



Investors & Analysts Presentation

H1 2020

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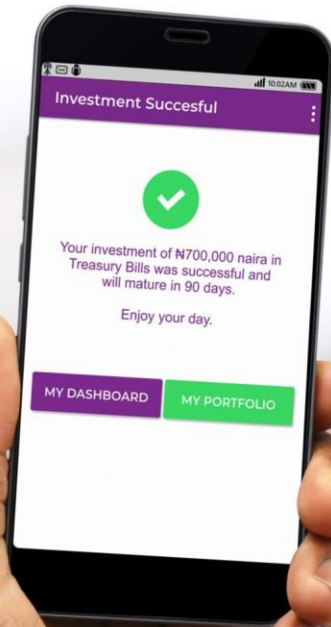
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Strategic Objectives

In line with our business model we continue to leverage on industry knowledge, advanced technology & ethical financing to empower our stakeholders



Strengthened Balance Sheet

- ✓ Maintained a resilient balance sheet with adequate liquidity and capital buffers while improving the quality of our funding base.



Strategic Partnerships

- ✓ Forging strategic relationships and using finance and technology to build capacity and scale businesses across The HEART sectors (Health, Education, Agriculture, Renewable Energy and Transportation).



Workforce Empowerment

- ✓ In line with our commitment to create a great place to work and institute a knowledge-based culture, we have fully adopted flexible working arrangements enabled by our investments in remote working digital platforms.



Differentiated Digital Platforms

- ✓ Our digital platforms (i.e. lending, payments, investments and commerce) have allowed all customers self-serve both online and offline.



Strategic Objectives

In line with our business model we continue to leverage on industry knowledge, advanced technology & ethical financing to empower our stakeholders

Business stability

Market share gains

through Digital Capabilities

Capital,
Liabilities and
Liquidity Buffers

Cost
Optimization

Stronger
governance and
underwriting
frameworks

Stable liability
mix and lower
cost of funds:
CASA Ratio
>60%

Continued
focus on
growing our
Retail/ MSE
business

Accelerate
strategic
partnerships
across the
HEART
sectors

Corporate flows
and Cross sell
through
Transaction
banking

Continued
investment in our
people and
encouraging a great
place to work

**Predictable and Sustainable
Earnings
Return value to shareholders**

Solidify the foundation & calibrate growth (Immediate)

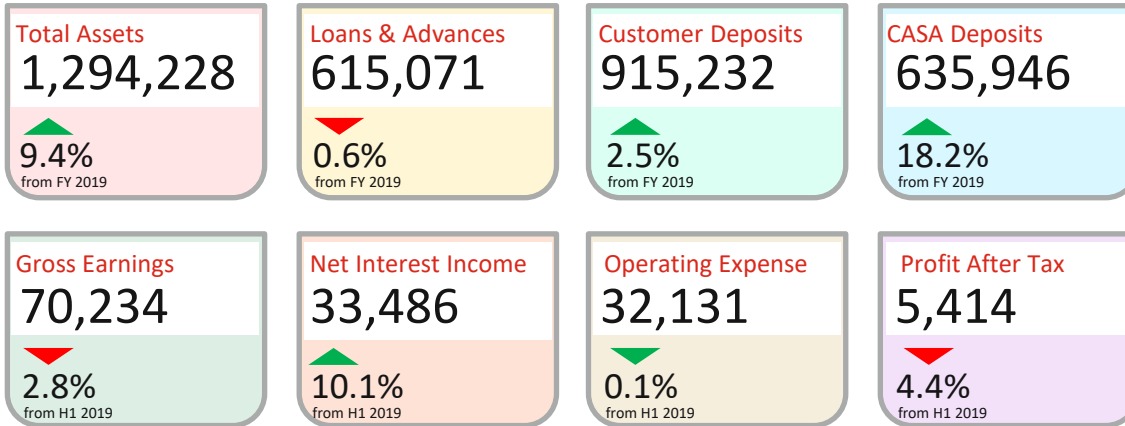
Short - Medium Term Objectives



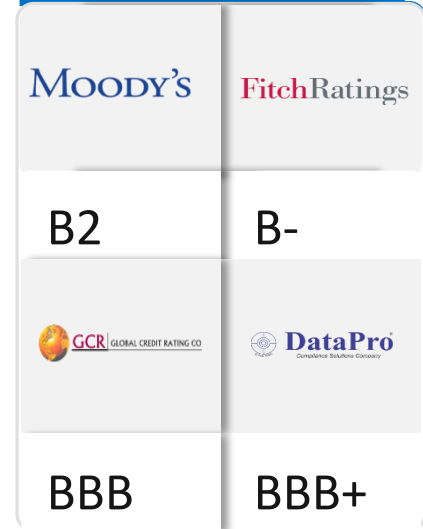
Financial & Non-Financial Highlights

We strengthened our financial position through effective funding optimization and our drive for efficiency in H1 2020

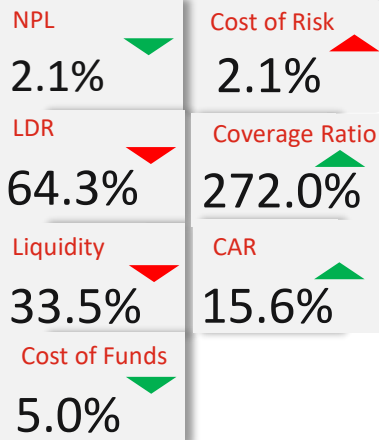
Financials (N' millions)



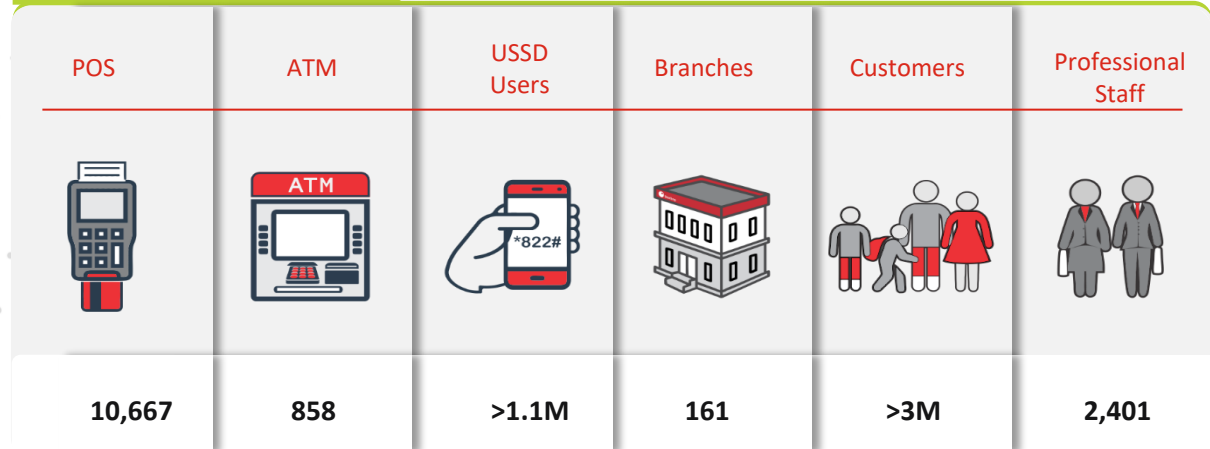
Ratings



Key Ratios



Channels



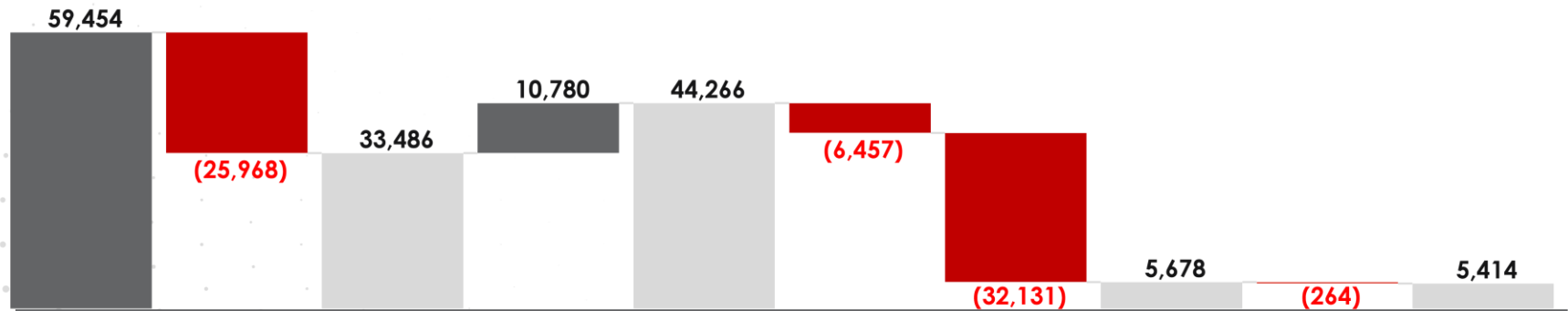


Performance Snapshot (1/2)

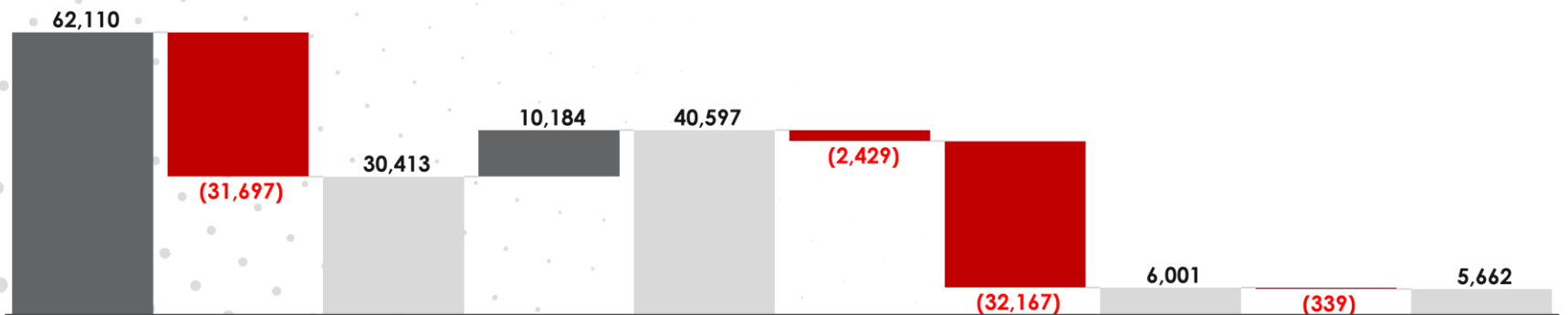
Top-line earnings hindered by a decline in interest income, in spite of an 18.1% drop in interest expense

H1 2020 N'million

■ Increase ■ Decrease ■ Total



H1 2019 N'million



Interest income

Interest expense

Net-Interest income

Non-Interest income

Operating income

Impairment charges

Operating expenses

Profit before taxation

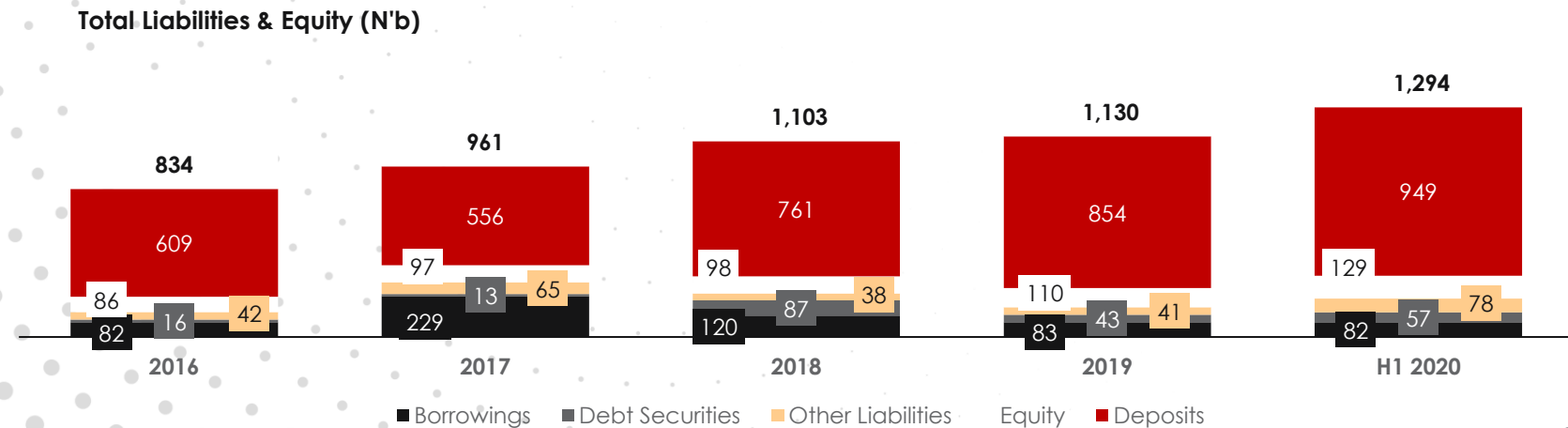
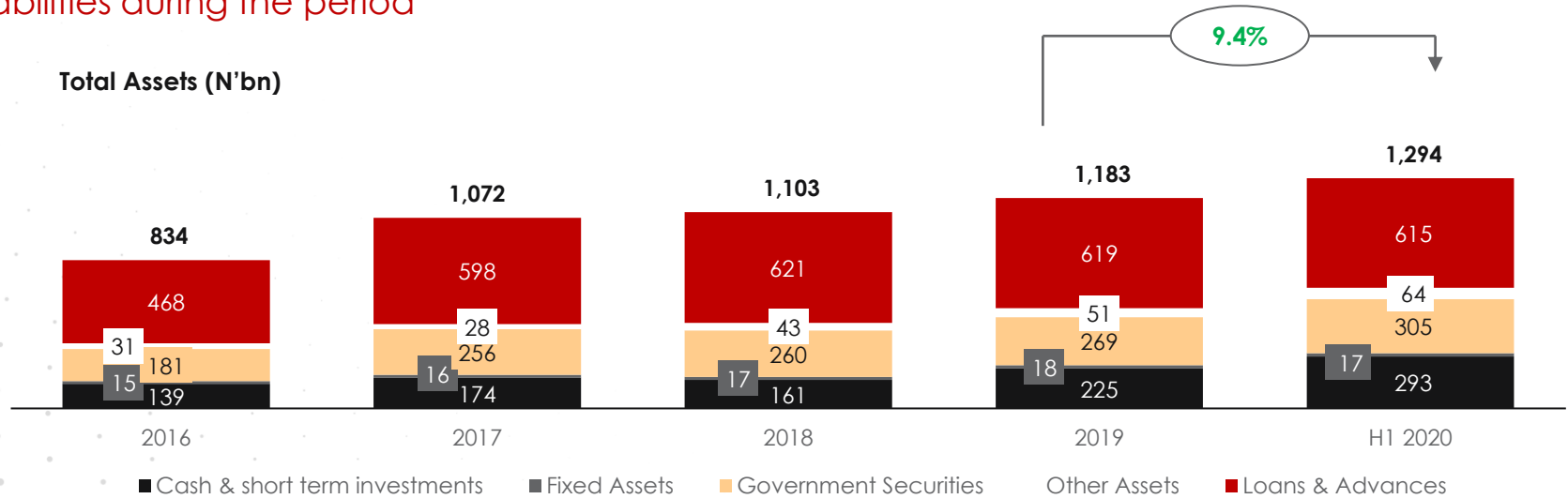
Taxes

Profit after taxation



Performance Snapshot (2/2)

Rise in customer deposits and other financial liabilities continue to drive growth in total assets and liabilities during the period





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(H1 2020)

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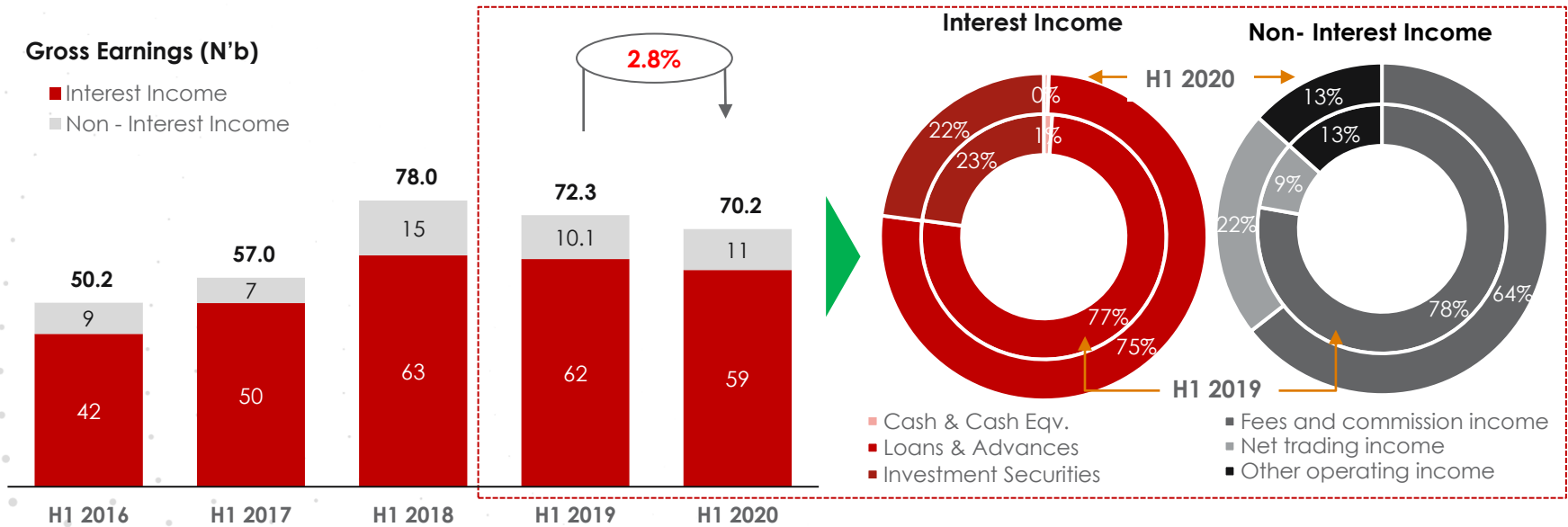


Revenue Evolution

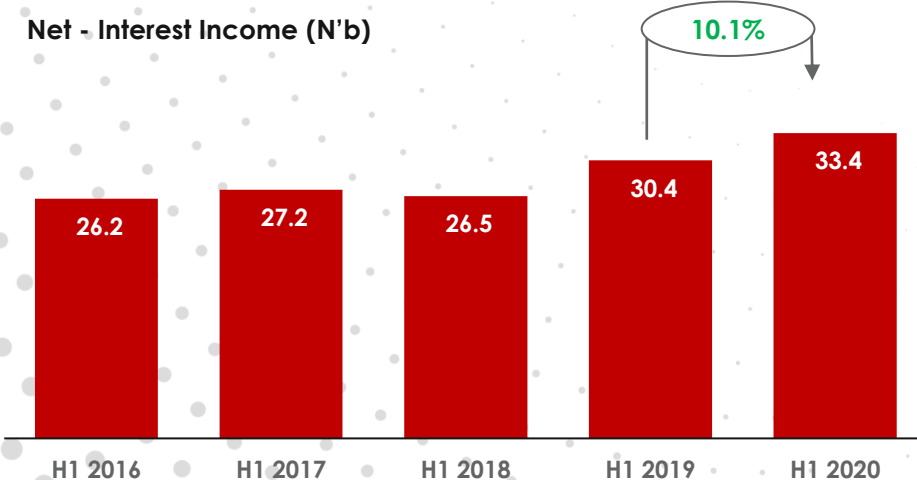
We sustained growth in net-interest income despite a decline in interest income, driven by lower funding costs as we continue to ramp up our retail deposits

Gross Earnings (N'b)

- Interest Income
- Non - Interest Income



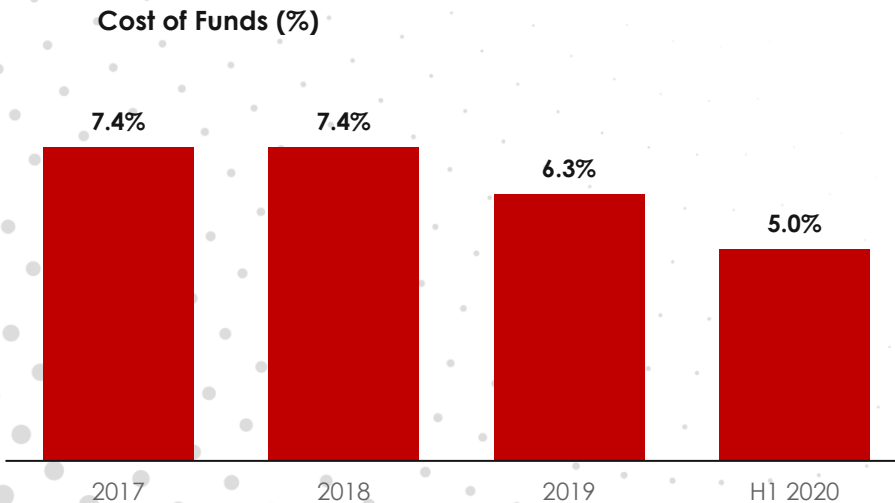
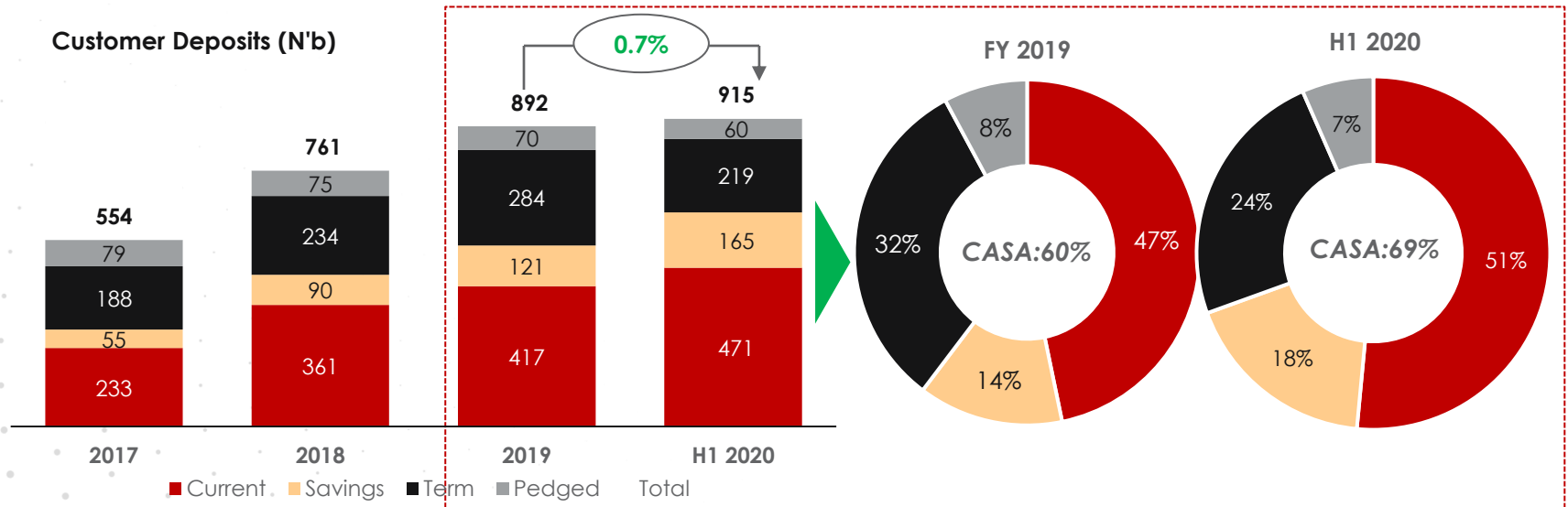
Net - Interest Income (N'b)



- Revenue drop driven by a 4.3% decline in interest income, while non-interest income grew by 5.9%;
- Growth in non-interest income hindered by a decline in Fees & Commission income following the downward review of electronic banking fees by the CBN and lending related fees;
- However this was offset by a 242.8% growth in net trading income;
- Consequently we recorded a 2.9% growth in operating income.

Funding & Liquidity (1/2)

Increased traction in the mobilization and retention of low-cost deposits contributed to a 18.1% decline in interest expense, as we continue to drive funding costs down



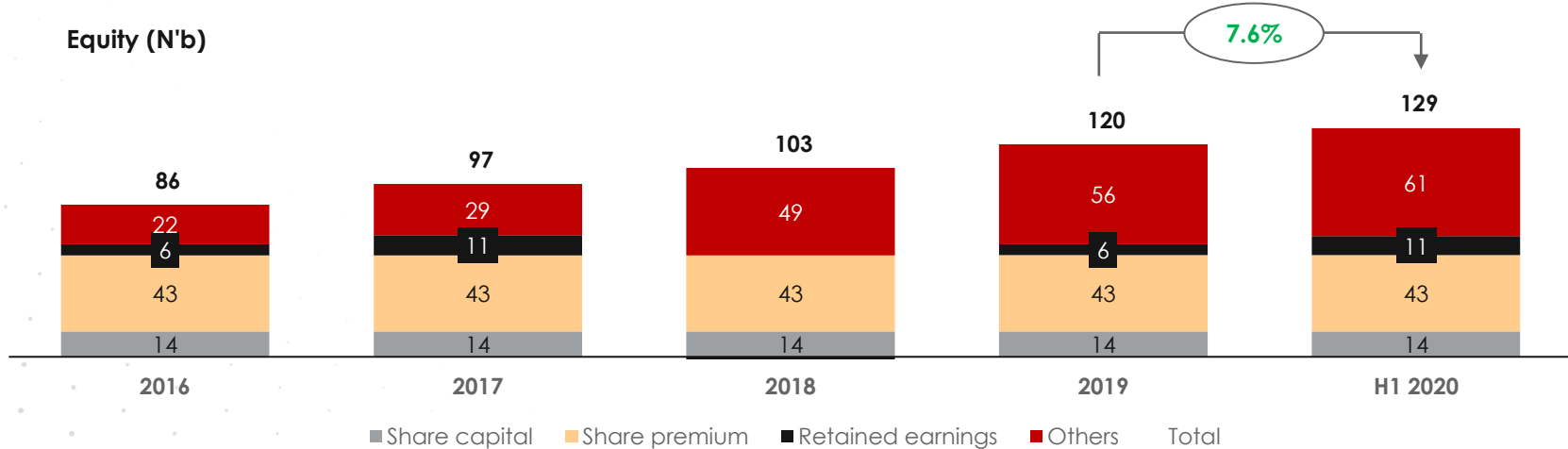
- We continued to improve the quality of our funding base, with current and savings (CASA) deposits growing by 18.2% contributing to the growth in customer deposits to reach N915.2bn while we recorded an improved CASA mix of 69% during the period;
- Consequently, cost of funds declined further by 150 bps to 5.0% from same period in the preceding year as net interest margin improved to 7.7%;
- The bank continued to maintain a healthy liquidity position at 33.5% above minimum regulatory requirement.



Funding & Liquidity (2/2)

Overall, we maintained a healthy capital position well above regulatory limits

Equity (N'b)



Items (N'mn)	Jun. 2020	Dec. 2019	% Growth
Tier 1 capital*	87,503	82,494	6.07%
Tier 2 capital**	29,168	27,498	6.07%
Total regulatory capital	116,671	109,992	6.07%
Risk-weighted assets	750,418	748,119	0.31%
Tier 1 ratio	11.66%	11.03%	0.63%
Tier 2 ratio	3.89%	3.68%	0.21%
Capital adequacy ratio	15.55%	14.70%	0.85%

- Shareholders funds grew by 7.6% to N128.7 billion (FY 2019: N119.6 billion) driven by growth in retained earnings;
- Overall, the Bank's capital adequacy ratio improved to 15.55% as at June 2020.

Notes: *Tier 1 capital includes ordinary share capital, share premium, retained earnings, intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. **Tier 2 Capital includes qualifying subordinated liabilities, allowances and element of the fair value reserve relating to unrealized gains on equity instruments classified as Fair Value Through Other Comprehensive Income.



Loans and Advances by Sector

Consumer loans portfolio moderated downwards as we took a cautionary approach to lending considering the impact of COVID-19. Our Oil and Gas exposure also declined further by 3.3%

Gross Loans & Advances by Sector	Jun-2020		Dec-2019		Growth
Sectors	N'm	% of Total	N'm	% of Total	%
Agriculture	48,562	7.7%	50,477	8.0%	(3.8%)
Communication	16,083	2.6%	15,505	2.5%	3.7%
Consumer	37,308	5.9%	45,932	7.3%	(18.8%)
Education	755	0.1%	783	0.1%	(3.6%)
Finance and insurance	27,773	4.4%	28,922	4.6%	(4.0%)
Government	73,669	11.7%	68,078	10.8%	8.2%
Manufacturing	6,732	1.1%	5,754	0.9%	17.0%
Mortgage	3,373	0.5%	4,407	0.7%	(23.5%)
Oil & Gas – downstream	49,075	7.8%	58,998	9.3%	(16.8%)
Oil & Gas – upstream	82,325	13.1%	80,081	12.7%	2.8%
Oil & Gas – Services	76,884	12.2%	76,336	12.1%	0.7%
Others	35,517	5.6%	42,349	6.7%	(16.1%)
Power	26,245	4.2%	23,875	3.8%	9.9%
Real Estate & Construction	80,341	12.8%	70,383	11.1%	14.1%
Transportation	39,892	6.3%	37,777	6.0%	5.6%
Non-interest banking	24,195	3.8%	25,038	4.0%	(3.4%)
TOTAL	628,732	100.0%	631,698	100.0%	(0.5%)



Loans and Advances by Currency – H1 2020

While we continue to effectively manage our FCY loan book, which contracted by 24% year-on-year to N147.2 billion from N192.7 billion in the same period in the preceding year

Gross Loans & Advances by Currency					
Sectors	FCY		LCY		
	N'm	% of Total	N'm	Total	FCY % of Total
Agriculture	-	-	48,562	48,562	-
Communication	-	-	16,083	16,083	-
Consumer	45	0.0%	37,264	37,308	0.1%
Education	-	-	755	755	-
Finance and insurance	-	-	27,773	27,773	-
Government	-	-	73,669	73,669	-
Manufacturing	-	-	6,732	6,732	-
Mortgage	-	-	3,373	3,373	-
Oil & Gas – downstream	595	0.4%	48,480	49,075	1.2%
Oil & Gas – upstream	68,216	46.3%	14,110	82,325	82.9%
Oil & Gas – Services	36,001	24.4%	40,883	76,884	46.8%
Others	43	0.0%	35,474	35,517	0.1%
Power	-	-	26,245	26,245	-
Real estate & construction	13,665	9.3%	66,677	80,341	17.0%
Transportation	17,948	12.2%	21,944	39,892	45.0%
Non-interest banking	10,908	7.4%	13,286	24,195	45.1%
TOTAL	147,421	100.0%	481,311	628,732	23.4%



Loans and Advances by Currency – H1 2019

While we continue to effectively manage our FCY loan book, which contracted by 24% year-on-year to N147.2 billion from N192.7 billion in the same period in the preceding year

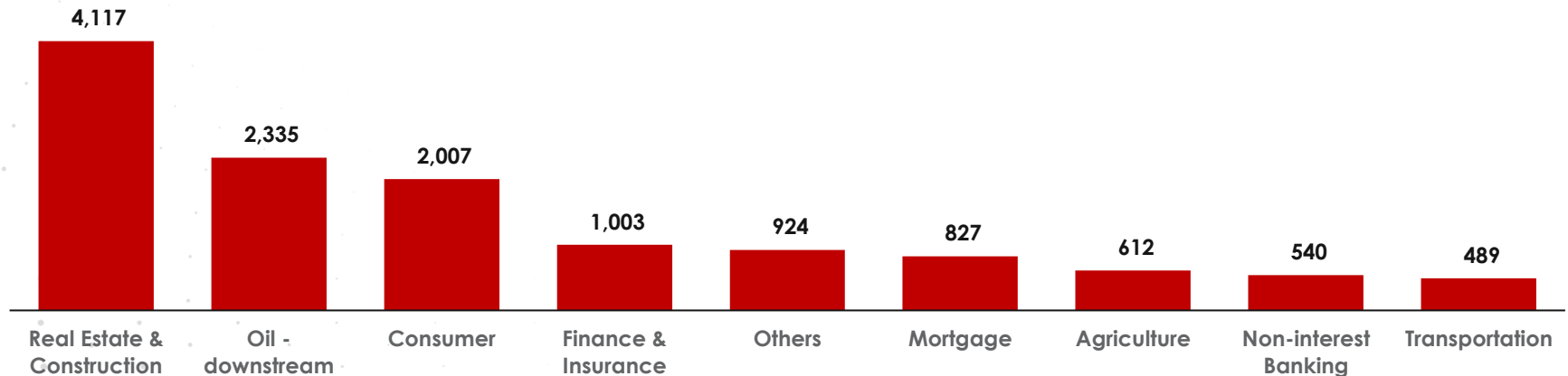
Gross Loans & Advances by Currency					
Sectors	FCY		LCY		
	N'm	% of Total	N'm	Total	% of Total
Agriculture	-	-	19,761	19,761	-
Communication	-	-	14,450	14,450	-
Consumer	77	0.0%	22,472	22,549	0.3%
Education	-	-	596	596	-
Finance and insurance	-	-	31,365	31,365	-
Government	-	-	73,147	73,147	-
Manufacturing	-	-	5,939	5,939	-
Mortgage	334	0.2%	4,379	4,713	7.1%
Oil & Gas – downstream	937	0.5%	64,346	65,283	1.4%
Oil & Gas – upstream	112,317	58.3%	10,725	123,042	91.3%
Oil & Gas – Services	42,018	21.8%	52,746	94,763	44.3%
Others	0	0.0%	49,735	49,735	0.0%
Power	-	-	19,081	19,081	-
Real estate & construction	12,124	6.3%	52,168	64,292	18.9%
Transportation	15,138	7.9%	8,430	23,568	64.2%
Non-interest banking	9,743	5.1%	20,364	30,107	32.4%
TOTAL	192,687	100.0%	449,795	642,482	30.0%



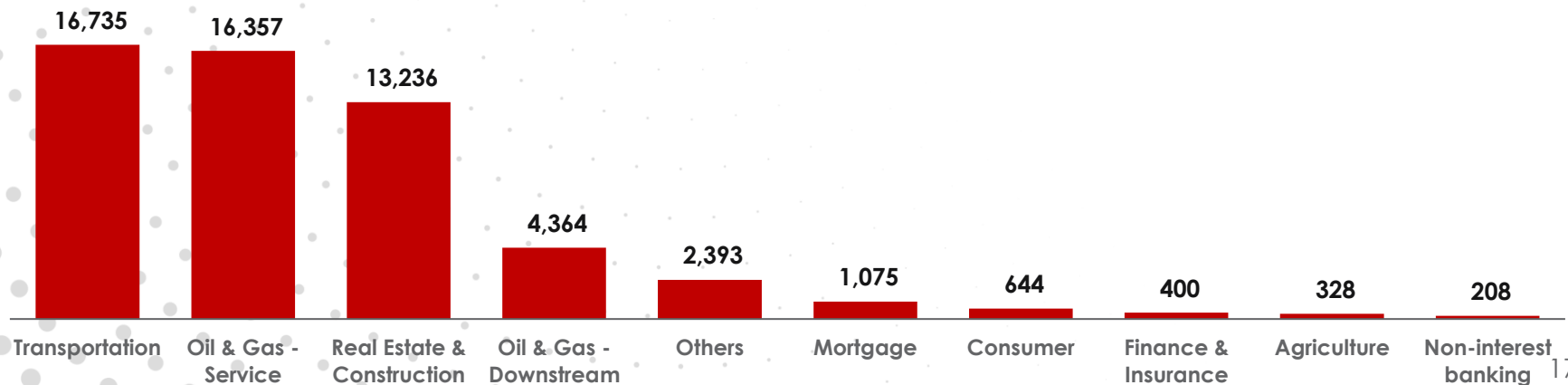
Asset Quality – NPL by Sector

In terms of asset quality, we sustained the significant improvement in our non-performing loans (NPLs) during the period under review reducing to N12.9 billion from N55 billion

NPL by Sector (N'm) – H1 2020



NPL by Sector (N'm) – H1 2019

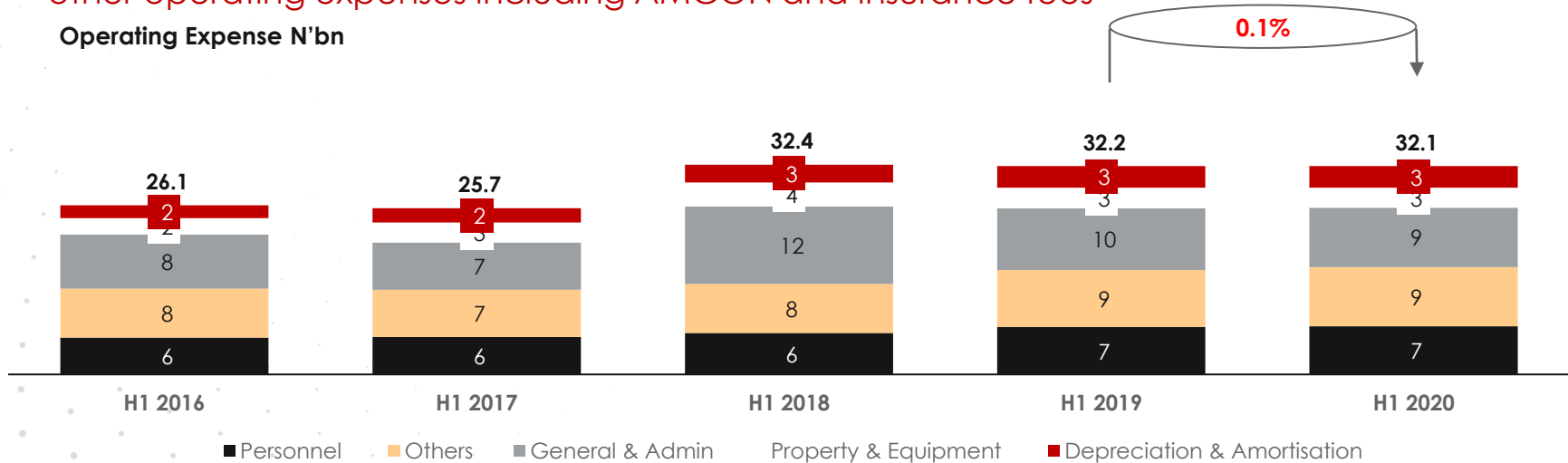




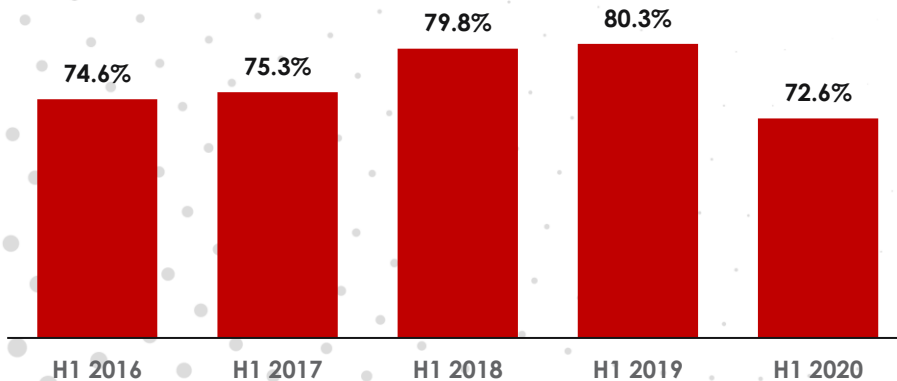
Operating Efficiency

We recorded a decline in expenses as we moderated administrative spend despite growth in other operating expenses including AMCON and insurance fees

Operating Expense N'bn



Cost-to-Income (%)

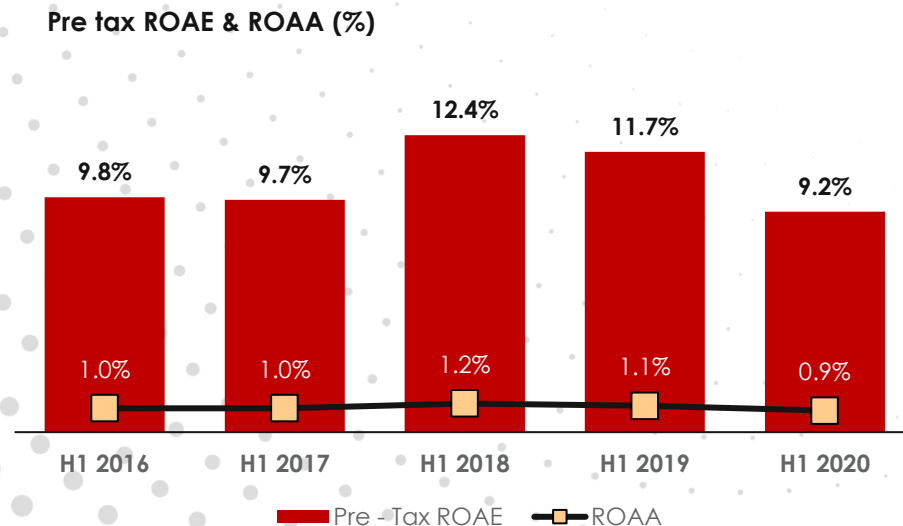
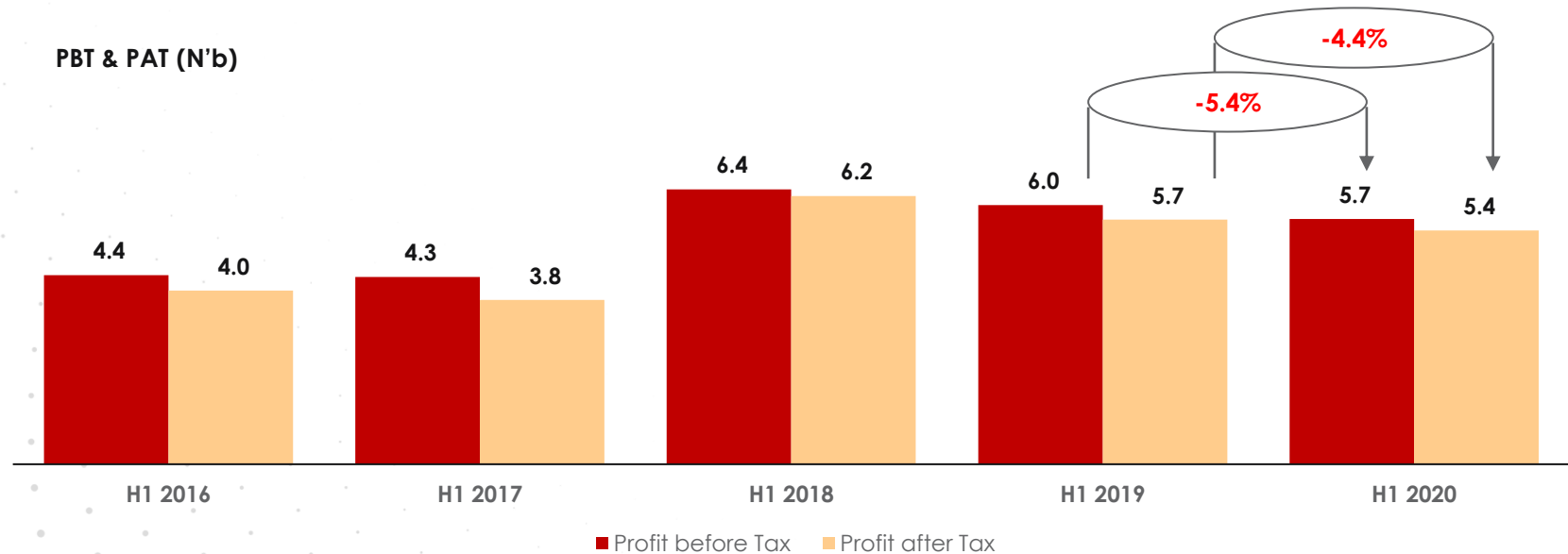


- Operating expenses declined by 0.1% to N32.1bn (H1 2019: N32.2bn), driven by moderating administrative spend despite growth in other operating expenses including AMCON and insurance fees;
- Consequently, cost to income ratio (CIR) improved to 72.6% as H1 2020.



Profitability

Overall, the Bank recorded a profit after tax to N5.4 billion for the first half of the year



- Profit before and after tax stood at N5.7 billion and N5.4 billion respectively;
- While Annualized Pre-tax Return on Average Equity (ROAE) and Return on Assets stood at 9.2% and 0.9% respectively for the period .



Content

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2020 Guidance

	On Track 	Not on Track 	2020 Target	2020 Actual
Deposit growth			5% - 10%	2.5%
Net loans growth			<5%	-0.6%
Pre-tax Return on average Equity (ROAE)			>10%	9.2%
Cost-to-income			<75%	72.6%
NPL ratio			<5%	2.1%
Cost of funds			<5%	5.0%
HEART Sector Contribution			20% - 25%	15.2%



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Key Performance Ratios

Indicator	FY 2018	H1 2019	FY 2019	H1 2020
Net Interest Margin	6.6%	7.5%	7.9%	8.2%
Cost to Income	81.4%	80.3%	81.2%	72.6%
Earnings per Share	32k	20k	37k	19k
Liquidity Ratio	42.2%	38.7%	39.5%	33.5%
Cost of Risk	1.0%	0.7%	0.9%	2.1%
Cost of Funds	7.4%	6.5%	6.3%	5.0%
Yield on Earning Assets	14.0%	14.0%	14.2%	13.2%
Return on Average Assets (Annualized)	0.8%	1.1%	0.9%	0.9%
Post-Tax Return on Average Equity (Annualized)	9.2%	11.0%	9.8%	8.8%
Pre-Tax Return on Average Equity (Annualized)	9.5%	11.7%	9.9%	9.2%
NPL Ratio	8.7%	8.7%	2.2%	2.1%
Coverage Ratio	75.0%	74.0%	247.0%	272.0%
Capital Adequacy Ratio	13.3%	12.7%	14.7%	15.6%
Loans to Deposit Ratio	81.6%	75.9%	65.5%	64.3%

Highlights of Income Statement



<i>In millions of Naira</i>	H1 2020		H1 2019		Growth
	N'M	% of Total	N'M	% of Total	%
Gross earnings	70,234	100.0%	72,294	100.0%	(2.8%)
Interest income	59,454	84.7%	62,110	85.9%	(4.3%)
Interest expense	(25,968)	37.0%	(31,697)	43.8%	(18.1%)
Net interest income	33,486	47.7%	30,413	42.1%	10.1%
Net fees & commission income	5,305	7.6%	7,546	10.4%	(29.7%)
Net trading income	3,946	5.6%	1,151	1.6%	242.8%
Other operating income	1,529	2.2%	1,487	2.1%	2.8%
Non-interest income	10,780	15.3%	10,184	14.1%	5.9%
Operating income	44,266	63.0%	40,597	56.2%	9.0%
Impairment charges	(6,457)	9.2%	(2,429)	3.4%	165.8%
Net operating income	37,809	53.8%	38,168	52.8%	(0.9%)
Personnel expenses	(7,413)	10.6%	(7,306)	10.1%	1.5%
Other operating expenses	(9,140)	13.0%	(8,784)	12.2%	4.1%
General and administrative expenses	(9,137)	13.0%	(9,525)	13.2%	(4.1%)
Other property, plant and equipment costs	(3,083)	4.4%	(3,183)	4.4%	(3.1%)
Depreciation and amortisation	(3,358)	4.8%	(3,369)	4.7%	(0.3%)
Total expenses	(32,131)	45.7%	(32,167)	44.5%	(0.1%)
Profit before income tax	5,678	8.1%	6,001	8.3%	(5.4%)
Income tax expense	(264)	0.4%	(339)	0.5%	(22.1%)
Profit after income tax	5,414	7.7%	5,662	7.8%	(4.4%)

Highlights of Financial Position



Items	June 2020		December 2019		Growth
	N'M	% of Total	N'M	% of Total	%
ASSETS					
Cash & balances with CBN	266,601	20.6%	156,059	13.2%	70.8%
Due from banks	26,263	2.0%	69,361	5.9%	(62.1%)
Pledged financial assets	41,350	3.2%	11,831	1.0%	249.5%
Derivative financial assets	2,236	0.2%	-	-	-
Loans and advances	615,071	47.5%	618,732	52.3%	(0.6%)
Investment securities	263,700	20.4%	257,003	21.7%	2.6%
Other assets	35,969	2.8%	28,581	2.4%	25.8%
Property, plant and equipment	17,247	1.3%	18,476	1.6%	(6.7%)
Right-of-use asset	8,591	0.7%	8,896	0.8%	(3.4%)
Investment property	7,823	0.6%	4,141	0.4%	88.9%
Intangible assets	1,705	0.1%	1,933	0.2%	(11.8%)
Deferred tax assets	6,971	0.5%	6,971	0.6%	0.0%
Non-current assets held for sale	701	0.1%	701	0.1%	0.0%
Total Assets	1,294,228	100.0%	1,182,685	100.0%	9.4%
LIABILITIES					
Deposits from banks	33,517	2.6%	-	-	-
Deposits from customers	915,232	70.7%	892,660	75.5%	2.5%
Current income tax payable	409	0.0%	201	0.0%	103.5%
Other borrowed funds	82,341	6.4%	82,702	7.0%	(0.4%)
Debt securities issued	56,790	4.4%	42,655	3.6%	33.1%
Other liabilities	76,653	5.9%	44,742	3.8%	71.3%
Provisions	514	0.0%	167	0.0%	207.8%
Total Liabilities	1,165,526	90.1%	1,063,127	89.9%	9.6%
Total Equity	128,702	9.9%	119,558	10.1%	7.6%
Total Liabilities and Equity	1,294,228	100.0%	1,182,685	100.0%	9.4%

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