GCR RATINGS

Credit Rating Report | Financial Institutions | May 2024[1]

First City Monument Bank Limited and FCMB Group Plc

Rated entity	Rating class	Rating scale	Rating	Outlook/Watch
First City Monument Bank Limited	Long Term Issuer	National	A-(NG)	Rating Watch Negative
	Short Term Issuer	National	A2(NG)	

Rated entity/Issue	Rating class	Rating scale	Rating	Outlook/Watch
FCMB Group Plc	Long Term Issuer	National	BBB+(NG)	Rating Watch Negative
	Short Term Issuer	National	A2(NG)	
Series 1 NGN20.7 billion Additional Tier 1 Subordinated Bonds	Long Term Issue	National	BBB-(NG)	Rating Watch Negative
Series 2 NGN26.0 billion Additional Tier 1 Subordinated Bonds	Long Term Issue	National	BBB-(NG)	Rating Watch Negative

Analytical entity: FCMB Group Plc

FCMB Group Plc (FCMB Group or the group) was incorporated in November 2012 as a non-operating financial service holding company with core operations in commercial banking and an increasing presence in non-bank financial services through its subsidiaries. As of 31 December 2023, the group comprised seven direct subsidiaries and three indirect subsidiaries, with growing franchise strengths across different financial service sectors including consumer finance, investment management, and investment banking.

First City Monument Bank Limited (FCMB or the bank) is the commercial banking arm and the core operating entity within the group, accounting for 87.2% and 97.5% of gross earnings and total assets respectively as of 31 December 2023. In line with GCR Ratings Framework, the creditworthiness of FCMB reflects the strengths and weaknesses of the group. Hence, we have adopted a group ratings approach in assigning ratings to FCMB, focusing on the business and financial profile of the consolidated group.

FCMB Group's national scale rating is one-notch lower than the theoretical consolidated group due to the subsisting structural subordination. This reflects the Non-Operating Holding Company's (NOHC) reliance on cash flows and dividends from the bank and other subsidiaries, which could be diverted by regulatory intervention during times of stress.

As of 31 December 2023, FCMB Group's major shareholders were FCMB Nominees Capital IRG Trustees Limited (10.3%), Stanbic Nominees Nigeria Limited (6.4%), Primrose Investments Limited (5.4%) and Bluechip Holdings Limited (5.1%), with combined equity stakes of 27.2%. The remaining 72.8% was held by diverse retail and institutional investors.

[1] The last rating announcement was in April 2024. Rating reports are updated at least once a year from the date of the last announcement.

Credit profile summary

Strengths

- FCMB Group's diversified operations across commercial banking and non-bank financial services, which support product distribution and cross-selling opportunities
- Stable funding structure and good liquidity profile

Weaknesses

- Weak capitalisation assessment with a limited buffer against unexpected losses
- Subdued risk profile, characterised by a weak credit profile of the top twenty obligors, which are highly vulnerable to prevailing macroeconomic challenges
- High concentration risk in the loan book and breach in single obligor limit (20% of shareholders' funds)

Rating summary

The rating watch negative on FCMB and FCMB Group follows ongoing pressure on capitalisation from the adverse impact of macroeconomic environment on the loan book. This is balanced against a sound funding structure, good liquidity and competitive position, and FCMB Group's planned equity capital raise of NGN150 billion in 2024.

Outlook statement

The Rating Watch Negative reflects a weak GCR core capital ratio and pressure on capitalisation from the adverse impact of macroeconomic environment on the loan book. If the planned capital raise in the short term materialises, it would support the GCR core capital ratio at c.18% over the next 12 months (all else being equal), otherwise, we would lower the ratings in the near term. Credit migrations to IFRS 9 stage 3 classification are likely because of the weak macroeconomic climate, with the credit loss ratio registering between 3%-4% and a gradual resolution of the SOL breaches over the next 12-18 months. While the funding structure remains sound, CBN's contractionary monetary policy stance could moderate the liquidity position over the outlook horizon.

Rating triggers

A rating downgrade could be triggered by the group's inability to raise the planned equity capital within the stipulated time frame of nine months, with the GCR core capital ratio remaining below 15% by the end of 2024. In addition, a further deterioration in asset quality (NPL and credit ratios above the industry average) stemming from material credit migrations to the stage 3 classification and a continuous obligor concentration in the loan book could result in a downgrade. The group's large FCY loan book is also a threat to capitalisation ratios especially in the event of a further naira devaluation which could result in multiple levels of a downgrade if new equity capital is not raised at the group level.

Conversely, a positive rating action could result from a material improvement in the GCR core capital ratio above 20% on a sustainable basis. We could positively consider the significant improvement in assets quality such that a) NPL and credit loss ratios are consistently maintained below 5% and 2% respectively b) there is considerable loan book diversification and moderation in the stage 2 loans and c) the SOL breaches are resolved.

The ratings on Series 1 and Series 2 AT1 Bonds would be sensitive to a rating action on the bank. Furthermore, if the bank or Group's CET1 ratio lowers towards the trigger point for deferability of interest payments and/or the PONV/pre-specified trigger point, we could lower the rating on the Series 1 and Series 2 AT1 Bonds. Specifically, if the CET1 ratio lowers to below 11.5% we will lower the ratings on the notes independently from the bank or group.

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

Risk score summary

Rating Components & Factors	Risk Scores
Operating environment	**7.25**
Country risk score	3.75
Sector risk score	3.50
Business profile	**1.00**
Competitive position	1.00
Management and governance	0.00
Financial profile	**(1.00)**
Capital and Leverage	(1.50)
Risk	0.00
Funding and Liquidity	0.50
Comparative profile	**0.00**
Group support	0.00
Government support	0.00
Peer analysis	0.00
Total Score	**7.25**

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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 2023
GCR Country Risk Scores, February 2024
GCR Financial Institutions Sector Risk Score, December 2023

Ratings history

First City Monument Bank Limited					
Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	A+(NG)	Stable Outlook	February 2000
Short Term Issuer	Initial	National	A1(NG)		February 2000
Long Term Issuer	Last	National	A-(NG)	Rating Watch Negative	August 2023
Short Term Issuer	Last	National	A2(NG)		August 2023

FCMB Group Plc					
Rating class	Review	Rating	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	BBB+(NG)	Stable Outlook	August 2022
Short Term Issuer	Initial	National	A2(NG)	---	August 2022
Long Term Issuer	Last	National	BBB+(NG)	Rating Watch Negative	August 2023
Short Term Issuer	Last	National	A2(NG)	---	August 2023
Series 1 NGN20.7 billion Additional Tier 1 Subordinated Bonds	Initial	National	BBB-(NG)	Stable Outlook	April 2023
Series 1 NGN20.7 billion Additional Tier 1 Subordinated Bonds	Last	National	BBB-(NG)	Rating Watch Negative	August 2023
Series 2 NGN26 billion Additional Tier 1 Subordinated Bonds	Initial/last	National	BBB-(NG)	Rating Watch Negative	March 2024

Operating environment

Country risk[2]

The revised Nigeria country risk score of '3.50' reflects the deterioration in its fiscal position amid rising debt levels and a narrow revenue base. Although the economy is fairly diversified, Nigeria remains vulnerable to commodity price shocks being that crude oil exports remain the dominant source of foreign currency inflows. Crude oil output was significantly depressed in 2022 due to oil theft and vandalism and as such, the nation's external reserves tanked to $37.08 billion in December 2022, from $40.52 billion in December 2021, despite the rallying of oil prices. Inflationary pressures will be sustained in 2023 and are principally stoked by external factors (high energy and import prices) and knock-on effects from supply shocks emanating from the Russian/Ukraine crisis. The lingering fuel crisis, local currency shortage (post the Naira redesign), foreign exchange scarcity, multiple exchange rates, erratic power supply, high inflation, rising interest rates and security challenges could significantly hamper short to medium term economic growth prospects. These challenges notwithstanding, the country has abundant natural resources (including the recently discovered high-grade lithium) and a wide consumption base due to its large population of approximately 220 million people. Nigeria is Africa's largest economy and contributes around 17% of continental GDP, however, like many of the continental peer group, wealth levels are low.

For full details, please see GCR's Country Risk Score report. The Country Risk Scores are available for download at https://gcrratings.com/wp-content/uploads/2024/02/20240222-Country-Risk-publication.pdf

Sector risk

The Nigerian Financial Institutions Risk Score of '3.50' is supported by strong local currency liquidity within the sector and stability in the funding (which is largely deposit based). Also, the banking sector appears well capitalised on the average. In addition, consideration was given to regulatory compliance, which is considered adequate and in line with the regional average. However, concentration of the loan book by sector (oil and gas) heightens credit risk, though with modest levels of non-performing loans. We note that the Nigerian banking sector is highly fragmented, with the top tier of the sector controlled by a few players and increasing competition amongst players within the sector. The relatively low private sector debt is expected to continually increase going forward, given the regulatory backed position of increased lending to the private sector, which would enable diversification.

[2] The country risk score of 3.75 assigned to FCMB is a blended score, factoring the bank's 88.5% and 11.5% loan exposures to Nigeria and the United Kingdom respectively as of 31 December 2023.

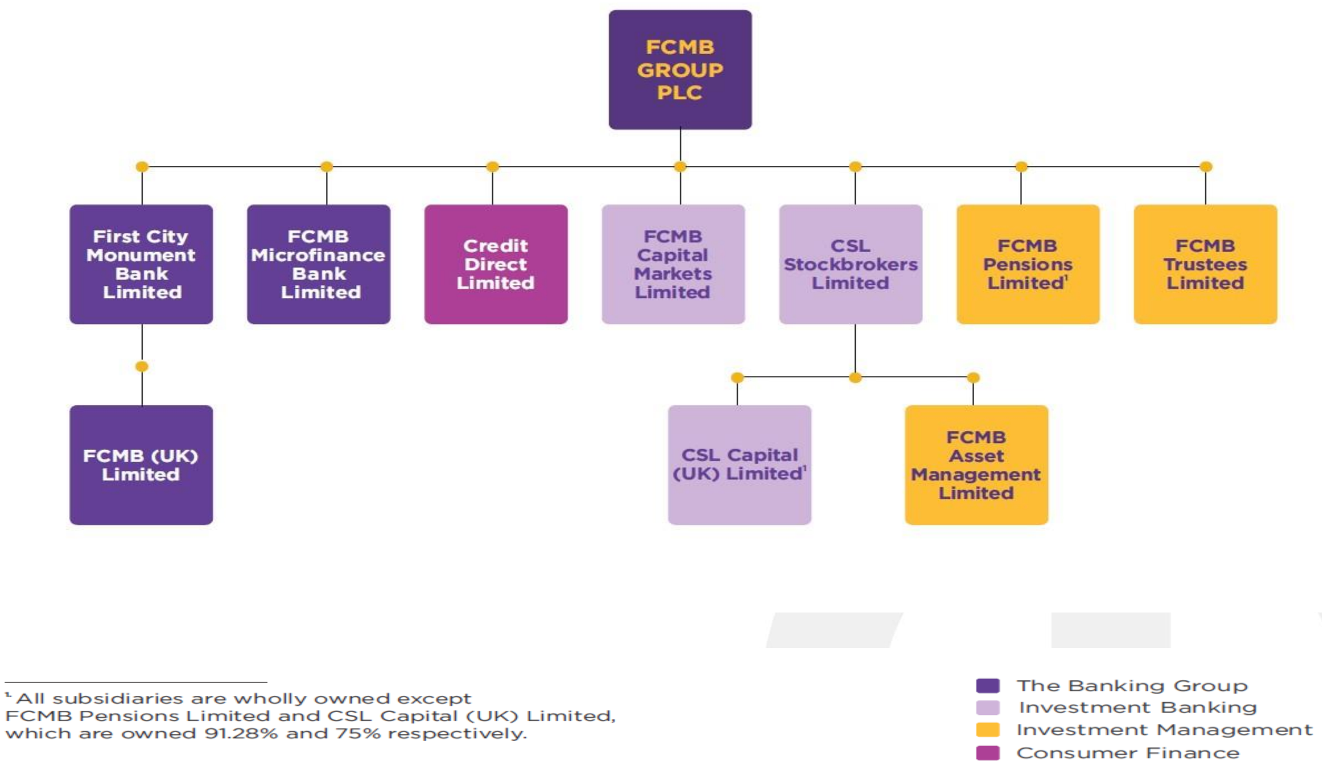
For full details, please see GCR's Financial Institutions Sector Risk Score report. The Sector Risk Scores are available for download at https://gcrratings.com/wp-content/uploads/2024/02/20231123-GCR-Financial-Institutions-Sector-Risk-Scores.pdf

Business profile

Competitive position

The group's competitive position is a rating strength, underpinned by its diversified business operations. As of 31 December 2023, the group comprised seven direct subsidiaries and three indirect subsidiaries, with a growing franchise across different financial services segments including banking, consumer finance, investment management, and investment banking. The group continues to strengthen its market position through organic and inorganic strategies, leveraging technology, collaborations, and its international presence through the FCMB UK subsidiary. The growing presence in the non-bank financial services segment bodes well for the group, because it provides cross-selling opportunities, and improves earnings capacity and diversification, particularly given the highly competitive nature of core banking activities in the Nigerian market. With a balance sheet size of NGN4.4 trillion (USD4.9 billion) as of 31 December 2023, FCMB accounted for approximately 4.0% of the Nigerian banking sector's resources. FCMB's franchise strength is supported by its over 12 million customers that are serviced through 205 physical branches, 809 ATM terminals, and c.30,000 POS terminals, complemented by other digital platforms.

Exhibit 1: Group Structure



Source: FCMB Group

FCMB Group has maintained good earnings progressions over the last five years, underpinned by improved value propositions of the commercial bank and other subsidiaries. In 2023, gross revenue increased considerably by 83.7% to NGN322.2 billion (USD358.1 million), largely supported by one-off FX gains of NGN84.0 billion stemming from the naira devaluation. As a result, non-interest income constituted a higher 44.9% of gross revenue in 2023 (2022: 30.4%). The group also recorded stronger net interest income during the year, due to the positive impact of naira devaluation on the proportion of interest income denominated in foreign currency. Overall pre-tax profit registered at NGN101.5 billion in 2023, representing a 154.1% spike over the prior year. While the group's profitability could moderate somewhat in 2024 due to the absence of the significant FX revaluation gains, the increased value proposition and transaction volume on digital channels could support earnings going forward.

Management and governance

Our assessment of management and governance is neutral to the rating. As of 31 December 2023, FCMB's Board composition was in line with the required corporate governance standards, comprising a non-executive chairman, six other non-executive directors (two of whom are designated independent directors), and three executive directors. Similarly, the Boards of other subsidiaries were well constituted in line with best practices. The Board exercises oversight through its standing committees namely: Board Credit Committee, Board Finance and General-Purpose Committee, Board Audit Committee, Board Governance, Remuneration and Nominations Committee, Board Audit and Risk Committee, Board Innovation and Strategy Committee, and Board Technology Committee. We recognise the stability of the management team, with extensive experience in the Nigerian financial industry.

For the financial year 2023, FCMB received an unqualified audit opinion from its external auditor, Deloitte and Touche. We consider the level of transparency and disclosure in the financial statements and other related documents to be adequate.

Financial profile

Capital and Leverage

FCMB Group's shareholders' funds registered at NGN460.7 billion (USD512.3 million) as of 31 December 2023, reflecting a 67.0% growth over the position as of 31 December 2022. This growth was largely supported by considerable earnings accretion from FX gains and the issuance of two series of Additional Tier 1 (AT1) Capital of NGN20.7 billion and NGN26.0 billion in February and October 2023 respectively. Nonetheless, the inherent headroom from the capital raise was largely eroded by a further naira devaluation. As a result, the GCR core capital ratio registered at 15.1% as of 31 December 2023. Looking ahead, the group plans to raise NGN150 billion in equity capital through a rights issue and private placement in 2024, which could improve GCR core capital ratio to c.18% over the outlook horizon. This could positively impact our capitalisation assessment, barring any further major naira devaluation. However, the ratings could be downgraded in the near term if the planned equity capital fails to materialise within the stipulated timeframe and the GCR core capital ratio remains below 15%.

Over the next 12-18 months, GCR expects:

- Internal capital generation to range between 15%-25% of the prior year's equity
- Core earnings to adjusted assets of between 1.4%-1.6% and core earnings to GCR total capital ratio of 15%-20%
- Net interest margins of between 5% and 7% due to expected asset repricing and the higher cost of funds
- Loan book growth of between 25% and 30%
- Cost of risk of between 3% and 4%
- Cost-to-income ratio of between 55% and 65%

Exhibit 2: Capitalisation

	2025(f)	2024(e)	2023	2022	2021
GCR Total Capital/Risk Weighted Assets	13.1%	14.1%	15.1%	15.0%	14.2%
Core Earnings to adjusted assets	1.2%	1.4%	2.0%	1.1%	0.9%

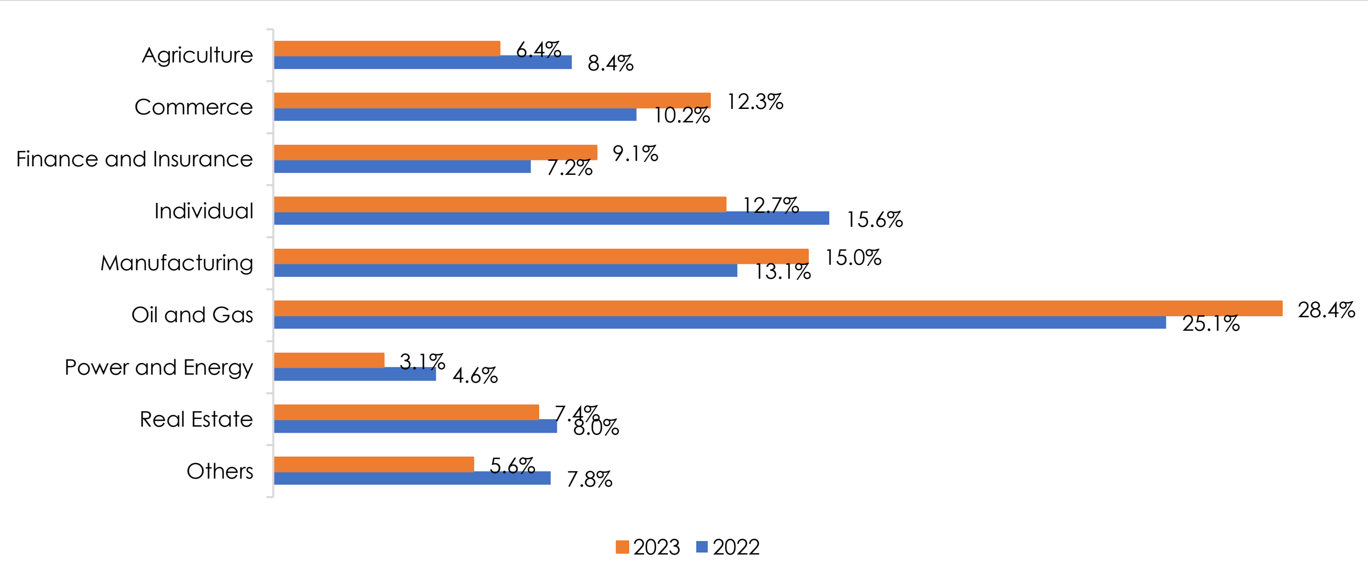
e: GCR estimates; f: GCR forecasts
NB: The projections exclude the planned equity capital injection
Source: FCMB Group's financial results and GCR financial tool

Risk

FCMB's asset quality metrics are strained by increased lending concentrations, rising credit losses and a high portion of foreign currency loans due to significant Naira devaluation and other macroeconomic challenges. As of 31 December 2023, the group's non-performing loans (NPL) ratio registered at 4.1% (December 2022: 4.0%), while the credit loss ratio was 4.2% as at the same date, trending further up after 2023-year end. Furthermore, the percentage of stage 2 loans to gross loans increased to 29.2% in 2023 (2022: 22.1%), largely constituting legacy foreign currency (FCY) syndicated loans to the oil and gas and power sectors. While management indicated that most of these stage 2 loans have been restructured and are performing in line with restructured terms, we believe that these exposures remain susceptible to credit migrations amidst macroeconomic constraints, heightening credit risk. Positively, the group maintained adequate loan loss reserve coverage of stage 3 loans, registering at 115.2% as of 31 December 2023 (December 2022: 102.8%).

Obligor concentration remains high, with the twenty largest obligors accounting for 46.1% of gross loans as of 31 December 2023 (December 2022: 41.2%), most of which exhibit weak credit profiles (based on the bank's internal assessment). Furthermore, five names breached the single obligor limit (SOL) of 20% of shareholders' funds in 2023, due to the Naira devaluation. Although the bank currently benefits from regulatory forbearance, we expect these SOL breaches to persist barring any major remedial actions. The Naira devaluation also bloated the volume of FCY exposures to 53.0% of gross loans at end-December 2023 (December 2022: 42.0%), with most FCY facilities extended to the oil and gas sector that constituted 28.4% of the loan book in December 2023 compared to 25.1% in December 2022. The group is in the process of converting some legacy FCY loans and the unhedged portion of the FCY loan book to Naira loans as FCY availability improves.

Exhibit 3: Sectorial distribution of loan book



Source: FCMB Group's financial statements

The sectorial distribution of the loan book reflects the sustained dominance of the oil and gas sector at 28.4% of the loan portfolio in 2023 (2022: 25.1%), most of which were syndicated facilities to the upstream segment. Looking ahead, the group plans to reduce its exposure to the oil and gas, real estate, and power sectors, with increased lending focus on agriculture, renewables, retail, and SMEs.

Exhibit 4: Risk

	2025(f)	2024(e)	2023	2022	2021
New loan loss provisions to average customer loans	2.0%	3.5%	4.2%	2.1%	1.5%
Loan loss reserves to non-performing loans	100.7%	96.3%	115.2%	102.8%	110.9%

Gross non-performing loans to average customer loans	4.3%	4.9%	4.1%	4.0%	4.0%

e: GCR estimates; f: GCR forecasts
Source: FCMB Group's financial results and GCR financial tool

Funding and Liquidity

We assessed funding and liquidity as a positive rating factor. The group is predominantly funded by customer deposits, which constituted 84.6% of the funding base as of 31 December 2023 (31 December 2022: 78.0%). Customer deposits grew by 58.9% to NGN3.1 trillion (USD3.4 billion) in December 2023, underpinned by a strong retail franchise and low-cost deposits mobilisation strategy. Nonetheless, current and savings account (CASA) deposits constituted a lower 61.6% of the customer deposits book in 2023 (2022: 62.8%) due to the faster growth in term deposits during the year. This, coupled with the rising interest rate environment, led to a higher cost of funds of 5.8% in 2023, from 5.0% in the prior year, with a further increase expected following the 600bps hike in the monetary policy rate (MPR) in the first quarter of 2024. Notwithstanding, FCMB's customer deposits book is diversified, with the top twenty depositors accounting for 17.0% of the customer deposits as of 31 December 2023 (December 2022: 14%).

Exhibit 5: Funding and Liquidity

	2025(f)	2024(e)	2023	2022	2021
Long term funding ratio	97.0%	96.6%	97.9%	90.1%	89.9%
GCR Stable funds ratio	119.9%	121.3%	77.6%	72.3%	68.7%
GCR liquid assets/ customer deposits	43.4%	45.9%	45.1%	45.7%	46.3%
GCR liquid assets/wholesale funding	5.4x	5.2x	4.7x	2.2x	2.4x

e: GCR estimates; f: GCR forecasts
Source: FCMB Group's financial results and GCR financial tool

The balance sheet is sufficiently liquid, as GCR liquid assets to customer deposits and wholesale funding registered at 45.1% and 4.7x respectively as of 31 December 2023. From a regulatory standpoint, the bank's liquidity ratio was 42% as of 31 December 2023, exceeding the regulatory minimum of 30%. Looking ahead, GCR expects some liquidity stress in the Nigerian banking sector following the recent increase in cash reserve requirements (CRR) for commercial banks to 45% from 32.5% effective February 2024. Nonetheless, the bank's liquidity ratio is expected to remain within the regulatory threshold based on the outlined liquidity management strategy and the reduction in the regulatory minimum loan-to-deposit ratio to 50% in April 2024 from 65% previously.

FCMB and FCMB Group Bonds

Exhibit 6: Details of FCMB Group Bonds

	Amount Issued	Effective date	Tenor	Coupon rate	Redemption date
Series 1 Additional Tier 1 Subordinated Bonds	NGN20.7 billion	February 2023	Perpetual	16.0%	-
Series 2 Additional Tier 1 Subordinated Bonds	NGN26.0 billion	October 2023	Perpetual	16.0%	-

Source: FCMB Group's financial results

Series 1 and Series 2 Additional Tier 1 Subordinated Bonds

The Series 1 and Series 2 perpetual, non-cumulative, fixed-rate, resettable, additional tier 1 subordinated Bonds (the Series 1 and Series 2 AT1 Bonds) are the first two series to be issued under the group's NGN300 billion Debt Issuance Programme (the Programme). In 2023, the Issuer raised a cumulative of NGN46.7 billion under the Programme through the Series 1 and Series 2 AT1 Bonds in February and October respectively, both at a resettable fixed coupon rate of 16%, with no scheduled maturity date. The Series 1 and Series 2 AT1 Bonds qualified as AT1 capital for the Issuer under the approval of the regulator, Central Bank of Nigeria (CBN) and will constitute direct, unsecured, and subordinated obligations of the Issuer. The Series 1 and Series 2 AT1 Bonds shall rank *pari passu* among themselves and with any present and future parity obligations.

GCR has chosen to apply a 3-notch differential from the senior unsecured ratings of the bank due to a back-to-back loan agreement with the entity. This reflects the contractual subordination of the notes - they rank below senior unsecured and subordinated (tier two qualifying capital) bonds, interest payments are deferrable and non-cumulative, subject to the Issuer's discretion. Lastly, the Series 1 and Series 2 AT1 Bonds can be written down when the Issuer's core equity tier 1 (CET1) ratio reaches 10.75% (0.25% above the regulatory minimum) or when the CBN considers the Issuer to be at a point of non-viability (PONV). As of 31 December 2023, the CET1 ratio was 11.5%.

We believe the notes qualify for intermediary levels of capital under our methodology. In addition, we believe that the likelihood of the Series 1 and Series 2 AT1 Bonds being written down or converted increases as the bank's CET1 ratio reduces toward the pre-specified trigger point.

According to the periodic performance reports provided to GCR by the Trustees to the Bondholders, the report indicated that the coupon on the Series 1 and Series 2 AT1 Bonds are paid timely with no breach of financial covenants.

Comparative Profile

Peer analysis

The peer analysis is neutral to the ratings.

Group support

Group support is neutral to the ratings.

Rating Adjustment Factors

Structural adjustments

No structural adjustments have been made to the Anchor Credit Evaluation in arriving at the final ratings.

Instrument ratings

No instrument rating adjustments.

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.
Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Bondholder	Investor of capital market securities.
Capital	The sum of money that is invested to generate proceeds.
Capitalisation	The provision of capital for a company, or the conversion of income or assets into capital.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Contract	An agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured. A 'policy' is the written statement of the terms of the contract.
Corporate Governance	Refers to the mechanisms, processes and relations by which corporations are controlled and directed, and is used to ensure the effectiveness, accountability and transparency of an entity to its stakeholders.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.

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.
Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Creditworthiness	An assessment of a debtor's ability to meet debt obligations.
Customer Deposit	Cash received in exchange for a service, including safekeeping, savings, investment, etc. Customer deposits are a liability in a bank's books.
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.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
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.
Exchange Rate	The value of one country's currency expressed in terms of another.
Exercise	To exercise an option is to use the right of the holder to buy or sell the underlying asset on which the option is based at the strike price.
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
Financial Statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time.
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.
Fix	The setting of a currency or commodity price for trade at a future date.
Forecast	A calculation or estimate of future financial events.
Income	Money received, especially on a regular basis, for work or through investments.
Institutional Investors	Financial institutions such as pension funds, asset managers and insurance companies, which invest large amounts in financial markets on behalf of their clients.
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.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquid Assets	Assets, generally of a short term, that can be converted into cash.
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.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Obligor	The party indebted or the person making repayments for its borrowings.
Option	An option gives the buyer or holder the right, but not the obligation, to buy or sell an underlying financial asset at a pre-determined price.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.

Performing Loan	A loan is said to be performing if the borrower is paying the interest on it on a timely basis.
Performing	An obligation that performs according to its contractual obligations.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Redemption	The repurchase of a bond at maturity by the issuer.
Repayment	Payment made to honour obligations in regards to 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.
Reserves	A portion of funds allocated for an eventuality.
Revaluation	Formal upward or downward adjustment to assets such as property or plant and equipment.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Security	One of various instruments used in the capital market to raise funds.
Senior	A security that has a higher repayment priority than junior securities.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short Term	Current; ordinarily less than one year.
Subordination	The prioritising of the payment of interest and principal payments to tranches (senior, junior etc. Senior tranches are paid before junior tranches.
Syndicated Loan	A large loan arranged by a group of funders, usually international banks, that form a syndicate, headed by a lead manager.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.
Term Deposit	A savings account held for a fixed term. Also called a time deposit. Generally, there are penalties for early withdrawal.
Total Capital	The sum of owner's equity and admissible supplementary capital.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.
Upstream	A term referring to the exploration and extraction of a commodity, in contrast with the downstream manufacturing and processing.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.

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.

Subsequent to an appeal by the rated entity, the rating was revised as reflected in the announcement.

The credit ratings have been disclosed to First City Monument Bank Limited and FCMB Group Plc. *The ratings above were solicited by, or on behalf of,* First City Monument Bank Limited and FCMB Group Plc.

First City Monument Bank Limited and FCMB Group Plc participated in the rating process via telephonic 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 First City Monument Bank Limited and FCMB Group Plc and other reliable third parties to accord the credit ratings included:

- Unaudited management account as of 31 December 2023
- Audited financial statements as of 31 December 2023
- Other related documents
- Exchange rate source: Central Bank of Nigeria USD1.00 = NGN899.39(31 December 2023)