First City Monument Bank Limited

2025 Final Entity Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

First City Monument Bank Limited

Entity Rating:

A-

ESG Score:

2

Outlook: Stable
Issue Date: 22 May 2025
Expiry Date: 30 June 2026
Previous Rating: N/A

Industry: Banking

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A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.

Rating Rationale

Agusto & Co. hereby assigns a "**A-**" rating to First City Monument Bank Limited ("**FCMB**" or "**the Bank**") based on its strong market position, good liquidity, strong refinancing capacity (in both the domestic and international capital markets) and the membership of the FCMB Group with tentacles in asset management, banking and capital market operations and its experienced management team. However, offsetting these positive rating factors are obligor and sectoral concentrations in the loan book, a high level of impaired loans, elevated funding costs and the challenging macroeconomic environment. We have also attached a "**2**" ESG score, reflecting our view that environmental, social, and governance issues have a minimal impact on the Bank's rating.

First City Monument Bank Limited is one of the ten largest Nigerian banks, with ₦7 trillion total assets and contingents as at 31 December 2024. The Bank's membership of the FCMB Group with interest in the various financial services industries, international franchise and acquisition of other banks has supported business growth over the years. In the medium term, FCMB intends to be one of Nigeria's top five banks with physical presence in more African countries and international financial hubs.

As at 31 December 2024, FCMB's loan book stood at ₦2 trillion. The loan book was concentrated by sector as oil and gas businesses accounted for 38.4% (FYE 2023: 32.6%). We believe the ongoing geopolitical tension has increased the vulnerability of the loan book to low crude oil prices. We also believe asset quality is highly susceptible to further naira depreciation given that foreign-currency-denominated (FCY) facilities accounted for 60% (FYE 2023: 54%) of the loan book. As at FYE 2024, twenty customers dominated the loan book and accounted for 58% (FYE 2023: 51.2%). As at the same date, 44.3% of these large exposures are in the stage 2 and 3 buckets, while a FCY-denominated stage 2 exposure to an oil and gas upstream company breached the single obligor limit. We consider the obligor concentration as a rating negative as it increases the vulnerability of the Bank to the performance of these few customers. As at FYE 2024, stage 2 loans represented 26.5% of the loan book, reflecting elevated credit risk. The specific loan loss provisioning for stage 2 loans provided a lower 7.1% coverage as at the same date, relative to peers. Similarly, the impaired loan ratio stood at 7%, higher than the 5% regulatory guidance. However, the cumulative loan loss provisions (including the regulatory risk reserve) covered the impaired loans at 99.4% (FYE 2023: 131.9%). We believe the Bank's asset quality requires improvement given the concentrated loan book, elevated volume of impaired loans and dominance of foreign currency-denominated loans which will put pressure on capitalisation should the Naira depreciate further.

FCMB's capital base is adequate for current business risk bolstered by the ₦140.9 billion rights issue exercise consummated during the year under review. As at 31 December 2024, the shareholders' funds (₦535 billion) and capital adequacy ratio (19.3%) exceeded the ₦50 billion and 15% regulatory minimum. However, the paid-up capital at ₦243.8 billion reflects a ₦256.2 billion potential capital shortfall, based on the proposed ₦500 billion minimum for international banks. The Bank has disclosed various initiatives to support the medium-term growth plans and ensure compliance with the paid-up capital directive before 31 December 2025. If successful, we expect capitalisation ratios to become stronger.

FCMB leverages various physical and digital platforms for liabilities generation. The contractionary stance of the monetary authority in the year under review intensified the funding pressure. As a result, the deposit mix deteriorated as low-cost (demand and savings) deposits accounted for 61% (FYE 2023: 64.5%) of total deposit liabilities, the lowest among the top-tier banks. The weighted average cost of funds (WACF) rose by 240 basis points to 8.3% in FY 2024, reflecting the funding pressure. Notwithstanding, the liquidity ratio remained good at 38.9%, while the refinancing ability is strong, backed by a good franchise value. Overall, we expect FCMB's liquidity profile and refinancing ability to remain good in the near term. The Bank has disclosed various initiatives to improve the deposit mix and moderate the funding cost in the near term.

In FY 2024, the deteriorating deposit mix and the rising interest rate environment resulted in the net interest spread (NIS) plummeting to 31.2% (FY 2023: 47%), the lowest in over two decades. Notwithstanding the 62.5% decline in the foreign exchange gains, the surge in trading income resulted in a modest 5.9% growth in non-interest income. Reflective of the inflationary pressures in the business environment, the cost-to-income ratio rose to 70.9% (FY 2023: 61.7%), the highest among the selected peers. The Bank's profitability indicators, pre-tax return on average assets (ROA), declined to 1.3% (FYE 2023: 2.2%) and the pre-tax return on average equity (ROE) also declined to 17.8% (FYE 2023: 30.7%). These were lower than its peers' average ROA of 4.1% and ROE of 60.1%. We note that the unavailability of the proceeds of the capital raising exercise until December 2024 further moderated the profitability during the year under review. Without the additional capital, the ROE would have been 21.5%. Notwithstanding, we believe the profitability could be improved upon. Subsequent to year-end, during the first four months of 2025, FCMB recorded an improved annualised ROE of 25.6%. In our view, the Bank's profitability and balance sheet resilience remain exposed to the vulnerabilities of the Nigerian operating environment. However, we expect improved profitability in the near term as the proceeds of the capital raising exercise are deployed.

Based on the foregoing, Agusto & Co. hereby attaches a **stable** outlook to the rating of First City Monument Bank Limited.

Strengths

- Membership of FCMB Group with strong presence in asset management and capital market
- Strong domestic franchise
- Growing capital base
- Good liqudity profile
- Experienced management team

Weaknesses

- Obligor and sectorial concentration in the loan portfolio
- High level of impaired loan ratio
- High level of term deposits which continues to keep its WACF high relative to peers
- High cost-to-income ratio

Challenges

- Strengthening its asset quality in a period of weak economic climate
- Increasing competition from fintechs and telecommunication operators in generating low-cost deposits
- Reducing funding cost in a period of intense monetary tightening
- Rising regulatory costs

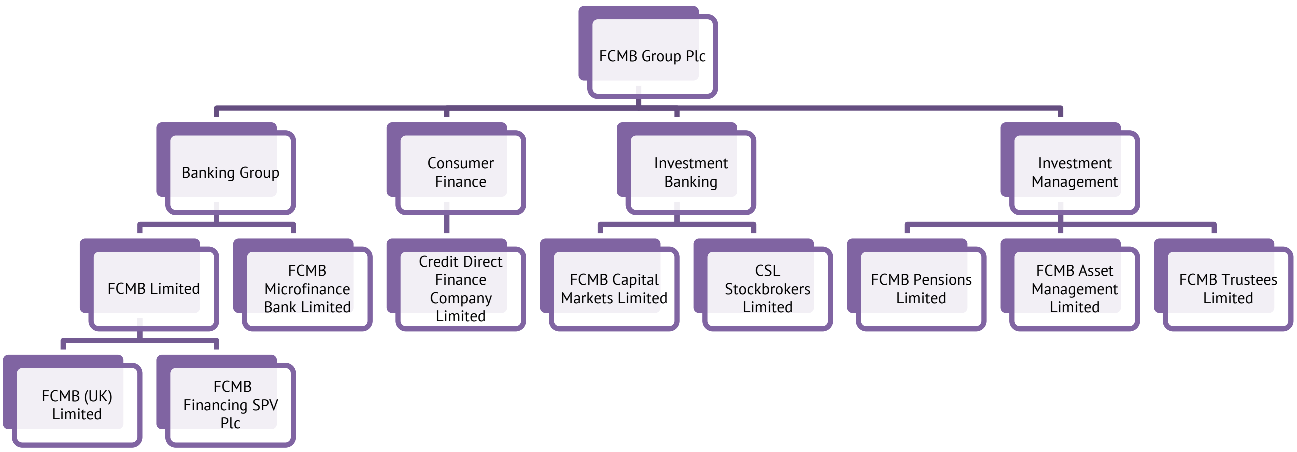
Table 1: Background Information

	31 December 2023	31 December 2024
Total Assets & Contingents	₦4.4 trillion	₦7 trillion
Net Earnings	₦209.1 million	₦247.8 million
Return on Average Assets & Contingents (ROA)	2.2%	1.3%
Return on Average Equity (ROE)	30.7%	17.8%

PROFILE

First City Monument Bank Limited ("**FCMB**" or "**the Bank**") was incorporated in April 1982 with the name First City Merchant Bank. A banking license was secured in August 1982, while operation commenced in September 1983. After obtaining a universal banking license in 2001, the Bank transformed into a commercial bank and the name was amended to First City Monument Bank to reflect the change in business model. The acquisition of Co-operative Development Bank Limited, Midas Bank Limited and Nigerian American Bank Limited was consummated in 2005 to expand the Bank's scale of operations. Following the universal banking model repeal, which mandated divestments from non-core banking businesses, a financial holding company model was adopted. Thus, FCMB Group Plc was established in June 2013 as a non-operating financial holding company and serves as the direct parent of the Bank and other businesses with the FCMB franchise. As at 31 December 2024, FCMB Group have a longstanding presence in commercial banking, asset management, capital market operations, and credit-only financial institutions through its nine subsidiary companies. This reflects a diversified financial services platform in Nigeria.

Figure 1FCMB Group Plc's Business Segments and Subsidiaries



As at 31 December 2024, FCMB have two wholly owned subsidiaries: FCMB SPV Financing Plc (a non-operating company dedicated to raising funds) and FCMB UK Limited (a United Kingdom-based financial institution focused on facilitating international trade transactions). We anticipate the incorporation of more subsidiaries in the near term in line with the international expansion plan as contained in the Bank's medium-term strategic objectives. The Bank serves circa 11 million customers through 204 branches, 16 cash centres, 804 ATMs, 19,342 POS machines and 40,000 bank agents across Nigeria. The head office is located at Primrose Tower, 17a Tinubu Street, Lagos Island, Lagos, Nigeria. The Bank intends to be one of the top five Nigerian banks, led by digital solutions and global connections before December 2029, by empowering customers to have confidence in realising their dreams.

Board of Directors

First City Monument Bank Limited is governed by an 11-member Board of Directors, comprising seven Non-Executive Directors (including three Independent Non-Executive Directors) and four Executive Directors. During the year under review, Mr Olusegun Odubogun, a Non-Executive Director, retired from the Board while Mr Ademola Adebise and Mrs Olufunmilayo Adedibu were appointed as Non-Executive Directors. Subsequent to the year-end, Ms Felicia Obozuwa joined the Board as an Executive Director with a purview over Corporate Services and Service Management.

Mr Ademola Adebise has over three decades of experience in the financial services industry, spanning technology, risk management and strategic planning. He is the immediate past managing director of Wema Bank Plc and currently chairs the board of Family Homes Funds Limited. He also served on the boards of AIICO Insurance, AIICO Capital and Duchess International Hospital. Mr Adebise holds a Bachelor's degree (BSc.) in Computer Science from the University of Lagos and a Master's of Business Administration (MBA) from the Lagos Business School. He is a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Bankers of Nigeria (CIBN).

Mrs Olufunmilayo Adedibu has circa 30 years of banking experience across corporate banking, commercial banking, risk management, banking operations, legal services, company secretariat, insurance, compliance and board governance. She holds a Bachelor of Laws (LL.B.) degree from the Obafemi Awolowo University, Ile-Ife, a Master of Laws (LL.M.) degree from the University of Lagos, and a Barrister at Law (B.L.) from the Nigerian Law School. She is a member of the Nigerian Bar Association (NBA), the International Bar Association (IBA), a life member of the Institute of Directors (IoD), an honorary member of the CIBN (HCIB), and a member of Toastmasters International. She also serves on the board of CRC Credit Bureau Limited.

Ms Felicia Obozuwa is the Executive Director of Corporate Services and Service Management. Prior to her appointment, she served as Divisional Head of Corporate Services and Service Management, Divisional Head of Human Resources and Change Management, and Vice President and Group Head of Premium Banking in FCMB. Ms Obozuwa earned an honours degree in Law from the Obafemi Awolowo University, Ile-Ife and holds an MBA from the University of Exeter, United Kingdom.

Current Directors	Designation
Mr Olutola Mobolurin	*Chairman*
Mrs Yemisi Edun	*Managing Director and Chief Executive Officer*
Mrs Oluwatoyin Olaiya	*Executive Director*
Mr Obaro Odeghe	*Executive Director*
Ms Felicia Obozuwa	*Executive Director*
Mr Roger Ellender	*Non-Executive Director*
Mrs Mfon Usoro	*Non-Executive Director*
Mrs Olufunmilayo Adedibu	*Non-Executive Director*

Mr Ademola Adebise	*Non-Executive Independent Director*
Mr Folabi Esan	*Non-Executive Independent Director*
Ms Olayemi Keri	*Non-Executive Independent Director*

Management Team

Mrs Yemisi Edun was appointed as the Managing Director and Chief Executive Officer of First City Monument Bank Limited in May 2021. Before her appointment, she served as the Chief Financial Officer (CFO) and Executive Director with a purview over the finance and treasury functions. Mrs Edun has over three decades of professional experience traversing banking operations, corporate finance, risk management, internal control, and strategy. She joined FCMB in 2000 from Akintola Williams Deloitte, and she served as the Divisional Head, Internal Audit and Control.

Mrs Edun holds a bachelor's degree in Chemistry from the University of Ife (now Obafemi Awolowo University), Ile-Ife and a master's degree in International Accounting and Finance from the University of Liverpool, United Kingdom. She is a member of the Chartered Institute of Stockbrokers (CIS), the Institute of Taxation of Nigeria, and the Information Systems Audit and Control Association (ISACA), U.S.A. Mrs Edun is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), a Certified Information Systems Auditor (CISA) and holds the Chartered Financial Analyst (CFA) charter.

Other members of FCMB's executive management team include

Mrs Oluwatoyin Olaiya	Executive Director, Risk Management and Compliance
Mr Obaro Odeghe	Executive Director, Wholesale Banking
Ms Felicia Obozuwa	Executive Director, Corporate Services and Service Management
Mr Gerald Ikem	Divisional Head, Treasury and International Banking
Mr Adetunji Lamidi	Divisional Head, Personal Banking
Mr Diran Olojo	Group Head, Corporate Affairs
Mr Chike Okeke	Regional Head, South South and South East
Mr Comla Oluwashina	Regional Head, South West

During the financial year ended 31 December 2024, FCMB employed an average of 2,514 persons, up from 2,452 in the prior year. The expanded workforce and remuneration reviews to cushion the inflationary pressure led to a 40.1% rise in staff costs to ₦49.1 billion. Consequently, the average cost per staff increased by 36.6% to ₦19.5 million. However, net earnings per employee grew at a slower pace of 15.6% to ₦98.6 million, and covered the average staff cost 5 times, down from 6 times recorded in the previous year. This compares less favourably with the selected peers; Fidelity Bank Plc's (Fidelity Bank) 11.2 times and Stanbic IBTC Bank Limited's (Stanbic IBTC) 7.6 times, as well as the 8.7 times estimated industry average. We consider FCMB's staff productivity satisfactory. Nonetheless, we believe an experienced management team, with the requisite competence to drive its medium-to-long-term growth ambitions, leads the Bank.

ANALYSTS' COMMENTS

ASSET QUALITY

First City Monument Bank Limited's risk asset creation strategy focuses on providing financial solutions to medium and large-sized businesses, leveraging the merchant banking antecedence and affinity with other financial services providers in the enlarged FCMB Group. As a result, the loan book is skewed to the corporate banking segment, which accounted for 68% (FYE 2023: 69.8%) as at 31 December 2024. In the near term, the Bank intends to fully harness the lending opportunities in the commercial banking and SME banking segments, given the relatively lower sensitivity to loan pricing, and to catalyse deposit mobilisation. Thus, we expect an increase in the contribution of commercial banking and SME banking to the loan book, although we believe corporate banking will remain the largest contributor.

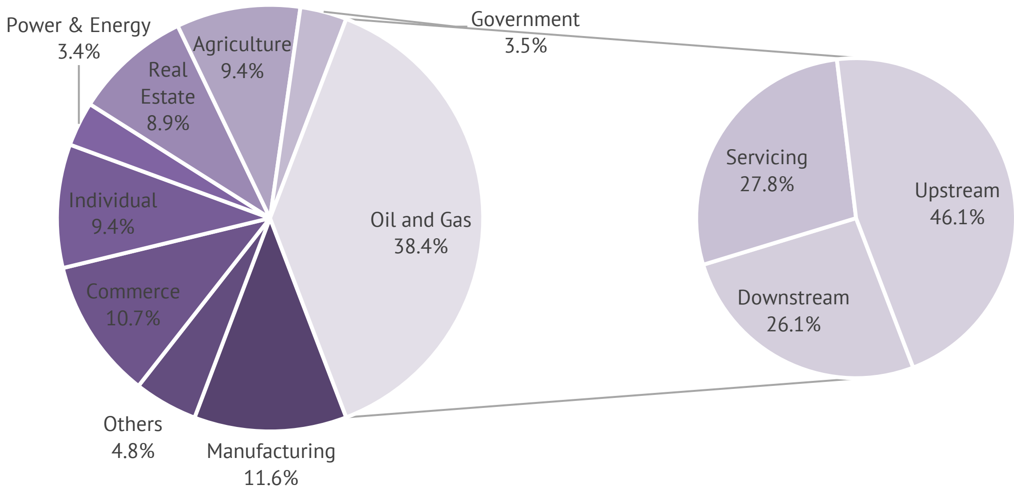
As at 31 December 2024, the Bank's loan book stood at ₦2 trillion, a 21.9% year-on-year growth on the back of the 40.1% naira depreciation, although disbursements were relatively minimal. As a result, foreign currency (FCY)-denominated loans accounted for 60% (FYE 2023: 54%) of the loan book, higher than Fidelity Bank's 56.9% but lower than Stanbic IBTC's 62.5%. Although management has disclosed that 75% of the exposures are either trade loans or with a natural hedge, we believe further naira depreciation would bloat the outstanding amount and exert some pressure on capitalisation.

We consider FCMB's loan book concentrated by obligors as the top twenty customers represented 58% (FYE 2023: 51.2%) of the loan book as at FYE 2024. As at the same date, an FCY stage 2 loan to an upstream oil and gas company represented 24.3% of the shareholders' funds, higher than the 20% regulatory threshold and thus breached the single obligor limit. As at FYE 2024, 91.1% of the twenty largest exposures are FCY-denominated, reiterating our currency risk concerns. Similarly, 44.3% of these large exposures are either in the stage 2 or 3 buckets as at FYE 2024, which is a rating negative.

As at FYE 2024, oil and gas obligors dominated the loan book and accounted for 38.4% (FYE 2023: 32.6%). As at the same date, upstream and midstream operators accounted for 73.9% (FYE 2023: 77.2%) of the oil and gas exposures. Thus, asset quality is vulnerable to any persistent decline in crude oil prices, notwithstanding the gradual ramp-up of production by some obligors in the upstream segment. The Bank has disclosed various initiatives to intensify repayment of some upstream exposures. However, we believe the bloating impact of further currency depreciation would maintain the dominance of the oil and gas loans in the risk asset book.

During the year under review, the Bank also extended facilities to manufacturing sector obligors in addition to the general commerce, given their strategic economic importance. While we recognise that some obligors in this bucket are top-tier corporates with a strong ability to withstand macroeconomic shocks, we believe credits to both the manufacturing and general commerce sectors require additional monitoring, given the lingering challenges in the foreign exchange market and inflationary pressures that have eroded cash flows.

Figure 2: Loan Book by Sector as at 31 December 2024



A review of the loan book by stages based on the IFRS 9 accounting standard reflects some challenges with credit risk management. As at 31 December 2024, stage 2 loans remained elevated at ₦543.1 billion, translating to 26.5% of the loan book. Stage 3 (impaired) loans surged by 81% during the year under review to ₦143.1 billion, largely due to the classification of two FCY-denominated obligors in the real estate and oil & gas sectors. The bloating impact of the naira depreciation on some FCY impaired exposures also accounted for the enlarged stage 3 loans. Consequently, the impaired loan ratio rose to 7% (FYE 2023: 4.7%), exceeding the 5% regulatory guidance, Fidelity Bank's 3.1% and Stanbic IBTC's 4.1%. Further analysis revealed that without the ₦23.3 billion impaired loan written off during the year and the 21.9% loan growth, the impaired loan ratio would be higher at 9.9%.

The Bank has disclosed plans to resolve some stage 2 loans through sale, paydown and restructuring, particularly given the June 2025 expiration of the regulatory forbearance on some challenged but strategically important exposures. Similarly, recovery efforts have been intensified to reduce the impaired loan ratio below the 5% regulatory guidance. However, we believe the persistent naira depreciation and lingering macroeconomic challenges would moderate the impact of the recovery efforts. Subsequent to the review period, in the first four months of 2025, stage 3 loans grew by 9.2%, and the impaired loan ratio increased to 7.2% in line with our concerns.

As at FYE 2024, the specific loan loss provisions for stage 2 loans covered 7.1% (FYE 2023: 2.2%) of loans in this category, lower than Fidelity Bank's 8.3% and Stanbic IBTC's 43.6%. As at the same date, the cumulative loan loss provisions (including regulatory reserves) covered the stage 3 facilities by 99.4% (FYE 2023: 131.9%), reflecting a potentially low impact of future write-offs on profitability and capitalisation.

In our view, FCMB's asset quality requires improvement. We believe the raging geo-political tensions with adverse consequences for crude oil prices and the exchange rate would exert further pressure on asset quality.

RISK MANAGEMENT

First City Monument Bank Limited's Board of Directors is ultimately responsible for the Bank's risk management activities. The risk management division, headed by the Chief Risk Officer (CRO), an Executive Director, oversees the implementation of the risk policies.

FCMB's credit risk emanates primarily from the loan book and the investment portfolio to a lesser extent. The Bank maintains an internal obligor credit risk rating model to assess the risk profile of counterparties and estimate the probability of default. The internal obligor credit risk rating has 21 scales ranging from AAA to C- and mapped into four categories: investment grade, permissible, speculative grade, and lower speculative grade. As at 31 December 2024, 58.9% (FYE 2023: 63.9%) of the Bank's loan portfolio was in the speculative rating category, indicating a higher risk of default. FCMB mitigates defaults by adopting collaterals and other credit enhancements. As at FYE 2024, 85.1% (FYE 2023: 75.1%) of the Bank's loan book was secured, with a collateral coverage of 17.4x (FYE 2023: 27.2x). In response to business growth and increasing operational complexity, FCMB plans to enhance credit risk oversight through an automated risk management portal. We believe this initiative, if effectively implemented, would strengthen risk monitoring and controls. Overall, the Bank's credit risk management framework is considered acceptable for its current operational scale.

FCMB's market risk exposures stem from both trading and non-trading activities. Risk is actively monitored through daily mark-to-market of the trading portfolio, alongside the use of stress testing, scenario analysis, and internal risk limits, including net open position, portfolio concentration, and stop-loss thresholds. An interest rate sensitivity analysis showed that a 100bps rate increase would result in a ₦17.7 billion valuation loss (3.3% of shareholders' funds as at FYE 2024). Conversely, an 80% depreciation of the naira would result in a ₦5.7 billion gain (1.1% of shareholders' funds), as the Bank has a net asset position in foreign currency.

FCMB adopts the Basic Indicator Approach (BIA) for measuring operational risk and uses updated manuals reviewed annually to guide processes. In FY 2024, the Bank incurred ₦120.7 million (FY 2023: ₦105 million) as penalties for various regulatory breaches. Similarly, we note negatively that ₦84.3 million was paid for errors and fraud incidents during the year under review.

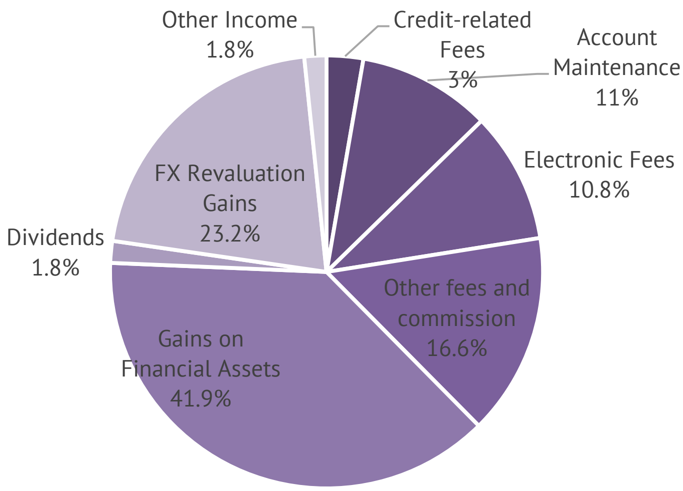
Overall, we consider FCMB's risk management framework acceptable for the current level of business operations. However, given the Bank's growth plans and increasing reliance on technology, continued investments in credit surveillance, market risk buffers, and operational risk controls, especially cybersecurity, would be critical.

EARNINGS

In the financial year ended 31 December 2024, FCMB generated ₦520.6 billion as interest income, a 67.2% increase from the prior year on the back of upward asset repricing due to rising interest rates and the expanded loan book. However, the hawkish stance of the monetary authority elicited an 80.3% rise in the sterile cash reserve deposits and intensified the Bank's funding pressure. Thus, interest expense spiked by 117.2% to ₦358.2 billion. The impact of the currency depreciation on the FCY-denominated borrowings and deposits also contributed to the surge in Interest expense. Consequently, the net interest spread (NIS) fell to 31.2% (FY 2023: 47%), the lowest in over two decades. The NIS also compared less favourably to Fidelity Bank's 66% and Stanbic IBTC's 71.4%. In the near term, we expect some increase in the NIS as a portion of the capital raising proceeds are used to pay down expensive deposits while also growing the pool of low-cost deposits. In the first four months of 2025, the NIS improved to 36.6%, we still consider this level low for a commercial bank.

In FY 2024, non-interest income increased modestly by 5.9% to ₦126.7 billion as the uptick in trading income was moderated by the impact of the 62.5% decline in the revaluation gains. However, the enlarged asset base resulted in a decline in the balance sheet optimisation, measured by non-interest income as a percentage of average assets and contingents, to 2.2% (FY 2023: 3.2%), albeit better than Fidelity Bank's 1.6% and Stanbic IBTC's 1.9%. We anticipate an improvement in the balance set optimisation in the near term as the Bank ramps up the digitalisation strategy implementation while increasing the velocity of transactions.

Figure 4: Breakdown of Non-interest Income



During FY 2024, the rising regulatory costs and intensified inflationary pressures elicited a 36.3% increase in operating expenses to ₦175.8 billion. Consequently, the cost-to-income ratio (CIR) rose to 70.9% (FY 2023: 61.7%), higher than Fidelity Bank's 43.8%, Stanbic IBTC's 43.4% and the 47.2% estimated industry average in FY 2024. We expect operating expenses to maintain an upward trajectory in the near term as the various business growth initiatives are implemented in an inflationary period. However, the expected improvement in earnings generation would moderate the impact on the CIR.

Overall, pre-tax profit dipped by 10.1% to ₦72 billion, given the lower unsustainable revaluation gains and the uptick in funding costs in the year under review. The inability to secure regulatory approvals for the capital raised until the last month of the financial year moderated the ability to deploy the new capital and hence improve profitability. Consequently, the pre-tax return on average assets (ROA) declined to 1.3% (FYE 2023: 2.2%) due to an enlarged asset base. The pre-tax return on average equity (ROE) also dipped to 17.8% (FYE 2023: 30.7%), reflecting the impact of the enlarged capital base. Without the additional capital, the ROE would have been 21.5%. Nonetheless, the ROE was lower than the 33.2% average annual inflation rate, Fidelity Bank's ROE of 67.4% and Stanbic IBTC's 52.8%. Overall, we believe FCMB's performance could be better given the Bank's size, international brand franchise and operating history.

Subsequent to year-end, in the first four months of 2025, the annualised ROA and ROE improved to 1.8% and 25.6%, respectively. In our view, the Bank's targets of 2% ROA and 18.1% ROE for FY 2025 appear modest, particularly in light of the enhanced capital base and expected operational efficiencies.

Capital Adequacy

In the financial year ended 31 December 2024, FCMB raised ₦140.9 billion additional capital given the need for further capital buffers and the introduction of a revised minimum paid-up capital by the CBN. As a result, the shareholders' funds expanded by 45.8% year-on-year to ₦535.6 billion and stood well above the ₦50 billion minimum capital threshold for Nigerian banks with an international operating license.

Owing to the capital injection, FCMB's Basel II capital adequacy ratio (CAR) improved to 19.3% (FYE 2023: 15%), above the 15% regulatory minimum and Stanbic IBTC's 13% but lower than Fidelity Bank's 23.5%. We consider the Bank's capitalisation adequate for current business risks, although we note that ₦256.2 billion additional capital would be needed to comply with the minimum paid-up capital directive. Management has disclosed various initiatives to ensure compliance with the directive before 31 December 2025, ahead of the 31 March 2026 deadline. We consider the capital raising plan achievable given the acceptability by investors as reflected in the 33% oversubscription rate for the ₦140 billion rights issue implemented in FY 2024. The planned sale of a portion of the Bank's holdings in some of the high-value subsidiaries within the FCMB Group would also support the capital raising exercise.

Liquidity and Liability Generation

FCMB's liability generation strategy is supported by the expanding physical and digital outlets (204 branches, 16 cash centres, 804 ATM terminals and over 19,000 POS terminals) spread across Nigeria. As at 31 December 2024, the deposit liabilities stood at ₦4.1 trillion, a 38.5% year-on-year growth. However, we note the growth was most prominent in the relatively expensive term deposits, given the intense monetary tightening. As a result, term deposits accounted for a higher 39% (FYE 2023: 35.5%) of total deposit liabilities, the highest among the selected peers (Fidelity Bank: 4.7% and Stanbic IBTC: 19.9%). As at FYE 2024, FCMB's interbank takings also surged ₦211.9 billion (FYE 2023: ₦9.6 billion), reflecting the intense funding pressure due to the monetary tightening by the CBN. In the near term, we anticipate some improvement in the deposit mix as a portion of the capital raising exercise is used to repay the most expensive deposits and the Bank intensifies low-cost deposit mobilisation. As at 30 April 2025, the deposit mix improved as term deposits accounted for a lower 29.1% of total deposit liabilities.

FCMB's ability to generate FCY liabilities is strong. As at FYE 2024, FCY deposits stood at ₦1.2 trillion, reflecting a 66.8% year-on-year increase. At this level, the FCY deposits covered the FCY loans by 101.9% (FYE 2023: 82.7%) as at FYE 2024. When we add the FCY borrowings, the coverage ratio increased to 165.1% (FYE 2023: 115.6%), reflecting a strong ability to withstand liquidity squeeze in the foreign exchange market. The deposit base is also diversified somewhat, as the twenty largest depositors accounted for only 20.3% (FYE 2023: 18.6%) of total deposit liabilities.

Given the hawkish monetary policy stance, which elicited an uptick in the expensive deposits and a high-interest rate environment, the weighted average cost of funds (WACF) rose by 240 basis points to 8.3% in FY 2024. In addition, the impact of the 40.1% currency depreciation on FCY-denominated borrowings also exacerbated the funding costs, which stood higher than Fidelity Bank's 6.2% and Stanbic IBTC's 4.1%. Given the various initiatives to improve the deposit mix, we expect some moderation in the near term. The WACF declined to 7.3% during the first four months in 2025, in line with our expectation.

In addition to the deposit liabilities, FCMB is also funded by borrowings from development financial institutions, multilateral financial institutions and other foreign banks. The Bank also access intervention funds and on-lending facilities from the CBN and other development finance institutions. As at 31 December 2024, total outstanding borrowings stood at ₦1 trillion, a 168.4% year-on-year growth driven by the bloating impact of the currency depreciation on FCY-denominated borrowings and reclassification of some intervention funds hitherto included in the restricted cash deposits.

An assessment of the contractual maturity profiles of loans vis-à-vis customer deposits and borrowings showed gaps in the over 1-year category, which exposes the bank to potential repricing risk. Nevertheless, FCMB curtails this risk with its large pool of liquid assets, good access to the domestic and international capital market and good relationship with local and international financial institutions.

As at 31 December 2024, the Bank's liquid assets, which comprise cash & cash equivalents, treasury securities and other actively marketable securities, stood at ₦1.9 trillion (FYE 2023: ₦1.3 trillion). The enlarged pool of liquid assets covered the naira deposits by 38.9% (FYE 2023: 35.7%), higher than the 30% regulatory minimum. Overall, we consider the FCMB's ability to refinance and liquidity profile acceptable. However, we believe that addressing the deposit mix and the elevated funding cost is imperative to improving profit margins and driving the medium-term growth plans.

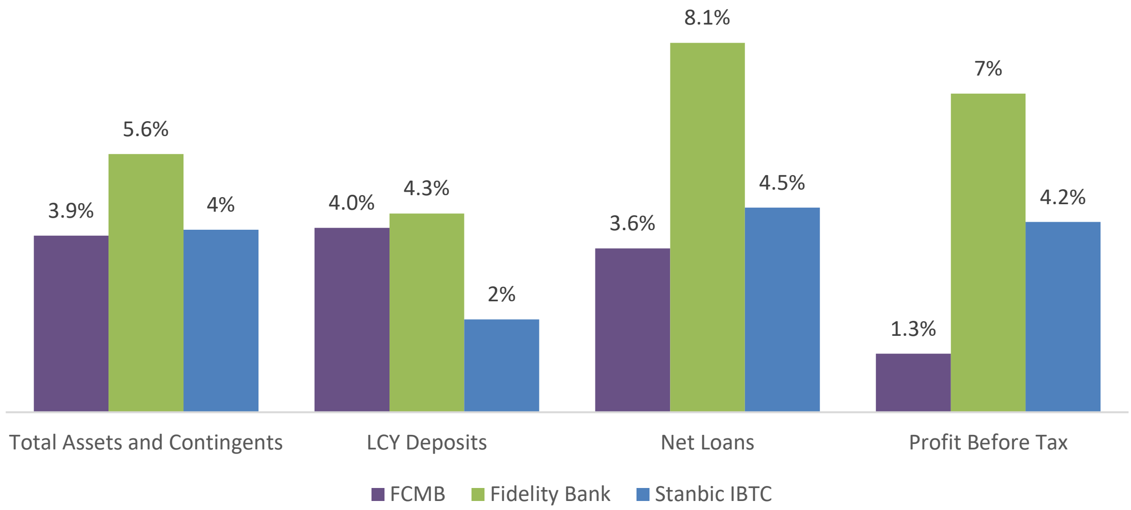
MARKET SHARE

First City Monument Bank Limited has grown to be one of the ten largest banks in Nigeria by total assets and deposit base. The Bank's affiliation with other financial services businesses within the enlarged FCMB Group, including asset management, pensions, stockbroking, trusteeship and microfinance bank, has supported business growth and enabled cross-selling opportunities. This diversified group structure remains a key strength, distinguishing FCMB from peers that lack similar platforms. As at 31 December 2024, the Bank accounted for approximately 4% of local currency (LCY) deposits, reflecting a sizeable position in retail deposit mobilisation. FCMB's share of industry profit before tax declined to 1.3% (FY 2023: 2.3%), suggesting room for improvement in earnings efficiency and profitability compared to peers.

Looking ahead, FCMB aims to become a top-five Tier 1 bank by 2029, with a strong focus on digital-led growth and deposit mobilisation. The strategy includes acquiring 16.5 million new customers, growing deposits to ₦20.8 trillion, achieving a 6.7% market share in deposits and delivering ₦700 billion in pre-tax profit and a

2.9% ROA. While ambitious, the targets reflect a clear intent to scale up and strengthen competitiveness through innovation and operational efficiency.

Figure 5: Nigerian Banking Industry's Market Share Indicators (2024)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Agusto & Co.'s assessment of environmental, social and governance impact on the credit profile of financial institutions places a priority on governance. We consider FCMB's governance structure good, with the Non-Executive Directors exceeding the Executive Directors in line with best practices. The Board Committees are also chaired by Non-Executive Directors. An independent consultant also evaluates the Board annually in line with the CBN guidelines.

As at 31 December 2024, 50% (FY 2023: 44%) of the Board of Directors are women, better than the 30% regulatory minimum. However, only 30% (FYE 2023: 27%) of the top management team are female, below the CBN's 40% minimum threshold. During the year under review, the Bank expended ₦485.2 million (FY 2023: ₦174.7 million) on various corporate social responsibility initiatives. FCMB intends to be the leading bank in various social impact sectors, including SMEs and gender businesses, as well as agriculture.

Our environmental assessment considers FCMB's lending activities, including the profile and sector of its obligors and environmental risks embedded in its operations. As at FYE 2024, a higher 38% (FYE 2023: 35%) of the Bank's loan book was to the oil and gas obligors, which typically have a high contribution to carbon emissions. During the year under review, FCMB extended 18.7% (FYE 2023: 16.4%) of the loan book to socially critical sectors, including agriculture, education and housing, which we view positively. Overall, we consider the environmental and social risk impact on the Bank's credit rating minimal.

OUTLOOK

First City Monument Bank Limited intends to be one of Nigeria's top five banks by 31 December 2029 with a presence in major African economic capitals and global financial hubs. The Bank's digital channel would also be one of the leading platforms for accelerating intra-African trade and connecting the continent to the international market. Following the successful ₦140.9 billion rights issue exercise in FY 2024, which was oversubscribed by 33%, an additional circa ₦260 billion is expected to be injected before 31 December 2025 to drive the medium-term plan and comply with the ₦500 billion minimum paid-up capital directive for international banks ahead of the 31 March 2026 effective date. We expect the capital raising exercise to be successful barring any unforeseen circumstances, given the acceptance by investors as reflected by the first tranche.

Looking ahead, we expect FCMB's performance to remain stable, underpinned by its enlarged capital base, expanding retail footprint, and diversified earnings profile. Although profitability has been pressured by higher funding and operating costs, as well as reduced FX revaluation gains, we anticipate some improvement over the medium term as the Bank deploys its new capital and seeks to scale non-interest revenue through digital channels and trading income. These developments support our view that the Bank remains adequately positioned to manage regulatory changes and sustain growth momentum.

We anticipate that FCMB's asset quality will remain under pressure in the near term, driven by persistent macroeconomic headwinds such as naira depreciation and weakened borrower capacity. In response, the Bank intend to address the high level of impaired loans through a combination of loan sales, paydowns and restructurings, while intensifying recovery efforts. In terms of liability generation, we anticipate some improvement in the near term as the Bank plans to deploy the newly raised capital to pay off expensive deposits, thereby reducing pressure on the funding costs. Over the medium term, FCMB aims to grow its deposit base at a compound annual growth rate (CAGR) of 37.3%, with a target of achieving a 90% low-cost deposit mix by 2029, in line with its five-year strategic plan, which we consider ambitious.

Based on the aforementioned, we hereby attach a **stable** outlook to the rating of First City Monument Bank Limited.

Financial Summary

	FCMB LIMITED						
	BALANCE SHEET AS AT	31-Dec-22		31-Dec-23		31-Dec-24	
		₦'million		₦'million		₦'million	
	ASSETS						
1	Cash & equivalents	55,224	1.8%	189,683	4.3%	57,390	0.8%
2	Government securities	498,595	16.5%	691,932	15.8%	1,059,738	15.1%
3	Stabilisation securities	14,639	0.5%	2,987	0.1%	798	0.0%
4	Quoted investments						
5	Placements with discount houses						
6	LIQUID ASSETS	568,457	18.8%	884,602	20.2%	1,117,926	15.9%
7	BALANCES WITH NIGERIAN BANKS	228	0.0%	550	0.0%	485	0.0%
8	BALANCES WITH BANKS OUTSIDE NIGERIA	190,598	6.3%	418,979	9.6%	826,766	11.8%
9	Direct loans and advances - Gross	1,133,766	37.4%	1,678,394	38.3%	2,045,629	29.1%
10	Less: Cumulative loan loss provision	(46,912)	-1.5%	(81,600)	-1.9%	(117,639)	-1.7%
11	Direct loans & advances - net	1,086,854	35.9%	1,596,794	36.4%	1,927,989	27.4%
12	Advances under finance leases - net						
13	TOTAL LOANS & LEASES - NET	1,086,854	35.9%	1,596,794	36.4%	1,927,989	27.4%
14	INTEREST RECEIVABLE						
15	OTHER ASSETS	188,611	6.2%	48,997	1.1%	426,988	6.1%
16	DEFERRED LOSSES	8,349	0.3%	7,977	0.2%	7,977	0.1%
17	RESTRICTED FUNDS	493,360	16.3%	799,640	18.2%	1,441,465	20.5%
18	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES	7,791	0.3%	11,675	0.3%	11,675	0.2%
19	OTHER LONG-TERM INVESTMENTS	123,126	4.1%	160,594	3.7%	518,636	7.4%
20	FIXED ASSETS & INTANGIBLES	59,356	2.0%	63,415	1.4%	68,554	1.0%
21	**TOTAL ASSETS**	**2,726,732**	**90.0%**	**3,993,223**	**91.1%**	**6,348,462**	**90.3%**
22	TOTAL CONTINGENT ASSETS	301,781	10.0%	391,982	8.9%	685,078	9.7%
23	**TOTAL ASSETS & CONTINGENTS**	**3,028,512**	**100%**	**4,385,204**	**100%**	**7,033,539**	**100%**
	CAPITAL & LIABILITIES						
24	TIER 1 CAPITAL (CORE CAPITAL)	203,373	6.7%	318,539	7.3%	492,254	7.0%
25	TIER 2 CAPITAL	59,541	2.0%	143,741	3.3%	163,619	2.3%
26	LONG TERM FOREIGN BORROWINGS	390,535	12.9%	281,394	6.4%	889,980	12.7%
27	Demand deposits	716,466	23.7%	944,890	21.5%	1,023,792	14.6%
28	Savings deposits	508,266	16.8%	697,924	15.9%	992,667	14.1%
29	Time deposits	625,769	20.7%	554,810	12.7%	814,375	11.6%
30	Inter-bank takings	11,226	0.4%	9,610	0.2%	211,863	3.0%
31	TOTAL DEPOSIT LIABILITIES - LCY	1,861,726	61.5%	2,207,234	50.3%	3,042,697	43.3%
32	Customers' foreign currency balances			749,976	17.1%	1,250,712	17.8%
33	TOTAL DEPOSIT LIABILITIES	1,861,726	61.5%	2,957,210	67.4%	4,293,409	61.0%
34	INTEREST PAYABLE						
35	OTHER LIABILITIES	211,556	7.0%	292,338	6.7%	509,200	7.2%
36	**TOTAL CAPITAL & LIABILITIES**	**2,726,732**	**90.0%**	**3,993,223**	**91.1%**	**6,348,462**	**90.3%**
37	TOTAL CONTINGENT LIABILITIES	301,781	10.0%	391,982	8.9%	685,078	9.7%
38	**TOTAL CAPITAL, LIABILITIES & CONTINGENTS**	**3,028,512**	**100%**	**4,385,204**	**100%**	**7,033,539**	**100%**
	Proof						
	BREAKDOWN OF CONTINGENTS						
39	Acceptances & direct credit substitutes	120,528	4.0%	85,661	2.0%	195,334	2.8%
40	Guarantees, bonds etc..	177,383	5.9%	302,853	6.9%	486,598	6.9%
41	Short-term self liquidating contingencies	3,869	0.1%	3,469	0.1%	3,146	0.0%

FCMB LIMITED

	INCOME STATEMENT FOR THE YEAR ENDED	31-Dec-22		31-Dec-23		31-Dec-24	
		₦'million		₦'million		₦'million	
42	Interest income	197,434	82.8%	311,436	72.2%	520,645	80.4%
43	Interest expense	(93,650)	-39.3%	(164,957)	-38.3%	(358,230)	-55.3%
44	Loan loss expense	(22,791)	-9.6%	(57,058)	-13.2%	(41,329)	-6.4%
45	NET REVENUE FROM FUNDS	80,994	34.0%	89,421	20.7%	121,086	18.7%
46	ALL OTHER INCOME	41,092	17.2%	119,688	27.8%	126,739	19.6%
47	**NET EARNINGS**	**122,086**	**51.2%**	**209,109**	**48.5%**	**247,826**	**38.3%**
48	Staff costs	(26,040)	-10.9%	(35,057)	-8.1%	(49,113)	-7.6%
49	Depreciation expense	(8,331)	-3.5%	(9,558)	-2.2%	(11,346)	-1.8%
50	Other operating expenses	(62,035)	-26.0%	(84,345)	-19.6%	(115,317)	-17.8%
51	TOTAL OPERATING EXPENSES	(96,406)	-40.4%	(128,959)	-29.9%	(175,777)	-27.2%
52	PROFIT (LOSS) BEFORE TAXATION	25,680	10.8%	80,150	18.6%	72,049	11.1%
53	TAX (EXPENSE) BENEFIT	(2,150)	-0.9%	(3,580)	-0.8%	(21,865)	-3.4%
54	**PROFIT (LOSS) AFTER TAXATION**	**23,529**	**9.9%**	**76,570**	**17.8%**	**50,184**	**7.8%**
55	NON-OPERATING INCOME (EXPENSE) - NET						
56	DIVIDEND	(2,000)	-0.8%	(5,628)	-1.3%	(10,000)	-1.5%
57	**GROSS EARNINGS**	**238,526**	**100%**	**431,124**	**100%**	**647,385**	**100%**
58	AUDITORS	Deloitte		Deloitte		Deloitte	
59	OPINION	CLEAN		CLEAN		CLEAN	

	KEY RATIOS	31-Dec-22	31-Dec-23	31-Dec-24
	EARNINGS			
60	Net interest margin	52.6%	47.0%	31.2%
61	Loan loss expense/Interest income	11.5%	18.3%	7.9%
62	Return on average assets (Pre - tax)	0.9%	2.2%	1.3%
63	Return on average equity (Pre - tax)	13.3%	30.7%	17.8%
64	Operating Expenses/Net earnings	79.0%	61.7%	70.9%
65	Gross earnings/Total assets & contingents	8.5%	11.6%	11.3%
	EARNINGS MIX			
66	Net revenue from funds	66.3%	42.8%	48.9%
67	All other income	33.7%	57.2%	51.1%
	LIQUIDITY			
68	Total loans & leases - net/Total lcy deposits	33.5%	49.3%	32.2%
69	Liquid assets/Total lcy deposits	30.1%	39.8%	32.0%
70	Demand deposits/Total lcy deposits	38.5%	42.8%	33.6%
71	Savings deposits/Total lcy deposits	27.3%	31.6%	32.6%
72	Time deposits/Total lcy deposits	33.6%	25.1%	26.8%
73	Inter-bank borrowings/Total lcy deposits	0.6%	0.4%	7.0%
74	Interest expense - banks/Interest expense	6.4%	3.4%	9.2%
75	**NET FOREIGN CURRENCY ASSETS (LIABILITIES)**	(199,937)	137,585	(63,214)

FCMB LIMITED

	KEY RATIOS CONT'D	31-Dec-22	31-Dec-23	31-Dec-24
	ASSET QUALITY			
76	Performing loans ('₦'million)	1,088,519	1,599,313	1,902,507
77	Non-performing loans ('₦'million)	45,247	79,082	143,121
78	Non-performing loans/Total loans - Gross	4.0%	4.7%	7%
79	Loan loss provision/Total loans - Gross	4.1%	4.9%	5.8%
80	Loan loss provision/Non-performing loans	103.7%	131.9%	99.4%
81	Risk-weighted assets/Total assets & contingents	50.1%	43.9%	40.7%
	CAPITAL ADEQUACY			
82	Adjusted capital/risk weighted assets	15.4%	22.2%	21.5%
83	Tier 1 capital/Adjusted capital	78%	69%	75%
84	Total loans (net)/Adjusted capital	4.67	3.74	3.13
85	Capital unimpaired by losses ('₦'million)	195,024	310,562	484,277
	STAFF INFORMATION			
86	Net earnings per staff ('₦'million)	36	85	99
87	Staff cost per employee ('₦'million)	8	14	20
88	Staff costs/Operating expenses	27.0%	27.2%	27.9%
89	Average number of employees	3,362	2,452	2,514
90	Average staff per office	16	12	12
	OTHER KEY INFORMATION			
91	Legal lending limit('₦'million)	39,005	62,112	96,855
92	Other unamortised losses('₦'million)	NONE	NONE	NONE
93	Unreconciled inter-branch items ('₦'million) DR/(CR)	NONE	NONE	NONE
94	Number of offices	204	204	204
95	Age (in years)	40	41	42
96	Government stake in equity (Indirect)	NIL	NIL	NIL

	MARKET SHARE OF INDUSTRY TOTAL	Actual 2022	Actual 2023	Estimates 2024
97	Lcy deposits (excluding interbank takings)	4.8%	4.2%	4.0%
98	Total assets & contingents	3.6%	3.4%	3.9%
99	Total loans & leases - net	3.8%	3.9%	3.6%
100	Non interest income	2.3%	2.8%	2.5%
101	Net interest income	4.6%	4.0%	2.2%

Rating Definitions

Aaa	A financial institution of the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A financial institution of good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A financial institution with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A financial institution with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A financial institution with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

ESG Credit Rating Contribution Score Guide

1	Environmental, Social and Governance issues do not contribute to credit risk
2	Environmental, Social and Governance issues have minimal contribution to credit risk
3	Environmental, Social and Governance issues have a material contribution to credit risk
4	Environmental, Social and Governance issues contribute significantly to credit risk
5	Environmental, Social and Governance issues are major contributor to credit risk

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