

RATING ANNOUNCEMENT

GCR affirms First City Monument Bank Limited's national scale long and short-term issuer ratings of A_(NG)/A2_(NG); Outlook Revised to Stable from Rating Watch Negative

Rating action

Lagos, 19 May 2025 – GCR Ratings (GCR) has affirmed First City Monument Bank Limited's national scale long and short-term issuer ratings of A_(NG) and A2_(NG) respectively, with the Outlook revised to Stable from Rating Watch Negative.

Rated entity	Rating class	Rating scale	Rating	Outlook/Watch
First City Monument Bank Limited	Long Term Issuer	National	A _(NG)	Stable
	Short Term Issuer	National	A2 _(NG)	

Rating rationale

The ratings affirmation balances First City Monument Bank Limited's (FCMB or the bank) good brand franchise, stable funding structure and adequate liquidity position against a weakening risk position exacerbated by the adverse impact of the naira devaluation and macroeconomic challenges. The ratings also factored in the improved capitalisation assessment supported by additional capital injection and earnings retention.

FCMB is considered the core operating entity within the FCMB Group Plc (the group), as such, the national scale issuer ratings on the bank reflects the strengths and weaknesses of the group.

The group's capitalisation metrics improved during the review period, underpinned by earnings retention and additional capital injection through a NGN147 billion public offer, which increased the paid-up share capital (including share premium) to NGN266.2 billion (USD184.1million) as of 31 December 2024. Consequently, the group's GCR core capital ratio improved to 17.2% in 2024 from 15.1% in 2023 and is projected to range between 16.0% and 17.0% over the next 12-18 months. Nevertheless, the capital base remains below the new NGN500 billion capital requirements for its license category. Management indicated several capital raising initiatives in the near term. If successful, the capital injection could improve the GCR capital ratio to c.20% over the outlook horizon and could positively impact our capitalisation assessment, barring any significant further naira devaluation.

The group's competitive position is a positive rating factor, supported by its long operating history, good domestic brand franchise, and diversified business operations. As of 31 December 2024, FCMB reported a balance sheet size of NGN7 trillion (USD483.7 billion), representing approximately 4% of the Nigerian banking industry's total assets. Over the last four decades, FCMB has established a resilient franchise, strategically leveraging cross-selling opportunities within its ecosystem. Additionally, its international presence in the UK continues to support trade finance-related transactions for customers. FCMB also actively leverages

technology to drive operational efficiency in line with its digital transformation and borderless banking strategy. Furthermore, its growing footprint in the non-bank financial services segment enhances earnings diversification, operational resilience, and competitiveness in Nigeria's increasingly dynamic banking landscape. Looking ahead, the group's geographical expansion plans could further bolster its competitive positioning and support sustained earnings growth.

FCMB's risk position as of 31 December 2024 weakened largely due to adverse credit migrations and the bloating impact of naira depreciation of foreign currency (FCY) denominated obligations. Non-performing loans ratio (NPL) registered much higher at 6% (December 2023: 4.1%), breaching the regulatory threshold of 5%. Nevertheless, credit loss ratio moderated to 1.9% as at December 2024, down from 4.2% in the prior year reflecting prudent provisioning measures taken in 2023 in response to macroeconomic pressures impacting both businesses and households. While management has set a target NPL ratio of 5% by December 2025, we believe that the prevailing macroeconomic challenges render the loan book of the Bank, and indeed the entire banking industry, vulnerable to further credit deterioration.

The group's loan book continues to reflect significant concentration risks. Despite efforts to convert some FCY loans to naira, the proportion of FCY-denominated loans increased to 61.4% of gross loans in December 2024 (December 2023: 56.5%), largely due to naira devaluation. Additionally, obligor concentration remains high, with the top twenty obligors accounting for 48.1% of gross loans as of 31 December 2024 (December 2023: 46.1%). Most of these obligors have non-investment grade credit ratings according to the Bank's internal rating model, heightening asset quality concerns. However, we note positively that there were no single obligor limit breaches in the review year.

GCR's assessment of funding and liquidity is positive to the rating, underscoring FCMB's stable funding structure and sufficiently liquid balance sheet. The group is largely funded by customer deposits, which constituted 87% of the total funding base as of 31 December 2024 (31 December 2023: 91.2%). Customer deposits increased by 38% to NGN5.1 trillion (USD354 billion) in December 2024, propelled by the bank's expansive customer base of over 10.4 million customers and a strong retail franchise. However, the contribution of current and savings account (CASA) deposits to the total customer deposits moderated to 61% (2023: 65%), driven by a faster growth in term deposits on the back of high interest rates. As a result, the bank's cost of funds rose significantly to 7.8% in 2024, from 5.3% in the prior year. Management anticipates a moderation in the cost of funds, underpinned by various campaigns aimed at boosting CASA deposits relative to term deposits. As of 31 December 2024, FCMB's deposit base remained moderately diversified with the top twenty depositors accounting for 20.3% (December 2023: 17.2%) of the customer deposits.

The balance sheet is sufficiently liquid, as GCR liquid assets to customer deposits and wholesale funding registered at 44.9% and 3x respectively as of 31 December 2024 (December 2023: 45.1% and 4.7x respectively). From a regulatory standpoint, the bank's liquidity ratio was 49% as of 31 December 2024, exceeding the regulatory minimum of 30%. This highly stable funding structure is expected to be maintained considering the bank's strong deposit mobilisation drive and retail penetration.

Outlook statement

The Stable Outlook reflects our expectations that the GCR core capital ratio will remain within the intermediate band at a range of between 16% to 17% over the next 12-18 months. The NPL ratio could moderate and register below the regulatory threshold of 5% over the rating horizon backed by various recovery efforts and loan growth though asset quality strains are likely to remain given the level of concentrations, FCY exposures and the prevailing macroeconomic challenges. The funding and liquidity position is expected to remain stable, predicated on the good deposit mobilisation capacity and other funding options.

Rating triggers

A positive rating action could result from a material improvement in the GCR core capital ratio above 20% on a sustainable basis. We could positively consider a significant improvement in asset quality metrics such that NPL and credit loss ratios are consistently maintained below 5% and 2% respectively and there is considerable loan book diversification. Conversely, a negative rating action could be triggered if asset quality strains persist such that NPLs and credit loss ratios rise above 7% and 4% respectively. In addition, the rating could be downgraded should the planned capital raise not materialise within the stipulated time frame and there are further strains on GCR core capital ratio to register below 16%.

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
Criteria for Rating Financial Institutions, May 2024
GCR Ratings Scales, Symbols & Definitions, May 2023
GCR Country Risk Scores, August 2024
GCR Financial Institutions Sector Risk Score, August 2024

Ratings history

First City Monument Bank Limited					
Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issuer	Initial	National	A+(NG)	Stable Outlook	February 2000
Short Term Issuer	Initial	National	A1(NG)		February 2000
Long Term Issuer	Last	National	A-(NG)	Rating Watch Negative	April 2024
Short Term Issuer	Last	National	A2(NG)		April 2024

Risk score summary

Rating Components & Factors	Risk Score
Operating environment	7.25
Country risk score	3.75
Sector risk score	3.50
Business profile	1.00
Competitive position	1.00
Sustainability	0.00
Financial profile	(0.75)
Capital and Leverage	(1.00)
Risk	(0.25)
Funding and Liquidity	0.50
Comparative profile	0.00
Group support	0.00
Government support	0.00
Peer analysis	0.00
Total Risk Score	7.50

Glossary

Accounting	A process of recording, summarising, and allocating all items of income and expense of the company and analysing, verifying and reporting the results.
Asset Quality	Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Bondholder	Investor of capital market securities.
Capital	The sum of money that is invested to generate proceeds.
Capitalisation	The provision of capital for a company, or the conversion of income or assets into capital.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Coverage	The scope of the protection provided under a contract of insurance.

Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Customer Deposit	Cash received in exchange for a service, including safekeeping, savings, investment, etc. Customer deposits are a liability in a bank's books.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
Issuer	The party indebted or the person making repayments for its borrowings.
Liquid Assets	Assets, generally of a short term, that can be converted into cash.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Obligor	The party indebted or the person making repayments for its borrowings.
Option	An option gives the buyer or holder the right, but not the obligation, to buy or sell an underlying financial asset at a pre-determined price.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Performing Loan	A loan is said to be performing if the borrower is paying the interest on it on a timely basis.
Rating Horizon	The rating outlook period
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.

Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	A short-term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Short Term	Current; ordinarily less than one year.
Syndicated Loan	A large loan arranged by a group of funders, usually international banks, that form a syndicate, headed by a lead manager.
Term Deposit	A savings account held for a fixed term. Also called a time deposit. Generally, there are penalties for early withdrawal.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.



Salient points of accorded rating

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- Audited Financial Statement as of 31 December 2024
- Other related documents
- Exchange rate source: Central Bank of Nigeria USD1.00 = NGN1,447(31 December 2024)

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