GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

First Bank of Nigeria Plc

Nigeria Bank Analysis **July 2012**

Security class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	AA-	Stable	07/2013
Short term	National	A1+		

Financial data:

(US$'m Comparative)

	31/12/10	31/12/11
NGN/US$ (avg.)	152.80	157.40
NGN/US$ (close)	153.34	154.10
Total assets	12,524.8	15,697.5
Tier 1 capital	2,165.7	2,390.4
Tier 2 capital	271.2	284.6
Net advances	6,684.4	7,355.6
Liquid assets	2,872.7	3,655.3
Operating income	1,067.7	1,554.7
NPAT	210.2	301.5
Market cap*	US$2,423m	
Market share**	15%	

**As at June 20, 2012*

** * Based on total industry assets as at Dec 2011.*

Rating history:

Initial rating (September 2006)

Long term: AA (NG)
Short term: A1+ (NG)
Rating outlook: Positive

Last rating (July 2011)

Long term: AA-(NG)
Short term: A1+ (NG)
Rating watch: No

Related Methodologies and Research:

Banking Criteria (Updated 2012)
Banking Sector Bulletin (December 2011)
FirstBank Rating reports (2006-2011)

GCR contacts:

Julius Adekeye
Analyst
adekeye@globalratings.net
+23 41 462-2545

Paul Greeff
Head of banking sector
greeff@globalratings.net
+27 11 784-1771

Website:www.globalratings.net

Rating rationale

The rating is based on the following key factors:

- First Bank of Nigeria Plc ("FirstBank" or "the bank") is the largest bank in Nigeria based on branch network, total assets and capital. The bank has a well-established brand name having operated for more than 100 years and reflects sound corporate governance.
- FirstBank's retail deposit mobilisation capacity has been further enhanced by its new operating structure, which (inter alia) has increased the focus and product offering for retail customers. Consequently, customer deposits grew by 34% to almost N1.8tn in F11, with growth mainly driven by retail deposits, which accounted for an increased 91% (F10: 86%) of the deposit book. The bank's average cost of funds dropped to 1.9% in F11 (F10: 3.3%).
- The sale of impaired credits worth N77bn and a performing loan of N99bn to Asset Management Company of Nigeria ("AMCON"), coupled with further write-offs that totalled N34bn saw the gross non-performing loan ratio drop to 2.4% (F10: 8.3%) in F11. Provisions were raised in line with the central bank's requirements. Together with a 1% general provision on performing advances, total arrears coverage amounted to 103%.
- Benefitting from a significant increase in the risk weighted asset portfolio, the bank's net interest margin widened to 8.7% (F10: 6.2%), underpinning a 55.4% growth in net interest income, which accounted for an increased 73% (F10: 70%) of the reported operating income. Overall, the bank achieved a significant 47.8% growth in net profit after tax ("NPAT"), lifting both the ROaE and ROaA from 9.6% and 1.7% in F10, to 17.5% and 2.9% in F11 respectively.

What could trigger a rating action

Sustaining the profitability trend seen thus far would be positively considered, whilst a fall in earnings and deterioration in the quality of assets sufficient to significantly impair the capital base would trigger rating downgrades.

GLOBAL CREDIT RATING CO.

Business profile

First Bank of Nigeria Plc was incorporated in 1894 as "Bank of British West Africa", and listed on The Nigerian Stock Exchange in 1971. In 1979, the bank was renamed First Bank of Nigeria. Following the industry-wide consolidation in 2005, FirstBank acquired its merchant banking subsidiary, FBN (Merchant Bankers) Limited and MBC International Bank Plc**.**

Ownership

FirstBank is owned by around 1.3 million institutional and private investors across several countries, with no single shareholder holding more than 5% of its equity as at end-December 2011. The ownership structure as at the balance sheet date is shown in table 1 below.

Table 1: Type of shareholding	% held F10	F11
Retail	60.6	57.3
Institutional	32.0	32.2
Foreign	6.6	8.5
Government related holdings	0.8	2.0

Strategy and operations

As the specialised banking model was yet to fully commence in the country, FirstBank operated within the scope of its universal banking licence in 2011, rendering a wide array of banking and other financial services (including granting of loans and advances, corporate finance and money market activities) to corporate and individual customers. FirstBank also renders a wide range of non-banking financial services through the following subsidiaries: FBN Capital Limited, First Pension Custodian Limited, First Trustees Nigeria Limited, FBN Mortgages Limited, FBN Insurance Brokers Limited, First Registrars Nigeria Limited, FBN Bureau de Change Limited, FBN Microfinance Bank Limited, First Funds Limited, and FBN Life Assurance Limited. The bank also has 2 non-banking subsidiaries, namely: FBN (UK) Limited and Banque Internationale de Credit. In Nigeria, FirstBank had a total of 650 business offices, 7,801employees and over 1,500 ATMs as at end-December, 2011.

Within its Nigerian banking operations, FirstBank is structured along 5 major strategic business units ("SBU"), namely Corporate Banking, Institutional Banking, Private Banking, Public Sector Banking and Retail Banking. Table 2 below shows the contribution of each SBU to the bank's performance in F11.

Table 2: Contribution by SBU (%)	Net revenue	Deposits	Loans & advances
Corporate Banking	12.8	6.7	23.8
Institutional Banking	16.0	13.0	48.2
Private Banking	0.7	0.9	0.5
Public Sector Banking	12.4	29.1	9.0
Retail Banking	44.6	49.6	18.5
Treasury*	13.5	0.7	NA

*Treasury is not a SBU but contributes to the net revenue and deposits.

Corporate governance

The appointment of a second independent director in April 2012 has brought FirstBank's governance structure to the standard specified by the Central Bank of Nigeria's Code of Corporate Governance for Banks in Nigeria. Consequently, the bank's directorate is made up of 11 non-executive directors (including the chairman and 2 independent directors) and 5 executive directors. Key changes in the board in 2011 included the appointment of Messrs Urum Eke and Bello Maccido as executive directors, whilst the re-designation of Mr Ambrose Feese as an independent director was approved by Central Bank of Nigeria ("CBN") in April 2012, albeit he joined the board in 2010. The tenure of the directors was in line with the CBN's Code, which pegs the tenure of a bank director at a maximum of 3 terms of 4 years each and 10 years for a managing director. FirstBank contravened certain provisions of the Banks and other Financial Institutions Act ("BOFIA") in 2011. The contraventions included: (i) restructuring of an investment in a subsidiary as a long-term convertible loan without the required regulatory approval, (ii) investing in other companies without the necessary regulatory approval and (iii) misreporting of placements with other banks as loans to subsidiaries. A fine of N6m was paid for these contraventions. The 2011 annual financial statements were prepared in accordance with Nigerian Statements of Accounting Standards, the Companies and Allied Matters Act 1990 and BOFIA, with a clean audit opinion issued on the financial statements by the joint external auditors, Pannell Kerr Foster and PricewaterhouseCoopers.

Industry overview

To further firm up its sanitization of the country's banking sector, a new banking regulation, the Regulation on the Scope of Banking Activities and Ancillary Matters, No 3 of 2010, was introduced by CBN in November 2010. The new banking regulation *inter alia* abrogated the universal banking model in the country and re-introduced the pre-2001 specialised banking model in a modified form. Key features of the new banking model include: (i) the stratification of banking licenses by functions into commercial banking, merchant banking and specialized banking, (ii) the categorisation of the commercial banking licences by geographic coverage into regional, national and international, and (iii) the introduction of a varied capital requirement as follows: Regional Banks (N10bn), National Banks (N25bn) and International Banks (N50bn). The impact of the new banking regulation on banking operations will unfold in 2012, when the full implementation is expected to commence. The number of deposit money banks in the country reduced from 24 in January 2011 to 20 at end-December 2011 on account of mergers and acquisitions, with 4 of the rescued banks, namely: Intercontinental Bank Plc, Finbank Plc, Oceanic Bank Plc and Equitorial Trust Bank Limited acquired by Access Bank Plc, First City Monument Bank Plc, Ecobank Nigeria Plc and Sterling Bank Plc respectively. These mergers have considerably altered the size-based ranking of the Nigerian banks. The banking licenses of BankPHB Plc, Afribank Plc and Spring Bank Plc were withdrawn by CBN in August 2011, having been deemed incapable of meeting the deadline set for the recapitalisation of the rescued banks. Consequently, 3 bridge banks (Keystone Bank Limited, MainStreet Bank Limited and Enterprise Bank Limited) were licensed to take over the respective assets and liabilities of these banks. At present, there are 9 international banks (including FirstBank), 6 national banks and 1 regional bank operating in the country - with Union Bank Plc, Enterprise Bank Limited, Keystone Bank Limited and Mainstreet Bank Limited managed by CBN. As the new regulation does not allow banks to own non-bank subsidiaries, 4 banks, namely FirstBank, Union Bank of Nigeria Plc, First City Monument Bank Plc and Stanbic IBTC Bank Plc have opted for a holding company structure to retain their non-bank businesses, while others have opted for divestment. Apart from local constraints, GCR also expects the Euro zone debt crisis, with the attendant cut back in credit lines to African banks, to further constrain the local banks' capacity to lend in the short term. Other key developments in the Nigerian banking sector include the gradual withdrawal of federal government/ federal government parastatals funds from deposit money banks, which is expected to impact liquidity in the financial services sector, and the recently proposed 3-level tiered know your customer ("KYC") system, aimed at encouraging agent banking in the country. Although the latter is expected to deepen financial inclusion, the poor state of information technology ("IT") infrastructure in the country may hamper its effectiveness, while credit and operational risk may heighten.

Competitive position

FirstBank is the largest bank in Nigeria based on asset size, with a market share of around 15% based on the industry's total assets as at end-December 2011. The bank compared favourably with other peers in terms of key profitability indicators during the period under review. Table 3 below compares FirstBank to a selection of its peers.

Risk management

Although the Basel II risk management framework is yet to be fully implemented by Nigerian banks, FirstBank's current risk management procedures meet all CBN requirements. The bank's enterprise-wide risk management framework covers credit risk, market risk, liquidity risk, operational risk, information security risk, compliance risk and legal risk. The bank's risk management directorate provides central oversight across the bank and its subsidiaries.

Credit risk

Credit risk mainly emanates from the loan portfolio, interbank placements, investments and contingencies.

Excluding contingencies, FirstBank's total assets grew by 26% to N2.4tn in F11, bolstered mainly by a substantial growth in customer advances, cash & liquid assets and investments. Although a stronger growth in investments saw customer advances reduce

Table 3: Competitive position FirstBank vs. selected banks	FirstBank	Zenith	UBA	GTBank	Access
Year end 31 December 2011					
Capital (N'bn)	373.0	360.9	170.1	235.9	185.8
Total assets (N'bn)	2,419.0	2.110.5	1,636.6	1,508.1	931.1
Net loans (N'bn)	1,133.5	816.8	596.5	681.8	493.3
NPAT (N'bn)	47.5	37.1	(16.4)	48.0	13.7
Capital/assets (%)	15.4	17.1	10.4	15.6	20.0
Liquid & trading assets/total short-term funding (%)	24.5	125.8	28.9	53.6	14.5
Gross NPL ratio (%)	2.4	3.9	1.5	3.6	4.3
NIM (%)	8.7	4.5	3.5	6.3	6.0
Cost ratio (%)	55.1	59.5	82.4	43.4	56.6
ROaE (%)	17.6	10.4	11.4	23.1	7.4
ROaA (%)	2.9	1.9	1.3	4.0	1.7

to 46.9% (F10: 53.5%) of the asset base, the asset mix remained generally stable, with cash & liquid assets maintained at 23% of total assets as at the balance sheet date. A significant 78% of the outstanding balances with other banks were held with foreign banks, while the remaining 22% were held with CBN and other local financial institutions (commercial banks and discount houses). The investment portfolio comprised debt and equity securities, and the stakes in subsidiaries and associates.

Table 4: Asset Mix (N'bn)	F10	%	F11	%
Cash & liquid assets*	440.5	22.9	563.3	23.3
Cash	32.5	1.7	45.2	1.9
Liquidity reserve deposits	11.1	0.6	103.9	4.3
Treasury bills	23.6	1.2	186.6	7.7
Balances with other banks	373.3	19.4	227.6	9.4
Customer advances	1,025.0	53.4	1,133.5	46.9
Investments	353.3	18.4	600.9	24.8
Fixed assets	52.6	2.7	55.4	2.3
Other assets	49.2	2.6	65.9	2.7
Total	**1,920.6**	**100.0**	**2,419.0**	**100.0**

*Excludes balances held on behalf of customers in respect of letters of credit transactions

Contingencies: Off balance sheet assets increased by almost 70% to N567bn in F11, fuelled by increased intermediation activities. The portfolio, which amounted to a quarter of total assets at the close of F11, comprised performance bonds and guarantees (40%), Letters of credit (27%), forwards and swaps (2%) and treasury bills & others (31%).

Loan portfolio: Gross advances (including advances under finance leases) grew by a moderate 6% to N1.2tn in F11. Growth slowed due to the sale of some loans to Asset Management Corporation of Nigeria ("AMCON"). A slight shift in the lending focus was evident during the year, with exposures to the finance & insurance, real estate and general commerce sectors drastically reduced. Consequently, lending concentration skewed towards the oil & gas, consumer credit and manufacturing sectors.

Table 5: Loan book characteristics (%)			
By sector:			
Agriculture	1.8	Manufacturing	11.6
Oil & gas	33.3	IT & Telecom	5.8
Construction	0.7	Transport	0.5
Wholesale & Retail trade	8.0	Individuals	7.7
Public Sector	8.8	Others	21.8
By concentration:		**By Product:**	
Single largest	4.0	Overdrafts	17.5
Five largest	16.1	Term loans	61.3
Ten largest	25.7	Finance leases	0.4
Twenty largest	37.6	Others	20.8

The loan book reflected some degree of concentration by obligor, with the 10 largest exposures comprising a quarter of the loan book. However, the single largest exposure equated to only 4% and 12.5% of the loan portfolio and capital respectively. As the bulk of loan exposures comprised term loans, the maturity profile of the book remained long, with a significant 38% of the advances maturing after 1 year.

Asset quality: The sale of impaired credits worth N77bn and some selected performing loans that totalled N99bn to Asset Management Company of Nigeria ("AMCON"), coupled with further write-offs that totalled N34bn saw the gross non-performing loan ratio drop to 2.4% (F10: 8.3%) in F11. Consequently, the arrears declined by 62% to N28.1bn, over 40% of which were past due for more than 1 year. Provisions were raised in line with the central bank's requirements. Together with a 1% general provision on performing advances, total arrears coverage amounted to 103%. Due to the cumbersome judicial process in realizing security in Nigeria, collateral has not been included in GCR's analysis. Nevertheless, the bank reported that 22% of advances were secured against real estate, a further 2% by shares of quoted companies, while 55% were otherwise secured.

Table 6: Asset Quality	F10 N'bn	F11 N'bn
Gross advances*	1,099.1	1,162.4
Loan classification		
Normal	1,007.7	1,134.3
Watch (30-90 days)	-	-
Substandard (90-180 days)	31.5	9.0
Doubtful (180-360 days)	30.3	6.7
Loss (>360 days)	29.6	12.4
Gross NPL's (> 90 days)	**91.4**	**28.1**
Less : interest in suspense	(23.6)	(2.5)
Capital value in arrears	**67.8**	**25.6**
Less: Provisions	(50.5)	(26.4)
Specific	(40.4)	(15.1)
General	(10.1)	(11.3)
Net NPLs	**17.3**	**(0.8)**
Gross NPL ratio (%)	8.3	2.4
Net NPL ratio (%)	1.7	negative
Net NPLs/Capital (%)	5.0	negative

*Includes advances under finance leases.

Liquidity risk

Although the matching of a predominantly short-dated deposit book to a longer-dated advances book exposes the bank to some degree of liquidity risk- with the balance sheet as at end-December 2011 displaying a liquidity gap of N1.2tr in the less than 1 month maturity bucket- the maintaining of strong liquidity ratios of between 41% to 51% on a monthly basis throughout the year, the fact that behavioural maturity of deposits is usually longer than the contractual maturity, and the availability of credit lines from other financial institutions are sufficient mitigants of possible liquidity risk.

Financial flexibility

The funding structure as at end-December 2011 comprised equity capital (16%), deposit liabilities (78%), inter-bank borrowings (2%) and other borrowings (4%).

Deposits
Customer deposits grew by 34% to almost N1.8tn in F11, with growth mainly driven by retail deposits, which grew by 42% and accounted for an increased 91% (F10: 86%) of the deposit book. Access to retail deposits has been enhanced by the bank's new operating structure, which (inter alia) has increased the focus and product offering for retail customers. Consequently, the bank's average cost of funds, dropped to 1.9% (F10: 3.3%) and the deposit book was fairly diversified by obligor. Although the single largest deposit exceeded 9% of total deposits, the top 20 largest together amounted to just 20%. Given FirstBank's strong brand recognition, the bank enjoys strong patronage from government and government parastatals, although the recent CBN circular banning the banking of federal government (including parastatals) funds with deposit money banks will generally impact banks' liquidity.

Table 7: Deposit book characteristics (%)

By source:		By type:	
Corporates (Institutions)	21.2	Demand	64.0
Retail	51.1	Savings	27.0
Public sector	27.7	Term	9.0
By concentration:			
Single largest	9.3	Ten largest	16.7
Five largest	13.2	Twenty largest	20.0

Borrowings: FirstBank was less reliant on borrowings in F11, with outstanding borrowings standing at N93.1bn (F10: N124.6bn). The outstanding borrowings were made up of FBN Capital Finance Company, Cayman Island (N27.3bn), European Investment Bank (N4.6bn), Standard Chartered Bank (N31.6bn), on-lending facilities from local and foreign banks (N24.2bn) and borrowings from correspondence banks (N5.3bn). The unexpired tenor of the facilities range from 2 to 15 years and interest payable on the facilities ranges from 1% to 9.8% per annum. The facility from Cayman Island was fully repaid in March 2012.

Capital: FirstBank is well capitalized, with total shareholders' funds reaching N374bn in F11, representing a growth of 9.6% and equating to 14.9 times the statutory requirement for an international bank in Nigeria. Although the robust asset growth saw the total capital/total assets ratio decline to 15.4% (F10: 17.8%) in F11, the bank's risk weighted capital adequacy ratio remained high at 26%.

Financial performance

A 3-year financial synopsis is reflected at the back of this report, with brief commentary hereunder.

FirstBank registered a growth of 50% in total operating income in F11, closing with N244.7bn. Benefitting from the significant increase in the risk weighted asset portfolio, the company's net interest margin widened to 8.7% (F10: 6.2%), underpinning a 55.4% growth in net interest income, which accounted for an increased 73% (F10: 70%) of operating income. Despite a significant 25.5% and 85% rise in operating expenditure and the impairment charge respectively, coupled with an exceptional item of N15.5bn (representing the loss on the loans sold to AMCON), the strong revenue growth kept NPBT growth at 56.6%. Thus, both the ROaE and ROaA improved from 9.6% and 1.7% in F10, to 17.5% and 2.9% in F11 respectively.

Future prospects

The recent mergers among the existing banks in the country and the planned licensing of new banks by CBN are expected to further intensify competition among the Nigerian banks. Following the change in the country's banking model, FirstBank now operates as a commercial bank with an international focus. As banks are no longer permitted to own non-banking subsidiaries, the bank is planning to adopt a holding company structure. The proposed structure has been approved by CBN and is to be presented for shareholder approval at the bank's extraordinary general meeting scheduled for August 2012. Going forward, FirstBank is well placed due to the bank's strong franchise value (having operated for more than a century in the country) and large branch network. Management has forecasted a stronger ROaE and ROaA of 20.8% and 2.8% respectively in F12. FirstBank reported a NPBT of N48.6bn in the first half of F12, outperforming the forecast for the full year by 19% on an annualised basis.

First Bank of Nigeria Plc

(Naira in millions except as noted)

Year end: 31 December			
Income Statement Analysis	**Dec. 09**	**Dec. 10***	**Dec. 11**
Interest income	145,100	160,529	208,843
Interest expense	(56,167)	(45,940)	(30,772)
Net interest income	**88,933**	**114,589**	**178,071**
Other income	30,234	48,553	66,646
Total operating income	**119,167**	**163,142**	**244,717**
Impairment charge	(41,462)	(22,596)	(41,902)
Operating expenditure	(70,016)	(107,392)	(134,786)
Exceptional items	-	383	(15,501)
Net profit before tax	**7,689**	**33,537**	**52,528**
Tax	(6,414)	(1,414)	(5,066)
Net profit after tax	**1,275**	**32,123**	**47,462**
Balance Sheet Analysis			
Subscribed capital	269,028	270,840	270,840
Reserves (incl. net income for the year)	48,460	75,082	102,732
Total capital and reserves	**317,488**	**345,922**	**373,572**
Bank borrowings (incl. deposits, placements & REPOs)	65,087	55,165	51,251
Deposits	1,129,881	1,203,069	1,783,600
Other borrowings	-	20,012	43,958
Short-term funding (< 1 year)	**1,194,968**	**1,278,246**	**1,878,809**
Deposits	114,149	127,702	177
Other borrowings	35,473	104,605	49,144
Long-term funding (> 1 year)	**149,622**	**232,307**	**49,321**
Payables/Deferred liabilities	86,650	64,084	117,289
Other liabilities	**86,650**	**64,084**	**117,289**
Total capital and liabilities	**1,748,728**	**1,920,559**	**2,418,991**
Balances with central bank	10,308	11,130	103,866
Fixed assets	46,302	52,616	55,352
Receivables/Deferred assets (incl. zero rate loans)	51,245	49,143	65,977
Non-earnings assets	**107,855**	**112,889**	**225,195**
Short-term deposits & cash	29,990	32,533	45,187
Loans & advances (net of provisions)	1,033,321	1,024,992	1,133,493
Bank placements	259,453	373,239	227,604
Marketable/Trading securities	14,219	23,599	186,626
Debt securities and equity investments	271,250	309,292	550,368
Investments in subsidiaries/associates	32,640	44,015	50,518
Total earning assets	**1,640,873**	**1,807,670**	**2,193,796**
Total assets	**1,748,728**	**1,920,559**	**2,418,991**
Contingencies	**431,316**	**334,126**	**567,374**
Ratio Analysis (%)†			
Capitalisation			
Internal capital generation	0.4	9.3	12.7
Total capital / Net advances + net equity invest. + guarantees	18.3	20.7	16.6
Total capital / Total assets	18.2	18.0	15.4
Liquidity **‡**			
Net advances / Deposits + other short-term funding	78.9	72.9	60.3
Net advances / Total funding (excl. equity portion)	76.9	67.9	58.8
Liquid & trading assets / Total assets	17.4	22.4	19.0
Liquid & trading assets / Total short-term funding	25.4	33.6	24.5
Liquid & trading assets / Total funding (excl. equity portion)	22.6	28.4	23.8
Asset quality			
Impaired loans / Gross advances	8.1	8.3	2.4
Total loan loss reserves / Gross advances	4.8	4.5	2.3
Bad debt charge (income statement) / Gross advances (avg.)	4.6	2.1	3.8
Bad debt charge (income statement) / Total operating income	34.8	13.9	17.1
Profitability			
Interest income + com. fees / Earning assets + guarantees (a/avg.)	5.2	6.3	8.7
Non-interest income / Total operating income	25.4	29.8	27.2
Non-interest income / Total operating expenses (or burden ratio)	43.2	45.2	49.4
Cost ratio	58.8	65.8	55.1
OEaA (or overhead ratio)	4.2	5.9	6.2
ROaE	0.5	9.6	17.5
ROaA	0.1	1.7	2.9
Nominal growth indicators			
Total assets	7.9	9.8	26.0
Net advances	48.5	(0.8)	10.6
Shareholders funds	(9.6)	9.0	8.0
Total capital and reserves	(9.6)	9.0	8.0
Deposits (wholesale)	16.1	7.0	34.0
Total funding (excl. equity portion)	13.4	12.3	27.6
Net income	(95.2)	1,789.6	47.8

† Growth ratio's for 2007/2008 were not calculated due to a change in GCR's number capturing spread.

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

*Figures restated

Long term debt

Investment grade

AAA Highest credit quality. The risk factors are negligible, being only slightly more than for risk free government bonds.

AA+
AA
AA- Very high credit quality. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk, although not significantly.

A+
A
A- High credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.

BBB+
BBB
BBB- Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.

Non-investment grade

BB+
BB
BB- Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.

B+
B
B- Below investment grade and possessing risk that obligations will not be met when due. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes.

CCC Well below investment grade securities. Considerable uncertainty exists as to timely payment of principal or interest. Protection factors are narrow and risk can be substantial with unfavourable economic/industry conditions, and/or with unfavourable company developments.

DD Defaulted debt obligations. Issuer failed to meet scheduled principal and/or
Interest payments.

Short term debt

High Grade

A1+ Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills.

A1 Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A1- High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Good Grade

A2 Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Satisfactory Grade

A3 Satisfactory liquidity and other protection factors qualify issues as to investment grade However, risk factors are larger and subject to greater variation.

Non-investment Grade

B Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation

Default

C Issuer failed to meet scheduled principal or interest payments.

Claims paying ability

Secure

AAA Highest claims paying ability. The risk factors are negligible.

AA+
AA
AA- Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to economic and/or underwriting conditions.

A+
A
A- High claims paying ability. Protection factors are above average although there is an expectation of variability in risk over time due to economic and/or underwriting conditions.

BBB+
BBB
BBB- Adequate claims paying ability. Protection factors are adequate although there is considerable variability in risk over time due to economic and/or underwriting conditions.

BB+
BB
BB- Uncertain claims paying ability and less than investment grade quality. The ability of these organisations to discharge obligations is considered moderate and thereby not well safeguarded in the future. Protection factors will vary widely with changes in economic and/or underwriting conditions.

B+
B
B- Possessing substantial risk that policyholder and contract-holder obligations will not be paid when due. Judged to be speculative to a high degree.

CCC Company has been, or is likely to be, placed under an order of the court.

GLOBAL CREDIT RATING CO.
www.globalratings.net
E-mail : hotline@globlaratings.net
P.O. Box 76667, Wendywood, 2144, South Africa
Tel : (+ 2711) 784-1771 • Fax : (+ 2711) 784-1770