

FCMB Plc Profit Warning for FY 2011

FCMB Plc, the Lagos, Nigeria based full service bank, has issued a profit warning for the financial year ended 2011.

The Bank has taken advantage of its large capital cushion and loan sales to further sanitize its balance sheet following observed deterioration in restructured loans and legacy investments. Consequently the bank has made additional net provisions and write-offs between Q3 2011 and December 2011.

This will result in an after tax loss of around N9billion. The breakdown of the provisions is as follows:

- Impairments to equity underwritings (N4.9 billion);
- Losses recorded on the sale of systemically significant and other loans (N11.6 billion), primarily in the oil trading sector ; and
- Other loan losses and write-offs (N13.0 billion).

99% of the assets sold and written off in 2011 were as a result of restructured loans or underwritings initiated prior to 2009. Since 2009 the bank has taken actions to strengthen its risk management systems, and affirms that its loan portfolio is in a far better position, paving the way for a strong rebound following the recent acquisition.

Underlying performance indicators are very healthy. The results to be announced next week will show that operating income (prior to these non-recurring charges) grew by 115%. Capital adequacy remains high at 25% after the acquisition of FinBank Plc. In addition, liquidity and efficiency ratios have continued to improve in Q4 2011 and have been further enhanced by the recent acquisition.

Management expects that the first two quarters of 2012 will see continued improvements and is likely to exceed its released forecasts for H1 2012. The second half of the 2012 financial year will see an acceleration in earnings with the benefit of the synergy gains from the merger of FinBank Plc, which will be fully integrated by July 1 2012. Target earnings per share are in the region of N1.10 for 2012, with a modest accretion of 10% from the merger, rising to 33% accretion solely from the merger in 2013.

The results will be announced in detail on Monday March 19th 2012, followed by a conference call on Tuesday March 20th 2012. Details of this conference call will follow shortly.