Investor/Analyst Presentation:
Review of 2008/09 Full Year Results; and Half Year to October 2009

Ladi Balogun
Group Managing Director/CEO, FCMB PLC
November 11, 2009

FCMB

Agenda

- Nigeria: Macro Stability Restored
- The Nigerian Financial Industry
- FCMB: Performance Review (April & Oct 09)
- Conclusion

FCMB

Nigeria: Macro Indicators show resilience

	2008	2009 (e)	2010 (e)	2011 (e)
Real GDP Growth (%)	6.4	5.5	7.0	8.0
Year-on-Year CPI (%)	15.1	9.0	8.0	8.0
Current Account/GDP (%)	21.0	(1.3)	0.7	2.7
Average Crude Oil Price – Bonny Light (US$/b)	101	68	82	90
Official FX Reserves (US$ billion)	53	44	50	60
NGN/US$ (end-period)	140	150	151	154
NGN/US$ (average)	119	148	148	150

Source: Central Bank of Nigeria (CBN); Nigerian Bureau of Statistics, CSL Stockbrokers Ltd.

FCMB

Nigeria: Outlook for GDP Growth

- **5%[1] growth in GDP expected in 2009 is based on:**
  - Gradual improvements in oil prices and production in H2 2009
  - Favourable rainfall and resultant improvements in crop production for 2009
  - Continued growth in “all weather” sectors such as telecommunications

- **The amnesty in the Niger-Delta region will boost oil production in the short term while rising prices bode well for oil sector growth in 2010**
  - Daily crude oil output has improved from 1.3mbpd in 7/2009 to pre-instability levels of ~2mbpd in 11/2009
  - Bonny Light expected to average $82 per barrel in 2010 from $68 in 2009
  - A solution in the Niger-Delta will boost supply of gas, which is already produced but cannot be distributed due to sabotage to pipelines

- **The non-oil sector remains the major driver of GDP growth albeit heavily reliant on agriculture and telecommunications**
  - The Nigerian Government launched $1.3B fund to boost commercial agriculture, especially grains (rice & wheat) and sugar currently imported at huge costs
  - The outlook for agriculture is favourable with better rains expected to herald a bumper harvest
  - Government has committed $1.3B to boost agricultural output in 2009
  - Telecommunications continues to demonstrate healthy double digit growth; tele-density has grown from 29% in 2007 to 48% in 2009

Note:

1. Conservative analyst estimates higher than IMF estimates but lower than official government estimate

FCMB

Nigeria: Outlook for Inflation, Interest Rates and Exchange Rate

- **Inflation expected to remain controlled in the short term**
  - Inflation expected to continue its steady decline: currently 10.4% in 9/2009 from 15.1% in 12/2008
  - We expect inflation to drop to 9% by the end of 2009; a further drop to 8% expected in 2010
  - The positive outlook on food harvest will drive food prices down; the food basket currently contributes >60% of the Nigerian CPI
  - However, the increased money supply that usually precedes a general election presents a downside risk to the inflation forecast

- **Moderate interest rates decline expected as structural bottlenecks are removed and federal revenues improve**
  - The CBN reference rate, the monetary policy rate (MPR) has remained at 6% since 7/2009
  - The inter-bank market will operate smoothly with the conclusion of the CBN special audit of Nigerian banks; rates also expected to drop after the December 2009 uniform year-end
  - The increase in oil prices is expected to improve federal revenue distributions, a major driver of interest rates in Nigeria
  - Fiscal stimulus to boost money supply

- **The Naira is expected to appreciate based on higher oil revenues and controlled demand for foreign exchange**
  - With oil and gas providing 98% of total foreign exchange earnings, the improvement in crude prices and output will increase in foreign exchange inflow to Nigeria
  - Latest FX reserve data shows a slight improvement in reserves to $44billion, suggesting reserves will remain above $40 billion this year
  - The slowdown in credit supply will reduce the demand for foreign exchange , reducing pressures on the Naira

FCMB

Agenda

- Nigeria: Macro Stability Restored
- $\boxed{\text{The Nigerian Financial Industry}}$
- FCMB: Performance Review (April & Oct 09)
- Conclusion

The Nigerian Banking Sector: Effects of Key Regulatory and Industry Developments

FCMB

Monetary Policy Update

- **The CBN's monetary policy is expected to inject liquidity and stimulate further growth**
  - Injection of $4.5B in 8 banks with liquidity stresses
  - Additional injection of $2B from the Excess Crude Account and increased crude receipts
  - $2B bonds to be issued by the proposed Asset Management Company to buy toxic assets from banks
  - Temporary ban on use of Commercial Papers and Bankers Acceptance lifted from Nov 16
  - Waiver of 1% general provision on performing loans contained in existing prudential guidelines

---

Banking Sector Supervision Update

- **The recent CBN reforms will lead to the emergence of a more disciplined and transparent industry and protect depositors and investors**
  - 8 troubled banks likely to be sold, nationalized or liquidated ; 2 others given till June 2010 to recapitalize with mixed prospects
  - Push for greater bank disclosure and transparency
    - Mandatory IFRS adoption by 2011
    - New prudential guidelines to be published by Q1 2010
    - Banks have been mandated to publish their accounts with sufficient disclosure by the end of Nov
    - PWC International mandated to develop new disclosure requirements

The Nigerian Banking Sector: The short-term outlook is mixed, long term is very positive

FCMB

- **Slower earnings growth in 2009 expected, but a return to more attractive earnings is expected in 2010**
  - Asset reduction driven by write offs and minimal creation of new assets in 2009: Write-offs in 8 troubled banks likely to exceed N1.5 trillion
  - Increased provisioning driven by stress test will be taken this year, further depleting profits
  - The improvement in the global and domestic economy will boost bank profits in 2010
  - Write backs as NPLs are recovered will contribute to profits in 2010
  - Net interest margins will compress as quality wholesale lending opportunities reduce in the short term
  - As interest income comes under threat, focus will increasingly be on fee and other income opportunities (retail lending)

- **Recovery of NPLs will be a key profit driver in 2010**

- **Significant M&A Activity**
  - Recapitalization of stressed banks will create acquisition opportunities for existing players
  - The sale of stressed banks might lead to the entry of international players into Nigeria
  - Fallout of consolidation should see population of banks reduce to <20 from current universe of 24 banks

- **Attractive competitive landscape**
  - 10 banks effectively eliminated from the competitive environment

Opportunities and challenges for the banking sector

FCMB

Opportunities

- **Significant opportunities exist for the banking sector, especially the 14 healthy banks, to grow market share and boost profits**
  - Flight to safety
  - Consolidation and improving competitive landscape – Number of banks likely to reduce by ~30%
  - Improved corporate governance and enhanced disclosure
  - Establishment of asset management company may enhance write back opportunities on margin loans
  - Agriculture: $60B industry (40% of country GDP) , attractive growth (7% CAGR between 2004 & 2008) and low banking penetration (3% of industry loans)
  - Oil & Gas: $20B industry (20% of GDP) and positive sector reforms
  - Retail Lending: 70% under-banked population, attractive per capita income (~$1,000)

Challenges

- **Asset deterioration and capital market volatility will create near term challenges for the banking industry**
  - Slowdown in asset creation in 2009
  - Capital market volatility especially in banking sector
  - Earnings slowdown largely driven by very conservative provisioning directives
  - Net interest margins under pressure

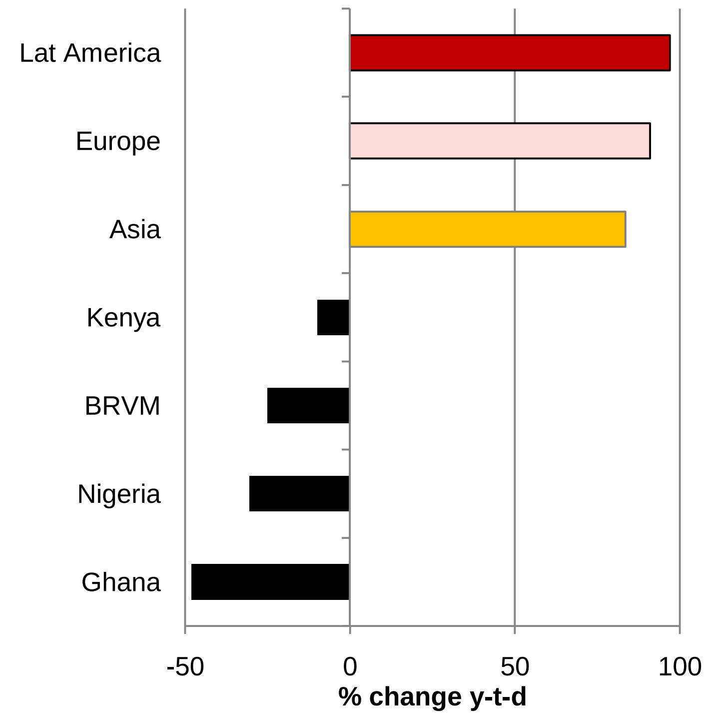
Nigeria: Equity market close to a major turning point

Nigeria: significant turnaround expected in 2010

- **Conditions now favour a significant recovery in Nigerian equity market performance:**

- Recovering oil price
- Amnesty in Niger Delta could allow for major boost in production, leading to growth in reserves and an appreciating currency
- Sound macro-economic framework
- Easing inflation
- Conservative debt issuance and responsible fiscal management
- Recovery in earnings growth across the main listed sectors
- Cheap valuations
- Falling interest rates

Africa: weakness relative to peer emerging markets



- Source: Bloomberg
- EM regions based on MSCI constituents
- Note: index changes adjusted to US$ terms

FCMB

Agenda

- Nigeria: The Recovery Underway
- The Nigerian Financial Industry
- FCMB: Performance Review (April & Oct 09)
  - Strategy Review
  - Financial Performance Review
  - CBN Audit and Lessons
  - Outlook
- Conclusion

FCMB

FCMB: Summary of Strategic Focus

- Vision: Premier Financial Service Group of African Origin (focus on quality and efficiency)
- Focus on retail banking, transaction banking and investment banking: 3 profitable niches in a competitive commercial banking dominated market
- Investment banking remains our biggest differentiator in wholesale bank
- Retail finance expertise remains our biggest advantage in retail space
- Transaction banking (& payments) platform is becoming a key source of stable annuity income in both wholesale and retail space
- Value proposition revolving around customer experience: improving customer intimacy and operational excellence
- Technology Advantage: Finacle Platform & proprietary online cash management and trade solution. Retail internet solution with main proposition being to manage entire group relationship (banking, brokerage, pensions & investments) from one interface

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

FCMB

FCMB: Strategy Validation

Retail Finance

- Partnership with Sabre Capital
- Improved collection process and usage of lending scorecards
- Micro lending success
- Attractive consumer portfolio[1]: 20% NIM vs. 15% NPLs[2]

Investment Banking

- Recognized as a leading investment bank
- Contributed N2.3B to income in current financial year
- Developing capabilities in risk management products
- Advisory remains a key revenue driver
- Attractive income opportunities exist especially in sales and trading:
  - Fixed Income
  - Rates
  - Equities
  - Currencies

Transaction Banking

- Key driver of commission and fee income growth
- Key component of value proposition to institutional and retail customers
- Technology based solutions drive efficiency
- Driver of payment and collections volumes: Monthly payment volumes of N1.5B via transaction banking platform

Note:
1. Includes micro lending
2. Excludes margin loans to individuals

FCMB

Agenda

- Nigeria: The Recovery Underway
- The Nigerian Financial Industry
- FCMB: Performance Review (April & Oct 09)
  - Strategy Review
  - Financial Review
  - CBN Audit and Lessons
  - Outlook
- Conclusion

FCMB

Profits dropped by 77% for the 2009 FY driven by a 593% spike in provisioning.

Income Statement Highlights: April 2009 vs. April 2008

	April 09 FY N'M	April 08 FY N'M	Change
Gross Earnings	71,658	52,819	36%
Net Interest Income	37,625	20,954	80%
Fee Income	6,457	6,862	(6%)
Corporate Finance Income	866	2,457	(65%)
Commission	6,530	4,652	40%
Foreign Exchange income	1,651	2,736	(40%)
Net Operating Income	53,717	43,577	23%
Operating Expenses	(27,043)	(19,900)	36%
Provision for Losses[1]	(21,900)	(3,159)	593%
PBT	4,774	20,517	(77%)
Tax Charge	(779)	(5,408)	(86%)
PAT	3,995	15,091	(74%)

Note:
1. In addition to our provision of N7.9 B, additional provisions of N14B representing 58% of the N24B provisions resulting from the CBN audit was recognized in April 2009.

FCMB

Profits dropped by 104% for 6 months to October 2009 due to a 123% spike in provisioning

Income Statement Highlights: October 2009 vs. October 2008

	6 Months Oct 2009 N'M	6 Months Oct 2008 N'M	Change
Gross Earnings	35,206	40,794	(14%)
Net Interest Income	13,150	17,827	(26%)
Fee Income	589	4,167	(86%)
Corporate Finance Income	1,656	1,065	55%
Commission	2,900	2,741	6%
Foreign Exchange income	591	804	(26%)
Net Operating Income	19,723	27,314	(28%)
Operating Expenses	(14,469)	(12,572)	15%
Provision for Losses[1]	(5,733)	(2,576)	123%
PBT	(479)	12,167	(104%)
Tax Charge	-	(2,798)	
PAT	(479)	9,368	(105%)

Note:
1. N10B additional provisioning was recognized in July 09 but a recovery of N5.2B ct 09 provisions reflects a recovery of N5.2B between July and October 2009

FCMB

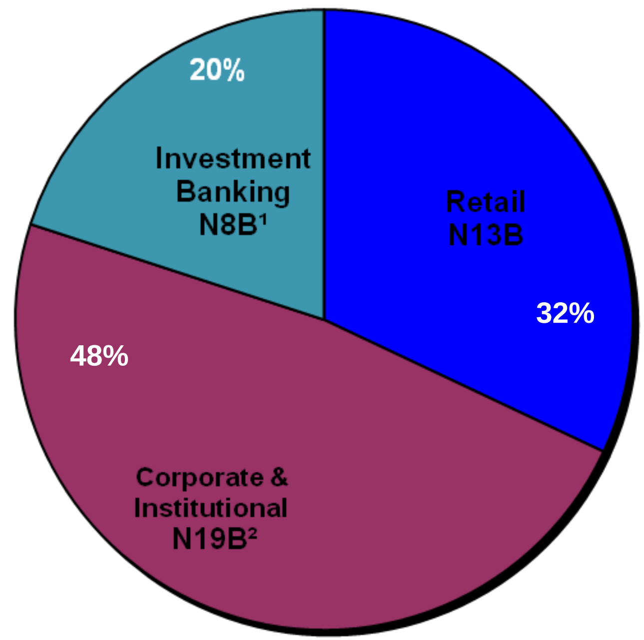
Retail profits expected to contribute over 30% of profits by 2011

Profitability Contribution: October 2009 vs. April 2009

	Oct 2009 (N'M)	Apr 2009 (N'M)
Retail	2,327	1,376
Investment Banking[1]	2,315	4,154
Corporate & Institutional[2]	(5,121)	(756)
Total	**(479)**	**4,774**

Profitability Contribution: December 2011

Total PBT = N40B



Note:
1. Includes sales, trading and advisory businesses
2. Financial Institutions and Government

FCMB

The 22% decline in deposits was due to a deliberate pay down of expensive wholesale funds

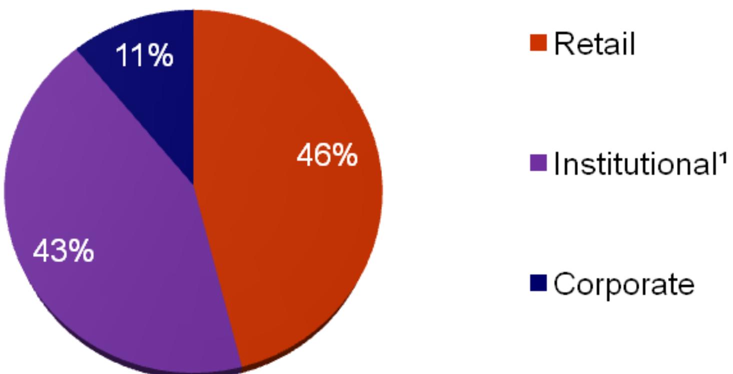
Balance Sheet Highlights: April & October 2009 vs. April and October 2009

	6 Months to Oct 2009 N'M	6 Months to Oct 2008 N'M	Change	April 09 FY N'000	April 08 FY N'000	Change
Loans and Advances	278,675	263,501	6%	271,103	186,634	45%
Deposits	248,356	176,463	41%	321,219	251,223	28%
Shareholders Funds	129,055	134,389	(4%)	129,055	133,651	(3%)
Liabilities & Equity	425,916	439,679	(3%)	515,602	467,337	10%
Acceptance and Guarantees	69,134	76,727	(10%)	42,161	120,039	(65%)

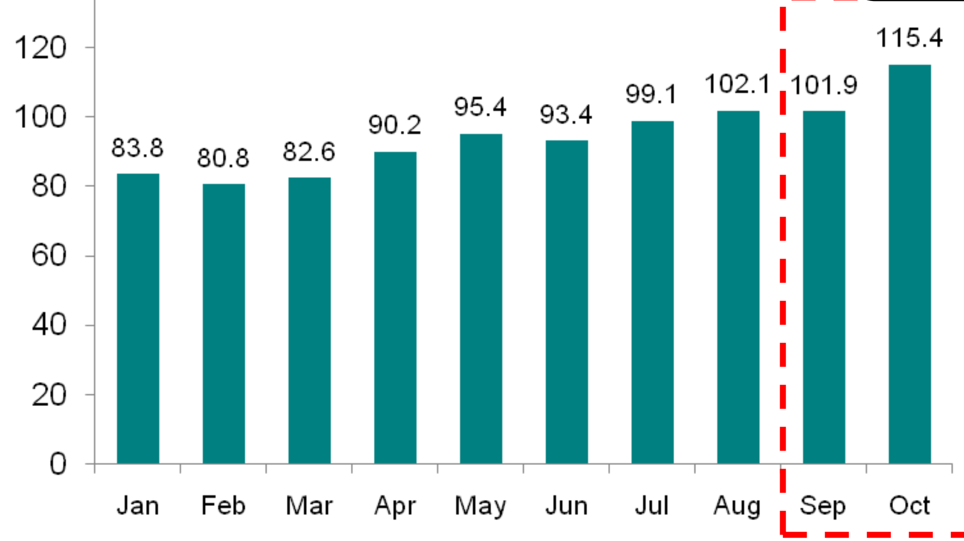
Retail banking now 46% of deposits

13% growth in retail deposit following result CBN audit

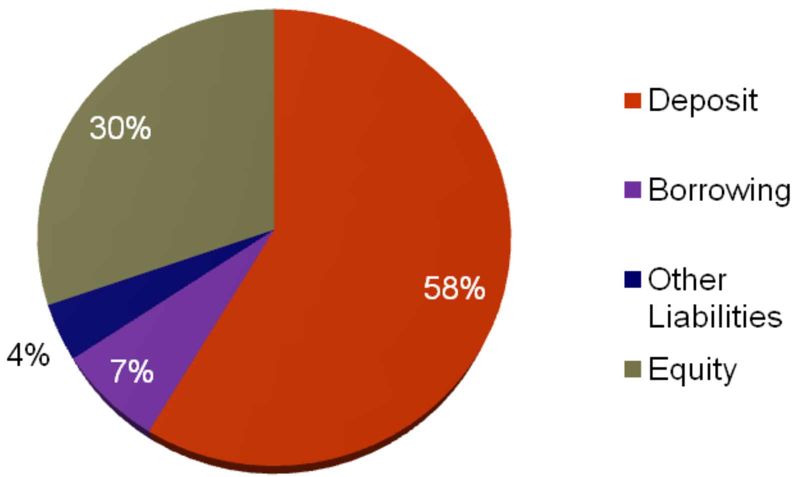
Deposit Distribution by SBU



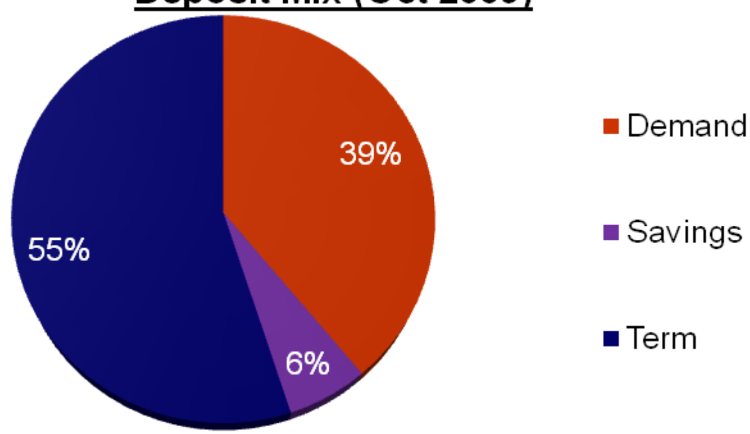
2009 Retail Deposit Trend (M-O-M Grow



Funding Mix



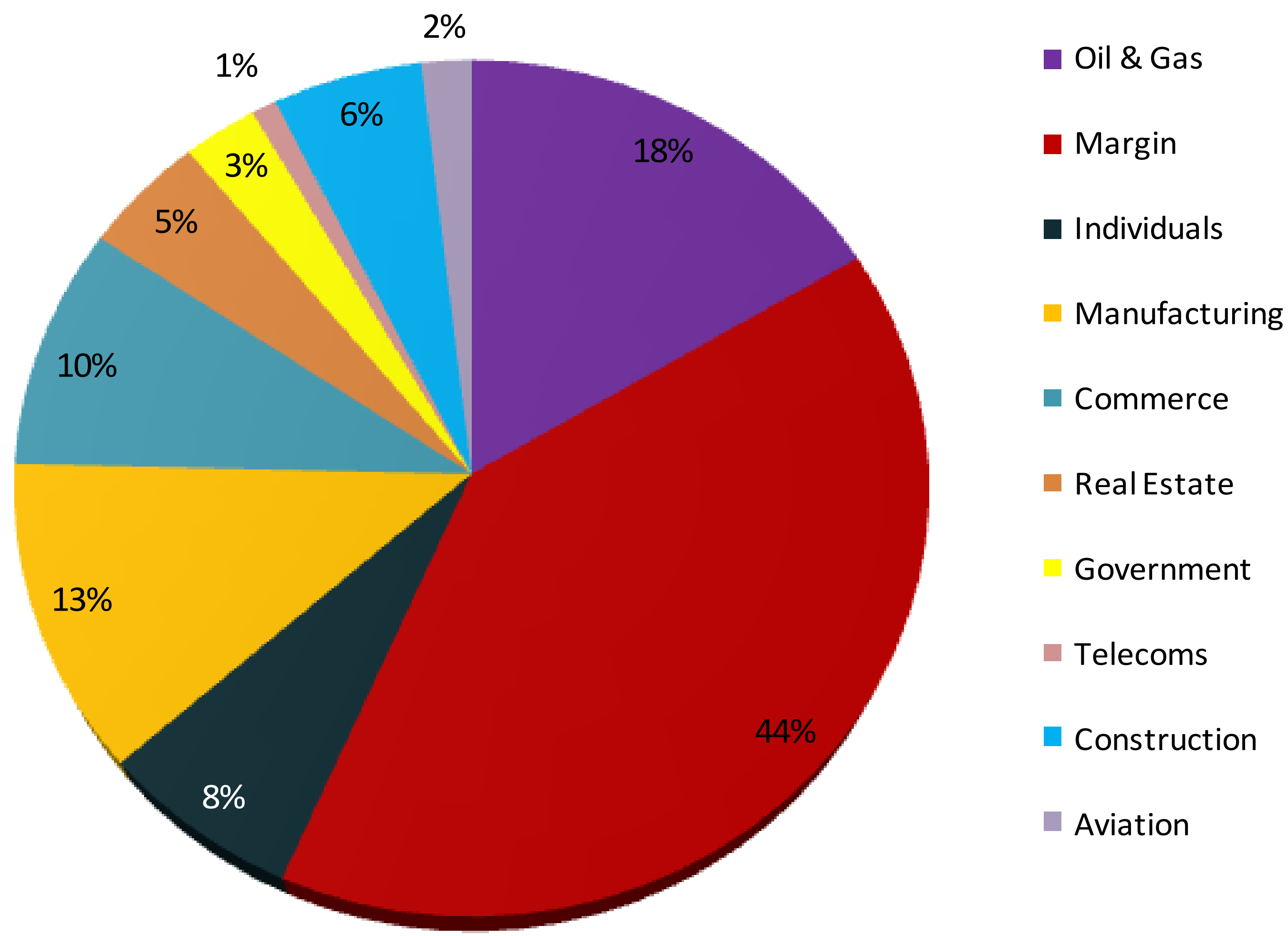
Deposit Mix (Oct 2009)



Note:
1. Financial Institutions and Government

Exposures to the oil & gas industry and margin lending account for ~60% of all non-performing loan

Sectoral Distribution of NPLs (October 2009)



FCMB

Financial Ratios: April and October 2009

	2006	2007	2008	April 2009	Oct 2009
Net Interest Margin	5%	6%	6%	9%	7%
Return on Equity (ROE)	22%	26%	25%	4%	(0.36%)
Return on Assets (ROA)	5%	4%	6%	1%	(0.11%)
Cost/Income Ratio	49%	52%	56%	85%	73%
Earnings per Share	36K	63K	135K	25K	(3K)
Loan/Deposit Ratio	27.1%	44.5%	75.2%	85.1%	122.2%
NPLs/Total Loans	31.4%	3.2%	2.71%	10.08%	14.75%
Capital Adequacy Ratio	65%	22%	44%	40%	40%
Liquidity Ratio	57%	59%	76%	54%	44%

Agenda

A special examination was conducted by a joint team from the CBN & NDIC to identify the extent of deterioration on the asset portfolio of banks

FCMB

Summary of the CBN Audit Process

- **The audit covered our entire portfolio of loans and investments**
- **Additional provisions of N24B billion in addition to N7.9B made by the bank**
- **The CBN's additional provisioning was based on:**
  a) Mark to market of all equities held as collateral irrespective of repayment source (provision made for gaps between the outstanding exposure and the current valuation of stocks)
  b) Prudential Guidelines-subjective criteria (performance status of the exposures in other banks)
  c) Prudential Guidelines-objective criteria (performance status of the exposures within our bank)
- **"a & b" explain the variance between FCMB management accounts and CBN position**
- **"b" presents the most significant opportunities for recovery/write back**

FCMB

The Financial Crisis: Analysis of What Went Wrong

- **High exposure to margin loans**
  - Sector witnessed unanticipated significant downturn and illiquidity
- **Large exposures to the downstream petroleum marketing sector**
  - Sector dominated primarily by speculative grade (CCC/C+) obligors
  - Exposures were to the 'high end' of the market but still speculative
  - Sector witnessed significant trade losses as a result of exchange rate movements
- **Large single obligor exposures**
- **Collateral Concentration**
  - Significant percentage of loans were backed by shares due to comfort provided by unprecedented stock market growth
  - Near-term significant downturn in the equity markets not anticipated

FCMB

The Financial Crisis: What We Are Doing Differently

- Strengthening the underwriting process by introducing a revised 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)
  - 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) 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, Micro lending and Agriculture

FCMB

Agenda

- Nigeria: The Recovery Underway
- The Nigerian Financial Industry
- FCMB: Performance Review (April & Oct 09)
  - Strategy Review
  - Financial Review
  - CBN Audit and Lessons
  - Outlook
- Conclusion

FCMB

Outlook: FY Ending December 2009

- **Significant resources channeled to loan recovery efforts expected to yield N10B this year**
  - Significant resources deployed towards loan recovery including a special task force to work with Loan Recovery team.
  - Working with the Central Bank of Nigeria and relevant agencies where necessary especially on large exposures
  - Fast tracking the realization of assets used to secure loans
- **Subsidiaries expected to boost profits**
  - CSL acquisition now closed
  - Micro lending subsidiary expected to remain a significant contributor to group profits
- **Sustainable growth in retail banking**
  - Retail deposits expected to close above N130B
- **Changing competitive landscape**
  - Opportunity to grow market share based on a rapidly changing competitive environment
  - Well positioned to benefit from customer flight to safety

FCMB

Outlook: 2011 and Beyond

- **Retail lending expected to gain momentum**
  - Partnership with Sabre Capital helps manage execution risk
  - Collections framework and retail lending scorecards in place
- **Investment banking will remain an important earnings driver**
  - Driven by sales and trading of currencies, equity, rates and fixed income instruments
  - Gradual recovery of equity capital market and emergence of debt market
  - Infrastructure financing and advisory : Focus on power and transport
  - Developing capabilities in risk management products
- **Transaction banking is a source of stable annuity income in both wholesale and retail businesses**
  - T-Banking will provide low cost funds and increase fee income and commissions
- **Restoration of Net Interest Margin to traditional levels**
  - 30% growth in loan book will be focused on countercyclical sectors of the economy
  - Interest recognition on recovered and restructured loans that show sustained performance: Interest suspension on loans worth ~N40B could be lifted
- **Cost management**

Agenda

- Nigeria: The Recovery Underway
- The Nigerian Financial Industry
- FCMB: Performance Review (April & Oct 09)
- Conclusion

FCMB

FCMB: An Attractive Investment

- The Nigerian economy continues to show resilience
- The Nigerian banking sector is poised for a recovery, on the back of an improved regulatory and competitive environment
- Nigerian equities are attractively priced; current low valuations provide a significant upside.
- Despite a contraction in earnings, FCMB's focused strategy and niche leadership puts the bank in an excellent position to outperform an attractive market.