

## PRIVATE CREDIT RATING ANNOUNCEMENT

GCR assigns FCMB Group Plc National Scale Long and Short-term Issuer Ratings of BBB<sup>+</sup><sub>(NG)</sub>/A3<sub>(NG)</sub>; Outlook Stable

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### Rating Action

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Lagos, 14 September 2022 – GCR Ratings ("GCR") has assigned FCMB Group Plc national scale long and short-term issuer ratings of BBB<sup>+</sup><sub>(NG)</sub> and A3<sub>(NG)</sub> respectively, with a Stable Outlook.

Rated Entity	Rating class	Rating scale	Rating	Outlook/Watch
FCMB Group Plc	Long Term Issuer	National	BBB <sup>+</sup> <sub>(NG)</sub>	Stable Outlook
	Short Term Issuer	National	A3 <sub>(NG)</sub>	

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### Rating Rationale

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The ratings assigned to FCMB Group Plc ("the Company") is one notch lower than the Anchor Credit Evaluation ("ACE") of the consolidated FCMB Group ("the Group"), due to structural subordination. This reflects the Non-Operating Holding Company's ("NOHC") reliance on cash flows and dividends from First City Monument Bank Limited (the core entity within the Group), which could be diverted by regulatory intervention at a time of stress.

FCMB Group Plc is a financial service holding company in Nigeria with core operations in banking and an increasing presence in non-bank financial services through its other subsidiaries. The Group has seven direct subsidiaries and four indirect subsidiaries as at December 2021, with growing franchise strengths across different financial service areas including microlending, asset and wealth management, and investment banking.

For more information on the ratings of the Group read, '[GCR upgrades First City Monument Bank Limited's National Scale Long-term Issuer Rating to A<sub>\(NG\)</sub> from BBB<sup>+</sup><sub>\(NG\)</sub> and affirms the Short-term Issuer Rating of A2<sub>\(NG\)</sub>; Outlook Stable](#)'

### Outlook Statement

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The Stable Outlook reflects GCR's expectations that the Group's growth and diversification strategy would continue to enhance the contribution of the non-bank subsidiaries to the Group's earnings profile, albeit the bank is expected to remain the core operating entity over the rating horizon.

### Rating Triggers

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The ratings of the Company will follow the creditworthiness of the Group.

## Analytical Contacts

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## Related Criteria and Research

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Criteria for the GCR Ratings Framework, January 2022

Criteria for Rating Financial Institutions, May 2019

GCR Ratings Scales, Symbols &amp; Definitions, May 2022

GCR Country Risk Scores, August 2022

GCR Financial Institutions Sector Risk Score, June 2022

## Ratings History

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**FCMB Group Plc**

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Long Term issuer	Initial/Last	National	BBB+ <sub>(NG)</sub>	Stable Outlook	September 2022
Short Term issuer	Initial/Last	National	A3 <sub>(NG)</sub>		September 2022

## Private rating usage

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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.

## Risk Score Summary

Rating Components & Factors	Risk Scores
<b>Operating environment</b>	<b>7.50</b>
Country risk score	4.00
Sector risk score	3.50
<b>Business profile</b>	<b>1.00</b>
Competitive position	1.00
Management and governance	0.00
<b>Financial profile</b>	<b>(0.75)</b>
Capital and Leverage	(1.50)
Risk	0.25
Funding and Liquidity	0.50
<b>Comparative profile</b>	<b>(1.00)</b>
Group support	(1.00)
Government support	0.00
Peer analysis	0.00
<b>Total Score</b>	<b>6.75</b>

## 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, the rated entities, 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:

- The audited financial results as at 31 December 2021
- Unaudited interim account for 1Q FY22
- Four years of comparative audited numbers
- Other related documents

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