

# TIMELESS



## Investor & Analyst Presentation

For the nine months ended 30 September 2019

# DISCLAIMER

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# PRESENTATION OUTLINE

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- 04 ● Performance Highlights
- 07 ● Macro and Regulatory Updates
- 10 ● Group Strategy Update
- 18 ● Risk Management
- 22 ● Outlook & Guidance
- 24 ● Appendix



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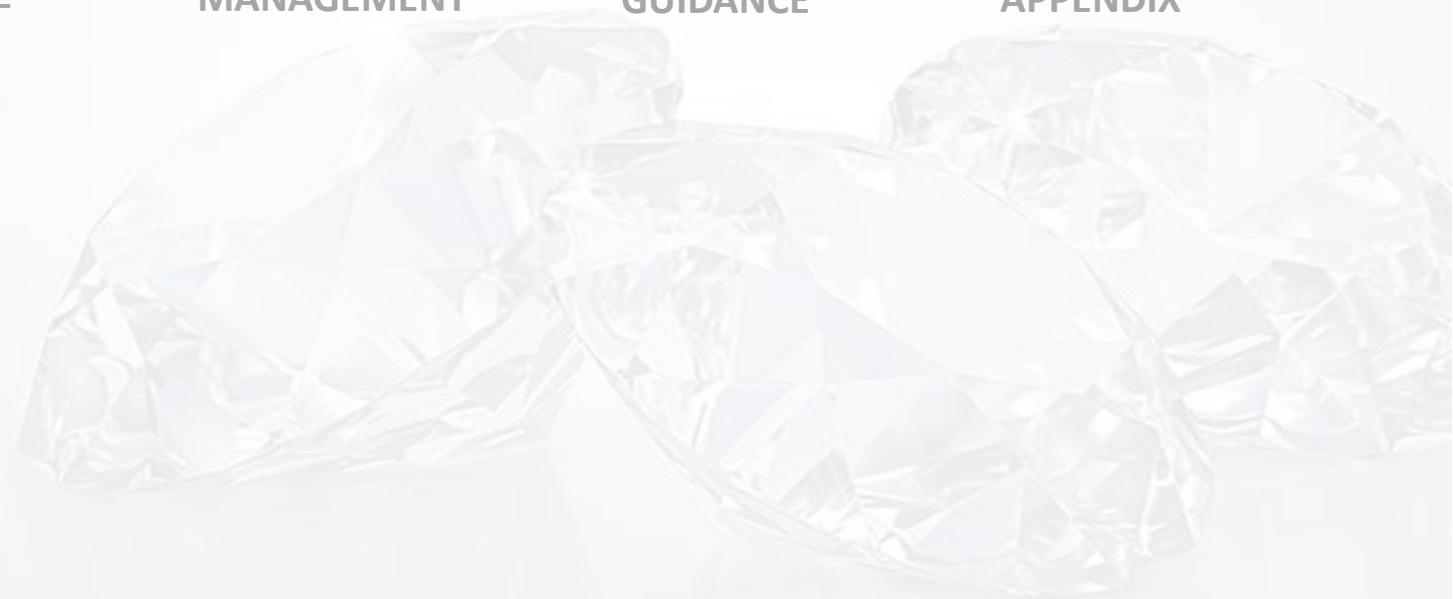


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## On course to delivering sustainable long-term performance with progressive improvements in asset quality, profitability and diversified revenue

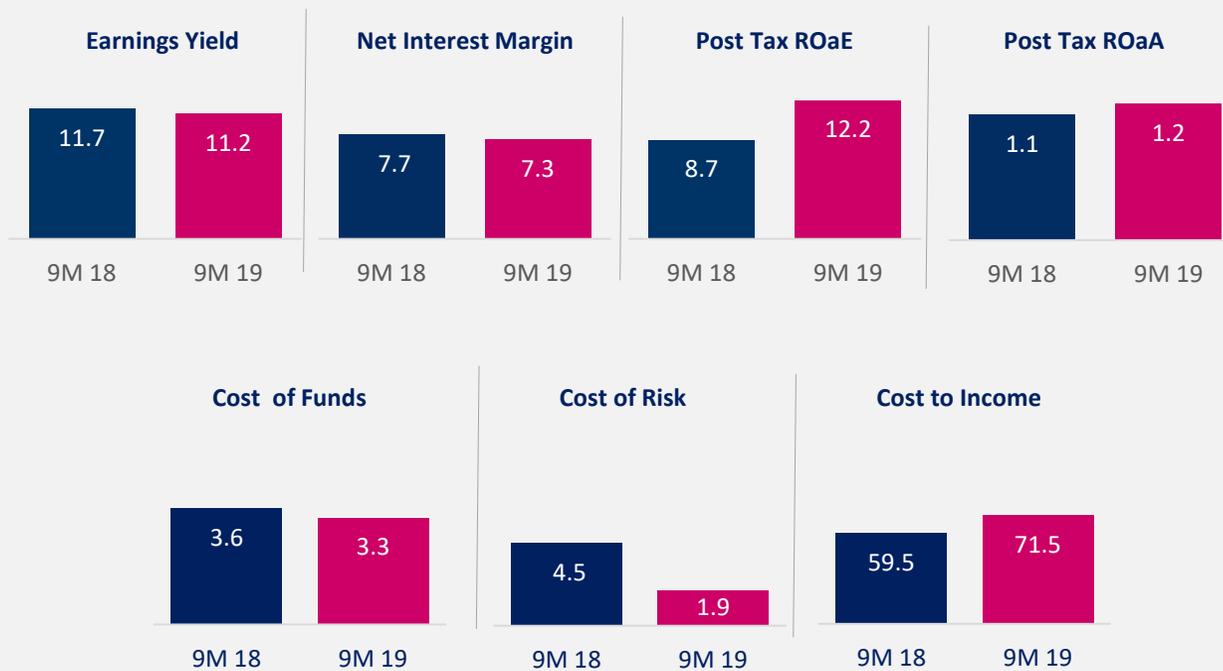
### Key highlights

- Continuous improvement in asset quality in line with our commitment of achieving a single digit NPL ratio
  - Non-performing loans down to 12.6% as at September 2019 from 25.9% as at December 2018
  - Credit impairment charge improved by 62.6% y-o-y
  - Cost of risk below 2% (9M 2018: 4.5%)
- Progressive improvement in profitability
  - 17% y-o-y growth in profit before tax
  - Non-interest revenue up by 6.0% y-o-y, driven by enhanced transaction-led income (+22.6% y-o-y)
  - Further strengthened the growth of electronic banking fees (+45.9% y-o-y)
  - Increased the contribution of electronic banking to non-interest income to 34.8% (25.3% in September 2018)
- Headline y-o-y growth in operating expenses reflects ongoing strategic projects
- The Group is well positioned for the next phase of accelerated business growth

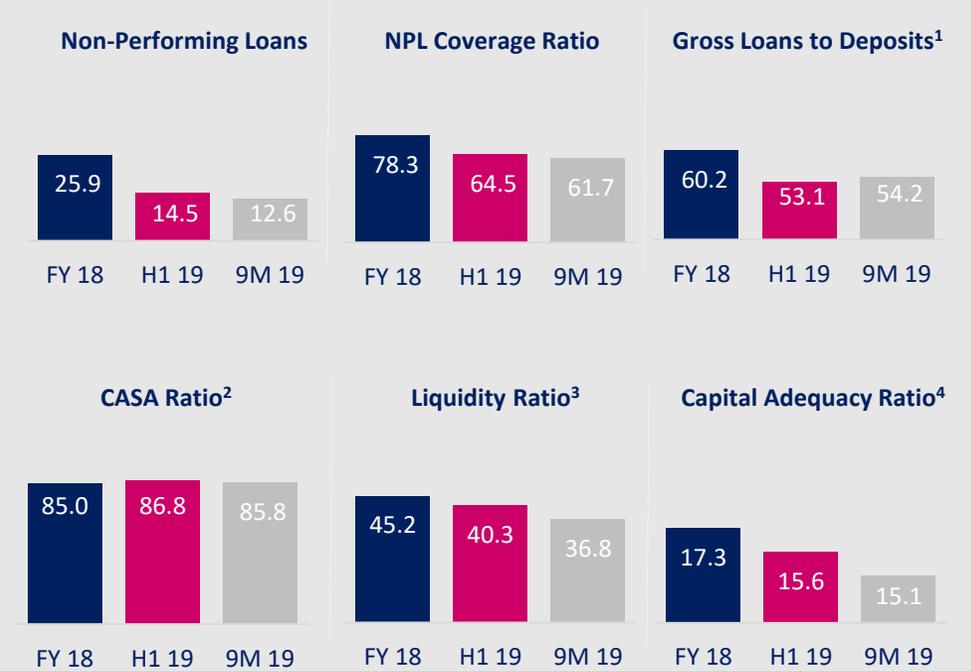


## Profitability gains momentum as we focus on enhancing revenue generating capacity and improving operational efficiency

### Key Income Statement Ratios (%)



### Key Balance Sheet Ratios (%)



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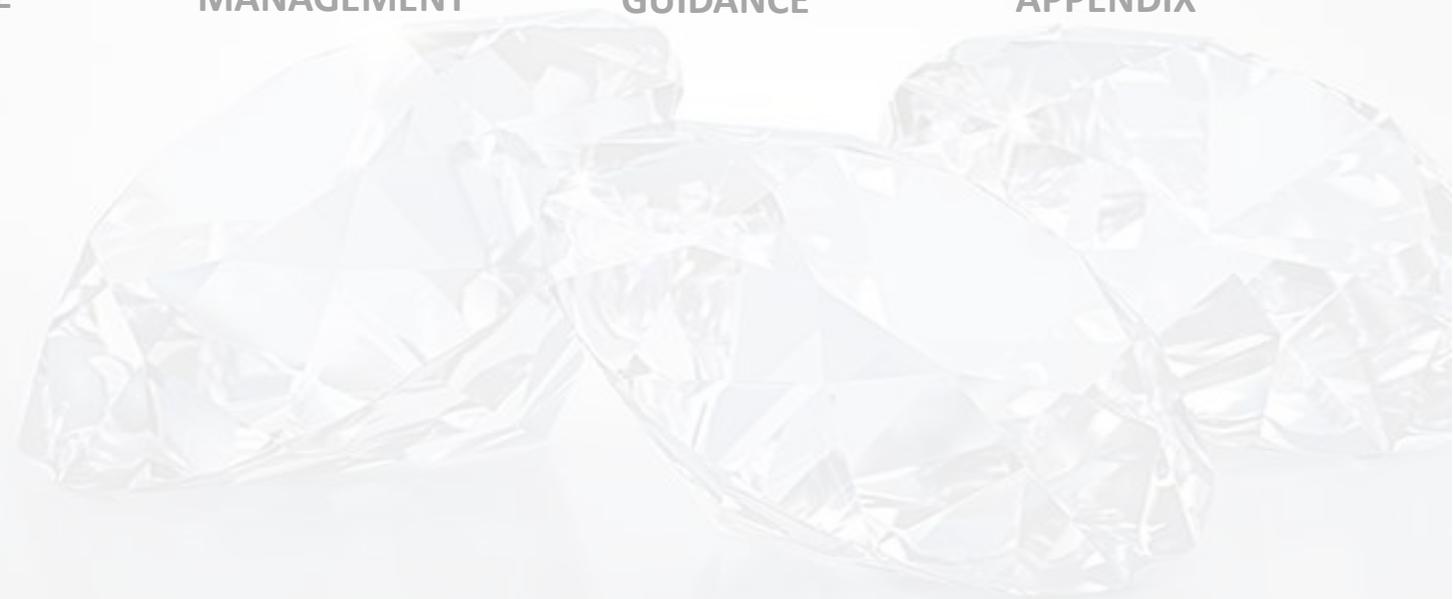


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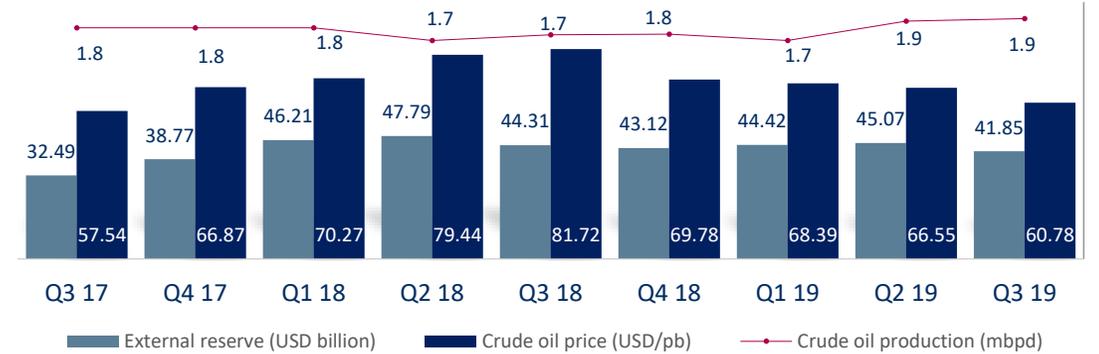


# Operating environment remains challenging with macro factors influencing sentiment

## HEADLINE INFLATION REMAINS STABLE WITH DECLINING GDP



## DECREASE IN FOREIGN RESERVES AS CRUDE OIL PRICES SLOWS DOWN



## MILD UPTICK IN YIELDS ON INVESTMENT SECURITIES



## EXCHANGE RATES REMAIN STABLE AS CBN SUSTAINS POLICY STANCE



Data source: CBN NBS, Bloomberg, OPEC and FBNHoldings Investor Relations  
<sup>1</sup>Gross Domestic Product for Q3' 19 yet to be published by National Bureau of Statistics

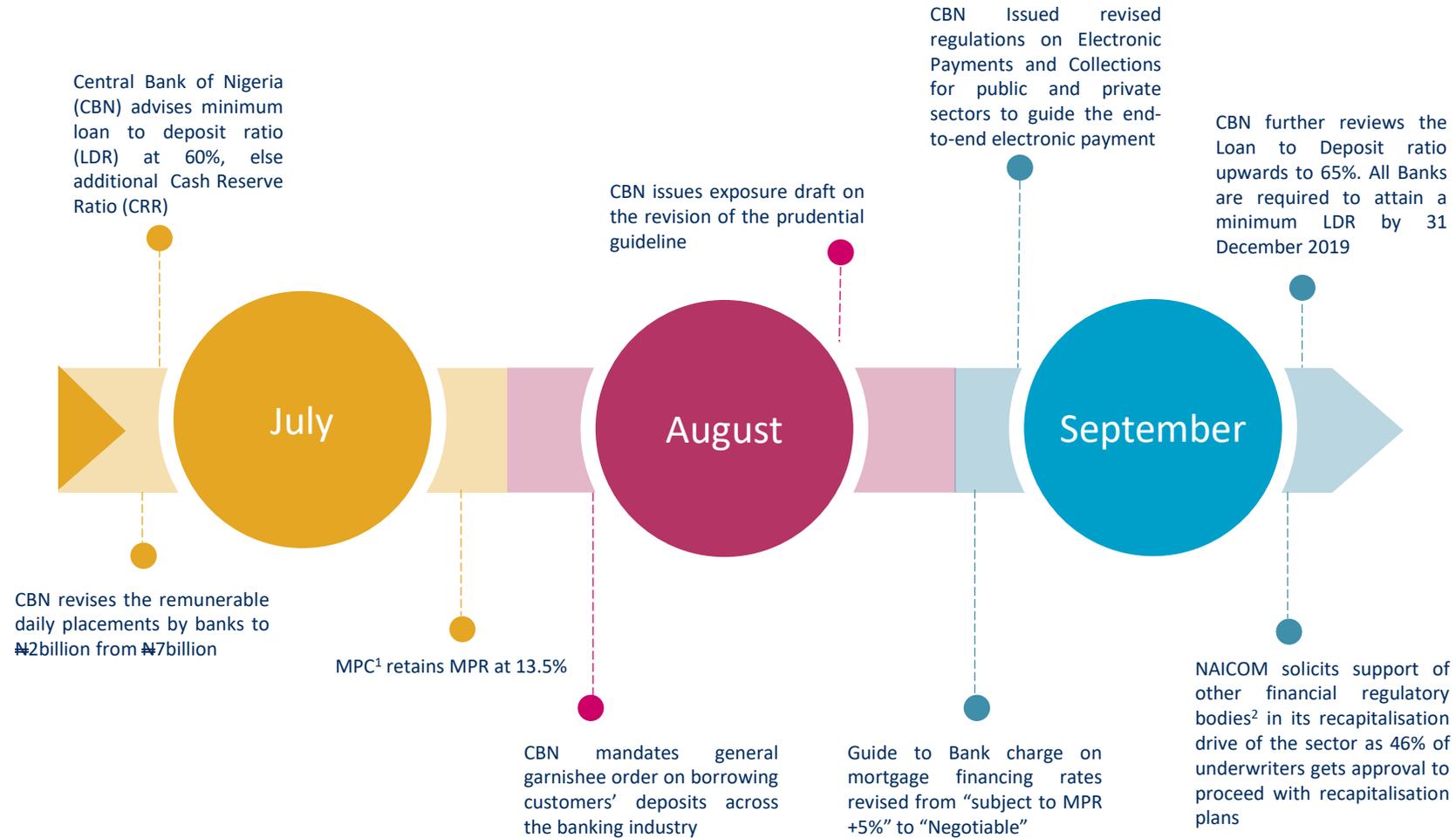
<sup>2</sup>NIBOR rate is average interbank call rate for each quarter

<sup>3</sup>NAFEX (Nigerian Autonomous Foreign Exchange) and I&E (Importers' and Exporters') rates converge in Q3 2018, Q1 2019 & Q2 2019 respectively





## Key regulatory developments in the quarter



<sup>1</sup>Monetary Policy Committee

<sup>2</sup>CBN, Nigerian Deposit Insurance Commission (NDIC), Securities and Exchange Commission (SEC)



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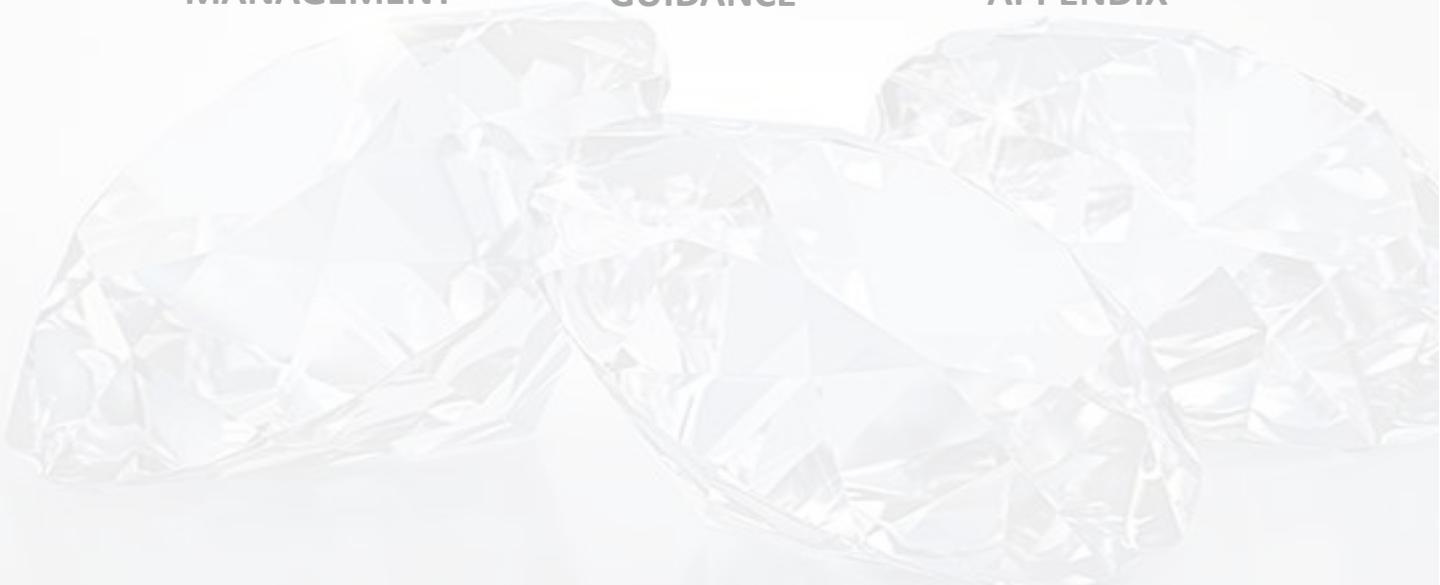


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## Delivering on our Commitments

### Progressive improvement in asset quality

- ✓ On track to delivering a single digit NPL ratio
  - NPL ratio down to 12.6% from 25.9% in FY 2018
- ✓ Vintage NPL ratio remains < 1%
- ✓ Impairment charge improved by 62.6% y-o-y
- ✓ Cost of risk at 1.9% (9M 2018: 4.5%)
- ✓ Achievements demonstrate a firm resolve to significantly close challenged legacy exposures



### Sustained growth in transaction-led income

- ✓ Ramped up revenue from digital channels
  - Electronic banking now represents 34.8% of non-interest income (9M 2018: 25.3%)
  - Transactions carried out via alternative channel sustained at >85%
- ✓ Consistently growing the Agent banking network
  - Firstmonie Agents now >35,500 (9M 2018: 10,184) with increasing customer adoptions
- ✓ ₦1.7trillion transactions now processed on the agent network year to date (H1 2019: ₦1.1trillion)
- ✓ Improving earnings contribution from subsidiaries across the Group

### Balance sheet and cost optimisation remain focused on improved efficiency

- ✓ ROaE of 12.2% in 9M 2019 (9M 2018: 8.7%)
- ✓ Liquidity remains sound post early repayment of the cumulative US\$750 million subordinated notes in 12months
- ✓ Strong and robust balance sheet with excellent funding base
- ⊖ Cost optimisation drive muted by one-off transformational charge
  - Firmly focused on delivering on our commitments in the near term

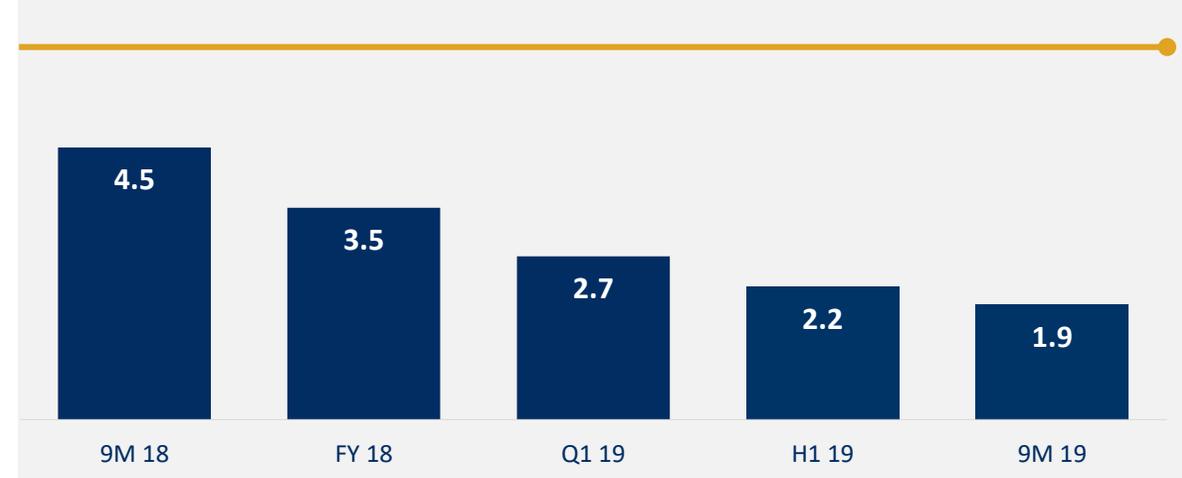


## Single digit NPL in sight whilst cost of risk continues to decline

SINGLE DIGIT NPL RATIO (%) IN SIGHT | FBNHOLDINGS



COST OF RISK (%) | FBNHOLDINGS

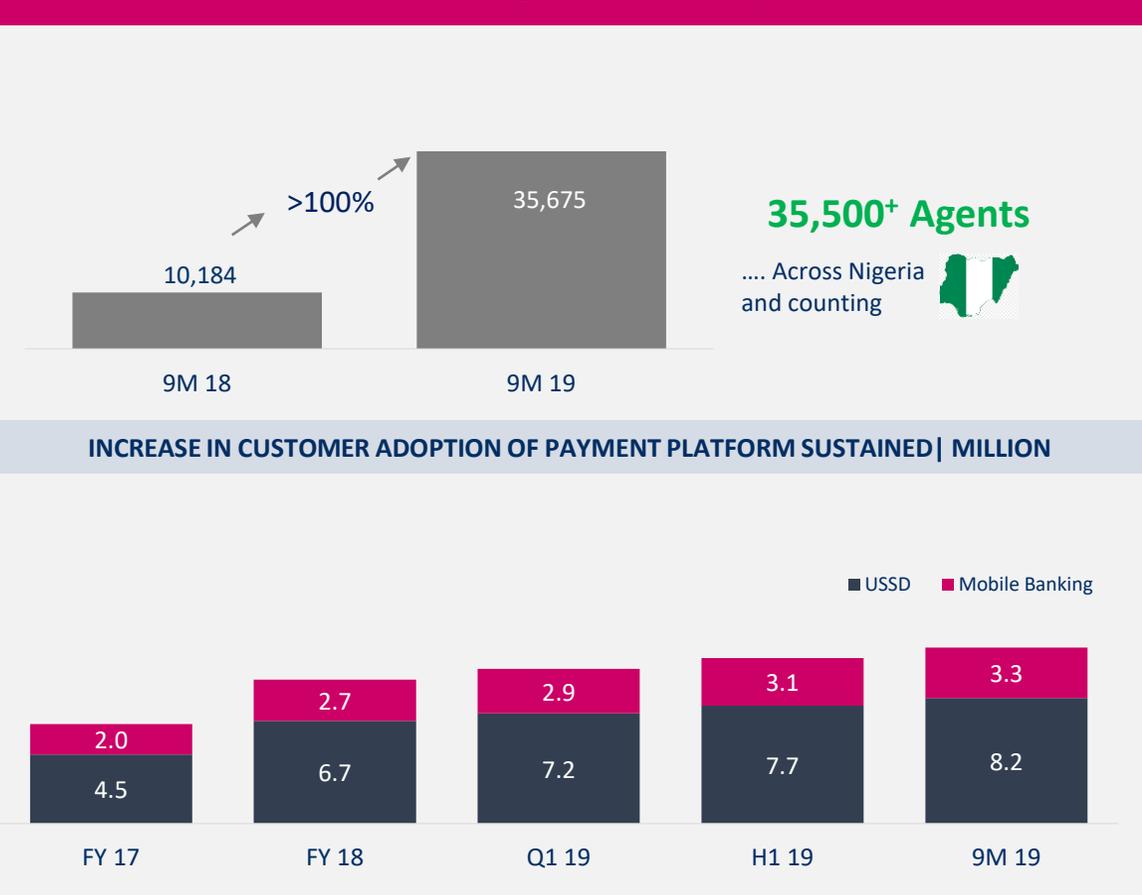


- Delivering a single digit NPL ratio remains on course
- NPL ratio down to 12.6%, demonstrates our firm resolve of strengthening the balance sheet
- Vintage NPL ratio sustained at <1% over the last 3 years reflecting the success of the revamped credit culture
- Credit impairment charge declined by 62.6%, as we continue to implement best-in-class risk management practices



## Maintained industry leadership in agency and digital banking with increasing customer adoption

### Firstmonie Agent Banking Scheme



10,184

9M 18

&gt;100%

35,675

9M 19

35,500+ Agents

... Across Nigeria  
and counting

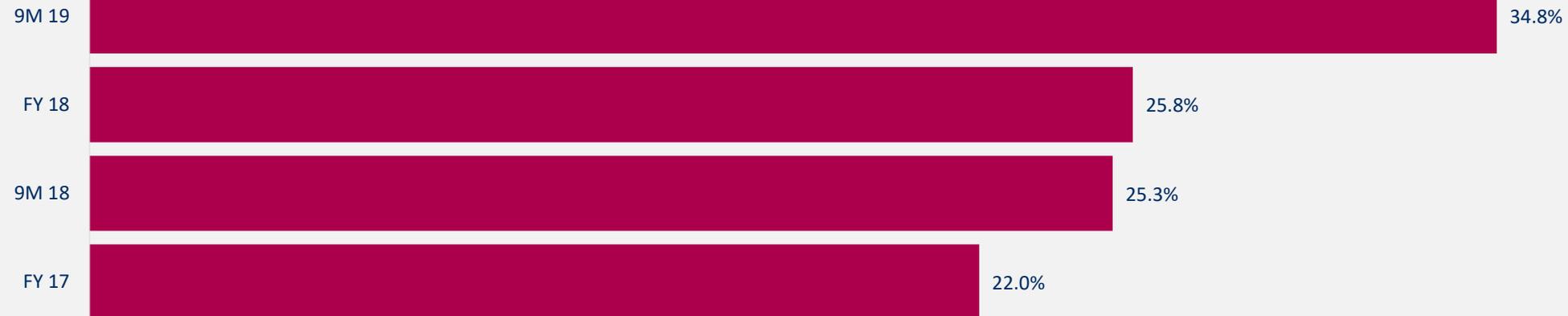
INCREASE IN CUSTOMER ADOPTION OF PAYMENT PLATFORM SUSTAINED | MILLION

- Enhanced digital capacity with the implementation of a robust IT infrastructure – positioning the group for accelerated business growth
- Digital banking innovations supporting transaction intensity and enhanced revenue accretion across multiple channels
  - Deployment of **FirstDirect** to improve customer experience and acquisitions across wholesale segment
  - Deployed digital solutions to accelerate growth in consumer lending and enhance profitability
    - Revamped PLAS (Personal Loan Against Salary)
    - Rolled out **FirstAdvance** on USSD and FirstMobile
- ₦1.7 trillion transactions processed via Firstmonie Agents year to date (H1 2019: ₦1.1 trillion)
- ₦1.8 trillion USSD transactions processed year to date (H1 2019: ₦1.2 trillion)



## Steady growth in revenue from alternative channels

### GROWING REVENUE FROM DIGITAL BANKING CHANNELS | (E- BUSINESS CONTRIBUTION TO NON INTEREST REVENUE)



### USSD BANKING SCHEME | TRANSACTION VALUE (₹ BILLION)



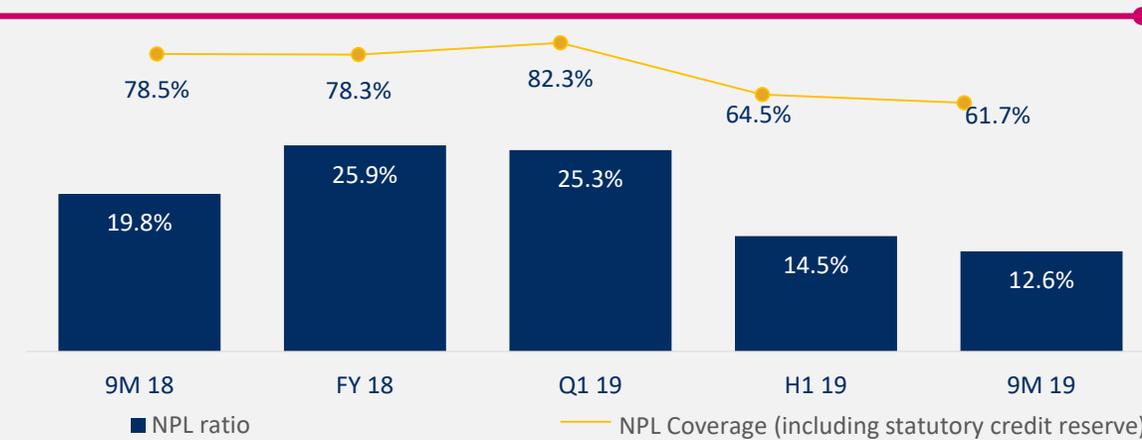
### MOBILE BANKING SCHEME | TRANSACTION VALUE (₹ BILLION)



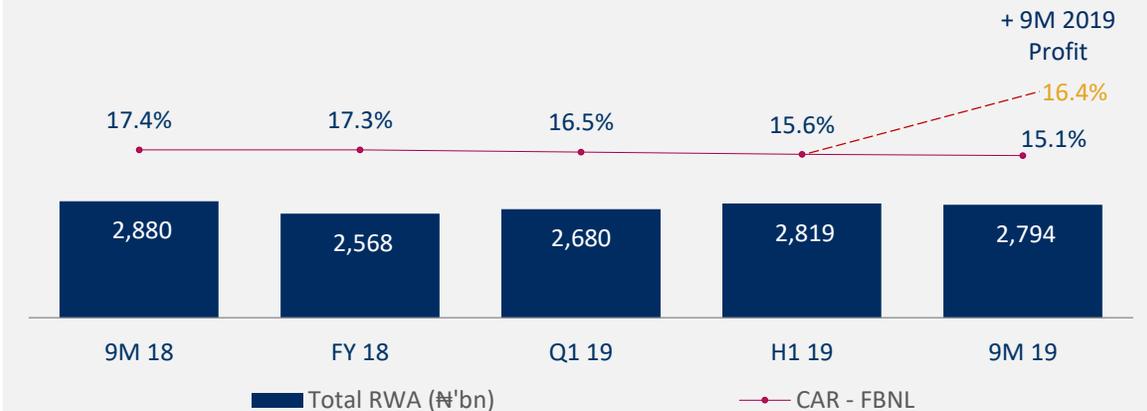


## Improving NPL ratio as balance sheet optimisation and enhanced earnings provide support for growth

### STEADY IMPROVEMENT IN ASSET QUALITY | FBNHOLDINGS



### CAPITAL RATIOS SUPPORTS FUTURE GROWTH | FIRSTBANK (NIGERIA)

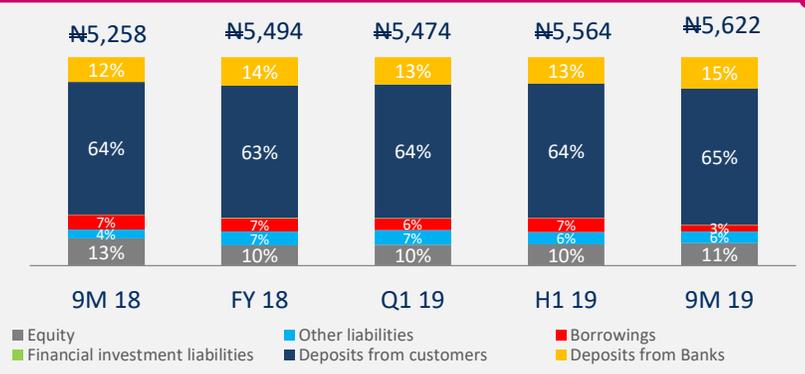


- Asset quality performance in line with group-wide commitment to de-risk the balance sheet while cautiously growing “high quality” risk asset at optimum yields
- Capital position remains above regulatory requirement
- Solid balance sheet structure

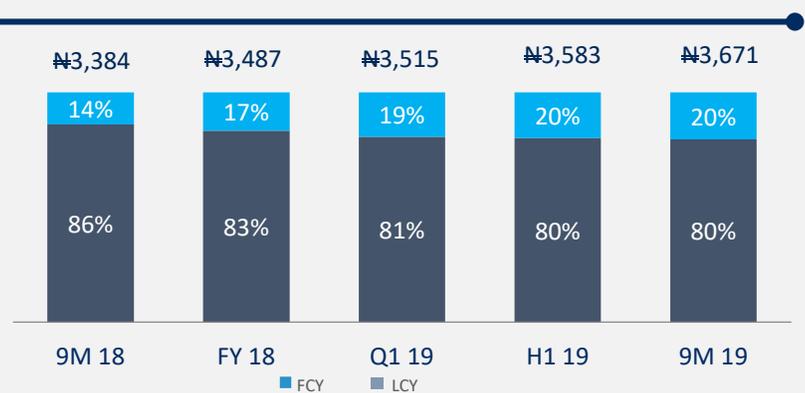


# Strong liquidity, highly diversified and sustained growth in quality low cost funding, supported by the strength of the retail franchise

FUNDING BY TYPE (₦BN) | FBNHOLDINGS

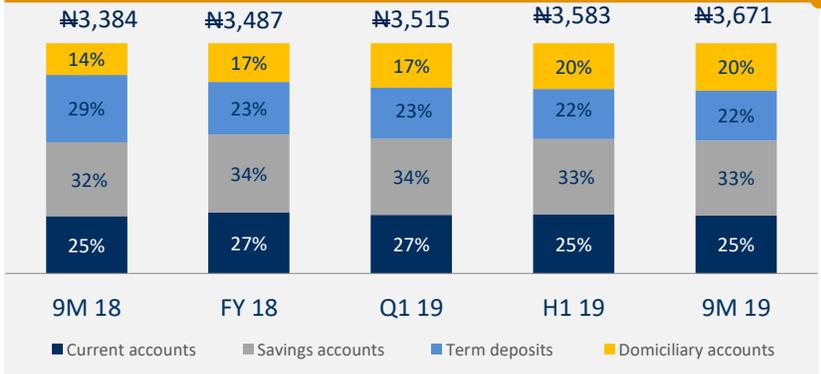


DEPOSITS BY CURRENCY (₦BN) | FBNHOLDINGS

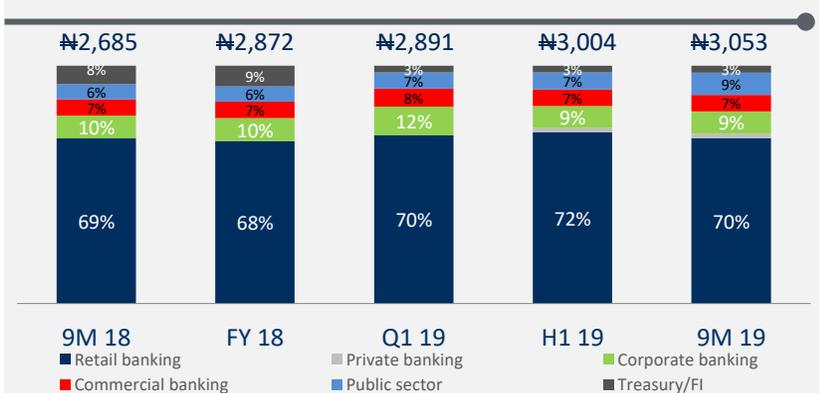


- Deposits from customers grew by 5.3% y- t-d
- Sustained strong retail franchise with deposits at ₦3.1 trillion and ₦3.7 trillion for FirstBank and FBNHoldings respectively
- FirstBank, low-cost deposits represent 86% of total deposits as at September 2019 (December 2018: 85%)
- Improved funding cost to 3.3% from 3.6% in the corresponding period
- Prepayment of a cumulative \$750 million subordinated notes in 12 months demonstrates the strength of the Bank's foreign currency liquidity

DEPOSITS BY TYPE (₦BN) | FBNHOLDINGS



DEPOSITS BY SBU TREND (₦BN) | FIRSTBANK (NIGERIA)





Operating expenses moderated during the quarter. Elevated CIR represents impact of one-off expenses and projects that will deliver operational efficiencies and enhance revenue accretion over the longer term



- Focus remains on operational efficiency while sustaining the growth in revenue momentum
- Y-o-y increase in **regulatory costs** was on the back of business growth and full adoption of revised AMCON charges
  - ✓ Regulatory cost constituted 13.2% of total operating cost in 9M 19; however, regulatory cost declined 30% q-o-q
- Notable **investments** in transformational projects impacted operating expense year to date. Some of these investments including:
  - ✓ e-business solutions (revenue accretive)
  - ✓ transactional banking solutions (revenue accretive)
  - ✓ enterprise architecture (business growth supportive)
  - ✓ productivity solutions (efficiency benefits)
- Excluding non – recurring costs, OPEX growth y-o-y is below headline inflation rate
- We expect these investments to support business efficiency and ramp up revenue accretive capabilities in subsequent periods

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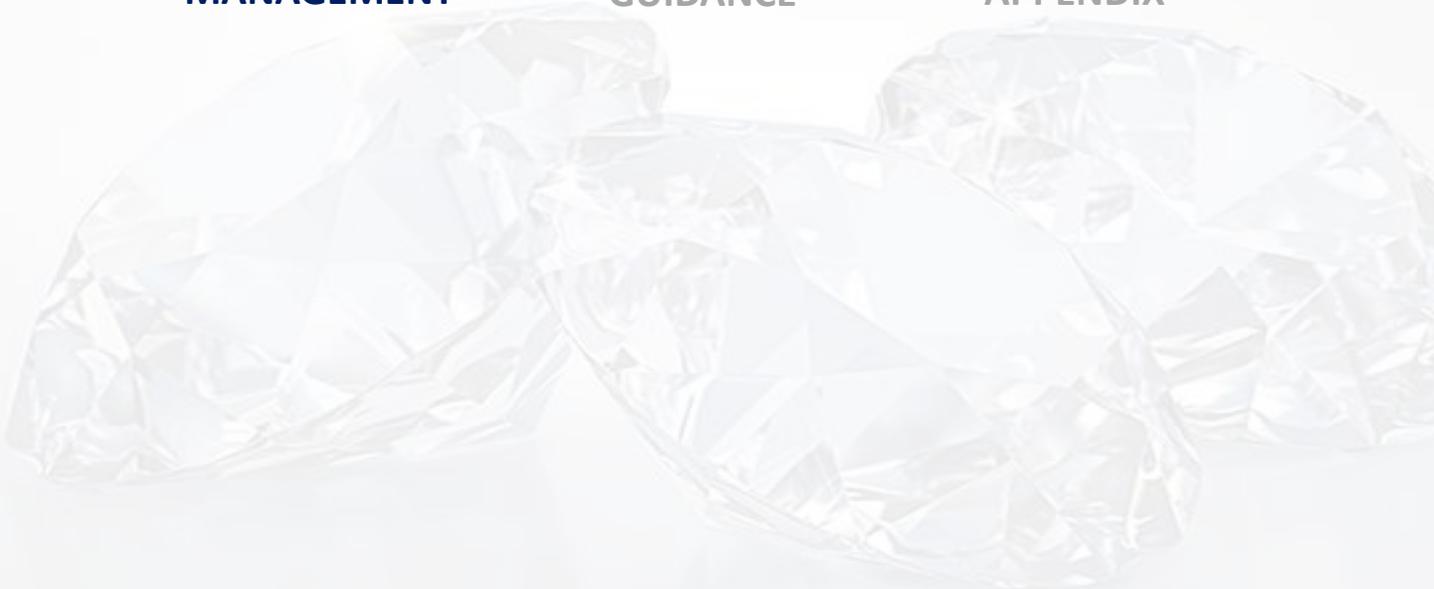


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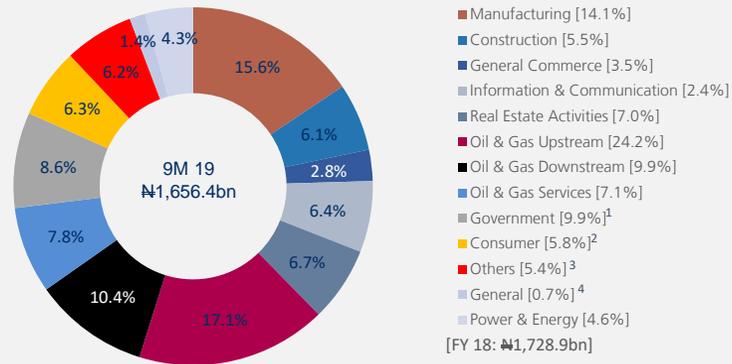


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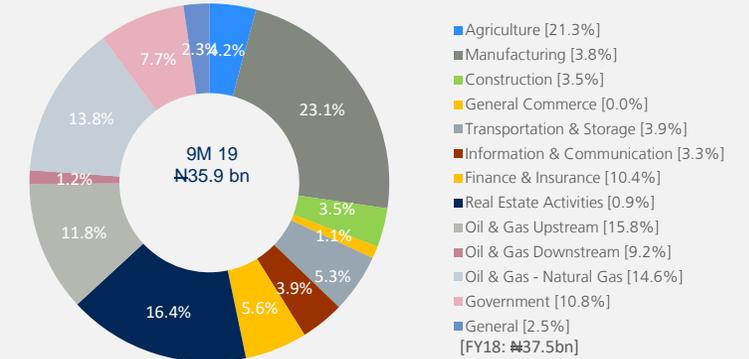
# Diversified portfolio across lending businesses

## 9M 19 FIRSTBANK (NIGERIA) GROSS LOANS BY SECTOR

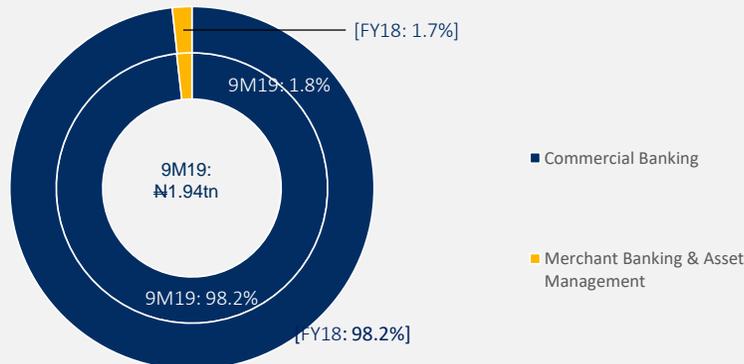


- Net loans to customer grew by 8.1% y-t-d
- Well diversified portfolio
- Focus on cautious risk asset creation to maintain a healthy balance sheet position
- Manufacturing, trade, retail/consumer and agric & agro-allied sectors including telecommunication remain key sectors to grow loans

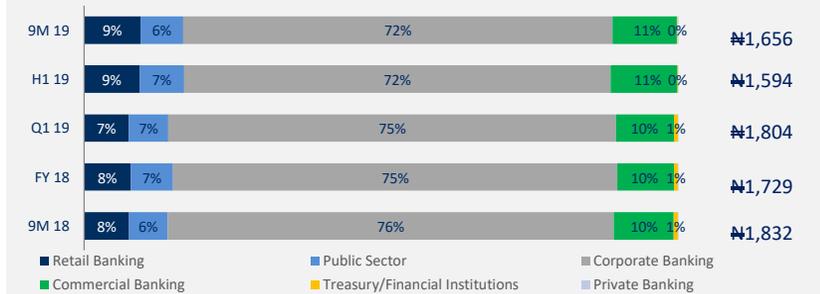
## 9M 19 FBNQUEST MERCHANT BANK GROSS LOANS BY SECTOR



## FBNHOLDINGS GROSS LOANS BY BUSINESS GROUPS<sup>5</sup>



## FIRSTBANK (NIGERIA) GROSS LOANS BY SBU (₦BN)



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

<sup>2</sup>Represents loans in retail portfolio < ₦50mn

<sup>3</sup>Finance and Insurance, capital market, residential mortgage, agriculture

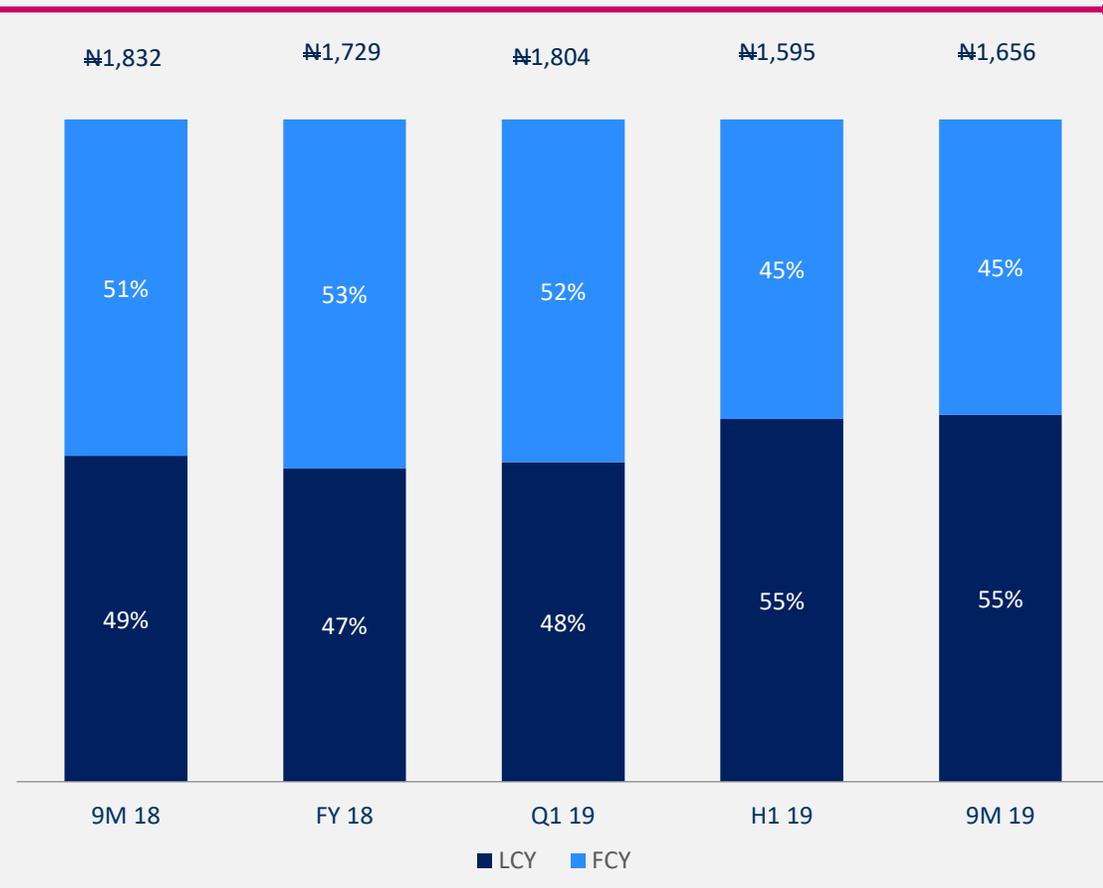
<sup>4</sup>General includes personal & professional, hotel & leisure, logistics and religious bodies

<sup>5</sup>Gross loans include intercompany adjustments

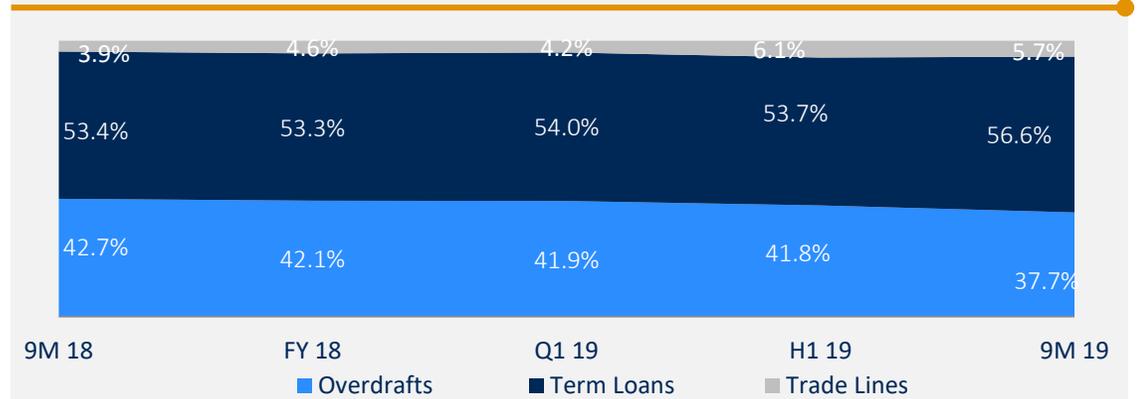


## Rebalanced portfolio minimising vulnerability

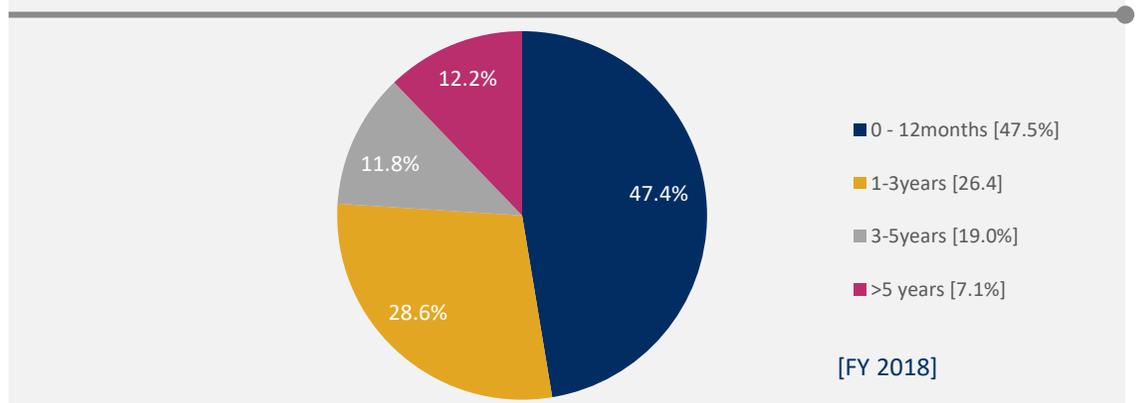
LOANS AND ADVANCES BY CURRENCY | FIRSTBANK (NIGERIA)



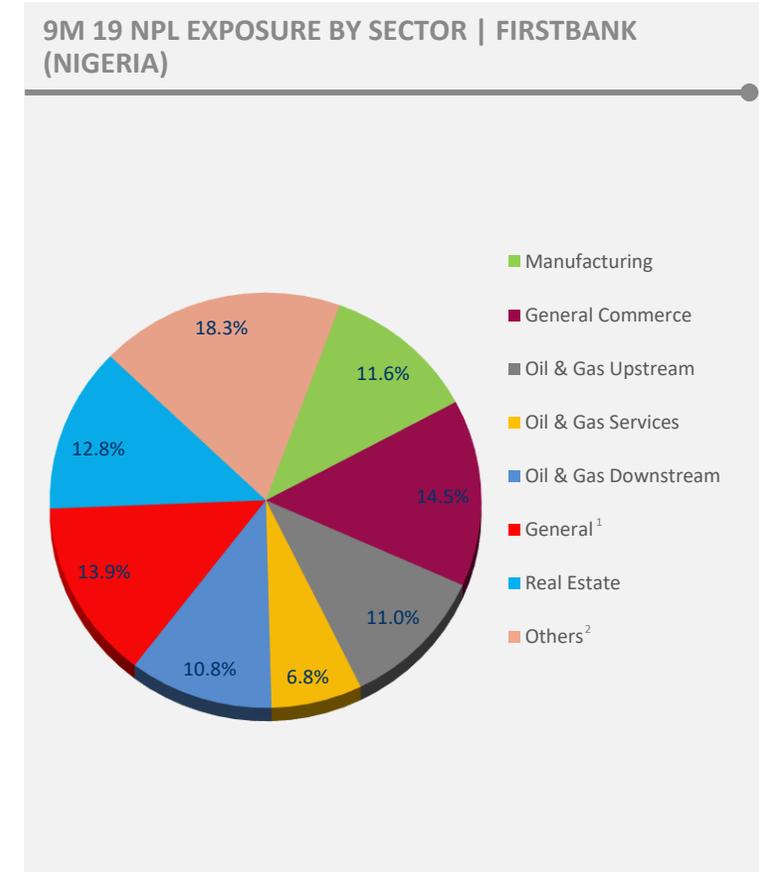
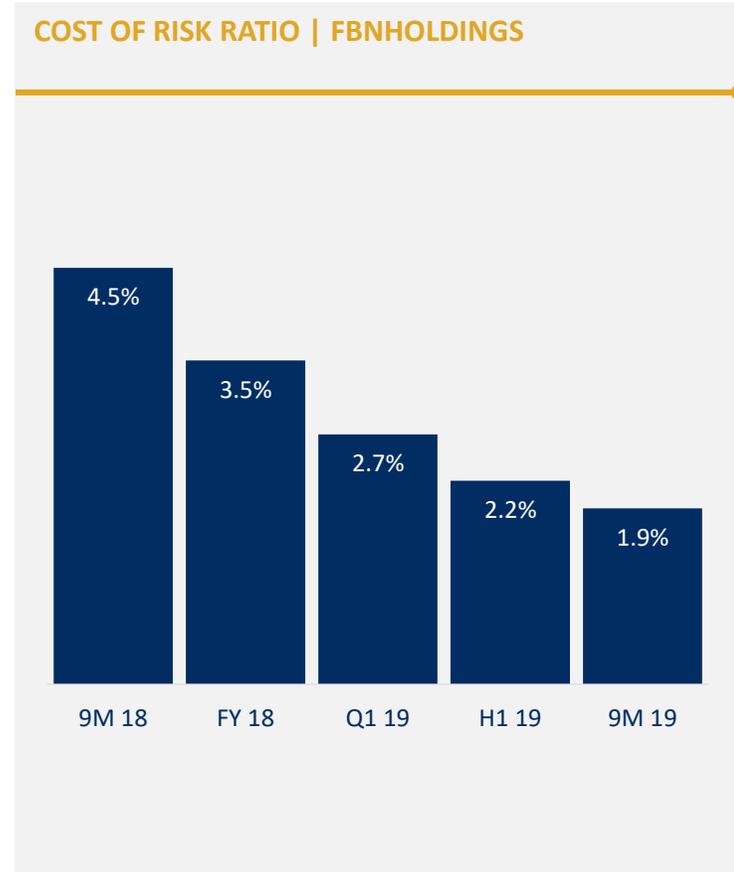
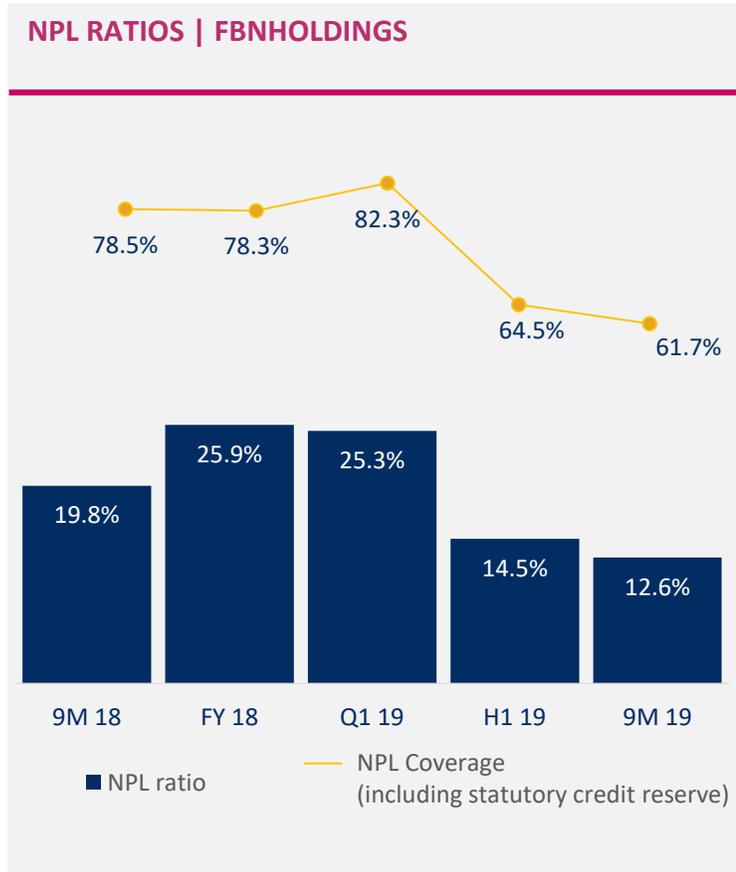
LOANS AND ADVANCES BY TYPE | FIRSTBANK (NIGERIA)



9M 2019 LOANS AND ADVANCES BY MATURITY | FIRSTBANK (NIGERIA)



# Balance sheet repositioned for enhanced earnings



<sup>1</sup> General includes: hotels & leisure, logistics, religious bodies

<sup>2</sup>Others (NPL exposure by sector) include Finance, Transportation, Education, Construction, Agriculture



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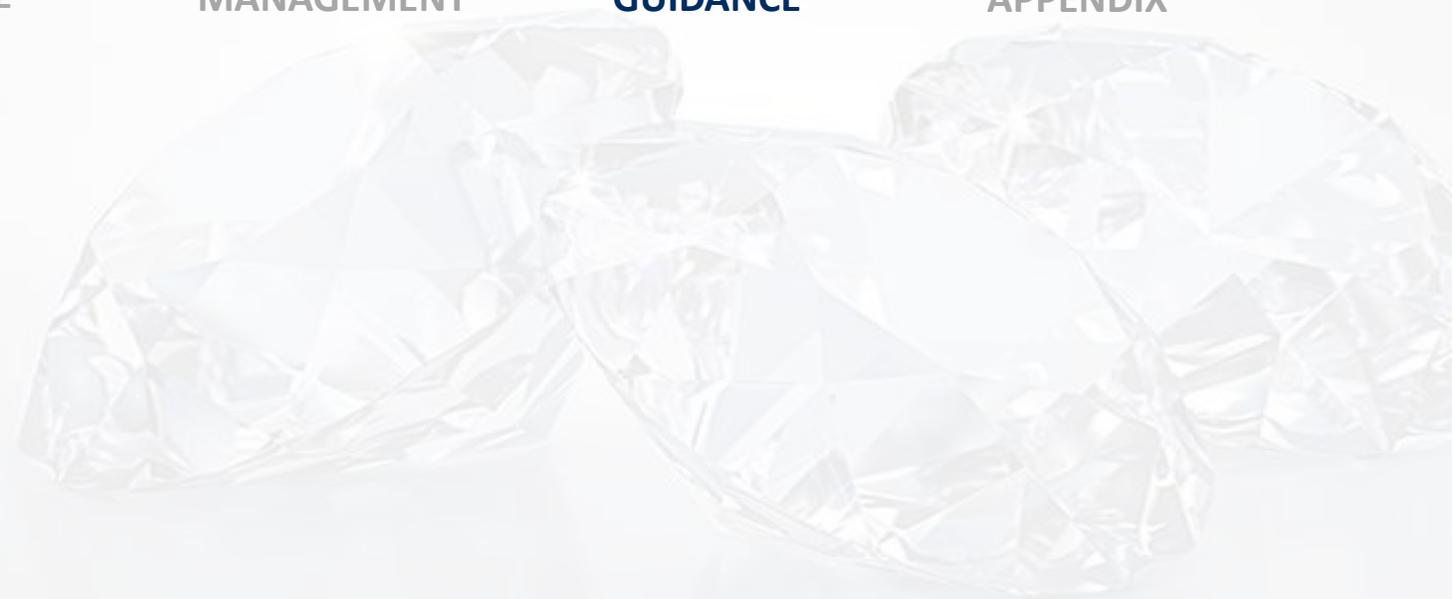


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## 2019 Guidance

	FY 2019 (Guidance)	9M 2019 (Actual)	FY 2018 (Actual)	
Profitability and efficiency metrics	ROaE	12 – 14%	12.2%	9.9%
	ROaA	1 – 1.5%	1.2%	1.1%
	Cost to Income	~71%*	71.5%	63.4%
	Cost of Risk	2 – 3%*	1.9%	3.5%
	Cost of Fund	3 – 4%	3.3%	3.4%
	NIM	7 - 8%	7.3%	7.5%
	Deposit growth	~5%*	5.3%	10.9%
	Net loan growth	<10%*	8.1%	-15.9%
	NPL ratio	<10%	12.6%	25.9%

\*Revised

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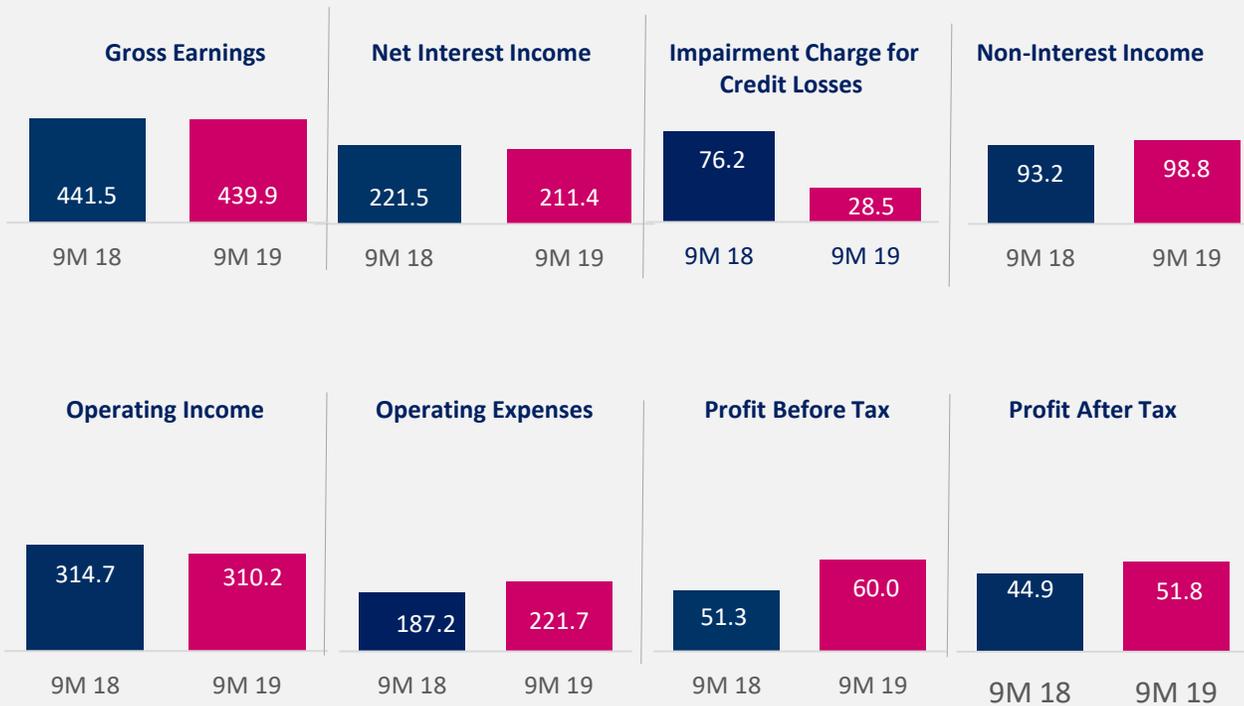
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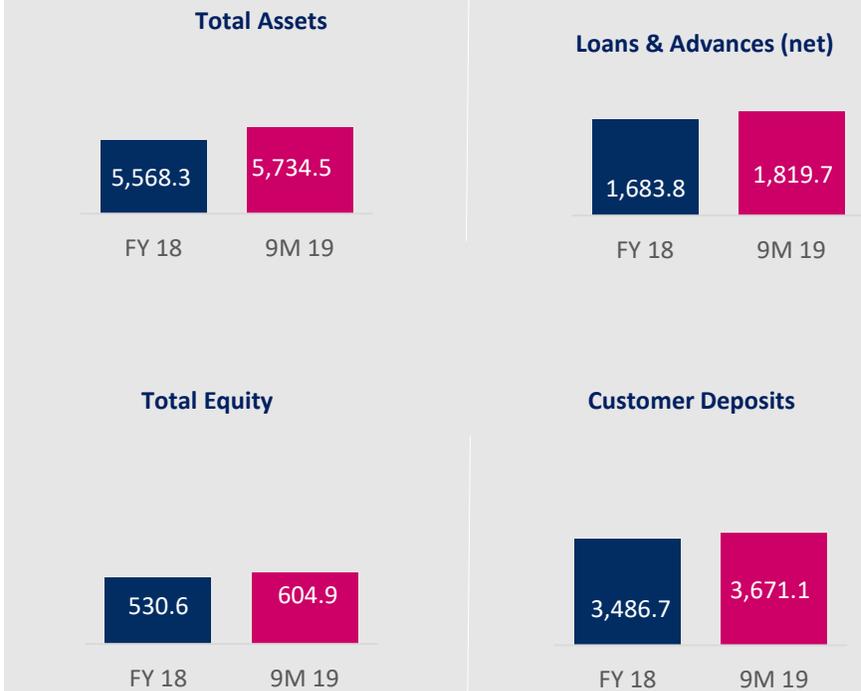


## Steady optimisation of the balance sheet allows for future growth

Income Statement Snapshot (₹ billion)



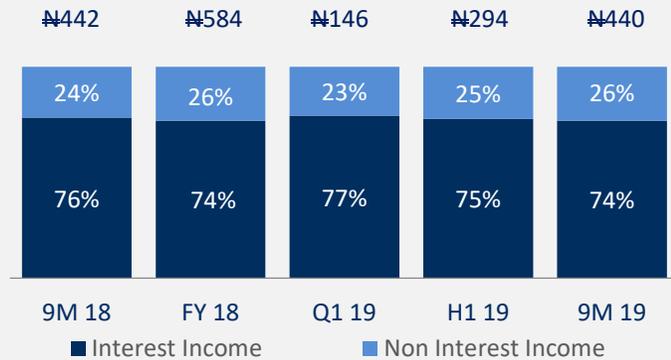
Statement of Financial Position (₹ billion)



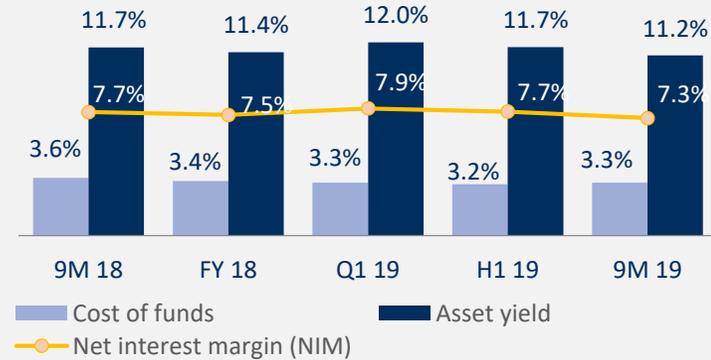


## Strong non-interest income supports revenue growth

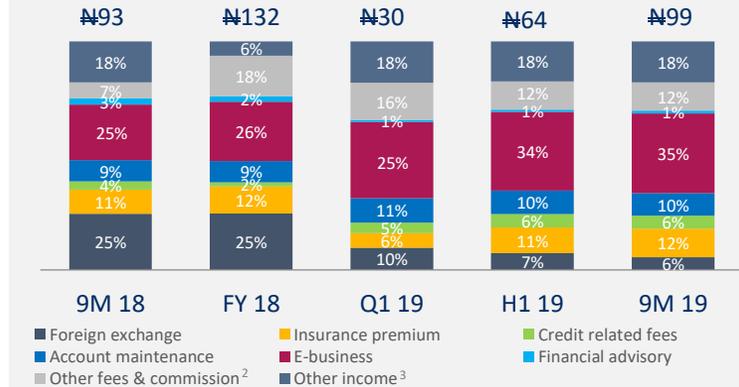
### NET INTEREST MARGIN DRIVERS



### NON-INTEREST INCOME (NII) BREAKDOWN (₹bn)



### GROSS EARNINGS BREAKDOWN (₹bn)<sup>1</sup>



- Gross earnings remained flat y-o-y at ₹439.9 billion, driven by improving non-interest revenue growth
- Gains in interest income was muted by low rate environment which depressed asset yields
- Sustained increasing contribution from digital banking and alternative channels with non-interest revenue contributing 34.8% from 25.3% in 9M 18
- Improved funding mix with cost of funds declining to 3.3% from 3.6% in the corresponding period
- NIM closed at 7.3% (9M 2018: 7.7%) in 9M 2019, on the back of reduced yields on interest earning assets. Focus remains on asset yields optimisation as we grow healthier risk assets

<sup>1</sup>Non-interest income here is gross and does not account for fee and commission expense

<sup>2</sup>Other F&C include commission on bonds and guarantees, F&C expense, remittance fees, LC commission, money transfer, custodian fees, fund management fees and brokerage & intermediation and trust fee income

<sup>3</sup>Other income includes net (losses)/gains on investment securities, net (losses)/gains from financial assets at fair value, dividend income and share of profit/loss from associates





## COMMERCIAL BANKING GROUP

Positioned for the next phase of business growth following substantial execution of the enterprise transformation program with a robust balance sheet and enhanced transactional capabilities

### KEY FINANCIAL HIGHLIGHTS

#### Income statement

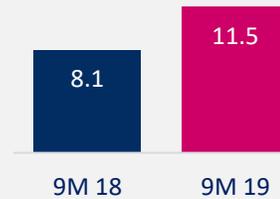
€bn	9M 19	9M 18	y-o-y %
Gross earnings	390.6	398.7	-2.0
Operating income	272.6	283.9	-4.0
Impairment charge	28.1	76.0	-63.0
Operating expense	194.4	165.6	17.4
Profit before tax	50.1	42.3	18.6
Profit after tax	44.4	38.8	14.7

#### Statement of Financial Position

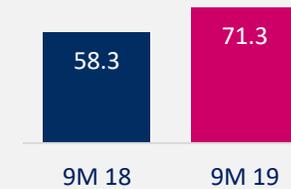
€bn	9M 19	FY 18	y-t-d %
Loans and advances	1,845.3	1,708.2	8.0
Deposits from customers	3,595.0	3,392.6	6.0
Shareholders fund	553.9	478.2	15.8
Total assets	5,416.2	5,302.7	2.1

### KEY PERFORMANCE RATIO

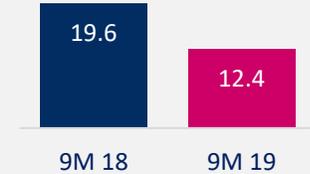
#### Return on Average Equity [%]



#### Cost to Income [%]



#### Non Performing Loan Ratio [%]



- Significant gains in transactional income moderated by low yields environment, resulting in marginal decline in gross revenue
- Successfully resolved our biggest legacy NPLs, resulting in lower NPL ratio and significant decline in Cost of Risk
- PBT growth of 18.6% y-o-y benefited from improving transactional income growth (+26.7% y-o-y) as we increasingly ramp up lending
- Operational efficiency remains in focus as we address the key structural issues in readiness for accelerated future growth



## MERCHANT BANKING AND ASSET MANAGEMENT GROUP

Well diversified business model with an increased focus on optimising opportunities across the entire value chain

### KEY FINANCIAL HIGHLIGHTS

#### Income statement

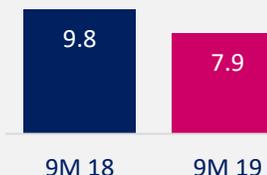
€mn	9M 19	9M 18	y-o-y %
Gross earnings	25,313	27,368	-7.5
Operating income	12,608	14,661	-14.0
Impairment charge	339	172	97.4
Operating expense	8,213	8,893	-7.7
Profit before tax	4,073	5,629	-27.6
Profit after tax	2,638	3,492	-24.4

#### Statement of Financial Position

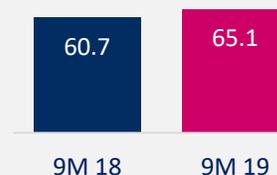
€mn	9M 19	FY 18	y-t-d %
Loans and advances	34,404	35,557	-3.2
Deposits from customers	112,942	127,260	-11.3
Shareholders fund	44,474	44,022	1.0
Total assets	218,569	218,569	17.7

### KEY PERFORMANCE RATIO

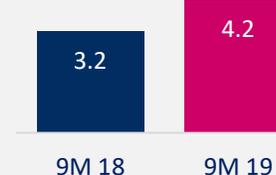
#### Return on Average Equity [%]



#### Cost to Income [%]



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



- The operating environment has remained challenging for the Quest business.
- Performance was largely driven by contributions from the Fixed income trading business, Corporate Banking & Investment management businesses (Asset Management, Trustees and Alternative Investments)
- FBNQuest Asset Management maintained its position as the 2<sup>nd</sup> largest asset manager of SEC registered funds in Nigeria, with total Assets under management (AUM) growing by 18% to c.€167 billion y-t-d<sup>2</sup>
- Cost Optimisation remains a priority for the group with operating expenses declining by 8% over the period

<sup>1</sup>Non-performing loans applies to the Merchant Banking Business only

<sup>2</sup>Asset Management Business only





## INSURANCE GROUP

Deepening market coverage and penetration resulting in diversified revenue and enhanced profitability

### KEY FINANCIAL HIGHLIGHTS

#### Income statement

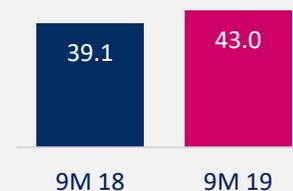
₱mn	9M 19	9M 18	y-o-y %
Gross premium written	33,349	23,258	43.4
Operating income	16,494	12,595	31.0
Operating expense	10,290	8,129	26.6
Profit before tax	6,204	4,466	38.9
Profit after tax	5,165	3,739	38.2

#### Statement of Financial Position

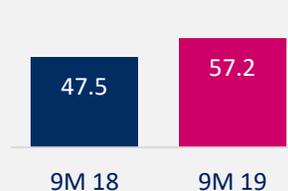
₱mn	9M 19	FY 18	y-t-d %
Liability on insurance & investment contract	76,475	53,958	41.7
Shareholders fund	18,700	13,330	40.3
Total assets	103,131	76,563	34.7

### KEY PERFORMANCE RATIO

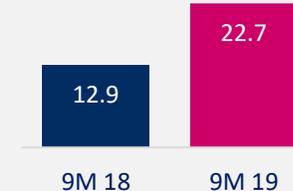
#### Return on Average Equity [%]



#### Combined Ratio<sup>1</sup> [%]



#### Claims Ratio<sup>2</sup> [%]



- Significant growth of 43.4% in gross premium written to ₱33.3 billion (9M 2018: ₱23.3 billion)
- Sustained strong profitability with ROaE of 43.0% in 9M 2019 against 39.1% in 9M 2018
- Contribution to the Group's profit before tax increased to 9.4% from 7.5% in 9M 2019
- Growth in claims ratio largely driven by annuity payment from maturing policies
- The insurance business is well positioned to meet the revised capital requirement of NAICOM by June 2020

<sup>1</sup>Combined ratio is based on risk premium only (conventional) for FBNGeneral and FBNLife Insurance

<sup>2</sup>Claims ratio applies to FBNGeneral and FBNLife Insurance





# Global Footprint

## Nigeria



**Name**  
FBN Holdings Plc.  
**Type**  
Licensed financial holding company  
**Established**  
2012 (formerly First Bank of Nigeria Plc. Established 1894)  
**Products / Services**  
Commercial Banking, Merchant Banking & Asset Management, Insurance

## France



**Name**  
FBNBank UK Ltd.  
**Type**  
Bank branch  
**Established**  
2008  
**Products / Services**  
Commercial Banking, International Banking

## UK



**Name**  
FBNBank UK Ltd.  
**Type**  
Licensed bank  
**Established**  
2002  
**Products / Services**  
International Banking and Trade Services

## Ghana



**Name**  
FBNBank Ghana  
**Type**  
Licensed Bank  
**Established**  
1996  
**Products / Services**  
Commercial Banking

## Guinea



**Name**  
FBNBank Guinea  
**Type**  
Licensed Bank  
**Established**  
1996  
**Products / Services**  
Commercial Banking

## Senegal



**Name**  
FBNBank Senegal  
**Type**  
Licensed Bank  
**Established**  
2006  
**Products / Services**  
Commercial Banking

## Nigeria



**Name**  
First Bank of Nigeria Ltd. (formerly First Bank of Nigeria Plc.)  
**Type**  
Licensed bank  
**Established**  
2012  
**Products / Services**  
Commercial Banking

## Democratic Republic of Congo



**Name**  
FBNBank DRC  
**Type**  
Licensed Bank  
**Established**  
1994  
**Products / Services**  
Commercial Banking

## Representative Offices



**Name**  
FBNBank China (2009)  
**Products / Services**  
Banking Services

## The Gambia



**Name**  
FBNBank The Gambia  
**Type**  
Licensed Bank  
**Established**  
2004  
**Products / Services**  
Commercial Banking

## Sierra Leone



**Name**  
FBNBank Sierra Leone  
**Type**  
Licensed Bank  
**Established**  
2004  
**Products / Services**  
Commercial Banking



## 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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### Head, Investor Relations

Tolulope Oluwole

 : [Tolulope.O.Oluwole@fbnholdings.com](mailto:Tolulope.O.Oluwole@fbnholdings.com)

 : +234 (1) 905 2720

### Investor Relations Team

[investor.relations@fbnholdings.com](mailto:investor.relations@fbnholdings.com)

 : +234 (1) 9051386  
+234 (1) 9051086  
+234 (1) 9051147  
+234 (1) 9051146

