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Five Nigerian Banks Downgraded To 'B+' Following A Similar Rating Action On Nigeria; Outlooks Stable

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- On March 20, 2015, we lowered the ratings on Nigeria to 'B+' from 'BB-' because of the effect of the recent decline in oil prices on the country's external position.
- We do not rate Nigerian banks above the foreign currency sovereign credit rating on Nigeria, to reflect the likely direct and indirect influence of sovereign distress on domestic banks' operations, including the effect on their ability to service foreign currency obligations.
- We are therefore lowering our long-term ratings on Access Bank PLC, First Bank of Nigeria Ltd., Guaranty Trust Bank PLC, Stanbic IBTC Bank PLC, and Zenith Bank PLC to 'B+' from 'BB-' and the long-term national scale ratings on these banks to 'ngA' from 'ngAA-'.
- We are also lowering our ratings on FBN Holding PLC to 'B-/C' from 'B/B' and the national scale ratings to 'ngBB+/ngB' from 'ngBBB-/ngA-3'.
- We have assigned a stable outlook to these banks, reflecting their leading positions in the Nigerian banking sector, despite our assumption of mounting pressure on banks' credit quality and profitability.

JOHANNESBURG (Standard & Poor's) March 25, 2015--Standard & Poor's Ratings Services today lowered its long-term counterparty credit ratings to 'B+' from 'BB-' and its long-term Nigeria national scale ratings to 'ngA' from 'ngAA-' on five Nigerian banks:

- Access Bank PLC,
- First Bank of Nigeria Ltd.,
- Guaranty Trust Bank PLC,
- Stanbic IBTC Bank PLC, and

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- Zenith Bank PLC.

The outlook on each of the five banks is stable.

At the same time, we affirmed the 'ngA-1' short-term Nigeria national scale ratings on First Bank of Nigeria Ltd., Guaranty Trust Bank PLC, Stanbic IBTC Bank PLC, and Zenith bank PLC.

In addition, we lowered the long- and short-term counterparty credit ratings on nonoperating holding company FBN Holding PLC to 'B-/C' from 'B/B'. The outlook is stable. We also lowered the national scale ratings on FBN Holding to 'ngBB+/ngB' from 'ngBBB-/ngA-3'.

The rating actions follow our downgrade of Nigeria (see "Nigeria Rating Lowered to 'B+' Because of Rising External Vulnerabilities," published on March 20, 2015, on RatingsDirect). Under our criteria, we do not rate Nigerian banks above the sovereign rating on Nigeria, because of the likely direct and indirect influence of sovereign distress on domestic banks' operations, including the effect on banks' ability to service foreign currency obligations.

The negative rating action on FBN Holding indicates that, as a nonoperating holding company (NOHC), we consider FBN Holding to be structurally subordinated to its parent First Bank of Nigeria. The ratings on FBN Holding move in tandem with those on the parent.

We lowered the ratings on Nigeria to reflect the drop of about 50% in crude oil prices in spot and futures markets since June 2014. We expect this will have a pronounced impact on the country's external position. Specifically, we anticipate a deficit on the current account balance of 1.8% of gross domestic product (GDP) in 2015-2018, compared with our previous expectation of a surplus averaging 3.3% of GDP over 2014-2017. We expect the fall in oil prices to have a less dramatic impact on the government's fiscal position.

The outlooks on these banks are stable, even though we expect 2015 to be a challenging year for the Nigerian banking sector. Low oil prices, pressure on the Nigerian naira, presidential elections, and regulatory changes are pushing up credit risk, slowing growth opportunities, and constraining capital, earnings, and asset quality in 2015. Nevertheless, we consider these banks to be in the top tier of the Nigerian banking sector and believe that they are better placed to absorb periods of economic jolts and maintain their financial profiles. Underpinning these assumptions are the banks' access to low-cost funds, their well-established corporate franchises, and their stronger underwriting skills. These factors enable them to underwrite more robust exposures and consequently operate with more stable credit losses and stronger margins.

Furthermore, these banks are entering a period of volatility with generally adequate asset quality and moderate loan growth, compared with levels in 2008.

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As a result of this, alongside improved regulatory oversight and tightening risk management, we do not expect to see an asset quality crisis like the one in 2009, despite the challenging environment.

RATINGS SCORE SNAPSHOT

	To	From
ACCESS BANK PLC		
Issuer Credit Rating	B+/Stable/B	BB-/Watch Neg/B
SACP	bb-	bb-
Anchor	bb-	bb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Average & Adequate (0)	Average & Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	-1	0
Short-Term Support	0	0
Additional Factors	0	0

FIRST BANK OF NIGERIA LTD.

Issuer Credit Rating	B+/Stable/B	BB-/Watch Neg/B
SACP	bb-	bb-
Anchor	bb-	bb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Above Average & Adequate (0)	Above Average & Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	-1	0
Short-Term Support	0	0
Additional Factors	0	0

GUARANTY TRUST BANK PLC

Issuer Credit Rating	B+/Stable/B	BB-/Watch Neg/B
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SACP	bb-	bb-
Anchor	bb-	bb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Above Average & Adequate (0)	Above Average & Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	-1	0
Short-Term Support	0	0
Additional Factors	0	0

ZENITH BANK PLC

Issuer Credit Rating B+/Stable/B BB-/Watch Neg/B

SACP	bb-	bb-
Anchor	bb-	bb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Above Average & Adequate (0)	Above Average & Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	-1	0
Short-Term Support	0	0
Additional Factors	0	0

STANBIC IBTC BANK PLC

Issuer Credit Rating B+/Stable/B BB-/Watch Neg/B

SACP	b+	b+
Anchor	bb-	bb-
Business Position	Moderate (-1)	Moderate (-1)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Average & Adequate (0)	Average & Adequate (0)
Support	0	+1
GRE Support	0	0
Group Support	+3	+3
Sovereign Support	-3	-2

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Short-Term Support	0	0
Additional Factors	0	0

RELATED CRITERIA AND RESEARCH

Related criteria

- Standard & Poor's National And Regional Scale Mapping Tables, Sept. 30, 2014
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related research

- Nigeria Rating Lowered To 'B+' Because Of Rising External Vulnerabilities; Outlook Stable, March 20, 2015
- Banking Industry Country Risk Assessment Update: March 2015, March 6, 2015
- Nigerian Banks Face Rising Uncertainties in 2015, Feb. 25, 2015
- Five Nigerian Banks Placed On CreditWatch Negative Following Similar Rating Action On Nigeria, Feb. 13, 2015
- Banking Industry Country Risk Assessment: Nigeria, Jan. 21, 2015
- Analytical Linkages Between Sovereign And Bank Ratings, Dec. 6, 2011

RATINGS LIST

	To	From
Access Bank PLC		
Counterparty Credit Rating	B+/Stable/B	BB-/Watch Neg/B
Nigeria National Scale	ngA	ngAA-/Watch Neg
First Bank of Nigeria Ltd		
Counterparty Credit Rating	B+/Stable/B	BB-/Watch Neg/B
Nigeria National Scale	ngA/--/ngA-1	ngAA-/Watch Neg/ngA-1
FBN Holding PLC		
Counterparty Credit Rating	B-/Stable/C	B/Watch Neg/B
Nigeria National Scale	ngBB+/--/ngB	ngBBB-/Watch Neg/ngA-3
Guaranty Trust Bank PLC		
Counterparty Credit Rating	B+/Stable/B	BB-/Watch Neg/B
Nigeria National Scale	ngA/--/ngA-1	ngAA-/Watch Neg/ngA-1
Zenith Bank PLC		

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Counterparty Credit Rating	B+/Stable/B	BB-/Watch Neg/B
Nigeria National Scale	ngA/--/ngA-1	ngAA-/Watch Neg/ngA-1
Stanbic IBTC Bank PLC		
Counterparty Credit Rating	B+/Stable/B	BB-/Watch Neg/B
Nigeria National Scale	ngA/--/ngA-1	ngAA-/Watch Neg/ngA-1

N.B. This list does not include all ratings affected.

REGULATORY DISCLOSURES

- Primary credit analysts: Matthew Pirnie, Director (Guaranty Trust Bank, Stanbic IBTC Bank PLC, and Zenith Bank) and Samira Mensah, Associate Director (Access Bank, First Bank of Nigeria Ltd., and FBN Holding PLC)
- Chairperson: Mohamed Damak
- Date initial rating assigned: Access Bank (March 12, 2009), Guaranty Trust Bank (Nov. 27, 2006), First Bank of Nigeria Ltd. (June 11, 2013), FBN Holding PLC (June 11, 2013), Stanbic IBTC Bank PLC (Nov. 13, 2013), and Zenith Bank (Nov. 16, 2007)
- Date of previous review: Access Bank (Feb. 13, 2015), Guaranty Trust Bank (Feb. 13, 2015), First Bank of Nigeria Ltd. (Feb. 13, 2015), FBN Holdings PLC (Feb. 13, 2015), Stanbic IBTC Bank PLC (Feb. 13, 2015), Zenith Bank (Feb. 13, 2015)

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GLOSSARY

- Anchor: The starting point for assigning a bank a long-term rating, based on economic and industry risk
- Business position: A measure of the strength of a bank's business operations
- Capital and earnings: A measure of a bank's ability to absorb losses
- Cost of funds: Interest expense to interest bearing liabilities, expressed as a percentage

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- **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:** Loan loss provisions to average customer loans expressed as a percentage
- **CreditWatch:** CreditWatch highlights our opinion regarding the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by Standard & Poor's analytical staff.
- **Current account balance:** Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers
- **Date initial rating assigned:** The date Standard & Poor's assigned the long-term foreign currency issuer credit rating on the entity
- **Date of previous review:** The date Standard & Poor's last reviewed the credit rating on the entity
- **External assessment:** Based on the analysis of external liquidity and international investment position as well as the status of a sovereign's currency in international transactions. Reflects a country's ability to obtain funds from abroad necessary to meet its public- and private-sector obligations to nonresidents
- **Fiscal performance and flexibility assessment:** Reflects the sustainability of sovereign's fiscal deficits. Based on the prospective change in general government debt, calculated as a percentage of GDP, taking into account long-term trends and a government's fiscal
- **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
- **Group credit profile (GCP):** Standard & Poor's opinion of a group's creditworthiness as if the group were a single legal entity, and is conceptually equivalent to an ICR. 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
- **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
- **Nonoperating holding company:** A legal entity that does not carry out its own business activities, but is the legal owner of at least one subsidiary that conducts business activities
- **Risk position:** Our view of the specific risk characteristics of a particular bank
- **Sovereign support:** An assessment of the likelihood that the government would provide extraordinary support to a bank
- **Stand-alone credit profile (SACP):** An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support
- **Structural subordination:** The risk of the NOHC's reliance on distributions from the operating companies to meet its obligations and

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possible supervisory barriers to payments and potentially different treatment in a default situation

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