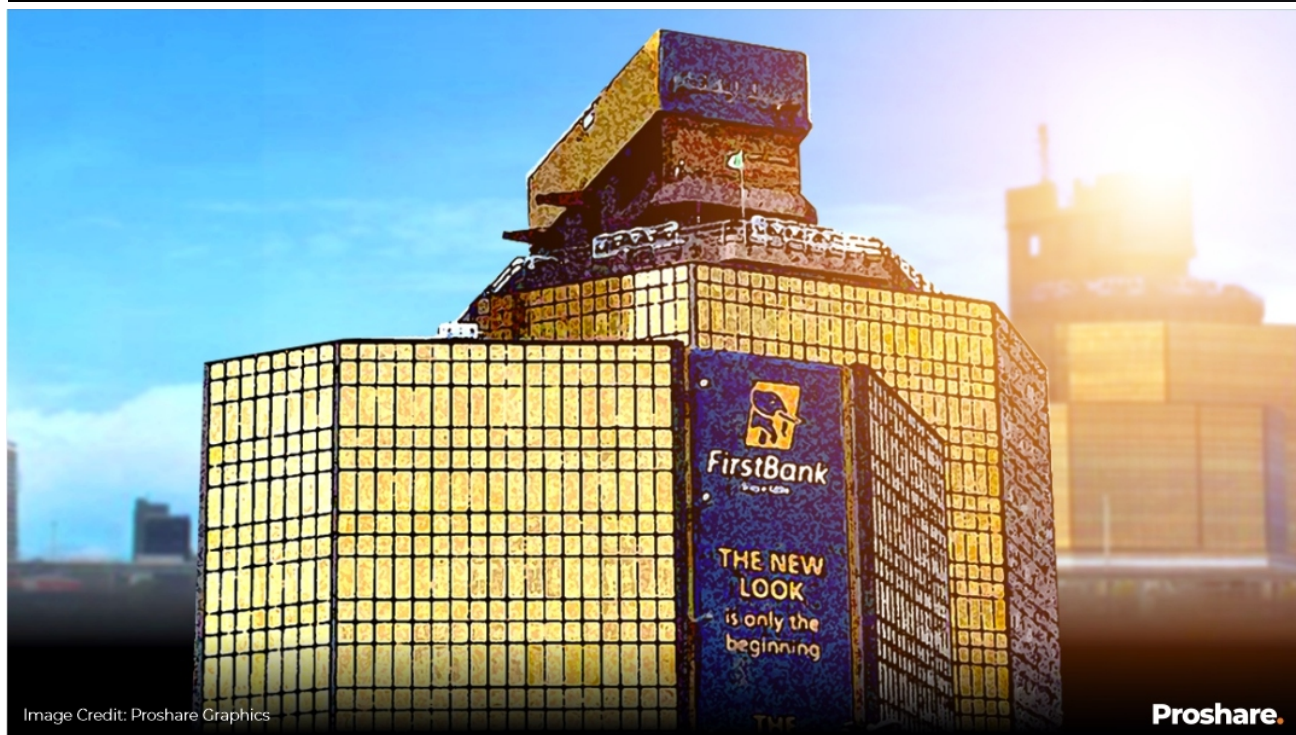




FBN Holdings H1 2024 Result: Net Profit Grew +95.16%, Off the Back of Net Gains from FVTPL.



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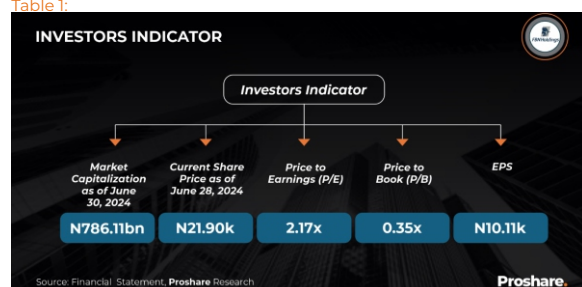
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Aggressive regulatory rate hikes and strategic risk hedging have caused Nigeria's widening interest rate spread to generate an income boon for local deposit money banks (DMBs). The local banking industry has seen earnings and net profit rally despite the difficult macroeconomic environment. The impressive performances of banks have attracted regulatory attention, resulting in a few policies designed to redistribute the notional '**excess profit**' banks have made in the last year. This has led to the introduction of policies to rebalance the spread of corporate gains, like charging a 70% windfall tax (which starts in 2023 and ends in 2025) and a zero net open (NOP) position on banks' foreign exchange (FX) transactions. The restriction on net open position to 20% of shareholders' equity closed the opportunities for banks to earn high revaluation gains, but banks could leverage their off-balance sheet assets to sustain gross earnings growth.

For example, Nigeria's oldest bank, **FBNH**, saw its gross earnings rise by 118.76% to N1.40trn in H1 2024, driven by more considerable net interest income (NII) and net fair value gains on FVTPL to cushion the foreign exchange revaluation loss of N192bn and rising operating expenses. Analysts observed that **FBNH** fell among the few banks with foreign exchange losses, exempting it from the Finance Ministry-supported 70% windfall tax. The group's profit growth and positive financial ratios would persist in the remaining quarters,

placing **Holdco** in a bright spot relative to other financial holding companies with heavy FX revaluation gains subject to windfall tax deductions. The positive outlook should spur healthy buy interest when Holdco unveils its capital raise plan to bridge its N250bn capital gap, which market intelligence suggests will be quickly covered by strategic market interests. (see table 1).

Table 1:



In months ahead, the bank's new chief executive officer, Olusegun Alebiosu, will have to lead a financial lending institution eager to reestablish market competitiveness. According to analysts, the bank must be aspirational and ready to translate customer expectations into cutting-edge products and services; otherwise, it will flounder in the bloody waters of competitive aggressors with ample capital to spare, as most banks build a strategic equity war chest to gain market advantage.

The group will likely see its group Managing Director leave in the next few months, and who replaces him becomes crucial for the working harmony between Holdco and the bank. So far, the group has pulled away from the challenges faced half a decade ago when the bank board and that of the Holdco were at daggers drawn. Not all the difficult oversight and human capital conflicts have been resolved. Still, they are, thankfully, not as severe as they were in the recent past when Proshare wrote its intervention report '**FBNH: Unpacking a Board Resignation and the Role of Regulatory Oversight.**'

Key Highlight for H1 2024.

- ⦿ FBN Holdings gross earnings rose by +118.76% from N641.10bn in H1 2023 to N1.40trn in H1 2024.
- ⦿ Increased loan and advances drove a +118.75% growth in interest income to N514.93bn and a +71.06% growth in non-interest income in H1 2024.
- ⦿ The group's operating and personnel expenses increased by +95.05% and +109.98% to N445.70bn and N134.20bn, respectively, in H1 2024.

- ⦿ Despite the higher operating expenses, the group's Profit before tax rose by +100.92% from N205.05bn in H1 2023 to N411.99bn in H1 2024, and profit after tax grew by +95.16% to N365.30bn in H1 2024 from N187.18bn in H1 2023.
- ⦿ Total assets rose by +38.30% to N23.43trn in H1 2024 from N16.94trn in H1 2023.
- ⦿ Loans and advances rose by +82.03% to N12.25trn in H1 2024 from N6.73trn in H1 2023.
- ⦿ Customer deposits increased +63.07% to N15.13trn in H1 2024 from N9.04trn in H1 2023, while deposits from banks grew by +90.48% to N2.66trn in H1 2024.
- ⦿ Shareholder's funds rose by +60.59% to N2.21trn in H1 2024 from N1.38trn in H1 2023.
- ⦿ Earnings per share increased to N10.11k in H1 2024 from N5.19k in H1 2023.
- ⦿ FBNH's Net Impairment Charge rose +136.15% to N421.95bn in H1 2024 from N178.68bn in H1 2023.
- ⦿ Retained earnings rose +63.07% from N580.10bn in H1 2023 to N945.95bn in H1 2024.
- ⦿ FBN Holdings recorded a +68.18% rise in FX revaluation loss from N98.14bn in H1 2023 to N165.05bn in H1 2024.
- ⦿ Other operating income rose +628.08% from N5.20bn in H1 2023 to N37.86bn in H1 2024.

Key Highlight for Q2 2024.

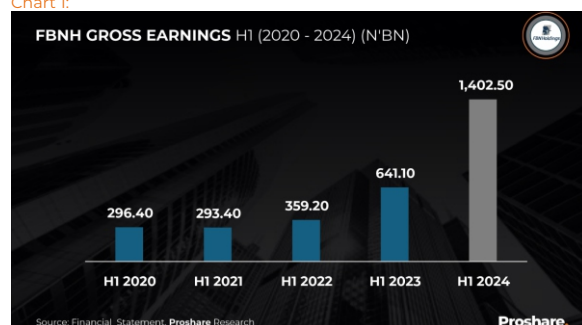
- ⦿ FBN Holding interest income rose +154.07% to N501.55bn in Q2 2024 from N197.41bn in Q2 2023.
- ⦿ The group's other operating and personnel expenses rose +89.05% and +110.57% to N147.82bn and N70.10bn, respectively, in Q2 2024.
- ⦿ The group's pre-tax profit rose by +18.78% from N149.70bn in Q2 2023 to N177.82bn in H1 2024, and profit after tax grew by +14.64% to N157.19bn in Q2 2024 from N137.12bn in Q2 2023.
- ⦿ Dividend income rose +79.39% to N7.66bn in Q2 2024 from N4.27bn in Q2 2023.
- ⦿ Net interest income rose +180.54% to N237.03bn in Q2 2024 from N84.49bn in Q2 2023.
- ⦿ Impairment charge rose +27.94% to N51.05bn in Q2 2024 from N39.90bn in Q2 2023.

Gross Earnings.

FBNH's gross earnings grew by +118.76% from N641.10bn in H1 2023 to N1.402.50bn in H1 2024. The earnings growth came from increased interest and non-interest income, with a 68% and 32% distribution, respectively. The triple-digit growth

in interest income was driven by investment securities (+182.179%), loans and advances to banks (+320.26%), and loans and advances to customers (+131.80%). The non-interest income was driven by net gains FVTPL and gains from sales of investment securities. Analysts expect the rate hikes to sustain interest and non-interest income rally (see chart 1).

Chart 1:



Profitability.

FBN Holdings grew its profitability despite macroeconomic challenges. Solid gross earnings growth and Net gains from financial instruments at fair value created enormous leverage for FBN Holdings, absorbing a +95.05% rise in operating expenses and a +109.98% rise in personnel costs. Thus, the group's Profit before tax rose by +100.92% to N411.99bn, and profit after tax rose by +95.16% to N365.30bn in H1 2024. Analysts observed the group recorded an FX revaluation loss of N165.05bn in H1 2024, exempting the HoldCo from the proposed 70% windfall tax deduction (see chart 2).

Chart 2:



Financial Position.

The Group's financial position improved as total assets rose by +38.30% to N23.43trn in H1 2024, driven by loans and advances, investment securities, and cash equivalents, which grew by +82.05%, +35.71% and +22.46%, respectively. The increased profit for the period led to a +60.59% increase in the shareholder's equity to N2.21trn from N1.34trn in H1 2023, driven by a +63.07% rise in retained earnings to N945.95bn in H1 2024 (see table 2).

Table 2:

	H1 2023 (N'bn)	H1 2024 (N'bn)
Loan and Advance	6728.43	12247.78
Investment Securities	2954.87	4009.96
Customer Deposit	9042.13	15130.58
Retained Earnings	580.10	945.95
Shareholder's Fund	1378.32	2213.50
Total Asset	16937.70	23425.53
Cash And Cash Equivalent	2032.61	2489.20
Share Capital	17.95	17.95

Financial Ratio.

The positive net earnings and other line items improved the group's financial ratios. The profitability ratios improved with return on assets, return on equity, and net interest margin increased, reflecting better capital utilisation. The increased loan creation drove loan to assets and loan to deposit higher to 52.28% and 68.86%, respectively, in H1 2024. Despite the heightened default risk, the NPL declined to 4.20% in H1 2024, indicating lower loan exposure. However, the group's cost to income and cost of funds rose to 46.90% and 2.30% in H1 2024, indicating higher operating pressure (see table 3).

Table 3:

	H1 2023	H1 2024
Return on Equity	31.50%	36.90%
Return on Assets	3.00%	3.60%
Cost to Income	46.60%	46.90%
NPL	4.30%	4.20%
Cost of Risk	1.90%	2.30%
Net Interest Margin	5.80%	7.70%
Loan to Assets	39.72%	52.28%
Loan to Deposit	64.47%	68.86%

Valuation.

The group's higher earnings per share (EPS) and book value per share (BV/P) rose, leading to a fall in the price-to-earnings ratio (PER) to 2.17x in H1 2024 from 3.29x in H1 2023 and the price-to-book ratio (PBV) to 0.35x in H1 2024 from 0.44x in H1 2023 (see table 4).

Table 4:

Price to Earnings (P/E)	Price to Book (P/B)
H1 2023: 3.29x	H1 2023: 0.44x
H1 2024: 2.17x	H1 2024: 0.35x

Share Price **Movement.**

The group's share price started the year with a bullish run, rising to a peak of N29.35k before slipping to N21.70k by the end of January 2024. By February, the share price shimmied upward, peaking at N43.95k on March 19, 2024, but restored the downward fluctuation, declining to a support price of N18.50k on April 25, 2025. The share price rose slightly in May, rising to N28.25k, but eventually settled at N21.90k by the end of H1 2024 with a negative year-to-date (YTD) return of -7.01% as of June 28, 2024, slightly lower than the NGX Banking index YTD return of -7.47% (see chart 3).

Chart 3:



Closing **Thoughts.**

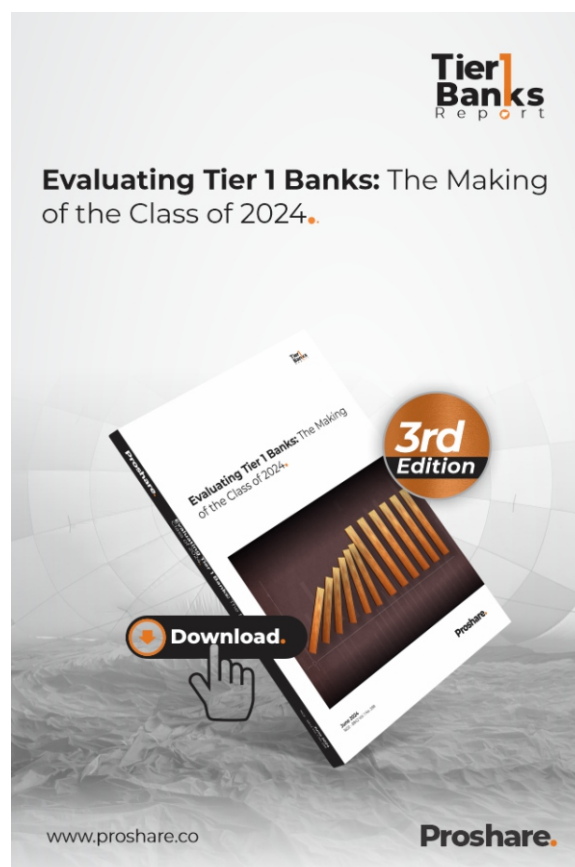
Beneath the positive numbers, the recent strategic board and management member appointments for HoldCo and FBN Limited suggest a pursuit of tighter corporate governance to ensure efficiency. Analysts expect the new leadership to strengthen risk management (relatively low nonperforming loans (NPLs)), cost minimisation (lower cost-to-income ratio (CIR)), and technology evolution to catch up with Neo banks.

With more considerable capital and even bigger aspirations, FBNH would be expected to drive a more aggressive digital banking structure, integrating customer journey experiences into self-service solutions. Analysts expect to see a group with a more significant loan portfolio diversity as the risk unit works overtime to keep nonperforming loans and advances at their historical lowest. The new chief executive officer (CEO) bats off from his role as the risk general under Dr. Adesola Adeduntan, the bank's immediate past CEO.

Strategic continuity and tight risk protection may be the hallmarks of the new CEO, Mr. Olusegun Alebiosu's tenure. However, he must cope with the high expectations of an activist-investor group chairman, Femi Otedola, who keenly understands the commas behind each comprehensive income

statement number. Otedola is the kind of taskmaster who believes in cutting out corporate fat while living with sizable lean meat. This appears to be reflected in the group's sustained fall in cost-to-income ratios (CIRs). However, Alebiosu is no slouch; he has adequate institutional experience to understand the lending group's pain points and the actions needed to treat the aches.

However, with the decision to retain an international banking licence, analysts are worried about the group's ability to optimise using the additional capital resulting from its recapitalisation programme. The group has not been enthusiastic about expansion by acquisition and so its expansion programme may be more conservative than rivals and rely more on organic growth by opening fresh branches in new continental markets. While understandable, the conservative approach could be costly, both in terms of customer acquisition and speedily reaching desired **breakeven** thresholds in new markets. These issues may concern the group's board of directors as the bank attempts to show, in the words of IBM America's legendary chief executive officer, Louis Gerstner, that '**Elephants can dance**'.



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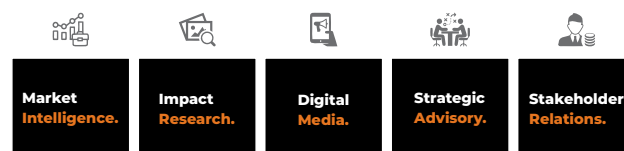
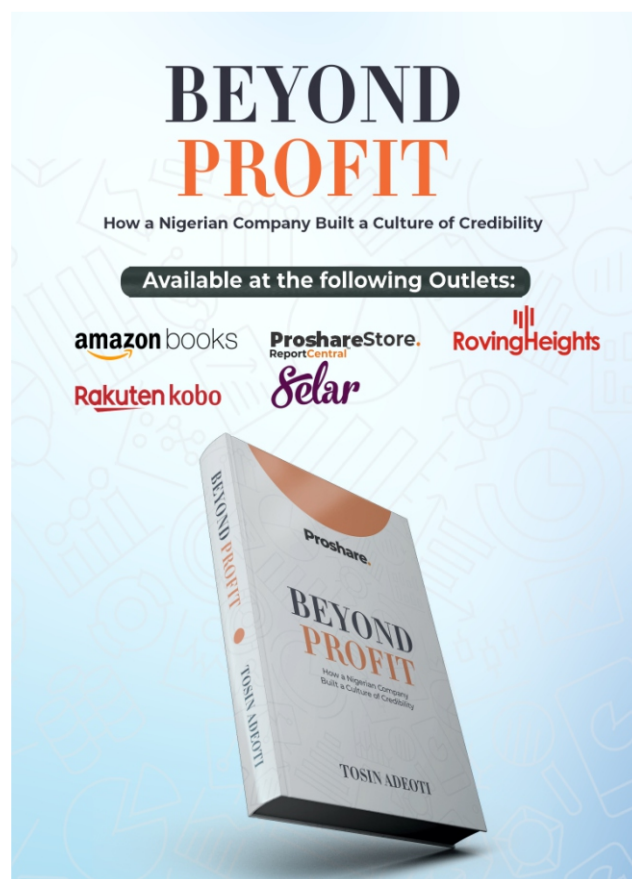
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