Company:	**First Bank of Nigeria**
Conference Title:	**Third Quarter conference call**
Presenter:	**Bisi Onasanya**
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Operator: Good morning and good afternoon ladies and gentlemen and welcome to the First Bank of Nigeria nine months 2012 Financial Results conference call. Following a short overview of the results by the Group Managing Director an interactive Q&A session will be available. A copy of the presentation can be downloaded from the First Bank of Nigeria website www.firstbanknigeria.com. I would now like to hand the call over to Mr Bisi Onasanya, Group Managing Director. Please go ahead sir.

Bisi Onasanya: Good morning and good afternoon everybody. My name is Bisi Onasanya. I have in the room with me Remi Odunlami the Chief Risk Officer.

Remi Odunlami: Good morning, good afternoon.

Bisi Onasanya: I have the CFO, Bayo Adelabu.

Bayo Adelabu: Good afternoon.

Bisi Onasanya: And I have UK Eke, the Executive Director Public Sector South.

UK Eke: Good afternoon.

Bisi Onasanya: We would refrain from doing a long and extensive presentation this time around. I would just give about two-three minutes brief overview and summary of financial results and then we dedicate more time to taking questions and answering these questions from the audience.

This is the nine months results for First Bank Group. This is the leading bank in Nigeria with a very strong local franchise. It is about 118 years old and we are a dominant player with a very strong nationwide reach as far as the Nigerian landscape is concerned. We have a very strong and growing retail banking network ostensibly coming from our accelerated organic growth strategy which emphasises aggressive deposit mobilisation strategy aimed at mopping up cheap savings and current account deposit from all segments of the market. Whilst we are expanding under our guided strategic plans we are also doing this in a very disciplined manner, in such a manner that we watch the impact on capital whilst balancing that with the potentials that exists in the retail segment of the market. What we have done arising from the nine months results that we are presenting is to confirm that we do have a solid bank, we have a sustainable momentum that has been achieved so far whilst we are also driving for superior reforms by significantly improving our return on equity numbers and return on capital numbers based on the results for the nine months.

We do expect that barring unforeseen circumstances we expect that the trend that has been recorded in the nine months to-date will be sustained as we go on. It is important that we clarify that the strategy for First Bank is to remain the dominant player in the Nigerian market and be focused as far as Nigeria is concerned. This is based purely on our belief that the Nigerian market still remains untapped and that the potentials there in relation to the resources required are still superior relevant to the other segments of the African market and therefore our objective is to remain a dominant player in Nigeria and be less aggressive as far as Africa and expansion into Africa is concerned.

These results being presented have been driven by a very experienced and reputable management team that has been on top for quite some time and do understand the Nigerian market and the specific institutional issues that relate to First Bank. I would just do a quick overview of the financial results which is contained on slide six of the presentation which you have. We recorded a 48%

growth in our profit before tax to NGN75.7 billion under the IFRS accounting system. This is compared to the NGN51 billion that was recorded in the nine-month ended September 2011. This increased our return on average equity from 17.1% in 2011 to 22.4% which is well within the guided numbers that were provided at the beginning of the year. In addition to that despite the difficulties in the domestic environment as far as deposit mobilisation is concerned and the expected increase in cost of deposit arising from the crowding out of the banking system by the Federal Government in its borrowing initiatives using the bonds and treasury bills we were able to improve our net interest margin from 7.3% in 2011 to 8.1% due to effective and efficient management of our liabilities and asset pricing.

Our liquidity ratio remains very strong at close to 60% whilst our NPL ratio declined from 4.8% in 2011 to 3.4%. Capital adequacy ratio remained strong with balance tier 1 capital under IFRS at 22.7%.

On the customers' side we recorded a 14.5% year-on-year growth in our deposit and we have the largest deposit book in the Nigerian market with a total of NGN2.3 trillion as at the end of September 2012. Based on this we expect that we should be able to meet our guided numbers in terms of profit before tax at the end of the year.

This summarises the highlights of the financial performance of the group for the nine months under discussion. We are pleased to take questions from the audience at this stage. Thank you very much.

Operator: Thank you sir, If any participant on the phone would like to ask a question please press *1 on your telephone. If you wish to cancel this request please press *2. There will be a short pause whilst participants register for a question.

Thank you. Our first question comes from Muyiwa Oni from SBG Securities. Please go ahead.

Muyiwa Oni: Good afternoon ladies and gentlemen, thank you for the presentation. I have three questions for you the first is on your UK subsidiary. In your press release you highlighted that it contributed close to half of your loan growth for 2012 and so my question is really to try to understand your business model in your UK subsidiary and the key drivers for loan growth in that market and also considering the weak outlook for the UK economy where I also want to have an idea of your sustainability of the performance in the subsidiary, then also tied to your loan growth outlook I also want to have a view of your expectations for loan growth for Q4, it has been quite impressive so far and I would say unlike the other Tier 1 banks your loan growth was much stronger in Q3. So I would like to know what your expectation is for Q4 and also to have an idea of the performance for 2013 as well if you expect this trend sustained.

And then the second question is on your NPLs. I know in your presentation you highlighted the distribution of NPLs for the bank alone and if I look at your press release total NPLs were about NGN52.8 billion. So I just want to have an idea of what the other NGN13.8 billion is, that is the portion of the NPL and the distribution across your other subsidiaries.

And then my last question is on your Pan Africa expansion. You highlighted just now that you are slowing or your key focus would be on Nigeria for now. So I just want to have an update on your expansion in Pan Africa where you expect to be over the next three years. Thank you.

Bisi Onasanya: Yes, thank you Muyiwa. I will take the last question first and then the chief risk officer would answer the questions in relation to LAD growth and NPLs. I did say and I still re- emphasise that Nigeria remains our key focus. You cannot be a Pan African bank when you are a weak or marginal player in Nigeria so we will continue to devote our resources into Nigeria. It is however not unlikely that we may see one transaction before the end of the year, time permitting and regulatory authorities permitting, but this is likely to be a transaction if it happens, to be of no significant effect on our capital adequacy because these are things that will guide very strongly. But like I said if it happens it will not be more than one transaction in the next six months or one year, that is our focus we continue to devote our resources to Nigeria.

Remi will take the questions on the loan growth and asset quality.

Remi Odunlami: Muyiwa, good afternoon. OK, you are right about a substantial part of our loan growth came from the UK subsidiary, the bank itself remains by and large flat - slight growth. The business model in the UK is basically one where we are looking primarily at real estate in the UK market, basically in the London area, and also trade and structured trade finance. It is a very good portfolio, it is a clean portfolio and despite the outlook - I mean you referred to the weak outlook in the UK economy and I need to point out to you that the mission statement of FBN UK says that we aim to be the bank that focuses on Africa and Africa business with Europe.

So it is a business that is registered and regulated within the UK but which reaches out into Africa, not just Nigeria but a number of African countries, and does transactions across the region. As a result the deficiencies on the slowdown in the UK economy are not directly pertinent to the subsidiary. What is more pertinent to the subsidiary is the fact that it is regulated and its business is regulated by the FSA.

Do we believe that the performance is sustainable? Very much so, within the ambit of the UK regulatory framework.

Our loan growth outlook for quarter four is by and large flat. We don't expect anything significant to happen in the quarter. We continue to do business but obviously there are pay downs that are coming through and we are not aggressively growing. The outlook for 2013 is pretty much - I will say we are probably guiding on another 15% to 20% but obviously as we get closer to the beginning of the year and we complete our budgeting process we might refine that number, but currently we are looking at 15% to 20% for the 2013 loan book.

One point that I need to make before I go into the NPL question is that in addition to – I spoke about the UK subsidiary and the fact that it is regulated but it is operating and looking at facilities across Africa. I also need to point out that what might seem to be very aggressive growth even within that portfolio is by and large due to the fact that there was an injection of capital into that subsidiary in the course of the year and the benefits of that new capital are beginning to work their way through. We expect to see some more as they fully utilise and leverage the capital but again if I say measured and within the guidelines of the UK regulatory framework.

On the NPLs I do not have off the top of my head the exact breakdown across subsidiaries, one thing I can say is that it is by and large not in the UK but you must remember that within the non-performing - I think we might find there are some other assets which get classified in from some of the other subsidiaries but I think Yemisi will be able to give you the exact details if you speak to her after this call.

Muyiwa Oni: Thank you very much.

Bisi Onasanya: Alright, thank you. Next question please.

Operator: Thank you. Our next question comes from Ronak Gadhia from Exotix. Please go ahead with your question.

Ronak Gadhia: Yes, thank you. Just continuing with the UK subsidiary, you said the real drivers for growth there is real estate, trade and structured trade. Is it possible to give a breakdown between each of those segments that you are lending to?

My second question comes from your operating expenses. From the figures you've released it seems for the first time in almost three years that your operating expenses are flat on a quarter-on-quarter basis over the last two quarters. What I want to find out is, is this like indicating the end of your expansion cycle or is this just a pause and we will start to see operating expenses starting to increase again from the next quarter and into next year? In other words, what's your guidance for OpEx growth for fourth quarter and next year?

Lastly, my last question is regarding your shareholder equity. Again it seems like you've revised your full year 2011 shareholder equity value so I would just like to get a sense as to what is the true value of the shareholder equity and do we expect any significant restatements when the full year number is announced?

Remi Odunlami: OK, I will take the question on the UK subsidiary. I stick to property because it's something that we do but it's not actually a major part of the portfolio. The property portfolio is really speaking less than 10% of the portfolio. Off the top of my head I think that money market, treasury type placements and those kind of asset represents probably about 50% of the assets and the balance is in structured trade and trade finance facilities. So by and large it's a trade dominated bank.

Ronak Gadhia: OK.

Bayo Adelabu: Yes, this is Bayo, CFO. I will take the questions on operating expenses, cost to income ratio and the minor restatement in shareholders' equity for 2011 financial year. The fact that you have noticed that there is a flat operating expenses quarter-on-quarter, Q2 and Q3 is actually a reflection of the results of some of our cost management strategies which we have explained in detail in the past and the reduction in cost to serve to customers based on the fact that we have introduced a lot of other alternative electronic service channels which migrated a lot of customers out of the banking hall and actually impacted positively on our operating expenses in the just concluded quarter compared to Q2 and this is actually the trend we foresee in future.

In terms of what is the guidance to operating expense increase next year like I always say that we always like to guide what the cost to income target for the bank is and we have always guided on between 55% and 60% and we are not really guiding on anything different from this. We like to maintain our cost to income ratio below 60% next year given the model of the business that we operate.

Concerning the minor restatement you noticed in the shareholders equity, we did guide at the last conference call that we were to subject our first half results to external audit, in other to actually validate the numbers that we stated. The audit has been completed and the numbers are actually passing through the necessary regulatory approval so the restatement you noticed were as a result of minor audit adjustments passed by the external auditors which will likely be published before end of next week as soon as we get the necessary approvals from the regulators.

Ronak Gadhia: Is this NGN411 billion close to that or can you give a sense as to what the actual figure might be?

Bayo Adelabu: Well, the restatement that you noticed is minor, it is less than NGN11 billion which actually came from fair valuation of most of the non-listed equity investment the bank held as of 31 December 2011. For the end of the year we don't really foresee any re-statements to the 2011 numbers any longer because it's been subjected to full external audit for the half year.

Ronak Gadhia: Thank you.

Bisi Onasanya: Thank you. Next question please.

Operator: Thank you. As a reminder, if you would like to ask a question, please press *1 on your telephone. To cancel this request, please press *2. Your next question comes from Nothando Ndebele from Renaissance Capital. Please go ahead with your question.

Nothando Ndebele: Good afternoon this is Nothando Ndebele from Renaissance Capital. I don't know if you've gone through this I may not have heard. If you could comment on the high NPLs in your oil and gas book, what is driving that and how do you see that trending towards the end of the year. And then also on the outlook for deposit growth you have had very strong deposit growth, is that being driven by new customer acquisitions or are these more corporate deposits and if you could just give us some insight and where you think that would be going. Thank you.

Bisi Onasanya: Remi would take the question on the NPLs and I will comment on the deposit growth.

Remi Odunlami: Nothando, basically the high NPLs in the oil and gas area are due to prudent classifications around some of the companies that are undergoing issues with the government in terms of subsidies. We are by and large being prudent because we are not sure what will happen and as you know there has been a slowdown in the release of the subsidies and in some cases reversals of the subsidies that were already previously paid. So we are just basically being prudent and watching to make sure we are comfortable as we move towards the year end with these obligors. I don't think that we have that much of actual bad loans in these portfolios but it's just prudent to watch it and to watch this and classify accordingly.

Bisi Onasanya: Bayo will take the question on deposit growth.

Bayo Adelabu: The outlook on deposit growth for the rest of the year, we don't really foresee any significant growth in our deposit but we just want to assure you that we are likely to reach our 20% guidance in deposit growth rate for 2012. But for next year we are about concluding our budget process and we are guiding on between 20% and 25% in deposit growth for the rest of 2013. In terms of what the mix of the deposits will be, it is definitely going to be a mix of retail and wholesale deposit given the interest rate outlook that we actually foresee for next year. Of course our strategy says that we gather deposits across all our branch networks and if you notice on our presentations we grew our branch network by 71 in nine months and we hope to actually gather a lot of deposit from these branches over the next year. We are not really foreclosing the possibility of taking some of the corporate deposits which of course is being dictated by the interest rate environment, it's going to be a mix of the two.

Bisi Onasanya: Let me clarify also by adding the fact that it has been a conscious and deliberate strategy on our part to extend our retail outlets and leverage on the cheap retail deposits from savings and current accounts. As we speak now, close to 80% of our total deposits are in the low cost bucket of savings and current account and it's important that we sustain this because that's the unique value proposition that we would bring on the table and that's one thing that gives us a major advantage over the other banks.

So our foray into branch expansion was deliberate and I think we are beginning to see the impact of that on our deposit profile. Of course that comes with its own attendant cost in the short run but if we go by our strategy of balancing short term gains with long term objectives it's a cost that we are bearing today but would begin to see the impact by way of sustainability of cheap deposit, low cost deposit as we move on into the medium term and the long-term. Thank you.

Nothando Ndebele: Thank you, if I could just ask one follow-up question. Just looking at your capital adequacy ratio there is quite a large difference between your NGAAP and your IFRS. Which ones are you focusing on in terms of a trigger point for you when you want to raise new capital via Tier 1 or Tier 2 and are there plans in place at the moment to be raising any type of capital or debts? Thank you.

Bayo Adelabu: Our published capital adequacy ratio which is based on IFRS is currently 22% and with our business growth projections for the rest of next year we believe that we would be able to grow business in accordance with our plan without negative impact on our capital. We are going to meet all regulatory capital requirements for the whole of next year and we are not really thinking of raising any equity capital in the short run

Nothando Ndebele: So you are focusing on the IFRS capital adequacy ratio as NGAAP is not the one that the regulators are going to be using anymore.

Bisi Onasanya: The regulators have insisted also that IFRS had become the standard by which we account and so all focus today is on the IFRS numbers.

Nothando Ndebele: OK, all right. Thank you.

Bisi Onasanya: Next question, please.

Operator: Thank you, our next question comes from Adeolu Omotola from ARM Investment Managers. Please go ahead with your question.

Adeolu Omotola: Good afternoon I just need a few clarifications. First of all the issue of the UK loan growth I just didn't get how many percentage you said was for money market securities. Secondly related to that even though the growth is coming from the UK and you think that is going to be flat for the rest of the year. Are you exploring any new strategies in terms of revenue growth?

Second question, clarification relates to the OPEX issue. You have mentioned that staff rationalisation was a factor in Q3 results on the attrition. I am just wondering, is that going to extend into Q4 or you think it is just going to end in

Q3. The other questions relate to your investment securities, have you been getting rid of some of the AMCON bonds and if so to what extent? And the final thing relates to what you mentioned a few minutes ago about having no plans to raise equity capital. I am just wondering if you have any plans to raise any form of capital at all.

Bisi Onasanya: Let me take the last question on capital issues. We do not have the plans in the short run, when I say short run in the next 12 months, to raise any additional capital particularly equity. However, if there are opportunities to leverage, we will take advantage of leverage opportunities. But don't forget that based on the new capital adequacy rules Tier 2 capital really does not count as part of your capital, it is no longer relevant. So we would take advantage of leverage opportunities if the chance arise but quite frankly and really we will not be raising new tier 1 capital in the next 12 months. Remi will take the question on the UK loan growth.

Remi Odunlami: OK. Adeolu, in terms of the UK loan growth I didn't actually give you a figure for the growth in the money market portfolios. What I said was that the money market portfolio represented about 50% of the UK assets - or the UK portfolios. I don't off the top my head have the comparatives to speak to the percentage growth in that portfolio but my recollection is that the profile of that portfolio is by and large flat and that over time it has not significantly changed from what it is today which as I say 50% in money market, probably 40% or so in trade and structured trade products and about 10% or less in real estate.

You also commented on the fact that the portfolio is – I am predicting the portfolio is going to remain flat to the rest of the year and what would that impact – how that impacts our revenue growth. I would like to point out that our revenues also include non-interest income and we will be driving non-interest income through the year end and that is also quite honestly our money market portfolio because we are an active player within the money market domestically as well.

Bisi Onasanya: Now as regards the OPEX, Bayo will take the question on OPEX.

Bayo Adelabu: In terms of the question you asked concerning the staff attrition costs I can confirm to you that out of the net of about NGN8 billion that we incurred on staff attrition half of that about NGN4 billion has been taken into Q3 and the remaining NGN4 billion we will be taking during Q4.

Ini Ebong: With respect to your question on the AMCON bonds I will confirm to you that we did not incur any losses on disposals of AMCON bonds because we did not dispose. As you know, the bulk of the AMCON portfolio falls due next year and we will be looking to see what AMCON does with respect to rolling them forward or refinancing or repayment as that arises.

Adeolu Omotola: OK, thank you.

Bisi Onasanya: All right, next question please.

Operator: Thank you, our next question comes from Gloria Obayagbo from CSL Stockbrokers. Please go ahead with your question.

Gloria Obayagbo: OK, thank you very much, just a follow-up on the issue of capital raise. You had hinted at the start of this year that you have a plan for $500 million euro bond. Can you say that that plan is on hold for now?

Bisi Onasanya: I will be cautious in saying that it is important that we balance our request for funding with our existing and present liquidity position. Right now based our dollar liquidity position and the matching of the relative asset we do not have any compelling need to go into the market and raise the FOREX debt instrument. However, this is something we watch on a weekly basis and we have a long term view of everything. If there is a change in that pattern and portfolio, we will have to consider that. But I will not say at this point that we would not raise FOREX debt instrument but it is not something that is urgent or paramount on our minds at this moment.

Gloria Obayagbo: Thank you very much.

Bisi Onasanya: Next question.

Operator: Thank you, our next question comes from Steve Moths from African Alliance. Please go ahead with your question.

Steve Moths: Thank you very much for the presentation. I just have two questions and the first one is you have obviously made considerable progress in advancing your distribution network. I just want to get a sense of where you see your sort of sustainable contribution from non-interest revenue to total income. It is obviously low at this stage because of the high interest rates in the market. So in a different sort of environment or different interest cycle where would that be?

And secondly, if you could just give us the split in your provision charge between retail and corporate banking as these two have mostly driven your provision charge so I can get a sense of how that looks. And my colleague Godfrey has another question he may want to ask.

Godfrey: Hello this is Godfrey from African Alliance Pioneer Fund. Just one question, you mentioned that there was a capital injection in the UK subsidiary and that accounted for the asset growth. Could you just give some colour on where that capital injection, what the source of that capital injection was please?

Godfrey: Thank you. Hello?

Bisi Onasanya: Hello, yes.

Bisi Onasanya: Have you finished?

Godfrey: Yes, those were the questions.

Bisi Onasanya: Let me speak to sustainability of non-interest income. It is part of our objective and strategy to ensure that we drive up our non-interest income. You know this can only be done by ensuring that you have quality staff and you are also close to your market and your customers. This is something that is uppermost on our mind. At this moment, we have no reason to worry about any decline in that non-interest income as a portion of our total income. It is something that's important to us and we are driving.

As far as the UK loan growth is concerned there was an injection of additional capital into the UK and you know what this does is also to give them room to do some more transactions that they were not able to do before. It increases their single obligor limit and also allows them to expand their loan book. This is being done very, very consciously and it is also being monitored by the FSA in the UK. Right now, the bank is very conservatively well managed. It is the best performing Nigerian or West African bank operating in the United Kingdom and is poised to deliver on targeted numbers for the end of the year.

The risk management is also in focus and we do have interventions from Nigeria. We have a centralised risk management programme that ensures that everything they do is within the ambit of the overall group credit risk and risk policies generally so we have no cause for concern whatsoever as far as the UK market is concerned.

Steve Moths: Thank you I was just – what is your point of your concern - I just wanted to understand where the capital is coming from, if it is equity, or if it is from Nigeria or if it is equity from the UK basically.

Bisi Onasanya: It's a hundred percent owned subsidiary *so* that capital came in from Nigeria after necessary regulatory approvals.

Steve Moths: I understand.

Remi Odunlami: And you had asked a question about the split between the retail and the corporate portfolios in terms of the NPLs of certain divisions for the year and it's basically a 70-30 in favour as it were of the retail portfolio with retail being about 70% of it and give or take corporate banking about 30%.

Bisi Onasanya: Next question.

Operator: Thank you. As a quick reminder, if you would like to ask a question, please press *1 on your telephone. Thank you.
Our next question comes from Ndubuisi Obike from Stanbic IBTC Pensions. Please go ahead with your question.

Ndubuisi Obike : Hello, good afternoon. Thanks for the presentation. I have a few questions. My first question has to do with your deposit mix. Your overall deposit seems to have increased by 18% but there is a particular pointer there, your term deposits from year-to-date has increased by over 50%. Given that these are expensive deposits and might affect your costs or overall cost of doing business. I want to know how that fits into your strategy in terms of your strategy on deposit mix. That's one.

My second question has to do with your FBN Registrars. Given that the CBN will not allow you retain the registrarship subsidiary what's the update on your divestment from that subsidiary?

My third question has to do with your branch expansion including thequick service points. How many branches were opened in Q3 and how many more are planned before the end of the year?

Then my last question is that – it's more of a clarifications from your earlier comment that the Tier 2 capital will not be included in your capital. Has there been a change by CBN in terms of minimum capital adequacy ratios required for banks.

Bisi Onasanya: You are breaking up but let me answer the last question first. What we did say is that emphasis going forward now is based on Basel III and everything is on Tier 1 capital and Tier 2 really is no longer regarded as part of core capital going forward and that's the point I have tried to make.

On our deposit mix we do have a guided range of and mix of low cost deposits and term deposits and we can assure you that despite the growth in our purchased funds that is wholesale deposit during the year it still falls in line with our target deposit between low cost deposit and high cost deposit. Now it's important that we understand the fact that expensive as a word in deposit mobilisation is a relative number, it's a relative item. So long as we are able to gather deposits and take a spread on that deposit even if it's by means of intermediation so long as there is a positive spread on it, we would not turn it down. What's important is to make sure that irrespective of the size of our purchased fund that we take; strategically we continue to drive low cost deposits. And out of the 18% that you saw there was a higher proportion of growth in our low cost deposit in relation to the expensive deposits that you saw. But as a rule we do not take any deposit unless we are able to match and take a positive spread on it and that's our objective.

As far as the First registrars is concerned we have said that severally that the Central Bank does not permit us to hold this subsidiary and there are attempts which have reached very advanced stages to dispose of this asset. We believe that this will be concluded certainly subject to regulatory approvals in the quarter in which we are and the profit to be realised from this will form part of our profit for the year ending December 2012. I believe I have answered your question?

Ndubuisi Obike: You have left the question on branch expansion.

Bisi Onasanya: Yes, branch expansion. Now I did say when I was summarising the performance that we are in an accelerated organic growth mode and we did set a target for ourselves of opening 135 branches in the year 2012 to the first quarter of 2013. As we speak now as at the end of the nine months we have opened 71 branches, I think we have about 60 branches under construction which we expect to be completed for opening between December and the first quarter of 2013 now that growth rate in terms of number of branches will be stemmed as we go into 2013 due to the impact on capital consumption and re- assessment of the need for aggressive growth in branches as we stabilise. We will therefore focus our attention in 2013 towards sweating these new branches and making them very efficient in terms of contributions to deposit base and opening of new branches in 2013 and going forward will be based purely on identified / specified needs, detailed study using GPRS study maps and business justifications. We will slow down branch expansion in 2013 but we will conclude the target set for ourselves in 2012 by increasing the number of branches by 135 branches. These are all part of a carefully crafted retail banking strategy which is on course. Have I answered your question?

Ndubuisi Obike : Yes, thank you.

Bisi Onasanya: Thank you. Next question please.

Operator: Thank you. Our next question comes from Kato Mukuru from Citi. Please go ahead with your question.

Kato Mukuru: Yes, thank you very much for the presentation. I think I would like to understand the impact of a lower CRR on your net interest income. Basically what I am trying to get is an understanding of what level of CRR do you think is appropriate to re-trigger a loan growth for First Bank and maybe even the system and what impact do you think that would have on margins.

Also what I would really appreciate is the discussion on the competitive landscape as it stands today vis-à-vis how it was let's say this time last year. Are you finding it far more competitive, are you seeing more opportunities, what are the biggest challenges you are facing vis-à-vis your competition and are you seeing any of the smaller banks or the foreign banks being a threat to your established franchise.

Bisi Onasanya: I don't think it would be fair to comment on cash reserve requirement; that's the prerogative of the monetary authorities. We do have a responsibility as a bank to comply with whatever ratios that is specified/certified by the regulators. It's important to note however that the higher that ratio is the likelihood that it impairs our ability to increase lending to some extent. We would like to have it as low as possible but it's something that's totally out of our control. But right now we are living with it and we do have a strategy to ensure that it would not in any way impede our growth and that's what we have done successfully.

Your next question was on the operating environment and whether we suffer presently from any competition. It's important that we understand the fact that we are operating in a very competitive environment. We did know that at some point the crisis in the banking industry will be sorted out due to the intervention of Central Bank. I would like to praise the Central Bank for doing a good job and so safety and flight to safety is no longer a factor that determines market share as far as the banking industry is concerned in Nigeria.

We were very proactive because we knew this would happen and this was why we took advantage of the market at that point in time to set up structures that would sustain and keep our customers and enable us to expand our customer base. The market share we have today therefore is no longer driven by flight to safety as it were about two - three years ago but by the superior product and service offerings that we now make available to our customers. We will therefore continue to restructure to reinvigorate the bank and to be innovative in making sure that we provide the best services available.

FirstBank of today you would admit is no longer the FirstBank that people were used to. We are very nimble, we are very efficient and we do compete with the best that is available in the market. So we expect competition to be tough but we have structures in place to make sure that we defend our market share and possibly extend our present lead to cover other areas. We are not in any way bothered but there is competition and we do have structures to address that competition and make sure that we do not lose market share going forward.

Kato Mukuru: Thank you.

Operator: Thank you. Our next question comes from Peter Mushangwe from Legae Securities. Please go ahead with your question.

Peter Mushangwe: Thank you. I think I am having a very bad line, but if you could help me with your deposit growth expectations for next year and loan growth or loan- deposit ratio target then. I think you talked about it but I didn't get it.

My second issue is related to NPLs, if you could just help me with the classification and breakdown of the NPLs. And lastly I think more like what you have been commenting just now do you think the system is normalising and if so what would be your kind of state to state/stage to stage ROE target? Thank you.

Bayo Adelabu: Our deposit growth targets for next year, still remains 20%, while the loan growth is between 15% and 20%. The Chief Risk Officer will take the question on NPL breakdown.

Remi Odunlami: Pete, could you just give me an idea of what you want in terms of the NPL breakdown? Which way are you asking me to cut the portfolio?

Peter Mushangwe: Your substandard, doubtful and lost

Remi Odunlami: OK. Well, you do realise that under the IFRS we no longer have substandard, doubtful and lost. However I can give you - I don't have it with me right now - I can give you just the total portfolio. Can I come back to you with the exact breakdown? But again, I believe if you look at the financial that we published yesterday day before yesterday, the breakdown would be in there, but I don't have it right now.

Peter Mushangwe: It's fine. I probably missed it then, I will probably look at it again. But if I can't locate it I will get back to you.

Remi Odunlami: OK, if you haven't got it then again if you speak to Yemisi after the call she will let you have the detail. But while I am talking, I would just like to go back to Muyiwa's question earlier on where he was asking me what made up the difference between the group NPL number and the bank's NPL number. Basically, it's more or less 50/50 between FBN Capital and BIC the subsidiary in the DRC.

Peter Mushangwe: OK, thanks.

Operator: Thank you. Our next question comes from Soji Solanke from Renaissance Capital. Please go ahead with your question.

Soji Solanke**:** Yes, good evening everyone, this is Soji from RenCap. I have a few questions. The first one is the UK subsidiary. What portion does this form of your entire loan book currently? My next question is on dividends. If you can just give us some sort of guidance on payout ratio for this year. Would it be logical to use what you paid out last year or there have been some internal modifications in terms of dividend payout for this year? This one probably can be answered by Bayo, I think just looking at the numbers quarter-on-quarter for non-interest revenue. There was about a 30% slowdown. What can you attribute to this slowdown we saw in non-interest revenue? Finally some guidance on tax rate for this year, it's quite low for all the banks for Q3 which I understand possibly tax exemption the Federal Government gave. What guidance would you give for end of this year; you are currently on about 12%? Thanks.

Bisi Onasanya: 12% of what?

Soji Solanke: 12% tax rate.

Bisi Onasanya: Tax rate. The tax rate is not 4% we can assure you. We don't expect any significant change in our effective tax rate relative to past years. That's one. Two, we confirm that our guidance numbers on payout ratio and internal guiding rule is to pay out not more than 60% of the profit after tax; not more, but it can be anything below that and it's dangerous at this stage to speculate as to what it will be. Don't forget that this is subject to shareholders approvals also. We would not pay more than 60%. Just to make sure that we have the ability to do capital accretion from reserves going forward. In line with the fact that we do not intend to raise fresh tier 1 capital in the short term.

Bayo Adelabu: And the drop you noticed in non-interest income, the 30% quarter-on-quarter. I can also confirm to you that it relates to our investment banking advisory revenue which actually dropped. They actually booked a lot of income in Q2 and based on the fact that they have a lot of deals in the pipeline which have not really crystallized and their income is booked on cash basis, we expect this to actually come up before the end of the year or at the latest by first quarter next year so the drop is in advisory revenue from investment banking.

Remi Odunlami: OK, Soji, in terms of the share of FBN UK to our loan book, I'd say that it's somewhere between 25% and 30% of the total loan portfolio for the group.

Soji Solanke: Alright. If I could just ask one more question for Ini. What's your outlook for loans/NIMs for next year in terms of asset yield and also cost of funds? Thanks.

Ini Ebong: Well, one would expect that they should remain pretty stable. I mean the outlook at the current time is a little uncertain and everything will be driven by the Central Bank's monetary policy actions. But, I mean in the near-term it looks like we probably will see their rates remaining around the current level and maybe seeing some degree of easing at the later part of the year. That said, given the fact that our funding base is largely retail and low cost we do believe we should be able to defend our cost of fund and we have been pretty proactive in managing our asset yields especially on our loan book in terms of pricing. So we still believe we should remain pretty competitive and probably still stay around the same kind of level.

Soji Solanke: Thanks.

Remi Odunlami: Before we go on, can I just come back to Pete and your request for the breakdown of the NPLs. I have been able to get the numbers for you. In terms of the lost category we've got about 60% of the NPLs in lost, we have got 25% give or take in doubtful and about 15% substandard. Basically, what it says is that we have worked – a lot of the deficiencies in our portfolio are working their way through and the substandard portfolio is becoming less, so I think that we will see a continuing improvement in the portfolio as we go along.

Bisi Onasanya: Thank you. Next question please.

Operator: Thank you. Our next question comes from Aybek Islamov from HSBC. Please go ahead with your question.

Aybek Islamov: Hi, good evening, thank you for the conference call. I just have one question. In your third quarter results it looks like you managed to increase your yield on assets - on interest on the assets quite substantial quarter-on-quarter. Can you explain like what happened there? Is it *(inaudible – technical difficulties)*.

Bisi Onasanya: UK will answer this question, UK Eke.

UK Eke: OK, thank you. We did say when we presented our half year results that one of the focus areas would be re-pricing of our assets, optimising yield on our assets and that is coming on right now the benefits because we had to review the loan book and re-price as much as possible of course taking into account the interest rates regime that we observed. So looking at the growth in our loan book, obviously the base had increased and therefore you saw an increase in the revenues coming from loans and advances. Going forward we think we can sustain this level of pricing because our play is across the various sectors of retail, emerging corporates, corporates and of course the institutional banking areas. Net interest margin you also see they are moving from 7.3 in 2011 September to 8.1%.

The second is on the money market play. Obviously, we took advantage of the situation and invested quite a whole lot in money markets instruments so obviously the increase in rate was of positive impact to the bank. Treasury bills and bonds we did very active play in those two areas also.

Aybek Islamov: OK, thank you. If I may ask you a follow-up question, you mentioned earlier on the call that the current CRR cash reserve ratio is not stopping you from lending domestically within Nigeria. I think the question will be what are the factors which are holding the bank? Just in this quarter if we look at that quarter-on-quarter growth for your domestic, it looks like the loan book was pretty much flat it maybe even down a little bit sequentially. And what can reserve your appetite for lending risk?

Bisi Onasanya: I think it's important that we place our loan growth in the Q3 in relation to the aggregate loan growth in the rest of the year. We did guide on a loan growth of

15% to 20%, so it's therefore important that when you touch and reach that 20% mark, you have got to respect your guidance number because these are numbers that came from your business and understanding your business. We would not attempt to grow beyond the 20% that we have achieved and so as we have maturity. We will also make sure that new facilities are booked within the context of the facilities that are maturing. All this is just to make sure that we effectively manage our liquidity, effectively manage our capital and also take advantage of the attractiveness of the money market environment as it were today. Loans essentially consume a lot of capital so it's important that we are not led by loan growth as a bank. I hope you are satisfied.

Operator: Next we have a follow-up question from Ronak Gadhia from Exotix. Please go ahead with your question.

Ronak Gadhia: I just want to know what your guidance would be if there is a significant easing of monetary policy regarding the loan growth of 15%- 20% and deposit growth of 20%? The fact that CRR was -if the monetary policy rate was to be reduced significantly, how would that change and what impact would it have on your NIMs?

Bisi Onasanya: Yes, it's important that there are so many factors that determine your loan growth. The CRR alone is not a singular factor that determines your loan growth and your loan portfolio. We need to put that into context. Secondly, the mere fact that you have increased liquidity does not mean that all those additional liquidity should be put into loans. Managing a bank is not simple, it's a complex balancing between liquidity, capital adequacy and profitability and all these factors would always be taken into consideration in determining what our loan growth will be.

We have a budget, we have a strategic plan and we are running in accordance with our budget and strategic plan. The mere fact that there will be changes in the cash reserve ratio on its own does not necessarily mean that the difference arising from those changes would have to translate into loan growth. There are a lot more factors that are taken into consideration. In any case, let me confirm that a change in cash reserve ratio today does not necessarily translate to an increase in lending or a reduction in lending as far as First Bank is concerned we meet our customers' demands and expectations at this moment based on our own strategies and relationship with the market. Thank you.

Ronak Gadhia: OK.

Operator: Thank you. We have a follow-up question from Ndubuisi Obike from Stanbic IBTC Pensions. Please go ahead with your question.

Ndubuisi Obike: So I have my first question is with your NPL exposure to governments. At your last conference you explained that it relates to lending to a state government that witnessed a change in leadership. What have you done about that NPL? Just give an overview. Also your real estate NPLs, how far have you gone in resolving them? Thank you.

Remi Odunlami: Sorry, I missed the second half of your question.

Ndubuisi Obike: The second half of my question relate to your real estate NPLs. At your previous conference you explained that they were mostly delinquent this year. So how far have you gone in resolving them and what's your outlook for that sector in terms of NPL?

Remi Odunlami: OK, all right. The NPL ratio as far as public sector is concerned; we spoke in the previous quarter about the government one, that has been cleared. The NPLs that we are currently showing on the public sector do not relate to any government. They related to public agencies and entities that we classify within the public sector. On the real estate side, the portfolio is – we spoke about the need to develop and complete the projects. Obviously you do not complete projects in three months, so work is progressing and I am still very optimistic that that portfolio will work itself out positively. Have I addressed your question?

Ndubuisi Obike**:** Yes, thank you.

Remi Odunlami: Thanks.

Operator: Thank you. As a final reminder, if you would like to ask a question, please press *1 on your telephone. We have a follow-up question from Gloria Obayagbo from CSL Stockbrokers. Please go ahead.

Gloria Obayagbo: Thank you once again. I just want to get your expectations for the full year ROE and the ROE expectations for 2013. And I would also like to know what the revised timetable is for the implementation of your HoldCo structure. And finally, the sectors you are looking forward to drive your loan growth for 2013 and if you are going to tilt more towards retail lending or corporate lending next year? Thank you.

Bisi Onasanya: Remi would take the question on loan growth.

Remi Odunlami: Basically, our loan growth, our strategy remains pretty much the same going into 2013 as it has been through 2012. We are growing within the retail sector. We are also growing within the corporate sector. We have focused on the primary areas of economic development and economic growth within the economy. So you will see continuing exposure to oil and gas, you will see exposure to telecoms and you will see exposure to infrastructure. Essentially, in FirstBank, our strategy is to grow with and support the economy where it makes sense and our strategy hasn't really changed going into the year 2013.

Bayo Adelabu: In terms of expectation for ROE for the rest of the year, we earlier guided on 18% to 20%. We are currently at 22% so we hope to sustain that till end of the year. And for 2013, we are currently guiding on between 20% and 25% for next year that's the return on average equity.

Gloria Obayagbo: Thank you.

Bisi Onasanya: OK, can we take the last question please.

Operator: Thank you. We have no –

Bisi Onasanya: Sorry, there was a question around the structure of our holding company. We would like to confirm that following the approvals received from the shareholders at the Extraordinary General Meeting, we have filed all the necessary papers with SEC and the Central Bank. We believe that in the next one month max we should have rounded off this, First Bank shares should have been delisted in the next one month let's say end of November at the latest. What we are going through now is the regulatory approval, everything is on course. Thank you, Last question, please.

Operator: Thank you. Our final question comes from Peter Mushangwe from Legae Securities. Please go ahead with your question.

Peter Mushangwe: Thank you. Just in terms of your ROE guidance, do you think your kind of ROE given that things are normalising in the system or where do you see it in a kind of normalised environment? Then we are having quite a difficult time here in Johannesburg. I mean the line is very bad I don't know if there is something you could do next time. Thank you.

Bayo Adelabu: OK, I will take the question. Given the current circumstance that we operate, we foresee our ROE to be between 20% and 25% for next year. But if things improve like you have envisaged. We actually hope to stay at the top end of the range which is 25%. But no matter what, we have projected based on the existing circumstances where our business operates.

Bisi Onasanya: Alright. Thank you very much. At this point let me thank all participants at this conference call for standing by us and staying for over an hour. It has been one hour well spent. We would like to round off by reassuring you that the trend that we have seen in the Q3 up to nine months September is a trend that's encouraging. We intend as Management and board to ensure that we continue to ramp up on these numbers. We expect sustainability relatively on these numbers for the rest of the year. Your bank is in very safe hands, we have a very, very robust management team in place supported by an experienced Board, operating and running a well-crafted strategic plan aimed at enhancing shareholders and stakeholders value and sustaining the improvements that has been recorded so far. Thank you very much. Good afternoon and God bless you all.

Operator: Thank you, ladies and gentlemen. This concludes today's First Bank of Nigeria nine months 2012 Financial Results conference call. Thank you for your participation. You may now disconnect.