

## OCEANIC BANK INTERNATIONAL PLC Q2 2010 RESULTS REVIEW

**Low Cost Retail Deposits' Mobilization Strategy and Progress in Loan Recoveries Sustain Profitability, Core business shows Sequential Period Improvement.**

### HIGHLIGHTS OF GROUP RESULTS

- ✦ **Gross earnings:** N64.26 27 billion, declined 7.5% from N69.46 billion in Q2 2009 comparative period for the comparable period
- ✦ **Interest income:** N54.05 billion, increased 13.3% from N47.7 billion in the 2 2009 comparative period
- ✦ **Primary cost of funds:** 3.69%, reduced by 5.78% from 9.47% in the comparative period, and by 6.39% from 10.08% in the prior sequential period
- ✦ **Interest expense:** N29.09 billion, grew 1.2% from N28.76 billion in the comparative period
- ✦ **Net interest income:** N24.96 billion, rose 31.9% from N18.93 billion in the comparative period
- ✦ **Net interest margin:** 46%, up 600bp from 40% in the comparative period
- ✦ **Net fee and commission income:** N7.31 billion, dropped 47.9% from N14.02 billion in the comparative period
- ✦ **Operating income:** N35.17 billion, slipped 3.7% from N40.70 billion in the comparative period
- ✦ **Operating expenses:** N34.92 billion, reduced 23.0% from N45.39 billion in the comparative period
- ✦ **Provision write-backs:** N9.94 billion versus provisions expense of N46.09 billion in the comparative period
- ✦ **Profit before Tax:** N10.19 billion versus losses before tax of N50.78 billion in the comparative period
- ✦ **Profit after Tax:** N8.24 billion versus losses after tax of N40.93 billion in the comparative period
- ✦ **Basic earnings per share (EPS):** 37k versus loss per share of N1.84k in the first half of 2009
- ✦ **Cost-income ratio:** 99%, down by 13% from 112% in the comparative period reflecting impact of December 2009 staff rationalization and continued focus on cost management
- ✦ **Non-Performing Loans to Total Loans and Advances:** 68%, down from 71.2% as at 31<sup>st</sup> December, 2009
- ✦ **Customer deposits:** N629.23 billion at 30th June 2010, up 13.0% from N556.78 billion at December 31, 2009 reflecting continued customer confidence in the Oceanic brand

## HIGHLIGHTS OF BANK RESULTS

- ✦ **Gross earnings:** N61.94 billion, fell 0.7% versus N62.43 billion for the first six months of 2009
- ✦ **Interest income:** N53.09 billion, increased 15.0% from N46.17 billion in the first half of 2009
- ✦ **Interest expense:** N29.25 billion versus N29.23 billion in the first six months of 2009
- ✦ **Operating income:** N32.69 billion, dropped 1.5% from N33.19 billion in the comparative period
- ✦ **Operating expenses:** N32.86 reduced 19.0% from N40.49 billion in the first half of 2009
- ✦ **Provision Write-backs:** N10.13 billion versus provisions expense of N45.91 billion in the comparative period
- ✦ **Profit before tax:** N9.97 billion versus a loss before tax of N53.21 billion in the comparative period
- ✦ **Profit after tax:** N8.18 billion versus a loss after tax of N43.06 billion in the comparative period
- ✦ **Basic earnings per share (EPS):** 37k versus a loss per share of N1.94k in the comparative period.

### Notes:

The comparative period refers to the first six months of 2009 or the date ended June 30, 2009. Prior sequential period refers to the final six months of 2009 or the date ended December 31, 2009.

## MANAGEMENT COMMENTARY

The extensive restructuring program launched by Oceanic Bank in the last quarter of 2009 has proven effective in driving profitability. The Bank recorded Profit after Tax of N8.24 billion by half year ended 30 June 2010. This is a marked improvement from a Loss after Tax of N40.93 billion as at 31 December 2009.

Over the past six months, Oceanic Bank has made considerable strides in regaining its position among competitors. The Bank has sharpened its focus on the retail end of the market by utilizing its wide branch network to grow deposits while offering a suite of specialized products for other customer segments.

In addition to its aggressive loan recovery plan and cost optimization program, the Bank, in the course of the year leveraged its extensive branch network, state-of-the-art customer contact center, robust IT infrastructure to drive market penetration of its electronic banking products. Together, these have put Oceanic Bank in a strong position for growth. The Bank also continues to benefit from improved corporate governance, enhanced risk management, and tightened internal controls.

Speaking of the Bank's performance, John Aboh, the Group Managing Director, said that:

*'Our second quarter results confirm the success of our turnaround agenda, which is built on constant improvement in customer service, base cost deposit gathering on the back of low interest rates through our broad bank brand coverage, overhead cost controls, loan recoveries leading to provision write-backs and an emphasis on quality risk assets.'*

*'Most metrics in our business have maintained the momentum we saw in the first quarter. If I had to capture what we have achieved in the past six months, I would say a return to the fundamentals of banking. When one looks at the business as a whole, one sees a stronger position on both customer and product sides. Oceanic Bank has been through a difficult phase and we are gradually pulling out of that. We are focused on the future and our clients have affirmed their support as shown by our numbers for the first half of the year.'*

According to Oyinkan Adewale, Oceanic Bank's Executive Director and Chief Financial Officer (CFO),

*The overall performance of the Bank in the first half of this year has been impressive.*

*We achieved 5 months of consecutive profitability since February which culminated in a PAT of N8.24 billion at the end of the second quarter.*

*We are beginning to see the impact of our recovery plan which yielded approximately N98 billion cumulative loan recoveries at the end of June 2010. We expect this to improve significantly once the Asset Management Corporation of Nigeria (AMCON) becomes operational. Our ability to sell bad loans to AMCON will boost the Bank's liquidity and position us to create quality risk assets. Today, the Bank has stabilized and we expect continued profitability going forward. We will also continue to explore opportunities for cost optimization as we focus on our core business to retain our growth trajectory.'*

Commenting on Oceanic Bank's outlook, John Aboh, the Group CEO noted that:

*Our achievements in the first six months of the year owe a lot to the steps launched in 2009 to resuscitate this proud institution. Today, we are a fitter and leaner Bank that is better attuned to client needs and accountable to shareholders. Looking forward, we expect that Oceanic Bank will maintain its performance of the first six months for the rest of the year and be successfully recapitalized within a reasonable timeframe with the full backing of our shareholders. This is the critical last mile in Oceanic Bank's turnaround and we believe that we will conclude it in an orderly manner for the gain of all stakeholders.'*

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#### **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 in excess of N900 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**

This Analyst Handout may contain forward-looking statements which reflect Oceanic Bank International PLC's current views with respect to, among other things, the Bank's operations and financial performance. These forward-looking statements may be identified by the use of words such as 'outlook,' 'believes,' 'expects,' 'potential,' 'continues,' 'may,' 'will,' 'should,' 'seeks,' 'approximately,' 'predicts,' 'intends,' 'plans,' 'estimates,' 'anticipates' or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Oceanic Bank believes these factors include but are not limited to those described in its Annual Report for the fiscal year ended December 31, 2009. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release. Oceanic Bank International undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

# UNAUDITED ABRIDGED FINANCIAL STATEMENTS 30 JUNE 2010

## OCEANIC BANK INTERNATIONAL PLC Unaudited consolidated balance sheet as at 30 June 2010

	GROUP June 2010 N'000	GROUP December 2009 N'000	BANK June 2010 N'000	BANK December 2009 N'000
<b>Assets</b>				
Cash and short-term funds	34,591,969	54,707,470	28,105,531	32,512,146
Treasury bills	38,363,830	30,447,834	38,135,218	29,896,915
Due from banks and financial institutions	71,032,468	39,182,601	52,360,157	35,298,039
Short term investments	40,331,672	29,256,089	40,179,780	29,107,774
Loans and advances	400,101,460	387,803,733	392,422,872	383,666,172
Advances under finance lease	1,727,494	3,209,040	1,715,426	3,197,888
Investment securities	127,902,009	103,732,116	101,149,695	79,144,567
Investment in subsidiaries	-	-	33,224,451	29,589,451
Deferred Tax assets	132,430,266	133,422,861	131,117,817	132,384,721
Other assets	35,644,182	40,957,628	37,664,263	46,607,454
Investment properties	11,526,001	12,156,324	4,367,745	4,367,745
Fixed assets	64,163,306	66,213,838	61,444,858	63,546,306
<b>Total assets</b>	<b>957,814,657</b>	<b>901,089,534</b>	<b>921,887,813</b>	<b>869,319,178</b>
<b>Liabilities</b>				
Customers deposits	629,228,586	556,781,495	620,625,634	545,915,514
Due to other banks	245,568,068	278,330,695	241,710,025	277,144,003
Other borrowings	26,210,625	25,830,000	26,210,625	25,830,000
Current income tax	3,620,991	2,797,328	1,362,064	847,820
Other liabilities	60,066,763	51,716,448	47,654,376	43,658,342
Retirement benefit obligations	1,798,310	1,557,719	1,737,991	1,521,372
CBN Convertible loan	100,000,000	100,000,000	100,000,000	100,000,000
<b>Total liabilities</b>	<b>1,066,493,343</b>	<b>1,017,013,685</b>	<b>1,039,300,715</b>	<b>994,917,051</b>
<b>Equity</b>				
Share capital	11,110,685	11,110,685	11,110,685	11,110,685
Other Reserves	(119,544,607)	(126,677,266)	(128,523,587)	(136,708,560)
<b>Attributable to equity holders of the parent</b>	<b>(108,433,921)</b>	<b>(115,566,581)</b>	<b>(117,412,902)</b>	<b>(125,597,875)</b>
Non-controlling interest	(244,764)	(357,570)	-	-
<b>Total Equity</b>	<b>(108,678,685)</b>	<b>(115,924,151)</b>	<b>(117,412,902)</b>	<b>(125,597,876)</b>
<b>Total equity and liabilities</b>	<b>957,814,657</b>	<b>901,089,534</b>	<b>921,887,813</b>	<b>869,319,178</b>
<b>Contingent liabilities and commitments</b>	<b>77,618,051</b>	<b>107,715,379</b>	<b>71,708,967</b>	<b>102,241,028</b>

**OCEANIC BANK INTERNATIONAL PLC**  
**Unaudited consolidated profit and loss account**  
**For the period ended 30 June 2010**

	<b>GROUP 6 Months June 2010 N'000</b>	<b>GROUP 6 Months June 2009 N'000</b>	<b>BANK 6 Months June 2010 N'000</b>	<b>BANK 6 Months June 2009 N'000</b>
Gross Earnings	64,266,498	69,461,897	61,943,144	62,429,202
Interest income	54,052,014	47,694,690	53,086,765	46,173,935
Interest expense	(29,093,181)	(28,762,351)	(29,250,996)	(29,234,259)
<b>Net interest income</b>	<b>24,958,834</b>	<b>18,932,339</b>	<b>23,835,769</b>	<b>16,939,676</b>
Net fee and commission income	7,312,924	14,018,679	6,736,508	9,862,482
Foreign exchange income	2,090,037	5,672,356	2,007,527	5,624,366
Underwriting profit/(loss)	604,187	1,015,809	-	-
Trusteeship income	4,277	-	-	-
Income from investments	203,059	1,060,363	112,344	768,420
<b>Other income</b>	<b>10,214,484</b>	<b>21,767,207</b>	<b>8,856,379</b>	<b>16,255,267</b>
<b>Operating income</b>	<b>35,173,317</b>	<b>40,699,547</b>	<b>32,692,148</b>	<b>33,194,943</b>
Operating expenses	(34,920,034)	(45,394,882)	(32,855,260)	(40,489,982)
Write-backs/ (Provisions) for losses	9,937,757	(46,088,004)	10,129,232	(45,910,423)
<b>Profit/(loss) before tax</b>	<b>10,191,041</b>	<b>(50,783,339)</b>	<b>9,966,120</b>	<b>(53,205,463)</b>
Taxation	(1,949,917)	9,855,410	(1,781,148)	10,146,253
<b>Profit/(loss) after tax</b>	<b>8,241,123</b>	<b>(40,927,929)</b>	<b>8,184,972</b>	<b>(43,059,210)</b>
Non-controlling interest	(112,806)	(264,389)	-	-
<b>Profit attributable to the group</b>	<b>8,128,317</b>	<b>(41,192,318)</b>	<b>8,184,972</b>	<b>(43,059,210)</b>