FBN HOLDINGS PLC

9M 2024

RESULTS PRESENTATION TRANSCRIPT[x]

Tolulope (Tolu) Oluwole

Head, Investor Relations

Greetings to all and thank you for joining the FBNHoldings Nine Months 2024 Results Conference Call. We appreciate the time taken to join us on this call and for your continued interest in FBNHoldings. My name is Tolu Oluwole. We will commence the call today with an overview by the Group Managing Director of FBNHoldings and, thereafter, progress with the question-and-answer session.

For the question-and-answer, please use the raise hand function to indicate if you want to ask your questions, and then your mic will be unmuted. Always ensure that your mic is muted after speaking.

I will now hand over the call to the Group Managing Director of FBNHoldings, Mr Nnamdi Okonkwo, for the opening remarks. Please go ahead, Sir.

Nnamdi Okonkwo

Group Managing Director

Thank you, Tolu. Good day, ladies and gentlemen. I welcome you to today's call, where we will be discussing our September 2024 results. With me on this call, I have my colleagues, CEO of FirstBank, Segun Alebiosu; Wale Ariyibi, Executive Director, Finance, Investment Management & Oversight FBNHoldings; Patrick Iyamabo, Executive Director and CFO, FirstBank; Patrick Akhidenor, CRO, FirstBank; and Tolu Oluwole, Head, Investor Relations, who has already introduced himself.

Let me commence by discussing key highlights for the period. Year-to-date, we have made significant progress in achieving our goals. Specifically, gross earnings increased by 134% year-on-year to NGN2.25 trillion. This was on the back of an impressive 133% increase in net interest income and a strong 83% increase in non-interest income, which demonstrates the effective execution of our strategic priorities. Despite the high inflationary environment, the cost to income ratio improved to 46.4%, in line with our 2024 financial targets. This resulted in a profit before tax of NGN610 billion, an increase of 128%.

Our total assets increased to 62.3% year-to-date, demonstrating the strength of our franchise. Recall that we had earlier announced plans to raise NGN150 billion, and now we are seeking approval to raise an additional NGN350 billion at the upcoming AGM.

Proactive steps had already been taken to shore up capital as we commenced the Rights Issue of NGN150 billion before the regulatory announcement was made. You may wonder why we are not going straight for NGN500 billion. The capital raise will be implemented in one or more transactions through the issuance of shares by way of public offering, private placement, and rights issue in the Nigerian and/or international capital markets.

As we mentioned in our last call, the capital raise will strengthen the Group's capital base. This will allow us to pursue our strategic initiatives to further invest in automation and digital banking as well as support our international business expansion. While some may consider our entry into the African markets as late, we

[x] Amended in places to improve accuracy and readability.

have, however, spread fast our footprint and are encouraged by the outcome. A portion of these funds will be used to support our international expansion.

On governance, as you are aware, Segun Alebiosu has been appointed Chief Executive Officer of FirstBank following the retirement of Dr Adeduntan. Additionally, Ini Ebong was appointed as the Deputy Managing Director of FirstBank. Furthermore, Adebowale Oyedeji has been appointed as the new Group Managing Director. Wale Oyedeji will succeed me because I am retiring in a few weeks, in line with our policies.

In Slide 5, As reflected in the numbers, we maintained a very strong performance over the period. We have previously discussed some of these metrics. However, I want to highlight the improvement in our net interest income, which was up 133% year-on-year, driven by the high-rate environment and strong business fundamentals.

In addition, non-interest income was up 83% year-on-year through expansion in our digital banking offerings. We remain the market leader in that space and have seen an increase in not only mobile and internet subscribers but also the volume and value of transactions.

Relatedly, our loan portfolio has grown impressively, and it reflects our commitment to balanced, high-quality lending. This growth has been achieved while maintaining a well-diversified portfolio supported by our rigorous risk management framework. Our deposit base has also grown, with nearly 95% of these deposits being low-cost at FirstBank, our flagship operation. With 95% of our deposits being low-cost, we enjoy a strong liquidity position, enabling us to support the Group's strategic initiatives.

As seen in slide 6, ROE now stands at 32.8%, well above our 2024 financial target, demonstrating our commitment to creating value for our shareholders. Our cost of funds has increased slightly to 5.5%. Of course, this reflects the increasing rate environment as well as the cost associated with rising interest rates on savings deposits, which is indexed to MPR. As the policy rate increases, you pay more for savings accounts. Net interest margin further improved to 7.9%, as we better managed the cost of funds and optimised earnings yield relative to the previous period.

As indicated in an earlier slide, the cost to income ratio continues to improve as we optimise revenue streams and leverage technology to deliver earnings at a pace that outstrips our cost.

Finally, the cost of risk of 2.7% recognises the effects of the macro, even as asset quality remains resilient. We remain confident in the strengthened risk management architecture and practices in the institution.

As you can see on slide 7, we are on track to achieve our 2024 targets and strategic priorities. As presented in previous slides, we have delivered on our first strategic priority, which is to increase revenue and profitability by leveraging technology and innovation to boost efficiency and by monetising analytics and data for new customer acquisitions. We are also committed to proactively revamping our digital product development and delivery methods.

Our second strategic priority was to strengthen our value proposition. To this end, we have leveraged our brand value and focused on attracting synergies across the Group. Our goal is to own the customer journey across both physical and digital channels. In essence, the synergy revenues have played a significant role across our operating companies as a result of collaboration and the exploitation of synergistic relationships. We have seen the numbers continue to point northwards.

Our third strategic priority was to optimise operational efficiency. This has been our focus for some years now. Recently, we considered streamlining our portfolio to maximise our operational potential. As a result, and considering the increasingly competitive environment, we maintain a forward-looking approach with a clear aim to build a sustainable institution.

On the right side of this slide, you can see our 2024 financial targets and the progress achieved. We have already met the ROAE and cost to income ratio targets. We are making progress towards achieving our cost of risk target, and regardless of the macroeconomic conditions, we will not relent in our efforts.

[X] Amended in places to improve accuracy and readability.

In Slide 8, you can see more details on the NGN150 billion capital raise. Regarding timing, the offer opened yesterday, November 4, 2024, and will close on December 12, 2024. There will be a provisional allotment to shareholders based on one new ordinary share for every six ordinary shares held as of October 18, 2024. So, shareholders have three options, number one, accept their rights partially or in full with the possibility to apply for additional rights. The second option is that shareholders can trade all or some rights by instructing their stockbrokers, or the third option is to take no action. But then, if you take no action, your holdings get diluted. So, we look forward to our esteemed shareholders taking up their rights, thereby supporting FBNHoldings' capital raise agenda.

On that note, I would like to stop here, but before we go to Q&A, let me reiterate that I am pleased with the remarkable performance of the Group so far in 2024. All our operating companies have delivered good numbers. And I thank the team members, our operating companies and their leadership for their outstanding contributions.

We remain confident in our ability to continue to successfully deliver sustainable value to our stakeholders despite the difficult macro backdrop. On that note, I thank you for taking the time to listen. I will now hand it over to Tolu to moderate the Q&A.

Thank you, ladies and gentlemen.

Q&A Session

Tolu Oluwole- FBNHoldings

Thank you very much, GMD. As a reminder, you can raise your hand so you will be called upon for the questions.

We have a question in the chat. This is from Nabila. Nabila says, given the plan to get approval for additional capital raise at the upcoming AGM, what will you say is the timeline for completion of this additional raise?

The second question is, what is the core loan and deposit growth as at nine months 2024?

Additionally, can you shed more light on the rationale behind the proposed name change as disclosed at the AGM notice?

On the sale of the Merchant Banking business, how much is estimated to be gotten from the sale, and will this be channelled towards meeting the shortfall in terms of regulatory requirements?

Finally, given the high-interest rate environment, how does the Group intend to manage any further deterioration in asset quality?

Nnamdi Okonkwo- FBNHoldings

You have heard us talk about optimising our portfolio, which is a key strategic imperative. Last year, during the strategy session, we decided to divest from the Merchant Banking business and channel our energies to other areas because it was no longer viable to hold both a merchant banking and commercial banking license.

On the capital raise timeline, ED, please proceed.

Oyewale Ariyibi- FBNHoldings

Thank you for the question, and good afternoon, everyone. According to the capital raise timeline, the rights issue is expected to close on December 12, 2024. The Central Bank (CBN) would verify the transaction, allot the rights, obtain Securities and Exchange Commission (SEC) approval, and list the shares on the Nigerian

[X] Amended in places to improve accuracy and readability.

Exchange (NGX). Overall, we anticipate receiving funds in February 2025. By then, we intend to disburse these funds to FirstBank to support the capital adequacy ratio. Subsequent to the shareholder approval of the NGN350 billion capital increase at the upcoming AGM on November 14, 2024, we plan to begin preparing in earnest and estimate that before Q3 2025, we will have wrapped this up, and all of that will be in the books of FirstBank as Tier 1 capital. With this, we can compete effectively and assume our rightful position in the industry.

The second question I would like to address is the sale of the Merchant Bank. Since the announcement, we have gone through a rigorous process, and we are at the tail end of it. We have written to the SEC and CBN for final approval. We expect that the ex-cost of sale will be at least double the NAV as at December 2023. Thank you.

Tolu Oluwole- FBNHoldings

There are two more questions. The first question is, given the high-interest rate environment, how does the Group intend to manage any further deterioration in asset quality, and what was the core loan and deposit growth as at nine months 2024?

Segun Alebiosu – CEO, FirstBank

Thank you. The core loan growth as at nine months is about NGN300 billion. Others are devaluation-induced. For deposit growth, we have over NGN2.5 trillion in natural deposit growth across the Group. How do we plan to manage the ratio? Looking at the NGN300 billion we achieved for a year; it is evident that we are not lending. The fundamental issue, as previously highlighted, pertains to the quality of assets at entry.

Since 2016, we decided that our book would be designed to withstand economic crises and turbulence throughout the cycles. Firstly, we financed sectors that can withstand macroeconomic shocks. On our part, we actively monitor and manage the books. Secondly, we curtail growth and loan growth.

Thirdly, if there is a need to lend, we lend to top-tier names and, in most cases, where there is sufficient working capital that you know will recycle out. Finally, we ensure that there is an active remedial process because you know that customers will also need handholding throughout this period, with the option to pay overtime, if necessary, because of the tough operating environment. Thank you.

Tolu Oluwole- FBNHoldings

Thank you, CEO. The next question is from Olumide Sole. Olumide, please go ahead.

Olumide Sole – Renaissance Capital

Thank you. Great results. My first question is on the dividend payments of NGN0.40 for the full year 2023. Has this been paid? If not, what is delaying the payment? Additionally, when should we expect the trajectory for dividend payment to change? NGN0.40, which was the claim last year, is below par. We all know that. Should we expect it to change this year, or when? Secondly, for the fair value gains the Group recorded for the nine months results of about NGN500 billion. Is it a trading gain or an FX evaluation gain? Kindly clarify. Thank you.

Patrick Iyamabo – CFO, FirstBank

On the fair value gains, we posted a revaluation loss. As such, it is not a revaluation gain. So, that is income recognised that was fair valued into P&L and represents positions largely from our derivative book. But to

[x] Amended in places to improve accuracy and readability.

your question on whether it had to do with the fair value gain, no, we had a short position. As such, it was a revalued loss that was reported during the period. Thank you.

Oyewale Ariyibi- FBNHoldings

Thank you. Olumide, on the issue of dividend. The Board of Directors can only recommend dividend. The shareholders at the general meeting would either approve or disapprove. Given this, we proposed it to the Board of Directors, and the Central Bank has approved it. But pending the AGM, payments cannot be made. The AGM is scheduled for November 14, 2024, and as soon as the shareholders at the AGM approve the dividend, we will pay through the registrar. Please be on the lookout. It is just a matter of weeks.

Addressing the question of the dividend trajectory. Yes, we know NGN0.40 does not compare to what our peers are paying, but you know our story. If you followed us, you know we have been able to navigate a challenging period. So, at a time when we were trying to conserve capital and retain earnings, it has been a deliberate decision in the commercial bank to not fall below the regulatory capital adequacy ratio.

Additionally, retained earnings is a tier one CAR element, which enables us to use some of tier two. Therefore, it was deliberate. Until last year, when the Board decided that it was time to raise an additional NGN150 billion, it was at that point that we concluded that we had done enough retention.

Going forward, to utilise the potential and get the best result to pay proper dividend to our shareholders, we need to inject additional money. So, the trajectory for dividend payments will happen. In fact, I expected your question to be when do we expect to begin to see NGN1 or NGN2? It is not proper that in times when shareholders are asked to bring in funds for recapitalisation, you are also giving them money as dividend. As a result, at the conclusion of the capital raise, indication will be given of the dividend payment trajectory. At this point, we are developing a five-year strategic plan for the Group, and by the end of that plan, we will be able to tell precisely what kind of dividend to expect in the future. At the end of this capital raise, we will have the resources to expand our business, as indicated for both retail and wholesale banking expansion. As we advance, you can expect better profit and better dividend to come in the subsequent financial year.

Thank you very much.

Tolu Oluwole- FBNHoldings

Thank you, ED. We will take a question from Ifeanyi, which states if you could give a sense as to the impact of CRR on the Bank, how much of a threat will this be in terms of the Bank's performance, especially given the estimated 150% increase in deposits from the bank year-to-date?

Additionally, what strategies are in place to manage this, given that interest expenses on deposits are contributing more significantly to total interest expenses?

Secondly, can you provide more clarity on the NGN226 billion exchange loss? Is this primarily related to an off-balance sheet derivative pay, or is it tied to position against the dollar? If it is a derivative position, when is the expected maturity date to anticipate the results?

Furthermore, could you discuss your strategy to manage the capital adequacy ratio (CAR), given the foreign currency impact.

Nnamdi Okonkwo- FBNHoldings

The FirstBank ED/CFO will respond to questions one and two, while the FirstBank CEO will address questions three and four.

Patrick Iyamabo – ED/CFO, FirstBank

Regarding the CRR question around interest expense from deposit being a challenge, the question around the NGN226 billion to NGN6 billion exchange loss, and the question around how we want to manage CAR

[X] Amended in places to improve accuracy and readability.

given the foreign currency impact. Also, I believe the person also meant to include that we no longer maintain a long foreign currency position.

On the CRR impact, it has been significant. To put it in perspective, the movement [from September and date alone] has translated into more than NGN700 billion of liquidity being mopped up. If you wanted to put that differently to our earnings at 20%, the CBN just issued notes today, right, at about 24%. If you think about that in terms of 20%, that is about NGN140 billion upside earnings that have vaporised. Essentially, we perceive CRR as considerably underestimating our balance sheet's earnings capacity or, to put it another way, underestimating its true strength of our balance sheet.

Nevertheless, CRR has increased during the year. It is a systematic risk. We are not the only ones impacted by that, and we continue to do quite well.

If you review the financials and our share for the nine months of this year, you will observe some critical things. In terms of revenue accretion, we are accreting revenue from all the various lines possible. Regarding interest, net interest income grew spectacularly on a year-on-year basis, driven by our interest income from loans and advances as well as from our treasury portfolio and treasury instruments.

Additionally, if you further analyse the growth in interest income on our loan book and our treasury instruments, you will observe that there are three key drivers, for example, volume. If you take loans, for example, the volume growth helped propel interest income, but the substantive volume growth itself was limited. The currency movement translated into a significant increase in our interest income and then our yield improvements also drove interest income from loans.

Regarding treasury, a combination of volume and yield drove very significant growth on a year-on-year basis. Combined, the interest income growth far outstripped the interest expense growth. Could it have been much more? It would have actually been much more. But then again, this CRR pressure is part of what is the present reality. We see the CRR challenge as understating our earnings capacity. Nonetheless, given the structure of our balance sheet, we continue to accrete in this operating environment.

Addressing the question relating to the interest expense on deposits, again, interest expense on deposits is rising. But as earlier explained, every time yield increases, FirstBank does much better. Yes, interest expense is increasing, which has an impact on the yield environment, the MPR driving up savings rates, and a variety of other factors. But our interest income is growing much faster than our interest expense. If you do a year-on-year analysis of our net interest income, you will observe a significant improvement in our net interest income.

The question is, what have we done? Because we typically have a long position, we have been able to control interest expense growth while maximising the interest income opportunities. As a result, the yield environment, which has driven up the cost of funds for our deposits, has played out well for us, and this is expected to continue. It is the same thing we witness every cycle where yields increase. It is the same thing that is playing out again, and we don't have any complaints.

Thirdly, to clarify the NGN220 billion revaluation loss. The loss is not a result of our derivative position. The loss is derived from our short foreign currency position on our balance sheet. As you know, if you have a short foreign currency position in an environment where the exchange rate is rising, or Naira is devaluing, you will suffer a revaluation loss. That is what is playing out. You will observe that a revaluation loss has been growing from Q1 into Q2 into Q3 2024. This is the downside impact of the Naira devaluation on our books. However, that is more than compensated through other currency-linked earnings in our books. Addressing the derivative, I am delinking it completely from this revaluation loss because it has nothing to do with the revaluation loss. Revaluation loss is just a short position.

On our derivative books, which benefit from the Naira devaluation, what you would notice is we have had significant upside from the derivative contracts that we have had in place. The gains on the derivative contracts we have in place are circa 500. If you think about it, yes, we have this huge loss on our balance

[x] Amended in places to improve accuracy and readability.

sheet because of our short foreign currency position. But in terms of derivative contracts, which are also FX-linked, we had a significant upside. Overall, the Naira devaluation impact has been positive for us.

Recall I mentioned that the Naira devaluation impact also shows up in our interest income because those interest income pools are now converting at a higher exchange rate to a functional currency, which is the Naira. As a result, our interest income continues to be propelled by the Naira devaluation.

Finally, regarding the question on CAR, you raised a good point. I think it's pertinent today because of the regulation that prevents banks from maintaining long currency positions. Historically, if you have been following us, what has typically happened is that every time the Naira has devalued, not only have we become a lot more profitable from our long currency position, but the level of profitability has been such that it had always more than compensated in terms of capital accretion to offset any risk-weighted asset growth. Indeed, previously, every time the Naira devalued, not only were we more profitable, but our capital adequacy ratio also improved. With the CBN regulation that prevents banks from maintaining long foreign currency positions, what banks are now faced with is they can no longer benefit from revaluation gains. As such, the capacity to offset the impact of risk-weighted asset increase on CAR is limited. However, every time the Naira devalues, all the foreign currency income streams, whether they are LC-related and whether other types of fees, whether it is dollar interest income, those income streams still translate at the new exchange rate, boost earnings and accordingly help replenish CAR, however, not the way it historically used to be.

A critical thing that supports our ability to address CAR considerations under the new regulation includes the heightened returns received from our books. The GMD spoke earlier on about the return on equity recognised during the period, and that was north of 32%. This is more than our cost of equity, and those are returns that are very supportive of CAR and capital replenishment to offset risk-weighted asset growth. This is a big deal for us, as it represents profitability in our books.

Secondly, what we do more actively, and we used to do, but it is a lot more active now, is to have risk mitigants for the RWA growth. As you know, your risk-weighted assets can grow. But if you have security in terms of cash or yield hedge instruments, those represent risk mitigants. Therefore, they reduce the effective RWA. In terms of structuring capital-consuming risk assets, the priority is around using the risk mitigants to keep RWA in check. Effectively, what you will see is RWA doesn't grow as quickly, or it is not as responsive to the Naira devaluation.

Also, the other considerations are really around the currency mix of our risk-weighted assets and books and then other capital and constitution that we bring to bear. Collectively, because we have a very robust balance sheet that is really benefiting from the current outbids and that is able to benefit from the volatility. We have returns on the high end that are replenishing capital, coupled with the other things we are doing around structuring using risk mitigants. Then things we are doing around the currency mix of our portfolio, we are able to address the capital considerations. For us, the critical discussions around the capital are really boosting capital to levels that are fully supportive of Basel III and offer us the competitive advantage to tap into some of the opportunities we see the current regulatory environments creating for banks of our scale and balance sheets and quality. This is a tie back to the earlier discussion mentioned around the capital raise we are seeking to do. Complementing the organic steps being taken would further uniquely position us in the markets going forward. Thank you.

Segun Alebiosu – CEO, FirstBank

Thank you. The ED/CFO has addressed question three holistically. The fourth question relates to dividend payment. The ED/CFO of HoldCo responded to the capital raising, and you know what the operating environment is saying. Additionally, we are developing our 2025-2029 strategy. Based on that, we will be able to project what the future dividend will look like. But I can assure you that going forward, dividend will be materially different from what you see. Thank you.

[X] Amended in places to improve accuracy and readability.

Tolu Oluwole- FBNHoldings

Thank you, Patrick and CEO. We will take the next question from Phani Sree. Please proceed.

Phani Sree- Bloomberg

Good afternoon, and thank you for the call, two questions from my side. In terms of the Eurobond maturing, I think less than a year from now, do you have any indicated plans to redeem or potentially refinance? Additionally, a related question, if the external environment is still somewhat challenging or not conducive, would you also look at a potential USD bond as an avenue for refinancing that instrument? Secondly, it is in the swap position with the Central Bank. I want to get an indication of how the position has changed year-to-date if you don't mind disclosing it. Thank you.

Patrick Iyamabo – CFO, FirstBank

Your question relates to Eurobond and our swap position with CBN. In terms of the Eurobond, we will redeem, and plans are already in place to make that happen. As previously stated, we want to remain active in the financial market. If the prevailing circumstances are right, and by that, we mean pricing and other considerations, we will tap the market again as necessary. Redemption is not a problem at all, and neither is our access to the market on a business basis. Luckily, we have a great rating. Our credit rating is capped by the sovereign, and our capacity to raise funds efficiently is not in question. Our access to the market is excellent. We have people knocking on our doors and asking if this is something that we want to explore. On the funding end, we are quite comfortable.

In terms of the swap position, we cannot speak to the exact details because those are bilateral confidential transactions. But we do have a couple of contracts running. Earlier in the year, we didn't like the terms of rollover of one of the contracts, and we called it in, and we were paid, and we moved on. Our continued participation in any currency swap transaction with any counterparty was strictly driven by whether the commercial terms made sense to us. The good thing is our counterparties have always confirmed and have clearly demonstrated the ability to settle at will if parties cannot come to a commercially acceptable transaction. Thank you.

Tolu Oluwole- FBNHoldings

Olumide Sole. Go ahead with your question, please.

Olumide Sole – Renaissance Capital

Thank you. Can you provide us with a breakdown of forbearance loans? We understand that the CBN has granted banks forbearance, and we believe that the Bank is also a beneficiary of that. Can you please provide us with a breakdown of the forbearance loans, how you are managing them and the provisions the Bank is making for those forbearance loans? When I mention breakdown, I am looking at sector breakdown, which one belongs to power, and which one belongs to oil and gas.

Additionally, what is the current state of the lawsuit with Barbican Capital? I know the Group made some announcements when it started, but we have not heard anything since then. Please provide us with more details on what should be expected, when will this lawsuit be resolved? Thank you.

Nnamdi Okonkwo- FBNHoldings

The FirstBank ED/CFO will address this question, but I want to comment on the lawsuit you referred to. You will agree with us that it will not be proper to comment or discuss any matter in court on this conference call. Unfortunately, we can't discuss that for obvious reasons.

Thank you. Patrick or Segun, please respond to the forbearance question.

[x] Amended in places to improve accuracy and readability.

Segun Alebiosu – CEO, FirstBank

The CBN has a uniform requirement for loans under forbearance. For ours, about 70% is in oil and gas and about 15% in power, and then the others in manufacturing, agric and others. So, we have more into the oil and gas sector. It's a general industry thing and these are projects with long gestation. Thank you.

Tolu Oluwole- FBNHoldings

We take the question from Damilare Asimiyu, which says, first, I want to commend the continued effort of the Management towards repositioning FBNHoldings as the industry powerhouse. The question is, how optimistic is FBNHoldings with its capital raise plans, the current NGN150 billion rights issue and the proposed NGN350 billion, given that it's coming to the market currently? The next question states, has FBNHoldings provided some stopgaps to some troubled banks between 2020 and last year. Has the Bank fully recovered its injection?

Nnamdi Okonkwo- FBNHoldings

If you look at what we have presented today, you know that this Bank is on an upward trajectory. We have our shareholders' confidence. We are not worried about being able to raise NGN150 billion. Again, I repeat, we started this before the regulatory pronouncement was made. In spite of that, we are still going to get approval at the AGM to do another NGN350 billion. We can't be moving in that direction if we are not confident. To answer your question, we are very optimistic that this NGN150 billion rights issue will be highly successful. We don't have any doubts at all. Thank you.

Tolu Oluwole- FBNHoldings

The second question was to reconfirm whether the injection had been recovered.

Oyewale Ariyibi- FBNHoldings

I think he was asking about the stopgap to some troubled banks and whether we have recovered. I reckon the FirstBank CEO should take it.

Segun Alebiosu – CEO, FirstBank

Thank you. Yes, we got our money back, and we reported to the market that we were fully paid by the Central Bank. Thank you.

Tolu Oluwole- FBNHoldings

Thank you, CEO. To take this question from Nabila. What should we expect in terms of dividend for the full year 2024?

To take the next question from Elizabeth, which states, given the high interest rates environment impact on profitability, how sensitive are projections to potential interest rate fluctuations and what strategies are in place?

Additionally, we can take this question for Phani, which is, when is the next AGM holding, and where will approval be sought for NGN350 billion to be raised?

Nnamdi Okonkwo- FBNHoldings

The AGM date is November 14, 2024, which has been published already. FirstBank CEO, please address Elizabeth's first question on high interest environment and profitability.

[x] Amended in places to improve accuracy and readability.

Segun Alebiosu – CEO, FirstBank

Thank you, Elizabeth. One good thing about FirstBank is that in a high-interest rate environment, we do see us getting many more benefits. If you check our deposits in Nigeria, over 80% of our deposits are current assets by CASA, which helps us to ride through a high-interest rate environment. We are sensitive to that. Now you have the CRR consuming and then increasing overall cost in the market. But it also means that the fluctuation needs to be managed in such a way that at every point in time, we ensure that the deposit mix remains constant. Because we have a very strong retail franchise, we can work through a high and turbulent interest rate environment. That is what we see with a franchise like ours. Thank you.

Tolu Oluwole- FBNHoldings

Thank you, CEO, one last question. So, the CEO just responded to the previous question from Elizabeth. The ED touched on the dividend earlier.

Oyewale Ariyibi- FBNHoldings

Thank you. Nabilam expectations for dividend for the full 2024 and subsequent years. As I said earlier, we said it is not very proper that in a period that you are raising capital, you are asking shareholders to bring money to recapitalise the institution, particularly our crown jewel, FirstBank. In the same year, you are also paying high dividend. I mean, the question would be, why ask us to bring the money and then the cost of transactions and all of that? What I have said, what we are doing is we want to settle the issue of capital raise, after which, with our strategic planning for the next five years, 2025 to 2029, then we will be able to give a clear indication of what a dividend projection will be. But being that as it may, you can rest assured that management is not insensitive to the fact that total shareholders' return, a critical part of that is dividend payout ratio as well as capital appreciation. We are very conscious of that, and we are working the numbers to ensure that we give an appropriate dividend that does not hurt the business and, at the same time, meets shareholders' expectations.

We are looking at a holistic approach to getting the required capital into the bank and seeing the performance, then being able to project what the dividend will be. But obviously, certainly, NGN0.50 and NGN0.40 won't cut it, and we will ensure that shareholders get appropriate dividend commensurate with the business. Thank you.

Tolu Oluwole- FBNHoldings

Thank you. We will take our next question from Timitayo Omotere. Please go ahead.

Timitayo Omotere – Greenwich Merchant Bank

Okay. I have two questions. If you look at the financials, impairment charges increased in the period by more than 100%. My question is, what are the drivers of this significant jump and what steps is the Bank taking to ensure asset quality is managed?

The second question is part of the plans for the proposed capital raise is to expand. I heard the GMD mentioning expanding outside the shores of Nigeria. But I've also read somewhere that the Bank also plans expansion within the Nigerian market. I want to ask if this is in line with customer sentiment when the industry is moving away from the traditional brick-and-mortar. Thank you.

Nnamdi Okonkwo- FBNHoldings

When we talk about expanding, this is not about brick-and-mortar. For instance, if you want to give Ghana a stronger base to operate, you need to upgrade its IT or invest in digitalisation or innovation. That is a kind of expansion.

When you also talk about expansion, you could be referring to the commencement of operations in a new country, like a greenfield or maybe an acquisition. The expansion is not in terms of brick-and-mortar

[x] Amended in places to improve accuracy and readability.

distribution, but we follow well-researched opportunities in identifying new business locations. The FirstBank CEO will take the question on impairment.

Segun Alebiosu – CEO, FirstBank

Thank you. Our impairment model takes into cognisance the macroeconomic environment. It comes to the models. You have inflation, GDP growth, exchange rates, unemployment as part of variables, stock market index, all coming to influence the PD. These variables come. It's not because of specific impairment but because of the operating environment. Your impairment model needs to reflect that.

Looking at the cost of risk for the previous year, our model sufficiently reflected the macros, and that's what you see. Look at what happened in Q3 2024. Truly, and the currency environment, the rate raise, CRR, many things in the environment, of course, ordinarily should reflect in the impairment model of financial institutions because you are just securing the future. Thank you.

Tolu Oluwole- FBNHoldings

Thank you, CEO. There are no further questions currently. In the absence of any additional questions, we can then invite the GMD for the closing remarks. GMD, please.

Nnamdi Okonkwo- FBNHoldings

Thank you, Tolu. Ladies and gentlemen, thank you for being on this call today. We thank you for your questions, and we hope we have been able to respond to all of them satisfactorily.

We look forward to ongoing interactions with you. Thank you.

Tolu Oluwole - FBNHoldings

This concludes the FBNHoldings 9 Months 2024 financial results conference call.

Thank you. You may now disconnect.

[X] Amended in places to improve accuracy and readability.