

FBNHOLDINGS RETAINS STRENGTH FOR OUTSTANDING GRIWTH IN Q1, DOUBLES PROFIT TO N32BN

Strong revenue growth, which powered an outstanding profit leap in 2021, is again the main operating strength for [FBNHoldings](#)' 107 per cent profit advance in the first quarter. The bank's first quarter earnings reports at the end of March 2022 show an increase of 32.2 per cent in gross earnings year-on-year to N180.5 billion. This represents a revenue increase of N44 billion over the period.

The bank is maintaining a strong revenue growth record for the second year after breaking free last year from stagnated growth since 2017. It raised gross earnings by about N167 billion to N757.6 billion at the end of 2021, which powered a 70 per cent leap in net profit to N149.7 billion in the year.

The revenue figure last year represents a 28 per cent increase over the preceding year's level, marking the strongest growth for the bank in gross earnings since 2013. This year is seeing a further acceleration from the good record of last year, pointing to the possibility of achieving the strongest revenue growth in more than a decade in 2022.

The high hopes for the bank on revenue this year revolves largely around interest earnings, which is looking up for the first time in four years. From an all-time peak of N469.6 billion in 2017, interest income has declined every year to close at a seven-year low of N369 billion in 2021.

It is therefore a white flag up for FBN Holdings with an unexpected rebound of nearly 40 per cent in interest income in the first quarter to stand at N109.4 billion. The growth cuts across all three components of the bank's interest earnings with inflow from lending to banks leading the way.

Interest income from loans and advances rose almost three times to over N11 billion, which is followed by 59 per cent growth in earnings from investment securities, which amounted to N23.7 billion. Earnings from customer lending remained the dominant source of interest income at N74.4 billion, representing an increase of 24.4 per cent at the end of the first quarter.

A major change in earnings pattern in the first quarter is that interest income is leading revenue growth for the first time in many years at an increase of roughly 40 per cent compared to 22 per cent. This is a sudden departure from last year when non-interest income advanced by over 95 per cent to N364 billion against a decline of 4 per cent in interest income to N369 billion.

Non-interest income, therefore, accounted exclusively for the 28 per cent increase in gross earnings at the end of 2021 as well as an all-time high of 48 per cent of gross earnings. With the change in pattern in the first quarter, the contribution of non-interest income has gone down to 39 per cent.

Net gains from financial instruments is leading non-interest revenue growth this year with a jump of more than four and half times to the region of N15 billion in the first quarter. It is followed by other operating income, which grew more than four times year on year to over N2 billion.

Three major operating challenges that FBN Holdings faced last year have counted down to one this year. First, the drop in interest income has reversed to strong growth and second, a major increase in loan loss charges has given way to a drop in the first quarter. Net loan impairment charges dropped by 33.6 per cent to N8.7 billion year-on-year at the end of March 2022.

However, interest expenses, the third major challenge last year, is still growing ahead of interest income. Interest expenses grew by 43 per cent to N36.6 billion in the first quarter, against an increase of less than 40 per cent in interest income. The challenge seems set to intensify with the Central Bank's upward review of benchmark interest rate.

The bank's robust growth in profit in the first quarter is driven by the upturn in revenue and the decline in net loan impairment expenses. The outcome is an increase in net profit margin – the ability to convert revenue into profit from 11.4 per cent in the same period last year to 17.9 per cent at the end of the first quarter of 2022.

The bank has announced a final cash dividend of 35 kobo per share with a qualification date of June 13 to be paid on June 21, 2022.

Source: The Cable