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Ratings

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First Bank of Nigeria Ltd. (Lead Bank) FBN Holdings PLC (Holding Company)

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First Bank of Nigeria Ltd. (Lead Bank) FBN Holdings PLC (Holding Company)

Ratings Score Snapshot

Issuer Credit Rating
B-/Stable/B
Nigeria National Scale
ngBBB+/--/ngA-2

SACP: b+

Anchor	b	
Business position	Strong	+1
Capital and earnings	Constrained	0
Risk position	Adequate	0
Funding	Strong	0
Liquidity	Adequate	
CRA adjustment		0

Support: 0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: -2

Issuer credit rating
B-/Stable/B
Holding company ICR
B-/Stable/B

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
The FirstBank group's dominant market position, largest agency banking network, and business mix in Nigeria support revenue growth.	Challenging operating environment in Nigeria.
FirstBank's wide reach and scale support low-cost customer deposit growth.	High level of loan concentration and foreign currency lending.
	Sovereign creditworthiness constrains the ratings.

First Bank of Nigeria Ltd.'s (FirstBank)'s well established corporate and retail banking franchise support its credit profile. FirstBank holds a market-leading position in the Nigerian banking sector and is one of the top five banks by total assets. The core subsidiary of FBN Holdings (FBNH) group, FirstBank has the largest agency banking network among Nigerian banks. This, combined with the bank's digital offering and historical presence, has supported the group's scalability and expanded its reach across Nigeria. Low-cost deposits and a robust corporate banking franchise support the group's ability to grow revenue. We expect operating revenue to increase by about 55%-65% in 2024 as net interest margins (NIMs) improve at the back of high interest rates and growth in fees and commissions.

Stronger earnings and capital issuance will strengthen the bank's regulatory capital buffers. We anticipate strong earnings in 2024 with a return on equity ratio of 25%-30%. This--together with the completed $200 million tier 2 capital--will help maintain the bank's capital adequacy ratio (CAR) above the 15% regulatory minimum. FirstBank's CAR stood at 15.5% as of end-March 2024. In addition, the group plans to raise Nigerian Naira (NGN) 500 billion through 2025 to meet the new paid-up capital requirements announced by the Central Bank of Nigeria (CBN), which will further boost its regulatory capital.

Impairment charges will remain elevated due to the naira depreciation and higher inflation and interest rates. We expect cost of risk to remain elevated as management adjusts its loan coverage to reflect the currency movement and some borrowers' weakening creditworthiness. We forecast a cost of risk of 3% in 2024, in line with the expected sector average. Corporate cash flows remain constrained by the high cost due to the weak local currency and high inflation, while the retail and small-to-midsize enterprise loan portfolio is vulnerable to tightening monetary policy, compounded by very high inflation. We however forecast the group's nonperforming loans (NPL) ratio to remain broadly stable, below the 5% regulatory limit at about 4.4% of gross loans in 2024 (4.2% as at end June 2024) supported by write-offs and higher nominal loan growth.

Outlook

The stable outlook on FirstBank, FBNH's main operating entity, mirrors that on Nigeria.

The outlook on FBNH, the nonoperating holding company (NOHC), matches that on FirstBank.

Downside scenario

We would take a negative rating action on FirstBank over the next 12 months if we took a similar action on Nigeria because sovereign distress would likely affect the bank's operations and liquidity.

We would lower our ratings on FBNH if we lowered our ratings on FirstBank.

Upside scenario

A positive rating action on Nigeria would result in a similar positive action on FirstBank over the next 12 months, all else remaining equal.

A higher rating on the bank will not lead to a similar action on FBNH. We are unlikely to raise our ratings on the NOHC because of the structural subordination compared with the bank and the risk of regulatory imposition on NOHCs.

Key Metrics

FBN Holdings PLC--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2021a**	**2022a**	**2023a**	**2024f**	**2025f**
Growth in operating revenue	5.9	27.4	98.5	55.8-68.2	1.9-2.3
Growth in customer loans	31.1	30.8	68.8	49.5-60.5	22.5-27.5
Net interest income/average earning assets (NIM)	3.6	4.8	5.1	6.4-7.0	5.7-6.3
Cost to income ratio	74.0	63.2	49.4	47.5-50.0	60.5-63.6
Return on average common equity	18.4	14.5	22.8	25.2-27.9	13.9-15.4
New loan loss provisions/average customer loans	-1.9	1.5	3.5	2.8-3.1	1.8-2.0
Gross nonperforming assets/customer loans	6.7	4.7	4.9	4.2-4.6	3.8-4.2
Risk-adjusted capital ratio	4.0	3.7	3.7	3.1-3.2	3.3-3.5

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'b' For Banks Operating Predominantly In Nigeria

The 'b' anchor is based on our Nigeria industry risk score of '9' (on a scale of 1-10, '1' being the lowest risk) and a blended economic risk score of '10', which reflects the average of economic risk scores of countries where the group operates, further informed by our low sovereign credit ratings in key markets. The weighting to determine the economic risk scores is based on the group's gross loans. As of December 2023, the group's loan book was skewed toward Nigeria, with 87% of the group's customer loans, and rest-of-Africa and international operations accounting for the remainder.

Macroeconomic challenges will persist in 2025. Nigeria's removal of oil subsidies and exchange rate liberalization in 2023 pushed up inflation, which continued to exceed 30% in September 2024. The CBN has settled a significant amount of the backlog of foreign currency transactions, which helped stabilize the naira at NGN1,600-NGN1,700 to $1 in September 2024. Also, to counter inflation, the CBN raised its benchmark rate in 2024 to 27.25%. The CBN imposes Cash Reserve Requirements on banks at a high statutory minimum of 50%. Although it has eased, we expect the supply of U.S. dollars to remain tight in 2024, also constraining corporates' operations and financial performance and dampening banks' lending prospects. That said, we see some growth opportunities in the oil and gas sector, thanks to increased refining capacity. Elevated prices and interest rates will continue to constrain household spending. GDP per capita will remain low, partly reflecting the country's large population growth. Average income levels will fluctuate at a low $1,300 through 2025.

The banking industry's credit cycles are intrinsically linked to the oil and gas sector and foreign currency flows. We forecast impairment charges to remain high at about 3% of loans in 2024 because of the impact of currency depreciation on credit risk and the tight supply of the U.S dollar on corporates. Although the amount of NPLs will increase, the NPL ratio will likely stay below 5% through 2025, as gross loans increase because of the depreciation of the naira. Overall, we expect the share of foreign currency-denominated lending to remain high at about 50% of total loans in 2024. The industry has material exposure to the oil and gas sector, accounting for about a third of total loans.

We anticipate the sector's profitability should stay resilient. The depreciating naira has eroded banks' capitalization in U.S. dollar terms because of higher risk-weighted assets. We forecast return on equity (ROE) will remain strong at 30% in 2024 supported by solid growth in net interest income thanks to high interest rates. We foresee potential mergers, acquisitions, or changes in business models as a result of the CBN's recapitalization exercise. The CBN has raised banks' minimum paid-up capital by 10x to NGN500 billion (about $300 million) for an international banking license and NGN200 billion for a national license. We estimate the capital shortfall of rated banks at about $2.5 billion. The deadline to comply is March 2026.

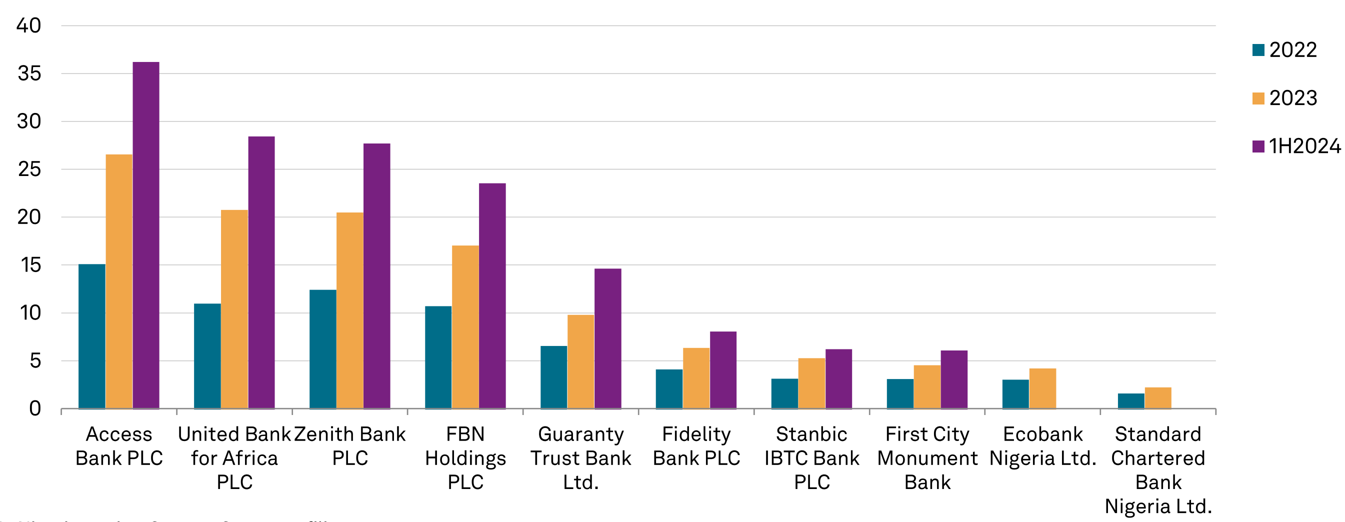
Business Position: One Of The Leading Banking Groups In Nigeria, With A Strong Retail Franchise

Our view of FBNH group's business position balances its leading market position and relatively diverse business mix against its business concentrations in Nigeria and its high-cost base. FBNH is the fourth largest financial services group in Nigeria and had total assets of NGN27.5 trillion on Sept. 30, 2024 (equivalent to $17.2 billion at an exchange rate of $/NGN=1600). FirstBank provides commercial banking and is the group's largest subsidiary, accounting for about 98% of assets and 86% of profit before tax (PBT), with the remainder stemming from Merchant Banking and Asset Management (via FBNQuest Merchant Bank Ltd. and its subsidiaries), as of year-end 2023. In September 2024, the group announced its planned divestment of FBNQuest Merchant Bank Ltd., however the group will continue its operations in other subsidiaries offering services ranging from asset management to trustee services.

Chart 1

FBNH is among the five largest banking groups in Nigeria

Total assets (Tril. NGN)



NGN--Nigerian naira. Source: Company filings.

The group services over 42 million customer accounts, of which about half use its digital channels through unstructured supplementary service data and Firstmobile. The group had over 243,000 agent-banking channels across

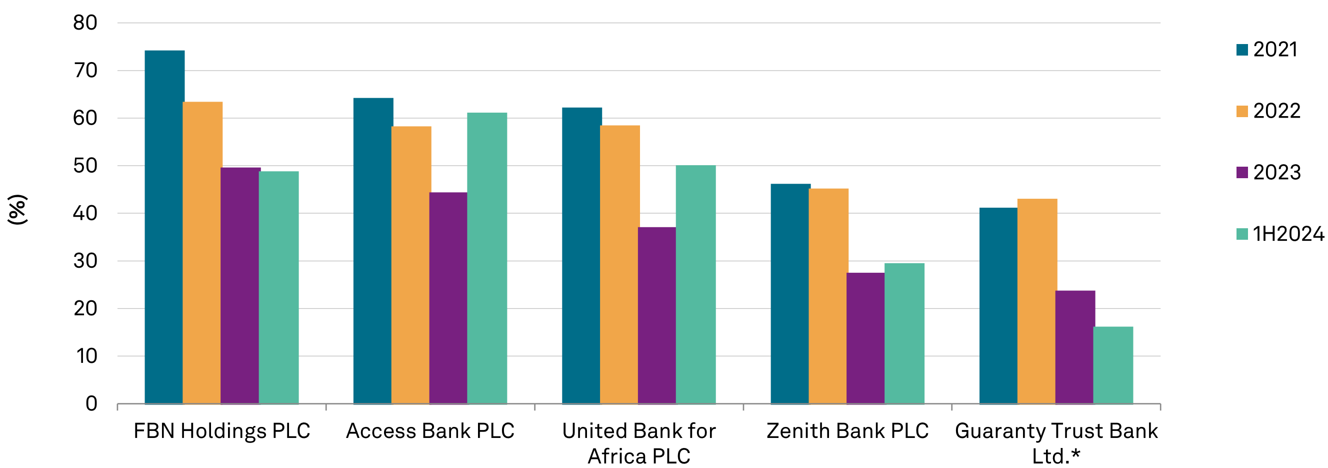
Nigeria at end-March, 2024, the largest among all Nigerian banks; these serve as a lower cost option than a bank branch outlet. Combined with its digital platforms and historical presence, agent-banking has supported FirstBank's scalability and expanded its reach across Nigeria. The group's stronger retail franchise makes it well-placed to grow its non-interest income; we expect fees and commissions revenue to increase by an average of 20% per year through 2025.

That said, the group's cost base is one of the highest among top-tier peers in Nigeria (see chart 2). It had a cost-to-income ratio of 46.4% at the end of September 2024, an improvement from historical levels supported by strong operating revenue growth. The group has the largest branch network in Nigeria with 588 local branches, double that of some top-tier peers, which adds to its higher operating cost relative to peers. Regulatory costs through the Asset Management Corporation of Nigeria (AMCON) charge also contribute to the high costs, given the group's large and increasing balance sheet. The AMCON charge is 0.5% of the group's total on- and off-balance sheet assets. Regulatory cost accounted for about 9% of operating cost in 2023. Staff cost also increased because the group raised employee salaries following the naira depreciation to help keep its staff. The group aims to improve efficiency through digitalization of systems and platforms.

Chart 2

FBNH has one of the highest cost-to-income ratios among its peers

Cost-to-income ratio



*Data as at March 31. Source: S&P Global Ratings.

We expect FBNH's geographic diversification to remain unchanged for the next 12 months. The group's U.K. subsidiary, FirstBank UK, is the largest outside Nigeria, and acts as a correspondent bank for African banks in the U.K. Its presence in the rest of Africa includes Ghana, Gambia, Guinea, Sierra Leone, Senegal, and the Democratic Republic of Congo. The group's Africa presence outside of Nigeria adds to revenue diversification as this enables it to capture the benefits of inter-Africa trade flows. The group's African subsidiaries contributed 16.7% to group PBT in financial year 2023, while FirstBank UK contributed 8.7%.

We view the bank's governance as in line with peers. Its management has delivered on the group's strategic goals of addressing high NPL levels and improving revenue diversification.

Capital And Earnings: Stronger Earnings And Capital Issuance Will Support Regulatory Capital

We expect FirstBank's approach to capital management and the optimization of its capital structure to help the group strengthen its capitalization. We anticipate an improvement in the bank's CAR to about 300 basis points (bps)-400 bps above the 15% regulatory minimum CAR over the next 12-18 months, supported by higher earnings and capital issuance. FirstBank's CAR decreased to 15.5% at end-March 2024 from 17.9% as of Dec. 31, 2023 (see chart 3), owing to the significant growth in risk-weighted assets because of the naira depreciation. The group successfully issued $200 million tier 2 notes in 2024. In addition, it plans to raise an additional NGN500 billion of equity to meet the new paid-up capital requirements. In March 2023, the CBN mandated banks with an international license to increase their paid-up capital by 10x to NGN500 billion. As of end September 2024, the group's paid-up capital stood at NGN251 billion; we expect it to complete the capital raise by the end of 2025.

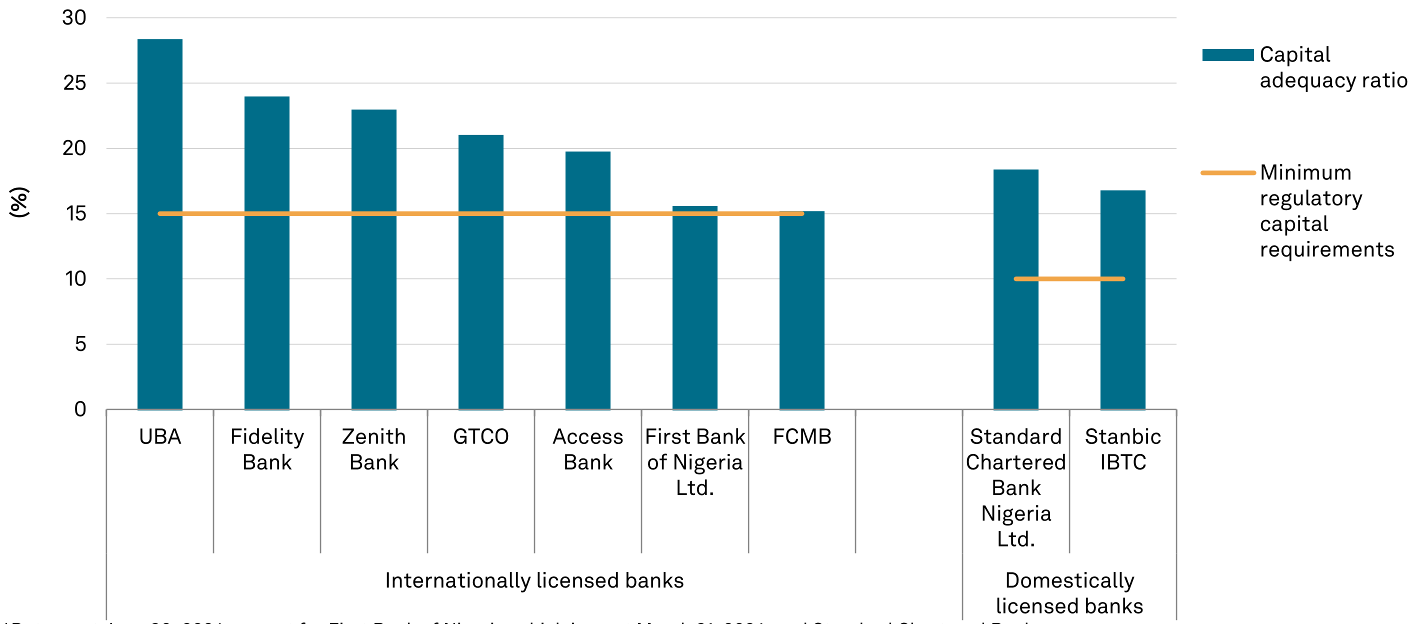
We expect the group's risk-adjusted capital (RAC) ratio to remain fairly stable and range between 3.0%-3.5% in 2024-2025, compared with 3.7% as of Dec. 31, 2023. This is broadly in line with the group's Nigerian top-tier peers and reflects the higher risk charges because of the low sovereign rating on Nigeria and our treatment of elevated mandatory cash reserves in Nigeria.

Our RAC forecast assumes the following over the next two years:

- Loan growth of 55% in 2024 and a normalized level of 25% in 2025.
- NIMs of 6.7% in 2024, reflecting asset repricing in a high interest rate environment.
- Cost-to-income ratio to remain stable at about 49%, balancing the 62% expected growth in operating revenue and inflation and the currency-driven growth of 60% in operating expenses.
- Cost of risk to remain elevated at 3% compared with 3.5% in 2023.
- A dividend payout of about 10% of net income in line with the historical average, excluding the revaluation gains in 2024.

Chart 3

FirstBank's capital buffers are expected to improve over the next 12-18 months



*Data as at June 30, 2024, except for First Bank of Nigeria, which is as at March 31, 2024, and Standard Chartered Bank Nigeria which is as at Dec. 31, 2023. Source: S&P Global Ratings.

We expect the group's earnings to benefit from rising interest rates and its expanding agency and digital banking franchise with an ROE ratio of 25%-30% in 2024. The group's earnings are set to benefit from the high interest rates; its NIM increased by 158 bps as of end-September 2024 compared with 2023. In addition, we expect non-interest revenue to keep rising, with fee and commission income increasing by about 21% in 2024, reflecting high growth in transaction volumes on both the agent and digital banking platforms.

Risk Position: Asset Quality Metrics Will Remain Under Pressure

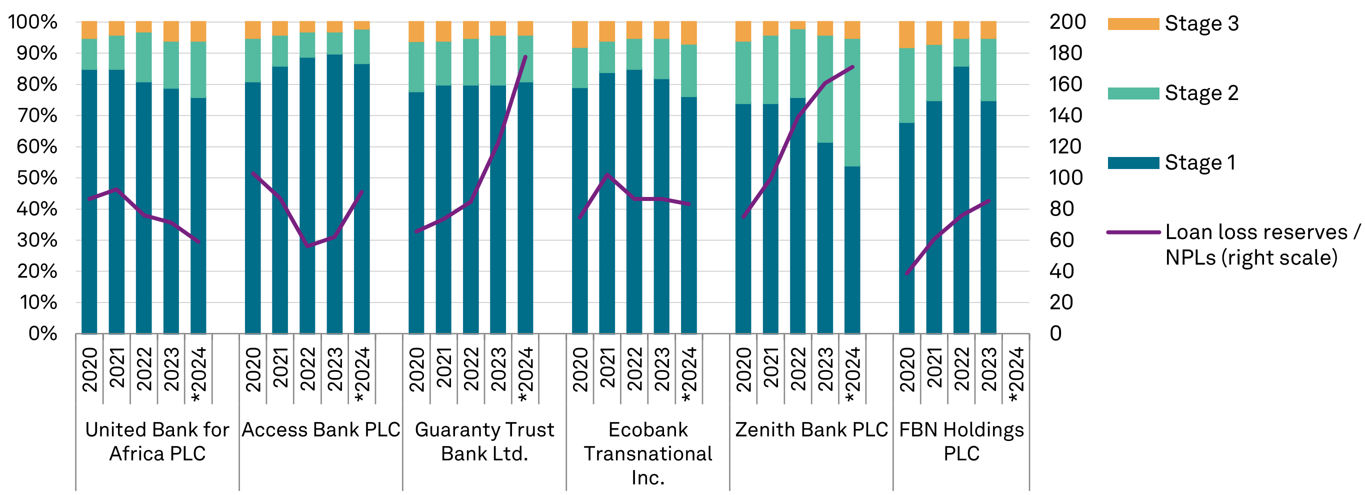
Our assessment of the group's risk position balances its improved risk management with its high single-obligor and foreign currency concentration.

We expect NPLs to marginally increase to 4.4% but remain below the 5% regulatory threshold in 2024 compared to 4.2% as of end-June 2024. Similarly, we expect cost of risk to remain elevated at around 3% in 2024 in line with the expected sector average. This reflects the impact of high inflation and interest rates, and a weaker naira. These conditions continue to constrain corporate cashflows, particularly from companies outside of the fast moving consumer goods sector, which cannot fully pass through higher costs to consumers. High inflation and interest rates are also constraining household consumption and debt repayment capacity.

The group has worked to resolve its nonperforming exposures, with a marked improvement in asset quality metrics over the past few years, bringing its performance closer to those of other top tier banks in Nigeria. The group's NPL ratio reduced to 4.2% at end-June 2024 from 4.9% in December 2023 (see chart 4) driven by write-offs, recoveries, and higher nominal loan growth mainly spurred by the naira depreciation. The group has written off most of its legacy NPLs and recovery efforts continue from the written-off loans. The group's coverage of NPLs by provisions increased to 92.8% at end-June 2024, from 85.2% in 2023. We expect the coverage ratio to gradually increase to 100% by 2025.

Chart 4

FBNH's asset quality metrics compare adequately with most peers



*As at June 30, 2024. Sources: Compnay filings, S&P Global Ratings.

Concentration risks remain high, with the top 20 obligors accounting for 53% of gross loans at end-March 2024. The proportion of foreign currency loans increased to 61% of gross loans at end-March 2024, from 49% at end-December 2022, reflecting the naira depreciation. However, in U.S. dollar terms, the foreign currency loan book marginally decreased during the same period. The group has been gradually decreasing its foreign currency loan exposures over the past few years to mitigate foreign currency risk. Foreign-currency lending poses additional credit risks to the banking sector in the context of U.S. dollar scarcity in Nigeria. Foreign currency loans partly stem from the oil and gas sector and are backed by revenue in the same currency.

Similar to other Nigerian banks, FBNH's loan portfolio is exposed to energy transition risk. Oil and gas exposures accounted for 42% of gross loans at the end of March 2024, which is higher than the estimated sector average of about 30%. About half of these are to the upstream sector, 31% in the services sector, and 18% to the downstream sector. Credit impairments stemming from these exposures have, however, been steady over the past five years.

Funding And Liquidity: Large And Stable Deposit Base Supported By A Well Established Retail Franchise

The group's funding profile is dominated by low-interest-bearing deposits. Core customer deposits accounted for 73%

of the group's total funding base as of Sept. 30, 2024. Retail deposits account for about 57% of customer deposits; corporate or commercial deposits for about 37%; and the public sector for 6%. We expect the group's retail deposits to continue increasing, supported by its large agency and digital banking network. Cost of funding however increased to 5.5% at the end of September 2024 from 3.6% in 2023, reflecting rising interest rates and naira depreciation. The rising interest rates raised the cost of savings accounts, which are linked to the monetary policy rate, while the depreciation of the naira drove up the cost of foreign currency liabilities.

Similar to rated domestic peers, we expect the group's funding to largely remain contractually short term. This is manageable, given the stability of deposits and good liquidity. The group's stable funding ratio was 140% at end-September 2024 and we expect it to remain well above 100% over the next 12 months. The group's liquidity indicators compare adequately with peers. At end-September 2024, the group's broad liquid assets covered short-term wholesale funding by 2.6x, and its net customer loans accounted for 56% of customer deposits. The group's liquid assets comprise unrestricted cash, Nigerian treasury bills, and interbank placements.

U.S. dollar-denominated deposits have been gradually increasing and accounted for 32% of customer deposits at the end of September 2024. Foreign currency liquidity is managed centrally, with subsidiaries placing their domiciliary deposits with the center to optimize overall utilization and yields.

Support: FirstBank Is A Core Subsidiary To The FBNH Group

We consider FirstBank as a core subsidiary of the FBNH group. The bank is the principal subsidiary of the holding company FBNH and represented about 98% of the group's assets and contributed 86% toward PBT in 2023. FBNH was created in 2012 because of a regulatory requirement to ring-fence core banking activities from noncore operations. Our assessment of FirstBank's creditworthiness incorporates our view that it is core to the FBNH group and is based on the group's 'b-' group credit profile.

Despite FirstBank's high systemic importance, we consider the Nigerian government's support toward the domestic banking sector as uncertain. We therefore would not add any notches for government support to our ratings on FirstBank, were Nigeria to be rated above the stand-alone credit profile on the bank.

Additional Rating Factors

Our ratings on FirstBank are constrained by the sovereign credit ratings on Nigeria. Unless they pass the sovereign stress test, we do not rate Nigerian banks above the sovereign because of the likely direct and indirect influence of sovereign distress on their operations, including their ability to service foreign currency obligations.

We rate FirstBank's NOHC, FBNH, at the same level as the ratings on FirstBank. We expect double leverage to remain manageable, at close to 100%. Under our criteria, we generally notch down by two notches from the group credit profile to reflect the NOHC's structural subordination and its exposure to potential regulatory intervention. Nevertheless, in FBNH's case, we consider that the NOHC's risk of default is not commensurate with the 'CCC' rating category.

Environmental, Social, And Governance

Environmental and governance factors are negative considerations in our Nigeria banking industry and country risk assessment (BICRA) analysis and consequently in our credit rating analysis of FirstBank.

Energy transition risk is material for the Nigerian banking system because of the large direct exposures to the oil and gas sector. These make up about a third of systemwide loans, which negatively affects our view of economic resilience and credit risk in the economy, under our BICRA methodology. FirstBank's exposure to the oil and gas sector was 42% of total loans at the end of March 2024.

Banking regulation lags international standards. This partly stems from the slow banking reforms and lack of transparency with regard to how the regulator enforces regulation on structural risks. Gaps in corporate governance exist in the wider economy. These could weaken the banking sector. We consider FirstBank's management track record underpins steadily improving risk-adjusted returns through the cycle.

Key Statistics

Table 1

FBN Holdings PLC--Key figures

	--Year-ended Dec. 31--				
(Mil. NGN)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	27,452,012	16,904,127	10,561,851	8,913,355	7,673,688
Customer loans (gross)	9,817,211	6,633,833	3,929,209	3,004,177	2,291,545
Adjusted common equity	2,325,157	1,396,213	880,637	771,865	576,972
Operating revenue	1,449,313	1,142,386	575,483	451,606	426,601
Noninterest expenses	676,823	564,063	363,907	334,182	285,263
Core earnings	527,185	310,658	135,214	151,212	83,222

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

Table 2

FBN Holdings PLC--Business position

	--Year-ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Total revenue from business line (mil. NGN)	1,457,065.0	1,142,393.0	576,732.0	451,606.0	440,938.0
Commercial and retail banking/total revenue from business line	94.6	94.7	96.0	125.1	93.0
Asset management/total revenue from business line	5.0	5.6	5.4	5.8	5.8
Other revenue/total revenue from business line	0.3	(0.3)	(1.5)	(30.9)	1.1
Return on average common equity	32.9	22.8	14.5	18.4	12.5

*Data as of Sept. 30.

Table 3

FBN Holdings PLC--Capital and earnings

	--Year-ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	N/A	13.09	14.6	15.02	12.51
Double leverage	91.6	91.7	90.9	93.1	91.6
Net interest income/operating revenue	60.3	48.1	63.1	50.5	59.0
Fee income/operating revenue	11.8	16.9	20.5	25.8	22.0
Market-sensitive income/operating revenue	23.2	33.5	14.5	20.4	17.2
Cost-to-income ratio	46.7	49.4	63.2	74.0	66.9
Preprovision operating income/average assets	4.6	4.2	2.2	1.4	2.0
Core earnings/average managed assets	3.2	2.3	1.4	1.8	1.2

*Data as of Sept. 30. N/A--Not applicable.

Table 4

FBN Holdings PLC--Risk-adjusted capital framework data

(Mil. NGN)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government & central banks	7,075,730.9	0.0	0.0	12,899,471.7	182.3
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	2,061,675.0	0.0	0.0	3,421,048.3	165.9
Corporate	6,519,525.5	4,409,302.0	67.6	11,332,693.3	173.8
Retail	369,387.5	0.0	0.0	704,270.0	190.7
Of which mortgage	123,578.7	0.0	0.0	166,967.2	135.1
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	878,148.7	0.0	0.0	2,563,069.2	291.9
Total credit risk	16,904,467.6	4,409,302.0	26.1	30,920,552.5	182.9
Credit valuation adjustment					
Total credit valuation adjustment	--	0.0	--	0.0	--
Market Risk					
Equity in the banking book	382,927.0	0.0	0.0	4,291,408.8	1,120.7
Trading book market risk	--	123,270.0	--	346,696.9	--
Total market risk	--	123,270.0	--	4,638,105.6	--
Operational risk					
Total operational risk	--	1,109,880.0	--	2,141,973.8	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	5,642,452.0	--	37,700,631.9	100.0
Total Diversification/ Concentration Adjustments	--	--	--	10,731,450.1	28.5
RWA after diversification	--	5,642,452.0	--	48,432,082.0	128.5

Table 4

FBN Holdings PLC--Risk-adjusted capital framework data (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	784,433.0	13.9	1,396,212.9	3.7
Capital ratio after adjustments‡	784,433.0	13.9	1,396,212.9	2.9

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡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 2023, S&P Global Ratings.

Table 5

FBN Holdings PLC--Risk position

	--Year-ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	64.0	68.8	30.8	31.1	18.7
Total managed assets/adjusted common equity (x)	11.8	12.1	12.0	11.6	13.3
New loan loss provisions/average customer loans	2.7	3.5	1.3	(1.9)	2.3
Net charge-offs/average customer loans	2.6	0.9	0.8	(3.9)	2.3
Gross nonperforming assets/customer loans + other real estate owned	N/A	4.9	4.7	6.7	8.4
Loan-loss reserves/gross nonperforming assets	N/A	85.3	75.8	60.6	38.6

*Data as of Sept. 30. N/A--Not applicable.

Table 6

FBN Holdings PLC--Funding and liquidity

	--Year-ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	73.1	77.7	80.4	79.4	77.4
Customer loans (net)/customer deposits	56.0	59.6	53.2	49.3	45.3
Long-term funding ratio	82.2	82.8	86.9	82.8	84.4
Stable funding ratio	139.8	138.9	151.6	158.9	163.7
Short-term wholesale funding/funding base	19.8	19.3	14.5	19.2	17.4
Broad liquid assets/short-term wholesale funding (x)	2.6	2.7	3.8	3.3	3.6
Net broad liquid assets/short-term customer deposits	46.6	45.1	52.0	57.0	61.3
Narrow liquid assets/three-month wholesale funding (x)	2.8	3.8	4.9	4.5	5.3

*Data as of Sept. 30.

FBN Holdings PLC and First Bank of Nigeria Ltd.--Rating component scores

Issuer Credit Rating	**B-/Stable/B**
SACP	b+
Anchor	b
Economic risk	10
Industry risk	9
Business position	Strong

FBN Holdings PLC and First Bank of Nigeria Ltd.--Rating component scores (cont.)	
Issuer Credit Rating	**B-/Stable/B**
Capital and earnings	Constrained
Risk position	Adequate
Funding	Strong
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	-2

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Nigeria, Aug. 5, 2024
- Nigerian Banking Outlook 2024: Banks Stand Firm Amid Macroeconomic Pressures, Jan. 18, 2024
- Banking Industry Country Risk Assessment: Nigeria, Nov. 30, 2023

Regulatory Disclosures

Regulatory disclosures applicable to the most recent credit rating action can be found at "First Bank of Nigeria Ltd. National Scale Rating Raised To 'ngBBB+'; Global Scale Ratings Affirmed; Outlook Stable" published Sept. 19, 2023, on RatingsDirect.

Glossary

- Adjusted assets: Total assets minus nonservicing intangibles.
- Adjusted common equity: Common shareholders' equity plus minority interest, minus dividends (not yet distributed), minus revaluation reserves, minus nonservicing intangibles, minus interest only strips, minus tax-loss carryforwards, minus postretirement benefit adjustments.
- 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 the 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.
- ESG credit factors: Those environmental, social, and governance (ESG) factors that can materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis. These credit factors can have a negative or positive impact on creditworthiness, depending on whether they represent a risk or an opportunity.
- 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 noninterest income (mainly includes fees and commissions and trading gains).
- Pre provision 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 equity (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 paper, 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.

Ratings Detail (As Of November 20, 2024)*		
First Bank of Nigeria Ltd.		
Issuer Credit Rating		B-/Stable/B
Nigeria National Scale		ngBBB+/--/ngA-2
Senior Unsecured		B-
Issuer Credit Ratings History		
11-Aug-2023		B-/Stable/B
08-Feb-2023		B-/Negative/B
21-Jun-2017		B-/Stable/B
19-Sep-2023	*Nigeria National Scale*	ngBBB+/--/ngA-2
11-Aug-2023		ngBBB/--/ngA-2
08-Feb-2023		ngBBB-/--/ngA-3
20-Jan-2022		ngBBB/--/ngA-2
31-Mar-2020		ngBBB-/--/ngA-3
Sovereign Rating		
Nigeria		B-/Stable/B
Nigeria National Scale		ngBBB+/--/ngA-2

Ratings Detail (As Of November 20, 2024)*(cont.)	
Related Entities	
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.