

# Q3 2008 PERFORMANCE REVIEW

## Investors and Analysts Conference Call

January 27, 2009

## Presentation Outline

- **Solid Q3 2008 results and sustained profitability**
- De-leveraging and De-risking the Balance Sheet
- Nigeria has strong capacity to weather the global financial crisis

# Q3 2008 Highlights

## Strong Results

- Pre-tax profit  
N23.4bn (\$173m)
- After-tax profit  
N17.8bn (\$132m)
- Cost-income ratio  
50%

## Healthy balance sheet

- Total assets & contingents  
N970.3bn (\$7.2bn)
- Shareholder equity  
N179.8bn (\$1.3bn)
- Capital Adequacy ratio:  
27.6%
- Liquidity ratio: 40%
- NPL ratio: 2.27%

## On track to meet Prospectus Forecast\*\*

- Profit before Tax N28.3bn
- Earnings per share N1.62k
- Dividend per share N0.97k

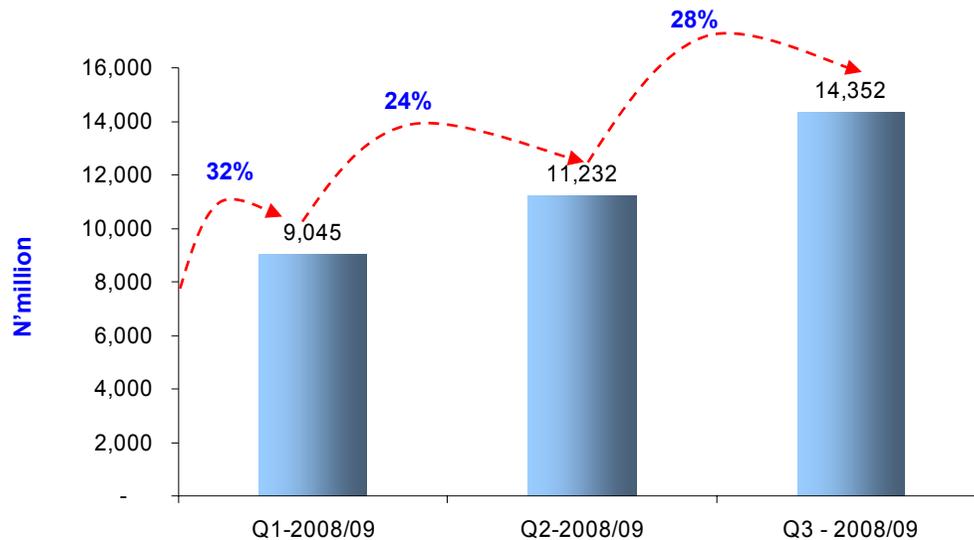
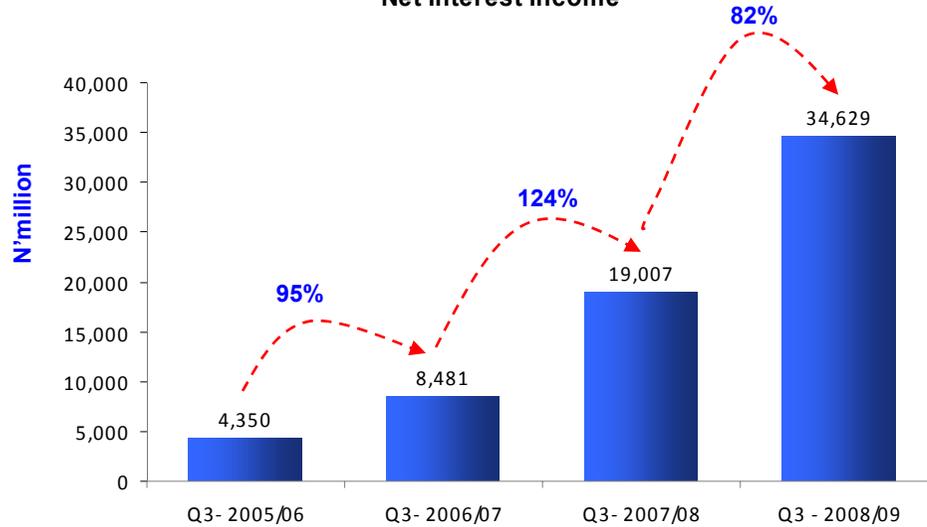
\*\*12 months

# Income Statement

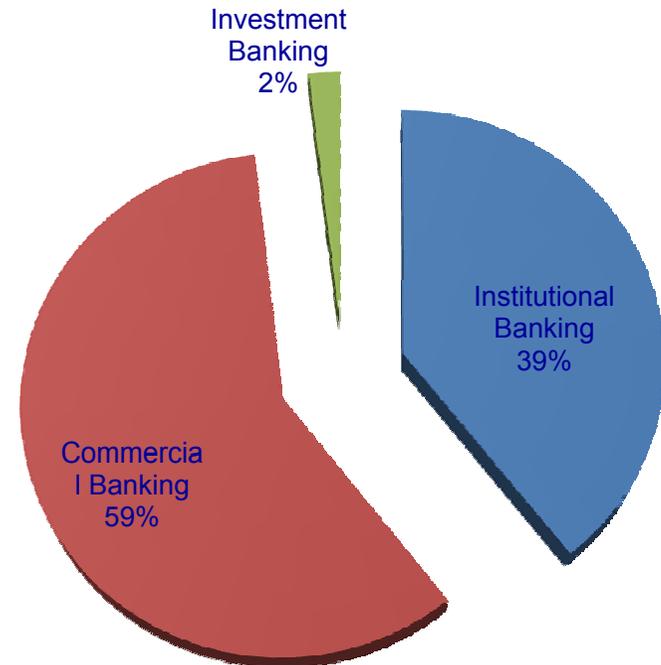
Naira (million)	Q3 2008	Q3 2007	Diff	%	Q3 2008	Q2 2008	Q1 2008
Net Interest Income	34,629	19,006	15,623	82%	13,381	12,203	9,045
Net Commission and fee	11,673	8,624	3,049	35%	2,526	4,393	4,754
Other Operating income	3,653	1,369	2,284	167%	2,498	666	489
<b>Net Operating income</b>	<b>49,955</b>	<b>28,999</b>	<b>20,956</b>	<b>72%</b>	<b>18,405</b>	<b>17,262</b>	<b>14,288</b>
Salaries and related expenses	(7,603)	(3,721)	(3,882)	114%	(3,051)	(2,409)	(2,143)
Administrative expenses	(16,135)	(10,295)	(5,840)	85%	(6,021)	(6,005)	(4,109)
<b>Operating expenses</b>	<b>(23,738)</b>	<b>(14,016)</b>	<b>(9,722)</b>	<b>69%</b>	<b>(9,072)</b>	<b>(8,414)</b>	<b>(6,252)</b>
Loan loss expense	(2,814)	(1,830)	(984)	54%	(1,054)	(1,460)	(300)
<b>Pre-tax profit</b>	<b>23,403</b>	<b>13,153</b>	<b>10,250</b>	<b>78%</b>	<b>8,579</b>	<b>7,088</b>	<b>7,736</b>
Income Tax	(5,617)	(4,209)	(1,408)	33%	(1,987)	(1,701)	(1,929)
<b>Net profit</b>	<b>17,786</b>	<b>8,944</b>	<b>8,842</b>	<b>99%</b>	<b>6,592</b>	<b>5,387</b>	<b>5,807</b>

# Net Interest Income

Net Interest Income

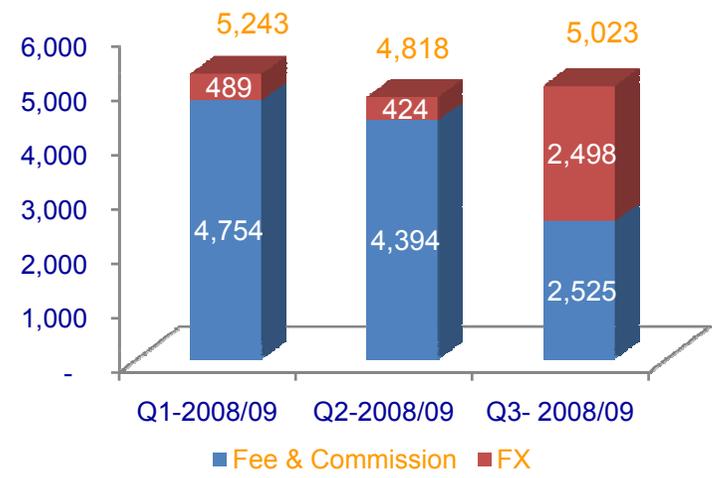
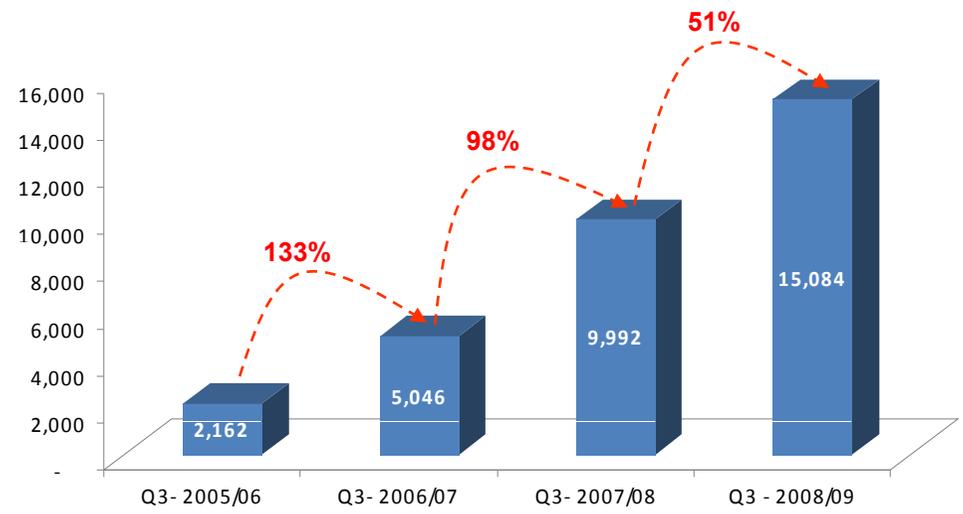


Net Interest Income By Business Segment

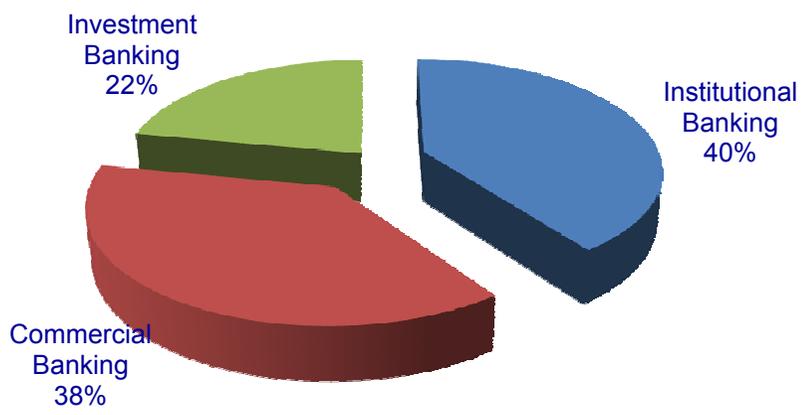


# Net Fee, Commission and FX income

Fee, Commission and FX income

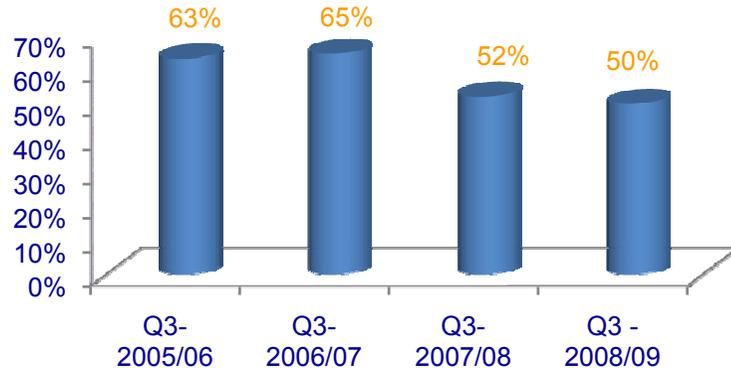


Net Fee, Commission and FX income by Business Segment

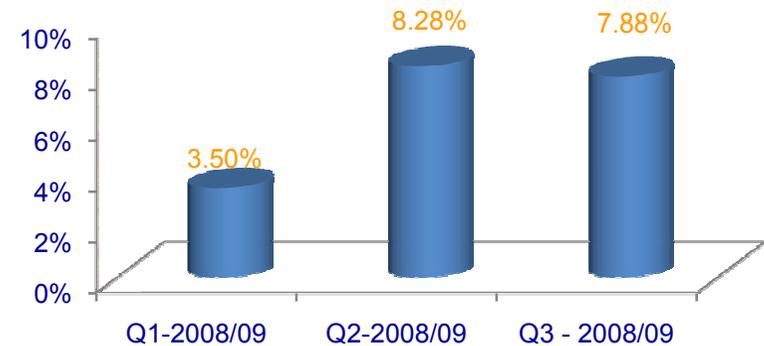
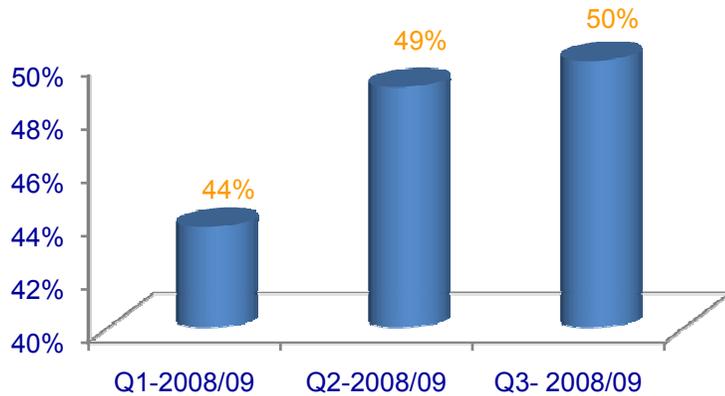


# Cost-Income and Loan Loss Expense Ratios

Cost-Income ratio within the 50% Target



Continued efficiency in loan loss expense /net interest income ratio



# Consolidated Performance Highlights

Naira ( million) Q3 Year to Date	Parent	Group	Rwanda	Burundi	Congo	Sierra Leone	Gambia	Zambia	Cote d'ivoire	UK	United Securities
Net Interest income	34,629	35,938	514	183	75	51	90	(3)	313	91	0
Net fee & commission	11,673	12,864	321	167	103	34	60	9	587	1	206
Other operating income	3,652	4,139	316	60	0	4	112	10	227	0	0
Net operating income	49,954	52,941	1,151	410	178	89	271	16	1127	92	206
<b>Profit before Tax</b>	<b>23,403</b>	<b>21,979</b>	<b>170</b>	<b>138</b>	<b>55</b>	<b>(84)</b>	<b>(198)</b>	<b>(237)</b>	<b>(255)</b>	<b>(1,168)</b>	<b>155</b>

- Long term diversification of earnings
- The consolidated result has no negative effect on the parent ability to pay dividend

# Contribution by Business Segment

Q3 2008 Naira Million	Institutional Banking	Commercial Banking	Investment Banking	Total
Net Interest Income	13,505	20,332	792	34,629
Commission and Fees	5,326	5,478	869	11,673
Other income	558	388	2,707	3,653
Operating Expenditure	(4,753)	(18,273)	(712)	(23,738)
Loan Loss Expenses	(1,892)	(922)	-	(2,815)

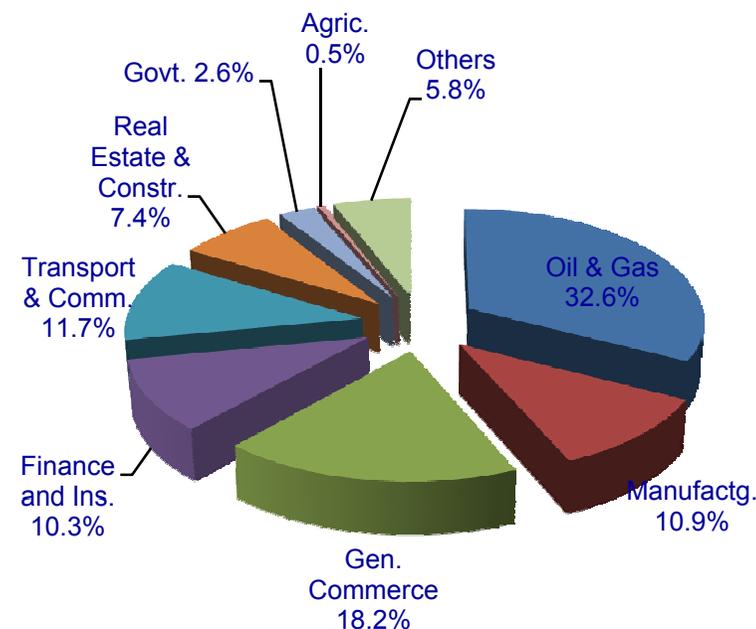
## Consistent Business Mix



# Balance Sheet - Assets

Naira (million)	Q3-2007	Q3-2008	Q2-2008	% Change
Cash and Short term funds	55,322	128,827	84,593	52%
Government Securities	109,599	92,448	76,505	21%
Trade Credit Facilities	27,523	88,063	102,903	-14%
Loans and Advances	230,904	343,082	302,475	13%
Finance Lease	1,761	3,976	3,821	4%
On-Lending Facilities	5,237	6,573	7,668	-14%
Other Assets	30,934	40,012	36,123	11%
Long term investments	48,192	21,464	20,464	5%
Equipment on lease	1,203	1,682	1,523	10%
Fixed Assets	11,293	17,243	15,036	15%
	<b>521,966</b>	<b>743,370</b>	<b>651,111</b>	<b>14%</b>

Sectoral Distribution of Loan Book

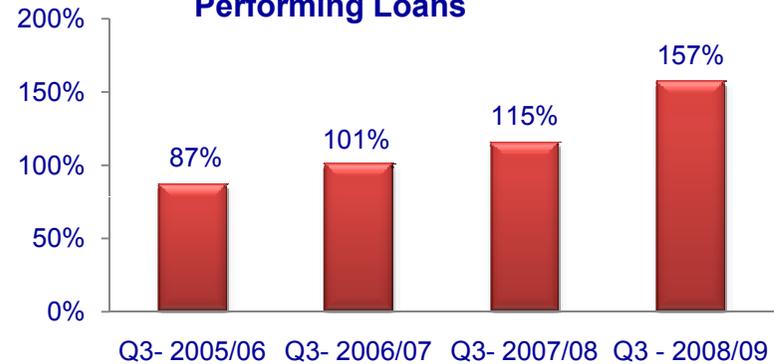


# Improved Assets Quality

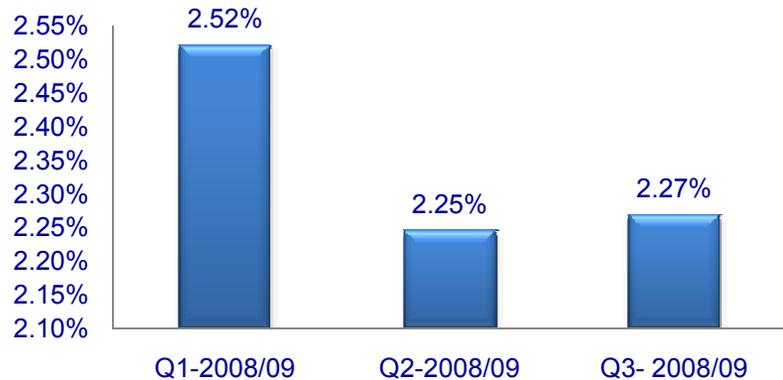
**Non-Performing loans/Total Loans**



**Cumulative Provisions on Non-Performing Loans**



**Non-Performing Loans /Total Loans**



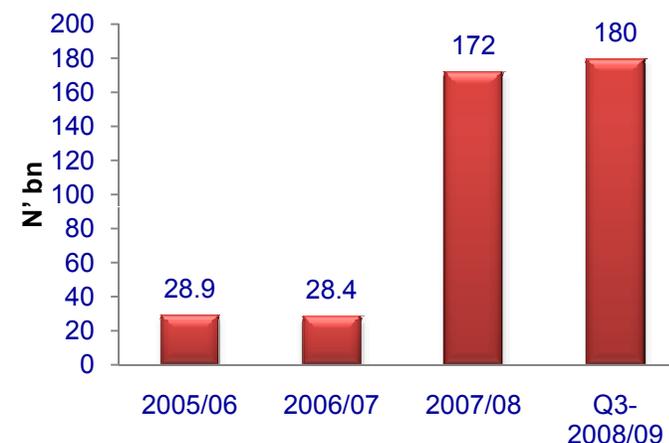
**Cumulative Provisions on Non-Performing Loans**



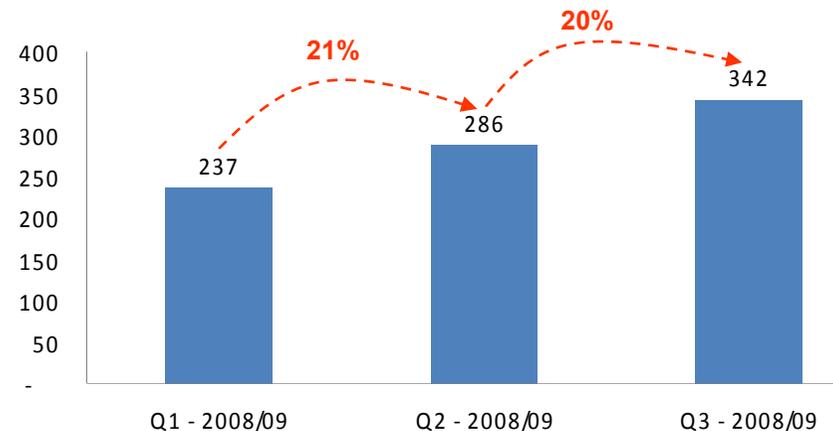
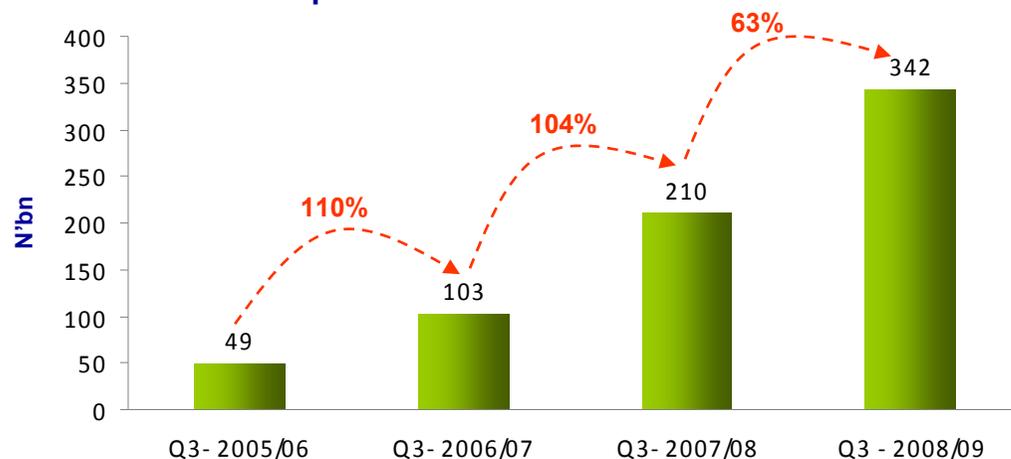
# Balance Sheet- Liabilities and Equities

Naira (million)	Q3-2007	Q3-2008	Q2-2008	% Change
Deposits & Other Accounts	209,674	341,819	286,304	19%
Correspondent Bank Funding	25,784	61,751	96,775	-36%
Due to Other Banks	13,815	18,632	18,590	0%
On-lending Facilities	13,983	8,968	8,033	12%
Access Bond	11,947	8,962	11,948	-25%
Other Liabilities	212,225	123,506	57,668	114%
Shareholders' equity	34,538	179,731	171,793	5%
<b>Total Liabilities and Equity</b>	<b>521,966</b>	<b>743,370</b>	<b>651,111</b>	<b>14%</b>

Shareholders' Equity



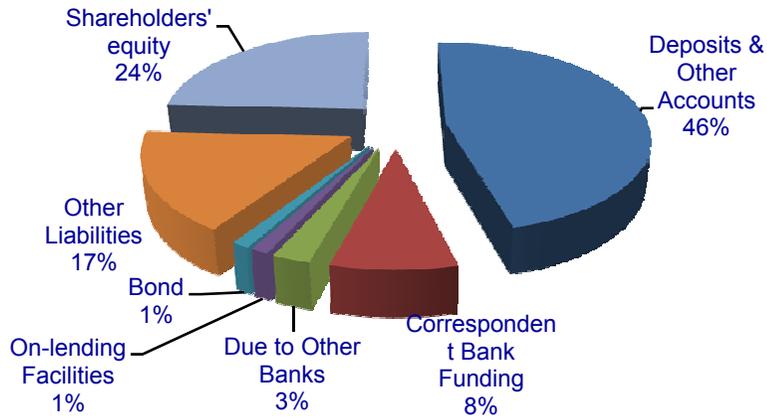
Deposits from Customers



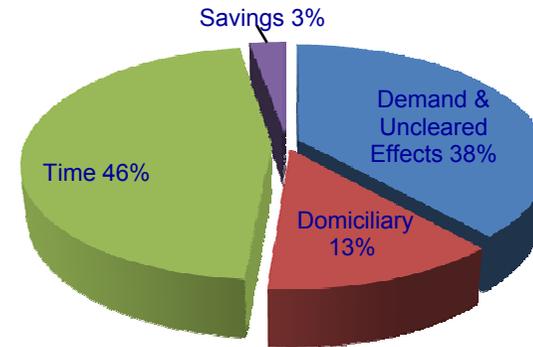
## Presentation Outline

- Solid Q3 2008 results and sustained profitability
- **De-leveraging and De-risking the Balance Sheet**
- Nigeria has strong capacity to weather the global financial crisis

### Funding Breakdown

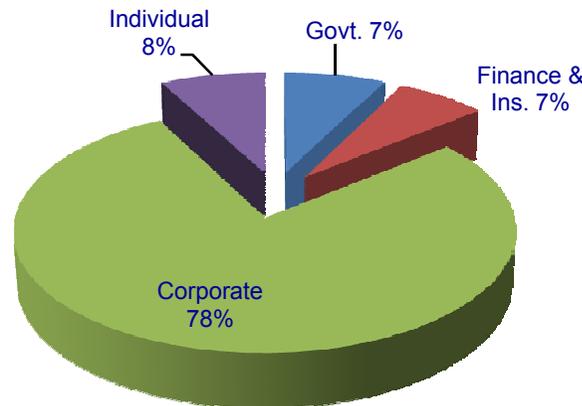


### Deposit Mix by Product



- Funding from 3 year redeemable convertible bond, of which 25% was redeemed during the period under review
- Continuous support for some long term funding (\$90million) from Development Financial Institutions e.g. EIB, IFC, FMO etc.
- The successful implementation of value chain strategy has insulated us from the risk of deposit run-off.

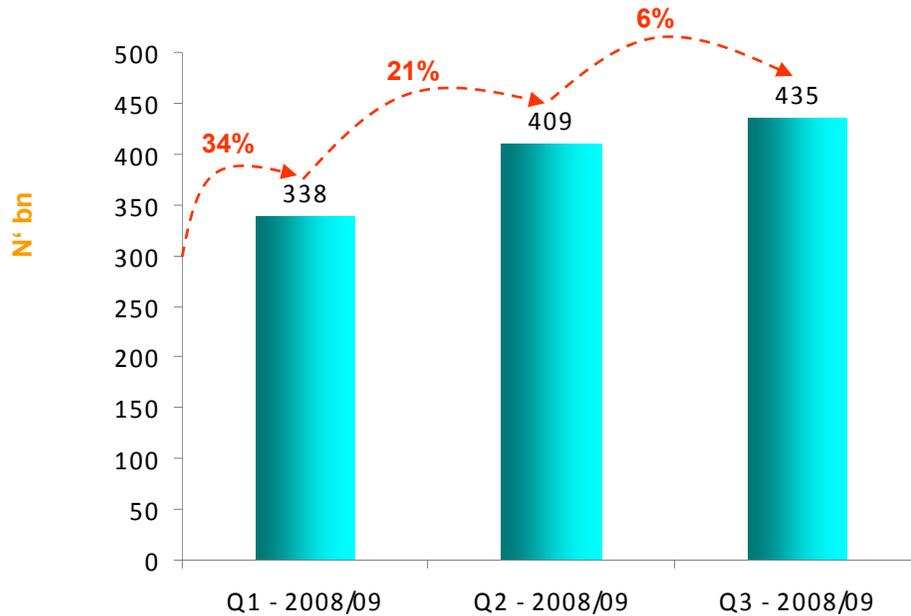
### Deposit Mix By Customer Type



- Strong customer's confidence as evidenced by 20% growth in deposit base over the last quarter
- Growing market share of individual deposits from 5% in Q2 to 8% in Q3
- Low exposure to risk of public sector fiscal shocks, only 7% of deposit book is government
- Diversified and stable funding mix

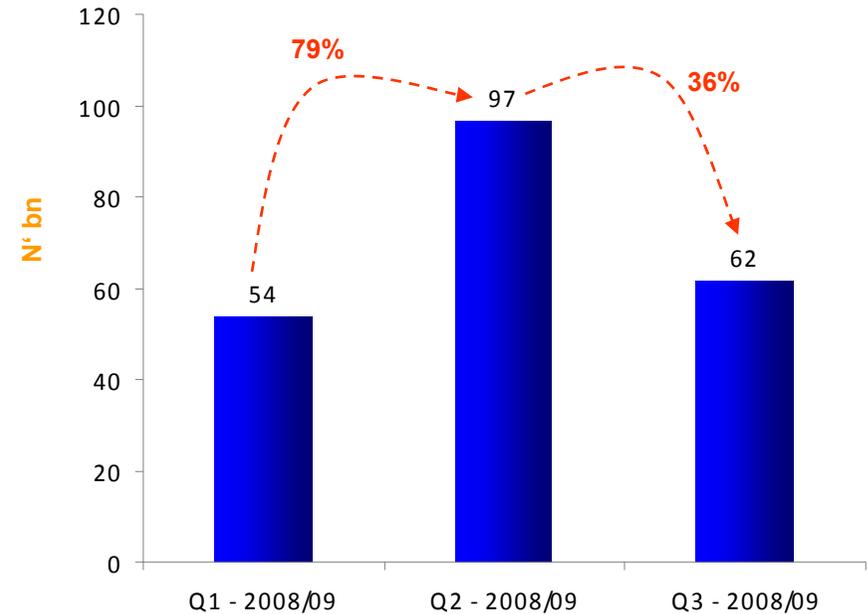
# De-leveraging and De-risking the Balance Sheet

### Growth in Loan Book



- Decelerate loan growth from 34% in Q1 and 21% in Q2 to 6% in Q3

### FCY Funding



- Retired 36% of FCY currency facilities from foreign banks by driving cash management while still increasing funding base

## Presentation Outline

- Solid Q3 2008 results and sustained profitability
- De-leveraging and De-risking the Balance Sheet
- **Nigeria has strong capacity to weather the global financial crisis**

# Nigerian Economy in 2008

## Plus (+)

- Real GDP grew by about 6.77%, driven by the non-oil sector
- Gross external reserves stood at \$52.82 billion (December 31, 2008).
- Foreign aid to Nigeria is only 1% of GDP, so if that dries up, the impact would be minimal.
- Nigeria has minimal foreign debt.
- Nigerian banks have relatively low exposure to world financial markets and have proved themselves able to withstand current shocks.

## Minus (-)

- Fall in crude oil production, export and revenue;
- De-accumulation of foreign reserves;
- Declining capital inflows;
- Exchange rate volatility and speculations;
- Increasing inflation rate - now 15.1% up from 14.88% in November.
- Lending activities constrained by large exposure to the stock market and depleting confidence.
- Capital market downturn and divestment by foreign investors.

## Summary and Outlook

### Well positioned for Challenging Times

- Solid Q3 2008 results in challenging times;
- Sound asset quality as reflected in ratio of delinquent risk assets and coverage ratio; and
- Efficiency in cost control and management.

### Key goals in 2009

- Resource consolidation across the Group
- Continue to deliver quality and sustainable earnings;
- Maintain moderate risk appetite while insulating our balance sheet from systemic risks; and
- Distinguish the Bank from its Nigeria and Africa peers based on operational excellence and best practice in dealing with stakeholders.

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