

FY 2020 Results Presentation

8 April 2021



FBN Holdings Plc



Disclaimer

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Key Highlights	04
Financial Performance	10
Sustainability Priorities	21
Outlook	23
Appendix	25



Key Highlights



Resilient performance despite very challenging operating environment



Increase in profit before tax resulting from continuous revenue diversification with increase in non-interest income



Well diversified and solid funding base enhancing strong liquidity management and business support



Strengthened risk management practices and control environment resulting in consistently improving asset quality

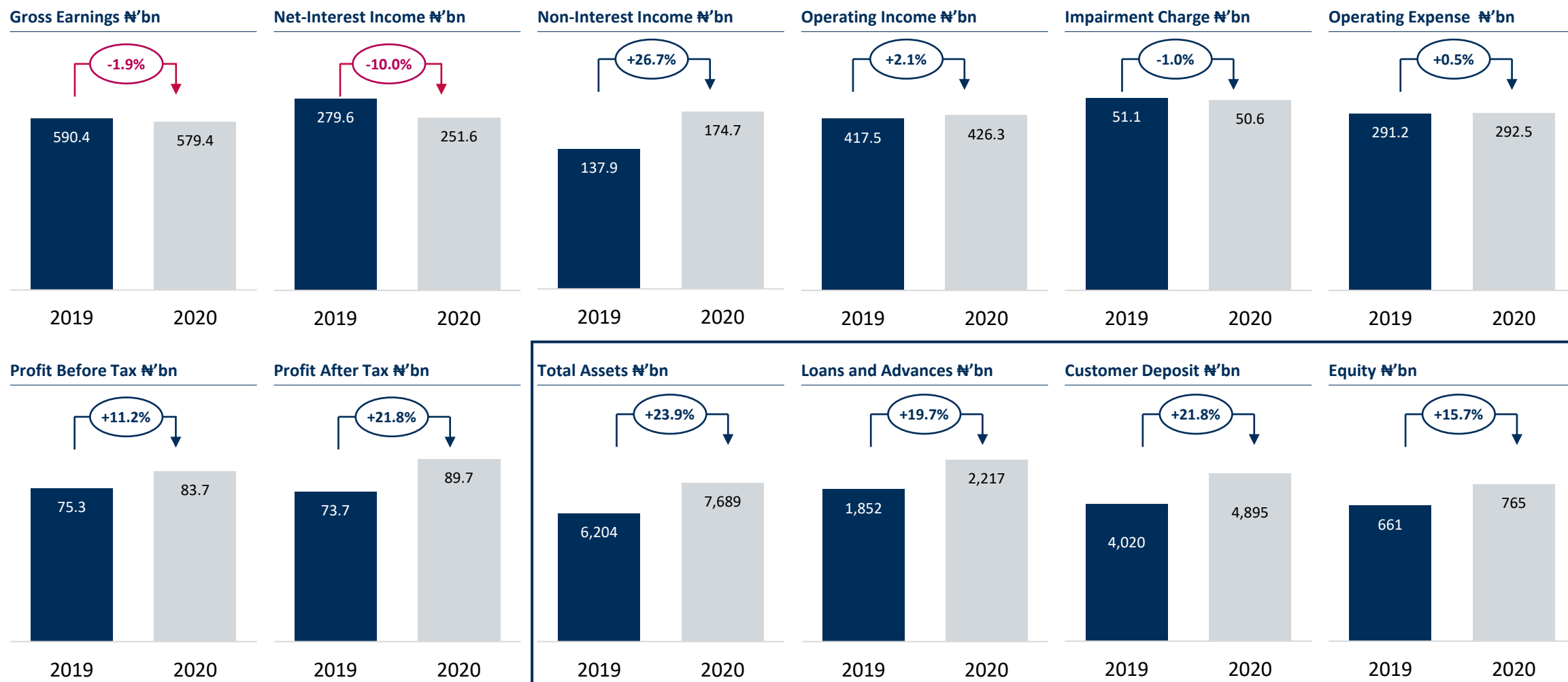


Unassailable leadership position in digital and agent banking at the forefront of promoting financial inclusion in Nigeria



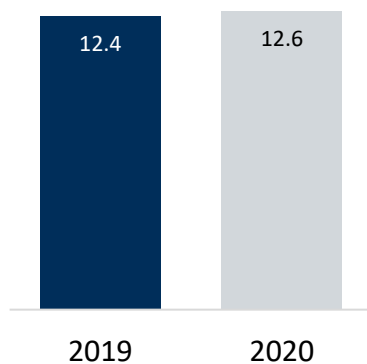
Focus on sustainability and innovation to address the evolving needs of our diverse customer base

Sustained improvement in profitability while strengthening the balance sheet

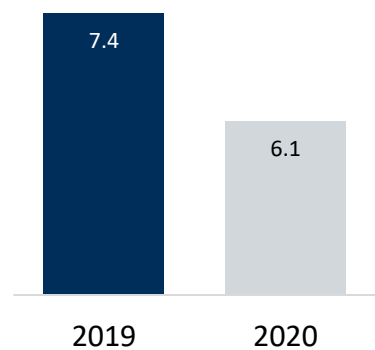


Enhanced asset quality and capital position

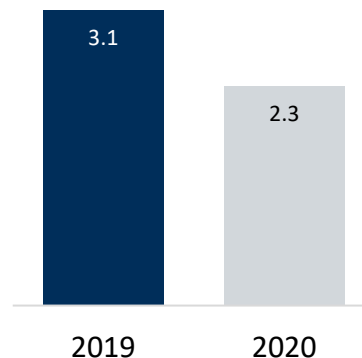
Post Tax ROaE (%)



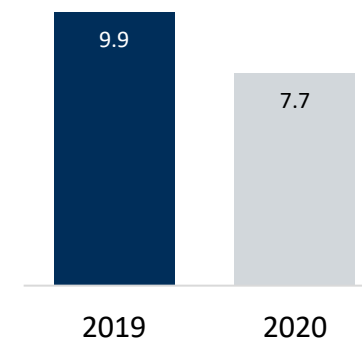
Net Interest Margin (%)



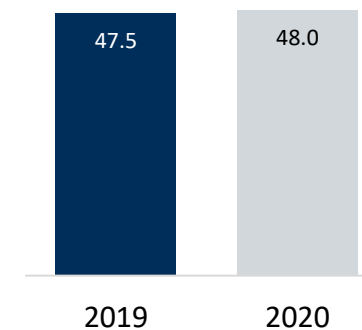
Cost of Funds (%)



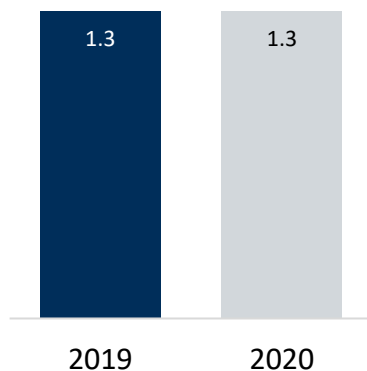
NPL Ratio %



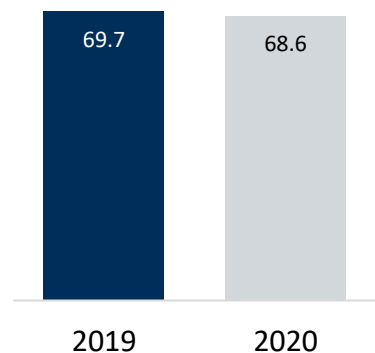
NPL Coverage (%)



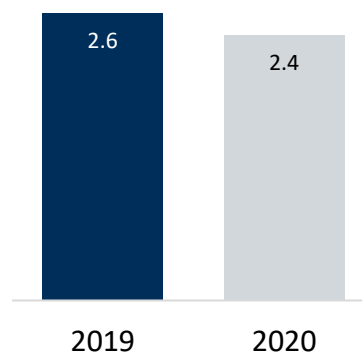
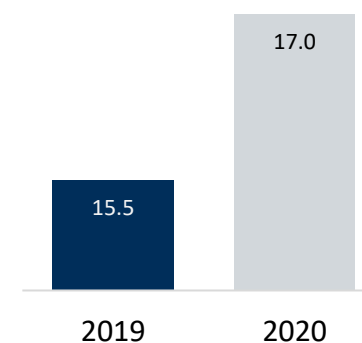
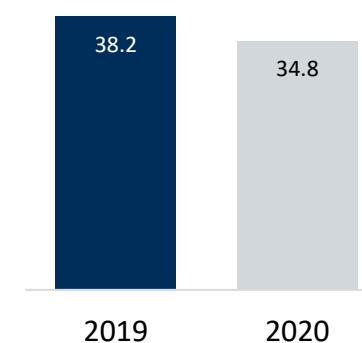
Post Tax ROaA (%)



Cost to Income (%)



Cost of Risk (%)

Capital Adequacy Ratio⁽¹⁾ (%)Liquidity Ratio⁽²⁾ (%)

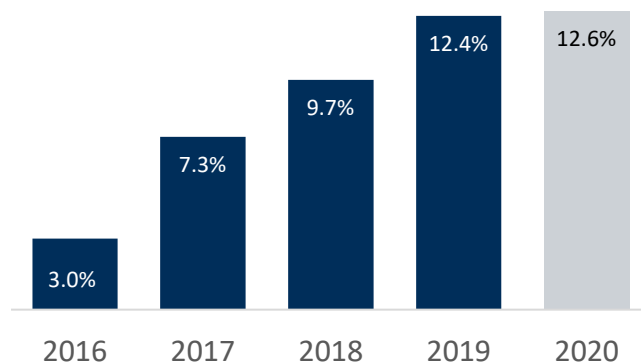
Please note some FY 2019 numbers have been restated

⁽¹⁾ CAR is for FirstBank (Nigeria); CAR for the Merchant Banking business is 17.7% for FY 2019 and 26.6% for FY 2020

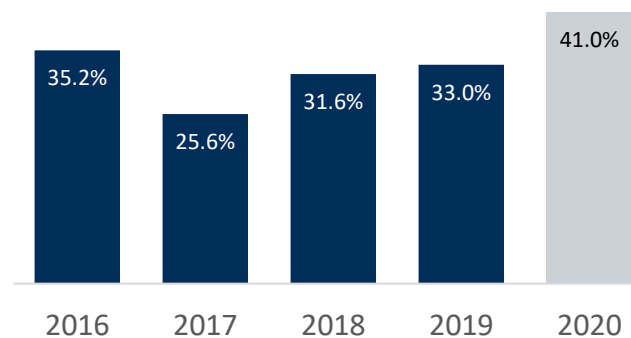
⁽²⁾ Liquidity Ratio for FirstBank (Nigeria)

Steady progress over the last strategic cycle

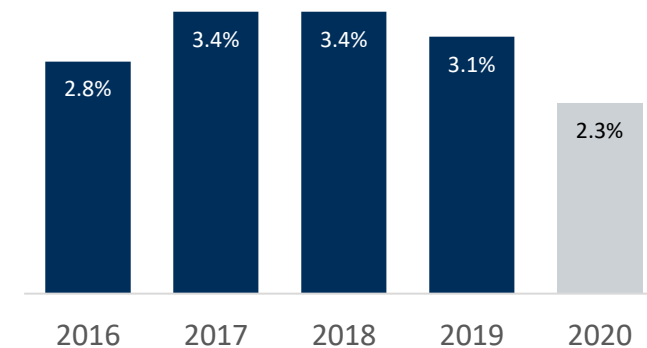
Post Tax ROaE



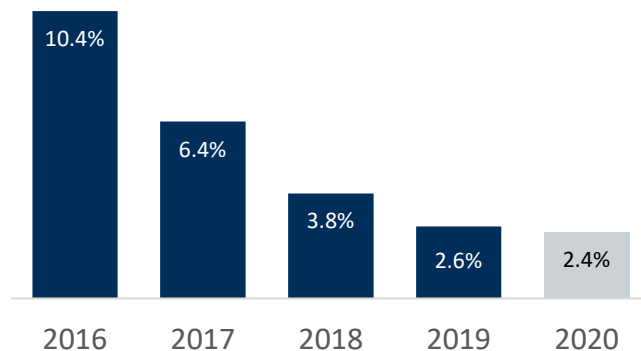
Non-interest revenue to operating income



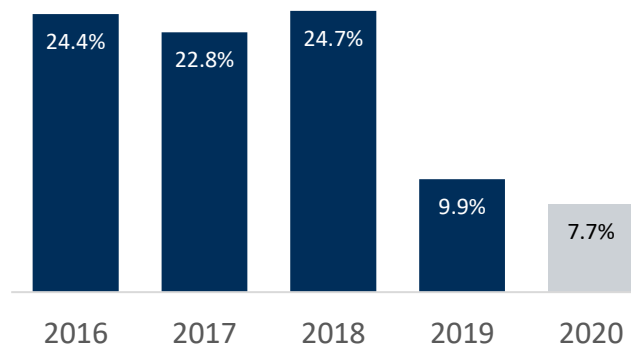
Cost of Funds



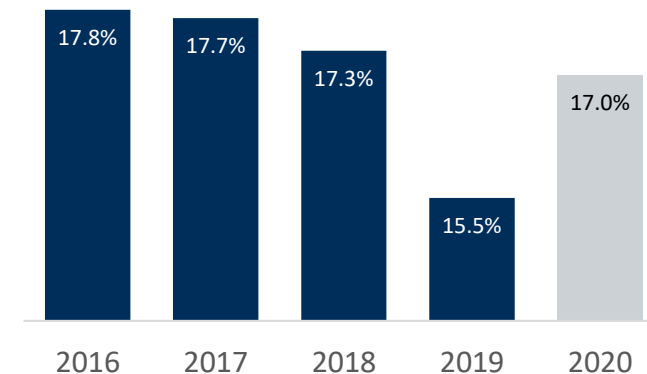
Cost of Risk



NPL Ratio



Capital Adequacy Ratio ⁽¹⁾



⁽¹⁾ CAR is for FirstBank (Nigeria)

Driving sustained growth and profitability through customer led innovation and disciplined execution in an increasingly digital world



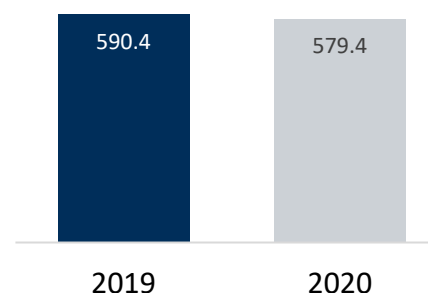
Financial Review



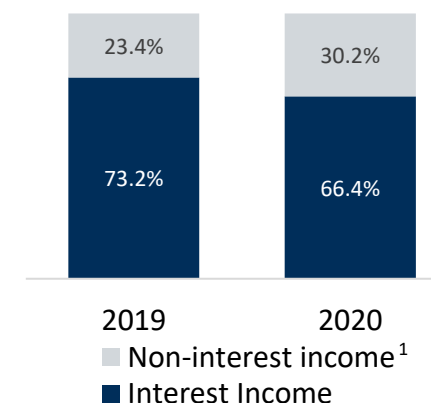
Improving cost of funds supports net interest margin in a declining yield environment

- Gross earnings declined by 1.9% to ₦579.4bn reflecting the low interest rate environment, notably in investment securities
- Concerted effort to grow interest income through loan growth leading to 6.80% increase in Loans and Advances contribution to the interest income mix
- Net interest margin declined to 6.1% as the low yields on government securities and loan margins were only partially offset by improving cost of funds
- Sustained improvement in non-interest income driven largely by growth in fees and commission and trading income
- Non-interest income contribution to gross earnings strengthened, demonstrating disciplined execution of our transaction-led strategy

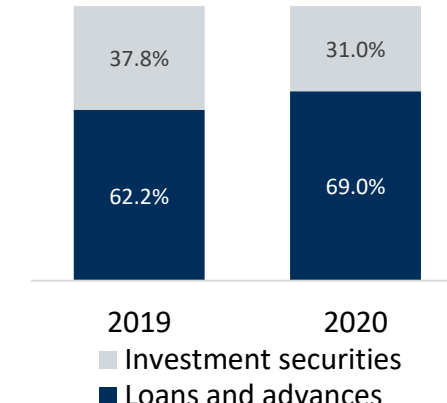
Gross Earnings ₦'bn



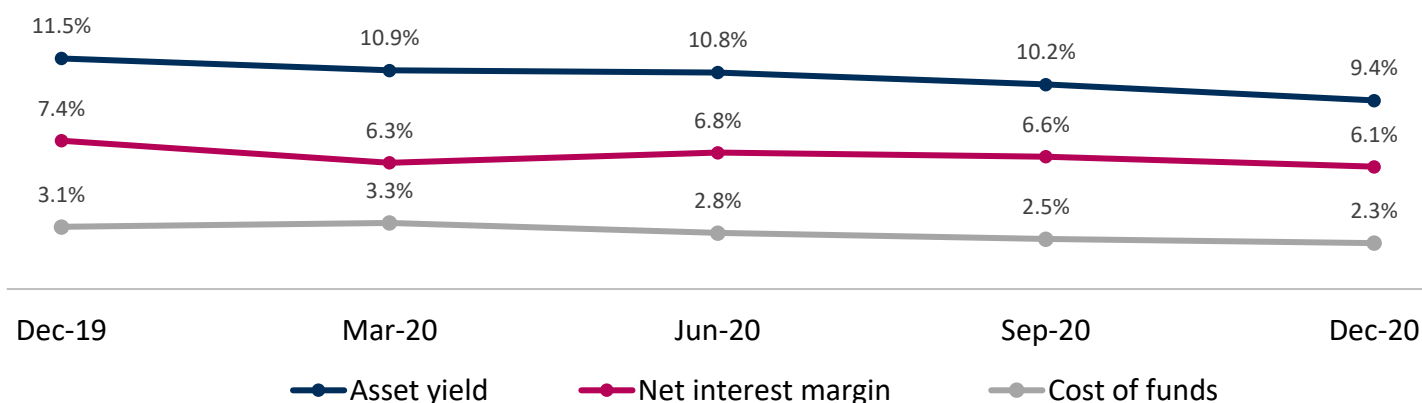
Gross Earnings Mix



Interest Income Mix



Asset Yield, Net Interest Margins & Cost of Funds

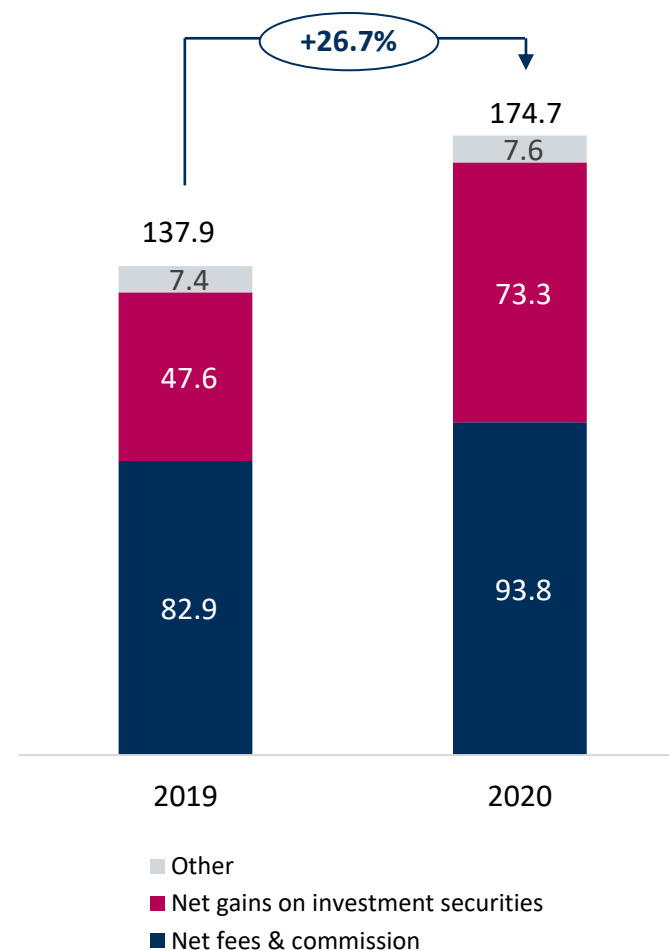


⁽¹⁾ Non-interest income includes fees and commission expense

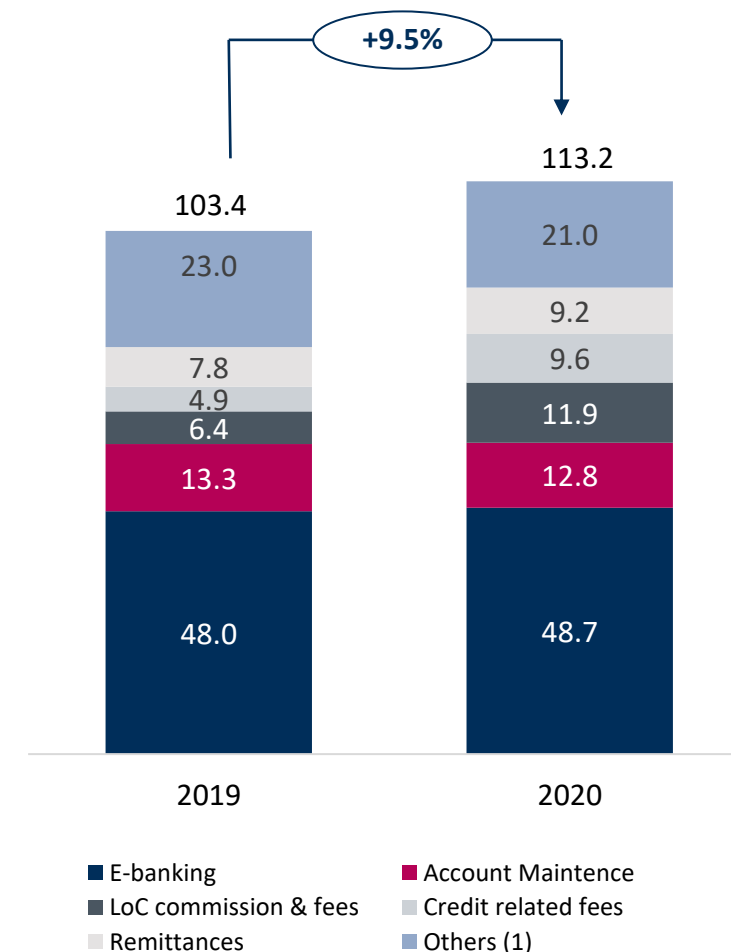
Robust non-interest income supported by improving fees and commission

- Non-interest income grew by 26.7% to ₦174.7bn supported by increased trade related transactions and trading income from investment securities
- E-banking income grew 1.3% y-o-y driven by an increase in volumes despite the reduction in commission chargeable
- Growth in credit related fees (+96.1%) and letters of credit commission & fees (+86.4%) complements growth in loan advances resulting in enhanced fees and commission
- Focus remains on further enhancing our transaction-led revenue

Non-interest Breakdown Net (₦'bn)



Fees & Commission Breakdown Gross (₦'bn)

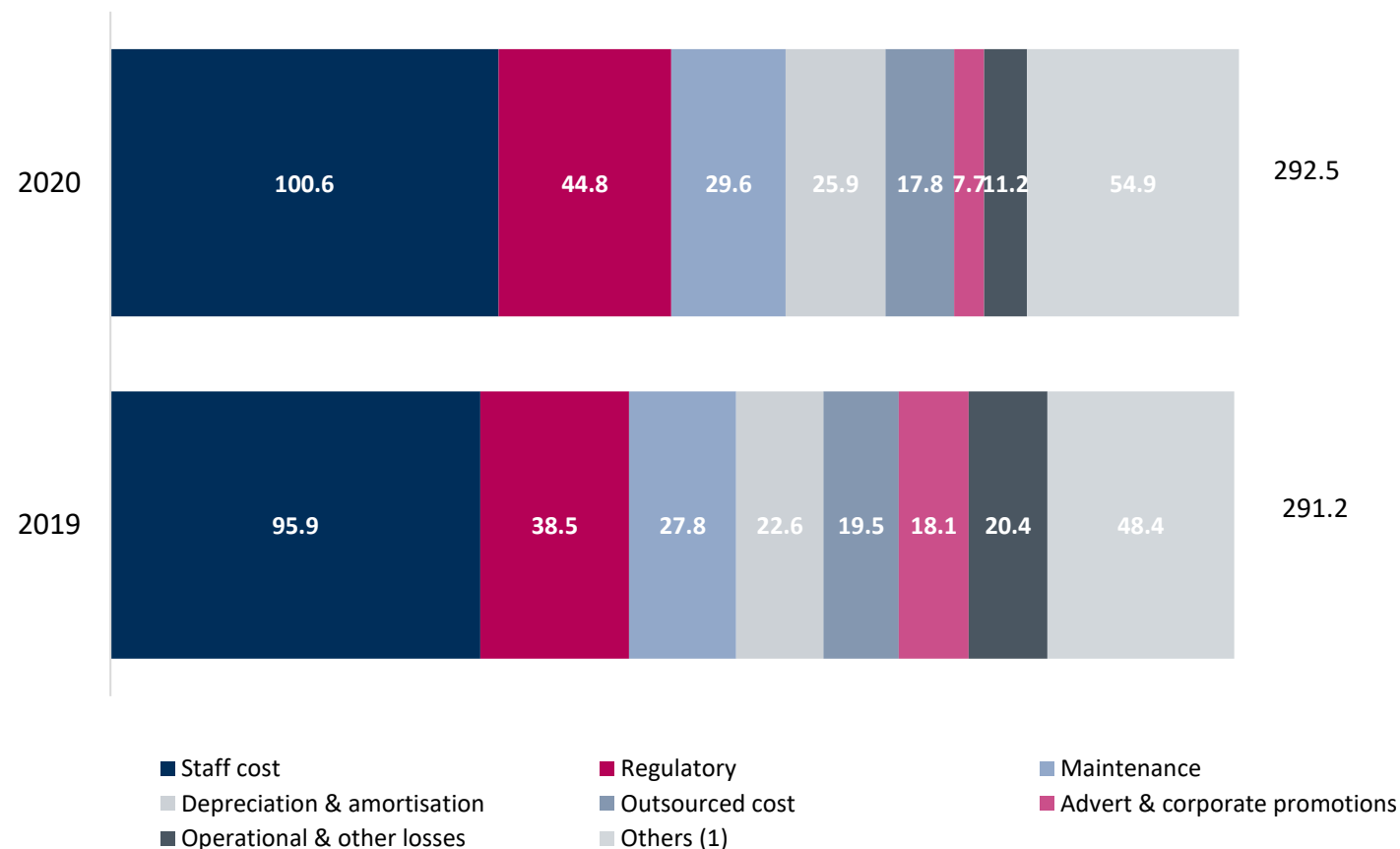


⁽¹⁾ Others include commission on bonds and guarantees, custodian fees, financial advisory fees, fund management fees, brokerage and intermediations, other fees and commissions, trust fee income

Controlled opex growth despite high inflationary environment and currency devaluation

- Operating expenses largely held down despite the double-digit inflationary environment and currency devaluation
- Marginal increase (+0.5%) in OPEX was driven by staff cost, regulatory cost and depreciation & amortisation but partially offset by declines in advert and corporate promotion, operational and other losses and passages and travel
- Further enhanced process automation and cost optimisation opportunities across business through our First Shared Service (FSS) program
- Focus remains on driving further overall efficiencies and reducing cost-to-serve
- Focus on accelerating revenue generation, while keeping costs in check towards improving the cost to income ratio

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

Enhancing our digital offering to meet the needs of our customers

>15million – digital customers at the end of 2020

23% - Increase in Firstmobile users in 2020 to 4.2million

3.7trillion – in transaction value conducted on USSD in 2020



Enhanced the Firstmonie wallet with additional services



Introduced 'large sum bulk withdrawal' feature on ATMs



Expanded our reach beyond Nigeria



Revamped Firstmobile to expand offerings and improve user experience



Commenced the deployment of digital banking apps in our African subsidiaries



Upgraded the FBN Edge Asset Management App

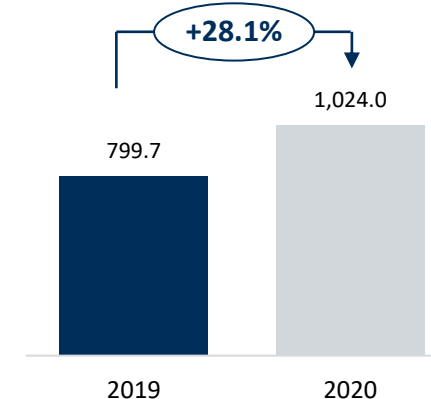
Monetising our leadership position in digital solutions

- Electronic banking revenue was up 1.3% notwithstanding a c50% reduction in fees on the back of strong volume growth
- Digital channels continue to foster financial inclusion and recorded 26.2% growth in digital customer to 15.9 million as at Dec 2020 (Dec 2019: 12.6million)
- USSD recorded over 1.0 billion in transaction count and transaction value of ₦3.7 trillion, reaffirming our leadership position in the USSD subscriber base
- Committed to driving further digital platform volumes through innovative products

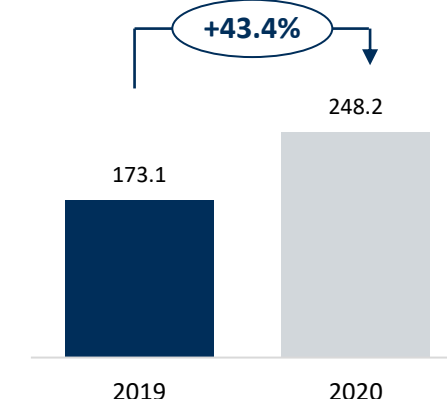
Electronic Banking Revenue ₦'bn



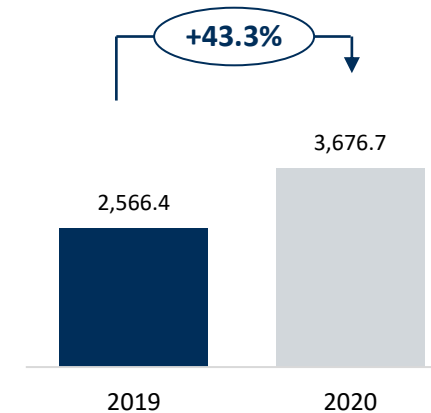
USSD Transaction Volume (Million)



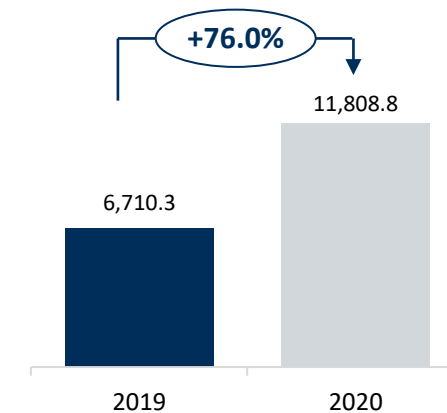
Mobile Banking Transaction Volume (Million)



USSD Transaction Value ₦'bn

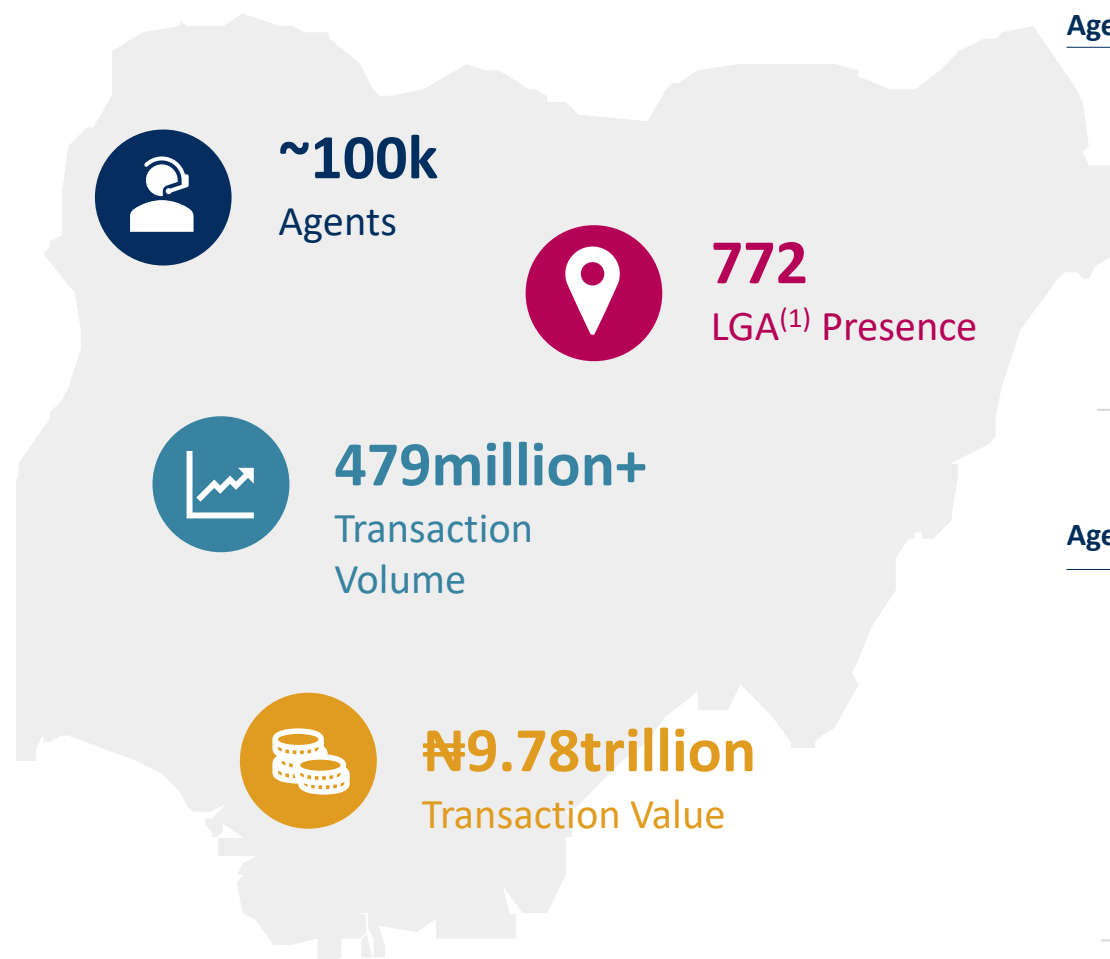


Mobile Banking Transaction Value ₦'bn

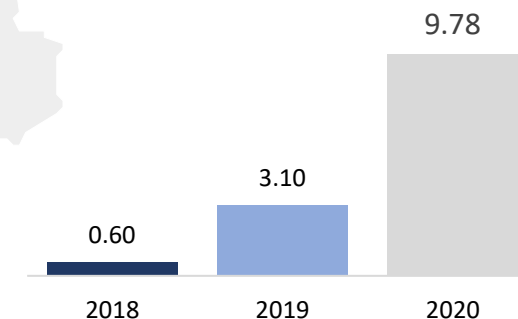


Unparalleled leadership in Agent banking supports shift in customer behaviour and financial inclusion

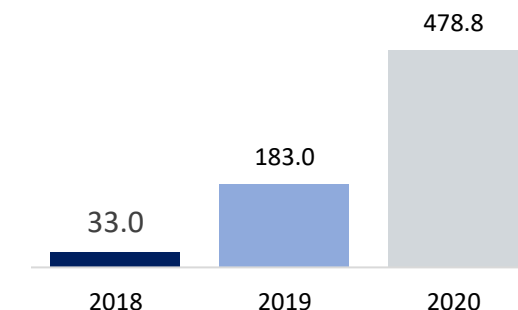
- Agent Banking scheme continues to grow with agent base of ~100k across 772 local government areas; the most widespread network in Nigeria
- Continuing to help deepen financial inclusion and supported Government in reaching the hinterlands during the lockdown
- Ongoing innovation in our agent banking offering through the introduction of Agent Credit
- Expanding the scheme to other African subsidiaries, such as Ghana, DRC and Guinea
- Noticeable migration of transaction execution to agent banking from other platforms – ATM



Agent Transaction Value ₦ trillion⁽²⁾



Agent Transaction Volume (Million)⁽²⁾



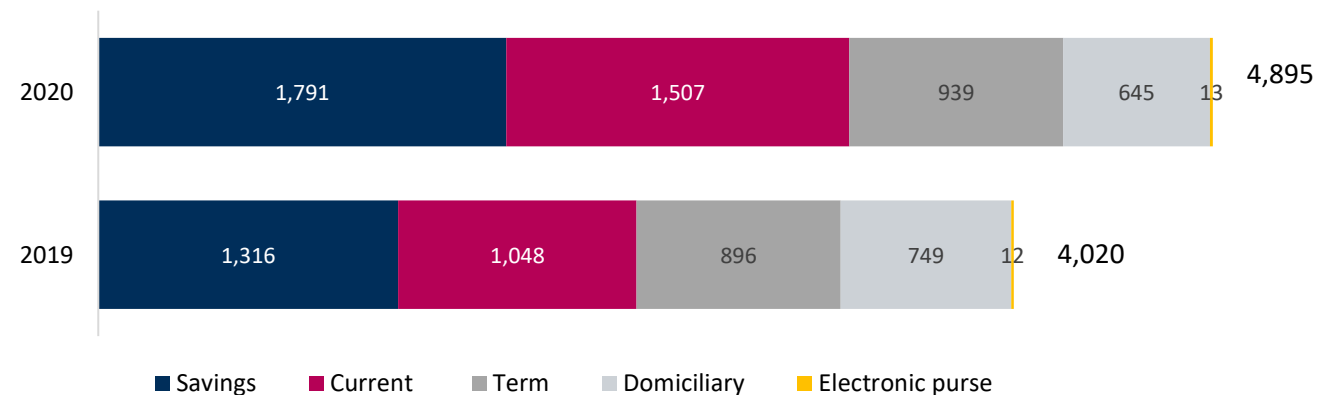
⁽¹⁾ LGA – Local Government Area

⁽²⁾ From inception 2018 till Dec 2020

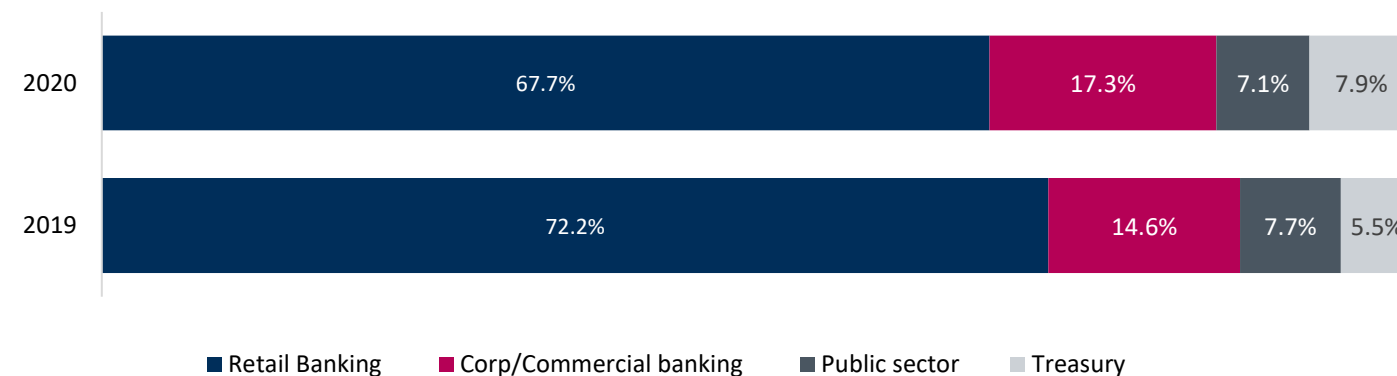
Solid retail franchise supports robust liquidity

- Customer deposits grew 21.8% to ₦4.9 trillion (Dec 2019: ₦4.0 trillion)
- Impressive growth in customers' deposit demonstrates the significant strength of our brand which is synonymous with security and safety
- Liquidity position further supported by increased agent banking/customer penetration and adoption of services on the digital platform
- Retail banking remains key driver of deposit growth and low-cost deposits remain strong at 91.3% (Dec 2019:85.6%) in FirstBank(Nigeria)
- Successfully raised USD\$350m Eurobonds and accessed funds from DFIs; reaffirming our deep access to market

Customer Deposits Mix (₦'bn)



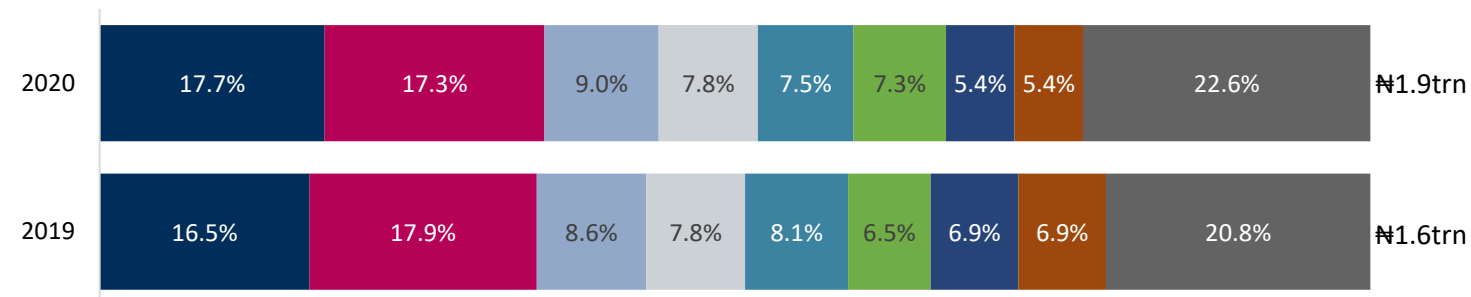
Customer Deposits by Business Unit – First Bank of Nigeria



Increasing diversified loan book provides a resilient and sustainable revenue base

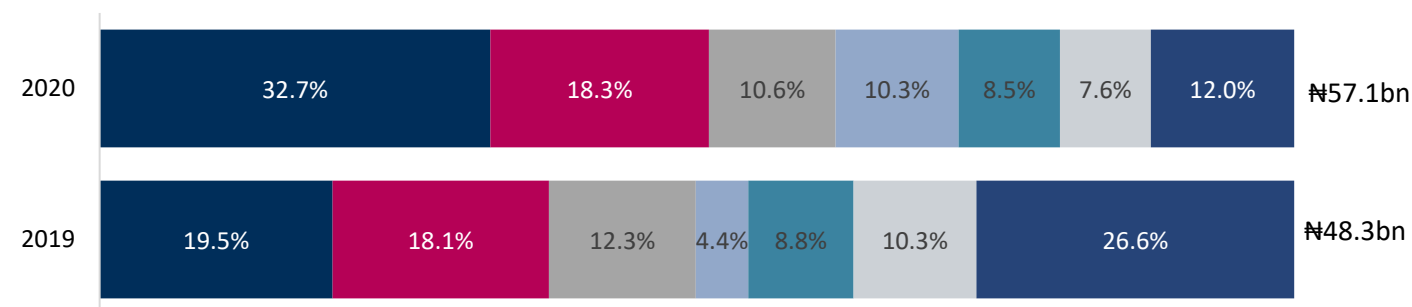
- Net customer loans grew by 19.7% to ₦2.3 trillion supported by trade finance activities and advances to the manufacturing, power, oil & gas⁽³⁾, general commerce sectors
- The Group has very limited exposure to sectors mostly affected by COVID-19 (such as Aviation and Hospitality)
- Going forward focus will be on manufacturing, trade, telecommunication and power sectors
- 15% of the loan book has been restructured, mainly in the oil & gas, power and utilities sectors

First Bank of Nigeria Gross Loan per Sector



■ Manufacturing ■ O&G Upstream ■ O&G Downstream ■ O&G Services ■ Government ■ Construction ■ Real Estate ■ ICT ■ Others¹

FBNQuest Merchant Bank Gross Loan per Sector

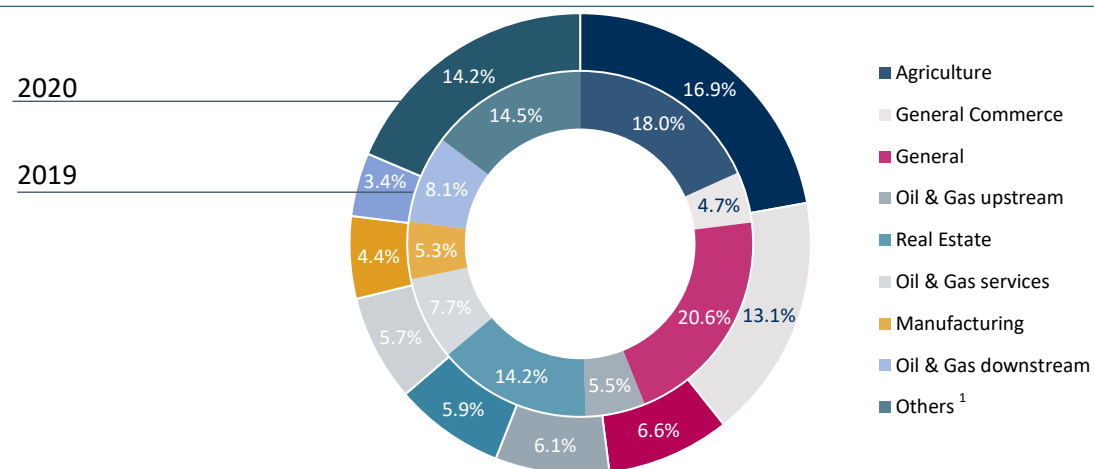


■ Manufacturing ■ O&G Upstream ■ Real Estate ■ O&G Downstream ■ ICT ■ Natural Gas ■ Others²

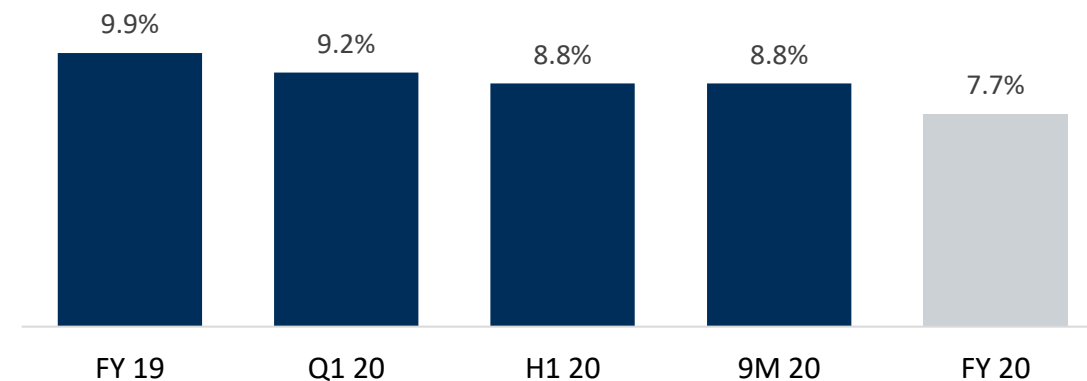
⁽¹⁾Personal & professional, power & energy, general, general commerce, public utilities, agriculture, transportation, finance & insurance, education, human health & arts ⁽²⁾Construction, General, Admin & Support Services, Power & Energy, Finance & Insurance, General Commerce & Transportation & Government. ⁽³⁾Essentially from translation impact

Improving asset quality further strengthens the balance sheet

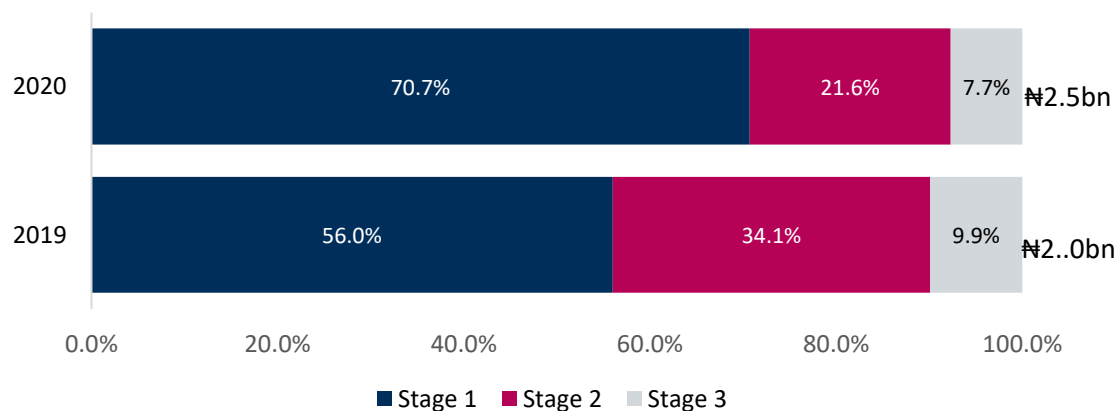
First Bank of Nigeria NPL per Sector



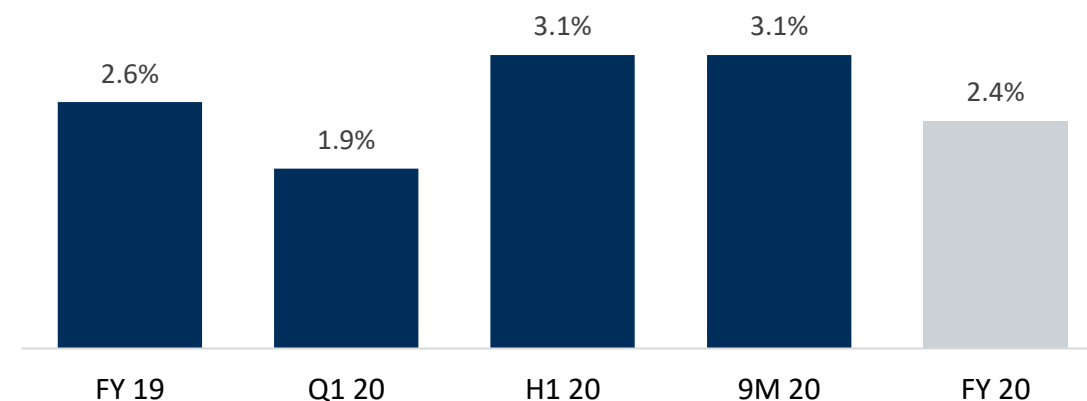
NPL Ratio



Loan per Stage (%)⁽²⁾



Cost of Risk



⁽¹⁾Others include personal & professional, construction, transportation, power & energy, education, ICT, Health, finance & insurance & arts ⁽²⁾Included in the Gross loans is the sum of ₦199.74 billion (2019: ₦67.33bn) in respect of trade finance and other short-term financing advanced to banks on the back of their letters of credit/trade related transactions

Business entities increasingly well capitalised

- Cleaner balance sheet and resilient earnings generative capacity provide a solid platform for sustainable capital accretion
- Sufficient capital buffers in place to support the business in the current operating environment
- Solid and increasingly diversified earnings from non-capital consuming sources further supports capital accretive capacity

FirstBank Nigeria CAR (%)



FBNQuest Merchant Bank CAR (%)



Sustainability Priorities



Unwavering commitment to corporate responsibility and sustainability

Our Priorities



Driving sustainable finance and investments



Empowering people



Supporting our communities



Contributing to Environmental Sustainability

2020 Key Highlights

Screened more than ₦4 trillion transactions for environmental, social and governance risks in 2020

Spent ₦53 billion in the agricultural sector for seeds and equipment funding

Diversity & Financial Inclusion: Our diverse, impact-driven teams underpins our agility and resilience

Board representation - 2 female Chairpersons on HOLDCO owned operating entities: FirstBank; FBN Insurance Brokers

Strong numbers (2,506,302) from FirstGem accounts in support of gender equality

Created over 345k direct and indirect jobs through FirstBank's ~100,000 FirstMonie agent network, economically impacting more than 1m individuals

Partnered / supported more than 50 charities, foundations and NGO's

Supported 600,000 people on disaster relief and set up recreational facilities for more than 11,000 staff

Supported education initiatives across Nigeria and impacted over 150,000 people through the E-learning initiative

Partnered with NGOs including the Nigeria Conservation Foundation in our efforts at conserving energy to reduce global warming by reducing CO2 emissions; as well as conserving resources

Outlook

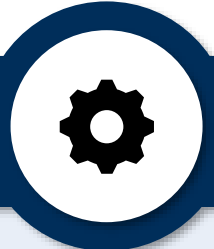


2021 strategic imperatives



Revenue Generation Enhancement

- Accelerate customer-led innovation to enhance non-funded revenue generation capacity
- Redefine client-specific value-propositions and upscale comparative adjacencies
- Explore new local and regional opportunities with acquisition/partnership considerations



Technology-led Operational Efficiency

- Leverage strategic partnerships to increase speed-to-market
- Reconfigure digital architecture to drive service-delivery-efficiency and reduce cost-to-serve
- Enhance agile capabilities and eliminate process-bottlenecks through technology



Innovation & Digitization

- Leverage in-house competencies to strengthen current and next generation digital capabilities development
- Upscale fully digital bank across the region and drive adoption

Appendix



Commercial Banking Group

Positioned for sustainable profitable growth

- Resilient performance with profit before tax growth of 4.0% underpinned by non-interest income growth and marginal growth in impairment charge and operating expenses
- Investments in technology and digital channels ensured that we were well positioned to respond during the lockdown, keeping services to our customers stable and unbroken
- We continued to deliver on the single digit NPL ratio while cautiously growing and diversifying the loan book
- Contributions from our international subsidiaries recorded an impressive improvement
- Delivering accelerated growth in profitability through customer-led innovation and disciplined execution remain a key strategic objective
- The focus is now on consolidating key accomplishments from the prior strategic plan cycle, building an expansive Agent network, making significant investment in digital infrastructure and repositioning the international subsidiaries

Key financial highlights & performance ratios

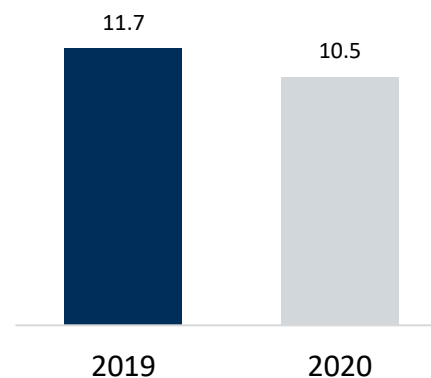
Income statement

¥bn	FY 20	FY 19	y-o-y
Gross earnings	539,048	553,554	-2.6%
Operating income	399,128	395,927	0.8%
Impairment charge	50,995	50,821	0.3%
Net interest income	244,592	271,640	-10.0%
Non-interest income	154,536	124,287	24.3%
Operating expense	274,569	274,352	0.1%
Profit before tax	73,564	70,754	4.0%
Profit after tax	67,750	62,666	8.1%

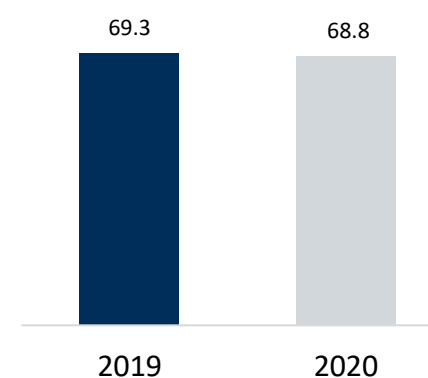
Statement of Financial Position

¥bn	FY 20	FY 19	y-o-y
Loans and advances	2,220,497	1,866,023	19.0%
Deposits from customers	4,715,026	3,911,893	20.5%
Shareholders fund	705,323	591,000	19.3%
Total assets	7,367,465	5,869,218	25.5%

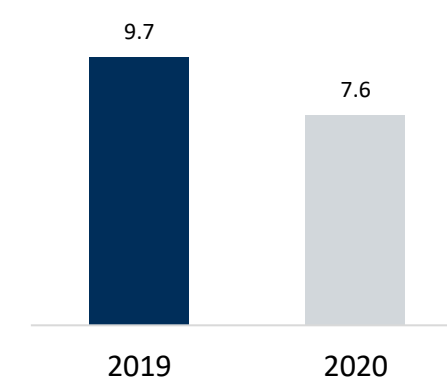
Return On Average Equity (%)



Cost To Income (%)



Non-performing Loan Ratio (%)



Merchant Banking and Asset Management Group (FBNQuest)

Reaping the benefits of a diversified earnings platform

- Strong improvement in performance with a 60.9% y-o-y growth in profitability, driven particularly by the growth in Non-Interest Income from the Fixed Income and annuity businesses - Asset Management, Alternative Investments and Trustees have grown AuM by 31.5% to ₹471 billion
- Although NII was 80% of Net Income, as we continue to focus on diversifying and enhancing the quality of earnings, we expect the ratio of NII to Net Income not to drop below 60%
- A combination of strong topline growth and cost containment initiatives enabled us to reduce the Cost to income ratio by 12.5% to 50.1%
- In 2021, our focus is to sustain the growth trajectory and continue to optimise our platform (people, processes), drive digital and innovation, and actively build business partnerships

Key Financial Highlights & Performance Ratios

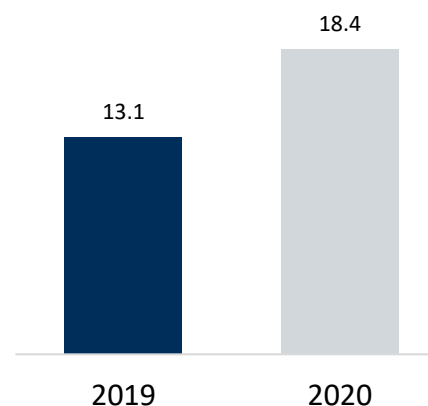
Income statement

₹mn	FY 19	FY 20	y-o-y
Gross earnings	35,907	38,865	8.2%
Operating income	19,636	25,664	30.7%
Impairment charge	272	1,287	373.2%
Operating expense	12,295	12,868	4.7%
Profit before tax	7,155	11,509	60.9%
Profit after tax	6,018	9,867	64.0%

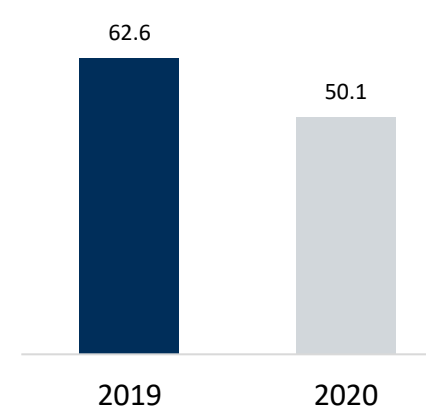
Statement of Financial Position

₹mn	FY 19	FY 20	y-o-y
Loans and advances	46,479	55,759	20.0%
Deposits from customers	135,495	203,301	50.0%
Shareholders fund	47,977	59,253	23.5%
Total assets	248,578	348,730	40.3%

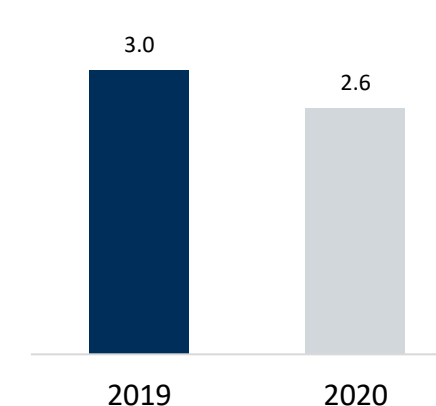
Return On Average Equity (%)



Cost To Income (%)



Non-performing Loan Ratio (%)



Non-financial highlights FY 2020

Employees



8,327

4,213,738



First Mobile



Branches

*894#

Quick Banking
...so easy, so simple!

11,240,891

P O S



15,623



61%
Male



39%
Female

30 million
Customers



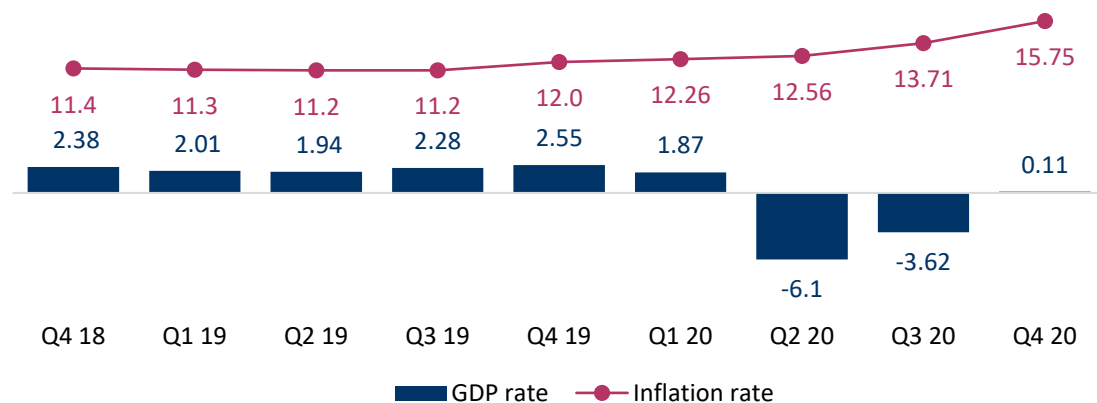
ATM cards
11.2
million



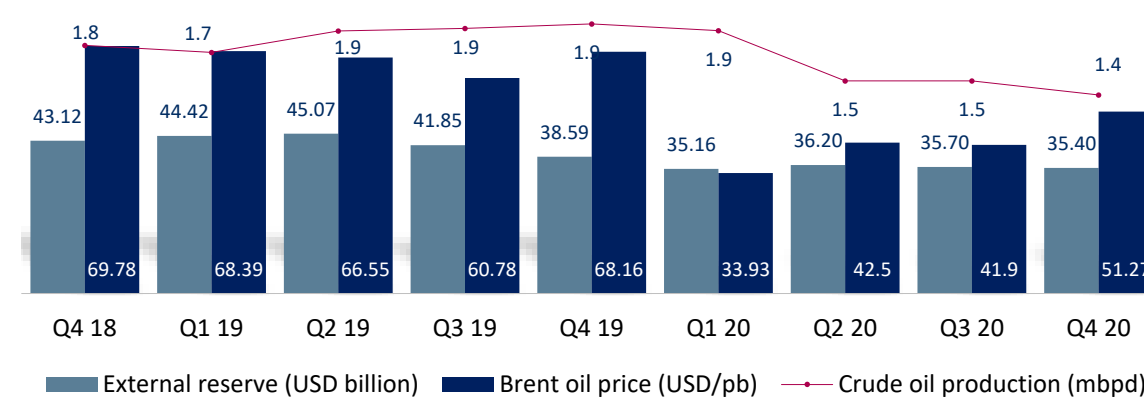
Automated
Teller
Machines
3,111

Operating environment remained challenging

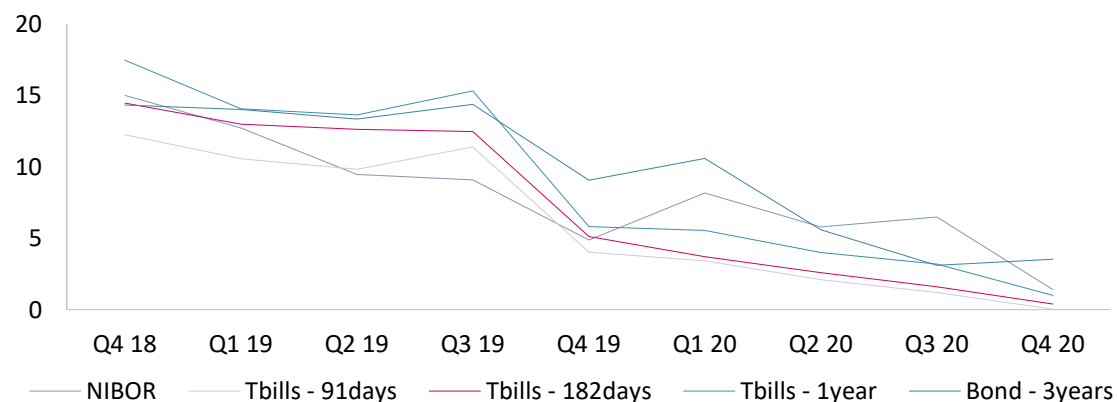
A welcome exit from recession



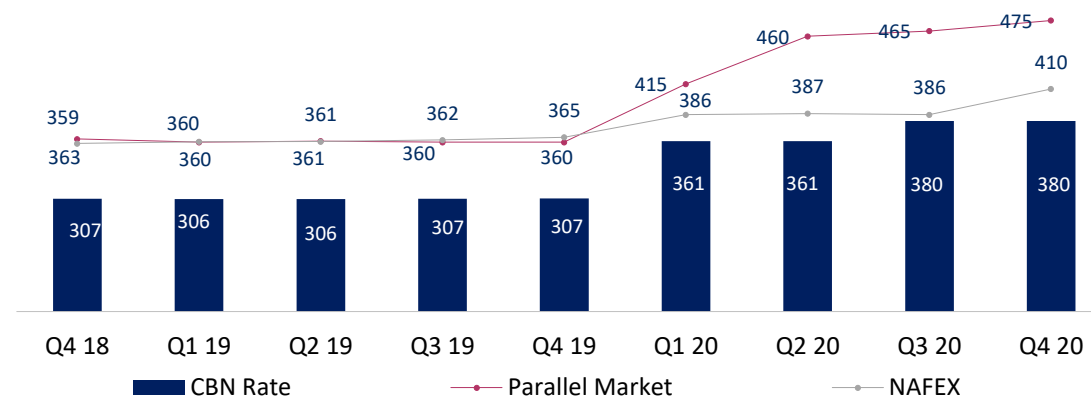
Stable foreign reserves amidst declining oil production



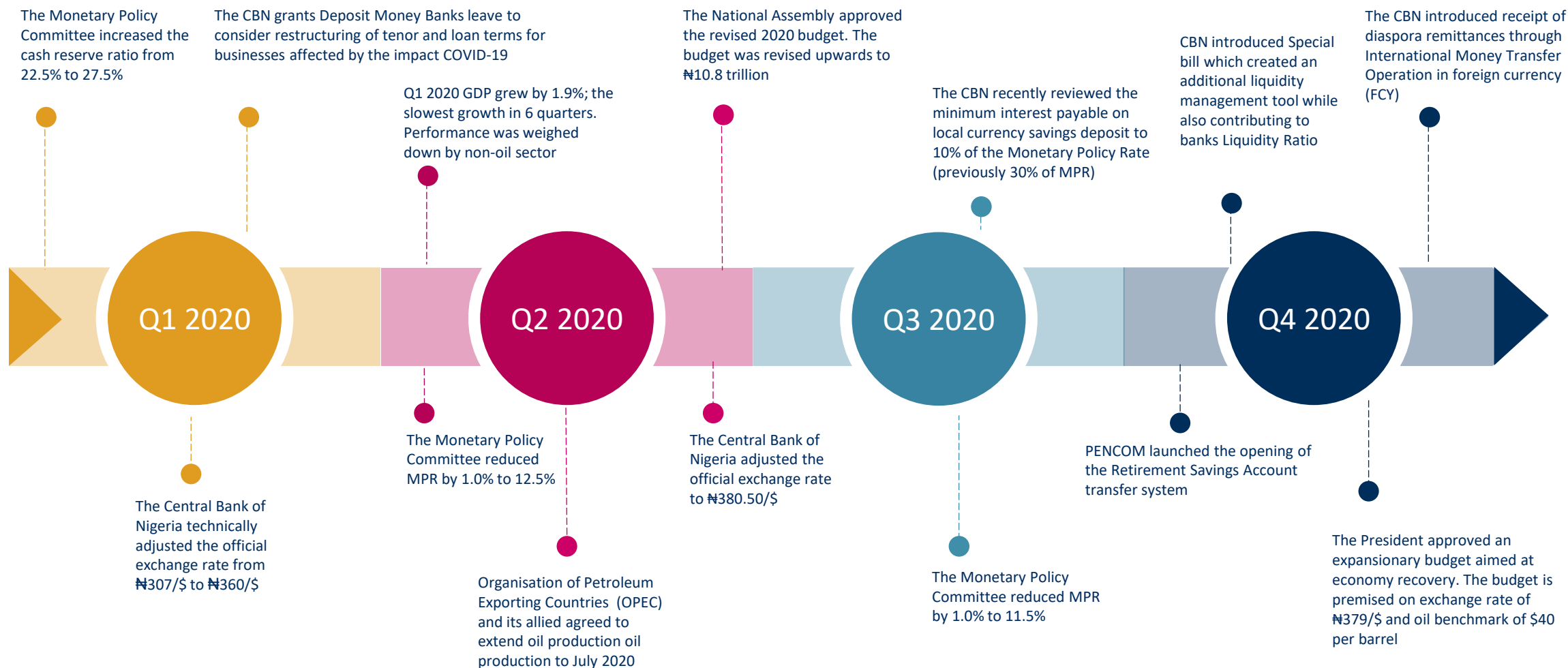
Declining yields on investment securities



Gap between the CBN and parallel rate largely sustained



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

Nigeria



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

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

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 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 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
 - Tier 2 capital comprises foreign exchange revaluation reserves, hybrid capital instrument and minority interest for the FirstBank (Nigeria)
-

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