

FCMB SUSTAINS MARKET-LEADING GROWTH AND EFFICIENCY; attains N20.5 billion in full-year profits, proposes 50k dividend

First City Monument Bank Plc (FCMB) closed its 2007/8 financial year, recording a 171% increase in Profit before Tax from N7.6 billion in 2007 to N20.52 billion and exceeding its 2008 forecasts by a margin of approximately 10%. Gross Earnings also grew by 112% in the same period to N52.82 billion from N24.9 billion.

The Group closed its books with an asset base, including contingents, of N587 billion, a growth of 90% over the prior year and following its highly successful public offer in 2007, the bank also recorded a significant growth of 330% in its Tier 1 Capital, from N31.2b to N133.7billion. A dividend payment of 50 kobo per share is being proposed, up by 43% from prior year, in spite of the massive growth in capital.

The results are a further affirmation of the bank's strengths as highlighted in a recent rating report on the bank by Standard and Poor's, which cited robust capitalization, a strong earnings profile and a focused strategy as some of the bank's key positive attributes.

Basic Earnings per Share (EPS) increased by 115% from 63 kobo in 2007 to 135 kobo in 2008, again ahead of its 2008 forecasts of 101 kobo. At current market prices, this would make FCMB one of the best value stocks in the market on a trailing price earnings ratio basis. Furthermore, the bank was clearly more efficient in its operations with its Cost to Income Ratio improving from 59% to 49% over the same period and its earnings remain well diversified; a 48%:52% split (Interest Income: Non-interest Income) demonstrating less reliance on interest income.

This is a positive development in light of the fact that interest rates have been on the increase in the money markets and net interest margins are therefore becoming tighter for the industry as a whole.

The Group Managing Director, Mr. Ladi Balogun has credited this impressive performance to the clarity and successful implementation of the bank's business and people strategy. "The result, which is beginning to emerge, is a business that is growing significantly faster than the industry, a business with higher margins and sustainable diversified revenue sources".

FCMB, winner of the Euromoney 2008 award for the Best Equity House in Nigeria and 2007 award for Best Investment Bank, has consolidated on its pre-eminence in Investment banking, with a deliberate diversification from the traditional and commoditized issuing house and underwriting activities and more towards structuring equity linked debt transactions for companies in the infrastructure, real estate and energy sectors.

This success is evident in a growth of 125% in Corporate Finance Income. This has been complemented by emphasizing Transaction Banking for corporate customers (Liquidity Management and Trade) providing further impetus to fees and enabling the bank to defend its Net Interest Margin (7.12% in 2007 vs. 7.44% in 2008).

Speaking further he said "we will also continue to push for leadership in the consumer banking

space, having invested significantly in distribution infrastructure, product development, technology, and human capital. Interestingly, this business will break even in the current financial year, to become a major revenue earner for the bank, and we expect it to contribute over 25% of the bank's net income 4 years from now. Hence the upside in our forecasts remains very significant".