

Nigeria
Credit Update

First Bank of Nigeria Plc

Ratings

First Bank of Nigeria Plc

Foreign Currency

Long-Term IDR*	B+
Short-Term	B
Outlook	Stable

National

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

Individual	D
Support	4

Sovereign Risk

Foreign Long-Term IDR*	BB-
Local Long-Term IDR*	BB-
Outlook	Stable

* IDR – Issuer Default Rating

Financial Data

First Bank of Nigeria Plc

	30 Sept 06	31 Mar 06
Total Assets (USDm)	5,825.0	4,831.7
Total Assets (NGNbn)	739.8	614.8
Equity (NGNbn)	62.9	62.3
Net Income (NGNbn)	10.2	17.4
ROAA (%)	3.0	3.2
ROAE (%)	32.6	31.0
Tier 1 Ratio (%)	14.7	17.5

Analysts

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■ **Rating Rationale**

- As a result of First Bank of Nigeria's ("FirstBank") well established and strong domestic franchise, the bank's Issuer Default, National and Support ratings are support-driven. FirstBank's Individual rating reflects its improved financial performance and asset quality indicators. These ratings also take into account Nigeria's difficult operating environment and strong credit growth.
- Management continues to hold discussions with Ecobank Transnational with regards to a potential merger. For the moment negotiations are continuing.
- During FY06, net earnings before exceptional items increased yoy by 8% to NGN18.1bn. The increase was as a result of higher net interest and commission income, and was partly offset by higher operating costs. At FYE06, efficiency measures remained flat at 61.4% (FYE05: 60.4%). Strong improvements in financial performance were reported for H107 with recurring net earnings growing by 64.5% in comparison with the same period in the prior year.
- At FYE06, gross loans had grown by 19% yoy to NGN193.3bn and the annualised growth accelerated to 86% in H107. At FYE06, loans comprised retail (18%) and wholesale clients (82%). Loan concentrations existed in the manufacturing sector (31%) and the 20 largest loans accounted for 47% of gross loans. Asset quality indicators have improved, with the NPL ratio reducing to 8.9% from 24.2% at FYE05, as a result of significant write-offs. The coverage ratio declined to 0.82x cover at FYE06 (FYE05: 0.95x).
- Interest rate and FX risk are considered the main components of market risk facing the bank. Interest rate risk is considered low in light of the bank's ability to reprice interest-sensitive assets and liabilities rapidly, and FX exposures are managed within limits.
- At FYE06, customer deposits grew by 35% to NGN448.9bn and comprised retail (71%) and wholesale deposits (29%). At FYE06, customer deposits were diversified, with the 20 largest depositors accounting for 9% of deposits. Liquidity levels were adequate, with the loans/deposit ratio at 52.4% for H107.
- At FYE06, capital increased by 25% to NGN62.3bn, while the Tier 1 capital adequacy ratio deteriorated to 17.5% from 18.9% at FYE05. Fitch considers FirstBank's capital levels to be acceptable, although the agency expects these ratios to decline if the trend in credit growth continues.

Support

- FirstBank's shares are largely held by Nigerians, with no single investor having a controlling interest. In view of FirstBank's systemic importance, support from the Central Bank of Nigeria ("CBN") is probable but there may be financial constraints on the CBN's propensity to provide such support.

■ **Rating Outlook and Key Rating Drivers**

- FirstBank's outlook is Stable. Upside drivers of the bank's Issuer Default, National and Support ratings is directly linked to an improvement in the Nigerian operating environment.
- Downward pressure on the Individual rating would occur if the bank's financial performance is adversely affected by a deterioration in asset quality and declining capital levels.

■ **Profile**

- FirstBank is a Nigerian-listed commercial bank, established in 1894, and has one of the most established domestic franchises, with 394 branches.

27 November 2006

Balance Sheet Analysis
FIRST BANK OF NIGERIA (C.)

	30 Sep 2006				31 Mar 2006		31 Mar 2005		31 Mar 2004	
	6 Months - Interim USDm Original	6 Months - Interim 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	1,996.4	253.5	34.27	211.9	170.2	27.69	118.2	25.10	76.7	19.95
2. Other Loans	n.a.	n.a.	-	n.a.	4.1	0.67	3.9	0.83	3.2	0.82
3. Leased Assets	20.9	2.7	0.36	2.2	1.7	0.28	1.3	0.27	1.3	0.34
4. Impaired Loans	n.a.	n.a.	-	n.a.	17.3	2.82	39.6	8.40	46.4	12.07
5. (Loan Loss Reserves)	n.a.	n.a.	-	n.a.	14.4	2.34	37.9	8.06	42.7	11.11
TOTAL A	2,017.3	256.2	34.63	217.6	179.0	29.11	125.0	26.55	84.8	22.08
B. OTHER EARNING ASSETS										
1. Deposits with Banks	1,366.9	173.6	23.47	171.6	169.6	27.58	129.3	27.46	129.4	33.69
2. Realisable Securities	594.3	75.5	10.20	91.9	108.3	17.62	105.6	22.43	98.8	25.73
3. Other Investments	840.1	106.7	14.42	83.8	60.9	9.90	21.7	4.60	17.5	4.54
TOTAL B	2,801.2	355.8	48.09	347.3	338.8	55.10	256.6	54.49	245.7	63.96
C. TOTAL EARNING ASSETS (A+B)	4,818.5	612.0	82.72	564.9	517.8	84.21	381.6	81.04	330.5	86.03
D. FIXED ASSETS	124.4	15.8	2.14	15.0	14.2	2.31	12.7	2.69	10.1	2.63
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	378.7	48.1	6.50	49.5	51.0	8.29	32.9	6.98	19.3	5.01
2. Other	503.4	63.9	8.64	47.9	31.9	5.18	43.7	9.28	24.3	6.33
F. TOTAL ASSETS	5,825.0	739.8	100.00	677.3	614.8	100.00	470.8	100.00	384.2	100.00
G. DEPOSITS AND MONEY MARKET FUNDING										
1. Customer Deposits	3,846.0	488.4	66.02	468.7	448.9	73.01	331.8	70.47	255.5	66.50
2. Inter-bank Deposits	3.8	0.5	0.07	14.7	28.9	4.69	19.5	4.15	n.a.	-
3. Other	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL G	3,849.8	488.9	66.09	483.3	477.8	77.71	351.3	74.62	255.5	66.50
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	n.a.	n.a.	-	n.a.	0.0	0.00	0.0	0.00	0.0	0.00
I. OTHER (Non-int. bearing)	1,479.6	187.9	25.40	131.3	74.8	12.16	69.7	14.81	86.4	22.49
L. EQUITY	495.6	62.9	8.51	62.6	62.3	10.13	49.8	10.58	42.3	11.01
M. TOTAL LIABILITIES & EQUITY	5,825.0	739.8	100.00	677.3	614.8	100.00	470.8	100.00	384.2	100.00
Exchange Rate		USD1 = NGN 127.0000			USD1 = NGN 127.2500		USD1 = NGN 132.3500		USD1 = NGN 133.3500	

Income Statement Analysis
FIRST BANK OF NIGERIA (C.)

	30 Sep 2006		31 Mar 2006		31 Mar 2005		31 Mar 2004	
	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	25.2	8.91	40.7	9.06	36.5	10.24	33.3	9.65
2. Interest Expense	7.5	2.65	10.0	2.23	8.6	2.40	6.6	1.90
3. NET INTEREST REVENUE	17.7	6.26	30.7	6.83	27.9	7.84	26.7	7.74
4. Net Fees and Commissions	n.a.	-	18.8	4.17	12.9	3.62	n.a.	-
5. Other Operating Income	16.1	5.68	7.9	1.77	7.9	2.22	18.0	5.22
6. Personnel Expenses	9.2	3.25	15.3	3.41	12.8	3.58	n.a.	-
7. Other Operating Expenses	10.8	3.83	19.9	4.43	16.7	4.69	26.9	7.80
8. Loan Loss Provisions	0.6	0.21	4.0	0.89	2.4	0.68	3.0	0.86
9. OPERATING PROFIT	13.2	4.66	18.1	4.03	16.8	4.72	14.9	4.30
10. Other Income and Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. PROFIT BEFORE EXCEPTIONAL ITEMS	13.2	4.66	18.1	4.03	16.8	4.72	14.9	4.30
12. Exceptional Items	0.0	0.00	3.7	0.82	n.a.	-	0.0	0.00
13. PRE-TAX PROFIT	13.2	4.66	21.8	4.86	16.8	4.72	14.9	4.30
14. Taxes	2.9	1.04	4.5	0.99	3.6	1.00	3.4	0.98
15. PUBLISHED NET INCOME INCLUDING MINORITIES	10.2	3.62	17.4	3.87	13.2	3.72	11.5	3.33
17. Memo: FITCH NET INCOME	10.2	3.62	17.4	3.87	13.2	3.72	11.5	3.33

Ratio Analysis
FIRST BANK OF NIGERIA (C.)

		30 Sep 2006	31 Mar 2006	31 Mar 2005	31 Mar 2004
		Original	Original	Original	Original
II. PROFITABILITY LEVEL					
1. Pre-tax Profit/Total Assets (av.)	%	3.89	4.02	3.93	3.74
2. Net Income/Equity (av.)	%	32.67	31.01	28.73	32.72
3. Net Income/Total Assets (av.)	%	3.02	3.20	3.10	2.90
4. Non-int. Exp./Net Interest Rev. + Other Operating Income	%	59.21	61.47	60.49	60.20
5. Net Interest Rev./Total Assets (av.)	%	5.22	5.66	6.53	6.74
III. CAPITAL ADEQUACY (year end)					
1. Internal Capital Generation	%	32.67	21.67	15.00	17.25
2. Equity/Total Assets	%	8.51	10.13	10.58	11.01
3. Equity/Loans	%	24.57	34.80	39.84	49.89
4. Capital/Risks - Tier 1	%	14.70	17.50	n.a.	n.a.
5. Capital/Risks - Total	%	15.40	18.40	18.90	21.54
IV. LIQUIDITY (year end)					
1. Liquid Assets/Deposits and Money Market Funding	%	60.78	68.84	76.21	96.89
2. Loans/Deposits and Money Market Funding	%	52.40	37.47	35.59	33.20
V. ASSET QUALITY					
1. Net Charge-offs/Loans (av.)	%	n.a.	n.a.	n.a.	-4.52
2. Provision for Loan Losses/Loans Gross (av.)	%	0.54	2.24	1.67	2.58
3. Provision for Loan Losses/Profit before Provisions and Taxes	%	4.30	15.43	12.64	16.59
4. Loan Loss Reserves/Loans Gross	%	n.a.	7.43	23.28	33.48
5. Impaired Loans Gross/Loans Gross	%	n.a.	8.97	24.28	36.37
6. Loan Loss Reserves/Impaired Loans Gross	%	n.a.	82.84	95.88	92.07
7. Impaired Loans Net/Equity	%	n.a.	4.78	3.27	8.69