FIRST CITY MONUMENT BANK PLC

A MEMBER OF FIRST CITY GROUP

FCMB

Investor & Analyst Presentation
Review of FYE Dec. 2009
& Q1 2010 Results

Lagos
21 May 2010

Outline

- FCMB: Overview of Operating Environment
- FCMB: Strategy Review
- FCMB: Performance Review (FYE Dec. 2009 & Q1 2010)
- FCMB: Post-2009 Changes
- FCMB: Outlook

Domestic Economic Highlights

- Global economic environment is supportive of high oil prices (above 2010 budget assumptions).

- National Bureau of Statistics (NBS) reveals that:
  - Real GDP grew by an estimated 6.7% in Q1, down from 7.4% in Q4 2009;
  - Growth was driven by the non-oil sector;
  - Overall GDP growth for 2010 is projected at 7.5%;
  - NBS projections for Q2, Q3 and Q4 2010 are 7.2%, 7.4% and 8.5% respectively;
  - Agriculture, wholesale & retail trade, and services are expected to have a significant impact on growth.

- GDP forecasts of 7.5% for 2010 is supported by:
  - Moderate rainfall, which should improve agricultural output;
  - Relative peace in the Niger Delta, which should enhance crude oil and gas production;
  - Public infrastructure spending, which is set to rise strongly this year.

- Growth in broad money (M2) in March was 22.4% YoY.

- Growth in credit to the private sector in March was just 22.0% YoY.

- Inflation slowed from 12.0% in December 2009 to 11.8% in March 2010.

- Nigeria’s official forex reserves were $40.2bn on 17 May 2010.

Source: CSL Research

Policy Update

- There have been a number of measures by the CBN to promote investment in infrastructure and economic development. These measures include:
  - N200bn credit guarantee scheme for SMEs;
  - N3bn Agriculture Credit Guarantee Scheme Fund (ACGSF);
  - N500bn Power Fund, for the revamping of the nations power sector.
- These are attempts to address the paradox in the credit market, whereby sectors with the largest contribution to GDP receive the least credit. As a result, we expect loans to these sectors to grow and loan losses to SMEs to reduce.

- MPC maintained the status quo at its meeting on 10 and 11 May 2010
  - Benchmark rate were unchanged;
  - Committee is to look closely at inflationary pressures at its next meeting in July 2010;
  - CBN’s inter-bank guarantee is extended for a further six months to June 2011.

- Key policy challenges identified by the MPC are:
  - Negative growth MoM of credit to the private sector;
  - High lending rates for the real economy;
  - Widening interest rate spread despite declining interbank rates and excess liquidity; and
  - Inflation.

Policy Update - *Continued*

- Interest rate mechanism to be strengthened
  - CBN has directed that banks must set their lending rates as a spread above the policy rate and explain their funding costs in detail.

- The Asset Management Corporation of Nigeria (AMCON)
  - The National Assembly has approved the bill for the creation of the Asset Management Corporation of Nigeria (AMCON), which is designed to clean up the balance sheets of the "affected" (rescued) banks, enable them to resume lending and prepare the ground for consolidation of the industry.

- Numerous regulatory changes in the pipeline
  - The CBN has already set term limits for bank CEO's and boards of directors;
  - It has released a draft review of universal banking, which would introduce different licenses for banks' different banking activities;
  - The CBN is revising its prudential guidelines for loan loss provisions for the first time since 1990;
  - The Securities and Exchange Commission has introduced new rules to enhance governance and transparency in Nigeria's capital markets.

Source: CSL Research

FCMB

2010 Budget At A Glance

Expenditure & revenue profile	Approved 2010	Proposed 2010	Actual 2009	%∆ [Approved 2010/ Proposed 2010]	%∆ Approved 2010/ Actual 2009
Aggregate expenditure (Ntrn)	**4.61**	**4.08**	**3.10**	**13%**	**48%**
Capital spending (Ntrn)	1.85	1.37	1.02	35%	82%
Recurrent spending (Ntrn)	2.08	2.01	1.63	3%	27%
Federal govt. revenue (Ntrn)	3.09	2.27	2.52	36%	23%
Debt service (Ntrn)	0.50	0.52	0.28	-4%	75%
Statutory transfer (Ntrn)	0.18	n/a	n/a	-	-
Assumptions					
Oil price ($/b)	67.00	57.00	45.00	18%	49%
Oil production (mbpd)	2.35	2.08	2.29	13%	3%
Exchange rate (N/$)	150	150	125	0%	-20%

Policy Update – *CBN's New Prudential Guidelines*

FCMB

Comparison to Old Prudential Guidelines

More explicit guidance on risk management and corporate governance, beyond provisioning.

The new guidelines also define limits around credit, liquidity and market risks.

In Comparison to IFRS

The key difference is around provisioning. Provisioning under the new prudential guidelines is based on the concept of *incurred losses*, whilst IFRS is based on the concept of *forward looking losses*, i.e. *the expected loss concept*. The new prudential guidelines take the forward-looking provisioning element into consideration, to the extent that any excess above IFRS provisions will be included in Tier I capital and any shortfall will be charged to the income statements.

Implication of the New Prudential Guidelines on FCMB's Business

- **Provisioning may reduce**, as a result of relaxed provisioning rules on specialised loans and recognition of collateral in determining eligible provisions for certain classes of classified loans;

- **Greater incentives to lend to certain/ critical sectors**, specifically the agricultural sector; infrastructure projects; manufacturing SMEs and retail financing;

Source: Business & Operations Risk Research

Policy Update:
CBN's New Prudential Guidelines – Continued

FCMB

Implication of the New Prudential Guidelines on FCMB's Business – continued

- **Improvements in industry's risk management practices**. Since CBN has now defined specific limits around large single-obligor exposures and portfolio concentration;

- **NPLS may reduce marginally**. If we have exposures to specialised assets, as defined under the new prudential guidelines, the NPLs will reduce slightly.

N.B. Our internal provisioning guidelines recognise the concept of *forward-looking provisions/ expected loss,* as defined under IFRS guidelines and as such we expect minimal downside impacts in terms of any new provisioning that will have to be made in terms of compliance with the new prudential guidelines.

Implication of the New Prudential Guidelines on FCMB's Business *Under* IFRS

Impacts will not be of a business nature, but of a Reporting one, as the Reporting guidelines, under IFRS, are more stringent than under the new prudential guidelines.

Implication of the New Prudential Guidelines on FCMB's Business vs. the Old Prudential Guidelines

- There may be some provisioning write-backs under the new prudential guidelines. Under the old prudential guidelines, some provisions were made without recognition of collateral and the same rules were also applied to specialised loans on our loan books. When we apply the new prudential guidelines to specialised loans and recognise perfected collateral for other exposures, we could have write-backs on those accounts.

Source: Business & Operations Risk Research

Policy Update:
CBN's Review of the Universal Banking Model

FCMB

Key Highlights

- Introduction of non-operating holding company (HoldCO) structure with banking and non-banking subsidiaries (SubCo)
- Categorizes banks into Regional and National banks with different market focus; capitalization requirements and permissible activities
- 18 months transition period (after date guideline is issued

This policy has more operational, as opposed to strategic, implications for FCMB , e.g.:

- ❖ Operating structure of the Group;
- ❖ What functions are centralized;
- ❖ Where to place non-banking activities (registrars; asset management).

- The policy is presently an Exposure Draft but it is expected to be passed into law in the near future

- FCMB would closely monitor developments as it relates to this policy and work with all its stakeholders to ensure the optimal operating structure is chosen

Nigerian Stock Market

- The recovery of Nigerian stock market is gathering momentum, as the YTD (18 May) figures of the NSE ASI, shows a 31.5% gain, while the total market capitalisation appreciated by 33.7%.

- The total traded volume from January to April 2010 increased by 132%, signalling a steady return of confidence in the market.

- Stock Market Reform
    - Likely to lead to industry consolidation
    - Increase market share for CSL
    - Continued growth in volume and liquidity
    - Activity in the primary market will return.
    - CSL should have a stronger year

- The sharp gains recorded in April could be attributed to earnings announcements ahead of expectations, a steady rise in oil prices, better oil production volumes from the Delta and, on the demand side, stronger foreign portfolio inflows.

- Bank results for Q4 2009 and Q1 2010 have been mixed but should improve with a fall in provisions/rise in recoveries.

Source: CSL Research

Nigerian Stock Market - *Outlook*

- A further rise in the ASI in 2010 is widely expected
- Banks dominate the ASI, offer attractive valuations and should increase their earnings once the burden of provisions eases
- Indicators such as active telecoms lines show that household demand is robust despite the money and credit data
- Sound assumptions for rising oil prices and production underpin the expansionary 2010 budget, which should benefit companies which provide goods and services to the three tiers of government
- Domestic institutional investors are switching from bonds to equities following a dramatic fall in fixed-income yields
- Foreign institutional investors are finding value in frontier markets such as Nigeria, which have been easily the best performing indices in 2010.

Source: CSL Research

Outline

- FCMB: Overview of Operating Environment
- FCMB: Strategy Review
- FCMB: Performance Review (FYE Dec. 2009 & Q1 2010)
- FCMB: Lessons from the Financial Crisis
- FCMB: Outlook

FCMB – *Summary of Strategic Focus*

FCMB

- Vision: Premier Financial Service Group of African Origin (focus on quality and efficiency)
- Focus on retail finance, transaction banking and investment banking: 3 profitable niches in a competitive commercial banking dominated market
- Investment banking remains our biggest differentiator in wholesale bank
- Micro-lending expertise and exposure to international experience remains our biggest advantage in retail space
- Transaction banking (& payments) platform is potentially a key source of stable annuity income in both wholesale and retail space
- Value proposition revolving around improving customer intimacy and operational excellence
- Technology Advantage

- Diversified Offerings/Revenue Streams
- High Growth Potential
- Efficient Model: Traditionally good CIR and ROA will return by 2011

FCMB: *5-Year Strategic Goal*

FCMB

Our 5-year strategic goal is to be a Top-5 Bank by franchise value (market cap) by 2015

- **Leader in INVESTMENT BANKING**
  - **No 1. status in Advisory, Sales & Trading and Capital Raising**
- **Leader in RETAIL BANKING**
  - **No. 1 in Retail Financing**
  - **Top-2 in Retail Banking Revenues**
- **Leader in TRANSACTION BANKING**
  - **No 1. in Technology-enabled Cash Mgmt**
  - **Top-5 in total Transaction Banking Revenues**

Top - 5 Bank by franchise value (i.e. market cap)

FCMB: *Strategy Validation*

FCMB

Retail Finance

- Experienced Team gaining better understanding of retail opportunity following downturn;
- Improved collection process and lending scorecards
- Consumer Finance/ Microlending success:
  - NPLs of 1%;
  - 90% net income growth from December 2008 to December 2009;
  - 121% volume growth from December 2008 to December 2009.
- SME lending is becoming increasing viable.

Investment Banking

- Recognised as a leading investment bank;
- Contributed N1.5bn and N0.8bn to net income in FYE Dec. 09 & Q1 2010, respectively
- Developing capabilities in risk management products;
- Advisory remains a key cross-selling tool;
- Attractive income opportunities exist especially in sales and trading.

Transaction Banking

- Key driver of commission and float income growth represents 21% (December 2009) and 23% (March 2010) of total risk assets. STCF presents an estimated N800 billion asset opportunity
- Key component of value proposition to corporate and institutional customers;
- Monthly payment volumes of N3bn via transaction banking platform. Fed and State Govt budget of N10 trillion and oil industry domestic budget of $18 billion per annum present significantly payment opportunity.

FCMB

Outline

- FCMB: Overview of Operating Environment
- FCMB: Strategy Review
- FCMB: Performance Review (FYE Dec. 2009 & Q1 2010)
  - Financial Highlights
  - Review of Loan Book
- FCMB: Post-2009 Changes
- FCMB: Outlook

Income Statement Highlights:
December 2009 vs. April 2009

FCMB

	Dec 09 FY N'M	April 09 FY N'M	Annualised Change
Gross Earnings	35,789	71,064	-24%
Net Interest Income	14,501	36,824	-41%
Corporate Finance Fees	2,660	6,856	-42%
Commissions	2,103	6,326	-50%
Trading Income	1,658	1,755	42%
Other income	481	277	161%
Net Operating Income	21,402	52,038	-38%
Operating Expenses	(18,610)	(26,460)	6%
Provision for Losses	(2,067)	(21,598)	-86%
PBT	725	3,979	-73%
FCMB Capital Market Limited	-164	216	-214%
Credit Direct Limited	732	579	90%
FCMB UK	-365	na	na
CSL Group	-71	na	na
Group PBT	857	4,774	-73%

Income Statement Highlights:
March 2010 vs. March 2009

	3 Months Jan- Mar 2010 N'M	3 Months Jan- Mar 2009 N'M	CHANGE %	3 Months Oct- Dec 2009 N'M	CHANGE %
Gross Earnings	13,301	17,477	-24%	14,095	-6%
Net Interest Income	3,275	8,388	-61%	4,735	-31%
Corporate Finance Fees	1,015	1,361	-25%	760	33%
Commissions	1,051	1,148	-8%	733	43%
Trading Income	687	994	-31%	931	-26%
Other Income	151	117	29%	637	-76%
Net Operating Income	6,178	12,008	-49%	7,795	-21%
Operating Expenses	(7,088)	-6,238	14%	-7,825	-9%
Provision for Losses	1,595	-3,629	-144%	7,601	-79%
Bank PBT	686	2,141	-68%	7,571	-91%
FCMB Capital Markets Limited	-32	-134	-76%	-90	-64%
Credit Direct Limited	427	182	134%	305	40%
FCMB UK	-64	na	-90	-90	-29%
CSL Group	113	na	104	104	9%
Group PBT	1,129	2,189	-48%	7,800	-86%

Focus on recoveries and restructuring portfolio. Trade-off being an operating loss in Q1.

Balance Sheet Highlights:
Dec. vs. April 2009 and March 2010 vs. Dec. 09)

	Dec. 09 FY	April 09 FY	%Change	Mar. 10 Q1	Dec. 09 FY	% Change
	N'M	N'M	%	N'M	N'M	%
Loans and Advances	238,732	271,103	-12 %	282,159	238,732	18%
Deposits	266,013	321,219	-17%	278,266	266,013	5%
Shareholders Funds	129,593	129,055	0.4%	130,496	129,593	0.7%
Liabilities & Equity	463,620	515,602	-10 %	482,275	463,620	4%
Acceptance and Guarantees	50,493	42,161	20%	51,671	50,493	2%

Deposit and loan growth has resumed in March 2010. Earnings impact to be felt in Q2 onwards.

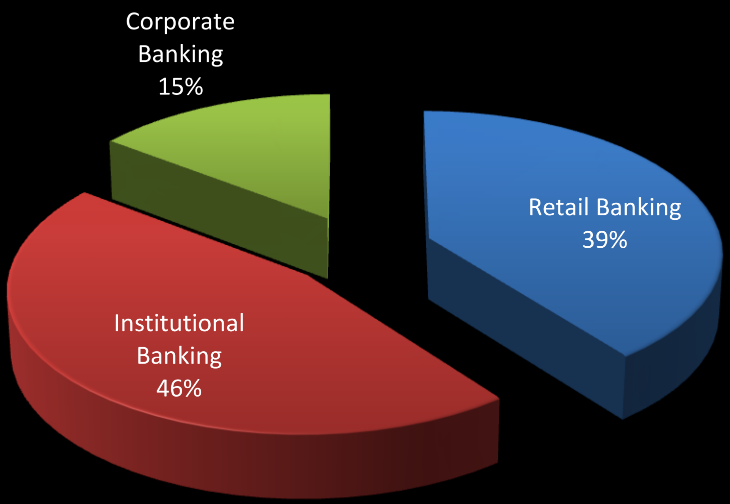
Financial Ratios – December 2009 and March 2010

	Apr-07	Apr-08	Apr-09	Dec-09	Mar-10
Net Interest Margin	6%	6%	9%	7%	6%
Return on Equity (ROE)	26%	25%	4%	1%	3%
Return on Assets (ROA)	4%	6%	1%	0.3%	0.7%
Cost/Income Ratio	52%	56%	50%	85%	106%
Earnings per Share	63K	135K	25K	5k	24k
Loan/Deposit Ratio	45%	75%	85%	90%	101%
NPLs/Total Loans	3%	3%	10%	9%	8%
Capital Adequacy Ratio	22%	44%	39%	32%	35%
Liquidity Ratio	59%	76%	54%	48%	37%

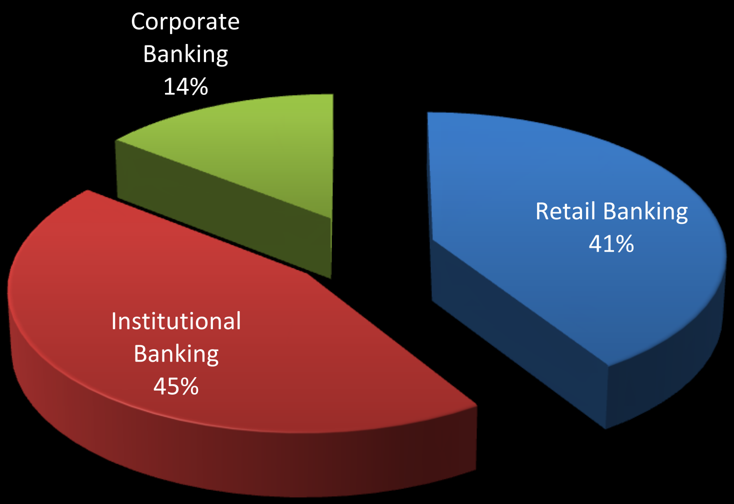
Traditionally a low CIR, high ROA business. Profit run rate to improve steadily in 2010. Attaining historic ratio levels by 2011.

SBU Contribution to Deposit Volumes

Deposit Volumes - December 2009



Deposit Volumes - March 2010



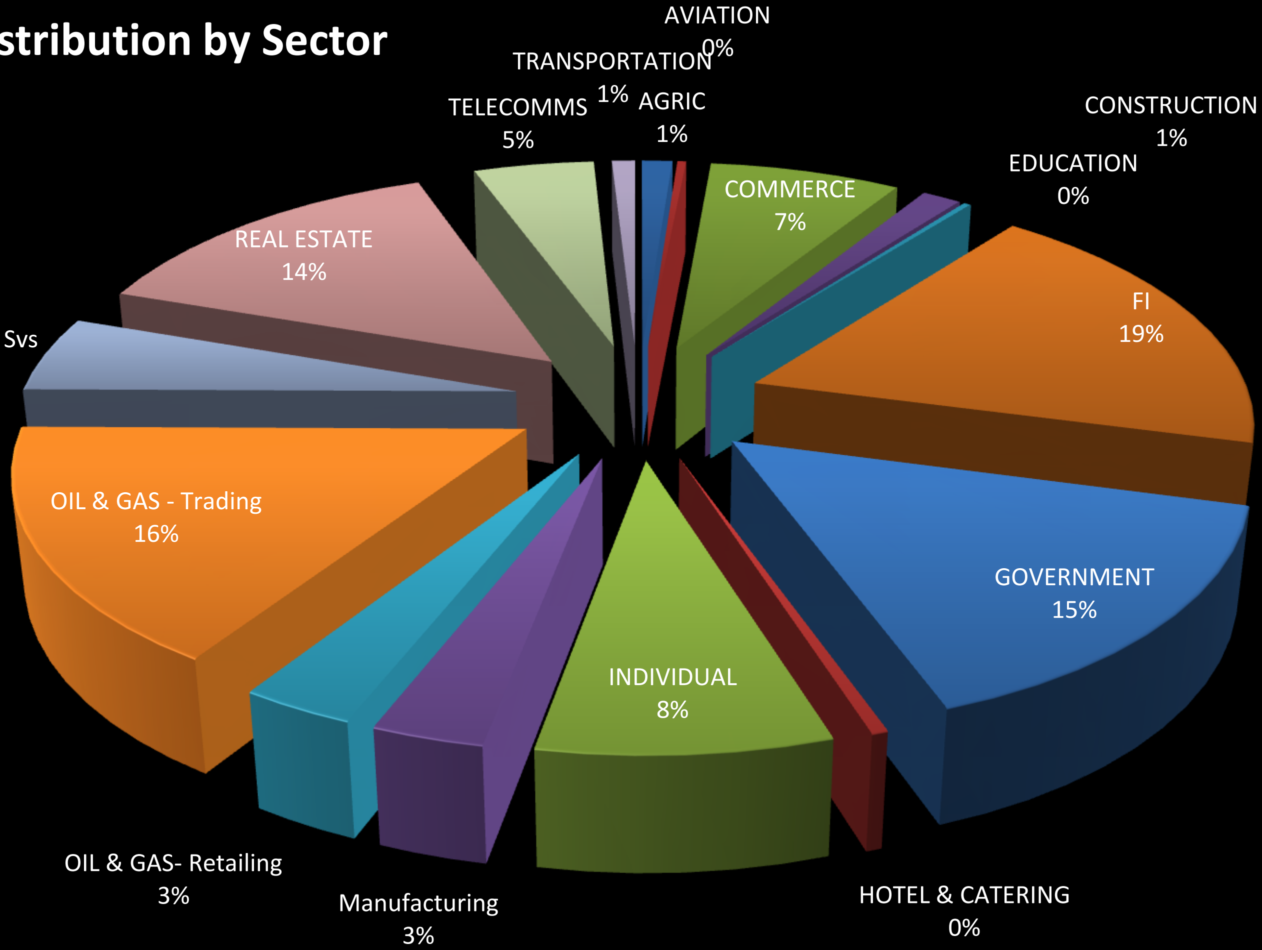
Outline

- FCMB: Overview of Operating Environment
- FCMB: Strategy Review
- FCMB: Performance Review (FYE Dec. 2009 & Q1 2010)
  - Financial Highlights
  - Review of Loan Book
- FCMB: Post-2009 Changes
- FCMB: Outlook

Sectoral Distribution of Loan Book: 30 April 2010

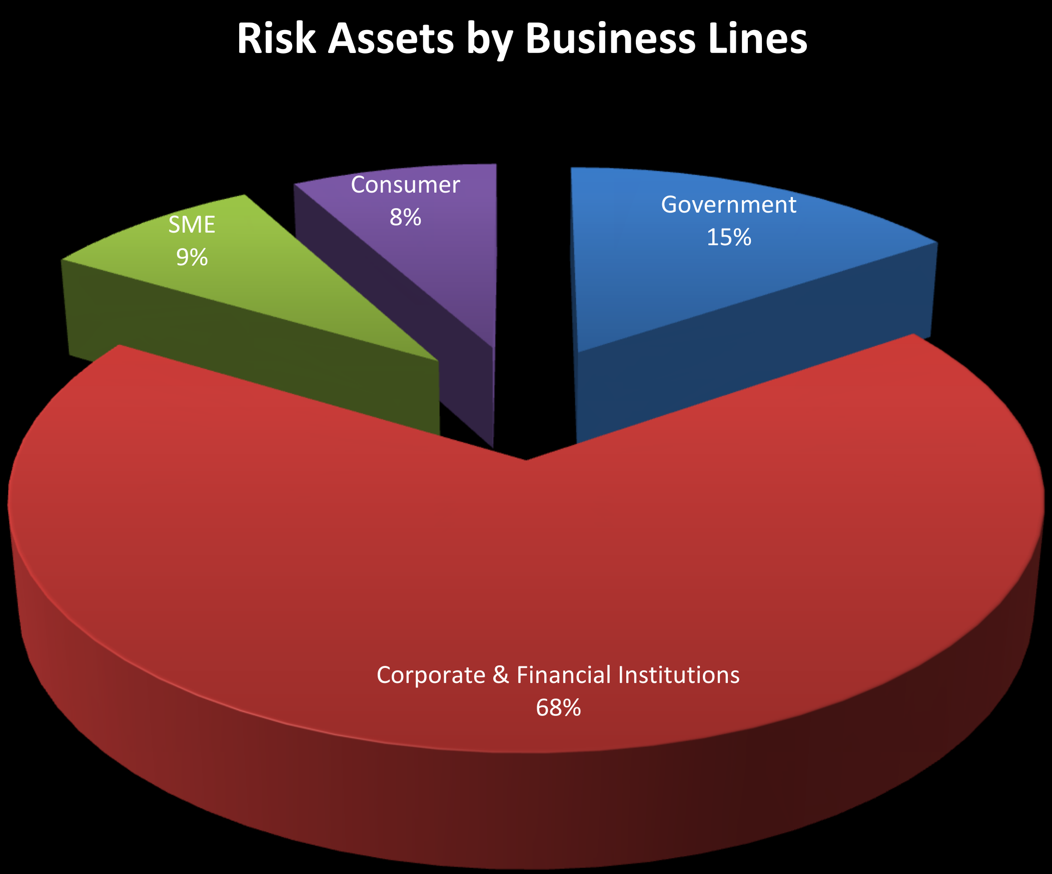
FCMB

Risk Assets Distribution by Sector



TOTAL 283,517,075,801

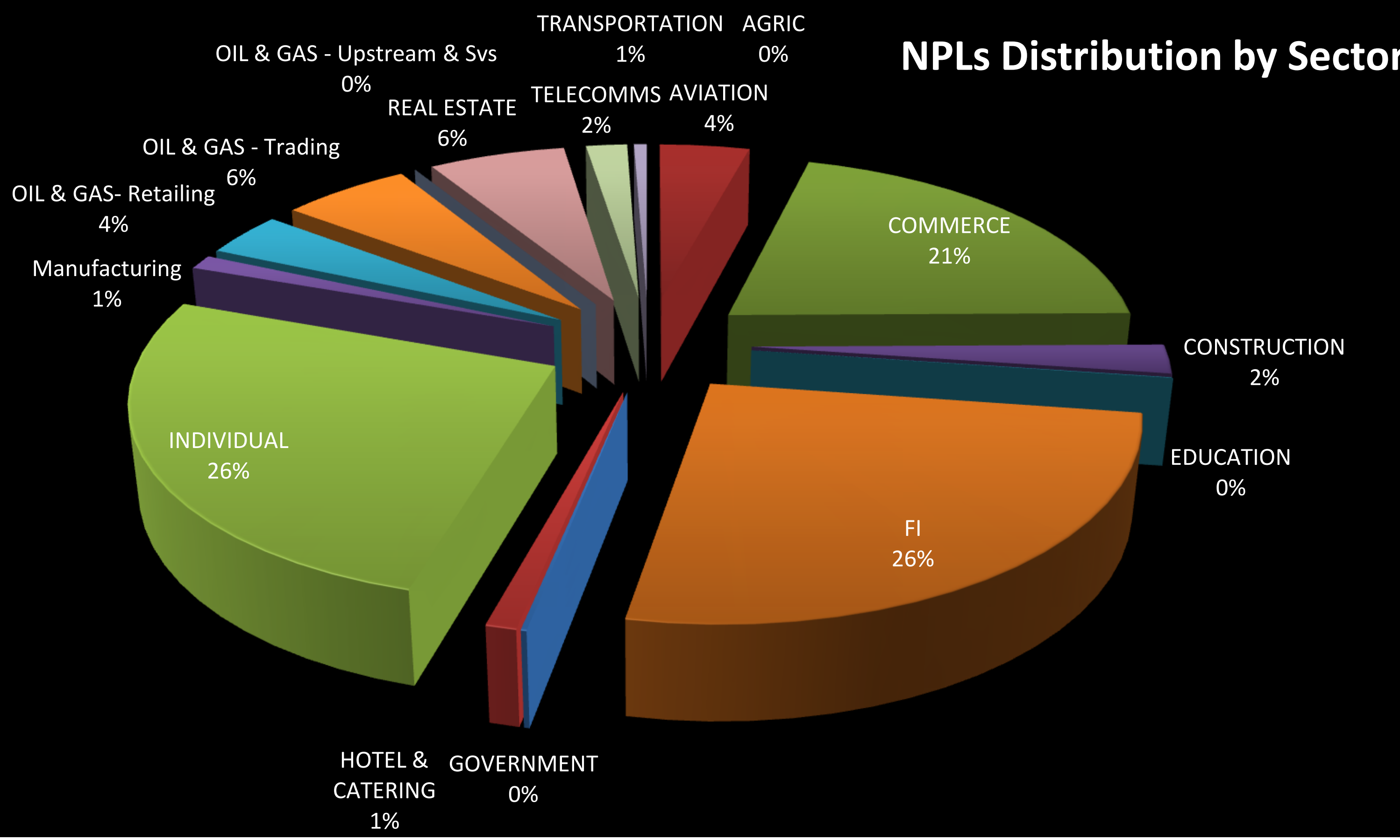
Loan Book Distribution by Business Lines: 30 April 2010



TOTAL	**283,517,075,801**

Sectoral Distribution of NPLs: 30 April 2010

FCMB



TOTAL	**22,926,818,713**

Management is targeting a further N3 billion net recoveries for 2010, excluding benefits of new prudential guidelines.

Outline

- FCMB: Overview of Operating Environment
- FCMB: Strategy Review
- FCMB: Performance Review (FYE Dec. 2009 & Q1 2010)
- FCMB: Post-2009 Changes
- FCMB: Outlook

Post-2009: *What We Are Doing Differently*

- Strengthening the underwriting process by revising internal ratings framework and scorecard across all exposure categories – corporate and retail.

- Adjusted sector exposure limits for increased diversification of the portfolio (reduction of single sector exposure limit from 20% to 15%).

- Reduced single obligor exposure limits significantly below regulatory thresholds (maximum of N10B, up to N15 billion on truly exceptional basis)
  - New absolute limit of N10billion to be reviewed annually
  - Single obligor limits set for different rating bands

- De-emphasized products and sectors with structural deficiencies: margin lending (liquidity), petroleum trading, residential real estate and mortgages (repossession and debt service cost burden).
- Enhanced collection resources for all exposure categories, and channelled more resources towards recovery of delinquent exposures.

- Risk assets growth channelled to low NPL sectors: Food & Beverages, Telecoms, Consumer Finance, Institutions (government, education etc), Petroleum retailing as opposed to trading.

- Planned introduction of structured commodity finance to reduce credit risk in our Trade Finance portfolio.

- Allocating more resources towards advisory sales and trading.

Outline

- FCMB: Overview of Operating Environment
- FCMB: Strategy Review
- FCMB: Performance Review (FYE Dec. 2009 & Q1 2010)
- FCMB: Post-2009 Changes
- FCMB: Outlook

FCMB

Outlook: *2010 and Beyond*

- **Retail lending expected to gain momentum**
  – Increased focus on both SME and Consumer Finance
  – Collections framework and retail lending scorecards in place

- **Investment banking revenue contribution to grow**
  – Driven by sales and trading of currencies, equity (sales only), rates and fixed income instruments
  – Gradual recovery of equity (primary)capital market and emergence of debt market
  – Infrastructure advisory : Focus on power and transport
  – Developing capabilities in risk management products

- **Transaction banking is a source of stable annuity income**
  – T-Banking will provide low cost funds and increase fee income and commissions

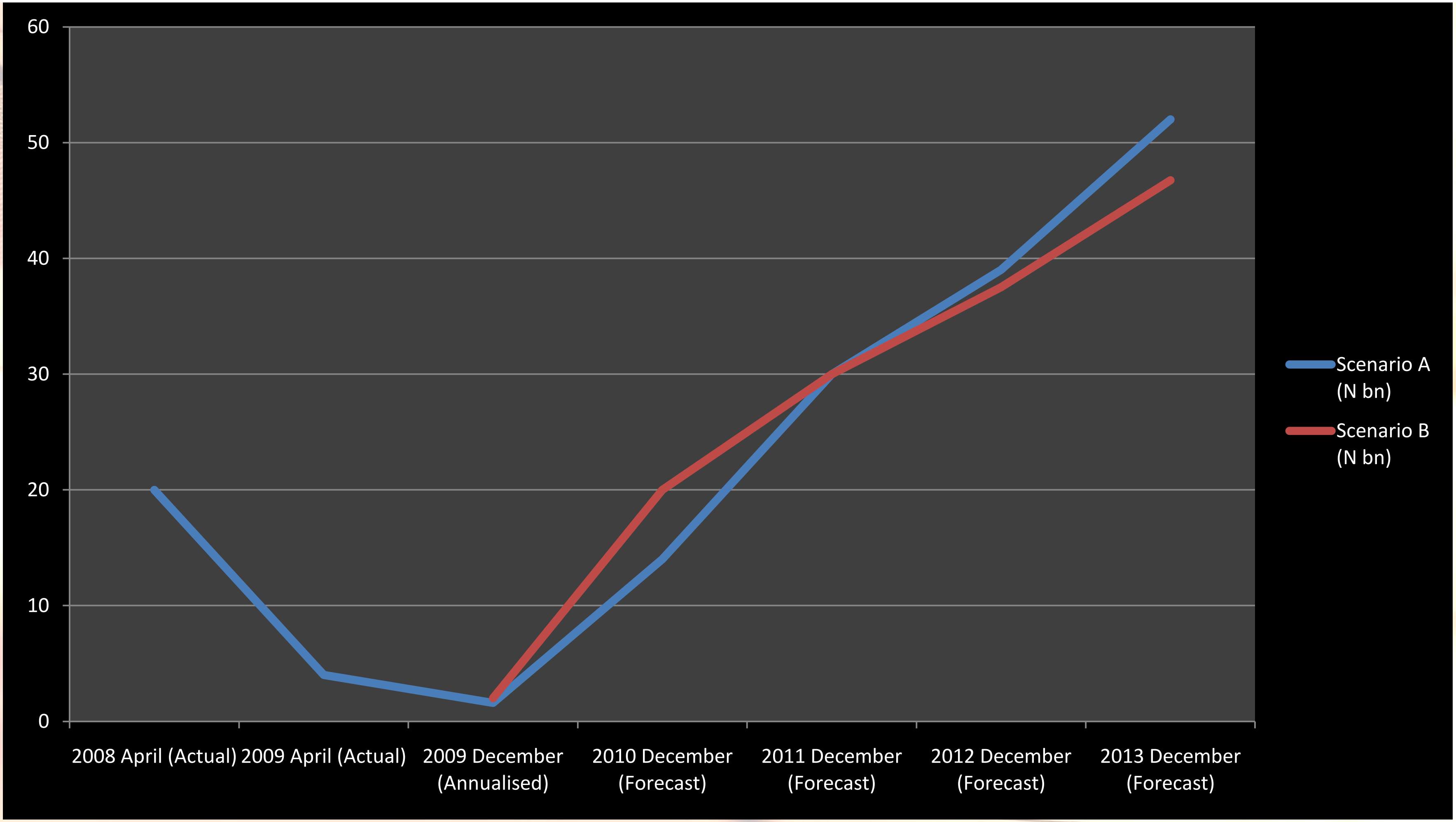
- **Net Interest Margin to be sustained above 7.5%**
  – 30% loan book growth in 2010 will be focused on lower risk, corporate sectors and retail finance;
  – Cost of funds to average less than 6% for this financial year

- **Cost management**

- **Expected breakeven of over 35% of total branches** (those that are still under 36 months old), over the next 24 months.

Outlook: *2010 and Beyond - continued*

PBT



FCMB recovery likely to approximate to scenario A.