

# FORGING AHEAD



**Investor & Analyst Presentation**

For the six months ended 30 June 2020

# DISCLAIMER

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# Outline

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H1 2020 Performance

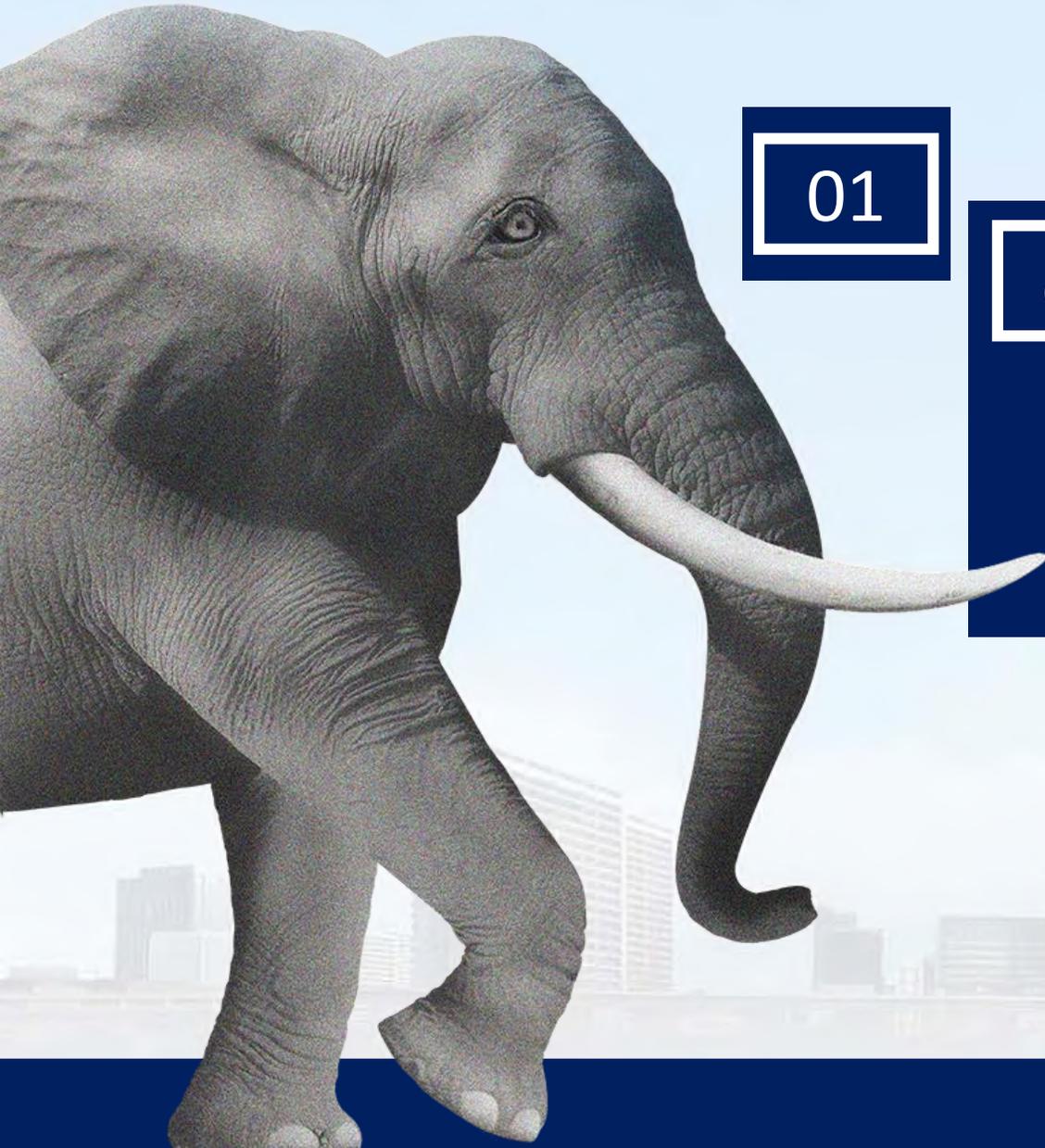
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# Key Highlights

- Robust financial performance in a volatile environment
- Leading digital proposition by deepening services and growing market share
- Continued focus on cost efficiency and asset quality
- Completed sale of FBN Insurance Limited

## Key highlights for the period

- Gross earnings increased 5.8% to ₦296.4 billion (H119: ₦280.3 billion)
- 46.8% growth in non-interest income, driven by fees and commission and gains on investment securities
- Profit for the year up 56.3% y-o-y to ₦49.5 billion (H119: ₦31.6 billion)<sup>1</sup>
  
- >100% significant growth in agent banking with 59,024 agents (H119: 27,476)
- ₦5.71 trillion processed in value (H119: ₦1.61 trillion)
- Launched an improved version of the Firstmobile App with more innovative features
  
- Leveraging our robust retail franchise by demonstrating formidable low-cost deposit mobilisation
- Operating expenses under control
- Sustained improvement in NPL
  
- Completed the sale of 65% FBN Holdings Plc ownership in FBN Insurance Limited to Sanlam Emerging Markets Limited; effective June 1, 2020
- FBNHoldings injected Tier 1 capital into FirstBank effectively raising the Capital Adequacy Ratio to 16.5% (excluding profit for the year)

<sup>1</sup>Profit after tax (excluding profit from discontinued operations) up 23.8% to ₦35.6 billion (H1 2019: ₦28.8 billion)

## Growth in earnings and profitability whilst also strengthening the balance sheet

 Growth, y-o-y

### Income Statement Snapshot

#### Gross Earnings

 H120: **¥296.4 billion**

H119: ¥280.3 billion

 **5.8%**

#### Net-Interest Income

 H120: **¥131.3 billion**

H119: ¥141.7 billion

 **-7.4%**

#### Impairment Charges

 H120: **¥30.7 billion**

H119: ¥22.1 billion

 **38.6%**

#### Non-Interest Income

 H120: **¥80.1 billion**

H119: ¥54.6 billion

 **46.8%**

#### Operating Income

 H120: **¥211.4 billion**

H119: ¥196.3 billion

 **7.7%**

#### Operating Expenses

 H120: **¥139.2 billion**

H119: ¥137.9 billion

 **0.9%**

#### Profit Before Tax

 H120: **¥41.4 billion**

H119: ¥36.2 billion

 **14.3%**

#### Profit after tax<sup>1</sup>

 H120: **¥49.5 billion**

H119: ¥31.6 billion

 **56.3%**

### Statement of Financial Position

#### Total Assets

 H120: **¥7,130.2 billion**

FY19: ¥6,203.5 billion

 **14.9%**

#### Loans & Advances (net)

 H120: **¥1,994.3 billion**

FY19: ¥1,852.4 billion

 **7.7%**

#### Total Equity

 H120: **¥704.1 billion**

FY19: ¥661.1 billion

 **6.5%**

#### Customer Deposits

 H120: **¥4,373.2 billion**

FY19: ¥4,019.8 billion

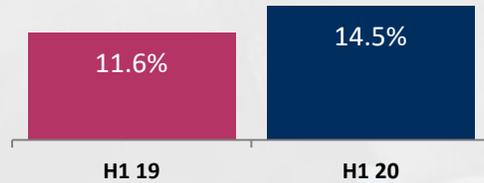
 **8.8%**
<sup>1</sup> Includes Profit from discontinued operations

Please note some H1 2019 numbers have been restated.

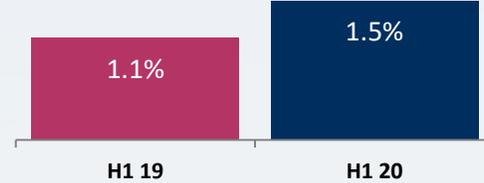
## Demonstrated increasing shareholder return, improvement in NPLs and enhanced capitalization

### Key Income Statement Ratios (%)

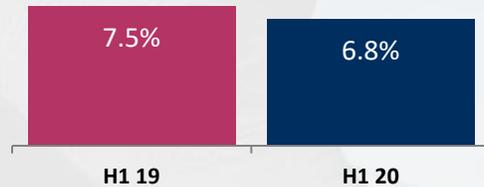
#### Post Tax ROaE



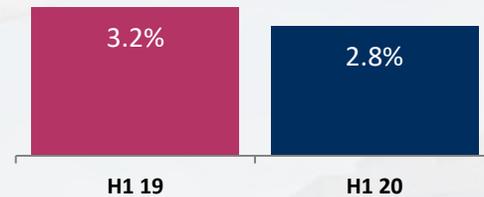
#### Post Tax ROaA



#### Net Interest Margin



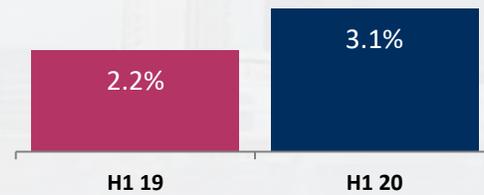
#### Cost of Funds



#### Cost to Income

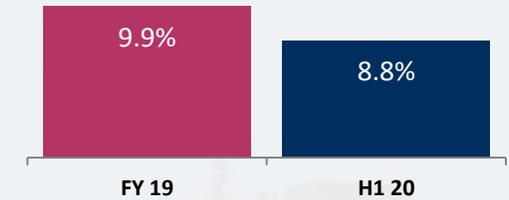


#### Cost of Risk

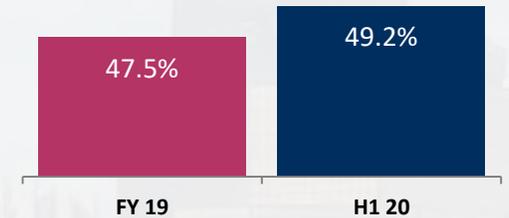


### Key Balance Sheet Ratios (%)

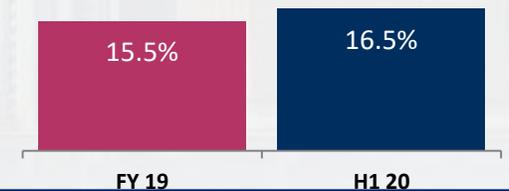
#### Non-Performing Loans (NPL)



#### NPL Coverage



#### Capital Adequacy Ratio<sup>(1)</sup>



<sup>1</sup> CAR is for FirstBank (Nigeria); CAR for the Merchant Banking business is 17.1% & 17.2% respectively

Delivered a robust financial performance in an unprecedented operating environment demonstrating resilience & strong execution capabilities

Organisational Resilience

Delivered earnings growth through significant increase in non-interest income

Strengthened balance sheet in an uncertain environment

Reinforced leadership in e-banking with strong volume growth

Strategic Execution

Controlled cost in a challenging environment

Maintained strong liquidity profile to provide flexibility

Adhered to long term strategic objectives

Long term Value Creation



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# H1 2020 Performance

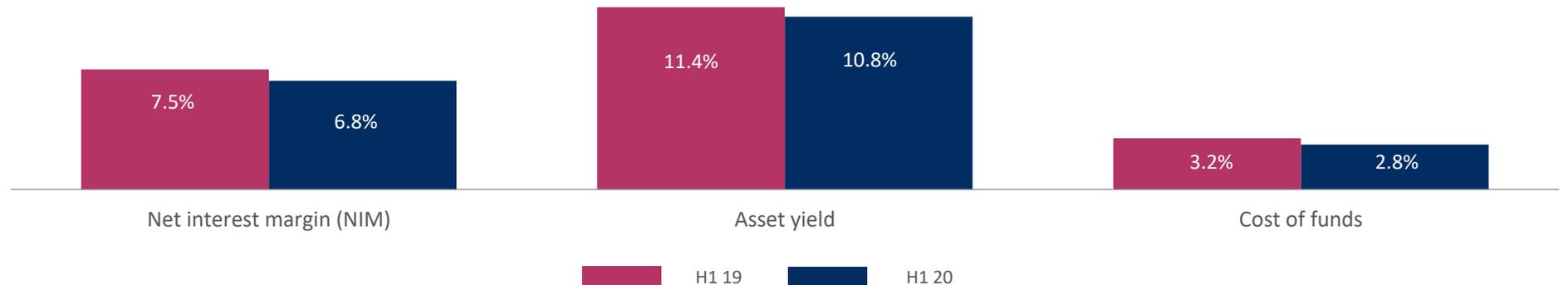
## Despite the challenging operating environment, earnings growth was underpinned by significant increase in non-interest income

- Gross earnings increased 5.8% y-o-y, (H1 2019 ₦280.3bn; H1 2020: ₦296.4bn)
- Major drivers were growth in fee and commission and gains on investment securities, complemented with sustained earnings from interest income
- Interest income impacted by the low yield environment
- Notwithstanding, net interest margin was higher by 110bps in Q2 2020 (7.4%) relative to Q1 2020 (6.3%) as a result of reduction in cost of funds

GROSS EARNINGS BREAKDOWN  
(H1 2019 ₦280.3bn; H1 2020: ₦296.4bn)



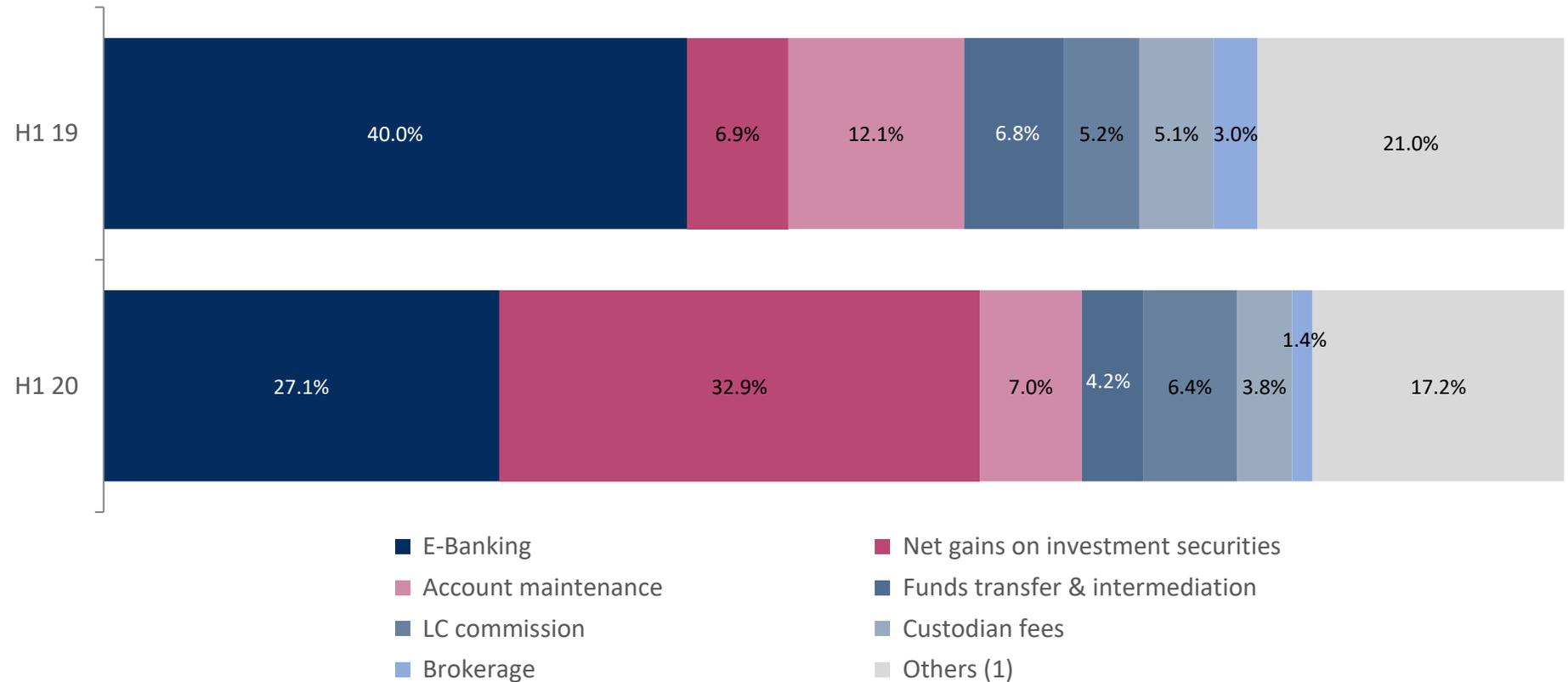
NET INTEREST MARGIN DRIVERS



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

## Significant increase in non-interest income despite the impact of regulated fees on the E-business segment

NON-INTEREST INCOME BREAKDOWN (NET)  
(H1 2019 ₦54.6bn; H1 2020: ₦80.1bn)



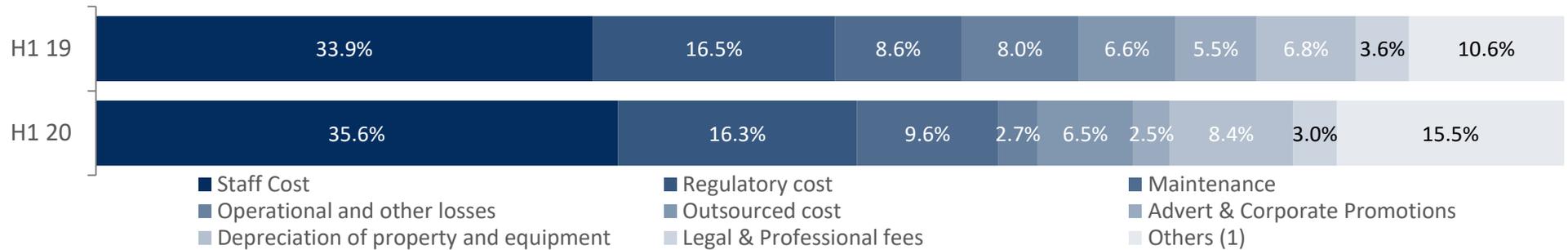
- Non-interest income sustained strong growth; grew 46.8% y-o-y as at H12020
- Trading income in the form of net gains in investment securities was up due to the significant volatility in the financial markets
- Electronic banking remains a strong contributor to non-interest income
- Letters of credit grew 82.1% in H1 2020 as we deepen market share through increased loans to manufacturing and trade businesses

<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

## Strict focus on cost containment despite the pandemic impact, increased regulatory charges and currency devaluation

- Cost has been reined in and opex is in line with prior year despite currency devaluation and rising inflation
- Main drivers of cost are elements originated at driving operational activities even as regulatory cost continues to pressure opex
- Cost to income ratio declined to 65.8% in H1 2020 in spite of lost revenue opportunities arising from stricter regulation

MAIN OPEX DRIVERS  
(H1 2019: ₦137.9bn; H1 2020: ₦139.2bn)



COST TO INCOME RATIO

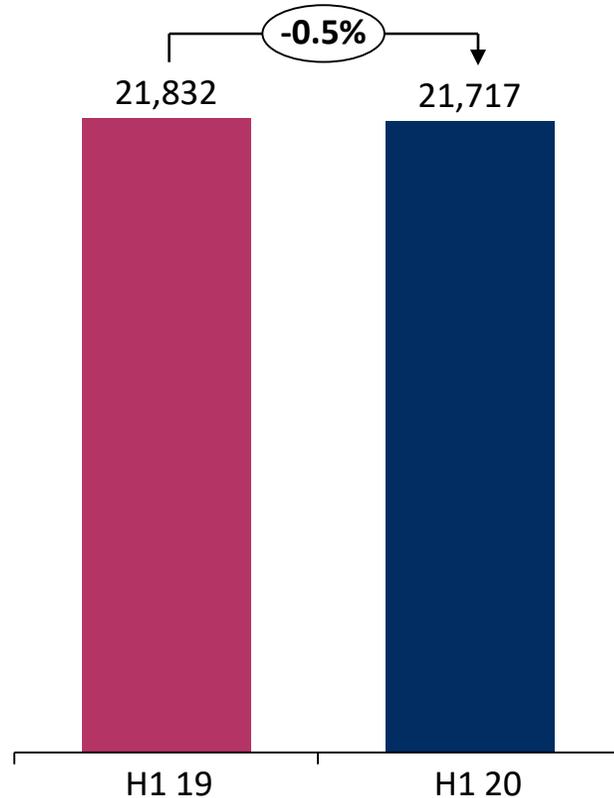


<sup>1</sup>Others include: Directors remuneration, Cash handling charges, Communication, light & power, Donations & Subscriptions, Insurance premium, Stationery & Printing, Passages & Travels & Other Operating Expenses

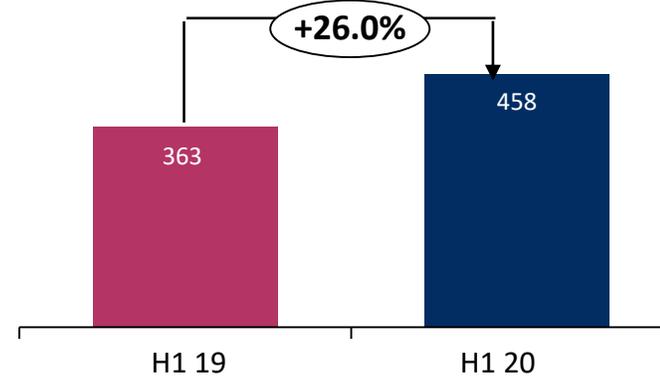
## Reaffirmed dominant leadership in digital solutions despite unfavourable regulatory impact

- We continue to see significant growth in volume and value across all channels
- Revenue however was flat because of reduction in regulated fees which was compensated for by the growth in volume and value of transactions
- We expect to see business momentum and further growth translate to higher revenue

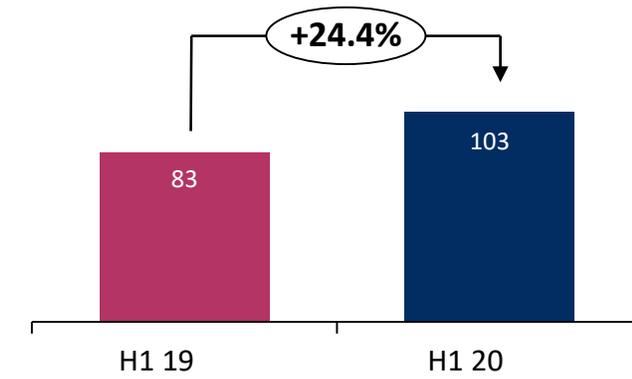
GROWING REVENUE FROM ELECTRONIC BANKING CHANNELS (₦' MILLION)



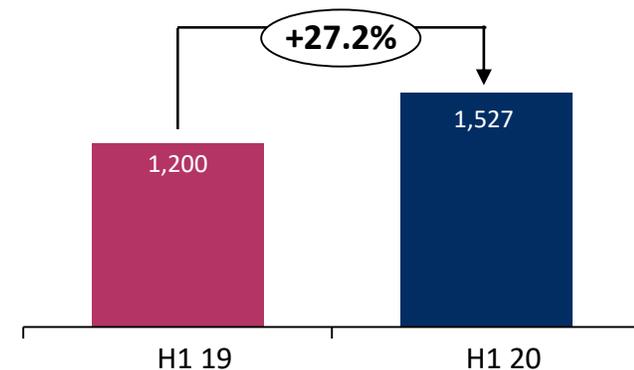
USSD BANKING SCHEME TRANSACTION VOLUME (MILLION)



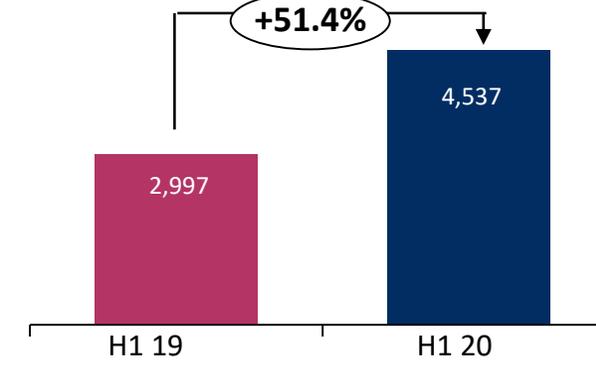
MOBILE BANKING SCHEME TRANSACTION VOLUME (MILLION)



USSD BANKING SCHEME TRANSACTION VALUE (₦' BILLION)

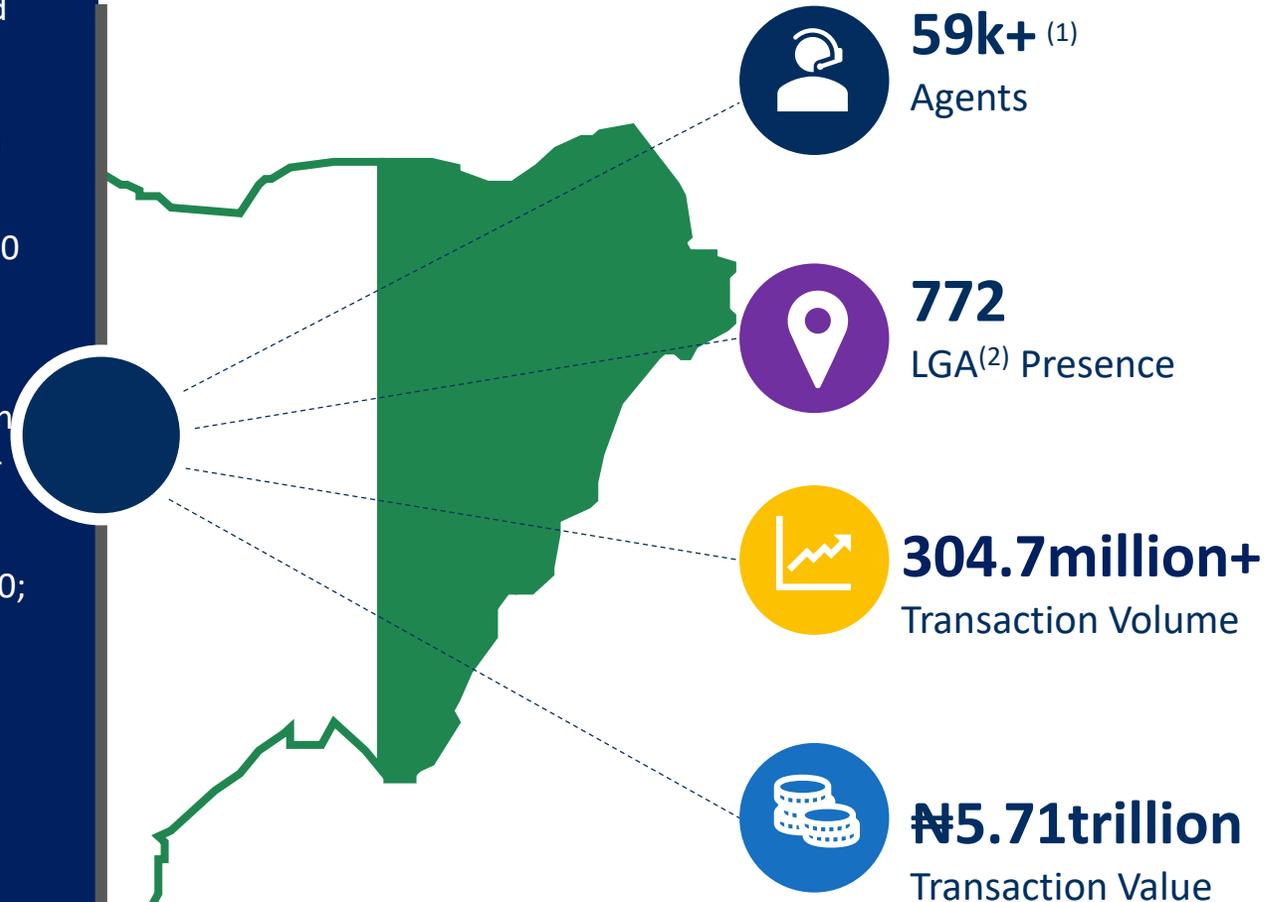


MOBILE BANKING SCHEME TRANSACTION VALUE (₦' BILLION)

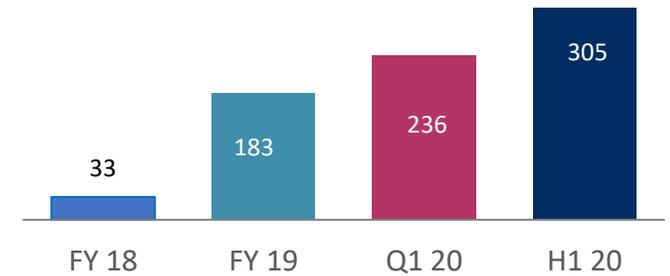


## Monetizing our undisputed leadership in Agent banking with a particular boost witnessed during the pandemic

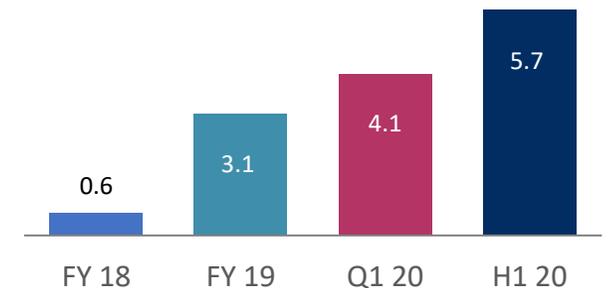
- Strong business mobilization; processed **₦5.71trillion** in value from inception to date
- Unprecedented growth in transaction value (78.3%) and volume (37.4%) y-o-y in H1 2020
- Agent banking contribution to e-business revenue increased from 13.9% in H1 2019 to 29.3% in H1 2020
- Revenue increased by 109.0% y-o-y in H1 2020; fastest growing e-business revenue line
- Rapidly growing the Agent network; increased number of agents by 114.8% to 59,024 in H1 2020



CUMMULATIVE AGENTS TRANSACTION VOLUME FROM INCEPTION TO DATE ('Million)



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



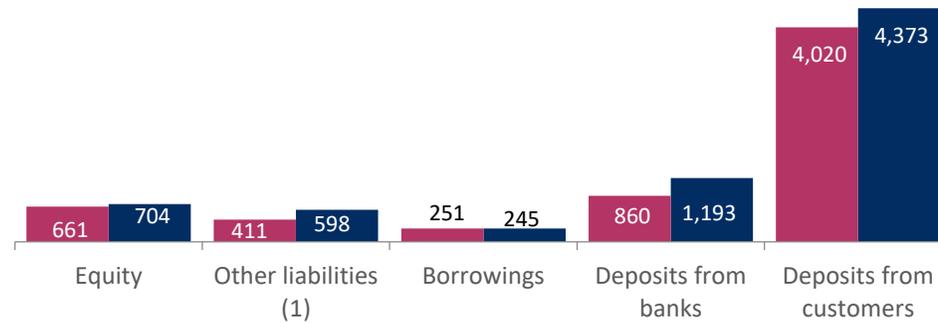
<sup>(1)</sup>As at June 30, 2020

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

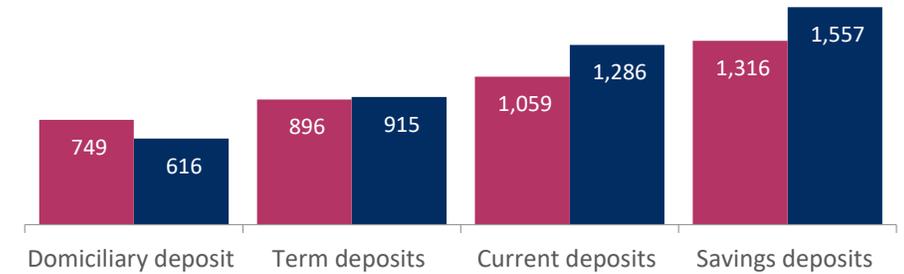
## Funding remains strong and diversified powered by the strength of our retail franchise

- Strong funding base; customer deposits up 8.8% y-o-y in H1 2020
- Low-cost deposits at FirstBank represent 87.2% of total deposits as at H1 2020 (Dec 2019: 85.7%)
- Retail franchise remains the key driver of deposit growth, with savings deposits ~₦1.6 trillion – highest in the industry

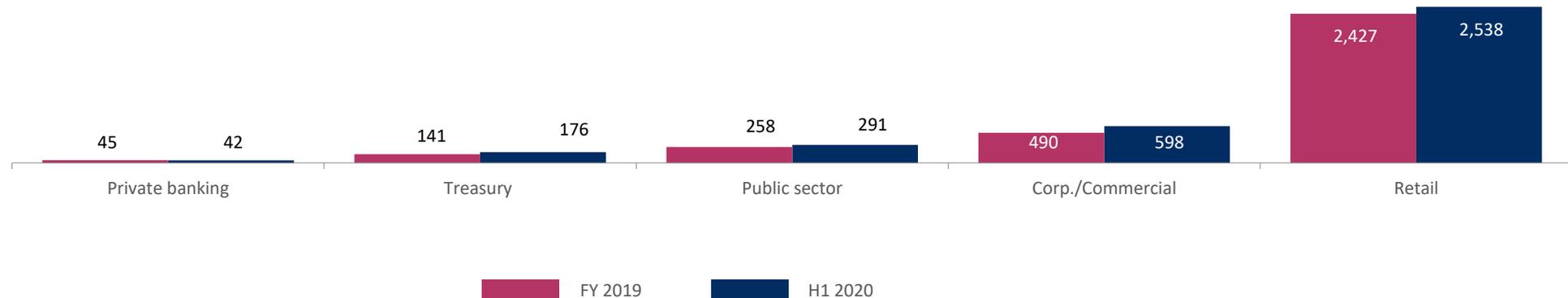
FUNDING BY TYPE | FBNHOLDINGS  
(FY 2019: ₦6.2tr; H1 2020: ₦7.1tr)



DEPOSITS BY TYPE | FBNHOLDINGS  
(FY 2019: ₦4.0tr; H1 2020: ₦4.4tr)



DEPOSITS BY SBU TREND | FIRSTBANK (NIGERIA)  
(FY 2019: ₦3.4tr; H1 2020: ₦3.6tr)



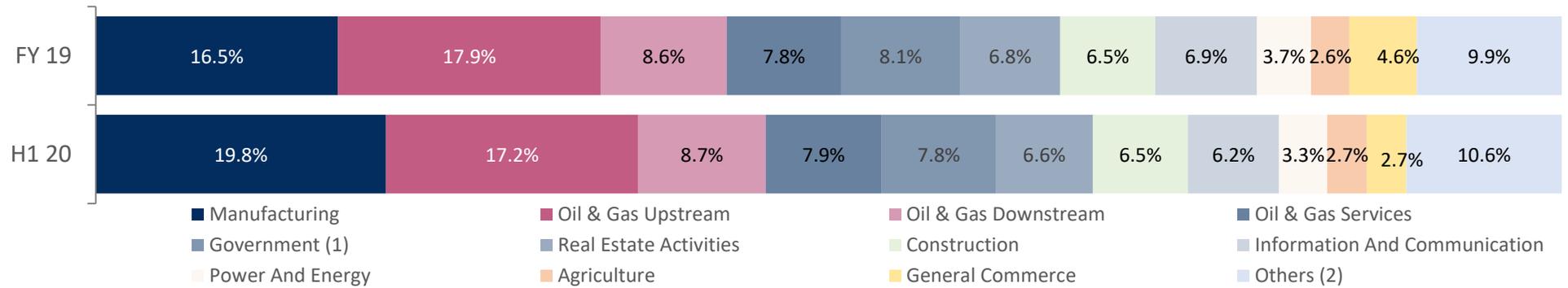
 FY 2019  H1 2020

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

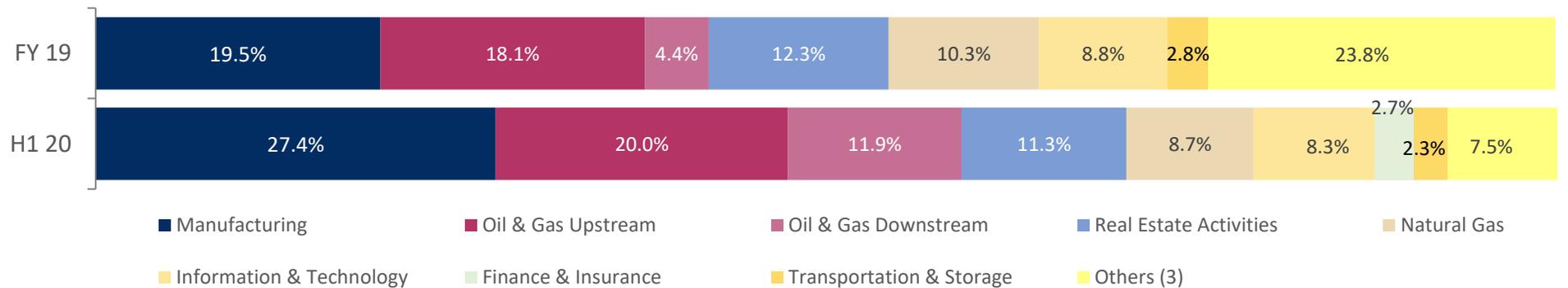
## Diversified loan portfolio across sectors with continued focus on adherence to stringent risk framework

- Loan book (net) increased by 7.7% in H1 2020
- Rebalanced the loan portfolio by extending advances to the real sectors of the economy such as manufacturing
- Limited exposure to sectors mostly affected by COVID-19
- Manufacturing, trade, retail/consumer and Agric & Agro-allied sectors including telecommunication remain key sectors to grow loans

FIRSTBANK (NIGERIA) GROSS LOANS BY SECTOR  
(FY 2019: ₦1,619bn; H1 2020: ₦1,759bn)



FBNQUEST MERCHANT BANK GROSS LOANS BY SECTOR  
(FY 2019: ₦48.3bn; H1 2020: ₦55.5bn)



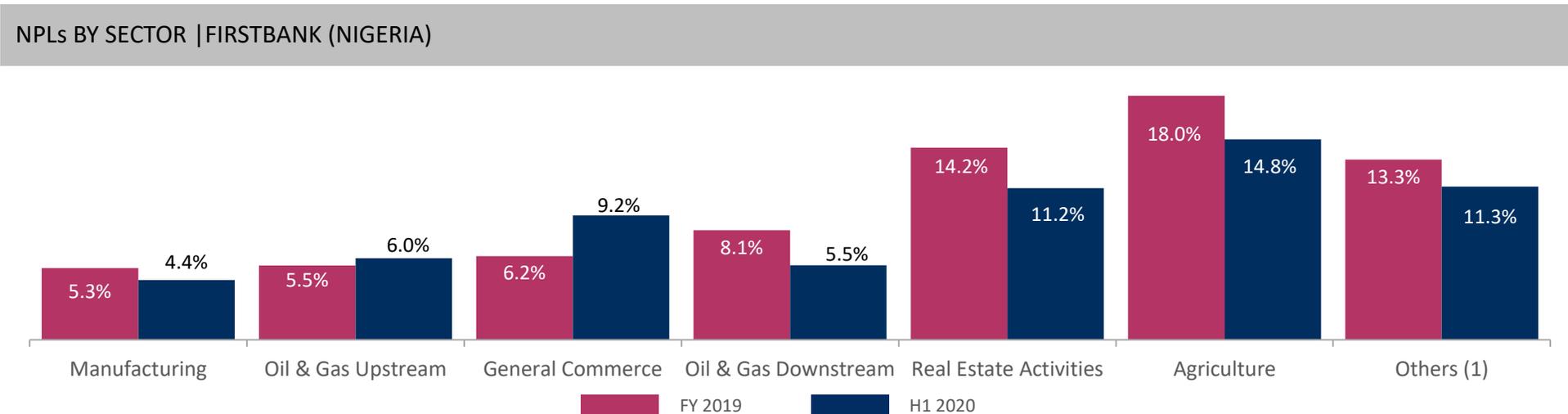
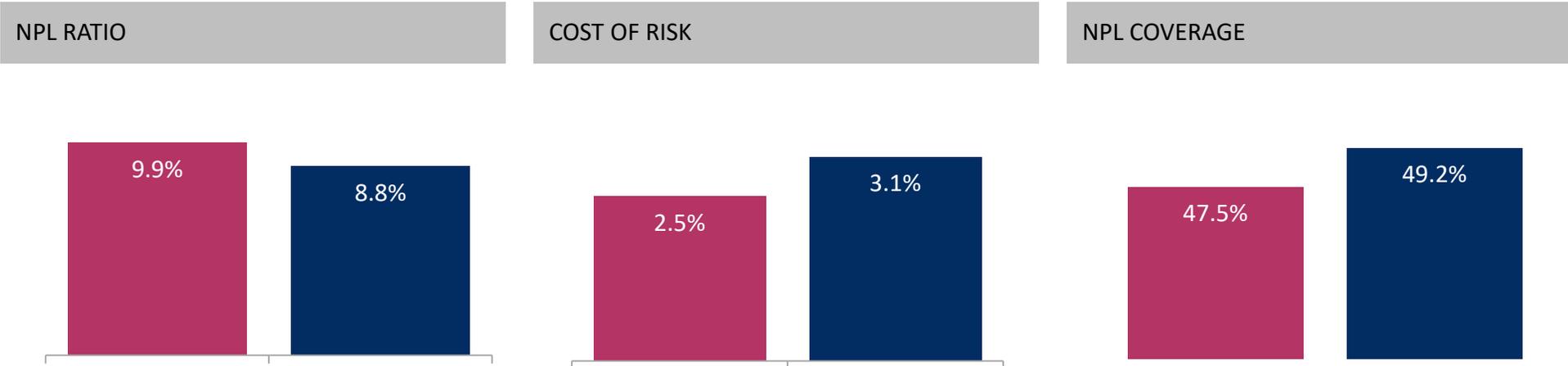
<sup>1</sup>Government loans are loans to the public sector (federal and state)

<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

## Improving asset quality profile with nominal vintage NPL maintained below 1%

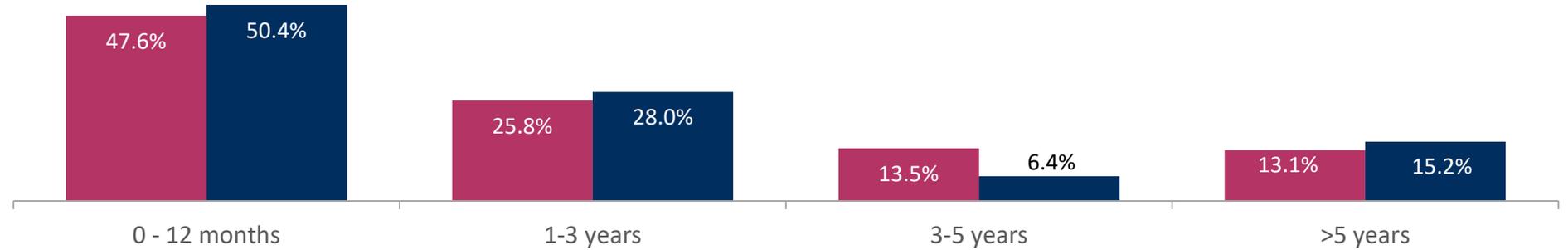
- Sustained improvement in NPL ratio from 9.9% in FY 2019 to 8.8% in H1 2020
- Increase in impairment charge (38.6%) driven by translation impact on FCY loans and weak macro environment
- NPL formation remains very low; vintage NPL ratio consistently <1%
- Actively pursuing recoveries on loans written-off



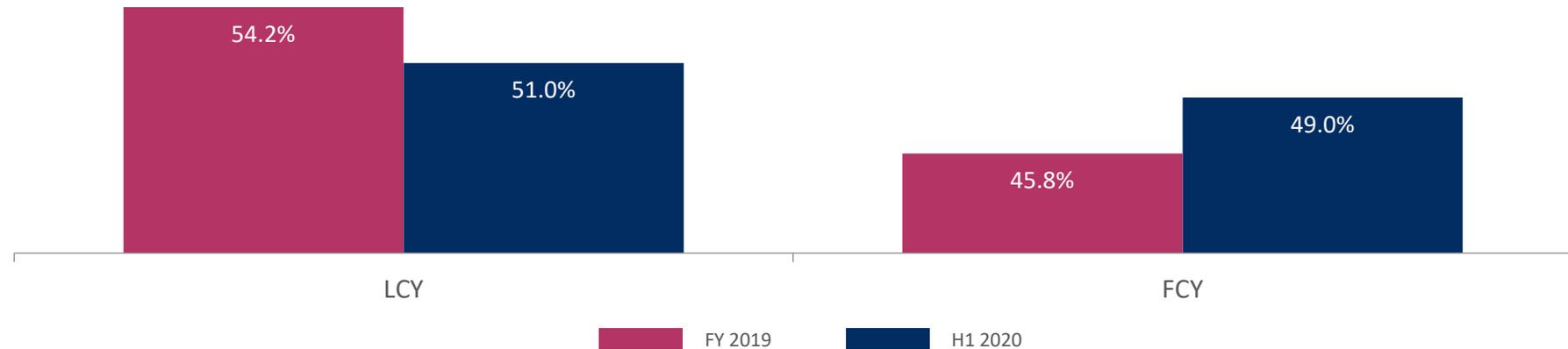
<sup>1</sup> Others include: Oil & Gas Servicing, Transportation, Construction, Education, Public Utilities, Capital Market

## Portfolio realignment aimed at minimizing vulnerability

LOANS AND ADVANCES BY MATURITY | FIRSTBANK (NIGERIA)  
(FY 2019: ₦1,619bn; H1 2020: ₦1,759bn)



LOANS AND ADVANCES BY CURRENCY | FIRSTBANK (NIGERIA)  
(FY 2019: ₦1,619bn; H1 2020: ₦1,759bn)

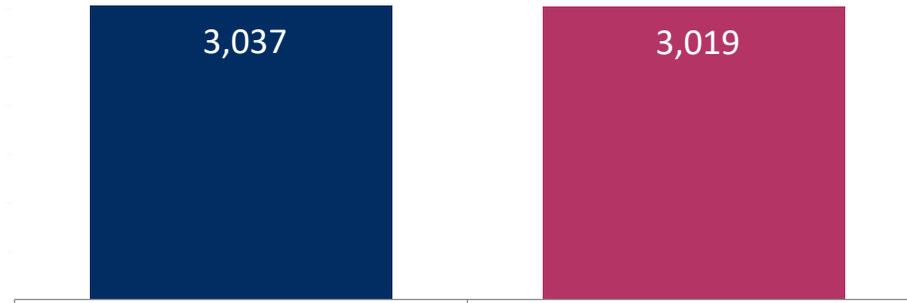


- Given the low interest rate environment, emphasis is on growing short tenured loans
- Growth in FCY loans due to translation impact although we remain focused on growing LCY loans
- Risk appetite moderated in line with the current macro-economic environment
- 15.0% of the loan book restructured (Q1 2020: 6.0%)
- Loan growth will remain focused on the real sector

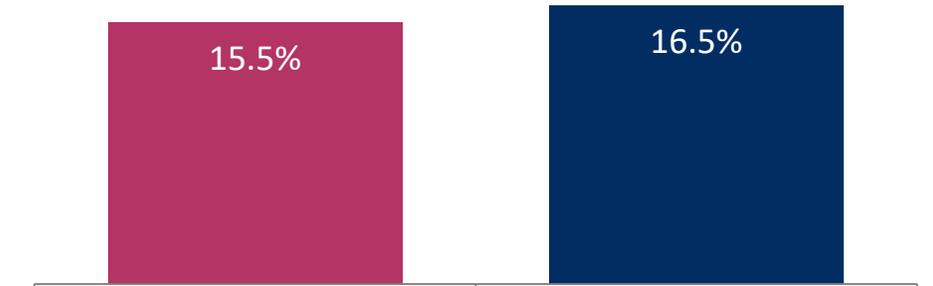
## Strong capital position provides a solid platform to support emerging business opportunities

- FBNHoldings injected Tier I capital to FirstBank; boost CAR to 16.5%
- A cleaner balance sheet and resilient earnings generative capacity provides a solid platform for capital accretion
- Sufficient capital to support the business while noting current operating environment
- Additional opportunity for capital accretion through retained earnings

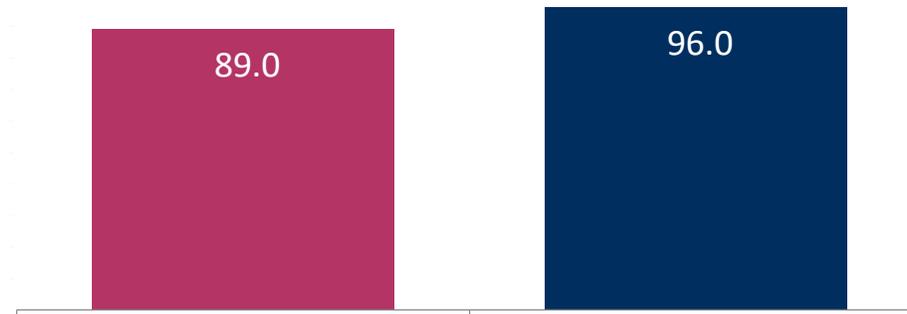
TOTAL RWA (₦'bn) | FIRSTBANK (NIGERIA)



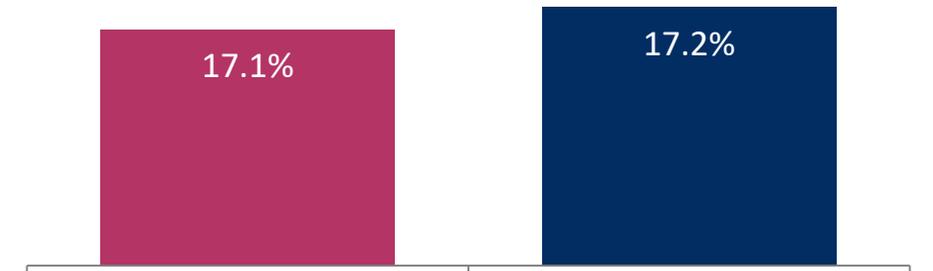
CAR | FIRSTBANK (NIGERIA)



TOTAL RWA (₦'bn) | FBNQUEST MERCHANT BANK

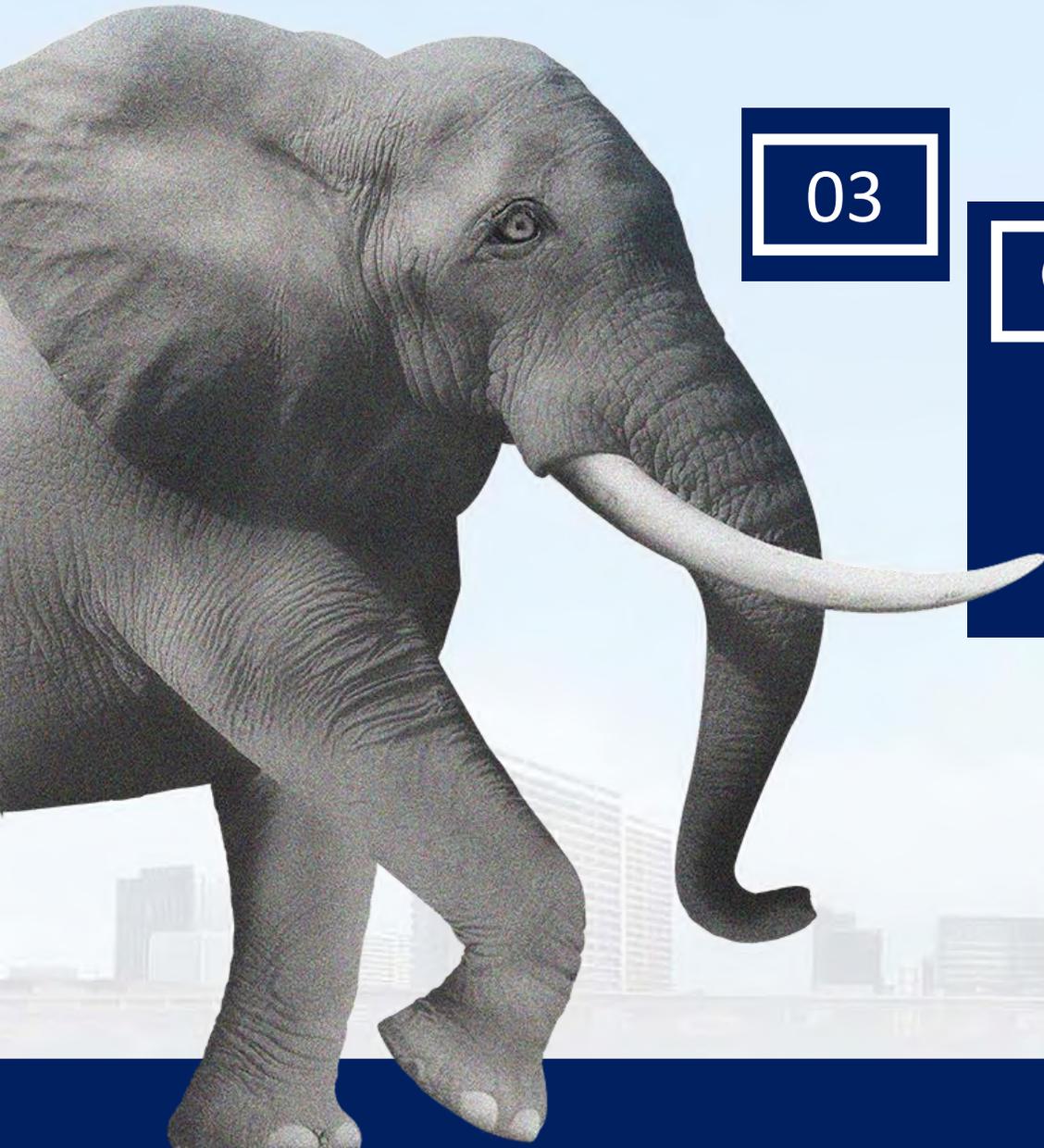


CAR | FBNQUEST MERCHANT BANK



 FY 2019

 H1 2020



03



# Outlook



## Looking ahead to FY 2020 – Propel performance for enhanced profitability

Earnings Accretive  
Capacity

Solid Cost  
Profile

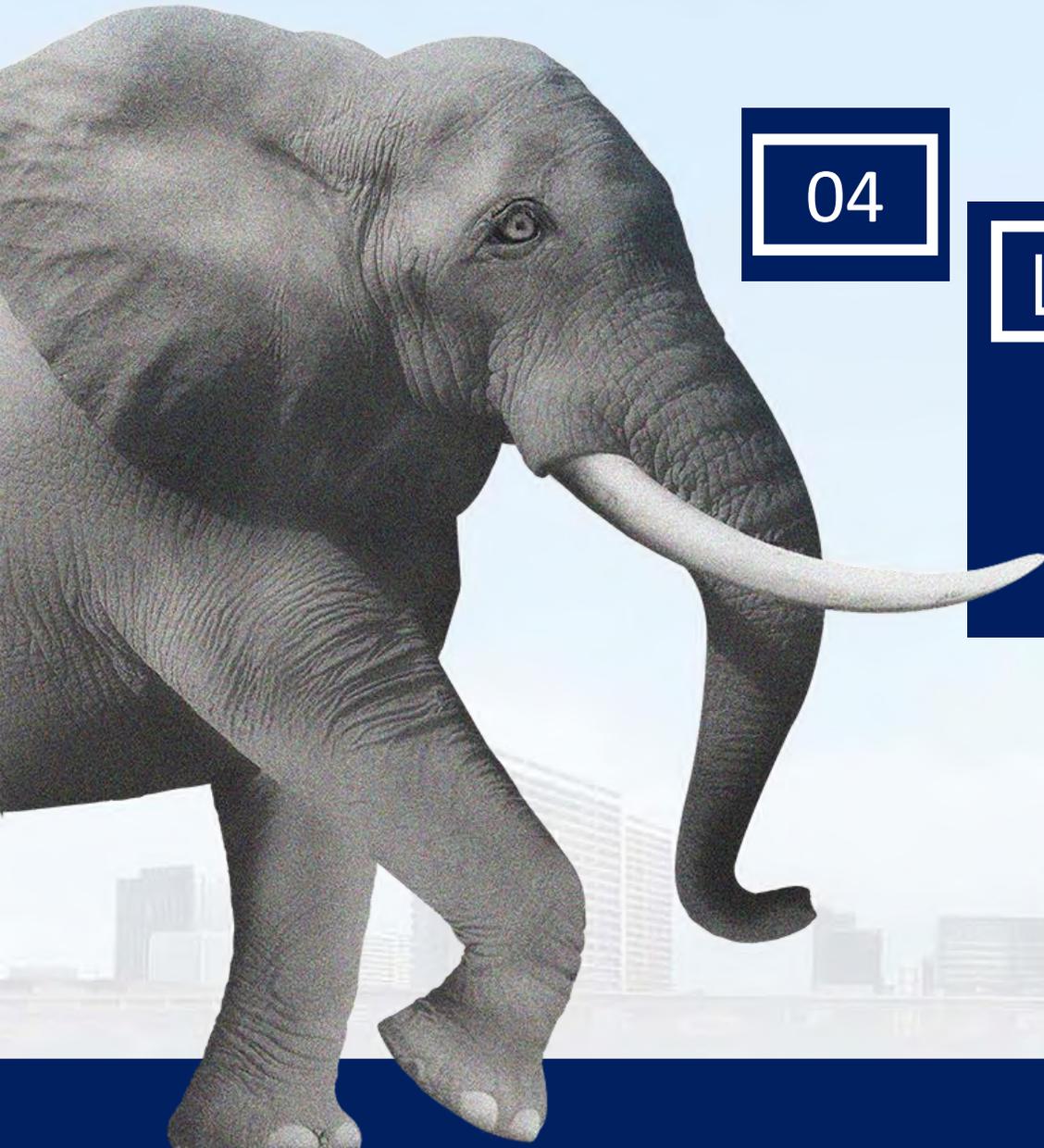
Strong Risk  
Management  
Framework

Balance Sheet  
Strength

Maintain our  
distinctive  
advantage in  
digital and agent  
banking

Deepen  
diversification of  
revenue sources  
through  
transaction-led  
banking

Utilise our scale  
and unique  
positioning as a  
competitive  
advantage



04



# Appendix



## COMMERCIAL BANKING GROUP

Business growth, with continuously improving operating performance and quality balance sheet, even in an increasingly tough operating environment

- Upward trajectory in share of non-interest income successfully diversifying earnings into non-capital consuming sources
- Sustained single digit NPL ratio; risk assets portfolio now significantly stronger
- Activated cost containment measures result in marginal increase, considerably below inflation
- Focus remains on innovation, digital and technologies to drive enhanced revenue growth and maximise operational efficiency
- Overall goal is to propel performance for enhanced profitability

### KEY FINANCIAL HIGHLIGHTS

#### Income statement

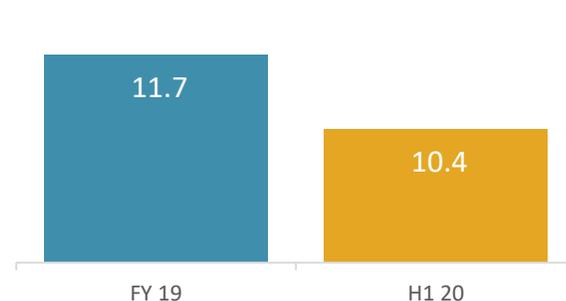
Nbn	H1 19	H1 20	y-o-y
Gross earnings	262.8	278.7	6.1%
Operating income	186.4	198.9	6.7%
Impairment charge	21.9	30.5	39.5%
Net interest income	137.4	126.1	-8.2%
Non-interest income	49.0	72.8	48.7%
Operating expense	131.2	132.1	0.7%
Profit before tax	33.3	36.4	9.2%
Profit after tax	26.7	32.6	21.9%

#### Statement of Financial Position

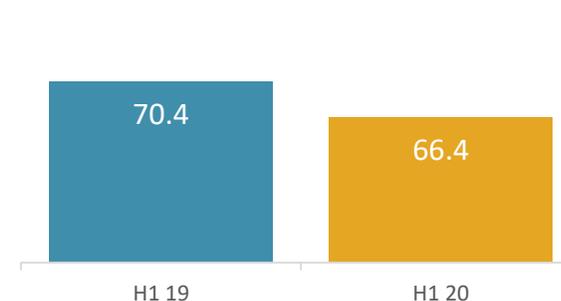
Nbn	FY 19	H1 20	y-o-y
Loans and advances	1,866.0	2,001.0	7.2%
Deposits from customers	3,911.9	4,231.9	8.2%
Shareholders fund	591.0	660.7	11.8%
Total assets	5,869.2	6,836.7	16.5%

### KEY PERFORMANCE RATIO

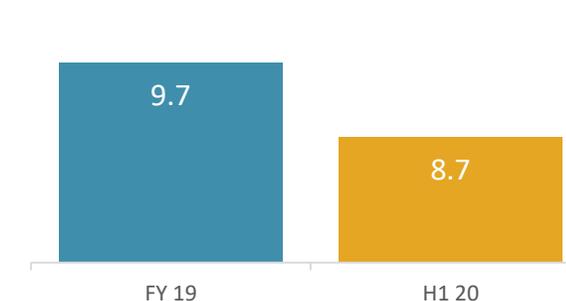
#### Return on Average Equity [%]



#### Cost to Income [%]



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





## MERCHANT BANKING AND ASSET MANAGEMENT GROUP

Strong performance amidst macro-economic headwinds driven primarily by fixed income trading, the annuity businesses (Asset Management & Trustees) and corporate banking

### KEY FINANCIAL HIGHLIGHTS

#### Income statement

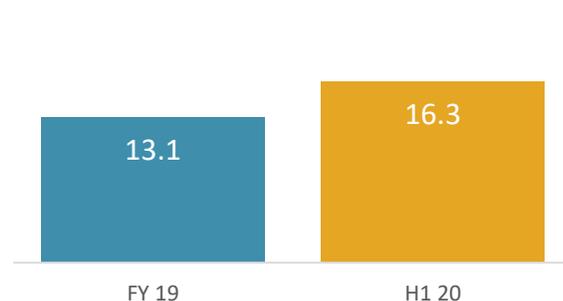
A/bn	H1 19	H1 20	y-o-y
Gross earnings	16.9	17.5	3.1%
Operating income	8.5	11.7	37.5%
Impairment charge <sup>1</sup>	0.2	0.2	-33.3%
Operating expense	5.3	5.4	2.0%
Profit before tax	2.9	6.1	107.6%
Profit after tax	2.1	4.2	95.0%

#### Statement of Financial Position

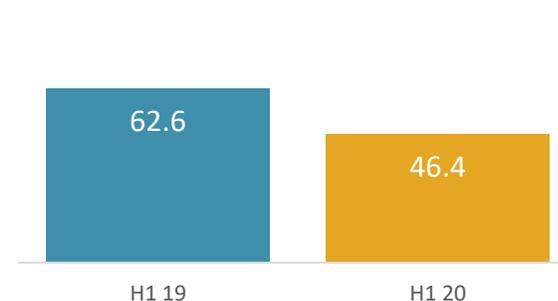
A/bn	FY 19	H1 20	y-o-y
Loans and advances	46.5	53.8	15.7%
Deposits from customers	135.5	176.3	30.1%
Shareholders fund	48.0	54.8	14.3%
Total assets	248.6	330.8	33.1%

### KEY PERFORMANCE RATIO

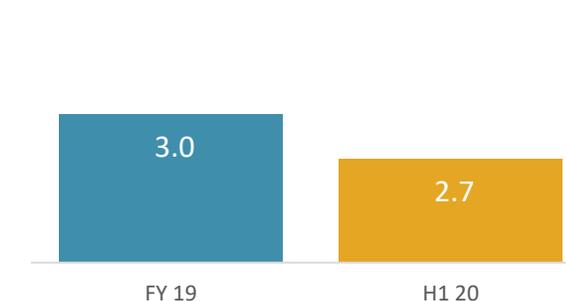
#### Return on Average Equity [%]



#### Cost to Income [%]



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



- Strong H1 2020 performance resulted in a 95.0% growth in profit after tax, driven by strong growth in trading activities, 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 15.7% in loans and advances and a 30.1% growth in customers' deposit

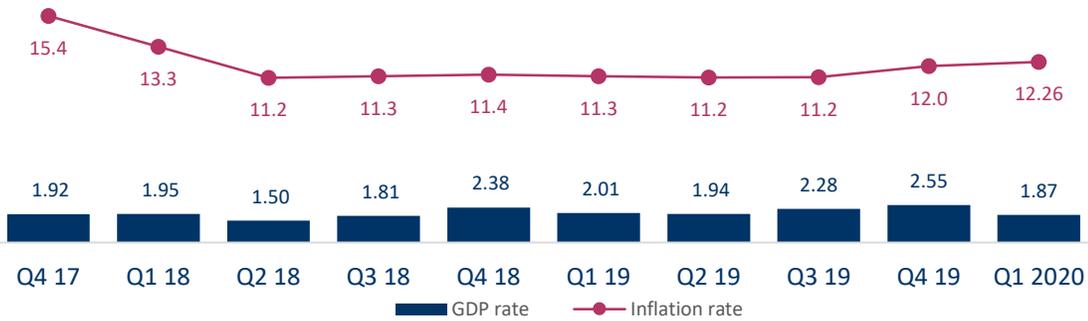
- We continue to focus on enhancing the quality of and diversifying earnings by growing the annuity businesses – our investment management businesses (AuM increased by 16% to close at ¥414.6bn), along with strong performances from our FICT<sup>2</sup> and CCB<sup>3</sup> businesses.

- We have managed risk effectively, leading to a reduction in non-performing assets, and a drop in the NPL ratio to 2.7%

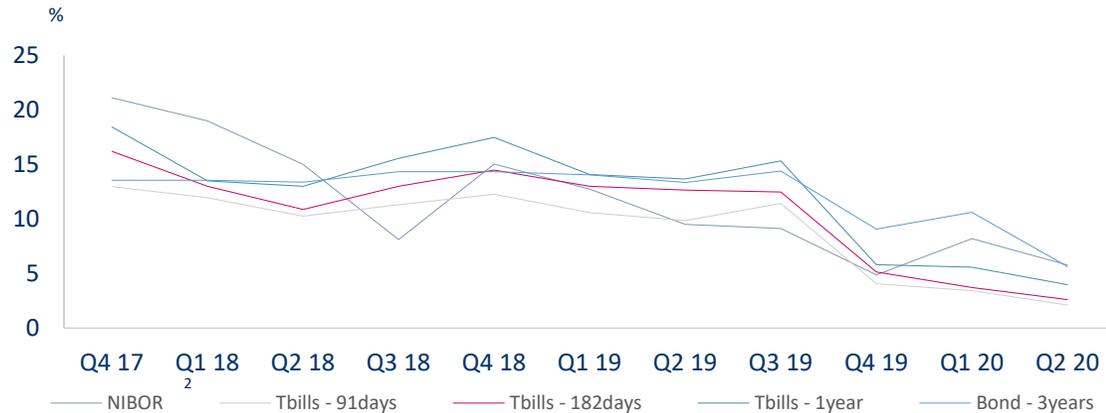


# Nigeria's operating environment remained challenging

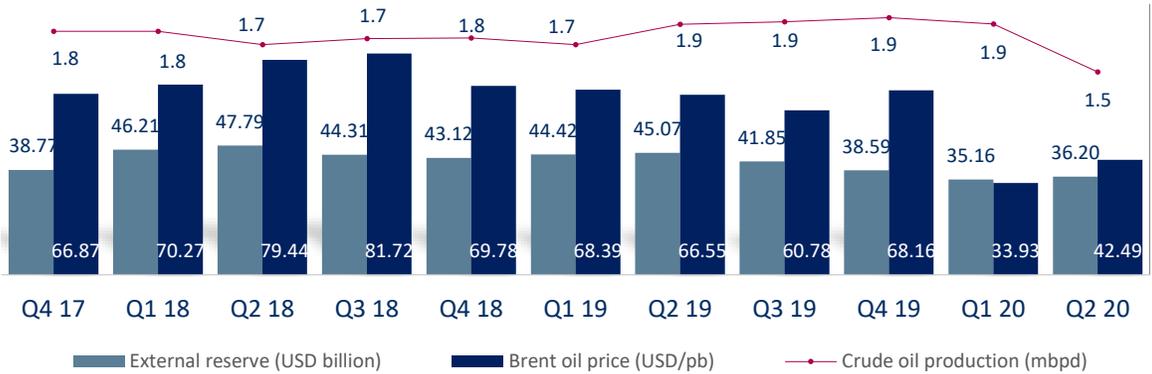
GROSS DOMESTIC PRODUCT RATE TAPERS AMIDST RISING INFLATION



DECLINING YIELDS ON INVESTMENT SECURITIES



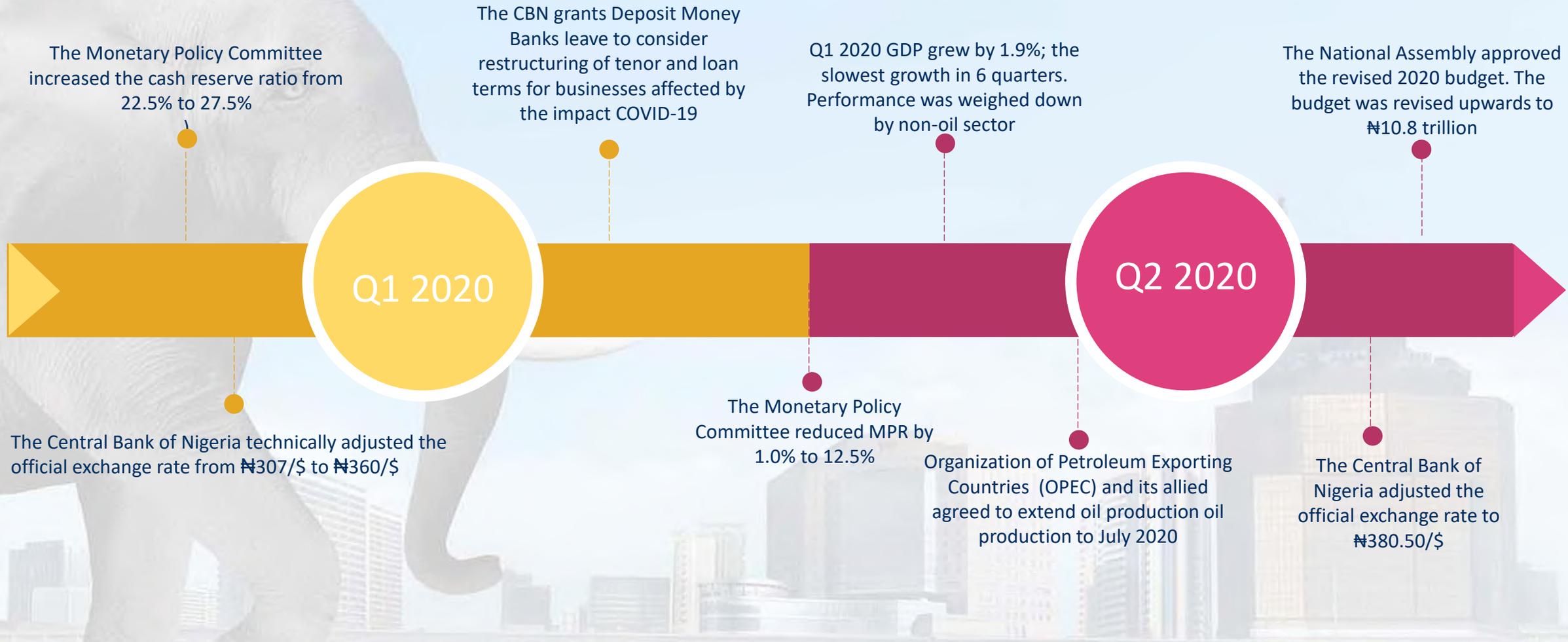
REBOUND IN OIL PRICES BUT CRUDE OIL PRODUCTION CAPACITY DECREASES



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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