Agusto & Co

2015 Bank Rating Report

FIRST BANK OF NIGERIA LIMITED

RATING RATIONALE

The '**Aa-**' rating assigned to First Bank of Nigeria Limited ("FirstBank" or "the Bank") reflects the dominant market position, strong domestic franchise, good profitability and liquidity profile. The rating also recognizes FirstBank's strong liability generating capacity, stable & experienced management team and affiliation with its parent company, FBN Holdings Plc ("the HoldCo"). However, the rating is constrained by sector concentration in the Bank's loan portfolio as well as the current inimical macroeconomic conditions that have adversely impacted the Nigerian Banking industry. We also note the sub par capitalisation ratio compared to other Top tier banks.

FirstBank maintained its leading market position in FY2014, ranking number one in LCY deposits (excluding interbank takings) of ₦2.04 trillion and net loans of ₦1.8 trillion as at 31 December 2014. The Bank maintained a cautious approach towards loan growth in FY2014 with the impact of devaluation on the foreign currency (FCY) credits accounting largely for growth. FirstBank successfully raised Tier II capital through its second Eurobond issuance of $450 million which boosted Basel II Capital Adequacy Ratio to 15.78%, slightly higher than the Central Bank of Nigeria's (CBN) regulatory minimum of 15% for international banks operating in Nigeria. This was among the lowest recorded by the top 10 banks operating in the Country.

FirstBank's loan portfolio reflects concentration by sector and by obligor. A review of loans by economic sector revealed that about 43% of loans granted by the Bank were to the Oil & Gas sector. In addition, FirstBank's top 20 obligors accounted for 35% of gross loans and advances as at 31 December 2014. Furthermore, 64% of top 20 obligors were Oil & Gas clients of which a 85% were non-investment grade clients. We consider this a rating concern in view of declining oil prices and a weakening domestic currency. We note however that some upstream Oil & Gas loans are hedged while downstream exposures are to the top end players with wide distribution outlets and strong cashflows. We also recognize the Bank's efforts in restructuring some of its Oil & Gas credits for longer repayment tenors and an aggressive debt recovery stance to contain NPL ratio within regulatory limits.

FirstBank's profitability in the period ended 31 December 2014 strengthened on the back of its core lending activities, favourable yields on money market securities as well as volatility in the foreign exchange market. This reflected in improved profitability ratios as evidenced in a pre-tax return on average assets (ROA) of 2% and a pre-tax return on average equity (ROE) of 21.9%. Subsequent to year end, annualised pre-tax ROA remained at 2% while pre-tax ROE weakened to 20.5% as at 31 March 2015. FirstBank's cost structure remains higher than its peers with a cost to income ratio of 71.2% compared to an Industry average of 68%. We believe that operating costs and credit costs will drag profitability growth in the short term.

The Bank's liquidity position in the review period remained good with a liquidity ratio of 35.5%, above the regulatory minimum of 30%. FirstBank's strong footing in the retail sector as well as its wide branch network helps attract stable low cost deposits. We note however that the Bank's liquidity may come under pressure in the short term in view of the recent harmonization of cash reserve requirements (CRR) for banks which saw private sector funds CRR spike to 31% from 20%. Nonetheless, we expect the effect to fizzle out as the Bank adjusts to the new conditions.

Strengths

- Good profitability
- Strong brand & good domestic franchise
- Experienced management team
- Strong liquidity profile and access to low cost retail funds

Weaknesses

- Sector and obligor concentration in the loan book
- Relatively low operational efficiency compared to peers

FINANCIAL DATA	31 March 2015 (unaudited)	December 2014	December 2013
Total assets & contingents	₦4.29 trillion	₦4.13 trillion	₦3.92 trillion
Total local currency deposits (excluding interbank takings)	₦2.12 trillion	₦2.04 trillion	₦1.95 trillion
Net earnings	₦68.6 billion	₦282 billion	₦236 billion
Pre-tax return on average assets & contingents (ROA)	2%	2%	2.1%
Pre-tax return on average equity (ROE)	20.5%	21.9%	22.4%

RATING

FIRST BANK OF NIGERIA LIMITED

Rating assigned: Aa-

Outlook: Stable

Issue date: 26 June 2015

Expiry date: 30 June 2016

Previous rating: Aa-

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Bank Ratings

Current Directors		Direct Ownership Stake (%)
• Prince Ajibola Afonja	(Chairman)	Nil
• Stephen Olabisi Onasanya	(Group Managing Director/CEO)	Nil
• Urum Kalu Eke	(Executive Director)	Nil
• Abiodun Odubola	(Executive Director)	Nil
• Gbenga Shobo	(Executive Director)	Nil
• Dauda Lawal	(Executive Director)	Nil
• Adetokunbo Abiru	(Executive Director)	Nil
• Adesola Adeduntan	(Executive Director)	Nil
• Ibukun Awosika	(Non-Executive Director)	Nil
• Bello Maccido	(Rep. FBN Holdings Plc.)	Nil
• Ambrose Feese	(Non-Executive Director)	Nil
• Lawal Ibrahim	(Non-Executive Director)	Nil
• Ebenezer Jolaoso	(Non-Executive Director)	Nil
• Khadijah Alao-Straub	(Non-Executive Director)	Nil
• Tunde Hassan-Odukale	(Non-Executive Director)	Nil
• Ibrahim Dahiru Waziri	(Non-Executive Director)	Nil
• Obafemi Otudeko	(Non-Executive Director)	Nil
• Mahey Rasheed, OFR	(Independent Director)	Nil
• Ijeoma E. Jidenma	(Independent Director)	Nil

Significant shareholders

FBN Holdings Plc	99.99%
FBN Capital Limited	0.01%

Management Team

Mr. Stephen Olabisi 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 29 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); Unified Payments Limited (Chairman); FBN Bank (UK) Limited (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 Chartered Institute of Taxation of Nigeria and an honorary member of the Chartered Institute of Bankers of Nigeria (CIBN).

Other members of executive management are:

• Urum Kalu Eke	Executive Director - South
• Adesola Adeduntan	Executive Director - Chief Financial Officer
• Gbenga Shobo	Executive Director - Lagos and West
• Dauda Lawal	Executive Director - North
• Tokunbo Abiru	Executive Director - Corporate Banking
• Abiodun Odubola	Executive Director - Chief Risk Officer
• Bashirat Odunewu	Group Executive -Institutional & Private Banking
• Abdullahi Ibrahim	Group Executive-Technology & Services
• Cecelia Majekodunmi	Group Executive-Commercial Banking

BANK PROFILE

First Bank of Nigeria Limited ("FirstBank" or "the Bank") commenced operations in Nigeria in 1894 as a branch of Bank of British West Africa (BBWA), and was incorporated as a private limited liability company in Nigeria in 1969. BBWA became 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. First Bank of Nigeria Plc merged with MBC International Bank Limited and FBN (Merchant Bankers) Limited in 2005 but retained its brand name post merger.

FirstBank is a 99.9% owned subsidiary of FBN Holdings Plc ("the HoldCo"), a financial holding company incorporated in Nigeria in October 2010. The HoldCo. was established 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 FBNHoldings, First Bank of Nigeria Plc (previously a listed entity) was delisted from the Nigerian Stock Exchange (NSE) and renamed accordingly, while the HoldCo was listed in its place in 2012. FBN Holdings Plc is listed on the NSE under the "Other Financial Services" sector and has issued and fully paid up share capital of 32,632,084,356 ordinary shares of 50 kobo each. As at 31 December 2014, the HoldCo's equity was held by about 1.2 million indigenous and foreign shareholders, with no individual shareholder controlling more than 5% of the issued capital of FBN Holdings Plc.

FirstBank is run by a nineteen (19) member Board chaired by Prince Ajibola A. Afonja. The Board comprises seven Executive Directors and twelve Non-Executive Directors, two of whom are Independent Directors. In the period under review, Mr. Adebayo Adelabu (Executive Director/CFO) and Mrs. Ibiai Ani (Non-Executive Director) ceased to serve on the Board while Dr. Adesola K. Adeduntan and Dr (Mrs) Ijeoma E. Jidenma were appointed as Executive Director/CFO and Independent Director respectively.

FirstBank currently operates from 763 business offices (629 branches, 65 quick service points and 69 agencies) spread across the 36 states and the Federal Capital Territory. The Bank's registered office is at Samuel Asabia House, 35 Marina Lagos. FirstBank has a total of 2,597 Automated Teller Machines (ATMs) deployed across the Country as at 31 December 2014.

Business Structure & Strategy

FirstBank operates with an international commercial banking license. The Bank's operating model was reviewed in line with the evolving business environment to ensure strategic realignment and optimal use of available resources. Primarily, existing Public Sector and Retail Banking Groups are now split along regional lines, Lagos & West, North and South Region, to enhance penetration across those regions. Corporate & Commercial Banking Groups retain portfolio focus and continue to exploit latent opportunities in primary locations. There is also no change to the Institutional & Private Banking Groups. FirstBank's principal activities involve the provision of financial intermediation services to corporate and individual clients. These services include but are not limited to granting loans & advances, term deposits & current accounts, leases, foreign exchange trading consumer & trade finance, cash management, money market and electronic banking services. As at 31 December 2014, FirstBank had 9.7 million active accounts. Subsequent to year end, the number of active accounts increased to 10.1 million as at 31 March 2015.

In line with FirstBank's strategy to maintain its position in the banking industry, the Bank's focus is to leverage grassroots and retail deposits to grow revenue from the sector through electronic banking penetration and asset creation. FirstBank upgraded its various electronic banking platforms and is migrating more customers to these platforms to take advantage of the services. In the period under review, FirstBank closed an exclusive partnership with Paypal geared towards accelerating the adoption of eCommerce in Nigeria. In addition, cost management strategies have been put in place to improve operational efficiency such as shared services.

Subsidiaries & Associates

As at 31 December 2014, FirstBank's subsidiaries included FBNBank (UK) Limited, First Pension Custodian Limited, FBN Mortgages Limited, FBNBank Congo DRC, FBNBank Ghana, FBNBank Sierra Leone, FBNBank Guinea, FBNBank The Gambia and International Commercial Bank (ICB) Senegal. The Bank also has representative offices in Johannesburg (South Africa), Beijing (China) and Abu Dhabi (United Arab Emirates). First Bank of Nigeria Limited, together with the listed subsidiaries constitute the Commercial Banking business group of FBN Holdings Plc and is the lead entity of the group.

During the year ended 31 December 2014, the Bank made additional investments of ₦2.7 billion and ₦135.3 million in FBN Mortgages and FBNBank Guinea respectively, increasing FBN's total investments in subsidiaries to ₦58.99 billion. In June 2014, First Bank Nigeria Limited acquired 80% in the equity of ICB Senegal, with FBNBank Ghana holding the remaining 20% equity. This concluded the acquisition of the West Africa operations of International Commercial Bank (ICB) from International Commercial Bank Financial Group Holdings AG (ICBFGH) which commenced in 2013 with the acquisition of equity interest in four entries (ICB Ghana, ICB Sierra Leone, ICB Guinea, ICB Gambia) in October 2013.

In December 2014, First Bank Group sold its 40% stake in Kakawa Discount House Limited (KDHL) to FBN Holdings Plc at a price of ₦6.4 billion and recorded a gain of ₦4.2 billion. On the other hand, FirstBank recorded an impairment loss of ₦2.1 billion on investment in its Guinea and Sierra Leone subsidiaries. This is a book value loss expected to reverse in future.

Information Technology

FirstBank uses various hardware, software and communications solutions for its front end and back end processing. The Bank also operates two (2) data centers; a primary data center in Marina and a secondary data center in its recovery site at Iganmu. FirstBank uses the Finacle Core software for its core banking activities and the Finacle Treasury application for its Treasury functions. Other key applications in use within the Bank include the SAS Risk Management Suite for Basel II compliance, Moody's Analytics for risk management and FinnOne for loans management.

Correspondent Banks

FirstBank provides local correspondence for Citibank New York and Standard Chartered Bank. The Bank also maintains correspondent banking relationships with the following foreign banks:

- ABSA Bank (South Africa)
- ANZ Bank (London)
- 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)
- Commercial Bank of Dubai
- Credit Suisse (Zurich)
- Deutsche Bank (London)
- Emirate National Bank
- FBNBank (UK) Ltd. (London)
- FirstRand Bank (South Africa)
- First Gulf Bank
- 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)
- Raiffeisen Bank International (Austria)
- Standard Bank (South Africa)
- Standard Chartered Bank (London)
- Sumitomo Mitsui Banking Corporation (London)
- Svenska Handelsbanken (Sweden)
- Union Bank of Switzerland (Zurich)

Track record of financial performance

FirstBank's performance in Nigeria continues to surpass its subsidiaries in Europe and other African countries. A review of the Bank's performance by geographical regions shows that Nigeria accounted for 90.95% of total revenue generated in the financial year 2014.

As at 31 December 2014, FirstBank's total assets and contingents stood at ₦4.1 trillion, representing a 5.5% growth over the prior year. In the same period, Tier 1 (core capital) which stood at ₦407 billion funded 9.8% of total assets & contingents. The Bank's Capital Adequacy Ratio (CAR) under Basel II standards was 15.78%, slightly above the Central Bank of Nigeria's (CBN) regulatory minimum of 15% for international banks. FirstBank grew its loan portfolio by 21% to ₦1.8 trillion and recorded a non-performing loan ratio (NPL ratio) of 3.3%.

Net earnings in the period ended 31 December 2014 increased by 19.6% to ₦282.5 billion on the back of its core lending business, favorable yields on fixed income securities and foreign exchange rate volatility. Pre-tax return on average assets and pre-tax return on average equity stood at 2% and 21.9% respectively in the same period. As at 31 March 2015, the Bank's annualised pre-tax ROA and ROE were 2% and 20.5% respectively.

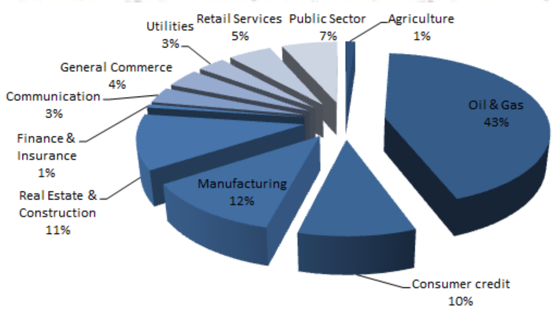
ANALYSTS' COMMENTS

ASSET QUALITY

As at 31 December 2014, FirstBank's total assets & contingents stood at ₦4.1 trillion. Gross loans & advances to customers remained the Bank's largest earning asset accounting for 44.2% of total assets and contingents, followed by liquid assets (17.9%), long term assets (16.1%) and contingent assets (15.5%). A significant 75.7% of the Bank's liquid assets was invested in government securities which offered favorable yields in the period under review.

FirstBank grew its loan portfolio by 21% to ₦1.8 trillion and maintained the largest loan portfolio in the Nigerian banking industry. The growth was partly due to the devaluation of the Naira , which led to its FCY loans increasing. Foreign currency (FCY) loans accounted for 46% of the Bank's loan book while local currency (LCY) loans made up 54%. About 95.7% of these loans are collateralized by tangible and intangible assets (26% constitute domiciliation) while 4.3% are unsecured.

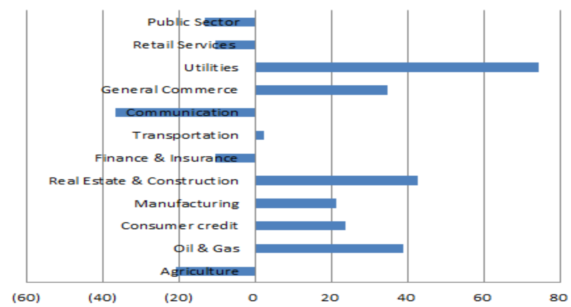
Figure 1 : Breakdown of Loans By Sector (FY2014)



FirstBank's loan portfolio by customer type shows that approximately 70.7% of loans granted by the Bank originated from corporate clients and 15.6% from retail customers. Loans to government made up 6.3% of total loans while real estate credits accounted for 7.4% of FirstBank's loan book.

In the period under review, FirstBank expanded lending activities to the General Commerce, Real Estate & Construction, Oil & Gas, Manufacturing and Consumer Credit sectors. The Bank's top four (4) lending sectors collectively accounted for 76% of total loans and advances, reflecting a concentration risk. While we note that the devaluation of the Naira has increased the volume of foreign currency loans, FirstBank's exposure to the Oil & Gas sector at approximately 43% of gross loans is considered high (the highest in the Nigerian Banking sector as at 31 December 2014) and shows concentration. Consequently, the Bank's asset quality is threatened in the wake of declining oil prices and a weakened domestic currency. We recognize that some upstream Oil & Gas loans are hedged while downstream exposures are to the top end players with wide distribution outlets and strong cashflows; however, a significant portion remains vulnerable to changes in macroeconomic fundamentals. As at 31 December 2014, FirstBank had restructured a total of ₦11.2 billion of its Oil & Gas loans for longer repayment timelines of 18 months to 2 years. We envisage that more of its upstream loans (which accounted for 15% of Oil & Gas exposure) will be restructured.

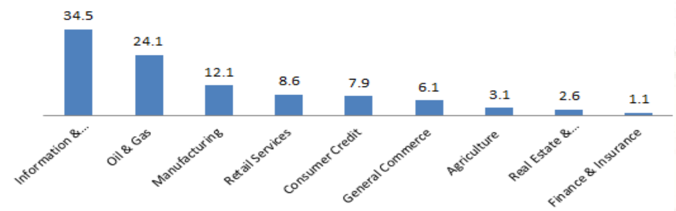
Figure 2: Loan Growth per Sector (FY2014)



In the period ended 31 December 2014, FirstBank's non-performing loans (NPLs) increased by 28.5% to ₦60.3 billion with the largest volumes of delinquent loans recorded in the Information, Communication & Technology (ICT), Oil & Gas, Manufacturing and Retail sectors. The Bank's NPLs in the ICT sector are largely on account of two obligors of which one obligor accounts for 62% of total NPL from ICT sector but is fully secured. We acknowledge that the Bank is in the process of liquidating the collateral involved. However, we consider the Bank's significant exposure to the Oil & Gas sector a rating concern. Oil & Gas upstream loans are vulnerable to dwindling crude oil prices while the downstream sub-sector battles delay in government payments. Exposure to the retail sector is threatened by reduction in consumer purchasing power.

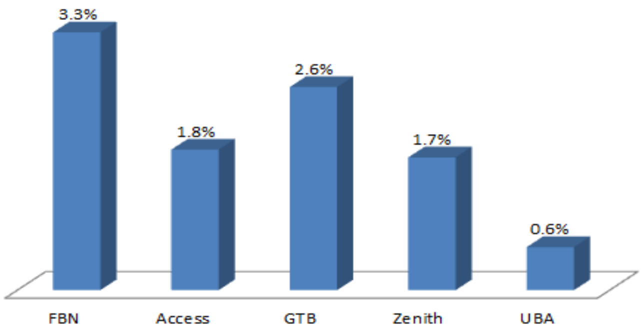
FirstBank's NPLs to gross loans increased to 3.3% (2013: 3.1%) but remained lower than the regulatory maximum of 5%. Moderating the impact of impaired loans on the Bank's NPL ratio was a write off of ₦26.4 billion. We estimate that should the Bank not have written off these bad loans or grown its loan book, the NPL ratio would have been 5.72%, above the regulatory minimum. In addition, FirstBank charged off ₦21 billion from its income for loan losses in 2014 which was equivalent to 6.8% of interest income. Loan loss provision to NPLs ratio stood at 63% as at 31 December 2014; however, when we factor in regulatory reserves, loan loss provisions should exceed 100%.

Figure 3: Non-Performing Loans by Sector (FY2014)



ASSET QUALITY (CONT'D)

Figure 4: Non-performing Loans to Gross Loans FY2014



Obligor concentration in FirstBank's loan portfolio remained high as top 20 obligors accounted for 35% of gross loans as at 31 December 2014. The Bank's internal rating model classifies 85% of the top 20 obligors as non-investment grade. A further analysis of the Bank's top 20 obligors reveals that 64% are Oil & Gas credits, 12% Manufacturing, 11% Public Sector and 13% Real estate & Construction. These sectors are exposed to macroeconomic headwinds that may impair performance in the near term. Furthermore, these obligors are speculative grades which further emphasizes their vulnerability to the prevailing economic conditions and remains a rating concern.

As at 31 December 2014, disclosed insider related exposures amounted to ₦115 billion and made up 6.3% of the Bank's credit portfolio and 23% of adjusted capital. About 91.3% of insider related credits were reported as performing in the same period.

We consider FirstBank's asset quality to be satisfactory. Subsequent to year end, FirstBank's NPL ratio worsened to 4% as at 31 March 2015. We note that the Bank has implemented various strategies to reduce Oil & Gas exposures to a lower level in the short term (FY2015). FirstBank's focus remains on top end players in the downstream segment of the Oil & Gas sector who have capacity to absorb current macroeconomic shocks. Regarding downstream exposures, the Bank's strategy is to obtain 120% cash backed collateral cover to accommodate a probable further devaluation of the Naira. The Bank will also deemphasize traditional long term lending in view of loan book growth and capitalize on its correspondent banking relationships to increase short term trade finance lending.

RISK MANAGEMENT

The Bank's risk appetite is set by the Board of Directors on an annual basis, at a level that seeks to minimise erosion of earnings and capital due to avoidable losses in the banking and trading activities or from frauds and operational inefficiencies. FirstBank's risk management function is carried out by its Risk Management Directorate under policies approved by the Board of Directors. The Directorate oversees risk management across the Bank and its subsidiaries to ensure a holistic view and integrated approach to the Bank's risks while measuring, monitoring and controlling the risks to minimize adverse outcomes. The Board provides written policies for overall risk management covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

FirstBank fully implemented the Basel II regulatory requirements as directed by the CBN in 2014. This introduced capital charges for operational and market risks which hitherto were not weighted, in addition to credit risk. The Bank has an internal control department, responsible for the independent review of risk management and the control environment, while internal audit has the responsibility of appraising the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis.

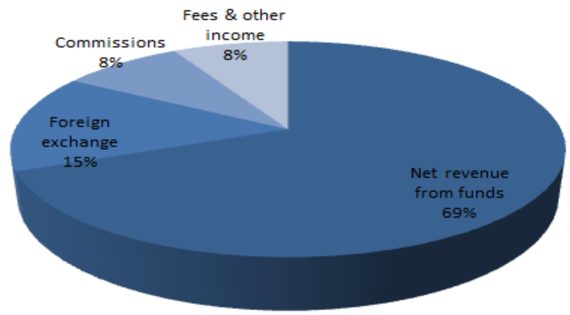
***Operational Risk*:** FirstBank currently uses Basic Indicator Approach (BIA). However, it is building up a perquisite database or internal risk measurement model to ensure implementation of the Standard Approach (TSA) and subsequently, Advanced Measurement Approach (AMA). We believe an upgrade in the Bank's operational risk management is imperative as the Bank is vulnerable to cases of fraud by virtue of its size. In the period ended 31 December 2014, FirstBank recorded 3,859 cases of fraud with 98% involving fraudulent withdrawals via ATM Cards and online banking transactions. The total amount lost was approximately ₦460 million. Considering the Bank's strategy in deepening its foothold in the retail sector, it will need to further strengthen its internal controls to prevent lapses.

Market Risk: FirstBank's risk market risk management process applies disciplined risk taking within a framework of well defined risk appetite. The Bank uses the Variance-Covariance methodology for its market risk managements. Internal models used are excel based models and templates developed by the market risk department. The major measurement techniques used to measure and control market risk are VaR (Value at Risk), MAT (Management Action Trigger), EaR (Earnings at Risk) and Factor Sensitivity. In addition, stress testing is carried out on the trading portfolio daily.

EARNINGS

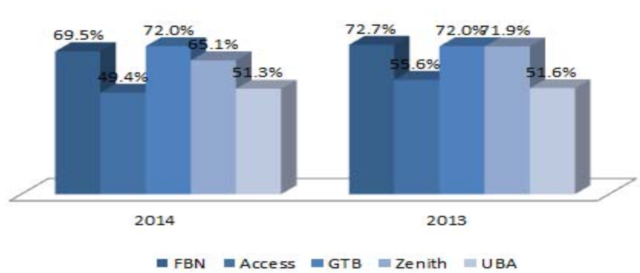
FirstBank recorded improved performance in the period ended 31 December 2014 underpinned by its core lending business, favorable yields on money market securities as well as exchange rate volatility in the foreign exchange market especially in the last quarter of 2014. On the other hand, profitability was impaired by operating costs and credit losses arising from an adverse operating climate. In the review period, FirstBank's net earnings grew by 19.6% to ₦282.5 billion.

Figure 5: Breakdown of Net Earnings (FY2014)



Interest income grew by 9% to ₦310 billion with income on loans and advances accounting for 75% of total interest income. Moderating the impact of growth in interest income was a 21.6% rise in interest expense to ₦94.5 billion. FirstBank's interest payments on borrowings increased by a significant 411.6% on the back of coupon payments on two of its Eurobonds issued as well as increased trade finance loans from its correspondent banks. In the period under review, coupon payments on Eurobonds accounted for 10% of the Bank's interest expense compared to 2.5% of interest expense in FY2013. Consequently, the Bank's margins came under pressure resulting in a reduced Net interest margin (NIM) of 69.5% (2013: 72.7%). In addition, FirstBank expensed ₦20.9 billion on delinquent loans which translated to 6.8% of interest income (2013: 7%).

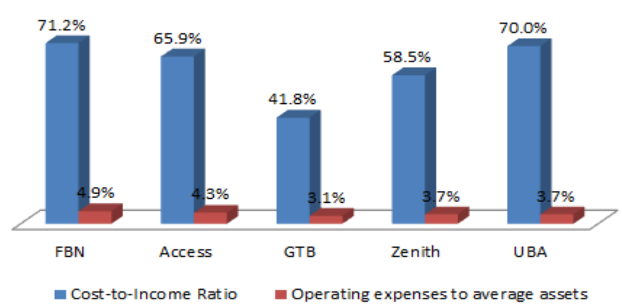
Figure 6: Net Interest Margin (FY2014)



In the review period, FirstBank capitalized on fluctuating exchange rates in the foreign exchange market to boost income, recording a significant 769.11% increase in foreign exchange income to ₦41.2 billion. Foreign exchange income accounted for 15% of FirstBank's total earnings compared to 2% in 2013. While we note that the foreign exchange market is not likely to experience such levels of volatility in 2015, we acknowledge that part of the income from foreign exchange is related to cash management and trade services activities. FirstBank set up a Transaction Banking Group to oversee management of foreign currency cash as well as trade services. The activities of this group enhanced income and we consider its contribution to foreign exchange income sustainable. The Bank also took long positions in some FX transactions which when crystallized would result in profits in 2015. Therefore, we expect a spill over of foreign exchange trading income up until the second half of 2015. Other non-interest income from fees & commission on letters of credit, funds transfers, electronic banking and bonds & guarantees also improved in the review period.

In the period ended 31 December 2014, FirstBank's operating expenses spiked by 26.2% to ₦201.1 billion. This growth was largely on account of regularisation of accumulated employee pension contributions including interest accrued which amounted to about ₦8 billion. In addition, staff cost was impacted by the acquisition of ICB Senegal as well as salary alignment for the West African subsidiaries. This explains the 18.2% rise in staff cost to ₦63 billion in 2014. We expect a further increase in 2015 as the Bank is in the process of redundancy which would cost about ₦7 billion as compensation for affected staff. Subsequently, FirstBank's cost profile worsened with operating expenses to net earnings (Cost to Income Ratio) at 71.2% from 67.5% in 2013. Discounting the one off staff cost, FirstBank's CIR would have been 68.4% which is still higher than its peers. We believe that FirstBank's size as one of the biggest banks in terms of branches and staffing has adversely impacted operational efficiency. Compared to its peers, FirstBank's operating expense per average assets at 4.9% is higher than Guaranty Trust Bank Plc (GTBank), Zenith Bank Plc (Zenith), Access Bank Plc (Access) and United Bank for Africa (UBA) which stood at 3.1% and 3.7%, 4.3% and 3.7% respectively in the same review period.

Figure 7: Efficiency Ratios (FY2014)



We recognize that the Bank is currently implementing cost cutting strategies to improve on efficiency. FirstBank engaged the Central Bank of Nigeria (CBN) for the closure of over 30 non-profitable branches. The Bank is also incorporating additional functions to its centralised processing, freeing up branches to be more productive in customer relationship. FirstBank has the

EARNINGS (CONT'D)

highest ATM card issuance, accounting for about 40% of the total industry card issuance. Prior to now, the Bank's ATMs recorded recurring events of system downtime which resulted in customers using other banks' ATM. This led to increased remote-on-us payments by the Bank to other banks. However, this challenge is being addressed as the Information & Technology unit of the Bank is now appraised based on availability of the Bank's electronic banking platforms. FirstBank's target CIR for 2015 is 63% and subsequently 60% by 2017. We believe that this can be achieved if cost containment initiatives are followed through.

FirstBank's profitability strengthened in 2014, recording a pre-tax profit of ₦81.4 billion, a 5.9% increase from the prior year. Pre-tax return on average assets (ROA) stood at 2% (2013: 2.1%) while pre-tax return on average equity (ROE) was 21.9% (2013: 22.4%). Subsequent to year end, annualized pre-tax ROA remained at 2% while pre-tax ROE weakened slightly to 20.5% as at 31 March 2015. The Bank targets an upside of 200 basis points in pre-tax ROE for 2015.

Figure 8: Pre-tax Return on average Equity (ROE) FY2014

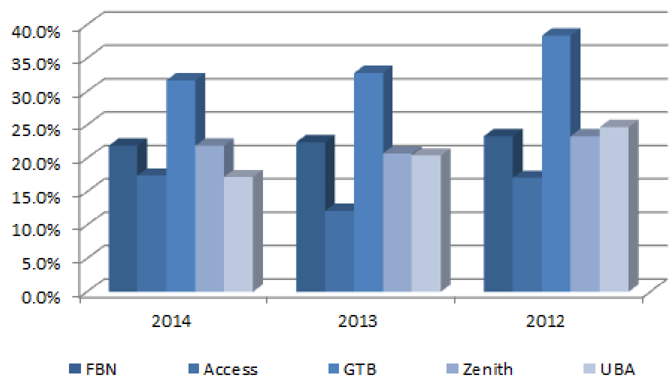
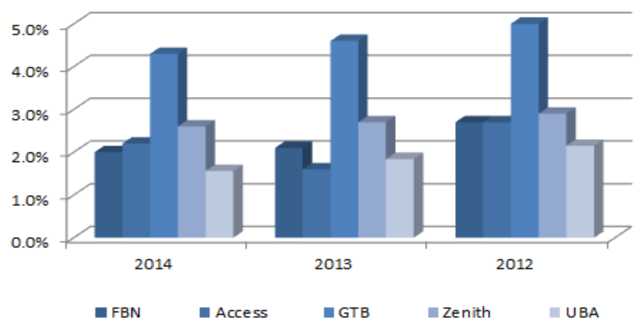


Figure 9: Pre-tax Return on average Assets (ROA) FY2014



Agusto & Co expects a tough operating climate for the Nigerian banking industry in 2015 based on increased competition, operating costs, regulatory changes and general weakness in the economy. FirstBank's ability to drive initiatives aimed at improving efficiency, curtailing credit losses and adhering strictly to risk management guidelines will help solidify profitability especially given that the Bank intends to strengthen capitalisation ratios through retained earnings. We consider the Bank's profitability to be good.

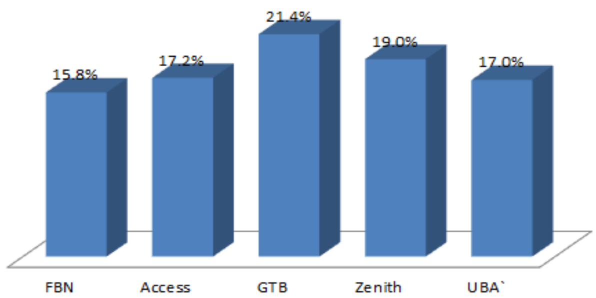
CAPITAL ADEQUACY

As at 31 December 2014, FirstBank's Tier I (core) capital stood at ₦407 billion, reflecting a 20.5% increase over the prior year and funding 9.8% of total assets & contingents. Tier I capital comprised 50.5% paid up capital, 21.4% retained earnings and 28.1% in statutory & other non-distributable reserves. Tier I capital to adjusted capital ratio at 80.3% stood above the regulatory minimum of 50%. In addition, Tier I capital to risk weighted assets stood at 12.25%, above our benchmark of 10%.

FirstBank successfully raised Tier II capital in July 2014 through the issuance of US$450 million, 7-year Eurobond at 8% coupon rate, payable semi-annually. From the call date of 23 July 2019 up to the maturity date, the notes bear interest at a fixed rate of 6.488% per annum plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of two years. This is the second Eurobond issued by FirstBank after the first issuance in August 2013.

Subsequently, FirstBank's Basel II qualifying capital to risk weighted assets (Capital Adequacy Ratio) stood at 15.78%, slightly above the regulatory minimum of 15% for international banks. FirstBank's CAR is just sufficient for its current business risk. The Bank intends to shore up capital through interim capitalisation of profits (reduced dividend pay out ratio) as well as balance sheet optimisation. We believe the Bank's capitalisation in view of its Oil & Gas exposure does not provide sufficient buffer against losses that could arise from this sector as well as the weak macroeconomic climate.

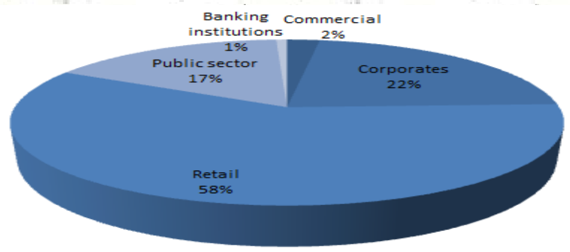
Figure 10: Basel II Capital Adequacy Ratios (FY2014)



LIQUIDITY AND LIABILITY GENERATION

FirstBank has a strong branch network which supports deposits mobilization. As at 31 December 2014, operational locations of the Bank totaled 763 business offices which includes 629 branches, 65 quick service points and 69 agencies. Reflecting FirstBank's strength in the retail sector are the large deposits generated from its retail business which accounts for 58% of total deposit liabilities. This cuts across individuals, Small & Medium scale Enterprises (SMEs) and affluent customers, among others. FirstBank also generates deposits from corporates, public sector, commercial names and banking institutions.

Figure 11: Breakdown of Deposits by Source (FY2014)



FirstBank's operations are principally funded by deposits liabilities (net interbank takings) which financed 61.7% of total assets & contingents as at 31 December 2014. In the period under review, total deposits (net of interbank takings) dipped marginally to ₦2.6 trillion. The Bank's deposit mix was skewed towards local currency (LCY) deposits which accounted for 80% of total deposits (net interbank takings). The balance of 20% were foreign currency (FCY) deposits held in domiciliary accounts. Further analysis of FirstBank's deposit structure revealed a 34% growth in tenured funds as customers sought to take advantage of high interest rates on fixed deposits in the review period. Low cost LCY funds declined marginally by 5% to ₦1.4 trillion but accounted for 56% of customer deposits reflecting a stable funding base. FCY deposits in the same period declined by 20% to ₦513 billion despite the increase in exchange rates caused by the devaluation of the Naira. A large percentage of FCY deposits originate from corporate clients who use foreign exchange for trade related obligations to foreign banks. Nonetheless, FirstBank's weighted average cost of funds (WACF) at 3.25% was at par with 2013 (3.2%) and stood lower than the Industry average of 5.7%.

FirstBank maintained a good liquidity profile in the period ended 31 December 2014. Liquid assets accounted for 17.6% of total assets & contingents and were largely in government securities. Liquid assets to total LCY deposits stood at 35.52% and above the regulatory minimum of 30%. We expect liquidity to be pressured in the short term owing to regulatory changes in the cash reserve requirements of banks which saw private sector funds CRR increase from 20% to 31% in May 2015.

In July 2014, FirstBank issued a $450 million 7-year Eurobond, callable after 5 years. This is subsequent to the $300m 7 year Eurobond issued in August 2013. Consequently, the Bank's borrowings increased by 201% to ₦378 billion. Included in this amount is ₦203 billion which represents off-balance sheet contingents which were reclassified to on-balance sheet borrowings from correspondent banks utilized in funding letters of credit for international trade finance. FirstBank issued Eurobonds to provide long term funding in its liability mix, as well as to correct mismatches in maturity buckets of assets and liabilities. Maturity mismatches are also minimized by driving short term trade finance transactions to match the shorter duration of liabilities especially in the FCY books. FirstBank enjoys a large deposit base in FCY and LCY of which over 60% are core and stable. In addition, funding is supported by on-lending facilities from financial institutions such as Bank of Industry (BOI) and the Central Bank intervention funds.

We consider FirstBank's liquidity management and ability to refinance to be good. FirstBank is a strong brand and has a good reputation in the local and international market. FirstBank is supported by 35 correspondent banks with unconfirmed trade lines of over $3.3 billion as at 31 December 2014. Furthermore, the Bank is including more functions to its centralized processing, freeing up the branches to become sales centers and improving on customer relationship. We believe this would boost deposit base for the Bank going forward.

OWNERSHIP, MANAGEMENT & STAFF

First Bank of Nigeria Limited is a privately held Nigerian bank owned by FBN Holdings Plc which controls 99% stake in the Bank and FBN Capital Limited, controlling 0.01%. The Holding Company is owned by about 1.2 million indigenous and foreign investors and is listed on the Nigerian Stock Exchange (NSE).

First Bank of Nigeria Limited is governed by a highly experienced nineteen member Board of Directors comprising seven (7) Executive Directors and ten(10) Non-Executive Directors and two (2) Independent Directors. Mr. Stephen Olabisi Onasanya, the Group Managing Director/ CEO is expected to retire from office at the end of financial year 2015. As at 31 December 2014, FirstBank employed an average number of 8,176 persons with 73 persons in the management cadre and 8,103 in the non-management cadre. During the review period, Dr. Adesola K. Adeduntan and Dr (Mrs) Ijeoma E. Jidenma were appointed as Executive Director/CFO and Independent Director respectively. Dr. Adeduntan has served in the capacity of a Chief Financial Officer in African Finance Corporation (AFC) and Citibank Nigeria prior to his appointment with FirstBank.

Staff productivity in the period ended 31 December 2014 as measured by net earnings per staff improved to ₦34.6 million from ₦29.9 million on account of higher earnings. This stood higher than the industry average of ₦28.7 million. Staff cost per employee increased significantly by 14.3% to ₦7.7 million largely on the back acquisitions as well as the salary alignment of its West African subsidiaries and attendant integration costs. We anticipate enhanced productivity in 2015 as the Bank undergoes

OWNERSHIP, MANAGEMENT AND STAFF

a redundancy process for staff as well as the closure of unprofitable branches which is still awaiting approval from the Central Bank of Nigeria (CBN).

Table 1: Staff Productivity Indicators (FY2014)

	FBN	Access Bank	GTBank	Zenith Bank	UBA
Average number of employees	8,176	2,721	3,340	6,359	9,930
Staff cost per employee (N'000)	7,707	9,412	6,298	10,670	4,238
Net earnings per staff (N'000)	34,551	49,072	56,741	40,916	14,245

In our opinion, FirstBank has an experienced management team, however staff performance lags most of its peers.

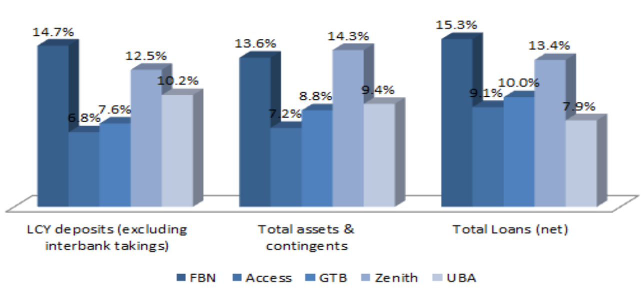
MARKET SHARE

First Bank of Nigeria Limited is one of the oldest banks in the Nigerian banking industry. The Bank has capitalised on its age and experience to consistently maintain its market share of the industry's assets and liabilities. In addition, FirstBank's strong brand name endears it to its investors both in the domestic and international markets.

As at 31 December 2014, FirstBank ranked top amongst Nigerian banks based on LCY deposits (excluding interbank takings) and net loans and advances. FirstBank accounted for approximately 13.6% of the industry's total assets & contingents and 15.3% of total net loans and advances. On the basis of total assets & contingents, the Bank ranked second. FirstBank's market share of the Industry's total net earnings dropped from 12.41% to 11.46% due to intense competition as well as pre-tax profit which accounted for 13.35% (2013: 16.01%) of the industry's totals.

We consider FirstBank's market share and industry position to be good. We expect the Bank to maintain its strong foothold in the banking industry while sustaining its market share in the short to medium term. We believe that its ability to improve operational efficiency and credit costs while adapting to current macroeconomic climate and rapid regulatory changes will help propel market share in the near term.

Figure 12: Market Share (FY2014)



OUTLOOK

FirstBank is Nigeria's oldest and largest bank on the bases of branch network and total assets & contingents. The Bank has the largest credit portfolio and is the principal custodian of customer deposits among the Deposit Money Banks (DMBs) operating in Nigeria, recording about ten (10) million active depositors as at 31 December 2014. FirstBank has evolved through twelve (12) decades of various changes and headwinds in the Nigerian banking industry, gathering sufficient experience to sustain its market share and position. To maintain the vision of the Bank, FirstBank needs to focus on and address efficiency challenges concomitant with expansion and size. In view of this, we recognize FirstBank's efforts in implementing initiatives aimed at containing costs, improving asset quality and enhancing the overall performance of the Bank.

Of particular concern, however is the Bank's loan portfolio concentration in the Oil & Gas sector which accounts for about 43% of total loans and advances as at 31 December 2014. A persistent weakening in macroeconomic fundamentals is a threat to asset quality. This may culminate in an upsurge in credit losses and erode the Bank's capital in the short to medium term. FirstBank's Capital Adequacy Ratio (CAR) at 15.78% in FY2014 is just sufficient for its current business risk but lacks ample cushion to absorb credit losses that may arise in future. FirstBank intends to shore up capital in 2015 by optimising its balance sheet and capitalising more of its earnings; we are also somewhat comforted by the Bank's efforts in reducing its Oil & Gas exposure as well as its strong liability generating capacity.

FirstBank's strategy to deepen its footing in the retail sector will come at a cost, considering increased competition and the recent harmonization of cash reserve requirements on private and public sector funds to 31% in May 2015. However, as the Bank strengthens operational efficiency and adheres to risk management procedures, we expect a risk/reward pay off in view of higher yields in the retail business.

Agusto & Co hereby attach a **"stable"** outlook to the Bank based on our expectation that profitability will remain good though credit costs might adversely affect it to some degree, while liquidity and liability generating will remain strong.

FIRST BANK OF NIGERIA LIMITED

	STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-14		31-Dec-13		31-Dec-12	
		₦'000		₦'000		₦'000	
	ASSETS						
1	Cash & equivalents	109,968,000	2.7%	216,480,000	5.5%	100,670,000	3.1%
2	Government securities	560,309,000	13.6%	637,373,000	16.3%	634,560,000	19.3%
3	AMCON Bonds						
4	Quoted investments	1,470,000	0.0%	1,554,000	0.0%	1,131,000	0.0%
5	Placements with discount houses	67,797,000	1.6%	28,603,000	0.7%	54,689,000	1.7%
6	LIQUID ASSETS	739,544,000	17.9%	884,010,000	22.6%	791,050,000	24.1%
7	BALANCES WITH NIGERIAN BANKS	3,478,000	0.1%	1,620,000	0.0%	1,433,000	0.0%
8	BALANCES WITH BANKS OUTSIDE NIGERIA	171,567,000	4.2%	337,348,000	8.6%	272,998,000	8.3%
9	Direct loans and advances - Gross	1,829,064,000	44.2%	1,512,426,000	38.6%	1,349,604,000	41.1%
10	Less: Cumulative loan loss provision	(37,788,000)	-0.9%	(41,449,000)	-1.1%	(36,978,000)	-1.1%
11	Direct loans & advances - net	1,791,276,000	43.3%	1,470,977,000	37.5%	1,312,626,000	39.9%
12	Advances under finance leases - net	2,761,000	0.1%	2,862,000	0.1%	3,781,000	0.1%
13	TOTAL LOANS & LEASES - NET	1,794,037,000	43.4%	1,473,839,000	37.6%	1,316,407,000	40.0%
14	INTEREST RECEIVABLE						
15	OTHER ASSETS	37,527,000	0.9%	37,709,000	1.0%	33,721,000	1.0%
16	DEFERRED LOSSES	1,343,000	0.0%	3,655,000	0.1%	6,703,000	0.2%
17	RESTRICTED FUNDS	560,077,000	13.5%	324,741,000	8.3%	187,455,000	5.7%
18	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES	58,986,000	1.4%	58,531,000	1.5%	42,572,000	1.3%
19	OTHER LONG-TERM INVESTMENTS	47,258,000	1.1%	51,990,000	1.3%	46,309,000	1.4%
20	FIXED ASSETS & INTANGIBLES	77,054,000	1.9%	73,136,000	1.9%	72,026,000	2.2%
21	**TOTAL ASSETS**	**3,490,871,000**	**84.5%**	**3,246,579,000**	**82.8%**	**2,770,674,000**	**84.3%**
22	TOTAL CONTINGENT ASSETS	642,751,000	15.5%	672,545,000	17.2%	516,922,000	15.7%
23	**TOTAL ASSETS & CONTINGENTS**	**4,133,622,000**	**100%**	**3,919,124,000**	**100%**	**3,287,596,000**	**100%**
	CAPITAL & LIABILITIES						
24	TIER 1 CAPITAL (CORE CAPITAL)	406,921,000	9.8%	337,646,000	8.6%	347,498,000	10.6%
25	TIER 2 CAPITAL	157,945,000	3.8%	60,312,000	1.5%	27,238,000	0.8%
26	MEDIUM TERM BORROWINGS	236,131,000	5.7%	78,114,000	2.0%	79,427,000	2.4%
27	Demand deposits	708,753,000	17.1%	842,082,000	21.5%	765,402,000	23.3%
28	Savings deposits	714,987,000	17.3%	654,479,000	16.7%	544,807,000	16.6%
29	Time deposits	614,039,000	14.9%	457,805,000	11.7%	320,898,000	9.8%
30	Inter-bank takings	19,246,000	0.5%	10,155,000	0.3%	18,463,000	0.6%
31	TOTAL DEPOSIT LIABILITIES - LCY	2,057,025,000	49.8%	1,964,521,000	50.1%	1,649,570,000	50.2%
32	Customers' foreign currency balances	513,243,000	12.4%	616,353,000	15.7%	540,700,000	16.4%
33	TOTAL DEPOSIT LIABILITIES	2,570,268,000	62.2%	2,580,874,000	65.9%	2,190,270,000	66.6%
34	INTEREST PAYABLE						
35	OTHER LIABILITIES	119,606,000	2.9%	189,633,000	4.8%	126,241,000	3.8%
36	**TOTAL CAPITAL & LIABILITIES**	**3,490,871,000**	**84.5%**	**3,246,579,000**	**82.8%**	**2,770,674,000**	**84.3%**
37	TOTAL CONTINGENT LIABILITIES	642,751,000	15.5%	672,545,000	17.2%	516,922,000	15.7%
38	**TOTAL CAPITAL, LIABILITIES & CONTINGENTS**	**4,133,622,000**	**100%**	**3,919,124,000**	**100%**	**3,287,596,000**	**100%**
	BREAKDOWN OF CONTINGENTS						
39	Acceptances & direct credit substitutes	221,946,000	5.4%	197,168,000	5.0%	196,267,000	6.0%
40	Guarantees, bonds etc..	420,805,000	10.2%	475,377,000	12.1%	320,655,000	9.8%
41	Short-term self liquidating contingencies						

FIRST BANK OF NIGERIA LIMITED

	STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED	31-Dec-14		31-Dec-13		31-Dec-12	
		₦'000		₦'000		₦'000	
42	Interest income	309,936,000	77.9%	284,438,000	85.2%	257,325,000	82.0%
43	Interest expense	(94,487,000)	-23.7%	(77,729,000)	-23.3%	(51,779,000)	-16.5%
44	Loan loss expense	(20,924,000)	-5.3%	(19,838,000)	-5.9%	(9,847,000)	-3.1%
45	NET REVENUE FROM FUNDS	194,525,000	48.9%	186,871,000	56.0%	195,699,000	62.4%
46	ALL OTHER INCOME	87,961,000	22.1%	49,403,000	14.8%	56,497,000	18.0%
47	**NET EARNINGS**	**282,486,000**	**71.0%**	**236,274,000**	**70.8%**	**252,196,000**	**80.4%**
48	Staff costs	(63,011,000)	-15.8%	(53,287,000)	-16.0%	(60,447,000)	-19.3%
49	Depreciation expense	(9,741,000)	-2.4%	(9,164,000)	-2.7%	(9,169,000)	-2.9%
50	Other operating expenses	(128,374,000)	-32.3%	(96,970,000)	-29.0%	(99,292,000)	-31.6%
51	TOTAL OPERATING EXPENSES	(201,126,000)	-50.5%	(159,421,000)	-47.8%	(168,908,000)	-53.8%
52	PROFIT (LOSS) BEFORE TAXATION	81,360,000	20.4%	76,853,000	23.0%	83,288,000	26.5%
53	TAX (EXPENSE) BENEFIT	(6,185,000)	-1.6%	(17,488,000)	-5.2%	(12,145,000)	-3.9%
54	**PROFIT (LOSS) AFTER TAXATION**	**75,175,000**	**18.9%**	**59,365,000**	**17.8%**	**71,143,000**	**22.7%**
55	NON-OPERATING INCOME (EXPENSE) - NET	4,176,000	1.0%				
56	DIVIDEND	(9,790,000)	-2.5%	(71,790,000)	-21.5%	(26,105,000)	-8.3%
57	**GROSS EARNINGS**	**397,897,000**	**100%**	**333,841,000**	**100%**	**313,822,000**	**100%**
58	AUDITORS	PWC		PWC/PKF		PWC/PKF	
59	OPINION	CLEAN		CLEAN		CLEAN	

	KEY RATIOS	31-Dec-14	31-Dec-13	31-Dec-12
	EARNINGS			
60	Net interest margin	69.5%	72.7%	79.9%
61	Loan loss expense/Interest income	6.8%	7.0%	3.8%
62	Return on average assets & contingents (Pre - tax)	2.0%	2.1%	2.7%
63	Return on average equity (Pre - tax)	21.9%	22.4%	23.3%
64	Operating Expenses/Net earnings	71.2%	67.5%	67.0%
65	Gross earnings/Total assets & contingents (average)	9.9%	9.3%	10.2%
	EARNINGS MIX			
66	Net revenue from funds	68.9%	79.1%	77.6%
67	All other income	31.1%	20.9%	22.4%
	LIQUIDITY			
68	Total loans & leases - net/Total lcy deposits	68.7%	64.1%	66.8%
69	Liquid assets/Total lcy deposits	35.5%	44.8%	47.5%
70	Demand deposits/Total lcy deposits	34.5%	42.9%	46.4%
71	Savings deposits/Total lcy deposits	34.8%	33.3%	33.0%
72	Time deposits/Total lcy deposits	29.9%	23.3%	19.5%
73	Inter-bank borrowings/Total lcy deposits	0.9%	0.5%	1.1%
74	Interest expense - banks/Interest expense	2.4%	2.7%	12.4%
75	**NET FOREIGN CURRENCY ASSETS (LIABILITIES)**	(341,676,000)	(279,005,000)	(267,702,000)

FIRST BANK OF NIGERIA LIMITED

	KEY RATIOS CONT'D	31-Dec-14	31-Dec-13	31-Dec-12
	ASSET QUALITY			
76	Performing loans (₦'000)	1,771,829,000	1,468,384,000	1,316,088,000
77	Non-performing loans (₦'000)	60,278,000	46,904,000	37,297,000
78	Non-performing loans/Total loans - Gross	3.29%	3.10%	2.76%
79	Loan loss provision/Total loans - Gross	2.1%	2.7%	2.7%
80	Loan loss provision/Non-performing loans	62.7%	88.4%	99.1%
81	Risk-weighted assets/Total assets & contingents	59.0%	54.8%	57.5%
	CAPITAL ADEQUACY			
82	Adjusted capital/risk weighted assets (Basel I)	21%	16%	17%
83	Tier 1 capital/Adjusted capital	80%	99%	105%
84	Total loans (net)/Adjusted capital	3.57	4.41	4.06
85	Capital unimpaired by losses (₦'000)	405,578,000	333,991,000	340,795,000
	CAPITAL ADEQUACY STRESS TEST			
86	Adjusted capital (₦'000)	502,265,000	334,531,000	299,481,000
87	Cumulative loan loss provision (actual reserves)	37,788,000	41,449,000	36,978,000
88	Equity before all provision (line 86 + line 87)	540,053,000	375,980,000	336,459,000
89	Required reserves*	267,877,990	223,897,020	196,545,790
90	Equity after required reserves (line 88 - line 89)	272,175,010	152,082,980	139,913,210
91	Equity after required reserves/risk weighted assets	11.2%	7.1%	7.4%
	STAFF INFORMATION			
92	Net earnings per staff (₦'000)	34,551	29,897	31,835
93	Staff cost per employee (₦'000)	7,707	6,743	7,630
94	Staff costs/Operating expenses	31.3%	33.4%	35.8%
95	Average number of employees	8,176	7,903	7,922
96	Average staff per office	11	10	11
	OTHER KEY INFORMATION			
97	Legal lending limit(₦'000)	81,115,600	66,798,200	68,159,000
98	Other unamortised losses(₦'000)	NONE	NONE	NONE
99	Unreconciled inter-branch items (₦'000) DR/(CR)	NONE	NONE	NONE
100	Number of offices	763	760	715
101	Age (in years)	120	119	118
102	Government stake in equity (Indirect)	-	-	-
	MARKET SHARE OF INDUSTRY TOTAL	**Actual**	**Actual**	**Actual**
103	Lcy deposits (excluding interbank takings)	14.7%	14.0%	12.3%
104	Total assets & contingents	13.6%	14.4%	12.6%
105	Total loans & leases - net	15.2%	15.7%	16.1%
106	Non interest income	12.5%	8.6%	9.7%
107	Net interest income	15.9%	16.5%	8.3%

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.

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.

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.

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.

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.

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.

C Financial condition is very weak. Net worth is likely to be negative and obligations may already be in default.

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.