GCR | GLOBAL CREDIT RATING CO.
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First Bank of Nigeria Limited

Nigeria Bank Analysis **September 2014**

Security class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	AA-$_{(NG)}$	Stable	09/2015
Short term	National	A1+$_{(NG)}$	Stable	09/2015

Financial data:

(US$'m Comparative)

	31/12/12	31/12/13
NGN/US$ (avg.)	160.1	160.9
NGN/US$ (close)	156.6	162.7
Total assets	19,686.7	22,685.3
Primary capital	2,278.2	2,163.3
Secondary capital	207.6	400.7
Net advances	9,978.9	11,049.3
Liquid assets	4,129.3	5,237.6
Operating income	1,756.6	1,739.5
Profit after tax	450.5	413.1
Market cap.	not listed	
Market share*	15.2%	

Based on CBN industry assets as at 31 December 2013.

Rating history:

Initial rating (September 2006)
Long term: AA$_{(NG)}$
Short term: A1+$_{(NG)}$
Rating outlook: Positive

Last rating (September 2013)
Long term: AA-$_{(NG)}$
Short term: A1+$_{(NG)}$
Rating outlook: Stable

Related methodologies/research:

Banking Criteria (updated April 2014)
Glossary of Terms/Ratios (February 2014)
Previous Rating Reports (up to 2013)

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Summary rating rationale

The ratings are based on the following key factors:

- First Bank of Nigeria Limited ("FirstBank" or "the bank") enjoys a leading market position in Nigeria, controlling around 15.2% of industry assets. Rating strengths include the bank's long track record in the market; expanding branch network (enhanced by the acquisition of the West Africa operations of International Commercial Bank ("ICB")); strong retail franchise; and robust management team.
- Following a successful Tier II capital issue of N47.2bn in FYE13, the bank's absolute capital level rose by 8.1% to N430.4bn. However, 15.3% growth in the bank's risk weighted assets exerted pressure on its capital adequacy ratio which stood at 17.7% at FYE13 (FYE12: 19.1%). As the bank takes a cautious approach to risk asset creation, and has raised additional Tier II capital (US$450m Eurobond) in July 2014 to support its capital level and business growth, GCR expects the capitalisation ratio to improve and approximate the peer average of 21.6% at FYE14.
- Although the bank displayed a largely short-dated funding structure, its liquidity risk is considered low (with its regulatory liquidity ratio averaging 44.9% over the year to 31 December 2013).
- The bank's non-performing loan ("NPL") ratio of 2.9% at FYE13 (FYE12: 2.6%) compares well with peers and stood within Central Bank of Nigeria's ("CBN") tolerable limit of 5% (NPL growth was constrained by the write-off of N19.1bn loans in FYE13). Provisioning appears adequate, with the coverage ratio standing at 84.2% at FYE13 (FYE12: 94.9%). Hence, asset quality appears stable.
- Performance was solid in FYE13, with the bank posting net profit after tax ("NPAT") of N66.5bn (FYE12: N72.1bn). While GCR expects further pressure on profitability across the industry in 2014 as CBN upholds tough regulations, a continuous cost containment effort; effective modification of the public sector banking businesses; and an upgrade of its e-banking products would see FirstBank's cost efficiency improve and financial profile strengthen.

Factors that could trigger a rating action may include:

Positive change/s: The bank's ability to optimise its competitive strengths, and improve operating efficiency and the financial profile while maintaining solid credit/liquidity metrics, would be favourably considered.

Negative change/s: Further pressure on capitalisation, weaker earnings, or a substantial rise in the cost ratio could trigger a rating action.

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Organisational profile

Corporate summary[1]

FirstBank is the flagship and largest business of FBN Holding Plc ("Holdco"), controlling the group commercial banking business, and offering a full range of banking services to both individual and corporate customers. FirstBank is the oldest bank in Nigeria, with a strong retail franchise, and currently, has a presence in 12 countries[2] , and ranks as the largest bank by assets in sub-Saharan Africa (excluding South Africa).

Table 1: Revenues by geography	FYE12 N'bn	FYE13 N'bn
Nigeria	314.7	344.8
Outside Nigeria	23.2	26.9
Total	**337.9**	**371.7**

Source: FirstBank AFS.

Ownership structure

Having adopted a holding company structure in FYE12, the Holdco became the majority shareholder of the bank, controlling 99.9% of its total issued share capital. The ownership distribution of the Holdco in FYE13 is as shown in Table 2 below.

Table 2: Major Shareholders	% Holding FYE13
Retail	51.6
Domestic institution	26.8
Foreign institution	18.0
Government related holdings	3.7
Total	**100.0**

Source: FBN Holding Plc AFS.

Strategy and operations

The bank continues to adopt a comprehensive strategic planning approach to drive its business, staying competitive and maintaining its leadership position in the financial services sector. 2014 marks the beginning of a new strategic plan (2014-2016). The bank's focus remains on re-aligning its strategies to reflect regulatory changes within its internal and external operating environment, and maintaining a proactive stance in driving profitability and growing market share across all business segments.

As part of efforts to expand its footprint in Africa, thereby supporting customers' cross-border businesses, as well as strengthening its retail franchise, FirstBank acquired the West Africa operations (Ghana, Gambia, Senegal, Sierra Leone and Guinea) of ICB in November 2013. The bank also bolstered its commercial banking strategic business unit, aimed at increasing transaction volumes. In addition, it intensified focus on the retail and small-medium-enterprises ("SME") segments as well as e-banking products (including Automated Teller Machine ("ATM"), POS, and Firstmonie) to strengthen the earnings generation capacity of the bank.

In 2013, the bank operated with 2,437 (FYE12: 1,865) ATM units, over 13,283 (FYE12: 18,581) point-of-sales terminals, 760 (FYE12: 714) outlets (including 627 branches, and 64 quick service points and cash centres) and was staffed with over 9,198 (FYE12: 8,619) employees.

Governance structure

The composition of the bank's board is considered satisfactory, and complies with the provisions of CBN's Code of Corporate Governance as well as all relevant standards of its parent company. The table below summarises the composition of the Board and adherence to selected aspects of appropriate corporate governance.

Testing description	Findings
Board size	19
Number of non-executive directors	12 (including the Chairman)
Tenure of non-executive directors	3 years each/2 cycles
Independent directors	Yes, 2
Number of board committees	4
Int. audit & compliance function	Yes, independent/free units
External auditors & rotation policy	PWC & PKF/10 year tenure
Internal & external practice guides	Yes, group wide rules applied

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 external auditors, PricewaterhouseCoopers and PKF, issued a clean audit report on the financial statements, as at 31 December 2013.

Operating environment[3]

Industry overview

2014 is a pre-election year in Nigeria, with political activities expected to increase towards the third and fourth quarters of the year. Accordingly, recent policies of CBN have been focused on tightening its monetary policy, necessitated by the anticipated rise in spending due to the upcoming elections, continuous decline in oil revenues, fluctuation of the local currency, and the dwindling portfolio of foreign direct investments (on the back of the United States Federal Reserve's tapering of its monetary stimulus package). The banking industry has remained strictly regulated, with the aim of ensuring a sound financial system in the face of various environmental challenges. Major monetary policies introduced to counteract the challenge of excessive liquidity in the

[1] Refer to previous First Bank of Nigeria Limited reports issued by GCR for a detailed background.

[2] Nigeria, Ghana, Gambia, Guinea, Senegal, Sierra-Leone, DRC, UK, France, UAE, South Africa and China.

[3] Refer to GCR's 2013 Nigeria Banking Industry Bulletin for a review of all relevant economic, regulatory and/or industry developments.

financial system include: the increase in cash reserve requirements ("CRR") on public sector deposits (from 12% to 50% in August 2013 and to 75% in January 2014), and a 300 basis point increase in CRR on private sector deposits to 15% (in March 2014). However, the monetary policy rate ("MPR") has remained unchanged at 12% throughout the period, with the year-on-year inflation rate estimated at 8.5%.

A major shift in lending focus towards the oil and gas, and power sectors was evident across the industry during the year under review, raising concern regarding banks' asset quality going forward; especially considering the challenges facing the key players in the power sector, including current low revenue generation capacity, underpinned by operational issues. Essentially, the aforementioned problem in the power sector is not expected to improve significantly in the short to medium term, which could exacerbate the risk of default across the banking industry.

Overall, competition within the industry remains strong, as new entrants (Rand Merchant Bank Nigeria Limited, Heritage Banking Company Limited and FSDH Merchant Bank Limited) begin to build up market share. As at 31 December 2013, the industry comprised 21 commercial banks (including 10 international, 9 national and 2 regional banks), 1 non-interest or Islamic bank (though some of the commercial banks also offer similar products), 2 merchant banks, and 2 discount houses. The top 5 banks control over 60% of the industry assets.

Competitive position

The bank enjoys a substantial branch network, experienced and stable management team, and a long track record in the market with good brand acceptance. However, the challenge of harnessing the bank's numerous products to improve its profitability and overall financial profile, remains. Table 3 highlights the bank's performance indicators relative to selected peers, as at FYE13.

Financial profile

Likelihood of support

Support from the group should be forthcoming, considering the bank's position within the holding company structure (with 93.7% contribution to the group net revenue in FYE13). Also, given its systemic importance (as the largest bank in Nigeria), GCR envisages strong support from the state, in the event that such support is required.

Funding composition

The bank's assets were mainly funded by capital – 12.2%, customer deposits – 83.4%, interbank funding – 2.2% and other borrowings – 2.2%. Customer deposits, capital and other borrowings are discussed in more detail, below.

Customer deposits

Supported by the bank's enlarged network and strong domestic franchise, customer deposits grew by 22.4% to N2,942.8bn in FYE13. Low-cost funds formed the bulk of this funding type at 75.0%. The book is very short-dated, although stable, with high concentration in the "less than 1 month" maturity bucket. A significant 27.5% of the deposit book relates to the public sector, which now attracts 75% CRR (thus reducing the bank's earning capacity when using this type of funding). However, management plans to grow the deposit book by 15% in 2014, placing focus on strengthening its retail banking arm, the agency banking offering and enhancing its various e-banking channels.

Table 4: Deposit book characteristics (%)

By sector:		**By Type:**	
Corporates	21.5	Demand	31.5
Retail	50.6	Savings	22.6
Public sector	27.5	Term	24.7
Others	0.4	Others	21.2
Concentration:		**Maturity profile:**	
Single largest	9.0	< 1 month	84.4
Five largest	15.3	1-3 months	9.2
Ten largest	18.4	3-12 months	3.7
Twenty largest	21.9	> 12 months	2.7

Source: FirstBank AFS.

Table 3: Competitive position* FBN vs. selected banks	FBN	Zenith	UBA	GTBank	Access
Year end 31 December 2013					
Capital (N'bn)	430.4	509.3	290.7	332.4	243.8
Total assets (N'bn)†	3,691.3	3,110.9	2,617.0	2,072.8	1,813.8
Net loans (N'bn)	1,797.9	1,251.4	963.9	1,008.0	810.8
Profit after tax (N'bn)	66.5	96.5	46.6	90.0	37.5
Capital/assets (%)	11.7	16.4	11.1	16.0	13.4
Liquid & trading assets/total short-term funding (%)	30.8	46.2	28.3	20.1	22.1
Gross bad debt ratio (%)	2.9	2.4	1.2	3.3	2.7
Net interest margin (%)	9.0	8.9	8.5	10.5	8.1
Cost ratio (%)	61.7	55.7	60.9	42.9	73.0
ROaE (%)	17.1	18.8	22.4	34.8	15.4
ROaA (%)	2.0	3.2	1.9	5.7	2.1

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

Capital funding

In FYE12, FirstBank's subscribed capital declined due to the restructuring exercise and subsequent transfer of shares between the bank and its holding company. In FYE13, the bank's shareholders' funds fell by 3.8% to N383.2bn, partially impacted by a dividend payment of N71.8bn (of which, N32.6bn relates to FYE12) which exceeded the FYE13 post-tax profit of N56.7bn. Though a Tier II capital issue of N47.2bn was raised during the year (further detail on which is provided in the "other borrowings" section, below), the impact was offset by 15.3% growth in the bank's risk weighted assets, resulting in the capital adequacy ratio declining to 17.7% at FYE13 (FYE12: 19.1%). FirstBank resolved to enhance its capital adequacy and support its growth aspirations through issuance of additional Tier II capital.

Other borrowings

The N47.2bn US$-denominated notes (which qualify as Tier II capital) were issued through FirstBank Finance Company BV, increasing the bank's borrowing to N126.3bn at FYE13. In July 2014, the bank successfully issued an additional US$450m Tier II Eurobond. The facility has a 7-year tenor, with a call option after 5 years.

Table 5: Other borrowings	FYE12 N'bn	FYE13 N'bn
FBN EuroBond	-	47.2
European Investment Bank	2.6	1.6
On-lending facilities from FIs	25.8	31.4
Correspondence banks	47.1	46.1
Total	**75.5**	**126.3**

Source: FirstBank AFS.

Liquidity positioning

Although the bank is largely funded by a short-dated deposit base, liquidity risk is considered low (the bank had a regulatory liquidity ratio average of 44.9% over the 12 month period to 31 December 2013). In addition, the bank ended the year with a liquid and trading assets to short-term funding ratio of 30.8%. FirstBank's loan/deposit ratio of 58.5% is also considered satisfactory from a risk perspective.

Credit risk (strategic overview)

Risk management

The bank's approach to managing risk is entrenched in its enterprise risk management framework which aids in identifying, assessing, measuring, monitoring, managing and reporting the principal risks within its operations. FirstBank continues to train its board risk committee and relevant credit risk officers on various risk mitigations, and engages consultants where necessary. Overall, its enterprise risk management process appears to be working as designed.

The bank's assets grew by 19.7% to N3.7tn in FYE13, supported by growth in the deposit base and other borrowings. The asset mix tilted in favour of cash & liquid assets, which grew by 31.8% (FYE12: 6.4%). Mandatory deposits with CBN witnessed significant growth following the incremental increase in CRR.

Table 6: Asset Mix	FYE12		FYE13	
	N'bn	%	N'bn	%
Cash & liquid assets*	**646.7**	**21.0**	**852.3**	**23.1**
Cash	*53.1*	*1.7*	*71.7*	*1.9*
Liquidity reserve deposits	*191.5*	*6.2*	*341.0*	*9.2*
Fin. assets held for trading	*2.6*	*0.1*	*4.7*	*0.1*
Balances with other banks	*399.5*	*13.0*	*434.8*	*11.8*
Net advances	1,562.7	50.7	1,797.9	48.7
Investments:	**690.0**	**22.4**	**740.9**	**20.1**
Available for sale	353.5	11.5	451.4	12.2
Held to maturity	330.9	10.7	283.3	7.7
Inv. In associates	5.6	0.2	6.2	0.2
Pledged assets	50.1	1.6	53.7	1.5
Property and Equipment	74.5	2.4	78.5	2.1
Other assets	59.0	1.9	168.1	4.6
Total	**3,082.9**	**100.0**	**3,691.3**	**100.0**

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

Included in other assets is a non-current placement of N103.6bn which does not qualify as cash and cash equivalent.

Loan portfolio

The bank continues to lend to the critical sectors of the economy, taking cognisance of its internal obligor limits as well as relevant regulatory limits prescribed by CBN. Gross loans and advances to customers grew by 15.1% to N1,843.2bn in FYE13. The book was well diversified across all sectors, though the bank maintained its preference for the oil and gas, manufacturing, and real estate & construction sectors. Concentration risk (by obligor) is considered low as the bank's single largest exposure amounted to 3.1% of the total portfolio, and represented 15.0% of shareholder's funds at FYE13. The bank is expected to maintain its current sectoral focus.

Table 7: Loan book characteristics (%)

By sector:	**FYE12**	**FYE13**
Agriculture	3.5	3.6
Oil & gas	35.5	34.6
Consumer credit	9.5	8.0
Gen.commerce	5.2	5.2
Public Sector	7.6	7.9
Manufacturing	14.9	15.1
Retail services	5.8	5.7
Communication	5.2	5.3
Real estate & construction	10.5	11.7
Others	2.3	3.0

Largest exposures:	**%**	**By Product:**	**%**
Single largest	3.1	Overdrafts	19.2
Five largest	11.0	Term loans	76.9
Ten largest	18.3	Others	3.8
Twenty largest	29.0		

Source: FirstBank AFS.

Contingencies

Contingencies constituted 23.0% (FYE12: 20.1%) of total assets (including contingencies). FirstBank's off-balance sheet liabilities increased sharply by 42.4% to N1,101.6bn in FYE13 on the back of a significant rise in undrawn irrevocable loan commitments. Other contingent commitments include performance bonds and guarantees, and letters of credit, representing 41.7% and 21.2% of the total respectively.

Asset quality

Although the bank's NPL ratio of 2.9% compares well with peers and stood within CBN's tolerable limit, Its growth was constrained by a loan written-off amounting to N19.1bn in FYE13. Had this loan not been written off, the NPL ratio would have stood at 3.9% at FYE13. Growth in NPLs was impacted by additional problem credits mainly from the oil and gas sector, on which collateral could not be realised. Provisioning appears adequate, with the coverage ratio standing at 84.2% (FYE12: 94.9%). Thus, we considered asset quality to be adequate. As the bank takes a cautious approach to loan growth and the risk selection process, GCR expects stability in asset quality by FYE14.

Table 8: Asset Quality	FYE12 N'bn	FYE13 N'bn
Gross advances	**1,602.0**	**1,843.2**
Performing	*1,560.6*	*1,789.5*
Impaired	*41.4*	*53.7*
Provision for impairment	**(39.3)**	**(45.2)**
Individually impaired	*(17.1)*	*(20.6)*
Collectively impaired	*(22.2)*	*(24.6)*
Net NPLs	**2.1**	**8.5**
Select asset quality ratios:		
Gross NPLs ratio (%)	2.6	2.9
Net NPLs ratio (%)	1.6	1.8
Net NPLs/Capital (%)	6.1	8.6

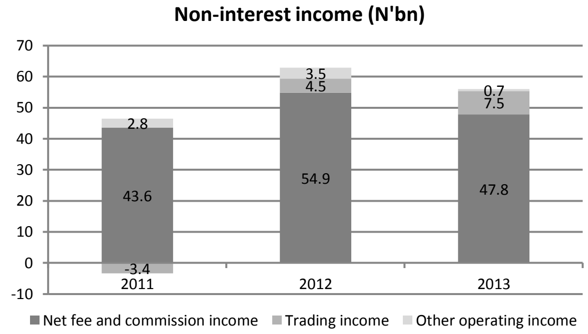
Source: FirstBank AFS.

Due to the cumbersome judicial process in realising security in Nigeria, collateral was not given primary consideration in this analysis. Nevertheless, FirstBank reported that 7.5% of gross loans were unsecured.

Financial performance and prospects

A 4-year financial synopsis is reflected at the back of this report, supplemented by the commentary below.

The bank's net interest income grew marginally by 2.5%, constrained by the sharp growth in interest expense relative to interest income. The escalation in interest expense was due to the induced increase in interest on customer deposits as well as interest on borrowings (the Eurobond). As such, FirstBank's weighted average cost of funding in FYE13 stood at 3.2% relative to 2.6% recorded in FYE12, reducing net interest margin from 10.0% in FYE12 to 9.0% in FYE13.



The non-interest income posted an 11.0% decline to N56.0bn largely on the back of CBN's revised guide to bank charges. The most significant is the commission on turnover (expected to be phased-out by 2016), which fell by 16.2% y/y, and accounted for 20.1% of FirstBank's pre-tax profit in FYE13. Overall, total operating income dropped marginally y/y to N279.8bn (FYE12: N281.2bn).

Credit losses emanated mainly from SMEs, and oil and gas (downstream sector) exposures, impacting the bank's impairment charge, which grew 58.9% in FYE13. The bank's operating expenses were well managed, with operating expense and personnel cost recording a drop of 5.8% and 6.2% respectively. Consequently, the bank's cost/income ratio improved from 64.8% to 61.7% in FYE13. The NPAT came in lower at N66.5bn (representing a 7.9% y/y decline), impacted by a 40% growth in tax expense. Overall, FirstBank's ROaE and ROaA ended the year at 17.1% and 2.0% respectively.

Competition within the industry is expected to intensify through 2014 as CBN upholds its various monetary policies. In light of this, GCR envisages further pressure on operational efficiency across the industry in the near term. Per management, FirstBank will continue to reduce the effects of the various external policies/regulations on its bottom line through various strategies. In addition, the bank aims to drive non-interest income through strengthening its retail businesses and e-banking transactions (Firstmonie, ATM transactions and other e-channels), building its transactional banking capabilities, reviewing the business model to optimise the value chain banking opportunities within the institutional and public sector banking businesses, and harnessing opportunities within Holdco non-banking subsidiaries. In addition, cost containment initiatives and the on going rationalisation of the branches that are not economically viable are expected to drive improved operational efficiency going forward.

First Bank Of Nigeria Limited

(Naira in millions except as noted)

Year end: 31 December	NGAAP		IFRS		
STATEMENT OF COMPREHENSIVE INCOME ANALYSIS	**Dec. 10**	**Dec. 11**	**Dec. 11**	**Dec. 12***	**Dec. 13**
Interest income	174,040	220,397	207,019	276,909	310,224
Interest expense	(52,578)	(36,950)	(34,727)	(58,586)	(86,409)
Net interest income	**121,462**	**183,447**	**172,292**	**218,323**	**223,815**
Other income	57,957	75,787	43,060	62,915	56,009
Total operating income	**179,419**	**259,234**	**215,352**	**281,238**	**279,824**
Impairment charge	(21,590)	(44,814)	(38,011)	(12,912)	(20,521)
Operating expenditure	(116,530)	(148,865)	(136,668)	(182,196)	(172,718)
Share of profit of associates	-	-	(1,507)	1,008	875
Exceptional items	1,889	(15,489)	-	-	-
Net profit before tax	**43,188**	**50,066**	**39,166**	**87,138**	**87,460**
Tax	(9,777)	(5,281)	(18,864)	(15,006)	(21,009)
Profit from continuing operations	**33,411**	**44,785**	**20,302**	**72,132**	**66,451**
Profit/(loss) from discontinuied operations	-	-	(1,665)	3,838	-
Other comprehensive (loss)/gain	-	884	(40,032)	20,308	(9,778)
Total comprehenssive income	**33,411**	**45,669**	**(21,395)**	**96,278**	**56,673**
STATEMENT OF FINANCIAL POSITION ANALYSIS					
Subscribed capital	270,840	270,840	270,840	205,557	205,557
Reserves (incl. net income for the year)	69,786	94,645	96,775	191,190	175,967
Hybrid capital (incl. eligible portion of subordinated term debt)	-	-	-	-	47,249
Minority interest	-	-	964	1,353	1,626
Total capital and reserves	**340,626**	**365,485**	**368,579**	**398,100**	**430,399**
Bank borrowings (incl. deposits, placements & REPOs)	148,286	181,892	183,500	87,551	77,481
Deposits	1,303,251	1,947,473	1,950,991	2,405,031	2,863,177
Other borrowings	20,012	44,140	55,329	54,004	55,739
Short-term funding (< 1 year)	**1,471,549**	**2,173,505**	**2,189,820**	**2,546,586**	**2,996,397**
Deposits	147,316	330	330	4	79,605
Other borrowings	104,605	49,144	49,144	21,537	23,314
Long-term funding (> 1 year)	**251,921**	**49,474**	**49,474**	**21,541**	**102,919**
Payables/Deferred liabilities	199,277	189,807	191,194	116,713	161,631
Other liabilities	**199,277**	**189,807**	**191,194**	**116,713**	**161,631**
Total capital and liabilities	**2,263,373**	**2,778,271**	**2,799,067**	**3,082,940**	**3,691,346**
Balances with central bank	11,130	103,897	103,897	191,509	341,011
Properties, Plants and Equipments	53,986	57,171	65,874	74,474	78,490
Receivables/Deferred assets (incl. zero rate loans)	97,764	163,737	70,234	58,333	64,460
Non-earnings assets	**162,880**	**324,805**	**240,005**	**324,316**	**483,961**
Short-term deposits & cash	33,156	45,292	45,293	53,083	71,681
Loans & advances (net of provisions)	1,151,195	1,240,257	1,252,462	1,562,695	1,797,935
Bank placements	539,760	393,895	451,792	399,498	434,833
Marketable/Trading securities	23,769	187,457	310,804	304,566	416,597
Other investments/earning assets	-	-	409,465	383,560	444,704
Equity investments	345,157	572,853	52,093	49,613	35,410
Investments in subsidiaries/associates/properties	7,456	13,712	37,153	5,609	6,225
Total earning assets	**2,100,493**	**2,453,466**	**2,559,062**	**2,758,624**	**3,207,385**
Total assets	**2,263,373**	**2,778,271**	**2,799,067**	**3,082,940**	**3,691,346**
Contingencies	**1,022,950**	**1,546,197**	**459,080**	**773,806**	**1,101,623**
Ratio Analysis (%)					
Capitalisation					
Internal capital generation	9.8	12.5	n.a.	24.3	14.9
Total capital / Net advances + net equity invest. + guarantees	13.5	10.9	20.9	18.5	17.0
Total capital / Total assets	15.0	13.2	13.2	12.9	11.7
Liquidity ‡					
Net advances / Deposits + other short-term funding	71.1	57.1	57.2	61.4	58.5
Net advances / Total funding (excl. equity portion)	66.8	55.8	55.9	60.8	58.0
Liquid & trading assets / Total assets	26.4	22.6	28.9	24.6	25.0
Liquid & trading assets / Total short-term funding	40.5	28.8	36.9	29.7	30.8
Liquid & trading assets / Total funding (excl. equity portion)	34.6	28.2	36.1	29.5	29.8
Asset quality					
Impaired loans / Gross advances	7.7	2.6	2.6	2.6	2.9
Total loan loss reserves / Gross advances	6.5	2.8	2.6	2.5	2.1
Bad debt charge (income statement) / Gross advances (avg.)	1.9	3.7	3.1	0.9	1.2
Bad debt charge (income statement) / Total operating income	12.0	17.3	17.7	4.6	7.3
Profitability					
Net income / Total capital (avg.)	10.3	12.9	n.a.	25.1	13.7
Net income / Total assets (avg.)	1.5	1.8	n.a.	3.3	1.7
Net interest margin	7.0	10.0	9.0	10.0	9.0
Interest income + com. fees / Earning assets + guarantees (a/avg.)	4.4	5.8	5.7	8.0	7.0
Non-interest income / Total operating income	32.3	29.2	20.0	22.4	20.0
Non-interest income / Total operating expenses (or burden ratio)	49.7	50.9	31.5	34.5	32.4
Cost ratio	64.9	57.4	63.5	64.8	61.7
OEaA (or overhead ratio)	5.3	5.9	5.4	6.2	5.1
ROaE	9.7	17.3	5.5	18.9	17.1
ROaA	1.4	2.4	0.7	2.5	2.0
Nominal growth indicators					
Total assets	5.3	22.7	23.7	10.1	19.7
Net advances	5.7	7.7	8.8	24.8	15.1
Shareholders funds	9.4	7.3	7.9	7.9	(3.8)
Total capital and reserves	9.4	7.3	8.2	8.0	8.1
Deposits (wholesale)	7.7	34.3	34.5	23.3	22.4
Total funding (excl. equity portion)	10.8	29.0	29.9	14.7	20.7
Net income	411.3	36.7	(164.0)	255.3	(7.9)

* Restated figures

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

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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 2013 (plus three years of comparative numbers), latest internal and/or external report to management, full year detailed budgeted financial statements for 2014, most recent year-to-date management accounts to 30 June 2014, reserving methodologies and capital management policies. In addition, information specific to the rated entity and/or industry was also received.