

Outlooks On First Bank of Nigeria, Zenith Bank, And Guaranty Trust Bank Revised To Positive; Ratings Affirmed

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- On Dec. 29, 2011, we revised the outlook on the Republic of Nigeria to positive from stable, and affirmed the long- and short-term sovereign credit ratings on Nigeria at 'B+/B'.
- As a result, we are revising the outlooks on First Bank of Nigeria, Zenith Bank, and Guaranty Trust Bank to positive from stable. We have affirmed the long- and short-term counterparty credit ratings on all three banks at 'B+/B'.
- In addition, we are raising our Nigeria national scale ratings on all three banks to 'ngA+/ngA-1' from 'ngA/ngA-1', reflecting Nigeria's positive economic prospects and their expected effect on the banks' financial performances.
- The positive outlooks on the three banks largely reflect the banks' stand-alone credit profiles (SACPs) and the outlook on the sovereign, and indicate at least a one-in-three likelihood of the banks being upgraded if the government's reform initiatives progress and help support economic growth.
- Potential upgrades are conditional upon the maintenance of the banks' SACPs at least at 'bb-', with no material weakening of their financial performance over the short-to-medium term.

LONDON (Standard & Poor's) Jan. 5, 2012--Standard & Poor's Ratings Services said today that it has revised the outlooks on Nigeria-based First Bank of Nigeria PLC (FBN), Guaranty Trust Bank PLC (GTB), and Zenith Bank PLC (Zenith) to positive from stable. This follows our revision of the outlook on the Republic of Nigeria to positive from stable on Dec. 29, 2011.

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- At the same time, we affirmed the 'B+/B' long- and short-term counterparty credit ratings on FBN, Zenith, and GTB.
- In addition, we raised our long-term Nigeria national scale rating on all three banks to 'ngA+' from 'ngA'. We affirmed our short-term Nigeria national scale rating at 'ngA-1'
- The ratings on the other Nigerian banks that we currently rate, Access Bank (B+/Negative/B) and First City Monument Bank (B+/Watch Neg/B), are unaffected by the sovereign outlook revision and today's rating actions.

RATIONALE

Today's rating actions on FBN, GTB, and Zenith were prompted by our Dec. 29, 2011, outlook revision on Nigeria (see "Republic of Nigeria Outlook Revised To Positive On Reform Progress; 'B+/B' Ratings Affirmed," published Dec. 29, 2011). The outlook revision on Nigeria indicates that there is at least a one-in-three likelihood of an upgrade if Nigeria's reform initiatives support economic growth, build stronger buffers against Nigeria's dependence on petroleum revenue, and reduce pressure on the exchange rate. A potential upgrade would also be predicated upon no worsening of the political tensions between the Islamic north and Christian south and no significant deterioration in the country's corruption and business environment indicators.

The raising of the Nigeria national scale long-term ratings is based on our expectations that improvement in the economic environment will have a positive effect on the banks' financial performance, translating into lower cost of risk and continued focus on bad debt recoveries.

Over the past few years, Nigeria has improved its GDP growth and recently tightened its fiscal and monetary policies. The authorities have also strengthened the banking sector following the 2009 crisis. In addition, further reforms aim to address infrastructure and energy shortfalls and increase transparency. In our opinion, Nigeria is difficult to govern because of deep income inequalities, a complex ethnic and religious structure, and weak institutions.

We have already factored most of these challenges into our Banking Industry Country Risk Assessment (BICRA) score of '8' for Nigeria (on a scale of '1' to '10', '1' is the lowest risk score) and the 'bb-' anchor we use for domestic banks in Nigeria.

Under our bank criteria, we use our BICRA score to determine a bank's anchor, the starting point in assigning the SACP and the issuer credit rating. As a result, the SACPs for FBN, Zenith, and GTB are above the sovereign credit rating and are based on our assessment of the positive effects that sustained economic growth could have on the financial performance of these banks.

FBN, Zenith, and GTB are predominantly domestic lenders, and we typically do not rate banks above the foreign-currency sovereign ratings under our criteria. The decision to cap banks' ratings at the sovereign level is based on our opinion that domestic banks would be significantly affected by a sovereign default due to their exposure to Nigerian bonds in their securities

portfolios.

OUTLOOK

FIRST BANK OF NIGERIA

The positive outlook on FBN largely reflects that on Nigeria. In our view, if Nigeria's reform initiatives support positive economic growth, build stronger buffers against the country's dependence on petroleum revenues, and reduce pressure on the exchange rate, then these factors may lead us to raise the sovereign rating and result in a more favorable operating environment for the bank. We believe that the bank's cost of risk and profitability will likely improve as general economic activity picks up, loan growth continues, and the bank's focus on bad debt recovery increases. Any positive ratings momentum would require a similar move in the sovereign ratings, alongside maintaining the bank's SACP at least at 'bb-'. The SACP could come under pressure if the bank's risk position deteriorates via asset quality deterioration, high cost of risk, risk-asset accumulation, or increasing concentrations. Furthermore, the SACP would also be under pressure if capitalization were to decrease with a risk-adjusted capital (RAC) ratio before adjustments moving below 5%. We would revise the outlook to stable if the outlook on Nigeria were revised to stable.

ZENITH BANK

The positive outlook on Zenith largely reflects that on Nigeria. In our view, if Nigeria's reform initiatives support positive economic growth, build stronger buffers against the country's dependence on petroleum revenues, and reduce pressure on the exchange rate then these factors may also lead us to raise the sovereign rating and result in a more favorable operating environment for the bank. We believe that the bank's cost of risk and profitability will likely improve as general economic activity picks up and cautious loan growth continues. Any positive ratings momentum would require a similar movement in the sovereign ratings, alongside maintaining the bank's current SACP at least at 'bb-'. A negative rating action, although unexpected in the medium term, could result from a significant rise in the bank's risk profile, including a sharp deterioration in asset quality, which would result in a decline in our risk position assessment. We would revise the outlook to stable if the outlook on Nigeria were revised to stable.

GUARANTY TRUST BANK

The positive outlook on GTB largely reflects that on Nigeria. In our view, if Nigeria's reform initiatives support positive economic growth, build stronger buffers against the country's dependence on petroleum revenues, and reduce pressure on the exchange rate then these factors may also lead to an upgrade of the sovereign rating and result in a more favorable operating environment for the bank. We believe that the bank's cost of risk and profitability will likely improve as general economic activity improves and prudent loan growth continues. Any positive ratings momentum would require a similar move in the sovereign ratings, alongside maintaining the bank's current SACP at least at 'bb-'. A negative rating action, although unexpected in the medium term, would follow a decline in GTB's financial profile, including a weakening of its

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capitalization such that the RAC ratio before diversification fell below 7%. We would revise the outlook to stable if the outlook on Nigeria were revised to stable.

RELATED CRITERIA AND RESEARCH

- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- BICRA On Nigeria Revised To Group '8' From Group '9', Nov. 9, 2011

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RATINGS LIST

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
First Bank of Nigeria PLC		
Counterparty Credit Rating	B+/Positive/B	B+/Stable/B
National Scale Rating	ngA+/--/ngA-1	ngA/--/ngA-1

Ratings Affirmed

First Bank of Nigeria PLC	
Certificate Of Deposit	B+/B
Subordinated	B-

FBN Capital Finance Co.

Subordinated	B-
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Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Zenith Bank PLC		
Counterparty Credit Rating	B+/Positive/B	B+/Stable/B
National Scale Rating	ngA+/--/ngA-1	ngA/--/ngA-1

Ratings Affirmed

Zenith Bank PLC

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Certificate Of Deposit B+/B

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Guaranty Trust Bank PLC		
Counterparty Credit Rating	B+/Positive/B	B+/Stable/B
National Scale Rating	ngA+/--/ngA-1	ngA/--/ngA-1

Ratings Affirmed

Guaranty Trust Bank PLC
Certificate Of Deposit B+/B

GTB Finance B.V.
Senior Unsecured* B+

Guaranteed by Guaranty Trust Bank PLC

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

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