

FCMB Group Plc

Investors & Analysts
Presentation

HY 2014



30 July 2014

Glossary

BBG	Business Banking Group
CAGR	Compound Annual Growth Rate
CAR	Capital Adequacy Ratio
CDL	Credit Direct Limited
CIR	Cost to Income Ratio
COT	Commission on Turnover
CRBG	Commercial & Retail Banking Group
CRR	Cash Reserve Ratio
E&P	Exploration & Production
FMCG	Fast-moving consumer goods
FY	Full Year
IBG	Investment Banking Group
IFRS	International Financial Reporting Standards
ICT	Information & Communications Technology
IOC	International Oil & Gas Company
KPI	Key Performance Indicators
LCDM	Low Cost Deposit Mix

LDR	Loan to Deposit Ratio
M&A	Mergers & Acquisitions
N/A	Not Applicable/ Not Available
NIM	Net Interest Margin
NPL	Non Performing Loan
NRFF	Net Revenue from Funds
NSE	Nigerian Stock Exchange
OPEX	Operating Expenditure
PAT	Profit After Tax
P&L	Profit and Loss
PBT	Profit Before Tax
QoQ	Quarter-on-Quarter
ROA	Return on Assets
ROE	Return on Equity
SME	Small & Medium Enterprises
YE	Year End
YoY	Year-on-Year

AGENDA

Group Performance Review

Commercial & Retail Banking Group: Business Review

Investment Banking Group: Business Review

Risk Management Review

Outlook and Plan for H2 2014



Group Performance Review –

Mr. Patrick Iyamabo (Chief Financial Officer: FCMB Group Plc)

FCMB Group Plc: Key Performance Indicators

Performance Index		1Q14	2Q14	%Δ QoQ	HY13	HY14	%Δ YoY
Operating	Return on Av. Equity	13.2%	13.1%	-0.9%	13.7%	13.3%	-3.1%
	Return on Av. Assets	1.9%	1.8%	-4.9%	2.0%	1.9%	-8.9%
	Loan/Deposit Ratio	71.8%	73.4%	2.2%	64.8%	73.4%	13.2%
	Low Cost Deposit Mix	74.8%	64.8%	-13.5%	78.8%	64.8%	-17.8%
	Cost/Income Ratio	69.4%	70.8%	2.0%	69.9%	70.2%	0.4%
	Net Interest Margin	8.9%	8.4%	-5.0%	8.3%	8.6%	3.5%
	NPL/Total Loans	4.1%	2.4%	-40.6%	3.6%	2.4%	-32.2%
	Coverage Ratio	76.8%	76.0%	-1.0%	65.8%	76.0%	15.5%
	NII/Operating Income	26.7%	31.5%	18.3%	34.1%	29.2%	-14.5%
	Financial Leverage	6.8	7.1	4.2%	6.7	7.1	6.4%
	Cost of Risk	1.0%	0.9%	-8.6%	0.5%	1.0%	82.6%
Capital & Liquidity	Capital Adequacy Ratio	19.1%	17.6%	Min requirement 15%	21.0%	17.6%	Minimum requirement 15%
	Liquidity Ratio	33.3%	32.6%	Min requirement: 30%	49.3%	32.6%	Minimum requirement 30%
Others	Opex (N'B)	15.5	16.5	6.8%	28.5	32.0	12.4%
	Risk Assets (net) (N'B)	493.7	555.3	12.5%	389.2	555.3	42.7%
	Customer Deposits (N'B)	687.3	756.9	10.1%	600.4	756.9	26.1%

FCMB Group Plc: Statements of Comprehensive Income

N'm	1Q14	2Q14	%Δ QoQ	HY13	HY14	%Δ YoY
Revenue	33,819	35,801	6%	63,295	69,620	10%
Interest Income	27,371	27,957	2%	48,982	55,328	13%
Interest Expense	(11,008)	(11,964)	9%	(22,107)	(22,972)	4%
Net Interest Income	16,363	15,993	-2%	26,875	32,356	20%
Non Interest Income	5,950	7,366	24%	13,896	13,316	-4%
- Net Fees & Commissions	3,576	4,234	18%	7,725	7,809	1%
- Securities Trading Income	135	234	74%	79	369	368%
- FX Income	2,203	1,476	-33%	2,045	3,680	80%
- Others	36	1,422	3857%	4,047	1,458	-64%
Operating Income	22,313	23,359	5%	40,770	45,672	12%
Operating Expenses	(15,494)	(16,546)	7%	(28,493)	(32,040)	12%
Net impairment losses	(1,305)	(1,234)	-5%	(1,630)	(2,538)	56%
Net gains/(losses) from fin. instruments at fair value	55	(9)	-116%	0	47	n/a%
<i>Share of Post tax result of Associate</i>						
PBT	5,570	5,570	0%	10,648	11,140	5%

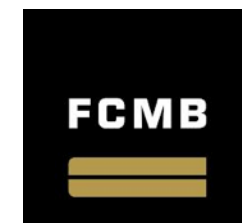
FCMB Group Plc: Statements of Financial Position



N'm	2Q13	1Q14	2Q14	% Δ QoQ	% Δ YoY
<u>ASSETS:</u>					
Cash and cash equivalents	91,831	104,069	106,754	3%	16%
Restricted reserve deposits	56,637	117,924	144,929	23%	156%
Loans and advances	389,224	493,662	555,331	12%	43%
Derivative assets held	1,980	1,471	865	-41%	-56%
Non Pledged trading assets	5,068	4,019	13,423	234%	165%
Investments	266,448	150,262	126,110	-16%	-53%
Assets classified as held for sale	785	0	0	0%	n/a%
Assets pledged as collateral	39,280	49,330	45,880	-7%	17%
Investment in associate	467	569	569	0%	22%
Intangible assets	12,031	7,654	7,929	4%	-34%
Deferred tax assets	4,938	6,343	6,359	0%	29%
Other assets	27,685	30,418	32,381	6%	17%
Fixed assets	26,753	26,649	26,873	1%	0%
Total Assets	923,128	992,371	1,067,402	8%	16%
<u>LIABILITIES:</u>					
Derivative liabilities held	1,980	1,034	700	-32%	-65%
Customer deposits	600,426	687,349	756,913	10%	26%
Deposits from banks	80,361	0	474	100%	-99%
Liabilities classified as held for sale	734	0	0	n/a	n/a
Other liabilities	72,591	86,556	85,697	-1%	18%
Borrowings	25,634	68,675	76,165	11%	197%
Shareholders' funds	141,402	148,758	147,453	-1%	4%
Liabilities and Shareholder Equity	923,128	992,371	1,067,402	8%	16%
Acceptances & Guarantees	144,892	160,996	185,274	15%	28%

Group PBT Distribution:

The banking group remains the key driver of profitability



N'm	1Q14	2Q14	% Δ QoQ	HY13	HY14	% Δ YoY
Commercial Banking Group	5,464	5,311	-3%	10,232	10,775	5%
Investment Banking Group						
• FCMB CM	174	171	-2%	323	345	7%
• CSL Stockbrokers	24	218	808%	94	242	157%
FCMB Group Plc (Separate)	(92)	(129)	40%	(1)	(221)	n/a
FCMB Group Plc (consolidated)	5,570	5,570	0%	10,648	11,140	5%



Commercial & Retail Banking Group (CRBG): *Business Review –*
Mr. Ladi Balogun (Group Managing Director/ CEO: FCMB Ltd)

Key Performance Indices (CRBG)

Performance Index		1Q14	2Q14	%Δ QoQ	HY13	HY14	%Δ YoY
Operating	Return on Av. Equity	14.90%	14.06%	-5.64%	14.20%	14.31%	0.80%
	Return on Av. Assets	2.20%	2.07%	-6.13%	2.30%	2.09%	-8.92%
	Loan/Deposit Ratio	71.80%	72.73%	1.29%	64.80%	72.73%	12.24%
	Cost/Income Ratio	68.90%	70.75%	2.69%	70.20%	69.84%	-0.52%
	Net Interest Margin	8.80%	8.29%	-5.75%	7.70%	8.42%	9.30%
	NPL/Total Loans	4.10%	2.40%	-41.46%	4.01%	2.40%	-40.15%
	Coverage Ratio	87.30%	93.80%	7.45%	82.70%	93.80%	13.42%
	NII/Operating Income	25.20%	29.32%	16.36%	32.80%	27.28%	-16.82%
	Financial Leverage	7.60	7.83	2.99%	7.02	7.83	11.47%
	Cost of Risk	1.10%	0.95%	-13.90%	0.53%	0.97%	82.66%
Capital & Liquidity	Capital Adequacy Ratio	17.20%	15.90%	-7.56%	21.00%	15.90%	-26.33%
	Liquidity Ratio	32.20%	31.89%	-0.96%	49.3%	31.89%	-35.31%
Others	Opex (N'B)	15.00	15.83	5.55%	27.92	30.82	10.40%
	Risk Assets (net) (N'B)	493.30	554.93	12.49%	389.00	554.93	42.66%
	Customer Deposits (N'B)	687.30	763.02	11.02%	600.40	763.02	27.08%

CRBG: Statements of Comprehensive Income

Highlights

FCMB

	1Q14	2Q14	%Δ QoQ	HY13	HY14	%Δ YoY
Revenue	33,209	34,897	5%	62,310	68,106	9%
Interest Income	27,287	27,869	2%	48,843	55,156	13%
Interest Expense	(11,008)	(12,053)	9%	(22,107)	(23,061)	4%
Net Interest Income	16,279	15,816	-3%	26,736	32,095	20.0%
Non Interest Income	5,481	6,561	20%	13,049	12,042	-8%
- Net Fees & Commissions	3,082	3,496	13%	7,416	6,578	-11%
- Securities Trading Income	161	208	29%	79	369	367%
- FX income & Other income	2,238	2,857	28%	5,554	5,095	-8%
Operating Income	21,760	22,377	3%	39,785	44,137	11%
Operating Expenses	(14,992)	(15,832)	6%	(27,917)	(30,823)	10%
Net impairment losses	(1,305)	(1,234)	-5%	(1,636)	(2,539)	55%
PBT	5,463	5,311	-3%	10,232	10,775	5%

CRBG: Statements of Financial Position

Highlights



FCMB

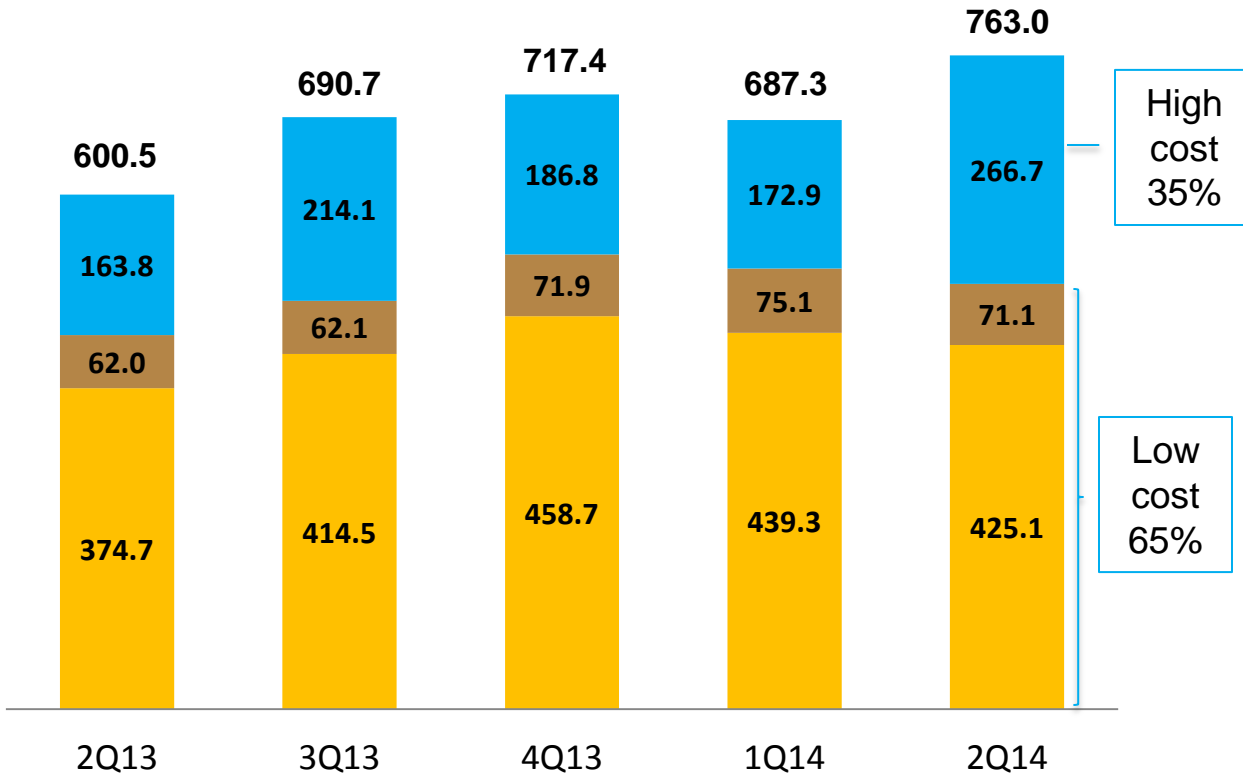
N'm	2Q13	3Q13	4Q13	1Q14	2Q14	% Δ QoQ	% Δ YoY
Liquid assets	90,119	132,281	198,182	102,075	105,869	4%	17%
Restricted reserve deposits	56,636	94,288	73,473	117,924	144,929	23%	156%
Non-pledged trading assets	4,759	6,161	2,496	3,489	12,884	269%	171%
Derivative assets held	1,980	2,048	1,698	1,471	865	-41%	-56%
Loans and advances	388,999	439,156	450,167	493,253	554,931	13%	43%
Investments	263,231	165,092	159,949	143,704	122,687	-15%	-53%
Assets classified as held for sale	785	785	0	0	0	n/a	-100%
Assets pledged as collateral	39,280	55,594	50,517	49,330	45,880	-7%	17%
Intangible assets	6,422	6,427	6,561	6,617	6,874	4%	7%
Deferred tax assets	4,758	4,758	6,310	6,310	6,324	0%	33%
Other assets	22,964	29,499	22,682	23,809	30,693	29%	34%
Fixed assets	26,686	26,200	26,682	26,521	26,711	1%	0%
Total Assets	906,619	962,289	998,717	974,503	1,058,646	9%	17%
LIABILITIES:							
Derivative liabilities held	1980	2048	1356	1,034	700	-32%	-65%
Customer deposits	600,426	690,715	717,364	687,349	763,015	11%	27%
Deposits from banks	80,361	3286	0	0	474	n/a	-99%
Liabilities classified as held for sale	734	734	0	0	0	n/a	-100%
Other liabilities	71,016	102,493	93,161	84,842	83,049	-2%	17%
Borrowings	25,633	33,102	59,244	68,675	76,165	11%	197%
Shareholders' funds	126,469	129,911	127,593	132,603	135,243	2%	7%
Liabilities and Shareholder Equity	906,619	962,289	998,717	974,503	1,058,646	9%	17%
Acceptances & Guarantees	144,892	138,826	105,731	160,996	185,274	15%	28%

Deposit Analysis:

11% QoQ Growth in Total Deposits

Deposit Mix Analysis

■ Current
 ■ Savings
 ■ Fixed



Comments

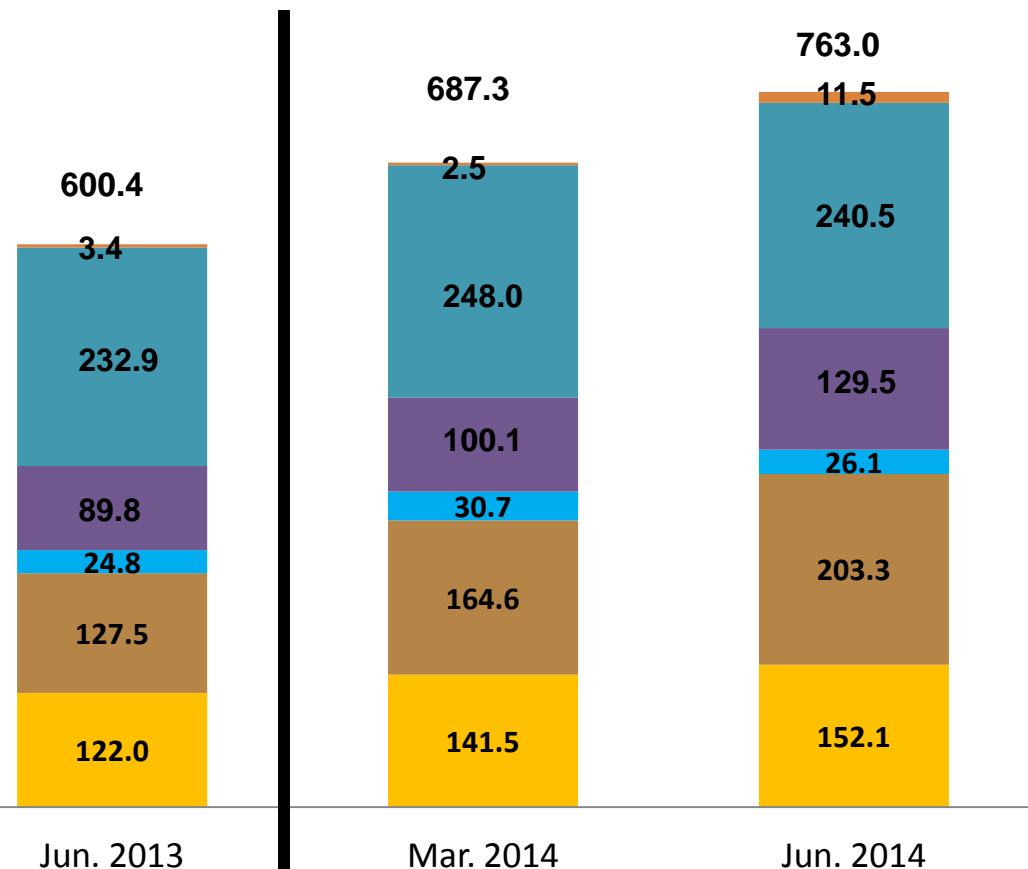
- ❖ 11% growth in total deposits in the quarter, which largely came from fixed deposit.
- ❖ Higher fixed deposit volume along with CRR growth adversely affected NIM.

Deposit Distribution By Business Segment:

Retail (Personal & SME) funding momentum sustained

Deposit Mix Analysis

- Personal
- Commercial
- Institutional
- SME
- Corporate
- Treasury & Fin Mkts/ Others



	% Δ QoQ	% Δ YoY	HY14 % DISTR.
Personal	7.5%	24.7%	19.94%
SME	23.5%	59.4%	26.64%
Commercial	-15.2%	5.1%	3.42%
Corporate	29.4%	44.1%	16.97%
Institutional	-3.0%	3.3%	31.53%
Treasury & Financial Markets/Others	359.2%	241.7%	1.51%
Total	11.0%	27.1%	100.00%

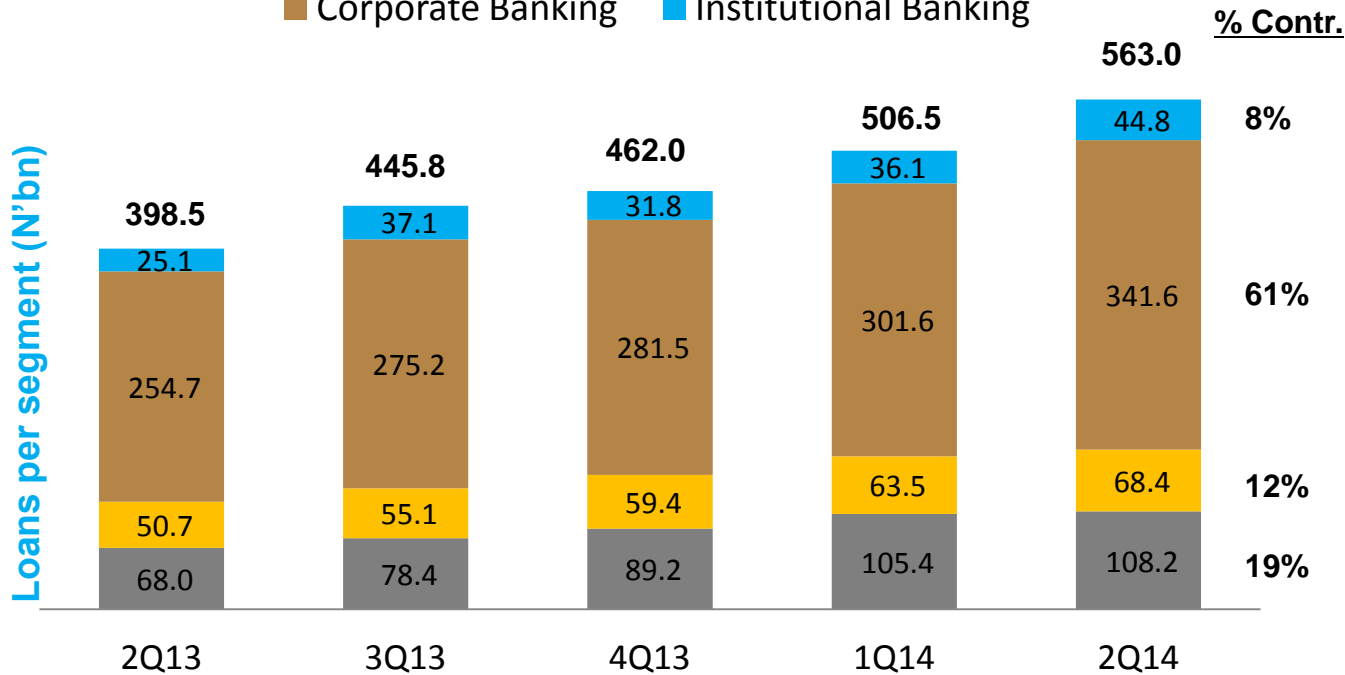
Loans & Advances:

Risk asset growth across all segments



Personal Banking
 Business Banking

 Corporate Banking
 Institutional Banking



Comments

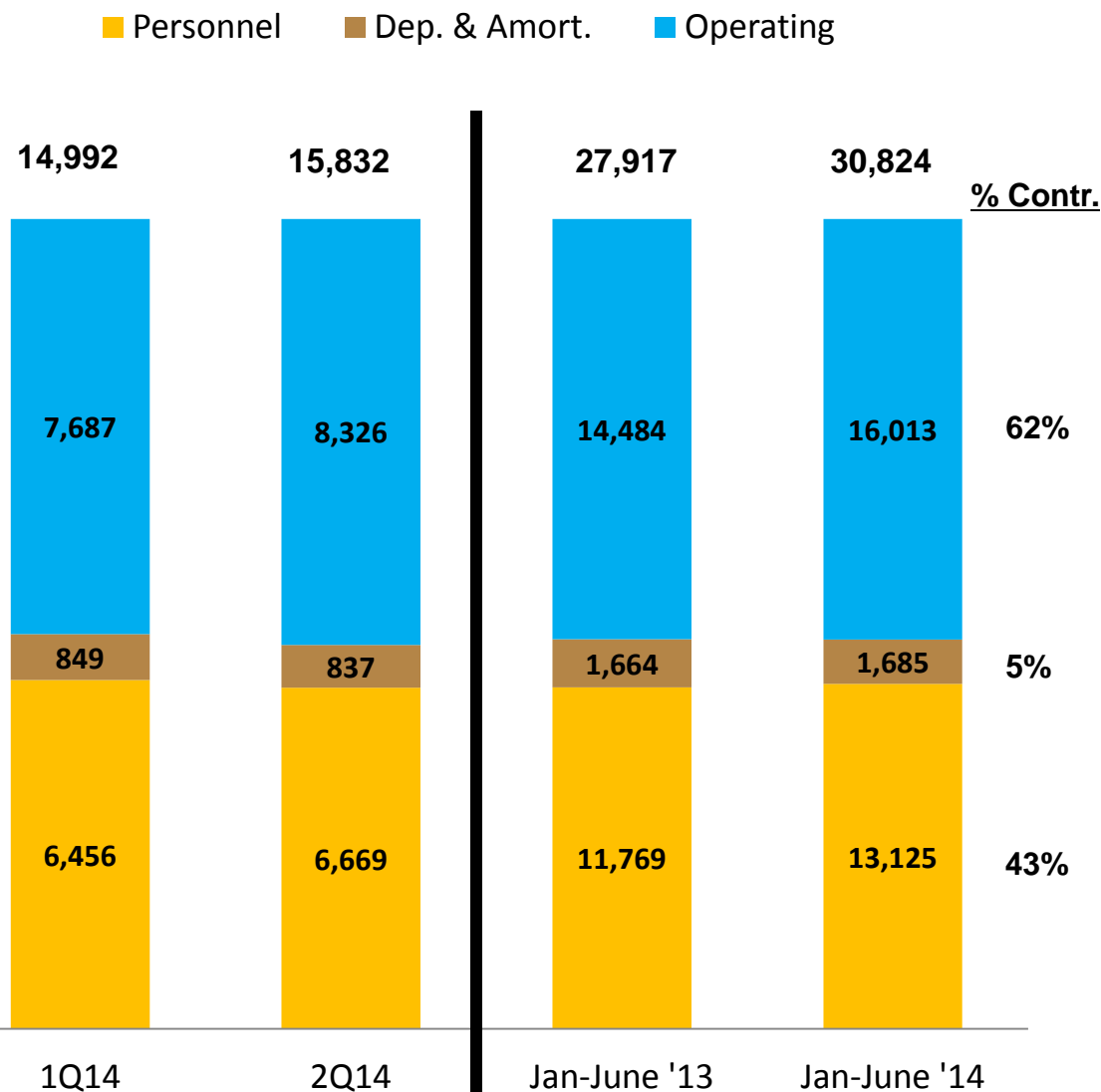
❖ The loan book grew 41% YoY and 11% QoQ, driven mainly by Corporate Banking (seasonal agricultural lending).

	% Δ QoQ	% Δ YoY
Personal	2.6%	59.1%
Business	7.7%	34.8%
Corporate	13.3%	34.1%
Institutional	24.1%	78.7%



OPEX Distribution by Expense Line

Key growth driver remains in personnel and operating costs



Expense Line	% Δ	% Δ
	QoQ	YoY
Personnel expenses	3.3%	11.5%
Depreciation & amortisation expenses	-1.4%	1.3%
Operating expenses	8.3%	10.6%
Total	5.6%	10.4%

Comments

- ❖ QoQ growth was due to a rise in accruals to cover increased technology, sales and marketing expenses to drive customer acquisition, cross-selling and ultimately impact low-cost deposit growth.

FCMB



Investment Banking Group: *Business Review –*
Mr. Robert Grant (SVP, FCMB Capital Markets Ltd)

Investment Banking Group Review:

96% QoQ growth in PBT

Investment Banking Group (IBG) comprises of FCMB Capital Markets Ltd. and CSL Stockbrokers Ltd.

Investment Banking Group	1Q14	2Q14	% Δ QoQ	HY13	HY14	% Δ YoY
N'm						
Gross earnings	592	848	43%	1,011	1,439	42%
Net Interest Income	66	71	9%	142	137	-3%
Non Interest Income	471	785	67%	863	1,256	46%
-Debt Capital Raising	301	289	-4%	325	591	82%
-Other Financial Advisory Fees	0	24	n/a	69	24	-65%
-Equity Capital Raising ¹	19	115	505%	62	134	116%
- Brokerage Commission	134	231	71%	254	365	44%
-Asset Management Fees	28	72	154%	16	101	532%
- Trading Income	(26)	35	231%	103	8	-92%
-Others	14	19	35%	34	33	-4%
Operating Income	537	856	60%	1,005	1,393	39%
Operating Expenses	(394)	(459)	17%	(589)	(853)	45%
Net gains/(losses) from fin. instruments at fair value	55	(9)	-116%	7	47	588%
PBT	198	389	96%	423	587	39%
CIR	73%	54%	-27%	59%	61%	4%

Note:

1. Placement fees, Advisory fees and Broker to issue fees have been added to Equity Capital Raising

FCMB



Risk Management Review –

Mr. Bayo Sanni: (Chief Risk Officer - FCMB Ltd)

Gross Loan Distribution by Sector (N'm)

Industry Sector	Jun'13	Sept'13	Dec'13	Mar'14	Jun' 14	% DISTR.	Comments
Agriculture	34,106	17,931	11,406	10,491	35,944	6.4%	<ul style="list-style-type: none"> ❖ Seasonal agricultural growth is responsible for 45% of loan growth for 2Q14 ❖ Retail growth was muted because some the write-offs came from legacy retail loans. ❖ Government loans are still within the regulatory limit of 10%, despite the growth achieved.
Commerce	55,602	45,880	52,888	53,880	53,823	9.6%	
Construction	8,219	8,198	6,135	7,698	8,295	1.5%	
Education	4,603	4,810	4,719	5,258	5,432	1.0%	
Finance & Insurance	6,091	9,667	14,622	6,069	11,065	2.0%	
General – Others	6,750	8,383	8,594	8,091	9,335	1.7%	
Government	23,123	34,876	31,302	35,574	40,512	7.2%	
Individual	68,274	78,769	95,242	105,646	108,498	19.3%	
Information & Communications	25,165	32,596	34,223	38,840	33,824	6.0%	
Manufacturing	27,329	32,418	28,025	39,478	47,782	8.5%	
Oil&Gas-Downstream	45,401	40,671	43,343	42,178	48,820	8.7%	
Oil&Gas–Upstream & Services	49,185	64,944	61,119	76,007	76,122	13.5%	
Power	6,164	24,038	26,824	30,945	30,559	5.4%	
Professional Services	1,822.13	2,101	1,841	1,871	2,067	0.4%	
Real Estate	33,921	33,849	35,067	37,783	41,480	7.4%	
Transportation & Logistics	2,775	6,670	6,655	6,735	9,446	1.7%	
Total	398,528	445,803	462,005	506,543	563,004	100.0%	

NPL Distribution by Sector (N'm)

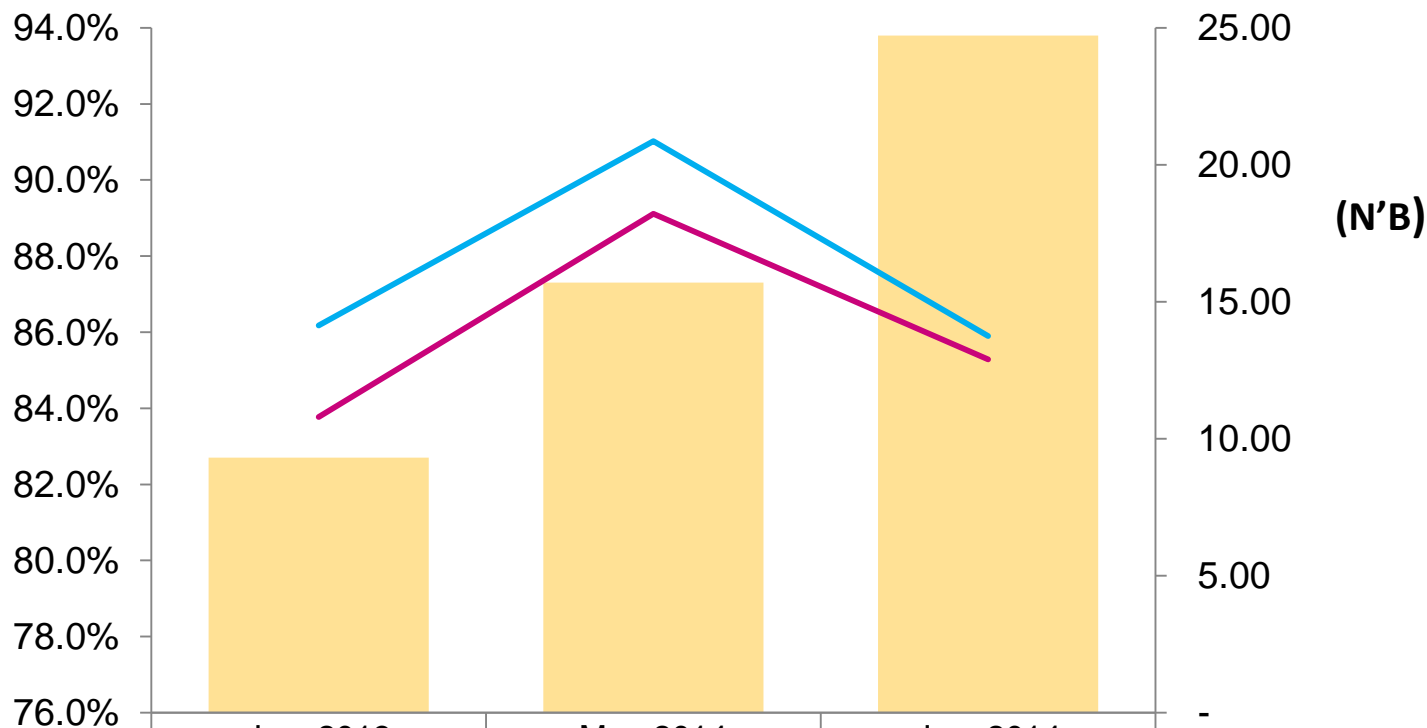
BUSINESS SEGMENT	Jun. 2013		Mar. 2014		Jun. 2014	
	NPL	NPL%	NPL	NPL%	NPL	NPL%
Agric	133	0.4%	3,407	32.5%	1,629	4.5%
Commerce	6,548	11.8%	7,676	14.2%	4,825	9.0%
Construction	402	4.9%	1,196	15.5%	1,562	18.8%
Education	439	9.5%	242	4.6%	137	2.5%
Finance & Insurance	343	5.6%	1	0.0%	0	0.0%
General – Others	203	3.0%	473	5.8%	1,220	13.1%
Government	40	0.2%	126	0.4%	0	0.0%
Individual	2,876	4.2%	5,014	4.7%	3,285	3.0%
Information & Communications	2	0.0%	2	0.0%	9	0.0%
Manufacturing	105	0.4%	407	1.0%	227	0.5%
Oil&Gas- Downstream	1,638	3.6%	1,788	4.2%	215	0.4%
Oil & Gas – Upstream & Svs	3	0.0%	47	0.1%	49	0.1%
Power & Energy	8	0.1%	76	0.2%	-	0.0%
Professional Services	112	6.2%	66	3.6%	67	3.2%
Real Estate	1,188	3.5%	250	0.7%	343	0.8%
Transportation & Logistics	85	3.1%	85	1.3%	180	1.9%
Total	14,126	3.5%	20,856	4.1%	13,749	2.4%

Comments

- ❖ Drop in overall NPLs was largely due to N7.5bn write-off.

NPLs remain fully covered

**Coverage Ratio¹ Analysis:
June 2013 vs. March 2014 vs. June 2014**



	Jun. 2013	Mar. 2014	Jun. 2014
Provision Coverage Ratio (%)	82.7%	87.3%	93.8%
Provisions + RRR (N'b)	10.79	18.21	12.90
Non Performing Loans (N'b)	14.13	20.86	13.75

■ Provision Coverage Ratio (%)
 — Provisions + RRR (N'b)
 — Non Performing Loans (N'b)

Notes:

1. Includes regulatory risk reserve (RRR).



Outlook and Plan for H2 2014 –

Mr. Peter Obaseki: (Managing Director, FCMB Group Plc)

Outlook & Plan for H2 2014



- ❖ Begin 2-year tier 2 bond programme, between N12bn and N20bn in H2 2014, subject to regulatory approval.
- ❖ Reduce cost of funds in line with declining interest rate environment.
- ❖ Replace fixed deposits with current and savings accounts and tier 2 bond (positive impact on cost of funds).
- ❖ Strong Retail risk asset growth to replace seasonal spike in corporate loans with positive impact on yield.
- ❖ Contain further operating expense growth.
- ❖ Strong outlook for investment banking (across debt and equity capital raising and brokerage).