

PRIVATE CREDIT RATING ANNOUNCEMENT

GCR accords an Indicative Rating of BBB_{-(NG)(IR)} to FCMB Group Plc's N30bn Additional Tier 1 Bonds, Outlook Stable.

Rating Action

Lagos, Nigeria, 29 September 2022 – GCR Ratings ("GCR") has assigned a national scale long-term indicative Issue rating of BBB_{-(NG)(IR)} to FCMB Group Plc's N30 billion additional tier 1 subordinated bonds, with the Outlook accorded as Stable.

Rated Issue	Rating class	Rating scale	Rating	Outlook
N30 billion Additional Tier 1 Series 1 Bonds	Long Term Issue	National	BBB _{-(NG)(IR)} *	Stable

*IR stands for Indicative Rating. An Indicative Rating is denoted by an 'IR' suffix to indicate that a credit rating has been accorded based on review of final draft documentation and expectations regarding final documentation. The Indicative Rating is expected to convert to a final credit rating subject to the receipt of final documentation in line with GCR's expectations.

Rating Rationale

The N30 billion perpetual, non-cumulative, fixed-rate, resettable, additional tier 1 ("AT1") subordinated series 1 bonds ("the Bonds") are to be issued under FCMB Group Plc ("the Group" or "the Issuer")'s N300 billion Debt Issuance Programme. The Bonds are intended to qualify as AT1 capital of the Issuer under the approval of the regulator and will constitute direct, unsecured, and subordinated obligations of the Issuer. The Bonds shall rank *pari passu* among themselves and with any present and future parity obligations.

Proceeds from the Bonds will be exclusively used to provide AT1 capital to First City Monument Bank Limited ("the bank"). This structure is solidified through an intercompany notes' agreement, the terms and conditions of which mean that the bank (the major operating entity of the Group) is contractually obliged to support the Group's notes in line with the bank's (currently theoretical) AT1 ranking. The notes, therefore, rank alongside such parity obligations of the bank. As a result, GCR has chosen to notch down from the Bank's A_{-(NG)} rating, and not the Group's BBB_{+(NG)} rating.

Furthermore, GCR has chosen to apply a 3-notch differential from the senior unsecured ratings of the bank. This reflects the contractual subordination of the notes - they rank below senior unsecured and subordinated (tier two qualifying capital) notes, interest payments are deferrable and non-cumulative, subject to the Issuer's discretion, and lastly the fact that the notes can be written down when the CET1 ratio reaches 10.75% (0.25% above the regulatory minimum) or when the regulator (Central Bank of Nigeria) considers the bank to be at a point of non-viability ("PONV"). As a result, GCR has assigned a long-term indicative issue rating of BBB_{-(NG)(IR)} for the Bonds and we believe the notes qualify for intermediary levels of capital under our methodology.

Outlook Statement

The Stable Outlook reflects that of the bank's national scale ratings and adequate room over deferability or write down clauses.

Rating Triggers

The Ratings would be sensitive to a rating action on the bank. Furthermore, if the bank or Group's CET1 capital adequacy lowers towards the trigger point for deferability of interest payments and/or the PONV/capital adequacy we could lower the rating on the Bonds.

Non-compliance with set covenant would trigger a negative rating action.

Analytical Contacts

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Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022

Criteria for Rating Financial Institutions, May 2019

GCR Ratings Scales, Symbols & Definitions, May 2022

GCR Country Risk Scores, August 2022

GCR Financial Institutions Sector Risk Score, June 2022

Ratings History

N30bn Additional Tier 1 Series 1 Bonds

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Long-term Issue	Initial/Last	National Scale	BBB _{-(NG)(IR)}	Stable	September 2022

Private rating usage

Recipients of this credit rating notification are to note that the ratings accorded are private. A private rating is by nature confidential, but GCR may agree that the Rated Entity distributes the credit rating notification to (prospective) investors and other relevant counterparties, but only to the extent that such parties agree to confidentiality with the Rated Entity and agree that the credit rating action is private and only intended to be used in a closed circle of known parties. GCR requires Rated Entities to disclose the counterparties to whom it intends to distribute the Notification prior to such distribution.

Glossary

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.
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.
Rating Horizon	The rating outlook period.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Rating Watch	See GCR Rating Scales, Symbols and Definitions.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Repayment	Payment made to honour obligations regarding 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.
Rights Issue	One of the ways that a company can raise additional funds is to issue new shares. These must be first offered to current shareholders and a rights issue allows a shareholder to buy shares in proportion to the number already held.
Short Term	Current; ordinarily less than one year.
Working Capital	Working capital usually refers to the resources that a company uses to finance day-to-day operations. Changes in working capital are assessed to explain movements in debt and cash balances.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's EBITDA by its interest payments for a given period.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
Leverage	In corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
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.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.

SALIENT POINTS OF ACCORDED RATING

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to FCMB Group Plc. *The ratings above were solicited by, or on behalf of, FCMB Group Plc, and therefore, GCR has been compensated for the provision of the ratings.*

FCMB Group Plc participated in the rating process via face-to-face management meetings, as well as other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from FCMB Group Plc and other reliable third parties to accord the credit ratings included:

- Draft Programme Trust Deed
- Draft Series 1 Trust Deed
- Draft Pricing Supplement
- Draft Master Notes Issuance Agreement
- Other relevant documents

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