Agusto & Co

2013 Bank Rating Report

FIRST BANK OF NIGERIA LTD

RATING RATIONALE

Agusto & Co hereby upholds the rating of '**A+**' assigned to First Bank of Nigeria Limited ("FirstBank" or "the Bank"). The rating reflects FirstBank's longstanding presence in the Nigerian banking industry, yielding the Bank a strong market position and access to a stable & diversified pool of low-cost deposits. FirstBank's rating also incorporates the experience of its management team, good capitalisation and improvement in profitability. However, the rating is constrained by the Bank's substantial level of new loan classifications and rising sector concentration risk in the loan book.

FirstBank is one of the top five banks in Nigeria which together control over 50% of the industry's resources. With a balance sheet footing of ₦3.29 trillion as at 31 December 2012, the Bank is Nigeria's second largest on the basis of total assets & contingents and largest in terms of local currency (LCY) deposits. LCY deposits experienced reasonable growth during the year under review, increasing by 16% to ₦1.65 trillion. Deposits adequately funded the loan book and the Bank's liquidity ratio stood at 36% as at year-end, higher than the regulatory minimum of 30%. FirstBank's deposits are predominantly from the retail space, which upheld by its extensive branch network, ensures that deposits are fairly stable and cost of funds remain low. In addition, the Bank is active in the Nigerian money market and has access to long-term funding from foreign financial institutions.

With core capital of ₦372 billion, FirstBank was the second most capitalised bank in Nigeria as at year ended 31 December 2012. Despite substantial growth in assets during the year, the Bank's Basel ratio remained at a comfortable 19% as at year-end, higher than the regulatory minimum of 15% for an international bank. Subsequent to the financial year-end, the Bank's Basel ratio improved further to 21% as at 30 June 2013. FirstBank successfully raised a US$300 million 7-year Eurobond from the international capital market in 2013, which further enhances funding capabilities and capitalisation. In our opinion, FirstBank's capital is good for business risks.

Supported by growth in business volumes primarily from the corporate space, FirstBank's efficiency and profitability indicators improved in the year under review. The Bank's cost-to-income ratio moderated to 68% (2011: 77%). The pre-tax return on average assets (ROA) and return on average equity (ROE) increased to 2.6% and 21.3% respectively, from 1.5% and 11% in 2011. We believe FirstBank's articulated growth plans in core areas such as retail and SME banking should continue to provide support for earnings in the short to medium term. FirstBank's results for the first 6 months of 2013 show its strong earnings potential, with pre-tax ROA and pre-tax ROE reaching 2.9% and 23.6% respectively as at 30 June 2013.

Reflecting the sale of impaired loans to the Asset Management Corporation of Nigeria (AMCON) between 2010 and 2011, FirstBank's ratio of non-performing loans (NPL) to total loans stood at an acceptable 2.8% as at year-end 2012. Provision coverage was strong at 99%, while collateral coverage of 93% provides added security for the Bank's exposures. However, Agusto & Co. is concerned about new loan classifications of ₦24 billion made during the year, particularly given the substantial volume of write-offs and loans sold to AMCON. On account of these new classifications, the Bank charged-off ₦9.8 billion from its income for credit losses, higher than most of its peers. Further amplifying our concern on asset quality is the increasing sector concentration in the loan book, with 37% of credits availed to oil & gas firms (2011: 33%). As at year-end, this sector accounted for the largest incidence of NPLs at 36% of total NPLs. Agusto & Co. believes that undue sector concentration, as well as the operating environment could put pressure on FirstBank's asset quality going forward.

Strengths

- Strong brand & good domestic franchise
- Experienced management team
- Good capitalisation
- Strong liquidity and access to low cost retail funds
- Good market share

Challenges

- Moderating credit classifications and losses
- Improving operational efficiency to enhance profitability

FINANCIAL DATA	December 2012	December 2011
Total assets & contingents	₦3.29 trillion	₦2.85 trillion
Total local currency deposits (excluding interbank takings)	₦1.63 trillion	₦1.37 trillion
Net earnings	₦249 billion	₦173 billion
Pre-tax return on average assets & contingents (ROA)	2.6%	1.5%
Pre-tax return on average equity (ROE)	21.3%	11%

RATING

FIRST BANK OF NIGERIA LIMITED

Rating assigned: A+

Outlook: Stable

Issue date:

Expiry date: 30 June 2014

Previous rating: A+

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Bank Ratings

Directors		Direct Ownership Stake (%)
• Prince Ajibola Afonja	(Chairman)	Nil
• Bisi Onasanya	(Group Managing Director)	Nil
• Urum Kalu Eke	(Executive)	Nil
• Adebayo Adelabu	(Executive)	Nil
• Gbenga Shobo	(Executive)	Nil
• Dauda Lawal	(Executive)	Nil
• Tokunbo Abiru	(Executive)	Nil
• Ibiai Ani		Nil
• Ibukun Awosika		Nil
• Bello Maccido	(Rep. FBN Holdings Plc)	Nil
• Ambrose Feese		Nil
• Lawal Ibrahim		Nil
• Ebenezer Jolaoso		Nil
• Khadijah Alao-Straub		Nil
• Tunde Hassan-Odukale		Nil
• Ibrahim Waziri		Nil
• Obafemi Otudeko		Nil
• Mahey Rasheed, OFR	(Independent)	Nil

Significant shareholders

FBN Holdings Plc	99.99%
FBN Capital Limited	0.01%

Management Team

Mr. Bisi Onasanya was appointed the Group Managing Director/Chief Executive Officer of First Bank of Nigeria Limited in June 2009. Prior to this, he was the Bank's Executive Director overseeing Banking Operations and Services. Mr. Onasanya has over 28 years experience working in diverse areas of banking such as Banking Operations, Finance and Performance Management. He was the founding MD/CEO of First Pension Custodian Nigeria Limited (a subsidiary of First Bank of Nigeria Limited). Mr. Onasanya also serves in various capacities on the boards of First Registrars Limited (Chairman); FBN Holdings Plc (member); FBN Bank (UK) Limited (member), Africa Finance Corporation (member) and Kakawa Discount House (Chairman).

Mr. Onasanya holds a Higher National Diploma (Upper Credit) in Accountancy from the Lagos State College of Science & Technology, Nigeria. He is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA), an associate member of the Nigerian Institute of Taxation and an honorary member of the Chartered Institute of Bankers of Nigeria (CIBN).

Other members of executive management are:

• Urum Kalu Eke	Executive Director - Public Sector (South)
• Adebayo Adelabu	Executive Director - Chief Financial Officer
• Gbenga Shobo	Executive Director - Retail Banking (South)
• Dauda Lawal	Executive Director - Public Sector (North)
• Tokunbo Abiru	Executive Director - Corporate Banking
• Bernadine Okeke	Head - Private Banking
• Bashirat Odunewu	Head - Institutional Banking
• Abdullahi Ibrahim	Head - Retail Banking (North)
• Akinwumi Fanimokun	Head, Technology & Processes

BANK PROFILE

Headquartered in Lagos, First Bank of Nigeria Limited is the oldest bank in Nigeria. The Bank was incorporated as a limited liability company in 1894 under the trade name 'Bank of British West Africa (BBWA)'. BBWA commenced operations as a commercial bank in its year of incorporation, and was listed on the Nigerian Stock Exchange (NSE) in March 1971. In 1979, BBWA was renamed First Bank Limited, before a subsequent change of name in 1991 to First Bank of Nigeria Plc. The Bank was issued a universal banking license by the Central Bank of Nigeria (CBN) in 2001.

In 2004, the CBN increased the minimum capital requirement for Nigerian banks, prompting recapitalisation and consolidation in the industry. Pursuant to this directive, FirstBank merged with two other banks - MBC International Bank Limited and FBN (Merchant Bankers) Ltd - in 2005, retaining its brand name post-merger and continuing operations as a universal bank. However, following the CBN's withdrawal of universal banking under its new banking rules in 2010, the Bank has exchanged its universal banking license for an international commercial banking license.

FirstBank is a 99.99% owned subsidiary of FBN Holdings Plc ('the HoldCo'), the non-operating holding company for all business operations of the First Bank Group. The HoldCo. was established in 2012 to execute the First Bank Group's holding company structure, adopted following the CBN's redefinition of the scope of banking activities. Upon establishment of FBN Holdings, FirstBank of Nigeria Plc (previously a listed entity) was delisted from the NSE and renamed accordingly, while the HoldCo was listed in its place in 2012. Existing shareholders of the Bank received proportionate equity holdings in the HoldCo, which became the majority shareholder of FirstBank. As at year-end 2012, the HoldCo's equity was held by over 1.29 million indigenous & foreign shareholders, with no single entity controlling more than 5% of outstanding shares. As at the same date, FBN Holdings Plc had a balance sheet footing of ₦3.75trillion (US$24.2 billion @ ₦155/US$), with operations spanning various sectors in 7 countries.

FirstBank is overseen by an eighteen member Board of Directors. The Board comprises six executive and twelve non-executive directors who have a diverse mix of financial and commercial business experience in various markets. During the year ended 31 December 2012, there were notable changes to the Board to strengthen leadership and also to reflect ongoing changes in business structure. Bello Maccido (an Executive Director) resigned from the board on 11 September 2012 following his appointment as the Chief Executive Officer of FBN Holdings Plc, and was subsequently reappointed a Non-Executive Director prior to the financial year-end. On this same day, Gbenga Shobo and Dauda Lawal were appointed Executive Directors to reinforce leadership. Subsequently, Bayo Adelabu was also appointed an Executive Director with effect from 13 December 2012. On 31 May 2013, Remi Odunlami and Kehinde Lawanson (both previously Executive Directors) exited the Board. Tokunbo Abiru was appointed Executive Director, Corporate Banking in August 2013.

By virtue of its age & geographical spread, FirstBank is Nigeria's largest bank on the basis of deposits, loans and branch network. The Bank also ranks second largest in the Industry on the basis of core capital. FirstBank has a robust customer base comprising over 8.5 million institutional, retail & public sector clients. Services offered by the Bank include loans, term deposits & current accounts, e-banking & card products, trade finance, leases, foreign exchange trading and money transfer.

Over the years, FirstBank has successfully repositioned itself to remain relevant and adapt to changes in the business terrain. In 2010, the Bank realigned its market-facing operations into 5 strategic business units (SBU) structured along customer segments - Corporate Banking, Public Sector, Retail Banking, Institutional and Private Banking. This structure was adopted to strengthen relationship management and specialisation across the Bank's customer segments, and also to enhance service delivery and profitability. Two of these SBUs (Public Sector and Retail Banking) are further organized along regional lines and all are directly overseen by members of executive management. FirstBank also has 12 strategic resource functions which interface with the SBUs to facilitate the achievement of organisational goals.

Since 2011, FirstBank has adopted a 3-year strategic rolling plan approach, the first of which is expected to wind down in 2013 as the Bank enters its 2014-2016 planning cycle. The Bank's articulated objectives under the upcoming plan period remain to defend its strong balance sheet position; extend its market leadership across core areas of profitability & capital efficiency; attain market leadership in each of its SBUs; and balance short-term performance with long-term growth. In order to achieve these goals, management intends to aggressively pursue the Bank's previously identified financial priorities (increase in fees & commissions, selective creation of loans, low-cost deposit mobilization, pricing optimization and containment of operating expenses) and non-financial priorities (service excellence, brand transformation, talent management, performance management & credit quality/process excellence). The Bank will also focus on driving organic growth and leveraging cross-selling opportunities across the First Bank Group.

FirstBank's head office is located at Samuel Asabia House - 35 Marina, Lagos. Operations are supported by a network of 714 business offices (605 branches, 40 Quick Service Points - QSP & 69 agencies) distributed nationwide. As part of ongoing expansion and to support the Bank's retail drive, FirstBank intends to open 35 new offices before the end of 2013. The Bank has also significantly grown its network of Automated Teller Machines (ATM) over the years to a total of 2,220 as at June 2013. In order to effectively leverage the budding cash-lite banking landscape in Nigeria, FirstBank has deployed about 18,530 Point of Sales (PoS) terminals and 5.4 million payment cards across the country. Going forward, a key element of the Bank's growth drive will be to target the unbanked retail & SME markets through these banking channels and serve these clients using its array of cost-efficient alternative channels.

BANK PROFILE CONT'D

Subsidiaries & Associates

FirstBank's investments in subsidiaries amounted to ₦40.3 billion as at year ended 31 December 2012. On this date, the Bank had three local subsidiaries and two foreign subsidiaries as detailed below:

- Banque Internationale de Credit (75%) — *Commercial Bank*
- FBN Bank UK Ltd. (100%) — *Commercial Bank*
- FBN Bureau de Change Ltd. (100%) — *Currency Trading*
- FBN Mortgages Ltd. (100%) — *Mortgages*
- First Pension Custodian Nig Ltd. (100%) — *Pension Custody services*

FirstBank, together with the above-listed subsidiaries, make up the Commercial Banking business group of FBN Holdings Plc. The Bank also has representative offices in Johannesburg (South Africa), Beijing (China) and Abu Dhabi (United Arab Emirates).

In order to comply fully with the CBN's guidelines on the 'scope of banking activities', all other previously owned subsidiaries of FirstBank have been transferred either to FBN Holdings Plc or FBN Capital Limited (previously also a subsidiary of the Bank but now a stand-alone subsidiary of the HoldCo). FirstBank also disposed its 100% equity stake in First Registrars Limited during the final quarter of 2012.

As at year-end 2012, FirstBank's only associate was Kakawa Discount House Limited, in which the Bank controlled a 40% stake. Other significant affiliates of the Bank as at this date were:

- Valucard Nig. Plc (12.63%) — *Card Services*
- Banque International Du Benin (11.86%) — *Commercial Bank*
- ATMC (23.77%) — *ATM solutions provider*
- Africa Finance Corporation (9.19%) — *Regional Development*

Information Technology

FirstBank uses a variety of software applications for operations in order to mitigate the high costs of servicing its large retail clientelle. The Bank's core banking application for transaction processing is Finacle 10, while the Finacle Treasury and FinOne applications are used for Treasury operations and Loan management respectively. Other key applications in use within the Bank include Oracle HR for HR automation, OPENTEXT for records management, SAS Risk Management Suite for Basel II compliance and nCompass for automation of clearing processes.

FirstBank has three data processing facilities - a primary data centre, a disaster recovery site (bunker) and a remote warm site - for data management. The Bank's data centres and IT processes have been certified for compliance with ISO 27001 and BS 25999 requirements. All of FirstBank's branches, cash centres and QSPs are connected online and in real time via a Wide Area Network comprising VSAT links, radio links and fibre connections.

Correspondent Banks

FirstBank maintains correspondent banking relationships with: ABSA Bank (South Africa); Bank of Beirut (London); Banque Libano Francaise (Lebanon); Barclays Bank (UAE); BCGE (Switzerland); BCP (Switzerland); BNP Paribas (Paris); BNP Paribas Fortis (Belgium); Byblos Bank Group (Beirut); Citibank (New York); Commerzbank (Frankfurt); Credit Suisse (Zurich); Deutsche Bank (London); FBN Bank (UK) Ltd. (London); FirstRand Bank (South Africa); HSBC (South Africa); ICICI Bank (Bahrain); ING Bank (Brussels); JP Morgan Chase (London); KBC Bank (Belgium); Mashreq Bank (UAE); Mauritius Commercial Bank (Mauritius); Mizuho Corporate Bank (London); Natixis Bank (France); Nordea Bank (Norway); Portigon (Germany); Standard Bank (South Africa); Standard Chartered Bank (London); Skandinaviska Enskilda Banken (Sweden); Sumitomo Mitsui Banking Corporation (London); Svenska Handelsbanken (Sweden) and Union Bank of Switzerland (Zurich).

Overview of Financial Performance

As at 31 December 2012, FirstBank had a balance sheet footing (including contingents) of ₦3.29 trillion. Although slightly below the prior year, capital remains good for the Bank's risk profile, as depicted by a capital adequacy ratio of 19%. During the year, FirstBank's non-performing loan (NPL) ratio remained at a considerably low 2.8% (2011: 2.4%). This level of credit quality was supported by the substantial sale of impaired credits to the Asset Management Corporation of Nigeria (AMCON) between 2010 and 2011.

Credit costs were less pronounced in comparison with the prior year, but remained higher than most peers. In 2012, loan loss expenses amounted to ₦9.8 billion, equivalent to 3.8% of interest income for the year. Subsequent to the financial year-end (30 June 2013), FirstBank's charge-off ratio stood at 7%, while the NPL ratio stood at 4.2% following some new classifications by the Bank.

FirstBank's net earnings improved considerably during the year, growing by 44% on the prior financial year. As a result, the major profitability ratios (pre-tax return on average equity and pre-tax return on average assets & contingents) improved to 21.3% and 2.6% respectively, from 11% and 1.5% in 2011.

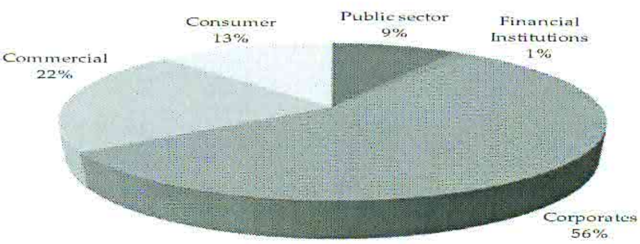
ANALYSTS' COMMENTS

ASSET QUALITY

FirstBank's balance sheet grew by 15% to ₦3.29 trillion during the year ended 31 December 2012, ranking it second in the Nigerian banking industry on the basis of total assets & contingents. Approximately 82% of assets held by the Bank during the year were earning assets, comprising mainly of loans & advances, interbank placements and investments in bonds. Contributing most to the growth in assets during 2012 was a substantial 119% increase in long-term assets to ₦465 billion, following the CBN's increase in its Cash Reserve Requirement (CRR) for banks to 12%. Growth in FirstBank's assets during the year was also particularly evident in placements with local & foreign banks (which grew by 31% to ₦274 billion), as well as in the pool of contingent assets (which grew by 35% to ₦517 billion). As at year-end, almost two-thirds of contingent assets were performance bonds and guarantees, which are generally short-term commitments to third parties and are usually cash collaterised by customers.

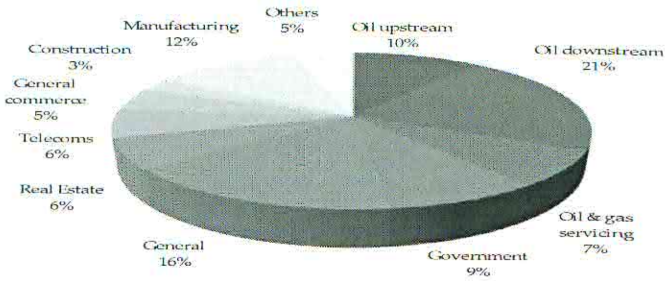
In terms of balance sheet composition, FirstBank's largest earning asset class remains its portfolio of direct loans & advances, which made up 41% of total assets & contingents as at year-end 2012. After a more subdued credit performance over the last two years in reflection of uncertainties in the lending environment, credit growth rebounded for the Bank in 2012, with loans & advances expanding by 15.6% to ₦1.35 trillion. More than half of the Bank's loans as at year-end were concentrated among corporate borrowers who are generally adjudged to have a comparatively lower risk of default. FirstBank's objective is to maintain its strong foothold in the corporate space, while diversifying increasingly into the retail and Small & Medium Enterprise (SME) segments. The SME & retail segments are expected to compensate slightly for the heightened intensity of competition in the corporate space, which has resulted in thinner margins from this segment.

Figure 1: Distribution of loan book by customer type



FirstBank lends to all viable sectors of the economy. However, as at year-end 2012, the Bank's loans were mostly concentrated in the oil & gas sector, which accounted for a substantial 39% of gross loans. While we recognise that this oil & gas exposure is spread across three sub-segments, we nevertheless believe this exposure to a single underlying commodity poses a threat to asset quality. Eliciting a further rating concern is the fact that the Bank had breached its internal credit limit of 20% for exposure to the oil & gas downstream segment as at year-end, with a gross exposure of 21% of total loans to this sub-segment.

Figure 2: Sectoral distribution of credits

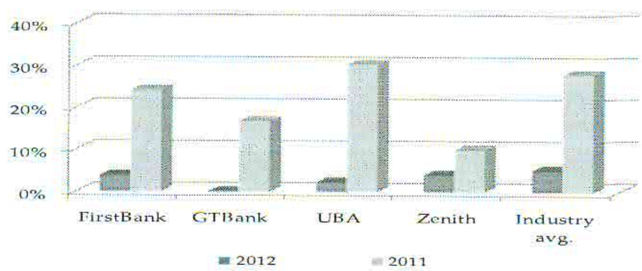


Compared with the prior year, we positively note a reduction in obligor concentration in the loan book, with the twenty largest exposures accounting for 35% of gross loans (2011: 38%). According to the Bank's schedule of internal ratings, 81% of the top 20 loans were to obligors regarded as non-investment grade. While the probability of loan default is considered higher for these non-investment grade obligors which could potentially impair credit quality, we draw some comfort from the level of collateralisation against outstanding loans. As at year-end, approximately 93% of FirstBank's gross loans were secured against real estate (31%), shares of quoted companies (1%) and other eligible assets (61%). Unsecured loans (at 7% of the loan book) were availed strictly to investment grade obligors.

As disclosed in FirstBank's financial statements, exposures to related parties amounted to ₦105.5 billion, constituting 8% of the Bank's credit portfolio and 28% of adjusted capital. As at the balance sheet date, 99.8% of insider-related credits was reported as performing.

In 2012, FirstBank's non-performing loans (NPL) increased substantially by 33% to ₦37 billion by year-end, due to the impact of new credit classifications amounting to ₦24 billion. Management indicates that this high volume of new classifications was partly linked to the adoption of a more proactive impairment recognition approach, which emphasizes early recognition of potentially impaired exposures for remedial action. However, due to overall volume of new classifications, the Bank charged off ₦9.8 billion from its income for loan losses in 2012. FirstBank's loan loss expense was equivalent to 3.8% of interest income, lower than the prior year's 24%, as well as the industry average of 5.1% for the year. Moderating the impact of significant new classifications during the

Figure 3: Loan loss expense to interest income



ASSET QUALITY (CONT'D)

year were loan declassifications amounting to ₦9.4 billion, as well as write-offs totalling ₦5.6 billion. The bulk of loans written off by the Bank have been transferred to Classified Assets Management for possible recovery in line with FirstBank's write-off policy. As at year-end 2012, NPLs accounted for 2.8% of gross loans, nudging up marginally above 2.4% reported in the prior financial year. The Bank's NPL ratio as at year-end was broadly in line with both its selected peers, Guaranty Trust Bank Plc (GTB: 2.4%) and Zenith Bank Plc (Zenith: 3.2%), and is also below the CBN's recommended threshold of 5%.

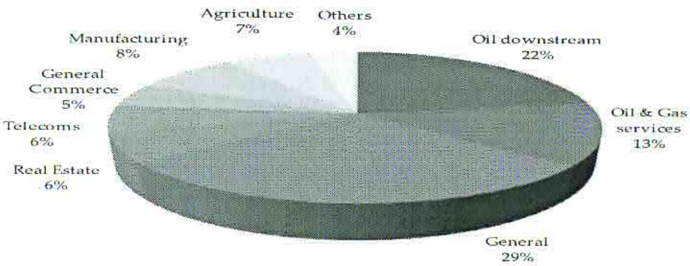
FirstBank's asset quality issues stem largely from exposures to the

Figure 4: Non-performing loans to Total loans

oil & gas sector, which accounted for a sizeable 35.4% of NPLs as at year-end. Within sub-segments of this sector, the downstream segment accounted for 22% of NPLs, while the services sector accounted for 13.4%. Agusto & Co. is somewhat concerned about the Bank's growing exposure to oil & gas, particularly given the existing record of credit impairment from this sector.

In our opinion, FirstBank's asset quality is satisfactory. Although

Figure 5: Non-performing loans by economic sector



the Bank's NPL ratio trended up slightly to 4.2% at the end of the 6 month period to 30 June 2013, management's intent is to ensure the ratio remains below 4% by year-end, and consistently below 5% in the medium to long-term. In order to achieve this goal, FirstBank will focus on recovery and quick resolution of assets that show signs of deterioration. In addition, the Bank intends to pursue a measured approach to credit growth, with focus on tackling concentration risk and achieving a healthy mix between term and non-term exposures. FirstBank's target is to achieve loan growth of about 10% for 2013, with key areas of interest including oil & gas, power, telecommunications, manufacturing and infrastructure development. The Bank also intends to pursue opportunities in SME and value chain banking.

Risk Management

FirstBank's Risk Management Directorate (RMD) provides the central oversight for risk management processes across the Bank. The Directorate is headed by a Chief Risk Officer, who reports to the Managing Director and the Board. The RMD sets policies, defines risk limits and provides the framework for managing risks in other units within the Bank. The Internal Control department performs independent verification to ensure that all risk measures are in compliance with FirstBank's standards. Furthermore, management reports are generated and reviewed periodically to ensure the effective monitoring of the Bank's risk profile.

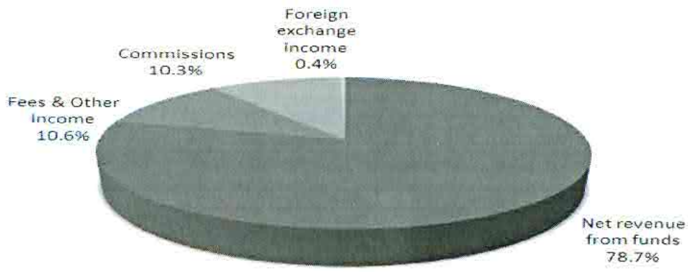
As part of ongoing improvements to risk management, FirstBank has implemented the Standardised approach for measuring credit risk as recommended in the Basle II framework. In addition, the Bank has deployed a new internal rating system (Moody's RiskAnalyst) to improve its obligor assessment and risk selection process. FirstBank has also created a 'Credit Availment' team within its Credit Control function to ensure that obligors conform with all conditions precedent to draw-down before credit is availed. In the medium to long term, the Bank intends to migrate to the Basel II Advanced Internal Rating Based (AIRB) approach for all risk types - credit, market and operational. FirstBank is already compiling necessary data required to support the platform migration.

In order to improve credit quality, management is emphasizing training on an ongoing basis to ensure that relationship managers have necessary skills. Initiatives have also been introduced in other areas (i.e. outside of the Risk Management function) to ensure an increased level of risk consciousness within the Bank. In our opinion, FirstBank's risk management framework is adequate. However, ensuring strict adherence to these policies - particularly on issues relating to credit concentration - will be imperative to maintaining good asset quality.

EARNINGS

In 2012, FirstBank's operating performance showed significant improvement, reflecting the impact of lower credit charges and substantial revenue growth across most earning streams. Net earnings for the Bank grew by a strong 44% to ₦249 billion, with the bulk of this growth emanating from the portfolio of fund-based activities. Interest income, comprising largely of interest derived from customer loans and trading of investment securities, grew by 30% during the review period. This was on account of a higher prevailing interest rate environment relative to the prior year, which enabled improved asset pricing for the Bank, as well as high yields on securities trading. However, also contributing to the 64% growth in income from fund-based activities was a substantial 79% reduction in loan loss charges, in line with FirstBank's sale of qualifying assets to AMCON between 2010 and 2011. As at year-end 2012, fund-based activities contributed an estimated 78.7% of net earnings generated by the Bank, up from 68% reported in 2011.

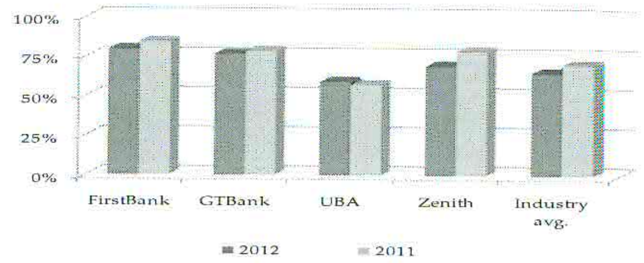
Figure 6: Breakdown of Net earnings



In contrast to interest income, non-interest income earned by the Bank declined by a marginal 2% to ₦54 billion in 2012. This decline was fuelled by a substantial reduction in foreign exchange income to ₦0.9 billion (2011: ₦7.5 billion), given the relative stability in exchange rates which eroded arbitrage opportunities. However, most other components of ancillary income recorded growth. Commission on Turnover (COT) grew by 13% in view of stricter monitoring of COT concessions, while management's sustained effort at maintaining a short-tenored loan book contributed to a 27% increase in credit-related fees. FirstBank also recorded greater fee income from collections and money transfers, while the focus on trade finance yielded increase in LC fees. Going forward, management is optimistic that further growth in ancillary income can be accomplished through ongoing investments in alternative channels, as well as by leveraging the budding cashlite landscape. However, in the short-term, we believe ancillary income pressures could emerge across the industry given the CBN's recent downward review of major bank charges relating to ancillary income.

Similar to other Nigerian banks, FirstBank operated in a high interest rate environment in 2012. The CBN raised the Cash Reserve Requirement to 12% during the year, which (coupled with a 22% growth in deposits) led to a 69% increase in interest expenses. As a result, margins came under pressure, with the net interest margin (NIM) nudging down to 80% (2011: 85%). Nevertheless, FirstBank's NIM remains the best among selected peers (see figure 7), and also significantly exceeds the industry average of 65%. In the short to medium term, management expects sustained support for margins given plans to grow loans in the less competitive commercial, SME & retail segments, and also in view of the Bank's ample supply of low-cost funds. We expect the Bank's NIM to dip moderately in 2013 given the recent increase in CRR on public sector deposits to 50%, as well as higher interest rates which have prevailed subsequent to this pronouncement.

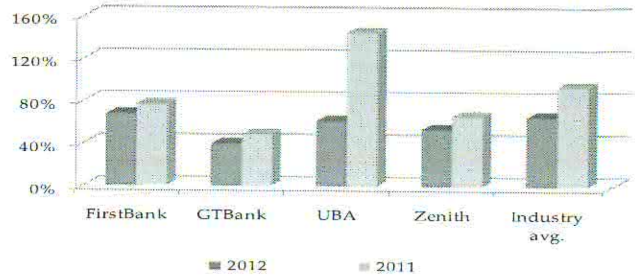
Figure 7: Comparison of Net Interest Margins (NIM)



In 2012, FirstBank's operating costs grew by 25% to ₦168.9 billion. This is partly ascribed to a 25% rise in staff costs, following expenses made to cover staff attrition costs and gratuities. Also contributing to the growth in costs was a contribution of ₦7.4 billion to AMCON (2011: ₦5.9 billion), as well as investments in branch expansion/upgrades & alternative channels. Seventy-five (75) operating locations were opened by the Bank in 2012, in order to enhance customer acquisition. We believe First Bank's plans to further branch expansion will increase operating cost in 2013. Taking cognisance of these expansion, management forecasts an increase of 5%-12% in operating costs for the year 2013. Nevertheless, we expect various initiatives (such as centralised transaction processing and optimization of alternative service channels) pursued by the Bank to control cost growth.

Notwithstanding the growth in costs, FirstBank's ratio of operating expenses to net earnings (cost-to-income ratio) improved moderately to 68% (2011: 77%) supported by higher earnings. The Bank's cost-to-income ratio is higher than selected peers, as well as the industry average of 66%. Further underscoring the Bank's earning potential however, CIR dipped to 57% during the 6 month period ended 30 June 2013. We expect that growth in revenue will continue to exceed the rate of cost growth for the Bank in the short term, and will therefore keep the CIR within the range of 60% to 70%.

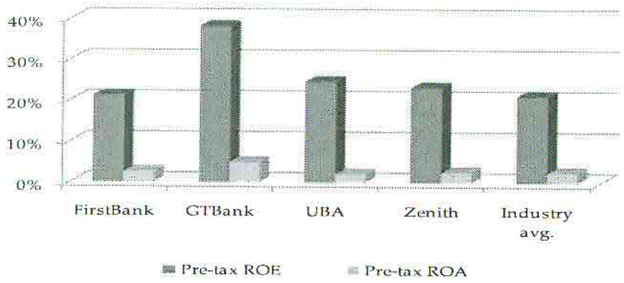
Figure 8: Cost-to-income ratio



EARNINGS (CONT'D)

Profitability indicators showed resilience, upheld by the strong growth in income and lower credit charges. In the period under review, pre-tax profits doubled to ₦80 billion (2011: ₦40 billion). Consequently, profitability indicators improved with the pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) rising to 2.6% and 21.3% respectively for the year. These results are broadly in line with peer averages. Subsequent to year-end, profitability indicators remained resilient, with pre-tax ROA and pre-tax ROE at 2.9% and 23.6% respectively as at 30 June 2013.

Figure 9: Profitability indicators



Management forecasts that FirstBank will achieve ROA of 3% and ROE of 20% for the full year. While we believe this is achievable, we note that the Bank's ability to enhance profitability is contingent on its ability to optimise costs and maintain asset quality. Given FirstBank's dominant market position and ongoing improvements in risk management and processes, we believe the Bank remains one of the better positioned industry players to maintain adequate levels of profitability in the short to medium term. Nevertheless, given FirstBank's large and diverse client base, we believe the Bank's income streams are sustainable.

CAPITAL ADEQUACY

FirstBank's core capital of ₦372 billion funded 11% of total assets & contingents as at year-end 2012, and ranked the second highest in the Nigerian banking industry. Given the level of risk inherent in the business environment, management's strategy over the years has been to consistently maintain a good level of capitalization. FirstBank's core capital as at year-end was compliant with the regulatory minimum requirement of ₦50 billion for international commercial banks in Nigeria. In addition, core capital at 99% of adjusted capital as at year-end, was more than twice the regulatory minimum requirement of 50%.

Supporting core capital as at year-end was the Bank's tier II capital of ₦2.6 billion. This amount represents a medium-term loan (callable notes) secured from European Investment Bank for a tenure of eight years.

FirstBank's loss absorbing capacity is good as indicated by a Basle ratio (adjusted capital to risk weighted assets) of 19% as at 31 December 2012. This is higher than the regulatory minimum requirement of 15% for an international bank. Furthermore, loans stood at a multiple of 4 times adjusted capital, which is well below the regulatory maximum of 10 times. We believe FirstBank's capital is adequate for the level of risks assumed.

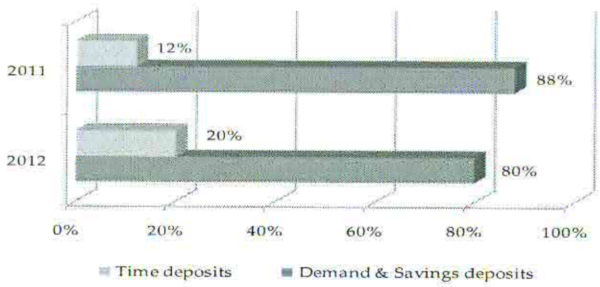
In line with the Bank's capital management strategy, FirstBank concluded a US$300 million debt raising exercise which was listed on the Irish Stock Exchange (ISE) during Q3 2013. The Eurobond is a subordinated debt which qualifies as tier II capital, the proceeds of which are intended to support near-term loan growth, diversify the capital base and extend the maturity of FirstBank's foreign currency funding. The debt, which carries an initial coupon rate of 8.25%, has a 7-year maturity and is callable on the 5th anniversary of the bond issuance. The success of the bond issuance exercise shows the good perception of FirstBank among local and international investors. The Bank reported an increase in Basel ratio to 21% at the end of Q2 2013, from 19% in December 2012.

LIQUIDITY AND LIABILITY GENERATION

FirstBank's large network of 714 business offices and over 8.5 million depositors provides access to a diversified funding base. The Bank's operations are financed largely by customers' deposits, which funded 67% of total assets & contingents as at year-end 2012. As at this date, deposit liabilities of the Bank amounted to ₦2.19 trillion, of which 75% were local currency (LCY) denominated. FirstBank adopts a centralised approach to liquidity management, with its Asset and Liability Management Committee (ALCO) assuming responsibility for the articulation of liquidity control policies across the Bank. In addition, compliance with established liquidity policies is enforced by the Market & Liquidity Risk Management Unit, which ensures the Bank is able to meet asset requirements & liability obligations as they fall due.

Net of interbank takings, FirstBank's LCY deposits grew by 19% to ₦1.63 trillion during the year ended 31 December 2012. This growth was driven by the Bank's expanding footprint, as well as aggressive deposit mobilisation. During the year ended 31 December 2012, 75 branches were opened by the Bank, while a range of customised products was introduced to rein in clients and drive deposit mobilisation. These resulted in notable growth across FirstBank's major deposit buckets. Low-cost demand and savings deposits grew by 9% to ₦1.3 trillion in 2012, while costly tenored deposits grew by 93% to ₦321 billion. Due to the substantial growth in tenored funds, the composition of the Bank's deposits showed a slightly elevated component of costly funding, with tenored deposits accounting for 20% of total LCY deposits as at year-end (2011: 12%). Nevertheless, FirstBank's regulatory filings indicate that LCY deposit volumes have been fairly stable post year-end. As at 30 June 2013, LCY deposits of the Bank amounted to ₦1.72 trillion, of which 21% were tenored deposits.

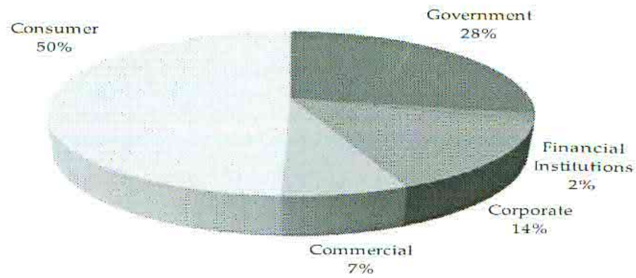
Figure 10: Change in structure of LCY deposits



Reflecting substantial deposit growth particularly in the tenored funds bucket, FirstBank's Weighted Average Cost of Funds (WACF) nudged upwards slightly to 2.6% in 2012, from 2.1%. In our opinion, the rise in funding cost for the Bank is also indicative of the CBN's increase in regulatory CRR to 12% in August 2012, from 8%. Nevertheless, to improve its funding structure and cost profile, FirstBank intends to leverage the economies of scale and scope availed by its size and branch network to drive growth in low-cost deposits. Management has also indicated substantial investments will be made in technology and alternative channels with a view to attracting new deposits.

FirstBank's liability generation strategy has traditionally centred on building a stable pool of low-cost funds from individuals and companies, which jointly accounted for 71% of deposits as at the 31 December 2012. In our opinion, the Bank's deposits are stable, given the principal source.

Figure 11: Breakdown of deposits by source



We consider the Bank's deposit base to be diversified as the twenty largest depositors accounted for 25% of total deposits as at year-end 2012. However, an estimated 80% of these large deposits were public sector funds, which are typically volatile. As the Bank strives to defend interest margins, we anticipate some reduction in its composition of public sector deposits in view of the CBN's increase in CRR on public sector deposits to 50%, from 12%.

As in prior years, FirstBank's balance sheet remains fairly liquid. Liquid assets, largely comprising government bonds, amounted to ₦603 billion (or 18% of total assets & contingents) as at year-end 2012. As at this same date, the Bank's liquidity ratio stood at 36%, higher than the regulatory minimum of 30%.

Agusto & Co. views favourably FirstBank's ability to secure foreign funding. As at year-end 2012, the Bank had standby credit lines totaling US$1.98 billion available to support foreign currency (FCY) transactions. Exchange rate risk is minimal, as FCY loans are mostly extended to clients who have dollar denominated revenues. Exchange risks are also mitigated through the use of open position limits recommended by the CBN as well as intra-day and risk exposure limits specified by the Bank.

In addition to trade lines, FirstBank also had long-term debt totaling ₦79 billion sourced from various financial institutions. During Q3 2013, the Bank raised a US$300 million 7-year Eurobond (₦48 billion @ ₦160/US$) from the ISE. We believe this inflow will avail the Bank an opportunity to finance loans of similar tenor. As at year-end, FirstBank's ratio of net loans to deposits of 78% (after backing out loans funded by free capital) was higher than our maximum expectation of 58%.

FirstBank's reputation in the Nigerian money market provides the ability to refinance should the need arise. We expect that the Bank will remain strong in terms of deposit mobilisation, and thus retain its favorable funding structure into the medium term.

OWNERSHIP, MANAGEMENT AND STAFF

First Bank of Nigeria Limited is a privately held Nigerian bank owned by two investors. FBN Holdings Plc (FirstBank's parent company) controls a 99.99% stake in the Bank, while FBN Capital Limited controls 0.01%. FBN Holdings is owned by over 1.29 million individual and foreign investors and is listed on the NSE.

FirstBank's Board comprises 6 executive and 12 non-executive members. One of the non-executive members is an independent director, and the Bank intends to appoint a second independent director to comply fully with the CBN's corporate governance code. To strengthen capabilities, three new executive directors were appointed to the Board during the year under review in reflection of the changing structure of the Bank's operations. Oversight functions of the Board are executed through six standing committees constituted in line with the CBN's code on corporate governance.

FirstBank's operations are overseen by the Group Managing Director, Mr. Bisi Onasanya. He is assisted by an executive management team comprising 5 executive directors and 4 other senior management executives. Members of this team have extensive experience in diverse functions within the financial services sector. During the year ended 31 December 2012, the Bank employed an average of 7,922 employees, up from 7,801 in 2011, in line with business expansion and branch growth. As at this date, 1% of the employees were senior and executive management staff and 3% were middle management staff. All others were in the lower-management and junior staff cadre.

On the back of improved earnings, staff productivity as measured by net earnings per staff, improved to ₦32 million from ₦22 million in the prior year. Staff cost per employee also increased to ₦8 million, from ₦6.6 million. This increase reflects a ₦21.5 billion expense made by the Bank for staff attrition and gratuities. Nevertheless, FirstBank's staff productivity indicators are comparable to most peers (see table below).

Table 1: Staff productivity indicators

	FirstBank (₦ '000)	GTBank (₦ '000)	UBA (₦ '000)	Zenith (₦ '000)
Staff cost/employee	7,998	7,369	3,649	6,221
Assets & contingents/staff	414,996	728,588	253,884	591,125
Net loans/staff	166,171	263,432	66,194	124,980
LCY Deposits/staff	205,896	309,139	108,541	224,795
Net earnings/staff	31,515	59,549	13,444	28,712

In our opinion, FirstBank's management team is experienced and continues to demonstrate ability to adapt to changes in the business terrain. On an ongoing basis, staff development and training plans are instituted to ensure that employees have the necessary skills for good performance, while competent hands are also being recruited to fill current vacancies. According to the Bank's disclosures, approximately 99% of staff employed attended training sessions during the year under review. We believe these initiatives should continue to impact positively on staff productivity and business growth in the near term.

MARKET SHARE

FirstBank is one of the leading banks in Nigeria with over a century of operations. The Bank has a strong domestic franchise given its age and track record. Over the years, FirstBank has successfully restructured and repositioned itself to remain relevant in the rapidly changing business environment and also to overcome intense competition in the banking industry. With 714 business locations nationwide, the Bank has one of the largest networks in the country, which provides access to stable funding base. As at 31 December 2012, FirstBank held the largest share of LCY deposits in the Nigerian banking industry at 13.7%. In addition, the Bank ranked above all other industry competitors on the basis of net loans & leases, with a market share of 17.5% as at year-end 2012.

Figure 12: Market share of Total assets & contingents

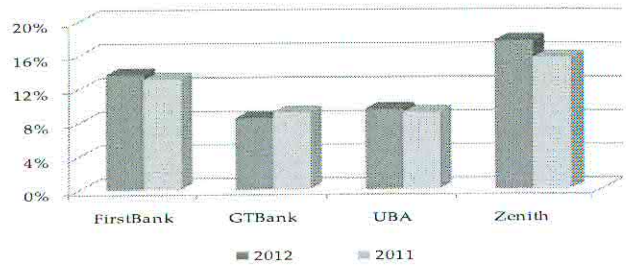
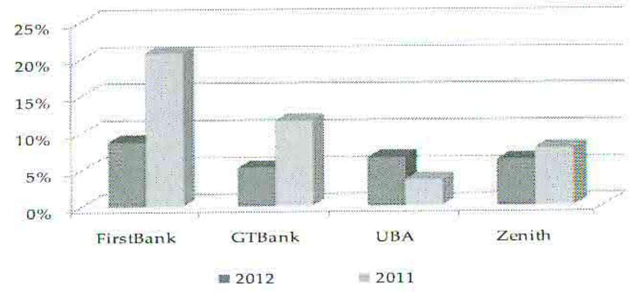


Figure 13: Market share of Net interest income



Management has indicated that FirstBank's focus going into its 2014 - 2016 plan period will be to continue to defend its industry leadership position. In order to achieve this goal, the Bank intends to focus on cost optimization, service delivery and customer satisfaction, whilst striving to optimize cross-selling opportunities available within the First Bank Group. FirstBank also intends to leverage its brand to carve a niche in retail banking, whilst defending its market share in the corporate space. While we note that FirstBank faces stiff competition from other top-tier Nigerian banks, we believe the Bank's strong brand, proven capabilities and track record put it in a good position to sustain its market position in the near term.

OUTLOOK

As the Bank winds down its 2011 - 2013 strategic planning cycle, FirstBank aims to consolidate its leadership position in Nigeria in the 2013 financial year. To this end, the Bank has made substantial investments in information technology infrastructure, branch expansion, alternative channels and staff training. FirstBank views the retail and SME banking segments as core growth drivers in the short to medium term, and thus aims to leverage its network of 714 business offices to consolidate its retail banking franchise. Management intends to leverage the Bank's size, as well as its strong banking relationships with large corporates and the public sector to compete for key mandates in profitable sectors of the economy. The Bank also intends to leverage the economies of scale availed by its membership of FBN Holdings to pursue opportunities for cross selling in order to shore up income.

In our opinion, FirstBank's key challenges in the short to medium term lie in its ability to curtail costs and deliver efficient services to clients. By virtue of its size and ongoing branch expansion, we believe it will become increasingly onerous to curtail expenses associated with running a vast branch network across the country and remaining as responsive to customer needs as smaller competitors.

FirstBank's strong brand, expansive branch network and stable pool of low cost funds makes it a predominant player in the industry. Given the Bank's exposure to certain high-risk sectors, asset quality indicators could deteriorate moderately in the short-term, but are expected to remain within acceptable bounds. We expect management's efforts to diversify further into the SME and retail business segments to support further growth in business volumes in the current financial year, and thus expect profitability to remain resilient in the short term. We also expect liquidity to remain strong and capitalisation ratios to be good.

We therefore attach a **stable** outlook to the Bank's rating.

FIRST BANK OF NIGERIA LIMITED

	BALANCE SHEET AS AT	31-Dec-12		31-Dec-11	
		₦'000		₦'000	
	ASSETS				
1	Cash & equivalents	100,670,000	3.1%	95,225,000	3.3%
2	Government securities	459,336,000	14.0%	680,217,000	23.8%
3	AMCON Bonds				
4	Quoted investments	1,131,000	0.0%	2,486,000	0.1%
5	Placements with discount houses	41,425,000	1.3%	13,544,000	0.5%
6	LIQUID ASSETS	602,562,000	18.3%	791,472,000	27.7%
7	BALANCES WITH NIGERIAN BANKS	1,433,000	0.0%	9,746,000	0.3%
8	BALANCES WITH BANKS OUTSIDE NIGERIA	272,998,000	8.3%	199,057,000	7.0%
9	Direct loans and advances - Gross	1,349,604,000	41.1%	1,167,646,000	40.9%
10	Less: Cumulative loan loss provision	(36,891,000)	-1.1%	(27,796,000)	-1.0%
11	Direct loans & advances - net	1,312,713,000	39.9%	1,139,850,000	39.9%
12	Advances under finance leases - net	3,694,000	0.1%	4,611,000	0.2%
13	TOTAL LOANS & LEASES - NET	1,316,407,000	40.0%	1,144,461,000	40.1%
14	INTEREST RECEIVABLE				
15	OTHER ASSETS	33,721,000	1.0%	44,728,000	1.6%
16	DEFERRED LOSSES	6,703,000	0.2%	5,195,000	0.2%
17	RESTRICTED FUNDS	187,455,000	5.7%	103,866,000	3.6%
18	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES	42,572,000	1.3%	46,515,000	1.6%
19	OTHER LONG-TERM INVESTMENTS	234,797,000	7.1%	61,608,000	2.2%
20	FIXED ASSETS & INTANGIBLES	72,026,000	2.2%	64,790,000	2.3%
21	**TOTAL ASSETS**	**2,770,674,000**	**84.3%**	**2,471,438,000**	**86.6%**
22	TOTAL CONTINGENT ASSETS	516,922,000	15.7%	382,052,000	13.4%
23	**TOTAL ASSETS & CONTINGENTS**	**3,287,596,000**	**100%**	**2,853,490,000**	**100%**
	CAPITAL & LIABILITIES				
24	TIER 1 CAPITAL (CORE CAPITAL)	372,176,000	11.3%	377,244,000	13.2%
25	TIER 2 CAPITAL	2,560,000	0.1%	29,496,000	1.0%
26	LONG TERM FOREIGN BORROWINGS	79,427,000	2.4%	74,791,000	2.6%
27	Demand deposits	765,402,000	23.3%	705,494,000	24.7%
28	Savings deposits	544,807,000	16.6%	495,075,000	17.3%
29	Time deposits	320,898,000	9.8%	166,206,000	5.8%
30	Inter-bank takings	18,463,000	0.6%	51,306,000	1.8%
31	TOTAL DEPOSIT LIABILITIES - LCY	1,649,570,000	50.2%	1,418,081,000	49.7%
32	Customers' foreign currency balances	540,700,000	16.4%	417,715,000	14.6%
33	TOTAL DEPOSIT LIABILITIES	2,190,270,000	66.6%	1,835,796,000	64.3%
34	INTEREST PAYABLE				
35	OTHER LIABILITIES	126,241,000	3.8%	154,111,000	5.4%
36	**TOTAL CAPITAL & LIABILITIES**	**2,770,674,000**	**84.3%**	**2,471,438,000**	**86.6%**
37	TOTAL CONTINGENT LIABILITIES	516,922,000	15.7%	382,052,000	13.4%
38	**TOTAL CAPITAL, LIABILITIES & CONTINGENTS**	**3,287,596,000**	**100%**	**2,853,490,000**	**100%**
	Proof				
	BREAKDOWN OF CONTINGENTS				
39	Acceptances & direct credit substitutes	196,267,000	6.0%	153,695,000	5.4%
40	Guarantees, bonds etc..	320,655,000	9.8%	228,357,000	8.0%
41	Short-term self liquidating contingencies				

FIRST BANK OF NIGERIA LIMITED

	INCOME STATEMENT FOR THE YEAR ENDED	31-Dec-12 ₦'000		31-Dec-11 ₦'000	
42	Interest income	257,325,000	82.9%	197,829,000	78.7%
43	Interest expense	(51,778,000)	-16.7%	(30,606,000)	-12.2%
44	Loan loss expense	(9,847,000)	-3.2%	(47,666,000)	-19.0%
45	NET REVENUE FROM FUNDS	195,700,000	63.1%	119,557,000	47.6%
46	ALL OTHER INCOME	53,007,000	17.1%	53,483,000	21.3%
47	**NET EARNINGS**	**248,707,000**	**80.1%**	**173,040,000**	**68.9%**
48	Staff costs	(63,357,000)	-20.4%	(51,668,000)	-20.6%
49	Depreciation expense	(9,725,000)	-3.1%	(9,599,000)	-3.8%
50	Other operating expenses	(95,826,000)	-30.9%	(72,101,000)	-28.7%
51	TOTAL OPERATING EXPENSES	(168,908,000)	-54.4%	(133,368,000)	-53.1%
52	PROFIT (LOSS) BEFORE TAXATION	79,799,000	25.7%	39,672,000	15.8%
53	TAX (EXPENSE) BENEFIT	(12,145,000)	-3.9%	(16,620,000)	-6.6%
54	**PROFIT (LOSS) AFTER TAXATION**	**67,654,000**	**21.8%**	**23,052,000**	**9.2%**
55	NON-OPERATING INCOME (EXPENSE) - NET	3,490,000	1.1%		
56	DIVIDEND	(26,105,000)	-8.4%	(19,580,000)	-7.8%
57	**GROSS EARNINGS**	**310,332,000**	**100%**	**251,312,000**	**100%**
58	AUDITORS	PWC/PKF		PWC/PKF	
59	OPINION	CLEAN		CLEAN	

	KEY RATIOS	31-Dec-12	31-Dec-11
	EARNINGS		
60	Net interest margin	79.9%	84.5%
61	Loan loss expense/Interest income	3.8%	24.1%
62	Return on average assets & contingents (Pre - tax)	2.6%	1.5%
63	Return on average equity (Pre - tax)	21.3%	11.0%
64	Operating Expenses/Net earnings	67.9%	77.1%
65	Gross earnings/Total assets & contingents (average)	10.1%	9.8%
	EARNINGS MIX		
66	Net revenue from funds	78.7%	69.1%
67	All other income	21.3%	30.9%
	LIQUIDITY		
68	Total loans & leases - net/Total lcy deposits	78.3%	64.2%
69	Liquid assets/Total lcy deposits	35.9%	54.9%
70	Demand deposits/Total lcy deposits	46.4%	49.7%
71	Savings deposits/Total lcy deposits	33.0%	34.9%
72	Time deposits/Total lcy deposits	19.5%	11.7%
73	Inter-bank borrowings/Total lcy deposits	1.1%	3.6%
74	Interest expense - banks/Interest expense	12.4%	13.1%
75	**NET FOREIGN CURRENCY ASSETS (LIABILITIES)**	(267,702,000)	(218,658,000)

FIRST BANK OF NIGERIA LIMITED

	KEY RATIOS CONT'D	31-Dec-12	31-Dec-11
	ASSET QUALITY		
76	Performing loans (₦'000)	1,316,088,000	1,144,228,000
77	Non-performing loans (₦'000)	37,297,000	28,115,000
78	Non-performing loans/Total loans - Gross	2.76%	2.40%
79	Loan loss provision/Total loans - Gross	2.7%	2.4%
80	Loan loss provision/Non-performing loans	98.9%	98.9%
81	Risk-weighted assets/Total assets & contingents	52.9%	52.7%
	CAPITAL ADEQUACY		
82	Adjusted capital/risk weighted assets	19%	24%
83	Tier 1 capital/Adjusted capital	112%	105%
84	Total loans (net)/Adjusted capital	4.06	3.23
85	Capital unimpaired by losses (₦'000)	365,473,000	372,049,000
	CAPITAL ADEQUACY STRESS TEST		
86	Adjusted capital (₦'000)	299,481,000	345,136,000
87	Cumulative loan loss provision (actual reserves)	36,891,000	27,796,000
88	Equity before all provision (line 86 + line 87)	336,372,000	372,932,000
89	Required reserves*	198,429,800	164,578,230
90	Equity after required reserves (line 88 - line 89)	137,942,200	208,353,770
91	Equity after required reserves/risk weighted assets	7.9%	13.9%
	STAFF INFORMATION		
92	Net earnings per staff (₦'000)	31,394	22,182
93	Staff cost per employee (₦'000)	7,998	6,623
94	Staff costs/Operating expenses	37.5%	38.7%
95	Average number of employees	7,922	7,801
96	Average staff per office	11	12
	OTHER KEY INFORMATION		
97	Legal lending limit(₦'000)	73,094,600	74,409,800
98	Other unamortised losses(₦'000)	NONE	NONE
99	Unreconciled inter-branch items (₦'000) DR/(CR)	NONE	NONE
100	Number of offices	715	650
101	Age (in years)	118	117
102	Government stake in equity (Indirect)	-	-
	MARKET SHARE OF INDUSTRY TOTAL	**Actual**	**Actual**
103	Lcy deposits (excluding interbank takings)	12.3%	16.6%
104	Total assets & contingents	12.6%	17.8%
105	Total loans & leases - net	16.1%	19.7%
106	Non interest income	9.1%	12.0%
107	Net interest income	8.3%	7.8%

*: This is calculated as 100% of non-performing loans, 5% of performing loans (including direct credit substitutes disclosed as contingent assets) and 1% for all other assets excluding cash, federal government obligations, placements with discount houses and balances at CBN.

RATING DEFINITION

Aaa A financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) are unlikely to lead to deterioration in financial condition or an impairment of the ability to meet its obligations as and when they fall due. In our opinion, regulatory and/or shareholder support will be obtained, if required. Typically, a financial institution in this category will score more than 89% on our scoring grid.

Aa A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a slight increase the risk attributable to an exposure to this financial institution. However, financial condition and ability to meet obligations as and when they fall due should remain strong. Although regulatory support is not assured, shareholder support will be obtained, if required. Typically, a financial institution in this category will score 80% to 89% on our scoring grid.

A A financial institution of good financial condition and strong capacity to meet its obligations. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in the risk attributable to an exposure to this financial institution. However, financial condition and ability to meet obligations as and when they fall due should remain largely unchanged. In our opinion, shareholder support should be obtainable, if required. Typically, a financial institution in this category will score 70% to 79% on our scoring grid.

Bbb A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due. It may have one major weakness which, if addressed, should not impair its ability to meet obligations as and when due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in the risk attributable to an exposure to this financial institution. Typically, a financial institution in this category will score 60% to 69% on our scoring grid.

Bb Financial condition is satisfactory and ability to meet obligations as and when they fall due exists. May have one or more major weaknesses. Adverse changes in the environment (macro-economic, political and regulatory) will increase risk significantly. Typically, a financial institution in this category will score 50% to 59% on our scoring grid.

B Financial condition is weak but obligations are still being met as and when they fall due. Has more than one major weakness and may require external support, which, in our opinion, is not assured. Adverse changes in the environment (macro-economic, political and regulatory) will increase risk significantly. Typically, a financial institution in this category will score 40% to 49% on our scoring grid.

CCC Financial condition is very weak. Net worth is likely to be negative and obligations may already be in default. A financial institution in this category will score less than 40% on our scoring grid.

D In default.

A "+" (plus) or "-" (minus) sign may be assigned to ratings from Aa to C to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.