

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 05	31 Mar 04
Total Assets (USDm)	3,557.5	2,881.22
Total Assets (NGNbn)	470.8	384.21
Equity (NGNbn)	49.8	42.31
Net Income (NGNbn)	13.2	11.48
ROA (%)	3.10	2.90
ROE (%)	28.73	32.72
Equity/Assets (%)	10.58	11.01

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Rating Rationale

- The National ratings assigned to First Bank of Nigeria PLC ("FBN") reflect the bank's strong domestic franchise and its importance in the Nigerian banking system. However, they also reflect FBN's high level of impaired loans and its difficult operating environment.
- End-November 2005 FBN signed a merger/business combination agreement with Ecobank Transnational. This encompasses a merger of FBN with Ecobank Nigeria (USD282.7m total assets, USD33m equity) and a 40% cross-shareholding with Ecobank Transnational to create a major regional player active in 13 African countries with c.USD5.5 billion in total assets and over 470 branches. Shareholder and regulatory approval are expected in December 2005 and August 2006, respectively.
- While non-interest income benefited from increased transaction volumes and price increases, lower interest rates depressed margins and profitability. FBN's net interest margin has further narrowed during FY05.
- FBN's loan portfolio is highly concentrated with the largest and 10 largest equalling 22.3% and 100% of equity, respectively, at FYE05. The bank continues to suffer from poor asset quality, with non-performing loans constituting 24% of loans (8% of assets) at end-March. The bulk of loan growth has emerged from the manufacturing, telecommunications and general commerce sectors.
- FBN's susceptibility to interest-rate risk is mitigated by the bank's ability to reprice its assets and liabilities fairly rapidly. Foreign-currency lending is restricted to clients with direct access to hard-currency cash flows.
- In view of its strong domestic franchise, FBN maintains a stable low-cost funding structure. The bank's liquidity indicators are better than those of other local banks.
- The bank's regulatory capital ratio diminished to 18.9% at end-Q105 (FYE04: 21.5%) due a sizeable increase in lending. Capital adequacy is somewhat overstated by international standards because of significant exposure to zero-risk-weighted government securities. Fitch considers 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.

Rating Outlook and Key Rating Drivers

- Reduced asset concentration, significantly improved asset quality and capitalisation could be upside drivers for FBN's National ratings.
- Although 96% of impaired loans were provided for at end-Q105, current rapid loan growth could see a further increase in problem loans. Downside risk could also arise from the invention of new products like pension services or venture capital, where management has limited expertise.

Profile

- With 364 branches FBN is one of Nigeria's largest banks. It is a universal bank also providing other financial services such as insurance broking, registrar- and trusteeship services through subsidiaries and associates. FBN Bank (UK) Limited is its wholly owned London-based banking subsidiary.

19 December 2005

Balance Sheet Analysis
FIRST BANK OF NIGERIA (C.)

	31 Mar 2005				31 Mar 2004		31 Mar 2003		31 Mar 2002	
	Year End USDm Original	Year End NGNbn Original	As % of Assets Original	Average NGNbn Original	Year End NGNbn Original	As % of Assets Original	Year End NGNbn Original	As % of Assets Original	Year End NGNbn Original	As % of Assets Original
A. LOANS										
1. Secured Loans	893.0	118.2	25.10	97.4	76.7	19.95	55.0	13.45	60.1	20.68
2. Other Loans	29.6	3.9	0.83	3.5	3.2	0.82	3.9	0.96	3.9	1.33
3. Leased Assets	9.7	1.3	0.27	1.3	1.3	0.34	1.4	0.35	0.7	0.23
4. Impaired Loans	299.0	39.6	8.40	43.0	46.4	12.07	40.8	9.96	33.2	11.44
5. (Loan Loss Reserves)	286.7	37.9	8.06	40.3	42.7	11.11	39.3	9.60	30.8	10.60
TOTAL A	944.6	125.0	26.55	104.9	84.8	22.08	61.9	15.12	67.1	23.08
B. OTHER EARNING ASSETS										
1. Deposits with Banks	1,017.5	134.7	28.60	132.0	129.4	33.69	188.9	46.17	121.6	41.86
2. Realisable Securities	798.1	105.6	22.43	102.2	98.8	25.73	106.2	25.97	63.7	21.91
3. Other Investments	163.6	21.7	4.60	19.6	17.5	4.54	3.0	0.72	2.7	0.92
TOTAL B	1,979.2	261.9	55.63	253.8	245.7	63.96	298.1	72.86	188.0	64.69
C. TOTAL EARNING ASSETS (A+B)	2,923.8	387.0	82.19	358.8	330.5	86.03	359.9	87.98	255.1	87.77
D. FIXED ASSETS	95.9	12.7	2.69	11.4	10.1	2.63	9.1	2.22	8.2	2.82
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	207.5	27.5	5.83	23.4	19.3	5.01	17.9	4.37	18.2	6.26
2. Other	330.3	43.7	9.28	34.0	24.3	6.33	22.2	5.43	9.2	3.15
F. TOTAL ASSETS	3,557.5	470.8	100.00	427.5	384.2	100.00	409.1	100.00	290.6	100.00
G. DEPOSITS AND MONEY MARKET FUNDING										
1. Customer Deposits	2,510.0	332.2	70.55	293.8	255.5	66.50	269.6	65.90	178.6	61.46
2. Inter-bank Deposits	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	14.4	4.94
3. Other	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL G	2,510.0	332.2	70.55	293.8	255.5	66.50	269.6	65.90	193.0	66.40
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)	671.2	88.8	18.87	87.6	86.4	22.49	111.6	27.29	77.4	26.64
L. EQUITY	376.3	49.8	10.58	46.1	42.3	11.01	27.9	6.82	20.2	6.95
M. TOTAL LIABILITIES & EQUITY	3,557.5	470.8	100.00	427.5	384.2	100.00	409.1	100.00	290.6	100.00
Exchange Rate		USD1 = NGN 132.3500			USD1 = NGN 133.3500		USD1 = NGN 126.8700		USD1 = NGN 115.6000	

Income Statement Analysis FIRST BANK OF NIGERIA (C.)

	31 Mar 2005		31 Mar 2004		31 Mar 2003		31 Mar 2002	
	Income	As % of	Income	As % of	Income	As % of	Income	As % of
	Expenses	Total AV	Expenses	Total AV	Expenses	Total AV	Expenses	Total AV
	NGNbn	Earning Assts	NGNbn	Earning Assts	NGNbn	Earning Assts	NGNbn	Earning Assts
	Original	Original	Original	Original	Original	Original	Original	Original
1. Interest Income	36.5	10.16	33.3	9.65	36.8	11.97	33.8	15.40
2. Interest Expense	8.6	2.38	6.6	1.90	6.6	2.14	4.7	2.12
3. NET INTEREST REVENUE	27.9	7.78	26.7	7.74	30.2	9.82	29.1	13.28
4. Net Fees and Commissions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Operating Income	20.8	5.80	18.0	5.22	13.8	4.49	12.5	5.71
6. Personnel Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Operating Expenses	29.5	8.21	26.9	7.80	25.3	8.22	18.6	8.48
8. Loan Loss Provisions	2.4	0.68	3.0	0.86	4.3	1.40	6.2	2.81
9. OPERATING PROFIT	16.8	4.69	14.9	4.30	14.4	4.69	16.9	7.69
10. Other Income and Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. PROFIT BEFORE EXCEPTIONAL ITEMS	16.8	4.69	14.9	4.30	14.4	4.69	16.9	7.69
12. Exceptional Items	n.a.	-	0.0	0.00	0.0	0.00	-10.7	-4.88
13. PRE-TAX PROFIT	16.8	4.69	14.9	4.30	14.4	4.69	6.2	2.82
14. Taxes	3.6	1.00	3.4	0.98	3.4	1.11	1.4	0.64
15. PUBLISHED NET INCOME INCLUDING MINORITIES	13.2	3.69	11.5	3.33	11.0	3.58	4.8	2.18
17. Memo: FITCH NET INCOME	13.2	3.69	11.5	3.33	11.0	3.58	4.8	2.18

Ratio Analysis FIRST BANK OF NIGERIA (C.)

		31 Mar 2005	31 Mar 2004	31 Mar 2003	31 Mar 2002
		Original	Original	Original	Original
II. PROFITABILITY LEVEL					
1. Pre-tax Profit/Total Assets (av.)	%	3.93	3.74	4.12	2.40
2. Net Income/Equity (av.)	%	28.73	32.72	45.80	24.41
3. Net Income/Total Assets (av.)	%	3.10	2.90	3.15	1.86
4. Non-int. Exp./Net Interest Rev. + Other Operating Income	%	60.49	60.20	57.44	44.66
5. Net Interest Rev./Total Assets (av.)	%	6.53	6.74	8.63	11.31
III. CAPITAL ADEQUACY (year end)					
1. Internal Capital Generation	%	15.00	17.25	29.94	10.91
2. Equity/Total Assets	%	10.58	11.01	6.82	6.95
3. Equity/Loans	%	39.84	49.89	45.06	30.13
4. Capital/Risks - Tier 1	%	n.a.	n.a.	n.a.	n.a.
5. Capital/Risks - Total	%	19.40	21.54	16.81	13.82
IV. LIQUIDITY (year end)					
1. Liquid Assets/Deposits and Money Market Funding	%	80.60	96.89	116.10	105.46
2. Loans/Deposits and Money Market Funding	%	37.64	33.20	22.95	34.75
V. ASSET QUALITY					
1. Net Charge-offs/Loans (av.)	%	0.12	-4.52	-2.90	-2.64
2. Provision for Loan Losses/Loans Gross (av.)	%	1.67	2.58	4.33	7.63
3. Provision for Loan Losses/Profit before Provisions and Taxes	%	12.64	16.59	23.01	49.97
4. Loan Loss Reserves/Loans Gross	%	23.28	33.48	38.83	31.49
5. Impaired Loans Gross/Loans Gross	%	24.28	36.37	40.30	33.95
6. Loan Loss Reserves/Impaired Loans Gross	%	95.88	92.07	96.36	92.74
7. Impaired Loans Net/Equity	%	3.27	8.69	5.32	11.95