



DataPro



BOND RATING REPORT

FCMB GROUP PLC

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October, 2022

FCMB GROUP PLC

DataPro Rating:

BBB

Security Type: Up To N30b Senior, Unsecured, Fixed Rate Series 1 Resetttable NC 5.25 Additional Tier 1 Bond
Resetttable Date: 2027
Rating Outlook: Positive
Currency: Naira
Rating Watch: Applicable
Date Issued: 4 Oct., 2022
Valid Till: 4 Oct., 2023

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

This report is provided by DataPro subject to the terms & conditions stipulated in our Terms of Engagement

Up To N30billion Senior, Unsecured, Fixed Rate Series 1 Resetttable NC 5.25 Additional Tier 1 Bond under the N300billion Debt Issuance Programme

EXECUTIVE SUMMARY

	2021 N'M	2020 N'M	2019 N'M	2018 N'M	2017 N'M
Gross Earnings	212,012	198,371	181,250	177,249	169,882
Profit Before Tax	22,717	21,912	20,130	18,442	10,665
Shareholders' Funds	243,806	227,120	200,667	183,427	187,462
Deposit Liabilities	1,715,161	1,376,496	1,033,147	860,887	696,216
Net Loans & Advances	1,063,589	822,773	715,881	633,035	649,797
Total Assets	2,493,198	2,058,393	1,668,506	1,431,298	1,186,525

Rating Explanation

The Long-Term Rating of **BBB** indicates *Slight Risk*. It shows Fair Financial Strength, Operating Performance and Business Profile when compared to the standards established by **DataPro**. This Issuer, in our opinion, has ability to meet its ongoing obligation, but its financial strength is vulnerable to adverse changes in economic conditions.

ISSUE QUALITY

In the course of our review, we observed the following qualities about the Issue.

- The Issuer has the ability to continually generate Revenue by carrying out Financial Services.
- The historical ability of the Issuer to generate Pre-Tax Profit in the last five years (2017 – 2021).
- The Investment Grade Rating of the Issuer
- The Issuer's current NPL of less than 5%
- The current CAR above regulatory demand
- The current CET1 above Regulatory demand
- The Governance Structure around the operation of the Issue Account.
- The Bond holders have a direct obligation owed to them by the Issuer.

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.

THE ISSUE

The Issue ("The Bond") is a ₦30Billion Series 1 Bond under the ₦300Billion Debt Issuance Programme of *FCMB Group Plc (The Issuer)*. It is a Fixed Rate resettable Additional Tier 1 (AT1) Subordinated Bonds.

The first reset date shall be at the end of five (5) year period falling due in 2027 in the first instance. Thereafter, it shall be reset at intervals of every fifth anniversary. The Issue shall form part of the Statutory Capital of the Issuer.

The Issue is subject to relevant laws of the Federal Republic of Nigeria, especially the *Investment and Securities Act 2007*. *The Securities and Exchange Commission (SEC)* is the primary regulator of all parties to the issuance programme. The Issue shall also be constituted by a Trust Deed to be executed among the Issuer and the Trustees. Additionally, the Issue shall be subject to the approval and regulatory actions of the *Central Bank of Nigeria (CBN)* in line with its present and possible future actions relating to Regulatory Capital Framework.

The Issue is a Fixed Rate Bond with no scheduled maturity date. However, it is callable at any time from the fifth year up to and including the First Reset Date, and every Interest Payment Date thereafter. This is subject to the prior approval of the *CBN*. The Interest on the Issue shall accrue from the Issue Date and shall be paid semi-annually.

The Bond shall be issued to Qualified Institutional Investors and High Net Worth Investors in accordance with the provisions of *SEC Rules and Regulations*.

The *Trustees* to the Issue are: *FCMB Trustees Limited* and *ARM Trust Management Services Limited*. Other parties include; *Chapel Hill Denham Advisory Limited (Lead Issuing House)*, *FCMB Capital Limited (Joint Issuing Houses)*, *CSL Stockbrokers Limited & Chapel Hill Denham Securities Limited (Joint Stockbrokers)*, *Meristem Registrars & Probate Services Limited (Registrar)*, *Olaniwun Ajayi LP (Solicitors to the issue)*, *Banwo & Ighodalo (Solicitors to the issuer)*, *Ernst & Young (Reporting Accountant)*, *Deloitte & Touche (Auditor)* and *FSDH Merchant Bank Limited (Receiving Bank)*

FUNDING & REDEMPTION

The *Bonds* are perpetual Securities with no fixed maturity and amount for redemption and are only redeemable in accordance with the following conditions:

- Optional Redemption (*subject to the Issuer satisfying the solvency condition*)
- Redemption for Tax reasons
- Redemption upon a Capital Disqualification Event

However, the Coupon shall be a Fixed Rate payment made semi-annually. The initial Coupon payment shall accrue from the Issue Date. The source of the repayment shall be from the cash-flows of the Issuer.

The Bond is callable at par after 5 years on any coupon payment date, including the first reset date subject to a notice period. The Scheduled Payment due in respect of the Issue shall be made from the Sinking Fund Account to be opened by the Trustees.

The amounts standing to the credit of the Sinking Fund Account shall be applied to meet the following obligations of the Issuer:

- Purchase of the Intercompany notes to be issued by *FCMB Limited* for subsequent granting of Loans and Advances by the Bank and shoring up the Bank's Regulatory Capital Base

The Issuer shall establish an account called the "Payment Account" not later than ten (10) Business days after the Issue Date which shall be opened in the name of the Trustees and shall also be under the custody and administration of the Trustees on behalf of the Bondholders.

Payment shall be made from the cash flow of the Issuer such that at least, five (5) days before the next Coupon Payment Date, the total amount standing to the credit of the Sinking Fund Account shall be equal to the amount required to make Coupon payments on the Issue, Trustees Fees, Annual Listing Fees and Annual Rating Fees. Any excess left over at the end of the programme and after due discharge of all the Issuer's obligations shall be paid over to the Issuer.

STATUS AND SUBORDINATION OF THE ISSUE

The Issue is a direct, unsecured, subordinated obligation of the Issuer. It shall rank equally with other unsecured and unsubordinated indebtedness of the issuer in respect of any Additional Tier 1 Instruments, Preferred Shares or payment obligation both present and future except for obligations mandatorily preferred by law relating to creditor's right.

However, in the event of any distribution of the assets of the Issuer on its dissolution, winding-up or liquidation, the ranking of the Issue shall be subordinated to:

- Taxes, statutory preferences and other legally-required payments
- Depositors, trade creditors and other general senior creditors
- Any other secured and unsecured instrument of the Issuer other than AT1 securities.

In the event of any distribution, the Issue only rank ahead of Ordinary Shareholders of the Issuer.

REGULATORY CAPITAL ADEQUACY IMPLICATION

Payment of obligations under the Issue is subject to the Capital Regulation of the **CBN**. The Current is the Guidelines on Regulatory Capital issued in September 2021. This Guideline provides in respect of **AT1**, the following criteria among others as follows:

- The Issuer cannot call the Bond except it will be able to meet the required Regulatory Capital Adequacy Ratio.
- The Issuer cannot pay Interest on the Bond if it will affect its ability to meet other senior obligations
- Unpaid Interest in part or in full is not cumulative and cannot constitute default.
- The Issuer can write down or write off the Issue as Loss Absorption Instrument at Pre-Specified trigger Point (*i.e. Common Equity Tier 1 (CET1) falls below 10.75%*)
- The Issuer can write off or write down the Issue at a point off Non viability (*i.e. a point where public fund needs to be injected or the write-off becomes necessary to make the Issuer viable*).

The Issue is designed to comply with the above requirements.

The **CBN** published its Basel III Guidelines in September 2021. This sets the implementation commencement date as effective November 2021. However, this is to run parallel with existing Basel II guidelines in Nigeria for an initial period of six (6) months, which may be extended by another three (3) months. The minimum levels of Capital Adequacy under the Guideline are as follows.

	National Banks	International Banks	D-SIBs
CET1	7.0	10.5	10.5
T1	7.5	11.25	11.25
CAR	10.0	15.0	15.0
CCB1	1.0	1.0	1.0
CCB2		As determined by CBN from time to time	
HLA	Not Applicable	Not Applicable	1.0

Source: Central Bank of Nigeria

The Group is currently targeting a CET 1 above 10.5%. However, the Group proforma capital adequacy ratios based on unaudited financials as at 31 December 2021 and adjusted for the effect of the proposed issue of N30 billion is as follows

FCMB Group 31-December-21	Proforma Adjustment AT1 Issue	Proforma FCMB Group net of AT1 Issue 31-December-21
Common Equity Capital Ratio	12.2%	0%
Additional Tier 1 Capital Ratio	0%	2.1%
Tier 1 Capital	12.2%	2.1%
Total Capital Ratio	16.2%	0.0%

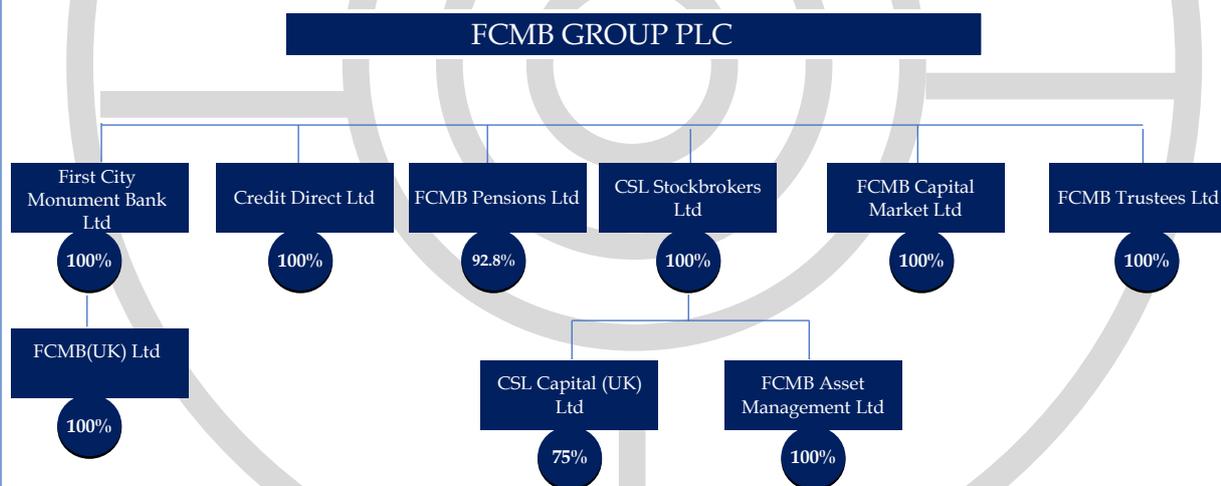
Source: Central Bank of Nigeria

THE ISSUER

FCMB Group Plc ("The Group") is a financial holding company engaging in the provision of banking and financial services to both Corporate and Individual Customers. The first entity within the Group, *City Securities Limited ("CSL")* was established in 1977.

In the year 1982, *First City Merchant Bank Limited (FCMBL)* was established with seed capital from *CSL*. The Bank was incorporated as a private limited liability company on April 20, 1982, and granted a banking license on August 11, 1983. On July 15, 2004, it changed its status from a private limited liability company to a public limited liability company and its shares were listed on the *Nigerian Exchange (NGX)* on December 21, 2004. The Bank further consolidated its banking business by acquiring *Finbank Plc*. The court sanction scheme was approved on 22nd October, 2012.

The Group was incorporated following the *Central Bank of Nigeria (CBN)* regulation in 2010. Presently, *FCMB Group Plc* has ten (10) subsidiaries, which are all wholly-owned except, *FCMB Pensions Limited* (92.8%) and *CSL Capital (UK) Limited* (75%).



Source: FCMB Group Plc

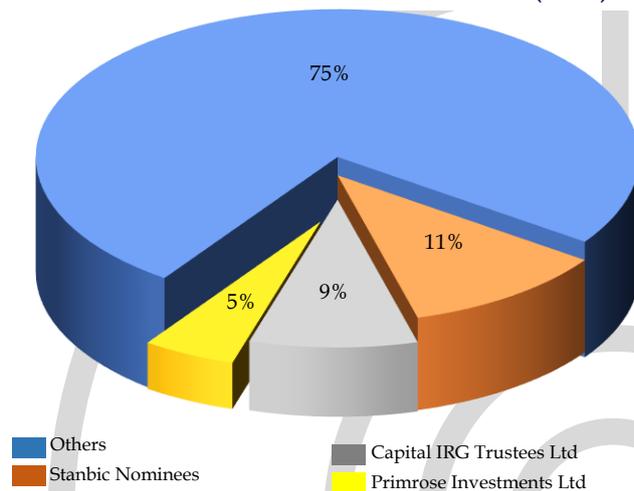
The Group operation can be structured into the Banking Group, Consumer Finance, Asset and Wealth Management and Investment Banking. Products and services under the Banking Group include: Corporate, Personal & Business Transaction, Commercial & Institutional Banking as well as Treasury and Financial Market. These services are rendered by the Group through its subsidiaries which are: *First Monument Bank Limited* and *FCMB (UK) Limited*.

The Consumer Finance operation is carried out by *Credit Direct Limited*. This subsidiary is mainly involved in Micro-Lending to salary earners.

FCMB Pensions Limited, FCMB Trustees Limited and FCMB Asset Management Limited are the three (3) subsidiaries involved in the Asset and Wealth Management business of the Group. These subsidiaries offer Mutual Funds, Structured Products and Portfolio Management services. Other focus of the subsidiaries include: Retirement Savings and Planning, Corporate Trusts and Private Trusts.

The Investment Banking arm function of the Group is implemented by *CSL Stockbrokers Limited, CSL Capital (UK) Limited and FCMB Capital Markets Limited*. The product offerings of these subsidiaries are Project and Structured Finance, Equity and Debt Capital Markets, Financial Advisory, Securities Trading and Investment Research.

SHAREHOLDING STRUCTURE (2021)



Source: FCMB Group

As at the year ended 2021, the Group had over 500,000 shareholders. However, the significant shareholders are: Stanbic Nominees Nigeria Limited, Capital IRG Trustees Limited and Primrose Investments Limited. The significant shareholders accounted for an aggregate of 25.07% of the Group's Shares.

The Group key financial indicators recorded moderate increase during the year 2021. This was influenced by significant increase in customer base of the Group. During the year 2021, the customer base grew from 8.3million in the year 2020 to 9.2million (Yr.21). This led to enhancement in Liabilities generation and Risk Assets creation by 25% and 29% respectively. Consequently, Gross Earnings and Profitability grew during the year 2021 by 7% respectively.

GROUP KEY FINANCIAL INDICATORS (2017-2021)

Item Year	Gross Earning ₦'M	PBT ₦'M	Equity ₦'M	Deposit Liabilities ₦'M	Net Loans & Advances ₦'M	Total Assets ₦'M
2021	212,012	22,717	243,806	1,715,161	1,063,589	2,493,198
2020	198,371	21,912	227,120	1,376,496	822,773	2,058,393
2019	181,250	20,130	200,667	1,033,147	715,881	1,668,506
2018	177,249	18,442	183,427	860,887	633,035	1,431,298
2017	169,882	10,665	187,462	696,216	649,797	1,186,525

Source: FCMB Group

Directors' Profile

The following served on the Board during the year 2021; *Mr. Ladi Jadesimi – Chairman; Mr. Ladi Balogun - Group CEO; Mr. Femi Badeji; Mr. Gbolahan Joshua; Alhaji Mustapha Damcida; Professor Oluwatoyin Ashiru, Dr. (Engr) Gregory Omosigbo Ero; Mrs. Olapeju Sofowora; Mrs. Tokunboh Ishmael and Ms. Muibat I. Ijaiya.*

The profile of the bank directors are as stated:

1. **Name:** Mr. Ladi Jadesimi
Position: Chairman
Experience (Years.) Over 50 years
Education:
 - M.A. (Honours) in Law- Oxford University**Work Experience:**
 - Coopers and Lybrand Lagos
 - Nigerian Acceptances
 - Ladol Group
 - Niger Delta Exploration and Production Plc**Year of Appointment:** 2017

2. **Name:** Mr. Ladi Balogun
Position: Group CEO
Experience (Years.) Over 20 years
Education:
 - B. Sc (Economics)- University of East Anglia, UK
 - MBA- Harvard Business School, USA**Work Experience**
 - Morgan Grenfell& Co. Ltd
 - Citibank**Year of Appointment:** 2017

3. **Name:** Mr. Femi Badeji
Position: Executive Director, Coverage and Investment Banking
Years of Experience: Over 20 Years
Education:
 - B. Sc (Magna Cum Laude) -University of Hartford
 - MS.c - Worcester Polytechnic Institute
 - MBA -Wharton School, University of Pennsylvania**Work Experience**
 - Rand Merchant Bank**Year of Appointment:** 2019

4. **Name:** Mr. Gbolahan Joshua
Position: Executive Director/ Group Chief Operating Officer
Experience (Years.) Over 21 years
Position: Executive Director/CFO
Education:
 - B. Sc - Olabisi Onabanjo University
 - Institute of Chartered Accountants of Nigeria (ICAN)
 - Chartered Institute of Bankers (CIBN)
 - Harvard, Stanford, IMD, INSEAD and IESE

Work Experience •Fidelity Bank
Year of Appointment: 2021

5. **Name:** Alhaji Mustapha Damcida
Position: Non-Executive Director
Education: •Diploma in Law – Ahmadu Bello University
 •B. Sc - Robert Morris College, Pittsburgh, USA
Work Experience: •Damus International Limited
 •Damus Security Solutions Limited
 •Damson Properties Limited
 •The Nigerian American Bank Limited
Year of Appointment: 2013
6. **Name:** Professor Oluwatoyin Ashiru
Position: Non-Executive Director
Experience (Years.) Over 30 years
Education: •B.Sc- University of Sussex, Brighton UK
 •Ph.D- University of Birmingham, UK
Education: •University of Lagos
 •International Tin Research Institute, UK
 •Tricontinental Oil Services Ltd
Year of Appointment: 2013
7. **Name:** Dr. (Engr) Gregory Omosigho Ero
Position: Non-Executive Director
Education: •B. Sc (Chemistry)- University of Ibadan
 •M.Sc. (Petroleum Engineering)- Imperial College, London
 •D.I.C. (Petroleum Engineering)- Imperial College, London
 •DMS- Templeton College, University of Oxford
 •Graduate School of Business, University of Columbia, New York
Work Experience: •Federal Ministry of Petroleum and Energy
 •Nigerian National Petroleum Commission (NNPC) London
 •National Engineering and Technical Company (NETCO)
 •Arkleen Oil & Gas Limited
Year of Appointment: 2013
8. **Name:** Mrs. Olapeju Sofowora
Position: Non-Executive Director
Education/Professional Qualification:•Chartered Institute of Taxation of Nigeria (CITN)
 •Institute of Chartered Accountants of Nigeria (ICAN)

Work Experience:

- Chartered Institute of Bankers (CIBN)
- Abax-Oosa Professionals

Year of Appointment: 2017

9. Name: Mrs. Tokunboh Ishmael
Profession: Chartered Financial Analyst
Position: Non-Executive Director
Years of Experience: 20 Years
Education:

- London Business School
- University of London

Work Experience:

- Salomon Smith Barney
- Aureos Capital
- Avante Capital Limited
- Alitheia Capital

Year of Appointment: 2020

10. Name: Ms. Muibat I. Ijaiya
Years of Experience: 19 Years
Position: Independent Non-Executive Director
Education:

- B.Sc – University of Surrey
- MSc- Warwick Business School
- MBA- University of Manchester

Work Experience:

- Palladium Group Inc
- Ernst and Young (UK)
- Strategy Management Partners
- Robson Rhodes RSM Business Consulting (EMEA)

Year of Appointment: 2021

CAPITAL ADEQUACY

Year	2021	2020	2019
Item	₦'M	₦'M	₦'M
Shareholders' Funds	243,806	227,120	200,667
Total Assets	2,493,198	2,058,393	1,668,506
Fixed Assets	80,216	70,469	67,266
Net Loans & Advances	1,063,589	822,773	715,881
Equity/Total Assets (%)	10	11	12
Equity/Loan & Adv. (%)	23	28	47
Fixed Assets/Equity (%)	33	31.1	33.6

Source: FCMB Group Audited Accounts

Shareholders' Funds of the Group grew during the year under review. This was largely due to the profitability of the Bank which enhanced growth in Retained Earnings from ₦47.5b (Yr. 20) to ₦62.9b (Yr. 21). Other Reserves increased also by 2% to ₦55b (Yr. 21). Consequently, Equity went up by 7% from ₦227b (Yr. 20) to ₦244b (Yr.

21).

COMPONENT OF TOTAL ASSETS

Item \ Year	2021 ₦'M	%	2020 ₦'M	%
Liquid Assets	674,735	27	594,689	29
Net Loans & Advances	1,063,589	43	822,773	40
Property, Plant & Equipment	47,085	2	46,202	2
Other Assets	707,789	28	594,729	29
TOTAL ASSETS	2,493,198	100	2,058,393	100

Source: FCMB Group Audited Accounts

Capital also increased to ₦57b by 9%. The Group's Basel II computed Capital Adequacy Ratio (CAR) stood at 16.24% (Yr. 2021). This was less than 17.74% (Yr.20) but higher than the regulatory minimum of 15% for Nigerian Banks with international operation.

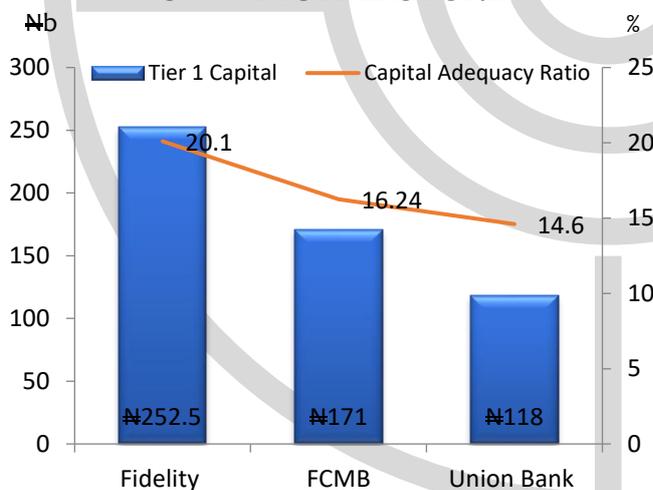
The Group's Total Asset grew by 21% from ₦2.1t (Yr. 20) to ₦2.5t (Yr. 21). Aside the decline recorded in Assets pledged as collateral, all other components recorded increases during the year.

Net Loans and Advances as a proportion of Total Assets was up by 3%, recording 43% as at the year ended 2021. The Non-

Current portion of the Group's Assets as represented by Property, Plant and Equipment, Intangible Assets and Deferred Tax Assets also accounted for 3% of the Total Assets in the years 2020 and 2021.

Equity as a proportion of Total Asset declined from 11% (Yr. 20) to 10% in the year 2021. The decline was due to the steady growth in the value of the Group's Total Assets which outpaced the rise in Equity of the Group. However, the Group Equity is well above the regulatory requirement for all its regulated

businesses.

SHAREHOLDERS FUND


Source: DataPro Limited

ASSET QUALITY

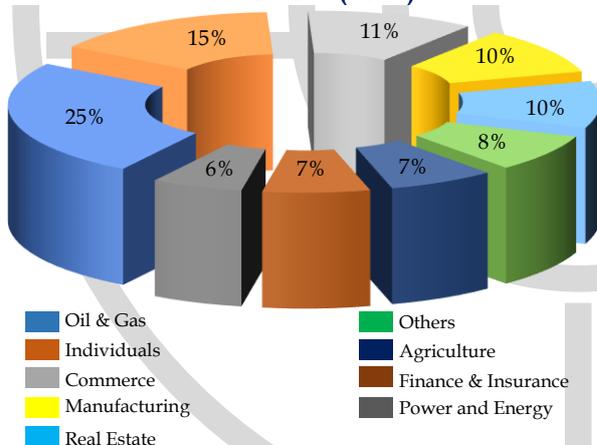
Year	Item	2021 ₦'M	2020 ₦'M
	Gross Loan & Advance	1,063,589	822,773
	Classified Loan	45,933	28,567
	Provisions	49,568	46,511
	Classified Loans Prov./Classified Loans (%)	108	163
	Classified Loans/Equity (%)	19	13
	Classified Loans/Gross Loans (%)	4	3.5

Source: FCMB Group Audited Accounts

The Group's Total Assets grew by a four-year Compound Annual Growth Rate (CAGR) of 15%. The latest growth rate of the Total Assets was 21% with a balance of ₦2.5t as at the year ended 2021. The growth was underpinned by a growth in customer deposit and an enlarged capital base.

However, the Loan portfolio remained the dominant asset class, accounting for 43% of Total Assets as at the year ended 2021 and 40% (Yr. 20). Gross Loans and Advances stood at ₦1.1t, reflecting a 29% growth over the year 2020. This is excluding the impact of the 4% impairment loss allowance for the period.

COMPOSITION OF LOAN PORTFOLIO BY SECTOR (2021)



Source: FCMB Group Audited Accounts

The Group advanced Loans to the Retail Market, Corporate Customers and High Net-Worth Individuals. However, these Loans were distributed among Eighteen (18) Sectors.

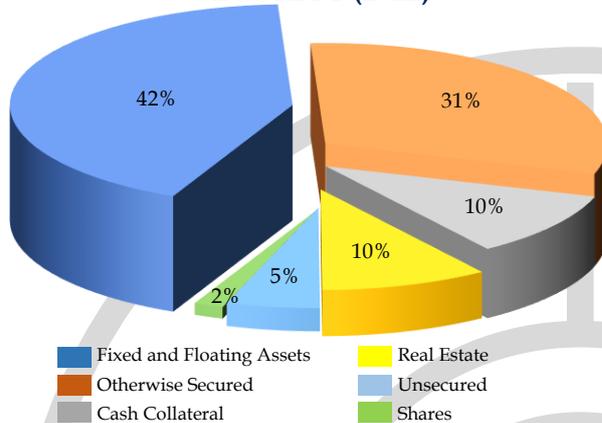
The Group Largest exposure was to the Oil and Gas sector which increased by 13% and accounted for 25% of the Loan portfolio in the year 2021. The upstream segment accounted for 5% of Gross Loans while the downstream and services

segments represented 7% and 13% respectively. Although the Group's exposure to the sector is below the industry average of circa 30%, the exposure makes the loan susceptible to crude oil prices.

The second largest sectoral exposure was to Individuals which increased by 27% and accounted for 15% of the loan portfolio. The Group's exposure to the manufacturing sector accounted for 10% of the Gross Loans. Compared to the previous year, the exposure rose by a margin of 22%, owing to the increasing capitalization of the sector buoyed by inflation, high price of diesel and cost of importation.

Commerce and Real Estate sectors accounted for 11% and 10% of total exposure and a growth rate of 93% and 14% respectively. Aside these sectors, no other got up to 10% of the Group's Loan Portfolio. The Group's Loan-To-Deposit Ratio grew from 57% (Yr.20) to 65% (Yr.21).

COMPOSITION OF LOANS PORTFOLIO BY SECURITY (2021)



Source: FCMB Group Audited Accounts

The Unsecured portion of the Loans and Advances declined during the year. It dipped from 19% (Yr. 20) to 5% (Yr. 20). Most of the secured portion of the Loans and Advances are collateralized by Fixed and Floating Assets. Other significant levels of security are Cash, Shares and Real Estate.

The Stage three segment of the Total Loan Exposures during the year grew from ₦28.6b (Yr. 20) to ₦45.9b (Yr. 21). This was due to the increase

in impairments during the year. Non-Performing Ratio rose from 3.3% (Yr.20) to 4.1% (Yr. 21). Provision made for delinquent Loans in the year 2021 provided better coverage of 108% as against 163% (Yr.20).

LIQUIDITY

Item	Year	
	2021	2020
Loan & Advances/Total Assets (%)	42.65	39.97
Liquid Assets/Total Assets (%)	27.06	28.89
Liquid Assets/Total Deposits (%)	39.34	43.20
Loans & Advances/Total Deposits (%)	62.01	59.77

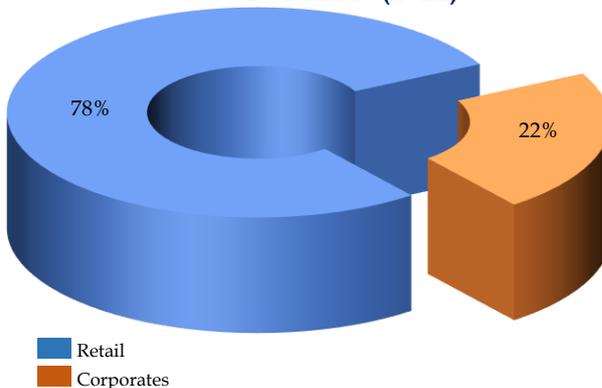
Source: FCMB Group Audited Accounts

As at 31 December, 2021, The Group's Deposit from banks and customers stood at ₦1.7t (Yr. 21). This is a 25% increase over the amount recorded in the year 2020.

Customer Deposit was ₦1.5t and was largely

dominated by Retail customers which accounted for 78% of the total value in the year 2021. These are deposits mobilized from individuals, unregistered small and medium scale business ventures.

COMPOSITION OF DEPOSITS BY CUSTOMERS (2021)



Source: FCMB Group Audited Accounts

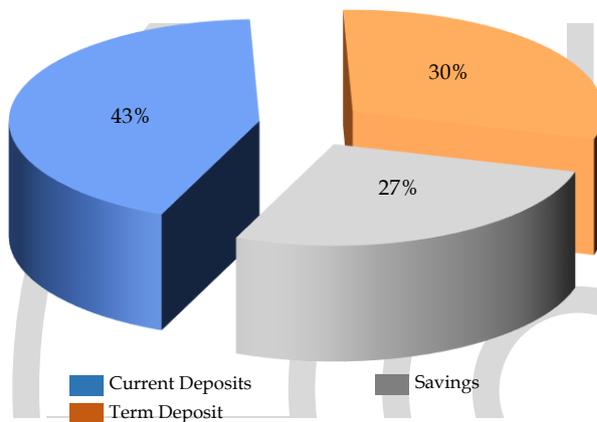
Deposits by product type include Term, Savings and Current. The Current Deposits accounted for the largest portion.

ANALYSIS OF DEPOSITS BASED ON TYPE

Item Year	2021 ₦'000	%	2020 ₦'000	%
Current Account	671,058,399	43	574,269,183	46
Savings Account	414,087,477	27	403,633,266	32
Term Deposits	469,267,802	30	279,228,458	22
TOTAL	1,554,413,623	100	1,257,130,907	100

Source: FCMB Group Audited Accounts

COMPOSITION OF DEPOSITS BY TYPE



Source: FCMB Group Audited Accounts

ANALYSIS OF LOANS AND ADVANCES BASED ON MATURITY

Months	2021 ₦'000	%
Less than 3 months	242,201,586	22
3 - 6 months	164,417,710	15
6 - 12 months	133,853,126	12
1 - 5 years	411,972,594	37
Overs 5 years	160,712,604	14
Gross Total	1,113,157,620	100

Source: FCMB Group Audited Accounts

Compared with the year 2020 records, Term and Current deposits grew by 68% and 15% respectively.

Deposits from Banks amounted to ₦119.4b (Yr. 20) and ₦160.7b (Yr. 21). These were made up of Money Market Deposit and Trade related obligations to foreign banks.

The Group had on record Borrowings which stood at ₦80.7b as at 31 December, 2021. This is 50% less than the balance recorded in the year 2020 position. Borrowings funded 3% of the asset base. About 50% of the Group's borrowings represented an unsecured facility granted by the African Export - Import Bank. This facility has a tenor of 3 years with a due date 30 June 2024.

The maturity profile of the Group's Deposit is significantly in short-term. About 79% of the Bank's Deposits have maturity profile of less than 3 months. Long Term Funds maturing in more than 5 years amounted to ₦117.4b (Yr. 21).

The portion of the Bank's Loans and Advances maturing between 1-5 years amounted to 37% in the year 2021.

LIQUIDITY GAP ANALYSIS

Year	2021 Loans and Advances ₦'000	2021 Total Deposit ₦'000	Net Liquidity Gap ₦'000
Liquid Assets			674,734,608
Less than 3 months	242,201,586	1,357,686,649	(440,750,450)
3 - 6 Months	164,417,710	162,095,560	(438,428,105)
6 - 12 Months	133,853,126	199,478,647	(504,053,626)
1 - 5 Years	411,972,594	1,918,516	(93,999,548)
More than 5 years	160,712,604	-	66,713,056

Source: FCMB Group Audited Accounts

There exists a short-term liquidity gap of ₦504b in the year 2021. However, the gap is closed over a five-year period.

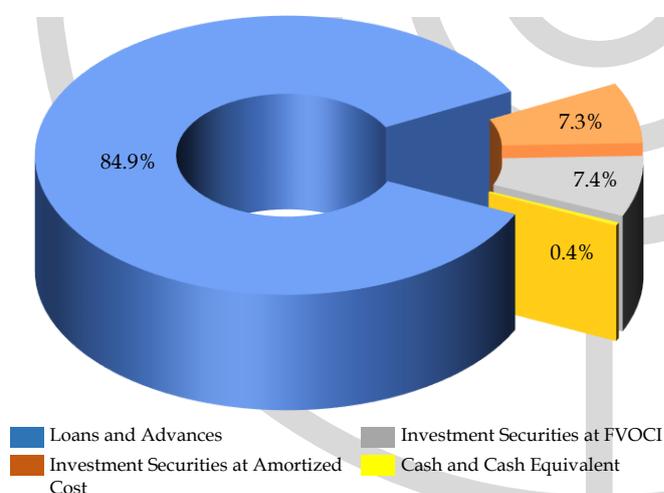
The Assets of the Group were less liquid in the year 2021. The liquid portion of the Total Assets was 27% (Yr.21) as against 29% (Yr.20). The Group reported a Liquidity Ratio

of 34.8% as at the year ended 2021 as against 34.2%(Yr.20).

PROFITABILITY

The Group sources of Revenue can be classified into Interest, Fee and Commission as well as Trading Income.

BREAKDOWN OF INTEREST INCOME



Source: FCMB Group Audited Accounts

Interest Income grew by 7% from ₦151b (Yr. 20) to ₦162b (Yr. 21). The sources of the Interest Earnings were Cash and Cash Equivalents, Loans and Advances and Investment securities. Income from Loans and Advances contributed 85% of the total Interest Income and was the sole contributor to the increase in interest income during the year under review.

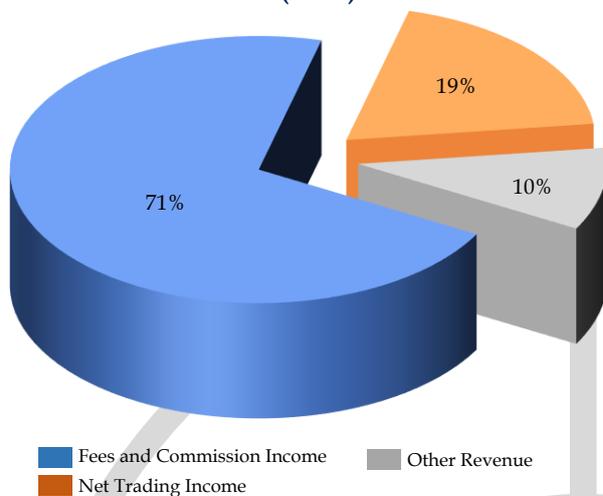
Interest Expenses were incurred on Deposit from Banks and Customers, Borrowings, Debt securities issued, On-lending facilities and lease

liabilities. It increased by 18% from ₦60b to ₦71b during the year.

The growth in Interest Income could not match that of Expenses. Consequently, Net Interest Margin declined from 60% (Yr.20) to 56% (Yr.21).

Other sources of income include; Gain on sale of properties, Rental Income as well as earnings from fixed income and currency trading.

BREAKDOWN OF NON-INTEREST INCOME (2021)



Source: FCMB Group Audited Accounts

Fees and Commission Income improved by 18% to ₦35.6b (Yr.21). These are earnings from Services, Electronic Commission, Account Maintenance and Asset Management.

The Group also grew its Net trading income by 32% to ₦9.4b. Foreign exchange income of ₦6.1b was recorded during the year, representing gains realized from the revaluation of foreign currency denominated assets and liabilities. However, Losses were recorded on restructured facilities leading to the decline in other Revenue from

₦9.5b (Yr.20) to ₦3.4b.

The Group's Operating Expenses (OPEX) increased by 14% to ₦96.2b during the year 2021. This was due to increases of 17%, 6% and 26% in administrative, personnel and other operating expenses respectively.

Impairment losses on financial instrument went down by 28% to ₦15b during the year. Cost to Income ratio rose to 69.9% in the year 2021 compared to 66% recorded in the previous year. Pre-Tax Profit increased by 4% from ₦21.9b (Yr. 20) to ₦22.7b (Yr. 21). The group reported PBT of ₦15.4b in the six months ended 30 June, 2022. As a result of the increase in Cost-to-Income Ratio recorded by the Group, Net Profit Margin remained relatively same at 11% in the years 2020 and 2021.

FIRST CITY MONUMENT BANK LIMITED

First City Monument Bank Limited ("The Bank") is the flagship entity within the Group. The Bank commenced operation in 2001 as a Merchant Bank in Nigeria under the name *First City Merchant Bank Limited*. *First City Merchant Bank Limited* obtained license in 1982. The Bank subsequently changed its name from First City Merchant Bank to *First City Monument Bank* following the Bank's transformation to a universal Bank. The Bank now operates as a full-service commercial Bank.

It employs over 3,000 with a customer base of over 8 million as well as 205 branches and cash centres distributed across every state in Nigeria. The Bank is a top 10 Lender in Nigeria and the parent Company of *FCMB UK Limited*.

The Bank is into the provision of banking and related financial services to Individuals and Corporate Customers. These products and services include, Commercial Banking,

Corporate Banking, Personal Banking, SME Banking, Institutional Banking, Treasury and Financial Market.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Total Liabilities ₦'000	Fixed Assets ₦'000	Total Assets ₦'000
2021	190,576,656	15,681,546	210,305,168	2,153,793,904	42,357,813	2,434,972,537
2020	176,470,625	15,092,047	199,411,904	1,790,998,549	41,294,329	2,014,277,196
2019	163,414,030	14,818,344	175,069,198	1,411,513,164	38,645,841	1,621,453,629
2018	166,579,646	14,245,993	158,717,086	1,156,548,054	32,428,195	1,391,478,767
2017	165,928,559	8,754,283	170,959,657	1,002,132,748	31,488,042	1,169,343,916

Source: FCMB Limited Audited Accounts

The Bank was able to ramp up Low-Cost Deposit Liabilities during the year under review. This had positive influence on profitability and significant growth in most of its Key Financial Indicators.

FCMB CAPITAL MARKETS LIMITED

FCMB Capital Markets Limited was incorporated in the year 2002. The company is licensed, by the Nigerian *Securities & Exchange Commission (SEC)*, as an issuing house and financial advisor. *FCMB Capital Markets Limited* was established to support the Group's corporate finance activities and provides comprehensive services to large corporate organizations.

FCMB Capital Markets Limited provides advice and arranges finance for public institutions and top-tier companies across various sectors. The specific services provided include corporate finance and strategic advice; project and structured finance; mergers and acquisitions including divestments. Others include: spin-offs and leveraged buy-outs, corporate restructuring including delisting.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Total Liabilities ₦'000	Fixed Assets ₦'000	Total Assets ₦'000
2021	707,633	286,134	1,552,922	438,233	33,042	1,991,155
2020	634,377	168,783	1,373,874	359,907	32,869	1,733,781
2019	586,269	50,610	1,317,419	250,462	61,069	1,567,881
2018	761,660	103,154	1,261,042	285,010	10,520	1,546,052
2017	584,903	50,811	1,204,611	309,210	19,785	1,513,821

Source: FCMB Capital Markets Limited Audited Accounts

CSL STOCKBROKERS LIMITED

CSL Stockbrokers Limited is a stockbroking and investment management firm in Nigeria. It was incorporated on 24 January, 1977. The Company is the oldest Subsidiary within the Group. The firm had been involved in the execution of significant share of international portfolio trades on the *Nigerian Exchange (NGX)*.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Total Liabilities ₦'000	Fixed Assets ₦'000	Total Assets ₦'000
2021	3,791,839	1,693,464	4,607,884	3,575,719	426,651	8,183,603
2020	4,004,342	1,625,654	3,915,827	4,410,167	468,038	8,325,994
2019	1,122,546	376,245	3,297,365	2,455,013	185,084	5,752,378
2018	1,033,230	559,856	3,155,161	1,610,881	209,196	4,766,042
2017	1,150,868	622,983	2,768,593	1,277,040	47,381	4,045,633

Source: *CSL Stockbrokers Limited Audited Accounts*

FCMB PENSIONS LIMITED

FCMB Pensions Limited is a private limited liability company incorporated on 7th April 2005, duly licensed by the *National Pensions Commission (PENCOM)* to carry on business as a Pension Fund Administrator, as defined under the Pension Reform Act 2014.

In 2021, *FCMB Pensions Limited* acquired a 93.6% stake in *AIICO Pensions Manger Limited*.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Total Liabilities ₦'000	Fixed Assets ₦'000	Total Assets ₦'000
2021	3,859,864	1,579,564	4,425,565	7,800,207	1,752,237	12,225,772
2020	3,256,795	1,226,560	3,478,834	1,293,347	1,748,674	4,772,181
2019	3,324,414	1,305,625	2,778,608	1,885,620	1,846,381	4,664,228
2018	3,272,499	1,459,093	2,636,298	1,815,726	1,872,226	4,452,024
2017	2,921,157	1,135,930	3,075,556	781,759	1,824,575	3,857,317

Source: *FCMB Pensions Limited Audited Accounts*

FCMB TRUSTEES LIMITED

FCMB Trustees Limited, previously known as *CSL Trustees Ltd*, is a SEC-licensed company. The Company partners with clients to ensure fund assets are kept securely and serviced properly, in the interest of beneficiaries.

The Services of the Company include debenture trustee, security trustee, facility agent, escrow agent, management of private trusts, employee stock ownership plans and employee welfare trustee.

The Company is able to render its services by relying on the wide distribution network provided by the Group.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Total Liabilities ₦'000	Fixed Assets ₦'000	Total Assets ₦'000
2021	100,850	54,631	474,424	693,148	16,720	1,167,572
2020	116,018	81,576	490,652	887,170	24,637	1,377,822
2019	69,936	56,261	451,112	1,159,880	31,271	1,610,992
2018	92,667	136,651	483,134	2,930,338	23,194	3,413,472
2017	67,724	184,482	523,101	1,967,106	3,384	2,490,207

Source: FCMB Trustees Limited Audited Accounts

CREDIT DIRECT LIMITED (CDL)

Credit Direct Limited (CDL) is a micro-lending Institution based in Lagos, Nigeria with branches spread across the Country. *CDL* pioneered the unsecured micro-lending space in Nigeria.

CDL's services are hinged on a partnership with employers and customers to provide friendly innovative loan with flexible repayment options.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Total Liabilities ₦'000	Fixed Assets ₦'000	Total Assets ₦'000
2021	12,416,601	3,189,432	8,131,756	21,291,624	2,969,469	29,423,380
2020	12,008,604	2,666,446	7,914,809	18,385,586	3,276,099	26,300,395
2019	12,723,086	3,588,913	7,456,912	23,547,883	3,097,765	31,004,795
2018	10,676,227	4,435,722	6,955,807	16,150,453	2,970,405	23,106,260
2017	8,326,008	2,250,372	6,884,838	9,539,776	1,699,929	16,424,614

Source: Credit Direct Limited Audited Accounts

FCMB MICROFINANCE BANK LIMITED

FCMB Microfinance Bank Limited provides financial services to the unbanked low-income segment, especially women in the rural areas.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Total Liabilities ₦'000	Fixed Assets ₦'000	Total Assets ₦'000
2021	32,407	11,093	228,807	34,684	9,409	263,491
2020	199,780	15,552	232,676	171,704	16,839	404,380

Source: FCMB MFB Limited Audited Accounts

POLITICAL ENVIRONMENT

The campaign for the 2023 poll officially started on September 28, 2022. This is the first time that political parties will embark on a five-month campaign train before the presidential election following the signing of the Electoral Act, 2022 by President Muhammadu Buhari.

It is also the first time since 1999 that the presidential election will be a 3-horse race among dominant parties namely: the *All Progressive Congress (APC)*, the *Peoples Democratic Party (PDP)* and the *Labour Party (LP)*.

The President of Nigeria is elected using a modified two-round system. To be elected in the first round, a candidate must secure a majority of the vote and over 25% of the vote in at least 24 of the 36 states. If no candidate passes the threshold, a second round will be held between the top candidates and the next candidate to have received a plurality of votes in the highest number of states.

It is however, still too early to predict if a clear winner will emerge among the three popular candidates after the first ballot.

Events in the months leading to the Presidential election on February 25, 2023 will show.

ECONOMIC ENVIRONMENT

Nigeria is the leading economy in Africa. It has a population of over 200 million people. The Country's Gross Domestic Product (GDP) declined between Q4 2021 and Q1 2022 from 3.98% to 3.11%. However, the Q1 2022 growth rate was higher than the 0.51% growth rate recorded in Q1 2021 by 2.60% points. The Financial Sector of the Economy contributed 3.8% to the GDP. The Sector grew at a rate of 32.29% in Q1 2022 which was greater than the rate of Q1 2021 at 30.14%.

The Nigerian Banking industry plays a key role in the economic growth of the country and is therefore one of the most heavily regulated sectors. The Sector consists of 23 Commercial Banks, 6 Merchant Banks, 876 Microfinance Banks and 2 Specialized Banks licensed to provide Non-Interest Banking services to Corporate Entities and Individuals. The Banking sector has undergone two phases of Regulatory driven reforms generally in 2004 and 2009.

The Oil benchmark for the year 2023 budget is \$70 per barrel and 1.69 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$85.87 as at 27th of September, 2022 according to oilprice.com).

The *Central Bank of Nigeria (CBN)* at its May 25th Monetary Policy Committee meeting raised the Monetary Policy Rate for the first time since October 2020 from 11.5% to 13.5%. In a bid to further curtail inflation, the CBN increased the MPR to 14% in June and 15.5% in September, 2022. This could have the effect of limiting borrowing from Financial Institutions due to the high costs and lead borrowers to find alternative sources of finance.

The CBN has maintained its periodic interventions in the Foreign Exchange Market to boost liquidity and enhance access to Foreign Exchange, unbridled demand and ensure stable Exchange Rates. The CBN has been managing its Foreign Exchange Reserves tightly because of lower Oil receipts. Currently, the official Exchange Rate to the dollar as at 27th September, 2022 is ₦435 while the Exchange Rate at the parallel market stood at ₦720.

Currently, Inflation Rate as at the month of August 2022 is 20.4%. General improvements in the economy will largely support continuous growth in the Banking Sector. The critical success factor for the operators is the ability to creatively enhance service delivery in order to retain customer loyalty.

GOVERNANCE, RISK AND COMPLIANCE

The *Group's* Board continues to conduct its affairs through the use of relevant Committees. These Committees include: *Board Risk, Audit and Finance, Board Governance and Remuneration and Statutory Audit.*

Based on our review, the Group demonstrated understanding of the risks to its operations. Document reviewed by us also indicated how the Group addresses and mitigates the identified risks.

Our review of the risks is as follows:

- **REGULATORY RISK**

Regulatory Risk is the Risk that the Group or its Subsidiaries may cease to operate due to inability to meet regulatory requirements such as Central Bank of Nigeria and the Securities and Exchange Commission.

The Group paid penalties totaling ₦723.31 million during the year under review through its Banking, Capital and Pension operations. However, the Group maintains appropriate level of statutory capitalizations for all its regulated Subsidiaries during the year under review.

• CONCENTRATION RISK

Concentration Risk is the Risk of loss to income as a result of significant exposure to an individual, connected entity or a particular sector.

Based on our review, the Group through its Banking operation is significantly exposed to Oil & Gas and Manufacturing sectors. Therefore, adverse changes in the highlighted sectors may have negative impact on its Earnings.

• FOREIGN CURRENCY RISK

Foreign Currency Risk is the Risk arising from adverse movements in Exchange Rates.

Based on our review, the foreign currency exposure of the group amounted to ₦171.33b (Yr. 21) and ₦161.8b (Yr. 20). Consequently, the Group may be affected in the event of adverse movement in Exchange Rates. However, our review showed that the Group maintained some of its Assets in foreign currencies.

ISSUE QUALITY

In the course of our review, we observed the following qualities about the Issue.

- The Issuer has the ability to continually generate Revenue by carrying out Financial Services.
- The historical ability of the Issue to generate Pre-Tax Profit in the last five years (2017 - 2021).
- The Investment Grade Rating of the Issuer
- The Issuer's current *NPL* of less than 5%
- The current CAR above regulatory demand
- The current CET1 above Regulatory demand
- The Governance Structure around the operation of the Issue Account.
- The Bond holders have a direct obligation owed to them by the Issuer.

CONCLUSION

We have reviewed the documents relating to the Issue. The Rating is supported by the Investment Grade Rating of the Issuer and its reported Capital Adequacy Ratio currently above regulatory demand.

However, the Rating is constrained by its deep level of subordination, high level of regulatory intervention regarding payment of obligations and the discretion of the Issuer to cancel payment of Interest. In line with our standard, we have ranked the Issue Rating by two notches below the Long-Term Rating of the Issuer.

Consequently, we assigned a Rating of "**BBB**".

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 4th October, 2022

For and on behalf of:
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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long -term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	<i>(Superior)</i> Assigned to issuers which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	<i>(Excellent)</i> Assigned to issuers which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	<i>(Very Good)</i> Assigned to issuers which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	<i>(Fair)</i> Assigned to issuers which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro</i>

Limited. These issuers, in our opinion, have an ability to meet their current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator Meaning Explanation

BB	Moderate Risk	<i>(Marginal)</i> Assigned to issuers which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	<i>(Weak)</i> Assigned to issuers which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These issuers, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	<i>(Poor)</i> Assigned to issuers, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These issuers, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	<i>(Very Poor)</i> Assigned to issuers, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.