

30 Apr 2020 | No Action Assigned

## Fitch Revises 2 Nigerian Banks' National Ratings

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Fitch Ratings-London-30 April 2020:

Fitch Ratings has revised Guaranty Trust Bank Plc's (GTB) and Zenith Bank Plc's National Long-Term Ratings to 'AA(nga)' and 'AA-(nga)', respectively. We have also revised their National Short-Term Ratings to 'F1+(nga)' from 'F1(nga)'.

The rating actions follow the recalibration of the Nigerian National Ratings Scale following the downgrade of the sovereign on 6 April 2020. Rating revisions are used to modify ratings for reasons that are not related to changes in credit quality.

National scale ratings are a risk ranking of issuers in a particular market designed to help local investors differentiate risk. Nigeria's national scale ratings are denoted by the unique identifier '(nga)'. National scales ratings are not comparable to Fitch's international scales ratings or to other countries' national scale ratings.

### Key Rating Drivers

The recalibration of the Nigerian national rating scale has resulted in the upward revision of the National Long- and Short-Term Ratings of GTB and Zenith. The differentiation between the National Long-term Ratings of GTB and Zenith is made possible by greater granularity under the recalibrated Nigerian national rating scale, which allows us to differentiate further between the National Ratings of Nigerian issuers.

The Rating Watch Negative (RWN) on the National Long-Term Ratings, and debt ratings where relevant, reflects our expectation that all Nigerian banks will face material pressures from a weaker operating environment over the next few months given the oil price crash, potential further devaluation of the Nigerian naira and the impact of the COVID-19 pandemic on individuals and businesses.

### RATING SENSITIVITIES

The National Ratings of the two banks are sensitive to a change in their creditworthiness relative to other Nigerian issuers.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Downside risk will arise from a weakening in the banks' standalone credit profiles, especially if there is sustained material deterioration in asset quality, profitability and capital metrics. Nigerian banks face very challenging conditions due to pressures in the domestic operating environment. Downside risks are heightened by the coronavirus outbreak especially if periods of lockdown, oil price weakness and global economic turmoil extend into 2H20, giving rise to more severe economic and financial market fallout.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Upside to the ratings is unlikely at present.

#### Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

#### REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Zenith Bank Plc; National Long Term Rating; Revision Rating; AA-(nga); RW: Neg  
; National Short Term Rating; Revision Rating; F1+(nga); RW: Neg  
Guaranty Trust Bank PLC; National Long Term Rating; Revision Rating; AA(nga); RW: Neg  
; National Short Term Rating; Revision Rating; F1+(nga); RW: Neg

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

**Applicable Criteria**

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Ratings Criteria \(pub. 18 Jul 2018\)](#)

## **Additional Disclosures**

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