

RATING ANNOUNCEMENT

GCR affirms FBNQuest Merchant Bank Limited's national scale long and short-term issuer ratings of BBB_(NG)/A3_(NG), Rating Watch Negative

Rating action

Lagos, 28 October 2025 - GCR Ratings (GCR) has affirmed FBNQuest Merchant Bank Limited's national scale long and short-term issuer ratings of BBB_(NG) and A3_(NG) respectively, with the Outlook maintained on Rating Watch Negative.

Rated entity	Rating class	Rating scale	Rating	Outlook
FBNQuest Merchant Bank Limited	Long term issuer	National	BBB _(NG)	Rating Watch Negative
	Short term issuer	National	A3 _(NG)	

Rating rationale

The ratings of FBNQuest Merchant Bank Limited's (FBNQuest MB or the bank) balance a sound risk profile, stable funding and strong liquidity against a modest competitive position and constrained capitalisation.

The Negative Rating Watch reflects potential non-applicability of group support uplift upon the completion of FBN Holdings Plc's (FBN Holdings or the group) disposal of the bank, which is a wholly owned subsidiary. This is because FBNQuest MB's ownership is not expected to transfer to an entity with a similarly strong credit risk profile.

FBNQuest MB is a major player within the Nigerian merchant banking sub-sector (the sub-sector), with service offerings that span investment and corporate banking, trade finance and treasury services. The bank maintains its position within the sub-sector, as reflected by a market share of 30.2%, 42.7% and 31.2% of the sub-sector's loans, deposits and total assets respectively as of 31 December 2024. However, its share of the wider sector's total assets remains below 1%, which constrains our competitive position assessment. Historically, FBNQuest MB's brand franchise has been supported by its membership in FBN Holdings, a diversified financial services group which houses the fourth largest commercial bank in Nigeria and creates various cross-selling opportunities and operational efficiencies that drive growth. Looking ahead, our competitive position assessment will largely depend on the FBNQuest MB's ability to defend its market position post completion of the planned disposals by FBN Holdings.

The bank's capitalisation assessment remains a major ratings negative. As of 30 June 2025, the bank's shareholders' funds declined to NGN37.3 billion from NGN43.0 billion as of 31 December 2024, following the sizeable dividend payout to FBN Holdings. Consequently, the bank's GCR core capital ratio declined to 11.4%

as of 30 June 2025 (31 December 2024: 15.5%) and is expected to be sustained at a similar range in the short term. However, the expected capital contributions from the new shareholders could support the capitalisation assessment in the next 12 months

FBNQuest MB's risk profile is a positive ratings factor, reflective of its stringent underwriting criteria and prudent monitoring of exposures. However, counterparty concentration risk remains high, with the single and twenty largest obligors accounting for 11.5% and 99.2% of gross loans respectively as of 30 June 2025. Additionally, the bank has a stressed exposure within the steel production segment of the manufacturing sector. Nonetheless, the NPL ratio remains below the regulatory limit of 5.0%, registering at 3.6% as of 30 June 2025 (31 December 2024: 4.3%). While we expect the risk profile to remain good over the next 12-18 months, significant strain on asset quality metrics could negatively impact our assessment.

We have assessed funding and liquidity at an intermediate level. FBNQuest MB is largely funded by customer deposits, which accounted 71.0% of the funding base as of 30 June 2025. However, the bank's deposit book is concentrated in line with trends in the merchant banking sub-sector, with the top 20 depositors accounting for 71.9% of total deposits as of 30 June 2025 (31 December 2024: 72.0%). Liquidity is strong, reflected by the liquid asset coverage of customer deposits and wholesale funding which registered at 83.9% and 37.3x respectively as of 30 June 2025 (2024: 85.7% and 39.0x respectively). We expect the bank's funding structure and liquidity profile to remain sound over the next 12-18 months.

Outlook statement

The Rating Watch Negative Outlook reflects our expectations that the planned change in shareholding could result in a negative ratings movement should there be limited headroom for group support uplift under the bank's new shareholding structure.

Rating triggers

A rating upgrade could stem from capital injection by the new shareholders which supports the GCR core capital ratio to register above 25.0% on a sustainable basis. Conversely, negative rating action could result from 1) limited scope for group support uplift from the new shareholders following FBNQuest MB's exit from FBN Holdings, 2) GCR core capital ratio registering below current levels, 3) pressure on asset quality and 4) a demonstrable reduction in franchise strength reflected by loss of market share and/or deposits following the bank's exit from FBN Holdings.

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
 Criteria for Rating Financial Institutions, May 2024
 GCR Ratings Scales, Symbols & Definitions, May 2023
 GCR Country Risk Scores, October 2025
 GCR Financial Institutions Sector Risk Score, August 2025

Ratings history

FBNQuest Merchant Bank Limited

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	A _(NG)	Stable Outlook	June 2006*
Short Term Issuer	Initial	National	A1 _(NG)	n/a	June 2006*
Long Term Issuer	Last	National	BBB _(NG)	Rating Watch Negative	April 2025
Short Term Issuer	Last	National	A3 _(NG)	n/a	April 2025

*Refers to historical ratings assigned to Kakawa Discount House Limited

Risk score summary

Rating components and factors	Score
Operating environment	7.25
Country risk score	3.50
Sector risk score	3.75
Business profile	(1.50)
Competitive position	(1.50)
Sustainability	0.00
Financial profile	(0.75)
Capital and leverage	(1.75)
Risk	0.50
Funding and Liquidity	0.50
Comparative profile	1.50
Group support	1.50
Peer comparison	0.00
Total Risk Score	6.50

Glossary

Asset Quality	Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.

Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its risks.
Customer Deposit	Cash received in exchange for a service, including safekeeping, savings, investment, etc. Customer deposits are a liability in a bank's books.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Facility	The grant of availability of money at some future date in return for a fee.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Financial Year	The year used for accounting purposes by a company or government. It can be a calendar year or it can cover a different period, often starting in April, July or October. It can also be referred to as the fiscal year.
Forbearance	A temporary suspension of repayments, granted by a creditor to a debtor.
Income	Money received, especially on a regular basis, for work or through investments.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Liquid Assets	Assets, generally of a short term, that can be converted into cash.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Monetary Policy	Measures taken by the central bank to influence the quantity of money or the rate of interest with a view to achieving stable prices, full employment and economic growth.
Net Interest Margin	Net interest income divided by average interest earning assets. Measures a bank's margin after paying funding sources and how successful a bank's interest-related operations are.
Obligor	The party indebted or the person making repayments for its borrowings.
Policy	The legal document issued by the company to the policyholder, which outlines the conditions and terms of the insurance.

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 the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Audited Financial Statement as of 31 December 2024 and four prior fiscal years
- Unaudited Financial Statement as of 30 June 2025
- Other related documents
- Exchange rate source: Central Bank of Nigeria USD1.00 = NGN1,447 (31 December 2024)

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