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First City Monument Bank Plc.

Investor/Analyst Presentation

Review of H1 2008/9 results

Outline

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PART A –REVIEW OF THE OPERATING ENVIRONMENT

- Global Scan and Implications for Nigeria
- Nigeria Macro Report
  - Scorecard, Risk Factors & Mitigants and Outlook
  - Analysis of the Stock Market and outlook
  - Review of the Banking Sector

PART B-FCMB

- Strategy & Strengths
- Highlights of Half year Results and Variance Analysis
- Outlook –April 2009

Implications of the global crisis for Nigeria

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With increased financial globalization "No one doubts that Africa will feel the effects of the crisis eventually. As world trade contracts, so will the demand for Africa's oil and minerals, the main commodity behind the recent boom" ***Benedicte Christen-Deputy Director of IMF's African Department***

- Impact of global recession (IMF-2009 global growth with slow to 3%, UBS-2.2%) on oil prices and the likely downward pressure on revenue projections
- Expected slowdown in exports stemming from the global recession
- Heightened liquidity pressure on the stock market as foreign portfolio inflows reverse
- Increased emphasis on the need to enhance supervision and regulatory oversight of the financial system given the increased integration of markets
- Global de–leveraging (shift from debt to cash) reduces the amount of external financing available for developing and emerging economies

Merrill Lynch ranks Nigeria among the 10 least vulnerable economies in the world out of a universe of 60 countries and based on 62 indicators
(China, Egypt, Peru, Oman, Indonesia, Mexico, Philippines, Russia)

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Macro Scorecard

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	Q1 2008	Q2 2008	Q3 2008
Real GDP growth rate	5.54%	6.65%	IMF & EIU FY forecasts of 6.3%
Oil GDP growth rate	-4.70%	N/A	N/A
non-oil GDP growth rate	9.67%	8.5%	N/A
Federally Collected Revenue	N1.89 trillion	N1.88 trillion	N/A
% Contribution of Oil Receipts	83%	82.6%	N/A
Inflation rate (YOY)	7.8%	14%	12.40%
Average Exchange rates (N/USD)	N118.04/$	N117.84/$	N117.77/$
Foreign Reserves (USD)	59.7 BILLION	59.2 BILLION	63 BILLION
Excess Crude Reserves (USD) as @ September 2008	US$17 billion		
Current Account Surplus (Deficit) as at October 2008	US$21 billion		
Crude Oil Prices (UDS/barrel)-Bonny Light	US$98.9	US$138.74	US$121.07
Crude Oil Production (barrels per day)	2.02 million	1.82 million	2 million

- GDP growth remains fairly strong despite downward pressures on oil GDP
- Federally collected revenue, of which oil receipts is a key component has remained steady overtime with a growing contribution from company income tax
- Inflationary pressures remain; Oct. YOY up to 14.7% from Sept. 13% but food inflation, month on month, is down by 0.6%.
- The exchange rate remains stable and the CBN restates its commitment to defend the currency

Key Risk factor & Mitigants

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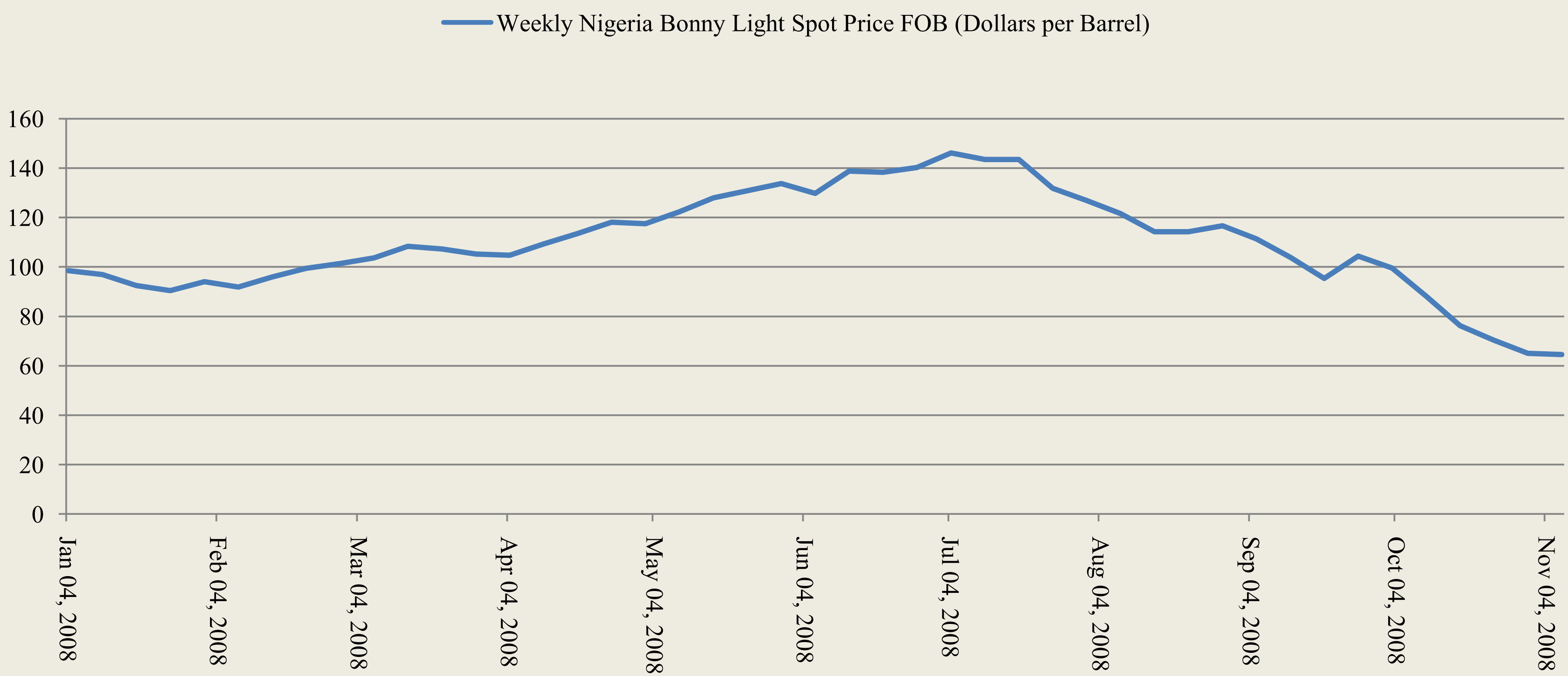
Risk Factor -Impact of a global recession on oil revenues

- Crude oil earnings account for over 80% of government's revenues
- US accounts for over 50% of the nation's crude oil exports and Europe 15%
- Government revenue under pressure from falling oil prices and likely reduction in government capital expenditure for 2009

Mitigant

- Consensus projection for lower oil price of between $40-$50pb in Nov/Dec
  - OPEC production cut of 1.5 m.b.d (2% of global consumption), with a further cut expected on/before December 17th meeting
  - China and India still growing albeit at a reduced rate, but China accounted for 27% of the world's growth in 2007, still growing at 9% and has implemented a US$586 billion stimulus package
  - Continued investment in marginal oil production ranges between $90 & $150 per barrel
- 2009 Budget is built on a US$45/barrel benchmark
- Increased emphasis on gas revenues at the Federal Level as well as Internally generated revenue by the states
- Key capital expenditure to be funded by increased deficit financing (4% of GDP)

Weekly Nigeria Bonny Light Spot Price FOB (Dollars per Barrel)



Source: ENERGY INFORMATION ADMINISTRATION WEBSITE

Nigerian Banking Sector
strongly capitalized

Globally banks are challenged in three ways; Huge losses from exposure to CDS & derivatives on the back of subprime mortgages ; additional capital is required –hence the bail out packages of govt , but Long term markets for funds are closed and fear of further exposure is limiting the interaction in the short term markets , despite all the palliatives –The Economist

- **NOT** the case for Nigerian Banks
  - Having just raised significant capital with Capital Adequacy Ratios ranging between 25% and 42%
  - Effective monetary policy is addressing liquidity constraints e.g. CBN's fresh liquidity window,
  - Limited product sophistication, foreign ownership and depth of shadow markets cushioned exposure to the global crisis

- Current Challenges
  - Liquidity pressure; NIBOR rates up from 12.7% in January to 17.6% by early November
  - Exposure to the Capital markets, estimated between N600 billion to N900 billion
  - Vulnerability to oil price fluctuations and earnings will come under pressure from reliance on govt. deposits

Nigerian Banking Sector
significant opportunities still exist

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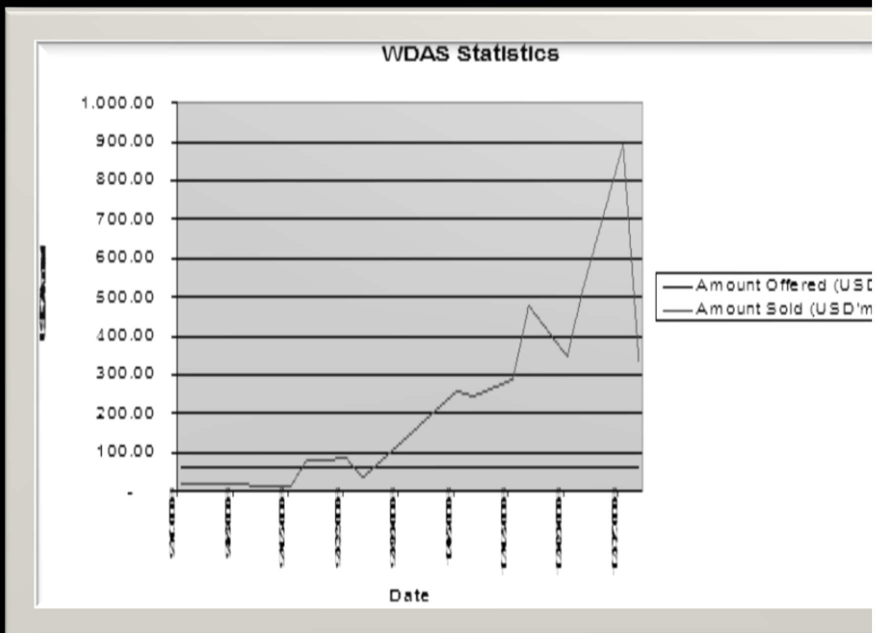

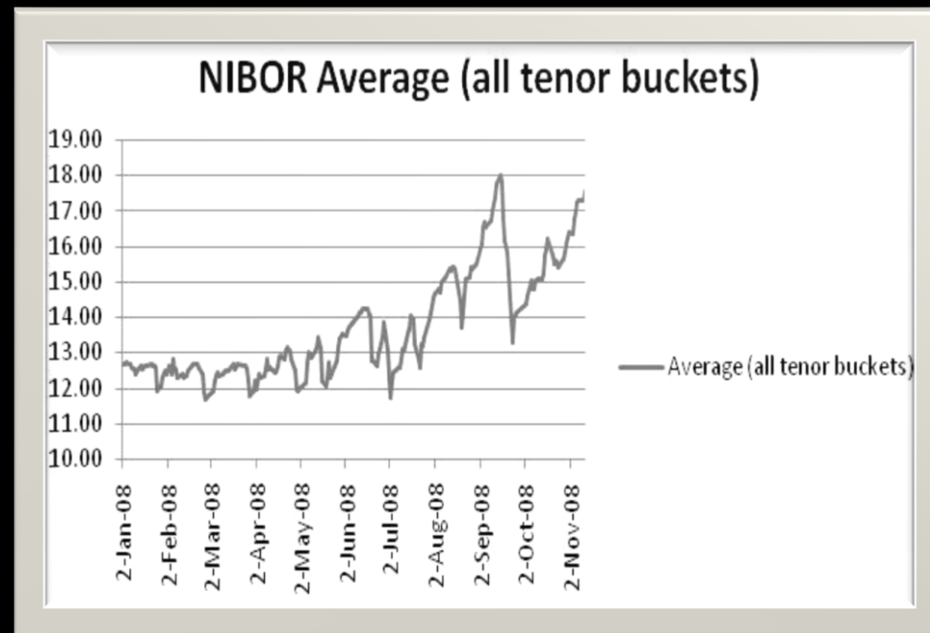

- Opportunities
  - Trade Finance at a monthly import bill of US$1 billion
  - Consumer Banking opportunities remain real, 42 million subscribers vs.1 million loans
  - Infrastructural gaps estimated at US$150 billion over the next 6 years
  - Mergers and Acquisitions amongst the banks on the back of more reasonable valuations; 2009 PE of 5.8x and in other economic sectors,

Nigerian Stock Market
recovery is in view

- Opportunities and Key Drivers of a recovery
  - Market is approaching bottom
    - Estimates; 40,000 by Dec. 08 and 60,000 by Dec. 09
    - November 24th –ASI @ 33,836 and Market Cap @ US$64 billion
  - Strong Corporate Earnings plus more reasonable valuations
  - Impending equilibrium in financial markets sure to make the stock market attractive again
  - Domestic Institutional investors are growing and returning to the market; 25%-29% of N1 trillion of PFA Assets and only 3.4 million Nigerians out of 150 million participate in the scheme
  - Market still shallow at 57% of GDP vs. 206% for SA (2007) and a Nascent Bond market amidst huge infrastructural gaps

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Investment Case

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- Diversified Strategy with non-interest income accounting for 36% of earnings in H1 2008/9
- Consumer Bank breaks even in Q4 of the 2008/9 FY
  - Significant Upside from the Consumer Banking Business and the off payroll lending by subsidiary-Credit Direct is reporting ROAs > 50%
- Improving Competitive landscape
  - Investment Banking shakeout
  - Further banking industry consolidation likely
- Exceptional Value for the discerning investor,
  - P/NAV <1X
  - Single digit PE Multiples vs. consistent EPS growth (avg. of 42% YOY from 2006/7 FY)
  - Dividend yield >9% at current prices

Strategy & Strengths
diversified model is a fundamental strength

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KEY CUSTOMER SEGMENTS-Corporates, SMEs, Individuals and Government

TRANSACTION BANKING

- Value Proposition-Cash Mgt. and Trade Finance (Payments, Collections and liquidity Mgt. solutions)
- Key Revenue Drivers- Trade Volumes ,Low cost deposits (largely non-govt. deposits), No of Customer conversions as per value proposition
- Competition- Citibank, Standard Chartered Bank, Stanbic/IBTC, Oceanic, UBA, Zenith and GTBank
- Competitive Advantage -Robust product capability, 1st bank in Africa to provide liquidity management on an internet banking platform , Consultative sales process & Experienced Mgt. with low execution risk

CONSUMER BANKING

- Value Proposition-Off Payroll deduction loans, Salary loans, Mortgages, Wealth Mgt, Unique liability products
- Key Revenue Drivers-Low cost deposits (Salary earners and HNIs) ,Customer Acquisition and Activation
- Competition-UBA, GTBank and BankPHB
- Competitive Advantage -Robust Technology, Low Cost Distribution channels, Experienced Mgt. from r relevant emerging markets, Experienced partnerships, Product Innovation (Wealth Mgt. Offering)

INVESTMENT BANKING

- Value Proposition-Financial Advisory ,Capital Raising (Debt and Equity),Asset Management Infrastructure and Project Financing
- Key Revenue Drivers-Size of Capital Issues ,Size/No of infrastructural projects, Size/No. of Debt issues
- Competition-FBN Capital ,Chapel Hill and Stanbic/IBTC
- Competitive Advantage -Track Record and Strong Distribution through CSL

Financial Implications -40% Revenue CAGR by 2012, confer continuing cost efficiency leadership and ensure diversified earnings

Strategy & Strengths
diversified model is a fundamental strength

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Focused Strategy
(S & P-'08) with minimal execution risks
(Experienced Mgt. and global partnerships)

Tested Diversified Business Model; traditional contribution from non interest income >50%

Highly Capitalized Bank
36% as at HI 2008/9 (regulatory minimum of 10%)

Strong Corporate Governance
(Pedigree of Board members and 8 non executive to 4 executive directors)

Diversified Deposit base
(non-government deposits account for 89% as @ HI 2008/9)

Leading the industry in cost efficiency
(CIR of 49% as at FYE 2008)

One of a few banks in Nigeria with an international rating

Top7 bank in terms of earnings
(PBT 2007)
&
Good asset quality NPLS<3% as at HI 2008/9

Exceptional Value to shareholders –dividend yield ~10%

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H1 2008/9-Highlights
growth over same period in FY 2007/8

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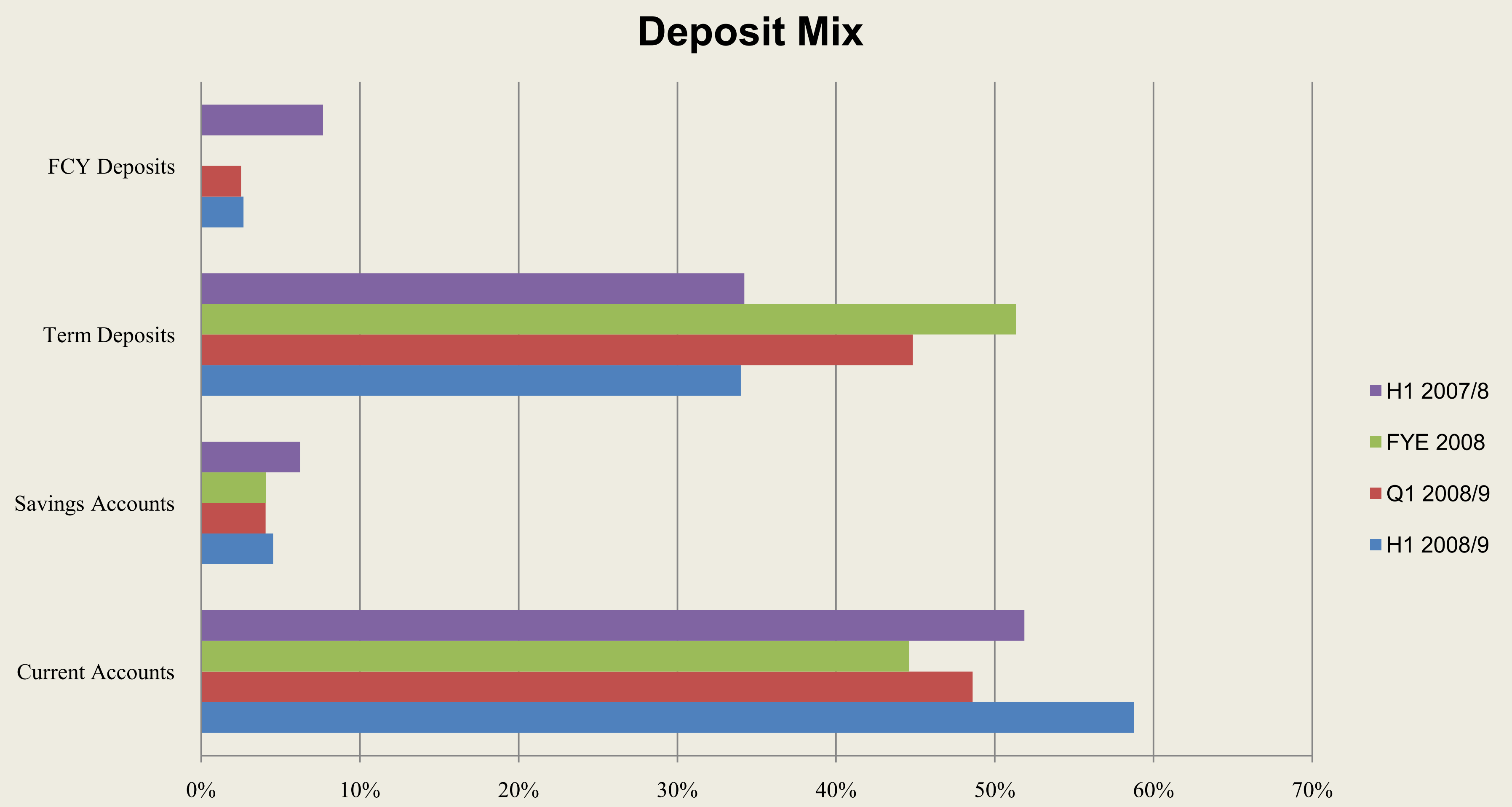
	HI 2008/9 (US$' million)	HI 2007/8 (US$' million)	growth (%)
Deposits	2,484	950	161%
Risk Assets	2,429	838	190%
Shareholder Funds	1,066	285	274%
Gross Earnings	346	176	97%
Provision for losses	22	8	158%
Operating Expenses	107	67	58%
PBT	103	54	90%
Net Interest Income	150	66	127%
Corporate Finance Income	35	39	-12%
Foreign Exchange Earnings	8	4	90%

HI 2008/9 –Variance analysis for 90% acht. of PBT FORECAST

- Operating Expenses recorded an additional 15% growth, reflected in the CIR
- Corporate Finance Income was hampered by late take off of expected debt transactions
- Trade related commissions were restricted by limited availability of offshore lines
- Pressure of Trade and Corporate Finance explain the drop in the non funded income as a % of net operating income to 36%
- Healthier Net Interest Margins principally from;
  - Repricing of risk assets to reflect money market realities with average lending rates at 18% per annum
  - Less expensive mix of deposits with the impact on the cost of funds, non interest bearing liabilities, mainly current accounts, contribute 59% of the deposit portfolio as opposed to 45% as at FYE 2008 and up from 49% as at Q1 2008/9.

H1 2008/9
Deposit Mix; current accounts growing in contribution across periods



H1 2008/9
Deposit Mix diversified across business segments

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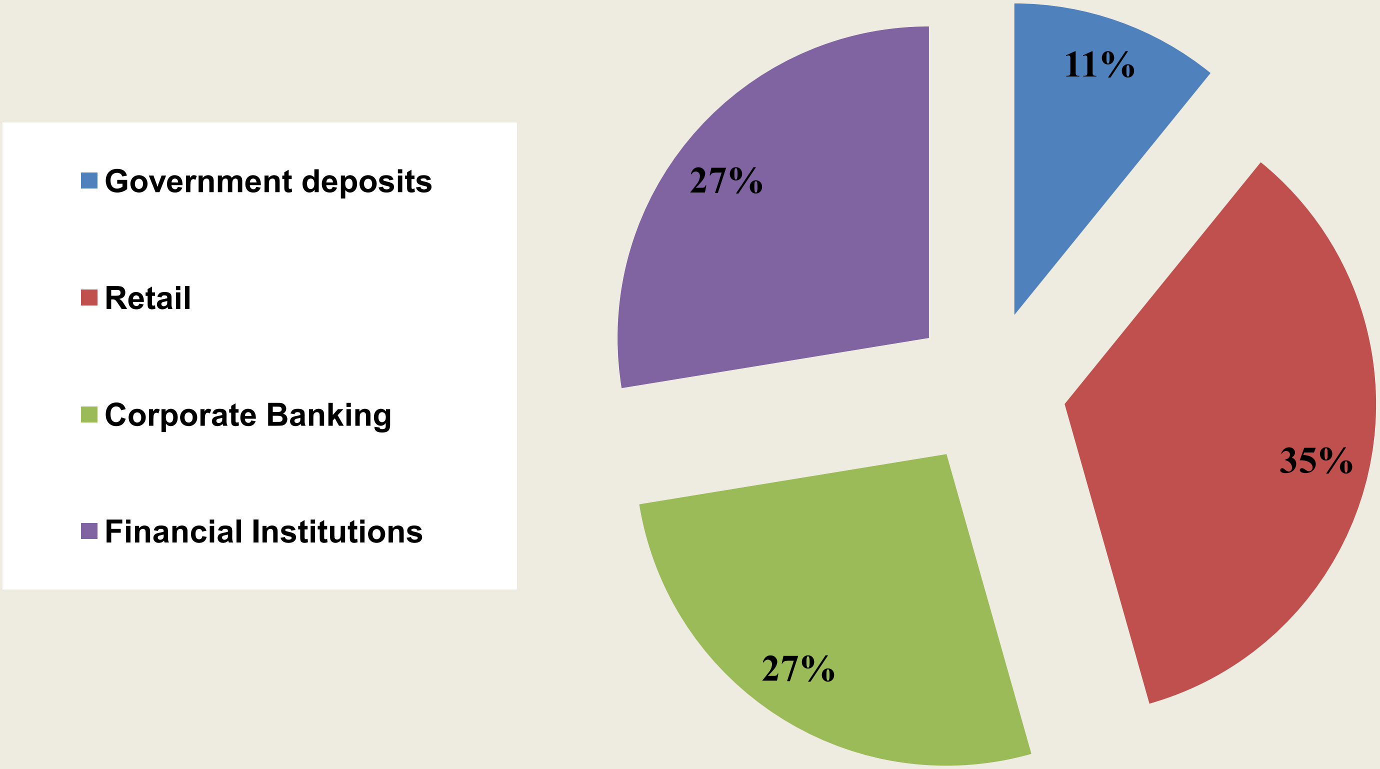
Deposit Mix by Sector as @ Oct 31ST, 2008



H1 2008/9-Asset & Risk Asset mix

Limited Margin exposure

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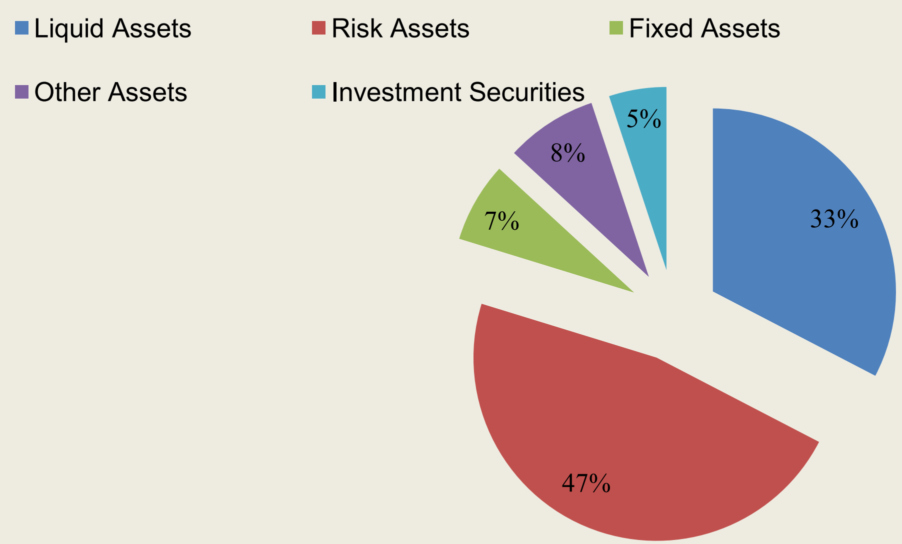
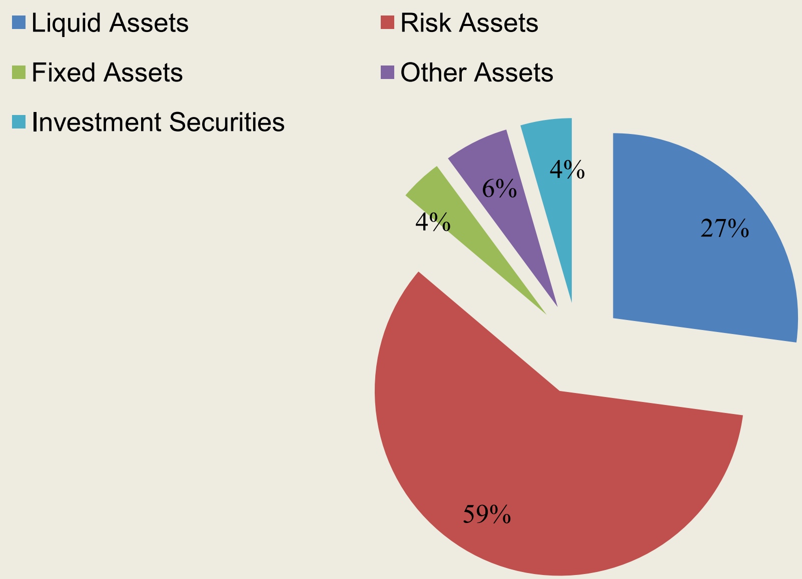
Asset Mix as @ H1 2007/8



Asset Mix as @ H1 2008/9



Risk Asset Composition	H1 2008/9	H1 2007/8	Q1 2008/9	FYE 2008
Overdrafts	27%	35%	25%	21%
Term Loans	30%	27%	21%	18%
Commercial Papers	37%	28%	46%	48%
Others	4%	2%	3%	7%
Margin Finance	3%	8%	4%	4%

The Bank's Margin Lending is N7.9 billion but the bank is reviewing its borrower base to ascertain borrowers with capital market exposure, as this might have adverse effects on their cash flows and consequently their ability to service loan obligations

H1 2008/9 vs. FYE 2007/8
Key Ratios remain healthy

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	APRIL '08	OCT'08
Net Interest Margin	7.4%	9.1%
CIR	49.2%	50.8%
ROA	4.1%	4%
ROE	11.3%	15.32%
Loan to Deposit Ratio	75.2%	97.8%
Liquidity Ratio	81.3%	42.31%
NPLs	2.74%	2.85%
Coverage Ratios	127.8%	130.7%
Capital Adequacy Ratio	55.0%	36.00%
Non-Interest Income /Net Operating Income	51.9%	35.44%

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H2 2008/9 Estimates
Expectations

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- Anticipate some FX volatility as the currency comes under pressure from traders and manufacturers stocking up for year end
- Continued pressure on available trade lines and the impact transferring the increased pricing to customers (at least 200 basis points more)-boost commissions
- Minimal Loan growth, in reaction to money market conditions and factoring transactions already in the pipeline
- Repricing of Naira Assets and maintaining the current deposit mix, where non interest bearing liabilities account for 59% of the portfolio will assist the Net Interest Margin
- Investment Bank will close on at least 3 transactions, boosting corporate finance income

H2 2008/9 Estimates
Low and Mid Case assumptions

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- Net interest margin will in either case come under pressure if money market conditions persist
- Loan growth will be negative in the low case and in the mid case, will stay at half year levels and Risk Assets are assumed to account 65% of average earning assets
- Deposits will grow at an average of 12% (mid case) and 10% (low case), to close the year at 60% growth on FYE 2008
- Non-interest income will account for at least 50% of net operating income in either case, flowing from the diversified business model
- A 3% loss norm is assumed for performing loans, NPLs in either case will be impacted by a prudent provision for margin loans; 20% of exposure is assumed
- CIR will at best improve to 47% as a result of a number of cost management initiatives; fleet management and other outsourcing initiatives plus the implementation of a few tactical measures and Exchange rate is assumed at NGN120/$

H2 2008/9 Estimates -Assumptions

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	Low Case	Mid Case
Net Interest Margin	7.6%	8.2%
Average Risk Assets (US$'000)	2,010,685	2,456,691
Average Earning Assets (US$'000)	3,093,361	3,779,525
Other Earning Assets (US$'000)	1,082,676	1,322,834
Average Deposits (US$'000)	2,680,913	2,729,657
Average Loan to Deposit Ratio	75%	90%
Non Interest Income/Net Operating Income	50%	50%
Provision for losses (US$'000)	13,318	(62)
NPLs	4.0%	3.3%
Provision for NPLs (US$'000)	(22,854)	(22,854)
Cost to Income Ratio	49%	47%

H2 2008/9 Estimates

H2 2008/9 FORECASTS

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	Low Case	Mid Case
Net Interest Income (US$'000)	116,774	154,961
Other Operating Income (Corporate Finance, Commissions and FX income)-US$'000	116,774	154,961
Net Operating Income (US$'000)	233,549	309,921
Provision for losses (US$'000)	(9,536)	(22,916)
Operating Expenses (US$'000)	(109,766)	(134,892)
Profit Before Tax H2 2008/9 (US$'000)	114,246	152,112
Profit Before Tax H1 2008/9 (US'000)	103,301	103,301
PBT FY 2008/9 (US'000)	217,548	255,414

H1 2008/9 vs. H2 2008/9 Segment Review and Estimates

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	HI 08/9 (Forecast)	H1 08/9 (Actual)	H2 08/9 (Low Case)	H2 08/9 (Mid Case)
Corporate/Investment Banking(US$ million)	60	54	61	81
Commercial Banking (US$ million)	41	37	38	50
Consumer Banking (US$ million)	(0.73)	(0.66)	(0.31)	(0.41)
Treasury & Financial Markets (US$ million)	14	13	16	21
PROFIT BEFORE TAX (US$ million)	115	103	114	152

Investment banking Income will grow in H2 2008/9 due to debt and M & A deals in the pipeline

Consumer Bank is on track to break even in the last quarter of FY 2008/9, note that the losses are halved in H2 2008/9

H2 2008/9 Valuations

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	Low Case	Mid Case
No of shares outstanding	16,271,192	
Estimated EPS (kobo)	126	148
Dividend Per share (Pay out Ratio of 45%)-kobo	57	66
PE Multiple at November 21st prices of N5.93	4.72	4.01
P/NAV at November 21st prices of N5.93	0.66	0.65
Dividend Yield at November 21st Prices	9.5%	11.2%
ROE	14.0%	16.1%

CONSENSUS ESTIMATES

Source	Date of Report	Dividend Yield (%)	EPS (NGN)	P/E (X)	P/NAV (X)	RoE (%)
Afrinvest	17-Nov-08	11.5	1.41	4.86	0.7	13.7
RENCAP	14-Nov-08	11.8	1.34	5.1	0.79	15.8
African Alliance	14-Nov-08	8.3	1.43	4.83	0.76	15.7
CSL Research	11-Nov-08	11.2	1.38	4.5	0.68	15.9
Mean		**10**	**1.43**	**4.72**	**0.73**	**15.28**

Conclusion

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- Despite external shocks, the Nigerian economy remains resilient, ranked least vulnerable by Merrill Lynch, November 2008
- Downside risks particularly from oil shocks, have been adequately mitigated at least in the short term -6 months period
- The bank's diversified Business Model and focused strategy significantly reduces the risk to earnings within the short and long term time frame
- Strong Financial Performance given market realities
- The bank remains adequately capitalized and liquidity ratios are well above the regulatory requirements (RR); CAR @ 36% vs. 10% (RR) & Liquidity Ratio @ 42% vs. 30% (RR)
- Current price offers unprecedented bargain
  - P/NAV >1 times and single digit PE Multiples vs. consistent EPS growth (average of 42% growth from 2006/7 FY); fair valued and often undervalued stock by consensus estimates

Sources

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- Transcript from Town Hall Meeting discussing the Global Crisis-organized by This Day Newspapers
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- Presentation by Bismarck Rewane, MD-Financial Derivatives at the Lagos Business School, 02 November, 2008
- Global Economics Review by Merrill Lynch –04 November 2008
- Energy Information Administration websites
- Reports by various Research Houses- as detailed in the Consensus estimates