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Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

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OVERVIEW

- On March 18, 2016, we revised our outlook on Nigeria to negative from stable, reflecting our view of the ongoing effect of low oil prices on the country's economy.
- We believe Nigeria's foreign exchange policy is hampering banks' access to foreign currency and that banks face liquidity, asset quality, and profitability pressures over the next 12 months and higher cost of risk in 2016.
- In our view, economic and industry risk trends for Nigeria's banking sector are now negative.
- We are consequently revising our outlooks on six banks to negative from stable and affirming the 'B+/B' ratings, while lowering our Nigeria national scale ratings on five of the banks to 'ngA-/ngA-2' from 'ngA/ngA-1'.
- The negative outlooks primarily reflect that on Nigeria, indicating that we could lower the ratings on the banks if we downgrade the sovereign.

JOHANNESBURG (Standard & Poor's) March 24, 2016--Standard & Poor's Ratings Services said today that it has revised its outlooks on six Nigerian financial institutions to negative from stable:

- Access Bank PLC (ACB),
- Ecobank Nigeria Ltd. (ECN),
- First Bank of Nigeria Ltd. (FirstBank),
- Guaranty Trust Bank PLC (GTB),
- Stanbic IBTC Bank PLC (Stanbic), and

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

- Zenith Bank PLC (ZNB).

The 'B+/B' long- and short-term counterparty credit ratings on these banks were affirmed.

At the same time, we lowered our Nigeria national scale long- and short-term ratings on ACB, FirstBank, GTB, Stanbic, and ZNB to 'ngA-/ngA-2' from 'ngA/ngA-1'. ECN does not have national scale ratings.

We affirmed our 'B-/C' long- and short-term counterparty ratings on First Bank of Nigeria (FBN) group's non-operating holding company, FBN Holdings PLC (FBNH). The outlook remains stable. We also affirmed our 'ngBB+/ngB' Nigeria national scale ratings on FBNH.

Today's rating actions follow the revision of our outlook on Nigeria to negative from stable (see "Federal Republic of Nigeria Outlook Revised To Negative On Oil Price Pressures; 'B+/B' Ratings Affirmed," published March 18, 2016, on RatingsDirect). Oil prices have fallen further since our last review of Nigeria in September 2015. We have revised down our oil price assumptions to \$40 per barrel (/bbl) in 2016, and expect a gradual increase to \$50/bbl in 2018. Lower oil prices are having a negative impact on Nigeria's macroeconomic indicators and prospects for its GDP growth and current account, in our view.

In addition, we believe Nigeria's monetary policy is weakening the country's credit profile. We now consider Nigeria's foreign exchange regime to be a fixed arrangement rather than a managed float. The low-oil-price environment continues to weigh on Nigeria's GDP growth and external and fiscal balances. Furthermore, the Central Bank of Nigeria's strict foreign exchange controls are constraining manufacturing and trade, and fueling a parallel market in foreign exchange.

We anticipate moderate real GDP growth of 3.4% in 2016 alongside a devaluation of the local currency. As a result, we expect banks' asset quality indicators will deteriorate and that sectorwide credit losses will increase to 3% in 2016 from about 2% in 2015. The major areas of weakness include exposures to upstream oil and gas, power, and a significant amount of lending denominated in U.S. dollars. In addition, Nigeria's monetary policy could further hinder economic growth in the short term, hurting the manufacturing and trades sectors, among others. Consequently, we regard the economic risk trend for Nigeria's banking sector, under our Banking Industry Country Risk Assessment (BICRA), as negative rather than stable.

Furthermore, the country's restrictive foreign exchange regime is undermining the banking sector's foreign currency liquidity. Specifically, we believe that many Nigerian banks are now relying on the Central Bank of Nigeria to pay trade obligations. The shortage in U.S. dollars may affect domestic banks' ability to repay their dollar liabilities in the context of the weak naira and declining foreign exchange reserves, in our opinion.

What's more, mounting pressure on banks' earnings from the combination of

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

regulatory changes, the restrictive foreign currency regime, and higher cost of risk--exacerbated by the potential naira devaluation--will affect banks' revenue stability, profitability, and capitalization. Further devaluation will prompt some banks to raise extra capital in the next 12-18 months to meet the additional 1% buffer applicable to domestic systemically important banks in 2016. However, we do not expect Nigeria's capital markets will be overly supportive and therefore a few banks may be close to minimum regulatory requirements at the end of 2016.

In view of these factors, we now see a negative industry risk trend for Nigeria's banking sector. Nigeria remains in BICRA group '9'.

We do not rate Nigerian banks above the foreign currency sovereign credit rating. This reflects the likely direct and indirect influence of sovereign distress on domestic banks' operations, including the effect on their ability to service foreign currency obligations.

The negative outlooks on ACB, ECN, FirstBank, GTB, Stanbic, and ZNB primarily reflect that on the sovereign and our negative view on the Nigerian banking sector. We would lower the ratings on the banks if we lowered the ratings on Nigeria. This could happen within the next 12 months if Nigeria's fiscal or external position weakens or if we see erosion of the banking sector's funding profile as a result of the prolonged fixed foreign exchange regime.

In addition, for ECN and FirstBank, the negative outlooks also reflect bank-specific factors.

We could lower the ratings on ECN within the next 12 months, if the group's financial profile were to deteriorate significantly, with the risk-adjusted capital ratio, before diversification adjustments, below 3%. Similarly, if the quality of new loans was weaker than expected and the group's cost of risk was not in line with our expectations, we would lower the ratings.

Regarding FirstBank, we could also lower the ratings within the next 12 months if we see a sharp decline in capitalization to the minimum regulatory capital requirement or lower, potentially due to an increase in risk-weighted assets after a naira devaluation or weaker asset quality, reflected in higher credit losses than anticipated.

We would likely revise our outlooks on all six banks to stable, all else being equal, if we were to take the same action on the sovereign.

Our 'B-' long-term rating on FBNH is two notches below the group credit profile, reflecting FBNH's status as FBN group's non-operating holding company. FBNH relies on dividends from its operating companies to meet its financial obligations, which exposes it to potential regulatory intervention.

The stable outlook reflects FBNH's structural subordination as a non-operating holding company.

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

We would lower our ratings on FBNH if we lowered the ratings on FirstBank and saw a high amount of double leverage, generally above 120%, or if we saw strain on FBNH's liquidity.

Although remote over the next 12 months, an upgrade of FBNH would hinge on a similar rating action on Nigeria and an improvement of the group credit profile.

BICRA SCORE SNAPSHOT

Nigerian Banking Sector

	To	From
BICRA Group	9	9
Economic risk	9	9
Economic resilience	Very high risk	Very high risk
Economic imbalances	High risk	High risk
Credit risk in the economy	Extremely high risk	Extremely high risk
Trend	Negative	Stable
Industry risk	9	9
Institutional framework	Extremely high Risk	Extremely high Risk
Competitive dynamics	High risk	High risk
Systemwide funding	Very high risk	Very high risk
Trend	Negative	Stable

RATINGS SCORE SNAPSHOTS

	To	From
Access Bank PLC		
Issuer Credit Rating	B+/Negative/B	B+/Stable/B
SACP	b+	b+
Anchor	b+	b+
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Above average (0) and Adequate	Above average (0) and Adequate
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Short-Term Support	0	0

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

Additional Factors	0	0
Ecobank Nigeria Ltd.		
Issuer Credit Rating	B+/Negative/B	B+/Stable/B
SACP	b+	b+
Anchor	b+	b+
Business Position	Strong (+1)	Strong (+1)
Capital and Earnings	Weak (0)	Weak (0)
Risk Position	Moderate (-1)	Moderate (-1)
Funding and Liquidity	Above average (0) and Adequate	Above average (0) and Adequate
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Short-Term Support	0	0
Additional Factors	0	0
First Bank of Nigeria Ltd.		
Issuer Credit Rating	B+/Negative/B	B+/Stable/B
SACP	b+	b+
Anchor	b+	b+
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Weak (0)	Weak (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Above average (0) and Adequate	Above average (0) and Adequate
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Short-Term Support	0	0
Additional Factors	0	0
Guaranty Trust Bank PLC		
Issuer Credit Rating	B+/Negative/B	B+/Stable/B
SACP	b+	b+
Anchor	b+	b+
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Above average (0) and Adequate	Above average (0) and Adequate

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Short-Term Support	0	0
Additional Factors		0
Stanbic IBTC Bank PLC		
Issuer Credit Rating	B+/Negative/B	B+/Stable/B
SACP	b	b
Anchor	b+	b+
Business Position	Moderate (-1)	Moderate (-1)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Average (0) and Adequate	Average (0) and Adequate

Support	+1	+1
GRE Support	0	0
Group Support	+1	+1
Sovereign Support	0	0
Short-Term Support	0	0
Additional Factors	0	0

Zenith Bank PLC		
Issuer Credit Rating	B+/Negative/B	B+/Stable/B
SACP	b+	b+
Anchor	b+	b+
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Moderate (0)	Moderate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Above average (0) and Adequate	Above average (0) and Adequate

Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Short-Term Support	0	0
Additional Factors	0	0

RELATED CRITERIA AND RESEARCH

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

Related Criteria

- Standard & Poor's National And Regional Scale Mapping Tables, Jan. 19, 2016
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- 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
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- 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
- Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 4, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Commercial Paper I: Banks, March 23, 2004

Related Research

- Federal Republic of Nigeria Outlook Revised To Negative On Oil Price Pressures; 'B+/B' Ratings Affirmed, March 18, 2016
- Banking Industry Country Risk Assessment Update: March 2016, March 23, 2016
- S&P Lowers Its Hydrocarbon Price Deck Assumptions on Market Oversupply; Recovery Price Deck Assumptions Also Lowered, Jan. 12, 2016
- Banking Industry Country Risk Assessment: Nigeria, Jan. 21, 2015
- Analytical Linkages Between Sovereign And Bank Ratings, Dec. 6, 2011

Ratings List

***** Access Bank PLC *****

Ratings Affirmed; Outlook Action

	To	From
Access Bank PLC Counterparty Credit Rating	B+/Negative/B	B+/Stable/B

Downgraded

	To	From
Access Bank PLC Nigeria National Scale Rating	ngA-/--/ngA-2	ngA/--/ngA-1

***** Ecobank Nigeria Ltd. *****

Ratings Affirmed; Outlook Action

	To	From
Ecobank Nigeria Ltd. Counterparty Credit Rating	B+/Negative/B	B+/Stable/B

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

***** First Bank of Nigeria Ltd. *****

Ratings Affirmed; Outlook Action

	To	From
First Bank of Nigeria Ltd. Counterparty Credit Rating	B+/Negative/B	B+/Stable/B

Downgraded

	To	From
First Bank of Nigeria Ltd. Nigeria National Scale Rating	ngA-/---/ngA-2	ngA/--/ngA-1

Ratings Affirmed

FBN Holdings PLC

Counterparty Credit Rating	B-/Stable/C
Nigeria National Scale Rating	ngBB+/--/ngB

***** Guaranty Trust Bank PLC *****

Ratings Affirmed; Outlook Action

	To	From
Guaranty Trust Bank PLC Counterparty Credit Rating	B+/Negative/B	B+/Stable/B

Downgraded

	To	From
Guaranty Trust Bank PLC Nigeria National Scale Rating	ngA-/---/ngA-2	ngA/--/ngA-1

***** Stanbic IBTC Bank PLC *****

Ratings Affirmed; Outlook Action

	To	From
Stanbic IBTC Bank PLC Counterparty Credit Rating	B+/Negative/B	B+/Stable/B

Downgraded

	To	From
Stanbic IBTC Bank PLC Nigeria National Scale Rating	ngA-/---/ngA-2	ngA/--/ngA-1

***** Zenith Bank PLC *****

Ratings Affirmed; Outlook Action

	To	From
Zenith Bank PLC Counterparty Credit Rating	B+/Negative/B	B+/Stable/B

Downgraded

	To	From
Zenith Bank PLC Nigeria National Scale Rating	ngA-/---/ngA-2	ngA/--/ngA-1

Negative Rating Actions Taken On Six Nigerian Banks After Sovereign Outlook Revision

REGULATORY DISCLOSURES

- Primary credit analyst: Samira Mensah, Associate Director [Access Bank PLC, Ecobank Nigeria Ltd., First Bank of Nigeria Ltd., FBN Holdings PLC]
- Primary credit analyst: Jones Gondo, Analyst [Guaranty Trust Bank PLC, Stanbic IBTC Bank PLC, Zenith Bank PLC]
- Chairperson: Mohamed Damak

Date initial rating assigned:

- Access Bank PLC, March 12, 2009
- Ecobank Nigeria Ltd., July 17, 2014
- First Bank of Nigeria Ltd., June 11, 2013
- FBN Holdings PLC, June 11, 2013
- Guaranty Trust Bank PLC, Nov. 27, 2006
- Stanbic IBTC Bank PLC, Nov. 13, 2013
- Zenith Bank PLC, Nov. 16, 2007

Date of previous review:

- Access Bank PLC, June 22, 2015
- Ecobank Nigeria Ltd., Nov. 5, 2015
- First Bank of Nigeria Ltd., July 14, 2015
- FBN Holdings PLC, July 14, 2015
- Guaranty Trust Bank PLC, Sept. 2, 2015
- Stanbic IBTC Bank PLC, Aug. 6, 2015
- Zenith Bank PLC, Sept. 2, 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 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

- **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
- **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
- **Nonperforming asset (NPA):** Nonaccrual loans; restructured loans; repossessed/other real estate owned; loans 90 days past due, but accruing; and 90 plus days delinquent
- **Risk position:** Our view of the specific risk characteristics of a particular bank
- **Return on equity (ROE):** Annualized net income after preferred dividends divided by average common equity.
- **Stand-alone credit profile (SACP):** An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support
- **Sovereign support:** An assessment of the likelihood that the government would provide extraordinary support to a bank

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