

RATING ACTION COMMENTARY

Fitch Affirms First Bank of Nigeria at 'B'/Stable; Upgrades National Rating to 'A+(nga)'

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Fitch Ratings - London - 29 May 2025: Fitch Ratings has affirmed the Long-Term Issuer Default Ratings (IDRs) of First HoldCo Plc (FHC) and its main operating subsidiary First Bank of Nigeria Ltd. (FBN) at 'B'. The National Long-Term Ratings have been upgraded to 'A+(nga)' from 'A(nga)'. The Outlooks are Stable. A full list of rating actions is below.

The upgrade of the National Long-Term Ratings reflects an improvement in capital following a NGN147 billion (net proceeds) rights issue and the issuers' increased profitability due to a wider net interest margin (NIM) benefiting from higher interest rates.

KEY RATING DRIVERS

FHC and FBN's IDRs are driven by their standalone creditworthiness, as expressed by their Viability Ratings (VRs). The VRs balance the issuers' strong domestic franchise and reasonable financial profile against their high sovereign exposure relative to capital and the concentration of operations in Nigeria.

The Stable Outlooks on the Long-Term IDRs mirror that on the sovereign. The National Long-Term Ratings balance a strong franchise, healthy profitability and a stable funding profile against high credit concentrations and thinner capital buffers than higher rated peers.

VRs Equalised with Group VR: FHC is a non-operating bank holding company (BHC). Its VR is equalised with the group VR, which is derived from the consolidated risk assessment of the group, due to the absence of double leverage and strong liquidity management. As the main operating entity (end-2024: 96% of group assets), FBN's VR is also equalised with the group VR.

Improved Operating Environment: Fitch upgraded Nigeria's Long-Term IDRs to 'B' in April, the exchange rate has stabilised, profitability and foreign-currency liquidity have

improved and capital raisings are driving a recovery in capitalisation. However, inflation remains high, regulatory intervention is burdensome and expiring forbearance on oil and gas loans will lead to an increase in impaired loans (Stage 3 loans under IFRS 9) ratios and prudential provisions.

Strong Franchise: FBN is Nigeria's third-largest bank, representing 10.7% of banking system assets at end-2024. Its strong franchise supports a stable funding profile and low funding costs. Revenue is well diversified, with non-interest income averaging 42% of operating income over the past four years.

High Sovereign Exposure: Single-borrower credit concentration is material. Oil and gas exposure (end-2024: 36% of gross loans) is greater than the banking system average. Sovereign exposure through securities and cash reserves at the Central Bank of Nigeria (CBN) is high relative to FHC's Fitch core capital (FCC; end-2024: above 200%).

Weak Asset Quality: FHC's impaired loans ratio (Stage 3 loans under IFRS 9) increased to 10.2% at end-2024 (end-2023: 4.9%), primarily driven by one large exposure becoming impaired. Stage 2 loans are high (end-2024: 28% of gross loans; predominantly concentrated in the oil and gas sector and largely US dollar-denominated) and represent a key risk to asset quality. Fitch expects a significant increase in the impaired loans ratio by end-2025 due to oil and gas loans migrating following the expiry of forbearance.

Healthy Profitability: FHC has healthy profitability, as indicated by operating returns on risk-weighted assets averaging 4.6% over the past four years. Earnings benefit from a low cost of funding and strong non-interest income. Profitability improved notably in 2023 and 2024, primarily driven by FX revaluation gains accompanying the naira devaluation and a wider NIM due to higher interest rates.

Improving Capital Buffer: FBN's unconsolidated capital adequacy ratio (end-2024: 16.5%) has a thin buffer over the 15% minimum requirement but will improve due to the NGN147 billion rights issue. Impaired loans net of specific loan loss allowances were 20% of FCC at end-2024. Fitch expects capitalisation to improve moderately in the near term due to strong profitability and planned capital raisings.

Stable Funding Profile: FHC's customer deposit base (end-1Q25: 78% of total non-equity funding) comprises a high share of retail deposits and current and savings accounts (end-1Q25: 81%), supporting funding stability and low funding costs. Depositor concentration is fairly low.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The VRs would be downgraded if the sovereign was downgraded as the issuers do not meet Fitch's criteria to be rated above the sovereign.

Absent a sovereign downgrade, a downgrade of the VRs and Long-Term IDRs could result from the erosion of capital buffers either due to strong risk-weighted assets growth or a material increase in problem loans and associated loan impairment charges, or a severe tightening of foreign-currency liquidity.

FHC's VR could be notched off the group VR if the BHC's double leverage increases above 120% for a sustained period without clear prospects of moderation.

A downgrade of the National Ratings would result from a weakening of the entities' creditworthiness relative to that of other Nigerian issuers.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of the VRs and Long-Term IDRs would require an upgrade of Nigeria's Long-Term IDRs in conjunction with a stable financial profile.

An upgrade of the National Ratings would result from a strengthening of the entities' creditworthiness relative to that of other Nigerian issuers.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Senior unsecured debt issued through FBN Finance Company B.V. is rated at the same level as FBN's Long-Term IDR, reflecting Fitch's view that the likelihood of default on these obligations is the same as the likelihood of default of the bank. The Recovery Rating of these notes is 'RR4', indicating average recovery prospects.

FHC's Government Support Rating (GSR) of 'no support' reflects Fitch's view that government support is unlikely to extend to a BHC given its low systemic importance and a liability structure that could be more politically acceptable to be bailed in.

The government's ability to provide full and timely support to commercial banks is weak due to its high debt servicing metrics and constrained foreign-currency resources in the context of the banking sector's large foreign-currency liabilities. FBN's GSR is, therefore, 'no support', reflecting our view that there is no reasonable assumption of support for senior creditors being forthcoming should a bank become non-viable.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The senior unsecured debt rating is sensitive to changes in FBN's Long-Term IDR.

An upgrade of FBN's GSR would require an improvement in the government's ability to provide support, which would most likely be indicated by an increase in international reserves and an improvement in debt servicing metrics. As a BHC, upside for FHC's GSR is limited.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
FBN Finance Company B.V				
senior unsecured	LT	B	Affirmed	B
First Bank of Nigeria Ltd	LT IDR	B	Affirmed	B
	ST IDR	B	Affirmed	B

	Natl LT	A+(nga)	Upgrade	A(nga)
	Natl ST	F1+(nga)	Affirmed	F1+(nga)
	Viability	b	Affirmed	b
	Government Support	ns	Affirmed	ns
First HoldCo Plc	LT IDR	B	Affirmed	B
	ST IDR	B	Affirmed	B
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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

- National Scale Rating Criteria (pub. 22 Dec 2020)
- Bank Rating Criteria (pub. 21 Mar 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

- Dodd-Frank Rating Information Disclosure Form
- Solicitation Status
- Endorsement Policy

ENDORSEMENT STATUS

FBN Finance Company B.V
First Bank of Nigeria Ltd
First HoldCo Plc

UK Issued, EU Endorsed
UK Issued, EU Endorsed
UK Issued, EU Endorsed

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