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FBN Holdings PLC (Holding Company)

First Bank of Nigeria Ltd. (Lead Bank)

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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 ICR
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 risks. • Higher credit losses than top tier banks. • 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 International Financial Reporting Standard 9 (IFRS 9) implementation. It also reflects our view that asset quality will continue to stabilize, although remain at weak levels, while the bank maintains its above-average funding and adequate liquidity over the next 12 months.

We would lower the ratings on FirstBank if we see a further deterioration in the bank's asset quality indicators, or a significant decline in capitalization because of higher credit losses.

A positive rating action appears remote and would require the bank to substantially improve its asset-quality indicators, while maintaining capitalization and customer franchise at current levels.

The outlook on FBNH is stable and reflects that on FirstBank. We would lower the ratings on FBNH if we lowered the ratings on FirstBank, or if leverage emerged at the nonoperating 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 a Nigerian financial services industry leader. The ratings are supported by the bank's position as the 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.

While our assessment of the group's capital and earnings is neutral to the ratings, we expect our risk-adjusted capital (RAC) ratio for the bank will remain weak, below 5% in the next 12-18 months. This is mainly attributable to high credit losses and IFRS 9 implementation, which resulted in a deduction of Nigerian naira (NGN) 28.5 billion ($78.7 million) from retained earnings at Sept. 30, 2018. Although FirstBank's non-performing loans (NPLs) and credit losses have been declining in recent periods, over the next 12-18 months, we believe that FirstBank will continue to display comparatively weaker asset quality metrics than those of rated top-tier banks in Nigeria. Similar to its peers, FirstBank is funded by short-term customer deposits and has a strong deposit franchise and sound 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's 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 (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our 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'.

Following years of heightened risks, operating conditions for the Nigerian banking sector are improving thanks to the gradual economic recovery, rising oil prices, and increasing U.S. dollar supply in the banking system. We consider that the Nigerian banking sector is still in a correction phase. We project slow economic recovery, with real GDP growth of 2.4% in 2018. We also anticipate muted nominal credit growth (excluding the impact of depreciation) in 2018 of 8%. The sector's asset quality and profitability will likely improve only gradually, with top-tier banks faring better than the sector average. Similar to 2017, we believe that credit losses will remain high at about 3%-4% in 2018.

We consider regulatory oversight as weak. We acknowledge, however, the Central Bank of Nigeria's (CBN) efforts to strengthen the sector's stability. In addition, the CBN has restricted banks from distributing dividends if their nonperforming loan (NPL) ratio exceeds 10%. We may see some banks converting their banking license to a national one to meet the lower minimum capital adequacy ratio. Positively, the majority of banks have overcome their short-term liquidity challenges. That said, Nigeria still operates multiple exchange rates and we expect these rates will converge by the end of 2018.

Table 1

FBN Holdings PLC--Key Figures					
	--Year ended Dec. 31--				
(Mil. NGN)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted assets	5,332,969	5,220,326	4,721,477	4,156,502	4,332,572
Customer loans (gross)	2,229,481	2,280,393	2,394,778	1,956,993	2,221,621
Adjusted common equity	600,115	567,728	522,311	492,597	462,764
Operating revenues	312,056	441,140	467,728	359,804	354,193
Noninterest expenses	184,531	229,774	215,419	217,275	234,418
Core earnings	44,941	50,485	18,889	17,582	83,835

*Data as of Sept. 30, 2018. NGN--Nigerian naira.

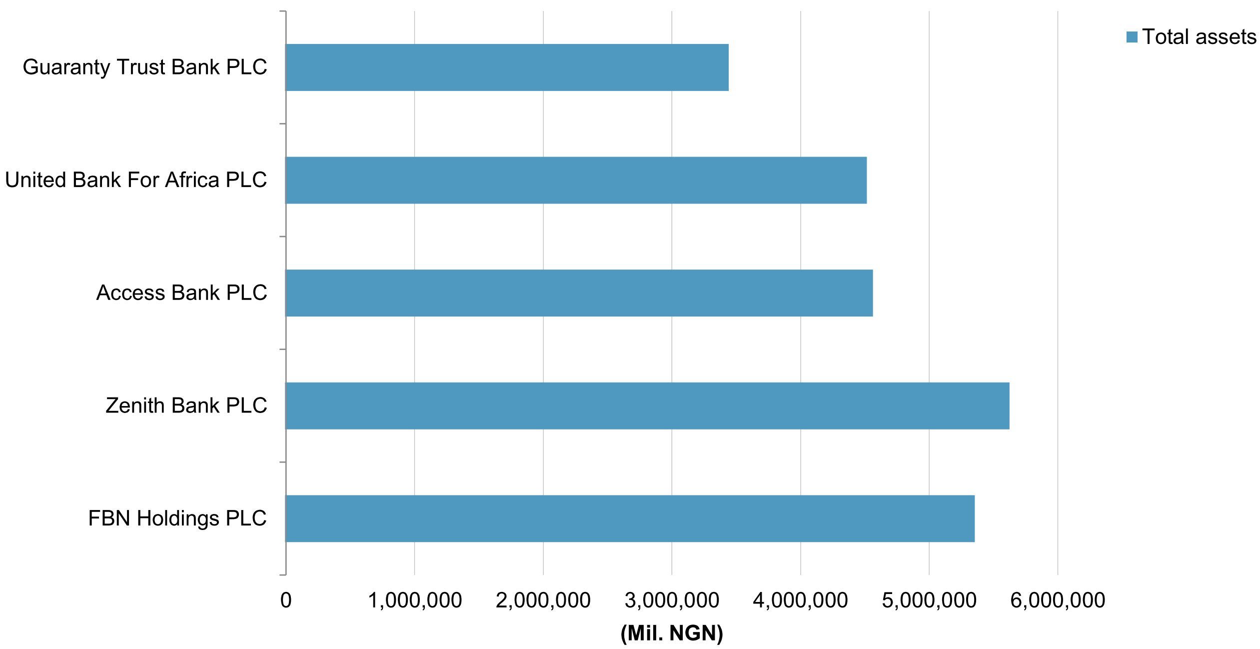
Business position: One of the largest financial services group operating in Nigeria

In assessing the group's business position, we balance our view of 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 proactively monitor its loan exposures. The bank has taken action to address gaps in its risk management framework such as by hiring a new Chief Risk Officer in 2017.

The group has total assets of Nigerian naira (NGN) 5.35 trillion (about $14.8 billion at NGN362 to $1) as of Sept. 30, 2018, making it the largest financial services group in Nigeria by asset size (see chart 1). FirstBank is the largest entity within the group, accounting for 95% of the group's assets in 2018. Other group operations include asset management, merchant banking, and insurance. As of Sept. 30, 2018, the merchant banking and asset management business contributed 6.2% of operating revenue, while the insurance business accounted for 3.3% of revenue.

Chart 1

Five Largest Nigerian Banks, By Total Assets (September 2018)



 NGN--Nigerian naira.

We estimate the group's market share in terms of assets to be about 15%. It has the largest retail franchise, with over 13 million active customer accounts at end-September 2018, and 833 branches. However, in our view, the group'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.

The group's earnings have been volatile in recent past, with return on equity averaging about 6% over the past three years (which is lower than the peer average), because of a higher cost of risk.

We expect the bank's geographic diversification will 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 24% of total assets as of Dec. 31, 2017. 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 2017. In 2017, FirstBank acquired the balance of 25% equity holdings in FBNBank DRC Ltd., making it a wholly owned subsidiary. That said, the subsidiary accounted for a low 1.7% of total group loans.

Table 2

FBN Holdings PLC--Business Position					
	--Year ended Dec. 31--				
(%)	2018*	2017	2016	2015	2014
Total revenues from business line (mil. NGN)	312,056	441,224	467,728	359,804	354,628
Commercial banking/total revenues from business line	89.8	88.3	89.8	90.1	89.4
Merchant banking and asset management business group/total revenues from business line	6.3	6.4	6.3	6.4	4.6
Insurance activities/total revenues from business line	3.4	3.1	2.1	2.0	1.3
Other revenues/total revenues from business line	0.5	2.2	1.8	1.5	4.6
Return on average common equity	8.5	6.9	2.4	2.8	16.8

*Data as of Sept. 30, 2018. NGN--Nigerian naira.

Capital and earnings: Higher than peer average cost of risk

We forecast our RAC ratio before adjustments for diversification for the group will remain weak, at 4%.0-4.5% over the next 12-18 months, down from 4.9% at year-end 2017, on the back of IFRS 9 implementation and high credit costs.

More specifically, we forecast:

- Moderate loan growth through 2018-2019, reflecting loan repayments, and measured underwriting (particularly in light of the upcoming election in 2019), based on our expectation of naira depreciation in 2018.
- A gradual improvement in net interest margins in 2019, due to higher yields on government securities.
- Above peer average credit losses of 5%-6% over the next 12-18 months.
- Average growth in fees and commissions of about 10% over the next 12-18 months, supported by higher transactional activity.
- Broadly stable cost base despite high inflation, with cost to income below 55% over the next 12-18 months.
- Low dividend payment over the next 12-18 months as the group maximizes earnings retention in light of IFRS 9 application.

Between year-end 2017 and end-September 2018, the group's CAR declined marginally by 30 basis points to 17.4%, following the implementation of IFRS 9, which resulted in a NGN28.5 billion ($78.7 million) deduction from retained earnings at group level at Sept. 30, 2018. We expect that the group's CAR will remain above the regulatory minimum, supported by muted risk asset growth and high earnings retention.

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 will account for 73%-78% of operating revenues in 2018 and 2019, while fees and commission will account for about 16%-17% of total revenues for the same period.

Table 3

FBN Holdings PLC--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Tier 1 capital ratio	14.20	13.90	13.97	13.26	12.25
Adjusted common equity/total adjusted capital	100.00	100.00	100.00	100.00	100.00
Net interest income/operating revenues	71.0	75.2	65.1	73.7	68.8
Net fee income/operating revenues	16.7	14.1	12.9	15.1	17.2
Market-sensitive income/operating revenues	8.4	7.9	19.9	8.6	12.3
Noninterest expenses/operating revenues	59.1	52.1	46.1	60.4	66.2
Preprovision operating income/average assets	3.2	4.2	5.7	3.4	2.9
Core earnings/average managed assets	1.1	1.0	0.4	0.4	2.0

*Data as of Sept. 30, 2018.

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	1,671,960	1,067,532	64	1,884,395	113
Of which regional governments and local authorities	--	--	--	--	--
Institutions and CCPs	798,545	0	--	953,253	119
Corporate	2,265,969	1,067,532	47	5,275,032	233
Retail	77,672	--	--	165,830	213
Of which mortgage	--	--	--	--	--
Securitization§	--	--	--	--	--
Other assets†	160,316	--	--	548,024	342
Total credit risk	4,974,462	2,135,064	43	8,826,534	177
Credit valuation adjustment					
Total credit valuation adjustment	--	1	--	--	--
Market risk					
Equity in the banking book	104,574	--	--	1,173,346	1,122
Trading book market risk	--	233,662	--	657,173	--
Total market risk	--	233,662	--	1,830,520	--
Operational risk					
Total operational risk	--	651,153	--	876,990	--
		Basel III RWA		**S&P Global RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification		3,019,880		11,534,043	100
Total Diversification/Concentration Adjustments		--		3,065,076	27
RWA after diversification		3,019,880		14,599,119	127

Table 4

FBN Holdings PLC Risk-Adjusted Capital Framework Data (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	419,746	13.9	567,728	4.9
Capital ratio after adjustments‡	419,746	13.9	567,728	3.9

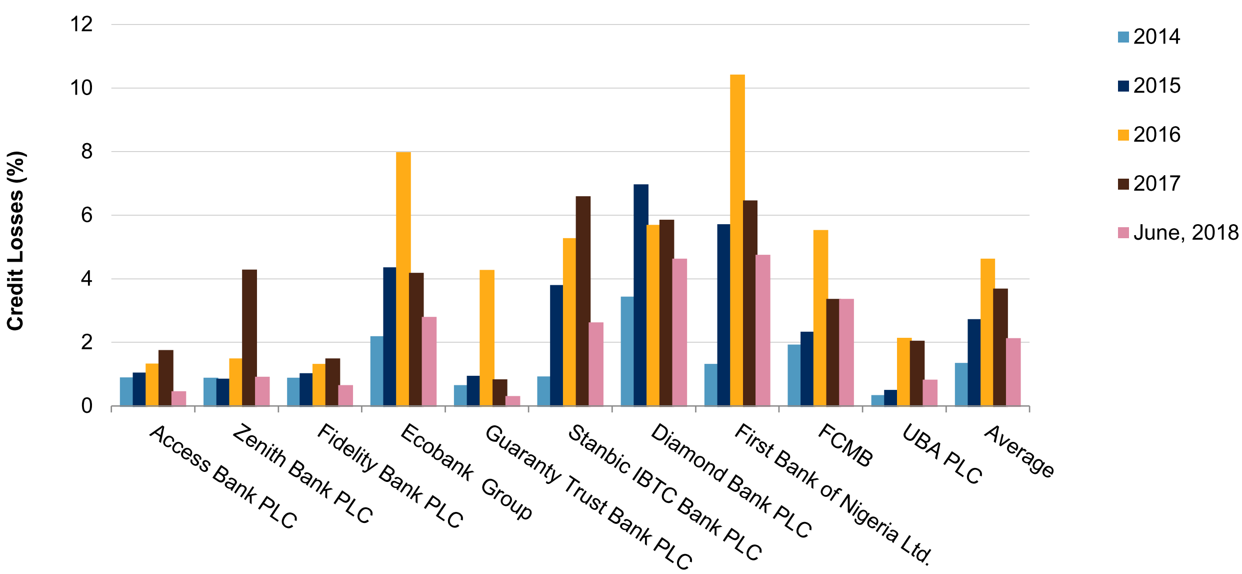
*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor 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, 2017, S&P Global Ratings.

Risk position: High credit losses arising from high-risk concentration

In our opinion, the group's risk position is underpinned by high credit losses relative to peers' (see chart 2) and significant exposure to the oil and gas sector. We forecast that the group's NPLs will decline gradually, but remain high, above 15% over the next 12-18 months. Furthermore, we expect its credit losses will range between 5% and 6% in the same period, remaining higher than top tier rated peers'.

Chart 2

Rated Nigerian Banks' Historical Credit-Loss Performance



FCMB--First City Monument Bank. *Data for Ecobank Nigeria reflects that of the wider Ecobank Group.

At end-September 2018, the group's cost of risk declined to 4.5% (versus 6.4% at year-end 2017), but remained high and above peers'. Similarly, NPLs stayed high at 19.8% at end-September 2018, down somewhat from 22.8% at year-end 2017. The group's higher credit losses than peers stemmed from significant concentration risk (particularly foreign currency denominated oil- and gas-related exposures) that materialized when oil prices fell in 2016.

FirstBank's loan portfolio has concentrations by sector and by obligor. The oil and gas sector accounted for 38.5% of total loans at end-September 2018, and the top 20 obligors accounted for 48.4% of total loans at end-December 2017. While we recognize the group's efforts to address its legacy asset quality issues, we believe that the unsupportive economic environment will likely prolong the recovery period.

At end-September 2018, the bank had restructured 6% (about NGN134 billion) of its portfolio, with the oil and gas sector accounting for 70% of the restructured portfolio. The balance of 30% mainly concerns general commerce and manufacturing sectors.

The group's coverage by loan loss reserves increased to 69% at end-September 2018, compared with 54% at end-December 2017 as the growth in provisions outpaced the increase in NPLs following the implementation of IFRS 9. We expect the group's loan loss reserves will increase further to fully cover NPLs over the next 12-18 months.

Table 5

FBN Holdings PLC--Risk Position

	--Year ended Dec. 31--				
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	(3.8)	(4.0)	22.4	(11.9)	22.5
Total managed assets/adjusted common equity (x)	8.9	9.2	9.1	8.5	9.4
New loan loss provisions/average customer loans	4.5	6.4	10.4	5.7	1.3
Net charge-offs/average customer loans	N.M.	8.5	2.8	1.1	1.5
Gross nonperforming assets/customer loans + other real estate owned	19.8	22.8	24.4	18.1	2.9
Loan loss reserves/gross nonperforming assets	69.1	53.7	53.2	39.5	65.8

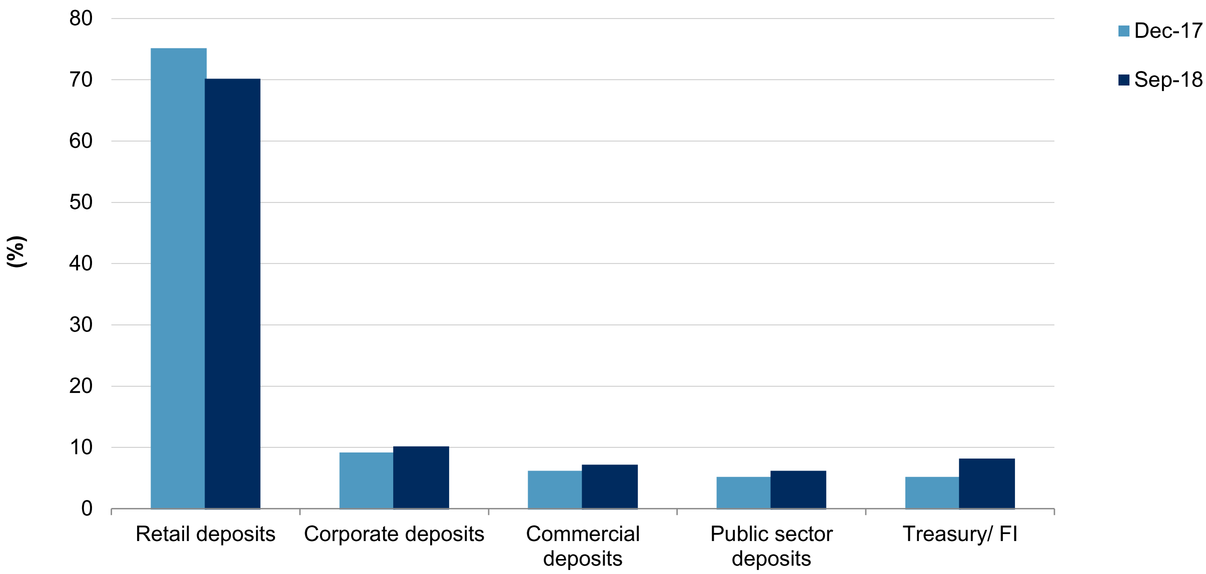
*Data as of Sept. 30, 2018.

Funding and liquidity: Strong deposit franchise and good liquidity in naira

We consider the group's low interest bearing deposits, which continue to dominate its funding profile and its low deposit concentration, as a relative strength. The group's customer deposits accounted for about 78.2% of its total funding base on Sept. 30, 2018. Consequently, its stable funding ratio was a strong 155.3% at the same date, comparing adequately with that of top-tier domestic peers. The deposit book is dominated by retail and corporate deposits, with a few price-sensitive institutional and corporate deposits (see chart 3). There is a good diversification of customer deposits, in our view, with the top-20 depositors accounting for 9% of total customer deposits at year-end 2017.

Chart 3

FBN Holdings PLC. Deposit Structure



Source: FBN Holdings PLC. *FIs - Financial Institutions.

The group issued U.S. dollar-denominated subordinated notes in 2013 and 2014 that mature in 2020 and 2021, respectively. This 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. Long-term funding accounts for about 21.7% of the group's funding base. 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 3.4% over the past four years. In our opinion, the low cost of funds is a key to a 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, 2018, the group's broad liquid assets covered short-term wholesale funding 4x, while its net broad liquid assets accounted for about 58% of short-term customer deposits. The group's liquid assets comprise unrestricted cash, interbank placements, as well as Nigerian treasury bills and other government securities similar to those of other domestic banks we rate.

Table 6

FBN Holdings PLC--Funding And Liquidity

	--Year ended Dec. 31--				
(mil. NGN)	**2018***	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	78.2	74.3	66.2	75.4	70.6

Table 6

FBN Holdings PLC--Funding And Liquidity (cont.)					
	--Year ended Dec. 31--				
(mil. NGN)	**2018***	**2017**	**2016**	**2015**	**2014**
Customer loans (net)/customer deposits	56.9	63.7	82.1	71.5	85.9
Long-term funding ratio	86.3	84.9	76.9	84.4	78.1
Stable funding ratio	155.3	145.1	124.9	135.7	116.0
Short-term wholesale funding/funding base	15.8	17.5	11.8	5.5	10.7
Broad liquid assets/short-term wholesale funding (x)	3.7	3.2	4.5	9.4	4.2
Net broad liquid assets/short-term customer deposits	57.8	54.8	54.2	54.2	41.7
Short-term wholesale funding/total wholesale funding	72.4	68.0	35.0	22.2	36.3
Narrow liquid assets/3-month wholesale funding (x)	4.1	3.6	4.8	14.5	4.5

*Data as of Sept. 30, 2018. NGN-Nigerian naira.

Support: Core to the parent

We consider FirstBank 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, 2017. 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 acquired banks in West Africa, the DRC and in the U.K.

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: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- 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
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- 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

- Nigeria 'B/B' And 'ngA/ngA-1' Ratings Affirmed; Outlook Stable, Sept. 14, 2018
- Nigerian Financial Institutions National Scale Ratings Revised After Criteria Update; Removed From Criteria Observation, July 2, 2018
- Nigeria National Scale Ratings Placed Under Criteria Observation On Revised National Scale Credit Rating Methodology, June 25, 2018
- S&P Global Ratings' National And Regional Scale Mapping Specifications, June 25, 2018
- 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 "Nigeria-Based First Bank of Nigeria Ltd. 'B-/B' And 'ngBB+/ngB' Ratings Affirmed; Outlook Stable ," published June 22, 2018, 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 21, 2018)

First Bank of Nigeria Ltd.	
Issuer Credit Rating	B-/Stable/B
Nigeria National Scale	ngBBB/--/ngA-2
Subordinated	CCC
Issuer 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
24-Mar-2016	B+/Negative/B
25-Mar-2015	B+/Stable/B
13-Feb-2015	BB-/Watch Neg/B
01-Apr-2014	BB-/Negative/B
02-Jul-2018 *Nigeria National Scale*	ngBBB/--/ngA-2
21-Jun-2017	ngBB+/--/ngB
22-Sep-2016	ngBB/--/ngB
22-Jun-2016	ngBB/Watch Neg/ngB
24-Mar-2016	ngA-/--/ngA-2
25-Mar-2015	ngA/--/ngA-1
13-Feb-2015	ngAA-/Watch Neg/ngA-1
Sovereign Rating	
Nigeria	B/Stable/B
Nigeria National Scale	ngA/--/ngA-1
Related Entities	
FBN Finance Company B.V.	
Subordinated	CCC

Ratings Detail (As Of December 21, 2018) (cont.)	
FBN Holdings PLC	
Issuer Credit Rating	B-/Stable/B
Nigeria National Scale	ngBBB-/--/ngA-3

*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.