FBNHoldings

NSE: FBNH
26 OCTOBER 2015

Bloomberg: FBNH NL
Reuters: FBNH.LG

PRESS RELEASE

Lagos, Nigeria – 26 October 2015

# FBN HOLDINGS PLC. REPORTS 16.9% RISE IN GROSS EARNINGS TO ₦390.0 BILLION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

FBN Holdings Plc. ("FBNH" "FBN Holdings" or the "Group") today announces its unaudited results for the nine months ended 30 September 2015.

## Highlights:

### Income Statement Review

- Gross earnings of ₦390.0 billion, up 16.9% year-on-year (Sept 2014: ₦333.6 billion)
- Net interest income of ₦192.9 billion, up 9.3% year-on-year (Sept 2014: ₦176.5 billion)
- Non-interest income of ₦82.5 billion, up 13.4% year-on-year (Sept 2014: ₦72.8 billion)
- Operating income of ₦275.4 billion, up 10.8% year-on-year (Sept 2014: ₦248.7 billion)
- Impairment charge for credit losses of ₦46.6 billion, up 249.0% year-on-year (Sept 2014: ₦13.4 billion)
- Operating expenses of ₦169.2 billion, up 4.4% year-on-year (Sept 2014: ₦162.2 billion)
- Profit before tax of ₦59.6 billion, down 19.2% year-on-year (Sept 2014: ₦73.7 billion)
- Profit after tax of ₦50.2 billion, down 9.7% year-on-year (Sept 2014: ₦55.6 billion)

### Statement of Financial Position Review

- Total assets of ₦4.3 trillion, flat year-to-date (Dec 2014: ₦4.3 trillion)
- Customer deposits of ₦3.0 trillion, down 1.7% year-to-date (Dec 2014: ₦3.1 trillion)
- Customer loans and advances (net) of ₦1.9 trillion, down 12.4% year-to-date (Dec 2014: ₦2.2 trillion)

### Key Ratios

- Pre-tax return on average equity of 14.5% (Sept 2014: 20.4%)
- Post-tax return on average equity of 12.2% (Sept 2014: 15.4%)
- Net interest margin of 7.7% (Sept 2014: 7.4%)
- Cost to income ratio of 61.4% (Sept 2014: 65.2%[1])
- NPL ratio of 4.8% (Sept 2014: 2.9%)
- Cost of risk 3.0% (Sept 2014: 0.9%)
- 42.5% liquidity ratio (Banking group) (Sept 2014: 41.0%)
- 19.0% Basel 2 CAR (Banking group) (Sept 2014: 20.3%[2])

### Notable Developments

- Key leadership appointments announced across the Group, effective January 2016:
    - Mallam Bello Maccido, pioneer Group CEO, FBN Holdings, to become pioneer Chairman of the newly-licensed FBN Merchant Bank Ltd
    - Mr UK Eke (MFR), currently Executive Director, South, First Bank of Nigeria Ltd replaces Mallam Bello Maccido as Group Managing Director-designate, FBN Holdings Plc.

[1] Operating expenses now include insurance claim
[2] This is a Basel 1 CAR ratio for the Banking Group. Basel 2 CAR requirement commenced October 2014

- Current Chairman, Prince Ajibola Afonja to retire and Mrs. Ibukun Awosika becomes the Chairman, First Bank of Nigeria Ltd
- Following the earlier notice of retirement of Mr. Bisi Onasanya, the current Group Managing Director/CEO effective December 31, 2015, Dr. Adesola Adeduntan, the current Executive Director/CFO is now the Managing Director-designate, First Bank of Nigeria Ltd, while Mr. Gbenga Shobo, the current Executive Director, Lagos & West, is the Deputy Managing Director-designate
- Divestment of FBN Microfinance: Completed a Share Purchase Agreement (SPA). The transaction is expected to be completed in November 2015.

Selected Financial Summary

| (₦ billion) | 9M 2015 | 9M 2014 | ∆% |
|---|---|---|---|
| Gross earnings | 390.0 | 333.6 | 17 |
| Interest income | 300.4 | 255.7 | 18 |
| Net interest income | 192.9 | 176.5 | 9 |
| Non-interest income | 82.5 | 72.8 | 13 |
| Operating Income[7] | 275.4 | 248.7 | 11 |
| Impairment charge [9] | 46.6 | 13.4 | 249 |
| Operating expenses | 169.2 | 162.2 | 4 |
| Profit before tax | 59.6 | 73.7 | -19 |
| Profit after tax | 50.2 | 55.6 | -10 |
| EPS (kobo)[12] | 195 | 227 | -14 |
| Total assets | 4,303.4 | 4,190 | 3 |
| Customer loans & advances (Net) | 1,908.7 | 2,028.2 | -6 |
| Customer deposits | 2,999.6 | 2,910.4 | 3 |
| Non-performing loans | 94.9 | 60.7 | 57 |
| Shareholders' Funds | 575.6 | 493.7 | 10 |

| Key Ratios % | 9M 2015 | 9M 2014 |
|---|---|---|
| Pre-tax return on average equity[3] | 14.5 | 20.4 |
| Post-tax return on average equity[4] | 12.2 | 15.4 |
| Pre-tax return on average assets[5] | 1.8 | 2.4 |
| Post-tax return on average assets[6] | 1.5 | 1.8 |
| Net interest margin[8] | 7.7 | 7.4 |
| Cost of funds[10] | 4.0 | 3.2 |
| Cost to income[11] | 61.4 | 65.0 |
| Gross loans to deposit | 65.8 | 71.2 |
| Liquidity (Banking Group) | 42.5 | 41.0 |
| Basel 2 Capital adequacy (Banking Group) | 19.0 | 20.3[13] |
| Basel 2 Tier 1 CAR (Banking Group) | 14.3 | 15.3[13] |
| NPL/Gross Loans | 4.8 | 2.9 |
| NPL coverage[14] | 116.5 | 94.0 |
| PPOP[15]/impairment charge (times) | 3.3 | 6.5 |
| Cost of risk[16] | 3.0 | 0.9 |
| Leverage (times)[17] | 7.5 | 8.5 |

[3] Pre-tax return on average equity computed as annualised profit before tax attributable to shareholders divided by the average opening and closing balances attributable to equity holders
[4] Post-tax return on average equity computed as annualised profit after tax attributable to shareholders divided by the average opening and closing balances attributable to equity holders
[5] Pre-tax return on average assets computed as annualised profit before tax divided by the average opening and closing balances of its total assets
[6] Post-tax return on average assets computed as annualised profit after tax divided by the average opening and closing balances of its total assets
[7] Operating income defined as gross earnings less (interest expense + share of profits from associates)
[8] Net interest margin computed as annualised net interest income divided by the average opening and closing balances in interest earning assets
[9] Impairment charge includes ₦6.5bn impairment on available for sale investment securities
[10] Cost of funds computed as annualised interest expense divided by average interest bearing liabilities
[11] Cost to income ratio computed as operating expenses divided by operating income
[12] Basic EPS computed as annualised profit after tax attributable to shareholders divided by weighted average number of shares in issue.
[13] This is a Basel 1 CAR ratio for the Banking Group. Basel 2 CAR requirement commenced October 2014
[14] NPL coverage computed as loan loss provisions plus statutory credit reserve divided by gross NPLs
[15] PPOP - Pre-provision operating profit computed as sum of operating profit and credit impairments
[16] Cost of risk computed as annualised credit impairment charges divided by the average opening and closing gross loans balances
[17] Total assets divided by shareholders' equity

Commenting on the results, Bello Maccido, the Group CEO said:

*"This has been a challenging year so far, with economy slowing down and credit conditions remaining adverse thereby impacting the Group's operating performance. We are managing the cost of risk by strengthening our risk management processes while leveraging our assets, adjusting pricing to higher default risks associated with a contracting economy; and nowhere has this process been more pronounced than in the oil and gas sector".*

*"To ensure we build a more efficient group structure that will benefit the Group's need to deploy systems which increase profitability and efficiency while expanding revenue generation, we are confident we have made the right choices in selecting the Managing Director and the Deputy Managing Director for our principal subsidiary, FirstBank, as we were particularly mindful to identify outstanding and top notch professionals with complementary and mutually reinforcing skill sets. The major leadership changes across the Group also points to the renewed focus in driving stronger performance towards delivering sustainable returns and restoring shareholder value".*

## Group Financial Review

### Income Statement

**Gross earnings** increased by 16.9% y-o-y (-17.8% q-o-q[18]) to ₦390.0 billion, supported by a 17.5% y-o-y growth (-14.4% q-o-q) in interest income to ₦300.4 billion. Non-interest income increased by 13.4% y-o-y (-33.1% q-o-q) to ₦82.5 billion. Interest income on loans, which represents 67.4% (Sept 2014: 73.7%) of total interest income, grew 7.5% y-o-y (-14.9% q-o-q) to ₦202.5 billion, with investment securities now representing 28.3% (Sept 2014: 22.6%:) of total interest income growing 47.1% y-o-y (1.1% q-o-q) to ₦85.0 billion. Non-interest income is buoyed by revenue from investments and treasury activities.

**Net interest income** increased by 9.3% y-o-y (-17.6% q-o-q) to ₦192.9 billion (Sept 2014: ₦176.5 billion) despite a 35.6% y-o-y increase in interest expense. Net interest income amounted to ₦60.2 billion in Q3 2015 (Q2 2015: ₦73.1 billion) following a 14.4% decrease in interest income and an 8% decrease in interest expense. Interest on loans to customers (67.4% of total interest income) grew by 7.5% y-o-y (-14.9% q-o-q) closing at ₦202.5 billion. Interest on loans to customer was also impacted by the early termination of interest on loans to State Governments under the "bonds for loans" initiative. About ₦110 billion loans were converted to Federal Government Bonds[19] with an average of 14% in yields. Consistent with our plan of improving earnings through enhanced treasury activities, the contribution of interest from investment securities improved to 28.3% of total interest income (9M 2014: 22.6%), up 47.1% y-o-y (+1.1% q-o-q) to ₦85.0 billion. Interest on loans and advances to banks also grew to ₦12.9 billion (Sept 2014: ₦9.6 billion), a +34.8% y-o-y (-80.3% q-o-q).

Interest expense grew by 35.6% y-o-y (-8.0% q-o-q) to ₦107.5 billion. The increase in interest expense y-o-y has been primarily driven by the high interest rate environment following increased cash reserve requirements (CRR) and heightened competition for deposits among financial institutions. At the September MPC meeting, the harmonised CRR was reduced to 25% from 31%. Interest expense on customers' deposit, constituting 85.6% of total interest and similar expense, grew by 31.5% y-o-y (-8.1% q-o-q) to ₦92.0 billion. In addition, interest on borrowings closed at ₦12.8 billion (57.5% y-o-y, -41.8% q-o-q) on reduced utilisation of borrowings from corresponding banks to finance letters of credit for international trade.

[18] Where q-o-q have been used, it refers to Q3 15 vs Q2 15
[19] 11TH FGN BOND 2034 SERIES 2

Reflective of the increased interest expense, **cost of funds** increased to 4.0% y-o-y (Sept 2014: 3.2%) but remained stable from last quarter, on more efficient liability pricing. Cost of funds increased as a result of the increased competition for deposits and the decreased liquidity. However, it is expected that giving the reduction of the CRR and the level of liquidity in the market and barring any adverse policy requirement, we might see the cost of funds trend downwards. Yields on bank loans, customers' loans and investment securities were 3.9%, 13.2% and 15.4% respectively with an overall blended average yield on interest earning assets of 12.0% (Sept 2014: 10.7%). Consequently, **net interest margins** closed at 7.7%[20] (Sept 2014: 7.4%).

**Non-interest income** (NII) grew by 13.4% y-o-y but declined 33.1% in Q3 2015 to ₦82.5 billion (Sept 2014: ₦72.8 billion); driven primarily by a 30.9% y-o-y growth in foreign exchange income to ₦22.5 billion as well as gains from investments, treasury activities and subsidiary contribution. Fees and commission (F&C) income held stable y-o-y at ₦51.0 billion (Sept 2014: ₦51.2 billion) and marginally lower by 1.8% q-o-q.

Foreign exchange income, which represents 27.2% of total non-interest income, increased 30.9% y-o-y following enhanced treasury management activities, but declined 23.2% q-o-q as market volatility and liquidity remained muted in the quarter. F&C income, which represents 61.8% of total non-interest income, remained flat, down 0.4% y-o-y. The performance of F&C income was enhanced by an increase of 47.0% y-o-y and 7.9% q-o-q in electronic banking fees to ₦12.7 billion in 9M 2015. We have continued to see impressive growth in electronic banking fees, which is now the highest contributor to fees and commission. Electronic banking fees now contribute 24.9% to fees and commission with COT now at 19.6% from 16.8% and 23.4% contribution to total F&C income respectively the year before.

We have largely maintained the contribution of non-interest income to net revenue at 30.0% (Sept 2014: 29.2%). In addition, and in line with our expectations, we have grown non-interest income from increased treasury management activities, e-business transactions, focusing and deepening transaction banking services from cash management and improve collections, while offering value driven e-Payment and liquidity management solutions. Fees from letters of credit though declined 33.9% y-o-y following limited funding for foreign exchange denominated trade transactions. Furthermore, we are seeing increasing contribution to non-interest income from the subsidiaries in the Group in the form of increased net premium and other fees and commission.

**Operating expenses** increased by 4.4% y-o-y (-18.5% q-o-q) to ₦169.2 billion (Sept 2014: ₦162.2 billion) driven primarily by AMCON resolution cost +4.9% y-o-y (+7.6% q-o-q) to ₦13.6 billion. However, regulatory cost declined by 0.6% y-o-y and 2.5% q-o-q to ₦22.6 billion driven by a reduction in deposit insurance premium due to a rate review by the The Nigeria Deposit Insurance Corporation (NDIC) as the deposit at the Bank reduces by 1.7% y-t-d as well as overall total assets by 0.9% y-t-d. As such, regulatory costs now constitute 13.4% of total operating expenses (opex) compared to 14.0% for the corresponding period a year ago. Additionally, staff costs now constitute 36.9% of opex compared to 38.6% in Sept 2014, but declined 0.1% y-o-y to ₦62.5 billion. Staff cost and regulatory costs now constitute 50.3% of opex from 52.6% in Sept 2014. Other drivers of cost include operational and other losses and outsourced cost[21], which increased by ₦3.8 billion and ₦4.1 billion respectively in Q3 2015. We are continuing to work to reduce costs in a sustainable manner.

[20] Computed as annualised net interest income divided by average interest earning assets
[21] This largely refers to the cost of FTEs

Headcount across the Group is 9,815 (Sept 2014: 9,648) with 92.4% of personnel allocated to the Banking Group. 87.4% of the global staff works from Nigeria, 5.7% from the DRC, 1.5% from Europe and the balance of 5.3% from the West African subsidiaries, including the representative offices across the globe.

**Cost-to-income ratio** decreased to 61.4% (Sept 2014: 65.2%) and within our guidance of below 63% on the back of cost management initiatives despite a reduction in operating income in the quarter (-22.3% q-o-q, +10.8% y-o-y). Cost to income ratio during the quarter closed at 61.3% for Q2 2015 only.

We have confidence that our on-going cost-cutting and optimisation initiatives will deliver the desired results and that we will be able to see an increased cost saving and efficiency going forward.

**Net impairment charge on credit losses** grew by 249.9% y-o-y to ₦46.6 billion (Sept 2014: ₦13.4 billion) driven largely by the recognition of impairment on specific accounts in commercial real estate, finance and insurance, construction as well as oil & gas sectors given ongoing challenges from a macroeconomic standpoint. The reported growth in impairment is attributable to specific charge taken on a few accounts contributing up to 70% of the NPL book, which are being actively remediated; in addition to incremental collective charge taken on the portfolio. We are assured that noted delinquency will reverse in succeeding period in view of the positive outlook of the strategies being pursued on the challenged accounts.

Impairment recorded on the commercial real estate portfolio is attributable to delays in completion and delivery of specific projects financed by the Bank, while that of finance and insurance is related to delay in delivery of housing projects to intending off takers by a non-bank financial institution funded by the Bank. On the oil & gas portfolio, the sector has been impacted by falling oil prices and ongoing reforms in the sector which has led to increased impairments taken on specific accounts. In the meantime, we have taken positive steps to address the challenges being encountered on these major accounts with a view to bringing down the impairments levels within a reasonable timeframe.

Consequent to the level of impairment charge **cost of risk** increased to 3.0% (Sept 2014: 0.9%).

**Profit before tax** stood at ₦59.6 billion (Sept 2014: ₦73.7 billion), down 19.2% y-o-y largely as a result of the increase in impairment charge in the quarter. Income tax expense for the period was ₦9.3 billion (Sept 2014: ₦18.1 billion) indicating an effective tax rate of 15.7% (Sept 2014: 24.6%). This performance translates into **pre-tax return on average equity** of 14.5% (Sept 2014: 20.4%) **and post-tax return on average equity** of 12.2% (Sept 2014: 15.4%).

**Earnings per share** (annualised) closed at ₦1.95 (Sept 2014: ₦2.27).

## Statement of Financial Position

**Total assets** decreased by 0.9% y-t-d to ₦4.3 trillion driven by reduction in loans and advances. However, there was an improved growth in the available-for-sale investments (+35.9% y-t-d, +11.3% q-o-q) reflecting further enhancement of treasury management activities. Interest earning assets declined 2.7% y-t-d to ₦3.3 trillion reducing the proportion on total assets from 77.7% to 76.3% largely driven by the 12.4% decline in net loans and advances to customers (Jun 2015: ₦2.1 trillion, Dec 2014: ₦2.2 trillion).

**Total customer deposits** closed at ₦3.0 trillion, down 1.7% y-t-d (Dec 2014: ₦3.1 trillion). The Group continues to attract low-cost deposits ensuring cheap and sustainable level of stable funding to support the business albeit in a very tight liquidity environment amidst various regulatory requirements. Low-cost deposits now account for 76.5% and 66.3% (Dec 2014: 75.9% and 65.6% respectively) of total deposits at FirstBank and the Group respectively, despite the increased competition.

At FirstBank, we have continued to see appreciable growth in retail deposits, which now constitute 64.9% of total deposits (Dec 2014: 57.3%, Sept 2014: 51.7%) with public sector deposits down to 12.3% (Dec 2014: 16.6%, Sept 2014: 22.7%). Savings deposits were up 8.9% y-t-d, constituting 31.3% (Dec 2014: 28.0%) of total deposits, closing at ₦778.4 billion, with term deposits declining 4.9% to ₦584.0 billion. Foreign currency deposits declined during the quarter as the CBN banned banks from accepting foreign currency deposits into domiciliary accounts of customers in a bid strengthen the anti-money laundering stance of the Federal Government. Foreign currency balances thus declined by 14.4% y-t-d, representing 14.2% (₦442.1 billion) of the Group's total deposits (Dec 2014: 16.9%, ₦515.5 billion) but 17.7%, ₦439.3 billion (Dec 2014: 20.1%, ₦513.2 billion) of the Bank's total deposits.

During the quarter, the Federal Government set a deadline of September 15, 2015 for full compliance with the Treasury Single account (TSA) by its Ministries, Departments and Agencies with the withdrawal of FGN deposits with Deposit Money Banks (DMB), thereby impacting the performance of deposit growth. The implementation of this pronouncement put pressure on the market as banks scrambled for funds to cover liquidity positions. At the last MPC meeting (September 21 and 22) however, the Committee reviewed the CRR from 31% to 25% of all public and private sector deposits. The impact of this pronouncement was a refund of about ₦126.5 billion to the Bank. As at the end of the period under review, the Bank had ₦634.2 billion in mandatory reserve deposit sterilised at the Central Bank earning no interest.

We remain focused on sourcing deposits only at appropriate prices and margins. We have been driving deposits collections by providing suitable products and services with focused promotions leveraging our wide distribution network. The Transaction Banking Services provide a good platform in ensuring we provide excellent trade and cash management services[22] to drive collections and liquidity management of our customers. The Bank remains the leader in the industry for collections with a 17% market share on all collections volumes processed via the interswitch platform.

**Total loans & advances to customers (net)** decreased by 12.4% year-to-date to ₦1.9 trillion (Dec 2014: ₦2.2 trillion). The reduction can be attributed to pay downs on matured obligations in loan exposures to manufacturing, oil downstream, oil services and termination of State Government loans under the bonds for

[22] Extension of Cash Management services to SMEs and large corporates.

loans initiative of the Federal Government. The proportion of the State Government loans converted to bonds was about ₦110 billion or 6% of the loan portfolio.

Given the current credit environment, we are focusing on loan and remedial management as we further diversify our loan book, reduce sector concentrations and rebalance the portfolio to higher yielding, short tenured assets to optimise yields in the near term. We are not engaging in further transactions in the upstream oil and gas segment and are reducing exposures to the downstream sector in a controlled manner, including reduction in credit lines for some operators; outright cancellation of lines for some marginal players; and have tightened the risk acceptance criteria and put a freeze on term exposures.

The institutional, corporate banking, public and retail banking loan book now constitutes 41.9%, 30.5%, 5.7% and 13.8% of the loan book (Dec 2014: 39.1%, 31.0%, 6.9% and 16.1%) with the total foreign currency loan book at 47.0% (Dec 2014: 46%).

NPL ratio closed 4.8% (Dec 2014: 2.9%) with loan loss coverage (inclusive of SCR[23]) decreased to 116.5% from 137.5% in Dec 2014 due to write offs. For the period ended Q3 2015, about 9% of the loan book had been restructured, with the oil and gas sector accounting for 85% of the restructured portion, with upstream oil & gas accounting for 71% of the total.

On Atlantic Energy, under a bilateral arrangement, FirstBank funded the company's OPEX and CAPEX requirements for the drilling of 4 oil wells with proven reserves, (together known as the Forcados assets) as well as a Strategic Alliance Agreement (SAA) between Atlantic Energy Drilling Concept Limited (AEDCL or the Company) and Nigeria Petroleum Development Company (NPDC). The facility was secured by the Company's assets and rights through the SAA while the Bank has a charge over the company's collection accounts.

Negotiations are still on-going at the moment while the Bank has invoked its step-in rights under the SAA and commenced discussion with interested investors/financiers/off takers for the purpose of raising funds for the Company to be applied to offset the debt to NNPC, make substantial repayment of amounts owed the Bank as well as meet future cash calls and other operating obligations. Discussions have progressed fairly well and a deal is expected to be consummated within a reasonable time frame. At moment, the account as currently structured has overdue interest obligations, and the Bank may consider impairing the exposure while actively pursuing a conclusion of the remedial initiatives within the shortest possible timeframe.

**Shareholders' equity** closed at ₦575.6 billion up 10.1% y-t-d (Dec 2014: ₦522.9 billion) essentially driven by retained earnings (+41.7% y-t-d) and other reserves (+4.2% y-t-d) to ₦154.0 billion and ₦145.2 billion respectively.

The Basel 2 **capital adequacy ratio** of the Commercial Banking Group closed at 19.0% (Dec 2014: 16.7%), tier 1 ratio of 14.3% (Dec 2014: 12.5%). There are no immediate plans for any capital raising exercise as we continue to focus on optimising our balance sheet and retaining profits. . We will also drive more efficient allocation and monitoring of capital requirements across geographies within the banking group.

**Liquidity ratio** of 42.5% (Dec 2014: 44.0%)

[23] Statutory Credit Reserve

## Business Groups[24]:

Commenting on the results for the Commercial Banking Group, the GMD/CEO of First Bank of Nigeria Limited, Bisi Onasanya said*:*

*"FirstBank returned a 23.5% decline in profit before tax to ₦56.8 billion (Sept 2014: ₦74.3 billion). This has been a particularly difficult period for the Bank following a series of policy compliance measures testing our operating model and complicated by the tough macro-economic and socio-political environment.*

*We acknowledge these challenges and are instituting stronger measures to improve risk management capabilities, improve processes and drive operational cost efficiency through effective and value based cost management cost management initiatives including re-inventing and transforming the culture and customer service experience for all target segments".*

The **Commercial Banking Group**

- Gross earnings rose by 13.4% y-o-y to ₦359.5 billion (Sept 2014: ₦316.9 billion)
- Net interest income increased by 7.8% to ₦187.2 billion (Sept 2014: ₦173.7 billion)
- Non-interest income by increased by 12.7% to ₦77.9 billion (Sept 2014: ₦69.1 billion)
- Profit before tax decreased by 23.5% to ₦56.8 billion (Sept 2014: ₦74.3 billion)
- Total assets decreased by 1.6% y-t-d to ₦4.07 trillion
- Customers' loans and advances (net) of ₦1.9 trillion, was down by 12.4% y-t-d (Dec 2014: ₦2.2trillion)
- Customers' deposits decreased marginally (-2.1% y-t-d) to ₦2.9 trillion (Dec 2014: ₦3.0 trillion)

### First Bank of Nigeria Limited[25] ("FirstBank")

Gross earnings rose by 13.7% y-o-y to ₦322.0 billion (Sept 2014: ₦283.3 billion); net interest income increased by 5.5% to ₦164.9 billion (Sept 2014: ₦156.3 billion) and non-interest income increased by 16.2% to ₦70.3 billion following treasury management activities, ₦4.3 billion gain from the disposal of an equity investment and ₦3.6 billion growth in dividend income received from investment balances with subsidiaries as well as other income from investment securities. Profit before tax decreased 19.2% to ₦51.6 billion (Sept 2014: ₦63.9 billion). Total assets decreased marginally by 1.2% at ₦3.5 trillion, with net customers' loans and advances closing at ₦1.6 trillion (-12.4% y-t-d). Customers' deposits decreased by 2.5% to close at ₦2.49 trillion (Dec 2014: ₦2.55 trillion).

Regulatory policies and the operating environment have challenged the business in recent times in addition to changing technology landscape and customer preferences. In response to these, we are leveraging on the capabilities of our physical and digital channels to create compelling offerings aimed at acquiring, developing and retaining customers. We are continuously seeking ways of reducing complexity in Banking through implementation of self-service across the Bank's branches leveraging on the Bank's footprint, legacy and trust to build a strong digital banking space for customers across all categories – retail, individuals and corporates. The Bank has continued to make good progress in revenue generation and assumed leadership position in electronic business from domestic and international card issuance to electronic transaction processing and ATM deployment.

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[24] The pre-consolidation numbers of each of the business groups have been considered in discussing the performance of each business.
[25] This relates to FirstBank Nigeria Only

Electronic banking fees continues to sustain its growth pattern in the contribution to non-interest income closing at ₦12.7 billion (+47.0% y-o-y and +27.9% q-o-q) now replacing commission on turnover (COT) as the highest contributor to fees and commission. This continues to underscore the growing acceptance and importance of eBusiness as an increasingly viable source of income and our determination in observing market trends and pushing on strategies that will optimise our earnings from our various businesses.

As we continue to bring banking services closer and deepen financial inclusion, the Bank deployed a total of 2,712 ATMs (Sept 2014: 2,554) to date with increasing volume and value of available transactions through enhancing value-added services such as bill payments, airtime purchases and funds transfers, creating the opportunity to grow non-interest income. The total number of debit cards have continued to grow this year (+12.2 y-t-d) closing at 8.3 million with 5.6 million being Verve cards, representing 40% market share.

Firstmonie, similarly, has sustained its drive of deepening financial inclusion by registering about 3.4 million customers representing a growth of 76.4% y-o-y and 32.5% y-t-d. The number of agents as well as the value of transactions signed up and processed on the platform also grew by 13.7% y-o-y and 98.2% y-o-y to 13,866 and ₦17.8 billion respectively. This performance is a reflection of our focus on leveraging digital technology to grow our business. We see similar trends in our POS and FirstOnline (internet banking).

To sustain the growth of ebusiness/digital banking, we are developing strategic partnerships to promote ecommerce transactions as we continue to focus on identifying innovative ways to serve our customers excellently, reducing cost to serve and generating revenue.

### The Investment Banking and Asset Management (IBAM) Group

The key macroeconomic headwinds in Q2 lingered in the third quarter; oil prices remained weak, government revenues continued to dwindle, headline inflation rose to 9.4% in September (slightly above the CBN/MPC range/upper threshold of between 6% and 9% y/y). On a positive note, the CBN recorded a very modest increase in the external reserves from US$29.08bn to US$30.34bn between July and the end of September.

JP Morgan's September announcement of the phased removal of Nigeria from its GBI-EM indices for failing its liquidity and transparency tests resulted in a sell off by the affected investors and a momentary spike in the yields. Reduced foreign exchange and Naira liquidity as a result of the implementation of the Treasury Single Account (TSA) and the impact of CBN's many administrative measures on the foreign exchange side continues to create periodic volatility in the interbank markets. The NSE ASI gained 5.16% in September and closed the quarter at -6.69% due to losses recorded in the previous months. A significant number of foreign investors remain on the sidelines awaiting policy direction from the new administration.

Notwithstanding the challenging operating environment, gross income grew 65.5% y-o-y from ₦17.4 billion to ₦28.8billion, while profit before tax grew by 17.5% y-o-y from ₦7.2 billion to ₦ 8.4 billion. The key drivers of performance in the 9 months ended September 30, 2015 continued to be mainly the investment banking and trustee businesses of FBN Capital, and the fixed income sales & trading and corporate banking businesses of Kakawa Discount House. The Group's performance highlights the diversification of our product portfolio, and ability to take advantage of market opportunities.

We continue with our plans to commence merchant banking operations, and plan to formally launch Merchant Banking operations in November 2015. We also received an additional award during the quarter; 2015 Best Africa Investment Bank from Africa Investor Awards. Our awards continue to underscore our leadership position in the market.

The expected pick-up in business activity has been pushed farther out and we are now looking to Q1 2016 for a modest pickup. Notwithstanding, we expect key funding gaps in the oil & gas, manufacturing, infrastructure and financial services sectors and treasury related activities to drive the business for the rest of the year. Looking ahead, we do not anticipate meaningful market activity till Q2 2016 when the newly appointed ministers have announced policy direction and started to implement key initiatives.

## The Insurance Business group

The Nigerian Insurance sector welcomes a new Commissioner for Insurance and Chief Executive of the National Insurance Commission (NAICOM) - Alhaji Mohammed Kari. The market expects some level of regulatory stability given the new Commissioner was the Deputy Commissioner for Insurance (Technical) in the Commission before his appointment. As such, risk based approach to supervision became more apparent within the quarter and this is expected to drive quality capital management within the Industry.

The Life and General business remains the major contributor to the insurance business group delivering 91.8% of aggregate revenue and 86.9% of PBT. The brokerage business contributes the balance of 8.2% of aggregate revenue and 13.1% of the PBT. The Life Insurance business contributed 84.0% to the composite gross premium income (CGPI), with the Non-life business contributing 16.0%. The life business continues to grow; sustaining its contribution to the life business driven by the retail distribution channel at 70.7%, supported with some Public Sector business in the corporate distribution by 22.0% to Life's GPI

Aggregate revenue for the 'Insurance business group' increased by 53.1% y-o-y to ₦7.0 billion, from ₦4.6 billion, while profit before tax rose to ₦1.5 billion, up 70.5% y-o-y from ₦902.3 million in Sept 2014. Total assets of the business group closed at (+20.9% y-t-d) ₦22.1 billion (Dec 2014: ₦18.3 billion).

**– ENDS –**

## Conference call

FBNHoldings will host a question and answer teleconference call with analysts and investors on the unaudited nine months ended 30 September 2015 results on **Tuesday, 27 October 2015 at 2:00pm UK / 3:00pm Lagos / 10:00am New York / 4:00pm Johannesburg & Cape Town**.

The teleconference call facility can be accessed by dialling:
**0708 060 1884** (Nigeria)
**0800 279 4992** (UK) or **+44 20 3427 1919** (UK/Lagos); **+1 646 254 3361** or **+1 800 279 4992** (US); or **0800 991 539** or **+27 11 019 7076 (South Africa)**
And then entering the following confirmation code: **1496927#**

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

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

UK/Europe: **0800 358 7735** or **+44 20 3427 0598**; US: **+1 866 932 5017** or **+1 347 366 9565**

Passcode: **1496927#**

An investor presentation will be available on the FBNHoldings website a few hours before the call on Tuesday, 27 October 2015.

Click here to access the presentation.

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

- 9M 2015 Results Press release
- 9M 2015 Financial Statements

## For further information please contact:

| | |
|---|---|
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FBN Holding Plc.

**STATEMENT OF FINANCIAL POSITION**

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 30 September 2015 N 'millions | 31 December 2014 N 'millions | 30 September 2015 N 'millions | 31 December 2014 N 'millions |
| **ASSETS** | | | | | |
| Cash and balances with central banks | 14 | 750,208 | 698,104 | - | - |
| Loans and advances to banks | 15 | 433,113 | 460,911 | 869 | 3,261 |
| Loans and advances to customers | 16 | 1,908,678 | 2,178,980 | 95 | 80 |
| Financial assets at fair value through profit or loss | 17 | 30,748 | 27,601 | - | - |
| Investment securities | | | | | |
| -Available-for-sale investments | 18 | 751,807 | 553,154 | 8,693 | 2,806 |
| -Held to maturity investments | 18 | 131,544 | 158,485 | - | 1,466 |
| -Loans and receivables | | - | - | - | - |
| Asset pledged as collateral | 19 | 86,708 | 68,483 | - | - |
| Other assets | 25 | 46,443 | 40,692 | 3,323 | 14,361 |
| Inventory | 26 | 40,340 | 37,805 | - | - |
| Investment properties | 27 | 2,782 | 2,826 | - | - |
| Investments in associates accounted for using the equity method | 22 | - | - | 1,500 | 1,500 |
| Investment in subsidiaries | 20 | - | - | 261,984 | 260,777 |
| Property, plant and equipment | 23 | 86,946 | 88,208 | 1,315 | 1,519 |
| Intangible assets | 24 | 11,432 | 10,094 | - | - |
| Deferred tax assets | | 9,168 | 8,992 | - | - |
| | | 4,289,917 | 4,334,335 | 277,779 | 285,770 |
| Asset held for sale | 21 | 13,531 | 8,331 | 2,000 | 2,000 |
| **Total assets** | | **4,303,448** | **4,342,666** | **279,779** | **287,770** |
| **LIABILITIES** | | | | | |
| Deposits from banks | 28 | 206,377 | 171,151 | - | - |
| Deposits from customers | 29 | 2,999,557 | 3,050,853 | - | - |
| Financial liabilities at fair value through profit or loss | | 9,848 | 10,917 | - | - |
| Current income tax liability | 13 | 9,844 | 11,829 | - | - |
| Other liabilities | 32 | 148,053 | 132,633 | 5,516 | 9,590 |
| Liability on investment contracts | 33 | 64,485 | 60,617 | - | - |
| Liability on insurance contracts | | 11,299 | 8,260 | - | - |
| Borrowings | 30 | 273,490 | 369,707 | - | - |
| Retirement benefit obligations | 31 | 2,374 | 2,029 | - | - |
| Deferred tax liabilities | | 213 | 188 | - | - |
| | | 3,725,540 | 3,818,184 | 5,516 | 9,590 |
| Liabilities held for sale | 21 | 2,263 | 1,592 | - | - |
| **Total liabilities** | | **3,727,803** | **3,819,776** | **5,516** | **9,590** |
| **EQUITY** | | | | | |
| Share capital | 34 | 17,948 | 16,316 | 17,948 | 16,316 |
| Share premium | 35 | 252,892 | 254,524 | 252,892 | 254,524 |
| Retained earnings | 35 | 153,983 | 108,637 | 3,021 | 6,968 |
| Other reserves | | | | | |
| Statutory reserve | 35 | 65,825 | 65,278 | - | - |
| Capital reserve | 35 | 1,223 | 1,223 | 10 | 10 |
| SSI Reserve | 35 | 6,076 | 6,076 | - | - |
| AFS Fair value reserve | 35 | 14,341 | 12,532 | 392 | 362 |
| Contingency Reserve | 35 | 351 | 217 | - | - |
| Statutory credit reserve | 35 | 46,705 | 46,673 | - | - |
| Treasury shares | 35 | - | (18) | - | - |
| Foreign currency translation reserve | 35 | 10,661 | 7,399 | - | - |
| | | 570,005 | 518,857 | 274,263 | 278,180 |
| Non-controlling interest | | 5,640 | 4,033 | - | - |
| **Total equity** | | **575,645** | **522,890** | **274,263** | **278,180** |
| **Total equity and liabilities** | | **4,303,448** | **4,342,666** | **279,779** | **287,770** |

FBN Holding Plc.

**INCOME STATEMENT**

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 30 September 2015 N 'million | 30 September 2014 N 'million | 30 September 2015 N 'million | 30 September 2014 N 'million |
| **Continuing operations** | | | | | |
| Interest income | 5 | 300,382 | 255,722 | 490 | 2,584 |
| Interest expense | 6 | (107,463) | (79,231) | - | - |
| **Net interest income** | | **192,919** | **176,491** | **490** | **2,584** |
| Impairment charge for credit losses | 7 | (46,638) | (13,364) | - | - |
| **Net interest income after impairment charge for credit losses** | | **146,281** | **163,127** | **490** | **2,584** |
| Insurance premium revenue | 8 | 5,121 | 3,223 | - | - |
| Insurance premium revenue ceded to reinsurers | | (853) | (488) | - | - |
| **Net insurance premium revenue** | | **4,268** | **2,735** | **-** | **-** |
| Fee and commission income | 9 | 51,001 | 51,221 | - | - |
| Fee and commission expense | 9b | (7,143) | (5,125) | - | - |
| Net gains on foreign exchange | | 22,461 | 17,157 | 27 | - |
| Net gains/(losses) on investment securities | 10 | 3,988 | 833 | - | - |
| Net gains from financial instruments at fair value through profit or loss | 11 | 3,477 | 1,531 | - | - |
| Dividend income | | 1,450 | 2,190 | 1,063 | 1,173 |
| Other operating income | | 3,016 | 1,657 | 30 | 5 |
| Insurance claims | | (1,946) | (939) | - | - |
| Personnel expenses | | (62,509) | (62,598) | (278) | (218) |
| Depreciation, amortisation and impairment | | (10,033) | (9,368) | (285) | (5,449) |
| Operating expenses | 12 | (94,748) | (89,272) | (1,731) | (2,443) |
| **Operating profit/ (loss)** | | 59,563 | 73,150 | (684) | (4,348) |
| Share of profit of associates | | - | 599 | - | - |
| **Profit/ (loss) before tax** | | **59,563** | **73,749** | **(684)** | **(4,348)** |
| Income tax expense | 13 | (9,346) | (18,122) | - | - |
| **PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **50,217** | **55,627** | **(684)** | **(4,348)** |
| **Discontinued operations** | | | | | |
| Profit for the year from discontinued operations | 21 | - | - | - | - |
| **PROFIT/ (LOSS) FOR THE PERIOD** | | **50,217** | **55,627** | **(684)** | **(4,348)** |
| **Profit/(loss) attributable to:** | | | | | |
| Owners of the parent | | 49,545 | 55,282 | (684) | (4,348) |
| Non-controlling interests | | 672 | 345 | - | - |
| | | **50,217** | **55,627** | **(684)** | **(4,348)** |

## - Notes to Editors -

FBN Holdings Plc. (ISIN: NGFBNH000009) is the most diversified financial services group in Nigeria. The subsidiaries of FBNHoldings offer a broad range of products and services across commercial banking, investment banking and asset management, insurance and microfinance business in 12 countries (Lagos, Nigeria; London, United Kingdom; Paris, France; Johannesburg, South Africa; Beijing, China; Abu Dhabi, UAE; Kinshasa, Democratic Republic of Congo, Accra, Ghana; Banjul, Gambia, Conakry, Guinea, Freetown, Sierra Leone and Dakar, Senegal). The Group, employing about 9,800 staff, has about 10.6 million active customers (in its principal commercial banking business), through about 863 business locations (599 local branches, 70 QSP, 61 agencies/cash centres and 133 (local and international) subsidiary locations[26]) and about 2,700 ATMs. The Group boasts an excellent corporate governance structure underpinned by strong institutional processes, systems and controls. FBN Holdings Plc. is structured under four business groups, namely: Commercial Banking, Investment Banking and Asset Management, Insurance, and Other Financial Services.

**Commercial Banking Business group** comprises First Bank of Nigeria Limited, FBNBank (UK), FBNBank DRC[27], West Africa[28] subsidiaries, representative offices in Abu Dhabi, Beijing, Johannesburg and Paris as well as First Pension Fund Custodian and FBN Mortgages. FBNHoldings' principal subsidiary is First Bank of Nigeria Limited (FirstBank), a commercial bank with operations in 12 countries offering banking services to both individual and corporate clients.

The **Investment Banking and Asset Management (IBAM) Business group** comprises businesses that help arrange financing, provide advisory services, trade securities, administer assets, manage funds and invest capital, for both institutional and individual clients. FBN Capital is the arrow-head for this business, with FBN Funds, FBN Trustees, FBN Securities, and FBN Capital Asset Management as its subsidiaries. FBN Holdings' acquisition of Kakawa Discount House will strengthen IBAM's suite of products, services and client base, particularly as Kakawa transitions to a Merchant bank.

**Insurance Business group** comprises FBN Insurance Limited (owned by FBNH 65% and Sanlam 35%) and FBN Insurance Brokers (100% owned subsidiary). The business group offers Life and General insurance services and insurance brokerage services.

**Other Financial Services Business group** comprises the Group's non-operating holding company and other non-banking financial services businesses

FBN Holdings Plc. was incorporated in Nigeria on 14 October 2010, following the business reorganisation of the FirstBank Group into a holding company structure. The Company was listed on the Nigerian Stock Exchange under the 'Other Financial services' sector on 26 November 2012 and now has issued and fully paid-up share capital as 35,895,292,792 ordinary shares of 50 kobo each (₦17,947,646,396). FBNHoldings is owned by about 1.3 million shareholders across the globe and has an unlisted Global Depositary Receipt (GDR) programme. More information can be found on our website www.fbnholdings.com

[26] Local and international
[27] Previously, Banque Internationale de Credit (BIC)
[28] Comprising locations in Ghana, Gambia, Guinea, Sierra Leone, Ghana and Senegal

## Cautionary note regarding forward looking statements

*This release contains forward-looking statements which reflect management's expectations regarding the Group's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend", "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Group's management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. Forward-looking statements therefore speak only as of the date they are made.*

*FBNHoldings cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Group's continuous disclosure materials filed from time to time with the Nigerian banking regulatory authorities. The Group disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*