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Presenter:	**Bisi Onasanya**
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Operator: Good day ladies and gentlemen and welcome to First Bank of Nigeria Full Year Results for the 12 months ended 31st December 2010 and for the First Quarter 2011 Conference Call. For your information today's conference is being recorded. At this time I would like to turn the conference over to your host today, Mr. Bisi Onasanya. Please go ahead sir.

Bisi Onasanya: Thank you very much. My name is Bisi Onasanya, the Group Chief Executive. I welcome everybody to this conference call. I have with me today at this call the Chief Risk Officer Remi Odunlami; I also have the Chief Financial Officer Bayo Adelabu; and I have the Chief Strategy Officer Onche Ugbabe.

I will take the first few slides starting with the discussions on the headlines for 2010 and our roadmap for 2011. In summary I will give the highlights of the performance for 2010. This was a year in which we were able to reduce our cost of funds essentially and deliberately. In 2010 we were able to improve our low cost deposits of demand savings and domestic accounts, balances grew 82% in aggregate. This was deliberately done and we are quite happy that we are moving in the right direction. What this has also done for us as a bank is that we now have sufficient liquidity and we also have deliberately devised strategies to go on to improved liquidity management and you would see from our numbers between December 2010 and Q1 2011 a deliberate reduction in our liquidity ratio from 50% to about 35%. This is to be sure that we sweat those liquid assets as much as possible and put earnings, assets that would also derivate appropriate revenues being mindful of the implications on our risk profile.

At a macro level we operate in an environment where you have rising inflation but that on its own creates a major opportunity for us as a very liquid bank and asset bank with a very big balance sheet. We see in this also expectations of increased interest income arising from this opportunity in the year 2011 and so we expect some growth in our interest earnings arising from this and a combination of other factors which of course includes increased lending and improved liquidity management.

At the macro level also we are operating in an environment where you have rising oil prices, rising essentially from development in some parts of the world which have positive implications on oil prices and like I said earlier on in some of these situations we also see challenges and opportunities. To take advantage of the rising oil prices we have deliberately created within our corporate banking and investment banking business this specific desk to take care of crude oil exports and derive maximum value from the crude and increasing oil prices in Nigeria. This is one area of business which we were not strong in and we have deliberately created a unit, very, very excellent people to handle transactions in this area. So we expect that this will also enhance our earnings in the year 2011 and going forward.

The strategic thrust for 2011 essentially is to focus on local, organic growth. I had announced earlier on that we no longer have a deal with Oceanic Bank and we are focused more now on accelerated organic growth locally without losing our focus on international expansion in line with our long term documented strategy.

We announced at this stage also that we have obtained a licence to open an office in the United Arab Emirates, in Abu Dhabi to take care of business opportunities arising from the Middle East. We were continuing to look at these opportunities provided they give us synergies for business expansion at the Nigerian level and at the international level. The bank's strategic thrust for 2011 will continue to be anchored on the four pillars of growth, service excellence and performance management. Our growth has essentially indicated to dominate the Nigerian space. The Nigeria market represents a big financial market in Sub-Saharan Africa so we believe that dominance in Nigeria is the key pillar of our intent to dominate Africa. We will not lose hold of this, the leadership we have in Nigeria and our incentive here is to follow up and consolidate on this, leadership in the Nigerian market.

We also have set out deliberately in the past one year and going forward to continuously improve in our costs and to appeal to both the young and the old. We have noticed an improvement in this. We now believe that we are providing opportunities for everybody who wants to bank with First Bank to make First Bank the first choice for banking relationships. We will continue to improve our rating in customer satisfaction and we will also target to become the market leader progressively. To drive all these strategies we will continue to train our people and we will continue to hire the best people wherever they may be.

I will move on to slide 5. Let me start by highlighting our performance for 2010. We declared a profit before tax of N43 billion but I'd like to emphasise that we took the initiative very boldly and practically to make the mandatory 1% general loan loss position amounting to N11 billion in spite of the amnesty given by the

Nigerian Accounting Standards board. It's important that the market factors this N11 billion into the profit declared of N43 billion. If we adjust for this we would have declared a profit before tax of N54 billion for the financial year ended 2010 and this clearly is difficult in the history of banking in Nigeria if you look at the profits declared by major companies. We do not intend to remain the First Bank in Nigeria alone. We want to be the most profitable bank going forward and we are delivering on this.

We also in 2010 and continuing into 2011, we are beginning to see a very strong bank with stable and strong capital adequacy ratio of 19.3% in 2010 moving towards the 20% mark in 2011. We achieved the year on year growth in deposits of 12.5% for the quarter ended March 2011 with our deposits close enough, N1.58 trillion, 82% of which are low cost deposits. We also achieved today as at the end of the first quarter 2011 a total balance sheet size of N2.5 trillion. That to us is a magical figure that no bank has attained in Nigeria and we believe that this gives us a major advantage to do large scale transactions particularly in a period where we need to do large scale transactions to find out if our structure and assets of the Nigerian economy. At this balance sheet size there's no other bank in a better position to take advantage of these opportunities in the Nigerian market other than First Bank.

Lastly on this slide let me confirm that we achieved an ROE of 15.5% in 2010. We will continue to drive harder for improvements on this ratio.

Moving on to slide 6 let me look at the global economy. The economy will continue to grow and is predicted to remain at 6.5% however the interesting thing is that in the Nigerian economy within this sector grew at a faster rate of 7.8% in 2010 and the projections are that this will be much, much higher in 2011 with the ongoing efforts to deal with the major issues of infrastructure, power essentially in Nigeria. If you have an economy in 2010 that operated without electricity, without major infrastructure and yet we were able to achieve 7.8% GDP growth, you can imagine the margin potential that exists when some of these issues are taken. We are positioned to work with the private sector to deal with these issues of infrastructure going forward in Nigeria and we are taking the right positions to achieve this.

Lastly we expect some progress to be made in the recapitalisation of the CBN in the bank. We expect also in the process of this resolution increased competition in Nigerian banking which explains why all our focus in this particular financial year, that we defend ourselves and ensure that we do everything to sustain the leadership and further improve on this.

Thank you very much. At this moment I will hand over to the Chief Financial Officer Bayo to take us through the numbers. Thank you, Bayo.

Bayo Adelabu: Thank you very much Bisi. My name is Bayo, I am CFO for the bank. I will be taking you through the financial review which is covered by slide 7 through to slide 19. I'm on slide 7 now. The bank closed the 2010 financial year with N33.4 billion profit after tax which is shown by the evolution as represented by the building blocks there. The major improvements over the N4.9 billion deposits in 2009 financial year, there are factors responsible for this. The first is an increase recorded in the new lines, helping both interest income and non-interest income. Interest income increased from N162 billion in the prior year to N174 billion for the full year ended 2010 December. The same goes for non-interest income which increased to N56.5 billion from N31.9 billion. The second reason for this was the aim of the bank to redeem significantly the cost of funds. The bank's cost of funds like Bisi mentioned through a deliberate and conscious effort from N65.8 billion in 2009 to N52.6 billion in 2010 and lastly there was an improvement in the quality of the bank's risk assets which is represented by a 50% reduction in the provisions for loan loss from N40.6 billion in 2009 to N21.6 billion in 2010. This is also what we have mentioned here that included in the loan loss provision for 2010, 51% general provision which amounted to N11 billion, otherwise this would have been a N10 billion provision for the prior year which is an improvement from what we provided in the prior year.

In the first quarter of 2011 the bank's strategy here was a trend showing increased traction in revenue of N50 billion, especially non-interest income. We also continue to achieve cost of funds which shows the interest expense of N9.4 billion from N22.3 billion in the first quarter of the prior year, however the increase on the prior year impacted both inflation and expenses driven by the balance sheet side, premium and AMCON led which is based on total assets of the bank. PBT however improved slightly in the first quarter 2011 compared to the first quarter 2010 from N15.4 billion to N15.7 billion.

I have moved on to slide 8. Despite the operating environment experienced in the 2010 financial year the bank was able to maintain its revenue traction resulting in revenue growth from N196 billion to N231 billion from 2009 to 2010 even though the 2009 financial year was a nine month period we were able to still increase. Also as a response to the declining yield on the bank's earning assets we were able to grow the non-interest revenue line as a percentage of total revenue to improve our income during the year ended 2010. Non-interest income improved from 17% recorded in 2009 to 25% of total revenue in 2010. However you will notice that the trend of incremental revenue was down from Q1 to Q4 in 2010. This is due to a consistent decline in yield on customers' assets and treasury instruments coupled with low growth in loans and advances. This is responsible for the declining revenue quarter on quarter throughout the year 2010. We are however happy to inform you that this trend as a result with our Q1 results, Q1 2011. The quarter recorded N67 billion revenue compared to N54 billion recorded in the third quarter ended December 2010. This represents a 17% increase in revenue. We were also able to sustain the revenue mix of 75%-25% between interest and non-interest revenues. Our target however is to achieve a 70%-30% mix of interest income and non-interest income in the short time.

We also have the split of revenue by business on this slide which reveals that retail and corporate banking activities still remains the largest part of the bank's revenue. The investment bank and asset management activities of the bank constitutes just 5% while other including mortgage banking and insurance only contributed 1%. It is against this background that the structure of the subsidiary to deliver more value and contribute more revenue to the group revenue.

Moving to slide 9. The split of our interest income in terms of mix for 2010 full year replicated those factors that characterised the operating environment during the year ended December 2010. This is from low yield of customer assets and low growth in loans and advances. Interest income on loans only contributed 64.4% to total interest income as against 71.5% for the full year ended December 2009. This trend has however changed as shown by our first quarter results for 2011 where it is now 70.3% of total interest income, interest coming from loans and advances. This is due to the application of our risk-based pricing and significant growth for loans and advances in just one quarter. For the non-interest income, in terms of mix, commission on turnover contributes 27% of total non-interest revenue whilst commanding better fees, other fees and commissions charges contributes 42% of total non-interest revenue; and other income recorded 23.4% of non-interest income. Asset yield was expanding in 2010. We were also practically now to retain our cost of funds as you can see on the slide, the yield was declining consistently. In response to that consciously we reduced the cost of revenue from 6.9% and achieved 3.9% at the end of the financial year. This has dipped to 2.7% in the first quarter of 2011. Net interest margin is also showing improvement at 6%.

I'm on slide 10 now. The positive trend that we have recorded in the first quarter of 2011 which is a fact that as revenue grew, expenses grew and we should sustain this for the rest of the year. 2010 was the result of a lot of restructuring costs and some fixed costs during the year to record going forward. There's also the breakdown of expense by business unit.

On slide 11 the provisions for loan loss also reduced for the year 2010 compared to the prior year 2009 from N40 billion to N21 billion and as mentioned earlier a provision of N11 billion. Our cost to income ratio has also shown some slight improvement from 69% in Q4 2010 now to 64% in Q1 of 2011. We expect to improve on this as we move further into the year.

I'm moving to slide 12 which shows a breakdown of our profit. The PBT we recorded for the full year was for N13 billion as against N16 billion of 2009 which is a major improvement and we have this data. The PAT was N33 billion in 2010 as against N41 billion in 2009. Also the first quarter of 2011 is showing an improving trend of profitability at N16 billion and we expect this to improve as we move further through the year. There is also the split by business line in terms of contribution to profitability.

Moving to slide 13. We have also achieved profitability and improvement in terms of the return on average equity which has improved from 2% in 2009 to 10.3% at the end of 2010 and now to 15.5% at the end of the fourth quarter 2011. Then if you go to our return on average assets which has lifted from 0.3% in 2009 to 1.5% in 2010 and now to 2.1% in 2011. We expect to continue this through the rest of the year. In terms of per share information our dividend yield of 4.4% for the year ended 2010, earnings per share was N1.02 in 2010 has increased to N1.54 at the end of Q1 2011.

Moving to slide 14 we have been able to sustain a strong and stable funding base as shown on this slide with deposits and capital constituting over 80% of our liabilities while other borrowings and other facilities represent less than 20% and this has enabled us to be able to increase our lending to customers at an appropriate price. On the asset side also assets represent about 85% of the total assets of the bank with loans representing 51% of this.

In terms of deposit mix like Bisi mentioned in his speech that low cost deposits which is made up of our current accounts and savings accounts constitutes about 82% of our deposit liabilities whilst deposits represent 18% which is shown by the cost of funds which have been declining consistently over the past quarter.

Moving to slide 15 this slide shows contribution to deposits by business unit and also it shows our retail banking continues to be the highest contributor at 54% coming from a large segment. Our loan to deposit ratio was 79% in 2010 and has increased slightly to 80% at the end of the first quarter 2011.

My last slide which is slide 16 which shows our capital ratio and liquidity ratio. Our capital and liquidity ratio has remained very strong with our Tier 1 capital showing 16.8% in Q1 from 17.7%. The capital adequacy ratio is showing 19.3% from 20.4% in 2010 and our liquidity ratio remains at 0.4% at the group level and 42.1% at the bank level.

On slide 17, the gross loans and advances, I would like to hand you over to the Chief Risk Officer who will be taking us through the slide on loans and advances.

Remi Odunlami: Good afternoon. I am on slide 17. Basically what we are showing you is that our loan portfolio has grown to N1.1 trillion for the bank and N1.4 trillion for the group largely made up of term loans which still remain the predominant portion of our loan book but as I committed at earlier meetings we are driving that percentage down and we are driving for more liquid and shorter term facilities. Right now our overdraft and commercial status represents about 25% of our portfolio. The portfolio quality remains pretty much standard. The performing loan book has been flat at about 87% in the 30 days past due, less than 30 days past due bracket and even the over 61 days, 61-90 portion has actually improved between March 2010 and March 2011 to represent only 10.6% of our loan book.

On slide 18 we show you the diversification of our portfolio. You will see in the first table that institutional banking remains our largest portion of our book which has however declined from 46% to 40% reflecting the focus after reorganisation on other customer segments. You will notice that the corporate banking segment has grown from 15% of our portfolio to 19% of our portfolio and we anticipate over the rest of the year that that portion will continue to grow as we focus on the high end indigenous customers. The sectoral allocation in line with the economic distribution, 27% of our portfolio is in oil and gas in different segments; and financial insurance, largely our money market lines – such facilities represent a further 14%. We do have a focus on the retail portfolio, we've mentioned that in the past and you will see that 85% of that portfolio give or take is actually in asset backed facilities either by property or other assets at the consumer level.

On slide 19 we talk about the asset quality. Over time we have been growing…over time I have been asked about our coverage. You will be happy to see that the NPL coverage has risen to 87% but that is largely the result of the 1% general provision that we have taken. You will see the difference in the swing from September 2010 through December to March. The NPLs are primarily at this point in the retail banking sector. That is largely because the loans that we were able to sell to AMCON, the margin loans and ratios that we have taken into account were from the corporate bank and institutional banking portfolios. Those have reduced rising up the retail banking portfolio. In terms of sectoral allocation of the NPLs retail as I pointed out remains the largest with some 24% and then real estate with about 45%, 13% of our portfolio is also a large sector, however it's a point in fact that much of the real estate portfolio is recoverable, is backed by assets and those assets are strategies for recovery to complete the project and put them on the market. We don't have to say anything in relation to that segment.

Our portfolio if we look at slide 20 shows that on an ageing analysis as up to December we have 34% of our portfolio, our portfolio was pretty evenly split between assets categorised as loss and assets described as sub-standard or doubtful. The inflection of time has taken the loss portfolio to 40% by the end of the first quarter but it is heartening to see that the substandard portfolio is decreasing which shows that in line with what we saw on the slide on the table on slide 17 we are managing the hold the creation or the deterioration of loans into classification pretty much steady.

That's it in terms of the asset portfolio. I will just quickly run over the risk management framework on pages 21 and 22. Page 21 shows you the board structure, the committees and how we're set up and the table beside it just gives you an idea of what we do and how we do it.

On slide 22 we show you the achievements and the highlights of the different risk buckets, specifically I would draw your attention to the credit risk and if I mention the social risk qualities.

On slide 23 we talk about our governance framework, the manner in which the board is set up and the different board committees that we have as well as the committees that flew out of the board mandate. We had a change, we had a significant change in the number of directors, in the make-up of the board during the year with a transition from nine non-executive directors to 11 and from eight executive directors to five, plus we now have a 2:1 ratio of non-executives to executive directors.

On slide 24 we just show you the names of the eight directors who left the board and the directors who replaced them. All the directors were new with the exception of our new chairman who has been on the board for the past six years.

I will now hand you over to Onche to talk about the strategy going forward.

Onche Ugbabe: Good afternoon. I am on page 25. We just wanted to highlight at this stage that growth remains of paramount importance to First Bank Group. While we will be very aggressive we are doing so in a disciplined fashion and a sequenced fashion. Speaking from the right side of the page, the priority in the near term with respect to our growth aspirations are focused and centred around Nigeria. We still believe that this is a very exciting market to be in and our market of choice even if we look in from the outside within Africa, so there’s no question that we see a lot of upside in this market. We will continue to focus extensively there with our commercial banking franchise and as the GMD pointed out with an emphasis on organic growth locally. During this period we are also continuing the aggressive transformation of the banking franchise but also putting in place the enablers that will allow for growth in future periods particularly restructuring to enable investment banking and asset management to take off as well as our insurance franchise which we recently lost. During this period we will have very limited forays internationally. We have been a frontrunner with respect to banking outside of Africa with a presence in the UK and France and the rep offices in China and also in South Africa. We've just gotten a rep office in the UAE but we will soon make explorations in Sub-Saharan Africa. In the medium term the emphasis becomes more and more around the group itself, building scale in investment banking and asset management and the insurance business, locating the synergies across these businesses with the commercial bank and continuing the bank's transformation to conclusion. This is also the period in which we think we will commence as of the expansion in earnest and the long term view is really to build a regional and very strong regional bank in Sub-Saharan Africa and to exploit the synergies that exist across nations, the point of which we deployed in the various nations and built scale in these places.

If you move on to page 26 as a first step to the restructuring of the group we've submitted an application to the Central Bank of Nigeria in line with their review of universal banking as we know it that looks something like what you see on the page here. Effectively the group is in the process of moving to a formal holding company structure. Presently the bank operates both as a holding company and as an operating company as well, so it's a holding company with various subsidiaries. The group is organised in four business groups if you will: the commercial bank which is illustrated on the far left; the investment banking and asset management business which will be anchored by FBN Capital; the insurance business which we're doing as a joint venture with Sanlam, one of the biggest insurers in Africa based on South Africa; and the other businesses we have which fit outside of those categories including the registrars' business, pension fund custody business etc. We should point out that our move in this direction predates the CBN directives. We already outlined this position and published it extensively in the past. Ostensibly given the various strong rationale we had around streamlining and simplifying our non-bank financial services, eliminating duplication across our subsidiaries and allowing for portfolio and group oversight at the centre. This is underway, we are waiting to give an approval and we expect it to continue through 2011 and 2012.

If you move on to page 27 this is a quick illustration of our objectives over the next three years. We are entering a new strategic cycle. We decided to accelerate the conclusion of the present cycle we are in which was due to end at the end of this year as we moved to a new bank structure. Broadly speaking we have five objectives over this next period, one is to continue to set a strong leadership position with respect to the balance sheet. We do believe in scale economies and advantages of scale in banking, but if we focus beyond that, we plan to extend our leadership position, contain leading positions in terms of profitability, also capital efficiency and operational efficiency and effectiveness, so redefining what it means to be first and truly establishing yourself as a leader in each of these areas, hopefully also leading to the strongest growth in total return to shareholders. We also tried to balance our short term growth aspirations vis-à-vis our long term health of the franchise, so we are making investments at this time that may not have dividends immediately but will over the longer term. An example of this is the big focus on youth within our retail bank. We also plan to lead and have challenged our various strategic business units to take a leadership position in each of their respective businesses and their subsidiaries are routinely benchmarked against competitors in their respective lines of business and as mentioned we also plan to regionalise over the next few years and move out in a very disciplined and selective manner in a few pre-defined nations that we've already mapped out and we believe primarily through inorganic growth.

I am going to go through pages 28 and 29 quickly. 28 is just a sneak preview if you will of the priorities of the bank over this next cycle. This is on the basis of a detailed diagnostic effort that has been run over the last few months. Broadly speaking with respect to financial priorities we have been focused on revenue, revenue has become a very important thing for us, bucking the trends of the decline in asset yields and so forth and this will be achieved in three fashions: one is through a concerted effort around fees and commissions; also selective creation of loans and advances, specific product types of industries; and also risk-based pricing and an emphasis on pricing overall including concession management. We are also going to engage in two areas of margin management, one is to keep our cost of funds low via continuing to leverage but focusing on low cost liabilities. The second is with respect to opex containment, containing the rate at which we grow opex and ensuring that it's well below our revenue growth rate. Non-financial priorities remain similar to those that you've seen already: performance management, talent management, the brand transformation, operational excellence and credit quality and process management.

On slide 29 we have recently reorganised into five different strategic business units within the bank. The bank was formally organised with geography as a primary organising access. We have now moved to market segments. Broadly speaking in the business side we have the institutional banking group which will increasingly focus on serving our largest clients with more sophisticated product offerings and solutions and trying to drive business across the entire value chain for these businesses and remains a very important lending arm of the bank. The corporate banking group which serves mid-corporate customers will increasingly try to generate fee and commission income for the bank especially in trade finance and we'll also try to develop a product portfolio plan taking smaller exposures and with pricing to reflect this. We have also established within the bank a private bank that has been launched quite successfully and this bank is going to be dedicated to high net worth individuals whom you see at the top there with a big emphasis on driving growth in assets under management, cross-selling group bank products, every one of these clients is typically a business owner or a chief executive or a senior executive of a business and really giving them a truly differentiated service model. The retail bank is what you see in blue serving mass market individuals as well as SMEs and local governments and that continues to be the funding base of the bank focusing on low cost deposit liabilities and with an increasing emphasis on driving customer acquisition amongst both the youth and the affluent segments where there's a disproportionate concentration of wealth. Our public sector SBU serves the federal state government and will continue to be driving to be the bank of first choice for these entities and trying to diversify its income stream for these. The remaining are really a summary of some of the operational initiatives, I'm not going to go into greater detail on these. I'm sure many of you have seen these but we have seen real results manifesting and these are not just internally but externally, recent industry-wide surveys have shown that First Bank is continuing to move up in the rankings with respect to service excellence and it's something we're very proud of. We've seen very impressive statistics in terms of just initiatives underway with our centralised processes centre. We've seen a 65% reduction in cycle times for account openings, 70% reduction in salary opening times. We've seen some very impressive metrics with respect to our ATM statistics, much higher success rates moving from an era in which there are numerous technical issues in the past. We've also seen very huge uptakes with respect to our internet banking platform, 170% growth, active usage and strong usage in other alternate channels such as the contact centre where we've seen in the quarter a 30% growth in call volumes and email volumes, so a very good story emerging with respect to the transformation and we're very hopeful that this will continue.

I'm going to pass this on at this point to the Group Managing Director to wrap up here.

Bisi Onasanya: I'm going to skip the next two slides and concentrate in wrapping up this session. Let me reiterate that the focus of this management when we took over two years ago has been to modernise First Bank and what we've done is lay these foundations. This is expensive but it will continue to provide the service required to retain the leadership in Nigeria. It's very clear and we can see that these indices have proven that we are ramping up quickly in terms of size and we are also improving our risk in the type of customer satisfaction and retail. This has had an impact on our overheads in the past two years. We've had a lot of transformation which has been very exciting. What we are proud to see is what we are doing. Going forward we have succeeded in laying this foundation. What we want going forward is to view this foundation and create a bank that everybody will be proud of as a national institution.

The investment case for First Bank remains a compelling one. We have succeeded in creating an institution that remains appealing to every segment of the Nigeria population. It's a leading banking franchise in Nigeria. It also has a very strong management and very strong corporate governance and integrity for which we are rated and known for. We have also focused on making sure that everything that we have embarked upon is such an initiative that is sustainable and we deliver long term, sustainable value to numerous stakeholders including our shareholders. At this stage we want to commit that we will continue to deliver on superior funds, we will continue to match best in class in terms of everything, in terms of services. We don't want to be beaten not having achieved this. Our proposal going forward is to sustain this growth and leadership and then build on that scale and size to ramp up profitability in the Nigerian market.

That's the end of this presentation, we would now like to take questions. Thank you very much.

Operator: Thank you sir. Ladies and gentlemen if you wish to ask a question today you will need to press *1 on your telephone keypad. Please ensure that the mute function on your telephone is disabled or we will not receive your signal. Once again if you wish to ask a question today that will be *1 on your telephone keypad. We will pause for just a moment to allow a queue to assemble.

Our first question today comes from Ronak Gadhia from Exotix. Your line is now open.

Ronak Gadhia: Thank you. I just have a few questions. Firstly your NPLs have increased quite significantly since the first half of last year which is quite contrary to what your guidance was at the time. Can you comment as to are these new NPLs or were you just understating your NPLs at the time? My second question is just regarding your staff costs. Despite a decline in staff numbers your staff costs increased quite significantly last year effectively translating to a salary inflation of 40%. What's the trend in the salary inflation going forward? My third question is regarding the holding company structure. Do you expect any restructuring charges as a result of adopting the holding company structure and also have the issues regarding the double taxation issues been resolved? Lastly the Seawolf transaction. In your financial guidance you said that the Seawolf loan has to be restructured by the end of September so that it's compliant with Central Bank guidelines. How do you intend to restructure that and will there be any restructure costs regarding the same? Thank you.

Remi Odunlami: I'll take the first question on NPLs and then I'll take the last one on Seawolf. Your comment was you were asking me about the increase from the first half of last year in terms of my NPLs. I was not understanding my NPLs for starters, so what you will find is the inflection of time does move NPLs through the different parts and the economic environment whilst it is picking up still has a lag effect on some of our larger transactions such that if you look at the percentages on the underperforming book, the names that were in the 61+ days moved into classification in that period. So I think it's more that there were names trending into classification which became classified as classified NPLs rather than an understatement of NPLs at that point in time. As far as the Seawolf transaction goes I did say in our guidance that we have committed to the Central Bank of Nigeria that we will be back within our single obligor limit by September and that we are working on a structure that will take us there. There might be some restructuring costs but I don't anticipate that they will be significant. We are still working on this structure so I can't quantify at this point in time. Does that address your first two questions?

Ronak Gadhia: Yes. Do you have some NPL guidelines for this year? Do you still expect the NPLs to continue increasing?

Remi Odunlami: NPLs will I believe increase marginally but I don't think you should see anything to concern yourself about. I think you will find that my NPLs in absolute terms might increase but I'm positive that my ratios and the NPL ratio in my portfolio will decline. I'm targeting 5% for the end of this year.

Ronak Gadhia: Just speaking to that, I understand you've sold some NPLs to AMCON. How much did you sell and what's the gain as a result of that?

Remi Odunlami: We sold 21 billion or N10.5 billion and got funds of 5.9 billion and we did take back some reserves that we already accrued.

Ronak Gadhia: Ok, and that will come through in the second quarter?

Remi Odunlami: Some of it came through in the year end numbers and the second tranche will come through in the second quarter.

Ronak Gadhia: Ok.

Bisi Onasanya: I will take the question relating to the restructuring costs on the hold co. Let me confirm that the restructuring costs will be minimal. We already have approached the authorities including the fair value services and we do have a confirmation in writing that those issues and essentially we have waived those issues. What we are pushing for is that for the IFRS working with the Central Bank to make a formal pronouncement that the guide that can be quoted when the bank goes for listing…the restructuring costs will be minimal and those issues have been floated.

Bayo Adelabu: In addition to this on the hold co, the formal correspondence with IFRS also covers the investment income, we will not be exposed to that at the hands of the group shareholders. On the staff costs increase, you are right to observe the increase in staff costs. It is true that we did something there during the period. As you all know there are costs there and these costs are largely absorbed during the year when this took place which was the year 2010 even though there were reductions in the number of staff, this will not impact on staff costs, they were not apparent. Secondly we also had four directors leaving the service of the bank, executive directors in the year 2010 and they were entitled to benefits, so benefits from these directors was also recognised during the year 2010 which was not the same in the year 2009 when there were no retirements or resignation of any executive directors. Lastly there were also some investments in staff which we used to make up for the shortfall identified because of the stock market. The stocks that we felt as assets to fund this gratuity actually lost value and there were gaps identified. We had to make up for this value during the course of the year and this was also significant. All these three reasons added up to the increase in staff costs for the year 2010.

Bisi Onasanya: Before we leave this question this led to my submission and my wrap up when I said we are going through a major transformation. This transformation has only been driven by the best people who are also adequately motivated. What we did quietly and unnoticed in 2010 was partly by standardisation exercise bringing in the best people in the market and also rewarding those that are inside to make sure that we take the best standard. We have to do that within the limits of an institution that is regarded as a responsibly focused organisation. That is in terms of the large number of people that we were able to let off due to non-performance. We were still not able to report any of these prices and that’s the reason why these costs were part of the transformation. Thank you. Next question please.

Operator: We will take our next question today from Kato Mukuru from Citigroup. Your line is now open.

Kato Mukuru: Thank you gentlemen and Remi for a great presentation. I have a couple of questions, sorry to do this. The first one is really looking at your investment and treasury portfolio at the year end. When I was looking at the maturity of that portfolio I saw that 93% was over one year maturity. When you look at a lot of your peers that are doing the exactly opposite, I'm trying to understand why you did this one and when you say over one year, how long is that maturity and have you changed this since? I was also looking at your risk-weighted assets, they fell 13% year on year in 2010 yet your contingent liabilities increased 5% year on year and your total assets grew 6% year on year, so I wanted to know how the risk-weighted assets fell, whether it was a change in your weightings? I looked also at how much you're paying for demand deposits and it looked rather high at the year end, you were paying on average about 3% and I calculated this looking at your interest expense on demand deposits by your average demand deposit balances over the year. 3% looks extremely high when most of your peers are around 80 basis points. Lastly on the NPLs just to clarify, your gross number at the end of the year should be lower than what you started with considering you've got to include the 31 billion sale to AMCON, at least that's my understanding. What would be the gain on the AMCON sale of the 31 billion exactly? The last, last question is what's the loan growth outlook for 2011 now that you've started the year very strongly?

Remi Odunlami: Ok Kato, I'll start with my bit, I know it's starting from the end but basically in terms of the NPLs that we sold to AMCON, we sold 10 billion of NPLs to AMCON in the first phase which was what's in our accounts as of December. The 31 billion that you're referring to are those that we are in the process of discussing with AMCON in Phase 2 and they have not yet been picked up in our accounts, so you should see that when you look at our half year numbers for 2011.

Kato Mukuru: Fantastic.

Remi Odunlami: So basically this is under discussion and has not yet been passed through the accounts. On the risk-weighted assets I think quite honestly I'd need to review your numbers and if you don't mind could you call after the meeting? I don't have that information right now. The average loan growth, I'm looking at 10-15% loan growth in the current year. We're already on course, quarter on quarter we've done 10%. There will be ups and downs in the portfolio but I think we'll probably wind up at 10-15%.

Bayo Adelabu: On the cost of funds I would like to confirm to you that the average cost of current accounts is 1% in the bank as again the 30% that you have mentioned, what you are referring to is actually the aggregate average cost of funds for the entire deposit portfolio of the bank which is made up of current accounts, savings accounts, domestic and deposits. What has led to this increase is the single deposit portion of our deposit portfolio and it looks at where we're coming from, the average then was 6.9% which means that we were taking deposits upwards of 10%, 11% in 2009, this has come down to between 3-4% which is why you'll see cost of funds now at 2.7%. This is now less than 1%.

Bisi Onasanya: Thank you Kato. I hope we've answered all your questions.

Operator: We will take our next question today from Godfrey Mwanza from African Alliance. Your line is now open.

Godfrey Mwanza: Thank you for a great presentation. I have four questions. If you could please give some colour on the loan growth, it's something like N113 billion net. Were there some key transactions there? Was it a few very big loans or was it more disbursed? If you can just give some colour as to what's driving that? That's the first question. The second question is about your market risk with rising interest rates and having some bonds on the balance sheet that are trading, categorised as trading. Are you changing the category from trading to AFS and therefore not recognising those on the income statement or do you see some losses there?

Are you seeing, currently seeing or expecting some losses on your trading bonds? That's the second question. Third question, your operating expense run rate for the first quarter of 2011 seems a little bit high to me. I think we're looking at the N34 billion for the first quarter compared to something like an average of about 27 for every quarter since 2009. If you could give some colour on what's driving that particularly in the 'other expenses' category and if that links to the brand expansion that you're going through at the moment? Then the last one if you could give what your target is for net interest margin for FY '11? Thank you.

Remi Odunlami: I'll start. In terms of our loan growth from December to March, it's largely granular because if you look at it you'll see that the growth has been more in the corporate banking and retail banking sectors which are both sectors in which we don't book very large transactions. They tend to be smaller and as a result more granular. You would find large transactions predominantly in the institutional bank book which has in actual fact declined. As far as the bond portfolio goes we are looking at the portfolio and we will be moving some of our portfolios that are currently available for sale into the health maturity portfolio and as a result we should not be taking any significant losses on a mark-to-market basis in the years to come.

Bayo Adelabu: The opex margin, you were right. For the first quarter of 2011 compared to last year, to be specific an increase of about 6 billion. Number one I can tell you that Q1 opex is actually AMCON led. We do not have much to say about it and this is balance sheet driven on the asset side. We have the largest balance sheet and largest set of assets within the industry and what we have done is to contribute three basis points on the total debt of the bank and this is giving not less than 0.5 billion on a monthly basis. So this was part of our opex to Q1 with regards to AMCON on the banking and industrial resolution cost fund. Secondly there are deposits which is based on customer deposits and this is confirmed on a balance of December 2009 and deposit balance on December 2010 on which this is based on which you can increase. This has increased our charges on deposit insurance. Lastly and I can also link this to what the GMD said about transforming the base of the bank is we had a review which was effective in July 2011 and is also an advantage. Of course this has been translated into increased productivity in terms of revenues. The revenues of Q1 2011 compared to revenues of Q1 2010 you will see that there was an improvement in this. This we cannot be separated from productivity. On the net interest margin outlook for the year, as already guided in my presentation we should be able to sustain the 6% net interest margin for the year 2011. If you go to slide 9 where we have the trends for the net interest margin you will see that these have increased consistently from 5.4% in Q1 2010 up to 6.6% in Q1 2011. You will see some rise in cost of funds, this has sustained a 6% net interest margin for the rest of the year. Thank you.

Godfrey Mwanza: Thank you very much. If I could just follow-up on what you've just mentioned, on the costs for the AMCON levy and the deposit premium, could you perhaps give me the absolute numbers for that?

Bisi Onasanya: I would not be able to give you the absolute numbers on that but the AMCON levy is closer to a billion while the insurance premium for the first quarter is almost N1 billion. These two factors are based essentially on your size and unfortunately for financial institutions this is something that we have to do. So the AMCON cost for the year is N7 billion and N8 billion for us as a bank. This is also based on your total deposits. Total deposits is close to N1.5 trillion and these are costs that we have to pay at this point in time.

Godfrey Mwanza: On productivity, sorry, my very last question. Could you please just tell me what your current staff count is compared to this time last year?

Bayo Adelabu: Our total employee numbers to date are a little below 8,000.

Bisi Onasanya: I don't have the exact numbers for that but you would see a progressive increase in the number of branches. You would see a progressive increase in our gross earnings and business volumes. That is part of what we are talking about. We are focusing on quality at this stage and not on numbers. I can confirm to you that the numbers are reducing while that number increases.

Godfrey Mwanza: Thank you.

Operator: We will take our next question today from Soji Solanke from Renaissance Capital. Your line is now open.

Soji Solanke: Hi everyone, this is Soji Solanke from Renaissance Capital. Thanks for your presentation, I've got a few questions. Some have been handled already but one has been on costs. What's your cost-income ratio outlook for this year? Where do you expect to see that at the end of 2011? I understand the pressures from the AMCON levy on absolute opex but in terms of year on year what kind of growth do you foresee for 2011 on the cost line? For your tax rate can you kindly give us a guidance for what is the likely effective tax rate for First Bank over the next few years? Finally if you could give us an ROE guidance for 2011 also in the medium term? Thank you very much.

Bayo Adelabu: Thank you very much for this, I'm going to take the three questions. On the cost to income ratio outlook for 2011 in my presentation I mentioned that we were able to achieve a slight improvement in our cost income ratio from 69% in Q4

2010 to 64% in Q1 2011. Our target for the year is 60%. We notice that we actually tried to ensure that we want to put everything in place to make sure we achieve less than 60% before the end of the year. The reduction in cost to income ratio which you also do depending on the revenues and the cost actually achieved within a very short period, it is due to a lot of comprehensive planning and we believe that for the next nine months we should be able to maintain less than 54% but in the short term we will achieve 50%. In terms of cost growth for 2011, the cost growth, our target is to ensure that the group growth is much less than the growth in this part, number one. Number two we also strive to ensure growth after adjusting for expansion in business, growth in footings and a lot of business rights costs, we should be able to achieve growth at less than inflation. Currently we are looking at 15% and 12% cost of growth. On the tax rate, if you look at the effective tax rate it has never been more than 22% in the past five years. We are doing everything possible to ensure that we have a lot of tax savings in terms of increasing capital and to ensure that our tax rate does not effectively go beyond what we need to achieve in the last five years which is 22%. Thank you.

Soji Solanke: On ROE?

Bayo Adelabu: The ROE for 2011, we carried on 15% even though our target in the short term is 18%, average equity there on 16% which we are sure of achieving to achieve that in Q1, to sustain it for the rest of the year. In the five years it's 18%.

Soji Solanke: Excellent, thanks Bayo.

Operator: Our next question today comes from Abiola Rasaq from Vetiva Capital Management. Your line is now open.

Abiola Rasaq: Good afternoon everyone and thank you very much for the presentation. My question basically has to do with your NDIC decreasing because I hear mention that the NDIC was actually one of the reasons why your opex actually increased in 2010 and I am quite aware of the increase in the NDIC in 2010. Simply I think NDIC has actually come down again in 2011 and I would appreciate if you could give us the reduction in NDIC as agreed and the bank committee in January so we can begin to see the possible upside impact of that in your cost reduction. The next question has to do with your NPL portfolio again. I actually notice some level of increase in your interest sustained and I think it's significant that in 2010 it can be in Q3 and Q4. I think another significant increase again has been sustained in Q1 2011. I'm just wondering if we can begin to treat this as an early signal for our NPL formation. I would appreciate if we could have a guidance on that so that means we can begin to have a feel of what possibility impact on the P&L could be going forward?

Bayo Adelabu: I'm going to take the questions on NDIC premium. You are right that the bank as of January limits were reached as to reaching the NDIC premium rate. Let me just give you a bit of history. The premium NDIC adopts now has two components. There is the base rate and there is the risk rate. Before now for every bank there's a 0.5% base rate, there's a risk rate deferred from all the banks, so what the concession at risk is just to reduce the base rate from 0.5% to 0.4% which is not so significant. The main thing that led to NDIC premiums, firstly you have to do a deposit mix and secondly the NDIC assessment did not come during the first quarter, so we have this based on the old risk. Whatever total you've been seeing, this premium now will start coming from April.

Remi Odunlami: I will now take the question on interest expense. Basically yes, it is correct that our interest expense has risen but it's due to three factors. The first is the migration through the portfolio of loans from substandard through to loss. As you are no doubt aware there's a 10%, 50% and 100% provisioning requirement and also as a result some provisions are taken. There's also a separate interest rate that has risen over the period and that obviously would affect the interest expended. Finally that of the segment actually increases by the inflection of time year on year, month on month, each of those loans in that portfolio continues to accrue interest. So that predominantly is the reason behind the growth in the interest expense.

Bisi Onasanya: Thank you. Next question.

Operator: Our next question today comes from Ndubuisi Obike from Stanbic. Your line is now open

Ndubuisi Obike: Hello, thanks for the presentation. I have two questions. My first question has to do with the consistent drop in your liquidity ratio, about 200 basis points above the regulatory movement. Maybe you could shed more light on what plans you have to address that. Also I have a question on the impact, a question on the share value. What is that part which you presented in your Q1 results? Thank you.

Bisi Onasanya: I will take the question on liquidity ratio. The liquidity ratio, this was above the minimum requirement of the Central Bank. I did mention in my presentation that we intend to sweat our liquidity this time and improve earnings after increased earnings. We are very comfortable but more importantly we have a large chunk of money market lines that can be switched off at any point in time, so more liquid assets. We deliver this to manage liquidity, efficiency and for earnings much more.

Onche Ugbabe: It's also worth pointing out that the liquidity ratio of the Central Bank, the bank liquidity ratio which is substantially higher…

Bisi Onasanya: We are making here the 32% liquidity ratio, this is for the group. The bank has a 42% liquidity ratio. This is due to increase. Are you satisfied with this?

Ndubuisi Obike: Yes.

Bayo Adelabu: The revenues, these are on our income, recognised here.

Ndubuisi Obike: Thank you.

Operator: We will take our next question from Muyiwa Oni from Stanbic. Your line is now open.

Muyiwa Oni: Good afternoon gentlemen, thanks for the presentation. I have just two questions, one, I would like to know what your medium term comfort capital adequacy ratio level. The second question is on cost of risk, I just want to have guidance on cost of risk on 2011 and 2012. 2010 ended at 1.8% so I just wanted to have a sense of where you expect cost of risk to end at, more like a medium term loan for cost of risk? Thank you.

Bayo Adelabu: On the capital adequacy ratio in the medium term we would like to guide for a Tier 1 capital adequacy ratio at 20%. We are comfortable with that. It's currently at 19.2%.

Remi Odunlami: On the cost of risk I'm looking at something between 1.7% and 2.5% for the end of 2011 and probably back down to the 1.5% mark or slightly lower for 2012.

Muyiwa Oni: Ok. For the current loan loss provisions you've taken, did you factor in some of the 1% general provisions into that? That's what you've taken this year.

Remi Odunlami: We took the 1% general provision in December 2010 and as a result we will continue to take it in our portfolio on an ongoing basis.

Muyiwa Oni: But for Q1 did you factor in a value for Q1 or would you do a full provisioning at the end of the year?

Bayo Adelabu: What we did was make it incremental for the loan growth for Q1. We took on a large chunk of that 2010, we took the 1% of the additional loans.

Muyiwa Oni: Thank you, thank you very much.

Operator: We will take our next question today from Kato Mukuru from Citigroup. Your line is now open.

Kato Mukuru: Hello, thanks. Just a quick question for Onche on strategy and the Group MD as well. What made you change your mind with regards to acquisitions? What was the key thing that made you change your mind with regards to the Oceanic acquisition? What could possibly make you interested in a domestic acquisition or is that now something you're no longer considering?

Bisi Onasanya: You know exactly what you want to hear. We did not change our minds on the domestic acquisition and I'm sure you're talking of Oceanic Bank. The reality and the truth is that we were not able to agree terms on that transaction. We would like to do another local transaction, we looked at the opportunities in the market at that particular point in time, we looked at more than one bank and we don't aim for Oceanic Bank because of certain things. Having got into the position where this deal has not worked I did say in my presentation that our focus today is on organic growth at this moment and that's a very clear strategy. We would have got good value for it, but anything else put on the table we did not consider more than that. We closed that deal and moved on.

Kato Mukuru: Thank you, good decision.

Operator: We will take our final question today from Godfrey Mwanza from African Alliance. Your line is now open.

Godfrey Mwanza: Sorry, just a follow-up question, sorry if I missed this in the presentation. What is your target for branch expansions for 2011, number of branches you are targeting to open this year?

Bisi Onasanya: Let me take this opportunity to inform you that we have a change in branch implementation strategy. We have brief points which are mini-branches. Between those mini branches and two branches we are looking at 50 branches in the current financial year.

Godfrey Mwanza: I understand.

Bisi Onasanya: Are there more questions? We can take more questions at this stage.

Operator: We do not have any further questions at this stage. Ladies and gentlemen, this will conclude today's conference call. Thank you for your participation, you may now disconnect.