

RatingsDirect®

Research Update:

Outlooks On Five Nigerian Banks Revised To Negative After Sovereign Action; Ratings Affirmed

Primary Credit Analyst:

Matthew D Pirnie, Johannesburg (27) 011-214-1993; matthew.pirnie@standardandpoors.com

Secondary Contact:

Samira Mensah, Johannesburg (27) 11-214-1995; samira.mensah@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

Research Update:

Outlooks On Five Nigerian Banks Revised To Negative After Sovereign Action; Ratings Affirmed

Overview

- On March 27, 2014, we revised our outlook on Nigeria to negative from stable to reflect heightened political and institutional risks in the country.
- We do not rate any bank in Nigeria above the sovereign because of the likely direct and indirect influence sovereign distress would have on the banks' operations.
- We are therefore revising to negative from stable our outlooks on the five Nigerian banks that we rate at the sovereign foreign currency level.
- We are affirming our 'BB-/B' counterparty credit ratings and our Nigeria national scale ratings on these banks.

Rating Action

On April 1, 2014, Standard & Poor's Ratings Services revised its outlook to negative from stable on the following Nigerian financial institutions:

- Access Bank PLC,
- FirstBank of Nigeria Ltd, and its holding company, FBN Holding PLC,
- Stanbic IBTC Bank PLC,
- Guaranty Trust Bank PLC, and
- Zenith Bank PLC.

At the same time, we affirmed our 'BB-/B' long- and short-term counterparty credit ratings on the banks and our 'B/B' long- and short-term counterparty credit ratings on the holding company FBN Holding PLC (see "Ratings List" section).

Rationale

The outlook revision on the banks follows our similar action on Nigeria (see "Nigeria Ratings Affirmed; Outlook Negative On Increasing Political, Institutional, And Fiscal Risks," published on RatingsDirect on March 27, 2014). The sovereign outlook revision reflects infighting within the ruling party--which, in our opinion, has heightened political and institutional tensions--and extensive oil theft and consequent installation shutdowns that have caused oil production to fall below the government's assumptions for its 2013 budget and 2014 budget plan. At the same time, fiscal buffers in the excess crude account have been depleted over the past year.

We do not rate any regulated bank in Nigeria above our sovereign ratings on

Nigeria because of the likely direct and indirect influence of sovereign distress on the banks' operations--including their ability to service foreign currency obligations and the possibility of regulatory intervention--and because of the high proportion of government securities and public sector deposits on their balance sheets.

The stand-alone credit profiles (SACP) of the above mentioned banks and holding company (FBN Holding) remain unchanged, despite our expectation that Nigeria's mounting political pressures and regulatory changes are likely to test banks' operating performances over the next 12-18 months, particularly earnings capacity and potentially cost of risk, owing to rapid loan growth. Nevertheless, we expect economic growth and gradual diversification, plus the currently low level of nonperforming loans and sound liquidity indicators, to be broadly supportive of financial sector stability over this period. We factor into our ratings our opinion that the newly appointed governor of the Central Bank, Godwin Emefiele, the CEO of Zenith Bank, will continue the regulatory reform process and not weaken the roles of regulators and the government in maintaining banking sector stability.

Outlook

The negative outlooks on the banks currently reflect that on the sovereign. We would lower the ratings on the banks if we lowered our sovereign rating on Nigeria, as we do not rate any bank in the country above the foreign-currency ratings on the sovereign.

We would also lower the ratings on the individual banks, if asset quality, operating performance, or capitalization indicators did not meet our current expectations. Furthermore, if competition increased significantly (as evidenced by a weakening in credit origination standards and pricing or erratic growth), if the regulatory reform process slowed, or if we saw evidence of political interference or governance issues at the Central Bank, we would also lower the ratings on the banks.

A revision of the outlook on the sovereign to stable would trigger an outlook revision to stable on the banks, provided that the individual banks' business and financial profiles do not deteriorate from their current levels.

Related Criteria And Research

Related Criteria

- Group Rating Methodology, Nov. 19, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

Related Research

- Nigeria Ratings Affirmed; Outlook Negative On Increasing Political, Institutional, And Fiscal Risks, March 27, 2014
- Nigeria Ratings On Watch Negative Following Appeal Of Rating Decision, March 21, 2014
- Brighter prospects For Nigeria's Banking Sector In 2014 Will Depend On Political And Regulatory Stability, Feb. 11, 2014
- Banking Industry Country Risk Assessment: Nigeria, Nov. 22, 2013
- Nigeria (Federal Republic of), Oct. 18, 2013

Ratings List

	To	From
Access Bank PLC		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
National Scale Rating	ngAA-	ngAA-
FirstBank of Nigeria Ltd		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
National Scale Rating	ngAA-/ngA-1	ngAA-/ngA-1
FBN Holding PLC		
Counterparty Credit Rating	B/Negative/B	B/Stable/B
National Scale Rating	ngBBB/ngA-3	ngBBB/ngA-3
Stanbic IBTC Bank PLC		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
National Scale Rating	ngAA-/ngA-1	ngAA-/ngA-1
Guaranty Trust Bank PLC		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
National Scale Rating	ngAA-/ngA-1	ngAA-/ngA-1
Zenith Bank PLC		
Counterparty Credit Rating	BB-/Negative/B	BB-/Stable/B
National Scale Rating	ngAA-/ngA-1	ngAA-/ngA-1

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

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44)

Research Update: Outlooks On Five Nigerian Banks Revised To Negative After Sovereign Action; Ratings Affirmed

20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.