Brokers Ltd.

significantly to ₦319 million (June 2012: ₦16 million), benefitting from substantial growth in premium fees & commissions. A total of ₦350 million was paid out in claims during the period under review, representing 70% of the total claims paid in 2012. FBN Life ensures that all genuine and adequately documented claims are paid within 48hours – this is a service-quality process instituted to capture more market share in an industry noted for slow claims administration process.

FBN Life obtained NAICOM's approval to commence the sale of its mass retail product named "Padi-4-Life". This is a mobile phone-based insurance product which was birthed in partnership with Airtel Nigeria, one of the leading GSM mobile telecommunication company in Nigeria. Padi-4-life is a life protection plan (for permanent disability or death to the tune of ₦500,000 for one Airtel line and ₦1 million for two lines) available to registered Airtel subscribers (21.6 million) upon payment of a daily premium of ₦20. To enroll for this service, you are required to text LIFE to 45433 on your phone and follow the prompts you receive.

The approval to commence the sale of this marks a significant milestone in the history of insurance industry as it is the very first insurance product sold through a Telecommunication channel. FBN Life is the FIRST Insurance Company in Nigeria to embark on this innovative and revolutionary method of selling Life insurance protection and supported strongly the Sanlam Group of South Africa, whose combined wealth of experience and expansive network places us at an advantage to lead our industry with consumer friendly and affordable insurance products. We expect that the launch of Padi-4-life with Airtel, the increased sale of FBN Life products to Affinity groups[26], increased synergy across the group and the take-off of the FirstBank Bancassurance, effective May 2013, as well as various initiatives in partnership with FirstBank, will positively impact on the earnings in coming periods.

FBN Life's retail-focused strategy is geared towards the mass market where insurance penetration is at its lowest, and dovetails very strongly into the demographic trends in Nigeria. This strategy will utilise purpose-designed products, robust IT, distribution channels and strategic partners in reaching the teeming "un-assured" in the populace thereby driving up the company's share of the insurance market. In the second half of 2013, FBN Life expects to grow its retail distribution of insurance products and public sector group life insurance by leveraging the Bank and other subsidiaries within the group, other financial service businesses, its relationship with key players in the public sector space and potentially activating the telecoms sector and other channels.

Other Financial Services[27]

FBN Microfinance ('FBNM')

FBNM achieved profit before tax of ₦127.5 million relative to ₦160.3 million in the corresponding period of 2012. The decline in PBT is due to the decline in the loan book to ₦1.1 billion (Mar 2013: ₦1.1 billion; Dec 2012: ₦1.5 billion; Jun 2012: ₦1.4 billion). Deposit liabilities grew 33.9% to ₦2.3 billion (Mar 2013:

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[26] Agglomeration of individuals who have come together as a result of a common interest; this interest may be social, tribal, academic, occupational etc. These bodies, with membership strength ranging from 20 – 10,000+, are usually registered with a not-for-profit initiative and are mainly set-up to progress the interests for which they were set and those of its members. Examples are Village Associations, Teachers'/Lecturers' association, Road Transport workers etc.

27 Other Financial Services includes FBN Microfinance Bank Ltd.

₦915 million, Jun 2012: ₦912 million). Focus remains on revenue optimisation, improving risk management and cost containment to enhance overall performance.

– ENDS –

Conference call

FBN Holdings Plc. will host a teleconference call for analysts and investors on Wednesday**, 28 August 2013 at 3:00pm GMT / 3:00pm Lagos / 10:00am New York / 4:00pm Johannesburg & Cape Town**, during which senior management will present the unaudited results for the 6 months, ended 30 June 2012. There, will be an opportunity at the end of the call for questions.

The teleconference call facility can be accessed by dialling:

0800 358 5256 (Europe/UK) or **+44 (0) 20 8515 2334** (Europe/UK/Lagos); **+1 480 629 9645 or +1 800 762 8779** (US); or **0800 991 276 or +27 214 276 522** (South Africa)

And then entering the following confirmation code: **4635389#**

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

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

Europe/UK/South Africa: **+44 (0) 207 154 2833;** Passcode: **4635389#;** US: **+1 303 590 3030;** Passcode: **4635389#.**

An investor presentation will be available on the FBN Holdings website on Wednesday, 28 August 2013.

Click here to access the presentation.

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

- H1 2013 Results Press Release

In the event that you are unable to participate in the conference call, an audio recording of the call will be placed on the Investor Relations' section of our website (http://www.fbnholdings.com/ir) three business days following the call.

For further information please contact:

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FBN Holding Company Plc.

AS AT THE PERIOD:	Notes	31 June 2013 N' million	31 Dec 2012 N' million	31 June 2013 N' million	31 Dec 2012 N' million
ASSETS					
Cash and balances with central banks	1	327,204	300,531	-	-
Loans and advances to banks	2	496,475	411,429	4,495	-
Loans and advances to customers	3	1,523,499	1,541,687	-	11,014
Financial assets held for trading	4	13,458	3,611	-	-
Investment securities					
- Available for sale	5	453,272	369,397	2,307	2,307
- Held to maturity	5	317,049	337,278	8,860	2,450
Asset pledged as collateral	6	50,113	50,109	-	-
Investments in Subsidiaries	7	-	-	244,065	243,065
Investments in associates accounted for using the equity method	8	7,559	6,321	11,875	11,875
Inventory		22,761	21,676	-	-
Investment properties		348	4,003	-	-
Property, plant and equipment	9	78,561	75,386	127	30
Intangible assets	10	3,391	3,522	-	-
Deferred tax asset	11	10,535	8,201	-	-
Other assets	12	64,694	40,000	527	236
Assets classified as held for sale	13	12,203	12,978	-	-
Total assets		**3,381,122**	**3,186,129**	**272,257**	**270,977**
LIABILITIES					
Deposits from banks	14	105,462	88,187	-	-
Deposits from customers	15	2,555,034	2,400,860	-	-
Financial liabilities held for trading	16	6,018	1,796	-	-
Liability on investment contracts	17a	11,954	12,321	-	-
Liability on insurance contracts	17b	-	2,127	-	-
Borrowings	18	36,232	76,168	-	-
Retirement benefit obligations	19	19,479	19,380	-	-
Current income tax liability	20	27,269	23,228	-	-
Deferred income tax liability	21	23	222	-	-
Other liabilities	22	162,508	120,157	1,753	1,084
Liabilities included in assets classified as held for sale	23	1,589	2,836	-	-
Total liabilities		**2,925,568**	**2,747,281**	**1,753**	**1,084**
EQUITY					
Share capital		16,316	16,316	16,316	16,316
Share premium		254,524	254,524	254,524	254,524
Retained earnings		88,031	73,367	(208)	(819)
- Statutory reserve		2,935	43,347	-	-
- SSI Reserve		6,076	6,076	-	-
- AFS Fair Value Reserve		28,126	26,272	(138)	(138)
- Contingency reserve		72	50	-	-
- Statutory credit reserve		15,968	16,101	-	-
- Treasury share reserve			(1,422)	-	-
- Foreign currency translation reserve		776	1,668	-	-
- Capital Reserve		-	-	10	10
		452,824	**436,299**	**270,504**	**269,893**
Non-controlling interest (NCI)		2,730	2,548	-	-
Total equity		**455,554**	**438,847**	**270,504**	**269,893**
Total equity and liabilities		**3,381,122**	**3,186,129**	**272,257**	**270,977**

FBN Holding Company Plc.

UNAUDITED IFRS INCOME STATEMENT FOR THE PERIOD ENDED:	Notes	GROUP 30 June 2013 N' million	GROUP 30 June 2012 N' million	GROUP 31 Dec. 2012 N' million	COMPANY 30 June 2013 N' million	COMPANY 31 Dec. 2012 N' million
Gross Earnings		**194,878**	**180,942**	**359,253**	**1,134**	**1**
Interest income	24	150,730	137,825	287,274	254	1
Interest expense	25	(37,992)	(28,962)	(62,082)	-	-
Net interest income		**112,738**	**108,864**	**225,192**	**254**	**1**
Impairment charge for credit losses	26	(9,919)	(9,107)	(12,299)	-	-
Net interest income after impairment charge for credit losses		**102,819**	**99,757**	**212,893**	**254**	**1**
Net Fee and commission income	27	**31,088**	**36,978**	**59,964**	**-**	**-**
Net gains / (losses) on investment securities	28	(167)	1,557	1,039	-	-
Net gains / (losses) from financial assets classified as held for trading	30	-	-	1,760	-	-
Gain from sale of subsidiary		-	-	288	-	-
Other operating income	31	12,412	5,943	8,476	908	-
Net insurance premium	29	1,589	-	1,544	-	-
Net insurance benefits and claims		(1,328)	-	(498)	-	-
Operating Expenses	32	-92,155	(89,403)	192,171)	(523)	(820)
Operating Profit		**54,257**	**54,832**	**93,295**	**639**	**(819)**
Share of profit / (loss) of associates	33	555	(1,361)	(594)		-
Profit before tax		**54,812**	**53,471**	**92,701**	**639**	**(819)**
Income tax expense		(9,031)	(8,118)	(17,031)	(28)	
Profit after tax		**45,781**	**45,352**	**75,670**	**611**	**(819)**
Profit for the period from continued operations		**45,781**	**45,352**	**75,670**	**611**	**(819)**
Profit for the period from assets held for sale		**322**	**-**	**-**		
PROFIT FOR THE PERIOD		**46,103**	**45,352**	**75,670**	**611**	**(819)**
Profit attributable to:						
Owners of the parent		**45,977**	**46,005**	**75,890**	**611**	**(819)**
Non-controlling interests		**126**	**(653)**	**(220)**	**-**	**-**
PROFIT FOR THE PERIOD		**46,103**	**45,352**	**75,670**	**611**	**(819)**
UNAUDITED IFRS STATEMENT OF COMPREHENSIVE INCOME						
Other comprehensive income:						
Exchange difference on translation of foreign operations		982	310	1,062	-	-
Net gains on available-for-sale financial assets:						
- Unrealised net gains/(losses) arising during the period, before tax		(2,329)	(3,056)	17,747	-	(138)
- Net reclassification adjustment for realised net gains or losses, before tax		-	-	2,015	-	-
Actuarial gains/(losses) on defined benefit pension scheme		841	-	(571)	-	-
Income tax relating to components of other comprehensive income		216	458	140	-	-
Other comprehensive income for the quarter, net of tax		**(290)**	**(2,288)**	**20,393**	**-**	**(138)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**45,812**	**43,064**	**96,063**	**611**	**(957)**

- Notes to Editors -

FBN Holdings Plc. (ISIN: NGFBNH000009) is the most diversified financial services group in Nigeria. The affiliates of FBN Holdings offer a broad range of products and services across commercial banking, investment banking, insurance and microfinance business in seven countries (Lagos, Nigeria; London, United Kingdom; Paris, France; Johannesburg, South Africa; Beijing, China; Abu Dhabi, UAE and Democratic Republic of Congo). The Group, employing over 8,500 staff, serves over 9 million customers, through about 807 business locations and over 2,100 ATMs. The group boasts an excellent corporate governance structure underpinned by strong institutional processes, systems and controls. FBN Holdings Plc. is structured under four business groups, namely: Commercial Banking, Investment Banking and Asset Management, Insurance, and Other Financial Services.

FBN Holdingsôprincipal bank subsidiary is First Bank of Nigeria Limited (FirstBank), a commercial bank with operations in 7 countries, as well as FBN Capital, a leading investment banking and asset management company; FBN Life Assurance, a life insurance business; and FBN Microfinance Bank, which offers microfinance services.

FBN Holdings Plc. was incorporated in Nigeria on 14 October 2010, following the business reorganisation of the First Bank group into a holding company structure. The Company was listed on the Nigerian Stock Exchange under the óOther Financial servicesô sector on 26 November 2012 and has issued and fully paid-up share capital as 32,632,084,345 ordinary shares of 50 kobo each (₦16,316,042,172.50). FBN Holdings is owned by about 1.3 million shareholders across the globe and has an unlisted Global Depositary Receipt (GDR) programme. More information can be found on our website www.fbnholdings.com

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.

FBN Holdings 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 of these risks or factors, reference should be made to the Group’s continuous disclosure materials filed from time to time with the Nigerian banking regulatory authorities. 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.