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FBN Holdings PLC (Holding Company)

First Bank of Nigeria Ltd. (Lead Bank)

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FBN Holdings PLC (Holding Company)

First Bank of Nigeria Ltd. (Lead Bank)

SACP	b-

Anchor	b	
Business Position	Adequate	0
Capital and Earnings	Weak	0
Risk Position	Moderate	-1
Funding	Above Average	0
Liquidity	Adequate	

\+

Support	0
ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

\+

Additional Factors	0

Issuer Credit Rating
B-/Stable/B

Bank Holding Company Rating
B-/Stable/B

Major Rating Factors

Strengths:	Weaknesses:
• Dominant market position in Nigeria. • Strong and stable retail deposit base, and low cost of funding	• Inherently high economic and industry risk. • Higher credit losses than peers. • High level of loan concentration and foreign currency lending.

Outlook: Stable

S&P Global Ratings' stable outlook on Nigeria-based First Bank of Nigeria Ltd. (FirstBank), a core subsidiary of FBN Holdings PLC (FBNH), reflects our view that the bank will maintain its regulatory capital (CAR) above the minimum requirement of 15% over the next 12 months, despite our expectation that risk-weighted asset growth will moderately outpace internal capital generation. It also reflects our view that asset quality will continue to stabilize, although still at weak levels, while the bank will maintain its above-average funding and adequate liquidity over the next 12 months.

We would lower the ratings on FirstBank if the bank breached its minimum regulatory requirement. This could happen if the bank displays higher risk weights or higher credit losses than anticipated.

A positive rating action on FirstBank would depend on the bank substantially improving its asset quality indicators, while maintaining its capitalization, business position, and funding and liquidity at levels commensurate with a higher rating.

The outlook on FBNH is stable and reflects that on FirstBank. We would lower the ratings on the FBNH if we lowered the ratings on FirstBank or if we saw any emergence of leverage at the non-operating holding company (NOHC) level.

Rationale

The ratings on FirstBank reflect the overall creditworthiness of FBN Group (the group), which is fully owned by FBNH, whose group credit profile (GCP) we assess at 'b-'. The bank in Nigeria is the core component of the group, which is one of the leaders in the Nigerian financial services industry. The ratings are supported by the bank's position as the second-largest bank in Nigeria in terms of assets. Underpinning our assumptions are the bank's access to low cost of funds, and its well-established corporate and retail franchise. As a result, we expect the bank will maintain an adequate business position.

Although we view the group's capital and earnings as weak, this assessment is neutral for the ratings. In 2017-2018, we believe that FirstBank will continue to exhibit comparatively weaker asset quality metrics than rated top-tier banks in Nigeria and lower earnings than its peers due to high credit costs. Similar to its peers, FirstBank is funded by short-term customer deposits and has a strong deposit franchise and good Nigerian naira liquidity.

Despite the bank's high systemic importance, the ratings on FirstBank reflect our assessment of the bank's core status to the group and its stand-alone credit profile (SACP), which we assess at 'b-'. We classify the Nigerian government support of the domestic banking sector as uncertain and do not factor into the ratings any uplift above the bank's SACP.

Our ratings on FirstBank's holding company FBNH are at the same level as the ratings on FirstBank, reflecting the absence of debt at the holding company level. Under our criteria, we generally notch down from the GCP to reflect the structural subordination of the NOHC and its exposure to potential regulatory intervention. Nevertheless, in FBNH's case, we take comfort from the absence of debt at the holding company level and believe that the risk of the NOHC defaulting is not commensurate with the 'CCC' rating category.

Anchor: 'b' for banks operating only in Nigeria

We use our Banking Industry Country Risk Assessment's economic and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating to a bank under our criteria. The anchor for a commercial bank operating in Nigeria is 'b', based on an economic risk score of '10' and an industry risk score of '9'.

We think that the economic environment in Nigeria has weakened owing to low oil prices, a restrictive foreign exchange regime, and delayed fiscal stimulus. We now consider that the Nigerian economy and banking sector are in a correction phase. We project slow economic recovery with real GDP growth of 1% in 2017 and 3% in 2018. We also anticipate that real credit growth (excluding the impact of depreciation and inflation) will moderate, and we believe that credit losses will hover around 3%-4% in 2018, compared with 3.5% in 2016.

Regarding industry risk, we consider regulatory oversight to be weak. We acknowledge, however, that the Central Bank of Nigeria (CBN) has striven to strengthen stability and align its oversight framework with international best practices.

The mergers and acquisitions that followed the 2009 crisis established a more stable tiering of banks, based on size and distribution scale, and cemented the position of the top-tier banks. However, mounting pressure on banks' earnings from the restrictive foreign currency regime and a higher cost of risk might affect the overall competitive dynamics of the banking system and lead to further consolidation.

Positively, we believe the systemwide pressure on U.S. dollar funding and liquidity is easing, and because of a slight increase in economic growth and stability in the hydrocarbon sector, we may see the banking sector's asset quality pressures alleviating.

Table 1

FBN Holdings PLC Key Figures

		--Year-ended Dec. 31--			
(Mil. NGN)	**2017***	**2016**	**2015**	**2014**	**2013**
Adjusted assets	4,848,792	4,721,477	4,156,502	4,332,572	3,860,253
Customer loans (gross)	2,284,172	2,394,778	1,956,993	2,221,621	1,814,177
Adjusted common equity	582,035	522,311	492,597	462,764	412,165
Operating revenues	325,835	467,728	359,804	354,193	296,652
Noninterest expenses	172,814	215,419	217,275	234,418	184,387
Core earnings	45,692	18,889	17,582	83,835	71,316

*Data as of Sept. 30.

NGN--NGN-Nigerian naira. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Business position: The largest financial services group operating in Nigeria

In assessing the group's business nposition we balance our view of the FirstBank's leading market share, domestic franchise, and relatively diverse business mix for a Nigerian bank, against its operational concentrations in Nigeria and its ability to monitor proactively its loan exposures. The group has taken action to address gaps in the bank's risk management framework and has hired a new group Chief Risk Officer.

The group has total assets of Nigerian naira (NGN) 4.86 trillion (about $13.5 billion at NGN359 to $1) as of Sept. 30, 2017, making it the second-largest financial services group in Nigeria by asset size. FirstBank is the largest entity within the group, accounting for more than 90% of the group's assets in 2017. Other group operations include asset management, merchant banking and insurance. As of Sept. 30, 2017, the merchant banking and asset management business contributed 6.4% to total revenue, while the insurance business accounted for 2.8% of revenue.

We estimate the bank's market share in terms of assets to be about 16%. It has the largest retail franchise, with approximately 13 million active retail accounts on Dec. 31, 2016, and 750 branches. However, in our view, the bank's corporate franchise is weaker than that of its peers. Because of its stronger retail platform, the bank benefits from revenue diversification beyond that of most Nigerian banks, and is well placed to capture the growth of the Nigerian retail market, even though competition is intensifying in that market.

The group's earnings have been volatile in recent past, with return on equity falling to 2.4% in 2016 from 16.7% in 2014, because of a higher cost of risk.

We expect the bank's geographic diversification to remain modest for the next two years. The largest foreign operation is the bank's U.K. subsidiary, which acts as a correspondent bank for African banks in the U.K. and accounted for 20% of total group assets as of Dec. 31, 2016. The bank expanded geographically in 2013, purchasing four banks from the International Commercial Bank in Ghana, Gambia, Guinea, and Sierra Leone, and acquiring ICB Senegal in 2014. These account for less than 5% of the group's banking assets in 2016. In 2017, FirstBank acquired the balance of 25% equity holdings in FBNBank DRC Ltd., making it a wholly owned subsidiary.

Table 2

FBN Holdings PLC Business Position

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Total revenues from business line (mil. NGN)	325,835	467,728	359,804	354,628	296,945
Commercial banking/total revenues from business line	87.3	89.4	87.2	91.1	91.6
Commercial & retail banking/total revenues from business line	87.3	89.4	87.2	91.1	91.6
Insurance activities/total revenues from business line	3.8	2.7	2.8	1.3	1.2
Asset management/total revenues from business line	8.4	7.7	9.2	5.3	6.5
Other revenues/total revenues from business line	0.4	0.2	0.8	2.2	0.8
Return on equity	9.7	2.4	2.8	16.8	15.5

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Capital and earnings: Weak due to a higher cost of risk

Our risk-adjusted capital (RAC) ratio before adjustments for diversification for the bank declined to 4.7% at year-end 2016 from 5.7% a year earlier. The decline was mainly driven by the downgrade of Nigeria and increase in risk-weighted assets following the devaluation of the naira. The group's CAR came close to the minimum regulatory requirement of 15% at the end of June 2016 (15.4%), due to the naira devaluation. However, CAR improved to 17.8% at year-end 2016 following a write back of a capital charge of NGN29 billion for exceeding the related party single obligor limit and an increase in retained earnings. The group's CAR stood at 17.2% on Sept. 30, 2017.

We expect that the group's CAR will remain above the regulatory minimum, while its RAC ratio remains below to 5% in the next 12-18 months, on the back of naira depreciation, as well as high credit costs.

More specifically, we forecast:

- Loan growth of 15%-20% through 2017-2018, based on our expectations of depreciation of the naira.
- High net interest margins of 7.5%-7.6% in 2017 and 2018, mainly due to low funding costs and high yield on government securities.
- Declining, but high credit losses around 5.3% in 2018, and a nonperforming loan (NPL)-to-total loan ratio around 20% over the next 12-18 months (we define NPLs as loans 90 days past due).
- Growth in fees and commissions of 11%-12% throughout 2017-2018, supported by the bank's large customer base.
- Broadly stable cost base despite inflation, with cost to income below 55% by year-end 2017.
- A lower dividend payout ratio, between 20% and 25% through 2017-2018.

In our view, the group's quality of capital and earnings is good and compares adequately with domestic peers'. FirstBank's adjusted common equity comprises 100% of total adjusted capital. That said, FirstBank issued $450 million of subordinated debt in 2014, to strengthen its regulatory capital. We expect net interest income to account for 73%-77% of operating revenues in 2017 and 2018, while fees and commission will account for about 14%-15% of total revenues for the same period.

Table 3

FBN Holdings PLC Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Tier 1 capital ratio	N/A	14.0	13.3	12.3	12.3
S&P RAC ratio before diversification	N/A	4.7	5.7	5.0	5.2
S&P RAC ratio after diversification	N/A	3.7	5.0	4.3	4.4
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Double leverage	96.3	93.8	95.7	94.3	83.1
Net interest income/operating revenues	78.1	65.1	73.7	68.8	77.6
Fee income/operating revenues	13.9	12.9	15.1	17.2	18.2
Market-sensitive income/operating revenues	4.6	19.9	8.6	12.3	2.7
Noninterest expenses/operating revenues	53.0	46.1	60.4	66.2	62.2
Preprovision operating income/average assets	4.3	5.7	3.4	2.9	3.2
Core earnings/average managed assets	1.3	0.4	0.4	2.0	2.0

*Data as of June 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 4

FBN Holdings PLC Risk-Adjusted Capital Framework Data

(Mil. NGN)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global RWA**	**Average S&P Global RW (%)**
Credit risk					
Government and central banks	1,579,666	397,960	25	2,901,450	184
Institutions and CCPs	469,174	397,960	85	650,253	139

Table 4

FBN Holdings PLC Risk-Adjusted Capital Framework Data (cont.)					
Corporate	1,070,505	795,919	74	2,944,383	275
Retail	89,458	0	0	191,943	215
Of which mortgage	0	0	0	0	0
Securitization§	0	0	0	0	0
Other assets†	726,810	397,960	55	2,345,159	323
Total credit risk	3,935,613	1,989,798	51	9,033,188	230
Credit valuation adjustment					
Total credit valuation adjustment	--	0	--	0	--
Market risk					
Equity in the banking book	65,272	0	0	732,250	1,122
Trading book market risk	--	208,257	--	585,723	--
Total market risk	--	208,257	--	1,317,973	--
Operational risk					
Total operational risk	--	620,103	--	876,990	--
(Mil. NGN)		**Basel III RWA**		**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification		2,818,158		11,228,150	100
Total Diversification/Concentration Adjustments		--		2,779,498	25
RWA after diversification		2,818,158		14,007,649	125
(Mil. NGN)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		393,766	14.0	522,311	4.7
Capital ratio after adjustments‡		393,766	14.0	522,311	3.7

*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.NGN--Nigerian naira . Sources: Company data as of Dec. 31, 2016, S&P Global.

Risk position: High credit losses arising from high risk concentration

In our opinion, the group's risk position is underpinned by high credit losses and significant exposure to the oil and gas sector. We forecast that the group's NPLs will be around 19% through 2018, and that its credit losses will trend above 5% in the same period, compared with our estimate of 3.5%-4.0% for the sector on average in 2018.

The group's cost of risk declined, but remained high at 5.6% at end-September 2017, compared with 10.4% at year-end 2016. Similarly, NPLs stayed high at 20.1% at end-September 2017, down somewhat from 24.4% at year-end 2016. That said, we note positively the group's efforts to reduce risk in its loan book through converting its foreign currency exposures to naira, and that some upstream oil and gas loans have been provisioned. We also recognize the group's efforts in restructuring some of its oil and gas loans for longer payment tenors, and in taking an aggressive debt recovery stance to contain the NPL ratio.

The weak performance of the bank's portfolio stems from its significant concentration on foreign currency loans, particularly oil- and gas-related exposures. FirstBank's loan portfolio has concentrations by sector and by obligor. The oil and gas sector accounted for 38.6% of total loans at end-June 2017, and the top 20 obligors accounted for 51% of total loans during the same period.

At end-2016, the bank restructured 5% of its portfolio, with the oil and gas sector accounting for 70% of the restructured portfolio. The balance of 30% is mainly concerns general commerce and manufacturing sectors. We believe that FirstBank will continue to restructure its stressed exposures in 2017. The current feeble economic growth will likely constrain the group's loan growth in 2017-2018, with the group expected to adopt a low risk appetite.

The group's loan loss reserve increased to 53% at year-end 2016, compared with 40% in 2015 as the growth in provisions outpaced the increase in NPLs. We expect the group's loan loss coverage to slightly increase to about 60%-70% through 2017-2018.

Table 5

FBN Holdings PLC Risk Position					
		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Growth in customer loans	(4.6)	22.4	(11.9)	22.5	14.7
Total managed assets/adjusted common equity (x)	8.4	9.1	8.5	9.4	9.4
New loan loss provisions/average customer loans	5.6	10.4	5.7	1.3	1.2
Net charge-offs/average customer loans	N.M.	2.8	1.1	1.5	1.1
Gross nonperforming assets/customer loans + other real estate owned	20.1	24.4	18.1	2.9	3.0
Loan loss reserves/gross nonperforming assets	52.4	53.2	39.5	65.8	83.0

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Funding and liquidity: Strong deposit franchise leads to low cost of funds and good liquidity in naira

We consider the group's funding to be above average and its liquidity adequate, as low interest bearing deposits continue to dominate its funding profile. The group's customer deposits accounted for about 64% of its total funding base on Sept. 30, 2017. Consequently, its stable funding ratio was a strong 131% at the same date, which compares adequately with that of top-tier domestic peers. The deposit book is dominated by retail (74%), corporate (10%), and commercial (7%) deposits, and the bank has fewer price-sensitive institutional and corporate deposits than peers. There is fairly good diversification of customer deposits, in our view, with the top 20 depositors accounting for 16.5% of total customer deposits at year-end 2016.

Long-term funding accounts for about 24.5% of the group's funding base. The market issuance of a $450 million Eurobond in 2014 supported the group's funding needs due to its strong focus on oil and gas lending, and extended the group's liability duration and reduced maturity mismatches. Over the past four years, the group's loan-to-deposit ratio has averaged 79%, which is higher than most top-tier rated peers. We expect this ratio to remain broadly stable in 2017-2018, on the back of muted loan growth and moderate deposit growth. Similar to its rated peers, FirstBank is still exposed to contractually short-term funds. Positively, these funds have been stable even under market stress.

We consider that the bank's strong retail funding profile supports the low cost of funds, averaging 3.3% over the past four years. Low cost of funds is also supported by the group's deliberate run-off of some expensive deposits and repricing. In our opinion, the low cost of funds is a key competitive advantage for the bank because it supports interest margins and allows it to finance higher-quality, and more price-sensitive, corporate borrowers.

The group's liquidity indicators compare well with the sector average. As of Sept. 30, 2017, the group's net broad liquid assets covered about 51% of short-term customer deposits. The group's liquid assets comprise unrestricted cash, Nigerian treasury bills, and interbank placements, similar to those of other domestic banks we rate. The group's cash and deposits with other banks comprised 25% of total assets at end-September 2017. The group also benefits from a large portfolio of government securities.

The bank issued U.S. dollar-denominated subordinated notes in 2013 and 2014 that mature in 2020 and 2021.

Table 6

FBN Holdings PLC Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Core deposits/funding base	64.2	66.2	75.4	70.6	73.7
Customer loans (net)/customer deposits	80.8	82.1	71.5	85.9	76.5
Long term funding ratio	76.7	76.9	84.4	78.1	78.9
Stable funding ratio	129.5	124.9	135.7	116.0	118.1
Short-term wholesale funding/funding base	16.6	11.8	5.5	10.7	4.5
Broad liquid assets/short-term wholesale funding (x)	3.2	4.5	9.4	4.2	10.6
Net broad liquid assets/short-term customer deposits	51.0	54.2	54.2	41.7	47.6
Short-term wholesale funding/total wholesale funding	46.2	35.0	22.2	36.3	17.2
Narrow liquid assets/3-month wholesale funding (x)	3.5	4.8	14.5	4.5	11.6

*Data as of Sept. 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Support: Core to the parent

We consider FirstBank to be a core subsidiary of its parent FBNH. The bank is the principal subsidiary of the holding company; it operates in 10 countries and represented about 95% of the group's assets and earnings on Dec. 31, 2016. FBNH was created in 2012 as a result of the regulatory requirement to ring-fence core banking activities from noncore operations. The group has banking operations outside Nigeria and the bank fully owns the recently acquired banks in West Africa.

Despite the bank's high systemic importance, the ratings on FirstBank reflect our assessment of the bank's core status to FBNH and its 'b-' SACP. We classify the Nigerian government's support toward the domestic banking sector as uncertain, and therefore do not add any notches above the bank's SACP.

Additional rating factors: Holding company

Our ratings on FirstBank's holding company FBNH are at the same level as the ratings on FirstBank, reflecting the absence of debt at the holding company level. Under our criteria, we generally notch down from the GCP to reflect the structural subordination of the NOHC and its exposure to potential regulatory intervention. Nevertheless, in FBNH's case, we take comfort from the absence of debt at the holding company level and believe that the risk of default of the NOHC is not commensurate with the 'CCC' rating category.

Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 1, 2016
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Federal Republic of Nigeria Ratings Affirmed At 'B/B'; Outlook Stable, Sept. 15, 2017
- Nigeria-Based Guaranty Trust Bank 'B/B' And 'ngBBB/ngA-2' Ratings Affirmed; Outlook Stable, Sept. 22, 2017
- Nigeria Bank Outlook 2017: Economic And Currency Concerns Will Fuel Weaker Capital And Higher Credit Losses, Feb. 27, 2017
- Banking Industry Country Risk Assessment: Nigeria – Nov. 10, 2017

Regulatory Disclosures

Regulatory disclosures applicable to the most recent credit rating action can be found in "Research Update: First Bank of Nigeria Outlook Revised To Stable; 'B-/B' Ratings Affirmed; National Scale Rating Raised To 'ngBB+'," published June 21, 2017, on RatingsDirect.

Glossary

- Adjusted assets: Total assets less nonservicing intangibles.
- Anchor: The starting point for assigning a bank a long-term rating, based on economic and industry risk.
- Asset-liability mismatch: Occurs when financial terms of an institution's assets and liabilities do not correspond.
- Asset quality: A key measure of the quality and performance of the assets of a bank.
- Available stable funding: Core deposits, plus deposits due to banks (net of those that mature within one year), plus other borrowings (net of maturities within one year), plus total equity, minus intangibles.

- Business position: A measure of the strength of a bank's business operations.
- Broad liquid assets: cash (net of restricted cash) and reserves at central bank, plus other cash and money market, plus bank loans and reverse repos that mature in less than one year, plus total liquid assets.
- Capital and earnings: A measure of a bank's ability to absorb losses.
- Core deposits: Total deposits minus noncore deposits (such as deposits due to banks and certificates of deposits).
- Core earnings over average managed assets: Annualized core earnings, over average assets of current period and last fiscal year.
- Core earnings: Net income before minority interest, minus nonrecurring income, plus nonrecurring expenses, plus/minus tax impact on adjustments, plus amortization/impairment of goodwill/intangibles, minus preferred dividends.
- Cost of funds: Interest expense as a percentage of average interest-bearing liabilities.
- Cost of risk: As a percentage of total loans, the charge for bad and doubtful debts.
- Counterparty credit rating: A form of issuer credit rating, which is a forward-looking opinion about an obligor's overall creditworthiness.
- Credit losses: Losses arising from credit risk.
- Credit risk: Risk that a borrower will default on its payment obligations.
- Customer loans (gross): Total customer loans before loan loss reserves.
- Customer loans (net) over customer deposits: Gross customer loans net of loan loss reserves, over core deposits.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Earning capacity: The capacity of a bank to generate sufficient earnings against losses and the primary way that a bank builds or maintains its capitalization.
- Earnings buffer: A measure of the capacity for earnings to absorb normalized losses through the credit cycle.
- Fee income over operating revenues: Net income on fees and commissions over operating revenues.
- Funding and liquidity: A combined assessment of the strength and stability of a bank's funding mix and its ability to manage its liquidity needs in adverse market and economic conditions over an extended period.
- Funding base: Total deposits, plus acceptances, repurchase agreements, and other borrowings (including commercial papers, short- and long-term debt, subordinated debt, and minimal equity content hybrids).
- Group credit profile (GCP): S&P Global Ratings' opinion of a group's creditworthiness as if the group were a single legal entity, and is conceptually equivalent to an issuer credit rating. A GCP does not address any specific obligation.
- Group support: An assessment of the likelihood that a parent or other group member would provide extraordinary support to a bank within that group.
- Gross nonperforming assets over customer loans plus other real estate owned over customer loans: Nonaccrual loans, plus restructured loans, plus repossessed assets plus loans 90-days past due; over gross customer loans plus repossessed assets.
- Loan loss reserves over gross nonperforming assets: General plus specific reserves, over adjusted nonperforming assets (nonaccrual loans plus restructured loans plus repossessed assets plus 90-day past due loans).
- Long-term funding ratio: Available stable funding, over funding base plus total equity, minus intangibles.
- National scale rating: An opinion of an obligor's creditworthiness or overall capacity to meet specific financial obligations, relative to other issuers and issues in a given country or region.
- Net interest income over operating revenues: Net interest income (including net interest income on loans, securities, and other assets), over operating revenues.
- New loan loss provisions over average customer loans: Credit loss provisions (including specific loan provisions and

general and other provisions) minus recoveries, over average gross customer loans of current period and last fiscal year.
- Noninterest expenses: Salaries and general administrative expenses (including depreciations and amortizations).
- Operating revenues: Net interest income, plus operating non-interest income (that mainly includes fees and commissions and trading gains).
- Preprovision operating income over average assets: Operating revenues minus noninterest expenses, over average assets.
- Return on equity: Net income before extraordinary results minus preferred dividends over average common (average between current period and last fiscal period).
- Risk position: Our view of the specific risk characteristics of a particular bank.
- Risk-adjusted capital (RAC) ratio before diversification: This is calculated according to S&P Global Ratings' methodology as total adjusted capital over risk-adjusted assets.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial papers, debt and senior and subordinated bonds), plus bank deposits that mature in less than one year.
- Sovereign support: An assessment of the likelihood that the government would provide extraordinary support to a bank.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial papers, debt and senior and subordinated bonds), plus bank deposits that mature in less than one year.
- Stable funding needs: Restricted cash and reserves at the central bank, plus interbank deposits, plus loans to banks (net of maturities within one year), plus reverse repurchase agreements, plus gross customer loans net of loan-loss reserves, plus securities, minus total liquid securities, plus equity participations in nonfinancial entities, plus fixed assets, plus other assets (considering foreclosed assets, tax loss carryforwards, and deferred assets).
- Stable funding ratio: Available stable funding over stable funding needs.
- Stand-alone credit profile (SACP): An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support.
- Total adjusted capital: adjusted common equity plus admissible preferred instruments and hybrids.
- Total wholesale funding: Noncore deposits, plus acceptances, repurchase agreements, other borrowings (including commercial papers, debt and senior and subordinated bonds, minimal equity content hybrids), and total equity, minus minority interest and common shareholders' equity.

Anchor Matrix

Industry Risk	**Economic Risk**									
	1	2	3	4	5	6	7	8	9	**10**
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	**b**
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of December 19, 2017)		
FBN Holdings PLC		
Counterparty Credit Rating		B-/Stable/B
Nigeria National Scale		ngBB+/--/ngB
Counterparty Credit Ratings History		
21-Jun-2017		B-/Stable/B
18-Apr-2017		B-/Negative/B
22-Sep-2016		B-/Negative/C
22-Jun-2016		B-/Watch Neg/C
25-Mar-2015		B-/Stable/C
13-Feb-2015		B/Watch Neg/B
01-Apr-2014		B/Negative/B
11-Jun-2013		B/Stable/B
21-Jun-2017	*Nigeria National Scale*	ngBB+/--/ngB
22-Sep-2016		ngBB/--/ngB
22-Jun-2016		ngBB/Watch Neg/ngB
25-Mar-2015		ngBB+/--/ngB
13-Feb-2015		ngBBB-/Watch Neg/ngA-3
30-Sep-2014		ngBBB-/--/ngA-3
11-Jun-2013		ngBBB/--/ngA-3
Sovereign Rating		
Nigeria (Federal Republic of)		B/Stable/B
Nigeria National Scale		ngBBB/--/ngA-2
Related Entities		
FBN Finance Company B.V.		
Subordinated		CCC
First Bank of Nigeria Ltd.		
Issuer Credit Rating		B-/Stable/B
Nigeria National Scale		ngBB+/--/ngB
Subordinated		CCC

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:

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