

FCMB



HY2019

INVESTORS & ANALYSTS PRESENTATION
1 AUGUST 2019



Introduction

HY 2019 Results Overview

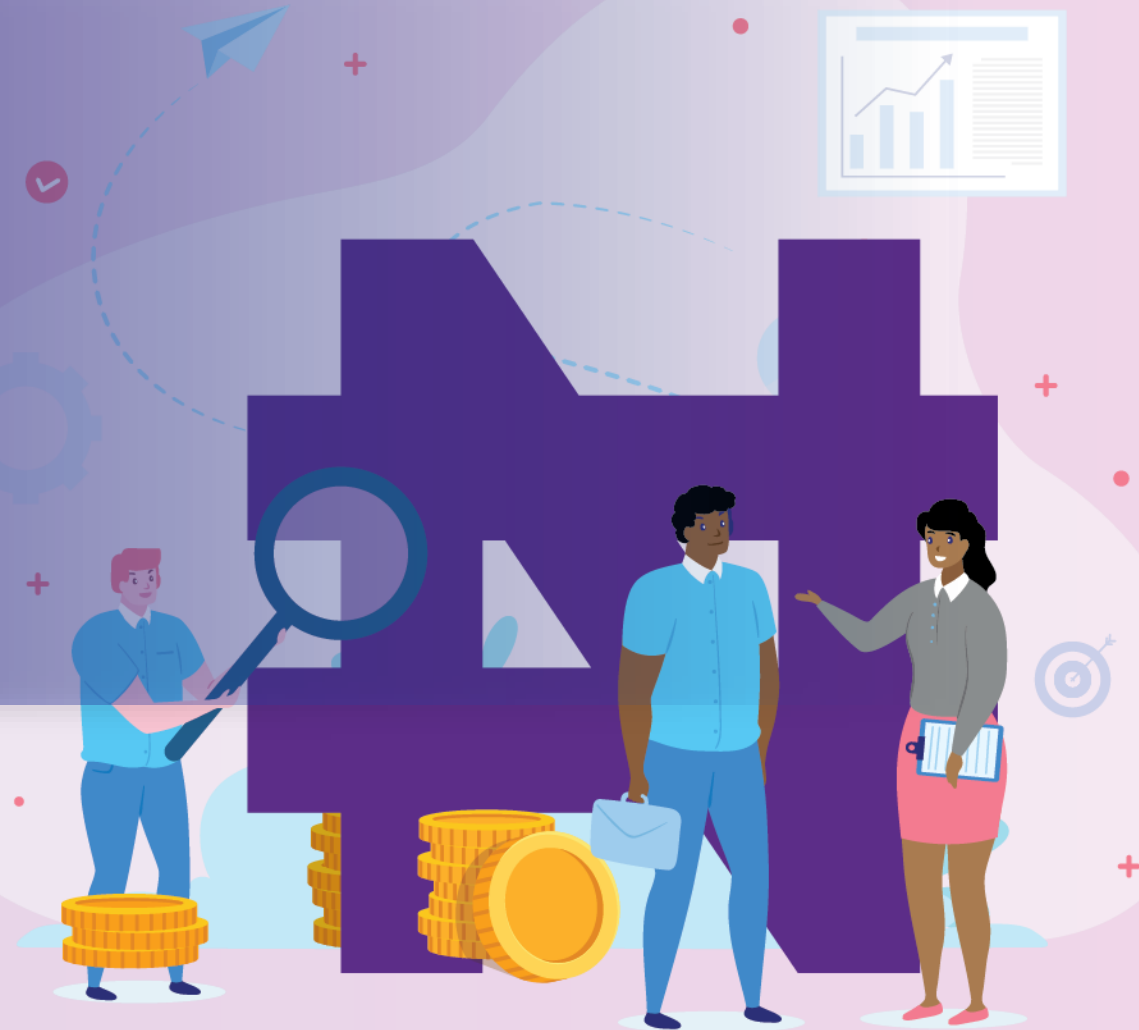
Commercial & Retail Banking: Performance Review

Commercial & Retail Banking: Risk Management Review

Asset & Wealth Management Review

Investment Banking Review

Looking Ahead: *Business Outlook*



Introduction: FCMB Group Plc

Mr. Peter Obaseki
Chief Operating Officer: FCMB Group Plc



Strategic Themes



Building Resilience:

- ❖ Capital Adequacy Ratio above regulatory minimum - closed at 16.3% as at 2Q19 vs. 16.4% as at 1Q19 – improvements expected in 2019 via retained earnings and a tier 2 raise by the end of the year.



Diversification:

- ❖ Customer strength, across our group of companies, is c. 5.8 million¹ as at June 2019.
- ❖ Personal and business banking represent c. 29% of the loan book and it's expected that contribution will continue to grow.
- ❖ Non-Banking business accounts for 10% of PBT

Innovation:



- ❖ **Automation of consumer loan underwriting and business loans under N5million:** enhancing efficiency, scalability and customer experience (speed). Over 20 employees being deployed towards more productive activities.
- ❖ **Launch of Easy Account:** A next generation mobile money account designed to accelerate our customer acquisition, lending and payments volumes. Utilising the phone number as your account number, it functions as a regular NUBAN account and can be upgraded seamlessly in a level 2 and level 3 KYC account. 250,000 accounts opened in 2 months. Low active ratio being addressed with a view to acquiring 500,000 active Easy Accounts over the next 12 months.
- ❖ **Launch of new FCMB App:** our new mobile banking app allows instant account opening, payments, investment and borrowing. The app also brings development control to the bank allowing for more rapid customisation and co-creation with our customers. Insights from customers have been positive.
- ❖ **Launch of Fastcash:** Digital lending platform.
- ❖ **Launch of Enterprise Service Bus (ESB)/ Application Programming Interface (API) Platform:**
 - Investment in a technology platform which is fit-for-purpose that will improve customer engagement and user experience.
 - Development of the USSD platform on the ESB has commenced to drive the innovative deployment of the Easy Account which will enhance our partnerships and collaborations in mobile money, collections and payment business;
 - Continue to grow the required partnerships, across all business segments, to remain competitive in the market.

Notes:

This figure includes total customer numbers for the Bank, active Easy Account holders; Credit Direct Ltd customers; total no. of registered RSAs (less invalids) with FCMB Pensions Ltd.

> **HY19 Results Overview:
FCMB Group Plc**

**Mr. Kayode Adewuyi
Chief Financial Officer: FCMB Group Plc**



Group Performance Highlights: ROaE and ROaA improved QoQ and YoY, driven by reduction in CIR. While coverage ratio improved, supported by growth in cost of risk. The bank is in compliance with the new CBN's minimum LDR guideline.

Performance Index		1Q19	2Q19	%Δ QoQ	HY18	HY19	%Δ YoY
Operating	Return on Average Equity	7.9%	8.4%	7%	6%	8.2%	29%
	Return on Average Assets	1.0%	1.1%	3.8%	1.0%	1.0%	7.9%
	Loan/Deposit Ratio	73.9%	75.1%	1.5%	81.2%	75.1%	-7.6%
	Loan/Funding Ratio	55.6%	51.7%	-6.90%	60.91%	51.7%	-15.07%
	Cost/Income Ratio	75.0%	72.1%	-3.9%	72.1%	73.5%	1.9%
	Net Interest Margin	7.6%	7.6%	0.9%	8.0%	7.4%	-7.3%
	NPL/Total Loans	4.3%	4.3%	-0.4%	5.7%	4.3%	-23.6%
	Coverage Ratio	145.8%	157.2%	7.8%	132.5%	157.2%	18.7%
	NII/Operating Income	29.3%	27.6%	-5.6%	31.9%	28.4%	-11.0%
	Financial Leverage	7.7	7.9	2.8%	6.6	7.9	19.8%
	Cost of Risk	1.0%	1.8%	69.0%	1.8%	1.4%	-22.5%
Capital & Liquidity	Capital Adequacy Ratio	16.4%	16.3%	-0.6%	18.0%	16.3%	-9.5%
	Liquidity Ratio	47.7%	40.2%	-15.7%	40.6%	40.2%	-1.0%
Investment	Share Price	1.86	1.63	-12.4%	2.18	1.63	-25.2%
	NAV(N'B)	187.9	189.0	0.6%	177.0	189.0	6.8%
	Dividend (Kobo)	0	0	0.0%	0	0	0.0%
	EPS (Kobo)	18	20	8.1%	57	38	-33.7%
Others	Opex (N'B)	19.7	19.9	1.0%	37.4	39.7	6.2%
	Risk Assets (net) (N'B)	615.2	617.9	0.4%	586.0	617.9	5.4%
	Customer Deposits (N'B)	831.9	823.0	-1.1%	721.3	823.0	14.1%

N'm	PBT	PAT	Size of revenue	ROAE	NAV	% Contribution to Group PBT
<i>Commercial & Retail Banking Group¹</i>	7,882	6,844	87,146	8.1%	173,480	89%
<i>Asset & Wealth Management Group²</i>	700	493	1,914	23.4%	4,523	8%
<i>Investment Banking Group³</i>	128	87	773	8.3%	3,647	1%
<i>FCMB Group Plc (Separate)</i>	106	106	589	n/a	1,335	1%
FCMB Group Plc (consolidated)	8,816	7,530	89,786	8.2%	188,981	100%

Notes:

1. Includes FCMB Bank Ltd (and its subsidiary, FCMB (UK) Ltd); FCMB Microfinance Bank Ltd, Credit Direct Ltd.
2. Includes FCMB Pensions Ltd; FCAM Ltd and FCMB Trustees Ltd.
3. Includes CSL Stockbrokers and FCMB Capital Markets Ltd.

Group Statements of Comprehensive Income: PBT grew 5% QoQ and 24% YoY driven mainly by increase in NRFF. However, growth in Fees & Commissions could not fully offset decline in Trading Income and, consequently, there was a marginal decline in Non Interest Income QoQ and YoY

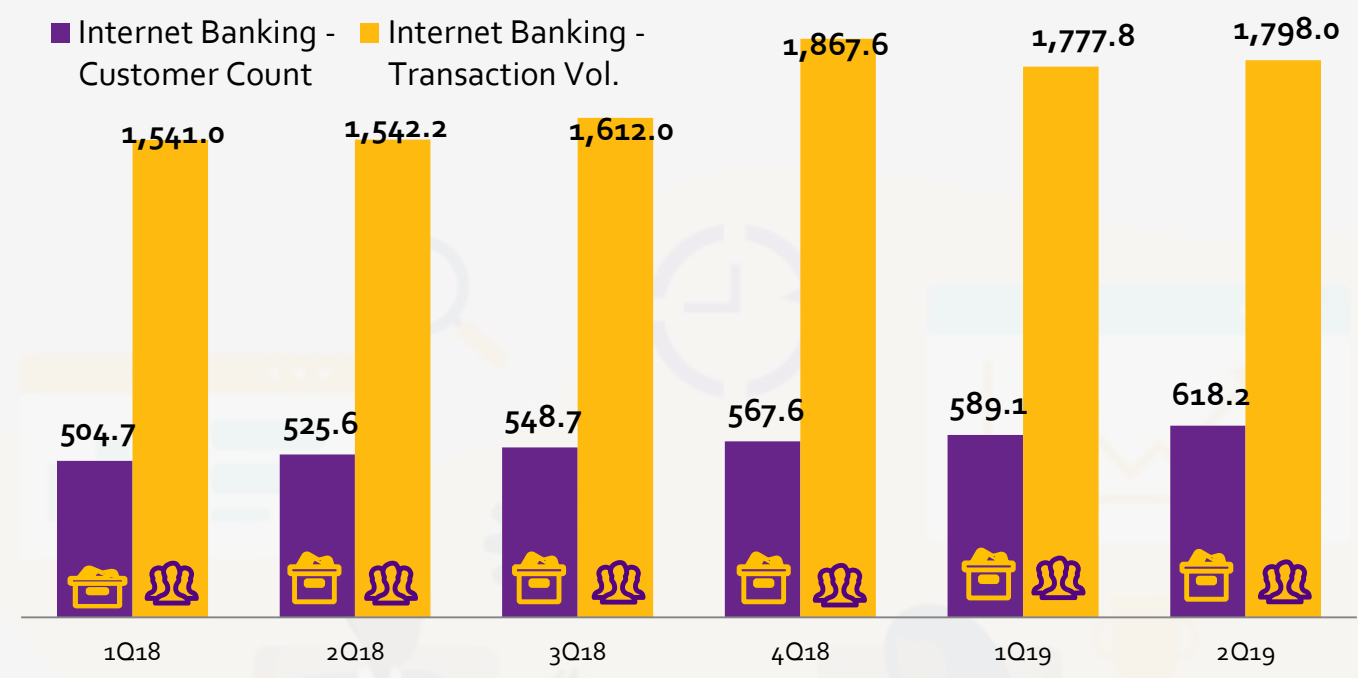
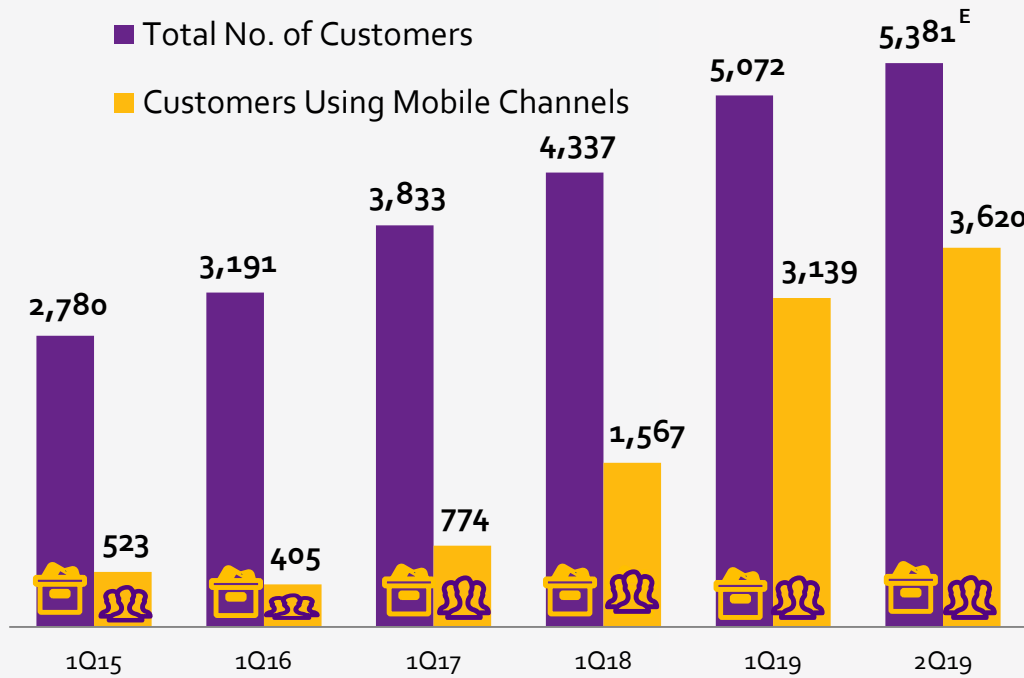
N'm	1Q19	2Q19	%Δ QoQ	HY18	Hy19	%Δ YoY
Revenue	43,904	45,882	4.5%	83,925	89,786	7.0%
Interest Income	34,405	35,973	4.6%	64,310	70,378	9.4%
Interest Expense	(15,787)	(15,937)	0.9%	(29,041)	(31,724)	9.2%
Net Interest Income	18,618	20,036	7.6%	35,269	38,654	9.6%
Non Interest Income	7,706	7,646	-0.8%	16,537	15,351	-7.2%
- Net Fees & Commissions	4,958	5,143	3.7%	9,934	10,101	1.7%
- Trading Income	2,162	1,377	-36.3%	3,912	3,539	-9.5%
- FX Income	483	488	1.1%	1,349	971	-28.0%
- Others	104	637	513.3%	1,343	741	-44.8%
Operating Income	26,324	27,682	5.2%	51,806	54,005	4.2%
Operating Expenses	(19,742)	(19,949)	1.0%	(37,369)	(39,691)	6.2%
Net impairment loss on financial assets	(2,285)	(3,213)	40.6%	(7,333)	(5,498)	-25.0%
PBT	4,296	4,520	5.2%	7,105	8,816	24.1%
PAT	3,618	3,912	8.1%	5,726	7,530	31.5%

Group Performance Review: Commercial & Retail Banking

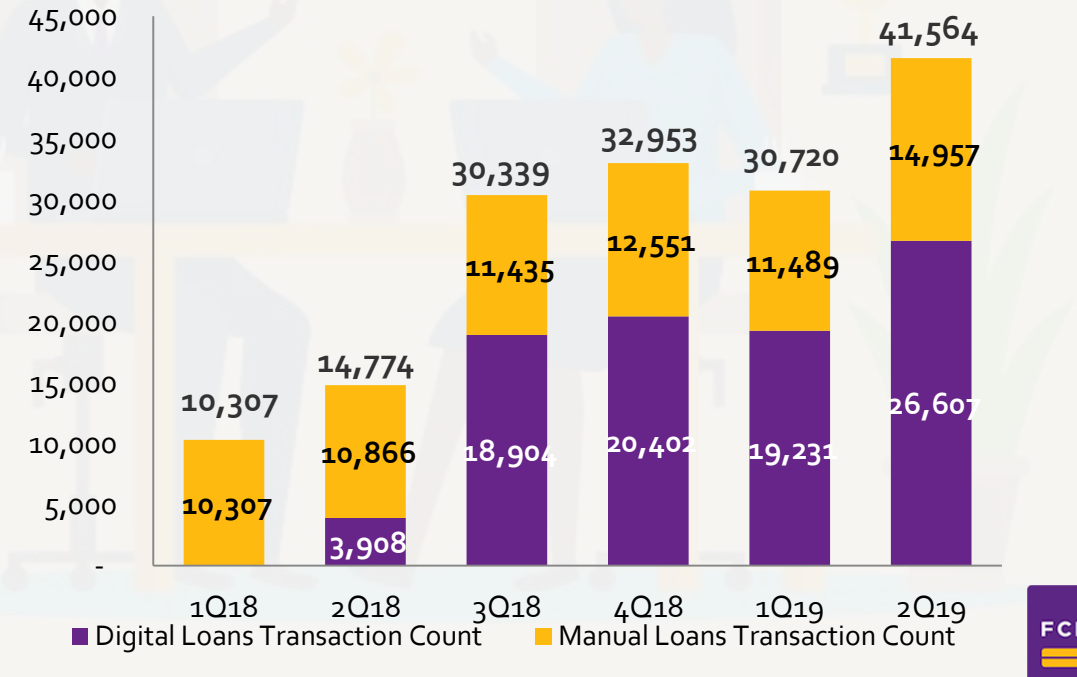
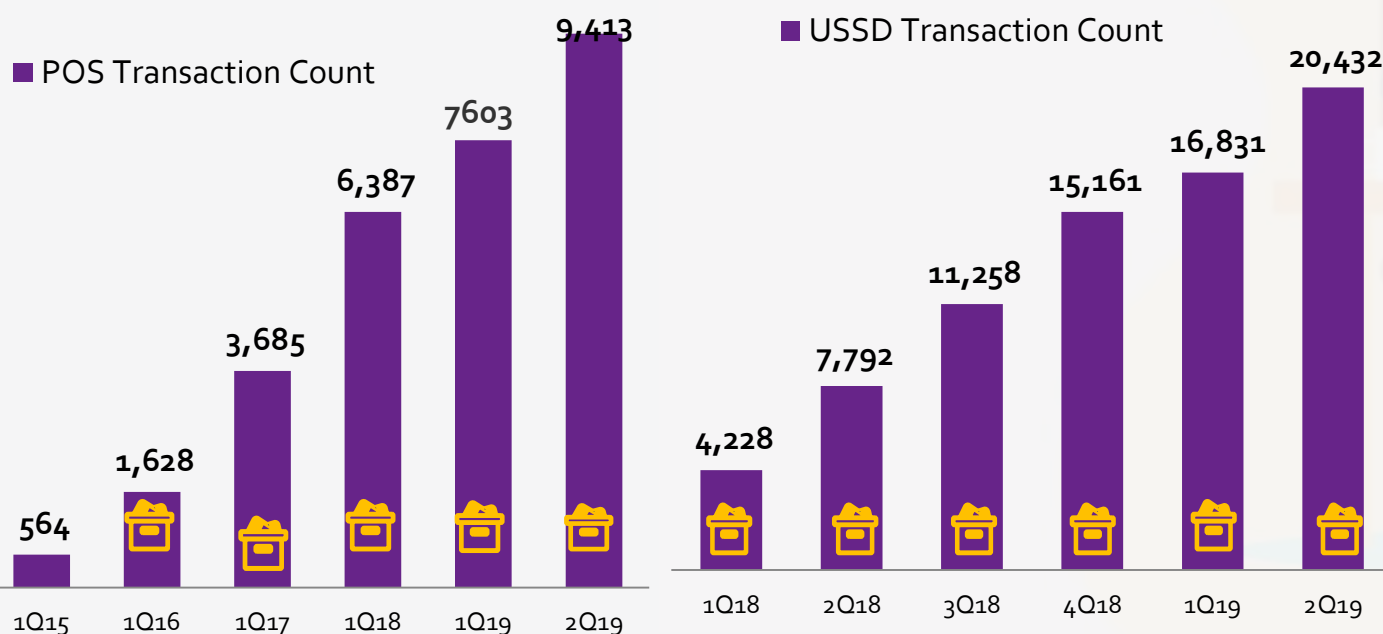


Mr. Adam Nuru
Managing Director: FCMB Ltd

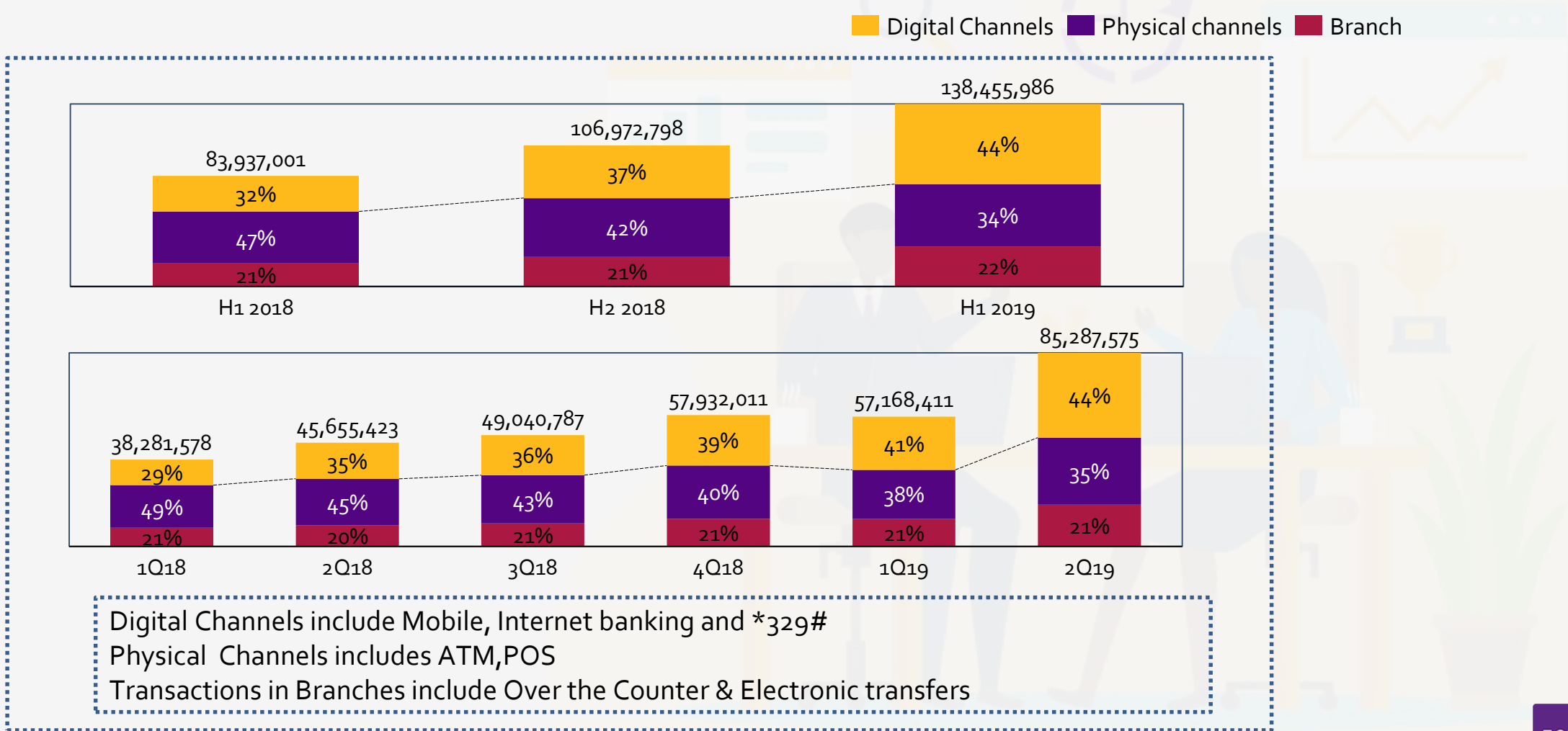




^E Includes Easy Account Customers



- Digital channel contribution to total retail transactions is **44% H1 2019** compared to **32% H1 2018**.



Personal Banking

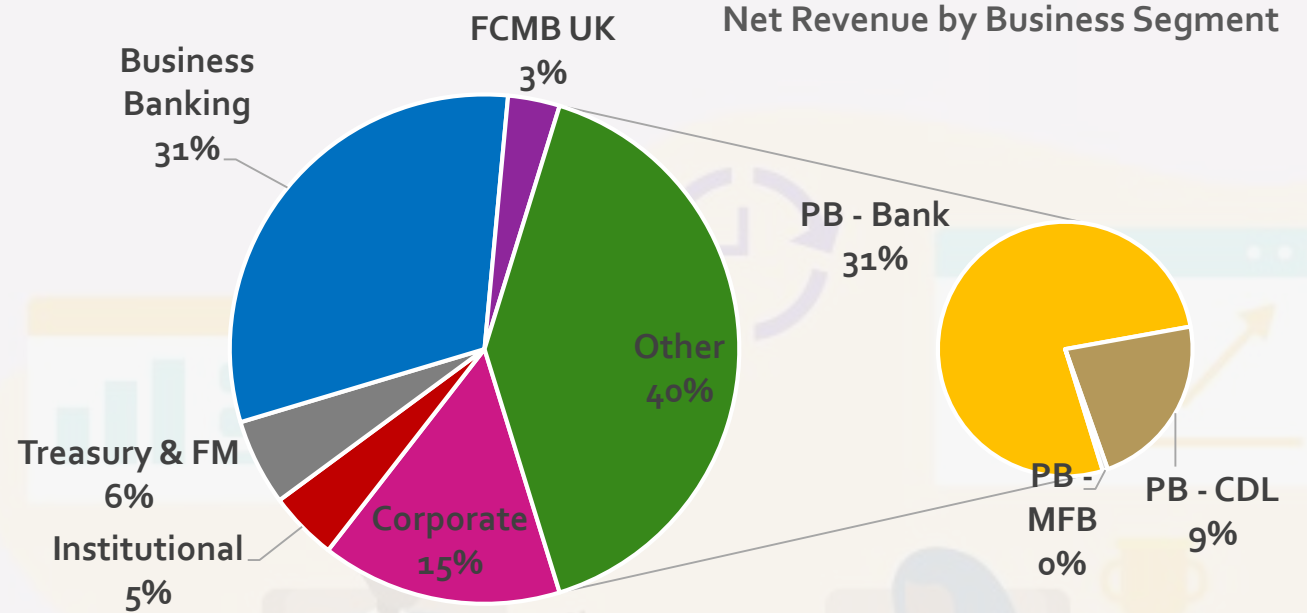
- With a 40% contribution, personal banking continues to be a major earner of net revenue. Our retail-led strategy continues to yield positive results with alternate channels drive and Digital Banking initiatives such as USSD, *329# and FCMB mobile app;
- Stable deposit base, with the right low-cost mix driven by new customer acquisition and retention of deposits from existing customers;
- 40% of unique retail customers enrolled on electronic/digital channels;
- 44% of retail transactions now done on electronic/digital banking channels;
- The segment will continue to drive digital initiatives that will moderate OPEX and cost of funds

Business Banking

- Contributed 31% to net revenue, a 14.7% YoY increase, driven majorly by growth in Non-Interest Income;
- 41% of SMEs enrolled on mobile/internet banking products
- Digitised SME lending to improve loan origination and processing
- 11,314 new customers acquired as at 2Q19.

Corporate Banking

- Contributed 15% to net revenue.



Institutional banking

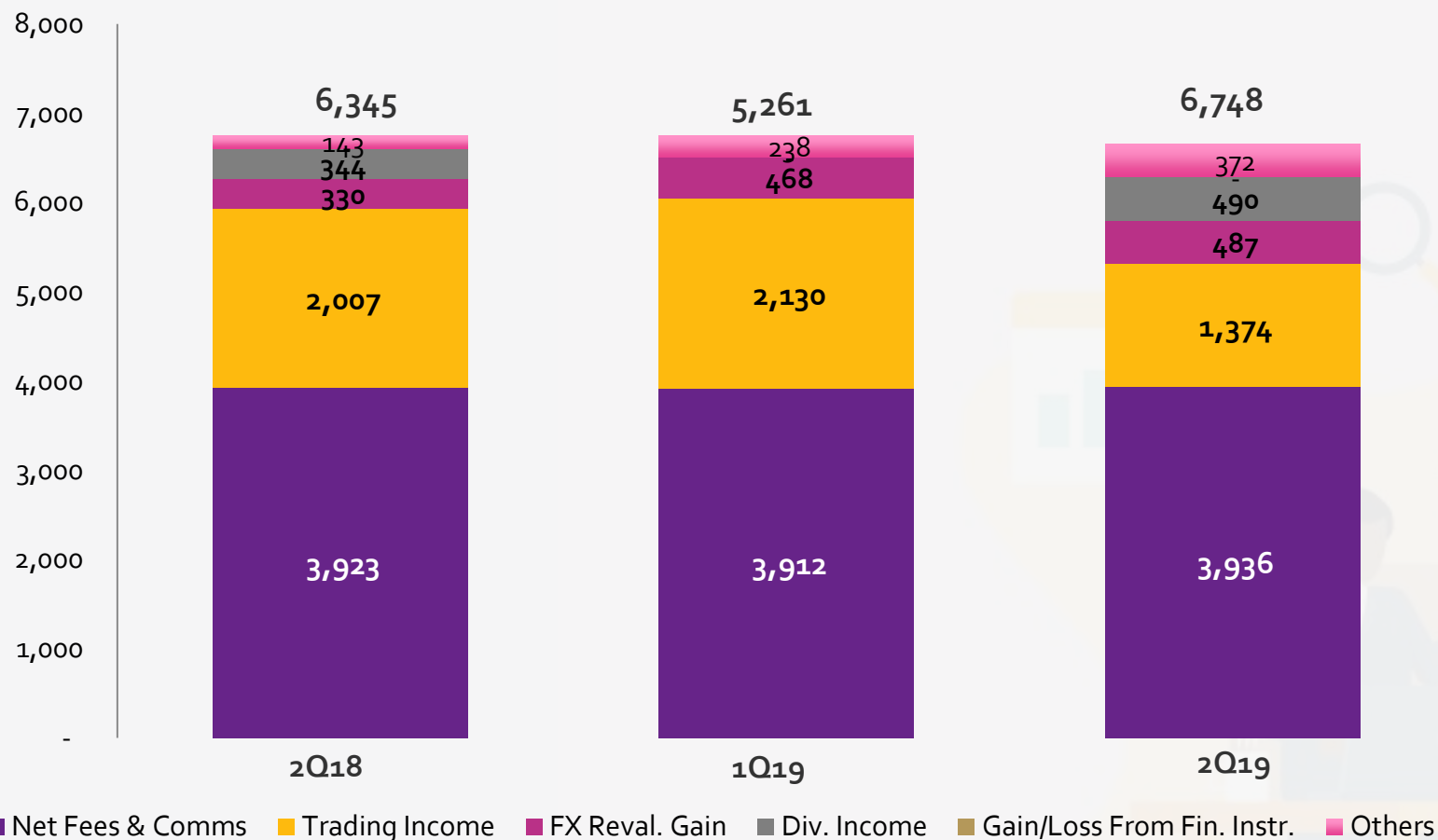
- Contributed 4% to net revenue.
- FCMB UK had a 42.2% YoY growth in net revenue from N1.19bn in 1H18 to N1.69bn in 1H19;
- PBT growth of 53.2% YoY from N193m for 1H18 to N296m in 1H19;
- CDL saw 34% YoY growth in net revenue and 10.3% improved YoY performance in profitability.

N'm	1Q19	2Q19	%Δ QoQ	HY18	HY19	%Δ YoY
Revenue	42,542	44,605	4.8%	76,814	87,445	13.8%
Net Interest Income	18,363	19,691	7.2%	34,603	38,054	10.0%
Non-Interest Expense	6,748	6,659	-1.3%	13,092	13,408	2.4%
Net impairment loss on loans	(1,865)	(3,097)	-66.1%	(5,877)	(4,962)	15.6%
Other impairment loss	(567)	(250)	55.9%	(1,488)	(817)	45.1%
Operating Expenses	(18,768)	(19,034)	-1.4%	(35,223)	(37,802)	-7.3%
PBT	3,912	3,969	1.5%	5,108	7,881	54.3%
Risk Assets (net) (N'B)	614.94	617.66	0.4%	585.43	617.66	5.5%
Customer Deposits (N'B)	836.68	825.86	-1.3%	725.04	825.86	13.9%

- PBT grew by 1.5% QoQ to N3.97bn from N3.91bn in 1Q19 and also grew 54.3% YoY, as a result of an increase in net interest income and non-interest income and a decline in net impairment charges;
- Net interest income grew by 7.2% QoQ and 10%YoY;
- Non interest income declined by 1.3% QoQ. However, it grew 2.4%YoY, largely from fees & commissions and dividend income;
- Overhead costs grew by 1.4% QoQ and 7.3% YoY, mainly due to depreciation expenses, staff costs and regulatory expenses, respectively.
- Risk assets grew marginally by 0.4% QoQ, and 5.5%YoY;
- Deposits declined 1.3% QoQ, but grew 13.9%YoY, supported by growth in low cost deposits.

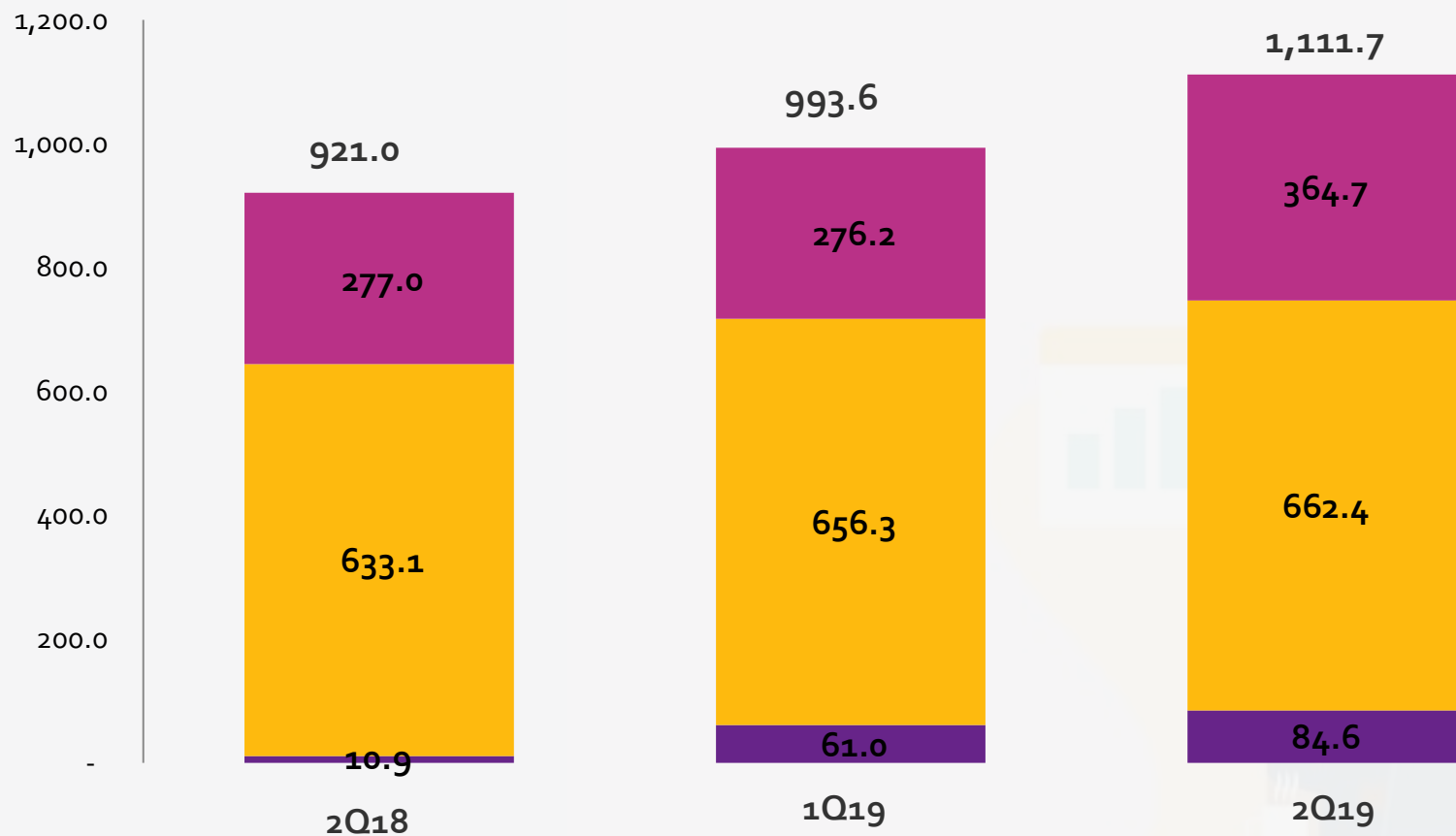
N'm	1Q19	2Q19	%Δ QoQ	HY18	HY19	%Δ YoY
CIR	75.3%	72.6%	3.5%	73.8%	73.9%	-0.1%
NIM	7.4%	7.4%	0.9%	7.7%	7.2%	-6.4%
Cost of Funds	5.8%	5.7%	2.6%	6.3%	5.6%	9.9%
Loan/ Deposit Ratio	68.1%	68.9%	-1.2%	75.2%	68.9%	-8.3%
Capital Adequacy Ratio	16.4%	16.3%	-0.6%	17.3%	16.3%	-6.0%
Liquidity Ratio	47.7%	40.2%	-15.9%	40.6%	40.2%	-1.2%
NPL/Total Loans	4.3%	4.3%	0.1%	5.7%	4.3%	24.4%

- Liquidity remains strong at 40.2%, while CAR stands at 16.3% as at H1 2019.
- Loan to deposit ratio is at 68.9%, above industry requirement.



N'm	% Δ QoQ	% Δ YoY
Non Interest Income	-1.3%	2.4%
Net Fees & Commissions	0.6%	4.7%
Trading Income	-35.5%	-6.7%
FX Revaluation Gain	-4.0%	-22.3%
Dividend Income	100.0%	16.7%
Others	55.9%	221.9%

- Net fees and commissions grew 4.7% YoY and marginally by 0.6% QoQ, as we recorded increased usage on our mobile and alternate channels;
- Trading income declined 35.5% QoQ and 6.7% YoY, due to low trading activities in government-backed securities;
- Revaluation gains declined 4.0% QoQ and 22.3% YoY, due to minimal Naira appreciation recorded;

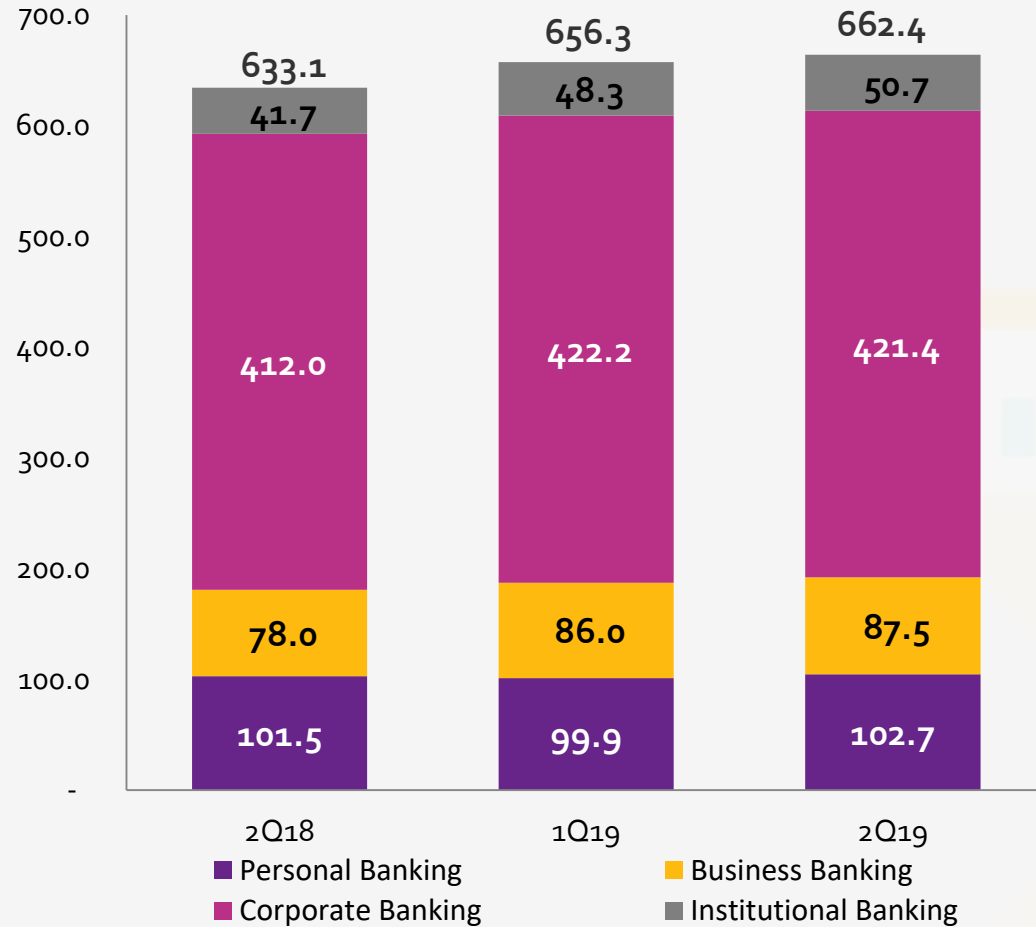


N'bn	% Δ QoQ	% Δ YoY
Interbank placements	38.6%	677.2%
Loans and advances to customers (gross)	0.9%	4.6%
Investments in government & corporate securities	32.1%	31.7%
Total Earning Assets	11.9%	20.7%

■ Interbank Placements ■ Loans & Adv. To Customers (Gross) ■ Investments in Govt. & Corp. Securities

- Total earning assets increased by 11.9% QoQ and 20.7% YoY;
- Interbank placements grew 38.6% QoQ and 677.2% YoY;
- Gross loans and advances grew marginally QoQ by 0.9% and YoY by 4.6%. The gross loan book of N662.4bn represents 60% of total earning assets.

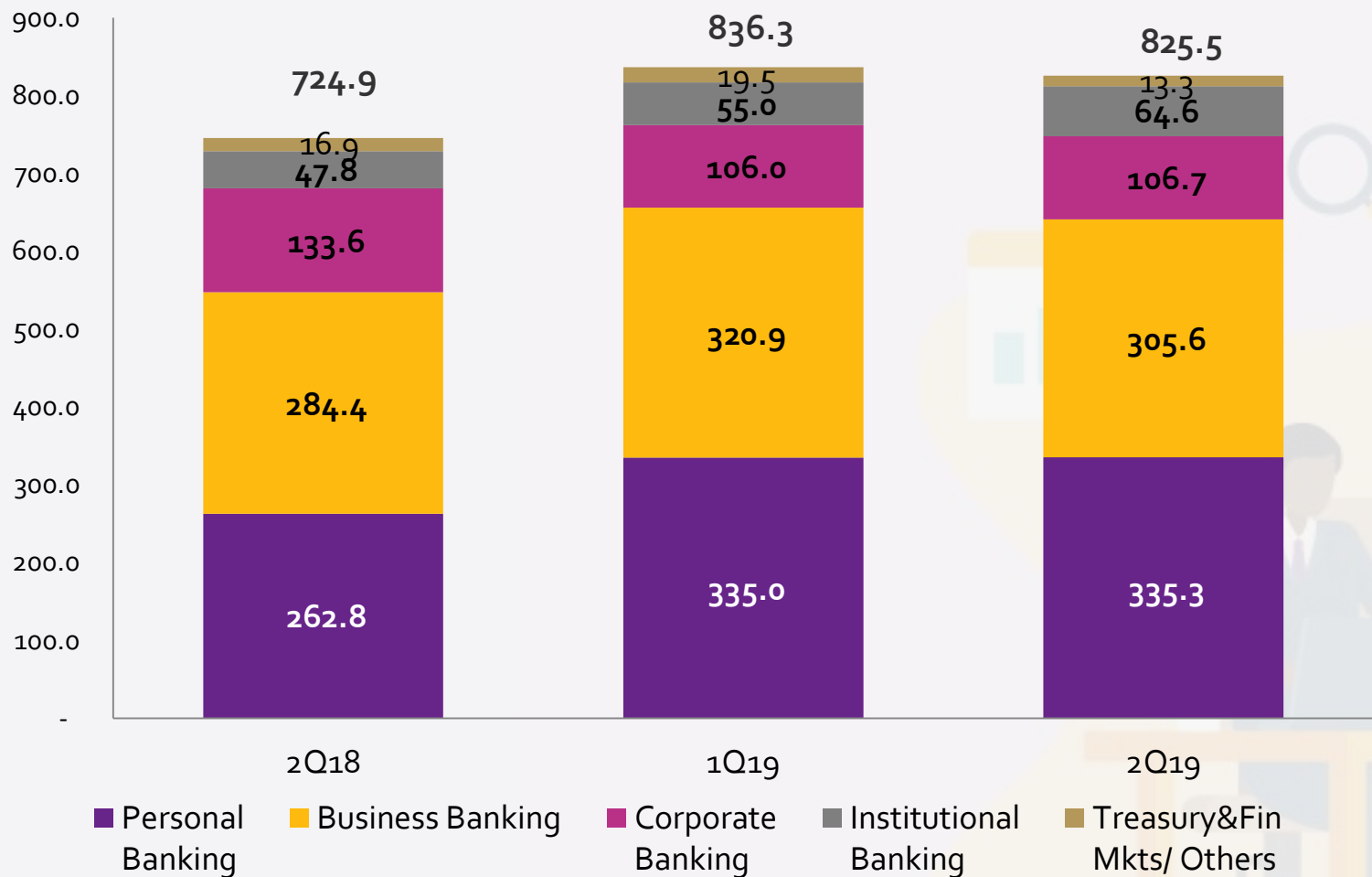
Gross Loan Distribution by Segment 2Q18 vs. 1Q19 vs. 2Q19



Segment	% Δ QoQ	% Δ YoY
Personal Banking	2.8%	1.2%
Business Banking	1.8%	12.2%
Corporate Banking	-0.2%	2.3%
Institutional Banking	5.0%	21.7%

- Our strategic focus on personal banking and business banking (SME) yielded 1.6% and 1.8% QoQ growth in both segments, respectively as well as 1.2% and 12.2% YoY growth in both segments respectively.
- The corporate banking segment grew by 2.3% YoY and dropped marginally by 0.2% QoQ, as part of our plan to diversify the loan book. However, growth is expected to resume in this segment in H2.

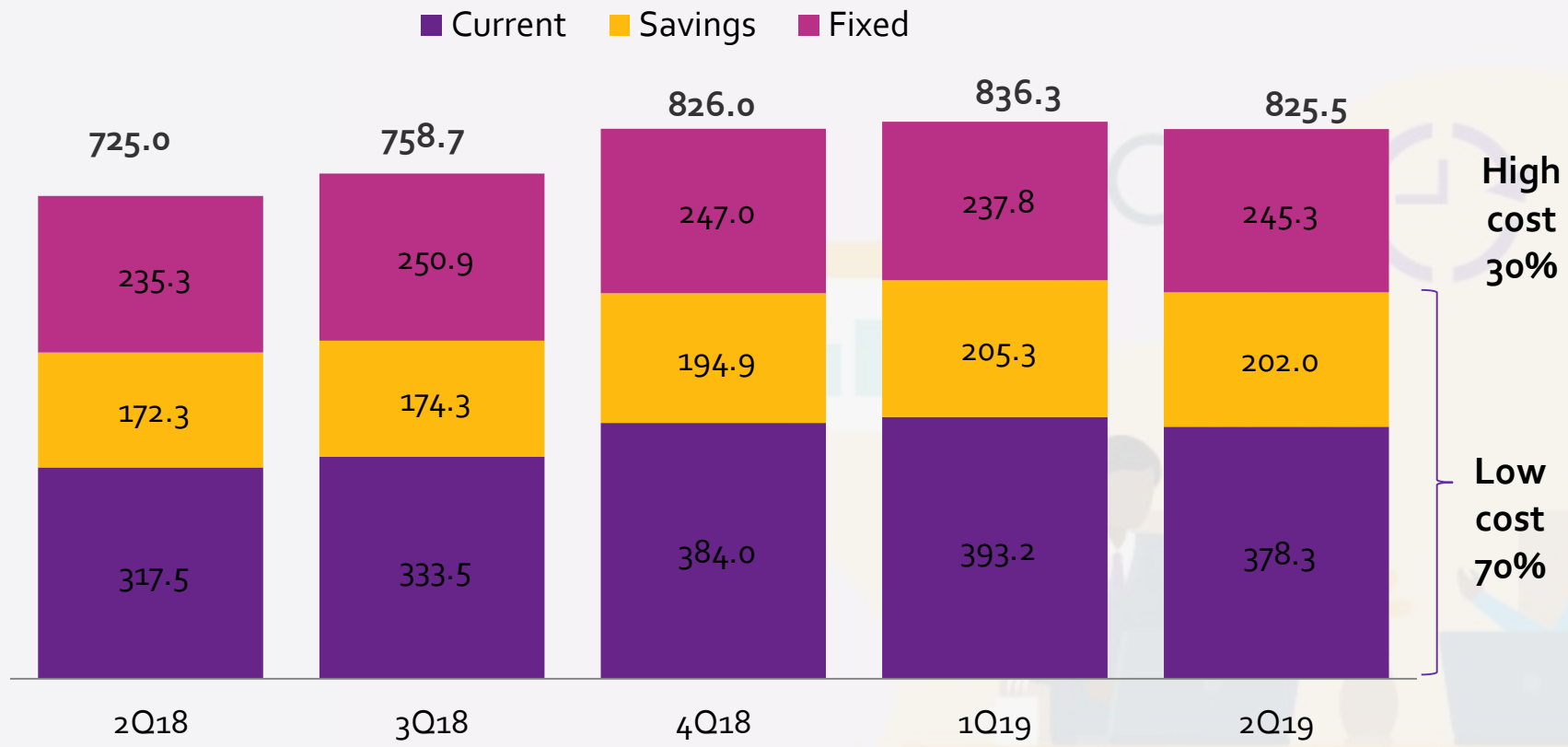
Deposit Distribution by Segment 2Q18 vs. 1Q19 vs. 2Q19



Segment	% Δ QoQ	% Δ YoY
Personal Banking	0.1%	27%
Business Banking	-4.8%	-7%
Corporate Banking	0.7%	0%
Institutional Banking	17.5%	34%
Treasury & Financial Markets	-31.8%	40%

Retail (Personal and Business Banking) deposits now constitute about 78% of total deposits and grew 17% YoY.

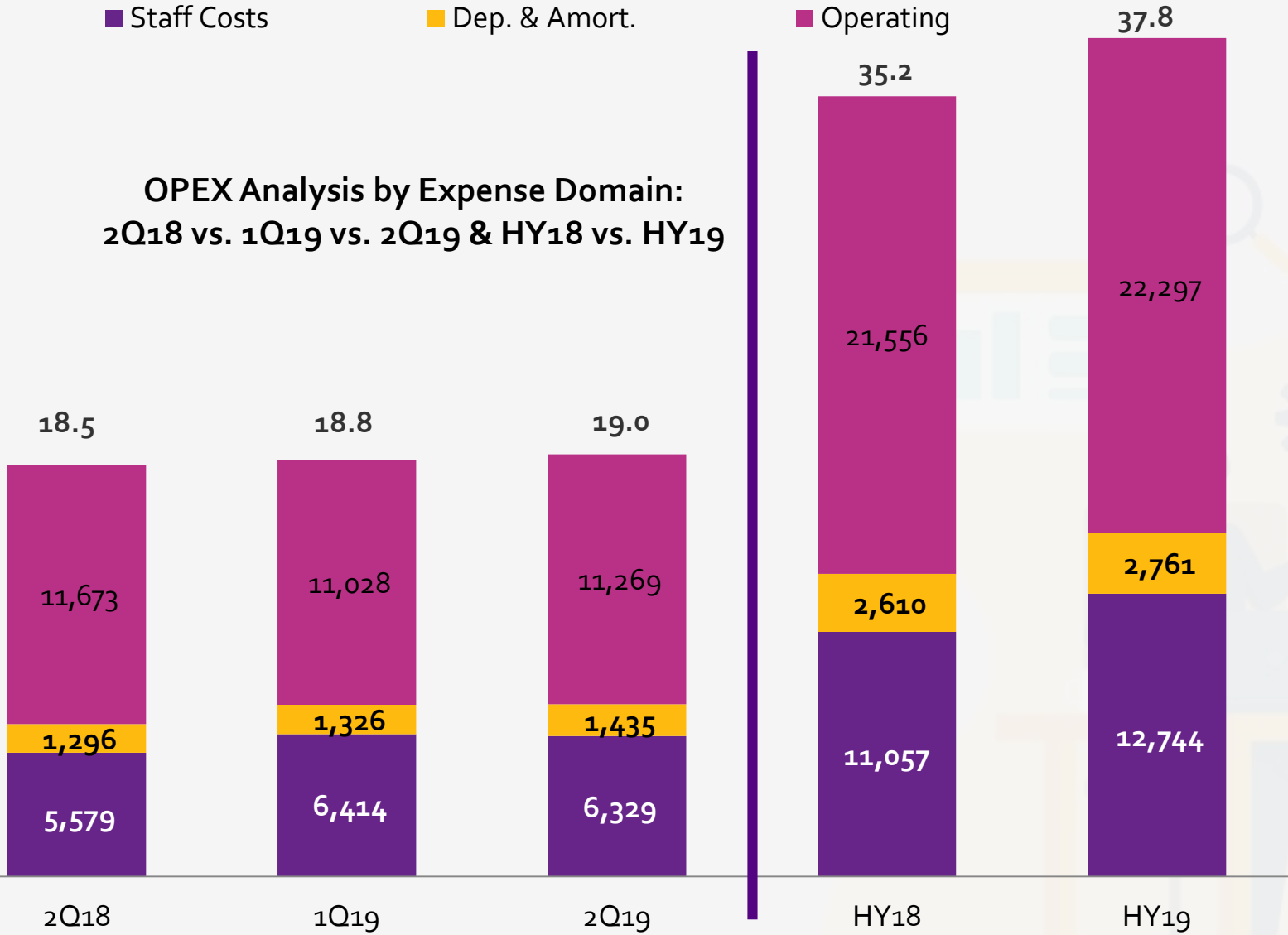
Deposit Distribution by Type: 2Q18 – 2Q19



- Total deposits declined 1% QoQ. However, the 14% YoY growth was driven by CASA deposits, as a result of our continued focus on retail banking;
- Low-cost deposits now account for 70% of our total deposits, a 2% QoQ decline from 72%.

■ Staff Costs ■ Dep. & Amort.

**OPEX Analysis by Expense Domain:
2Q18 vs. 1Q19 vs. 2Q19 & HY18 vs. HY19**



Segment	% Δ QoQ	% Δ YoY
Staff Costs	-1.3%	15.3%
Depreciation & Amortisation	8.2%	5.8%
Operating	2.2%	3.4%
Total	1.4%	7.3%

Operating expenses grew by 1.4% QoQ and 7.3% YoY, predominantly due to depreciation of capitalised assets, staff costs and regulatory expenses, respectively.

➤ **Risk Management Review:
Commercial & Retail Banking**

Mrs. Toyin Olaiya
Chief Risk Officer: FCMB Ltd



Risk Management Review: Analysis of Gross Loans by Sector (June 2018 to June 2019) – N'm

Industry Sector	Jun. 18	Sept. 18	Dec. 18	Mar. 19	Jun. 19	% DISTR.
AGRICULTURE	21,605	29,040	40,328	35,748	31,966	4.8%
COMMERCE	37,443	34,595	54,180	32,880	32,781	4.9%
CONSTRUCTION	1,406	1,372	1,653	1,602	1,651	0.2%
EDUCATION	8,755	7,002	5,033	4,657	1,643	0.2%
FINANCE & INSURANCE	45,330	54,956	54,774	50,438	50,184	7.6%
GENERAL – OTHERS	13,415	13,654	11,205	10,205	11,090	1.7%
GOVERNMENT	7,010	2,453	2,409	4,245	6,043	0.9%
INDIVIDUAL - BANK	84,029	84,382	81,708	79,932	80,759	12.2%
INDIVIDUAL - CDL	16,050	17,283	17,167	18,468	20,020	3.0%
INDIVIDUAL - MICROFINANCE	1,426	1,498	1,698	1,546	2,019	0.3%
INFORMATION & COMMUNICATIONS	22,227	18,609	16,243	19,968	22,885	3.4%
MANUFACTURING	42,565	48,982	49,890	53,474	57,985	8.7%
OIL&GAS-DOWNSTREAM	47,698	58,404	68,528	57,102	57,393	8.6%
OIL&GAS-UPSTREAM	111,147	115,993	115,344	112,368	115,043	17.3%
OIL&GAS SERVICES	38,167	40,024	39,896	42,879	42,846	6.5%
POWER & ENERGY	50,458	51,801	50,013	52,885	50,691	7.6%
PROFESSIONAL SERVICES	57	51	224	47	58	0.0%
REAL ESTATE	78,870	63,898	65,500	72,263	71,652	10.8%
TRANSPORTATION & LOGISTICS	5,467	6,358	5,232	5,624	5,643	0.8%
	633,124	650,356	681,024	656,332	662,352	100.0%

The 8.4% growth in Manufacturing and 14.6% growth in Communication contributed largely to the 1% QoQ growth in loan book.

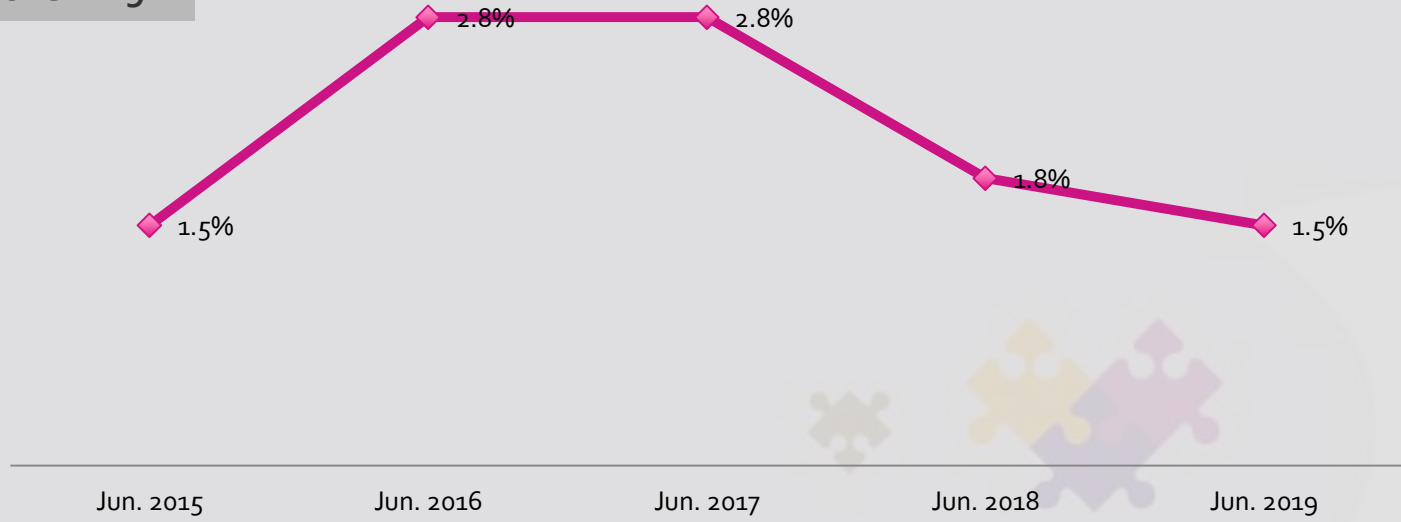
Risk Management Review: NPL Distribution by Sector (June 2018 to June 2019) – N'm

BUSINESS SEGMENT	Jun. 2018		Mar. 2019		June. 2019	
	NPL	NPL%	NPL	NPL%	NPL	NPL%
Agriculture	523.78	1.8%	462.48	1.3%	591.29	1.8%
Commerce	3,978.03	10.5%	9,904.73	30.1%	8,685.96	26.5%
Construction	25.89	1.9%	14.08	0.9%	123.26	7.5%
Education	2,222.18	31.7%	77.18	1.7%	80.16	4.9%
Finance & Insurance	22.89	0.0%	0.03	0.0%	16.93	0.0%
General – Others	827.98	6.1%	983.24	9.6%	887.34	8.0%
Government	86.75	3.5%	72.36	1.7%	73.54	1.2%
Individual - Bank	4,924.07	5.8%	5,374.27	6.6%	5,814.95	7.2%
Individual - CDL	1,804.48	10.2%	809.05	4.4%	1,105.78	5.5%
Individual - Microfinance	32.68	2.2%	46.91	3.0%	52.12	2.6%
Information & Communications	5,148.50	27.7%	3,911.70	19.6%	4,151.58	18.1%
Manufacturing	2,537.41	5.4%	50.85	0.1%	183.29	0.3%
Oil & Gas- Downstream	7,726.13	13.2%	200.91	0.4%	196.63	0.3%
Oil & Gas – Upstream	-	0.0%	-	0.0%	-	0.0%
Oil & Gas Services	5,157.76	12.9%	5,165.09	12.0%	5,188.72	12.1%
Power & Energy	-	0.0%	-	0.0%	-	0.0%
Professional Services	4.12	8.0%	0.89	1.9%	1.01	1.7%
Real Estate	734.09	1.1%	1,106.95	1.5%	1,134.75	1.6%
Transportation & Logistics	219.78	3.5%	354.34	6.3%	379.56	6.7%
Total	35,976.50	5.5%	28,535.07	4.3%	28,666.86	4.3%

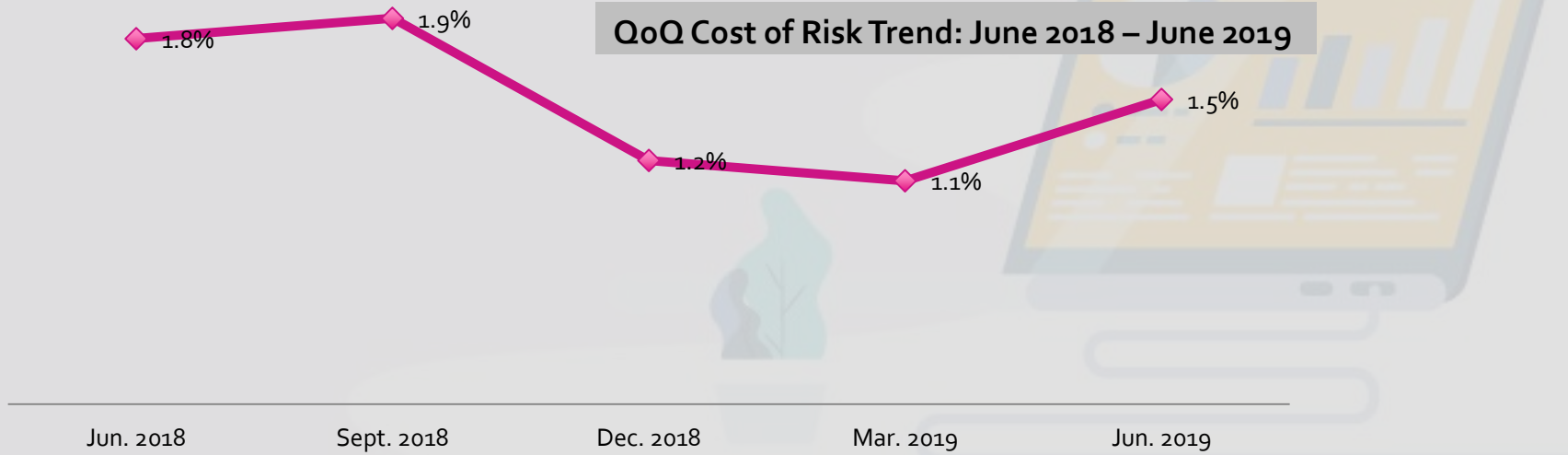


Slight deterioration in Individual loan book and interest growth in most sectors masked the recovery in Commerce resulting in 0.5% NPL growth QoQ.

YoY Cost of Risk Trend: June 2015 – June 2019



QoQ Cost of Risk Trend: June 2018 – June 2019





Group Performance Review: Asset & Wealth Management

> Mr. James Ilori - Chief Executive Officer:
First City Asset Management Ltd

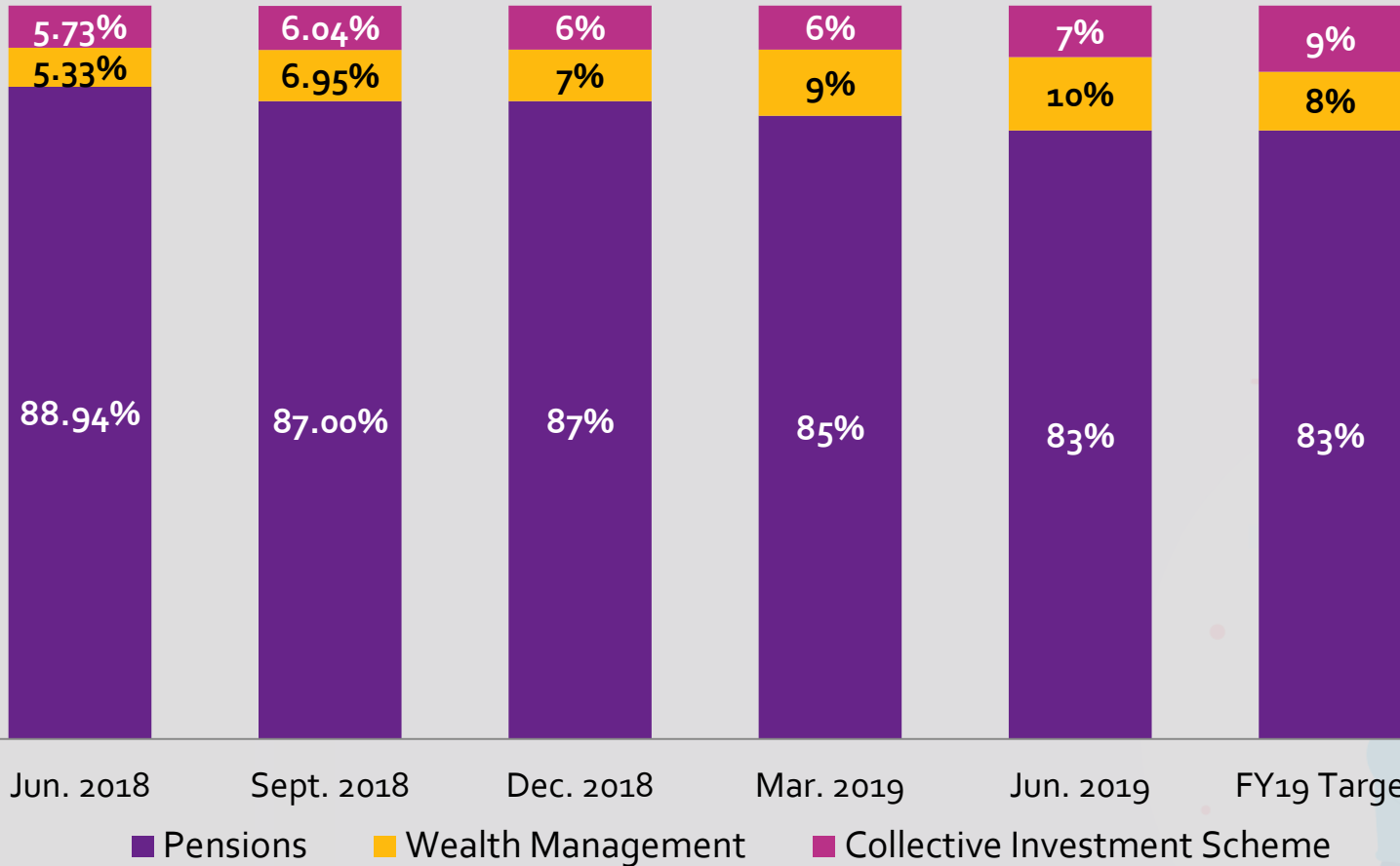


Asset & Wealth Management Group	1Q19	2Q19	%Δ QoQ	HY18	HY19	%Δ YoY
N'm						
Gross earnings	945	969	3%	2,008	1,914	-5%
Net Interest Income	88	67	-24%	158	155	-2%
Non Interest Income	857	902	5%	1,850	1,759	-5%
– Commissions	36	37	4%	113	73	-36%
– Asset Management Fees	822	865	5%	1,736	1,687	-3%
Operating Income	945	969	3%	2,008	1,914	-5%
Operating Expenses	(599)	(615)	3%	(980)	(1,214)	24%
PBT	346	355	3%	1,028	700	-32%
TAX	(102)	(105)	2%	(305)	(207)	-32%
PAT	243	250	3%	723	493	-32%
AUM	338,738	356,516	5%	288,974	356,516	23%
ROAE	24%	23%	-0.5%	33%	23%	-30%
CIR	63%	63%	0%	49%	63%	30%

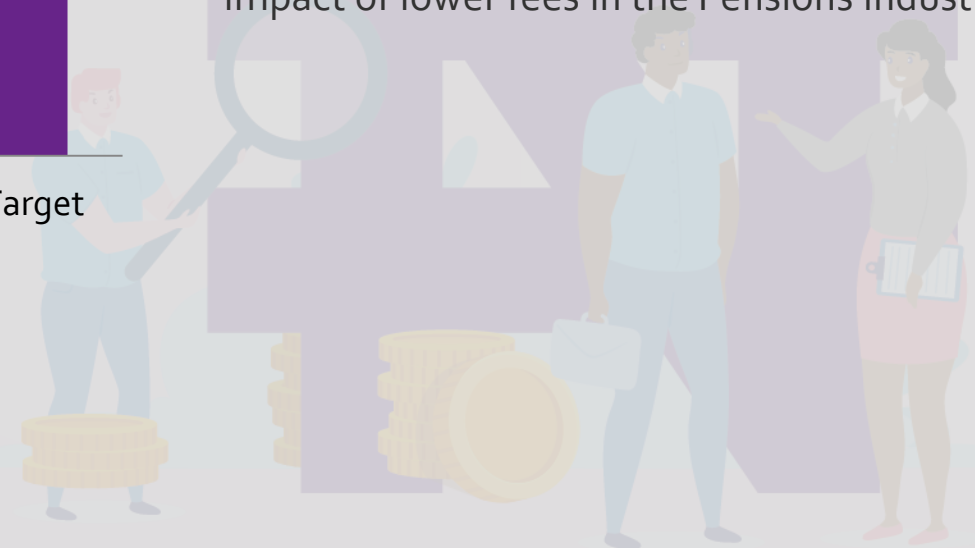
- The Asset & Wealth Management Group grew its AUM by 5% QoQ and by 23% YoY, to N357bn, on the back of deeper collaboration with the Commercial & Retail Banking Group;
- Our Pensions business contributed 83% of AUM, down from 85% recorded in the previous quarter;
- The Group's PBT of N355 million accounted for 8% of overall PBT.



Asset & Wealth Management Division - Contribution to AUM



- We expect the Group’s AUM to grow by N15bn, in 3Q19, to take closing AUM to N371 billion;
- Contribution to AUM from Collective Investment Schemes and Wealth Management should account for 17% of total AUM, by the end of the year;
- We expect full year PBT to close at N1.5 billion, with growth in AUM mitigating the negative impact of lower fees in the Pensions industry.





> **Group Performance Review:
Investment Banking**

Mr. Tolu Osinibi
Executive Director: FCMB Capital Markets Ltd



Investment Banking Group	1Q19	2Q19	%Δ QoQ	HY18	HY19	%Δ YoY
N'm						
Gross earnings	342	430	26%	914	773	-15%
Net Interest Income	115	110	-4%	289	224	-22%
Non Interest Income	228	321	41%	625	548	-12%
- Advisory Fees	98	204	108%	116	303	162%
- Brokerage Commission	91	98	8%	476	189	-60%
- Others	39	18	-52%	34	57	70%
Operating Income	342	430	26%	914	773	-15%
Operating Expenses	(326)	(318)	-3%	(640)	(644)	1%
PBT	16	112	610%	273	128	-53%
TAX	(4)	(38)	894%	(105)	(41)	-61%
PAT	12	75	520%	168	87	-48%
ROaE	1%	8%	509%	10%	5%	-53%
CIR	95%	74%	-23%	70%	83%	19%

- The division's PBT grew by 610% QoQ, due to the completion of some financial advisory and capital raising pipeline transactions. However, it witnessed a 53% YoY decline, as a result of continued depression in capital market activities post elections.

- CSLS' traded value improved by 12% QoQ, but declined 46% YoY. CSLS retained its ranking as the 4th largest broker, by value traded YTD, but ranked 5th in 2Q19, due to the impact of the MTN share listing and divestment of Zenon Oil from Forte Oil.

- Brokerage commissions will continue to grow QoQ through diversification into fixed income by the brokerage business.



Looking Ahead: *Business Outlook*

Mr. Peter Obaseki

Chief Operating Officer: FCMB Group Plc





Business Outlook

- ❖ Performance of the Group will continue to improve, driven by the following:
 - Downward repricing of deposit rates and reduction in interest expense;
 - Acceleration of customer acquisition, driving fees and commissions and CASA growth;
 - Modest loan growth (across board: Corporate, SME and Personal)
 - AUM growth of 8% in H2, bringing full year growth to c. 22%;

NB: Our 3Q19 results will be released in November 2019, due to our Interim Audit of our Commercial & Retail Banking business.

