OCEANIC BANK INTERNATIONAL PLC

OCEANIC

OCEANIC BANK INTERNATIONAL PLC RESTATES FULL YEAR 2008 RESULTS, REPORTS FULL YEAR 2009 AND FIRST QUARTER 2010 RESULTS

Internal Control Deficiencies, Governance Weaknesses and Risk Management Lapses Comprehensively Addressed, Turnaround ahead of Schedule, Returns to Profit in Q1 2010

HIGHLIGHTS OF GROUP RESULTS

- Completed first two phases and well into third phase of 3Rs program (Remedial Measures, Restatement of Accounts and Return to Profitability)
- Impact of restatement of the financial statements for the 15 months to December 31, 2008:
  - Gross earnings N118.3 billion vs. previously reported N188.2 billion
  - Loss before tax N338.2 billion vs. previously reported Profit before tax of N11.3 billion
  - Loss after tax N234.6 billion vs. previously reported Profit after tax of N9.6 billion
  - Provision for losses N295 billion vs. previously reported N42 billion
  - Non Performing Loans N443.3 billion vs. previously reported N54.5 billion
  - Cancellation of 1-for-10 bonus share issue

- Financial statements for the year to December 31, 2009:
  - Bank stabilized by end of 2009
  - Gross earnings for FY 2009 rises 66% to N196.4 billion
  - Provision expense falls N138.8 billion from N295 billion in 2008
  - Loss before taxation reduces 66% to N(116.1) billion
  - Loss per share fell 62% to N(3.99) from N(10.56) in 2008

- Financial statements for the quarter ended March 31, 2010
  - Return to profitability in Q1 2010
  - Gross earnings for Q1 2010 up 3% to N30.4 billion
  - Profit before tax climbs from loss of N(14.8) billion to profit of N2.6 billion in Q1 2010
  - Earnings per share for up from loss (52)k in Q1 2009 to 8k in Q1 2010

Lagos, 25 June, 2010: Oceanic Bank International Plc (BLOOMBERG: OCEANIC NL; NSE: OCEANIC; REUTERS: OCBK.LG) or "the Bank" announced on June 22, 2010 that it has restated its 2008 financial results to reflect economic reality as at December 31, 2008; the Bank also announced its full year 2009 and first quarter 2010 results.

Full Year Group Highlights for 12 Months ended December 31, 2009

Gross earnings were up N78.1 billion (66%) from N118.3 billion to N196.4 billion ,driven by interest and similar income on previously classified loans which are now performing

Net interest income rose sharply by N93.6 billion (1255%) from N7.5 billion to N101.0 billion largely as a result of as result of release of interest income on loans now performing and lower cost of funds

Net fee and commission income fell N15.1 billion (-73%) from N20.7 billion to N5.6 billion principally due to a slowdown in booking new loans and suspension of Interest on Non Performing Commercial Papers and Bankers Acceptances

Operating income increased significantly by N75.8 (166%) from N45.6 billion to N121.5 billion spurred by contributions from the rise in interest income

Operating expenses grew by N9.9 billion (11%) from N88.9 billion to N98.8 billion reflecting costs of aggressive business expansion embarked upon by former management

Non-performing Loans rose N200.7 billion (46%) from N433.3 billion to N634.0 billion while Non-performing Loan Ratio grew from 51% to 72% indicating the Board's determination to classify all loans in line with prudential guidelines and international standards

Loan Loss Provision and Interest in Suspense increased by N127.5 billion (34%) from N370.8 billion to N498.3 billion in compliance with stipulated standards and Prudential Guidelines

Loans and advances reduced by N115.8 billion (-23%) from N503.7 billion to N387.8 billion mainly as a result of additional provisions booked by Management

Capital Adequacy Ratio declined from -3% in 2008 to -15% (without CBN-provided Tier 2 capital); improved to -2% with N100 billion Tier 2 capital.

Cost-to-Income ratio showed a massive improvement from 195% to 81%

Loss before Tax cut by N222.1 billion (-66%) from N(338.2) billion to N(116.1) billion

Loss after Tax reduced by N145.7 billion (-62%) from N(234.6) billion to N(88.6) billion

Loss per Share declined from N(10.56) to N(3.99)

First Quarter 2010 Highlights

Gross earnings were up N1 billion (3%) from N29.3 billion Q1 '09 to N30.4 billion

Net interest income rose 150% from N2.9 billion to N7.1 billion reflecting a reduction in Primary Cost of Funds from 12% Q1 '09 to 5.2% by March 2010

Non Interest Income declined from N13.7 billion to N5.2 billion mainly due to sharp drop in loan origination fees.

Operating income fell N4.6 billion from N16.6 billion to N12.4 due to drop in loan origination fees

Operating expenses fell N3.7 billion (-18%) from N20.9 billion to N17.2 billion; proof of a focus on cost control

Net write-back of loss provisions N7.4 billion vs. incremental provision expense of N(10.5) billion in Q1 2009

Profit before Tax increased N17.4 billion from a loss position of N(14.8) billion to a profit of N2.6 billion

Profit after Tax rose N13.2 billion from a loss of N(11.6) billion to a profit of N1.7 billion

Earnings per Share grew 60k from a loss position of (52)k to a profit of 8k

MANAGEMENT COMMENTARY

Remedial measures

At the conclusion of a Special Examination conducted by the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC) to assess the health of Oceanic Bank, the banking regulator took a decision to intervene in the affairs of the Bank in order to protect depositors' funds as part of its policy of safeguarding against the collapse of money centre banks. On August 14, 2009, the Central Bank removed the Bank's executive management, announced the provision of a 7-year convertible loan of N100 billion for the Bank to meet its maturing obligations and appointed a new management team led by John Aboh with the express mandate to stabilize the Bank and return it to profitability.

The first priority of the new management was to address all structural and governance weaknesses and plug all systemic leakages uncovered by the Special Examination. In consequence, urgent remedial actions were initiated in the following areas: corporate governance, institutional culture, human resources realignment, cost rationalization, structure and processes. In each of these areas, appropriate and corrective steps have been taken with the overarching goal of achieving a strong control environment, high ethical standards and financial reporting integrity at Oceanic Bank.

"When we came on board, the most pressing task was to address the reporting, governance and control inadequacies that threatened to submerge this great institution. We did so squarely by taking quick steps to entrench a renewed awareness of managers-as-stewards accountable to all stakeholders, including customers, employees, shareholders and regulators. The next priority was to return to profitability. We are heartened to announce that we have accomplished just that and in record time too," said John Aboh, the Group Chief Executive Officer.

Restatement of 2008 Accounts

The current management team, which resumed in August 2009, evaluated the appropriateness of the Bank's prior accounting and reporting decisions. The team conducted an extensive review of the 2008 results, and, with the concurrence of the Bank's Board of Directors, came to the conclusion that it was best to restate the 2008 accounts to give a true and fair view of the Bank's condition as at 31st December 2008.

The restatement includes corrections of errors in the accounting period for improper or inappropriate transactions or entries identified by the review. In many cases these transactions or entries appear to have had the purpose of achieving an accounting result that would enhance performance measures believed to be important to the financial community and may have involved documentation that did not accurately reflect the true nature of the arrangements. In certain instances, these transactions or entries may also have involved misrepresentations to members of management and regulators.

The restatement of the 2008 accounts is therefore a major step in the Bank's ongoing drive to reinforce all aspects of corporate governance. Highlights of the restatement are as follows:

- Gross earnings N118.3 billion vs. previously reported N188.2 billion
- Loss provision expense N295 billion vs. previously reported N42 billion
- Loss before tax N338.2 billion vs. previously reported Profit of N11.3 billion
- Loss after tax N234.6 billion vs. previously reported Profit after tax of N9.6 billion
- Provision for losses N295 billion vs. previously reported N 42 billion
- Non Performing Loans N443.3 billion vs. previously reported N54.5 billion

A summary of the most significant of the accounting adjustments that included in the restatement are:

- Loans amounting to N199.5 billion and deposits of the same amount that had initially been recognized off-balance sheet were brought on balance sheet.

- Interbank takings amounting to N27.4 billion and a customer's deposit of N2.12 billion that were wrongly set off against loans balance were correctly recognized as Interbank takings and Customer deposits respectively

- Interest receivable on loans amounting to N8.4 billion was reclassified from Other Assets to Loans and Advances.

- Loan write offs amounting to N10.6 billion that were not properly accounted for were recognized in the profit and loss account.

- A review of the adequacy of the Bank's provision for loan losses resulted in N237.9 billion and N77.8 billion being recognized as additions to provision for loan losses and interest-in-suspense respectively.

- With respect to the bank's investment securities, listed equity securities amounting to N30.7 billion that were wrongly set off against customer deposits were corrected. Following the correction of the errors in the accounting for equity securities, an impairment assessment of these equity securities was performed which resulted in an impairment adjustment of N14.4 billion. Investment property and a receivable from a subsidiary amounting to N4.3 billion and N2.7 billion respectively that had wrongly been recognized as investment securities were reclassified to Investment property and Other Assets respectively.

- The Bank's investments amounting to N3.9 billion in Oceanic Bank Gambia and Union Bank of Cameroun that had been wrongly set off against the deposits of these subsidiaries with the Bank was corrected. The accounts of these subsidiaries which had been wrongly represented as being in the process of being acquired during the period were consolidated as required by accounting standards.

- The review of the Bank's fixed assets led to the proper treatment of non-capital expenditure of N2.3 billion, which comprises an advance payment of N647 million that had been wrongly included as capital work in progress.

- The Bank's liability of N2.6 billion under its unfunded gratuity scheme, that was wrongly undisclosed and consequently not accrued for, was recognized.

- The review of the Bank's interest charges led to the recognition of previously unrecorded interest expense on customer accounts amounting to N6.6 billion.

According to Oyinkan Adewale, the Bank's chief financial officer, "We conducted an extensive review of the 2008 results, and, with the concurrence of the Board, concluded that it was necessary to restate the 2008 accounts to give a true and fair view of the Bank's condition as at 31st December 2008. The thoroughness of the reviews gives us the confidence that the audited restated accounts adequately address the misrepresentations in the previously reported 2008 results. Going forward, our business and investment partners and all other stakeholders can rest assured of the quality and integrity of reported numbers."
With respect to the cancellation of the 1-for- 10 bonus share issue, Adewale commented: "Clearly, the bonus issue had to be aborted in the light of the Bank's restated negative shareholders funds. The issue had been proposed based on the previously reported positive shareholders funds of N217 billion."

Full Year Restatement - Impact on Group (Fifteen Months to December 31, 2008)

	Gross Earnings	Provision for Losses	Profit/(Loss) Before Tax	(Loss) After Tax	Basic EPS
	N '000	N '000	N '000	N '000	Kobo
FY 2008 Pre-Restatement	188,217,526	(41,959,628)	11,255,097	9,565,408	43
FY 2008 Post-Restatement	118,298,500	(294,967,726)	(338,233,659)	(234,676,105)	(1,056)
Adjustment	(69,919,026)	(253,008,098)	(349,488,756)	(244,241,513)	(1,099)

Return to Profitability

There are seven strategic priorities in the Oceanic Bank turnaround program. In the past ten months, the Bank has tallied commendable progress on each and every one of these.

1. Customer retention has shown a satisfactory steady state level without any material disruptions after the Central Bank intervention. In the immediate period after the intervention, a proactive customer communications plan, supported by the freshly launched "Today is a Good Day" marketing campaign, reassured the public of the Bank's strength to meet all its obligations and continue to play its role as a major lender and business transactions support provider.

2. Deposit growth keeps gaining momentum and has been rising in late single digits on a monthly basis. The bank's strategy of using its retail banking channels to attract low-cost funds is showing good results. From a pre-intervention level of N528 billion as at August 14, 2009, the bank's deposits initially dropped to N430 billion in October 2009. Since then, deposits have increased by 38% to N595 billion as at March 31, 2010.

3. Corporate governance deficiencies have been comprehensively addressed with increased and more effective Board oversight at both full-Board and Committee levels and input in strategic decision-making.

4. Credit quality and risk management have been buttressed across the entire Bank. The bank has concluded a total overhaul of its risk management processes, while its credit review policies have been revised.

5. Operational efficiency continues to improve due to the Bank's dual focus on trimming expenses and managing its borrowing, lending and other business activities mix.

6. Cost control has been disciplined with a 26% decline in monthly overheads from N7.2 billion in 2009 to a current level of N5.3 billion per month.

7. Loan recovery continues apace with a cumulative sum of N70 billion recovered between August 2009 and March 2010; growing to N96 billion in mid-June 2010. The Bank has established a dedicated recovery unit while a Board Committee was set up in October 2009 to investigate and resolve related-party non performing loans.

Outlook

The determination of the Board to restore Oceanic Bank to a solid footing had started to produce the anticipated results by the last quarter of 2009. The dynamism of this recovery has been sustained in the first quarter of 2010.
Speaking on the first quarter results, John Aboh, the Group CEO, said that:
"These results are indicative of growing customer confidence, loyalty, and a vindication of the effectiveness of the recovery strategy put in place by the new management to reposition the Bank. After overcoming the initial challenge of stabilizing the Bank and restoring customer confidence, we launched a recovery plan that focused on strong governance, robust internal controls, low-cost liability generation, cost optmisation, and improved risk management. The plan is yielding the desired results and the Bank is looking ahead to a brighter future."

Media Contact
Bethel Obioma
08023439866
bethel.obioma@oceanicbank.com

Investor Contact
Obi Tabansi Onyeaso
08034371224
obiora.onyeaso@customsstreet.com;
investor-relations@oceanicbank.com

About Oceanic Bank

Oceanic Bank International Plc is one of Nigeria's foremost financial services institutions. The Bank was incorporated on March 26, 1990 under the Companies & Allied Matters Act (1990) of Nigeria as a private limited liability company and was granted a commercial banking license on April 10 1990. Oceanic Bank opened for business on June 12, 1990. On June 4, 2004, the Bank converted to a public liability company and its shares began trading on the Nigerian Stock Exchange on June 25, 2004. Twenty years after it first opened for business, Oceanic Bank serves customers spread across all tiers of government, corporates, small & medium enterprises and individuals. Today, the Bank, whose success has been built on providing excellent services in a friendly environment through professional staff leveraging on the right technology, manages assets of over N889.83 billion. With a strong presence in asset management, commercial banking, health management, insurance, investment banking, pensions, registrar services, Savings & Loans and trustee services as well as over 370 business offices spread across Nigeria, Cameroun, the Gambia and São Tomé & Príncipe, Oceanic Bank is one of the most recognized financial services brands in West Africa.

Forward Looking Statements