FBN HOLDINGS PLC

Transcript for the FY 2016 & Q1 2017

Results Conference Call

Friday, 28th April, 2017

UK Eke

Group Managing Director

Thank you very much. Good afternoon and good morning. Welcome to the FBNHoldings full year ended 31 December 2016 and first quarter ended 31 March, 2017 investor and analyst presentation.

Again, my name is UK Eke, the Group Managing Director FBNHoldings. On this call with me I have Dr Adesola Adeduntan the Managing Director of FBN Limited and its subsidiaries. I also have the CFO of the commercial bank Patrick Iyamabo. Joining me also is Olusegun Alebiosu, the Chief Risk Officer at the commercial bank. Finally, I have Oyewale Ariyibi who is the CFO at the Holding Company.

I know you have taken time to look through the presentation that we posted today, so I will just go quickly go to slide 5 and walk you through the slides then open it up for Q&A.

Slide 5 essentially highlights the parts of the challenging operating environment over a two-year period with inflation reaching as high as 18.6% in Q4 2016. We also will see on that slide crude oil production volumes which we could see were largely undulating.

We saw yields also on investment securities decrease at certain times, shutting down the private sector and the story of the currency is quite well known to us, with effective devaluation in 2016.

Moving on to side 6, I think the major point to note there is the very recent revision by PENCOM, the regulator of the pension industry, that the investment guidelines which effectively permits PFAs to invest in equities of bank holding companies. Certainly FBNHoldings stands to gain from this revised guideline.

Slide 7 speaks to the strong earnings we recorded during the face of challenging operating environment. Despite the headwinds and uncertainties, I'm pleased to report our strong earnings as shown on slide 7. First we achieved 15.7% year-on-year growth in gross earnings even on a very high base and, for the record, NGN582 billion was the highest by any Nigerian banking group.

We also saw a very strong pre-provision operating profit of NGN248.9 billion which again was the highest in the industry for 2016, 13.7% growth in total assets and increasing balance sheet strength as we deal with the legacy assets which we reported last year.

Moving on to slide 8 we have highlighted the key ratios that have impressed us. We're happy to report very strong improvement in the cost to income ratio 47% in the face of a very high inflation regime, 47% versus 61% in the corresponding period of 2015.

Liquidity ratios remained very high above 50% and cost of funds at 2.8% was the lowest in the market at the end of the year, although we saw a slight increase in the first quarter of 2017.

For CAR, the commercial bank recorded 17.8% capital adequacy ratio at year-end. That improved slightly to 18.1%. I'm also glad to report that the merchant bank also continues to post very strong CAR closing at 24% at the end of 2016.

Now the NPL and cost of risk remains elevated and I am sure there will be lots of questions in this area. But suffice to say that we are happy with the steps we have taken so far to manage formation of fresh NPLs. We will speak to the loan book during this presentation.

Slide 9 reflects the beauty of the holding company model we chose to run in 2011. You will see that the investment portfolio is quite well diversified across the commercial bank, merchant bank and insurance and we have sustained over the period dividend payment to shareholders through strong showing of this non-commercial bank subsidiaries.

Today our life subsidiary is the fastest growing insurance company in the market achieving 70% growth year on year within the gross written premium line. Of course, our merchant bank and asset management subsidiaries remain market leaders in many respects.

I will go straight to slide 15 and again we have tried to demonstrate the very strong and well-diversified funding base of the Group underpinning our retail bank credentials.

You will see from that slide, I think it is the very first bar chart to the left, you will see the funding base. About 87% of funding comes through customer deposit and equities. Indeed, 72% of customer deposits are from the current accounts and savings accounts, so that explains the very low cost of funds at 2.8% at year-end.

Now, before we go to Q&A, I want to quickly run us through certain parts on slide 24. Here we have articulated what we see or what we have chosen to call simplified pathway to value creation. There are four critical levers.

One, delivering structural changes in the risk-taking culture. Clearly, we have institutionalised the new credit culture from customer selection, underwriting all the way to recovery. We've also revamped the risk management governance architecture and also made key appointments - I had earlier introduced Olusegun Alebiosu who is the new CRO and are happy to have him on board.

The second critical pillar is our sustained effort at improving the costs and capital efficiency ratios. We've achieved cost reduction both in absolute terms and also in percentage terms, even in the face of high inflation. As we stated earlier, cost to income ratio at 47% is quite respectable for a bank of our size and we have also undertaken a wholesale change in people, processes, policies and technology. And have also gone ahead to integrate shared services just to eliminate the cost and centralise our operations.

We saw a modest balance sheet growth, however, we also saw enhanced treasury activities which gave us significant interest income during 2016.

The fourth pillar speaks to enhancing revenue growth across the organisation and this includes our efforts at building collaboration and synergy across the operating entities. We are very resolute in executing our strategies and we believe that the increase we are seeing in our market share from customer deposits to other lines, where we have increased market share, will be sustained into the future. We also have sustained our efforts at creating these competencies to enhance revenue and service delivery. Specifically, you will see what we have achieved with respect to our USSD. We have recorded to date over one million users, which is the fastest growing USSD service in the industry today.

We are the only bank to have also recorded over a 100 million monthly electronic banking transactions. Currently we are achieving 110 million and we have also strengthened our infrastructure to drive efficiencies across all areas of business.

As a matter of fact, the point has to be made that we have achieved about 69% year-on-year growth in non-interest income not just on account of devaluation, but also on account of our commercial banking services which we have improved.

So this gives a short summary of the scorecard, I thought we should leave enough time for questions and answers, so let me then invite questions. I will turn it over to the operator for questions and answers. Thank you.

Q&A Session

Muyiwa Oni - SBG Securities

Good afternoon, everyone. Thank you for the presentation. I have a couple of questions. The first is on your press release. You highlighted that you were restructuring your loans, so if you could elaborate on that. Are you calling for more collateral or if you could just elaborate on how you are doing that?

Also, I suspect part of that as well, if you could give an update on Atlantic Energy and the other two obligors that you had touched on in the past.

Then also, if you could talk to whether you had written off any loans over the last three months or over the last one year. More or less just taking advantage of the CBN's forbearance window.

Then how, in some detail, how do you plan to drag down NPLs to below 20% and what's your, shall I say two to three year, guidance on NPLs?

And then also on cost of risk as well, I see that you are guiding 6% to 7% for 2017. But over the next two to three years, what kind of level of cost of risk should we expect?

Adesola Adeduntan - First Bank of Nigeria

Thank you. Adesola Adeduntan, CEO FirstBank. Your first question wasn't very clear, but I think it has to do with how we are restructuring the loans. Again, two pronged approach either we go for remediation or we go for recovery depending on the nature or the outcome of our analysis.

For those for which we can see credible cash flow into the future, they are restructured to align with the revised cash flow and for some we go for outright recovery.

With regards to the three big names that we have referenced, one of them is reverting shortly into performing. We have restructured that particular facility, It is actually the biggest obligor in our book, we have restructured the facility. We do have the cash flow that will make it to be performing within our control. But in line with the provision of IFRS, we need to wait out for a certain period of time to elapse before we can take it back into performing.

With regards to the second exposure, which is equally very material, this is an asset realisation game and we are at the tail end of that process.

The third one of the big three is one that you specifically named which is Atlantic Energy, we are in ongoing conversations with the political leaders. Our rights continue to be recognised, it's taking longer than we had originally intended.

So, again, on Atlantic Energy, we are optimistic of resolution, but the issue is of timing, which is why it is the only one that we cannot conclusively say when we are going to resolve.

In terms of if we took advantage of the write-off window opened by the central bank. Yes, we did take advantage of that and it is obvious from the audited financial statements that we have released to the public.

In terms of NPL, we've already guided that we expect that to gradually trend downwards. If you look at what I have just explained, if the two material loans, I said were on the verge of being resolved, gets resolved, then what you will see is a material reduction in the NPL ratio. Over the two/three-year horizon that you have mentioned, like I said, we expect that to trend gradually downwards.

UK Eke

Can we take the next question, please?

Tolu Alamatu - Exotix Partners

Good afternoon and thank you for taking the questions. My first question is a follow-up from what you just said on NPLs, please. You mentioned that the largest of the problem exposures will potentially be restructured this year. Can you give us some idea of the size of that exposure relative to your loan book and what that restructuring would mean in terms of percentage points for your NPL ratio?

Also, can we expect further write-offs on NPLs this year?

And again on NPLs, what sector did the additional NPLs recorded in Q1 come from? I think you had an additional NGN40 billion in NPLs added in the first quarter.

A second question is related to loan growth. You are targeting 5% to 10% this year. Could you give us some idea of what sectors you see opportunities in, please?

My final question is on foreign currency liquidity. Can you give us an update on your current status on that especially in terms of public sector deposits which you have had to be moved to the CBN? Are there any more deposits that you might need to move and could FirstBank consider coming back to the bond market to issue a senior bond? Thank you.

Olusegun Alebiosu - First Bank Nigeria

My name is Olusegun Alebiosu, Chief Risk Officer FirstBank Nigeria. On the write-off, we took advantage of the CBN window but the amount was not material. Total loans written off last year was 2.5% of the loan book of which only 25% of that was under the CBN forbearance.

In 2017, we will continue to make provisions for loans as they fall into default, if any, in line with our prudential requirement and if necessary, where remediation fails and collection becomes sticky, we will consider write-off as appropriate.

On the growth in portfolio, our focus, based on our strategy, is to do more loans with top tier corporates, do more trade business, and expand our retail loan book. As part of our strategy, as explained earlier, we capped exposure to middle tier market and to the oil and gas sector. These have contributed to the current NPL position that we are trying to resolve.

The sectors for concentration for us will be manufacturing, fast moving consumer goods, beverages, and general commerce.

Tolu Alamatu

Just if I could go back to asset quality for one second, is there any more detail you can give on the large NPLs that would be restructured and what percentage of your loan book it is please?

Olusegun Alebiosu – FirstBank

Yes. The two loans being pulled out of NPL, the two loans represent about 10% of the loan portfolio, therefore, will impact NPL materially.

Tolu Alamatu

Okay. The final question, if I may, on foreign currency liquidity please. Thank you.

Ini Ebong - FirstBank

Generally speaking, foreign currency liquidity has improved on the back of the increased central bank intervention in the FX market which started tail end of Q4 last year. So that allowed us to unwind a lot of our outstanding trade obligations.

In addition to that, the Bank still has strong market access, so we have been able to fund bilaterally from a range of counterparts and from our correspondent partner banks.

With respect to our outstanding Euro bonds, it's clear that we do and will still have an ongoing term funding need. That was one of the key drivers behind the issuance in the first place so that we could gain some term duration into the liability book. The good thing for us is that the two bonds mature in 2020 and 2021, so it gives us sufficient time to evaluate market conditions. So, where there are favourable market conditions and the opportunity exists, we may take a look, but we still have a fair bit of time before it becomes a more compelling or imperative call to make that decision. Thank you.

Tolu Almatu

Thank you very much.

Ola Ogunsanya - Renaissance Capital

Hi. Good afternoon and thank you for taking my questions. My first question is on this loan that will be written back as performing in 2017. How much provisions were taken and are we likely to see any write-back in 2017?

Secondly, of the challenged assets that have been classified, how much more do you think we have to go? I ask this because I'm trying to get a better understanding of how much more pain there is to come and the expected timeline for a complete clean-up of the loan book. Thank you.

Olusegun Alebiosu – FirstBank

Provision level is 51% for the loans and we will see write-back in 2017. How much more do we need to take? We will say that as of today there are still some unknowns, but we do not expect a spike in provision. However, it would be prudent, in line with our corporate governance, that we will account for all loans on our books as appropriate.

How long? We believe that with what we have done to our risk management and administration, and in view of the reality in our environment as well as how we have selected our counterparty including focus on quality at entry and enhanced risk appetite framework, we believe that NPL will start trending down from 2017 and that by 2019 we will be in single digit trajectory.

Ola Ogunsanya

Thank you. Just a follow-up question. I'm just trying to understand what exactly changed for these loans to be classified as performing. Was there a big fundamental change in the operations of the business? What exactly happened there?

Olusegun Alebiosu – FirstBank

Okay. The accounts have been restructured. The cash flows that are required to meet the obligations for the first two quarters of 2017 are already with us and we believe that with the business model and the outlook, the cash flows for the other two quarters will also be in. Going by IFRS, we will need only two quarters of obligation for an account to be classified back into performing and the two quarters is what we are observing. When the two quarters expires, the facilities will fall back to performing based on cash flow.

Ola Ogunsanya

Thank you very much.

Ronak Gadhia - Exotix Partners

Hi. Hello gentlemen, and thanks for the presentation and taking the questions. I will just take you back quickly to the three large loans. I guess that's the main topic of concern this afternoon. Did I hear you correctly when you say that two of the loans which are expected to normalise this year form about 10% of your loans? Is that correct?

With regards to these loans, can you just share how much provisions you have made on these loans and how much might come back onto your P&L once these loans are reclassified to performing loans?

With regard to Atlantic Energy, is it possible to share what are some of the key bottlenecks or sticking points that is preventing this deal from being concluded?

Then again just staying with the NPL themes, one of the things I have noted over the last year or so is that the NPLs from your UK subsidiary have substantially increased. Now the view on the UK subsidiary was that it was a very low risk business, so it's quite surprising to see NPLs increase at such a significant and sustained rate. Can you just share your thoughts on what is driving this and how much further there might be to go?

The other question was on new NPL formation. There has been some talk of quite a few high profile corporates under pressure, Etisalat, Seven Energy, et cetera. Can you share what your exposure is to these companies and whether these loans have been classified as non-performing? Also can you share whether Aiteo is classified as a non-performing loan and if any provisions have been made on that?

Lastly, on your capital, sorry for too many questions, when I look at your capital, the biggest driver for the increase in tier one capital was in 2015 you had classified something called loans to subsidiaries in excess of single obligor limit. You had made a deduction of about NGN30 billion and that deduction was taken away in 2016. So can you just share your thoughts on what is going on over there? Thank you.

Olusegun Alebiosu – CRO FirstBank

Okay. Confirmed, that the two exposures represent 10% of our portfolio. We confirm that there will be write-back in 2017 on the accounts.

For the FBN UK subsidiary, yes, it is a low risk subsidiary, but there was an exposure - an agro commodity exposure in Europe that went burst and in line with our conservative approach, we took in the provisions to ensure that we free this subsidiary from further legacy loans. Recovery efforts are underway with other lenders, other European lenders and we believe that will come out perhaps in the course of 2017 also as a write-back.

We appreciate the fact that the FBN UK operations have been largely low risk and that they have been a trade-focused institution which is what it will continue to be. And what led to this issue in the European market has necessitated a review of our risk capital framework and tolerance limit across obligor, products, services, sectors and geographies. Based on that, we are confident that going forward we may not see such shocks or surprise coming out of the UK subsidiary.

Adesola Adeduntan – MD FirstBank (Nigeria) and its subsidiaries

As an addition to the issues in FBN UK, during the course of 2016 we also appointed a new CEO. We are appointing a new Executive Director in charge of business development joining also one of the top investment banks. Again, part of taking care of not only credit origination, but ensuring that the entire franchise risk and the governance is strengthened.

Like the CRO rightly mentioned, we have also strengthened the entire credit framework and the credit governance structure surrounding not just FBN UK but the entire operating subsidiaries of FirstBank outside Nigeria. So we do not expect this kind of escalated NPL going forward.

Patrick Iyamabo – CFO FirstBank

This is Patrick. To your question about capital increase noted, there are three drivers of the improvement in capital and you noted one of them. Anyway, the first of them had to do with the profit booked in the period. About NGN30 billion improvement in shareholder funds translated to approximately 1% in CAR for us. Of the NGN50 billion profit booked during the year, NGN30 billion was recognised for capital adequacy ratio and that improved CAR by 1%.

You spoke earlier on about the regulatory bit around the SOL (single obligor limit) which frankly underestimated CAR by approximately 1% in prior year and that has now been released to us, so that boosted CAR as well.

Then the third bit had to do with reduction in RWA (risk weighted assets). As you can imagine, the impairment charges we recorded also resulted in reduced RWA and approximately NGN150 billion in RWA translated by 1% CAR. So, if you just do the math there you can see how CAR has improved from what it was as of 2015 to what it is now.

Ronak Gadhia - Exotix

Okay. Thank you. Just as a follow-up, sorry, we keep going back to the three big loans. Could you quantify the level of write-backs you might get from those three loans? Also, on Atlantic Energy, I don't think you touched on what the key sticking points there are on why that loan is not being finalised, or why that deal has not been finalised.

Adesola Adeduntan – MD FirstBank (Nigeria) and its subsidiaries

Let me take the question on Atlantic Energy. The reality of the assets involved on that particular transaction simply put, these are a group of highly prolific assets so the ownership of that asset has significant political implications. So it's not just the commercial transactions, there are also political underlying considerations that comes into play when you are dealing with assets of this nature. So basically we are just working through the process. Like I said, our rights continue to be recognised.

Ronak Gadhia

Okay.

Oyinkan Ogungbemile

Good afternoon. I would like to find out what is responsible for the spike in the NPL ratio from 24.4% in FY 2016 to 26.0% in Q1 2017. Also, you mentioned that there are some known sectors that might even further increase the NPL. So can you tell us what sectors these might be? Thank you.

Olusegun Alebiosu – CRO FirstBank

Permit me to correct the statement you made. We said there are few unknowns in the books we did not say we have more to go.

Now, the spike in NPLs in the first quarter relates to legacy loans in our FBN UK subsidiary. We decided to review the entire portfolio following the issue that happened late December and considering what we saw, we decided to be prudent and to take in all the provisions that we needed to do in the first quarter in line with our position to be decisive with NPLs.

As we are going through 2017, we have indicated our cost of risk guidance as between 6% to 7%. Implicit in that is that we decided as an institution to remain prudent and to raise ahead of IFRS 9 in such a way that there will be little surprise to the market in the years ahead.

Oyinkan Ogungbemile

Thank you.

Victor Chiazor - Capital Bank Corp

Good afternoon. Thank you guys for the presentation. I have just a couple of questions. First, the question regarding the total expectation of the write-back we are expecting in 2017 from all the non-performing loans you might reclassify, we didn't get your answer regarding that.

The second question regarding your non-performing loan coverage. For the full year your coverage was 57.3% as against 40.2%. I wanted to know what guided you to provide 57.3% as against 40%. When you take out your statutory reserves from your positioning, your NPL coverage is about 38.8%. So, I would like to know going forward are you going to be taking it higher to probably 60%, 70%, or it might go lower in terms of your NPL coverage and to know how that will affect your bottom line?

The third question is regarding performance. From your expectation, you expect NPLs to hit single digit in 2019, so can we say that we don't expect the bank, FBN itself, the banking arm of the business, to pay a dividend? You're not expecting dividend from these other subsidiaries? Thank you. These are my questions.

UK Eke – GMD FBNHoldings

Okay, let me quickly take the question on the commercial bank up-streaming dividend to the holding company. The answer is yes, we do not expect upstreaming of dividends from the commercial bank at this time until business normalises. Because of our decision over the last two years, you would have noticed a build-up of the capital. Today we are very comfortably above the regulatory threshold of 15%. Indeed, we are over 18% for Q1. So that trend will continue.

We need to also allow the commercial bank to assume growth which will come to the Group as a gain and certainly a buffer to drive business growth. Fortunately for us, as I mentioned in the presentation, other non-commercial bank operating entities have stepped up to the game.

Victor Chiazor

Okay, thank you very much.

Ndubuisi Obike - Stanbic IBTC Pensions

Hi. I have two questions. My first question is as regards your capital position, do you still want to maintain the strategy of creating capital buffers by investing your earnings or would you reconsider the other approach of coming to the market? That's the first one.

Then my second question is the recent downgrade of your credit rating to BB by Fitch, what impact do you think that will have on your ability to raise bilateral funds outside? Given that the two issues they mentioned mostly were your capital ratios and the asset quality, do you think you are going to see an improvement that would probably lead to an upward review of this credit rating or are you not bothered by that?

UK Eke – GMD FBNHoldings

Okay. Let me just comment on the capital question. Your point is should we continue with the strategy of profit retention or we should go to the market to raise capital. You will agree that the market conditions are not conducive for a fresh capital raise and that will be dilutive to the current shareholders if we attempted to raise capital from the market.

I think the right strategy will be for as long as the other operating entities are able to upstream the dividend and satisfy the shareholders, then allow the crown jewel to restart the business after the lull in 2015/2016. I think it is better to organically grow capital. It's cheaper for us, it's more efficient for us and also in terms of timing, it's going to take a longer time to complete the capital raising processes. So we believe we are making the right decision for the benefits of our shareholders.

Patrick will take the other question you raised.

Patrick Iyamabo – CFO FirstBank (Nigeria)

So, thank you UK. Just to round up on the capital discussion, I mean if we think about the bank, at 18.1% that's a pretty good place to be as 16% is the minimum we aspire for. 17% is the target we work towards and we are at least 100 basis points over that target. We believe as we continue to grow the business and accrete the profit, CAR will improve. So, the issue of a capital raise for capital buffer purposes is not an immediate consideration.

Now, to the point about the downgrade to BB, of course, it's important to us and it's something we're looking at closely. You mentioned clearly, and quite correctly, that a key reason for that downgrade was our capital position. The current CAR about 18.1% or given where our CAR is, and if you look in other considerations around the strength of our balance sheet, liquidity ratio, cost to income and the pre provision operating profit, the rate at which we are creating profit and our ability to take in all these impairments without hitting reserves, there is clearly a compelling reason for a risk re-rating and that's what we will strive to do.

UK Eke – GMD FBNHoldings

The next question.

Lanre Buluro - Chapel Hill Denham

Sorry, just to repeat my questions. I was mentioning about a bank in the sector that set up a private sector AMCON where it carved out these legacy loan issues and took full impairment and decided to resolve it outside of its balance sheet. So, I was hoping it was something you would be looking to do.

My other question was around your eBusiness. It's materially down and was down 30% year on year. As I remember it correctly in your prior calls you said you want the bank to be more transactional based. eBusiness is something you've been touting and it's down 30%. Can you explain what happened during the quarter and what you expect for the year?

On the FX driven income, so what's your guidance for the full year given the window created by the CBN as regards FX intervention?

Olusegun Alebiosu – CRO FirstBank

Okay, on the private sector AMCON implemented by a competitor in the industry, we might not go that route but will we implement our own resolution strategy within the bank. That is important because if we need to take the write-back to our books we need to benefit from recoveries based on the provisions we've taken in the past and the shareholders of the bank also want back. Considering those options, we resolve to have our own internal AMCON within the institution.

Adesola Adeduntan – MD FirstBank (Nigeria) and its subsidiaries

I think the key point there really is, there are several resolution pathways and we opted to do an internal resolution framework which is what we are executing and we think that plays better to our own business strategy and philosophy.

Patrick Iyamabo – CFO FirstBank (Nigeria)

Okay, to the other question about transactional income dipping, I think the two key areas you would have noticed, that would have been, 1., The money we make off cards used abroad and that's quite a sizeable income line. Then the second would have to do with trade-related type transactions.

In both instances FX illiquidity and the CBN regulations including the impact on the attractiveness of the card business offshore last year were the key drivers for the dip on those two income lines.

However, as you would have noticed, we made up for that significantly around our ebusiness space and we are seeing quite some traction there. The discussion was made earlier; the point was made earlier on about the ramp-up in the business along that line. We also made up for this partly through funds transfers as well.

Going into 2017, where we plan to aggressively ramp-up our transactional capabilities around ebusiness and also aggressively pushing into the transaction banking space, but typically the cash management propositions and then trade. The improving FX liquidity position, especially, positions us to bounce back on those income streams.

So, I guess in summary, the business plan and the strategic thrust around growing transactional income sources is very much on track.

Ronak Gadhia - Exotix

Hi. Sorry, just as a follow-up, one of the other questions I asked earlier about the exposure the bank has to some of the struggling corporates in Nigeria, Etisalat, Arik Air, Seven Energy, do you have any exposure to these corporates and if so, what's the status of those loans? Have they been classified as non-performing or will that happen during the year?

Olusegun Alebiosu – CRO FirstBank (Nigeria)

At FirstBank, we are not exposed to Arik.

On Etisalat, a consortium of lenders are being guided by the regulators, I mean on the banking side and on telecom side, towards a resolution that we believe will work for both parties. Etisalat, as you know, generates about NGN20 billion monthly and with infrastructure across the country. In resolution of the issues, they are currently meeting in London to resolve the same. We are positive that Etisalat will be restructured as being guided by the regulators and that the loan will be repaid.

For us, our exposure is about 1.25% of our portfolio and so it’s not material for us.

Ronak Gadhia

Okay. The last one, Seven Energy.

Olusegun Alebiosu – CRO FirstBank (Nigeria)

Seven Energy, we are exposed on Seven Energy. For the Seven Energy account, as of now is not classified because the pipelines have been built, the gas truck is in place. What is affecting it is political environment and not capacity.

Two, the company is in the process of converting its exposure to Naira to ensure the currency risks are mitigated, all being guided by the industry leaders. We believe that at conversion and with currency risk mitigated, cash flow will be restored because the assets are built and the framework that they have in place, really works.

Ronak Gadhia

Okay. Thank you.

Victor Chiazor – Capital Bank Corp

Good day. This is a follow-up question. I just wanted to know on the presentation you stated there that about 51% of your loans are foreign currency loans. With that in mind, I would like to know what your plans are towards hedging your exposure in that area assuming things go as bad as they did in 2015?

Olusegun Alebiosu – CRO FirstBank (Nigeria)

The first one, foreign currency loans were 51% of our portfolio and trending downwards. But 88% of our foreign currency loans are supported by foreign currency revenue, so we don't have currency risk. The remaining 12% actually relates to electricity generating companies.

88% of the FCY loan book is supported by foreign currency cash flows. The other 12%, many of them belong to electricity generation companies, not distribution companies. The foreign currency loans are currently being converted to local currency to match cash flow and exposure.

So, we believe that in the course of 2017 the balance of 12% will be converted to local currency and the gap will no longer exist.

On the NPL coverage ratio, we've moved from 40.2% in 2015 to 58.8% now and from our NPL provision of first quarter, implicit in that is that we are decisive on NPL and we will build up our coverage to an appreciable level in 2017.

UK Eke – GMD FBNHoldings

Thank you very much. Let me thank those that called in for their participation and for their continuing interest in the FBNHoldings story. Clearly we are not unmindful of the challenge we currently face as an institution and the uncertainties in the market, but we do believe from the numbers we've shown the full year and the first quarter that we have clearly bounced back and as we said in our presentation, we remain a very resilient brand. We are quite optimistic that this year will be a lot better than last year and we look forward to hosting the half-year call round about July.

So, thank you very much.

[End]