Company: **First Bank Nigeria**

Conference Title: **Interim Results for the Six Months Ended 30th June 2010**

Presenter: **Remi Odunlami**

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Presenter: We are also well diversified in many of these key sectors. The key areas are actually in oil and gas which is 3.2%, retail services 11%, finance and insurance we have 24.2% exposure, retail estate 6.8%, manufacturing 7.3% and consumer credit 8.7%. This shows the way that our slide breaks down.

Moving on to slide 8 which covers our earnings profile. As mentioned earlier there was a little pressure on earnings during the half year ended June 2010. The reduction of 5% in earnings despite the balance sheet grew. The key issue was actually in our interest income which covers interest on risk assets and interest on treasury assets. Our risk assets came down due to re-pricing of some of our facilities while treasury assets also had a decline. However the mix of our income has changed from 80-20 when compared interest income to non-interest income to 77-23 which means 23% of our income is now from non-interest income. We also believe that the declining yield will be overcome shortly with strong quality growth in risk assets and improved pricing of our treasury assets. In terms of earnings by business line retail and commercial banking still has the major share with 90% with the rest of the business contributing just 10%. This however is an improvement over September when the rest of the business contributed 7%. The breakdown of interest and non-interest income is the last part on slide 8 and this ranges commission on turnover, credit related fees, exchange gains for non-interest income and breakdown of interest income on loans and inter-bank placements.

Moving on to slide 9. Our operating cost efficiency, you can see an improved cost to income ratio from 97% in September 2009 to 74% in June 2010. This was the cost of the low level of provisions in June compared to September. Given that the costs have been placed under control the limited increase that we have related to IT improvement and branch expansion costs.

Moving on to slide 10 which analyses our non-performing loans. There has been a reduction in our NPL ratio between September 2009 and June 2010 from 8.1% to 5.8%. The major cost of contribution today was the write-off of N28 billion of our non-performing facilities which have been fully provisioned during the half year ended June 2010. Our coverage ratio in terms of provision for non-performing loans has also improved from 65% to 71%. This means that about ¾ of our non-performing loans have been fully provisioned. A number of our non-performing loans, 7% is in the loss category, 34% is in the doubtful category while 29% is in the sub-standard category. There's also a pie chart on the separate distribution of NPLs as at June 2010 across all sectors.

I'm on slide 11. This is about the profitability of our business line and our profitability ratio. The retail and corporate banking business remains the most profitable after the aggressive provisioning. This contributed 32.5% of the bank's profits for the half year ended June 2010. Earnings per share for the half year ended 2010 was N1.55 annualised while returns on equity is currently 16.4% which is in line with our target for the year. Return on assets stands at 2.24% which is also in line with our target for the year.

Moving on to slide 12 which displays the bank's liquidity ratio. The liquidity ratio of the bank stands at 40.4%, comfortably above the regulatory requirements of 25%. Our capital adequacy ratio currently stands at 18% which is also far away from the 10% required minimum by the regulators. Tier 1 capital ratio stands at 16.4% and is above our internal target of 12% while our risk weighted assets have gone up to N1.85 trillion from N1.43 trillion of September 2009. With this ratio the bank is comfortable with our regulatory requirements and we believe this is healthy for our business.

That's the end of the financial presentation. I will hand over to my colleague Eyitope St. Matthew-Daniel to take on the strategy section.

Eyitope St. Matthew-Daniel: Good afternoon, I'm Eyitope St. Matthew-Daniel, Head of Corporate Transformation and I will take you very quickly through an update on Strategy and

Transformation. On page 14 we basically have a summary of our key strategic initiatives and the progress made in the recent quarter. The bank is basically focused on four strategic pillars: growth, service excellence, performance management and talent. In terms of growth our priority is really in the area of restructuring basically to enable us to drive that growth and achieve the scale that we are looking to achieve; business line expansion, going into new businesses; international expansion; and driving revenue enhancement. For the quarter we made significant progress in terms of restructuring. We have been creating detailed plans for our SBU restructuring which will drive a new structure for our various business units. We have already in this third quarter gone into the implementation of the centralised operations which would also enable our SBU restructuring as well as our service delivery objective. In terms of our business line expansion we have an ongoing JV implementation with Sanlam which we expect to launch in the second half of 2010 so between the third and fourth quarter. Our restructuring effort has also led to our investment banking and asset management subsidiary which is underway and is already being implemented, and in terms of our international expansion framework we also launched our China rep office officially in this quarter.

In terms of service excellence the priority focus here is really around channel migration and optimisation, making sure that we provide our customers with a variety of channels to meet their needs both in terms of increasing convenience and also optimising our costs; as well as transforming the customer experience in the branch which is inclusive of wait times and inclusive of ambience, product experience and that sort of thing. In the quarter we concluded our centralised processing centre pilot which is basically a centralised processing structure that would enable us to transform more of our processing to the back office and free up the branch to focus more on sales-like service. This has been successfully piloted and we are ready for rollout and we are targeting about 10% of our branch network. We plan to aggressively get to about 30-40% by the end of the year. ATM is another area of the channel migration. We had recently in the previous quarter conducted a structured guide after the issue and what we need to do to drive the utilisation and we've already begun implementing that effort with good results in terms of increasing our ATM up-time, also the introduction of new cards to increase security of the ATM transaction and also encourage customers to move towards the channel. We believe that success in this area would improve transactions in our branches and also increase success in branches. We also launched a new branch model which basically takes into account most of our ambience aspirations, service experience and also some of our retail and design processing including our confirmation process. One example of that branch is in service and over the next few branches we plan a rollout of that.

Moving on to slide 15, in terms of performance management the key focus basically is trying to figure out the right side of things to measure that strategy and also making sure that we have the operating system that enables us to track and measure these things. For the quarter the key focus was to fit in with the new structure for SBUs and also for the centralised operations. We also deployed the service manager tool to enable us to actually measure performance for both operations and IT, primarily for the back office location, enabling us to measure things like turnaround times and the different SLA performance. Finally in terms of talent the focus here is really around capability building and ensuring that we have the right people in the right kind of roles. A lot of training was conducted this quarter and the training has been focused on the areas that we're trying to drive. One key area has been around credit training both in terms of expanding our loan book and also managing our NPLs, so a lot of progress was made on that during the quarter. We've also done some recruiting, building leadership in key roles or in key areas where we think this is driving opportunities and key initiatives. So all in all primarily focused on these four key areas with a lot of specific targets quarterly in terms of what we expect to achieve on these different fronts.

I would now hand it back to Mrs Odunlami to take us through the summary.

Remi Odunlami: Ok, let me give you a very brief summary of what we've said and what FirstBank thinks in terms of our outlook for sustained profitability. Profitability going forward will be supported by the recovery in revenues. We're looking at accelerating lending over the second half. Basically we're looking to focused, structured and relatively low risk lending activities. The new regulatory environment is an enabling factor in opportunities in the real economy. Government has focused on the ways in which the banking sector can support infrastructure and support manufacturing and as a result these are areas that we can look at and find good quality assets in. Our new operating structure which basically focuses instead of running along geographical lines that we had in the past will have us running along business lines with the corporate bank and the retail bank and institutional bank separate from the retail bank. This means that the staff dedicated to corporate management are trained and focused and can really get to know and understand their customers much better. Inorganic growth opportunities will continue to be investigated but we're not driven by inorganic growth. We believe that we can meet our targets also by organic growth.

We're looking also at managing our cost base down. We're looking at sustainable lower cost funding. That is coming if you notice the mix in our term deposits versus the non-deposits, you'll see that over the quarter it's moving more towards the non-deposits and away from the term deposits and also the strategic investments that we're making in operations, the DPC and other efficiencies we're incorporating in our business will yield additional efficiencies. On the risk side CBN interventions mentioned above continue to support and direct credit formation. We continue to rejuvenate our portfolio. We are focusing more on trade and structured, self-liquidating facilities. We continue to review our target market and risk assessment criteria in order to ensure that we deal only with the strongest and the best clients; and as I mentioned above the new management focus, there will be new management focus arising from the organisation structure which would produce more specialised relationship management.

At this point I will say thank you very much for listening to us, I'm sorry we ran over a bit and I apologise for the break in transmission and we're open for questions.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question please press *1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find your question has been answered you may remove yourself from the queue by pressing *2. Once again please press *1. We will pause for a moment to assemble the queue.

Our first question today comes from Soji Solanke of Vetiva. Please go ahead.

Soji Solanke: Good afternoon. Thank you for your presentation Remi and everyone over there with you. I just have a few questions I would like you to shed some light on. First of all what's your target cost income ratio for the rest of the year? Do you still maintain your RoE target of 10-15%? Clearly you can achieve at least 15% if analysed from the half year, but full year what's the target? Then from the Bank of Industry, I would just like to know how much further loans are likely to come from that, about N150 billion has been approved by the CBN. Also in terms of loan growth so far in the first half of the year you have been a little bit risk averse but I just want to know how much because sometimes I know Tier 1 banks, sometimes loans have been approved but they get to be drawn down, so how much of that do you guys have? Your costs haven't been drawn down on those loans yet. Thank you very much.

Presenter: Thank you so much. In terms of cost to income ratio our target for this year is about 60%, that is the target for the year and currently we stand at 70%. Let me throw a bit more light on that. At the end of the year we did not anticipate the drop in revenues that we are experiencing now. Our current cost income ratio is driven mainly by the drop in revenue, not more of an increase in our costs. We have been able to keep costs over the past 4-6 months based on strategies that have actually transformed our cost profile but the major problem we have now is a reduced yield which is why our cost income ratio is as high as 69-70%. Our target for the year is 60%. In terms of return on equity our target for the year if you can remember on our last conference call, we said between 15-18%. We currently stand at 16%. With the improved profitability in the second half of the year we are hopeful and optimistic that we're going to get to the 18% target by the end of the year. In terms of the return on assets, our target is 2.5%, we currently turn at 2.22% and in terms of profitability we hope to perform better than the first half of the year, so the 2.5% is not far from being achieved for the current year.

Remi Odunlami: Soji, in terms of the value of our applications to BoI, I'm afraid it's not a number that I carry in my head. We have made applications and we have transferred treasury bills to support what we applied for but I really can't tell you. It's something that maybe you can talk to us about later on. I don't have the number with me. Loan growth, yes, loan growth is flat. We do have some undrawn approvals. Again it's not a constant that I monitor, I'm more interested in the loans that have been drawn but once more it's a number I can provide you with and let you know.

Soji Solanke: Thank you.

Operator: Our next question today comes from Urban Larson from F&C. Please go ahead.

Urban Larson: Good afternoon and thank you for the presentation. I just wanted to ask about your loan to deposit ratio. You are very close to the regulatory limit of 80% and it seems to me that you're going to have trouble increasing your lending significantly unless you can increase your deposits by quite a bit and I'd like to hear some more details on how you plan to increase your deposits in order to fund loan growth?

Remi Odunlami: The loan to deposit ratio is a question that comes up regularly. I would refer you to our liquidity ratio which stands at 45.6% or thereabouts which says basically that First Bank is sitting on a lot of liquidity that is not deployed into earning assets. What that stems from is the fact that three years ago we raised an awful lot of capital and we have not yet deployed all of that capital into any asset, so we're actually lending both out of liquidity and out of capital. The CBN has a guidance threshold of 80%. It's not mandatory and they are prepared to listen to explanations as to why you've crossed the limit. We will continue to grow assets. We will discuss with the Central Bank of Nigeria and explain to them but as I pointed out if you look at our liquidity ratios you will see that we remain an extremely liquid organisation.

Urban Larson: There's also a mandatory target on liquidity ratio, isn't there? What is that limit?

Remi Odunlami: The target on liquidity is 25%.

Urban Larson: Ok, you're obviously well above that. A different question, your level of provisions for loan losses is low compared to that of some of your peers. Do you have any plans to increase the level of coverage to closer to 100%?

Remi Odunlami: All I can say is that those of my peers who have a loan provision to NPL ratio of close to 100% are telling me that they have got loans that are lost. . Again that's something that I think I discussed at previous calls. If you look at the mathematics of it, you take a 10% provision on an account that's sub-standard, you take a 50% provision on an account that's doubtful and you take a 100% provision on an account that's lost, there isn't a longer general provision. If you don't have a portfolio then it's entirely lost, you cannot have 100% loan loss provision. Mathematically if you have a preponderance of substandard and doubtful you will have a loan loss provisioning ratio that is somewhere in the 60s. Does that explain the situation?

Urban Larson: Yes. My question though is are you limited to these levels of provisioning or if you wanted to provision 100% for loans that are not lost but doubtful, can you do that? Will the Central Bank allow that or is that considered excess provisions that you're not allowed to take?

Remi Odunlami: Exactly, it would exactly be excess provisions. You'd have to have a very, very strong objective basis for treating somebody who is only six months behind on interest payments at a loan that you do not expect to make any recoveries on at all. So if you're going to subjectively classify a loan loss you're going to have to have some good reasons. You're going to have not just the CBN but you have your auditors on your case because you would be hiding profits - basically what the auditors would call hidden reserves to be released in subsequent years to bolster profits in a failing year.

Urban Larson: Yes. I'm used to Brazilian banks which traditionally provision well over 100% of loans over 60 days which is obviously a much more conservative regulatory environment.

Remi Odunlami: I guess they're a lot less conservative in terms of the financial reporting.

Urban Larson: Right, ok. Thank you, that was very helpful.

Operator: Our next question today comes from Victor Aluyi from Guarantee Trust Insurance. Please go ahead.

Victor Aluyi: Good afternoon. Thank you very much for the wonderful presentation. I just had a couple of questions. I know someone asked earlier about your projected loan growth, I didn't quite get the figure, I hope you don't mind repeating what you got in terms of your projected loan growth for the remaining half of the year? I would also want for you to put some colour on your quarter on quarter loan growth, that's between Q1 and Q2 how much growth did we see in terms of your loan book? I would also want to know whether there are specific efforts at recovering the level of those loans that you have made provisions for and what fruits those efforts have yielded thus far. Finally I just wonder how vigorously you are pursuing an inorganic expansion plan and what timeline you are looking at finalising that arrangement? Thank you.

Remi Odunlami: Ok, let me start with projected loan growth. I wasn't actually asked for the projected loan growth but I think we set a target of 10-15% loan growth over the year, so if you do the numbers and back it out I'm looking quite honestly at the year end position and over the full year we're looking at a 10-15% loan growth. Q1 on Q2 I am largely flat although there was a restatement necessary in the balance sheet number for March. There were some accounts in one of the subsidiaries which were consolidated wrongly and we had to make a restatement. We made a note in our last release so as a group and as a bank our loan growth quarter on quarter is pretty much flat. On recoveries, we are making recoveries not as fast as I would like. There are some in the current quarter of N1 billion but in light of the market conditions and the fact that we're all chasing the same debtors, it's not as fast as I would have loved. We're looking more now at restructuring longer term, slower recoveries rather than a N20 billion, N30 billion, N40 billion big lump sum. When you talk to our expansion plans I have said that we will look at something that is reasonable, adds shareholder value and works for FirstBank but we are confident that we can meet our target by working aggressively on growing our organic business rather than chasing inorganic growth. Does that make sense?

Victor Aluyi: Yes, it does. I just thought that I would point out that the organic growth strategy was key so that's why I thought to clarify if you guys were vigorously pursuing that and the timeline, but I think you have been able to shed light on that. Thank you very much.

Operator: Our next question today comes from Ndubuisi Obike of Stanbic IBTC. Please go ahead.

Ndubuisi Obike: Thank you for the presentation, I have some questions. My first question has to do with your information by your planned listing in South Africa or London Stock Exchange? Then you mentioned your branch network, what kind of expansion should we expect to see? If you could shed more light on how you see the real estate or mortgage industry playing out also in your opinion?

Remi Odunlami: I'll start with the planned listing.

Presenter: On the first African listing, just recently we met with the officials of the South African Stock Exchange and we actually discussed being listed on the South Africa exchange and that meeting is put in place. There is a meeting we're going to have next week with the authority of the South African Stock Exchange and we will keep you posted on the developments with regards to the listing of the bank's share on the stock exchange.

Remi Odunlami: I will talk to the increase in the branch network. We currently have a branch network of 635 branches and outlets. We will be growing that network looking at covering the areas where we see potential. I anticipate that in the next half of the year we will open 30-40 branches all going well. I have missed the end of that part of the question but I believe you just wanted to know what kind of level of branch expansion we're looking at. Expected loan loss, I don't expect to take more than N12 billion in the full year in loan loss provisions. Having said that anything can happen. Unexpected things happen, as risk managers we look at situations and we take cognisance of them as required, but as I sit here now I am anticipating nothing more than N12 billion over the full year. My view on real estate. Real estate is an important area in the economy, real estate and construction. We will continue to support this to the best of our abilities but many of the real estate projects need to be carefully managed and the financing structures put in place carefully before the project starts rather than after the project has got halfway. My view is that much of the real estate problems in the industry today arise from very poor structuring and a lack of understanding of what the real needs of that industry are. I hope I've addressed your comments.

Ndubuisi Obike: If I could ask one more, about your slide you mentioned you plan to do some rationalisation, could you shed more light on that, what you mean by that exercise? You talked about provisioning expenses but you didn't talk about recoveries like we also expect for the rest of the year?

Remi Odunlami: On staff rationalisation I think you have misinterpreted what we mean. What we are talking about is staff rejuvenation. We've stated that we have a constant review of our staffing. Our business is based on a meritocracy. Those who do not perform will be counselled and if necessary asked to leave, but we don't have any staff rationalisation which suggests that we are going to cut back on our staff strength. That is not correct and that's not the interpretation you should put to it. Recoveries, how do I give you a figure for recoveries? I don't know. We are working towards it but quite honestly only the myriad of bad loan customers I have can tell me how much I'm going to recover which is why I can't give and I won't give a number. Does that satisfy you?

Ndubuisi Obike: Yes it does. Thank you very much.

Remi Odunlami: Thank you. Next question please.

Operator: The next question comes from Rele Adesina of Stanbic IBTC. Please go ahead.

Rele Adesina: Hi there. Much of my questions have been answered already but I was just hoping for a bit more colour on the sectoral distribution of loan growth in the second half, just for the sectors you saw as the key drivers and also perhaps some guidance on the key sector distribution for non-performing loans. Thank you.

Remi Odunlami: Ok, sectoral distribution of loans, oil and gas is 23% of our portfolio, I think that stands to reason. Oil is the major driver of the Nigerian economy. Finance and insurance follows with 24%.

Rele Adesina: Sorry, I was actually referring to growth in the second half rather than the current position. Which sectors did you see the growth coming from, not the current distribution? Thanks.

Remi Odunlami: Quite honestly the growth is pretty much across the board. Just give me a minute. The mix in our portfolio quarter on quarter hasn't changed significantly. I'm just having a quick look for you. As I said portfolio growth is pretty much even. What I have said is quite correct. We are substantially flat. The only place where you'll see a discrepancy quarter on quarter is maybe on oil and gas which has gone up slightly, from 20% of our portfolio to 23% whereas finance and insurance has fallen from 28% of our portfolio to 24%. If you look at the table you'll see the numbers in brackets which represent the previous quarter and you'll see that much of then are one or two percentage points different on the previous quarter. We're not driving any specific areas. As I said we're looking at growing trade and self-liquidating exposures. We will be getting involved in infrastructure projects, particularly those which fall under the infrastructure fund and which are supported by governments but I think we will continue to grow our business in order to face this dimension. You had a second question which I think I missed.

Rele Adesina: Yes. I just wanted to get a similar feel in terms of mix, non-performing loans. Was it skewed in any particular direction or was it fairly even?

Remi Odunlami: Non-performing loans going forward I can't tell but where we are today, non-performing loans are largely in real estate and the financial sector. The asset management which is the margin loans, real estate is also a large portion. It has grown but as I pointed out real estate is a problem of the economy and the downturn in the economy and the ability of people to find uptake for their projects. Much of the real estate is very, very susceptible to restructure, completion and sale and eventual recovery in liquidation.

Rele Adesina: Ok, thanks very much.

Remi Odunlami: Thank you.

Operator: The next question today comes from Yuri Serov of Finisterre Capital. Please go ahead.

Yuri Serov: Good afternoon. I just wanted to ask you, of your inter-bank balances, how much exposure do you have to troubled banks? I know that there is a guarantee from the Central Bank but it's just useful to understand what percentage of that total is in that sector. Thanks.

Remi Odunlami: The number is less than a quarter, an exact figure I can't give you right now but as you yourself pointed out, as of today an inter-bank statement for a distressed bank and an inter-bank statement to a non-distressed bank carry the same facility risk because at the end of the day we're lending against the federal government guarantee.

Yuri Serov: Ok. Less than a quarter, is that typical or has that been changing somehow over the last half year?

Remi Odunlami: It changes, it moves on a day to day basis. As I say if I look at it from a risk weighting point of view it is all federal government risk.

Yuri Serov: Thank you.

Operator: Our next question today comes from Bunmi Asaolu from CSL. Please go ahead.

Bunmi Asaolu: Good afternoon. Well done on the sequential improvement in your financials. I have three or so questions but just to clarify a few housekeeping things. The coverage ratio you have in your press release is different from what you have on page 10 in the slide. You have before in the press release on 70 on page 10 so I was trying to check which is the right number.

Remi Odunlami: We will have to check the press release and come back to you. Go on.

Bunmi Asaolu: The cost income ratio as well, I can't get you're over 70% as well. If I look at your Q1 there was just enough at 65% so how you get over 70% in Q2 when profits actually are higher, I struggle with that as well, so I'm close to 60-something on that but if you can clarify that. To go on to the other questions, the N5.8 billion you did in recoveries in the first half, just curious, do you have an internal forecast previously and was it close to that N5.8 billion?

Remi Odunlami: I don't have an internal forecast.

Bunmi Asaolu: I mean if you go back to January, obviously you didn't disclose a number to us but the N5.8 billion that eventually happened, was that close to what you were thinking or was it higher or lower?

Remi Odunlami: I don't run forecasts on recoveries.

Bunmi Asaolu: Alright. The second question, the drop in NPLs from N94 billion to N65 billion, you mentioned that was due to write-offs. Was there any P&L impact from the interest expense that was taken out?

Remi Odunlami: You cannot have a P&L impact on interest expense, by definition interest in suspense is a balance sheet item.

Bunmi Asaolu: Alright. Finally the comment you made in Q1 was that you would grow your loan book to compensate for margin reduction. Given that there wasn't that much margin reduction in Q2, the comments that you made in the slide was that you expect to see further reduction in interest expense through the rest of the year. Is that due to a spill-over from Q2 or are we going to see further positives coming from mix shift given that I think you will grow your deposits further?

Remi Odunlami: It will be a combination of both. We are growing our demand deposits and deemphasising term deposits which are the more expensive part of our portfolio, however there will also be spill-overs from actions taken in Q1 and Q2 as the longer term placements mature and are re-priced.

Bunmi Asaolu: Alright. Are the clarifications in the other press release?

Remi Odunlami: If you can call Yemisi, I'm sure you have her number. Call her and she'll give you the details.

Bunmi Asaolu: Sure. Alright, thank you very much.

Remi Odunlami: Thank you. Next question.

Operator: The next question today come from Brent Malahay of JP Morgan. Please go ahead.

Brent Malahay: Hi guys. Apologies if there is a repetition in questions, the line has been bad but could you just maybe give us an update on SeaWolf and also the risk of providing for it given the concentrated nature of the exposure? I noticed under new regulations that the Central Bank would look at concentrations and require banks to hold provisions given certain concentration levels. Then also if you could maybe give a comment on the recent news flow that banks will participate in the funding of the asset management company and how this will impact First Bank, just those two questions, thanks.

Remi Odunlami: Ok. SeaWolf is largely stable. I believe I mentioned before not in this call that the company is in contract, all the three rigs are under contract, they are generating cash flow and they are meeting their obligations. In fact there was a public accolade given to them by one of their contractors about two weeks ago where they commended the accuracy and quality of their work telling us that as a wholly indigenous entity with no drilling experience they hit their drilling target spot on and have been improving since, so we take that as an indication that they have their contracts and that they will stay under contract because the contracting parties are very happy with the kind of work that they are doing. Our risk of provision due to concentration risk, it exists however there's also provision in the new prudential guidelines that the project financing which is what this is, the terms have changed. We're no longer looking at 90 days, 60 days, 90 days etc etc. The Central Bank has given us the opportunity to actually look at the project and the project structure and apply provisioning on that basis, so we will be looking at both guidelines and taking a prudent view and applying the provisions as necessary if necessary. As such the bank's participation in the AMC, that's something new. It's not something that I've had a chance to really go into detail on, however most measures that will be applied determining how banks will participate will have First Bank as a major player because we're number one in terms of deposits, we're number one in terms of assets. We're a leader in the industry so if the Central Bank is using extra capital, we're up there. If they're using assets, we're there; loans, we're there. I can't see any way in which First Bank will not be a major contributor to that fund. How much it would be would depend on what the details in the final agreement are. Does that answer your question?

Brent Malahay: Yes it does. Thanks very much.

Remi Odunlami: Thank you.

Operator: We will now take a follow-up question from Mr. Solanke of Vetiva. Please go ahead.

Soji Solanke: Sorry, I just wanted to get some clarity. You said you have seen maximum provisions by end of the year N12 billion. I'm just wondering, that N12 billion, have you considered the new prudential guidelines? I just need you to clarify that.

Remi Odunlami: I am looking at the new prudential guidelines but then if you notice the new prudential guidelines or the so-called new prudential guidelines merely give you three categorisations of your loan. You have project financing, you have object financing and you have everything else, so really how much impact the new prudential guidelines have on you depends on the mix of your portfolio in the first place. As of today I have a portfolio that is more in line with the general provisions which are the old provisions than in line with the project finance, objective finance.

Soji Solanke: Ok, thank you. Just one other question. Being FirstBank, , the funding agreement that the bank has actually reached, will the bank start contributing by December 23rd 2011? What exactly will those funds be used for? Would it be substituted for bond issuances to the market?

Remi Odunlami: I think you need to ask the regulators because I'm not aware that the banks have agreed to the sinking fund or the modalities of the sinking fund. I know there was a proposal that was discussed. I don't know how it's going to be assessed and I haven't been given an indication of what it's going to be used for or how it's going to work. I think we will all need to wait for more information from the regulators.

Soji Solanke: Ok, thanks.

Remi Odunlami: Thank you.

Operator: Our next question today comes from Layi Olaleru of Cordros Capital. Please go ahead.

Layi Olaleru: Good afternoon. Thank you very much for your presentation. I think I'm speaking on behalf of many Nigerian investors who have to contend with the dividend and bonus that First Bank declared at the beginning of the year, so we are looking going into the year at a possibility of a bonus before the full year result is confirmed given the level of profitability that we've seen so far.

Remi Odunlami: I'm sorry but we're not looking at an interim dividend at this point in time. It's not our policy. Next question.

Operator: Our next question today is a follow-up question from Mr. Obike of Stanbic IBTC. Please go ahead.

Ndubuisi Obike: Thank you. I have a follow-up question please. My question has to do with your capital raising plans mentioned some time last year, and if you also maybe explain any additional benefit you get from this listing in South Africa. Is it just for presence's sake? Thank you.

Remi Odunlami: Last year when we spoke about capital raising we were talking about a corporate bond that we thought about issuing. We have not closed the process but quite honestly at this point we are over liquid and have no need for additional funds, so it's unlikely that we will go ahead with the programme, however we're maintaining the prospectus is open and we can activate it if we should need to, but where I sit right now I don't think we will be. Your reference to the South African matter is slightly different. It's basically very much in the early stages. It's in the discussion stage more than anything else and it would be a listing. It would not be capital raising. I don't believe we have the need for capital at this point. We want to list on the South African Stock Exchange which gives more liquidity for our investors, whether it's the London Exchange or the Johannesburg Exchange it gives us more liquidity for our investors. It gives more opportunities for those of you who hold our stock but in terms of raising additional capital we have no intention at this point in raising capital. I hope that addresses your concern.

Ndubuisi Obike: Yes, it does. Thanks a lot.

Remi Odunlami: Thank you. Next question please.

Operator: Our next question today comes from Ronak Gadhia from Exotix. Please go ahead.

Ronak Gadhia: Hi. Sorry, I must apologise, I joined the call late and you might have touched on some of these questions before. I would like to find out with regards to AMCON, what percentage of your NPLs are you looking to maybe sell to AMCON as a percentage of your total NPLs? The other area I'd like some guidance on is you mentioned you are restructuring some of your loans. Can you give us some guidance as to what percentage of your NPLs are you looking to restructure, what might be the terms of the restructuring and what happens to the provisioning that you've made on these loans? Thank you.

Remi Odunlami: AMCON, I am not aware at this point that AMCON is open to First Bank. AMCON's primary objective is to deal with the distressed banks which First Bank is not. Only when AMCON is through with the distressed banks will it start looking at NPLs from the non-distressed banks. I haven't put my mind to what portion of my portfolio I would sell to them quite honestly. It's far in the future and I believe it's quite remote. In terms of our restructuring, as part of the recovery and remedial process I will agree repayment terms, extension of terms etc with my obligors. I have two choices in the recovery: liquidate the company and collect cash immediately; or work with the company and collect my cash over time. It's difficult to sit here and say this is the percentage I will restructure and these are the terms of the restructure. It really depends on each individual case and we do take it case by case. We will try obviously for immediate payment 100% to date but if that is not feasible we will work with the customer provided that we have got cash flows that we can assess and which are reasonably certain over the projected life of the restructured loans. Provisioning on restructured loans, our policy is that a restructured loan would be a sub-standard loan. If there had been excess provisions as a result they would be released but it will be a substandard loan and would remain substandard until such a time as we are comfortable that the company is making the restructuring terms and can work and basically you can see it's a loan that will perform along the terms and conditions that have been granted.

Ronak Gadhia: Ok, thank you very much.

Operator: Our next question today comes from Jamieson Odell of Caravelle Management. Please go ahead.

Jamieson Odell: Hi there. Two quick questions, the first is I'd love to get your thoughts on the interest rate environment going forward and what the impact might be on your net interest margins, whether you think you will be able to maintain and/or expand those going forward? Then the second is just regarding the consolidation of the banking sector and M&A, it has been something that First Bank has discussed in the past and I wondered if you can provide any update to us? Thanks.

Remi Odunlami: The interest rate environment.

Presenter: In terms of interest environment much of what we achieved in Q2 have stabilised and we expect that to remain for the rest of the year which means the yields on risk assets will remain as we had in Q2. In terms of cost of funds we also expect that to stabilise in the second half of the year, so we have an upside there. Like Remi said earlier most of the deposits extend into the second half as they mature and we re-price them to the current interest rate total of the bank, we largely get an upside on interest costs. So given the stabilised pricing of risk assets and treasury assets and the declining interest costs though not as much as we explained in Q2, we expect to maintain or retain our current net interest margin of 5.8-6% for the rest of the year.

Remi Odunlami: Now in terms of consolidation and M&A, First Bank follows the process but it's not something that we must do and at this point all I can really say is that we remain supportive of the industry. We are mindful of our shareholders and above all we work for the benefit of our shareholders. Any decision that we make will be in line with shareholder value and growing shareholder worth. I'm sorry if that doesn't answer your question but that's all I can say on that.

Jamieson Odell: Ok, thanks.

Remi Odunlami: We have another 15 minutes or so, I'll take the next question.

Operator: Our next follow-up question today comes from Mr. Asaolu from CSL. Please go ahead.

Bunmi Asaolu: Thanks, just one quick follow-up on the loan growth guidance. As I recall I think in Q1 you mentioned that for the bank you saw a 10% loan growth for the year, now you mentioned 10-15%. What has made you more focused now by giving that sort of upside 15%?

Remi Odunlami: Maybe I should clarify. When I said 10-15% I was talking at the group level. At the bank level I remain at 10%, I would be comfortable at the 10% mark. Unfortunately right now we're flat.

Bunmi Asaolu: Ok, thank you.

Operator: Once again as a reminder ladies and gentlemen if you wish to ask a question please press *1 on your telephone keypad. We will now take a follow-up question from Mr. Malahay of JP Morgan. Please go ahead.

Brent Malahay: Hi. Just regards to the restructuring you mentioned that in some instances these would be reclassified as performing. What percentage of your performing book was previously non-performing?

Remi Odunlami: Sorry, what I said is on restructure it would be classified substandard. When the company has shown evidence that it has met the terms for restructuring and I can see it retains the ability to service a loan on a regular basis, then I will reclassify its performance.

Brent Malahay: That's fine. Just with regards to slide 19 can you confirm that the percentage of the loan book renegotiated, restructured, is that purely just for the FAS portfolio on slide 19 of 34%?

Remi Odunlami: What you have on this presentation is on the FAS portfolio but obviously as a loan office I look to recover money across my non-performing loans, so there would be restructured loans in the rest of my loan book.

Brent Malahay: Just to confirm that number 14, that's purely for the FAS portfolio?

Remi Odunlami: Yes, that's correct.

Brent Malahay: Ok, thank you.

Remi Odunlami: Thank you. Any other questions?

Operator: Our next question today comes from Thurston Goliath of Renaissance Asset Managers. Please go ahead.

Thurston Goliath: I've just got a question, I suppose this year is not a normal year and I suppose what everyone really wants to know is what will be a normal year for Nigerian banks? I suppose the first one will hopefully be next year and it would be interesting to get your view on what you see as the opportunities, I suppose growth opportunities, where they are for next year and maybe not necessarily guidance but what you see as normal growth in a normal year in the Nigerian banking industry?

Remi Odunlami: I am not sure I can tell you what is normal. I can only look back over the past which you can just as easily as I can and say there have been years which have been good, there have been years that have been bad. Nigeria is part of a global economy. Where the global economy is going I'm not sure any of us can really say. Nigeria is very much integrated and as a result feels the shocks and bumps of changes in global economic conditions. The banking industry in Nigeria reflects the economy as all banking industries do. With a global banking semi-crisis, not to say a crisis but with banks locally having various issues it's difficult to say without a crystal ball what will be normal going forward. All I can say at this point is that I do see an upturn, I believe there will be an upturn in the years to come but I wouldn't bet my life on it. Growth opportunities, I see growth opportunities in infrastructure. Nigeria is in dire need of infrastructural development. I see growth opportunities in oil. I see growth opportunities in manufacturing and I see growth opportunities if carefully managed in real estate and also in agriculture. These basically are the drivers of the economy.

Thurston Goliath: On agriculture, the banking industry as a whole isn't really very active on agriculture…

Remi Odunlami: That's correct.

Thurston Goliath: …and as you pointed out agriculture has been a big growth driver of the economy over the last couple of years. Is that somewhere where you're building up competence? Is that going to be a big focus with the CBN's incentive as well?

Remi Odunlami: It's a focus. Is it a big focus? Probably not. Will you see significant growth in our portfolio? Given the small size of the portfolio today anything we do in that sector would give us significant growth in that sector but I don't see agriculture becoming a dominant part of our portfolio, but I do see us extending more credit into agriculture. It's interesting, you're right, the banking industry has not been supportive of agriculture, however when we look at our loss norms by industry we find that agriculture actually does very well. It's just that very few of us as financial people understand primary agriculture and we will develop a skill set. We will look into it but as a bank we will not go into agriculture aggressively until we are sure, so we develop a skill set and understand and manage those credits properly.

Thurston Goliath: Thank you very much.

Remi Odunlami: Thank you. We have another five minutes.

Operator: The next question today comes from Dele Akintola of Renaissance Capital. Please go ahead.

Dele Akintola: Hello, good afternoon. Thank you for the presentation. I just have a short question, on the news in the media about three top management staff resigning from First Bank. My question is what is First Bank's strategy in terms of filling these positions? When can we expect to see new faces take on those roles?

Remi Odunlami: First Bank's strategy in filling those positions is to look in-house and to look externally. We believe in attracting the best and having the best fit for any position that we have at whatever level of the bank. We have a lot of future leaders within the organisation and we will be looking at them and matching them up to the actual job profile and the portfolios that they will be looking to manage. This is something that we should be able to do over the next couple of months, however in terms of how those job functions are being managed at present I would have to point out that each of those retiring senior management staff had very senior experience and competent department heads who quite honestly can run their departments on their own. Those guys continue to run their functions. They now report into one or other of the five remaining directors but at least from me in the last week I haven't had a significantly increased workload as a result of the new directorate I've been given. Those departments are competent and I'd say also that we're accustomed to covering for each other so again the absence for a short period of time of one or other of us just means that instead of one customer covering you've got two or three covering at the same time. I hope that reassures you. First Bank is strong, First Bank is a going concern and First Bank will remain a going concern.

I can take one more question.

Operator: Our final question today comes from Dexter Mahachi of Securities Africa. Please go ahead.

Dexter Mahachi: Thank you very much, just two quick questions. On your deposit growth I didn't quite catch it earlier on when you mentioned it?

Remi Odunlami: I'm sorry, were you asking about our target deposit growth?

Dexter Mahachi: Yes, your target deposit growth for 2010, what sort of deposit growth you are hoping to achieve by December? I didn't catch it when you mentioned it earlier because of the poor line.

Presenter: Our target deposit growth for the year 2010 was 25% at the time of the December numbers and to date we have achieved almost 10-15% of deposit growth between December and June so we believe the remaining growth target can be achieved in six months.

Dexter Mahachi: Thank you very much.

Remi Odunlami: I'd like to say thank you very much to everybody but one thought that cross my mind that I should have made in terms of the executive management staff that left is that in terms of looking at the profiles of the portfolio vacancies, you need to be mindful of the fact that effective as of December which is in six weeks' time we are actually going into a new organisation structure and as a result the profiles that we're looking at, all these profiles reflect the character under the new structure. Thank you very much and thank you for your time and as always Oluyemisi Lanre-Phillips will remain available to anybody who wants any further information. Thank you and goodbye.

Operator: Thank you ladies and gentlemen. That will conclude today's conference call. You may now disconnect your lines.