GCR GLOBAL CREDIT RATING CO.
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First Bank of Nigeria Limited

Nigeria Bank Analysis **August 2015**

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long-term	National	AA-(NG)	Stable	August 2016
Short-term	National	A1+(NG)		

Financial data:

(USD'm Comparative)

	31/12/13	31/12/14
NGN/USD (avg.)	159.3	165.1
NGN/USD (close)	161.1	182.6
Total assets	22,855.8	22,412.8
Primary capital	2,418.7	2,559.2
Secondary capital	293.2	776.6
Net advances	11,158.3	12,011.6
Liquid assets	5,932.5	6,045.9
Operating income	1,756.7	2,052.4
Profit after tax	417.2	514.5
Market cap.*	N260.4bn/USD1.3bn	
Market share**	14.9%	

*For FBN Holding Plc as at 10 July 2015.

**As a % of industry assets as at 31 December 2014.

Rating history:

Initial rating (September 2006)
Long-term: AA(NG)
Short-term: A1+(NG)
Rating outlook: Positive

Last rating (September 2014)
Long-term: AA-(NG)
Short-term: A1+(NG)
Rating outlook: Stable

Related methodologies/research:

Global Criteria for Rating Banks and Other Financial Institutions, updated March 2015

Nigerian Banking Sector Bulletin, 2014

FirstBank rating reports (2006-14)

Glossary of Terms/Ratios, February 2015

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Summary rating rationale

- The ratings reflect First Bank of Nigeria Limited's ("FirstBank" or "the bank") strong financial profile, established franchise within its various markets, and leading position as the largest bank in Nigeria, with total assets increasing 11.1% to N4.1tn at FYE14.
- The successful Tier 2 capital raising (USD450m/N68.7bn) undertaken in F14, combined with strong internal capital generation, saw the bank's absolute capital level rise by 41.7% to N600.5bn at FYE14, translating to a higher regulatory risk weighted capital adequacy ratio ("CAR") of 16.7% (FYE13: 13.6%). In future, the bank plans to increase its capital level and ultimately the CAR solely through earnings retention, while taking a cautious approach to risk asset creation.
- FirstBank's key asset quality indicators appear strong, with the bank's non-performing loan ("NPL") ratio remaining at a constant 2.9% at FYE13 and FYE14, although supported by substantial loan write-offs of N30.5bn during F14. The bank's provisioning level improved, with the specific arrears coverage ratio rising to 42.8% (from 38.3% at FYE13). According to management, continuous review of the bank's risk profile and selection process (especially within the oil and gas sector, which is currently facing significant challenges) are expected to see key asset quality metrics strengthen by FYE15 without further recourse to write-offs.
- Given the size and composition of its deposit book, FirstBank is vulnerable to systemic liquidity constraints triggered by increases in the regulatory cash reserves requirements ("CRR"). Nevertheless, the bank mitigated the impact of the CRR through maintaining a sizeable portion of its balance sheet in cash and highly liquid investments, ending F14 with a liquidity ratio of 37.1% (FYE13: 42.5%), well above the 30% prudential minimum.
- FirstBank enhanced its performance in F14, posting a net profit after tax ("NPAT") of N84.9bn (F13: N66.5bn), supported by translation gains on net foreign currency-denominated assets, which may not be repeated in future years. However, the bank plans to strengthen profitability in the current financial year through effective implementation of its cost containment efforts, and consolidation of the expanded network and business lines.

Factors that could trigger a rating action may include

Positive change: An improvement in profitability and capitalisation ratios, while maintaining a strong liquidity profile, would be favourably considered.

Negative change: The ratings would be sensitive to a further rise in impaired loans (declining asset quality) as well as a significant reduction in liquidity.

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Organisational profile

Corporate summary[1]

FirstBank commenced operations in Nigeria in 1894 as a branch of the Bank of British West Africa ("BBWA"), and has since evolved to become the biggest commercial bank in Nigeria with total assets of over N4.1tn. The bank is the flagship and largest business of FBN Holding Plc ("the Holdco"), a group that became the bank's parent company after a business restructuring in 2012. FirstBank offers a full range of banking services to both individual and corporate customers, with a strong retail franchise, and currently, has nine subsidiaries and presence in 12 countries[2]. FirstBank ranks as the largest bank by assets in sub-Saharan Africa (excluding South Africa).

Table 1: Revenues by geography	F13 N'bn	F14 N'bn
Nigeria	344.8	413.9
Outside Nigeria	26.9	41.2
Total	**371.7**	**455.1**

Source: FirstBank AFS.

Ownership structure

The Holdco remains the bank's largest shareholder, controlling 99.9% of its total issued share capital. The ownership distribution of Holdco at FYE14 is shown in Table 2.

Table 2: Major Shareholders	% Holding	
	FYE13	FYE14
Retail	51.6	50.1
Domestic institutions	26.8	26.2
Foreign institutions	18.0	21.7
Government related holdings	3.6	1.9
Total	**100.0**	**100.0**

Source: FBN Holding Plc AFS.

Strategy and operations

FirstBank maintained its strategic focus in 2014, driving its business and enhancing its competitive strengths as the market leader within the Nigerian banking sphere. The bank is consolidating its expanded presence in Africa to strengthen its franchise. In light of this, FirstBank continues to invest in and strengthening integration with the acquired subsidiaries (the West African operations of International Commercial Bank, comprising banks in Ghana, Gambia, Guinea, Sierra-Leone and Senegal) to drive tangible growth in 2015.

Furthermore, the bank is deepening market penetration in the retail and commercial business segments to further enhance service delivery, leveraging extensive platform (ATMs, point of sale ("POS") terminals and other e-channels) to improve customer experience, and is poised to derive maximum value from the international trade finance capabilities of FBN UK.

In F14, the bank operated with 2,600 (FYE13: 2,437) ATM units, 763 (FYE13: 760) outlets (including 629 branches, and 65 quick service points and cash centres) and was staffed with over 8,176 (FYE13: 9,198) employees.

Governance structure

The composition of FirstBank's Board of Directors ("the board") is in line with relevant codes of Corporate Governance of Central Bank of Nigeria ("CBN") as well as all relevant standards of its parent company. Adherence to selected aspects of appropriate corporate governance is set out below. The bank is redesigning its organisational structure in the current year to reflect its future strategic business focus.

Description	Findings
Board size	19
Number of Non-executive Directors	12 (including a Chairman and 2 Independent directors)
Number of Executive Directors	7 (including the Managing Director/Chief Executive Officer ("MD/CEO"))
Tenure of Directors	3 years each/2 cycles
Board committees	Credit, Finance and Human Capital, Risk Management, and Governance.
Int. audit and compliance function	Yes, independent/free units
External auditors and rotation policy	PricewaterhouseCoopers ("PWC")/10 year tenure
Internal and external practice guides	Yes, group wide rules applied

The current MD/CEO is set to retire by end December 2015, having served out two cycles, in line with bank's internal policy on tenure of directors.

Financial reporting

FirstBank's financial statements were prepared in accordance with all relevant and applicable laws, provisions and guidelines, and International Financial Reporting Standards ("IFRS"). The bank's annual and interim reports are relatively detailed. The bank's external auditor, PricewaterhouseCoopers, issued a clean audit report on the F14 financial statements.

Operating environment[3]

Industry overview

The successful conclusion of the general elections in Nigeria and the sustained offensive against the 'Boko Haram' sect (a terrorist group) by the military in the early months of 2015 appears to have diminished the apprehension created by insurgent activity in the northern part of the country, and the election related tension at the beginning of the year. The subsequent

[1] Refer to previous rating reports for a detailed background.

[2] Nigeria, Ghana, Gambia, Guinea, Senegal, Sierra-Leone, Democratic Republic of Congo, United Kingdom, France, United Arab Emirates, South Africa and China.

[3] Refer to GCR's 2014 Nigeria Banking Industry Bulletin for a review of relevant economic, regulatory and/or industry developments.

stable political climate is expected to restore investor confidence in the economy and fuel economic growth and stability in the immediate future.

A significant reduction in US dollar inflows into Nigeria from crude oil sales and foreign direct investment ("FDI"), against a relatively inelastic demand for US dollars, has led to a marked depreciation in the value of the Naira, fuelling inflationary pressure in the economy. Although the Federal Government has unveiled plans aimed at shoring up its non-oil revenues to reduce the sensitivity of the country's revenue to oil prices, the benefit of the initiatives are unlikely to manifest immediately, making a downscaling in capital expenditure across all government levels inevitable in the short term.

Banks' substantial levels of credit exposure to the oil and gas, and public sectors are concerning, considering the likelihood of rising default rates in these sectors. A similar challenge is anticipated in the power sector, on the back of low revenue generation capacity, underpinned by major operational challenges facing key players in the sector. CBN has responded appropriately to these risks, publishing policies (via circulars/press releases) on bank recapitalisation, foreign exchange management, oil and gas industry credit risks, and the closure of the Retail and Wholesale Dutch Auction Sale foreign exchange windows to defend the value of the Naira.

Another measure put in place by CBN in 2014 to regulate liquidity in the financial system was the upward adjustment of the CRRs on public and private sector deposits to 75% and 20% respectively. The CRRs were later harmonised to 31% in May 2015, a development that could impact negatively on the private deposit dependent banks.

The number of players in the Nigerian commercial banking segment stood at 19 (made up of 10 international, seven national, and two regional banks) at the end of 2014, down from 21 at the beginning of the year. This follows the successful acquisition of two of the three rescued banks under the control of Asset Management Corporation of Nigeria ("AMCON"). In this regard, Enterprise Bank Limited and Mainstreet Bank Limited, were sold to Heritage Bank and Skye Bank Plc respectively during 2014, leaving Keystone Bank Limited as the only bridge bank currently under AMCON management.

The eight largest banks in the country (including FirstBank) accounted for over 70% of the industry's total assets in 2014.

Competitive position

FirstBank is one of the most highly capitalised banks, and is the largest bank in terms of total assets in Nigeria. These, combined with its expanded footprint across Africa, give the bank a competitive edge over other players. As the bank consolidates its expanded presence and numerous products, its profitability and overall financial profile are expected to show further improvement in the coming years. Table 3 illustrates the bank's key operating performances against a selection of its peers in F14.

Financial profile

Likelihood of support

Given FirstBank's systemic importance (as the largest bank in Nigeria), and being the flagship and the largest business segment of the Holdco (with 93.5% contribution to the group's net revenue at FYE14), Global Credit Ratings ("GCR") envisages strong support from the Federal Government of Nigeria and the Holdco in the event that such support is required.

Funding composition

The bank's assets were largely funded by customer deposits which constituted 75.1% and 73.0% of total funding and assets respectively. Other funding sources include capital (15.2%) and borrowings (9.7%). These are discussed in the sections which follow.

Table 3: Competitive position* FirstBank vs. selected banks	FirstBank	Zenith	UBA	GTBank	Access
Year end 31 December 2014					
Capital (N'bn)	600.5	645.6	345.0	374.3	276.7
Total assets (N'bn)†	4,093.0	3,670.4	2,741.4	2,331.0	2,095.0
Net loans (N'bn)	2,193.6	1,729.5	1,120.0	1,281.4	1,122.9
Profit after tax (N'bn)	84.9	103.3	47.9	94.2	47.1
Capital/assets (%)	14.7	17.6	12.6	16.1	13.2
Liquid and trading assets/total short-term funding (%)	29.5	42.7	21.8	14.0	17.7
Gross bad debt ratio (%)	2.9	1.7	1.5	2.9	2.2
Net interest margin (%)	8.1	8.1	7.7	10.1	8.4
Cost ratio (%)	64.5	55.2	67.4	43.3	62.2
ROaE (%)	20.2	18.7	19.7	30.5	16.7
ROaA (%)	2.2	2.9	1.8	4.8	2.2

*Ranked by total assets. †Excludes banks' balances held in respect of letters of credit. Source: Audited Financial Statements.

Customer deposits

The bank's enlarged network and strong domestic franchise has underpinned growth in customer deposits over the years. However, deposits grew by only 1.6% to N2,989.7bn in F14 (F13: N2,942.8bn), driven by a significant reduction in deposit taking from the public sector to 16.5% of total deposits from 27.2% at FYE13 (a measure taken to cushion the impact of the 75% CRR on public sector funds). Low-cost deposits constituted the bulk of total deposits at 72.2% (F13: 79.9%). The book is largely short-dated, with about 86.0% in the "less than one month" maturity bucket. However, the fact that over 90% of deposits are typically rolled-over on maturity provides some degree of comfort that contractual maturity does not necessarily indicate the likely actual maturity of the deposit book. Management plans to grow the deposit book through strengthening its retail banking arm and the agency banking offering, and enhancing its various e-banking channels.

Table 4: Deposit book characteristics (%)			
By sector:		**By type:**	
Corporates	24.4	Demand	43.7
Retail	58.4	Savings	27.8
Public sector	16.5	Term	27.8
Others	0.7	Others	0.7
Concentration:		**Maturity profile:**	
Single largest	7.6	< 1 month	86.0
Five largest	10.8	1-3 months	11.1
Ten largest	12.3	3-12 months	2.9
Twenty largest	14.5	> 12 months	-

Source: FirstBank AFS.

Capital funding

The bank's shareholders' funds grew by 20.9% to N461.4bn, largely driven by earnings retention. This, combined with an additional USD450m in Tier 2 capital issued in F14 (through FBN Finance Company B.V, Netherlands) saw total capital increase to N600.5bn at FYE14.

Table 5: Capitalisation	FYE13 N'bn	FYE14 N'bn
Tier 1	**347.7**	**389.7**
Share capital	*16.3*	*16.3*
Share premium	*189.2*	*189.2*
Statutory reserve	*52.0*	*64.5*
Non-controlling interest	*1.6*	*1.6*
SMEEIS reserves	*6.1*	*6.1*
Retained earnings	*93.6*	*118.6*
Less: Goodwill/Deferred tax	*(11.2)*	*(6.7)*
Tier 2	61.5	132.1
Total regulatory capital	**409.1**	**521.8**
Total risk weighted assets	**3,010.0**	**3,126.4**
CAR (%)	**13.6**	**16.7**

Source: FirstBank AFS.

Consequently, the regulatory risk weighted CAR rose to 16.7% (FYE13: 13.6%). However, FirstBank plans to enhance its capital adequacy and support its growth aspirations solely through internal capital generation in the current year.

Borrowings

The bank's borrowings grew by 179.8% to N221.2bn at FYE14, driven by additional loans from correspondent banks to finance letters of credit.

Table 6: Other borrowings	FYE13 N'bn	FYE14 N'bn
European Investment Bank	1.6	0.6
On-lending facilities from FIs	31.4	32.4
Correspondent banks	46.1	188.1
Total	**79.1**	**221.2**

Source: FirstBank AFS.

Liquidity positioning

Liquidity risk is considered low, with the bank's liquidity ratio averaging 36.4% over the 12 month period, and ending FYE14 at 37.1% (FYE13: 42.5%). Given its largely short dated funding profile, liquidity gaps were evidenced within the 'less than one year' maturity bands. However, FirstBank manages its contractual liquidity shortfall through maintaining a sizeable portion of its balance sheet in cash and highly liquid investments. Cognisance is taken of the attendant liquidity constraints across the industry due to the various monetary policy stances of CBN on mopping up excess funds within the financial market.

Operational profile

Risk management

FirstBank continues to monitor and mitigate various risks assumed in the course of its lending and trading activities in line with its risk appetite. The bank's risk acceptance policies were reviewed in F14, taking cognisance of the macroeconomic conditions vis-à-vis the oil and gas industry, which is currently facing significant challenges. Overall, the bank's enterprise risk management process appears to be working as designed.

Asset composition

Table 7: Asset Mix	FYE13 N'bn	FYE13 %	FYE14 N'bn	FYE14 %
Cash and liquid assets*	**955.9**	**26.0**	**1,104.1**	**27.0**
Cash	*71.7*	*1.9*	*63.3*	*1.5*
Liquidity reserve deposits	*341.0*	*9.3*	*563.2*	*13.8*
Fin. assets held for trading	*4.7*	*0.1*	*10.7*	*0.3*
Balances with other banks	*538.5*	*14.6*	*466.8*	*11.4*
Net advances	1,797.9	48.8	2,193.6	53.6
Investments:	**740.9**	**20.1**	**598.9**	**14.6**
Available for sale	451.4	12.3	442.6	10.8
Held to maturity	283.3	7.7	156.4	3.8
Inv. in associates	6.2	0.2	-	-
Pledged assets	53.7	1.5	64.5	1.6
Property and Equipment	78.5	2.1	83.4	2.0
Other assets	55.9	1.5	48.5	1.2
Total	**3,682.8**	**100.0**	**4,093.0**	**100.0**

*Excludes client balances held in respect of letters of credit.
Source: FirstBank AFS.

The bank's total assets grew by 11.1% to N4.1tn at FYE14, supported by growth in borrowings and capital. Cash and liquid assets grew by 15.5% with significant increase in the mandatory deposits with CBN (driven by the CRR effects). Also, net advances witnessed considerable growth in line with the bank's lending focus.

Credit risk is the most significant financial risk to which the bank is exposed, although foreign exchange risk is also present.

Loan portfolio

Gross loans and advances to customers grew by 21.3% to N2,236.5bn at FYE14, with the oil and gas, manufacturing, and real estate and construction sectors making up the bank's preferred sectors. However, lending concentration by obligor is considered low as the bank's single largest exposure amounted to 3.9% of the total portfolio, translating to 17.1% of shareholders' funds at FYE14. Based on the bank's analysis (Nigerian bank only), about 34.8% is concentrated in the 'less than three month' maturity band, while 43.3% matures after twelve months.

Table 8: Loan book characteristics (%)*

By sector:			FYE13	FYE14
Agriculture			1.7	1.1
Oil and gas			37.5	43.1
Construction			9.7	11.3
Wholesale and retail trade			11.0	9.4
Public Sector			8.9	6.4
Manufacturing			11.5	11.5
IT and telecommunication			6.4	3.6
Transport			0.2	0.2
Individuals			9.7	9.5
Others			3.3	3.9
Largest exposures:	**%**	**By product:**		**%**
Single largest	3.9	Overdrafts		53.0
Five largest	14.4	Term loans		43.3
Ten largest	22.9	Others		3.7
Twenty largest	35.4			

Source: FirstBank AFS. *Nigerian bank only

Given the challenges within the oil and gas sector, and FirstBank's significant level of exposure (43.1%) to the sector, management is undertaking a comprehensive review of its lending activities within the sector, with a reduced focus on oil and gas upstream activities. Furthermore, lending to other segments of the sector (including oil and gas servicing and downstream activities) has been placed on short credit cycles, pending a return to stable market conditions.

Contingencies

Contingencies constituted 23.9% (FYE13: 27.3%) of balance sheet (including contingencies). The portfolio grew marginally by 1.2% to N702bn at FYE14, with performance bonds and guarantees, and letters of credit accounting for 61.2% and 38.8% respectively.

Asset quality

Asset quality appears strong in F14, as evidenced by the bank's gross NPL ratio which remained unchanged at 2.9% at FYE14. However, this was underpinned by write-offs in loans amounting to N30.5bn (1.4% of the FYE14 loan book). Growth in NPLs was impacted by additional problem credits mainly from the IT and communication sectors. However, recent initiatives by management regarding loan recovery are expected to see NPLs reduce in the coming years. Provisioning levels improved, with the specific arrears coverage ratio rising to 42.8% (FYE13: 38.3%). As the bank takes a cautious approach to loan growth and the risk selection process, management envisages further improvement in overall asset quality by FYE15.

Due to the cumbersome judicial process in realising security in Nigeria, collateral was not given primary consideration in this analysis. Nevertheless, a mitigant against rising credit risk is the fact that the gross loans were virtually all secured in one form or another (including legal mortgage, guarantee, market securities/stock).

Table 9: Asset Quality	FYE13 N'bn	FYE14 N'bn
Gross advances	**1,843.2**	**2,236.5**
Performing	*1,789.5*	*2,171.7*
Impaired	*53.7*	*64.8*
Provision for impairment	**(45.2)**	**(42.9)**
Individually impaired	*(20.6)*	*(27.7)*
Collectively impaired	*(24.6)*	*(15.2)*
Net NPL	**8.5**	**21.8**
Select asset quality ratios:		
Gross NPL ratio (%)	2.9	2.9
Net NPL ratio (%)	1.8	1.7
Net NPL/Capital (%)	7.8	6.2

Source: FirstBank AFS.

Foreign currency exposure

FirstBank is exposed to foreign exchange risks via its foreign currency denominated portfolios. This is however managed through an effective (partial) matching of related assets/liabilities (Table 10). Overall, the bank's exposure to foreign exchange risk is considered moderate at end-F14.

Table 10: Net FCY position (FYE14)	USD N'bn	GBP N'bn	Euro N'bn	Others N'bn
Financial assets	1,378.3	211.4	111.1	67.8
Financial liabilities	(1,012.9)	(381.1)	(18.5)	(83.9)
Net assets/(liabilities)	**365.3**	**(169.7)**	**92.6**	**(16.1)**

Source: FirstBank AFS.

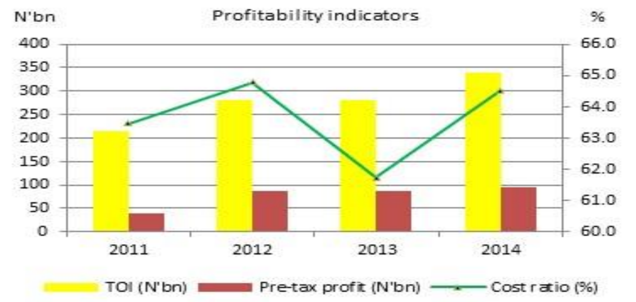
Financial performance and prospects

A four year financial synopsis is reflected at the back of this report, supplemented by the commentary below.

The bank's net interest income grew by 7.0%, subdued by a higher increase in interest expense relative to interest income. The growth in interest expense was driven by growth in interest on customer deposits, combined with the increasing interest on borrowings (in particular, the Eurobond which qualifies as Tier 2 capital). The combined effect increased the bank's cost of funds to 3.3% (relative to 3.2% in F13), further squeezing the net interest margin to 8.1% (F12: 10.0%, F13: 8.8%).

Non-interest income grew significantly by 77.2% in F14, underpinned by higher trading income attributed to higher translation gains from net foreign currency asset holdings. These gains are from a volatile source, and may not be repeated in future years. Thus, total operating income grew by 21.1% (reversing the negative 0.5% posted in F13) to N338.8bn.

Impairment charges were largely impacted by additional credit losses from the IT and communication sectors, ending the year at N25.7bn (F13: N20.5bn). Operating expenses escalated by 26.6% (F13: 5.2% reduction) to N218.6bn, driven by growth in personnel costs and other cost lines. Thus, efficiency decreased (as evidenced by the cost/income ratio increasing to 64.5% from 61.7% in F13). Overall, the NPAT came in stronger at N84.9bn (F13: N66.5bn), translating to 27.8% growth over the prior year, and leaving the ROaE and ROaA firmer at 20.2% and 2.2% respectively (F13: 17.1%, 2.0%). For the three month period ended 31 March 2015, FirstBank delivered a NPAT of N21.9bn against N19.9bn posted in 1Q F14.



As a result of the macroeconomic fundamentals (including the naira exchange rate and foreign reserves) remaining weak, combined with the monetary policy stances of CBN on liquidity, GCR envisages further pressure on banks' ability to significantly increase earnings in 2015. Also, competition is expected to be heightened as other players intensify efforts to increase market share. In a bid to further strengthen its competitive positioning, FirstBank management advised of an increased focus on its retail businesses and e-banking transactions (Firstmonie, ATM transactions and other e-channels), its transaction banking platform, and consolidating all business lines across the enlarged footprint to optimise the franchise value. Furthermore, FirstBank will continue to focus on strengthening its operating efficiency through effective implementation of its various cost containment initiatives, to significantly reduce the cost line, and ultimately improve its profitability.

First Bank of Nigeria Limited

(Naira in millions except as noted)

Year end: 31 December				
Statement of Comprehensive Income Analysis	**2011**	**2012***	**2013***	**2014**
Interest income	207,019	276,909	310,224	349,277
Interest expense	(34,727)	(58,586)	(86,409)	(109,722)
Net interest income	**172,292**	**218,323**	**223,815**	**239,555**
Other income	43,060	62,915	56,009	99,260
Total operating income	**215,352**	**281,238**	**279,824**	**338,815**
Impairment charge	(38,011)	(12,912)	(20,521)	(25,730)
Operating expenditure	(136,668)	(182,196)	(172,718)	(218,633)
Share of profit of associates	(1,507)	1,008	875	-
Net profit before tax	**39,166**	**87,138**	**87,460**	**94,452**
Tax	(18,864)	(15,006)	(21,009)	(9,526)
Profit from continuing operations	**20,302**	**72,132**	**66,451**	**84,926**
Profit/(loss) from discontinuied operations	(1,665)	3,838	-	(84)
Other comprehensive (loss)/gain	(40,032)	20,308	(9,778)	4,817
Total comprehenssive income	**(21,395)**	**96,278**	**56,673**	**89,659**
Statement of Financial Position Analysis				
Subscribed capital	270,840	205,557	205,557	205,557
Reserves (incl. net income for the year)	96,775	191,190	175,965	255,819
Hybrid capital (incl. eligible portion of subordinated term debt)	-	-	47,249	141,819
Minority interest	964	1,353	1,626	1,641
Less: Intangible assets (incl. goodwill)	-	-	(6,585)	(4,352)
Total capital and reserves	**368,579**	**398,100**	**423,812**	**600,484**
Bank borrowings (incl. deposits, placements & REPOs)	183,500	87,551	77,481	163,710
Deposits	1,950,991	2,405,031	2,863,177	2,823,835
Other borrowings	55,329	54,004	55,739	206,299
Short-term funding (< 1 year)	**2,189,820**	**2,546,586**	**2,996,397**	**3,193,844**
Deposits	330	4	79,605	165,900
Other borrowings	49,144	21,537	23,314	14,858
Long-term funding (> 1 year)	**49,474**	**21,541**	**102,919**	**180,758**
Payables/Deferred liabilities	191,194	116,713	159,633	117,933
Other liabilities	**191,194**	**116,713**	**159,633**	**117,933**
Total capital and liabilities	**2,799,067**	**3,082,940**	**3,682,761**	**4,093,019**
Balances with central bank	103,897	191,509	341,011	563,237
Properties, Plants and Equipments	65,874	74,474	78,489	83,404
Receivables/Deferred assets (incl. zero rate loans)	70,234	58,333	55,874	48,523
Non-earnings assets	**240,005**	**324,316**	**475,374**	**695,164**
Short-term deposits & cash	45,293	53,083	71,681	63,306
Loans & advances (net of provisions)	1,252,462	1,562,695	1,797,935	2,193,563
Bank placements	451,792	399,498	538,462	466,847
Marketable/Trading securities	310,804	304,566	427,095	413,069
Other investments/earning assets	409,465	383,560	330,579	218,725
Equity investments	52,093	49,613	35,410	42,345
Investments in subsidiaries/associates/properties	37,153	5,609	6,225	-
Total earning assets	**2,559,062**	**2,758,624**	**3,207,387**	**3,397,855**
Total assets†	**2,799,067**	**3,082,940**	**3,682,761**	**4,093,019**
Contingencies	**459,080**	**534,361**	**693,615**	**701,997**
Ratio Analysis (%)				
Capitalisation				
Internal capital generation	n.a.	24.3	14.9	19.4
Total capital / Net advances + net equity invest. + guarantees	20.9	18.5	16.8	20.4
Total capital / Total assets	13.2	12.9	11.5	14.7
Liquidity ‡				
Net advances / Deposits + other short-term funding	57.2	61.4	58.5	65.3
Net advances / Total funding (excl. equity portion)	55.9	60.8	58.0	65.0
Liquid & trading assets / Total assets	28.9	24.6	28.2	23.0
Liquid & trading assets / Total short-term funding	36.9	29.7	34.6	29.5
Liquid & trading assets / Total funding (excl. equity portion)	36.1	29.5	33.5	28.0
Asset quality				
Impaired loans / Gross advances	2.6	2.6	2.9	2.9
Total loan loss reserves / Gross advances	2.6	2.5	2.5	1.9
Bad debt charge (income statement) / Gross advances (avg.)	3.1	0.9	1.2	1.3
Bad debt charge (income statement) / Total operating income	17.7	4.6	7.3	7.6
Profitability				
Net income / Total capital (avg.)	n.a.	25.1	13.8	17.5
Net income / Total assets (avg.)	n.a.	3.3	1.7	2.3
Net interest margin	9.0	10.0	8.8	8.1
Interest income + com. fees / Earning assets + guarantees (a/avg.)	5.7	8.0	6.9	6.4
Non-interest income / Total operating income	20.0	22.4	20.0	29.3
Non-interest income / Total operating expenses (or burden ratio)	31.5	34.5	32.4	45.4
Cost ratio	63.5	64.8	61.7	64.5
OEaA (or overhead ratio)	5.4	6.2	5.1	5.6
ROaE	5.5	18.9	17.1	20.2
ROaA	0.7	2.5	2.0	2.2
Nominal growth indicators				
Total assets	23.7	10.1	19.5	11.1
Net advances	8.8	24.8	15.1	22.0
Shareholders funds	7.9	7.9	(3.8)	20.9
Total capital and reserves	8.2	8.0	6.5	41.7
Deposits (wholesale)	34.5	23.3	22.4	1.6
Total funding (excl. equity portion)	29.9	14.7	20.7	8.9
Net income	n.a.	255.3	(7.9)	27.8

* Restated figures.

† Excludes client's balances held in respect of letters of credit.

‡ Please note that for these ratios, liquid assets exclude the statutory reserve balance.

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the rating is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

The ratings were solicited by, or on behalf of, First Bank of Nigeria Limited, and therefore, GCR has been compensated for the provision of the ratings.

First Bank of Nigeria Limited participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings above were disclosed to First Bank of Nigeria Limited with no contestation of/changes to the ratings.

The information received from First Bank of Nigeria Limited and other reliable third parties to accord the credit rating included the latest audited annual financial statements as at 31 December 2014 (plus three years of comparative numbers), latest internal and/or external report to management, most recent year-to-date management accounts to 31 March 2015, reserving methodologies and capital management policies. In addition, information specific to the rated entity and/or industry was also received.