

Citibank Nigeria Limited

2024 Final Entity Rating Report



Citibank Nigeria Limited

Issuer Rating:

Aa+

ESG Score:

2

Outlook: Stable

Issue Date: 11 November 2024

Expiry Date: 30 June 2025

Previous Rating: Aa+

Industry: Banking

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A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.

RATING RATIONALE

Agusto & Co. affirms the 'Aa+' rating assigned to Citibank Nigeria Limited ('Citibank' or 'the Bank') reflecting the strong technical and governance support offered by Citigroup (the Parent), a global diversified financial service company with over two centuries of experience in over 160 countries and rated 'BBB+' by Standard & Poor's. The rating also reflects the Bank's good asset quality, good and stable profitability, good liquidity profile and strong ability to refinance. However, offsetting these positive factors are obligor and sectorial concentration in the loan book, low market share and the weak macroeconomic environment. We have also attached a '2' ESG score which denotes that environmental, social and governance issues have minimal impact on the assigned credit rating.

Over the last four decades, Citibank has provided financial support to leading blue-chip corporates and multinational institutions largely in the general commerce, oil and gas, and manufacturing sectors. In the financial year ended 31 December 2023, the loan book expanded by 34.6% to ₦275.8 billion due to new disbursements and the impact of the steep naira depreciation. The Bank's wholesale business model resulted in a concentrated loan portfolio as ten obligors accounted for 56.2% (FYE 2022: 58.1%) as at FYE 2023. In addition, exposures to one obligor accounted for 25.5% of shareholders' funds, exceeding the 20% regulatory single obligor limit as at the same date. Notwithstanding the marginal reduction in the obligor concentration, vulnerability to the financial health of these clients remains high. However, the good historical antecedence of these obligors and offshore parental guarantees provide some comfort. Despite the raging headwinds, the impaired loan portfolio has remained muted over the last three years, reflecting an effective credit risk management framework. As at FYE 2023, the impaired loan ratio stood at 0.01%, significantly below the 5% regulatory guidance. We consider the Bank's asset quality good, supported by a conservative approach to managing the risk assets.

Citibank's capitalisation remains acceptable with sufficient buffers to absorb potential losses. As at FYE 2023, the capital adequacy ratio was 17.9%, well above the regulatory minimum of 10% for commercial banks with national authorisation. Notwithstanding,

the Central Bank of Nigeria (CBN) has directed all national commercial banks to meet a minimum paid-up capital requirement of ₦200 billion by the end of March 2026. As at 31 August 2024, the bank faces a potential capital shortfall of ₦185.6 billion to comply with this new regulation. A rights issue exercise is expected to be implemented to ensure compliance with the directive before the 31 March 2026 deadline. We expect this initiative to be successful considering the strong parental support.

Membership in a global financial institution and a strong brand franchise underpinned Citibank's liability generation. Given the elevated interest rate in the year under review, the volume of remunerated deposits grew by 132.1% year-on-year and represented a higher 13.7% (FYE 2022: 12.9%) of total deposit liabilities as at FYE 2023; albeit remaining one of the lowest in the banking industry. Notwithstanding the aggressive implementation of the cash reserve policy and the deterioration in the funding mix, the weighted average cost of funds remained stable at 4.1% during the period under review. We consider the Bank's liability generation strategy effective.

The intense funding pressure and loan disbursement during the year under review impacted Citibank's liquidity. As at FYE 2023, the liquid asset portfolio stood at ₦570 billion, a 21.3% year-on-year growth and represented 89% of the local currency deposit liabilities, well above the 30% regulatory threshold. We consider the Bank's liquidity profile to be good.

Citibank's profitability metrics have remained among the highest in the Nigerian banking industry over the years. In FY 2023, the Bank's net earnings increased by 33.1% to ₦92.6 billion on the back of the 46.6% uptick in the net revenue from funds although the prevailing headwinds moderated the non-interest income which declined by 12.9%. Business expansion in an inflationary environment drove a 33% growth in operating expenses. Thus, the cost-to-income ratio increased by 100 basis points to 37.6% but stood lower than the 47.7% banking industry average. Overall, pre-tax profits rose by 30.9% to ₦57.7 billion and resulted in a 2.8% (FY 2022: 3.3%) pre-tax return on average assets and contingents (ROA) and a 38.5% (FY 2022: 31.5%) pre-tax return on average equity (ROE). In the near term, we expect the rising yield environment and expansion in earning assets to sustain profitability.

Based on the aforementioned, we attach a **stable** outlook to the rating of Citibank Nigeria Limited.

Strengths

- Membership of a global financial service group
- Good and stable profitability
- Good liquidity and strong ability to refinance
- Experienced management team

Weaknesses

- Sector and obligor concentration in the loan book
- Dwindling market share

Challenges

- Maintaining asset quality in a turbulent economy
- Growing market share and achieving a significant position in the Nigerian banking industry
- Lingering illiquidity in the foreign exchange market
- Retaining good quality staff in view of the raging wave of migration

Table 1: Background Information

Financial Data	31 December 2022	31 December 2023
Total assets & contingents	₦1.5 trillion	₦2.7 trillion
Net earnings	₦69.5 billion	₦92.6 billion
Pre-tax return on average assets & contingents (ROA)	3.3%	2.8%
Pre-tax return on average equity (ROE)	31.5%	38.5%

PROFILE

Citibank Nigeria Limited (**'Citibank'** or **'the Bank'**) was incorporated in May 1984 with the name "Nigeria International Bank Limited (NIB)" and obtained a commercial banking licence in September 1984. In 2008, the name changed to Citibank Nigeria Limited following the acquisition of a controlling interest by Citibank Overseas Investment Corporation (COIC) – a wholly-owned subsidiary of Citigroup – which holds an 81.9% equity stake in the Bank as at 31 December 2023. Citigroup is a global diversified financial service holding company, rated **"A3"** by Moody's and **"BBB+"** by Standard & Poor's, with over two centuries of operating history and a presence in over 160 countries. As at 31 December 2023, Citigroup had a \$2.4 trillion asset base and posted \$12.9 billion as profit before taxation during the year under review.

Citibank has a wholly-owned subsidiary, Nigeria International Bank (NIB) Nominees Limited, which holds securities on behalf of customers on a custodial basis. As at FYE 2023, NIB Nominees Limited's total assets stood at ₦19.2 million (FYE 2022: ₦14.4 million) while pre-tax profits amounted to ₦4.8 million (FY 2022: ₦3 million) during the year under review.

As at 31 December 2023, Citibank Nigeria Limited held a 20.5% interest in Accion Microfinance Bank Limited through which low-income individuals and small-sized businesses are served. As at the same date, Accion Microfinance Bank Limited's total assets stood at ₦14.9 billion (FYE 2022: ₦15.4 billion), while pre-tax profits amounted to ₦417 million (FY 2022: ₦1.2 billion) in FY 2023. During the year under review, the share of profit from the associate amounted to ₦49.7 million (FY 2022: ₦200 million) and ₦77.7 million (FY 2022: ₦44.4 million) was recorded as dividend received.

As at FYE 2023, Citibank operates from seven branches located in Warri, Port Harcourt, Abuja, Aba, Kano, Ikeja and Apapa. The head office is situated at Charles S. Sankey House, 27 Kofo Abayomi Street, Victoria Island, Lagos, Nigeria.

BOARD OF DIRECTORS

As at 31 December 2023, an 13-member Board of Directors chaired by Dr Shamsuddeen Usman govern Citibank Nigeria Limited. As at the same date, the Board comprised six Non-Executive Directors (including two Independent Non-Executive Directors) and five Executive Directors. During the year under review, Mr David Walker resigned as a Non-Executive Director while Mr Adebayo Adeyemo joined the Board as an Executive Director with a purview over global markets. Subsequent to the year end, Mrs Nneka Enwereji was appointed as the Managing Director following the retirement of Mrs Irete Samuel-Ogbu. Similarly, Mr Silas Findley and Dr Evans Woherem joined the Board as a Non-Executive Director and an Independent Non-Executive Director respectively. We do not anticipate a significant change in the Bank's strategy despite the changes in the Board composition.

Mr Adebayo Adeyemo has over two decades of experience garnered from Citibank Nigeria Limited, Guaranty Trust Bank Limited and MBC International Bank Limited. Mr Adeyemo holds a Bachelor's degree in Accounting from the University of Lagos and is an Associate of the Institute of Chartered Accountants of Nigeria (ICAN).

Mr Silas Findley currently serves as Citigroup's Governance Lead for Banking and International Markets Clients in the United Kingdom. With over 15 years of experience across various functions at Citigroup, he began his career as an associate at Sidley Austin in 1999. He joined Citigroup in 2007 as Director of Citi Global Markets Legal. Mr. Findley holds a Bachelor's degree in English from Western Washington University and a Master's degree in Law from the University of Iowa, United States.

Dr Evans Woherem is the founder and Chairman of Digital Africa Consult Limited with over three decades of experience in banking and IT consulting garnered from Lloyd Registrar, Absa Bank Group, First Interstate Bank Limited and Unity Bank Plc. He served as Deputy Managing Director of First Interstate Bank Limited and Group Executive Director at Unity Bank Plc. Dr. Woherem holds a Bachelor's degree in Behavioural Science from the University of La Verne and Master's degree in Economics and Computing from the University of Manchester and the University of Warwick, respectively. He also holds a doctorate in Information Technology and attended the Advanced Management Program (AMP) at Harvard Business School.

CURRENT DIRECTORS

Dr Shamsuddeen Usman	<i>Chairman (Independent Non-Executive Director)</i>
Mrs Nneka Enwereji	<i>Managing Director</i>
Mrs Ngozi Omoke-Enyi	<i>Executive Director</i>
Mrs Nneka Enwereji	<i>Executive Director</i>
Mr Oluwale Awotundun	<i>Executive Director</i>
Mr Adebayo Adeyemo	<i>Executive Director</i>
Mr Oladipo Adebo	<i>Non-Executive Director</i>
Mr Oyesoji Oyeleke SAN	<i>Non-Executive Director</i>
Mrs Esther Chibesa	<i>Non-Executive Director</i>
Mrs Adebola Adefope	<i>Non-Executive Director</i>
Mr Silas Findley	<i>Non-Executive Director</i>
Dr Evans Woherem	<i>Independent Non-Executive Director</i>
Dr Daphne Dafinone	<i>Independent Non-Executive Director</i>

MANAGEMENT TEAM

Mrs Nneka Enwereji was appointed as the Managing Director and Chief Executive Officer of Citibank Nigeria Limited in August 2024. She has circa three decades of professional experience garnered entirely from Citigroup. Prior to her appointment she served as Citi's Head of Global Network Banking (GNB) across the SSA sub-cluster, GNB Co-Head for the Middle East and Africa (MEA), Africa Trade Services Head, and Financial Institutions SSA Trade Head. Her diverse career encompasses Markets, Corporate & Investment Banking, Transaction Services, Risk Management, and Operations. Mrs Enwereji also served as an Executive Director with a purview over the Global Subsidiaries Group. She is a graduate of Obafemi Awolowo University, Ile-Ife with a first-class honours degree in Computer Science and Economics and holds an MBA from the Warwick Business School, United Kingdom. Mrs Enwereji has also completed executive programs at Yale School of Management and the University of California, Berkeley.

Other members of the senior management team include:

Mrs Ngozi Omoke-Enyi	Executive Director/Head, Operations and Technology
Mr Adebayo Adeyemo	Executive Director, Global Markets
Mr Oluwole Awotundun	Executive Director/ Country Risk Manager
Mrs Olusola Fagbure	Country Counsel and Company Secretary
Mr Augustine Alozie	Country Finance Officer
Ms Chidinma Ohajunwa	Head, Operational Risk
Mrs Aderonke Adetoro	Securities Services Head, Direct Custody and Clearing
Mr Gboyega Oloyede	Country Human Resources Officer
Mr Opeyemi Adojutelegan	Country Compliance Officer
Mr Olufemi Adaramola	Head, Treasury
Mr Emeka Owoh	Head, Audit

Citibank maintained a stable workforce of 207 persons during the financial year ended 31 December 2023. Notwithstanding, the average staff costs per employee rose by 41.4% to ₦83.8 million due to upward remuneration adjustments in line with the rising cost of living. The improved performance during the year was reflected in the 32.4% rise in the net earnings per staff to ₦447.3 million which covered the average staff costs per employee 5.3 times (FY 2022: 5.7 times). The Bank's staff productivity, represented by the net earnings per staff coverage to average staff cost per employee, outperformed Standard Chartered Bank Nigeria Limited's (SCBN) 2.6 times but trailed Stanbic IBTC Bank Plc's (Stanbic IBTC) 5.5 times and the 7.9 times banking industry average. Overall, we believe Citibank is directed by a well-experienced management team and staff productivity is acceptable.

ANALYSTS' COMMENTS

ASSET QUALITY

Citibank Nigeria Limited's lending strategy prioritises multinationals and top-tier local corporates operating in select sectors of the Nigerian economy. As at 31 December 2023, the loan book stood at ₦275.8 billion, a 34.6% year-on-year growth, due to new disbursements and the impact of the 50.1%-naira devaluation on the foreign currency denominated (FCY) loans. However, the settlement of the foreign currency swap transactions which secured some international trade finance transactions moderated the loan growth. Subsequent to the year-end, the loan book expanded further by 73.2% to ₦477.6 million as at 31 August 2024, exceeding the ₦436 billion budgeted for the 2024 financial year.

Citibank's risk asset creation strategy skews the loan book toward foreign currency (FCY) exposures, primarily related to international trade transactions with shorter-dated tenors. During the year under review, the outstanding value was bloated by the 50.1 %-naira depreciation. Hence, the FCY loans expanded by 20.4% albeit representing a lower 63.3% (FYE 2022: 70.8%) of the loan book as at FYE 2023. While the FCY loans raised the Bank's exposure to volatilities in the foreign exchange market, offshore parental guarantees, currency swaps and other derivative instruments serve as mitigants.

Figure 1: Loans Book by Sector as at FYE 2023

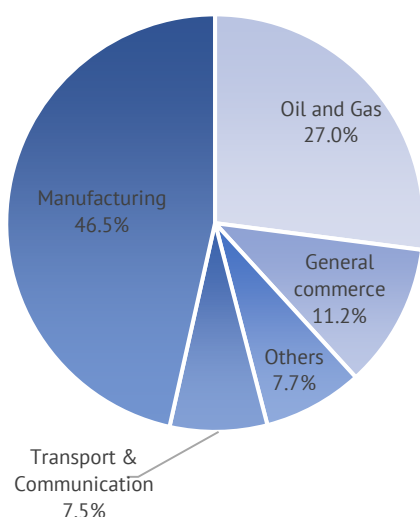
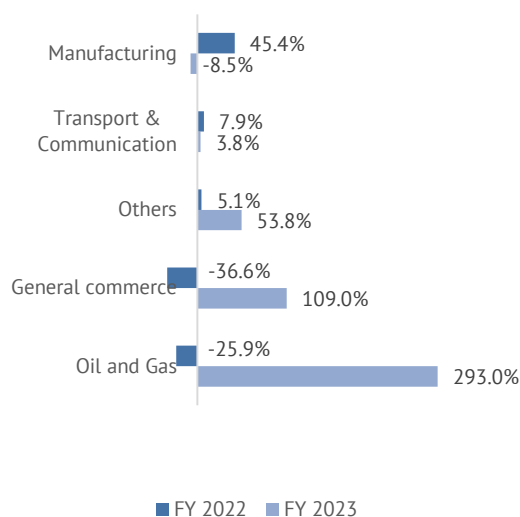


Figure 2: Loan Growth by Sector in FY 2022 and FY 2023



Given the focus on select blue-clip corporates, sectorial concentration remained a characteristic of the Bank's loan book. As at 31 December 2023, manufacturing, oil and gas, and general commerce sectors collectively accounted for 84.7% (FYE 2022: 86.2%) of gross loans and advances. Although the manufacturing sector comprises various industries with diverse fundamentals, most of the manufacturing companies rely on global supply chains for raw materials and machinery, increasing the vulnerability to the ongoing challenges in the Nigerian foreign exchange market. Nonetheless, we acknowledge that these exposures are primarily to blue-chip corporates with good historical antecedence and backed by parental support. The oil and gas sector remains a cornerstone of the Nigerian economy, particularly the relatively untapped natural gas segment.

However, regulatory constraints have impacted the downstream segment which accounted for 51.8% of the oil and gas loans. The declining consumer purchasing power also remains a threat to the cash flow of the obligors.

Citibank's wholesale business model resulted in obligor concentration in the loan portfolio. As at 31 December 2023, 10 obligors accounted for 56.2% (FYE 2022: 58.1%) of gross loans and advances. As at the same day, exposure to an obligor accounted for 25.5% of the shareholders' funds, higher than the 20% maximum threshold. Although regulatory waivers were secured based on the strategic importance of the exposure to the Nigerian economy, the Bank is vulnerable to the financial performance of this obligor and other clients with large exposures. While the ongoing recapitalisation exercise is expected to resolve the single obligor breach, we believe the loan book would remain concentrated by customers given the selective approach to risk asset creation.

As at FYE 2023, the impaired loan portfolio, largely ex-staff loans, stood at ₦28.5 million (FYE 2022: ₦33.6 million) and translated to 0.01% (FYE 2022: 0.02%) of gross loans and advances. The impaired loan ratio was better than SCBN's 2.6%, Stanbic IBTC's 2.3%, and the 5% regulatory guidance. Notwithstanding the relatively small size of the impaired loan portfolio, cumulative loan loss provisions spiked by 330.3% in line with prudent portfolio management and covered the delinquent loans 196 times (FYE 2022 38.6 times).

We consider Citibank's asset quality good, supported by a conservative approach to credit risk management. We believe the changes in the composition of some multinational corporations operating in Nigeria and the headwinds would further test the effectiveness of the credit risk management framework.

EARNINGS

Citibank Nigeria Limited generated ₦92.6 billion as net earnings in the financial year ended 31 December 2023, a 33.1% year-on-year increase despite the aggressive cash reserve policy and other headwinds. Funding-based activities remained the primary income source and contributed 85.1% (FY 2022: 77.3%) to net earnings during the year under review while non-interest income contracted and represented a lower 14.9% (FY 2022: 22.7%).

Interest income surged by 80.3% to ₦110.5 billion in FY 2023, supported by the enlarged pool of earning assets (loan portfolio and investment securities) and an uptick in the prevailing yield. Similarly, interest expenses surged 5.3 times to ₦28.5 billion reflecting the intensified funding pressure during the year under review. Consequently, the net interest spread (NIS) declined to 74.2% (FY: 2022: 85.8%), but remained higher than SCBN's 51.2%, Stanbic IBTC's 63.2% and the 53.6% banking industry average. Subsequent to the year end, in the eight months ended 31 August 2024, the NIS improved by 170 basis points to 75.9% as the refund of the excess cash reserve debits moderated the impact of the uptick in the interest rate environment. However, we believe the persistent tightening by the monetary authority should intensify the funding pressure in the last quarter of the year and moderate the NIS during this period.

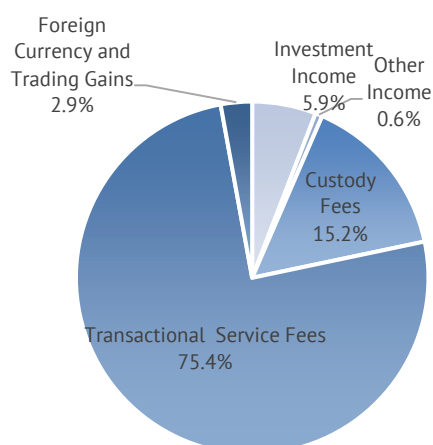
Given the raging headwinds and the expanded asset base, the Bank charged off ₦3.2 billion (FY 2022: ₦1.2 billion) as provisions for potential credit losses on the financial assets. This translated to 2.9% (FY 2022: 2%) of interest income. Given the intensifying economic challenges, we anticipate an increase in the loan loss provisions in the near term as reflected in the ₦4.1 billion recorded in the first eight months of FY 2024 and

represented 3.8% of interest income.

During the year under review, the Bank's non-interest income declined by 12.9% to ₦13.8 billion largely due to losses in the valuation of derivation investment and the associated assets. Thus, asset optimisation, measured as the non-interest income as a percentage of total assets and contingencies declined to 0.5% (FY 2022: 0.8%), lower than SCBN's 1.5% and Stanbic IBTC's 1.8%. In our view, the wholesale banking approach has constrained the growth of non-interest income.

Business expansion in an inflationary environment drove a 36.8% increase in operating expenses to ₦34.9 billion during the year under review as reflected in higher regulatory costs and personnel-related expenses. However, the corresponding growth in net earnings led to a stable cost-to-income ratio (CIR) of 37.6%, lower than SCBN's 71.6% and Stanbic IBTC's 49.7%. Subsequent to the year-end, the CIR improved to 18.7% in the eight months ended 31 August 2024, as the improved earnings subsumed the higher cost profile. While we expect the intensification of the contractionary monetary and the raging inflationary pressure to raise the operating and funding costs, the anticipated increase in earnings would keep the CIR low in our opinion.

Figure 3: Breakdown of Non-Interest Income (FY 2023)



Overall, the pre-tax profit increased by 30.9% to ₦57.7 billion in FY 2023. However, the pre-tax return on average assets (ROA) declined to 2.8% (FY 2022: 3.3%) given the expansion in the asset base, while the pre-tax return on average equity (ROE) improved to 38.5% (FY 2022: 31.5%). The profitability ratios surpassed SCBN's (ROA: 1.8% and ROE: 8.3%) but comparable to Stanbic IBTC's (ROA: 3% and ROE: 38.3% ROE). However, the Banking Industry recorded a higher ROE of 44% in the same period.

We consider Citibank's profitability to be good. In the near term, we expect the profitability ratios to maintain an upward trajectory upheld by rising yields and expanding loan portfolio.

CAPITAL ADEQUACY

As at 31 December 2023, Citibank Nigeria Limited's shareholders' funds stood at ₦159.5 billion, a 13.3% year-on-year growth on the back of the reserve accretion from the improved profitability. At this level, the shareholders' funds stood well above the ₦25 billion regulatory minimum for banks with national

authorisation. However, the directive mandating national banks to maintain ₦200 billion as minimum paid-up capital before 31 March 2026 reflects a potential ₦185.6 billion deficit. The Bank has disclosed plans to address the potential deficit capital through a rights issue exercise before the deadline. We expect the capital-raising exercise to be successful based on the strong support from Citigroup.

As at FYE 2023, the capital adequacy ratio (CAR) computed based on Basel II tenets stood at 17.9%, lower than the 19.7% recorded in the prior year due to the expanded loan book and the volatile exchange rate. Notwithstanding, the CAR remained above the 10% regulatory threshold for national banks. Subsequent to the year end, the persistent naira depreciation and the expansion of the asset base moderated the CAR further to 11.9% as at 31 August 2024. The planned capital injection is expected to keep the CAR above the regulatory minimum.

We consider Citibank's capital adequate for current business risks, although we believe additional capital would be needed to support near-term growth plans.

LIQUIDITY AND LIABILITY GENERATION

Citibank's liability generation strategy is anchored on the affiliation with Citigroup and the associated good brand franchise while leveraging the four decades of experience in the Nigerian market. During the year under review, total deposit liabilities rose by 43.2%, surpassing the one trillion mark to ₦1.1 trillion as at FYE 2023 but funded a lower 42.5% (FYE 2022: 53.3%) of total assets and contingencies. Low-cost (demand) deposits are prioritised in the Bank's deposit mobilisation although the funding pressure and the elevated interest rate environment raised the demand for remunerated deposits. Thus, the low-cost deposits which grew by 39.2% year-on-year to ₦975.2 billion represented a lower 86.3% (FY 2022: 87.1%) of total deposit liabilities. While the deposit mix was less favourable compared to SCBN with 86.8% of the total deposit liabilities in the low-cost category, Stanbic IBTC's 72.6% was lower.

Citibank's FCY deposits surged by 91.2% year-on-year to ₦457 billion as at 31 December 2023. The flight to quality based on the prevailing headwinds and the bloating impact of the persistent naira devaluation spurred the growth. As at FYE 2023, the FCY deposits covered the FCY loans 2.6 times (FYE 2022: 1.7 times), reflecting the ability to withstand liquidity shock in the foreign exchange market.

Citibank's deposit base is concentrated as 20 customers contributed 62.3% (FYE 2022: 60%) of total deposit liabilities as at FYE 2023. Thus, the Bank is vulnerable to withdrawals from these depositors without adequate replacement. However, the good brand franchise and access to funding at the Nigerian interbank market and subsidiaries of Citibank serve as mitigants.

The Bank's activities are also funded by FCY borrowings from subsidiaries of Citigroup and interbank takings. Borrowings played a supportive role in the Bank's financing strategy, increasing by 70% to ₦423.4 billion owing majorly to the naira depreciation. These borrowings, totalling \$434 million, were obtained within Citigroup at interest rates of approximately 5.5% and funded 15.9% of total assets and contingencies (FYE 2022: 16.5%). To address liquidity gaps, interbank borrowings surged by 39.8 times. As the interest rate environment becomes more expensive, the Bank is expected to prioritise cheaper and more sustainable deposit

sources. Subsequent to the year-end, interbank borrowings declined significantly to ₦2.8 billion as at 31 August 2024, a substantial decline from the ₦23 billion recorded at FYE 2023. This substantial decrease also reflects a favourable Cash Reserve Ratio (CRR) regime, which has reduced dependence on the interbank market.

During the year under review, Citibank leveraged the good brand franchise and moderated the returns paid on the remunerated deposits. As a result, the weighted average cost of funds (WACF) remained stable at 4.1% during the period under review despite the deterioration in the funding mix. Subsequent to the year-end, the hawkish monetary stance intensified during the eight months ending 31 August 2024. As a result, the WACF increased further to 4.9%.

As at FYE 2023, a review of Citibank's funding profile reveals that loans maturing after 5 years were not funded by deposit liabilities and borrowings in the corresponding maturity bucket. While this exposes the Bank to potential repricing risks, the large pool of liquid assets, funding from Citigroup and access to the interbank market serve as mitigants.

As at 31 December 2023, Citibank's liquidity ratio declined to 89.6% (FYE 2022: 112.9%) due to a faster rise in deposits relative to the liquid assets. However, it remained well above the regulatory threshold of 30%. With the CBN reverting to orthodox methods for implementing cash reserve requirements, we anticipate an improvement in Citibank's liquidity management. However, we expect a moderation in the near term as the cash reserve ratio is elevated to 50%.

Overall, Citibank's liquidity profile is expected to remain strong due to its brand franchise and its strong affinity to foreign companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Agusto & Co. accords the highest weighting to governance in the assessment of the impact of environmental, social and governance issues (ESG) on the credit rating assigned to banks. In our view, Citibank's governance structure is good backed by personnel and technical support from Citigroup. As at FYE 2023, all Board Committees are headed by Non-Executive Directors, in line with best practice. Subsequent to the year end, an Independent Non-Executive Director was appointed in line with the increase in regulatory minimum to three.

Gender diversity is prioritised in Citibank. As at 31 December 2023, 41.7% of the senior management team are female, higher than the 40% regulatory guidance. Similarly, 55% of the Directors are female as at the same date, exceeding the 30% regulatory threshold. The Bank expended ₦44.1 million (FY 2022: nil) on donations and various charitable activities during the year under review to support social goals.

Citibank's exposure to the oil and gas sector, known for high carbon emission, remains significant and accounted for 27% (FYE 2022: 9.1%) of the loan book as at 31 December 2023. However, we note that 47.9% of the exposures support businesses in the relatively environmentally friendly natural gas sub-sector. Overall, we consider the contribution of environmental, social, and governance (ESG) issues to Citibank's credit rating to be low.

MARKET SHARE

Citibank operates as a niche commercial bank, prioritising efficiency over size and focusing on top-tier corporates and multinational institutions. While the core strength lies in corporate and investment banking, retail banking is not a strategic priority. As a result, Citibank has maintained a smaller market share compared to peers with a stronger retail focus. Notwithstanding, the Bank has consistently ranked among the most profitable institutions in the Nigerian banking industry. We anticipate that Citibank's operating model will remain unchanged, and the market share of industry resources should likely remain modest.

Table 2: Market Share Indicators

	Citibank 2022	Citibank 2023	SCBN 2023	Stanbic IBTC 2023
LCY Deposits	1.7%	2.2%	1.4%	2.2%
Total Assets and Contingents	2.1%	2.1%	1.8%	4.1%
Total Loans & Advances (Net)	0.8%	0.7%	1.1%	5%
Net Earnings	2.0%	1.4%	1.0%	3.6%
Pre-tax Profit	3.1%	1.6%	0.5%	3.5%

OUTLOOK

In the mid to near term, Citibank intends to focus on client-centric transformation by enhancing client experience and aligning with Citi's global transformational agenda. The Bank aims to expand the asset base to ₦2.8 trillion by 31 December 2024 which we consider achievable given that 82% of the target was achieved as at 31 August 2024.

Citibank has scheduled a rights issue exercise to strengthen the capital base for near-term growth plans and comply with the ₦200 billion minimum paid-up capital directive for national banks. We expect the exercise to be successful based on the strong parental support.

In the near term, we expect the Bank's performance to remain good backed by its brand equity, parental support, strong treasury function and more favourable regulatory climate. The funding and ability to refinance would remain good considering the affiliation to the global franchise. The impaired loans are expected to remain muted although we believe the concentration in the loan book would persist.

Based on the aforementioned, Agusto & Co. hereby attach a **stable** outlook to the rating of Citibank Nigeria Limited.

FINANCIAL SUMMARY

CITIBANK NIGERIA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT

STATEMENT OF FINANCIAL POSITION AS AT		31-Dec-21		31-Dec-22		31-Dec-23	
		N' millions		N' millions		N' millions	
ASSETS							
1	Cash & equivalents	3,818	0.3%	18,617	1.2%	27,399	1.0%
2	Government securities	450,613	38.6%	451,289	29.9%	542,504	20.4%
3	Money Market Placements	518	0.0%		0.0%		0.0%
4	Quoted investments						
5	Placements with discount houses						
6	LIQUID ASSETS	454,949	38.9%	469,906	31.1%	569,902	21.5%
7	BALANCES WITH NIGERIAN BANKS	3,435	0.3%	172,094	11.4%	60,634	2.3%
8	BALANCES WITH BANKS OUTSIDE NIGERIA	48,515	4.2%	56,680	3.8%	100,609	3.8%
9	Direct loans and advances - Gross	175,360	15.0%	204,881	13.6%	275,814	10.4%
10	Less: Cumulative loan loss provision	(1,905)	-0.2%	(1,299)	-0.1%	(5,591)	-0.2%
11	Direct loans & advances - net	173,455	14.8%	203,582	13.5%	270,223	10.2%
12	Advances under finance leases - net						
13	TOTAL LOANS & LEASES - NET	173,455	14.8%	203,582	13.5%	270,223	10.2%
14	INTEREST RECEIVABLE						
15	OTHER ASSETS	36,738	3.1%	34,386	2.3%	136,085	5.1%
15	OTHER ASSETS		0.0%		0.0%	4,403	0.2%
16	RESTRICTED FUNDS	275,052	23.5%	342,802	22.7%	649,891	24.5%
17	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES	248	0.0%	248	0.0%	248	0.0%
18	OTHER LONG-TERM INVESTMENTS	56,564	4.8%	99,141	6.6%	703,393	26.5%
19	FIXED ASSETS & INTANGIBLES	2,168	0.2%	2,461	0.2%	2,506	0.1%
20	TOTAL ASSETS	1,051,123	90.0%	1,381,300	91.5%	2,497,895	94.1%
21	TOTAL CONTINGENT ASSETS	117,274	10.0%	127,915	8.5%	157,395	5.9%
22	TOTAL ASSETS & CONTINGENTS	1,168,397	100%	1,509,215	100%	2,655,290	100%
CAPITAL & LIABILITIES							
23	TIER 1 CAPITAL (CORE CAPITAL)	138,403	11.8%	141,970	9.4%	155,982	5.9%
24	TIER 2 CAPITAL	(301)	0.0%	(1,196)	-0.1%	3524 311.0	0.1%
25	Medium to Long Term Borrowings						
26	Demand deposits	366,115	31.3%	496,874	32.9%	611,030	23.0%
27	Savings deposits						
28	Time deposits	31,841	2.7%	66,524	4.4%	154,382	5.8%
29	Inter-bank takings	267	0.0%	579	0.0%	23,039	0.9%
30	TOTAL DEPOSIT LIABILITIES - LCY	398,223	34.1%	563,977	37.4%	788,451	29.7%
31	Customers' foreign currency balances	136,195	11.7%	240,750	15.9%	363,401	13.7%
32	TOTAL DEPOSIT LIABILITIES	534,418	45.7%	804,727	53.3%	1,151,852	43.4%
33	INTEREST PAYABLE						
34	OTHER LIABILITIES	378,603	32.4%	436,294	28.9%	1,185,715	44.7%
35	TOTAL CAPITAL & LIABILITIES	1,051,123	90.0%	1,381,794	91.5%	2,497,073	94.1%
36	TOTAL CONTINGENT LIABILITIES	117,274	10.0%	127,915	8.5%	157,395	5.9%
37	TOTAL CAPITAL, LIABILITIES & CONTINGENTS	1,168,397	100%	1,509,709	100%	2,654,467	100%
BREAKDOWN OF CONTINGENTS							
38	Acceptances & direct credit substitutes	2,593	0.2%	2,689	0.2%		0.0%
39	Guarantees, bonds etc..	19,322	1.7%	20,515	1.4%	26,793	1.0%
40	Short-term self liquidating contingencies	95,360	8.2%	104,711	6.9%	130,601	4.9%

CITIBANK NIGERIA LIMITED
INCOME STATEMENT FOR THE YEAR ENDED

	<u>31-Dec-21</u>		<u>31-Dec-22</u>		<u>31-Dec-23</u>
	N' millions		N' millions		N' millions
41 Interest income	25,680	42.1%	61,278	79.5%	110,466
42 Interest expense	(3,266)	-5.3%	(8,681)	-11.3%	(28,468)
43 Loan loss expense	1,232	2.0%	1,199	1.6%	(3,156)
44 NET REVENUE FROM FUNDS	23,647	38.7%	53,795	69.8%	78,842
45 ALL OTHER INCOME	35,374	57.9%	15,781	20.5%	13,751
46 NET EARNINGS	59,021	96.7%	69,576	90.3%	92,593
47 Staff costs	(10,268)	-16.8%	(12,209)	-15.8%	(17,350)
48 Depreciation expense	(517)	-0.8%	(361)	-0.5%	(336)
49 Other operating expenses	(12,689)	-20.8%	(12,905)	-16.7%	(17,166)
50 TOTAL OPERATING EXPENSES	(23,475)	-38.4%	(25,476)	-33.1%	(34,852)
51 PROFIT (LOSS) BEFORE TAXATION	35,546	58.2%	44,100	57.2%	57,741
52 TAX (EXPENSE) BENEFIT	(2,654)	-4.3%	(12,596)	-16.3%	(16,952)
53 PROFIT (LOSS) AFTER TAXATION	32,893	53.9%	31,505	40.9%	40,789
54 NON-OPERATING INCOME (EXPENSE) - NET					
55 DIVIDEND	(22,909)	-37.5%	(27,938)	-36.3%	(26,200)
56 GROSS EARNINGS	61,055	100%	77,059	100%	124,218
57 AUDITORS	KPMG		KPMG		KPMG
58 OPINION	CLEAN		CLEAN		CLEAN

KEY RATIOS

	<u>31-Dec-21</u>	<u>31-Dec-22</u>	<u>31-Dec-23</u>
EARNINGS			
59 Net interest margin	87.3%	85.8%	74.2%
60 Loan loss expense/Interest income	0.0%	0.0%	2.9%
61 Return on average assets (Pre - tax)	3.1%	3.3%	2.8%
62 Return on average equity (Pre - tax)	26.3%	31.6%	38.5%
63 Operating Expenses/Net earnings	39.8%	36.6%	37.6%
64 Gross earnings/Total assets & contingents	5.3%	5.8%	6.0%
EARNINGS MIX			
65 Net revenue from funds	40.1%	77.3%	85.1%
66 All other income	59.9%	22.7%	14.9%
LIQUIDITY			
67 Total loans & leases - net/Total lcy deposits	-35.0%	-15.0%	49.9%
68 Liquid assets/Total lcy deposits	115.1%	113.8%	79.3%
69 Demand deposits/Total lcy deposits	91.9%	88.1%	77.4%
70 Savings deposits/Total lcy deposits	0.0%	0.0%	0.1%
71 Time deposits/Total lcy deposits	8.0%	11.8%	19.6%
72 Inter-bank borrowings/Total lcy deposits	0.1%	0.1%	2.9%
73 Interest expense - banks/Interest expense	58.8%	63.2%	71.4%
74 NET FOREIGN CURRENCY ASSETS (LIABILITIES)	(87,680)	(184,070)	(262,791)

CITIBANK NIGERIA LIMITED
KEY RATIOS CONT'D

	31-Dec-21	31-Dec-22	31-Dec-23
ASSET QUALITY			
75 Performing loans (N'millions)	173,988	204,847	275,786
76 Non-performing loans (N' millions)	1,372	34	29
77 Non-performing loans/Total loans - Gross	0.8%	0.0%	0.0%
78 Loan loss provision/Total loans - Gross	1.1%	0.6%	2.0%
79 Loan loss provision/Non-performing loans	138.8%	3862.0%	19617.5%
80 Risk-weighted assets/Total assets & contingents	29.3%	39.0%	47.9%
CAPITAL ADEQUACY			
81 Adjusted capital/risk weighted assets	40.3%	23.8%	12.2%
82 Tier 1 capital/Adjusted capital	100%	101%	98%
83 Adjusted capital/Total loans - net	79%	69%	57%
84 Capital unimpaired by losses (N' millions)	138,403	141,418	151,578
STAFF INFORMATION			
85 Net earnings per staff (N' millions)	301	338	447
86 Staff cost per employee (N'millions)	52	59	84
87 Staff costs/Operating expenses	43.7%	47.9%	49.8%
88 Average number of employees	196	206	207
89 Average staff per branch	25	26	26
OTHER KEY INFORMATION			
90 Legal lending limit(N'000)	27,681	28,284	30,316
91 Number of branches			
92 Age (in years)	37	38	39
93 Government stake in equity (Indirect)	NIL	NIL	NIL
MARKET SHARE OF INDUSTRY TOTAL			
	Actual	Actual	Actual
	2021	2022	2023
94 Lcy deposits (excluding interbank takings)	1.2%	1.7%	1.6%
95 Total assets & contingents	1.7%	2.1%	2.7%
96 Total loans & leases - net	0.8%	0.8%	0.7%
97 Profit before tax	3.3%	3.1%	4.0%
98 Core capital	2.4%	2.3%	2.0%

RATING DEFINITIONS

Aaa	A financial institution of the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A financial institution of good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A financial institution with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A financial institution with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A financial institution with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
D	In default.

A "+" (plus) or "-" (minus) sign may be assigned to ratings from Aa to C to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

ESG CREDIT RATING CONTRIBUTION SCORE GUIDE

1	Environmental, Social and Governance issues do not contribute to credit risk
2	Environmental, Social and Governance issues have minimal contribution to credit risk
3	Environmental, Social and Governance issues have a material contribution to credit risk
4	Environmental, Social and Governance issues contribute significantly to credit risk
5	Environmental, Social and Governance issues are major contributors to credit risk



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