S&P Global
Ratings

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

Primary Credit Analyst:
Charlotte Masvongo, Johannesburg +27 112144816; charlotte.masvongo@spglobal.com

Secondary Contact:
Samira Mensah, Johannesburg + 27 11 214 4869; samira.mensah@spglobal.com

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

Ratings Score Snapshot

Issuer Credit Rating
B-/Stable/B
Nigeria National Scale
ngBBB-/--/ngA-3

SACP: b → **Support: 0** → **Additional factors: -1**

SACP: b		
Anchor	b	
Business position	Strong	+1
Capital and earnings	Constrained	-1
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: -1
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

Key strengths	Key risks
The FirstBank group's dominant market position in Nigeria supports earning accretion.	Tough operating environment and risk of further regulatory intervention.
Strong retail deposit base and low cost of funding.	High level of loan concentration and foreign currency lending.
	Weaker capitalization than top-tier peers in Nigeria.

S&P Global Ratings views First Bank of Nigeria Ltd. (FirstBank) as core to the FBN Holdings (FBNH) group. FirstBank is the group's principal subsidiary, comprising around 95% of the group's assets. As a result, FirstBank's stand-alone credit profile (SACP) matches the group credit profile (GCP) at 'b'. However, we do not rate banks in Nigeria above the sovereign foreign currency rating of 'B-' because we anticipate that if the sovereign were in distress, it would weigh on banks' operations and affect their ability to service foreign currency obligations.

The group's well-established retail banking franchise supports 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 group has the largest agency banking network among the top-tier Nigerian banks. This network, combined with the bank's digital offering, helped the group cut its funding costs to 1.9% at the end of June 2022, which is among the lowest in the sector. Low funding costs and a robust corporate banking franchise support the group's ability to expand revenue and mitigate the effect on asset yields of being required to hold high cash reserves at the Central Bank of Nigeria (CBN). We expect operating revenue to grow by about 25% in 2022 as net interest margins increase, based on rising interest rates and growth in fees and commissions. FirstBank's stable management team has been consistently focused on improving asset quality since the 2016 oil price shock. We assess governance as being broadly in line with peers.

Capitalization will remain constrained, despite increasing profitability, largely because of risk assets growth. FirstBank's risk-adjusted capital (RAC) ratio is forecast to remain broadly stable at around 3.8%-4.0% in 2022-2023. In addition, we expect earnings capacity will benefit from the rising interest rates and the group's expanded agency banking and digital banking franchise. The return on average common equity (ROE) ratio is predicted to be about 13.5%-14.0% over the next 12-18 months.

We expect FirstBank to maintain its capital adequacy ratio (CAR) above the 15% minimum regulatory requirement under Basel II. That said, it is likely to operate with rather thin buffers for the next one to two years. FirstBank's CAR decreased to 16% (17.03%, including unappropriated profits) at the end of June 2022, from 17.4% at the end of 2021, due to higher credit loss provisions and strong asset growth. This increases capitalization risks in the event of unexpected credit losses and potential currency devaluation shock.

Asset quality metrics are likely to improve further as the group continues to remediate loans in its legacy loan book through write-offs and recoveries. Nonperforming loans (NPLs) are forecast to normalize at 4.5%-5.0% through 2023. This compares with a regulatory limit of 5%. The drop in NPLs was driven by recoveries and write-offs, such that the NPL ratio decreased to 5.4% at the end of June 2022 from 6.7% at year-end 2021 and 8.4% in 2020. That said, total problem loans (stage 2 plus stage 3) were about 24.5% of gross loans as of end of 2021, well above the average for rated top-tier peers of 19%. The group's coverage of NPLs by provisions increased to 72.6% as of the end of June 2022, from 61% in 2021 and 39% in 2020. By 2023, we expect provisions to gradually increase to about 88% of NPLs. Over the same period, we expect cost of risk to reduce to about 1.2%, compared with historical levels of above 2%; this is in line with the expected sector average of 1.2%.

Our ratings on FirstBank's holding company FBNH are derived from our 'b' GCP. Under our criteria, we generally notch down by two notches from the GCP to reflect the structural subordination of the nonoperating holding company (NOHC) and its exposure to potential regulatory intervention. Nevertheless, in FBNH's case, we deduct only one notch from the 'b' GCP to derive our rating. We do not consider the risk of the NOHC defaulting to be commensurate with the 'CCC' rating category. In addition, we anticipate that double leverage will remain at manageable levels, close to 100%.

Outlook

The stable outlook on FirstBank, FBNH's main operating entity, mirrors that on Nigeria. We expect the bank to maintain its CAR above the 15% minimum under Basel II and that its business position, as well as its funding and liquidity, will remain stable over the next 12 months.

The outlook on FBNH matches that on FirstBank.

Downside scenario

We would lower the rating on FirstBank over the next 12 months if we took a similar action on Nigeria. We would also lower the rating if the bank's capital adequacy declined sharply. This could occur if asset quality saw a pronounced deterioration because of difficult operating conditions, such as escalating foreign currency shortages in the economy.

We could lower the rating on FBNH if we lowered the rating on FirstBank, or if we saw significant double leverage at the holding company without any excess liquidity at the group or NOHC level.

Upside scenario

We could raise the rating on FirstBank over the next 12 months if we took the same action on Nigeria. Even if we revised the GCP upward, this would not lead to an upgrade if our sovereign rating remained unchanged.

Given our view of the structural subordination of NOHC creditors, upgrading FirstBank would not cause us to raise our ratings on FBNH.

Key Metrics

FBN Holdings PLC Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	(2.8)	5.9	19.0-25.0	15.0-17.0	15.0-17.0
Growth in customer loans	18.7	31.1	18.0-22.0	15.0-17.0	15.0-17.0
Net interest income/average earning assets (NIM)	4.9	3.6	4.2-4.6	4.5-4.9	4.7-5.0
Cost to income ratio	66.9	74.0	68.0-69.0	68.0-68.3	68.0-68.3
Return on average common equity	12.5	18.4	12.8-14.2	13.0-14.0	13.0-14.0
New loan loss provisions/average customer loans	2.3	-1.9	1.1-1.3	1.0-1.2	1.0-1.2
Gross nonperforming assets/customer loans	8.4	6.7	5.1-5.7	4.5-5.0	4.0-4.5
Risk-adjusted capital ratio	3.3	4.0	3.8-4.0	3.8-4.0	3.8-4.0

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

Anchor: 'b' For Banks Operating Only In Nigeria

S&P Global Ratings classifies the banking sector of Nigeria in group '10' under its Banking Industry Country Risk Assessment (BICRA). Countries in group '10' include Ukraine, Belarus, Russia, Sri Lanka, and Tunisia. Other peers such as Argentina, Egypt, Kazakhstan, and Azerbaijan are in group '9'. We use our BICRA economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for banks operating only in Nigeria is 'b'.

We expect economic setbacks in Nigeria to persist, despite higher oil prices, which we now assume at $100 per barrel (/bbl) for the remainder of 2022 for Brent, then $85/bbl in 2023. We expect GDP growth to average 3.3% in 2022 and 3% in 2023 after an estimated 3.6% rebound in 2021. Banks in Nigeria could face weaker lending growth and asset quality amid rapidly rising interest rates and a cash reserve requirement of 32.5%, as well as ongoing foreign exchange shortages. The scarcity of foreign currency will continue to constrain corporations' growth prospects, while the start of a large refinery project in 2023 should support growth in the private sector.

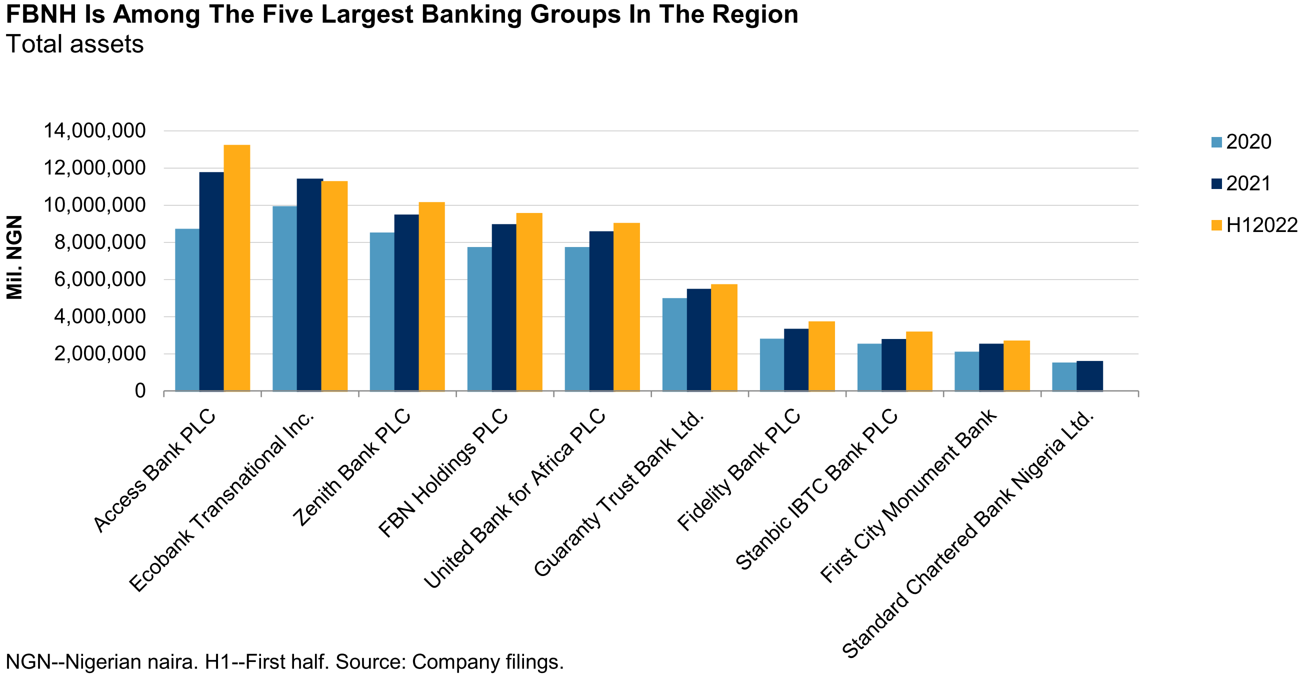
The banking sector is exposed to short credit cycles and high credit risks because of Nigeria's reliance on oil and its sensitivity to currency depreciation and high inflation. This leaves banks vulnerable to asset price shocks and asset quality problems. Exposure to the oil and gas sector averages about 30%. We expect banks' earnings will come under pressure as NPLs increase. We expect the banking sector's NPL ratio will deteriorate to 5.5% on average in 2022, after improving to 5% at year-end 2021, and that at the same time, return on equity will moderate to 13% from 14%.

Banks' cost bases will remain high on average because of the Asset Management Corporation of Nigeria (AMCON) levy. The CBN created AMCON in 2010 to help clean up asset quality in the banking system following the 2009 financial crisis. Initially planned to last 10 years, it has remained in use and its levy accounts for about one-third of banks' cost bases. Nigerian banks have been investing in their digital infrastructure for years to meet customers' needs and enhance the resilience of their earnings during economic downturns. The banking sector's external debt will stay manageable, while U.S. dollar supply remains tight. Most Nigerian banks are largely funded by non-interest-bearing customer deposits, but lower-tier banks rely on domestic wholesale funding.

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

Our view of FBNH group's business position balances the group's leading market position and relatively diverse business mix against its business concentrations in Nigeria and high-cost base. FBNH is the third-largest financial services group in Nigeria (see chart 1) and had total assets of Nigerian naira (NGN) 9.5 trillion on June 30, 2022 (equivalent to $21.9 billion at an exchange rate of $/NGN=435). FirstBank provides commercial banking and is the largest subsidiary, accounting for about 94% of revenue, followed by Merchant Banking and Asset Management (via FBNQuest Merchant Bank Ltd. and its subsidiaries) at 5.6%, and others at less than 1%, as of Dec. 31, 2021.

Chart 1

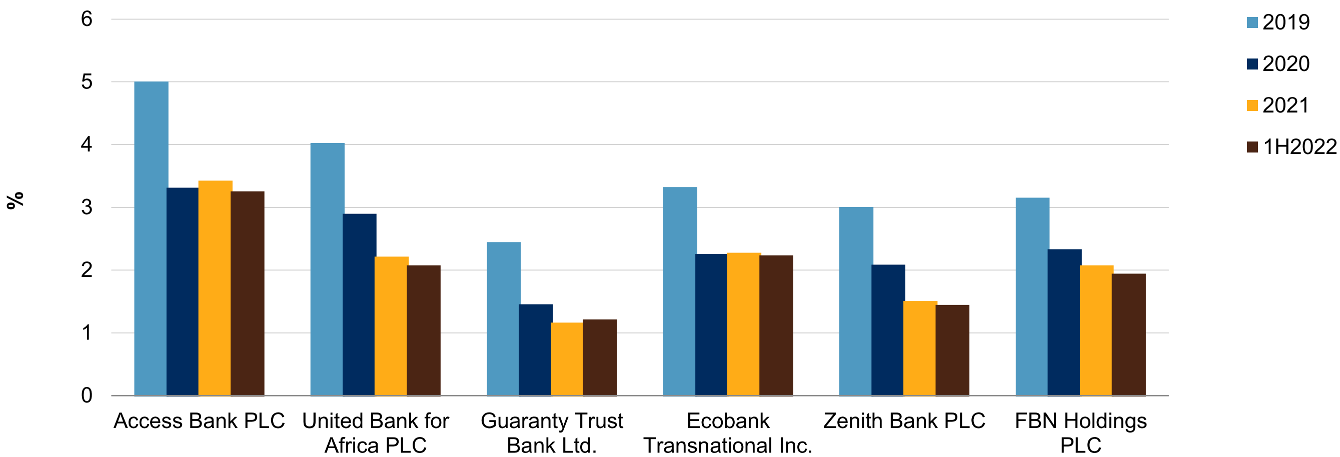


NGN--Nigerian naira. H1--First half. Source: Company filings.

The group predominantly operates a retail franchise. More than 95% of customer accounts are for retail clients and it services approximately 36.9 million customers, of which 12 million use its digital channels. The group had about 179,000 agent-banking channels on June 30, 2022; these serve as a lower cost option than a bank branch outlet. Combined with the virtual account opening process and digital platforms, agent-banking has helped FirstBank expand its reach across Nigeria. The group's stronger retail platform makes it well-placed to capture growth in the Nigerian retail market. It also allowed it to optimize its cost of funding, which decreased to 1.9% by the end of June 2022 from 3.1% in 2019 (see chart 2). We expect the group to continue accumulating low-cost funding from retail customers, supported by its large agency banking network and growing adoption of digital platforms. This is a key competitive advantage, supporting interest margins and allowing the group to finance higher quality and more price-sensitive corporate borrowers.

Chart 2

FBNH's Cost Of Funds Compares Adequately With Most Peers
Cost of funds

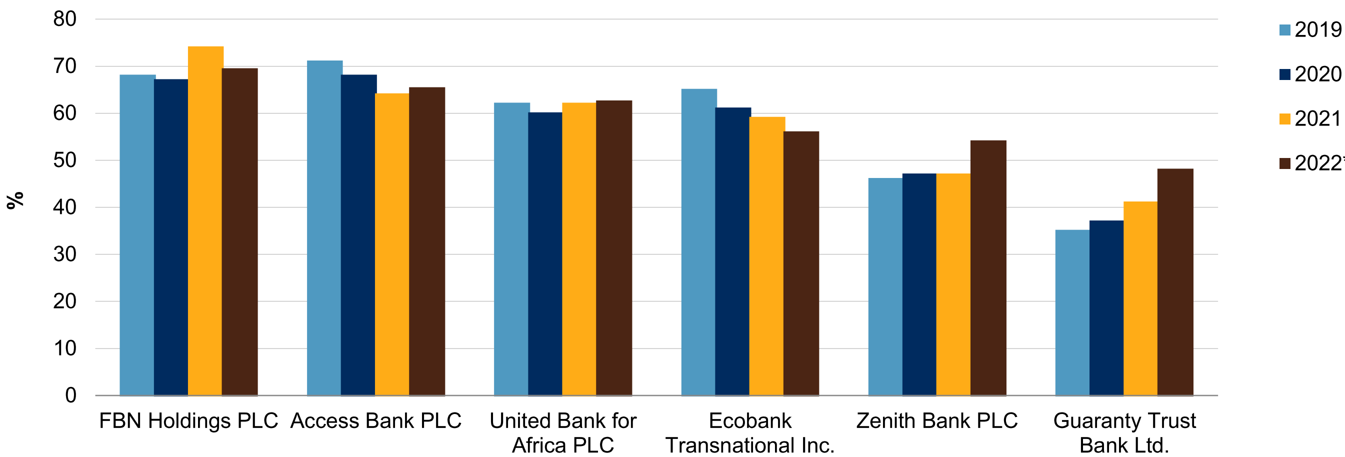


1H--First half. Source: S&P Global Ratings.

That said, the group's cost base is one of the highest among its top-tier peers in Nigeria (see chart 3). It had a cost-to-income ratio of 69% at the end of June 2022, which is an improvement from 74% at the end of 2021. The regulatory cost through the AMCON charges contributes to the high costs and given the group's large and increasing balance sheet accounted for about 17% of operating cost in 2021. The group aims to improve efficiency through digitization of systems and platforms.

Chart 3

FBNH Has One Of The Highest Cost-To-Income Ratios Among Its Peers
Cost-to-income ratio



*Data as at June 30. Source: S&P Global Ratings.

We expect geographic diversification to remain unchanged for the next 12 months. The group's U.K. subsidiary is its largest outside Nigeria, and acts as a correspondent bank for African banks in the U.K. The group diversified geographically in 2013, purchasing four banks--from the International Commercial Bank in Ghana, Gambia, Guinea, and Sierra Leone--and acquiring ICB Senegal in 2014. The group also has a subsidiary in the Democratic Republic of Congo. The group's offshore subsidiaries contributed 15.4% to group revenue as of end-March 2022. The management team has been reasonably successful in delivering on the group's strategic goals of addressing high NPL levels, managing operating costs, and improving revenue diversification.

Capital And Earnings: Earnings Capacity Underscores A Broadly Stable RAC Ratio

We expect the group's RAC ratio to remain broadly stable at around 3.8%-4.0% in 2022-2023, compared with 4.0% as of Dec. 31, 2021. This balances earnings retention and growth in earning assets.

Our RAC forecast takes into consideration the following assumptions over the next two years:

- Loan growth of 20% in 2022 and 17% in 2023.
- Net interest margins to increase to 4.4% in 2022 and 4.7% in 2023, reflecting asset repricing in a rising interest rate environment.
- About 10% growth in fee and commission income, reflecting high growth in transaction volumes on both the agent and digital banking platforms.

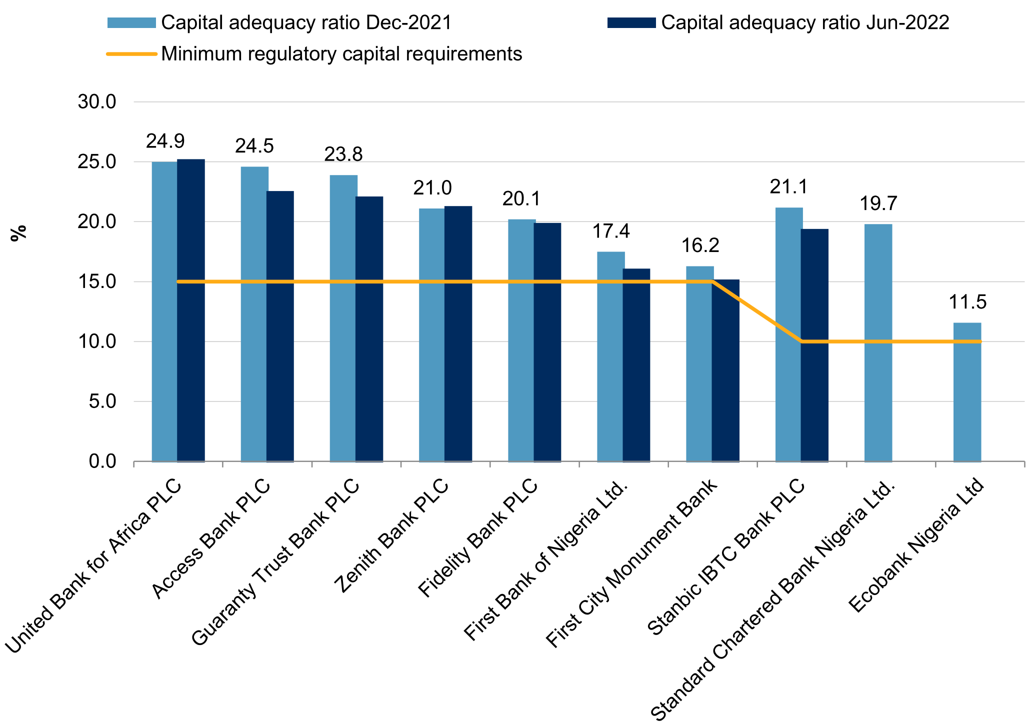
- Cost of risk in line with the sector average at about 1.2% in 2022.
- A gradual decrease in the NPL ratio to below 5% by end of 2023.
- Cost-to-income ratio to decrease to around 68% in 2022 and 2023, balancing the effects of growing operating revenue against high regulatory costs.
- A dividend payout of around 12% of net income.

Higher credit loss provisions and strong asset growth caused FirstBank's CAR to decrease to 16% at the end of June 2022 (17.03%, including unappropriated profits) from 17.4% as of end of 2021 (see chart 4). Under the current Basel II framework, the regulatory minimum CAR is 15%. The group operates with thin capital buffers against the regulatory minimum requirement, which increases capitalization risks in the event of unexpected credit losses or devaluation of the naira.

In addition, a CAR of 16%, excluding unappropriated profits, is below the regulatory minimum of 17% for a systemically important bank under the Basel III framework. The 17% includes the capital conservation buffer of 1% and the high loss absorbency requirement of 1%. The Nigerian banking sector has been implementing the Basel III framework in parallel with the existing framework since November 2021; however, the CBN has not yet announced when the banking sector is to officially move to Basel III. Nevertheless, we expect that FirstBank will maintain its CAR above the minimum regulatory requirement under Basel II of 15% and that it aims to improve the CAR to meet the Basel III requirement of 17% in the future, supported by earnings accretion.

Chart 4

FirstBank Has Limited Capital Buffers Above The Minimum Regulatory Requirement



Source: Company filings, S&P Global Ratings.

The group's earnings have remained resilient through the cycle, with an average ROE of 12% over the past five years. We expect the group's earnings capacity will benefit from its expanding agency and digital banking franchise and rising interest rates. Operating revenue will likely increase by about 25% in 2022, leading to an ROE of about 13.5%. The group's revenue and profitability has been broadly stable, despite economic turbulence and regulatory measures that undermine the banking sector's profitability. That said, we expect net interest margins will be constrained by the elevated capital requirements regulation debits, and that inflation will weigh on the cost base.

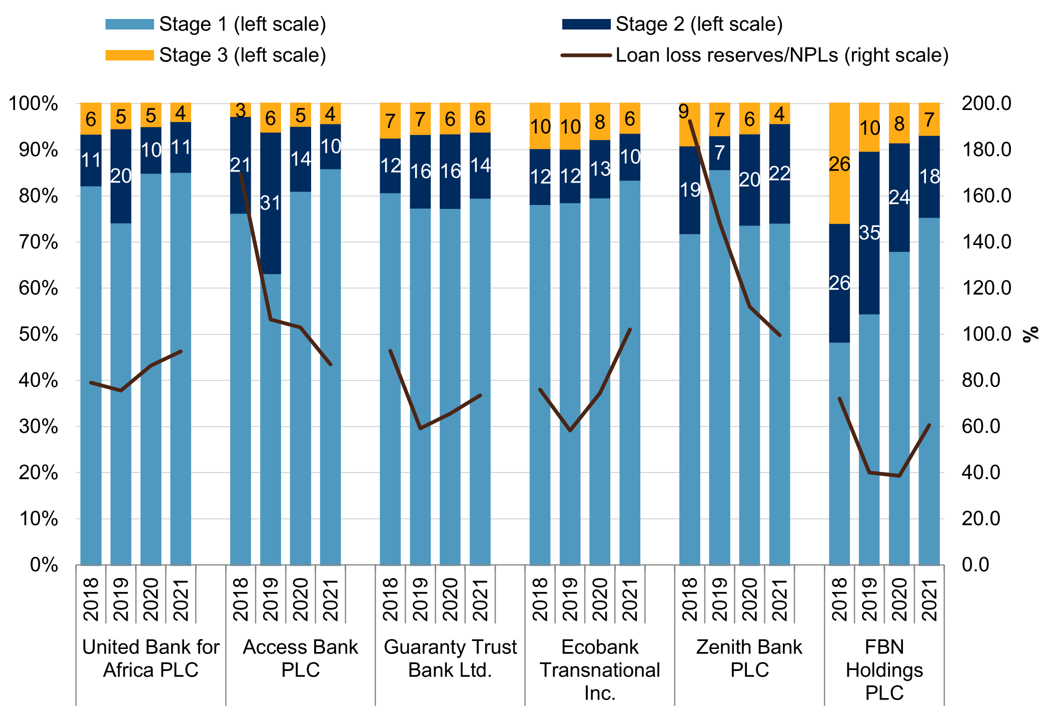
Risk Position: Proactive Risk Management Resulting In Improved Asset Quality Metrics

Our assessment of the group's risk position balances its improving level of problem loans and its high single-obligor concentration.

The group's work to resolve its nonperforming exposures has yielded positive results, with NPLs gradually decreasing over the past few years. We expect NPLs will reduce to below the 5% regulatory threshold by 2023. This reflects the higher oil prices in 2022 and further write-offs and recoveries. The group's NPL ratio reduced to 5.4% at the end of June 2022 from 6.7% in December 2021 (see chart 5). However, the share of stage 2 loans remains relatively high; It was 18% of gross loans at the end of 2021. The group has written off most of its legacy NPLs and recovery efforts continue from the written-off loans. We expect write-offs to gradually decrease over the forecast period as the bank finalizes the resolution of its legacy loan book.

Chart 5

FBNH's Asset Quality Metrics Have Improved And Are Now In Line With Peers



NPL--Nonperforming loan. Source: Company filings, S&P Global Ratings.

Concentration risks remain high, with the top-20 obligors accounting for 46% of gross loans at the end of December 2021. Foreign currency loans accounted for 44% of gross loans as of March 31, 2022, largely in line with the sector average of 45%. The group has been increasing lending in local currency to mitigate the impact of 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 largely 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 33% of gross loans at the end of March 2022, which is broadly in line with the sector average of 30%. About half of these are in the upstream sector, a third in the downstream sector, and the remainder in the services sector. Credit losses stemming from this sector have been volatile because of the susceptibility of the sector to external shocks, but the group has been resolving asset quality problems on its oil and gas book. These accounted for only about 15% of NPLs at the end of the first quarter of 2022.

Funding And Liquidity: Short-Term Deposit Funding, Mitigated By Good Liquidity Indicators

The group's funding profile is dominated by low-interest-bearing deposits. Customer deposits accounted for about 80% of the group's total funding base as of June 30, 2022. Retail deposits account for about 70% of customer deposits; corporate/commercial deposits for about 20%; and the public sector for 8%. We expect the group's retail deposits to increase, supported by its agency and digital banking network. The group has fewer price-sensitive institutional and corporate depositors than peers.

Similar to rated domestic peers, we expect the group's funding to remain largely contractually short-term. This is manageable, given the stability of deposits and good liquidity. The group's stable funding ratio was 149% at the end of June 2022 and we expect it to remain well above 100% over the next 12 months. The group's liquidity indicators compare well with the sector average. As of June 30, 2022, the group's broad liquid assets covered 3.2x of short-term wholesale funding and its net broad liquid assets covered 52% of short-term customer deposits. The group's liquid assets comprise unrestricted cash, Nigerian treasury bills, and interbank placements.

The group holds a long position in U.S. dollars, stemming from stable domiciliary accounts and funding raised in U.S. dollars over the past few years. U.S. dollar deposits accounted for about 20% of customer deposits at the end of 2021. The group's U.S. dollar position provides a natural hedge to its capital position in the event of a devaluation of the naira.

Support: First Bank Of Nigeria Is A Core Subsidiary To The FBNH Group

We consider FirstBank a core subsidiary to the FBNH group. The bank is the principal subsidiary of the holding company FBNH and represented about 95% of the group's assets and contributed 96% toward earnings in 2021. FBNH was created in 2012 because of a regulatory requirement to ring-fence core banking activities from noncore operations. The group has banking operations in 10 countries outside Nigeria.

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

Additional Rating Factors

Our ratings on FirstBank are constrained by the 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.

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

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	E-3	**E-4**	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	G-2	G-3	**G-4**	G-5

- Climate transition risk.	- N/A	- Risk management, culture, and oversight; - Transparency and reporting.

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Environmental and governance factors are negative considerations in our Nigeria 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 broadly in line with the sector average, at 33% of total loans at the end of March 2022. It has significantly reduced its exposure to the sector, which was over 40% in 2018.

The G-4 governance indicator is based on the weak banking regulation and supervision in Nigeria, which weighs on our view of the institutional framework in our BICRA analysis. Gaps exist in corporate governance in the wider economy; these could negatively affect the banking sector. We consider that governance factors for FirstBank are broadly in line with peers.

Key Statistics

Table 1

FBN Holdings PLC--Key Figures

		--Year ended Dec. 31--			
(Mil. NGN)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	9,510,460.0	8,913,355.0	7,673,688.0	6,181,484.0	5,549,479.0

Table 1

FBN Holdings PLC--Key Figures (cont.)

	--Year ended Dec. 31--				
(Mil. NGN)	**2022***	**2021**	**2020**	**2019**	**2018**
Customer loans (gross)	3,523,179.0	3,004,177.0	2,291,545.0	1,931,322.0	2,069,286.0
Adjusted common equity	798,754.0	771,865.0	578,135.0	495,094.0	413,341.0
Operating revenues	268,103.0	451,606.0	426,601.0	438,936.0	411,165.0
Noninterest expenses	185,953.0	334,182.0	285,263.0	298,359.0	253,653.0
Core earnings	55,944.0	151,212.0	83,819.5	79,684.6	65,052.4

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

Table 2

FBN Holdings PLC--Business Position

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (currency in millions)	268,856.0	451,606.0	440,938.0	439,284.0	411,188.0
Commercial banking/total revenues from business line	96.4	125.1	90.5	87.8	87.1
Asset management/total revenues from business line	4.8	5.8	5.8	4.5	7.1
Other revenues/total revenues from business line	(1.2)	(30.9)	3.7	0.3	0.5
Return on average common equity	12.8	18.4	12.6	12.0	9.8

*Data as of June 30.

Table 3

FBN Holdings PLC--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	N.A.	15.0	12.5	12.5	14.0
Double leverage	97.6	93.1	91.6	89.8	92.5
Net interest income/operating revenues	57.0	50.5	59.0	66.1	69.1
Fee income/operating revenues	21.8	25.8	22.0	19.1	18.3
Market-sensitive income/operating revenues	18.7	20.4	17.2	12.7	8.6
Cost to income ratio	69.4	74.0	66.9	68.0	61.7
Preprovision operating income/average assets	1.8	1.4	2.0	2.4	2.9
Core earnings/average managed assets	1.2	1.8	1.2	1.4	1.2

*Data as of June 30. N.A.--Not available.

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 and central banks	4,579,409.0	0.0	0.0	7,897,920.8	172.5
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	1,030,333.9	0.0	0.0	1,342,819.1	130.3

Table 4

FBN Holdings PLC--Risk-Adjusted Capital Framework Data (cont.)					
Corporate	2,845,763.9	2,634,681.0	92.6	4,932,852.0	173.3
Retail	181,942.9	0.0	0.0	361,333.9	198.6
Of which mortgage	39,659.5	0.0	0.0	53,583.9	135.1
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	497,278.0	0.0	0.0	1,585,342.2	318.8
Total credit risk	9,134,727.7	2,634,681.0	28.8	16,120,268.1	176.5
Credit valuation adjustment					
Total credit valuation adjustment	--	0.0	--	0.0	--
Market risk					
Equity in the banking book	176,269.0	0.0	0.0	1,969,406.3	1,117.3
Trading book market risk	--	88,059.0	--	247,665.9	--
Total market risk	--	88,059.0	--	2,217,072.2	--
Operational risk					
Total operational risk	--	731,262.0	--	846,761.3	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	3,454,002.0	--	19,184,101.5	100.0
Total diversification/ concentration adjustments	--	--	--	5,910,588.6	30.8
RWA after diversification	--	3,454,002.0	--	25,094,690.1	130.8
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		518,939.0	15.0	771,865.0	4.0
Capital ratio after adjustments‡		518,939.0	15.0	771,865.0	3.1

*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, 2021, S&P Global Ratings.

Table 5

FBN Holdings PLC--Risk Position					
		--Year ended Dec. 31--			
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	34.6	31.1	18.7	(6.7)	(9.3)
New loan loss provisions/average customer loans	1.1	(1.9)	2.3	2.6	4.0
Net charge-offs/average customer loans	1.1	(3.9)	2.3	17.9	8.6
Gross nonperforming assets/customer loans + other real estate owned	5.4	6.7	8.4	10.2	25.9
Loan loss reserves/gross nonperforming assets	74.7	60.6	38.6	40.1	72.0

*Data as of June 30.

Table 6

FBN Holdings PLC--Funding And Liquidity

		--Year ended Dec. 31--			
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	80.2	79.4	77.4	78.2	76.2
Customer loans (net)/customer deposits	53.6	49.3	45.3	46.1	48.3
Long-term funding ratio	83.6	82.8	84.4	82.8	84.5
Stable funding ratio	148.5	158.9	163.7	157.2	161.9
Short-term wholesale funding/funding base	18.2	19.2	17.4	19.4	17.3
Broad liquid assets/short-term wholesale funding (x)	3.2	3.3	3.6	3.2	3.7
Net broad liquid assets/short-term customer deposits	51.8	57.0	61.3	55.5	63.1
Short-term wholesale funding/total wholesale funding	91.9	93.4	77.0	88.8	72.6
Narrow liquid assets/3-month wholesale funding (x)	4.3	4.5	5.3	3.8	4.3

*Data as of June 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
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	-1

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

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, 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 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
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 20, 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

- Nigerian Banks Face Earnings Dip After Latest Policy Rate Hike, Sept. 30, 2022
- Nigeria Ratings Affirmed At 'B-/B'; Outlook Remains Stable, Aug. 05, 2022
- Emerging Markets: Sub-Saharan Africa's Still Down But Not Out, June 8, 2022
- Nigerian Bank Global Scale Ratings Affirmed Under Revised Criteria; Outlooks Stable, Jan. 20, 2022
- ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022
- Banking Industry Country Risk Assessment: Nigeria, Nov. 30, 2021

Regulatory Disclosures

Regulatory disclosures applicable to the most recent credit rating action can be found at "First Bank of Nigeria Ltd. And FBN Holdings PLC Affirmed At 'B-/B' On Improving Asset Quality; Outlook Remains Stable" published Sept. 6, 2022, 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.
- ESG credit indicator: An ESG credit indicator is an alphanumeric representation of the qualitive assessment of ESG factors' impact on creditworthiness produced as part of the ratings process. Our ESG credit indicators provide additional disclosure by reflecting our opinion of how material the influence of ESG factors is on the various analytical components in our rating analysis through an alphanumerical 1-5 scale. ESG credit indicators are applied after the ratings have been determined.
- 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 October 25, 2022)*		
FBN Holdings PLC		
Issuer Credit Rating		B-/Stable/B
Nigeria National Scale		ngBBB-/--/ngA-3
Issuer Credit Ratings History		
21-Jun-2017		B-/Stable/B
18-Apr-2017		B-/Negative/B
22-Sep-2016		B-/Negative/C
02-Jul-2018	*Nigeria National Scale*	ngBBB-/--/ngA-3
21-Jun-2017		ngBB+/--/ngB
22-Sep-2016		ngBB/--/ngB
Sovereign Rating		
Nigeria		B-/Stable/B
Nigeria National Scale		ngBBB/--/ngA-2
Related Entities		
First Bank of Nigeria Ltd.		
Issuer Credit Rating		B-/Stable/B
Nigeria National Scale		ngBBB/--/ngA-2
Senior Unsecured		B-

*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.