

# Investors & Analysts Presentation

Financial Year

2010



## Disclaimer

This document contains certain forward-looking statements, including statements regarding or related to events and business trends that may affect our future operating results, financial position and cash flows.


These statements are based on our assumptions and projections and are subject to risks and uncertainties, as they involve judgments with respect to, among other things, future economic, and industry/ market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. You can identify these forward looking statements by the use of the words "strategy," "plan," "goal," "target," "estimate," "project," "intend," "believe," "will" and "expect" and similar expressions. You can also identify these forward-looking statements by the fact that they do not relate strictly to historical or current facts.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## Outline

- ▶ Company Overview
- ▶ Group Financial Performance Review
- ▶ Business / Subsidiary Performance
- ▶ Risk Assets Report
- ▶ Outlook

## FCMB at a Glance

<b>Subsidiaries:</b>	<ul style="list-style-type: none"> <li>▶ FCMB Capital Markets Ltd</li> <li>▶ Credit Direct Ltd</li> <li>▶ CSL Stockbrokers Ltd</li> <li>▶ FCMB (UK) Ltd</li> <li>▶ City Securities (Registrars) Ltd</li> </ul>
<b>Associate Company</b>	▶ Legacy Pension Managers Ltd (PFA) – 25%
<b>Listing:</b>	<ul style="list-style-type: none"> <li>▶ Ord. shares listed on the NSE</li> <li>▶ Unlisted GDRs in the United Kingdom</li> </ul>
<b>Stock Symbols:</b>	<ul style="list-style-type: none"> <li>▶ NSE FCMB</li> <li>▶ GDR CUSIP 319636205</li> <li>▶ GDR ISIN US319636205</li> </ul>
<b>Auditors:</b>	
<b>Accounting:</b>	<ul style="list-style-type: none"> <li>▶ Local GAAP</li> <li>▶ IFRS – Financial Year 2011</li> </ul>
<b>Credit Rating:</b>	B+ (S&P – July 2010)

<b>Network:</b>	<ul style="list-style-type: none"> <li>▶ 133 branches &amp; cash centres</li> <li>▶ 10 in-plants</li> <li>▶ 150 ATMs</li> <li>▶ Call centre</li> <li>▶ Mobile bank</li> <li>▶ Internet bank</li> </ul>
<b>Geographical Presence:</b>	<ul style="list-style-type: none"> <li>▶ Nigeria</li> <li>▶ United Kingdom</li> <li>▶ South Africa (Rep. Office)</li> </ul>
<b>Staff Strength:</b>	▶ 2,030 FTEs
<b>Financial Highlights</b>	<ul style="list-style-type: none"> <li>▶ Total Assets &amp; Contingents: N603.9B</li> <li>▶ PAT: N7.9B</li> <li>▶ Market Cap: N115.2B (4 April 2011)</li> </ul>

## Business Overview

### Corporate & Commercial Banking

Banking services to more structured companies with turnover >N2.5B p.a.

### Retail Banking

Banking services to individuals and small businesses with turnover <N2.5B. Includes Credit Direct Limited

### Institutional Banking

Banking services to

- ▶ Financial institutions
- ▶ Multilateral agencies
- ▶ Government and the value chain

### Investment Banking

Comprises of:

- ▶ Financial advisory
- ▶ Capital raising
- ▶ Brokerage
- ▶ Sales & trading (debt, equity and currency)

### Differentiation Drivers: Risk Management | Finance & Strategy | Human Capital | Operations & IT

- ▶ Predominantly wholesale banking group with a niche retail franchise (top-quartile of banking population and civil servants)
- ▶ Differentiating through operational excellence and customer intimacy

- ▶ Leading in innovation
  - Technology-driven cash management
  - Project & Structured Finance
  - Hybrid capital arranging and underwriting
  - Micro-lending

## Strategic Considerations: Delivered value in 2010

Retail	Institutional/Corporate/ Investment	Risk Management
<ul style="list-style-type: none"> <li>▶ Sustained profitability (at contribution level) inspite of low interest rate environment</li> <li>▶ Enhanced operational effectiveness                             <ul style="list-style-type: none"> <li>– Sales process</li> <li>– Migration to alternate channels</li> </ul> </li> <li>▶ Stream lined branch network</li> </ul>	<ul style="list-style-type: none"> <li>▶ Grew wallet share with institutional/ corporate customers</li> <li>▶ Focused enhancement of project and structured finance capabilities</li> <li>▶ Expanded debt capital market capacity</li> </ul>	<ul style="list-style-type: none"> <li>▶ Risk management deepened as a strategic differentiator</li> <li>▶ Fine tuned origination process</li> <li>▶ Further integrated risk and performance management (measuring EVA using risk adjusted capital charges)</li> <li>▶ Asset sale to AMCON and successful recoveries</li> </ul>

- ▶ 38% loan growth
- ▶ 18% gross earnings growth
- ▶ 5.5% NPL ratio
- ▶ 3% operating expenses growth
- ▶ 59% non-interest income growth

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## Key Financial Ratios: Positive trend across performance indicators

Performance Index		FY 2009 <sup>1</sup>	FY 2010	Change
Operating	Return on Equity	0.7%	6.0%	▲ 1,276%
	Return on Assets	0.2%	1.6%	
	Loan/Deposit Ratio	90.2%	98.5%	▲ 12.7%
	Cost/Income Ratio	85.3%	78.6%	▼ (7.8%)
	Net Interest Margin	6.0%	5.3%	▼ (12.4%)
	NPL/Total Loans	8.7%	5.5%	▼ (36.6%)
	Coverage Ratio	83%	100%	▲ 17%
	NII/Operating Income	31.7%	45.2%	▲ 14.5%
	Tax Rate (effective)	34.1%	12.1%	
Capital & Liquidity	Capital Adequacy Ratio	36%	31%	
	Liquidity Ratio	40%	32%	
Shares	Earnings per share	5k	49k	▲ 880%
	Dividends per share	5k	35k	▲ 600%
Others	Opex	30.6	31.5	▲ 3%
	Risk Assets	240	330.4	▲ 38%
	Deposit Growth	266	335	▲ 26%

### Comments

- ▶ **Improvement across performance parameters in general**
- ▶ Although Liquidity Ratio reduced during the year, it is still 700bps above regulatory requirement
- ▶ High LDR is supported by high capital (CAR=31%) as well as borrowings from multilateral organizations not included in deposit liabilities
- ▶ Opex - flat year-on-year
- ▶ Significant growth in risk assets and funding achieved during the year

Note:

1. Annualised from eight months financials for the year ended Dec 2009



Improved Performance



Reduced Performance



## Group Financial Overview: P&L Highlights

Account	Dec 2009 <sup>1</sup> (N'm)	Dec 2010 (N'm)	Change	
<b>Gross Earnings</b>	<b>52,909</b>	<b>62,674</b>	<b>18%</b>	
Net Interest Income	24,478	21,934	-10%	} offset
Corporate Finance fees	2,849	5,879	106%	
Commissions	3,483	4,297	23%	
Trading Income (FX & Bonds)	3,239	4,650	44%	
Other FX Earnings	28	101	260%	
Other Income	1,744	3,205	84%	
<b>Operating Income</b>	<b>35,821</b>	<b>40,066</b>	<b>12%</b>	
Operating Expenses	(30,575)	(31,479)	3%	Flat
Provision For Losses	(3,961)	439	-111%	
<b>Profit before tax</b>	<b>1,285</b>	<b>9,026</b>	<b>602%</b>	
<b>Profit after tax</b>	<b>847</b>	<b>7,935</b>	<b>837%</b>	

Note:

1. Annualized from eight months financials for the year ended Dec 2009

## Group Financial Overview: Balance Sheet Highlights

	Dec 2009 (N'm)	Dec 2010 (N'm)	Change
<b><u>ASSETS:</u></b>			
Liquid assets	146,599	93,307	-36%
Loans and advances	239,898	330,421	38%
Investments	34,483	74,334	116%
Goodwill on consolidation	6,074	6,074	0%
Other assets	14,769	14,390	-3%
Fixed assets	21,818	20,065	-8%
<b>TOTAL ASSETS</b>	<b>463,641</b>	<b>538,591</b>	<b>16%</b>
<b><u>LIABILITIES:</u></b>			
Customer and other deposits	279,694	335,402	20%
Other liabilities	24,175	43,302	79%
Borrowings	30,179	25,116	-17%
Shareholders' funds	129,593	134,771	4%
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>463,641</b>	<b>538,591</b>	<b>16%</b>
<b>ACCEPTANCES AND GUARANTEES</b>	<b>50,493</b>	<b>65,250</b>	<b>29%</b>

## Group Financial Overview: Subsidiaries – PBT Highlights

COMPANY	2010 (N'000)	2009 <sup>1</sup> (N'000)	Change from 2009
CDL	1,756,504	1,097,712	60%
FCMB CM	221,494	(246,707)	190%
City Securities (Registrars)	156,460	530,312	-70%
CSL Stockbrokers	(459,633)	(636,132)	28%
FCMB UK	(264,825)	(547,536)	52%
<b>Total Subsidiaries</b>	<b>N1.41B</b>	<b>N0.19B</b>	<b>613%</b>
Legacy Pension Managers <sup>2</sup>	50,854	-	N/A
<b>TOTAL</b>	<b>N1.46B</b>	<b>N0.19B</b>	<b>639%</b>

**Notes::**

1. Annualized from eight months financials for the year ended Dec 2009
2. FCMB has 25% stake in Legacy Pension Managers Limited

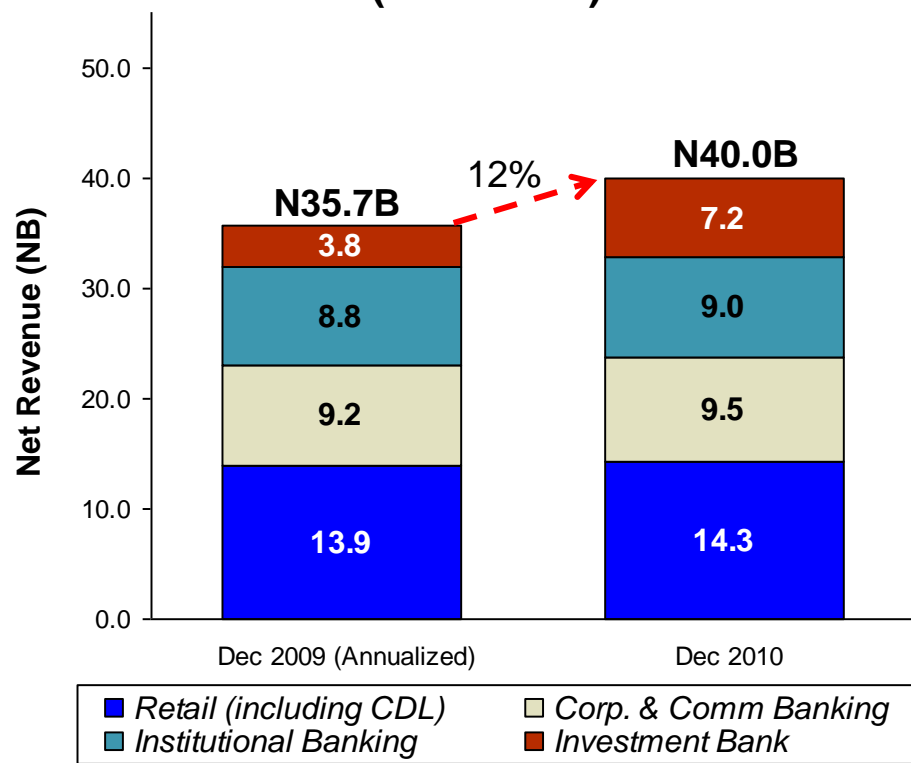
# Earnings:

## Strong revenue and earnings growth across all segments.

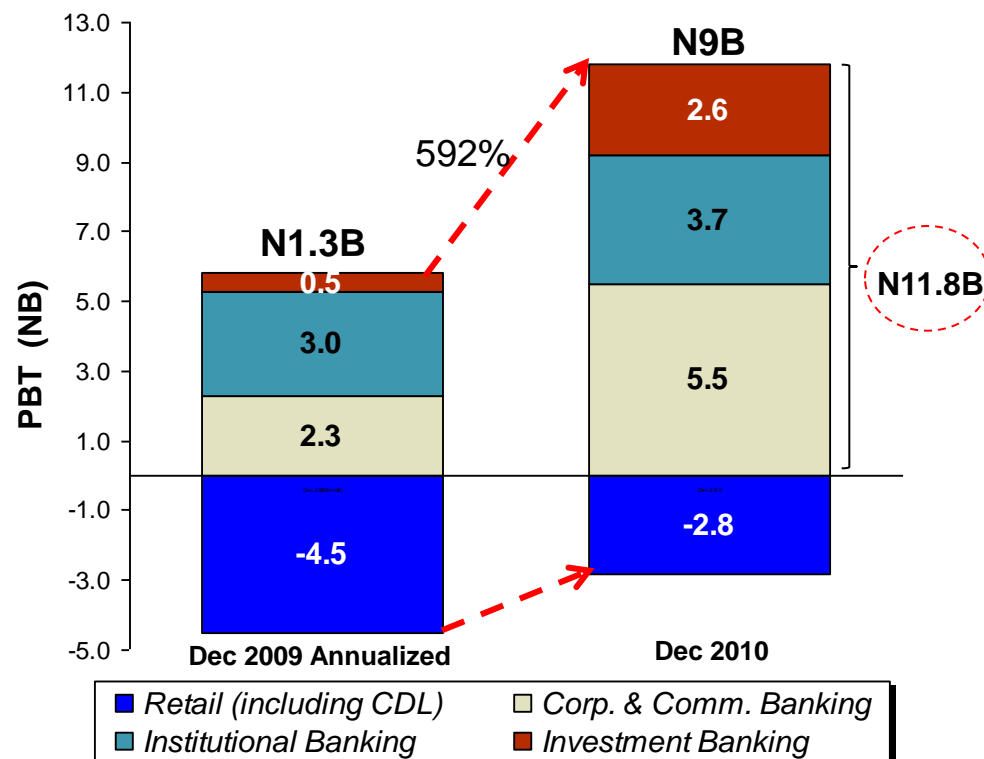
### Retail trending towards fully-loaded profitability

# FCMB

**Net Revenue by Segment  
(2009-2010)**



**PBT by Segment  
(2009-2010)**

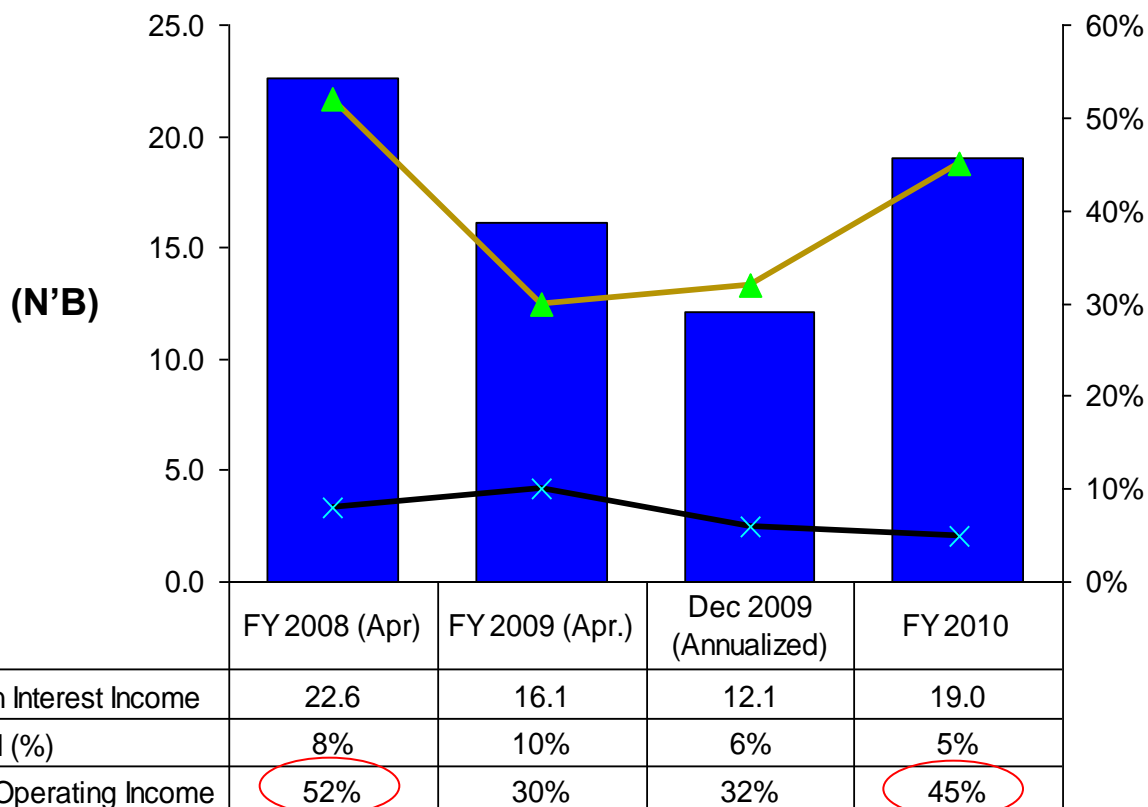


- ▶ **Retail:** Retail's results improved by N1.7B (38%) due to deposit and loan growth, as well as increase in CDL's profitability
- ▶ **Corporate banking:** Benefitted from provision write backs, and 43% growth in loan volumes
- ▶ **Institutional banking:** Sustained loan growth (37%, off a base of N42B in Dec 2009) to Government, FIs and multilaterals
- ▶ **Investment banking:** Growth largely driven by sales and trading income (FX and bond market)

## Earnings:

Interest margin narrowed, but offset by growth in other income

**Non Interest Income and Net Interest Margin Trend  
(2008-2010)**

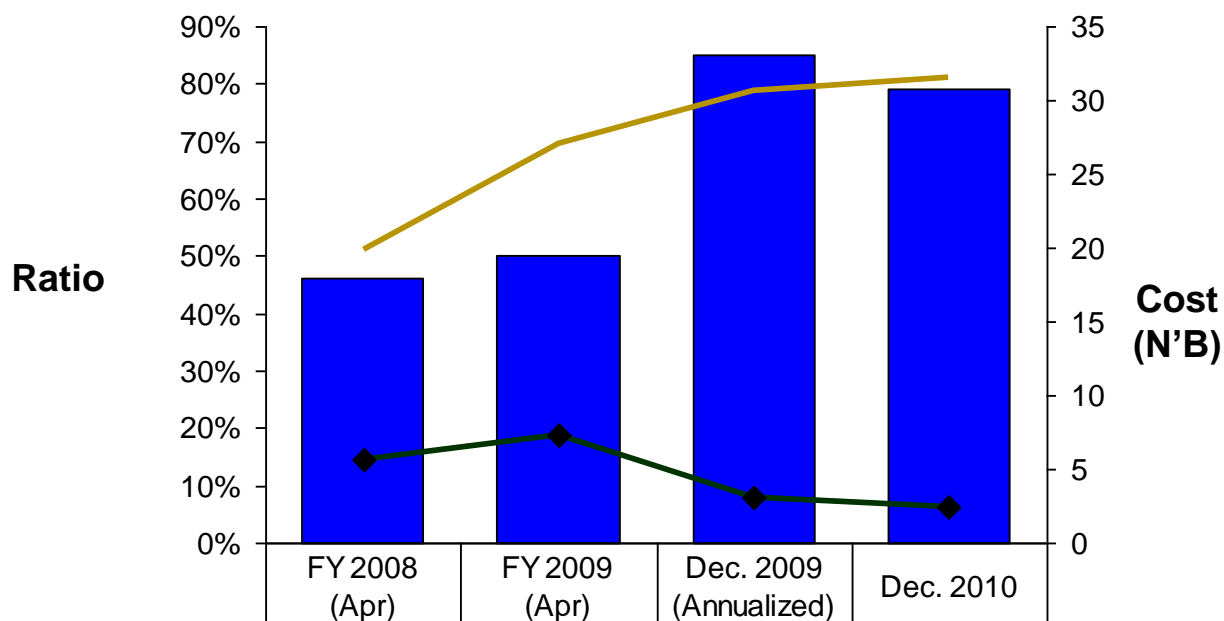


### Comments

- ▶ Net interest margin narrowed during the period due to:
  - Low interest rate environment
  - Focus on high quality credits
  - Q1 treasury losses
- ▶ Impact of narrowing interest margin was offset by 59% increase in Non Interest Income during the year, coming largely from corporate finance fees, trading (FX and bonds) and transaction commissions
- ▶ Non-interest income heading back to pre-crisis levels

## Earnings: Operational efficiency improved

### Operational Efficiency (2008-2010)



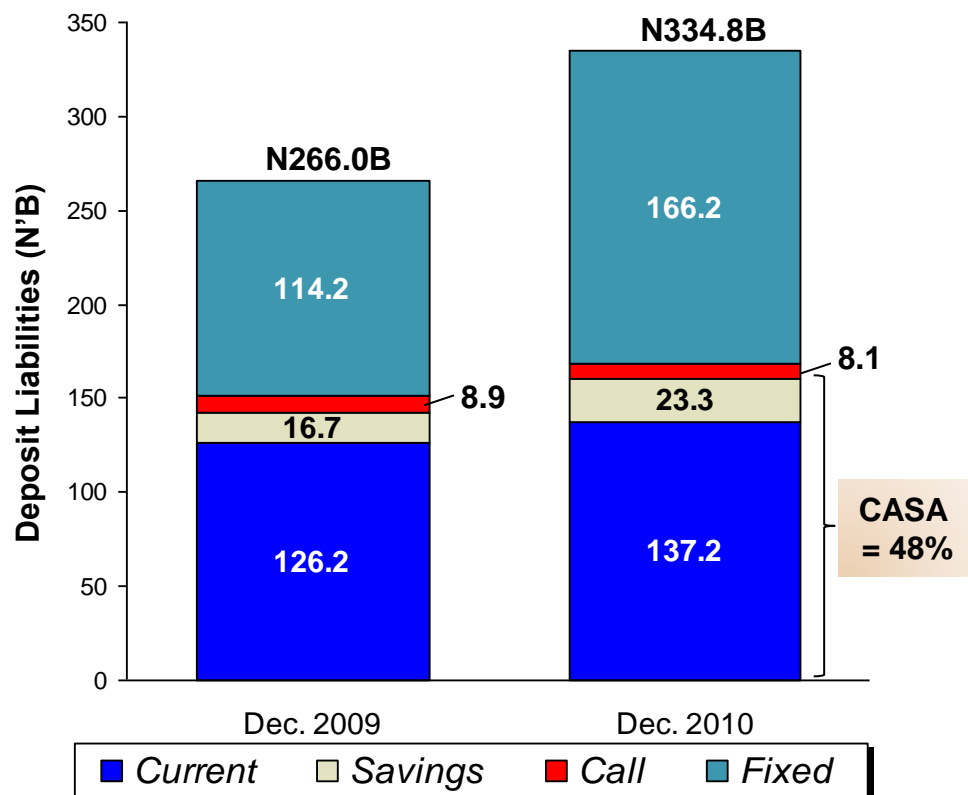
■ Cost-to-Income Ratio (%) 
 — Opex (N'B) 
 ◆ CAPEX (N'B)

### Comment

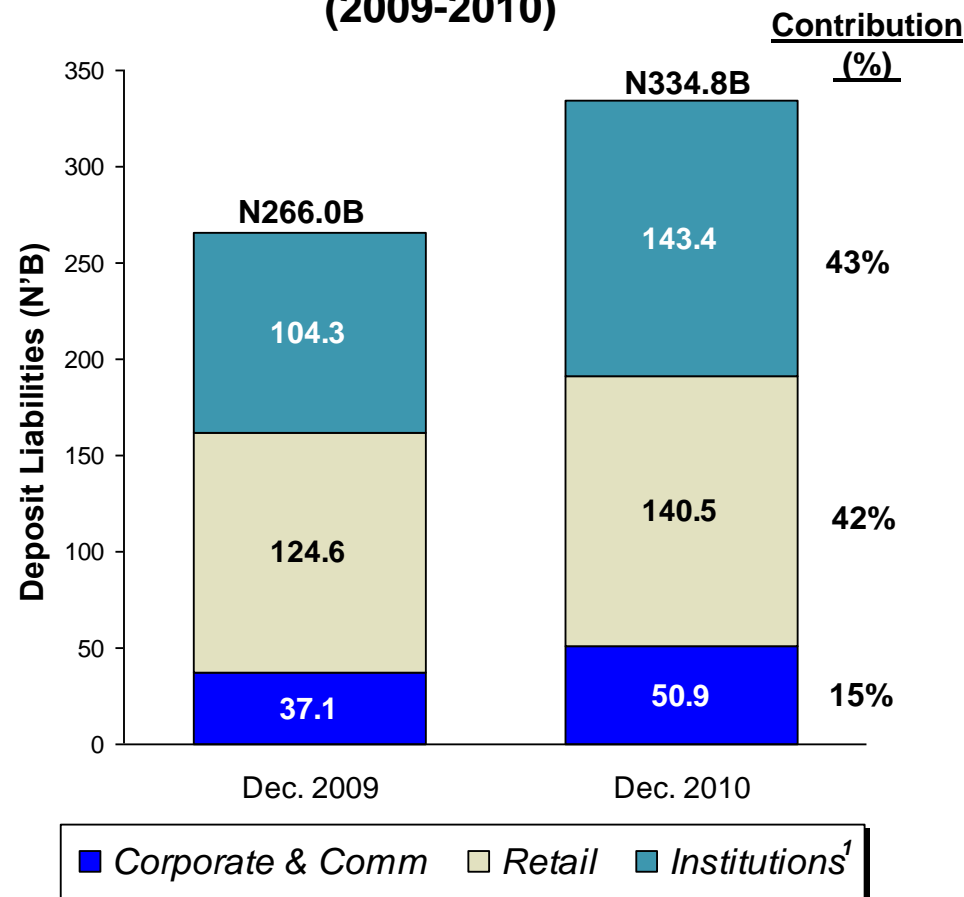
- ▶ **Capex** dropped slightly, & **opex** grew marginally, as:
  - Key infrastructure investments (retail, etc) have peaked
  - Business efficiency initiatives benefits are now being realized
- ▶ Improving cost-to-income momentum to be sustained:
  - Potential savings from branch rationalization
  - Focused effort to drive down costs
  - Expected boost to income from volume growth, improved interest rate environment and strong non-interest income outlook

## Deposit Mix: Funding sources deepened and remained diversified

### Deposit Liabilities by Type (2009-2010)



### Contribution to Deposit Liabilities by SBU (2009-2010)



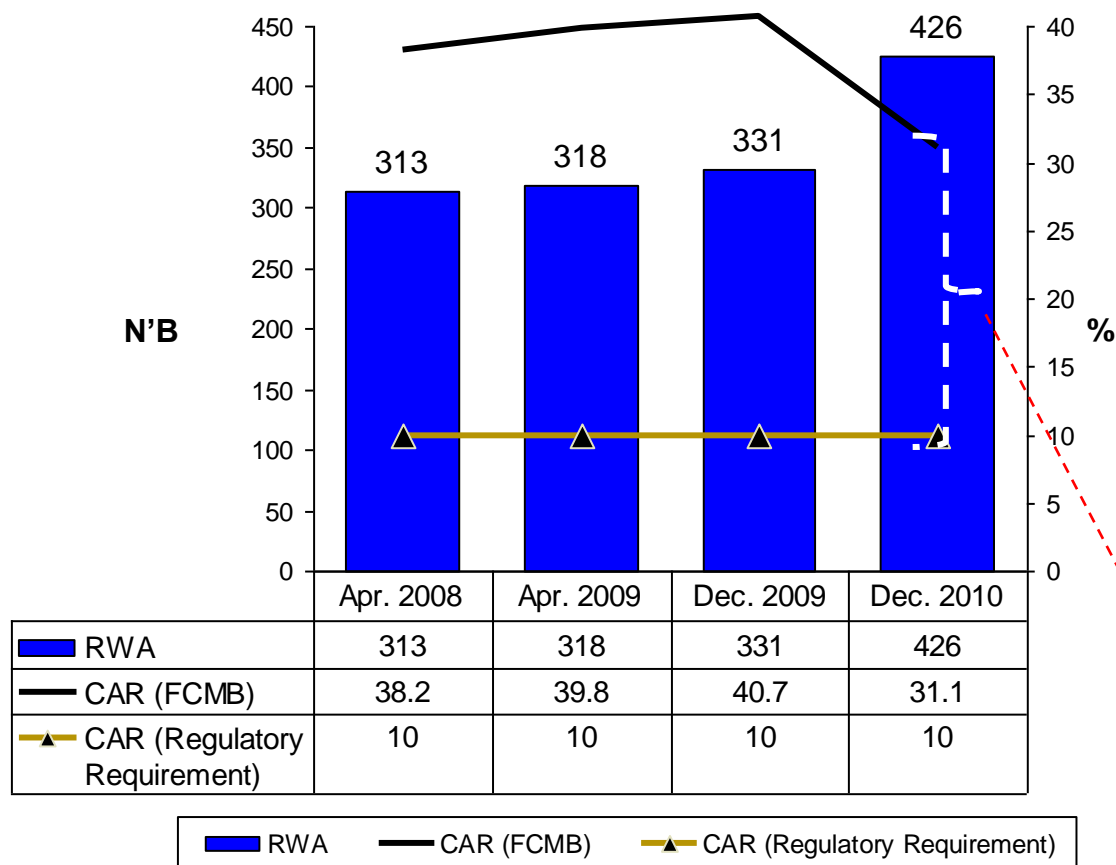
Note:

1. Includes government, multilateral agencies and financial institutions

# Capital Adequacy: Conservative leverage ratio

# FCMB

## Analysis of Capital Adequacy (2008-2010)



## FCMB: Analysis of Gross Leverage (2009-2010)

Criteria	2009 (N'B)	2010 (N'B)
Total Assets	463.6	538.9
Tier 1 Capital	129.6	134.8
<b>Gross Leverage</b>	<b>3.6X</b>	<b>4.0X</b>

2X in excess of regulatory CAR requirements => the equivalent of **N90B+ excess capital**



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## Retail Banking Group: Highlights

### [GAINING MOMENTUM]

#### 2010 Highlights

- ▶ Increased momentum, on lending to business banking customers
- ▶ Loan book grew by 36% gross (without adjusting for loans sold to AMCON)
- ▶ Relaunched enhanced mobile and internet banking platforms – to drive down operating costs
- ▶ Sold margin loans to AMCON
- ▶ Focused resources and service channels on top-quartile of banking population

#### 2011 Priorities

- ▶ Sustain momentum on profitable asset growth around successful products/segments
- ▶ Continue testing of new lending models/products
- ▶ Continuous improvement of underwriting and collection processes to drive down loan loss expense
- ▶ Refine sales model (to improve cost to income)
- ▶ Drive more traffic through alternative channels (to improve cost to income)

## Retail Banking: Gaining Momentum

### Retail: Financial Performance (2009-2010)

N'billion	2010 (N'B)	2009 (N'B)	%Δ
Non-Int Income	3.3	3.6	-9%
Contribution	2.5	2.2	14%
Risk Assets (Net)	37.8	32.4	16%
Deposits	140.5	124.6	13%
Cost/Income	119.0%	116.4%	
NPL	27.3%	26.2%	
Loan/Deposits	26.9%	26.0%	

## Corporate & Commercial Banking Group: Highlights

### [RESURGENT OPERATIONAL PERFORMANCE]

#### 2010 Highlights

- ▶ Grew net loan book by 42%
- ▶ Signed-up of several new blue chip accounts
- ▶ Rolled-out commercial banking business, with regional office architecture
- ▶ Established structured trade and commodity finance capability
- ▶ Increased presence in upstream oil & gas in anticipation of Petroleum Industry Bill
- ▶ Ranked 3<sup>rd</sup> among all banks in Corporate Customer Satisfaction Survey conducted by KPMG (2010)

#### 2011 Priorities

- ▶ Grow Commercial Banking business and cash management to improve net interest margin
- ▶ Continue cross-sell of investment banking offerings to drive non-interest income
- ▶ Leverage project and structured finance capabilities to drive loan growth
- ▶ Expand value chain proposition to major corporate customers i.e. channel financing, collections for large corporates, etc

# Corporate & Commercial Banking Group: Resurgent operational performance

**FCMB**

## Corporate: Financial Performance (2010)

N'billion	2010 (N'B)	2009 (N'B)	%Δ
Non-int. Income	5.5	3.5	59%
PBT	5.5	2.3	139%
Risk Assets	222.9	156.5	42%
Deposits	50.9	37.1	37%
Cost/Income	48.6%	49.1%	
NPL	2.2%	2.1%	
Loan/Deposits	437.9%	421.8%	

## Institutional Banking : Highlights

### [POSITIONED FOR GROWTH]

#### 2010 Highlights

- ▶ Loan growth of 37%:
  - Government (mostly infrastructure finance)
  - Financial Institutions
- ▶ Grew market share of e-payment and cash management
- ▶ Participated in 75% of sub-sovereign bond issues

#### 2011 Priorities

- ▶ Grow customer base to lower tiers of governments
- ▶ Grow share of multilateral organizations
- ▶ Continue cross-sell of CDL, work place banking and investment banking
- ▶ Grow fee income leveraging cash management and corporate finance

## Institutional Banking: Strong Growth in Net Interest Income

### Institutions: Financial Performance (2010)

N'billion	2010 (N'B)	2009 (N'B)	%Δ
Non-int. Income	3.6	0.9	309%
PBT	3.7	3.0	23%
Risk Assets	69.8	51.0	37%
Deposits	143.4	104.3	38%
Cost/Income	58.6%	65.5%	
NPL	0.1%	6.0%	
Loan/Deposits	48.7%	48.9%	

## Investment Banking: Highlights

### [FRANCHISE REMAINS STRONG]

#### 2010 Highlights

- ▶ FCMBBCM returned to profitability
- ▶ CSLS impairment charges from investments and aged receivables
- ▶ Strong trading income

#### 2011 Priorities

- ▶ Project and structured finance
- ▶ Principal (mezzanine) finance
- ▶ Debt capital markets
- ▶ Approach breakeven of FCMB UK
- ▶ CSLS return to profitability
- ▶ Broaden asset classes traded

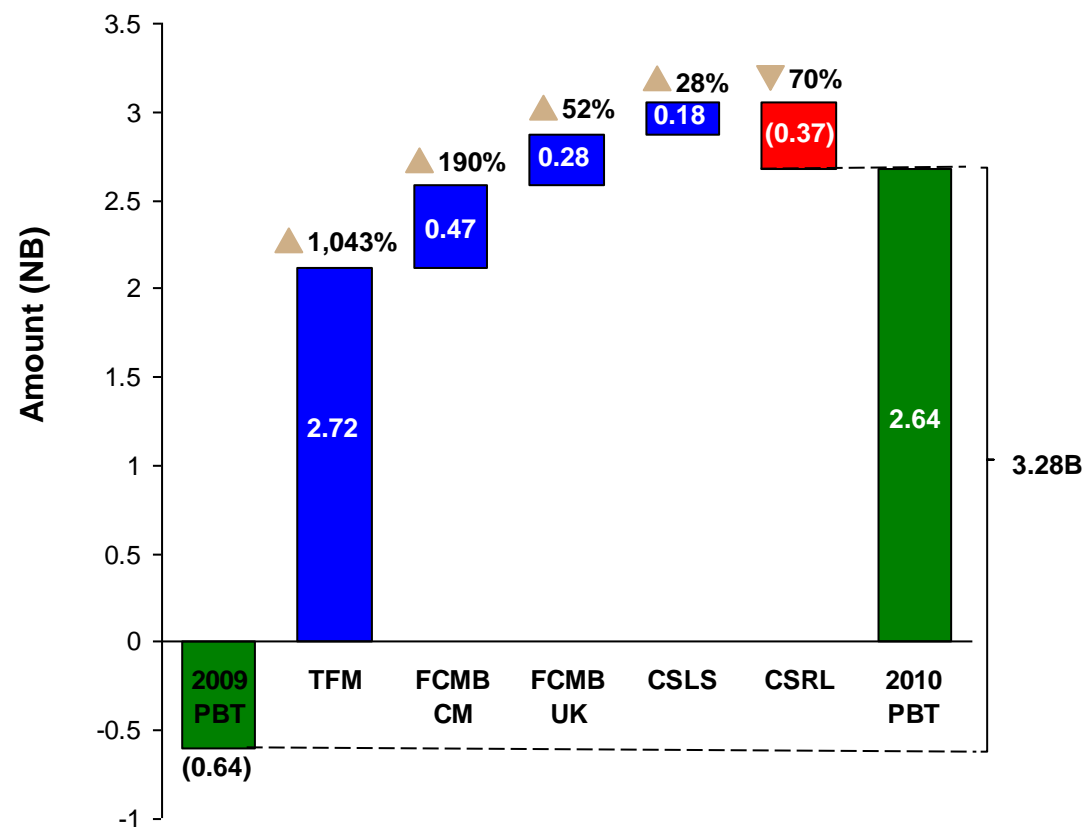


## Investment Banking: Franchise remains strong

### Investment Banking: Financial Performance (2010)

N'billion	2010 (N'B)	2009 (N'B)	%Δ
Net Revenue	7.3	3.8	91%
PBT	2.6	(0.6)	462%
Cost/Income	63.1%	116.8%	

### Investment Banking PBT Bridge (2010)

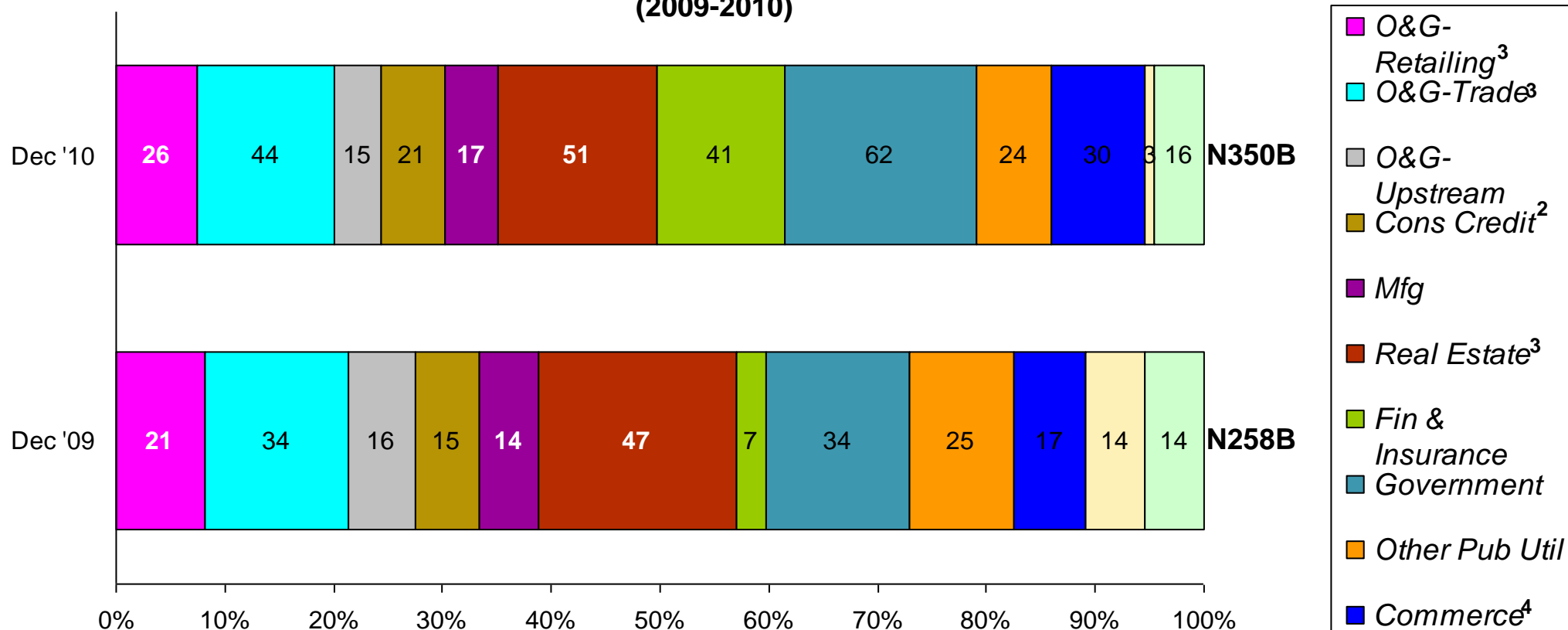


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## Credit Portfolio Analysis

Gross Loan Book by Sector  
(2009-2010)

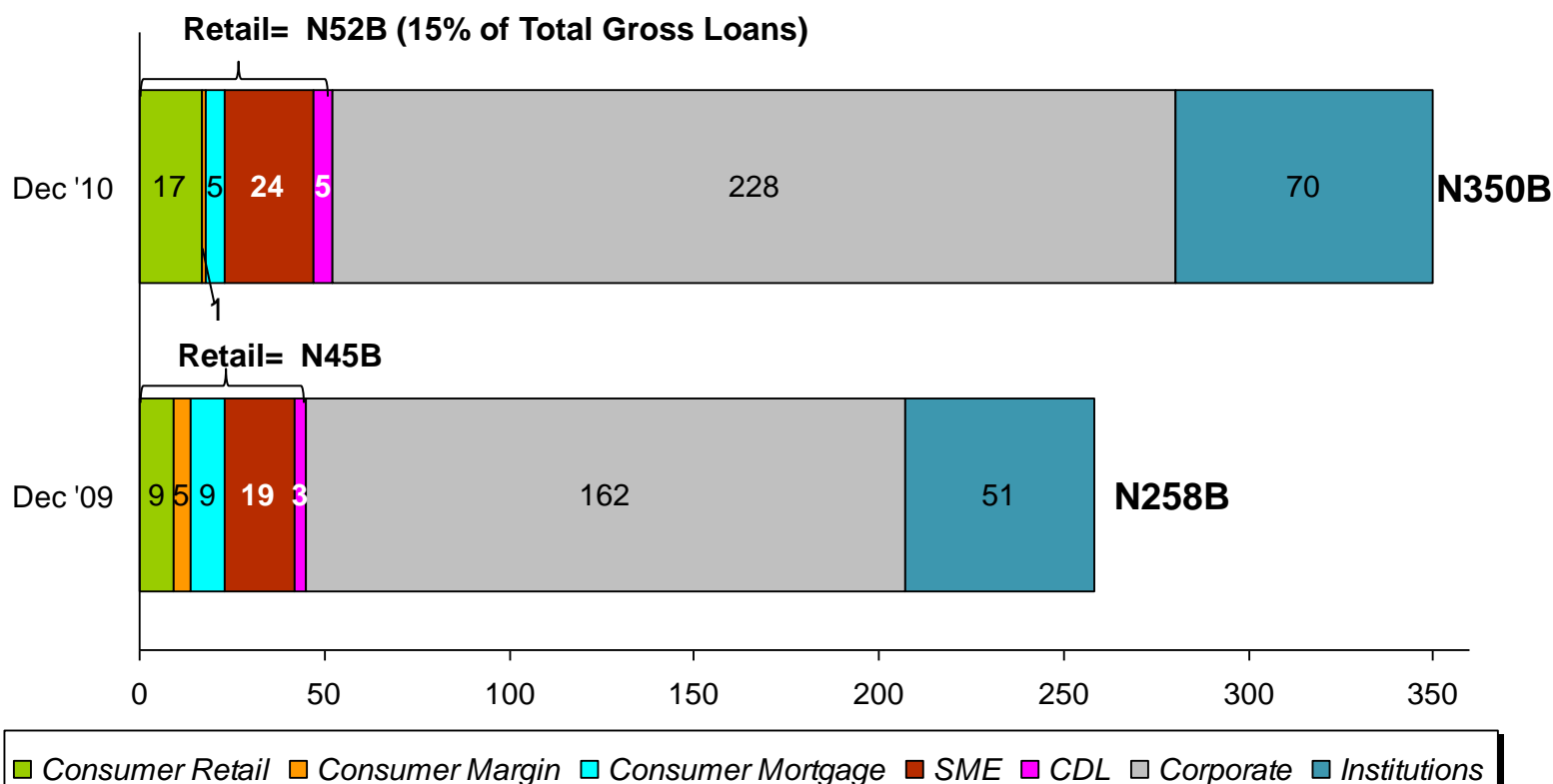


**Note:**

1. In 2010, "Others" included: Agric (N4B), Mortgage (N5B), Power (N4B) and Transport (N3B). In 2009, Others included Agric (N3B), Mortgage (N6B), Power (N4B) and Transport (N1B)
2. Includes credits issued by Credit Direct- N5B in 2010; N3.2B in 2009
3. Partial sell-off to AMCON in view
4. Predominantly structured finance

## Credit Portfolio Analysis

### Analysis of Gross Loans by Segment (2009-2010)



#### Comment

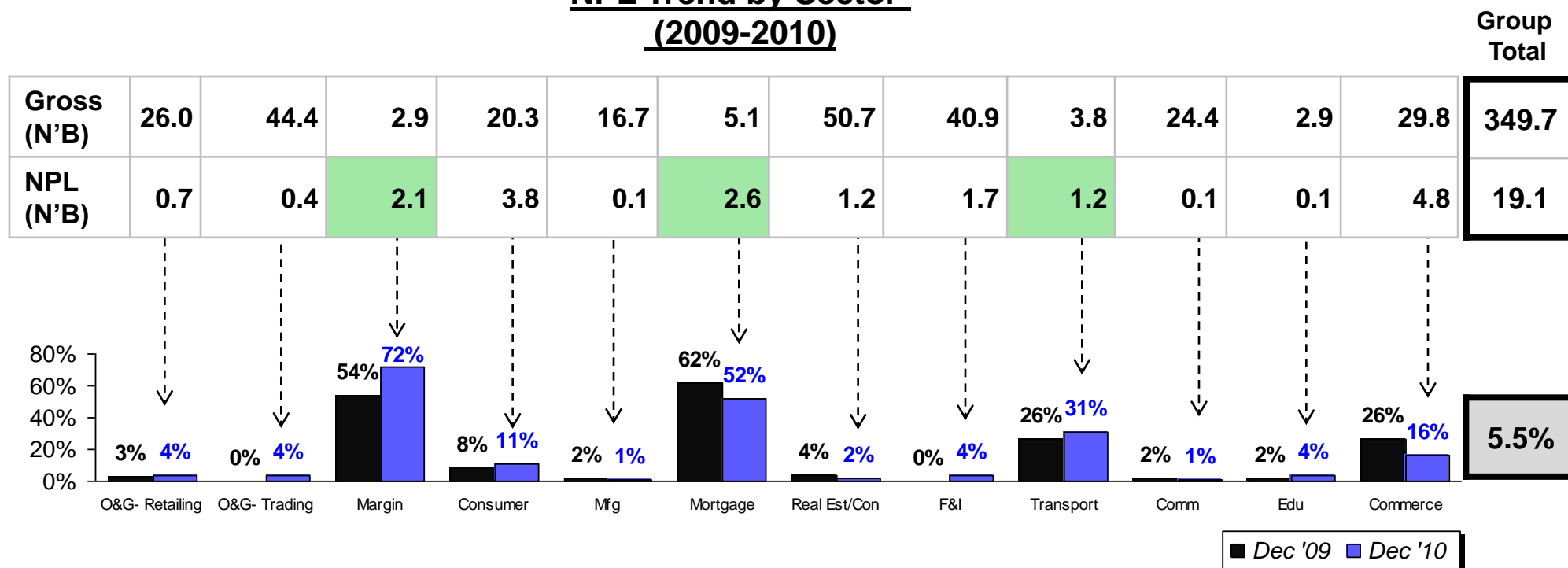
- ▶ Retail sector grew by N7B, net of sale of N9B margin loans to AMCON.
- ▶ Assuming non-disposal of margin loans, Retail indeed grew by N16B or 36% in 2010, through Consumer retail, SME and pay-day loans (CDL)
- ▶ CDL- grew 51%
- ▶ Business banking/ SME- grew 32%

#### Note:

Institutions Includes government, multilateral agencies and financial institutions

## Credit Portfolio Analysis: Low NPL across sectors

### NPL Trend by Sector<sup>1</sup> (2009-2010)



Planned for sale to AMCON under Phase II with potential to further reduce NPL

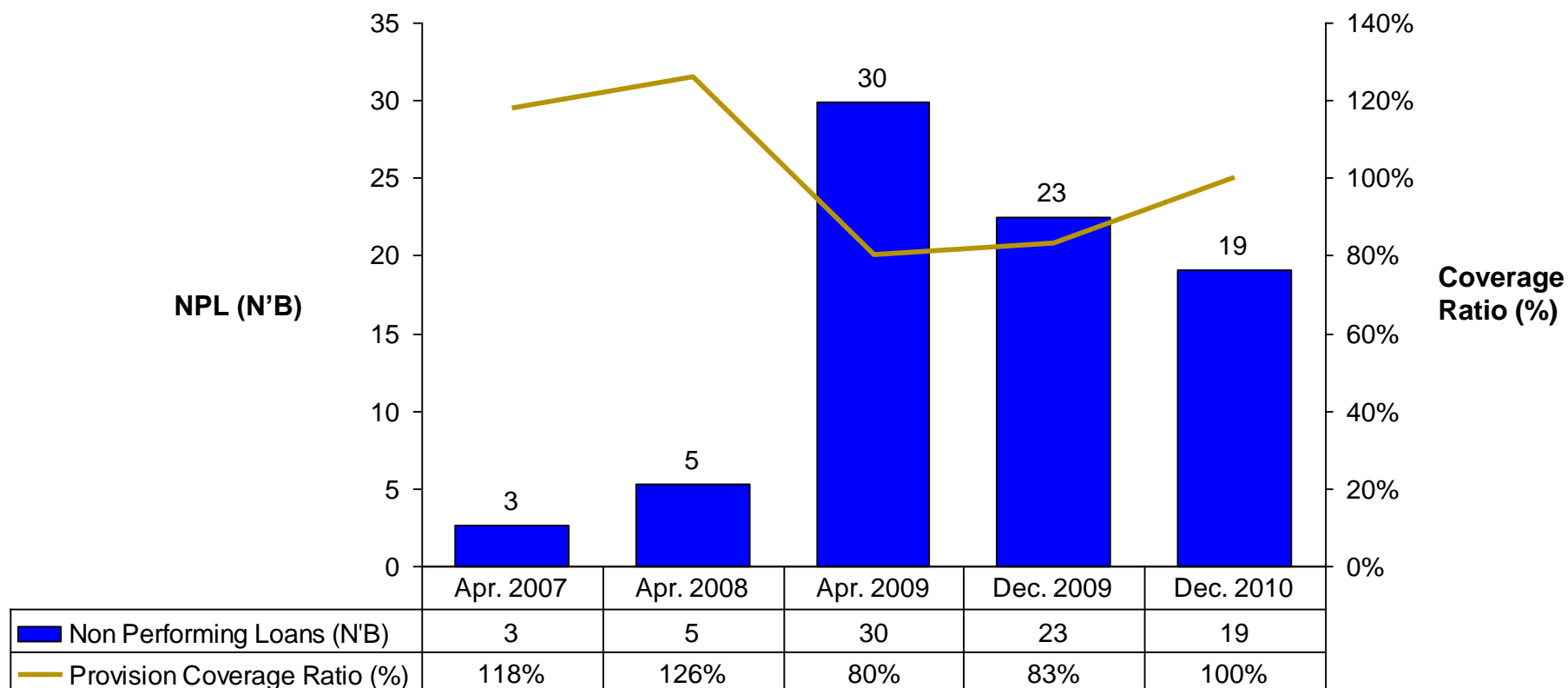
Note:

1. The graph excludes sectors with NPLs less than 0.5%. These include Government, Agriculture and Power

# Asset Quality: Full coverage for NPLs

**FCMB**

**Coverage Ratio Analysis  
(2007-2010)**



■ Non Performing Loans (N'B)
 — Provision Coverage Ratio (%)

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## Outlook

- ▶ Positive post-election outlook
- ▶ Single digit expense growth in 2011
- ▶ Asset quality should improve further (AMCON and Credit Risk Management Initiative)
- ▶ Retail lending, commercial banking, project and structured finance to drive loan growth
- ▶ Retail business to achieve fully loaded profitability, driven by deposit growth, loan growth and improved interest rate environment
- ▶ Continued growth in debt and equity capital markets
- ▶ Quality of business continues to improve:
  - Enhance corporate governance
  - ISO certification
  - Adoption of International Financial Reporting Standards (IFRS)
  - Enhanced enterprise risk management framework