FBN HOLDINGS PLC

Transcript for the H1 2017 Results Conference Call

Thursday, 3rd August, 2017

UK Eke

Group Managing Director

Good afternoon and good morning ladies and gentlemen, welcome to FBNHoldings' half-year 2017 financial results conference call.

My name is UK Eke, the Group Managing Director, FBN Holdings Plc and on this call, I've got my colleagues, Dr Adesola Adeduntan, the Managing Director, First Bank of Nigeria Limited. I also have Oyewale Ariyibi, the Chief Financial Officer, FBN Holdings Plc, and Patrick. Patrick is the CFO at the commercial bank and Olusegun Alebiosu is the CRO at the commercial bank. I also have Ini Ebong who is the Treasurer at the commercial bank. Also with me are CEOs of lead subsidiaries of our business groups.

Just by way of introduction, let me say very clearly that the performance of the group during the first half of 2017 was quite strong and we are seeing the dividends of our collective efforts. While there were challenges, yes, we did well, but ahead, down the road, we still believe that there will be hurdles to cross. However, the Group remains resilient and we have demonstrated over the last 12 to 18 months the capacity to perform, despite challenges.

Now for emphasis, let me also say that the efficiency and value creation philosophy which we mentioned at the last call, that is what is driving our engagement for 2017 and so I will quickly go straight to slide 5, just to demonstrate the environment under which we operated.

Slide 5 speaks to a slow economic recovery which pervaded the economy all through 2017 half-year. We also saw declining inflation and we are happy to also note improvement in the crude oil production, which obviously led to accretion to foreign reserves. This obviously gave Central Bank the ammunition to intervene in the foreign exchange market, which has also led to relative stability in the FX market.

We saw yields on investment securities fairly stable and at high levels. This is positive for us, given our liquidity position and also the size of our balance sheet. Despite these points I've mentioned, the operating environment remains very challenging and we will work our way through these times.

Slide 6, there are two quick comments to mention there. At the last call, we reported the revision of the guidelines on investment for PFAs. Under current regulation, PFAs can now invest in the equities of bank holding companies. The other quick point to mention is that in June, the Central Bank of Nigeria released the exposure draft for licensing of private asset management companies to manage NPLs in banks. I think it's also important to say that the Central Bank's monetary policy stance was maintained through the first half of 2017.

Quickly on slide 7, we have demonstrated sustained revenue generating capacity from our core business. As you can see, our earnings generating capacity remains very strong, with 7.8% growth year-on-year in the gross earnings. We also sustained very strong pre-provision operating profit of ₦97.8 billion entirely from core operations. Now although our PBT and PAT were down 22% and 18% respectively, this is the impact of the base effect, i.e. the one-off FX revaluation gains which we booked in 2016.

I am happy to report a reduction in impairment charge for the first half of 2017, following improvement in our asset quality. We have also maintained a very tight hold on costs, although there is some increase you will see period-on-period, but this is clearly a result of the huge cost base that we carry. and having said that, it's important to mention that the rate of increase is below the inflation rate.

Moving on to slide 8, that slides speaks to the improving earnings yield and also our cost efficiency, the asset quality and the capital. Indeed, the cost management initiatives which we implemented continued to gain traction, partly offset by the currency devaluation and high inflationary environment. If we adjust for FX revaluation gains, the cost to income ratio closed at 54.7%. For the comparative period of 2016, it was 59.7%.

We're happy to report that NPL and cost of risk are both trending downwards. NPL on Group basis is 22%, while at the bank level you will see less than 20%. We're also happy to report very strong NIM at 8.5%. Capital at the operating companies level remained very strong and we also have built buffers during this period. If you adjust for the year-to-date profit, the commercial bank will be at 18.6% capital adequacy ratio, while the Merchant Bank has a capital adequacy ratio of 26.7% excluding year to date profit. This clearly shows very strong buffers.

Now I will take you straight to slide 9, where we are restating our commitment to execution, as we rebuild the Group for enhanced shareholder value. Beyond the reinforcement of risk governance and architecture across the Group, we would like to report that recovery and remediation efforts are top on the agenda, driven at the highest level by the board of the commercial bank and also with oversight at the Holdco level.

Our cost optimisation and efficiency initiatives are gaining traction and we believe that the benefits of the ERM and ERP, which we started implementing late last year, will begin to kick-in in 2018.

We continue to pursue Group collaboration and synergy and we have indeed launched the Business Referral Application (BRA) to drive and track cross-sell across the Group. In addition, we have also deployed our Global Account Management framework to deepen collaboration across the enterprise.

On the digital banking space, we're very active and we have deployed market leading offerings, which obviously, we're going to see the benefits as we fully implement all-of those initiatives, starting with the agency banking. And we're already doing the pilot run, while our USSD platform continues to lead the market.

Quickly to slide 10, although we are reporting 2017, our focus is really-on our three-year strategic planning period and we've got our aspirations listed. One, we have made a declaration that by 2019 we expect to see single digit NPL and as I reported earlier, we are seeing a downward trend on the NPL and for the first time in a number of quarters, we see NPL declining for the second quarter of 2017. The same for cost of risk, there is also a decline quarter-on-quarter and we believe that by 2019 we should see cost of risk at less than 2%.

Cost to income ratio, we have done very well in that area. Clearly, we have been able to manage our costs effectively. If you look at the slide, you will see that the cost to income ratio has come down despite inflation, which also has been trending upwards, but we have been able to manage our costs effectively

We think that by the end of our planning period, 2019, our cost to income ratio should be less than or equal to 50% and our return on equity should be greater than 20%, very clearly.

We think that the Group is well positioned and we are working to rebuild shareholder value through our people, our process and technology. And we do believe that we have the right people, the right process and the right technology to deliver value to the shareholders.

I would ask that the operator opens the line for Q&A. Thank you.

Q&A Session

Tolu Alamutu - Exotix Partners

Good afternoon and thank you for hosting the call. I just have three quick questions please, the first is on NPLs. From the presentation, it looks like you declassified about ₦152 billion of NPLs in the period. I just wanted to know if you could shed some light on that. It looks like these were in the oil and gas downstream sector. Was it just one company? Or was it a group of companies where you declassified the NPLs? Also, could you please give us an update on some of the large NPL exposures like Atlantic Energy and so on and what we can expect to see before the end of the year.

Secondly, on capital, can I just clarify that you said that if we include the first half profit, the capital ratio at the bank will be 18.6%? And also, are you able to give any capital ratio guidance for the Bank for the end of this year please?

And finally, on the outlook for loan growth, I just wanted to know if you're seeing any opportunities in any specific sectors this year, because obviously up until now your focus has been on dealing with legacy asset quality problems and so on. I just wanted to know if that changed in any way. Thank you.

UK Eke - FBNHoldings

We confirm that if you capitalise the earnings for the first half of 2017, capital at First Bank of Nigeria Limited will be 18.6%. At the Merchant Bank, CAR is currently at 26.7% excluding year to date profit. I think the reason we highlight that is we made a statement that the commercial bank is not expected to upstream dividends to the holding company. And therefore, you can assume that all of the earnings at the commercial bank level will be retained. And we do believe that this will give the commercial bank sufficient buffer to be able to grow its business and therefore, eliminate any need whatsoever to approach the market for additional capital.

Segun, the CRO will take the question on risk

Olusegun Alebiosu – CRO FirstBank

On NPL we declassified a number of accounts, but more in downstream oil and gas. And on the key exposures, on Atlantic Energy, we are engaging the government to ensure that 2017 targets are met on that account.

On Aiteo, we confirm during the Q1 Q&A that we have restructured the loan and we expect that to drop to performing in the course of 2017. We remain committed to that plan and on Ontario, we have advanced on the actions on asset realisation and we expect write-back in the course of 2017, for an amount that should be in the north of ₦20 billion.

Tolu Alamutu - Exotix Partners

Sorry, this is Tolu again. I didn't get the first part of what you said there because unfortunately the line dropped off. You were saying about Atlantic Energy and the negotiations there, sorry.

Olusegun Alebiosu – CRO FirstBank

Okay, for Atlantic Energy, I said the realisation has taken longer than anticipated, but we are working through government bureaucracy to ensure that the account is resolved in the course of 2017.

And on Aiteo, we confirmed during the first quarter conference call that we have restructured the account and we expect the account to drop to performing in the course of 2017 and that we remain committed to that resolution path.

Tolu Alamutu - Exotix Partners

That's very helpful, thank you. And then the outlook for loan growth please.

Olusegun Alebiosu – CRO FirstBank

Yes, for us we see opportunity in manufacturing and general commerce.

Tolu Alamutu - Exotix Partners

Thank you very much.

Jumai Mohammed – Exotix Partners

Thank you very much. This is Jumai from Exotix Partners and thank you for taking my question. Just a follow-up, first of all, to Tolu's question. I just want to confirm that the loans that have been restructured, or that have been reclassified rather, in the quarter, are not the three major loans that you talked about in the past and these you expect to come, well, on board towards the end of 2017.

And my second question will be a status update on the Etisalat loan. If you've made provisions on it and what to expect in terms of finding a seller, or buyer rather, through the course of the year. Thank you.

Olusegun Alebiosu – CRO FirstBank

Okay, one of the three loans have been pre-provisioned and written-off in the course of Q2 2017. As we reported, we have progressed on asset realisation and we believe that in the course of 2017 we will have a write-back in excess of ₦20 billion.

For Etisalat, cash flow of Etisalat or 9Mobile now, lenders are trying to reposition the company till it finds new investors. We believe that with the strong cash flow of the company there will be no need for any impairments, as the cash flow of the company is not impaired and the new investors coming in will be buying solid assets and will take out all lenders.

Jumai Mohammed – Exotix Partners

Okay, all right, thank you for that. Just a quick follow-up to a previous question, I just wanted to ask you please what the contribution of the large loan that has been reclassified - sorry. Yes, the large loan that has been reclassified, what's the size in your NPL ratio?

Olusegun Alebiosu – CRO FirstBank

The large NPL reclassified is about 4% of the loan book.

Jumai Mohammed – Exotix Partners

Okay, thank you.

Gloria Fadipe - CSL

Hello, good afternoon. I just want more clarity on the loan book. Do you mind telling us what the underlying asset you are trying to realise on Ontario is? And you mentioned that on Atlantic Energy - , you still expect negotiations to run through the course of this year. Just with all the political exposure and all the issues surrounding the promoters of that loan, do you still see that as a realisable target this year? And just to also know, what percentage of that loan has been provided for so far. Thank you.

Olusegun Alebiosu – CRO FirstBank

On Atlantic Energy, we remain committed to resolution in 2017, despite the political issues surrounding the promoters. As lenders, what is more important to us is our right, our step-in right as lenders and not the political issues surrounding the exposure - I mean the promoters, because that's the business that was funded in the first place. And as for provisioning, we've taken 30% provision on that account.

Gloria Fadipe - CSL

30%?

Olusegun Alebiosu – CRO FirstBank

Yes.

Gloria Fadipe - CSL

Okay and then the assets then, Ontario assets?

Olusegun Alebiosu – CRO FirstBank

If you permit us - we are not in a position to disclose at this time.

Gloria Fadipe - CSL

Okay, that's fine, thank you.

Samrat Kanodia – Payden & Rygel

Yes, hi there, thank you. I'm sort of continuing on the same story, asset quality. So how big is the Atlantic Energy loan? What's your exposure? I mean if you can disclose that or not, I don't know, but what is your total exposure to Atlantic Energy? That's the first question; what is the total exposure to Atlantic Energy?

And again, can we expect - because the other Nigerian banks have much lower NPL ratios of below 5% and it's only First Bank of Nigeria which is larger because of exposure to oil and gas, right? So, can we expect the trajectory of NPLs to normalise in the next one or two years? Do you expect to take a lot of provisioning with regards to that? And if yes, how much provisioning do you expect to take and what will be the impact of that provisioning on your capital ratio?

Olusegun Alebiosu – CRO FirstBank

Over our three-year strategic cycle commencing 2017 and ending 2019. Based on our guidance, we expect NPL in 2017 to be sub 20% but at 2019 will be in lower single digits.

On provisioning, we confirm that we are on a path to resolution because the asset itself, It's a living asset, an oil well which is producing. What is left is our step-in right, our right as lenders for us to realise our cash flow. Now looking at the NPL and looking at what we need to do in terms of provisioning, we believe that the level of provisioning we have made so far on that particular asset took care of all - I mean the level of provisioning that we require.

Samrat Kanodia – Payden & Rygel

I'm sorry, the phone got a bit - the voice got a bit - I couldn't hear what you said. So what's your exposure to Atlantic Energy?

Olusegun Alebiosu – CRO FirstBank

We might not be able to disclose on the call.

Samrat Kanodia – Payden & Rygel

Okay and you say you expect NPLs to go to single digit by 2019, so what sort of impact on capital ratio would there be? Like from 18% capital ratio, what level would it fall to? Because you have to take losses on the NPLs.

Patrick Iyamabo – CFO FirstBank

So, here's the thing, two quick comments around that. The first is we must understand and if you look at the financials, the business itself is significantly organically capital generative. So for the most part, we are projecting to take about ₦120 billion impairment charges this year and so still post a profit. And we are expecting to do even better the next year in terms of profitability. So frankly, we are comfortable that we can take care of our impairment charges with limited non-significant impact on our capital ratios. Our comfort point is really to have a capital adequacy ratio of 17% and above and that is kind of what we've simulated over the time horizon to 2019, while taking these capital charges as a result of the NPL.

Samrat Kanodia – Payden & Rygel

Okay, thank you.

Ndubuisi Obike - Stanbic IBTC Pension Managers Limited

Hi, good evening, I have two quick questions - the first one, I hear that you intend to resolve the Atlantic Energy issue before the end of this year, but permit me to play devil's advocate here, if for any reason it's not resolved in the next five months, so what will be the plan? Are you going to take the remaining 70% impairment charges or what? And, especially considering that implementation of IFRS 9 is just five months away too, what is the plan for this particular exposure, if it doesn't go the way you plan?

Then the second question is, how long do you plan to maintain this strategy of not allowing the commercial bank to upstream dividends to the Holdco? How many more years should we as investors expect to receive dividends from your other subsidiaries?

Olusegun Alebiosu – CRO FirstBank

On Atlantic Energy, we are convinced that the account will be resolved in 2017, but as we have said, even if the account is not resolved in 2017, the 30% we have taken, considering the underlining collateral is sufficient. Don't forget that IFRS itself made provisions for collateral in valuing impairment, or in booking impairment. So, if you look at the value of an oil well that is producing today and you ask yourself what happens on this asset I have, because we have these political issues that we just have to clear for you to have access to the cash flow. You discover that what we have taken as impairment is actually sufficient to cover what we are supposed to do for the year.

Patrick Iyamabo – CFO FirstBank

And to your second question about the upstream of dividend, so this is how we kind of look at it. I mean ultimately the whole idea is to create value for shareholders and the value to shareholders will accrue either through dividend payments you make or capital appreciation on their shares. If we note the value of the shares today, clearly there's significant upside built in there.

The decision we've made internally is to do what is required to clean up the books, what is required to boost the level of profitability and what is required to create the right structure that optimises the market cap, because the market I believe will also see that it is key to conserve capital that is required to clean up the books. But we also still have the option, given what it is we see, to still pay a level of dividend if that is required, or if that's in the best interests of the shareholder, recognising the full value that accretes to the shareholder is the combination of the dividend and the market cap. I hope that addresses your concern.

UK Eke - FBNHoldings

This is UK, let me say one more thing here with respect to the commercial bank’s capital position. I think it's important to emphasise that the commercial bank itself has subsidiaries that are operating outside Nigeria and if you check the trend from Ghana to Senegal, even to England, the UK, United Kingdom, there have been fresh capital requirements and rules. And at each time the commercial bank has had to transfer capital to those entities and they are operating very profitably. So, on a standalone basis, the commercial bank is on solid ground capital-wise and they will need to retain sufficient capital to be able to expand their risk-weighted assets and ultimately upstream dividends to the holding company.

The beauty of our operations as a holding company is that the insurance franchise and the merchant bank and the other subsidiaries are performing very well. And if you look at their market positioning, they are market leading in their own rights. So, we do hope that by the time we conclude with all the reforms at the commercial bank, which we have defined as between 2017 and 2019, we will begin to see massive upstreaming of dividend from that commercial bank group.

Ndubuisi Obike - Stanbic IBTC Pension Managers Limited

Thank you, that's helpful.

Olamipo Ogunsanya - Renaissance Capital

Hi, good afternoon, this is Olamipo Ogunsanya from Renaissance Capital. Thank you for the presentation and taking my questions. My first question is really to what extent is management willing to sacrifice growth at the expense of holding off a capital raise? And I ask this because it doesn't seem like management's stance has changed and you've kind of indicated 2019 as the point where things start to improve. So, what happens beyond 2019? What is the outlook in terms of growth?

And secondly, what sort of ROEs do you think you can generate beyond 2019? And thirdly, I just wanted to get a sense of, to what extent you play directly in the Nigerian market through your other subsidiaries, because I guess even if First Bank of Nigeria is losing market share, are you able to lend directly from your other subsidiaries into the Nigerian market? Apart from any currency mismatch, are there any regulatory requirements involved with that? Thank you.

UK Eke - FBNHoldings

Okay, I don't think there's any sacrifice of growth. What we said at the last conference call was that we will have a clear focus on remediation of the loan book, review buffers while growing also, and we identified the growth sectors we are going to focus on. We've also given guidance on the loan growth, which is around about 10% for 2017. And what is important is that we use this period of recession, because we did say that this was the best time to clean up, and then as the economy rebounds, we are in a position to grow aggressively.

Now the merchant bank obviously is well capitalised. If you look at the capital ratio, I did say that if you capitalise year-to-date profit it will be around about 26% and growing their loan book apart from the advisory services they also perform to clients. So clearly the commercial bank is on its measured growth plan, we haven't sacrificed growth at all and we do think that we will not be bullish at this time. And then by the time we conclude with the clean-up of the book and then we have reset our risk enterprise, which is already happening, we have fully implemented our enterprise risk management framework, we're in a position to re-launch. And this will happen from next year, clearly. We have given guidance on the ROE, we did say that from 2019 we will be seeing well above 20% ROE and that's quite strong for a bank of our size.

Patrick Iyamabo – CFO, FirstBank

This is Patrick, if this will give you comfort, I think UK has captured most of the key things, but here is the additional point you might want to consider. Given the current point in terms of crude oil price, inflation, the pressure on the currencies or the currency, monetary rates are expected to be sustained over the next six months to one year. The implication of that for a bank during such a time is that it's more of a deposit mobilisation play, because you can still significantly accrete income without putting additional capital to play. Since this things are weighted zero.

So again, for FirstBank, given our strategic options, our distribution and the push to grow deposits, the capital constraint the way you see it isn't quite a constraint for us, especially during this time. And again, in any case, the business itself is significantly capital generative. Let's just use the half-year results as an example. For the bank, we've booked provisions of what, about 60 - we've taken impairment charges of about ₦60 billion and during that same timeframe we're posting profits of let's say going to ₦30 billion. So, that is ₦90 billion. Think about it into the second half of the year, which we expect to be not worse than the first half of the year. That is about ₦180 billion capital generative potential right there.

So, we hear you, but capital constraint as you see it really isn't the constraining thing for us. The priority for us is clean up the books, implement our strategic initiatives, grow the business and come out at the end of the strategic period much better positioned to grow the business in a way no other institution can grow in this market.

Olamipo Ogunsanya - Renaissance Capital

The final question on subsidiaries playing in the Nigerian market.

UK Eke - FBNHoldings

I thought I responded to that when I mentioned that the merchant bank is quite active in this space, so it's not just capital market operations, but also quite active on the corporate banking side and extending balance sheet to their corporate clients. And insurance company clearly we are the fastest growing insurance franchise in the market today and we do think that as the economy opens up, clearly there's opportunity for the merchant bank to do more of their advisory services, which obviously some national and also to the sovereign itself. They are quite active and I think there are no concerns around those other subsidiaries.

Olamipo Ogunsanya - Renaissance Capital

Thank you very much.

Aderonke Akinsola - Chapel Hill Denham

Good afternoon, thank you very much for the call today. My first question is on the growth on loans to banks for the half year. I'd like you to shed more light on the drivers of that growth and do you expect this to continue to the second half of the year? I'd also like to know what the current yield on these lending are at the moment.

Secondly, I’d like to know your recoveries expectations for full year. At the half-year you had about ₦2.4 billion recovery, so what do you see by the end of the year? Then thirdly, I don't see any guidance for your key ratios in this presentation. So, should I assume that your guidance remains the same? Thank you.

UK Eke - FBNHoldings

Can you repeat the first question around guidance? What was the question on guidance?

Aderonke Akinsola - Chapel Hill Denham

Yes, I said I don't see any guidance in this presentation, so should I assume that the guidance will be the same as you had as at your Q1 presentation?

UK Eke - FBNHoldings

Essentially, yes. We haven’t revised our guidance numbers, so you can work with the guidance we provided at the last call.

Ini Ebong – FirstBank

Okay, if I'm to speak to the growth in loans to banks, as you see from the presentation, for most of this year our liquidity ratio has been in excess of 50%. So, we've had extremely strong local currency liquidity which is riding on the back of our strong retail franchise. So, clearly with a high interest rate environment, there's been much more increase in inter-bank placement activity with various counterparts, in addition to the investments in government securities and those kinds of things, so that really is what it is. And depending on where you sit and timing, inter-bank market activity and rates are being pretty good, so that's what it's all about.

Olusegun Alebiosu – CRO FirstBank

Guidance for recovery, for 2017 we expect recovery to be north of ₦20 billion.

Aderonke Akinsola - Chapel Hill Denham

Okay.

UK Eke - FBNHoldings

Next question please.

Tolu Alamutu - Exotix Partners

Good afternoon, I just have a quick follow-up question please. Could you please give us an update on your bond issuance plans, if there are any and also could you maybe comment on the bond that’s callable in 2018 and 2019. How are you looking at those calls at the moment? Thank you.

Ini Ebong – FirstBank

Okay, as you rightly pointed out, two bonds are callable in 2018 and 2019, with ultimate maturities of 2020 and 2021. So, that doesn't put us under any immediate refinancing pressure. So, clearly what we'll do is evaluate our options at the time. I think what is clear is that when we issued those bonds, we did say we did it for funding diversification, to add duration into the liability pool, and also for the capital benefit. And that's why we issued them as tier-2 instrument.

We've clearly alluded to the fact that from a capital perspective we're comfortable, and so indeed that requirement is not there, but certainly there will be requirements for longer term funding in the books. So, we will evaluate market conditions and take a decision around when we need to but we still have a fair bit of time to see where it is, while we recognise that there is appetite for Nigerian issuance at this time. So, we have time and will evaluate and see how it plays out.

Tolu Alamutu - Exotix Partners

Thank you very much.

Victor Chiazor - Capital Bancorp

Good afternoon, thank you, guys, for the presentation. I actually want to thank you guys for the good work. Clearly my question has actually been answered, but basically on recovery. But another quick look at your numbers, I'd just like to know what exactly is responsible for the rising operating expense. We’ve seen it rise by 11%, I was expecting costs would not have grown that fast for the period. I wanted to just know, since you already have the numbers for recovery for full year. Thank you very much.

Patrick Iyamabo – CFO FirstBank

The key drivers of the growth in Opex are really two fold. The first is exchange rate, the second is inflation. And so, if we think about the first half of 2016 versus where we are today, things have fundamentally changed. This did not come through fully in 2017 because we began to ramp up in the second half of 2017. But overall though - and if you're looking at the specific items, things like maintenance, power, which is like 30% of the cost of a branch, were some of the key headlines that were impacted by this increase.

But overall, having said that, we're still trending below inflation and we expect we would maintain this trajectory to the end of the year, i.e. cost growth below inflation. Overall, the impact on our cost to income ratio, if we think about the bank specifically, the cost to income ratio for the bank as at midyear was about 51%, which is actually better than what it was last year, if you adjust for the revaluation gain last year.

So, what am I trying to say? Inspite of some of these increase which we have contained below inflation rate, some of our initiatives are coming through and continue to improve our cost to income ratio. And we do not see this changing in the immediate future.

Oyewale Ariyibi – CFO FBNHoldings

Additionally, it's important to note that our guidance is that at the end of this financial year, our cost to income ratio will be less than or equal to 55%. And we stay true to this commitment and all of the items in the Opex are things that we anticipated and we planned for. Again, if you take out the exchange gain of 2016, the cost to income ratio clearly has been above this year's 54.47%, so we are on course and are monitoring this and fully on top of it. Our expectation for 2017 to 2019 at the end of our strategic planning cycle for 2019 is that cost to income ratio will be less than or equal to 50%.

Victor Chiazor - Capital Bancorp

Okay, another quick follow-up. Regarding the NPL coverage as at half-year 2017 you had 52.7% against 41.5% for half-year 2016. I wanted to know, at this pace will you have adequately covered for your bad loans and that for full year? Will you have adequately covered your bad loans when we get to full year 2019, your target point, so what do you expect in terms of recoveries for the banking space. Because I've seen that your coverage has been between 40 and 50, I was thinking that would have been higher so that at least by 2019 you expect full provisioning for all impairments of the bad loans and you expect a clean slate from the next year.

Olusegun Alebiosu – CRO FirstBank

Yes, NPL coverage, as you noticed, or as you observed grew went from 41% to 52% over the last 12 months. We have given you guidance for the year, and by IFRS we have made provisions for collateral even in impairment. And so assuming 100% provision, is synonymous that we're saying that there's no single collateral for all the impaired accounts. While you'll agree with me that might not be correct, therefore if you believe that even for mortgages hair-cut allow even for 50%, at 52% it makes that even for all facilities secured with real estate, I have no full provision. But we gave guidance for the year that what you have seen half-year, we'll continue throughout 2017. So we expect the coverage ratio to move closer to 60%, or above 60% by end of 2017. But notwithstanding, we believe that what we have done today is adequate for our portfolio.

Victor Chiazor - Capital Bancorp

Okay, but the way the group is going, you expect full coverage by 2019 and better performance from the next year?

Olusegun Alebiosu – CRO FirstBank

Yes.

Victor Chiazor - Capital Bancorp

Fantastic, that's fine for me, thank you very much.

Olamipo Ogunsanya - Renaissance Capital

Sorry, I have just one follow-up question, I'm sorry if I missed it. So, the 6% to 7% cost of risk guidance for 2017, does that already factor in the write-backs of ₦20 billion, or is that separate?

Olusegun Alebiosu – CRO FirstBank

No, it doesn't.

Kehinde Owonubi, WSTC Financial Services

Good afternoon, thank you very much for the presentation. I just have one question. Your NPL, you have a newly classified an NPL of about ₦19.6 billion. I'd like to know if you can shed more light on the makeup and if we'll see anything like that subsequently in H2. Thank you.

Patrick Iyamabo - CFO FirstBank

Sorry, did you say newly classified NPL of 19.6%? Or do you mean that the bank's NPL as at June ending was about 19.6%?

Kehinde Owonubi, WSTC Financial Services

In your presentation, in your slide of - slide mentioned NPL you have the newly classified NPL there of ₦19.6billion.

Olusegun Alebiosu – CRO FirstBank

The ₦19.6 billion represented on the graph on that slide relates to accrued interest on already classified assets, no new NPLs has been recorded as at date.

UK Eke - FBNHoldings

Let me first of all thank you all for your participation. We'd like to restate our commitment to delivering value. We believe we are on the right track and we do hope that by the time we close this conference, in the next quarter, you will see a better result posted.

[End]