



FBN Holdings Plc



A Performance Assessment Report
(for the period ended 30th June 2017)

October 2017

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Highlights of FBNH Performance Assessment Report

Capital Adequacy

- The capital adequacy ratio fell from 17.8% in Q1 2017 to 17.6% in Q2 2017
- The gearing ratio fell from 64.6% in Q1 2017 to 62.9% in Q2 2017
- The tier 1 capital ratio rose from 13.3% in 2015 to 14.7% in 2016

Risk Analysis

- The NPL ratio of FirstBank fell from 26.0% in Q1 2017 to 22.0% in Q2 2017
- The risk asset ratio rose from 53.3% in Q1 2017 to 55.9% in Q2 2017
- The cost of risk of FBNHoldings rose from 4.8% in Q1 2017 to 5.4% in Q2 2017
- Loans to Deposits Ratio fell from 77.8% in Q1 2017 to 74.5% in Q2 2017
- The debt to capital ratio fell from 39.3% in Q1 2017 to 38.6% in Q2 2017
- The Group's earning yield rose from 11.8% in Q1 2017 to 12.1% in Q2 2017

Income Statement Analysis

- Operating profit margin fell from 14.2% in Q1 2017 to 10.5% in Q2 2017
- Return on equity fell 10.9% in Q1 2017 to 9.9% in Q2 2017
- The return on asset fell from 1.3% in Q1 2017 to 1.2% in Q2 2017
- The cost of funds rose from 3.4% in Q1 2017 to 3.5% in Q2 2017
- The net interest margin rose from 8.3% in Q1 2017 to 8.5% in Q2 2017
- The cost to income ratio rose from 53.3% in Q1 2017 to 54.4% in Q2 2017
- The average cost to deposit rose from 3.2% in Q1 2017 to 3.3% in Q2 2017

Market Positioning

- FBNH has a book value of N610.2bn (as on H1 2017), making it the 2nd largest amongst its peers (both Tier-1 and Tier-2 Banks)
- FBNH has the 3rd highest number of business locations in country, with 875 business locations
- FBNH generated the 2nd largest total income (comprising of Net Interest Income, Net Fee and Commission, Trading Income, Other Income) in the banking industry (Last Twelve Months H1 2017)
- FBNH had the 7th largest Market Cap in the banking industry (12-Sep-2017)
- FBNH has the 2nd largest depositors' base in the industry (Jun-17)
- FBNH's share price has fallen by 60% over the last three years. However, the share price has increased by 88% in the last one year.

Measures taken by the management

- More aggressive loan recovery
- Enhanced asset optimization strategy
- Implementation of a robust ERM (Enterprise Risk Management) and ERP (Enterprise Resource Planning) solutions to improve risk management and operational efficiency as well as enhance the fraud and control environment

Executive Summary

Economy: Healthier Leading Indicator

The Nigerian economy fully returned to a growth trajectory at the end of the first half of 2017. This growth was as a result of buffering oil prices and improved oil production. The cycle had completely receded from earlier negative reversals at the end of the second quarter of 2017, thus generating an expansion in Gross Domestic Product (GDP) by 0.55% in the same quarter. Earlier price pressure witnessed throughout 2016 had begun to soften as the effect of base year weaned.

Thus, the macro picture is already showing positive signs due to improvement in the health of leading indicators such as GDP, Purchasing Managers' Index, and balance of payment, nominal currency and inflation. Regardless, the Monetary Policy Committee maintained a tight monetary cycle throughout the second quarter of 2017, as it focused on inflation and exchange rate stability.

Sustaining Resilience

FBNHoldings (FBNH) in Q2 2017 generated interest income of N117.6 billion, reflecting a 3.1% growth and 37.2% growth on a quarterly and yearly basis, respectively. This growth steams from improved macro condition coupled with slight increase in the cost of funds from 3.4% in Q1 2017 to 3.5% in Q2 2017. When compared to H1 2016, FBNH's interest income grew by 37% to reach N231.7 billion in the second half of 2017.

The bank's non-interest income¹ rose by 8.7% from N24.2 billion in Q1 2017 to N26.3 billion in Q2 2017. Non-interest income on a year on year basis fell sharply by 46%, as a result of a high base and fizzling out of revaluation gain earlier experienced in 2016. Gross earnings at the end of the H1 2017 stood at N289 billion reflective of an 8% growth on a year on year basis, thereby underlining the bank's strong earning capacity.

FBNH's operating expenses fell by 8.6% from N55.7 billion in Q1 2017 to N50.9 billion in Q2 2017. However, the cost to income ratio of the bank has increased from 53.3% in Q1 2017 to 54.4% at the end of Q2 2017. In addition, FBNH has embarked on an aggressive loan recovery policy which will see it reclassifying its loan and give it ample room to clean up its balance sheet and strengthen stock taking.

FBNH's operating profit in Q2 2017 fell to N15.5 billion against N19.9 billion in Q1 2017. Similarly, PAT reduced to N13.0 billion in Q2 2017 as against N15.7 billion in Q1 2017. The fall in operating profit and PAT was as a result of exhaustion in revaluation gains combined with slight deviation from earlier cost compression measures, thus making its bottom line more volatile.

¹ Non-Interest Income comprises of Net Insurance premium revenue, Net Fee and commission income, Net gains/(losses) on foreign exchange income, Net gains/(losses) on investment securities, Net gains/(losses) from financial assets as held for trading, Gain/(loss) from disposal of subsidiary, Dividend income, Other operating income, and Gain on bargain purchase.

FirstBank's capital adequacy ratio (CAR) dipped from 17.8% in Q1 2017 to 17.6% in Q2 2017, still making it higher than the regulatory prudential ratio of 15%. At the same time the bank's gearing ratio fell from 64.6% in Q1 2017 to 62.9 Q2 2017.

Certainly, the bank's ability to leverage on its cost of risk and the depth of its deposit base will improve its earning capacity. It is also expected that as macro condition improves fused with stable oil prices such dynamics will provide the needed support for the bank's loan recovery drive, given its high exposure to the oil sector.

At the same time it is important for the bank to improve its capital adequacy ratio, improve asset quality, cost-to-income ratio, sustain its aggressive loan recovery drive and more importantly improve synergy across all arms in order to bolster the non-interest income stream.

Nigeria – An Economic Overview

1 Nigeria – An Economic Overview

Recovering from its first full-year recession in 25 years, the Nigerian economy has reshaped itself in the second quarter of 2017 thereby putting an end to its first growth breach. Nigeria's economy has shown positive signs of restoration after suffering from a currency crisis, stagflation and a year-long recession in 2016. The economy appears to be on track to sustain the growth witnessed in Q2 2017.

This recuperation was instigated by stronger oil prices which advanced dollar earnings and improved capital expenditure. We foresee continued growth in FX market liquidity, going into 2018. Furthermore, earlier currency shocks experienced in the previous quarter had waned off, therefore improved external trade position coupled with a more receptive policy towards capital mobility aided growth.

1.1 Gross Domestic Product

- Analysts project Nigeria's GDP Growth at 1.9% and 3.2% for 2017 and 2018², respectively. It is also expected that Oil output would remain strong till the end of the year, with Oil production standing at 2.06mbpd as at July 2017³, excluding invigorate production disruptions, whilst the extension of the OPEC output cut to March 2018 should support oil prices through Q1 2018. According to the National Bureau of Statistics (NBS), the oil sector contributed 8.9% to the total real GDP in Q2 2017, while the non-oil sector contributed 91.1% to the total real GDP of Q2 2017.
- Growth push factors for the rest of 2017 should come from expansionary fiscal policy (contingent on effective implementation), improved foreign exchange liquidity, and Federal Government initiatives targeted at improving the business environment and developing Nigeria's industrial base. However, stubbornly soaring inflation, volatility in global oil prices, and superficial political uncertainty cloud this outlook. Despite this, the Nigerian economy has a more stable foundation to drive medium term growth, premised on recovery in oil production and dynamic implementation of the Economic Recovery & Growth Plan.

² Source: *Vetiva (Aug, 2017) Nigeria Outlook - Transitioning or Traversing*

³ Source: *Vetiva (Aug, 2017) Nigeria Outlook - Transitioning or Traversing*

1.2 Business and Regulatory Environment

- Business confidence has improved from -27.7 in Q1 2017 to -1.5 in Q2 2017 yet it still remains within the negative territory.
- Manufacturing PMI maintained an expansionary trajectory throughout Q2 2017, with an average PMI of 52.1
- The presidency signed specific executive orders, in order to improve the ease of doing business in April 2017.
- The budget of N7.2trillion was signed to law on June 12, 2017 and the Petroleum Industrial Governance bill was passed by the Senate in May 2017.
- Fitch Ratings affirmed Nigeria's long term foreign currency issuer default rating (IDR) at B+ with a negative outlook.
- The stock of Federal Government's domestic debt rose by 0.5% to hit N12.0trillion at the end of Q2 2017 (DMO), while Nigeria's stock of external debt rose from USD13.8bn in Q1 2017 to USD15.0bn in Q2 2017, with reflective growth of 8.9% over the period.

1.3 Interest Rates

- The CBN may continue to seek foreign capital inflows to further boost its efforts at maintaining a liquid FX market and thus will maintain rates at currently high levels.
- The maximum lending rate and average deposit rate stood at 30.8% and 8.7%, respectively, both rates experienced a rise compared to the previous quarter.
- Short rates declined slightly as a hummed yield curve emerged.
- The development in interest rates was largely rooted in the tight monetary policy of the Central bank
- Broad money and narrow money stood at N21.7 trillion and N9.9 trillion, reflective of a 1.5% and 0.6% decline, respectively.

1.4 Inflation

- A forecast by Financial Derivatives Company show that headline inflation will decline slightly for the seventh consecutive month to 16.0%, as base year effect wears out. However, the presence of continuous food inflation at 20.3% has made headline inflation vulnerable to immobility.⁴

⁴ Source: FDC Bi-monthly Publication - September 6, 2017

- Month-on-month inflation was also expected to slide to 0.9% (12.6% annualized) from 1.2% (15.6% annualized) in July 2017. We believe that this decline would support the sense of cautious optimism about the economy, restore policy makers enthusiasm and push up investor confidence in the markets
- Currently, the average inflation rate for the first seven months in 2017 is 17.1% although some analysts are projecting a FY 2017 average of 16.1%. However, if the country explores options in agriculture and low-cost manufacturing then the medium to long term opportunities for wealth creation might be restored. A major devaluation of the official naira rate would also have an impact on the calculation of Nigeria's GDP, diminishing its standing in global economic rankings

1.5 Oil Output

- The relative calm in the Niger Delta improved the level of productivity in the region
- Restricting Nigeria to a 1.8mn barrel per day by the Organization of Petroleum Exporting Countries (OPEC) cut short Nigeria's production to 2.2mln barrels daily.
- OPEC's collective cap lifted the oil price, and this increase caused a rise in the amount of exogenous inflow into the country.
- Production recovered in July 2017 to 1.8mbpd, 0.4% higher than the previous level in June 2017. This was expected following increased activity in Forcados and Bonga oil fields. It is anticipated however, that further increases in the production will be capped around 1.8mbpd. This is due to the commitment made by the Minister of State for Petroleum, Mr. Ibe Kachikwu, to adhere to quotas imposed by OPEC upon the increase of Nigeria's production level.

1.6 External Reserves and Capital Flows

- Nigeria's external reserve stood at USD30.3bn as at the end of Q2 2017. External reserve rose by 7.9% compared to the previous quarter (CBN)
- Capital importation in Q2 2017 rose from USD0.9bn to USD1.8bn (NBS)
- FDI shrunk by 30.0% in Q2 2017 to claw back to USD0.2bn (NBS)

1.7 Exchange Rate Policy

- It is expected that the current FX market dynamics and prevailing liquidity conditions persist going into 2018, supported by relatively healthy oil revenues and improving macroeconomic variables. Whilst this should generate some autonomous dollar inflows

and Naira appreciation, structural anomalies such as multiple rates and import controls remain unresolved

- The Naira strengthened on the back of increased CBN intervention while the external reserves are at a year-to-date high of USD31.8bn. CBN introduced the import and export window, in order to wrestle the Naira from prolonged episodes of overshooting, as the total value of foreign currency traded in the import and export window from inception to June 2017, stood at USD3.1bn
- The Naira gained 6.0% on the parallel market, to touch down at N366 to a dollar. The premium between the official window and the parallel market caved further inwards by 4.1%. Thus, it is anticipated that the official and NAFEX rates will close within the ranges of N305 and N365, respectively in the medium term.
- Under a more bearish scenario, an adverse oil shock could lead to reduced dollar supply and consequent currency depreciation, especially if the CBN further imposes stricter capital controls.

Banking Sector Overview

The recession of 2016 and the devaluation of the Naira led to heightened risk environment for the banking sector but government's bond yields have stayed elevated. The macro environment is Stable to Improving, with the recession behind us. Oil prices are expected to be stable, and to provide support to the Naira (boosting liquidity in the FX market in the process). Although banks face reinvestment risk in their fixed income portfolios given the recent movement in yields, we believe they are adept enough to continue to grow their revenue as the last two years have shown. Funding income was buoyed by elevated yields while non-interest income grew strongly as a result of FX-related income.

Despite the subdued loan growth, banks have been able to deliver strong revenue and earnings growth, capitalizing on pricing and FX-related gains. We expect the trend in H1 to carry on into H2 such that loan growth by the end of 2017 averages a modest 4.0%. Restructuring and regulation have helped to strengthen banks' risk management processes after the last crisis. We have a broad neutral view on the sector at current levels.

The market's bearish stance was predicated upon the assumption that the impact of the recession would be significant, and there was uncertainty surrounding the future of the FX market liquidity-wise. That changed with the introduction of the NAFEX window in April. The introduction of the NAFEX window in April 2017 coincided with the release of Q1 2017 results, and had a major impact on Q2 2017 earnings.

There seems to be a healthy, double-digit year-on-year growth in PBT. Macro factors, notably oil prices and the exchange rates will continue to have a major bearing on bank valuations. In the short to medium term, we do not expect a major sell-off in oil prices, and expect the naira to be relatively stable. However, there is a growing risk that the authorities may move faster than expected on addressing Nigeria's unsustainable debt service burden by trying to nudge rates southward. Either way, we expect the banks to replicate the versatility of their revenue generation potential which we have observed over the last 2-3 years, and therefore protect their earnings. A stable macro environment should keep a lid on asset quality deterioration.

The data for the oil sector showed some recovery; that for the non-oil economy gave mixed signals. These include a contraction in telecommunications and information, and growth in public administration, which were both firsts for at least two years. Oil's share in GDP has continued to decline as Oil's share of real GDP amounted to 8.9% in Q2 2017 and is now only the fifth largest in the economy; topped in descending order by agriculture, trade, information and

communications, and manufacturing. Through its linkages across other sectors, however, the indirect oil economy may be as large as 40.0% of GDP.

If the impact of Naira devaluation was removed, the loan books actually contracted. In real terms, the contraction was even greater. Although the slowdown was broad-based, the impact was greater on tier 2 banks which were in defensive/capital-preservation mode. Banks continued to shy away from growing their risk assets because of the heightened risk environment as the recession took its toll through 2016 into Q1 2017.

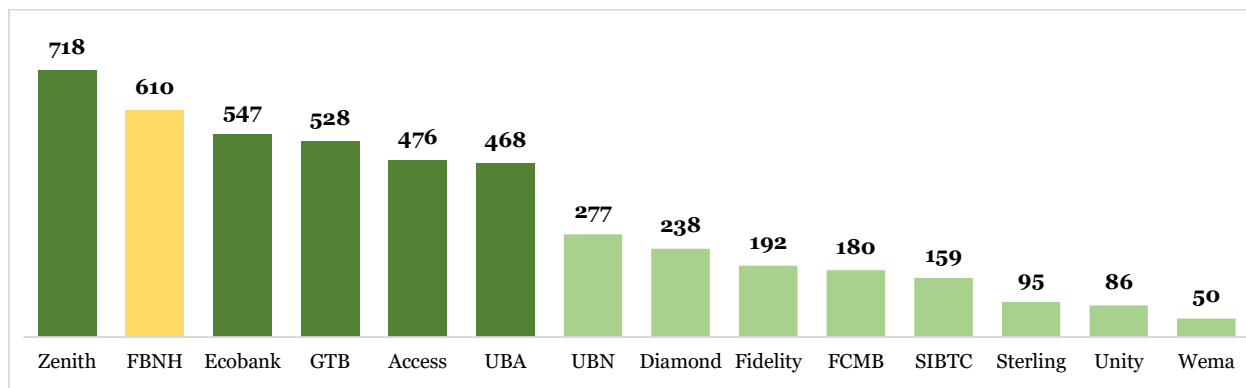
Our suspicion is that bond yields will tread water in the weeks ahead. However, government securities continue to prove attractive on a risk-reward basis, with yields having remained in the high teens to 20s range. When considering that a substantial driver behind the loan growth recorded in the 2012 - 2015 period was driven by the oil and gas sector, it is not surprising that concentration risk worries and the sell-off in oil prices have halted loan growth in this sector.

It is difficult to say what bond yield levels will represent a tipping point when the risk-reward looks better for loan growth than risk free instruments. For now, the banks are likely to rely more on non-interest income for growth. Even if loan growth suddenly becomes more appealing, the impact on H2 2017 is likely to be modest. The implication is that pricing is likely to remain the supporting factor behind funding income growth this year, not volume growth.

2.1 Positioning of Key Banking Players in Nigeria

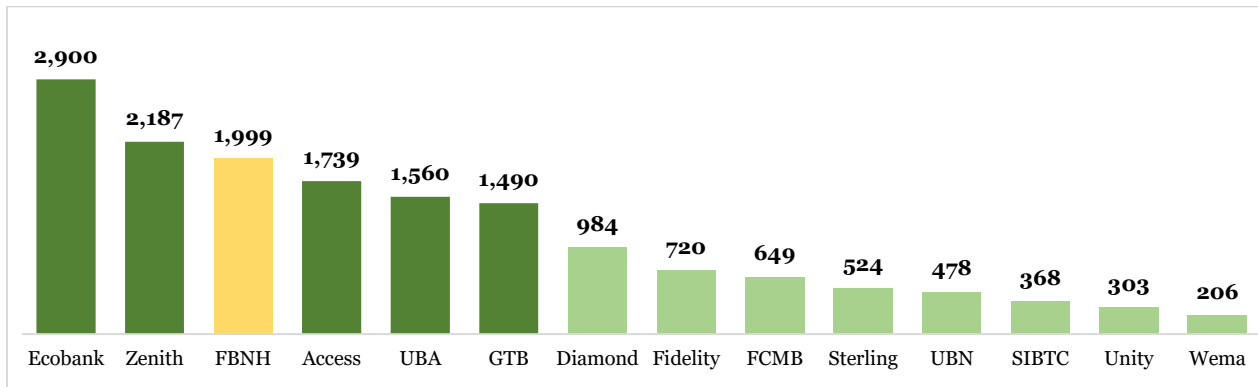
From our analysis, FBNH is second largest in terms of book value, customer deposits, total income and third largest in terms of loans & advances, branches network and employee base in Nigeria. Though FBNH showed weak loan book and lower profitability vis-a-vis the overall banking sector in Nigeria, we expect improvement in the coming quarters.

2.1.1 Market Positioning - By Book Value (as at Jun-2017)



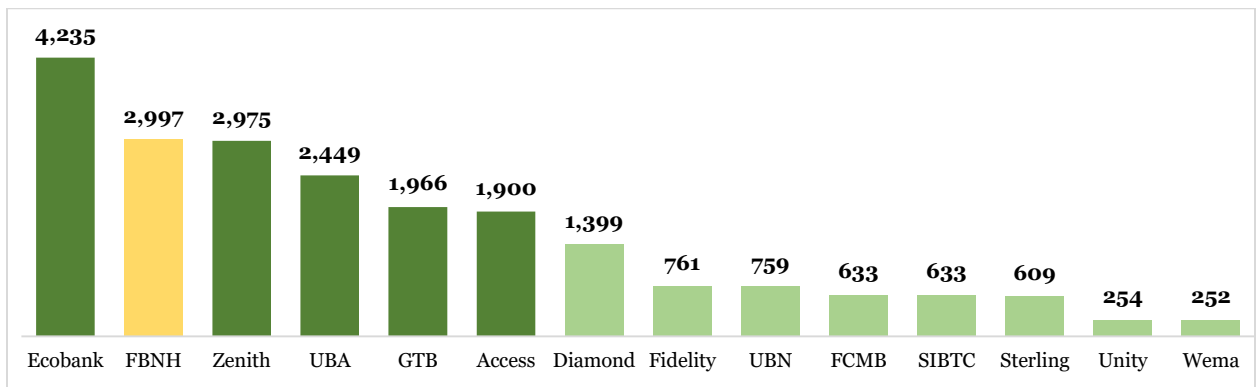
Note: Figures are in Naira billion

2.1.2 Market Positioning - By Loans and Advances to Customers (as at Jun-2017)



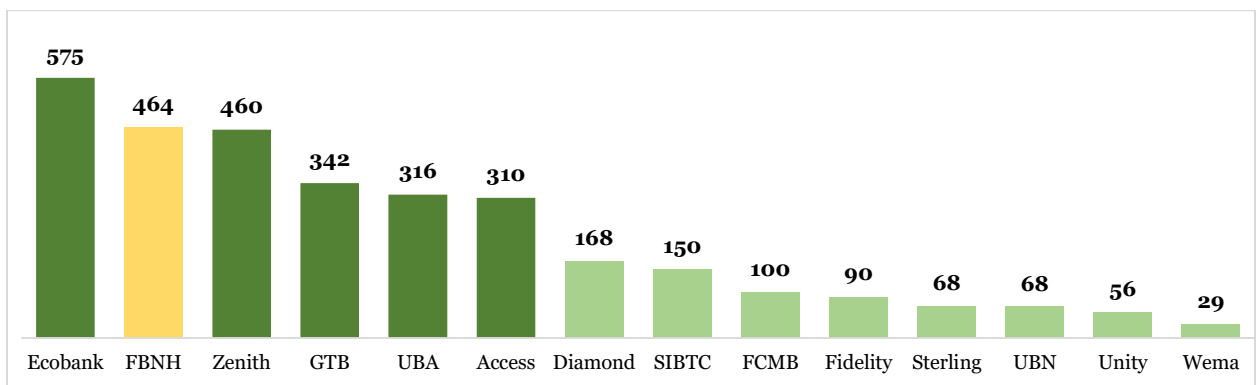
Note: Figures are in Naira billion

2.1.3 Market Positioning - By Customer Deposits (as at Jun-2017)



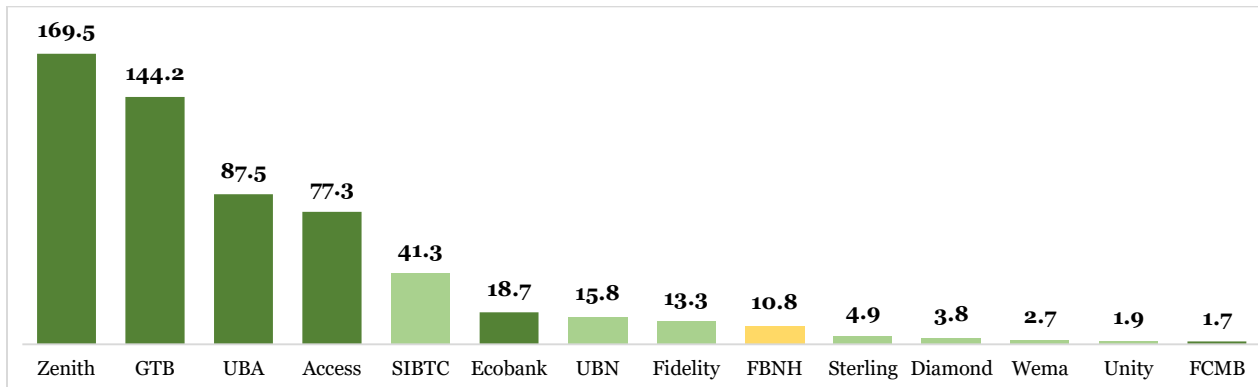
Note: Figures are in Naira billion

2.1.4 Market Positioning - By Total Income (LTM Jun-2017)



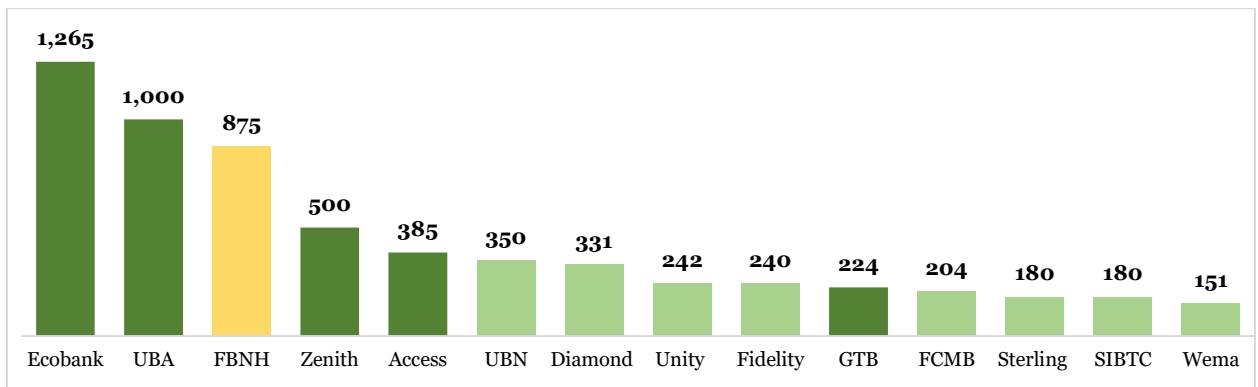
Note: Figures are in Naira billion

2.1.5 Market Positioning - By PAT⁵ (LTM June-2017)

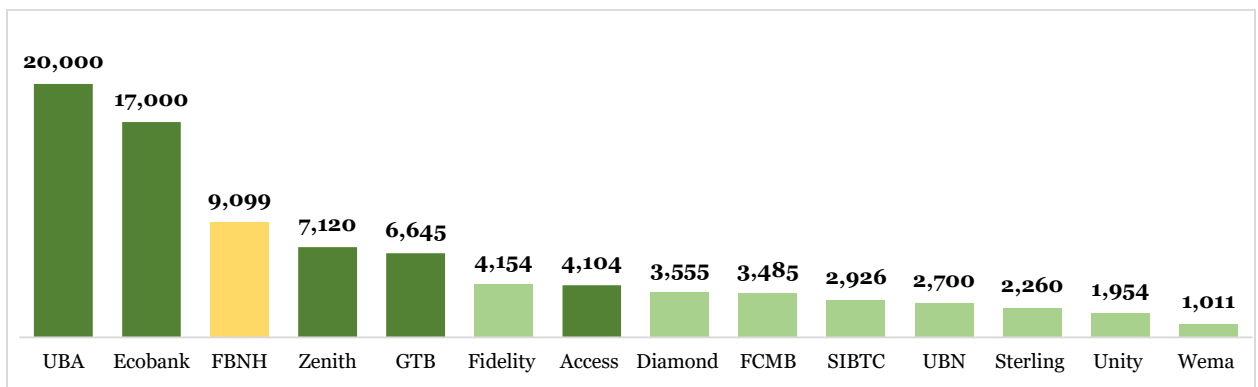


Note: Figures are in Naira billion

2.1.6 Market Positioning - By Branches (Latest Reported)

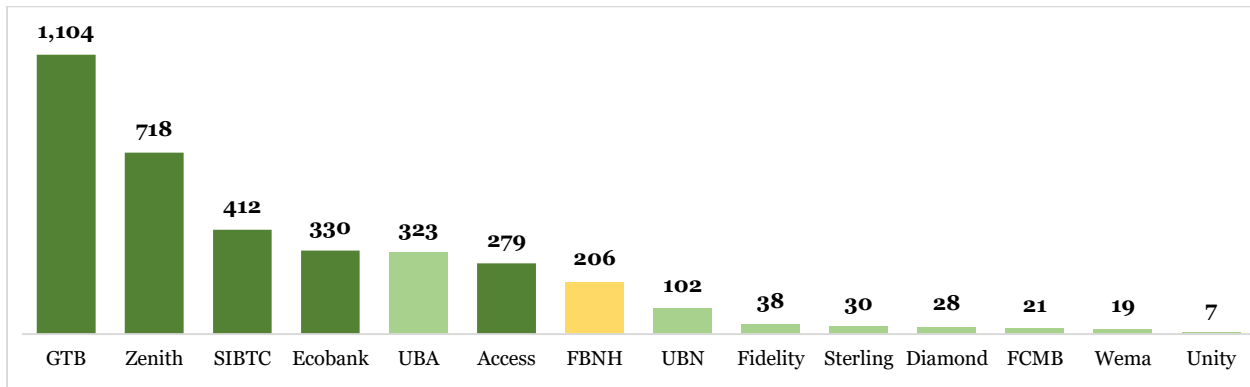


2.1.7 Market Positioning - By Employees (Latest Reported)



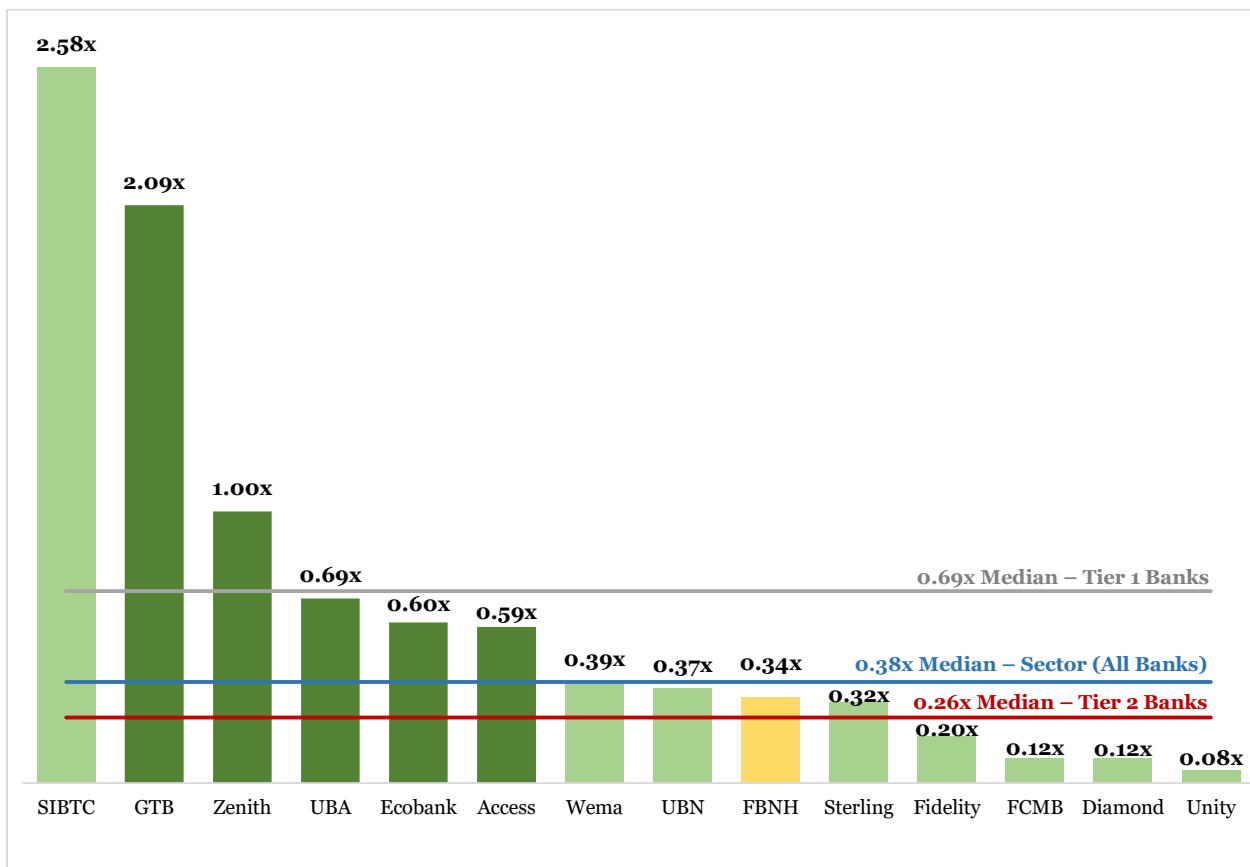
⁵ PAT as mentioned in the Marketing Position by PAT excludes non-controlling interests.

2.1.8 Most Valued Bank- By Market Cap (12-Sep-2017)



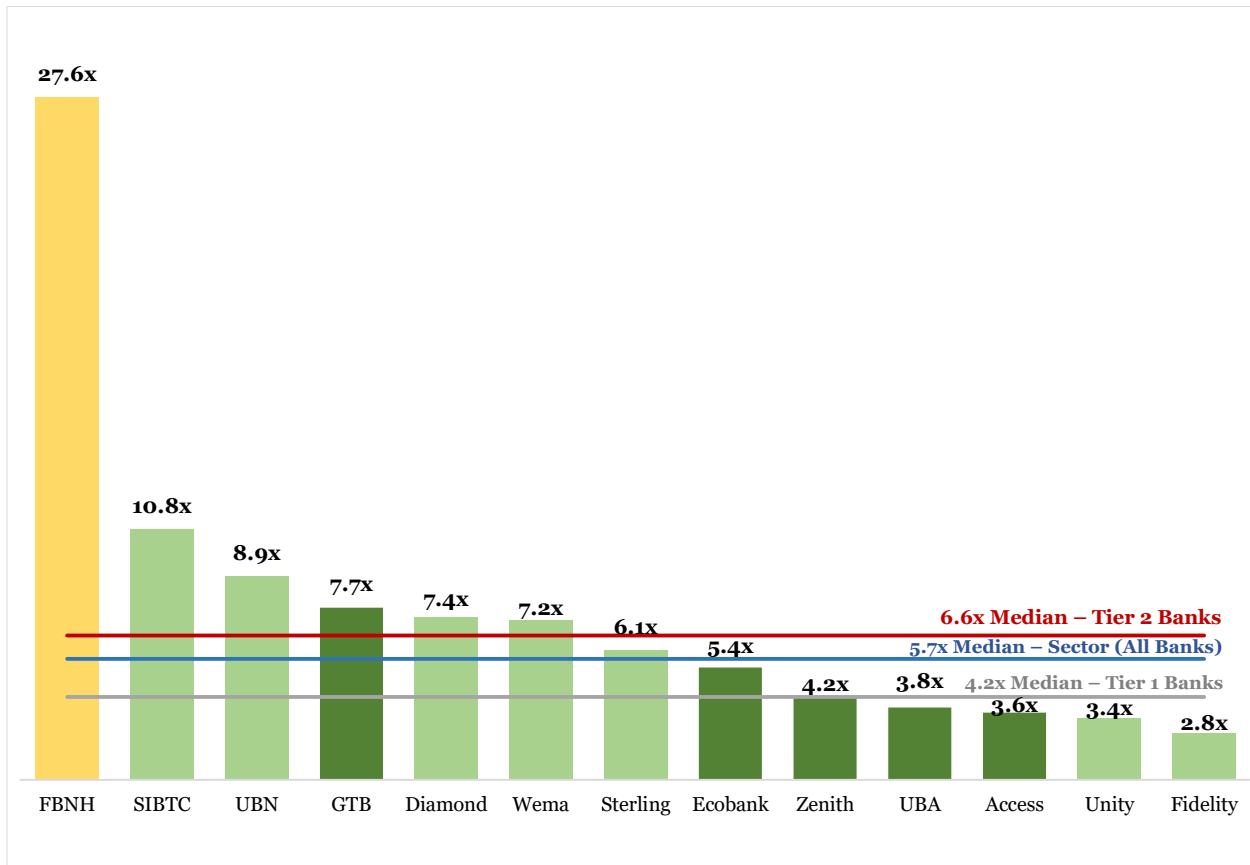
Note: Figures are in Naira billion

2.1.9 Most Valued Bank - By P/BV



Note: Price as at 12-Sep-2017 and BV as at 30-Jun-2017. Tier 1 banks Median excludes FBNH

2.1.10 Most Valued Bank –By Trailing P/E



Note: Price as at 12-Sep-2017 and Earnings for the period LTM Q2 2017. Tier 1 banks Median excludes FBNH. Chart doesn't include FCMB since they have negative LTM PAT. Ecobank as mentioned in all charts refers to ETI being the listed entity on the Nigerian Stock Exchange.

FBNH is currently trading at the highest P/E multiple of 27.6x if we look at trailing earnings.

2.2 Share Price Performance – Last Three Years



Figures for the period 9-Jun-2014 to 18-Sept-2017

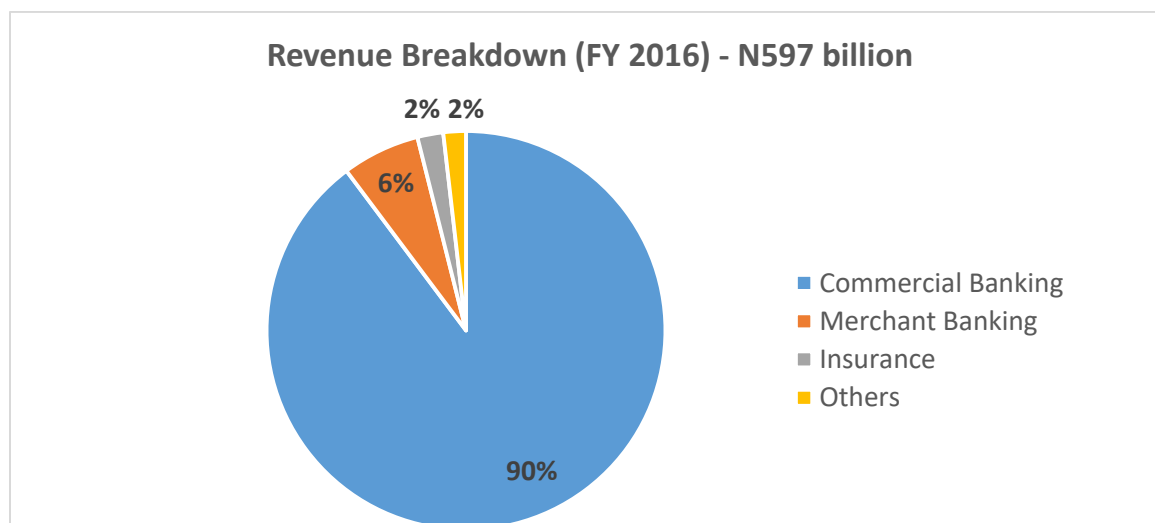
FBNH’s share prices have drastically fallen in the last three years (eroded around 60% of market value). In contrast, NSE Index and Banking Index have fallen by 13% and 1%, respectively. Though there have been quite a few challenges for the economy and the banking sector, FBNH’s stock market performance trailed the banking index and the overall market.

However, there is a strong recovery in its Year to Date performance as the share prices for FBNH increased by 88% in the last one year. In comparison, NSE Index and Banking Index have increased by 28% and 51%, respectively.

FBN Holdings PLC Overview

3.1 Business Description

- FBN Holdings Plc. is the financial holding company of First Bank of Nigeria Limited (FirstBank), one of the largest banking and financial services organisations in Africa
- First-Bank is a commercial bank with operations in 12 countries
- Subsequent to restructuring to a holding company, FBNH (previously listed as First Bank of Nigeria Plc) was listed on Nigeria Stock Exchange on 26-Nov-2012
- It offers a broad range of products and services, including commercial banking, merchant banking, asset management and insurance. It delivers innovative financial solutions to a large number of customers
- It has over 875 business locations, 2,779 ATMs and 7,048 POS terminals with an employee base of 9,099



3.2 Market Stats/Analyst Views

- It has a market cap of N206bn (12-Sep-2017) and currently trading at 0.34x P/BV (LTM Q2 2017) and 27.62x Trailing P/E (LTM Q2 2017)
- “FBNH released its H1’17 results reporting mixed performances across key line items. Whilst Non-Interest Income moderated 46% y/y – largely due to the high base from last year (following significant FX revaluation gains reported post-currency devaluation – H1’16: ₦53 billion vs. H1’17: ₦5 billion), Interest Income grew 37% y/y to ₦232 billion – supported by the strong interest rate environment despite flat loan growth.

Consequently, Gross Earnings (₦289 billion) rose 8% y/y, beating our ₦264 billion estimate.” (Vetiva Research, Jul-17)

- “There were no major changes to our balance sheet and earnings forecasts although we did trim deposit and loan book growth projections following the shrinkage of these portfolios as at H1”. (Elixir Investment, Jul-17)
- “FBN Holdings (FBNH) reported strong core earnings in Q2 17, with key metrics pointing to sustained momentum for the rest of the year. Central to core performance was the robust contribution of higher asset yields to interest income which offset pressures on funding cost to drive expansion in net interest margins (NIMs)”. (ARM, Jul-17)
- “After tax earnings deviated materially from our estimate as we had expected the reclassification of a major asset from non-performing loan status to performing loan status. This was responsible for the miss of 18.1% in our non-interest income estimate. However, management has stated that it will reclassify the asset in Q3'17, and so the deviation will not materially affect our FY'17 estimate and valuation”. (Cardinal Stone)

3.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	230,115	243,854	265,165	304,442	342,477
Non-Interest Income	66,312	112,390	97,945	165,476	121,754
Total Income	296,427	356,244	363,110	469,918	464,231
Loan Loss Provision	(20,309)	(25,942)	(118,794)	(226,037)	(218,531)
Operating Costs	(174,591)	(224,086)	(209,102)	(206,025)	(217,851)
D&A	(11,196)	(12,759)	(13,633)	(14,908)	(15,353)
Share of Profit/(loss) of associates	1,006	599	-	-	194
PBT	91,337	94,056	21,581	22,948	12,690
Earnings to Shareholders	70,135	84,231	15,406	14,122	7,460
Loans and Advances to Customers	1,769,130	2,178,986	1,817,271	2,083,894	1,998,544
Customer Deposits	2,929,081	3,050,853	2,970,922	3,104,221	2,996,707
Total Assets	3,869,001	4,343,737	4,166,189	4,736,805	4,881,070
Book Value	467,272	520,029	575,125	583,123	610,229

3.4 FBNH Operations Management Analysis

There have been major changes in the management of FBNH in the last two-three years. Prima facie these changes are positive for the betterment of the company in the near future.

FBNH has been going through challenges relating to the economy, credit growth & quality, competition, etc. In order to overcome these challenges, the Group has to operate more efficiently and communicate continuously with all stakeholders (viz. the Board, Shareholders, Customers, Employees, Regulatory Departments, etc.).

We have evaluated few areas below based on the information available to us:

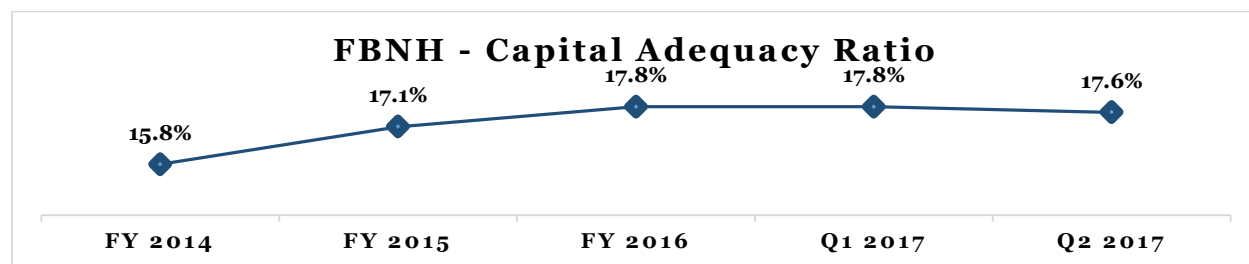
- **Performance disclosures:** FBNH's disclosures relating to performance or positioning of the bank has been improving continuously. Based on last 2-3 years disclosures, it is one of the best banks in terms of disclosures. Except few areas the bank has continued to communicate with the investing community and this effort should continue.
- **Income per Branch:** As per our preliminary analysis, it is observed that FirstBank's income per branch is a bit low when compared with its peers. As per 2016 data, total income (N467.7bn) from its 875 business location gives income per branch of N534.5million. If we compare it with Tier 1 Banks then it is much lower than GTB, Access, Zenith but it is higher than Ecobank and UBA. In comparison to Tier 2 banks, it is lower than SIBTC and FCMB. Though we understand that this inference is not fully accurate because some of the income generated are through online channels or corporate banking, but still we did this analysis with our base assumption for all banks.
- **Cost per Branch:** FBNH's operating costs (excluding manpower cost) per branch can also be improved. As per 2016 data, operating costs were N122.2bn against 875 business locations. It is higher than UBA and Ecobank (Tier 1 banks) and higher than Unity, UBN and Wema (Tier 2 banks)
- **Employee Cost:** Again as per our preliminary analysis, it is observed that FBNH's salary cost per employee is a bit lower than the competition. As per 2016 data, total personnel cost was N83.8bn against 9,099 employees. Relatively, the cost per employee is much higher than GTB, UBA, Ecobank (Tier 1 banks) and Sterling, Unity, FCMB, Fidelity, Diamond (Tier 2 banks)

FBN Holdings – Performance Overview

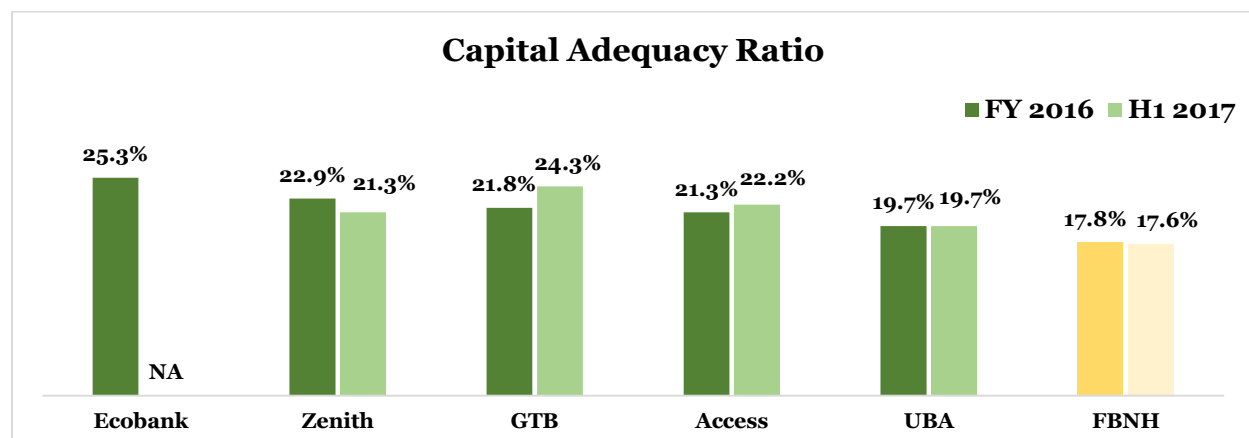
4.1 Capital Adequacy

4.1.1 Capital Adequacy Ratio

FirstBank's CAR has been improving continuously in the last three years. It is worth noting that the capitalized earnings for the full year provide enough buffer to help maintain the Bank's capital adequacy ratio above the 15.0% regulatory benchmark. With the general cautious credit growth appetite across the banking space, the common equalization capital has increased to 13.9% in FY 2016 from 8.5% in FY 2015 to provide a buffer for CAR. However, the naira devaluation remains a downside risk for CAR.

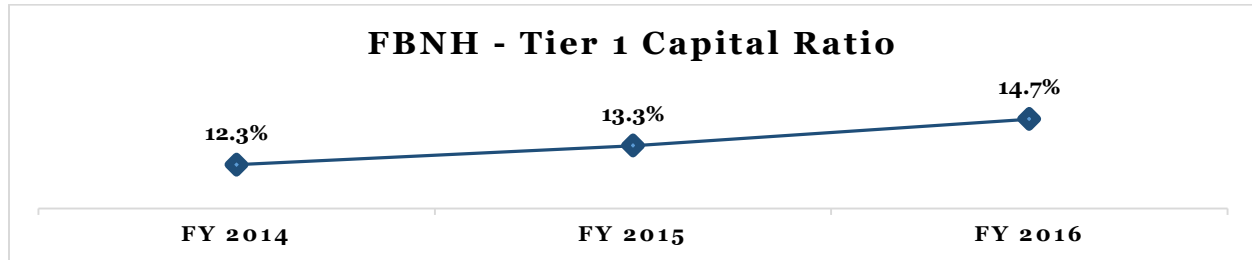


However, the bank's CAR is the lowest amongst Tier 1 banks viz. Zenith (21.3%), GTB (24.3%), Access Bank (22.2%) and UBA (19.7%) with a relatively better CAR in H1 2017. FirstBank needs to improve its CAR to protect depositors, promote the stability and efficiency of the banks' financials.

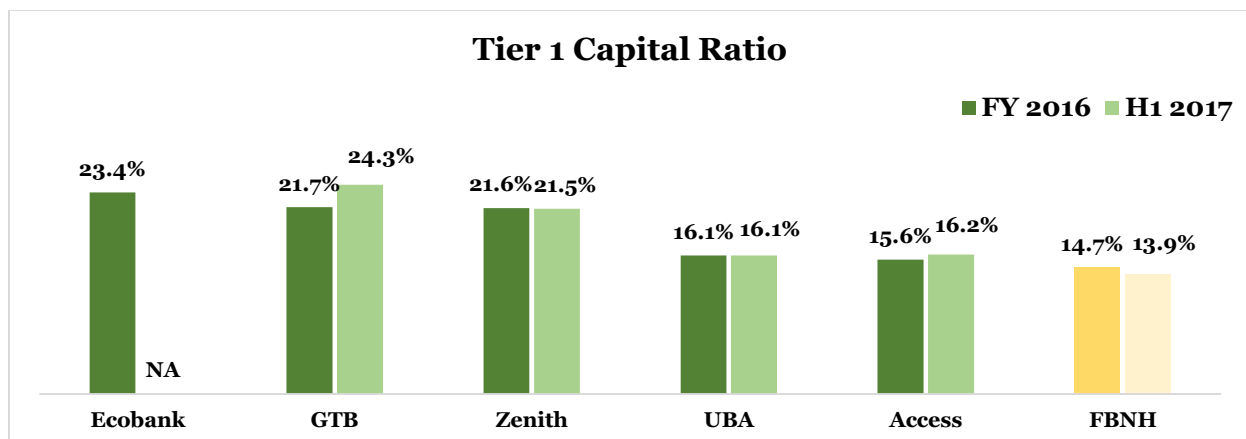


4.1.2 Tier 1 Capital Ratio

Similarly, FBNH has been improving its Tier 1 capital position. This has increased from 12.3% in FY 2014 to 14.7% in FY 2016.

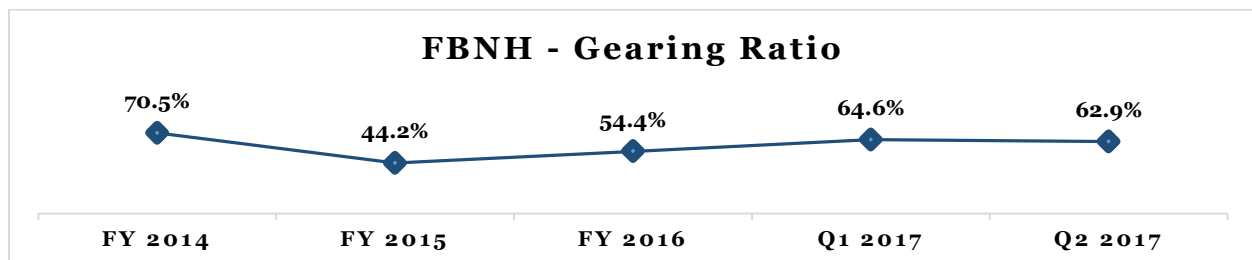


However, it is the lowest amongst Tier 1 banks with Ecobank (23.4%), GTB (21.7%), Zenith Bank (21.6%), UBA (16.1%) and Access Bank (15.6%) for FY 2016. Interestingly most of the Tier 2 banks viz. FCMB, Fidelity, UBN, Unity, Wema, Sterling except SIBTC, also have very low Tier 1 Capital (in the range of 11% to 14%).

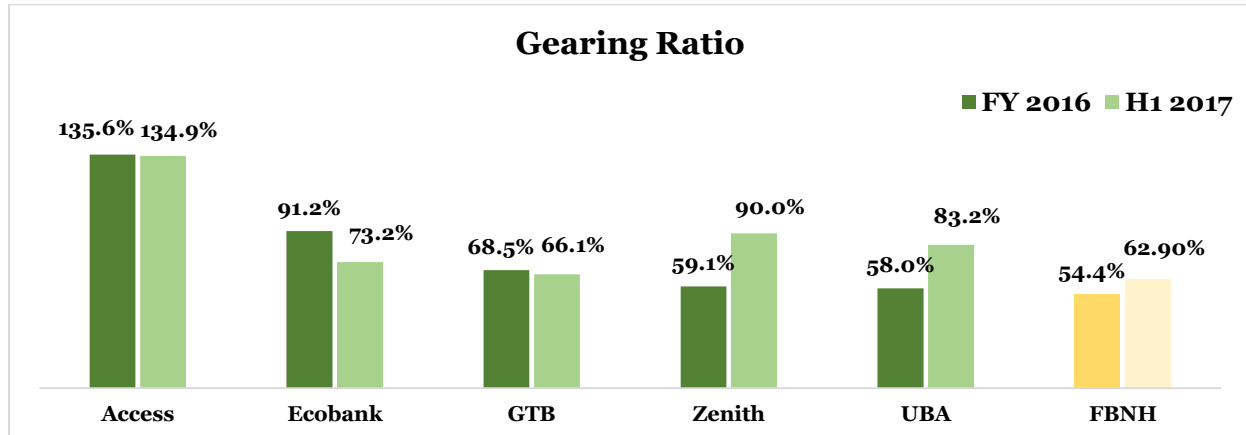


4.1.3 Gearing Ratio

FBNH's gearing ratio increased to 64.6% and 62.9% in Q1 2017 and Q2 2017, respectively from 54.4% in FY 2016. The upward trend in ratio was majorly because of increase in long-term debt of the company from N316.792mn in FY 2016 to N383.817mn in Q2 2017 whereas increase in total equity was comparatively much lower.



Relatively, other Tier 1 banks viz. Access Bank (134.9%), EcoBank (73.2%), GTB (66.1%), Zenith (90.0%), UBA (83.2%) have much higher gearing ratio for H1 2017. However, UBN has a lower ratio of 24.5% for H1 2017.

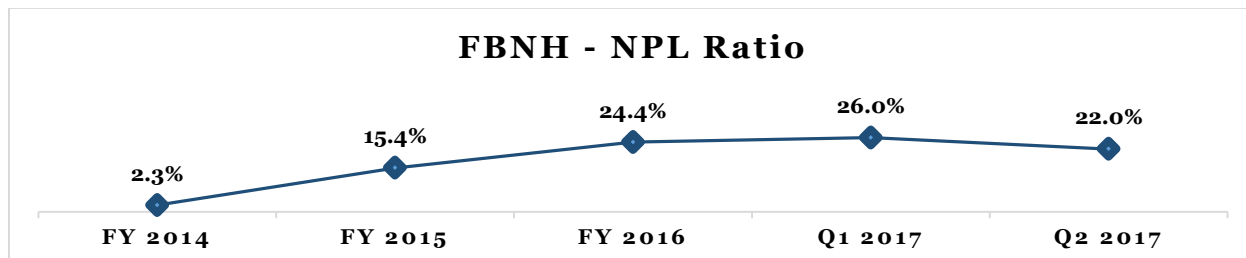


4.2 Risk Analysis – Assets

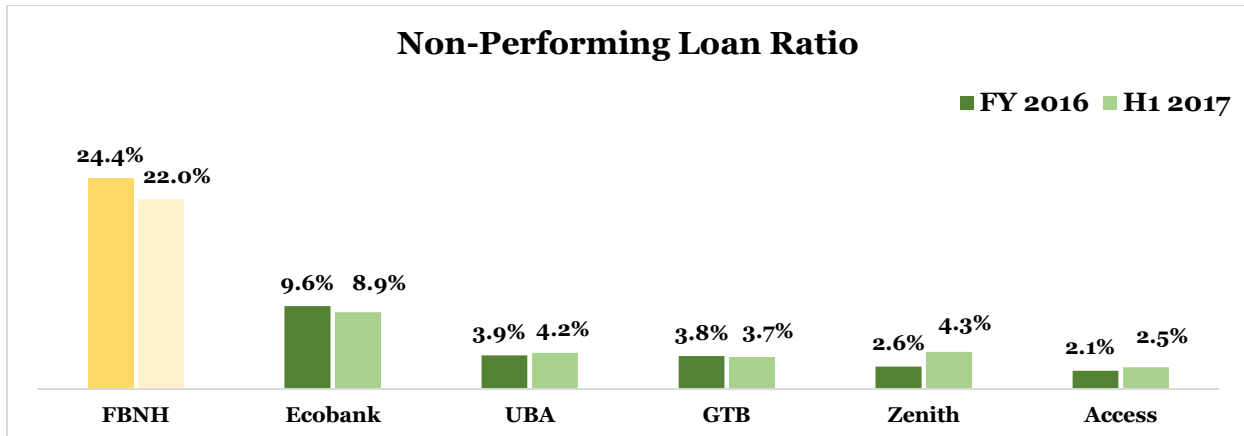
4.2.1 Non- Performing Loan Ratio

The bank has shown significant decline in non-performing ratio from 24.4% in FY 2016 to 22.0% in Q2 2017. Non-performing loan (NPL) ratio over the past three years has trended from 2.3% in FY 2014 to 22.0% in Q2 2017, with N600.6bn worth of loans classified as non-performing loans during Q2 2017. Further, the current ratio is well beyond the regulatory benchmark of 5.0% as per CBN’s guidelines. It is observed that aggressive provisioning has been a deliberate and expedient decision by the management to clean FBNH’s balance sheet and reposition the institution in the market.

As per management, NPL to the oil & gas sector constitute 75.0% of total NPL in FY 2016, while the general commerce and manufacturing sector constitute 3.0% each. Declining oil prices and naira devaluation in 2016 indicates the reason for default.

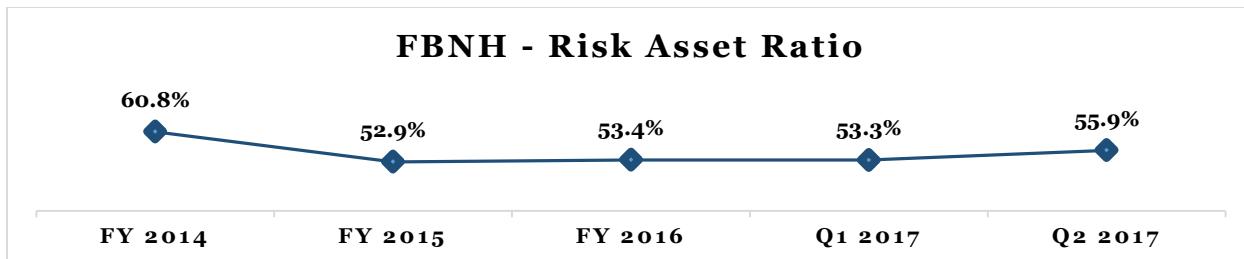


Relatively, the other Tier 1 banks are maintaining much lower ratios viz. Ecobank (8.9%), UBA (4.2%), GTB (3.7%), Zenith (4.3%) and Access Bank (2.5%) in H1 2017 despite the fact that there is deteriorating asset quality and higher loan loss provision in the industry.

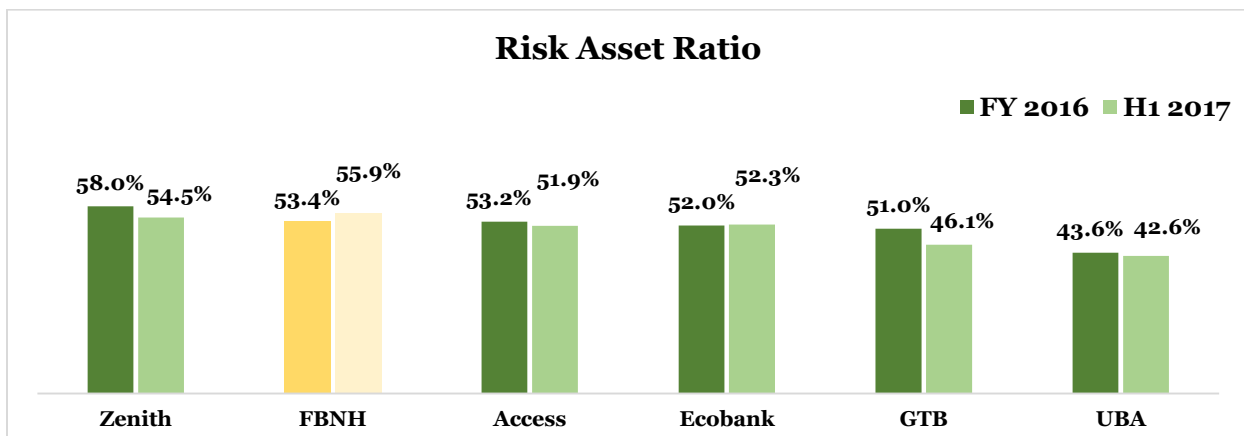


4.2.2 Risk Asset Ratio

FBNH’s risk asset ratio is averagely maintained at around 55.0% since 2014. This is broadly in line with the peers.



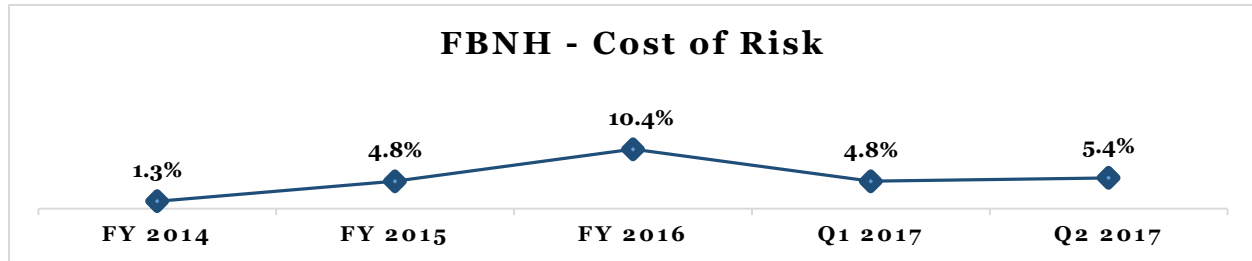
Risk asset ratio reported by other Tier 1 banks are broadly in the same range – Zenith (54.5%), Access Bank (51.9%), Ecobank (52.3%) and GTB (46.1%) and UBA (42.6%) for H1 2017. Further, almost all Tier 2 banks (except SIBTC and UBN) have risk asset ratio in the range of 52.0% to 64.0%. SIBTC (29.6%) and UBN (36.0%) have much lower ratio for H1 2017.



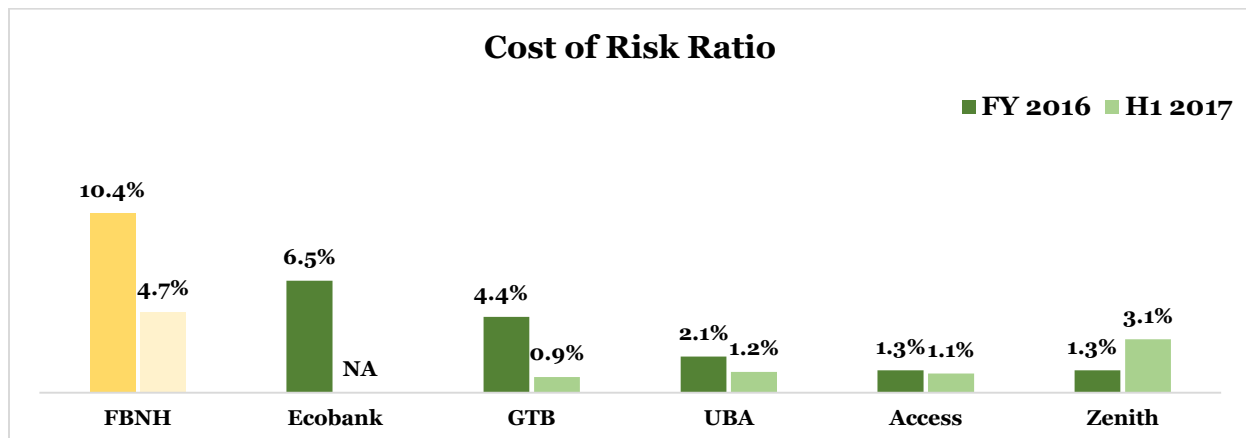
4.2.3 Cost of Risk

FBNH’s cost of risk has fallen drastically to 5.4% in Q2 2017 from 10.4% in FY 2016. The risk asset quality is driven by its exposure to higher risk sectors, particularly oil and gas sector. This

is largely as a result of the impairment charges for credit losses, which has decreased from N226,037mn in FY 2016 to N33,587mn in Q2 2017.



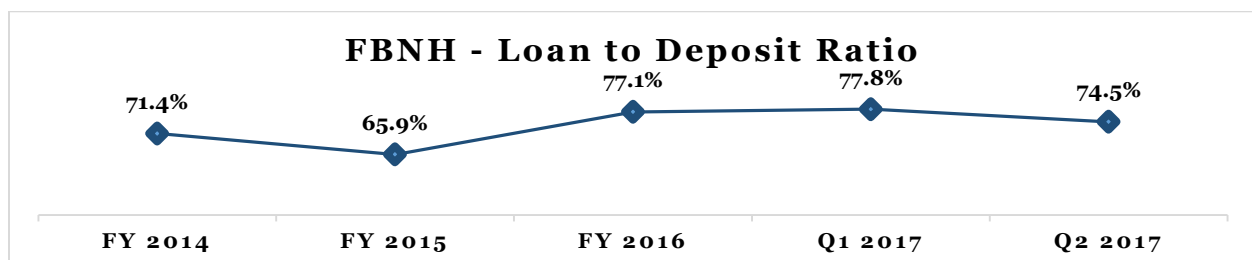
Tier 1 banks have relatively lower cost of risk – GTB (0.9%), UBA (1.2%), Access Bank (1.1%), and Zenith Bank (3.1%) for H1 2017. In fact, FBNH’s cost of risk is third highest (after Unity Bank and SIBTC) in the whole banking sector in Nigeria.



4.3 Risk Analysis – Liabilities

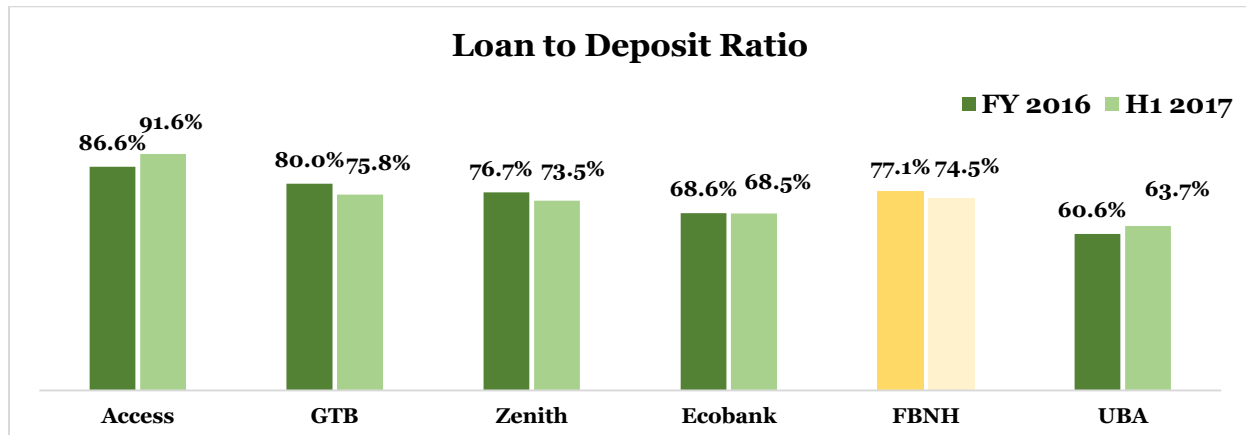
4.3.1 Loans to Deposits Ratio

FBNH’s Loans to Deposits Ratio increased to 74.5% in Q2 2017 from 65.9% in FY 2015. It is worth noting that the Loans to Deposits Ratio have mainly improved because of growth in loans and advances to customers.



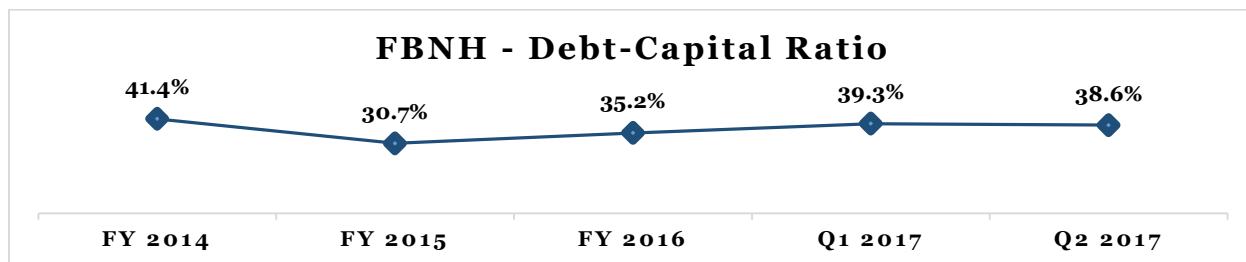
In comparison to FBNH, other Tier 1 banks viz. Access Bank (91.6%), GTB (75.8%) have maintained slightly higher Loans to Deposits Ratio whereas Zenith (73.5%) and Ecobank

(68.5%) and UBA (63.7%) has maintained a lower ratio in H1 2017. Most of the Tier 2 banks (FCMB, Fidelity, Sterling, UBN, Unity, Wema) are maintaining much higher Loans to Deposits Ratio in the range of 70.0% to 120.0% for H1 2017. FBNH has a fairly balanced Loans to Deposits Ratio and has good scope to increase its loans book.

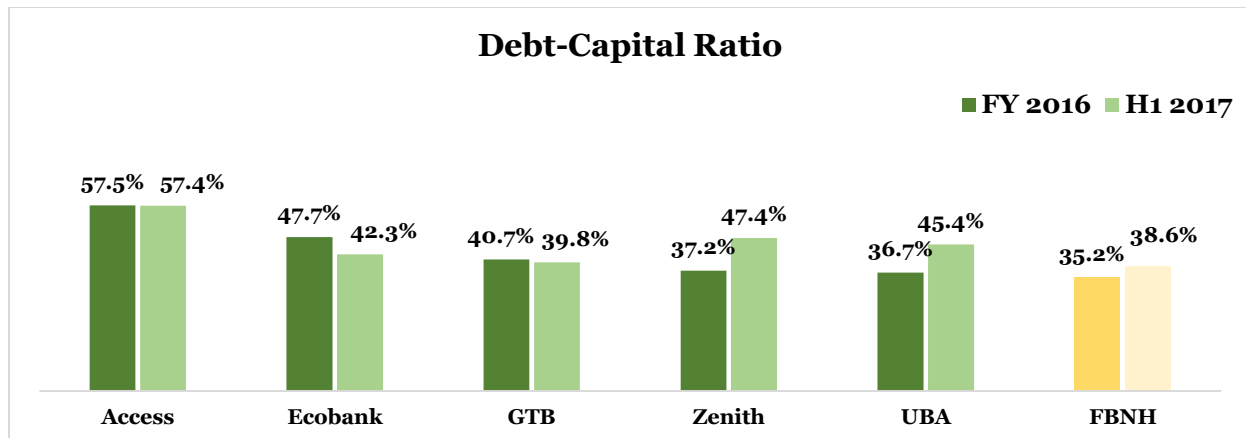


4.3.2 Debt-Capital Ratio

The debt-capital ratio for FBNH increased to 39.3% and 38.6% in Q1 2017 and Q2 2017, respectively from 30.7% in FY 2015. The long-term debt of the company is continuously increasing from FY 2015 mainly because of increase in FBN Eurobonds.



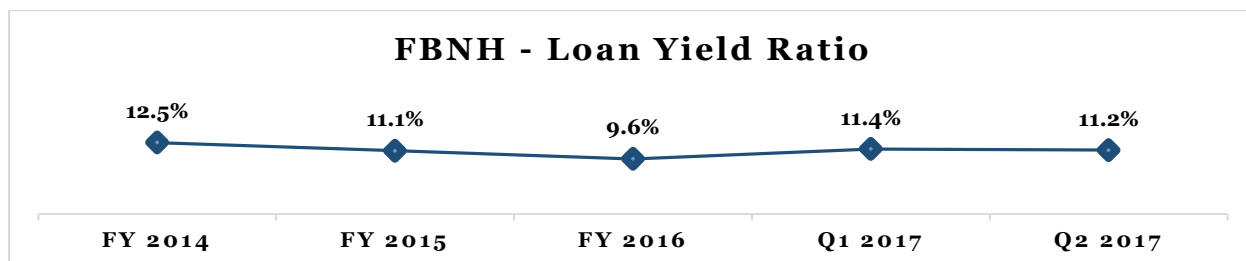
However, FBNH has the lowest debt-capital ratio in comparison to other Tier 1 banks such as Access Bank (57.4%), Ecobank (42.3%), GTB (39.8%), Zenith Bank (47.4%), and UBA (45.4%) for H1 2017. Further, FBNH's debt-capital ratio is the fourth lowest amongst all Tier 1 and Tier 2 banks (UBN has the lowest at 19.7%) for H1 2017.



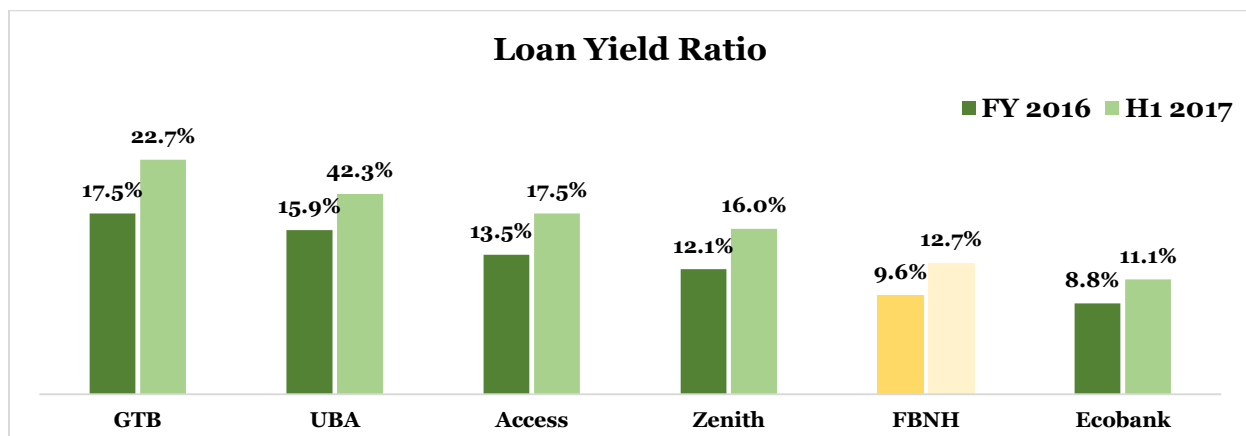
4.4 Income Statement Analysis

4.4.1 Loan Yield

FBNH’s loan yield ratio has declined from 12.5% in FY 2014 to 9.6% in FY 2016 but has marginally improved to Q2 2017 to 11.2% (on annualized basis). The loan yield is a common metric to compare risk relative to other loans across the different banks. The reason for this decline in loan yield is due to nominal growth in loans and advances in comparison to negligible growth in net operating income.

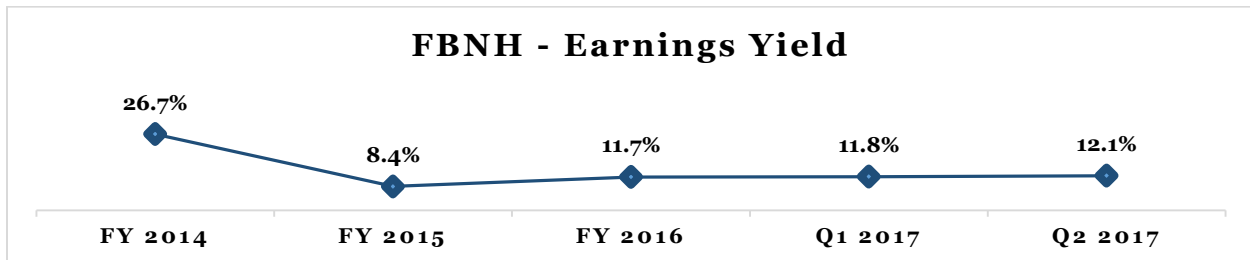


FBNH’s loan yield ratio is a bit lower than Tier 1 Banks (except Ecobank with 11.1%) -Access Bank (17.5%), Zenith bank (16.0%), GTB (22.7%) and UBA (42.3%) for H1 2017.

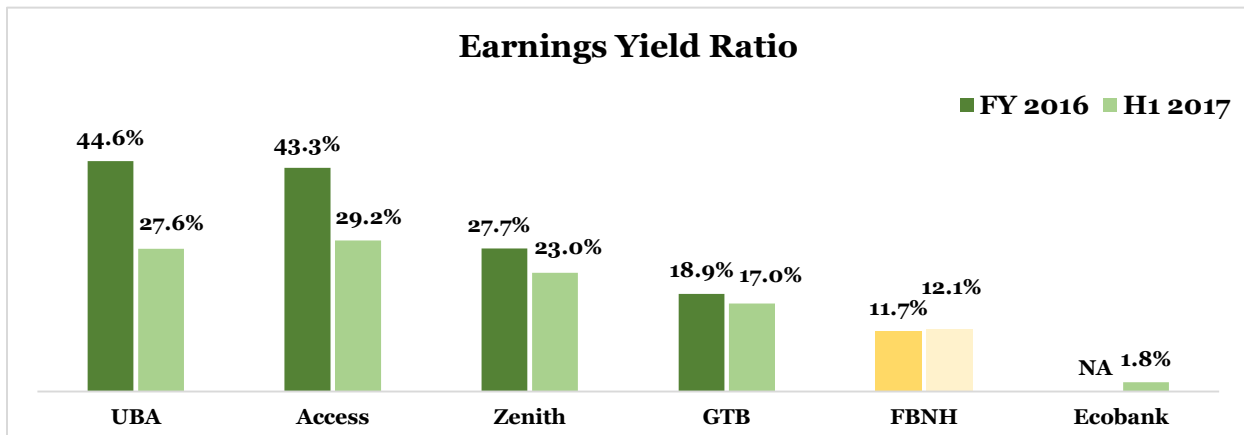


4.4.2 Earnings Yield

FBNH's earnings yield ratio has increased to 11.8% in Q1 2017 and 12.1% in Q2 2017 from 8.4% in FY 2015. The earnings yield increased in FY 2016 mainly because of the decline in the market price of its share and the low growth in EPS as a result of increase in impairment charges on credit losses.



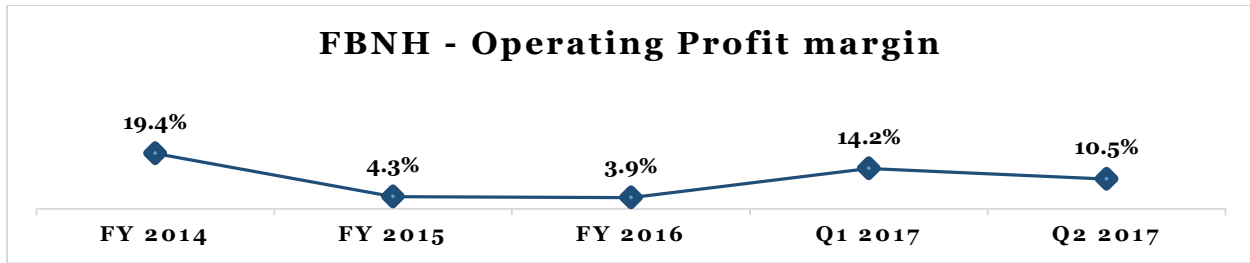
FBNH has lower earnings yield (except Ecobank with 1.8%) in comparison with other Tier 1 banks namely UBA (27.6%), Access Bank (29.2%), Zenith Bank (23.0%), GTB (17.0%) in H1 2017.



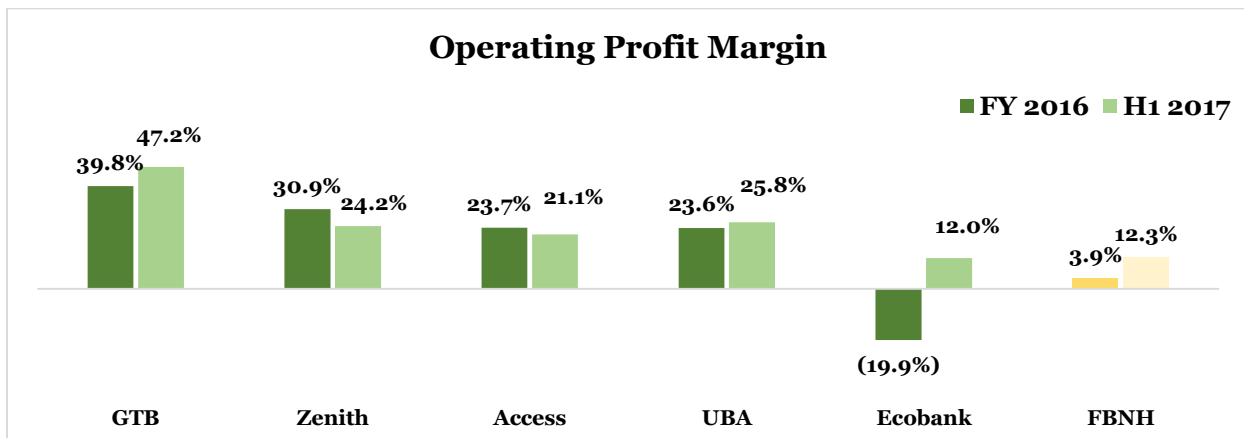
Ecobank has shown negative profitability for FY 2016

4.4.3 Operating Profit Margin

FBNH's operating profit margin increased to 10.5% in Q2 2017 (on annualised basis). This is primarily attributed to high impairment charges on credit losses. Pre-provision operating profit of N248.9bn in FY 2016 is the highest in the Banking sector in Nigeria. Further, there is y-o-y improvement in operating expenses despite the inflationary environment in Nigeria.

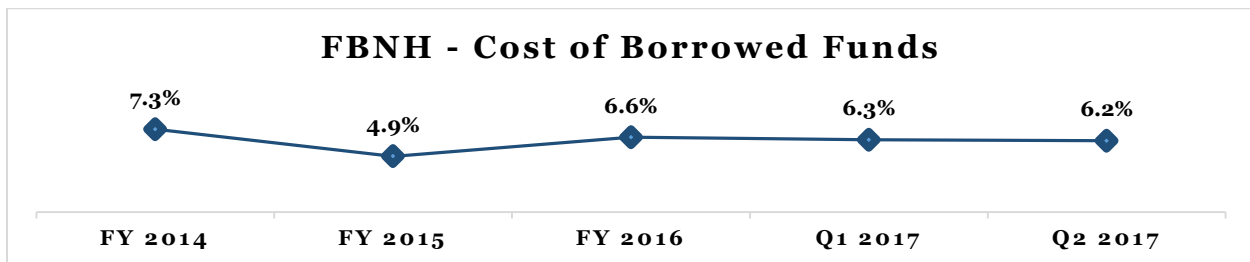


However, FBNH has a lower operating margin with regards to other Tier 1 banks viz. GTB (47.2%), Zenith Bank (24.2%), Access Bank (21.1%) and UBA (25.8%) in H1 2017.

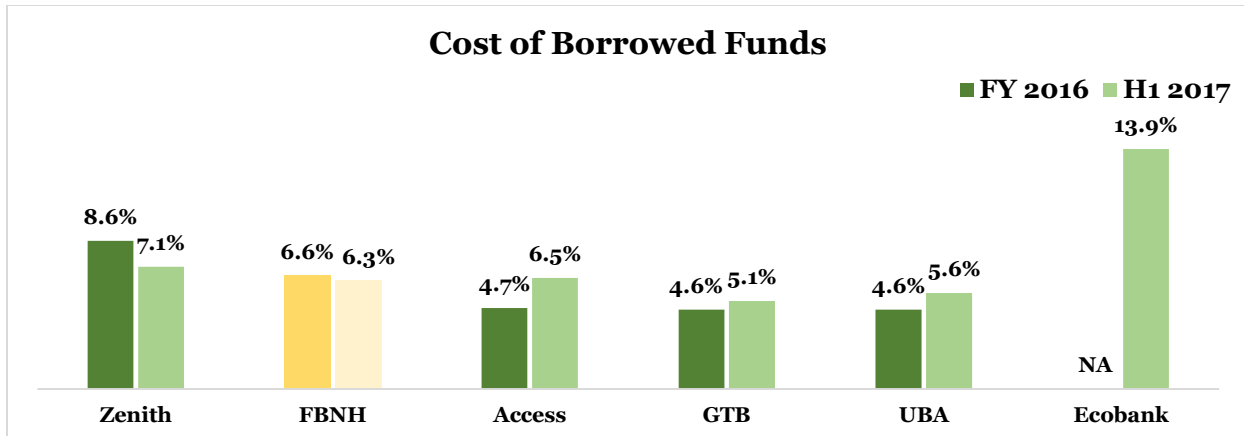


4.4.4 Cost of Borrowed Funds

FBNH's cost of borrowed funds has increased to 6.3% and 6.2% in Q1 2017 and Q2 2017, respectively from 4.9% in FY 2015. This is primarily because the company has purchased the FBN Eurobonds to increase its CAR (Tier 2 capital).

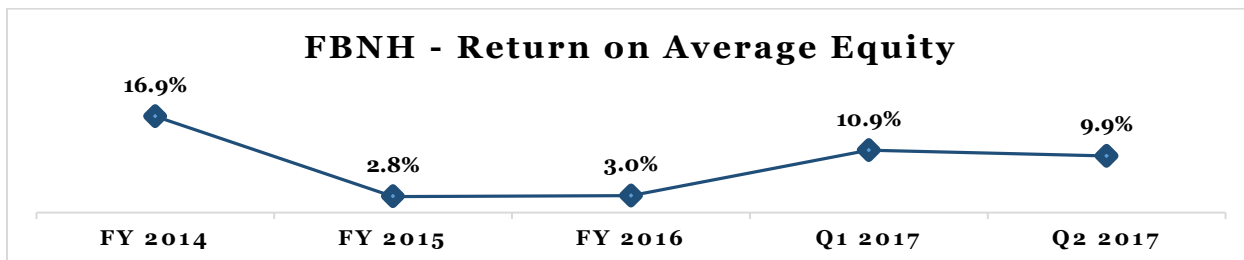


FBNH has second highest cost of borrowings with regards to Tier 1 banks viz. Zenith Bank (7.1%), Access Bank (6.5%), GTB (5.1%), UBA (5.6%) and Ecobank (13.9%) in H1 2017.

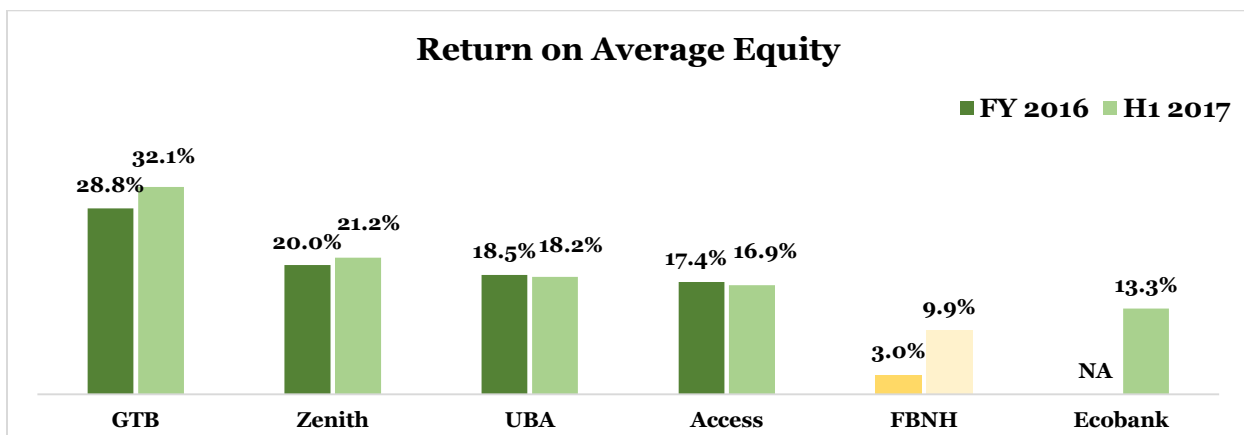


4.4.5 Return on Average Equity (ROAE)

FBNH’s ROAE increased in Q1 2017 and Q2 2017 to 10.9% and 9.9%, respectively (on an annualized basis). ROAE has been low mainly due to lower earnings because of higher loan loss provisions.

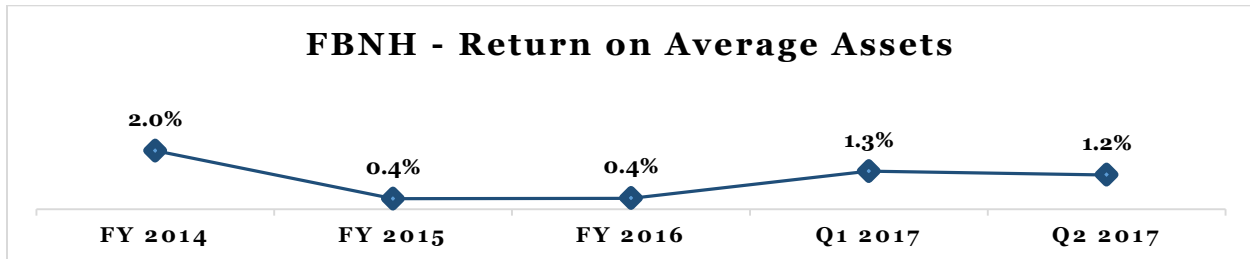


Tier 1 banks are maintaining relatively higher ROAE viz. GTB (32.1%), Zenith (21.2%), UBA (18.2%), Access Bank (16.9%) and Ecobank (13.3%) for H1 2017.

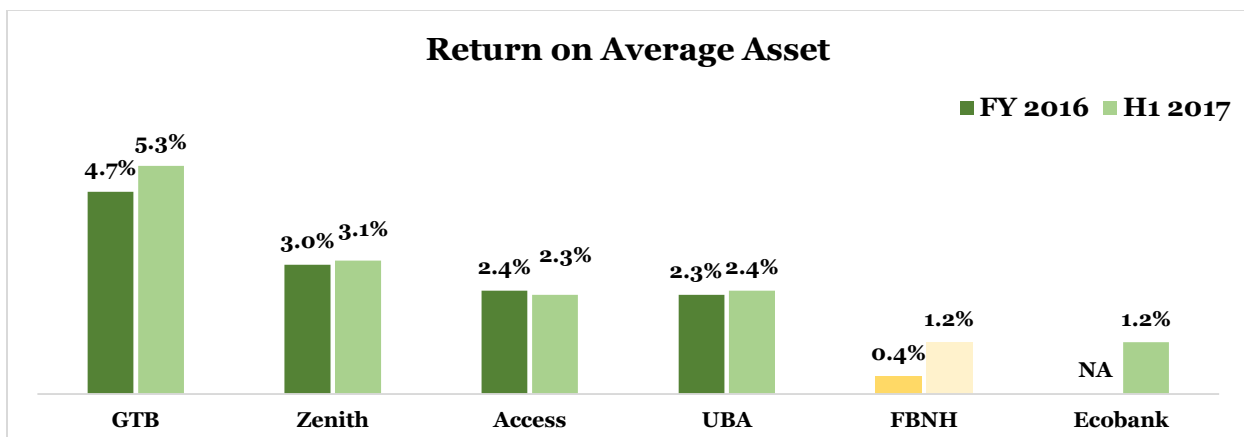


4.4.6 Return on Average Assets

FBNH has maintained ROAA of approx. 0.4% in FY 2015 and FY 2016. ROAA has slightly increased to 1.3% in Q1 2017 and 1.2% in Q2 2017 (on an annualized basis). Though the investment in average assets has increased by almost 4.5% in FY 2016 but due to fall in PAT attributed by high impairment charges triggered the negative effect.

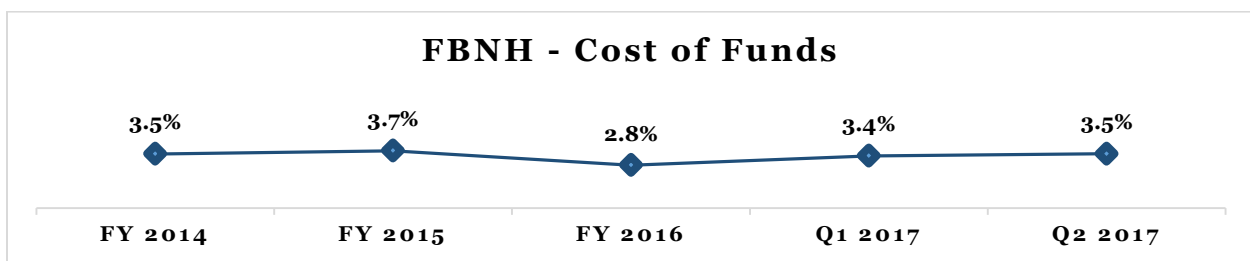


Relatively, tier 1 banks are maintaining slightly higher ratios like GTB (5.3%), Zenith (3.1%), Access Bank (2.3%), UBA (2.4%) and Ecobank (1.2%) in H1 2017.

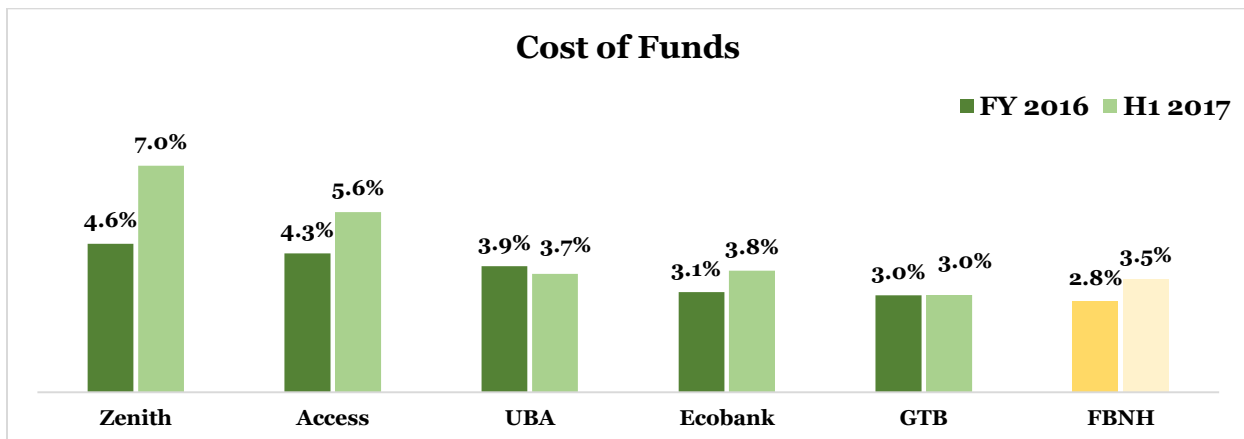


4.4.7 Cost of Funds

FBNH's has been maintaining an average of 3.4% cost of funds in the last three years. Cost of funds fell to 2.8% in FY 2016 which resulted in slight expansion in NIM. The increase in cost of funds in Q2 2017 is reflective of the relatively higher interest rate environment and hike in the cash reserve ratio from 20.0% to 22.5% by MPC to curtail excess liquidity in the banking sector. Lower cost of funds will generate better returns when the funds are lent to customers.

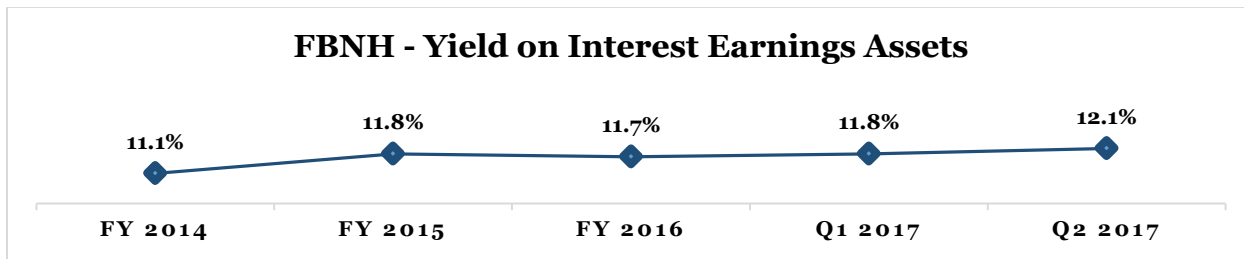


FBNH has relatively lower cost of funds against Tier 1 banks viz. Zenith (7.0%), Access Bank (5.6%), UBA (3.7%), Ecobank (3.8%) and GTB (3.0%) in H1 2017.

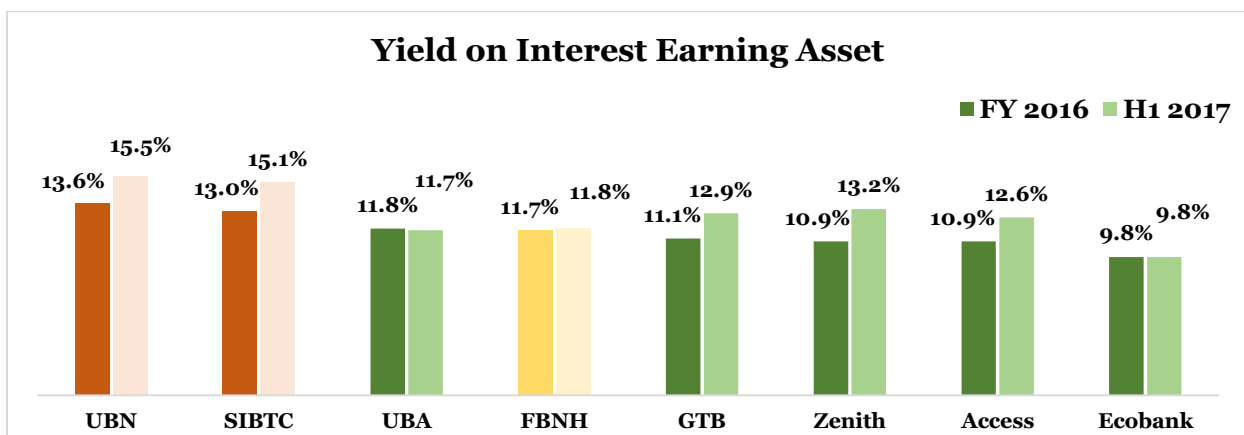


4.4.8 Yield on Interest Earning Assets

FBNH has maintained its yield on interest earnings asset of 11.8% on an average over the last two years. FBNH has a better yield on interest earning assets vis-à-vis its risk profile with 12.1% in Q2 2017.

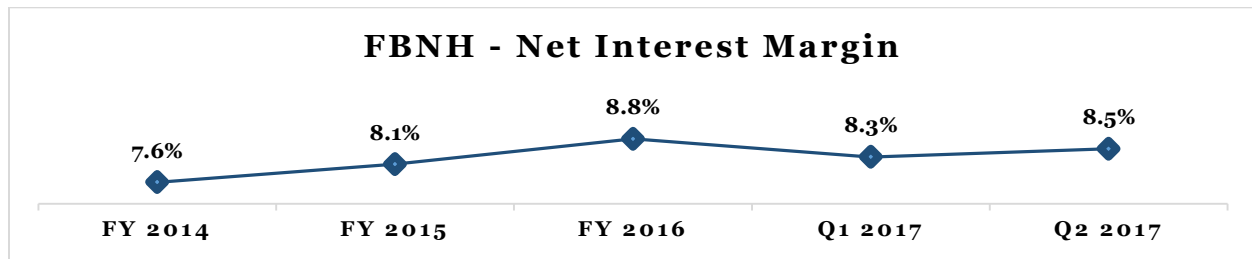


Further, UBN (15.5%) has higher yield followed by SIBTC (15.1%), UBA (11.7%), GTB (12.9%), Zenith (13.2%), Access Bank (12.6%) and Ecobank (9.8%) in H1 2017 in terms of yield on interest earning assets without considering their risk profile.

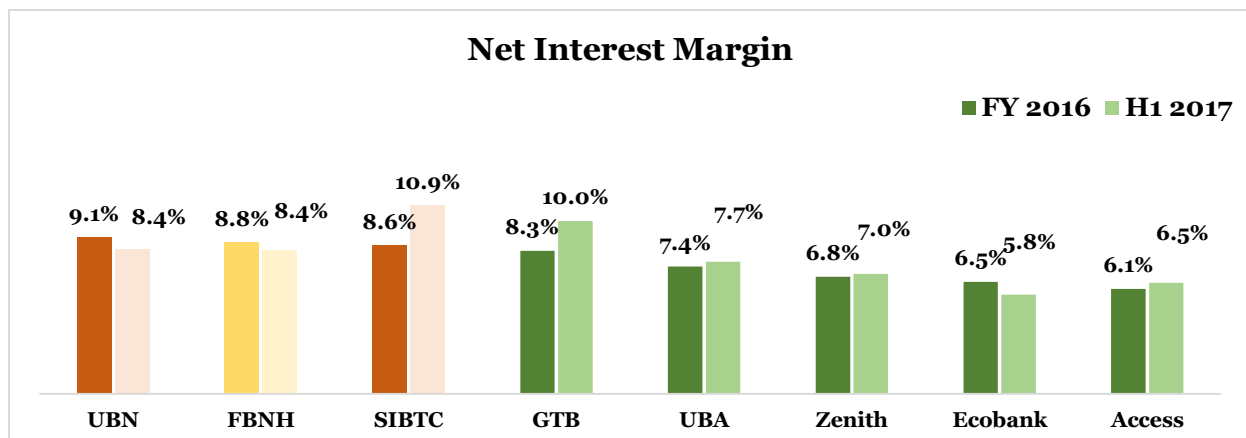


4.4.9 Net Interest Margin

FBNH's net interest margin has continued to inch up year-on-year, closing FY 2016 at 8.8%, up from 7.6% and 8.1% in FY 2014 and FY 2015, respectively. The NIM expansion in FY 2016 was driven by the faster increase in yield on assets and reduction in cost of funds. This was largely due to the 28.5% drop in interest expense on deposits, reflecting the impact of lower interest rates and a cutback of expensive deposits in 2016.

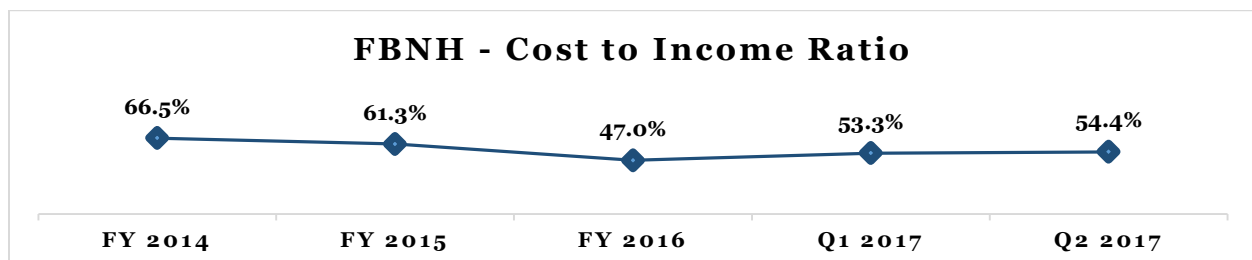


Net interest margin reported by other Tier 1 and Tier 2 banks are broadly in the same range viz. UBN (8.4%), SIBTC (10.9%), GTB (10.0%) whereas UBA (7.7%), Zenith (7.0%), Ecobank (5.8%) and Access (6.5%) have relatively lower NIM in H1 2017.

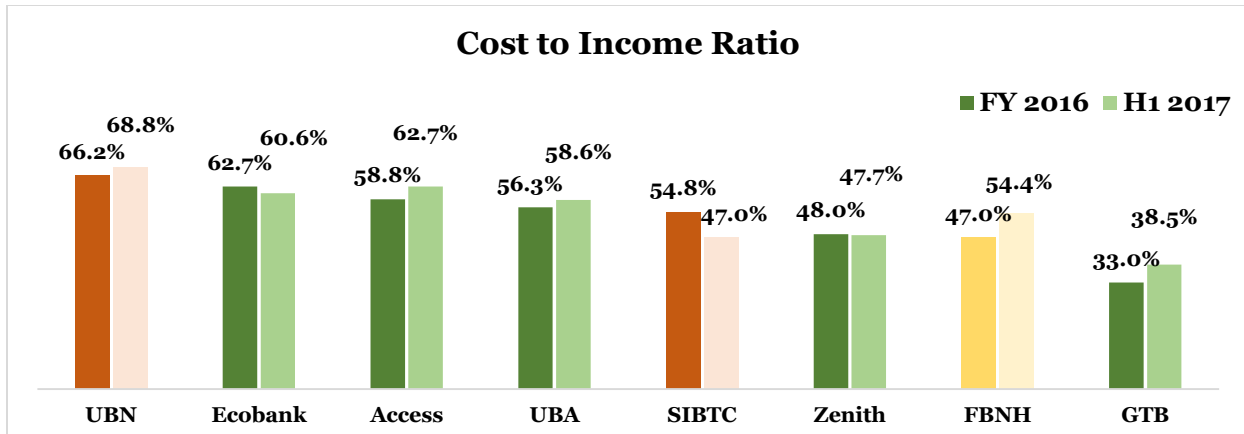


4.4.10 Cost to Income Ratio

FBNH's cost-to-income ratio has improved substantially over the last two years, trending downwards, from 61.3% in FY 2015 to 47.0% in FY 2016 despite the strong inflationary pressures experienced in 2016. It has reached 54.4% in Q2 2017.



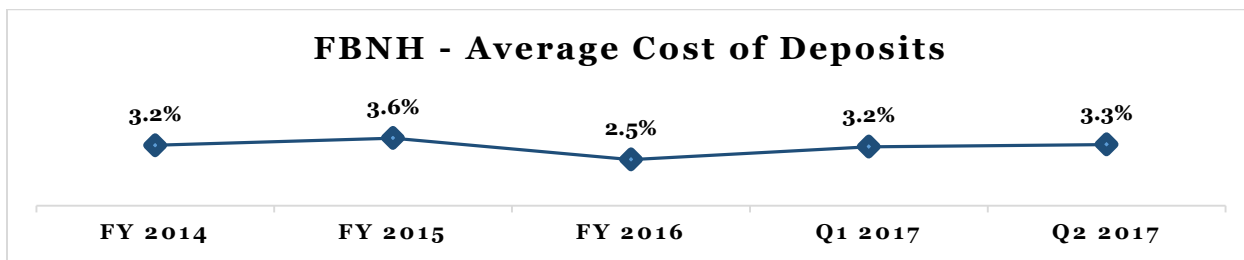
FBNH has maintained a healthy cost-to-income ratio in comparison to Tier 1 and Tier 2 Banks namely UBN (68.8%), Ecobank (60.6%), Access (62.7%), UBA (58.6%), SIBTC (47.0%), Zenith (47.7%). Only bank which has a better ratio is GTB (38.5%)



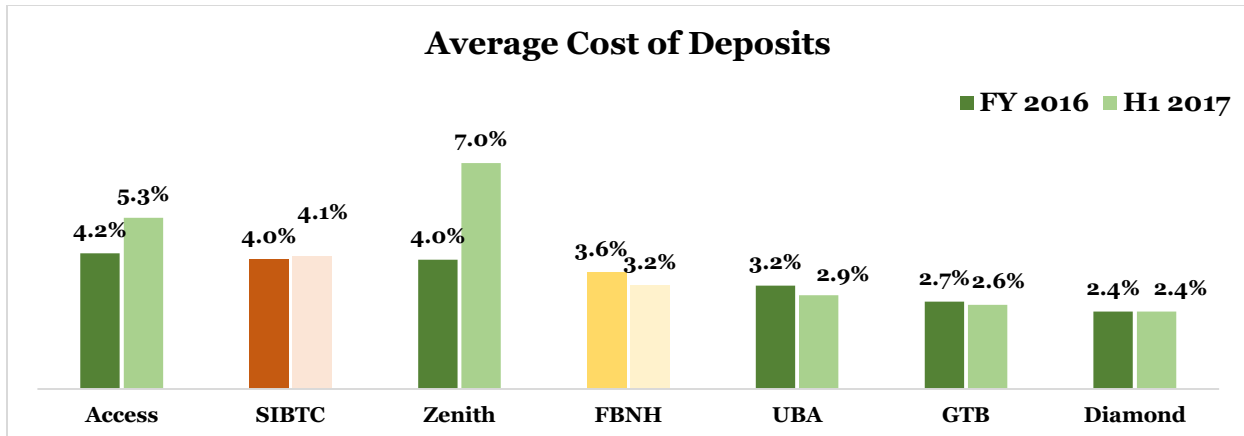
4.4.11 Cost to Deposits

FBNH’s cost to deposits has improved from 3.6% in FY 2015 to 2.5% in FY 2016 as it has continued to focus on ensuring an appropriate deposit mix at preferred price ranges.

Devaluation of currency caused customer deposits to expand to 12.7% in FY 2016 and decline in interest expenses on deposits by 22.5% helping to curtail expense on deposits and thus reducing the cost.



FBNH has maintained a healthy cost of deposits ratio in comparison to Access Bank (5.3%), SIBTC (4.1%), Zenith (7.0%) and has a slightly higher cost against UBA (2.9%), GTB (2.6%) and Diamond (2.4%).

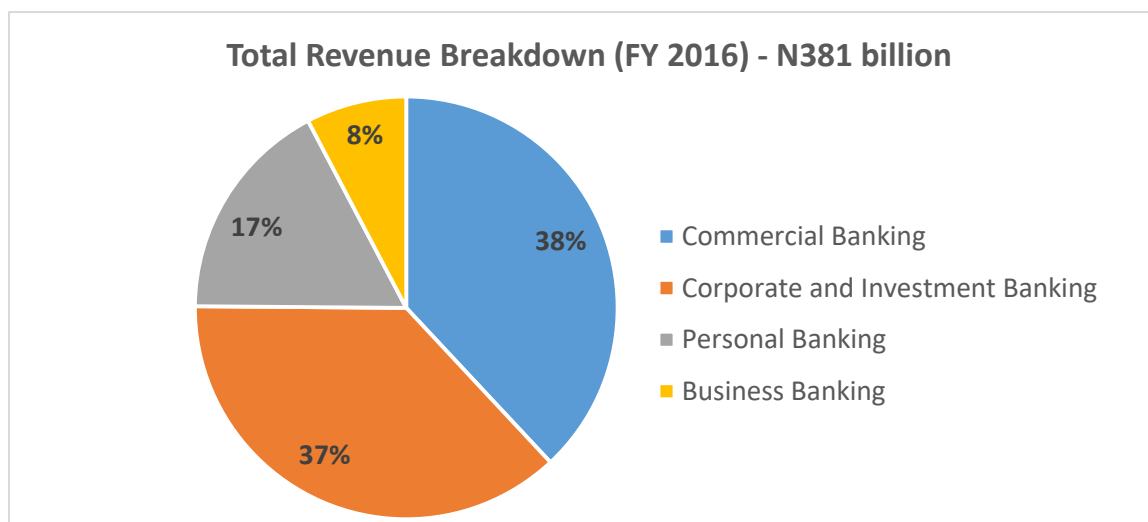


Banking Sector - Peers Overview

5.1 Access Bank Plc

5.1.1 Business Overview

- Established in 1988, it is headquartered in Lagos, Nigeria and is operating seven subsidiaries within West Africa, East Africa and the United Kingdom. It also has a business office in the Republic of China, as well as Beirut, UAE, and Mumbai
- It got listed on Nigeria Stock Exchange on 05-Feb-2001
- It provides international banking services and is renowned for its comprehensive range of financial product offerings like- project and structured finance, trade finance, cash management investments, treasury services, investment services
- It has 385 branches, 1,734 ATM machines, and 9,628 POS machines with an employee base of over 4,104
- It is fifth largest bank in Nigeria in terms of book value and fourth largest in terms of loans and advances



5.1.2 Market Stats / Analysts Views

- It has a market cap of N 279.4bn (12-Sep-2017) and current trading at 0.59x P/BV (LTM Q2 2017) and 3.63x P/E (LTM Q2 2017)
- “Strong FX income spurs top line growth. ACCESS released its H1’17 result reporting a strong 42% y/y growth in Gross Earnings (₦247 billion) – 12% ahead of our ₦220 billion estimate. In line with the trend observed in Q1’17, the impressive top line performance was supported by strong growth in both Interest and Non-Interest Income lines, up 43%

y/y and 47% y/y respectively, with both beating Q1'17 run rates.” (Vetiva Research, Aug-2017)

- “Overall, the cumulative impact of the elevated funding cost, opex pressure, uptick in costs of risk, and moderate expansion in NIR resulted in a downward revision of our 2017F PAT (+26.44%, previous 39.36% y/y) to N90.33 billion, equating to EPS of N3.05 (previous N3.44) and ROAE of 18.08% (previously 20.01%).” (Cordros Research, Aug-2017)
- “Expenses rose by 38% y/y to ₦105 billion, driven largely by a 45% y/y jump in other operating expenses to ₦69.14 billion as inflation remains elevated. Operating income was up 29% y/y to ₦167.46 billion but cost-to-income ratio rose to 62.73% from 58.36% a year ago.” (Elixir Investment, Aug-2017)
- “Although pre-provision profits increased by 25% y/y driven by growth from both revenue lines, the non-interest income line which grew by 30% y/y was the stronger of the two lines. However, funding income also grew healthily by 19% y/y. Despite the double-digit growth in pre-provision profits and an 8% y/y decline in loan loss provisions, a 45% y/y spike in opex proved significant and completely offset the positives from the line.” (FBN Quest, Aug-2017)
- “The result is consistent with our expectation that ACCESS is poised to outperform in 2017F, supported by its sizeable fixed income portfolio, cost containment, and contraction in loan loss provisions.” (Cordros Research, Apr-2017)

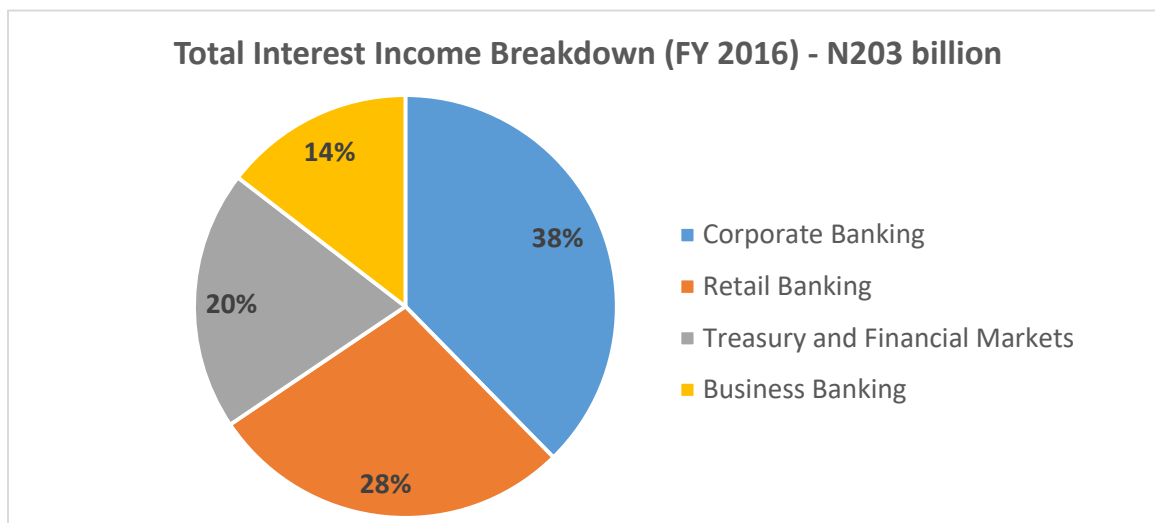
5.1.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1
Net Interest Income	77,724	100,017	105,382	139,148	153,739
Non-Interest Income	60,825	68,429	129,450	133,457	156,158
Total Income	138,548	168,446	234,832	272,605	309,897
Loan Loss Provision	6,164	(11,652)	(14,225)	(21,953)	(22,103)
Operating Costs	(92,467)	(95,533)	(135,471)	(149,019)	(176,716)
D&A	(8,715)	(9,238)	(10,098)	(11,294)	(12,682)
Share of Profit/(loss) of associates	1,466	-	-	-	-
PBT	44,996	52,022	75,038	90,339	98,395
Earnings to Shareholders	36,102	42,415	65,333	71,117	77,083
Loans and Advances to Customers	786,170	1,110,464	1,365,831	1,809,459	1,739,444
Customer Deposits	1,331,419	1,454,419	1,683,244	2,089,197	1,899,832
Total Assets	1,835,466	2,104,361	2,591,330	3,483,866	3,455,039
Book Value	242,714	273,880	363,902	448,248	475,943

5.2 Diamond Bank Plc

5.2.1 Business Overview

- Established in Dec-1990, it is headquartered in Lagos, Nigeria and maintains its subsidiary in Benin, Senegal, Togo and United Kingdom and has listed on Nigeria Stock Exchange on May-2005
- It is strategically focused on growing the retail segment of market by providing a wide range of convenience in retail products and services and catering for the banking needs of corporate by providing Diamond Business Xpress Account, RTGS, Diamond Collect and Diamond NEFT
- It has 331 branches, 1,121 ATM machines, and 16,330 POS machines with an employee base of over 3,555
- It is eighth largest bank in Nigeria in terms of book value and seventh largest in terms of loans and advances



5.2.2 Market Stats / Analysts Views

- It has a market cap of N 27.8bn (12-Sep-2017) and current trading at 0.12x P/BV (LTM Q2 2017) and 7.36x P/E (LTM Q2 2017)
- “DIAMONDBNK released its H1’17 results, showing sustained earnings run rate in Q2’17 and posting a 3% y/y growth in PAT. Although bottom line growth is mild, we see the y/y growth as modestly impressive given that H1 had been a stronger half for the bank in 2016 and we had expected the y/y performance to be impacted by the prior year’s high base.” (*Vetiva Research, Jul-2017*)

- “Coupled with the stronger yield on government securities, we believe DIAMONDBNK must have repriced it loans to reflect the higher rate environment with income from loans and advances growing 27% despite the moderation in loan portfolio observed.” *(Vetiva Research, Jul-2017)*
- “We expect balance sheet growth to pick up in H2 as macroeconomic stability becomes more apparent—H2 performance to be underpinned by strong core margin as seen in H1 as the CBN is expected to maintain its ‘tight money’ policy.” *(Elixir Investment, Aug-2017)*
- “Huge provisions in the last two years and amidst improving macroeconomic outlook, we expect the asset quality pressure to ease mildly in 2017.” *(Vetiva Research, Apr-2017)*

5.2.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	104,628	109,576	109,406	107,225	118,948
Non-Interest Income	34,938	44,178	50,404	53,887	48,975
Total Income	139,565	153,754	159,810	161,112	167,923
Loan Loss Provision	(23,297)	(26,371)	(55,172)	(59,025)	(60,338)
Operating Costs	(77,403)	(92,869)	(90,023)	(87,911)	(92,616)
D&A	(6,780)	(6,413)	(7,523)	(9,142)	(9,643)
Share of Profit/(loss) of associates	(5)	-	-	-	-
PBT	32,080	28,101	7,093	5,034	5,326
Earnings to Shareholders	28,576	25,409	5,616	3,471	3,776
Loans and Advances to Customers	689,168	791,095	763,635	995,334	984,345
Customer Deposits	1,206,044	1,493,081	1,233,591	1,424,690	1,398,790
Total Assets	1,518,856	1,933,123	1,753,232	2,049,799	2,065,734
Book Value	138,700	208,807	214,345	226,283	237,653

5.3 Ecobank Group

5.3.1 Business Overview

- Established in 1985 with presence in 35 African countries and international offices in Paris, London, Dubai and Beijing
- It got listed on Nigerian Stock Exchange in Sep-2005
- It provides a full range of retail, wholesale, investment and transactional banking services. It also provides financial solutions to global, regional and public corporates, financial institutions and international organizations. Products and services include pan-African lending, trade services, cash management, internet banking and value-chain finance
- It has 1,265 branches, 2,829 ATM machines and 9,126 POS machines with an employee base of over 17,000
- It is third largest bank in Nigeria in terms of book value and first largest in terms of loans and advances

5.3.2 Market Stats

- It has a market cap of N 330.2bn (12-Sep-2017) and current trading at 0.60x P/BV (LTM Q2 2017) and 5.39x P/E (LTM Q2 2017)
- “H1'17 results - Gross earnings rose by 41.5% YoY to N386.9 billion, in-line with our estimate of N370.5 billion (+4.4% deviation). After tax earnings increased by 19.7% YoY to N37.7 billion, in-line with our estimate of N36.5 billion (+3.2% deviation). On a quarterly basis, PAT inched up marginally by 1.9% QoQ to N19.0 billion in Q2'17.” (Cardinal Stone)

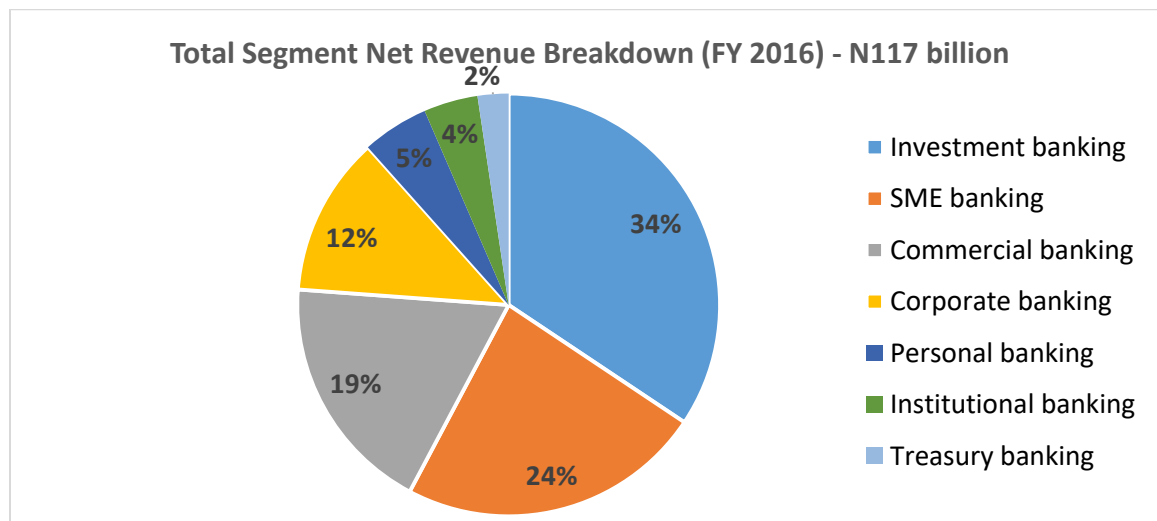
5.3.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	166,020	181,943	224,530	283,250	305,880
Non-Interest Income	150,526	191,958	188,241	221,649	269,246
Total Income	316,546	373,900	412,771	504,899	575,125
Loan Loss Provision	(57,295)	(37,607)	(83,708)	(197,189)	(197,189)
Impairment losses on other assets	(2,228)	(6,174)	(20,573)	(23,957)	(54,476)
Operating Costs	(200,670)	(223,769)	(245,980)	(291,332)	(322,950)
D&A	(21,314)	(20,776)	(22,054)	(25,394)	(28,726)
Share of Profit/(loss) of associates	3	(367)	(230)	(651)	(735)
PBT	35,041	85,206	40,227	(33,623)	(28,951)
Earnings to Shareholders	-	-	-	-	61,279
Loans and Advances to Customers	1,827,457	2,228,407	2,206,469	2,805,590	2,899,678
Customer Deposits	2,638,385	3,156,092	3,236,228	4,089,506	4,235,152
Total Assets	3,605,352	4,388,085	4,640,122	6,214,825	6,458,043
Book Value	309,830	443,599	462,164	478,111	547,009

5.4 FCMB Group Plc (FCMB)

5.4.1 Business Overview

- Established in 1982, it is headquartered in Lagos, Nigeria and is operating its subsidiaries in London and Abuja which got listed in Dec-2004 on Nigeria Stock Exchange
- It provides specialization in project and structured finance, equity and debt capital raising, M&A advice, and other financial advisory services to top-tier corporate entities and services include cash management, trade, loans and advances, corporate finance, investment banking, securities brokerage, money market activities and foreign exchange operations
- It has 204 branches and 755 ATM machines with an employee base of over 3,485
- It is tenth largest bank in Nigeria in terms of book value and ninth largest in terms of loans and advances



5.4.2 Market Stats / Analysts Views

- It has a market cap of N 21.4bn (12-Sep-2017) and current trading at 0.12x P/BV (LTM Q2 2017)
- “FCMB released its H1’17 result, reporting weaker top and bottom line performances. With Gross Earnings up 2% q/q to ₦39 billion in Q2’17, the top line came in just in line with our estimate albeit down 12% y/y.” (*Vetiva Research, Aug-2017*)
- “Following FCMB’s Q2 2017 results, we have increased our EPS estimates over the 2017-18E period by an average of 12%. This is because we have chosen to limit the impact of the weaker-than-expected non-interest income result in Q2 that we carry forward, offsetting it with the impact of the positive surprise in operating expenses. This

combined with our decision to roll over our valuation to end-2018, largely explain the 42% increase in our price target to N1.43.” (FBN Quest, Aug-2017)

- “With the expected boost in liquidity, we project a 17.3% growth in investment securities which will translate to higher interest income in H2'17 if deposits stay stable.” (Cardinal Stone)

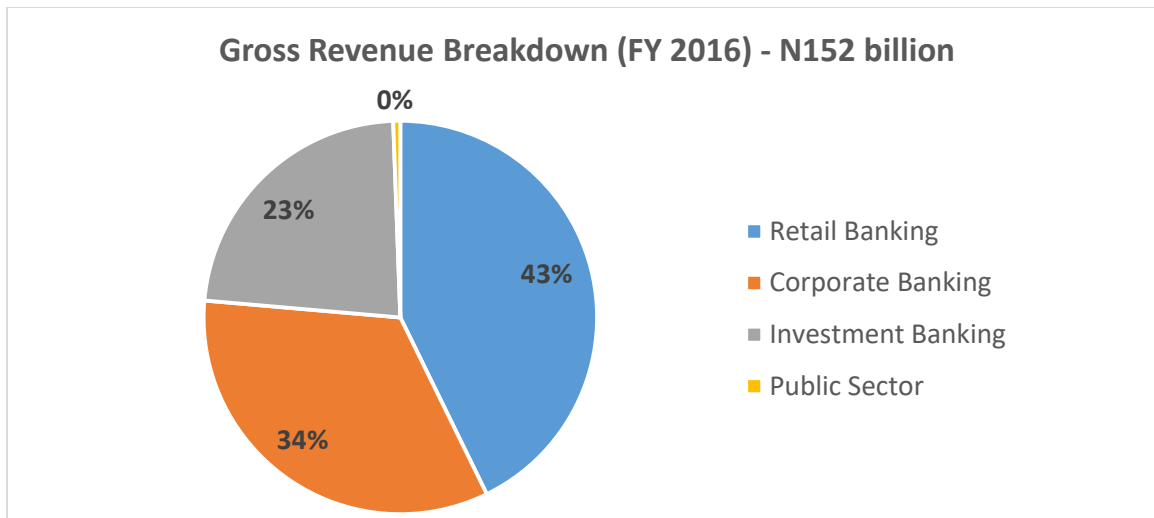
5.4.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	57,795	72,634	63,937	69,534	65,486
Non-Interest Income	26,454	28,185	25,760	47,741	34,673
Total Income	84,250	100,819	89,697	117,274	100,159
Loan Loss Provision	(7,983)	(10,640)	(15,033)	(35,522)	(32,006)
Operating Costs	(54,844)	(62,713)	(62,616)	(61,300)	(59,862)
D&A	(3,307)	(3,591)	(4,363)	(4,474)	(4,885)
Share of Profit/(loss) of associates	68	68	85	273	381
PBT	18,184	23,943	7,769	16,251	3,787
Earnings to Shareholders	16,001	22,133	4,761	28	(12,622)
Loans and Advances to Customers	450,533	617,980	592,957	659,937	649,199
Customer Deposits	715,214	733,797	700,217	657,610	633,477
Total Assets	1,008,280	1,169,365	1,159,534	1,172,778	1,177,322
Book Value	143,707	160,365	162,391	178,873	180,402

5.5 Fidelity Bank Plc

5.5.1 Business Overview

- Established in 1988 as a Merchant bank headquartered in Lagos, Nigeria and is wholly concentrated in Ghana
- It provides a wide range of spectrum of commercial, consumer and corporate, investment banking services such as- current, savings, consumer loans and money transfers
- It has 240 branches, 783 ATM machines and 3,091 POS machines with an employee base of over 4,154
- It is ninth largest bank in Nigeria in terms of book value and eighth largest in terms of loans and advances



Note: Gross revenue is inclusive of revenue derived from external customers and from other segments

5.5.2 Market Stats / Analysts Views

- It has a market cap of N 37.7bn (12-Sep-2017) and current trading at 0.20x P/BV (LTM Q2 2017) and 2.83x P/E (LTM Q2 2017)
- “Similar to our results review after Fidelity Bank’s Q1 2017 results, we have increased our PBT forecasts over the 2017-18E period modestly, despite the bank’s Q2 2017 results coming in well ahead of expectations. Focusing on 2017 specifically, the modest changes we have made are due to expectations of a subdued outlook for loan growth and our conservatism on the outlook for non-interest income in H2.” (*FBN Quest, Sep-2017*)
- “H1'17 results - Gross earnings increased by 22.1% YoY to N85.8 billion, outperforming our estimate of N80.5 billion (+6.6% deviation). After tax earnings rose by 65.6% YoY to N9.0 billion, beating our estimate of N8.5 billion (+6.3% deviation). On a quarterly basis, PAT increased by 9.4% QoQ to N4.7 billion in Q2'17, driven by the 86.6% QoQ growth in non-interest income.” (*Cardinal Stone*)

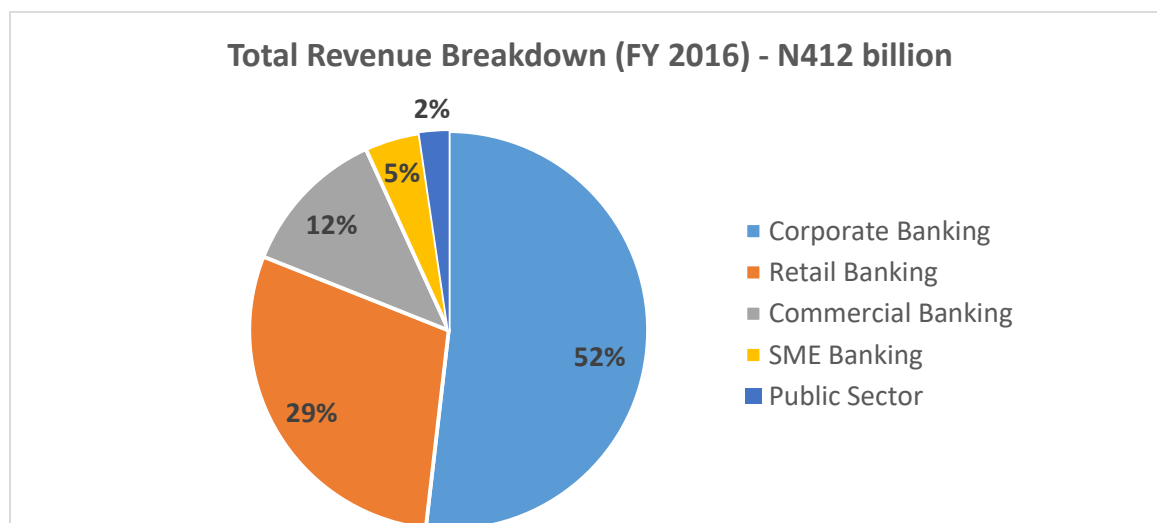
5.5.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	30,812	48,826	60,864	61,928	65,397
Non-Interest Income	32,872	29,441	23,088	25,005	25,080
Total Income	63,684	78,267	83,952	86,933	90,477
Loan Loss Provision	(8,140)	(4,306)	(5,764)	(8,671)	(8,684)
Operating Costs	(42,835)	(54,654)	(60,179)	(62,893)	(62,588)
D&A	(3,681)	(3,792)	(3,985)	(4,308)	(4,056)
PBT	9,028	15,515	14,024	11,061	15,149
Earnings to Shareholders	7,721	13,796	13,904	9,734	13,313
Loans and Advances to Customers	426,076	541,686	578,203	718,401	720,163
Customer Deposits	806,320	820,034	769,636	792,971	761,069
Total Assets	1,081,217	1,187,025	1,231,722	1,298,141	1,308,702
Book Value	163,455	173,111	183,516	185,402	192,339

5.6 Guaranty Trust Bank Plc (GTB)

5.6.1 Business Overview

- Established in 1990, it is headquartered in Lagos, Nigeria with presence in Gambia, Ghana, Liberia, Sierra Leone, Cote d'Ivoire, Uganda, Kenya, United Kingdom which got listed in Sep- 1996 on Nigerian Stock exchange
- It offers a wide range of services such as Transfer Services, Loans & Advances, Deposit Products, Guarantees, trade services, cash Management, International funds settlements to its customers
- It has 224 branches, 1,165 ATM machines with an employee base of over 6,645. In addition to this, it has 17 cash centers and 46 e-Branches in 35 GT Express Location
- It is fourth largest bank in Nigeria in terms of book value and sixth largest in terms of loans and advances



5.6.2 Market Stats / Analysts Views

- It has a market cap of N 1,104.3bn (12-Sep-2017) and current trading at 2.09x P/BV (LTM Q2 2017) and 7.72x P/E (LTM Q2 2017)
- “Beating already impressive Q1’17 run rate, H1’17 performance came in better than expected with top and bottom line beating our estimates by 7% and 22% respectively. Particularly, Gross Earnings came in relatively flat (2% higher y/y) as strong Interest Income growth (up 51% y/y) outweighed the 53% moderation in Non-Interest Income.”
(Vetiva Research, Aug-2017)
- “We expect a cut back in loan loss provisioning in 2017F on possible reclassification of some NPLs (expected to decline to 3.55%) owing to the (1) successful restructuring of exposures across sectors, specifically FCY loan exposures, (2) relative stability in oil production and prices, with attendant impact on oil & gas upstream obligors cash flow, and (3) improved FX availability to manufacturers and oil & gas downstream obligors.”
(Cordros Research, Aug-2017)
- “Specifically, deposit and loan growth forecasts were cut from 12% and 11.27% to 7% and 6.30% respectively as banks have towed a conservative path against a backdrop of a still weak macro environment and a high-yielding FGN debt market—banks do not have to worry about risk management and capital adequacy ratios when buying up FGN debt.”
(Elixir Investment, Aug-2017)

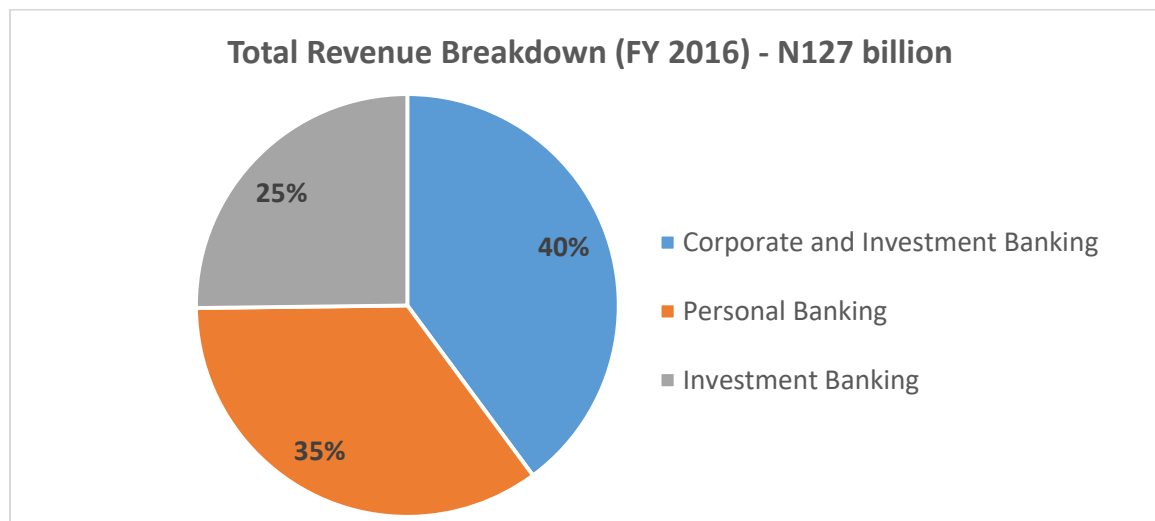
5.6.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	136,939	142,392	159,947	195,400	245,823
Non-Interest Income	55,576	75,530	69,534	148,665	96,440
Total Income	192,515	217,922	229,481	344,065	342,262
Loan Loss Provision	(2,886)	(7,098)	(12,408)	(65,290)	(34,957)
Operating Costs	(72,423)	(82,286)	(83,784)	(98,389)	(110,637)
D&A	(10,116)	(12,152)	(12,595)	(15,249)	(16,120)
PBT	107,090	116,386	120,695	165,136	180,549
Earnings to Shareholders	89,599	93,736	98,678	131,342	143,067
Loans and Advances to Customers	1,002,371	1,275,681	1,371,926	1,589,430	1,489,958
Customer Deposits	1,427,494	1,618,208	1,610,350	1,986,246	1,966,376
Total Assets	2,102,846	2,355,876	2,524,594	3,116,393	3,232,238
Book Value	327,269	368,653	407,173	496,060	527,862

5.7 Stanbic IBTC Holdings Plc

5.7.1 Business Overview

- Established in 1989, headquartered in Lagos, Nigeria with its shares listed on 23-Nov-2012 on The Nigerian Stock Exchange
- It primarily provides banking and other financial services to corporate, small-to-medium-sized enterprises and individual customers which includes - investment management, portfolio management, unit trust/funds management, trusteeship, distributorship and inventory finance
- It has 180 branches, 783 ATM machines and 3,091 POS machines with an employee base of over 2,926
- It is eleventh largest bank in Nigeria in terms of book value and twelfth largest in terms of loans and advances



5.7.2 Market Stats / Analysts Views

- It has a market cap of N 412.0bn (12-Sep-2017) and current trading at 2.58x P/BV (LTM Q2 2017) and 10.78x P/E (LTM Q2 2017)
- “STANBIC released its H1’17 results, posting strong top and bottom line performances. Up 36% y/y, Gross Earnings came in at ₦97.2 billion – 10% better than our ₦88.3 billion estimate.” (*Vetiva Research, Aug-2017*)
- “We have rolled over our price target for Stanbic IBTC (Stanbic) to 2018, increasing our target by 56% in the process to N39.2. Apart from the rollover effect, the other driver behind the marked uplift is a 17% average increase to our 2017-18E EPS forecasts. Although the bank’s Q2 2017 earnings missed our forecasts (PBT by 29%, PAT 44%), our

earnings upgrade reflects the strength of the pre-provisions (and opex) result.” (*FBN Quest, Sep-2017*)

- “Going into H2, management is confident that loan loss provisions will ease because of recoveries from an oil and gas exposure which was classified as a result of its reliance on the Forcados pipeline; the pipeline was out of service for most of last year but is now operational again.” (*FBN Quest, Sep-2017*)
- “Investments in enhancing the retail infrastructure and improving service delivery to the retail segment could drive opex higher in FY 17E.” (*Chapel Hill, Jan-2017*)
- “We believe that the banks low risk appetite is due to the weak macro, but we expect risk asset growth in FY 17E, as the bank possibly takes advantage of low risk opportunities in the economy.” (*Chapel Hill, Jan-2017*)

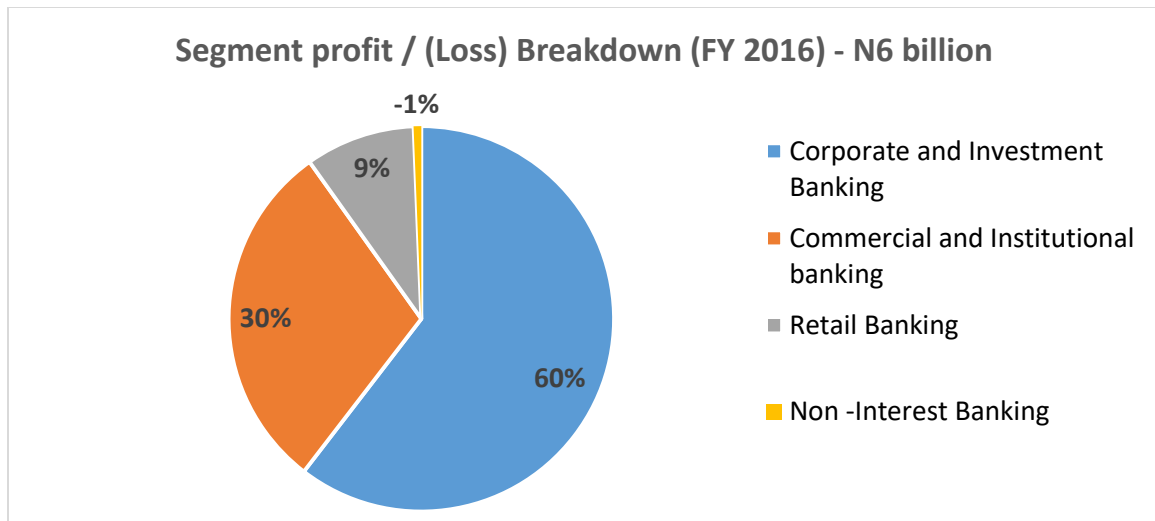
5.7.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	37,013	46,658	43,860	57,859	76,045
Non-Interest Income	48,219	57,987	56,788	68,194	74,265
Total Income	85,232	104,645	100,648	126,053	150,310
Loan Loss Provision	(2,667)	(3,217)	(14,931)	(19,803)	(25,306)
Operating Costs	(57,725)	(57,901)	(62,066)	(69,041)	(74,308)
PBT	24,840	43,527	23,651	37,209	50,696
Earnings to Shareholders	18,610	31,687	15,498	24,642	38,223
Loans and Advances to Customers	289,747	398,604	353,513	352,965	367,956
Customer Deposits	416,352	494,935	493,513	560,969	632,751
Total Assets	763,046	941,919	937,564	1,053,523	1,273,960
Book Value	94,313	116,021	123,726	137,102	159,496

5.8 Sterling Bank Plc

5.8.1 Business Overview

- Established on 25-Nov-1960, it is headquartered in Lagos, Nigeria with its shares quoted on 3-Jan-2006 on The Nigerian Stock Exchange
- It is engaged in commercial banking with emphasis on retail and consumer banking, trade services, corporate, investment and non-interest banking activities. It also provides whole sale banking services including the granting of loans and advances, letter of credit transactions, money market operations, electronic and mobile banking products
- It has 180 branches, 776 ATM machines and 1,871 POS machines with an employee base of over 2,260
- It is twelfth largest bank in Nigeria in terms of book value and tenth largest in terms of loans and advances



Note: Segment profit/(loss) breakdown is exclusive of SPV segment

5.8.2 Market Stats

- It has a market cap of N 29.9bn (12-Sep-2017) and current trading at 0.32x P/BV (LTM Q2 2017) and 6.06x P/E (LTM Q2 2017)

5.8.3 Key Financials

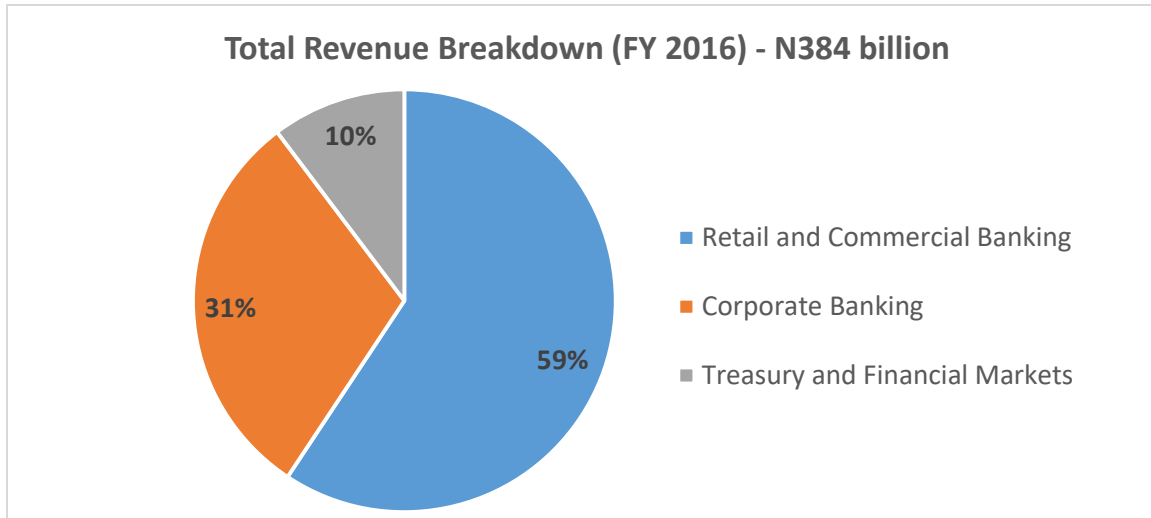
Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	35,813	43,017	39,542	55,989	57,376
Non-Interest Income	21,770	25,745	29,285	12,336	10,895
Total Income	57,583	68,762	68,827	68,325	68,271
Loan Loss Provision	(8,259)	(7,389)	(8,151)	(11,714)	(12,130)
Operating Costs	(37,319)	(47,485)	(45,795)	(46,416)	(45,744)
D&A	(2,694)	(3,140)	(3,865)	(4,196)	(4,444)
PBT	9,310	10,748	11,016	6,000	5,953
Earnings to Shareholders	8,275	9,005	10,293	5,162	4,944
Loans and Advances to Customers	321,744	371,246	338,726	468,250	524,023
Customer Deposits	570,511	655,944	590,889	584,734	609,028
Total Assets	707,797	824,539	799,451	834,190	957,861
Book Value	63,458	84,715	95,566	85,660	94,612

5.9 United Bank for Africa Plc (UBA)

5.9.1 Business Overview

- Established in 1948, it is headquartered in Lagos, Nigeria and is one of the leading pan-African financial services group with presence in 19 African countries, as well as in the United Kingdom, the United States of America and France
- It offers a range of banking and other financial and pension fund custody services, distributorship financing, cash management, foreign exchange services

- With one of the largest distribution networks in Africa, it has 1,000 branches, 2,200 ATM machines and 13,500 POS machines with an employee base of over 20,000 direct and support staff
- It is the sixth largest bank in Nigeria in terms of book value and fifth largest in terms of loans and advances



5.9.2 Market Stats / Analysts Views

- It has a market cap of N 322.9bn (12-Sep-2017) and current trading at 0.69x P/BV (LTM Q2 2017) and 3.83x P/E (LTM Q2 2017)
- “UBA released its long awaited H1’17 earnings, posting another impressive performance and beating earlier run rates across several line items Particularly, the bank reported strong double digit top and bottom line growth of 35% y/y and 56% y/y respectively with both coming in ahead of our estimates.” (*Vetiva Research, Aug-2017*)
- “On asset quality, UBA made an additional N8.57 billion provisions on specific credit loss impairment during the period, which by our understanding, relates to its exposure to general commerce, manufacturing, oil & gas, and power.” (*Cordros Research, Aug-2017*)
- “Although both revenue lines grew healthily y/y, the better-than-expected results were driven by a positive surprise in non-interest income which was underpinned by fx-related gains and a substantial reduction in fx revaluation losses.” (*FBN Quest, Aug-2017*)

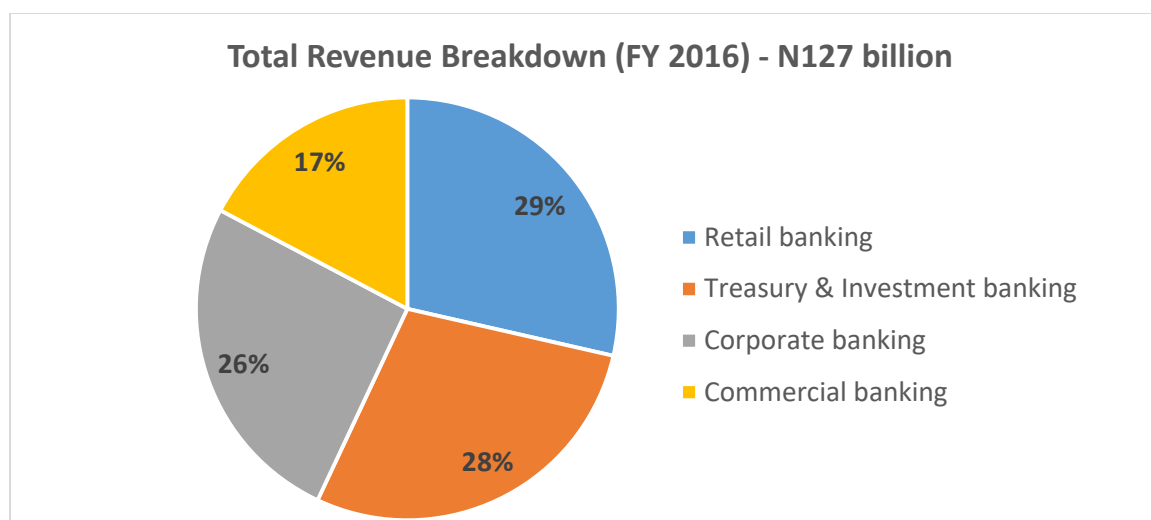
5.9.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	103,231	106,133	137,939	165,200	202,447
Non-Interest Income	73,762	86,322	72,304	105,689	114,023
Total Income	176,993	192,455	210,243	270,889	316,470
Loan Loss Provision	(13,078)	(6,578)	(5,053)	(27,683)	(30,303)
Operating Costs	(101,682)	(123,950)	(128,658)	(143,851)	(163,388)
D&A	(6,169)	(5,736)	(7,968)	(8,650)	(9,377)
Share of Profit/(loss) of associates	(6)	9	(110)	(63)	15
PBT	56,058	56,200	68,454	90,642	113,417
Earnings to Shareholders	45,917	47,021	58,604	69,404	84,362
Loans and Advances to Customers	937,620	1,071,859	1,036,637	1,505,319	1,560,337
Customer Deposits	2,161,182	2,169,663	2,081,704	2,485,610	2,448,617
Total Assets	2,642,296	2,762,573	2,752,622	3,504,470	3,690,289
Book Value	227,649	259,930	325,827	434,851	468,485

5.10 Union Bank of Nigeria Plc (UBN)

5.10.1 Business Overview

- Established in 1917, it is headquartered in Lagos, Nigeria and has two wholly owned subsidiaries one in Cotonou, Benin and another in London, in the United Kingdom. It also maintains a Representative Office in Johannesburg, South Africa
- It got listed on Nigerian Stock Exchange in 1971
- It is primarily serving to individual, SME, commercial and corporate clients offering current, savings and deposit account services, funds transfer, foreign currency domiciliation, loans, overdrafts, equipment leasing and trade finance
- It has 350 branches, 800 ATM machines, and 3,700 POS machines with an employee base of over 2,700 and an extensive network of over 350 sales and service centers
- It is seventh largest bank in Nigeria in terms of book value and eleventh largest in terms of loans and advances



5.10.2 Market Stats

- It has a market cap of N 101.6bn (12-Sep-2017) and current trading at 0.37x P/BV (LTM Q2 2017) and 8.93x P/E (LTM Q2 2017)

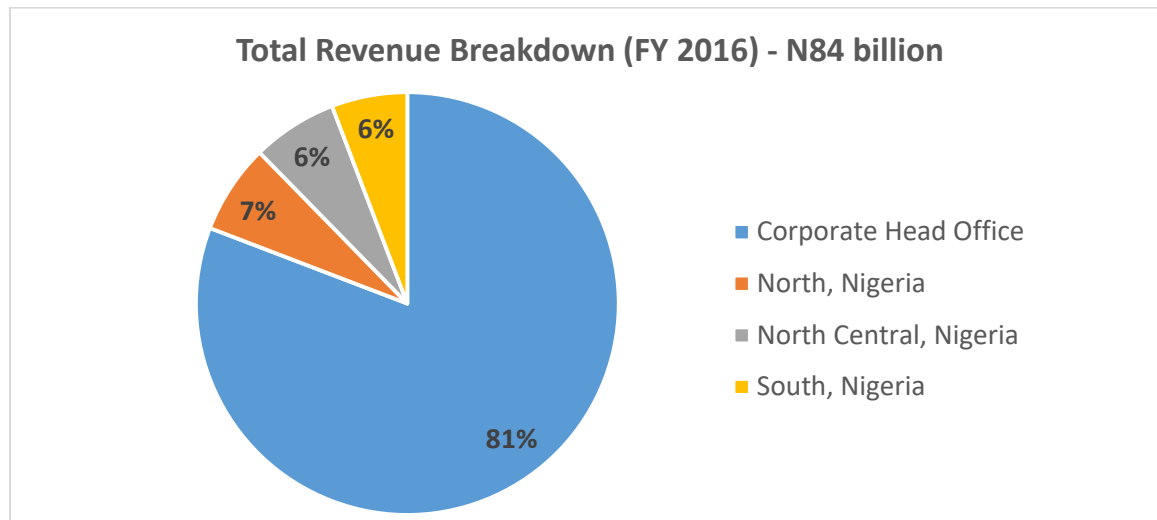
5.10.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	57,293	52,056	55,683	65,039	48,721
Non-Interest Income	22,369	44,139	26,167	28,588	19,474
Total Income	79,662	96,195	81,850	93,627	68,195
Loan Loss Provision	(12,066)	(4,828)	(9,948)	(16,582)	(8,122)
Impairment losses on other assets	(3,670)	(4,823)	704	693	528
Operating Costs	(55,480)	(56,099)	(53,864)	(57,094)	(45,319)
D&A	(3,113)	(3,320)	(3,986)	(4,906)	(3,808)
Share of Profit/(loss) of associates	(4)	(6)	-	-	-
PBT	5,329	27,119	14,756	15,738	11,474
Earnings to Shareholders	6,276	25,629	14,302	15,617	11,373
Loans and Advances to Customers	229,542	312,797	366,721	507,190	477,646
Customer Deposits	482,706	527,617	570,639	658,444	759,266
Total Assets	1,002,756	1,008,451	1,049,731	1,252,682	1,325,137
Book Value	192,181	216,190	241,423	266,559	276,666

5.11 Unity Bank Plc

5.11.1 Business Overview

- Established in 1987, it is headquartered in Abuja, Nigeria with its shares quoted on the Nigerian Stock Exchange on 30-Dec-2005
- It provides banking and other financial services to corporate and individual customers. Such services include but not limited to granting of loans and advances, corporate banking, retail banking, consumer and trade finance, international banking, cash management, electronic banking services and money market activities
- It has 242 branches, 277 ATM machines with an employee base of over 1,954
- It is thirteenth largest bank in Nigeria in terms of book value and thirteenth largest in terms of loans and advances



5.11.2 Market Stats

- It has a market cap of N 6.5bn (12-Sep-2017) and current trading at 0.08x P/BV (LTM Q2 2017) and 3.40x P/E (LTM Q2 2017)

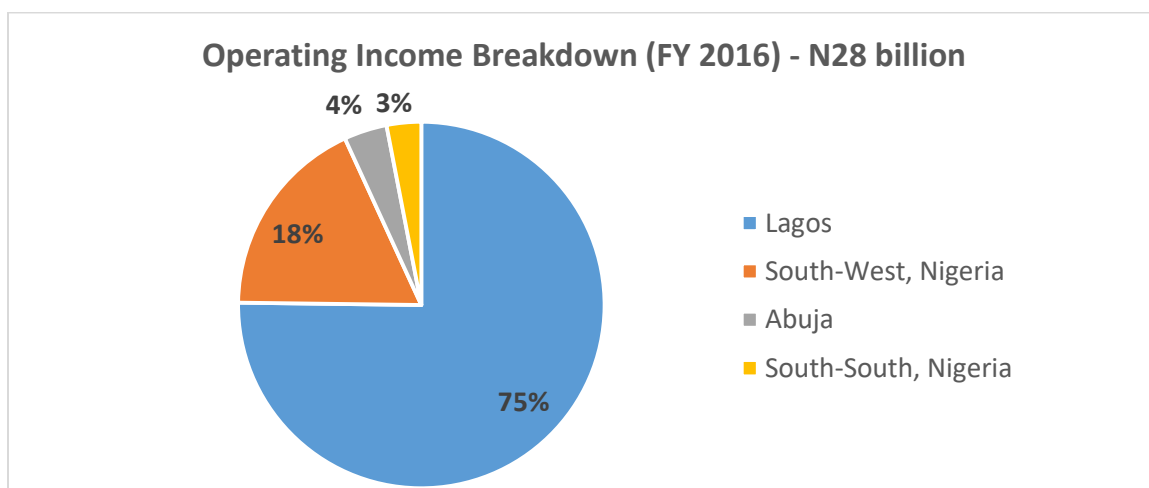
5.11.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	30,143	45,451	43,092	49,476	48,672
Non-Interest Income	10,632	14,433	16,095	14,636	7,638
Total Income	40,775	59,884	59,187	64,111	56,310
Loan Loss Provision	(21,593)	-	-	-	6,607
Impairment losses on other assets	(936)	(17,370)	(27,122)	(35,949)	(35,949)
Operating Costs	(48,987)	(26,261)	(27,472)	(24,427)	(23,632)
D&A	(2,899)	(2,614)	(2,250)	(1,920)	(1,806)
PBT	(33,639)	13,639	2,343	1,816	1,530
Earnings to Shareholders	(22,582)	10,692	4,689	2,184	1,926
Loans and Advances to Customers	195,230	219,335	246,143	277,215	302,618
Customer Deposits	303,271	273,935	231,441	264,196	253,628
Total Assets	403,629	413,305	443,321	492,682	489,121
Book Value	28,212	76,264	82,575	83,107	85,662

5.12 Wema Bank Plc

5.12.1 Business Overview

- Established in 1945, it is headquartered in Lagos, Nigeria and got listed on the Nigerian Stock Exchange in 1990
- It offers a range of retail and SME banking, corporate banking, treasury, trade services and financial advisory to its numerous customers
- It has 151 branches, 277 ATM machines, and 5,588 POS machines with an employee base of over 1,011
- It is fourteenth largest bank in Nigeria in terms of book value and fourteenth largest in terms of loans and advances



5.12.2 Market Stats

- It has a market cap of N 19.3bn (12-Sep-2017) and current trading at 0.39x P/BV (LTM Q2 2017) and 7.21x P/E (LTM Q2 2017)

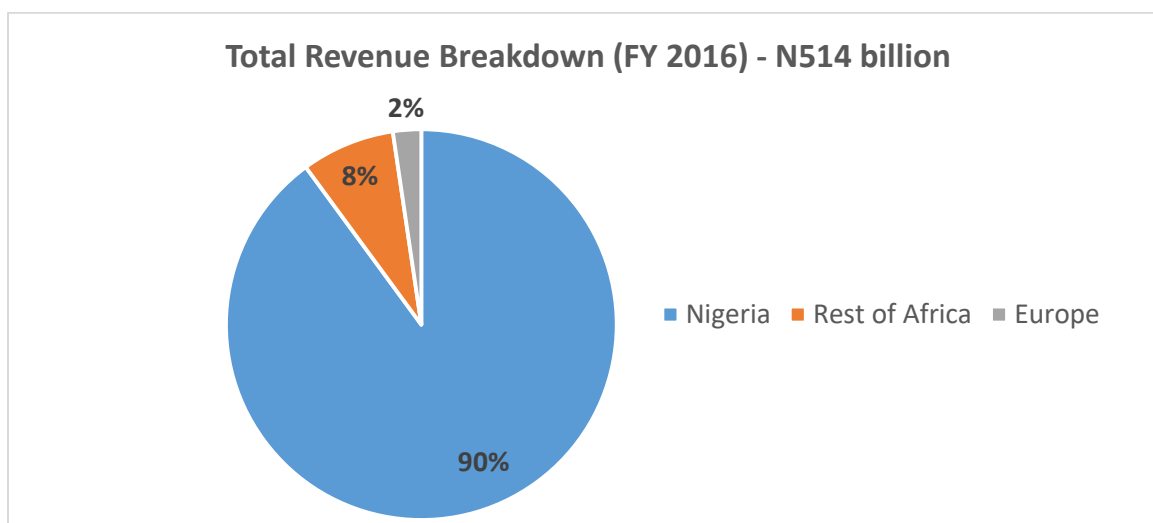
5.12.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	12,524	18,552	17,720	18,650	18,608
Non-Interest Income	7,103	6,734	8,664	9,801	10,701
Total Income	19,628	25,286	26,383	28,451	29,309
Loan Loss Provision	1,330	(88)	78	(412)	(562)
Operating Costs	(18,550)	(19,923)	(21,165)	(22,485)	(23,042)
D&A	(1,391)	(2,181)	(2,250)	(2,308)	(2,324)
Share of Profit/(loss) of associates	930	-	-	-	-
PBT	1,947	3,094	3,046	3,245	3,381
Earnings to Shareholders	1,597	2,372	2,327	2,561	2,676
Loans and Advances to Customers	98,632	149,294	185,597	227,009	205,714
Customer Deposits	217,735	258,956	284,978	283,303	251,719
Total Assets	330,872	382,562	396,743	424,044	385,988
Book Value	41,395	43,769	46,064	48,471	49,689

5.13 Zenith Bank Plc

5.13.1 Business Overview

- Established in 1990, it is headquartered in Lagos, Nigeria with operations in United Kingdom, United Arab Emirates, Sierra Leone, Gambia, South Africa, China
- It primarily provides banking and other financial services like granting of loans and advances, corporate finance and money market activities to corporate and individual customers
- It has 500 branches with an employee base of over 7,120
- It is first largest bank in Nigeria in terms of book value and second largest in terms of loans and advances



5.13.2 Market Stats / Analysts Views

- It has a market cap of N 717.7bn (12-Sep-2017) and current trading at 1.00x P/BV (LTM Q2 2017) and 4.24x P/E (LTM Q2 2017)
- “In terms of balance sheet growth, we note the shrinkage of the deposit and loan book year-to-date as banks in general towed a more conservative part. Instead, the bank allocated capital to treasury bills, bonds and inter-bank placements giving the high yielding environment.” (*Elixir Investment, Aug-2017*)
- “Zenith Bank’s (Zenith) Q2 2017 PBT surprised positively due to strong y/y. growth in non-interest income which more than offset a subdued performance in funding income and negative surprises in loan loss provisions and opex. A significant y/y growth in fx trading income driven by marked-to-market gains on swaps was the key driver behind the solid growth in non-interest income.” (*FBN Quest, Aug-2017*)
- “While the weakness in funding income was due to elevated funding costs linked to high yield on government securities, impairments were significantly higher during the quarter, due to exposure to telecoms (mainly 9mobile, formerly Etisalat) and aviation (identity of corporate not disclosed).” (*FBN Quest, Aug-2017*)
- “The bank’s portfolio of investment securities, treasury bills, and quality loan books will be catalysts of the growth in assets yield. We also forecast NIR to surge by 51.16% to N186.60 billion, buoyed by strong trading income, revaluation gains, and marginal write-back of previous provisions. Overall, we forecast a 39.97% growth in gross earnings to N711.06 billion in 2017F.” (*Cordros Research, Aug-2017*)
- “H1'17 results - Gross earnings rose markedly by 77.1% to N380.4 billion, outperforming our estimate of N296.0 billion (+28.5% deviation).” (*Cardinal Stone*)
- “We recall that ZENITHBANK had the highest exposure to Etisalat and believe the bank must have taken a conservative approach to make provision for a portion of their exposure to the telecoms company.” (*Vetiva Research, Aug-2017*)

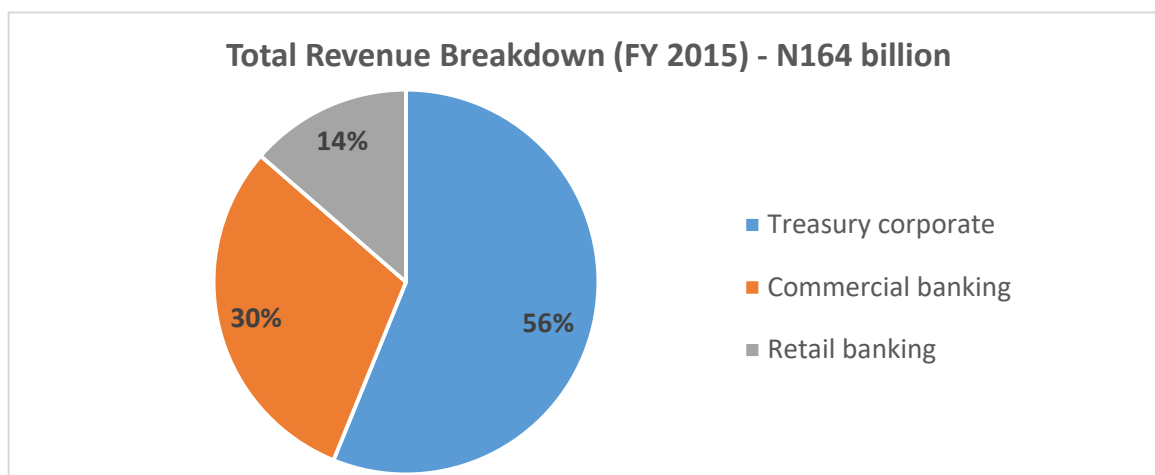
5.13.3 Key Financials

Naira Millions	2013	2014	2015	2016	LTM H1-17
Net Interest Income	199,742	206,503	224,582	240,179	252,118
Non-Interest Income	64,612	89,921	84,356	123,440	208,219
Total Income	264,354	296,424	308,938	363,619	460,337
Loan Loss Provision	(11,067)	(13,064)	(15,673)	(32,350)	(60,516)
Operating Costs	(136,479)	(153,887)	(157,450)	(163,407)	(192,615)
D&A	(10,717)	(9,815)	(10,427)	(11,114)	(12,180)
Share of Profit/(loss) of associates	118	138	228	-	-
PBT	106,209	119,796	125,616	156,748	195,026
Earnings to Shareholders	94,576	99,275	105,531	129,434	169,236
Loans and Advances to Customers	1,251,355	1,729,507	1,989,313	2,289,365	2,187,352
Customer Deposits	2,276,755	2,537,311	2,557,884	2,983,621	2,974,938
Total Assets	3,143,133	3,755,264	4,006,842	4,739,825	4,927,367
Book Value	505,236	552,086	593,760	703,482	718,243

5.14 Skye Bank

5.14.1 Business Overview

- Established in 2006, it is headquartered in Lagos, Nigeria with subsidiaries operating in Sierra Leone, The Gambia and Guinea
- It got listed on Nigeria Stock Exchange on 24-Nov-2005
- It primarily provides banking and other financial services like trade services, treasury, etc. to wide customer base in the public and private sector, including large and small corporate organisations, SMEs, professional groups and institutions
- It has 373 branches and cash centres in Nigeria with an employee base of 4,400 (2015)



5.14.2 Market Stats / Analysts Views

- It has a market cap of N 7.6bn (12-Sep-2017)

5.14.3 Key Financials

We have not been able to analyse Skye Bank due to lack of its latest financials, market commentary, and business update by its management. Last information disclosed by the bank was in 2015.

Key Recommendations for FBNH

- 1. Improve Capital Adequacy (both Tier 1 and Overall):** Though FBNH's capital adequacy ratio has fallen from 17.8% in Q1 2017 to 17.6% in Q2 2017, it has successfully maintained CAR above its internal threshold and over the regulatory requirement. The bank's CAR is the lowest amongst Tier 1 banks and there is a significant scope to improve the ratio in order to protect depositors, promote the stability and efficiency of the banks' financials. Furthermore, it is 280bps above the regulatory limit of 15.0% and we believe it can do better in the next financial year.
- 2. Focus more on Non-Interest Income than Interest Income in 2017:** Despite the tough economic environment in Nigeria with rising NPLs and lower risk asset growth, there has been impressive growth in interest income from increase in investment in securities. Though the loan growth is muted, FBNH is getting approx. 26.0% contribution from non-interest income (in LTM Q2 2017). Increasing contribution from non-interest income would be beneficial for FBNH.
- 3. Improving Asset Quality and Avoiding High Specific Sector Concentration:** FBNH's NPLs have been the highest amongst Tier 1 banks in Nigeria. Key reason for the poor performance was mainly high concentration (64.0%) in the Oil & Gas Sector for H1 2017⁶. Key initiatives recently taken by FBNH in this regard include (i) Continuous reinforcement of the risk governance and architecture across the Group (ii) Improvement in risk management capacity and practices (iii) Significant progress on remediation and recovery actions. These initiatives should be strengthened in order to improve its asset quality.
- 4. Rationalize Operating Costs:** Though FBNH has substantially improved its Cost to Income ratio in the last two years, there is still a good scope to rationalize costs. Employee costs and branch operating costs are a bit higher than the competitors. Furthermore, income per branch is also relatively lower. Further, FBNH is embarking on agency banking model which will further enhance the performance at its various locations.
- 5. Leverage Technology More to Manage Operations:** It is noted that FBNH is keen to adopt various technology tools to improve the efficiency of its operations. This is a right strategy as it will not just help in widening the reach to the customers but will also eliminate certain gaps in managing internal affairs. We recommend FBNH to take required efforts to adopt certain effective tech tools viz. Decision Support System (DSS) – provides lot of analytical tools to manage key credit decisions; Effective real time CRM; Robust mobile payment solutions; Hassle free mobile banking platform for customers; Remote Account Opening / Management Solution etc.

⁶ FBNH investor presentation H1 2017 page 20

6. **Effective and Timely Communication with Investors Community:** While FBNH has recorded strong top line in the recent period and is efficiently managing the operating costs as well, high provisioning and deteriorating asset quality has badly affected the valuation of the bank. Though each bank in Nigeria is facing similar headwinds, FBNH needs to keep up with its investor engagement of communicating with the investing community and updating stakeholders about key strategic decisions in order to maintain a healthy valuation and future capital raising prospects.

Glossary

Capital Adequacy Ratio	(Tier1 +Tier2) Risk Weighted Assets – Page 23
Average Cost of Deposits	Interest Expense (on Deposits) Average Deposits – Page 36
Average Deposits	Deposits From Customers + Deposits From Banks – Page 15
Cost to Income Ratio	Operating Expenses (Before loan Expense) – Page 30 Operating Income – Page 29
Operating Income	Total Income (Before Impairment Charges) Net Interest Income + Net Fee and Commission Income + Net Trading Income + Other Operating Income + Other Gains /Income
Operating Expenses	Personnel Expenses + Depreciation + Amortisation + Other Operating Expenses - Page 30
Net Interest Margin	Net Interest Income Average Interest Earning Asset – Page 35
Net Interest Income	Interest Income Net of Interest Expense (Before Impairment Charges) – Page 35
Average Interest Earning Asset	Loans and Advances to Banks + Loans and Advances to Customers
Yield on Interest Earnings Assets	Interest Income Average Interest Earning Asset
Interest Income	Interest Income Before Adjustment for Expenses
Cost of Funds	Interest Expense

	Average Interest Bearing liabilities – Page 33
Average Interest Bearing liabilities	Deposits From Customers + Deposits From Banks + Borrowings + Debt Securities Issued
Post Tax ROAE	Profit after Tax
	Average Total Equity
Post Tax ROAA	Profit after Tax
	Average Total Asset
Loans to Deposits Ratio	Loans and Advances to customers
	Customer Deposits – Page 27
Cost of Risk	Loan loss Expense
	Average Loans – Page 26
Cost of borrowed Funds	Expense in Borrowed Funds
	Average Borrowed Funds – Page 31
Debt/Capital	Long Term Debt
	Long Term Debt + Equity – Page 28
Debt-EBITDA	Long Term Debt
	Operating Income
Gearing Ratio	Long Term Debt
	Shareholders’ Fund – Page 24
Leverage	Total Assets
	Shareholders’ Fund
Operating Profit Margin	Operating Profit
	Gross Earnings – Page 30
Operating Profit	Operating Income – Operating Expenses
Risk Asset Ratio	Total Loans
	Total Assets – Page 26

Non-Performing Loan Ratio	Non-Performing Loans
	Total Outstanding Loans – Page 25
Earnings Yield	Earnings Per Share
	Current Market Price Per Share – Page 30
Loan Yield	Net Operating Income
	Loan Amount – Page 29
Net Operating Income	Operating Income after Impairment Expenses – Page 29

Our Team

Olufemi AWOYEMI, Founder and CEO of Proshare Nigeria Limited holds a B.Sc. (Hons.) degree in accounting (1988).

He is a **Fellow** of The Institute of Chartered Accountants of Nigeria, Association of Investment Advisers and Portfolio Managers (AIPM), Institute of Credit Administration, and Institute of Information Management. He is an **Associate member** of the Institute(s) of Chartered Taxation of Nigeria, Institute of Management Consultants, Nigerian Institute of Management and the Institute of Directors. He has over 30 years of hands-on cognate strategic management experience with reputable professional and multinational firms.

He has a distinguished career of involvement in many initiatives, associations, academia and commercial activities including serving in committees of the **Nigerian-British Chamber of Commerce**; the **West African Bankers Association**, **Institute of Directors**, the **Nigeria Economic Summit Group** (NESG), the Strategy, Research & Advocacy Committee of the **Chartered Institute of Bankers of Nigeria** (CIBN), Council Member of **AIAPM**, Independent member of the Investment Committee of **Alternative Capital Partners Ltd** (ACAP) President, Board of Trustees of the **Online Publishers Association**, Nigeria (OPAN); and served as the technical consultant to the National Assembly House Committee on Capital Markets, amongst others.

Olufemi's visionary leadership has inspired Proshare's rapid and unprecedented growth over the past ten years, which has seen the firm Proshare become the CFI.co 2014 award winner for the “*Best Capital Markets Solutions Team – Nigeria 2014*”, the Nigeria-British Chamber of Commerce (NBCC) *Rising Star Award for 2014* and the International Finance Magazine (IFM) “*Most Innovative Capital Market Service Team, Nigeria 2015*”.

Olufemi is a multi-award winner including the 2015 Nigerian Rising Award (*Hallmark Newspapers*), the 2015 African Financial Analyst of the Year award by the *Global Change for Africa, Brussels*; the 2014 ICA Honours Award (*Institute of Credit Management*), and the 2013 Most Outstanding Business Executive of the Year (*African Council of Chief Executives under the African CEO Council*), amongst others.

His interests include financial markets – education, empowerment and enlightenment; scenario planning, strategy articulation & execution, market intelligence, future trends, fintech, knowledge management, documentaries and sports to which he remains an active enthusiast in five sports – basketball, football, athletics, table tennis and cricket.

Abhishek VAISH, Investment Researcher

Over twelve years of rich experience in managing M&As, IPOs, and Capital raisings from PE or VC Funds in India, UK, and Europe. He has worked on transactions worth over USD 125 billion so far.

Previously worked with Goldman Sachs, both as an Investment Banker (M&A) and a Private Equity Investor for over five years, and worked with companies across various sectors in the UK, Europe and India. With Goldman, he worked on seven successful transactions - one private equity investment in India, three mergers in the UK/Europe, two sell-sides in the UK/Europe, and one IPO in the UK.

His Specialities include M&A, PE/VC Investments, Business Valuations, Strategic Advisory, Corporate Finance. He is currently focused on PE/VC syndication and M&A for highly growing SMEs (including start-ups) across various sectors in India.

His current sector focus includes Financial Services, Big Data & Analytics, VR/AR, Consumer Internet, Mobile, Education, Cleantech, Food, and Healthcare (including wellness).

Reshu BAGGA, Chief Operating Officer/Technical Director is a skilled Computer Engineer with a Masters Degree in Business administration (Finance and Information Technology) from Amity Business School, Delhi, India who plays a key role in executing the company strategy using technology and innovation continuously to ensure the service provides and maintains a leadership position in the industry.

Reshu has the overall responsibility for the Analyst Services, Information Technology and Business Service Excellence functions that deliver on the services execution mandates. In the last six years of covering the Nigerian Market, she has sustained an uncommon focus on stock research, fundamental and technical analysis, revenue assurance, financial and feasibility reports; investor relations and share support services - all geared to delivering a quality business solution, much more important than the technology used to achieve it. She provides support in the areas of technology based reviews and overall operational efficiency.

Harish SHAHI, is a **Technical/Research Analyst** and holds an MBA in Energy Trading from University of Petroleum and Energy Studies. She is currently pursuing a CFTe Course in IFTA, UK. Prior to now, she has worked for Dynamic commodities, which is creating 15% volume of MCX and no 1 volume of NCDEX as Research Analyst. She also worked for William Albert Research House, a UK based advisory firm while performing the responsibilities of making reports for investors and Traders. Presently, she works with Traders Factory.

Saheed KIARIBE, Head, Research

Saheed holds a B.Sc degree in Political Science from Olabisi Onabanjo University Ago-Iwoye (2005), MBA Marketing Management from Ladoke Akintola University of Technology, Ogbomosho and also an associate member of the Institute of Capital Market Registrars (2010). Saheed started his career with Intercontinental Registrars Ltd in May 2007 where he worked in the Verification Unit. He was later transferred to the Stock broking Unit of the firm. He joined Proshare Nigeria Ltd in March 2010 after almost three years of service at the Registrars. He has attended professional training on times series and forecasting models.

Temitope BABALOLA, Economic Analyst holds a B.Sc. in Accounting from the Obafemi Awolowo University Ile-Ife (2013) and a Post Graduate Diploma in Financial Management from same university. He is a student member of the Chartered Institute of Stockbrokers (presently on the last stage) and also a member of the Elliot wave Institute. Temitope started his career as a freelance researcher with Coffee Post before joining Proshare Nigeria Limited in March 2017. He has been privileged to attend a number of economic, finance and business related conferences.

Grace ADEJARE-AJUWON, Head, Business & Markets. Grace was with Proshare Consult where she creditably discharged herself with cutting edge tasks. Grace is also a Research Analyst and Consulting Manager, holds a B.Sc degree in Actuarial Science with Second Class Upper Division from the University of Lagos, Akoka, holds a Professional Certificate from the Chartered Insurance Institute of Nigeria (CIIN) and is currently running her Masters degree programme in Economics at the University of Lagos. Prior to joining Proshare in 2013, she worked with Index Investment Advisors Limited as a Research Analyst where she was responsible for Data Mining and Analytics as well as Economic and Capital Market Reporting. She has also worked with Pingworld Systems Limited as an Administrator. Her key areas of interest have been Investment Management and Analysis, Financial Consulting, as well as Economic and Business Research. Professional trainings attended include Financial Ratio Analysis, Fundamental analysis /modelling and Advance statistics forecasting, Advance Excel Operations, Project Management & Business Analysis.

Related News / Further Reading

1. [FBN Holdings Plc H1 2017 Conference Call & Earnings Presentation - The Key Takeaways](#)
2. [FBN Holdings Plc H1'17 Results – Weak Underlying Earnings Compound Outlook](#)
3. [FBN Holdings: Basking In The Realm of High NIMs](#)
4. [FBNH H1-2017 Results - FX Gains Vanish, Impairments Still High as Profit Drops](#)
5. [FBN Holdings Plc Q2 2017 Results - Net Interest Income Up by +2.7% QoQ](#)
6. [FBN Holdings Plc H1'17 - Mixed Performances Amidst Impressive Top Line Growth](#)
7. [FBNH Declares N29.5bn PAT in Q2 2017 Results,\(SP:N5.97k\)](#)
8. [Is FBNH a good buy?](#)
9. [First Bank Introduces Salary Overdraft Facility](#)
10. [5 Things to Take Away from FBNH's Recent Results](#)
11. [FBNH Releases Q4'16 and Q1'17 Results; Declares N16.1 bn Profit in Q1,\(SP:N3.50k\)](#)
12. [Analysing the Performance of FBN Holdings Plc - A Comprehensive Report](#)
13. [Convenience is the key word with FirstBank's FirstMobile](#)
14. [Short-Term Ratings on Five Nigerian Banks Raised to 'B' On Criteria Revision](#)
15. [FBNH Plc Notifies of Closed Period and Board's Approval of 2016 Audited Financial Statements](#)
16. [FBN Holdings Plc Extends Filing Date of 2016 Audited Financial Statements](#)
17. [Is FBNH the Rick Grimes of Nigeria?](#)
18. [Asset Quality Challenges Continue to Bite FBN Holdings Earnings, retain BUY](#)
19. [FBNH Declares N42.52 bn Profit in Q3 16 SP N3.00k](#)
20. [FirstBank Partners Nigerian-British Chamber of Commerce to drive MSME Growth.](#)
21. [FBN Holdings Plc Appoints Mr. Patrick Iyamabo as CFO for FirstBank of Nigeria Limited](#)
22. [Appointments within the FBN Holdings Group](#)
23. [FBN Holdings Plc Strong FX Gain Tapers Impact of Impairment Loss](#)
24. [Devaluation Serves as Earnings Outperformance Catalyst for FBN Holdings Plc in H1 2016](#)
25. [FBN Holdings Plc: Strong FX Gain Tapers Impact of Impairment Loss](#)
26. [FBNH Declares N35.9bn Profit Records 10.5 PAT decline in Q2 16 SP N3.45k](#)
27. [FBNH Issues Notification of Invitation of FirstBank ED by the EFCC](#)
28. [FBNH Conference Call Update - Begins Complete Overhaul of Risk Mgmt Framework](#)
29. [FBNH - Impairment charges erode returns though not without Silver-lining](#)
30. [FBNH Q4 15 Q1 16 Conference Call Earnings Presentation The key takeaways](#)
31. [FBNH FY 15 Q1 16 results - House cleaning as earnings plunge NPL ratio at a 10 year high](#)
32. [FBNH Releases Q4 15 and Q1 16 Results Records 82 PAT decline in Q4 SP N3.31k](#)
33. [FBNH Board Approves 2015 Audited Results Awaits Regulatory Approval](#)
34. [FBN Holdings Plc Extends Closed Period to April 5 2016 Postpones Board Meeting](#)
35. [FBN Holdings Plc Holds Board Meeting on 22nd March 2016 To Observe Closed Period](#)
36. [FBN Holdings Plc Issues Profit Warning for Year Ended 31 December 2015-](#)
37. [FBN Holding Plc records 13.53% decline in PAT as Gross Earnings up by 17.46 in Q3 15](#)
38. [FBNH declares N40.1 billion PAT in Q2 15 result SP N7.80k](#)
39. [FBNH declares N22.6billion PAT in Q1 15 result SP N10.50k](#)
40. [FBNH Proposes 10kobo dividend 1 for 10 Bonus in 2014 Audited result](#)

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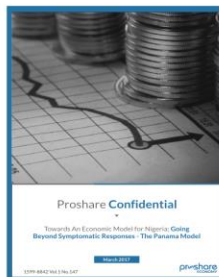
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