

## FITCH AFFIRMS 8 NIGERIAN BANKS; DOWNGRADES 1

Fitch Ratings-London-08 July 2013: Fitch Ratings has affirmed the Long-term Issuer Default Ratings (IDR) of Zenith Bank Plc (Zenith), First Bank of Nigeria Ltd (FBN), United Bank for Africa Plc (UBA), Guaranty Trust Bank Plc (GTB), Access Bank Plc (Access), Diamond Bank Plc (Diamond), Fidelity Bank Plc (Fidelity) and the Long-term National Ratings of Stanbic IBTC Bank Plc (SIBTC). Simultaneously, the agency has downgraded Union Bank Plc's (Union) Long-term IDR due to a change in Fitch's opinion of the bank's systemic importance relative to peers.

Union's Support Rating Floor (SRF) has been revised to 'B' from 'B+' due to its perceived lower systemic importance post restructuring. As a consequence, the bank's Long-term IDR has been downgraded to 'B' from 'B+' and its National Rating to 'BBB+(nga)' from 'A+(nga)'. At the same time, Union's Viability Rating (VR) has been upgraded to 'b-' from 'ccc' due to its improved financial position with on-going restructuring.

Access's VR has been upgraded to 'b' from 'b-' given its larger franchise, improving performance and commitment to maintaining healthy Fitch core capital (FCC) ratios over the medium term and despite its high cost to income ratio as it integrates a large acquisition. As a consequence, the bank's Long-term IDR is now driven by its VR of 'b' rather than its SRF of 'B'.

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

The Long-term IDRs of FBN, UBA, Diamond, Fidelity and Union are driven by Fitch's perceived level of support from the Nigerian authorities if required. Zenith, GTB and Access have IDRs that are driven by their intrinsic strengths as defined by their VRs. Zenith and GTB have higher VRs relative to peers, given their strong franchises and track record of financial performance through the cycle. All the IDRs have Stable Outlooks.

Fitch considers the authorities' willingness to support to be high, but its ability to support is constrained by Nigeria's sovereign IDR of 'BB-'. Support for the banking sector by the Nigerian authorities has been clearly demonstrated, most recently since the 2008/2009 banking crisis.

Fitch assigns SRFs based on its opinion of each bank's systemic importance (generally given their size and franchise). SRFs are derived from Support Ratings. All the banks (apart from SIBTC) have Support Ratings of '4' which indicates a minimum SRF of 'B'.

FBN, Zenith and UBA have SRFs of 'B+', as the most systemically important banks, in Fitch's view, partly reflecting their dominant retail franchises and importance to the real economy. GTB, Access, Diamond, Fidelity and Union have SRFs one notch lower at 'B'. Fitch has not assigned SIBTC an SRF due to its institutional ownership.

FBN Holding PLC (FBNH) is the holding company of FBN. Its Support Rating of '5' and SRF of 'NF' (No Floor) reflect Fitch's view that while the Nigerian authorities' propensity to support the local banks is high, the same level of support would not apply to holding companies.

### RATING SENSITIVITIES: IDRs, SUPPORT RATINGS AND SRFs

The banks' Support Ratings and SRFs are sensitive to a reduction in the level of support Fitch views would be forthcoming from the Nigerian authorities - either through indications of a reduced willingness to support or the ability to do so. The latter would be signalled by a downgrade of Nigeria's 'BB-' sovereign rating. An upgrade of the Nigerian sovereign rating would not necessarily lead to an upgrade of the banks' Support Ratings and SRFs.

The IDRs of GTB, Zenith and Access are linked to their VRs and therefore not sensitive to any

changes in the SRFs. All the other banks' IDRs are linked to their SRFs.

#### KEY RATING DRIVERS: VRs

The VRs of the Nigerian banks indicate highly speculative fundamental credit quality, with no ratings above the 'b' range, This is primarily due to an extremely challenging operating environment in Nigeria combined with highly concentrated loan books and weak - albeit improving - corporate governance and transparency requirements.

Zenith and GTB have the highest VRs (b+) given their strong intrinsic strengths. FBN and Access have 'b' VRs given their strong franchises but some weaker metrics compared with Zenith and GTB.

UBA, Diamond, Fidelity, and Union have VRs of 'b-'. They have one or more of the following characteristics: poor financial performance in the recent past; higher than average loan concentrations and fast loan growth relative to peers; weak loan loss reserve coverage of NPLs; and low levels of FCC.

#### RATING SENSITIVITIES: VRs

Following the crisis and subsequent Asset Management Corporation of Nigeria (AMCON) intervention combined with tighter regulation and oversight by the Central Bank of Nigeria (CBN), the banking sector has stabilised and now poised for growth. Asset quality has improved significantly, and capital and liquidity is stronger across the sector. There is presently limited upward potential for the banks' VRs outside the 'b' range given the inherent risks in operating in a challenging market.

All of the banks' VRs are sensitive to material weakening of core capitalisation from current level, possibly by aggressive loan growth exceeding retained earnings over time and generous dividend policies. The VRs are also sensitive to any material rise in NPLs from current levels.

Banks with strategies for rapid loan growth and tighter capital management are particularly sensitive to downward pressure on VRs. These banks could also experience weaker asset quality as new loans season.

#### KEY RATING DRIVERS: NATIONAL RATINGS

The banks' National Ratings are driven by their Long-term IDRs.

SIBTC's National Ratings are based on the support that the bank derives from Standard Bank Group Limited's (SBG; BBB/Stable) 53.2% majority ownership. The ratings factor in SBG's written commitment in its annual report to support certain banking subsidiaries.

#### RATING SENSITIVITIES: NATIONAL RATINGS

The banks' National Ratings are sensitive to changes in their Long-term IDRs.

SIBTC's National Ratings are sensitive to a change in potential support from its parent.

A Special Report will shortly be available at [www.fitchratings.com](http://www.fitchratings.com) giving more details on the banks discussed in this RAC. Credit updates and Full Rating Reports on each of the individual banks will follow this.

The rating actions are as follows:

#### FBN

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+'

## FBNH

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 '5'

Support Rating Floor: affirmed at 'NF'

## Zenith

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: affirmed at 'B+'

## UBA

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

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 'F2(nga)'

Viability Rating: upgraded to 'b' from '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'

## GTB

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: affirmed at '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:

Long-term Rating affirmed at 'B+', 'RR4' and Short-term Rating at 'B'

## Diamond

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'

## Union

Long-term foreign currency IDR: downgraded to 'B' from 'B+'. Stable Outlook  
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: upgraded to 'b-', from 'ccc'  
Support Rating: affirmed at '4'  
Support Rating Floor: revised to 'B' from 'B+'

#### Fidelity

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

#### Stanbic IBTC

National Long-term rating: affirmed at 'AAA(nga)'  
National Short-term rating: affirmed at 'F1+(nga)'

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 15 August 2012, 'Evaluating Corporate Governance', dated 12 December 2012, 'National Ratings', dated 19 January 2011, 'Rating FI subsidiaries and holding companies' dated 10 August 2012 and 'Recovery Ratings for Financial Institutions' dated 15 August 2012 are available on [www.fitchratings.com](http://www.fitchratings.com).

Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand

for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(nga)' for National ratings in Nigeria. Specific letter grades are not therefore internationally comparable.

**Applicable Criteria and Related Research:**

Global Financial Institutions Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686181](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181)

Evaluating Corporate Governance

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=694649](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=694649)

National Ratings Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=595885](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=595885)

Rating FI Subsidiaries and Holding Companies

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=679209](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=679209)

Recovery Ratings for Financial Institutions

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686295](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686295)

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