

11 April, 2011

EXCERPTS FROM DIAMOND BANK PLC CONFERENCE CALL

Diamond Bank Plc hosted a teleconference call for analysts and investors on Thursday, April 07, 2011 with its senior management to discuss its FY 2010 and Q1 2011 financial results. Below are key highlights from the call:

- Diamond Bank plans to raise between US\$150.0m and US\$200.0m in the form of Tier-2 capital via a 7-year instrument in the 2011 financial year. From the conference call, we understand plans are already at an advanced stage and that the Bank should bring the transaction to a close very soon.
- The Bank will be disposing all of its non-banking subsidiaries as it has opted for international banking license, in line with the new banking regulations.
- The Bank's 2010 performance fell significantly short of expectations as the Bank had to take significantly larger provisions – N22.9bn in total – as against the N17.0bn initially anticipated by management. The >N5.0bn in extra provisions were add-ons from its under-performing capital market (Diamond Securities) and investment banking (Diamond Capital) subsidiaries.
- On the back of planned disposals, the Bank made additional N4.5bn in provisions in Q1, 2011: N2.5bn for Diamond Mortgages (which has been collapsed into the Bank) and an additional N2.0bn accruals for both old and new NPLs.
- The Bank estimates total FY2011 provisions to be in the N30.0bn (US\$194.4m) range, broken down as follows:
 - N10.0bn (US\$64.8m) relating to divestments from subsidiaries
 - N12.0bn (US\$77.7m) net impact of existing NPLs (relating to loans of 2010 and before)
 - N4.0bn (US\$25.9m) in new NPLs (risk assets to be created in 2011)
 - N4.0bn (US\$25.9m) in general provisions (based on the return to the 1.0% NASB rule)
- Management guidance indicates FY2011 operating profit of approx N35.0bn and PBT of N5.0bn.
- Provisions are expected to drop to pre-crisis levels as from 2012. The new management expects to clean up the books in FY2011, while aggressively growing risk asset creation simultaneously. The Bank had practically shut down loan growth in 2010 in the wake of the asset quality problems unearthed by the CBN intervention. It targets a 30.0% growth in loans and advances while deposits are expected to increase by 25.0% on 2010 levels.
- Diamond Bank is looking to sell N20.0bn of NPLs to AMCON shortly, subject to finalizing terms. The Bank also plans to sell an additional N20.0bn by Q3 2011, depending on AMCON's timetable, as well as increase Tier 1 capital in 2013.
- Our long term view on the Bank is currently **UNDER REVIEW**.

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