FCMB
Investor Relations
Investor/ Analyst Presentation Review of Q3 2008/09 Results

Lagos, Nigeria
31 March 2009

Outline

PART A – REVIEW OF THE OPERATING ENVIRONMENT

- Nigeria: *Macroeconomic Environment*
- Nigeria: *Policy Direction*
- Nigeria: *Regulatory Environment*
- Nigerian Banking Sector – *Industry Overview*

PART B – FCMB

- Strategic Direction
  - Strategic Goal
  - Focused Strategy
  - Effect of Global Turmoil on Strategy
  - Strengths & Weaknesses Analysis

- Financial Performance
  - Highlights of Q3 Results
  - Deposit Mix
  - Key Ratios
  - Sectoral Distribution of Loan Portfolio
  - NPLs by Sector
  - Loan Provisioning & Provisioning Policy
  - Liquidity Outlook as at 31 Jan 2009

- Investment Case

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- Part A - Review of the Operating Environment
- Part B – FCMB (Strategic Direction)
- Part B – FCMB (Financial Performance)
- Part B – FCMB (Investment Case)

Nigeria – Macroeconomic Environment

- Nigeria's GDP growth forecast of 3%,relatively strong in spite of ongoing global slowdown.

- The current inflation rate of 14.81% is most likely to be moderated in the second half of the year. Consensus amongst analysts around 10 – 12% Consumer Prince Index

- The Government puts its estimate of the fiscal deficit at N1.3trn or 3.5 % of GDP;

- The EIU in its latest report projects the deficit at 5.8% of GDP;

- However expenditure side may not be attained, as traditionally barely 50% of capital expenditure budget is achieved due to red tape and implementation capacity challenges.

- The Revenue estimates were based on average price of $45pbd, which is below the current average price of $51pb;

- Recent indications are that the price of oil is firming and will, in all probability, be approximately $50pb.

Source:
1. Financial Derivatives, March 30, 2009

Nigeria – *Macroeconomic Environment*

•The trade balance of Nigeria which has been consistently positive in the last ten years is expected to swing into negative this year;

•The EIU report of February 2009 has an estimated negative trade balance of $7.12 bn.

• Capital account also likely to be negative, thus, leading to an external reserve depletion of a corresponding amount to $40bn+;

•However, beyond this modest reserve depletion, at $50 per barrel of crude, the Naira is expected to hold steady between N145 and N155 to US$1at the official market; the CBN's goal is a +/-3% maximum volatility, we believe is achievable.

•Money supply growth likely to slow significantly, helping to curtail inflation, whilst reducing the rate of deposit and loan growth in the banking sector.

Source:
1. Financial Derivatives, March 30, 2009

Nigeria – *Policy Direction*

•In response to liquidity tightness, Interbank interest rates and lending rates have trended upwards to 20% p.a. and above in recent months.

•Drastic policy measures to defend currency shows a reluctance to resort to FX reserve depletion (e.g. open position limits reduced to 1% for banks, interbank foreign exchange trading market halted).

•Similarly in an attempt to respond to political pressure on rising interest rates in the midst of a challenging economic climate, CBN has requested banks maintain a 15% pa - 22% pa (+2% pa fees) deposit and lending rate limits. Compliance will be difficult to enforce because it is not a strict policy and also because nominal and effective interest rates can vary widely based on cross subsidies of various types.

•90% of FCMB loans and 85% of deposits within these limits.

•Fall in crude oil price, expansive fiscal budget and policy response to economic challenges (attempted interest rate and currency controls) have led to a negative outlook from S and P, even though Nigeria's balance sheet remains amongst the strongest of all BB- rated countries, accordingly rating affirmed.

Source:
1. Financial Derivatives, March 30, 2009

Nigeria – *Regulatory Environment*

•Enhanced regulatory oversight good for compliance, transparency and long-term investor interest;

•We expect and see already an increase in the intensity and level of scrutiny and regulatory oversight by all agencies;

•Banks and financial institutions are focusing on the improvement of the risk management process;

•Adopting IFRS will improve disclosure and help timely analysis of bank performance;

•A move towards enhanced disclosure and better reporting will provide confidence for government intervention in tackling toxic assets (CBN estimate N784 billion).

Source:
1. Financial Derivatives, March 30, 2009

Nigerian Banking Sector: *Industry Overview*

Nigerian Banks are well positioned to withstand the financial crisis, though signs of stress are evident.

- Banks are mandated to maintain a healthy liquidity ratio (30% of deposits)
- Banks are not reliant on international money and capital markets that have been entirely frozen
- Less than $3 billion (N350 billion) drawn from Central discount window representing less than 5% of total banking assets. No domestic or international defaults.
- Most banks are well capitalised, having tapped into international equity as opposed to debt markets
  - Shareholders funds are 17% of total assets, driven by equity growth (93%) in the last 3 years outstripping asset growth (74%) within the same period
- Capital market exposure has created a liquidity challenge for the industry, not a solvency challenge. Estimated size of capital market exposure: <N800billion, less than capital raised by banks in last 36 months: N1.4 trillion.

Source:
1. Rencap Coverage of Nigerian Banks, January 29 2009

Nigerian Banking Sector: *Industry Overview - Continued*

Stress Factors:

Industry NPL's will rise by a factor of 40%-50% in the next 12 months

Net Interest Margins are under pressure

Competition for deposits will continue and liquidity will be tight over the next quarter

However,

•With some form of toxic asset reprieve likely, effects should not be felt beyond 2009;

•Liquidity pressure likely to ease as government begins spending budget and also spending excess crude money;

•Banks with a robust enterprise risk management process, institutional capacity and strong corporate governance like FCMB are better positioned to emerge as winners.

•Further consolidation inevitable, thereby improving competitive landscape

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Our goal is to become a Top-5 bank by franchise value in 4 years

- **Retain leadership status in Investment banking**
- **Top -3 status in our chosen Retail banking segments**
- **Top-3 status in Transaction banking (for Corporates, SME and Government)**

Top-5 bank by franchise value*

* By Market Capitalization

Strategy: FCMB remains focused on retail banking, transaction banking and investment banking (3 profitable niches in a crowded commercial banking driven market)

- Vision: Premier Financial Service Group of African Origin
- Original focus of consumer banking, transaction banking and investment banking
- Expanded retail focus from consumer to include SME (small businesses)
- Advisory focused Investment banking subsidiary remains our biggest differentiator in wholesale bank
- Execution expertise remains biggest advantage in retail space
- Transaction banking (& payments) platform is becoming a major source of stable annuity income in both wholesale and retail space
- Value proposition revolving around cross sell/product breadth and technology, to bring convenience and growth solutions to our chosen segments.
- 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
- Direct Sales Force Reinforcement – Strategy is reinforced by a strong direct sales force numbering 1,300 today and reaching 2,500 in 12 months, 5,000 by 2012

Result: Diversified Offerings/Revenue Streams, High Revenue Growth, Low Cost to Income ratio, strong service proposition.

Effect of Global Turmoil on Strategy

Our core strategy remains unchanged but we have put measures in place to re-inforce financial and competitive position.

Strategy Unchanged

- Focus on Retail, Transaction and Investment Banking remains unchanged.
- Diversification allows greater emphasis on areas that respond better in a down cycle: transaction banking and payments, as opposed to loans. Advisory and debt capital raising, as opposed to equity capital raising

Measures in place to ensure immediate wins	
Objective	**Action plan**
Reduce risk profile	▪ More stringent lending criteria and narrowed segment focus. ▪ Consumer lending strictly to those with domiciled salaries. All SME lending secured and only to those with a minimum of 6 months active relationship with the bank. Corporate lending towards non-cyclical sectors. Result: Net Interest Margin will contract slightly.
Focus on generating fee income and float income	▪ Investment banking pursuing largely an advisory focus to help companies acquire, merge, meet funding gaps and restructure liabilities ▪ Increased emphasis on transaction banking and collections
Boost liquidity	▪ Reduce dividend policy (<40%) from ~50% in the last 2years ▪ Target asset growth should not exceed 20% per annum over the next 2 years

FCMB exhibits strengths in management, product offering, distribution and finances, however, current initiatives have to be properly managed to achieve desired results

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Strengths

- **Organization**
  - Fusion of international and domestic management
  - Global partnerships (e.g. Sabre, Helios Investment Partners)
- **Products/ Services**
  - Building distinct cash management and trade service offering
  - Strong player in advisory niche (M&A, Equity and Debt Advisory)
  - Complementary and highly profitable (ROE and CIR) subsidiaries in micro-lending, pension administration, stock broking, registrars (all operationally distinct)
- **Distribution**
  - Emerging as a leader in the use of alternative channels (direct sales, internet, ATM, call centre, mobile)
- **Finance**
  - Traditionally high asset quality (NPL ratio of 3% vs. 7% industry average)
  - Capital Adequacy (33% vs. 22% Industry Average)
  - Profitability: High ROA (3% vs. 2.4% Industry Average)
  - Low CIR (56% vs. 60+ Industry Average)
  - Diversified revenues stream

Weaknesses

- **Lower branch network** than tier 1 banks (addressing through effective use of alternative channels)
- **Smaller Balance sheet** than tier 1 banks. However, balance sheet is liquid and retail growth @ 50% per annum will continue.

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Summary Income Statement
Nine Months to 31 January 2009

	9-MONTH TO JAN 2009 N'000	9-MONTH TO JAN 2008 N'000	% CHANGE	3-MONTH TO JAN 2009 N'000	3-MONTH TO JAN 2008 N'000	% CHANGE
GROSS EARNINGS	66,206,069	35,861,753	**85%**	25,439,325	13,993,509	**82%**
LOAN LOSS PROVISIONS	7,191,124	1,703,202	**322%**	4,626,112	652,022	610%
PBT	15,432,123	11,244,333	**37%**	3,265,317	4,479,778	**-27%**
TAX	3,086,425	2,248,867	**37%**	653,063	895,956	**-27%**
PAT	**12,345,698**	**8,995,467**	**37%**	**2,612,254**	**3,583,823**	**-27%**

- **Based on the half year review of the Bank's portfolio, additional provisioning of N3.5billion above the normal run rate was determined and applied as loan loss expense. This was solely responsible for the Q3 profit drop.**

9-Months to Jan 2009 – Highlights
Growth Over the 9-Month Period to Jan 2008

	9-month to Jan 09 (N' 000)	9-month to Jan 08 (N' 000)	Growth (%)
Deposits	280,030,378	189,784,227	48%
Risk Assets	302,066,915	192,829,646	57%
Shareholder Funds	138,972,434	38,889,969	257%
Gross Earnings	66,206,069	35,861,753	85%
Provision for losses	(7,191,124)	(1,703,202)	322%
Operating expenses	(19,846,313)	(13,860,274)	43%
PBT	15,432,123	11,244,333	37%
Net Interest Income	26,399,562	13,861,115	90%
Corporate Finance & Other Fee Income	8,052,372	7,334,570	10%
Foreign Exchange Earnings	2,290,163	1,372,383	67%

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9-Months to Jan 2009

Break-Down of Income Lines vs. 9-months to Jan 2008

	9-month period to Jan 2009 N'000	9-month period to Jan 2008 N'000	Growth
Net Interest Income			
Interest Revenue	50,136,071	22,915,109	119%
Interest Expense	(23,736,509)	(9,053,945)	162%
Net Revenue from Funds	42,469,560	26,807,808	58%
Other Operating Income			
Corporate Finance & Other Fee Income	8,052,372	7,334,570	10%
Foreign Exchange Earnings	2,290,163	1,372,383	67%
Commissions & Other Income	5,727,462	4,239,690	35%
Operating Expenses			
Staff Expenses	(10,440,906)	(7,366,371)	42%
Other Operating Expenses	(6,778,321)	(4,892,541)	39%

9-month Profitability Vs Full Year Budget
by Strategic Business Unit (SBU)

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PROFITABILITY CONT	ACTUAL	BUDGET	% ACHVD.
PSG	3,056,874	3,452,666	89%
SME	2,114,816	3,359,883	63%
CONSUMER	(379,208)	(769,222)	151%
PRIV. BANKING	77,246	319,688	24%
CORPORATE BANKING	4,998,909	12,487,197	40%
TRY & FI	4,104,969	4,690,960	88%
INVESTMENT BANKING	1,157,230	1,276,670	91%
MICRO LENDING	301,287	259,329	116%
Total	15,432,123	25,077,172	62%

NOTE: Consumer has attained operational break-even in March 2009.

BUDGET figures are for Full Year, i.e. the period May 08 – April 09, while ACTUAL figures are for the 9-months period May 08 – Jan 09.

9-month non-interest income Vs Full Year Budget *by Strategic Business Unit (SBU)*

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NON-INT INCOME (JANUARY YTD)	ACTUAL	FULL YEAR FORECAST	% ACHVD
PSG	1,678,169	2,404,338	70%
SME	3,605,251	4,656,600	77%
CONSUMER	1,458,615	1,537,072	95%
PRIV. BANKING	64,739	76,330	85%
CORPORATE BANKING	5,630,855	9,377,938	60%
TRY & FI	2,127,908	2,308,073	92%
INVESTMENT BANKING	1,504,460	1,633,965	92%
MICRO LENDING	-	-	
Total	16,069,998	21,994,316	73%

- **It is interesting to note that despite the slow down, the bank's commissions and fees lines are still robust, these are coming on the platform of the bank's transaction banking**
- **Investment Banking fees came mainly from Advisory fees on debt issuance and fees on merger and acquisition advisory activities**

9-month Deposit - Actual Vs Year-end Forecasts
by Strategic Business Unit (SBU)

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		APRIL	
TOTAL DEPOSIT	ACTUAL	FORECAST	% ACHVD.
PSG	62,926,106	68,750,000	92%
SME	49,702,555	58,745,560	85%
CONSUMER	44,290,992	48,567,638	91%
CORPORATE BANKING	52,282,722	56,422,026	93%
TRY & FI	70,828,003	81,488,460	87%
Total	280,030,378	313,973,684	89%

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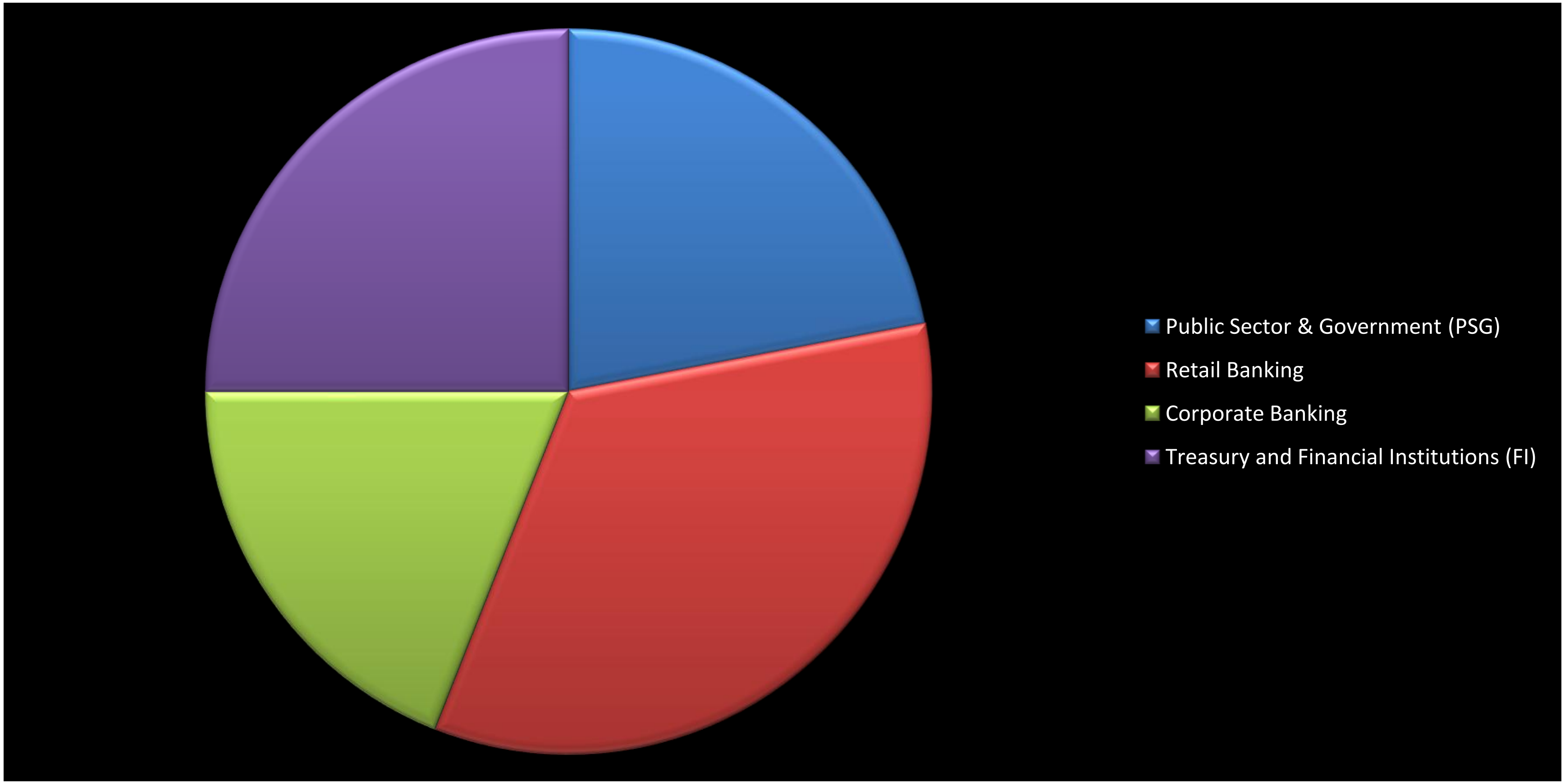
Deposit Mix – 9-month period to Jan 09
Deposit Mix Diversified Across Business Segments

Deposit Mix by Business Segment as at Jan 31 2009



N.B. Retail Banking is comprised of Consumer and Small Business and is now the biggest contributor to deposits.

9-month Deposit- Maturity and Distribution

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Maturity	NGN'000	%
1-5months	35,275,478	13%
less12months	30,970,087	11%
less 3months	213,784,814	76%
Grand Total	**280,030,378**	**100%**

Size	NGN'000	%
Greater Than 1billion	23,818,206	9%
0.5-1billion	8,049,289	3%
100-500million	60,214,816	22%
20-100million	79,265,902	28%
5-20million	68,900,629	25%
Less Than 5million	39,781,536	14%
Grand Total	**280,030,378**	**100%**

- **Though significant portion of the bank's deposit is short tenored, within 90 day bucket, however behaviorally it has been established that not less than 70% of these deposits have become core staying in the bank in the past 6 to 12 months**
- **67% of the deposits are retail in nature, i.e. of customers with less than N100million deposits**

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9-Months to Jan 2009 vs Jan 2008
Key Ratios

FINANCIAL RATIO	9 months to Jan 2009	9 months to Jan 2008
Annualised ROE	12%	31%
Annualised ROA	3%	3%
Net Interest Margin	9%	10%
Cost to Income (CIR)	56%	55%
Liquidity Ratio	33%	48%
NPLs	3.80%	3.30%
Coverage Ratio (Provisions/ NPLs)	102%	84%
Capital Adequacy Ratio	33%	12%
Non Interest Income/ Net Earnings	46%	52%

SECTORAL DISTRIBUTION OF LOAN PORTFOLIO AS AT JANUARY 31 2009

SECTOR	NGN' 000	PERCENTAGE
Agriculture	3,596,088	1.14%
Transport & Communication	31,045,350	9.82%
Real Estate & Construction	48,730,964	15.42%
Financial Institutions	14,929,433	4.72%
FI Margin Loans	310,822	0.10%
General Commerce	42,519,391	13.46%
Manufacturing	53,459,622	16.92%
Oil & Gas	73,702,925	23.32%
Retail or Consumer	26,455,411	8%
Consumer Margin Loans	7,219,041	2.28%
Public Sector	21,545,219	6.82%
Total Gross Loans	315,984,403	100.00%
Total Margin Loans	7,529,863	

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NPLs by Sector *as at January 31 2009*

	N'000	% of Total NPL
Agri Business	13,171	0.12%
Transport & Communication	114,578	1.00%
Real Estate & Construction	765,328	6.70%
Financial Institutions	10,599	0.09%
FI Margin Loans	***40,000***	***0.35%***
General Commerce/Wholesale Trading	4,961,384	43.41%
Manufacturing	45,138	0.39%
Oil & Gas	447,226	3.91%
Consumer	1,013,654	8.87%
Consumer Margin Loans	***3,083,856***	***26.98%***
Public Sector	934,345	8.18%
	11,429,279	**100.00%**

Quarterly Provisioning for the 2008/09 Period & Provisioning Policy

QUARTERLY PROVISIONING FOR THE 2008/2009 PERIOD

	Jul 08 YTD	**Oct 08 YTD**	**Jan 09 YTD**
PROVISIONS ON LOAN-SPECIFIC	(49,374,963.78)	(870,871,352.84)	(3,426,011,073.41)
PROVISIONS ON LOANS-GENERAL	(1,134,150,595.49)	(1,979,993,764.01)	(4,152,912,533.59)
	(1,183,525,559.27)	**(2,850,865,116.85)**	**(7,578,923,607.00)**
Provision for the quarter	(1,183,525,559.27)	(1,667,339,557.58)	(4,728,058,490.15)

Provisioning Policy

•Specific provision was made for all past due obligations based on the CBN's prudential guidelines (including N960 million representing marked to market loss on non-performing margin loans)

•General provisions have been increased by N2.54 billion but yet to be allocated to currently performing margin loans; equates to marked to market potential loss.

•Total Margin loan related provisioning in Q3 approximately N3.5 billion, out of N7.5 billion total margin loans

Breakdown of Margin Loan Provisions

•Total margin loan N7.5 billion

•Non-Performing Margin loans: N3.124bn

•N4.376 billion restructured and performing

•On N4.376bn restructured and performing, N3.5 billion of marked to market losses have been provided for in Q3, explaining rise in Q3 provisions.

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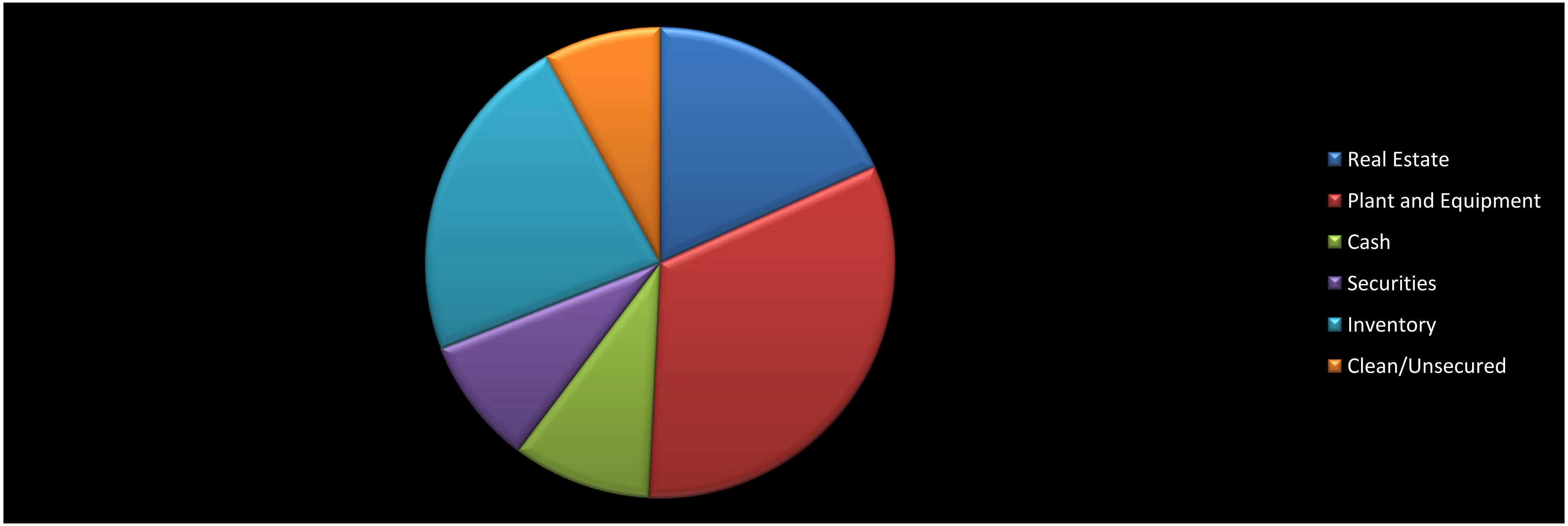
Collateral Breakdown



Collateral Type	**Percentage**	Naira (bn)
Real Estate	18.22%	57.4
Plant and Equipment	32.38%	102
Cash	9.84%	31
Securities	8.73%	27.5
Inventory	22.83%	71.9
Clean/Unsecured	8.00%	25.2
Total		315

Liquidity as at Jan 31st 2009

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LIQUIDITY IMPACT OF GLOBAL MELT-DOWN

- **The Global financial melt-down experienced in the recent past resulted in the gradual withdrawal of clean trade lines from the Nigerian banks by their correspondent banks**
- **The consequent utilization of the standby Naira lines in meeting L/C Confirmation facility maturities posed liquidity pressure on Nigerian banks.**
- **The period also experienced depreciation of the Naira compelling large Corporate customers to prepay offshore confirmation lines. This eroded deposits and further exerted more liquidity pressure.**
- **Respite came through the gradual and steady growth recorded in stable deposits from the Consumer and SME Banking space across the bank's wide branch network. This was in addition to pay-down on sizeable maturing risk assets obligations by large Corporate customers.**
- **With the steady growth in stable deposits and the efficient collection mechanism for maturing risk asset obligations, the liquidity position is expected to remain buoyed.**

FCMB LIQUIDITY RATIO TREND

	OCT '08	NOV '08	DEC '08	JAN '09
	NGN ' billions			
LIQUIDITY RATIO	42%	36%	34%	33%

FCMB's LIQUIDITY MANAGEMENT STRATEGY:

- **The bank will consistently maintain a liquid asset to deposit ratio of 2-5% over the regulatory minimum of 30%. This buffer will be maintained to absorb any unexpected liquidity shocks.**
- **Additionally, the ratio will be regularly stress-tested for unexpected withdrawal of volatile deposits such as Government, Financial Institutions and other significant LFPs (Large fund providers).**

Liquidity as at Jan 31st 2009

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CONTRACTUAL GAP Analysis as at Jan 31, 2009

Assets:	0 - 30	31 - 90	91 - 180	181 - 365	> 365
	N'billions and in Days				
Cash and short term funds	139	-	-	-	-
Loans and advances (net)	140	35	30	57	40
Inv. Sec, Other & Fixed Assets	38	-	-	-	27
	317	**35**	**30**	**57**	**68**
Liabilities:					
Deposits	273	28	10	1	7
Other liabilities & Borrowings	28	5	3	1	10
	301	**34**	**13**	**2**	**18**
Gap	16	2	17	54	50
Cummulative gap	**16**	**18**	**35**	**89**	**139**

BEHAVIOURAL GAP Analysis as at Jan 31, 2009

Assets:	0 - 30	31 - 90	91 - 180	181 - 365	> 365
	N'billions and in Days				
Cash and short term funds	139	-	-	-	-
Loans and advances (net)	140	35	30	57	40
Inv. Sec, Other & Fixed Assets	38	-	-	-	27
	317	**35**	**30**	**57**	**68**
Liabilities:					
Deposits	235	28	10	1	46
Other liabilities & Borrowings	28	5	3	1	10
	262	**34**	**13**	**2**	**56**
Gap	55	2	17	54	12
Cummulative gap	**55**	**56**	**73**	**127**	**139**

- **The bank complements the regulatory Liquid ratio compliance with the gap analysis of it assets and liabilities for any inherent liquidity risks.**
- **The contractual maturity profile of assets and liabilities is regularly monitored to ensure that in line with the ALCO charter, there exists no negative cumulative gap above N10bn in any maturity bucket. The N10bn threshold represents 50% of the bank's current available interbank funding line.**
- **The behavioral gap analysis adjusts for the core portion of deposits with indeterminable maturities by reclassification to a longer maturity bucket. A total of N39bn has been reclassified above 365 days.**
- **The contractual and behavioral analysis as shown above portray a favorable liquidity outlook with positive gaps and no breach of the N10bn negative cumulative gap board approved limit in any bucket.**

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FCMB: Investment Case

Attributes

- Diversified Revenue Streams (Retail, Transaction and Investment Banking);

- Management Strength;

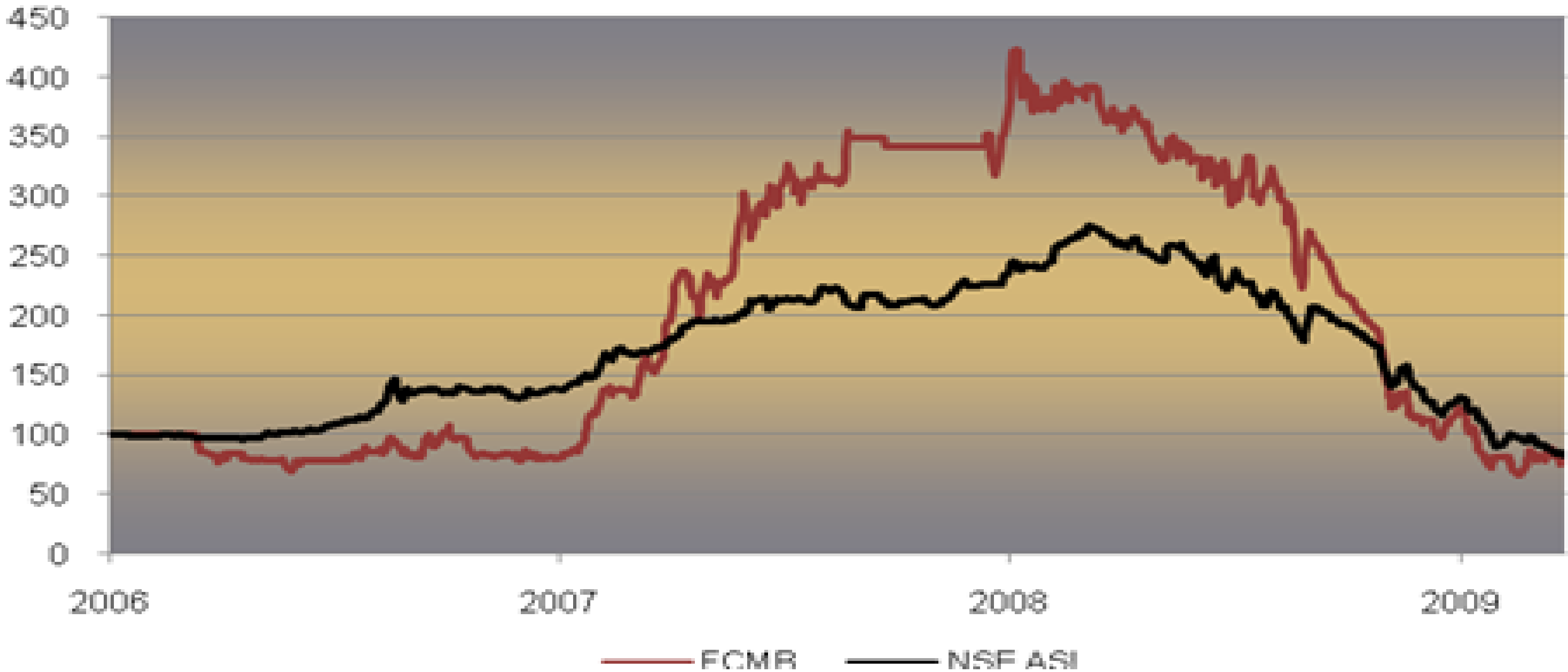
- Effective Risk Management;

- Efficient Player (low Cost to Income) with further opportunities for efficiency gains in 2009. Target expense growth of less than 10% (i.e. below inflation rate) in 2009;

- Reducing operating leverage (through direct sales agents, outsourcing);

- Consumer banking breakeven and micro-lending growth present significant upside.

FCMB: Investment Case



FCMB and NSE data rebased to 100

FCMB: Investment Case

P/E Multiple of 4 at 30 March 2009 prices

P/Bk Multiple of 0.46 at 30 March 2009 prices

APRIL 2009			DECEMBER 2009		
Forecast PAT	**Forward P/Bk***	**Forward P/E***	**Forecast PAT *(Annualised)***	**Forward P/Bk* *(Annualised)***	**Forward P/E* *(Annualised)***
N15.5bn	.44	4.2	N19.9bn	.4	3.3

* **Price as at 30 March, 2009**