



Fitch: Rating Actions on Nigerian Banks on Sovereign Downgrade

Fitch Ratings-London-11 July 2016: Fitch Ratings has downgraded First Bank of Nigeria Ltd's (FBN) and United Bank for Africa's (UBA) the Long-Term Foreign Currency Issuer Default Ratings (IDRs) to 'B' from 'B+'. The Outlooks are Stable. The agency has also downgraded the National Long-Term Rating of FBN Holdings Plc (FBNH), the parent holding company of FBN, to 'BBB+(nga)' from 'A(nga)'.

Fitch has at the same time affirmed the IDRs of eight other Nigerian commercial banks and affirmed the Viability Ratings (VR) of all the banks. The Outlook on the Long-Term Foreign Currency IDR of one of the banks, Guaranty Trust Bank (GTB), has been revised to Stable from Negative due to continuing strong earnings and stronger-than-expected liquidity.

Our rating actions follow the downgrade of Nigeria's sovereign ratings on 23 June 2016 (see "Fitch Downgrades Nigeria to 'B+'; Outlook Stable" on www.fitchratings.com). A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

IDRS, SUPPORT RATINGS AND SUPPORT RATING FLOORS (SRFs)

The IDRs of UBA, Access Bank (Access) and Wema Bank (Wema) are driven by both their standalone strengths, reflected in their VRs, and by the likelihood of sovereign support, reflected in their SRFs. Their VRs and SRFs are at the same level.

The IDRs of FBN, Diamond Bank (Diamond), Fidelity Bank (Fidelity), Union Bank (Union) and First City Monument Bank (FCMB) are driven by their SRFs.

Fitch has revised the SRFs to 'B' from 'B+' for the systemically important banks, FBN, UBA, Zenith and GTB following the downgrade of Nigeria's sovereign ratings. As a result, both FBN's and UBA's IDRs have been downgraded to 'B' from 'B+'. The IDRs of both Zenith and GTB are affirmed at 'B+' and are now driven by their respective VRs of 'b+'.

The systemically important banks' SRFs remain a notch below the sovereign rating, reflecting the sovereign's weak foreign currency position. Fitch believes that the willingness of the Nigerian authorities to support domestic banks continues to be high (as demonstrated in the past). However, the state's ability to provide support, particularly in foreign currency, is weaker due to falling oil prices eroding Nigeria's foreign exchange reserves and foreign currency revenues.

All other banks', apart from Wema's, SRFs have been affirmed at 'B'. Wema's SRF is affirmed at 'B-', reflecting Fitch's view of the bank's lower systemic importance. Fitch has affirmed the IDRs of all of these banks..

All banks apart from Wema have Support Ratings (SR) of '4' indicating a limited probability of external support. Wema's SR of '5' reflects Fitch's view that external support is possible but cannot be relied upon.

FBNH is the holding company of FBN. Its SR of '5' and SRF of 'No Floor' reflect Fitch's view that while the Nigerian authorities' propensity to support local banks is high, we would not expect the same level of support to apply to holding companies. FBNH's IDR of 'B' is driven by the holding company's 'b' VR. The latter is aligned with the VR of FBNH's main operating subsidiary, FBN.

OUTLOOKS

The Long-Term IDRs of Zenith, UBA, Access, GTB and Wema are on Stable Outlooks as Fitch

expects their VRs to remain unchanged (see below).

All other banks' Long-Term IDR's are also on Stable Outlooks, reflecting the Stable Outlook on the sovereign rating as they are driven by the likelihood of state support.

The Negative Outlook on FBNH's Long-Term IDR reflects pressure on its subsidiary FBN's VR.

VRs (ALL BANKS APART FROM SIBTC AND SIBTCH)

The challenging and volatile operating environment in Nigeria and other key rating factors, particularly the banks' financial profiles, constrain the VRs in the highly speculative 'b' range.

Since the last review in February 2016, bank asset quality has continued to weaken with average impaired loans (NPL) ratios of about 6.2% at end-March 2016, although this is skewed by FBN's high NPL ratio of 21.5%. Impairments in banks are increasing in the commercial, trading and manufacturing segments, mainly due to foreign currency depreciation and scarcity. NPLs in the oil sector are also rising, but most of the larger problem loans are being restructured. FBN's high NPL ratio is mainly due to the bank's exposure to the downstream oil sector. Sustained low oil prices and continuing production disruptions in the Niger Delta could cause industry NPL ratios to rise more dramatically.

We also expect loan impairments to rise in the wake of the naira devaluation. Devaluation will primarily affect those Nigerian companies that are not adequately hedged by foreign currency income streams, and which will find it more difficult to service their foreign currency loans at the current exchange rate. The devaluation could also affect customer demand in the domestic economy. Despite slower asset growth and higher loan impairment charges, Fitch expects banks to remain profitable in 2016 due to still strong earnings generation.

Strong regulatory capital ratios have helped offset the one-off impact from the devaluation arising from Nigeria's new FX regime. Nevertheless, the buffer between banks' capital ratios and the regulatory minimum is reducing. We expect higher retained earnings to ease some of this pressure. Further erosion of capital ratios could be credit-negative.

Despite the new FX regime, Fitch expects foreign currency liquidity to remain tight in 2016, particularly as supply has not increased dramatically. Some banks have accumulated sufficient foreign currency liquidity to meet 2016 maturities and we believe that they are managing their liquidity risks commensurately with their VR levels, but refinancing risk on the banks' foreign currency obligations remains high. Naira liquidity is satisfactory.

NATIONAL RATINGS

The Nigerian National Ratings reflect Fitch's opinion of each bank's creditworthiness relative to the best credit in the country.

FBNH's National Long-Term Rating is downgraded to 'BBB+(nga)' from 'A(nga)' and National Short-Term rating to 'F2' from 'F1' to reflect the negative pressure on the standalone credit profile of the main subsidiary FBN.

SIBTC's and SIBTCH's National Ratings have been affirmed and are based on the probability of support from their parent, Standard Bank Group Limited (SBG; BBB-/Stable). SBG has a majority 53.2% stake in SIBTCH, which in turn owns 100% of SIBTC. The ratings consider SBG's written commitment in the group's annual report to support certain banking subsidiaries (except in the case of political risk) and SBG's commitment to a pan-African strategy, of which Nigeria is a market of considerable importance. Fitch believes that SBG's support would extend equally to both the bank and the holding company.

All other banks' National ratings have been affirmed given their unchanged respective creditworthiness relative to each other.

SENIOR DEBT AND SUBORDINATED DEBT SECURITIES

The senior debt ratings of Zenith, Access (issued via Access Finance BV), GTB (issued via GTB Finance BV), Diamond and Fidelity are affirmed in line with their respective Long-Term IDRs.

The subordinated debt ratings of FBN (issued via FBN Finance BV) and Access are rated one notch below their respective VRs to reflect higher-than-average loss severity for subordinated relative to senior debt. No additional notches for non-performance risk have been applied. The subordinated debt ratings are affirmed, in line with the affirmation of the banks' respective VRs.

RATING SENSITIVITIES

IDRS, NATIONAL RATINGS AND SENIOR DEBT

The IDRs, National Ratings and senior debt ratings are sensitive to a prolonged and severe recession that would affect the ability or willingness of the Nigerian authorities to provide support, particularly in foreign currency.

Zenith and GTB would only be downgraded if their VRs are downgraded. FBN's, UBA's, Access's and Wema's IDRs would only be downgraded if both their VRs and their SRFs are simultaneously downgraded and revised lower (the banks' VRs and SRFs are currently at the same level). The IDRs of Diamond, Fidelity, Union and FCMB are sensitive to a revision of their SRFs reflecting a change in the probability of the sovereign to provide support.

FBNH's Long-Term IDR is sensitive to a change in the holding company's VR, which would be triggered by a change in in FBN's VR.

VRs (ALL BANKS APART FROM SIBTC AND SIBTCH)

Upside potential is currently limited for most banks' VRs as these are constrained by the difficult operating environment.

A prolonged economic downturn and depressed low oil prices are a threat to all banks' VRs. The VRs are therefore sensitive to materially weaker asset quality, a sharp fall in capital ratios or deteriorating foreign currency liquidity preventing banks from meeting their short- and long-term foreign currency obligations.

UBA's VR would benefit from a demonstration of strong and stable financial metrics, in particular stronger profitability and higher capital ratios but also a track record of conservative risk appetite.

FBN's and FBNH's VRs would be downgraded if FBN's asset quality continues to deteriorate to a point where it impacts its currently adequate capital position or if its liquidity position weakens.

GTB's and Zenith's VRs, which at 'B+' are the highest in Nigeria, are sensitive to deterioration in their financial profiles, particularly asset quality and foreign currency liquidity.

NATIONAL RATINGS

The banks' National Ratings are sensitive to changes in their creditworthiness relative to other Nigerian entities. The National Ratings of SIBTC and SIBTCH are sensitive to a change in potential support (relating to both ability and propensity) from their ultimate parent, SBG. The National Ratings of SIBTCH and SIBTC could withstand a three-notch downgrade of SBG's Long-Term IDR.

SENIOR DEBT AND SUBORDINATED DEBT SECURITIES

The senior debt ratings of Zenith, Access (issued via Access Finance BV), GTB (issued via GTB Finance BV), Diamond and Fidelity are sensitive to a change in their respective Long-Term IDRs.

The subordinated debt ratings of FBN (issued via FBN Finance BV) and Access are sensitive to a change in their respective VRs.

The rating actions are as follows:

First Bank of Nigeria Ltd

Long-Term Foreign Currency IDR: downgraded to 'B' from 'B+'; Outlook Stable

Short-Term Foreign currency IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'A+(nga)'

National Short-Term Rating: affirmed at 'F1(nga)'

Viability Rating: affirmed at 'b'

Support Rating: affirmed at '4'

Support Rating Floor: revised to 'B' from 'B+'

FBN Finance Company BV's subordinated notes: affirmed at 'B-'; Recovery Rating of 'RR5'

FBN Holdings Plc

Long-Term Foreign Currency IDR: affirmed at 'B'; Outlook Negative

Short-Term Foreign Currency IDR: affirmed at 'B'

National Long-Term Rating: downgraded to 'BBB+(nga)' from 'A(nga)'

National Short-Term Rating: downgraded to 'F2(nga)' from 'F1(nga)'

Viability Rating: affirmed at 'b'

Support Rating: affirmed at '5'

Support Rating Floor: affirmed at 'No Floor'

Zenith Bank Plc

Long-Term Foreign Currency IDR: affirmed at 'B+'; Stable Outlook

Short-Term Foreign Currency IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'AA-(nga)'

National Short-Term Rating: affirmed at 'F1+(nga)'

Viability Rating: affirmed at 'b+'

Support Rating: affirmed at '4'

Support Rating Floor: revised to 'B' from 'B+'

Global medium-term note programme affirmed at 'B+' /'RR4'/'B'

Senior unsecured notes: affirmed at 'B+'/'RR4'

United Bank for Africa

Long-Term Foreign Currency IDR: downgraded to 'B' from 'B+'; Outlook Stable

Short-Term Foreign Currency IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'A+(nga)'

National Short-Term Rating: affirmed at 'F1(nga)'

Viability Rating: affirmed at 'b'

Support Rating: affirmed at '4'

Support Rating Floor: revised to 'B' from 'B+'

Access Bank Plc

Long-Term Foreign Currency IDR: affirmed at 'B'; Stable Outlook

Short-Term Foreign Currency IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'A(nga)'

National Short-Term Rating: affirmed at 'F1(nga)'

Viability Rating: affirmed at 'b'

Support Rating: affirmed at '4'

Support Rating Floor: affirmed at 'B'

Access Finance BV's senior notes, guaranteed by Access Bank: affirmed at 'B'/'RR4'

Subordinated notes: affirmed at 'B-'; Recovery Rating affirmed at 'RR5'

Guaranty Trust Bank PLC

Long-Term Foreign-Currency IDR: affirmed at 'B+'; Outlook revised to Stable from Negative

Short-Term Foreign Currency IDR: affirmed at 'B'

National Long-Term Rating: affirmed at 'AA-(nga)'

National Short-Term Rating: affirmed at 'F1+(nga)'

Viability Rating: affirmed at 'b+'

Support Rating: affirmed at '4'
Support Rating Floor: revised to 'B' from 'B+'
GTB Finance BV's senior notes, guaranteed by Guaranty Trust Bank: affirmed at 'B+'/'RR4'
GTB Finance BV's global medium-term note programme, guaranteed by Guaranty Trust Bank: affirmed at 'B+'/'RR4'/'B'

Diamond Bank Plc

Long-Term Foreign-Currency IDR: affirmed at 'B'; Stable Outlook
Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term Rating: affirmed at 'BBB+(nga)'
National Short-Term Rating: affirmed at 'F2(nga)'
Viability Rating: affirmed at 'b-'
Support Rating: affirmed at '4'
Support Rating Floor: affirmed at 'B'
Senior unsecured notes: affirmed at 'B'/'RR4'

Union Bank

Long-Term Foreign-Currency IDR: affirmed at 'B'; Stable Outlook
Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term Rating: affirmed at 'BBB+(nga)'
National Short-Term Rating: affirmed at 'F2(nga)'
Viability Rating: affirmed at 'b-'
Support Rating: affirmed at '4'
Support Rating Floor: affirmed at 'B'

Fidelity Bank PLC

Long-Term Foreign-Currency IDR: affirmed at 'B'; Stable Outlook
Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term Rating: affirmed at 'BBB+(nga)'
National Short-Term Rating: affirmed at 'F2(nga)'
Viability Rating: affirmed at 'b-'
Support Rating: affirmed at '4'
Support Rating Floor: affirmed at 'B'
Senior unsecured notes: affirmed at 'B'/'RR4'

First City Monument Bank Ltd.

Long-Term Foreign-Currency IDR: affirmed at 'B'; Stable Outlook
Short-Term Foreign Currency IDR: affirmed at 'B'
National Long-Term Rating: affirmed at 'BBB+(nga)'
National Short-Term Rating: affirmed at 'F2(nga)'
Viability Rating: affirmed at 'b-'
Support Rating: affirmed at '4'
Support Rating Floor: affirmed at 'B'

Stanbic IBTC Bank PLC

National Long-Term Rating: affirmed at 'AAA(nga)'
National Short-Term Rating: affirmed at 'F1+(nga)'

Stanbic IBTC Holdings PLC

National Long-Term Rating: affirmed at 'AAA(nga)'
National Short-Term Rating: affirmed at 'F1+(nga)'

Wema Bank Plc

Long-Term Foreign-Currency IDR affirmed at 'B-'; Outlook Stable
Short-Term Foreign Currency IDR affirmed at 'B'
Viability Rating affirmed at 'b-'
Support Rating affirmed at '5'
Support Rating Floor affirmed at 'B-'
National Long-term Rating affirmed at 'BBB-(nga)'
National Short-term Rating affirmed at 'F3(nga)'

Contact:

Primary Analysts

Mahin Dissanayake (Access, Access Finance, GTB, GTB Finance, Union, Fidelity and Wema)
Director
+44 20 3530 1618
Fitch Ratings Limited
30 North Colonnade
London, E14 5GN

Solena Gloaguen (FBNH, FBN, FBN Finance Company, Zenith and UBA)
Director
+44 20 3530 1126

Andrew Parkinson (Diamond, FCMB, SIBTC and SIBTCH)
Director
+44 20 3530 1420

Secondary Analysts

Solena Gloaguen (Diamond, FCMB, SIBTC and SIBTCH)
Director
+44 20 3530 1126

Andrew Parkinson (FBNH, FBN, FBN Finance Company, Zenith and UBA)
Associate Director
+44 20 3530 1420

Joao Correia De Matos (Access, Access Finance, GTB, GTB Finance, Union, Fidelity and Wema)
Analyst
+44 20 3530 1723

Committee Chairperson

Eric Dupont
Senior Director
+33 1 4429 91 31

Media Relations: Elaine Bailey, London, Tel: +44 203 530 1153, Email:
elaine.bailey@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria

Global Bank Rating Criteria (pub. 20 Mar 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863501&cft=0)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1008727&cft=0)

Solicitation Status (https://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=1008727)

Endorsement Policy (<https://www.fitchratings.com/jsp/creditdesk/PolicyRegulation.faces?context=2&detail=31>)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS)

(<http://fitchratings.com/understandingcreditratings>). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Endorsement Policy - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (<https://www.fitchratings.com/regulatory>) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.