

H1 2021 Results Presentation

August 02, 2021

Committed



FBN Holdings Plc



Disclaimer

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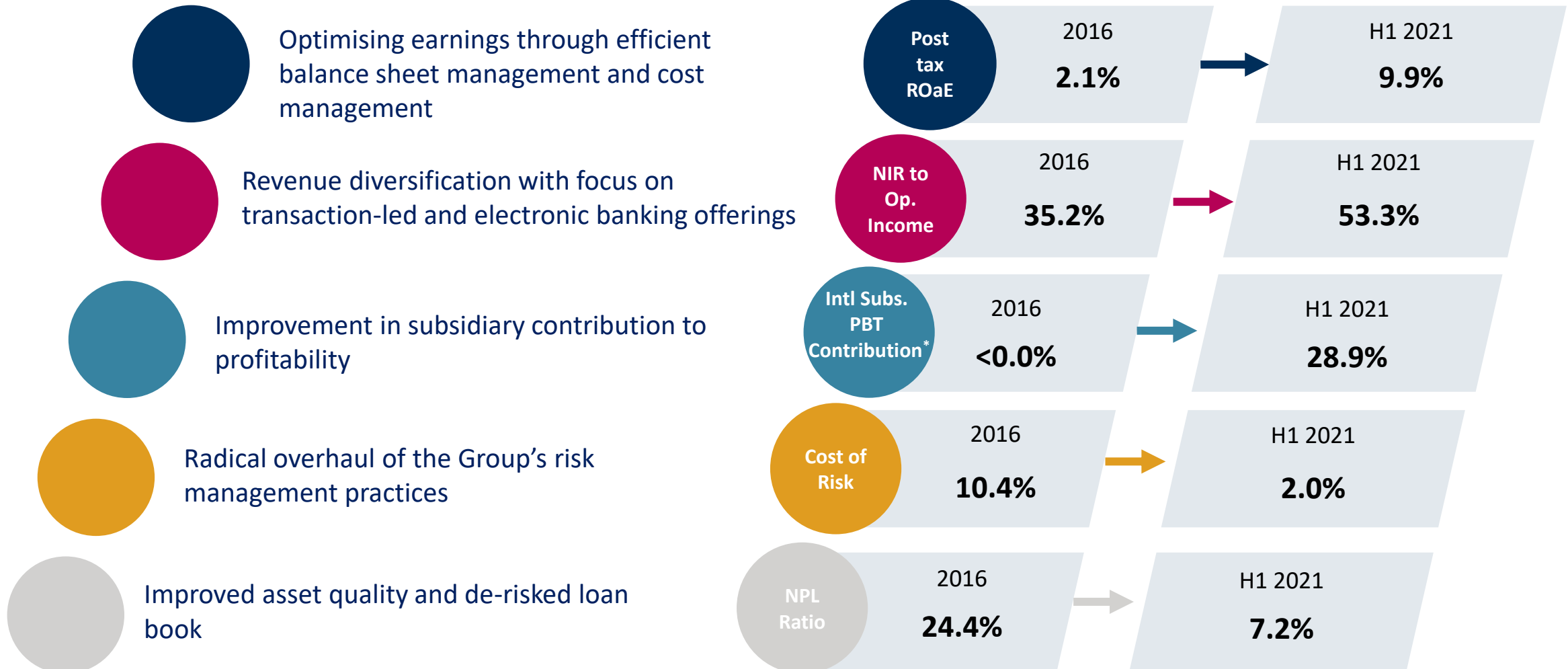
Key Highlights



H1 2021 highlights

- **Profit before tax of ₦45.2bn (up 9.2% y-o-y)**
 - *48.1% increase y-o-y in non-interest Income*
 - *20.0% decrease y-o-y in impairment charges*
- **Continued expansion of electronic banking boosting revenue and driving financial inclusion**
 - *32.7% increase y-o-y in e-banking revenues*
 - *Leading agent banking network in Nigeria with 117k+ agents*
- **Sustained improvement in asset quality**
 - *Further decline in NPL ratio to 7.2% (FY20: 7.7%)*
- **Notable growth in quality loans and advances**
 - *14.5% increase in net customer loans to top quality obligors*
- **New Board appointments (non-executive directors) at FBNHoldings and FirstBank**
 - *Retention of Executive Management across the enterprise*

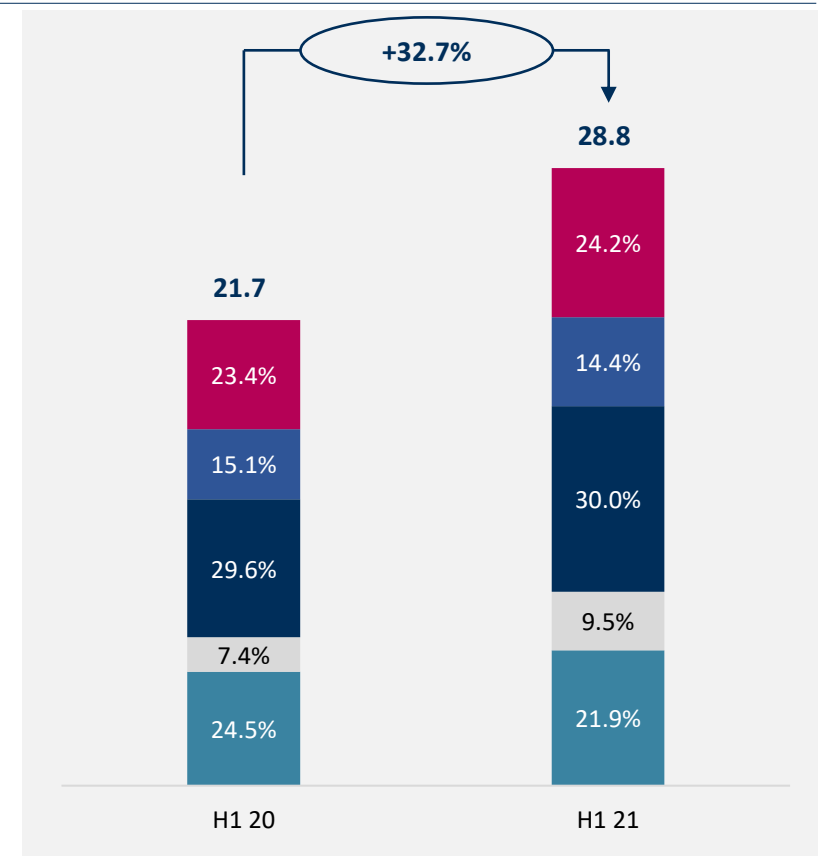
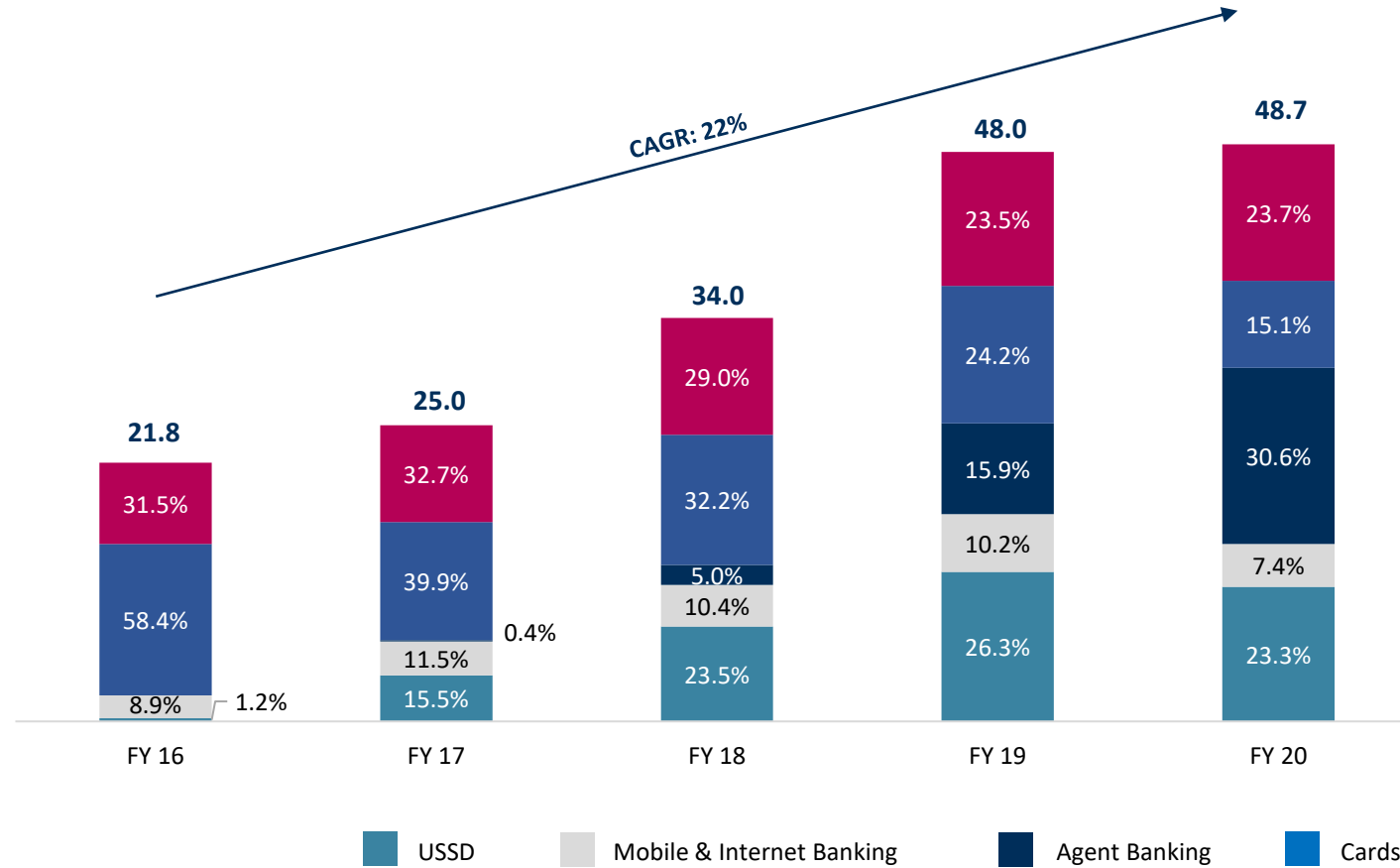
In the past 5 years, Management has focused on strengthening the organisation, driving stability and renaissance



* International subsidiaries of FirstBank

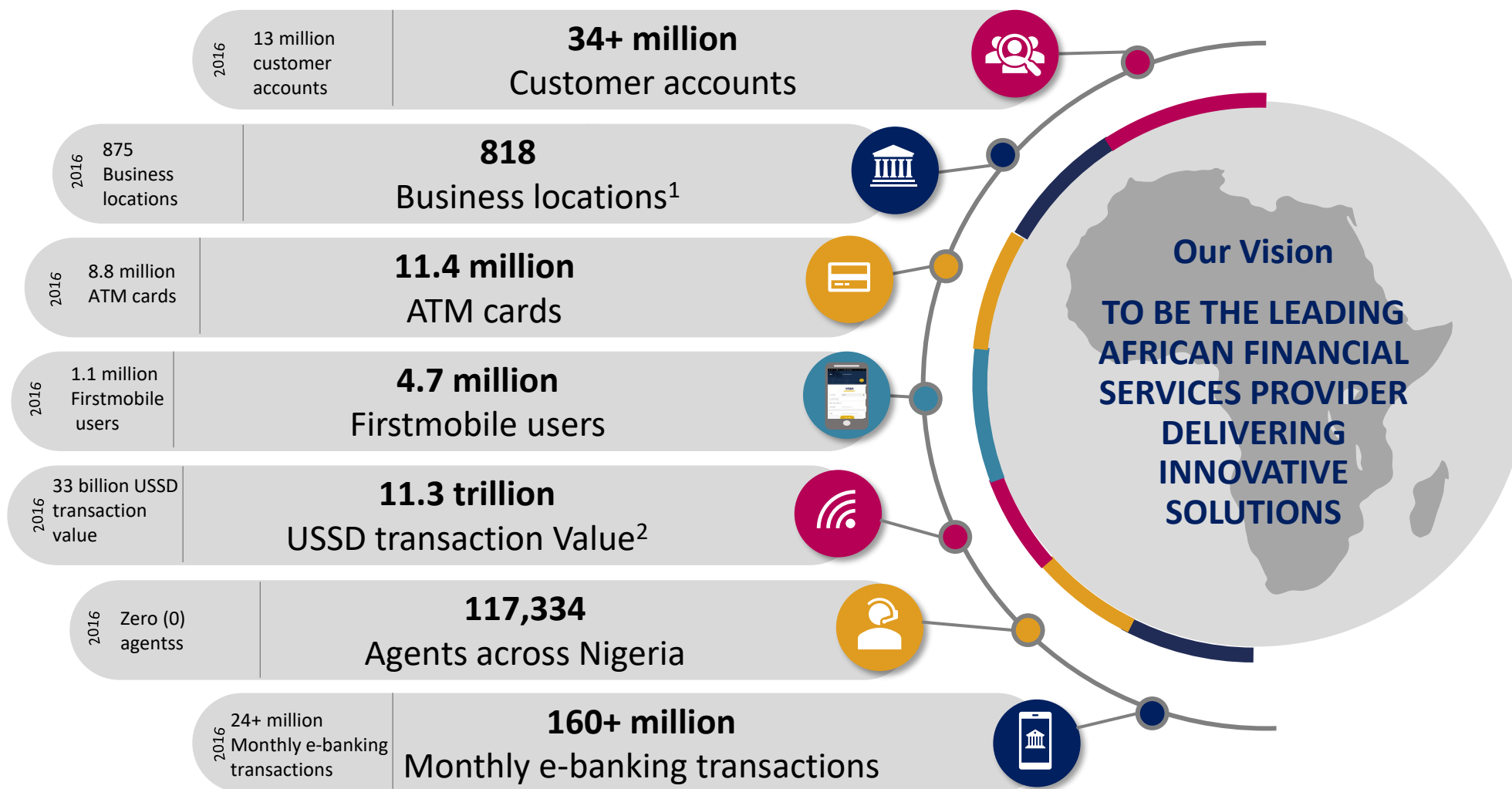
Creating an electronic banking unicorn

Electronic Banking Revenue ₦'bn



⁽¹⁾ Others include ATM, POS, SMS & Web

FBNHoldings today: Leading player with a solid platform to grow



1. This includes 591 local branches, 144 QSPs and agencies for FirstBank (Nigeria) and 83, (local and international) subsidiary locations)
 2. Inception to date – 2016 - June 2021

2024 strategic plan centers on delivering growth, improving returns and enhancing customer experience

Strategic Priorities

Drive revenue growth and diversification

- Leveraging portfolio of businesses to deliver robust solutions to customers
- Deepening digital product adoption and use
- Scaling-up agency banking network and increased value proposition

Optimise regional footprint

- Increasing contributions from subsidiaries via organic growth in existing markets
- Expanding digital footprint to reach underserved and new customers
- Exploring new local and regional opportunities with acquisition/partnership considerations

Enhance operational efficiency

- Continuing automation of key processes in the Bank to improve quality of service, turnaround time and manage risk
- Consolidating technology deployments across the Group

Deliver innovative solutions that enrich customer experience

- Continuing end-to-end digitization of the customer journey to enhance experience
- Harnessing data analytics, leveraging robotics and AI, to create bespoke experiences for customers

Key Enablers



Digital Innovation



Technology



People and Talent



Risk Management



Marketing and Branding

2024 Financial Targets

ROE

>20%

CIR

<58%

CoR

<1%

NPL

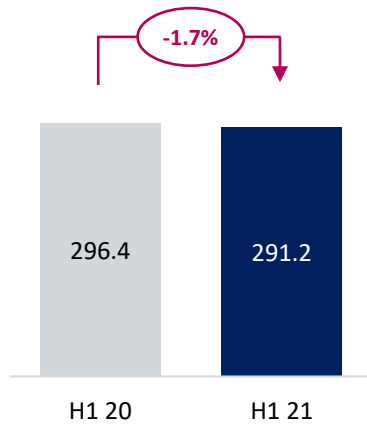
<5%

Financial Review

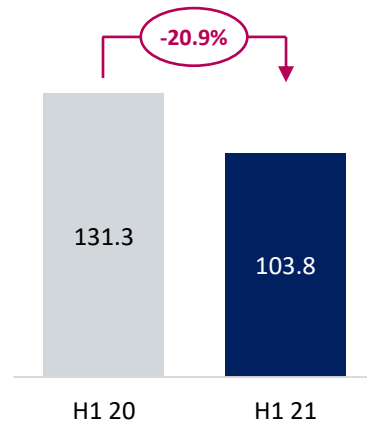


Resilient performance

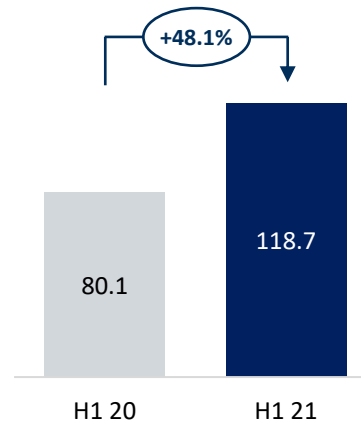
Gross Earnings ₦'bn



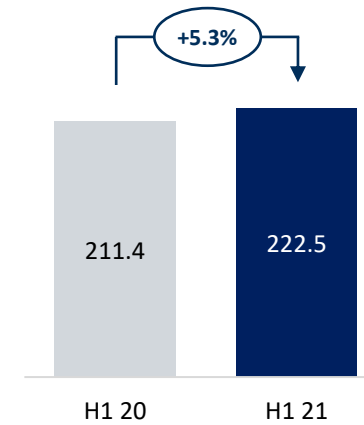
Net-Interest Income ₦'bn



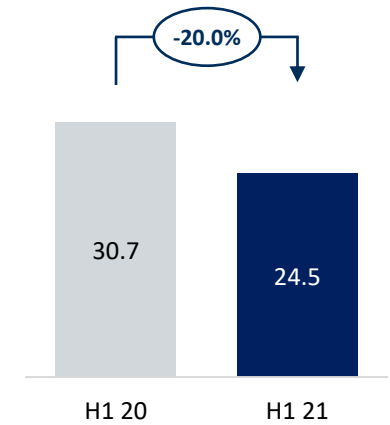
Non-Interest Income ₦'bn



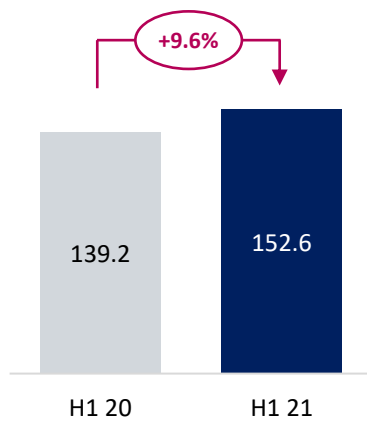
Operating Income ₦'bn



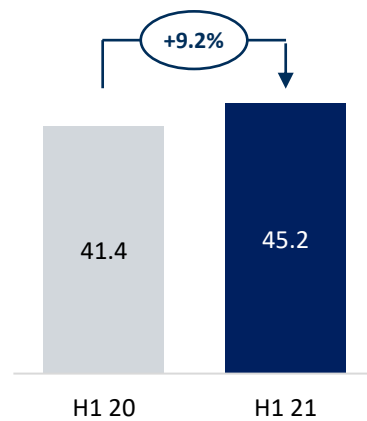
Impairment Charge ₦'bn



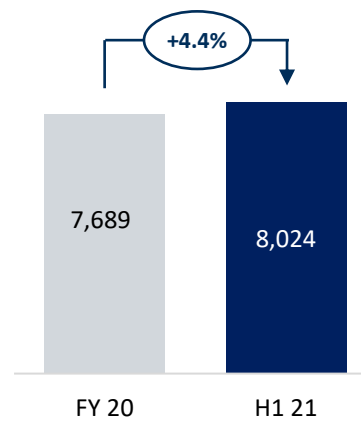
Operating Expense ₦'bn



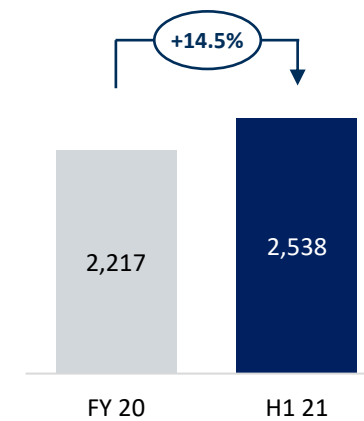
Profit Before Tax ₦'bn



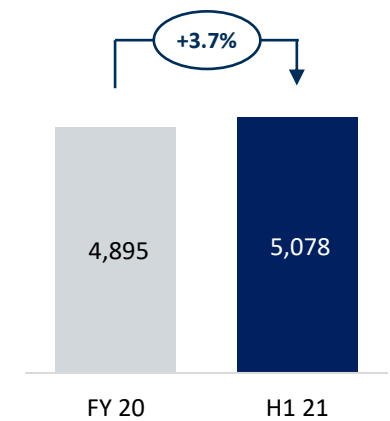
Total Assets ₦'bn



Loans and Advances ₦'bn



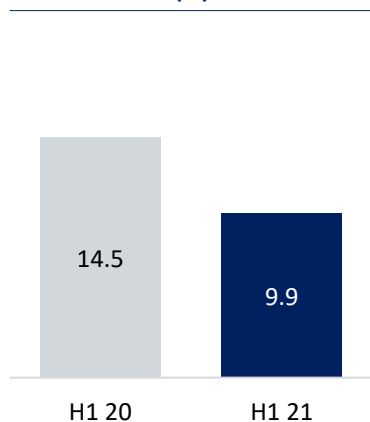
Customer Deposit ₦'bn



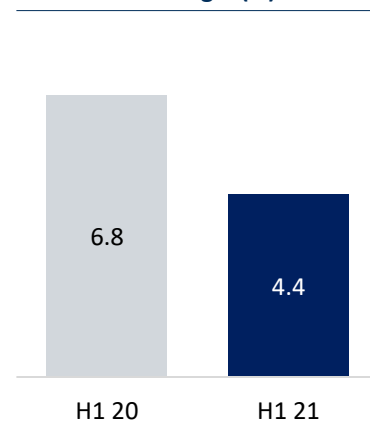
Profit after tax including discontinued operations is ₦38.0 (H1 20, 49.5). The discontinued operation in H1 20 was FBN Insurance

Driving stability and improving asset quality

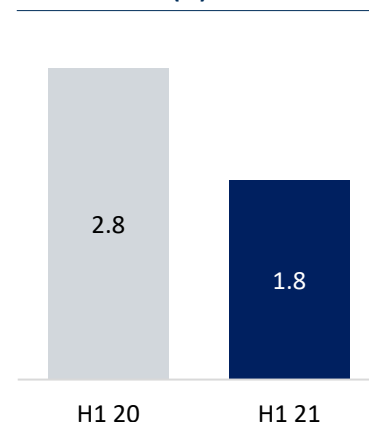
Post Tax ROaE (%)



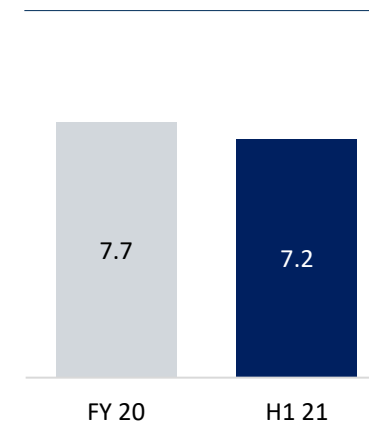
Net Interest Margin (%)



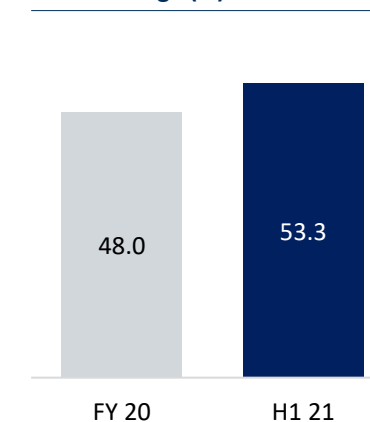
Cost of Funds (%)



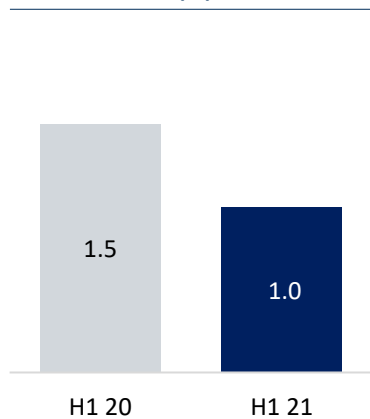
NPL Ratio %



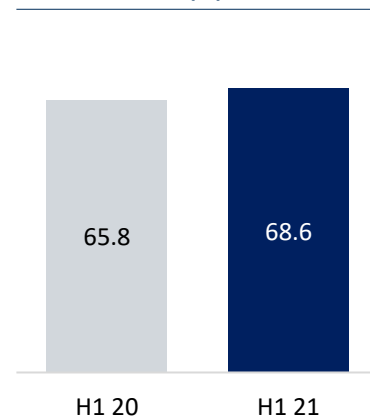
NPL Coverage (%)



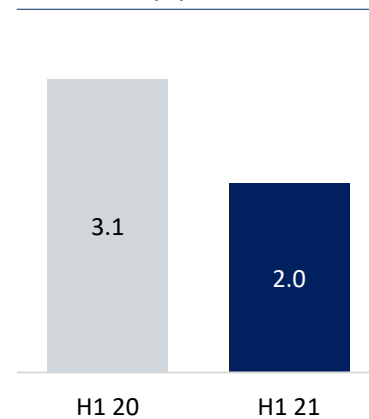
Post Tax ROaA (%)



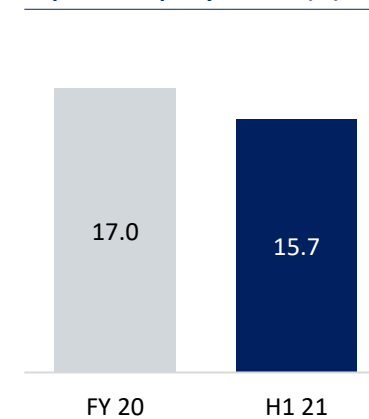
Cost to Income (%)



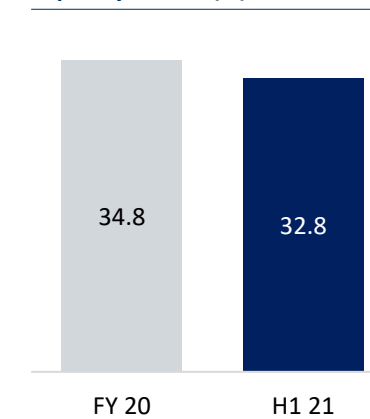
Cost of Risk (%)



Capital Adequacy Ratio⁽¹⁾ (%)



Liquidity Ratio⁽²⁾ (%)



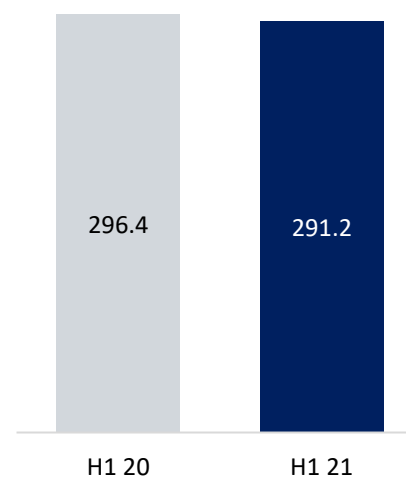
⁽¹⁾ CAR is for FirstBank (Nigeria); CAR for the Merchant Banking business is 26.6% for FY 2020 and 21.4% for H1 2021

⁽²⁾ Liquidity Ratio for FirstBank (Nigeria)

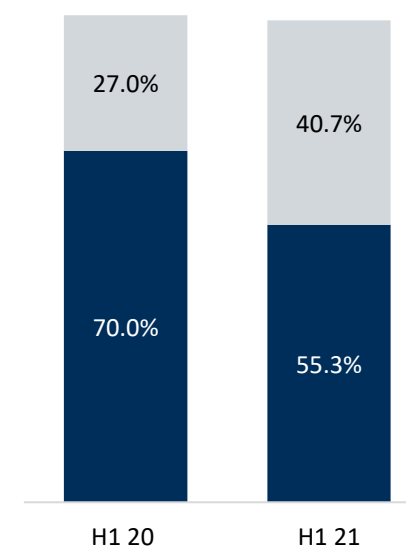
Revenue supported by improved non-interest income contribution

- Gross earnings declined 1.7% y-o-y to ¥291.2bn, but improved 13.2% in Q2 21 from Q1 21
- Significant shift in earnings mix as contribution from Non-interest income continues to increase
- Quarterly improvement also supported by increase in interest income and elongated tenor of fixed income instruments
- Focus is on driving asset creation from a strong pipeline and optimizing pricing

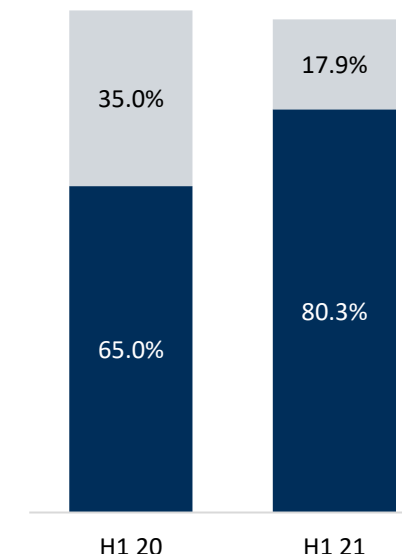
Gross Earnings ¥'bn



Gross Earnings Mix



Interest Income Mix



■ Non-interest income⁽¹⁾
■ Interest Income

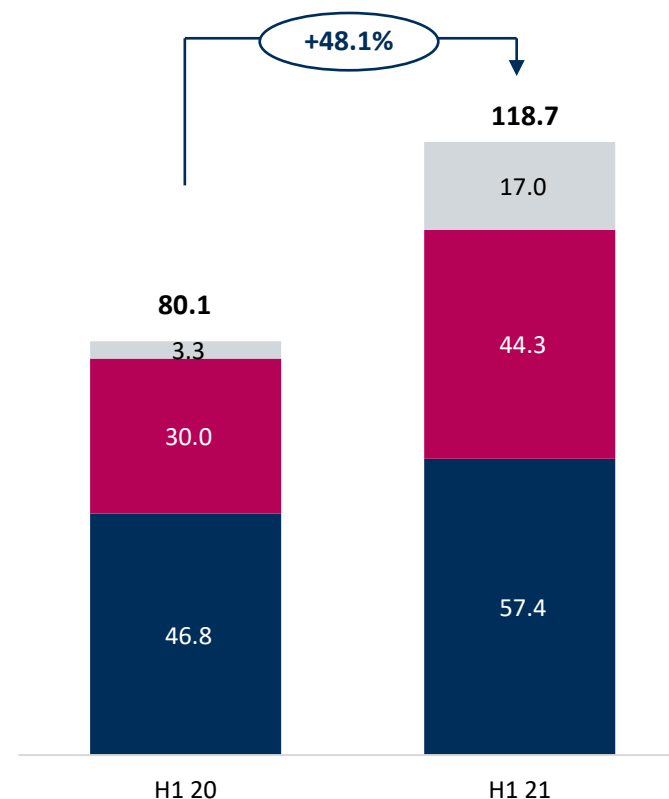
■ Investment securities
■ Loans and advances

⁽¹⁾ Non-interest income includes fees and commission expense

Enhancing non-interest income generative capacity

- Non-interest income increased 48.1% y-o-y to ₦118.7
- Electronic banking fees grew by 32.7% y-o-y, despite regulatory developments reducing fees by c. 50%
- Increased electronic banking fees contribution to fees and commission (H1: 21 41.7% vs H1 20: 38.9%)
- Letters of credit commission grew 74.5% y-o-y in line with our facilitation capability, funding reliability, competitive pricing and other value additions to our clients
- Payment and cash management fees contribution benefited from continued platform enhancement
- Gains on investment securities grew by 30.4% y-o-y through efficient treasury management
- Diversification benefit coming through from annuity income (Asset Management and Trustee)

Non-interest Breakdown Net (₦'bn)



■ Net fees & commission ■ Trading income ■ Other

Fees & Commission Breakdown Gross (₦'bn)



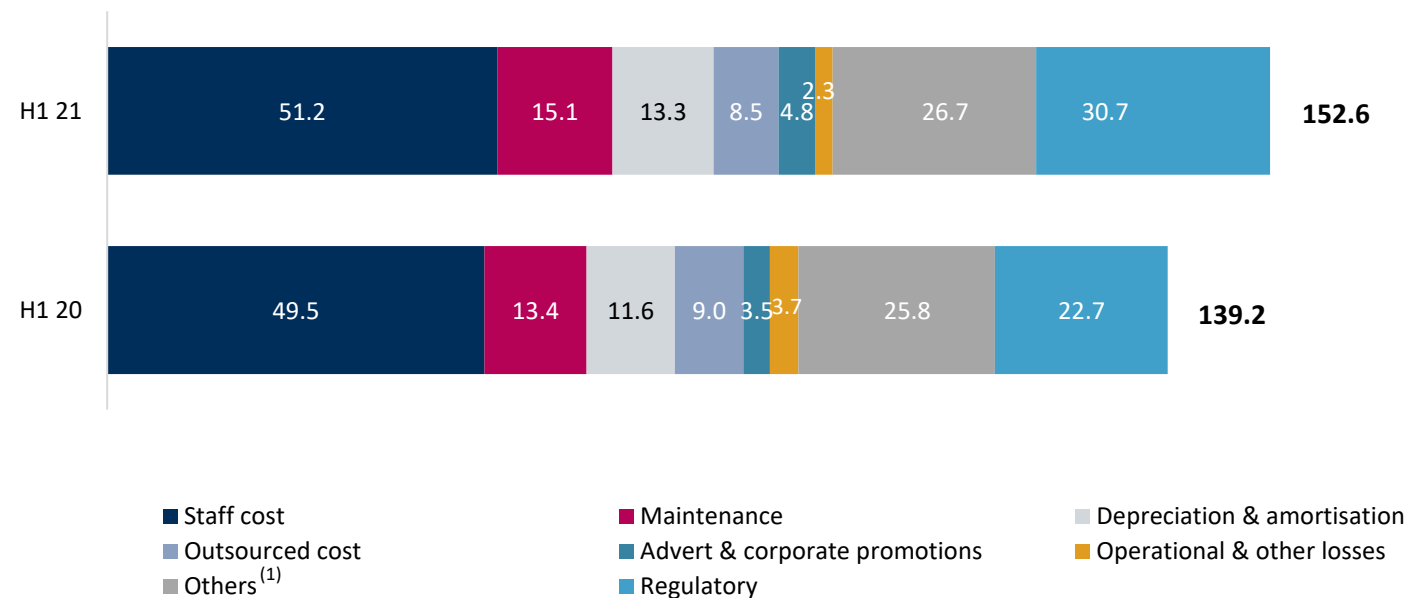
■ E-banking ■ Account Maintenance
 ■ LoC commission & fees ■ Credit related fees
 ■ Remittances ■ Others⁽¹⁾

⁽¹⁾ Others include commission on bonds and guarantees, custodian fees, financial advisory fees, fund management fees, brokerage and intermediations, other fees and commissions, trust fee income

Controlled costs despite high inflationary environment, currency devaluation and increased regulatory cost

- Opex increased by 9.6% y-o-y to ₦152.6 bn; materially below the inflation rate of 17.8%
- Regulatory cost increased by +35.4% y-o-y; the largest driver for the opex increase over the comparable period
- Maintaining focus on cost control remains key priority

OPEX Drivers (₦'bn)

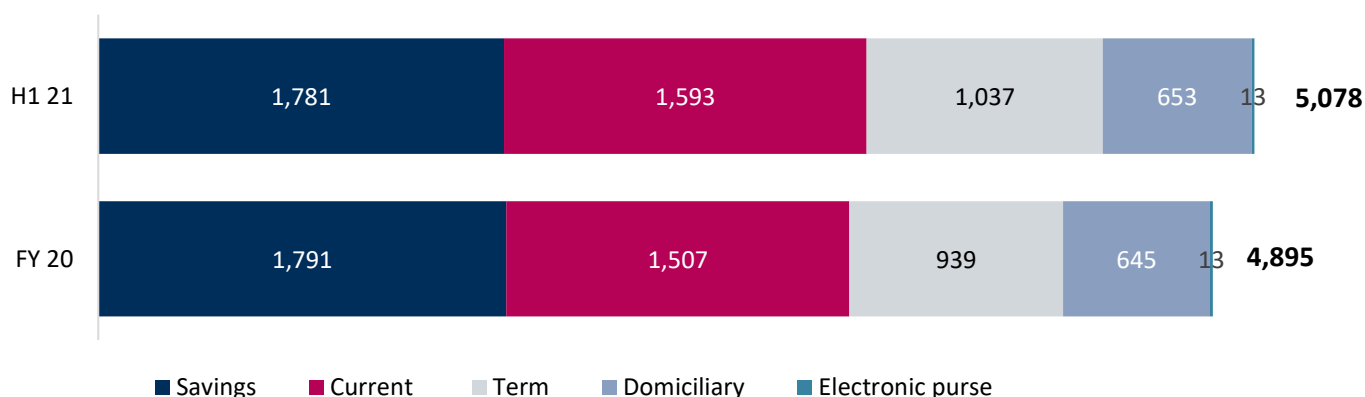


⁽¹⁾ Amortization and Impairment, directors' remuneration, cash handling charges, communication, lights and power, legal & professional fees, donations & Subscriptions, insurance premium, rent and rates, stationery & printing, passages and travels & other operating expenses

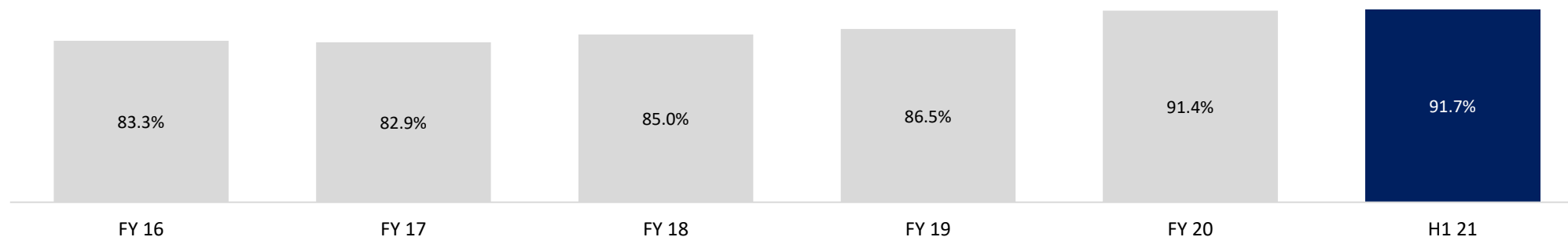
Solid retail franchise continues to support liquidity

- Customer deposits increased by 3.7% to ₦5.1 trillion (FY 20: ₦4.9 trillion)
- Liquidity position further supported by increased agent banking and e-banking growth
- Retail banking remains key driver of deposit growth with low-cost deposits at 91.7% of total deposits (FY 20: 91.4%) in First Bank Nigeria
- Strong access to funding with an unwavering support from market counterparts

Customer Deposits Mix (₦'bn)



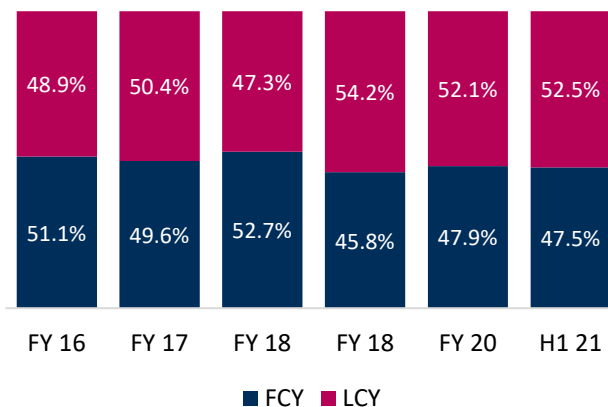
First Bank of Nigeria Low-cost deposits ⁽¹⁾



⁽¹⁾ Deposits from customers minus Term deposits

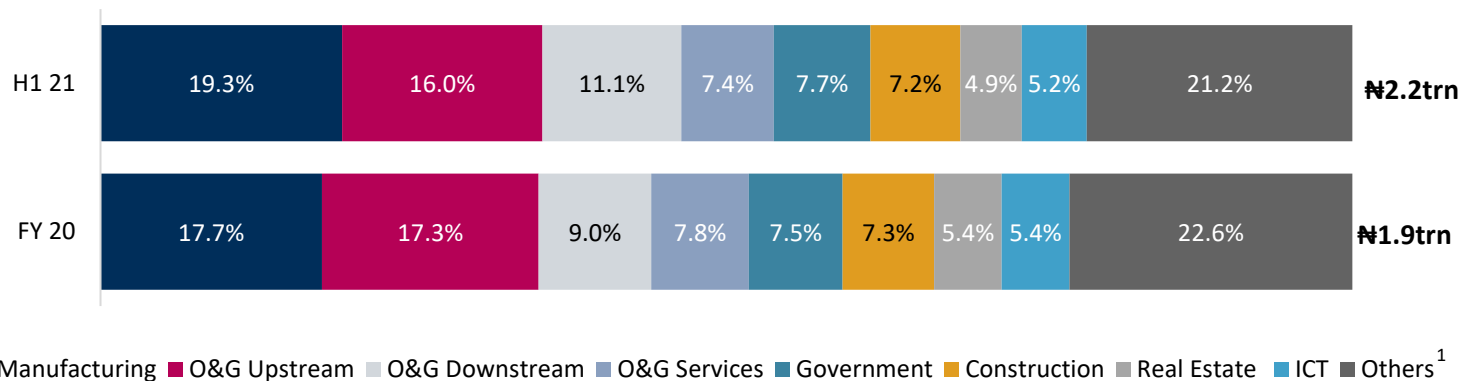
Increasing diversified loan book

First Bank of Nigeria Loan Currency Mix

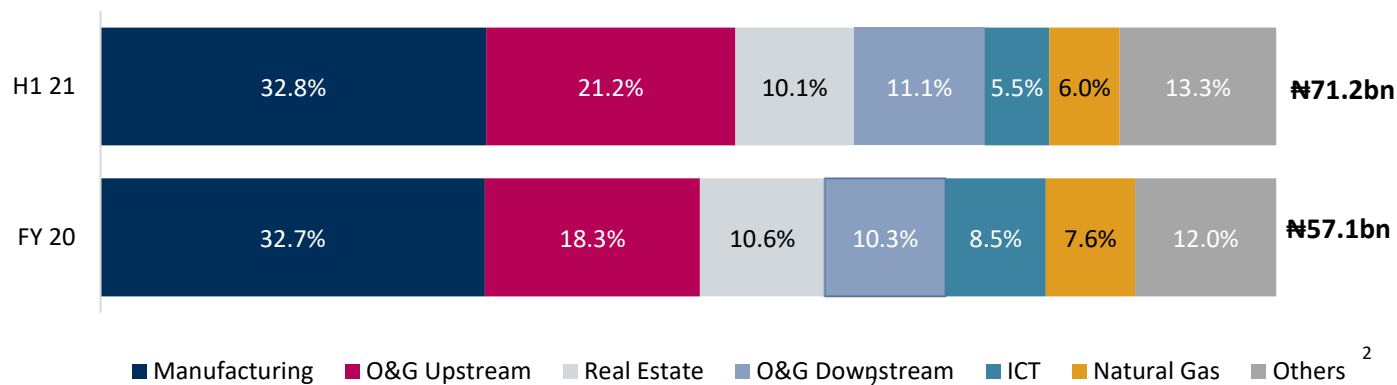


- Net customer loans increased by 14.5% y-t-d
- Maintained currency mix (FCY: 47.5% vs. LCY: 52.5%) despite devaluation through growth in LCY loan book
- Restructured 14.0% of the loan book primarily in the oil & gas, power and utilities sectors
- Continuous optimization of transaction pipeline

First Bank of Nigeria Gross Loan per Sector



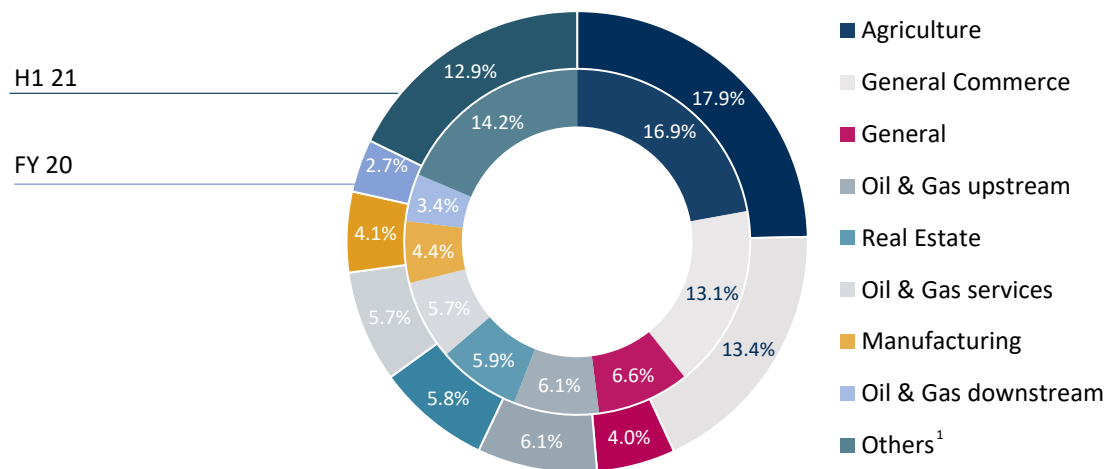
FBNQuest Merchant Bank Gross Loan per Sector



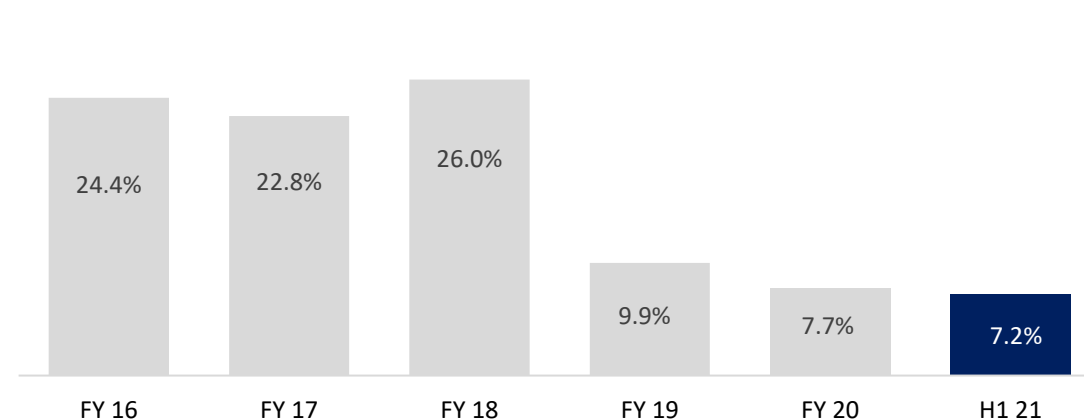
⁽¹⁾Personal & professional, power & energy, general, general commerce, public utilities, agriculture, transportation, finance & insurance, education, human health & arts ⁽²⁾Construction, General, Admin & Support Services, Power & Energy, Finance & Insurance, General Commerce & Transportation & Government.

Asset quality improvements supporting the drive to enhance balance sheet strength

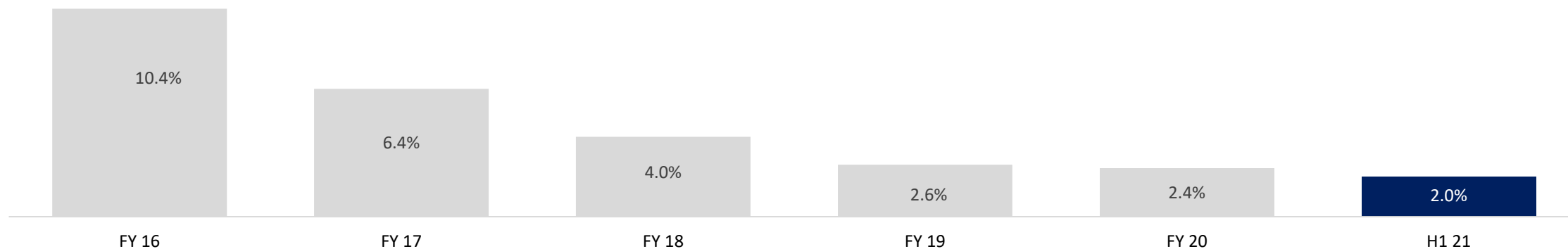
First Bank of Nigeria NPL per Sector



NPL Ratio



Cost of Risk

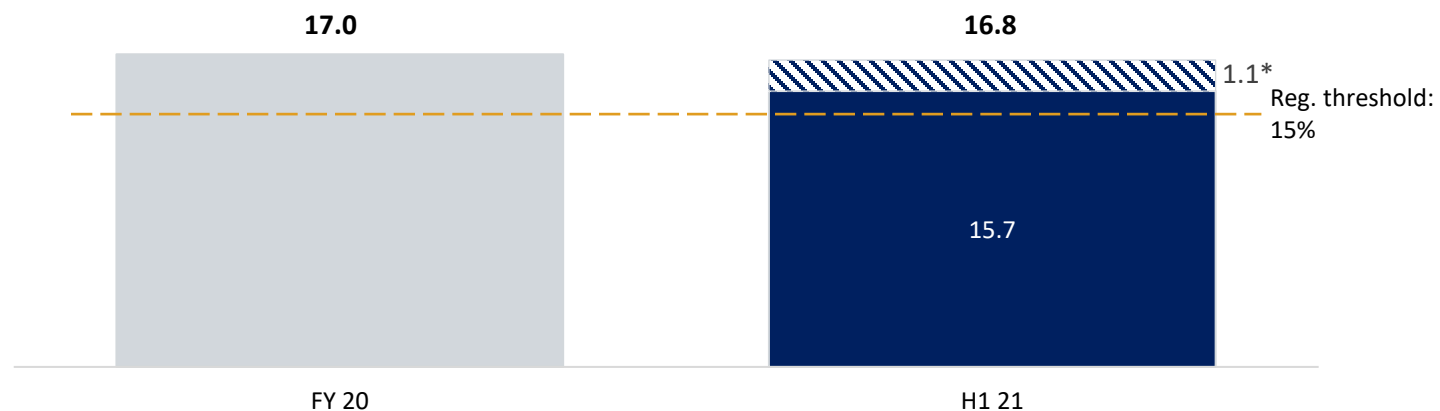


⁽¹⁾Others include personal & professional, construction, transportation, power & energy, education, ICT, Health, finance & insurance & arts

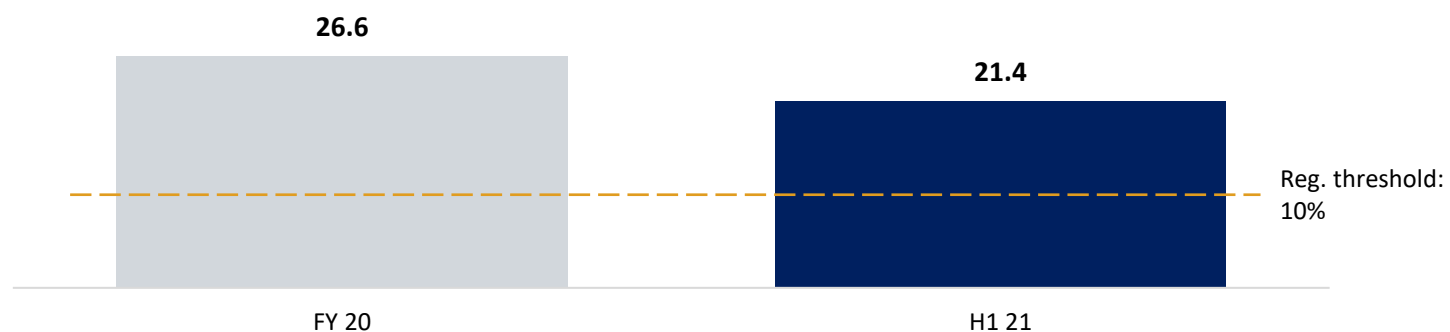
Cleaner balance sheet and resilient earnings generative capacity continue to provide a solid platform for sustainable capital accretion

- First Bank Nigeria H1 21 CAR at 16.8% including half year profit (15.7% exc. profit)
- Businesses across the group are sufficiently capitalized
- Increasingly diversified earnings from non-capital consuming sources support capital capacity

FirstBank Nigeria CAR (%)



FBNQuest Merchant Bank CAR (%)



* Half year profit

Appendix



Commercial Banking Group

Driving sustainable growth and profitability

- Strong performance despite a challenging operating environment with 17.9% y-o-y profit before tax
- Enhanced earnings have been driven by 50.1% y-o-y growth in non-interest income and 22.6% decline in impairment charge
- Electronic banking have continued to boost non-interest income growing 32.7% y-o-y and now contributing 44.9% (H1 21: 41.9%)
- In line with our strategic focus on improving asset quality, NPL ratio has continued to decline from 7.6% in FY 20 to 7.2%, further strengthening the balance sheet
- Focus is on driving quality asset creation and optimising pricing
- Contribution from our international subsidiaries continues to improve, now 28.9% from 8.5% in the prior period
- Going into the second half of 2021, the expectation is to fully harness the returns from the strong and quality risk assets portfolio created in the first half of the year, taking advantage of the uptick in interest rates

Key financial highlights & performance ratios

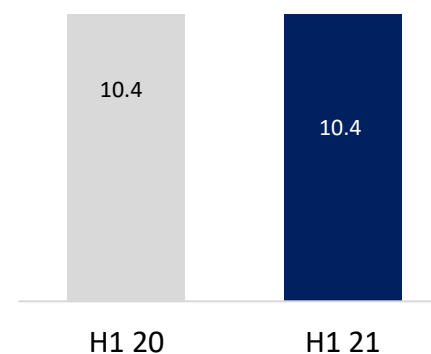
Income statement

| €bn | H1 20 | H1 21 | y-o-y |
|---------------------|-------|-------|--------|
| Gross earnings | 278.7 | 273.9 | -1.7% |
| Operating income | 198.9 | 211.8 | 6.5% |
| Impairment charge | 30.5 | 23.6 | -22.6% |
| Net interest income | 126.1 | 102.4 | -18.8% |
| Non-interest income | 72.8 | 109.3 | 50.1% |
| Operating expense | 132.1 | 145.3 | 10.0% |
| Profit before tax | 36.4 | 42.9 | 17.9% |
| Profit after tax | 32.6 | 37.4 | 14.7% |

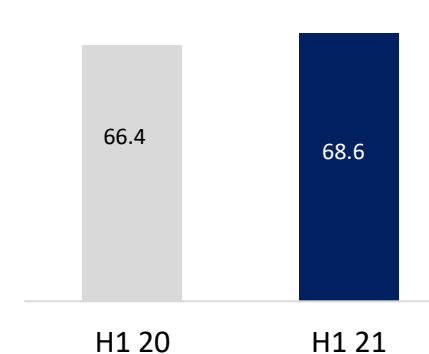
Statement of Financial Position

| €bn | FY 20 | H1 21 | y-o-y |
|-------------------------|---------|---------|-------|
| Loans and advances | 2,220.5 | 2,528.8 | 13.9% |
| Deposits from customers | 4,715.0 | 4,877.2 | 3.4% |
| Shareholders fund | 705.3 | 729.2 | 3.4% |
| Total assets | 7,367.5 | 7,689.4 | 4.4% |

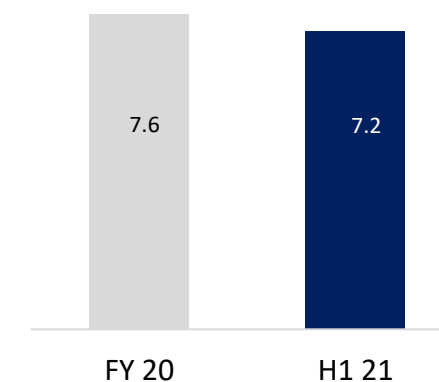
Return On Average Equity (%)



Cost To Income (%)



Non-performing Loan Ratio (%)



Merchant Banking and Asset Management Group (FBNQuest)

Fee/Annuity Income dominates as net interest margins contract

- Profit before tax declined by 19.4% y-o-y driven by a 53.0% decline in net interest income which was moderated by a 28.0% growth in non-interest income largely from the Asset Management, Structured Products and Trustees businesses
- The drop in net interest income is attributable to lower yields on assets y-o-y and increasing cost of funds in Q2 21
- The marginal growth in operating expense despite the inflationary economy was due to strict cost containment initiatives which we will continue to drive for the rest of the year
- AuM declined by 16% in H1 21 as investors liquidated their holdings in search of higher returns with the upturn in the fixed income market.
- Going forward, the focus remains on improving net revenues, containing costs, optimizing our platforms (people, processes), driving digital and innovation, and actively building business partnerships

Key Financial Highlights & Performance Ratios

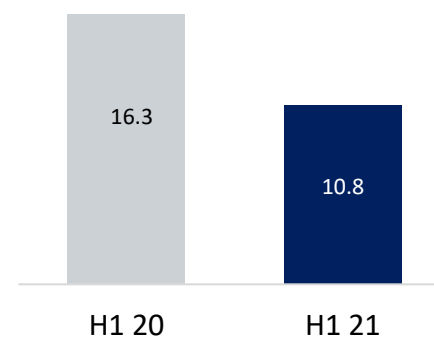
Income statement

| ₹mn | H1 20 | H1 21 | y-o-y |
|-------------------|--------|--------|--------|
| Gross earnings | 17,480 | 18,337 | 4.9% |
| Operating income | 11,553 | 10,482 | -9.3% |
| Operating expense | 5,436 | 5,552 | 2.1% |
| Profit before tax | 6,118 | 4,929 | -19.4% |
| Profit after tax | 4,181 | 3,298 | -21.1% |

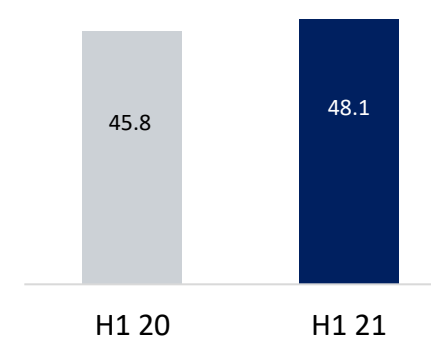
Statement of Financial Position

| ₹mn | FY 20 | H1 21 | y-o-y |
|-------------------------|---------|---------|-------|
| Loans and advances | 55,759 | 69,729 | 25.1% |
| Deposits from customers | 203,301 | 224,504 | 10.4% |
| Shareholders' fund | 59,253 | 63,092 | 6.5% |
| Total assets | 348,730 | 362,385 | 3.9% |

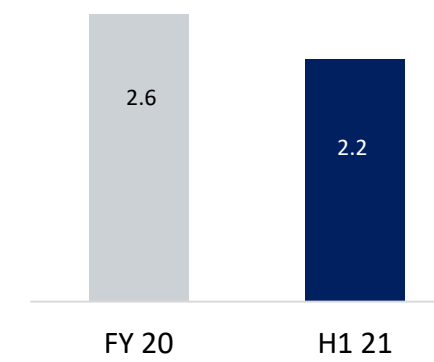
Return On Average Equity (%)



Cost To Income (%)

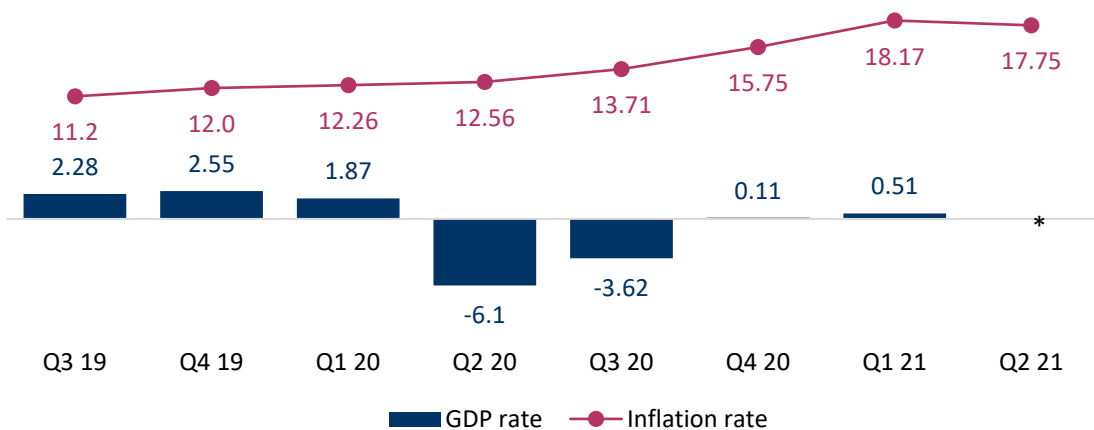


Non-performing Loan Ratio (%)

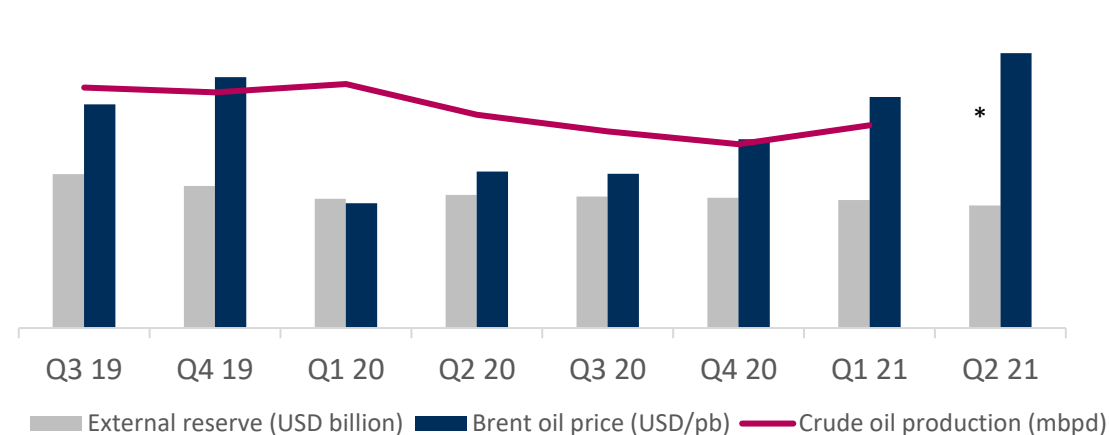


Benign improvement in operating environment

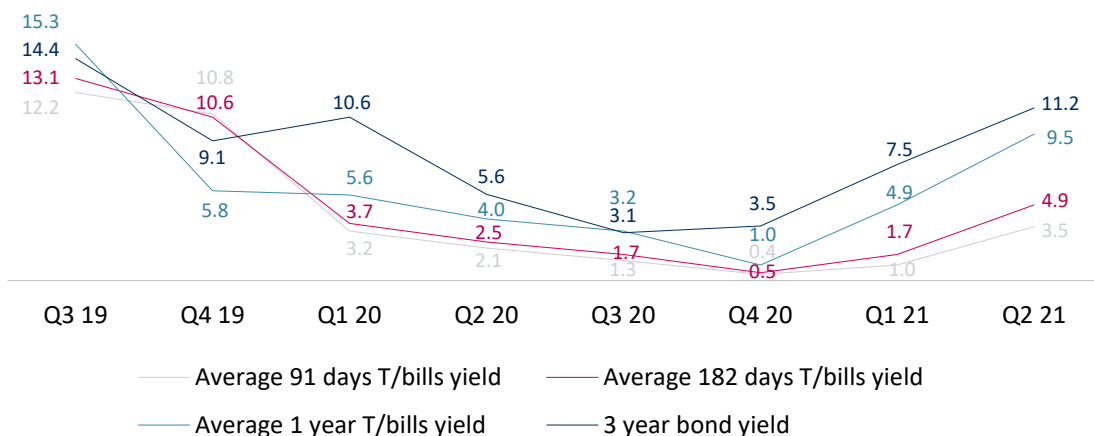
Welcomed growth, though slow



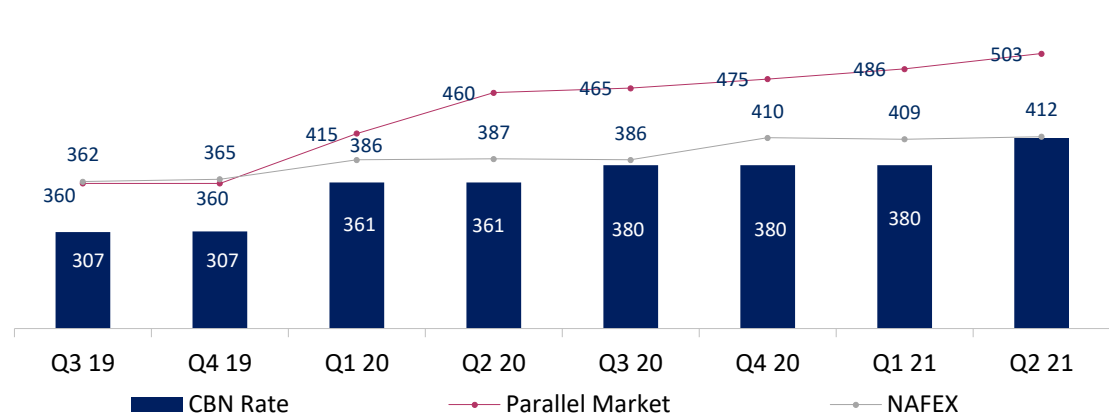
Increase in oil price helps to stabilise reserves



Upward reversal in fixed income yields

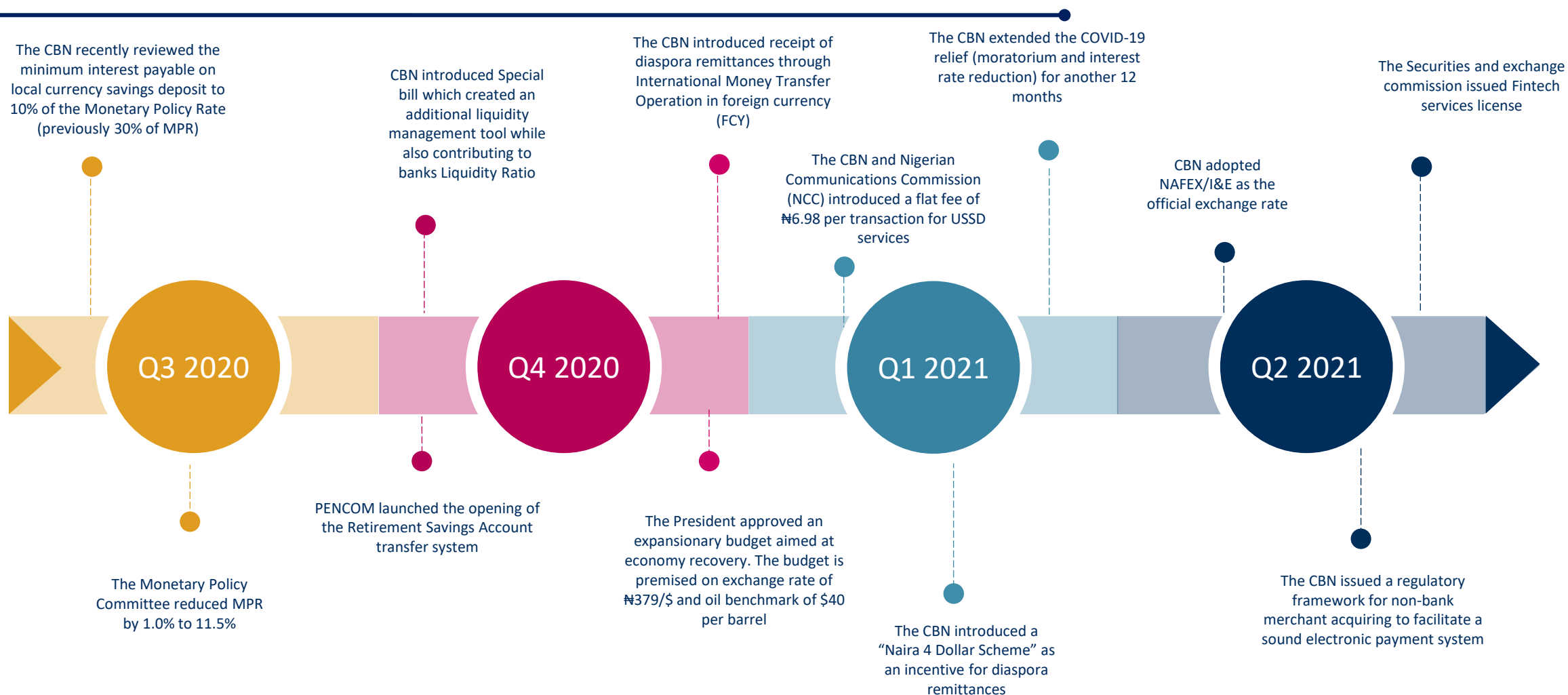


Convergence of the CBN rate and NAFEX



Data source: CBN, NBS, OPEC, Abokifx and FBNHoldings Investor Relations
 * Crude oil production and GDP growth is obtained from NBS, but Q2 2021 data is yet to be published

Key regulatory and policy interventions



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

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

Representative Offices



Name
FBNBank China (2009)
Products / Services
Banking Services

Definitions

- Cost-to-income ratio computed as operating expenses divided by operating income
- Cost of risk computed as annualised 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 associate
- 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

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