

FBNHOLDINGS DELIVERS A STELAR PERFORMANCE OF 99% GROWTH IN FY 2021, DECLARES N166.7 BILLION PROFIT BEFORE TAX

FBN Holdings Plc. (“FBNH” or “FBNHoldings” or the “Group”) today announces its audited results for the financial year ended 31 December 2021.

Nnamdi Okonkwo, the Group Managing Director while commenting on the results stated that:

“I am very proud to have assumed the role of Group Managing Director of this great organisation in January 2022 and I am excited about building on the momentum of recent positive developments.

Our performance over the course of 2021 is reflective of the resilience of the Group and underpins our growth strategy to generate sustainable value for all our stakeholders. As a Group, we are acutely aware of the macroeconomic challenges facing businesses and remain focussed on carefully navigating the environment through innovation and by putting our customers at the centre of our attention.

As a financial service holding company, driving synergies remains a critical part of our strategy and has been integrated into every aspect of our delivery model. We pride ourselves in the uniqueness of our diversified portfolio and the collaborative ecosystem that we have built around our lines of business, our customers, and the unique value proposition that we deliver. We are also increasingly leveraging technology – artificial intelligence, robotics, and other next-generation technological advancements, to deepen collaboration and further drive operational efficiency across the Group.

Highlighting revenue and profitability, the Group delivered a stellar performance growing gross revenue by 28.2% to ₦757.3 billion and profit before tax by 99.1% to ₦166.7 billion. The 30.0% growth in loans and advances to ₦2.9 trillion and 16.2% growth in total asset to ₦8.9 trillion reaffirms our commitment to drive revenue and profitability as we complete the balance sheet clean-up.

In 2022, our strategic focus is on revenue generation through digital channels and retail product offerings, further driving our synergy potential as well as continuing to improve our operating model to deliver more efficiencies”.

Group Financial Review

Gross earnings grew by 28.2% to ₦757.3 billion (Dec 2020: ₦590.7 billion). **Interest income** remained challenged given the moderated interest rate environment negatively impacting yields; as a result, interest income declined 4.1% to ₦369.0 billion (Dec 2020: ₦384.8 billion). To mitigate the effect of the low interest rate on investment securities and revenue generation, we remained deliberate with our intensified deposit mobilization and funding strategy to support enhanced loan growth at optimised rates leading to a 5.7% increase in **interest expense** to ₦140.8 billion (Dec 2020: ₦133.2 billion). As a result, **net interest income** declined by 9.3% to ₦228.2 billion (Dec 2020: ₦251.6 billion). Conversely, **non-interest revenue** grew by 96.1% to ₦364.6 billion (Dec 2020: ₦185.9 billion) on the back of increased fees and commission income, treasury activities and other operating income. Additionally, and in line with our focus to further enhance our revenue generation capacity, First Pension Custodian Limited, a subsidiary of FBNHoldings’ flagship subsidiary, First Bank of Nigeria Limited, entered into a definitive agreement with Access Bank Plc for the planned acquisition of the entire share capital of Access Pension Fund Custodian Limited held by Access Bank Plc. This will further boost our market share in the industry, aid revenue diversification and support annuity income. Looking ahead, we will continue to create quality loans with focus on retail lending driven by technology as we continue to grow non-interest income to further diversify revenue.

In 2021, FBNH operated in a challenging operating environment that was pressured by high inflation and currency devaluation, the effect of which increased **operating expenses** by 14.2% to ₦334.2 billion (Dec 2020: ₦292.5 billion). However, this 14.2% is below the inflation level (Dec 2020: 15.6%) whilst regulatory cost also rose during the period, up 23.2% y-o-y. Despite the inflationary push factors, **operating income** grew 35.5% to ₦592.8 billion (Dec 2020: ₦437.6 billion), resulting in an improvement in **cost to income ratio** to 56.4% (Dec 2020: 66.8%). Going forward, we will sustain our focus towards further improving efficiency by containing cost and increasing revenue.

Deposit from Customers increased by 19.5% y-o-y to ₦5.9 trillion (Dec 2020: ₦4.9 trillion) reaffirming our strong market access and robust funding base. Our investment in agent banking, digitalisation and deployment of digital platforms which our customers have adopted, improved customer penetration and deepened our solid retail franchise. This continues to provide us with access to stable funding, reducing our cost of fund ratio to 2.1% (Dec 2020: 2.3%) while supporting the float of our current and savings account (CASA) at 91.2% (First Bank of Nigeria).

Total assets grew 16.2% y-o-y to ₦8.9trillion (Dec 2020: ₦7.7trillion) driven by a 30.0% y-o-y increase in customer loans and 26.3% increase y-o-y in investment securities. Cash and balances with Central Banks, loans to banks & customers and investment securities constitute 87.2% of total assets (Dec 2020: 83.4%).

We continue to record progress in **Asset Quality and Risk Management** stemming from our retooled and strengthened risk management architecture. On the back of this, non-performing loan ratio further declined to 6.1% (Dec 2020: 7.7%) while coverage ratio improved to 62.2% (Dec 2020: 48.0%).

With a cleaner balance sheet and resilient earnings generating capacity, FirstBank (Nigeria) was able to accrete **capital buffers** from organic earnings. Hence, despite the increase in loans and advances, Capital Adequacy Ratio (CAR) remained steady, marginally increasing to 17.4% (Dec 2020: 17.0%).

Business Groups:

Commercial Banking

- Gross earnings of ₦8 billion, up 30.3% y-o-y (Dec 2020: ₦550.3 billion)
- Net interest income of ₦7 billion, down 7.7% y-o-y (Dec 2020: ₦244.6 billion)
- Non-interest income of ₦2 billion, up 106.4% y-o-y (Dec 2020: ₦165.8 billion)
- Operating expenses of ₦9 billion, up 14.3% y-o-y (Dec 2020: ₦274.6 billion)
- Profit before tax of ₦9 billion, up 77.9% y-o-y (Dec 2020: ₦73.6 billion)

- Profit after tax of ₦8 billion, up 73.9% y-o-y (Dec 2020: ₦67.8 billion)
- Total assets of ₦5 trillion, up 15.9% y-o-y (Dec 2020: ₦7.4 trillion)
- Customers' loans and advances (net) of ₦8 trillion, up 27.7% y-o-y (Dec 2020: ₦2.2 trillion)
- Customers' deposits of ₦6 trillion, up 19.5% y-o-y (Dec 2020: ₦4.7 trillion)

Commenting on the results, Dr. Adesola Adeduntan, Chief Executive Officer of FirstBank Group said:

“Following years of strategic restructuring of the Bank’s balance sheet and operations, the Commercial Banking business is beginning to transition into a sustained growth phase delivering performance commensurate to the size of our business and capabilities of our people. Profit before tax is up 77.9%, gross earnings 30.3%, total assets 15.9% and customer deposits up 19.5%.

This performance was driven by a relentless focus on the needs of customers and improving the competitiveness of our offerings. We have sharpened our ‘Go To Market’ approach to better leverage the opportunities which our large scale provides in addition to becoming more relevant to our clients by improving our value propositions.

This performance is also in line with the Bank’s Quantum Profitability Leap agenda which seeks to ensure that we fully maximise the revenue generating capacity of our business to boost the bottom line and fulfil the expectations of all stakeholders in the business.

The demonstrated resilience of our franchise to headwinds and excellent risk management capabilities place us in a good position to weather any macro-economic shocks which may arise due to the volatile nature of current operating environment. Our Non-performing loans ratio at the end of the year was 6.1% which represents significant progress towards those of other Tier 1 banks and the regulatory threshold of 5.0%.

We will continue to leverage our investments in digital platforms, IT infrastructure, people, and pan-African operations to ensure this growth trend is sustained”.

Merchant Banking & Asset Management (MBAM) / FBNQuest

The FBNQuest Group recorded a strong performance in 2021 and continues to demonstrate resilience despite the unprecedented economic and regulatory headwinds, including pronounced uncertainty, lower market yields, higher cost of funds, and elevated Cash Reserve Requirement (CRR) debits.

FBNQuest Group’s gross earnings grew by 8.5% to close at ₦42.5 billion, while profit before tax declined by 17.3% year-on-year to close at ₦9.8 billion. Our focus on annuity and fee income-driven businesses led to a growth of 14.6% in non-interest revenue y-o-y. However, net interest Income declined by 30.5% y-o-y due to lower yields on assets and a higher cost of funds, and profitability was also impacted by a 20.7% growth in operating expenses.

The Group remains well capitalised, with a capital base of ₦60.4 billion, and modest leverage, as total assets grew by 10.5% to ₦385.5 billion. The capital adequacy ratio for the Merchant Bank is 19.5%, above the regulatory requirement of 10.0%, while its loans to customer grew y-o-y by 37.6% to close at ₦78.6 billion, and customer deposits grew by 19.3% to close at ₦119.4 billion.

The Investment Management (IM) Group continues to perform strongly, contributing 32.0% of gross earnings in 2021; in particular, FBNQuest Asset Management contributed 14.4% to gross earnings. The IM Group’s contribution to revenue is a 3.8-percentage point increase from the prior year.

The Corporate and Investment Banking (CIB) group continues to leverage its position as a strategic partner of choice, participating in several deals and offering credit, capital raising and financial advisory services to Corporates. Our participation in these deals was recognised with several awards, including:

1. The African Banker Awards 2021

- Deal of the Year – Equity: for the privatisation of Afam Power Plc and Afam Three Fast Power Limited
2. Business Day Banks and other Financial Institutions (BAFI) 2021 Awards
 - Investment Bank of the Year (Nigeria)
 3. Public Sector Bond Deal of 2020
 - FGN Roads Sukuk Company 1 PLC – 7-year Ijara Sukuk

Finally, we remain committed to enhancing our financial performance, growing market share, nurturing our human capital and leveraging digital technology to serve our customers better. We will continue to explore opportunities to optimise our operations in order to increase customer satisfaction and grow annuity income as we look to maximum productivity in 2022.

Source: Nairametrics