First Bank of Nigeria Plc

Nigeria Bank Analysis **November 2008**

Security class	Rating scale	Currency	Rating	Rating outlook	Expiry date
Long term	National	Naira	AA	Positive	10/2009
Short term	National	Naira	A1+		

Financial data:

(US$'m Comparative)

	31/03/07	31/03/08
NGN/US$ (avg.)	122.99	125.50
NGN/US$ (close)	133.54	119.20
Total assets	6,706.7	11,440.4
Tier 1 capital	579.2	2,851.1
Tier 2 capital	-	-
Liquid assets	3,220.4	4,842.4
Net advances	1,664.1	3,758.9
Operating income	537.1	863.1
NPAT	149.2	242.8
Market cap*	US$2.8bn	
Market share**	8.5%	

* As at 28 November 2008 (1US$/N119.37)
** Based on GCR estimates for 2007 of total assets.

Fundamentals:

First Bank of Nigeria Plc ("FirstBank") was incorporated in 1894 as "Bank of British West Africa", and listed on the Nigeria Stock Exchange in 1971. In 1979, it was renamed FirstBank of Nigeria. The bank, together with its subsidiaries, provides various financial products and services primarily in Nigeria. FirstBank's shares are widely held by Nigerian citizens and associations, with no single shareholder holding more than 5% of the Bank's equity.

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Rating rationale

The rating is based on the following key factors:

- FirstBank is one of the leading tier one banks in Nigeria. The bank's strong franchise value was favourably considered.
- FirstBank's total shareholders' funds stood at N340bn at year end F08, significantly surpassing the statutory requirement. The risk weighted capital adequacy ratio amounted to 48% (F07: 23%).
- Arrears reduced by 6% in F08. This, together with strong growth in advances, saw the arrears to gross loans ratio drop from 2.6% to 1.2%. Specific provisions covered 75% of the capital value in arrears and together with a 1% general provision on performing loans, total provisions amounted to 160% of arrears as at year-end F08 (F07: 107%).
- Despite a short dated deposit book, liquidity risk is mitigated through maintaining a highly liquid balance sheet, as well as the fact that a large portion of the loan book matures in one month, resulting in cumulative liquidity buffers across all maturity buckets.
- NPAT increased by 66% to N30.5bn in F08 (F07: N18.4bn), on the back of increased interest bearing assets, together with a widening of the net interest margin. The bank remains one of the most profitable in the sector in terms of return on assets, benefiting from a low cost retail deposit base.
- The bank's performance for the first 6 months of F09 was well behind budget, primarily due to lower than expected asset growth, impacting interest and other income.

Financial flexibility

FirstBank is primarily funded via customer deposits, retained earnings and borrowings, with access to additional capital via its listing on The Nigerian Stock Exchange. Tier I capital increased through a hybrid offer of approximately 1.6bn ordinary shares to the public, as well as approximately 1.5bn ordinary shares as rights. The rights issue was fully subscribed, while the public offer was over-subscribed, which led to an additional allotment of approximately 4.5bn ordinary shares. The total allotment resulted in an aggregate share premium of N246.2bn. Total capital as at 31 March 2008 amounted to N340bn. The Bank's deposit book increased by 18% in F08, on the back of the sizeable branch network. The Bank's weighted average cost of funds was around 4.5% in F08, well below the industry's average.

Business profile

History

FirstBank is one of the oldest financial institutions in Nigeria and was the first bank to be established in West Africa. The bank was incorporated as a limited liability company in March 1894 and was listed on The Nigerian Stock Exchange in March 1971. Following the Central Bank of Nigeria's ("CBN"), induced industry-wide consolidation in 2005, the bank acquired its merchant banking subsidiary, FBN (Merchant Bankers) Limited and MBC International Bank Plc. The bank offers a wide array of financial services to a diverse customer base through its local and offshore offices, including 465 branch offices country wide and 532 ATM's. In addition to growing organically through new products and branch development, other viable domestic acquisitions are being explored. The intention is to extend the branch network to 600 by the end of 2008.

Strategy and operations

FirstBank has been appointed by the Debt Management Office as one of the 15 primary dealers in Federal Government Bonds. The primary dealers include 10 banks and the 5 discount houses. FirstBank is also one of the 10 banks approved as a settlement bank by CBN. In addition, the bank is a leading member of the ATM Consortium (an off-site independent ATM service provider), as well as a member of Interswitch Limited, (an electronic transaction switching and payment processing company). FirstBank is also a major player in Western Union Money Transfer Services.

Operationally, FirstBank has two strategic business units ("SBU's"), namely: Corporate Banking and Retail Banking. The corporate banking unit provides banking services to the top end of the market, comprising large corporate organisations and government parastatals, while the retail banking unit offers an array of retail and commercial banking services. The retail banking unit, which also encompasses branch operations, is further subdivided into three directorates, namely: Lagos & West, North and South. Support services are provided by two strategic resource functions: Operations and Services directorate and Risk and Management Control directorate.

The bank has 9 subsidiaries, an associate company, and 4 affiliates providing mortgage banking, capital market operations, fund management, insurance broking, trusteeship, registrarship and pension administration.

Recent initiatives

- FirstBank currently awaits final approval from the National Insurance Commission ("NAICOM"), for its proposed life assurance subsidiary. FirstBank would own at least a 51% stake, partnering with an international insurance company for both technical expertise and equity partnership.
- FirstBank will be opening a Representative Office in China; with approval from the China Banking Regulatory Commission the only outstanding issue.
- FirstBank recently obtained an operating license for FBN Microfinance Bank Limited from the CBN. The company will operate as a micro finance bank, with its head office in Lagos.
- The bank launched a savings promotion in June 2008 to improve its market share of industry savings deposits.

Ownership

FirstBank's shares are widely held by Nigerian citizens and associations, with no single shareholder holding more than 5% of the Bank's equity. The largest shareholder as at 31 March 2008 was First Dependants Nigeria Limited (3.35%), the managers of the banks' staff pension fund. Directors collectively held about 3.5% of the issued share capital.

Operating environment [1]

Economic

Nigeria's economy continues to benefit from a relatively stable political environment, following the democratic election in 2007. This consequently boosted foreign investor confidence in the economy. The fiscal policy in 2007 was aimed at accelerating the full attainment of the goals of the National Economic Empowerment and Development Strategy ("NEEDS"), launched in 2004. GDP growth improved slightly to 6.2% compared with 6% in the previous year, despite lagging behind the 10% projection. The value of the Naira was relatively stable during the year due to further liberalisation of the foreign exchange market. Inflationary pressure also moderated as the headline year-on-year inflation rate fell to 6.6% from 8.5%, reflecting largely the stabilisation in the supply of petroleum products and effective macroeconomic management. However, inflation has increased to 10% in 1H08, while the unrest in the Niger Delta region and the unabated energy crisis, together with the high rate of unemployment, constitute serious challenges.

Industry overview

To enforce consolidation of the banking industry, CBN increased the minimum paid-up capital requirement for banks from N2bn to N25bn to be met by end-December 2005. This saw bank numbers shrink to 25 from 89, with 6 achieving the

[1] For more detail, please refer to GCR's Nigerian Bank Bulletin published annually.

requirement on a stand-alone basis, while 68 banks merged to form 19 larger entities. The banking licenses of those that failed to meet the new requirements were revoked. Post consolidation, the aggressive capital raising has continued, including Global Depository Receipts (GDRs) and tier 2 capital (largely convertible loans and bonds). A further voluntary phase of consolidation, induced mainly by competition and CBN's stipulated requirements for the management of the country's foreign reserves, commenced with the merger of IBTC Chartered Bank Plc and Stanbic Bank Limited. Market participants believe this trend is likely to reduce the number of Nigerian banks to around 15 in the medium term.

Heightened concerns generated by the aggressive capital raising via public offerings has necessitated the apex bank's broadening of the disclosure requirements for acquisitions and capital raising by banks. The expanded regulatory framework further requires banks to seek CBN approval prior to ceding an equity interest to a foreign investor. The banking sector has benefited from increased foreign investor confidence in the economy, which has consequently enabled increased access to foreign credit lines, direct investments and strategic alliances. The need to achieve an adequate return on shareholders funds has spurred offshore expansion and increased diversification into non-core banking activities (including stockbroking, issuing house services, asset management, insurance and bureau de change).

Nigerian banks have not been directly affected by the subprime crises, although the sharp fall of the stock market has impacted the collateral held against margin lending. Margin loans are estimated to total around N1 trillion for the sector, amounting to around one third of the total advances. To assist banks, CBN has suspended the provisioning requirement against non-performing margin loans. Banks have also restructured these loans, allowing for extended maturities of up to 12 months. Although banks are generally well capitalised, the potential losses that may arise from these exposures is a concern and will be monitored going forward. FirstBank's exposure to margin lending is at N40bn as at year end F07, 9% of net advances. To date no provisions for margin lending have been raised, as customers are required to increase collateral levels whenever share values dropped below credit criteria of 120%.

Competitive position

As one of the seven tier 1 banks in Nigeria, comparative figures from the latest available audited financial statements are shown in table 2 below, although the different year ends distort the analysis. The bank has grown its market share and compares well with its peers across most indicaters. The bank remains one of the most profitable in the sector in terms of return on assets, benefiting from a low cost retail deposit base. Capitalisation levels were the highest in the industry at March 2008. Furthermore, as one of the old generation banks, FirstBank enjoys strong brand recognition.

Risk management

Although CBN has advised banks to implement Basel II, full implementation is yet to commence industry-wide. The Board of Directors has voluntary decided to move disclosure practices towards international standards, following the guidelines of Pillar 3 of the New Capital Accord (Basle II). FirstBank's disclosure of its Enterprise Risk Management framework, as well as highlights of key areas such as credit, operational, market, liquidity, legal and compliance risk in its annual report is a first for Nigeria. This level of disclosure is not at present a regulatory requirement. FirstBank's auditors, Akintola Williams Deloitte and Pannell Kerr Forster, have confirmed that the bank is not in contravention of any of the Banks and Other Financial Institutions Act regulations.

Table 1: Competitive position – Tier 1 banks**

	UBA	Oceanic	Zenith	First	Intercont.	Union	GTB
Year end	Sep-08	Sep-07	Sep-08 (15 months)	Mar-08	Feb-08	Mar-08 (9 months)	Feb-08
Capital (Nbn)	188.2	222.5	338.5	339.8	198.3	103.3	161.1
*Market cap (US$bn)	1.0	1.3	2.8	1.9	1.2	1.4	1.0
Total assets (Nbn)	1,966.8	1,227.0	2,384.6	1,363.7	1,643.7	750.3	1,040.5
Net loans (Nbn)	421.7	341.0	417.6	448.1	425.9	213.6	291.5
Net income (Nbn)	45.8	17.1	48.9	30.5	41.8	20.3	27.2
Capital/assets (%)	9.6	18.1	14.2	24.9	12.1	13.8	15.5
Liquidity ratio (%)	74.2	82.3	95.5	81.8	68.2	63.0	77.9
Net NPL ratio (%)	n.a.	(0.1)	n.a.	(0.7)	n.a.	5.8	(0.2)
NIM (%)	n.a.	4.9	n.a.	8.8	7.5	10.6	7.2
Cost ratio (%)	n.a.	51.6	n.a.	59.9	57.5	54.6	46.9
ROaE (%)	17.7	13.2	16.5	14.6	18.6	23.0	20.6
ROaA (%)	1.8	2.0	2.1	2.7	2.7	3.4	2.6

*Market cap as at 28 November 2008 with 1US$/N119.37, source: Africanselect.com
**Latest available audited financial information, figures annualised where applicable.

Management/Corporate governance

FirstBank abides by the Code of Corporate Governance for Banks in Nigeria Post Consolidation, which was issued by CBN and made effective in April 2006. A 16 member Board of Directors determines the general policy of the bank, all with lengthy tenures in the industry, both locally and internationally. The Board comprises of 7 executive and 8 non-executive directors (including the Chairman). As in the case of most of its peers, the independence of non-executive directors can be challenged on the basis of numerous related party transactions involving directors and/or director-related entities.

Credit/Counterparty risk

Credit risk is predominantly via the loan portfolio, interbank placements, contingencies and bills discounted, together comprising 76% of total assets as at F08 (F07: 73%). Although a shift from liquid assets to loans is evident, the asset mix is restricted by prudential requirements and a very short dated liability profile. Asset growth has accelerated post consolidation, with growth of 52% in F08 (F07: 56%). An average annual compound growth of around 44% was achieved over the past 4 years.

Table 2: Asset mix at year end	F07		F08	
	Nm	%	Nm	%
Cash & liquid assets	**430,054**	**48.0**	**577,211**	**42.3**
Cash	14,805	1.7	18,321	1.3
Reserve Bank balances	46,076	5.1	70,755	5.2
Treasury bills and bonds	71,477	8.0	93,396	6.8
Bills discounted	159,832	17.8	147,680	10.8
Balances with other banks*	137,864	15.4	247,059	18.1
Investments	64,048	7.2	71,532	5.2
Customer advances**	222,228	24.8	437,768	32.1
Fixed assets	16,850	1.9	29,155	2.1
Other assets	29,701	3.3	49,795	3.7
Contingencies	132,737	14.8	198,239	14.5
Total	**895,618**	**100.0**	**1,363,700**	**100.0**

*Excluding amounts held on behalf of customers with other banks outside Nigeria. ** Net advances including advances under finance lease. Source: FS

Loan portfolio: Gross loans increased a substantial 100% in F08, with net loans amounting to an increased 32% of total assets, up from 25% in F07. FirstBank is one of the dominant players in the corporate segment, which accounted for 67% of the Bank's advances book at end F08. Overdrafts comprised 39% of exposures, with the bank maintaining a short-dated loan book based on the short maturity profile of deposits. A high 51% of exposures matured in less than 3 months. Due to its corporate focus, the book reflected a level of concentration, with the largest exposure amounting to 8.4% of total advances, while the top five and twenty largest exposures jointly amounted to 23% and 40% respectively. However, the book was reasonably well diversified by economic sector.

Table 3: Advances book characteristics as at year end F08

By sector:	%		%
Oil and Gas	26.3	General Commerce	7.6
Manufacturing	9.0	Transport	2.3
Construction	5.4	Communication	3.6
Real estate	11.0	Finance and Insurance	16.4
General	16.9	Other	1.6
Largest exposures:	**%**	**By type:**	**%**
Single largest	8.4	Overdrafts	38.6
Five largest	23.4	Term loans	41.9
Ten largest	30.2	Commercial Paper	16.2
Twenty largest	40.1	Others	3.3

Source: Management

Contingencies: Contingencies primarily comprised acceptances, guarantees and indemnities; bonds and performance guarantees and treasury bills intermediation. Guarantees accounted for roughly 77% of contingencies. As at 31 March 2008, there were legal proceedings against the bank with a contingent liability of N817m (F07: N11.9bn). No provisions have been made since directors are of the opinion that no significant liabilities will arise.

Asset quality: Arrears reduced by 6% in F08. This, together with strong growth in advances, saw the arrears to gross loans ratio drop from 2.6% to 1.2%. In this respect, cognisance must be taken of the general lag in arrears following a period of rapid loan growth. Provisions were raised in accordance with prudential guidelines. Specific provisions covered 75% of the capital value in arrears and together with a 1% general provision on performing loans, total provisions amounted to 160% of arrears as at year-end F08 (F07: 107%).

Table 4: Asset quality at year end	F07 Nm	F08 Nm
Gross advances*	**229,262**	**457,463**
Performing	222,642	451,267
Non-performing	6,620	6,196
Less: Interest in suspense	(613)	(827)
Capital value in arrears	**6,007**	**5,369**
Less: Provisions	(6,421)	(8,570)
Specific	(4,194)	(4,057)
General	(2,227)	(4,513)
Net NPLs	**(414)**	**(3,201)**
Ratios		
Arrears/Gross loans (%)	2.6	1.2
Net NPL ratio (%)	(0.2)	(0.7)
Net NPL/sCapital (%)	n.a.	n.a.

* Includes advances under finance lease. Source: Management & FS.

Asset quality was further underpinned by the fact that 99.8% of the exposures were secured against real estate, cash, lien on marketable securities, guarantees and/or other assets. However, cognisance must be taken of the difficulty in realising security due to a cumbersome judicial process in Nigeria. As such, collateral is less of a consideration when analysing asset quality, as evidenced in the conservative provisioning levels maintained.

Liquidity risk

Despite a short dated deposit book, liquidity risk is mitigated through maintaining a highly liquid balance sheet, as well as the fact that a large portion of the loan book matures in one month, resulting in cumulative liquidity buffers across all maturity buckets. FirstBank maintains a highly liquid balance sheet with cash and liquid assets/total deposits amounting to 82% (F07: 72%), well above prudential requirements. The CBN reduced the liquidity requirement to 30% in August 2008 from a previous 40%.

Table 5: Gap analysis*	<1 month	1-3 months	3-12 months	>12 months
Cash & liquid assets	577,211	0	0	0
Customer advances	118,368	114,734	69,093	144,866
Fixed assets	0	0	0	29,155
Other assets	39,498	0	0	0
Total assets	**735,077**	**114,734**	**69,093**	**174,021**
Shareholders equity	0	0	0	339,847
Customer deposits	302,157	103,565	205,596	94,908
Other liabilities	46,852	0	0	0
Total liabilities	**349,009**	**103,565**	**205,596**	**434,755**
Liquidity buffer / (gap)	386,068	11,169	(136,503)	(260,734)
Cum liquidity buffer	**386,068**	**397,237**	**260,734**	**0**

* As at year end F08. Source: FS & management.

Financial flexibility

FirstBank is primarily funded via customer deposits and retained earnings, with access to additional capital via its listing on The Nigerian Stock Exchange. The Bank's deposit book has grown by 18% in F08, on the back of the Bank's sizeable branch network. The Bank's weighted average cost of funds was around 4.5% in F08, well below the industry's average. Although 39% of deposits mature within one month, given the large savings component, a substantial portion is rolled over. The large retail component ensures a well-diversified deposit book, with the single largest deposit equating to just 2% in F08, while the largest 20 deposits equated to only 19%.

FirstBank's total shareholders' funds stood at N340bn at F08 (F07: N77bn), significantly surpassing the statutory requirement. A risk weighted capital adequacy ratio of 48% was achieved at end F08 (F07: 23%).

Table 6: Deposit book characteristics as at year end F08

By type:	%	By maturity:	%
Demand	47.9	< 1 month	38.9
Term	18.3	1-3 months	15.7
Savings	26.9	3-12 months	31.0
Interbank borrowings	6.9	> 12 months	14.4
Largest deposits:	%		%
Single largest	2.2	Ten largest	14.8
Five largest	9.9	Twenty largest	19.0

Source: Management & FS.

Financial performance

A 5-year financial synopsis is reflected at the end of this report and brief comment follows.

Table 7: Budget vs actual result	Actual F08	Budget F08	% of budget*
Net interest income	**73,974.0**	**54,519.0**	**135.7**
Other income	34,343.0	48,377.0	71.0
Bad debt charge	(5,819.0)	(1,230.0)	473.1
Total operating income	**108,317.0**	**101,666.0**	**106.5**
Operating expenditure	(64,858.0)	(64,336.0)	100.8
NPBT	**43,459.0**	**37,330.0**	**116.4**

NPAT increased by 66% to N30.5bn in F08 (F07: N18.4bn), on the back of increased interest bearing assets, together with a widening of the net interest margin. Other income fell short of budget, although increasing by 22% from F07. In F08, the bad debt charge exceeded budget by 373%, resulting from higher than expected general provisions on the back of strong growth in the advances portfolio. Given the enhanced capital base, the bank's ROaE dropped to 14.6% from 26.5%, although ROaA improved slightly to 2.7% (F07: 2.5%).

Table 8: YTD actual vs F08 budget (bn)	Actual Sep 08*	Budget Sep 08	% of Budget
Net interest income	47.9	64.4	74.4
Other income	15.6	34.2	45.6
Total income	**63.5**	**98.6**	**64.4**
Bad debt charge	(3.2)	(5.1)	62.7
Operating expenditure	(40.6)	(51.9)	78.2
NPBT	**19.7**	**41.6**	**47.4**
Total assets	1,373.2	1,703.2	80.6
Advances	611.1	696.5	87.7
Capital	315.9	318.5	99.2
Deposits	838.5	1,050.4	79.8

* 6 month period Source: management

The bank's performance for the first 6 months of F09 was well behind budget, primarily due to lower than expected deposit mobilisation that impacted asset growth.

First Bank of Nigeria Plc

(N's in Millions except as noted)

Year end: 31 March

Income Statement	**2004**	**2005**	**2006**	**2007**	**2008**
Interest income	29,861.0	32,275.0	37,218.0	51,245.0	96,257.0
Interest expense	(4,374.0)	(5,854.0)	(7,750.0)	(13,237.0)	(22,283.0)
Net interest income	**25,487.0**	**26,421.0**	**29,468.0**	**38,008.0**	**73,974.0**
Other income	15,260.0	17,200.0	24,025.0	28,054.0	34,343.0
Total operating income	**40,747.0**	**43,621.0**	**53,493.0**	**66,062.0**	**108,317.0**
Bad debt charge	(1,755.0)	(1,828.0)	(3,617.0)	(2,519.0)	(5,819.0)
Operating expenditure	(24,886.0)	(26,648.0)	(33,748.0)	(41,446.0)	(64,858.0)
Exceptional items	0.0	0.0	3,703.0	0.0	0.0
NPBT	**14,106.0**	**15,145.0**	**19,831.0**	**22,097.0**	**37,640.0**
Tax	(3,010.0)	(2,961.0)	(3,778.0)	(3,742.0)	(7,167.0)
NPAT	**11,096.0**	**12,184.0**	**16,053.0**	**18,355.0**	**30,473.0**
Other after-tax income / (expenses)	0.0	0.0	0.0	0.0	0.0
Net income	**11,096.0**	**12,184.0**	**16,053.0**	**18,355.0**	**30,473.0**

Balance Sheet					
Common shareholders equity	38,621.0	44,672.0	60,980.0	77,351.0	339,847.0
Bonds & Prefs	0.0	0.0	0.0	0.0	0.0
Total capital and reserves	**38,621.0**	**44,672.0**	**60,980.0**	**77,351.0**	**339,847.0**
Borrowings	0.0	0.0	0.0	22,101.0	29,414.0
Deposits, current and other accounts	207,181.0	265,378.0	391,169.0	596,275.0	705,905.0
Other liabilities	72,765.0	94,699.0	122,619.0	199,891.0	288,534.0
Total capital and liabilities	**318,567.0**	**404,749.0**	**574,768.0**	**895,618.0**	**1,363,700.0**
Cash and liquid assets	153,048.0	161,173.0	205,766.0	430,054.0	577,211.0
Advances	78,040.0	115,610.0	177,358.0	222,228.0	448,065.0
Investments	16,825.0	24,655.0	63,729.0	64,048.0	71,532.0
Other assets	70,654.0	103,311.0	127,915.0	179,288.0	266,892.0
Total assets	**318,567.0**	**404,749.0**	**574,768.0**	**895,618.0**	**1,363,700.0**

Key ratios (%)					
Capitalisation					
Total capital / Advances	49.5	38.6	34.4	34.8	75.8
Total capital / Assets	12.1	11.0	10.6	8.6	24.9
Liquidity					
Advances / Total deposits	37.7	43.6	45.3	37.3	63.5
Cash and liquid assets / Total assets	48.0	39.8	35.8	48.0	42.3
Cash and liquid assets / Total deposits	73.9	60.7	52.6	72.1	81.8
Asset quality					
Loan loss reserves / Advances	38.7	24.6	5.9	2.9	1.9
General reserves / Advances	1.0	1.0	1.0	1.0	1.0
Specific reserves / Advances	37.8	23.6	5.0	1.9	0.9
Total reserves / Total assets	12.9	8.6	2.8	1.2	0.9
Gross non-performing loans / Gross advances	35.4	23.5	9.1	2.9	1.4
Gross non-performing loans / Gross advances (Excl. Int. in Suspense)	30.2	21.2	7.3	2.7	1.2
Net charge-off ratio	5.3	7.1	16.7	0.0	0.0
Bad debt charge / Average advances	2.6	1.9	2.5	1.3	1.7
Bad debt charge / Total operating income	4.3	4.2	6.8	3.8	5.4
Profitability					
Net interest margin	11.0	10.4	8.9	7.3	8.8
Non interest income / Total operating income	37.5	39.4	44.9	42.5	31.7
Cost ratio	61.1	61.1	63.1	62.7	59.9
Net profit margin	34.6	34.7	30.1	33.4	34.7
Effective tax rate	21.3	19.6	19.1	16.9	19.0
ROaE	34.9	29.3	23.4	26.5	14.6
ROaA	3.5	3.4	2.5	2.5	2.7
Nominal growth indicators					
Assets	(0.0)	27.1	42.0	55.8	52.3
Advances	39.2	48.1	53.4	25.3	101.6
Shareholders equity	54.2	15.7	36.5	26.8	339.4
Deposits	6.8	28.1	47.4	52.4	18.4
Net income	7.5	9.8	31.8	14.3	66.0

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.

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