

Nigeria

Credit Update

First Bank of Nigeria

Ratings

First Bank of Nigeria National

Long-Term A+(nga)
Short-Term F1(nga)

Financial Data

First Bank of Nigeria

| | 31 Mar 2004 | 31 Mar 2003 |
|----------------------|-------------|-------------|
| Total Assets (USDm) | 2,881.22 | 3,224.43 |
| Total Assets (NGNbn) | 384.21 | 409.08 |
| Equity (NGNbn) | 42.31 | 27.88 |
| Net Income (NGNbn) | 11.48 | 11.01 |
| ROA (%) | 2.90 | 3.15 |
| ROE (%) | 32.72 | 45.80 |
| Equity/Assets (%) | 11.01 | 6.82 |

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Rating Rationale

Assessment

- The National ratings assigned to First Bank of Nigeria PLC ("FBN") reflect the bank's strong domestic franchise and systemic importance in the Nigerian banking system. However, they also reflect FBN's high level of impaired loans and its difficult operating environment.
- Although profitability improved from the previous year, FBN's net interest margin narrowed during 2004. This was due to lower yields obtained on liquid funds, owing to lower interest rates arising from regulatory and competitive pressures. Reduced inter-bank lending during the second half of 2004, following the increased risk profile of the local inter-bank market, is likely to adversely affect FBN's net interest margin further during 2004/05.
- Non-interest income also continues to be under pressure, although the bank expects further growth in this source of income during FY05, on the back of increased transaction volumes and upward pricing adjustments. Strategically, the bank is focused on maintaining its market dominance and modernising its operating infrastructure. However, profitability remains hampered by a significant physical infrastructure cost burden.
- FBN continues to suffer from poor asset quality, with non-performing loans constituting 36% of gross impaired lending. About a third of the NPL balance comprises of one exposure to IILL, which has been fully provided for. Although 92% of impaired loans are provided for, current levels of rapid loan growth could see a further increase in problem loans. The bulk of loan growth has emerged from the manufacturing, telecommunications and general commerce sectors of the economy.
- In view of its strong domestic franchise, FBN maintains a stable low-cost funding structure and has benefited from depositor flight to quality in times of low market confidence. The bank's liquidity indicators are significantly better than those of other local banks.
- FBN's susceptibility to interest rate risk is mitigated by the bank's ability to reprice its assets and liabilities fairly rapidly in line with rate movements, while foreign exchange risk is reduced through stringent limits on foreign currency trading, which is confined to spot transactions. Foreign currency lending is restricted to clients with direct access to hard currency cashflows.
- The bank's capital-to-risk-weighted assets ratio stood at 21.5% at end-March 2004, compared with 16.8% at the previous year-end, with equity levels having been boosted by a rights issue during FY04. Although capital adequacy improved from the previous year, it is still somewhat overstated by international standards in view of the bank's significant exposure to zero-risk weighted government securities. At end-March 2004, FBN had already met the Central Bank of Nigeria's (CBN) new minimum capital requirement of NGN25bn. However, Fitch still considers risk-weighted capital to be low for the bank's difficult operating environment.

Support

- In view of FBN's size and systemic importance in the local banking system, Fitch believes there is a high probability that support would be forthcoming from the CBN, if required. However, there may be financial constraints on the regulatory authority's capacity to provide such support.

Background

- FBN is the second-largest bank in Nigeria by asset size. It is a universal bank that also provides other financial services, such as insurance broking, registrarship and trusteeship services, through a combination of subsidiary and associated companies. In addition, it wholly-owns FBN Bank (UK) Limited, a London-based banking subsidiary.

17 December 2004

Balance Sheet Analysis
FIRST BANK OF NIGERIA (C.)

| | 31 Mar 2004 | | | | 31 Mar 2003 | | | 31 Mar 2002 | | 31 Mar 2001 | |
|---|------------------|---------------------|--------------------|-------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|--|
| | Year End | Year End | As % of | Average | Year End | As % of | Year End | As % of | Year End | As % of | |
| | USDm Original | NGNbn Original | Assets Original | NGNbn Original | NGNbn Original | Assets Original | NGNbn Original | Assets Original | NGNbn Original | Assets Original | |
| A. LOANS | | | | | | | | | | | |
| 1. Secured Loans | 574.9 | 76.7 | 19.95 | 65.9 | 55.0 | 13.45 | 60.1 | 20.68 | 44.2 | 19.71 | |
| 2. Other Loans | 23.7 | 3.2 | 0.82 | 3.5 | 3.9 | 0.96 | 3.9 | 1.33 | 3.2 | 1.43 | |
| 3. Leased Assets | 9.9 | 1.3 | 0.34 | 1.4 | 1.4 | 0.35 | 0.7 | 0.23 | 1.1 | 0.49 | |
| 4. Impaired Loans | 347.8 | 46.4 | 12.07 | 43.6 | 40.8 | 9.96 | 33.2 | 11.44 | 15.3 | 6.81 | |
| 5. (Loan Loss Reserves) | 320.2 | 42.7 | 11.11 | 41.0 | 39.3 | 9.60 | 30.8 | 10.60 | 12.4 | 5.56 | |
| TOTAL A | 636.0 | 84.8 | 22.08 | 73.3 | 61.9 | 15.12 | 67.1 | 23.08 | 51.3 | 22.88 | |
| B. OTHER EARNING ASSETS | | | | | | | | | | | |
| 1. Deposits with Banks | 970.6 | 129.4 | 33.69 | 159.1 | 188.9 | 46.17 | 121.6 | 41.86 | 91.3 | 40.75 | |
| 2. Realisable Securities | 741.3 | 98.8 | 25.73 | 102.5 | 106.2 | 25.97 | 63.7 | 21.91 | 40.5 | 18.08 | |
| 3. Other Investments | 130.9 | 17.5 | 4.54 | 10.2 | 3.0 | 0.72 | 2.7 | 0.92 | 0.3 | 0.12 | |
| TOTAL B | 1,842.8 | 245.7 | 63.96 | 271.9 | 298.1 | 72.86 | 188.0 | 64.69 | 132.1 | 58.95 | |
| C. TOTAL EARNING ASSETS (A+B) | 2,478.8 | 330.5 | 86.03 | 345.2 | 359.9 | 87.98 | 255.1 | 87.77 | 183.3 | 81.84 | |
| D. FIXED ASSETS | 75.7 | 10.1 | 2.63 | 9.6 | 9.1 | 2.22 | 8.2 | 2.82 | 7.6 | 3.41 | |
| E. NON-EARNING ASSETS | | | | | | | | | | | |
| 1. Cash and Due from Banks | 144.5 | 19.3 | 5.01 | 18.6 | 17.9 | 4.37 | 18.2 | 6.26 | 19.9 | 8.87 | |
| 2. Other | 182.3 | 24.3 | 6.33 | 23.3 | 22.2 | 5.43 | 9.2 | 3.15 | 13.2 | 5.89 | |
| F. TOTAL ASSETS | 2,881.2 | 384.2 | 100.00 | 396.6 | 409.1 | 100.00 | 290.6 | 100.00 | 224.0 | 100.00 | |
| G. DEPOSITS AND MONEY MARKET FUNDING | | | | | | | | | | | |
| 1. Customer Deposits | 1,915.9 | 255.5 | 66.50 | 262.5 | 269.6 | 65.90 | 178.6 | 61.46 | 155.3 | 69.33 | |
| 2. Inter-bank Deposits | n.a. | n.a. | - | n.a. | n.a. | - | 14.4 | 4.94 | 0.3 | 0.14 | |
| 3. Other | n.a. | n.a. | - | n.a. | n.a. | - | n.a. | - | n.a. | - | |
| TOTAL G | 1,915.9 | 255.5 | 66.50 | 262.5 | 269.6 | 65.90 | 193.0 | 66.40 | 155.6 | 69.46 | |
| H. OTHER FUNDING | | | | | | | | | | | |
| 1. Subordinated Debt | n.a. | n.a. | - | n.a. | n.a. | - | n.a. | - | n.a. | - | |
| 2. Other Long-term Borrowing | n.a. | n.a. | - | n.a. | n.a. | - | n.a. | - | n.a. | - | |
| 3. Hybrid Capital | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | |
| I. OTHER (Non-int. bearing) | 648.0 | 86.4 | 22.49 | 99.0 | 111.6 | 27.29 | 77.4 | 26.64 | 49.5 | 22.09 | |
| L. EQUITY | 317.3 | 42.3 | 11.01 | 35.1 | 27.9 | 6.82 | 20.2 | 6.95 | 18.9 | 8.45 | |
| M. TOTAL LIABILITIES & EQUITY | 2,881.2 | 384.2 | 100.00 | 396.6 | 409.1 | 100.00 | 290.6 | 100.00 | 224.0 | 100.00 | |
| Exchange Rate | | USD1 = NGN 133.3500 | | | USD1 = NGN 126.8700 | | USD1 = NGN 115.6000 | | USD1 = NGN 110.2000 | | |

Income Statement Analysis FIRST BANK OF NIGERIA (C.)

| | 31 Mar 2004 | | 31 Mar 2003 | | 31 Mar 2002 | | 31 Mar 2001 | |
|--|--------------------------------------|--|--------------------------------------|--|--------------------------------------|--|--------------------------------------|--|
| | Income Expenses NGNbn Original | As % of Total AV Earning Assts Original | Income Expenses NGNbn Original | As % of Total AV Earning Assts Original | Income Expenses NGNbn Original | As % of Total AV Earning Assts Original | Income Expenses NGNbn Original | As % of Total AV Earning Assts Original |
| 1. Interest Income | 33.3 | 9.65 | 36.8 | 11.97 | 33.8 | 15.40 | 22.6 | 13.01 |
| 2. Interest Expense | 6.6 | 1.90 | 6.6 | 2.14 | 4.7 | 2.12 | 4.9 | 2.83 |
| 3. NET INTEREST REVENUE | 26.7 | 7.74 | 30.2 | 9.82 | 29.1 | 13.28 | 17.7 | 10.18 |
| 4. Net Fees and Commissions | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 5. Other Operating Income | 18.0 | 5.22 | 13.8 | 4.49 | 12.5 | 5.71 | 9.7 | 5.56 |
| 6. Personnel Expenses | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Other Operating Expenses | 26.9 | 7.80 | 25.3 | 8.22 | 18.6 | 8.48 | 16.3 | 9.38 |
| 8. Loan Loss Provisions | 3.0 | 0.86 | 4.3 | 1.40 | 6.2 | 2.81 | 4.3 | 2.49 |
| 9. OPERATING PROFIT | 14.9 | 4.30 | 14.4 | 4.69 | 16.9 | 7.69 | 6.7 | 3.86 |
| 10. Other Income and Expenses | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 11. PROFIT BEFORE EXCEPTIONAL ITEMS | 14.9 | 4.30 | 14.4 | 4.69 | 16.9 | 7.69 | 6.7 | 3.86 |
| 12. Exceptional Items | 0.0 | 0.00 | 0.0 | 0.00 | -10.7 | -4.88 | n.a. | - |
| 13. PRE-TAX PROFIT | 14.9 | 4.30 | 14.4 | 4.69 | 6.2 | 2.82 | 6.7 | 3.86 |
| 14. Taxes | 3.4 | 0.98 | 3.4 | 1.11 | 1.4 | 0.64 | 1.6 | 0.95 |
| 15. PUBLISHED NET INCOME INCLUDING MINORITIES | 11.5 | 3.33 | 11.0 | 3.58 | 4.8 | 2.18 | 5.1 | 2.91 |
| 17. Memo: FITCH NET INCOME | 11.5 | 3.33 | 11.0 | 3.58 | 4.8 | 2.18 | 5.1 | 2.91 |

Ratio Analysis

FIRST BANK OF NIGERIA (C.)

| | | 31 Mar 2004 Original | 31 Mar 2003 Original | 31 Mar 2002 Original | 31 Mar 2001 Original |
|---|---|-------------------------|-------------------------|-------------------------|-------------------------|
| II. PROFITABILITY LEVEL | | | | | |
| 1. Pre-tax Profit/Total Assets (av.) | % | 3.74 | 4.12 | 2.40 | 3.21 |
| 2. Net Income/Equity (av.) | % | 32.72 | 45.80 | 24.41 | 28.99 |
| 3. Net Income/Total Assets (av.) | % | 2.90 | 3.15 | 1.86 | 2.42 |
| 4. Non-int. Exp./Net Interest Rev. + Other Operating Income | % | 60.20 | 57.44 | 44.66 | 59.61 |
| 5. Net Interest Rev./Total Assets (av.) | % | 6.74 | 8.63 | 11.31 | 8.45 |
| III. CAPITAL ADEQUACY (year end) | | | | | |
| 1. Internal Capital Generation | % | 17.25 | 29.94 | 10.91 | 16.89 |
| 2. Equity/Total Assets | % | 11.01 | 6.82 | 6.95 | 8.45 |
| 3. Equity/Loans | % | 49.89 | 45.06 | 30.13 | 36.93 |
| 4. Capital/Risks - Tier 1 | % | n.a. | n.a. | n.a. | n.a. |
| 5. Capital/Risks - Total | % | 21.54 | 16.81 | 13.82 | 18.92 |
| IV. LIQUIDITY (year end) | | | | | |
| 1. Liquid Assets/Deposits and Money Market Funding | % | 96.89 | 116.10 | 105.46 | 97.46 |
| 2. Loans/Deposits and Money Market Funding | % | 33.20 | 22.95 | 34.75 | 32.95 |
| V. ASSET QUALITY | | | | | |
| 1. Net Charge-offs/Loans (av.) | % | -4.52 | -2.90 | -2.64 | -0.99 |
| 2. Provision for Loan Losses/Loans Gross (av.) | % | 2.58 | 4.33 | 7.63 | 7.36 |
| 3. Provision for Loan Losses/Profit before Provisions and Taxes | % | 16.59 | 23.01 | 49.97 | 39.25 |
| 4. Loan Loss Reserves/Loans Gross | % | 33.48 | 38.83 | 31.49 | 19.53 |
| 5. Impaired Loans Gross/Loans Gross | % | 36.37 | 40.30 | 33.95 | 23.96 |
| 6. Loan Loss Reserves/Impaired Loans Gross | % | 92.07 | 96.36 | 92.74 | 81.53 |
| 7. Impaired Loans Net/Equity | % | 8.69 | 5.32 | 11.95 | 14.90 |