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Stanbic IBTC Bank PLC

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Stanbic IBTC Bank PLC

SACP	b-

Anchor	b	
Business Position	Moderate	-1
Capital and Earnings	Moderate	0
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

\+

Support	+3
ALAC Support	0
GRE Support	0
Group Support	+3
Sovereign Support	0

\+

Additional Factors	-3

Issuer Credit Rating
B-/Stable/B

Major Rating Factors

Strengths:	Weaknesses:
• Strategic importance to the Standard Bank Group (SBG). • Ample capital buffers above the regulatory minimum.	• High single-obligor concentrations and foreign currency lending, which is a structural risk in the Nigerian banking sector. • Funding cost optimization remaining constrained by the limited, albeit increasing, retail customer deposits franchise.

Outlook: Stable

The stable outlook on Stanbic IBTC Bank PLC reflects that on the sovereign.

Downside scenario

We would lower the ratings on the bank if we lowered the ratings on Nigeria. This could happen if we observed increasing risks to the government's capacity to repay commercial obligations, either due to declining external liquidity or a continued reduction in fiscal flexibility. We would also take a negative rating action if we observed pressure on the bank's U.S. dollar liquidity position because of tighter supply in the banking sector.

Upside scenario

We would raise the ratings on the bank if we take a similar action on the sovereign, all else being equal, including our expectation of group support from parent SBG over the next 12 months.

Rationale

Stanbic IBTC group (Stanbic IBTC) operates across multiple business segments in the Nigerian financial and banking sectors and its business position benefits from its brand recognition as well as affiliation to SBG. Establishing a retail banking operation with meaningful profit contributions remains a key priority for the group, which has a well-established corporate franchise, supporting its South African parent's strategic diversification in Africa. We believe the retail franchise will continue to face headwinds due to regulatory stress and COVID-19-induced economic pitfalls.

We expect the group's risk-adjusted capital (RAC) to remain sustainably above 6.0% over the next 12-18 months. This is despite our expectation of elevated credit losses due to weaker macroeconomic conditions in Nigeria, with GDP of 1.5% in 2020, low oil prices averaging $30 per barrel, and the Nigerian naira (NGN) weakening against the U.S. dollar to NGN410/$1. As a result, we expect that credit losses will rise to 2.5% in the Nigerian banking sector in 2020. We forecast that nonperforming loans (NPLs) will increase marginally from levels on Dec. 31, 2019, and range between 4.7% and 5.0% over the next 12-18 months. This reflects regulatory forbearance measures and a limited increase in Stage 2 loans. At the same time, we expect loan loss reserve coverage in the range of 90%-100%.

The group's funding structure has improved and mostly relies on customer deposits. The group also maintains a liquid balance sheet, proactively manages its foreign currency balance sheet, and has access to parental support in case of need.

Anchor: 'b' for banks operating only in Nigeria

We use our Banking Industry Country Risk Assessment economic and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating to a bank. The anchor for a commercial bank operating in Nigeria is 'b', based on an economic risk score of '10' and an industry risk score of '9'.

Operating conditions for the Nigerian banking sector will remain uncertain in the aftermath of another oil price shock amid the pandemic and its negative implications for the global economy. The banking sector is exposed to high credit risk because of Nigeria's reliance on oil and its sensitivity to currency depreciation and high inflation. Our revised base-case scenario of 1.5% GDP growth in 2020 would result in significant pressure on banks' asset quality and earnings because of their material exposure to the sector, averaging 30% for rated entities. We estimate that the pandemic's effects will be somewhat mitigated by the 2016 restructuring, which saw banks use lower break-even prices of $25 per barrel and a pre-funded debt service reserve account that provides three-to-six months of payment buffers during times of stress. Nevertheless, we expect restructured loans will increase to 15%-18% in 2020, from about 10% in 2019, given our lower oil price assumptions. We expect NPLs will rise to about 12.5%, compared with an estimated 11.3% in 2019. We forecast credit losses will increase to about 2.5% in 2020 and normalize at 2% in 2021.

An additional shock to asset quality and earnings would come from our expectation of a weakening naira in 2020 to NGN410 to the U.S. dollar. Lower foreign-exchange inflow tied to reduced oil receipts is likely to present policy challenges to the Central Bank of Nigeria (CBN) in the near term, with regard to the exchange-rate and foreign-exchange-reserve policy. Positively, the majority of banks have overcome their short-term liquidity challenges following the introduction of the Nigerian Autonomous Foreign Exchange Fixing Mechanism window in April 2017. We believe that the risk of banks breaching minimum capital adequacy ratios could re-emerge if the naira weakens by more than 20%, which is higher than our current assumption for 2020.

The sector's profitability will be weaker on the back of higher impairments and lower net interest margins, due to stress on asset quality and limited participation in the CBN's securities auctions. However, we still expect top-tier banks' financial performance will be resilient, with return on equity averaging 15%-16% in 2020, compared with about 8% for mid-tier banks. Naira liquidity is manageable for banks and the CBN has some flexibility to release additional liquidity through the cash reserve requirement, which sits at a high 27.5%. The extension of bank credit to the private sector will likely be subdued, despite the CBN introducing a minimum loan-to-deposit ratio of 65% to boost credit growth.

Table 1

Stanbic IBTC Group--Key Figures

	--Year ended Dec. 31--				
(Mil. NGN)	**2020***	**2019**	**2018**	**2017**	**2016**
Adjusted assets	2,422,487	1,871,224	1,662,834	1,385,811	1,052,810
Customer loans (gross)	640,426	556,383	456,624	403,852	375,316
Adjusted common equity	313,363	271,666	220,944	174,396	137,618
Operating revenues	51,156	186,552	180,742	172,560	125,997
Noninterest expenses	27,476	94,476	94,606	86,026	69,041
Core earnings	20,895	75,515	74,426	48,216	28,477

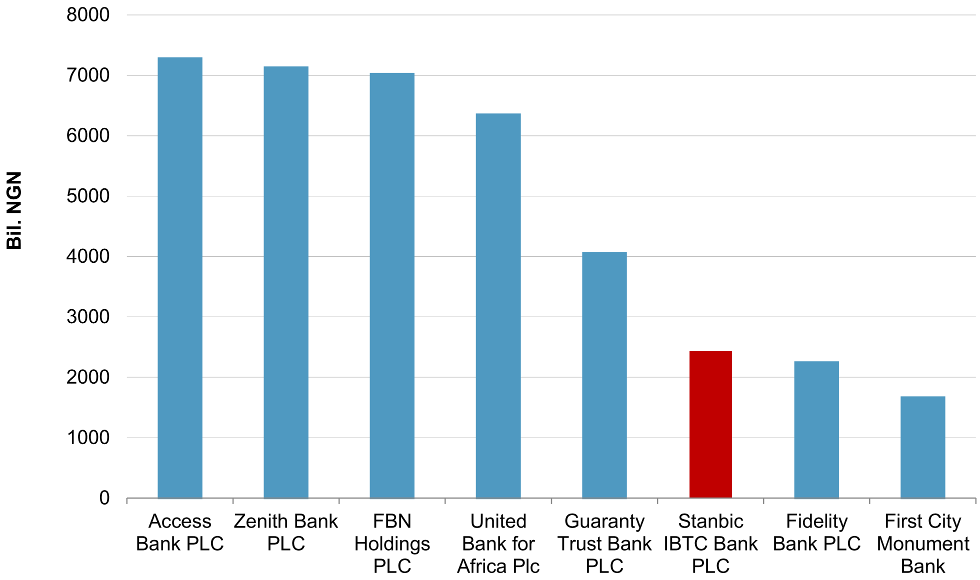
*Data as of March 31. NGN--Nigerian naira.

Business position: Mid-tier banking group with leading wealth management and investment banking franchises

Our assessment of Stanbic IBTC's business position balances its modest size (see charts 1 and 2) against its leading corporate banking and wealth management franchise. It also recognizes Stanbic IBTC group's growing retail banking operations within a competitive Nigerian banking sector.

Chart 1

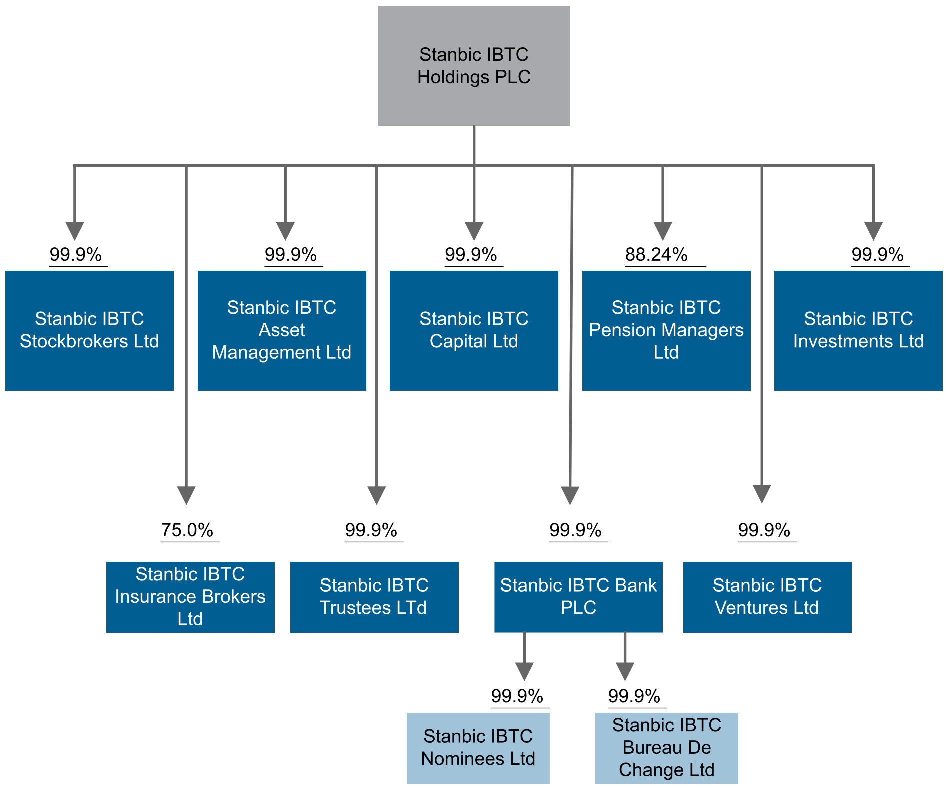
Nigerian Banks Ranked By First-Quarter 2020 Assets



NGN--Nigerian naira. Data as at March 2020. Source: S&P Global Ratings.

Chart 2

Stanbic IBTC Holdings PLC Group Structure

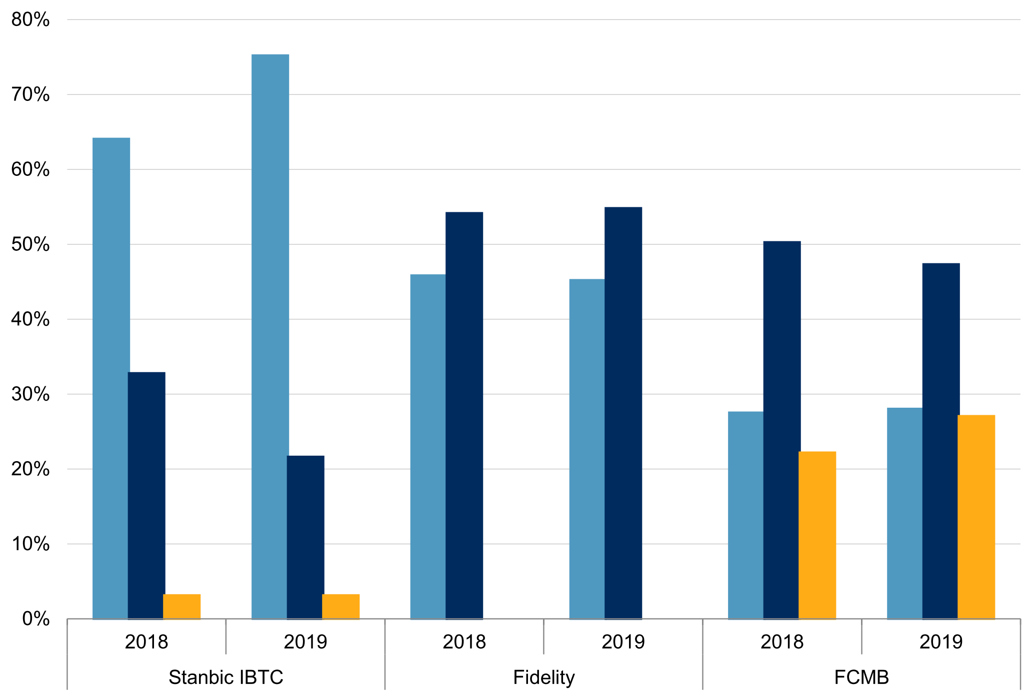


Source: Company reports.

The corporate banking and wealth management operations continue to be the bank's largest revenue and profitability drivers (see charts 3 and 4). Corporate banking, in particular, benefits from SBG's business relationships and balance sheet backing. It also collaborates with ICBC, a 20% shareholder in SBG, to facilitate trade flows into Nigeria, as well as the banking requirements of Chinese state-owned enterprises and Chinese nationals operating locally.

Chart 3

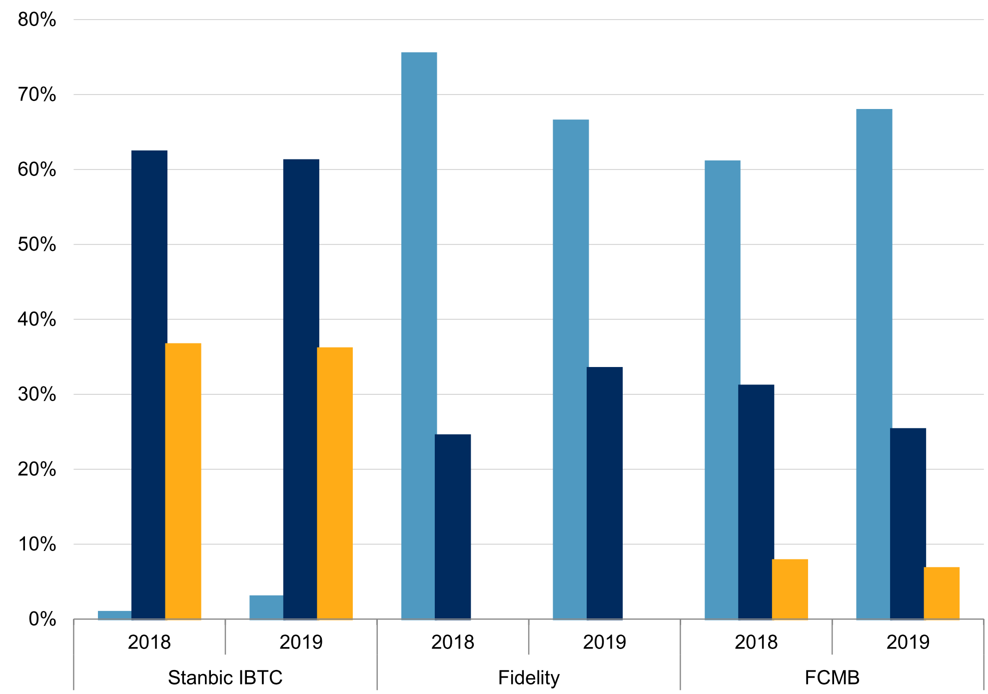
Revenue Contribution By Business Line



Source: S&P Global Ratings.

Chart 4

Pre-Tax Profit Contribution By Business Line



Source: S&P Global Ratings.

Despite the retail operations contributing close to one-third of revenues, the bank's profitability was constrained by tighter net interest margins within a competitive retail banking environment and higher impairments from small-to-midsize enterprises and commercial banking clients in the agricultural sector.

Stanbic IBTC's strategy is to transform into a retail-led bank with low-cost retail deposits and a stable transactional revenue base, notably through innovation such as its integrated digital platform, combining bank and nonbank services. The regulation on electronic banking charges imposed by the CBN presents headwinds to this strategy, although the increased volume in digital banking transactions following the onset of COVID-19 could offset this to some extent.

Table 2

Stanbic IBTC Group--Business Position

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Total revenues from business line (NGN mil.)	51,156.0	186,586.0	180,813.0	172,769.0	126,053.0
Retail banking/total revenues from business line	22.0	28.0	27.0	25.6	35.3
Trading and sales income/total revenues from business line	N/A	19.5	17.3	16.9	12.2
Asset management/total revenues from business line	24.9	27.1	26.2	22.8	25.4

Table 2

Stanbic IBTC Group--Business Position (cont.)

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Return on average common equity	26.2	27.3	34.5	28.9	18.9

*Data as of March 31. N/A--Not applicable. NGN--Nigerian naira.

Capital and earnings: Stanbic IBTC entered the pandemic with strong buffers

We expect that the consolidated group will maintain a RAC ratio of about 6.3%-6.5% over the next 12-18 months, compared with 6.2% at year-end 2019, despite our expectation of increased credit losses.

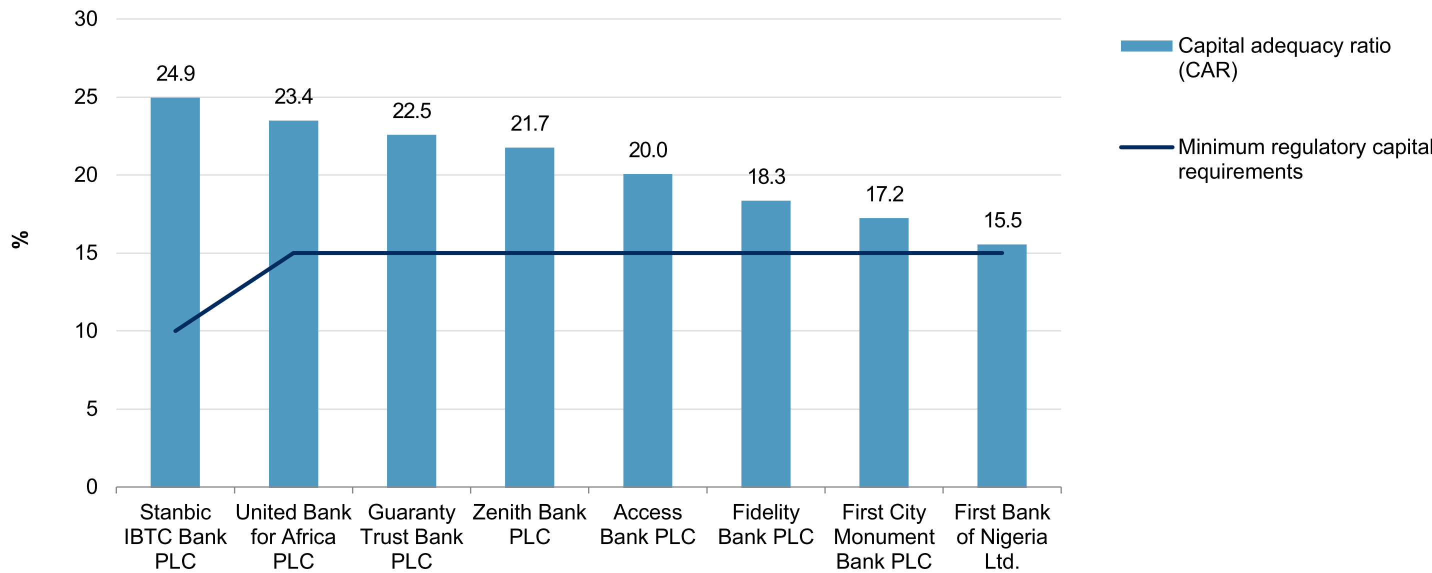
In our base-case scenario, which is subject to further downside risks as uncertainties prevail in 2020-2021, we assume the following:

- Loan growth of 10%-15%, amid low GDP growth of 1.5%, oil prices averaging $30/barrel in 2020, and potential depreciation of the naira by 10%.
- Compressed net interest margins that reflect lower asset yields and our expectation of further interest rate cuts.
- A rise in the NPL ratio to 5% in 2020-2021, below the sector average of 12% in 2020.
- An increase in credit losses to 1.7% in 2020, compared with a sector average of 2.5% in 2020-2021.
- A minimum dividend payout of 30% over our forecast horizon.

Stanbic IBTC group's capital adequacy ratio (CAR) amounted to 22.6% against the minimum requirement of 10% because it is licensed to operate in Nigeria only, compared with a 15% minimum CAR for a domestic banks with an international banking license (see chart 5). We believe the quality of capital is good, with Tier 2 debt constituting 12% of total qualifying capital in fiscal 2019 and first-quarter 2020. Included within Tier 2 capital is U.S. dollar-denominated subordinated debt, which provides a partial hedge against naira depreciation, of US$40 million (NGN15.8 billion), which constitutes 49% of its Tier 2 capital (6% of Tier 1 capital) maturing in May 2025. Considering this, we do not see material strain on the group's and bank's CAR in the event that the naira depreciates by 20% (above our base-case scenario). In addition, management adjusts the dividend payout to maintain a buffer of at least 350 basis points above the minimum CAR and calibrates it against asset quality.

Chart 5

Rated Banks' CARs Meet The Minimum Regulatory Requirements



Data as at December 2019. Source: S&P Global Ratings.

Profitability will be under pressure in 2020. We forecast that return on equity will average around 20% over the next 12-18 months--compared with a 30% average between 2017-2019--following which, we expect it to start approaching pre-pandemic levels. The group's profitability is generally supported by a diversified revenue mix, with about 50% coming from noninterest income, of which more than half originates from the investment banking and wealth divisions. Trading revenue accounted for about one-third of noninterest income in 2019, largely driven by the trading of treasury bills and foreign exchange for clients. We expect this trend to decrease over our forecast period as retail-based fee income increases as a proportion of noninterest.

Stanbic IBTC's earnings buffer was good, at 1.3%, in fiscal 2019, which is in line with that of top-rated banks in Nigeria. Nevertheless, we expect this buffer to drop below 1.0% of risk-weighted assets and average 0.9% over the next 12-18 months, on the back of double-digit loan growth and lower earnings. Despite this, we believe that the group's cost-management initiatives would result in the cost-to-income ratio improving from the current levels in 2022.

Table 3

Stanbic IBTC Group--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Tier 1 capital ratio	20.2	22.3	21.9	19.6	18.6
Double leverage	70.3	69.9	83.7	92.3	117.2
Net interest income/operating revenues	36.2	41.7	43.3	48.4	45.9

Table 3

Stanbic IBTC Group--Capital And Earnings (cont.)

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Fee income/operating revenues	35.0	37.7	38.6	34.2	41.4
Market-sensitive income/operating revenues	28.2	20.4	17.3	16.9	12.2
Noninterest expenses/operating revenues	53.7	50.6	52.3	49.9	54.8
Preprovision operating income/average assets	4.4	5.2	5.6	7.1	5.7
Core earnings/average managed assets	3.9	4.3	4.9	4.0	2.9

*Data as of March 31.

Table 4

Stanbic IBTC Bank PLC--Risk-Adjusted Capital Framework Data

(Mil. NGN)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	637,446	0	0.0	1,383,567	217.0
Of which regional governments and local authorities	557,199	0	0.0	1,235,310	221.7
Institutions and CCPs	57,154	0	0.0	141,472	247.5
Corporate	748,203	835,460	111.7	1,859,758	248.6
Retail	53,717	0	0.0	120,863	225.0
Of which mortgage	0	0	0.0	0	0.0
Securitization§	0	0	0.0	0	0.0
Other assets†	59,419	0	0.0	182,237	306.7
Total credit risk	1,555,938	835,460	53.7	3,687,897	237.0
Credit valuation adjustment					
Total credit valuation adjustment	--	0	--	0	--
Market risk					
Equity in the banking book	38,334	0	0.0	277,588	724.1
Trading book market risk	--	16,082	--	45,231	--
Total market risk	--	16,082	--	322,819	--
Operational risk					
Total operational risk	--	337,605	--	355,713	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	1,189,147	--	4,366,429	100.0
Total Diversification/ Concentration Adjustments	--	--	--	1,516,757	34.7
RWA after diversification	--	1,189,147	--	5,883,186	134.7

Table 4

Stanbic IBTC Bank PLC--Risk-Adjusted Capital Framework Data (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	264,845	22.3	271,666	6.2
Capital ratio after adjustments‡	264,845	22.3	271,666	4.6

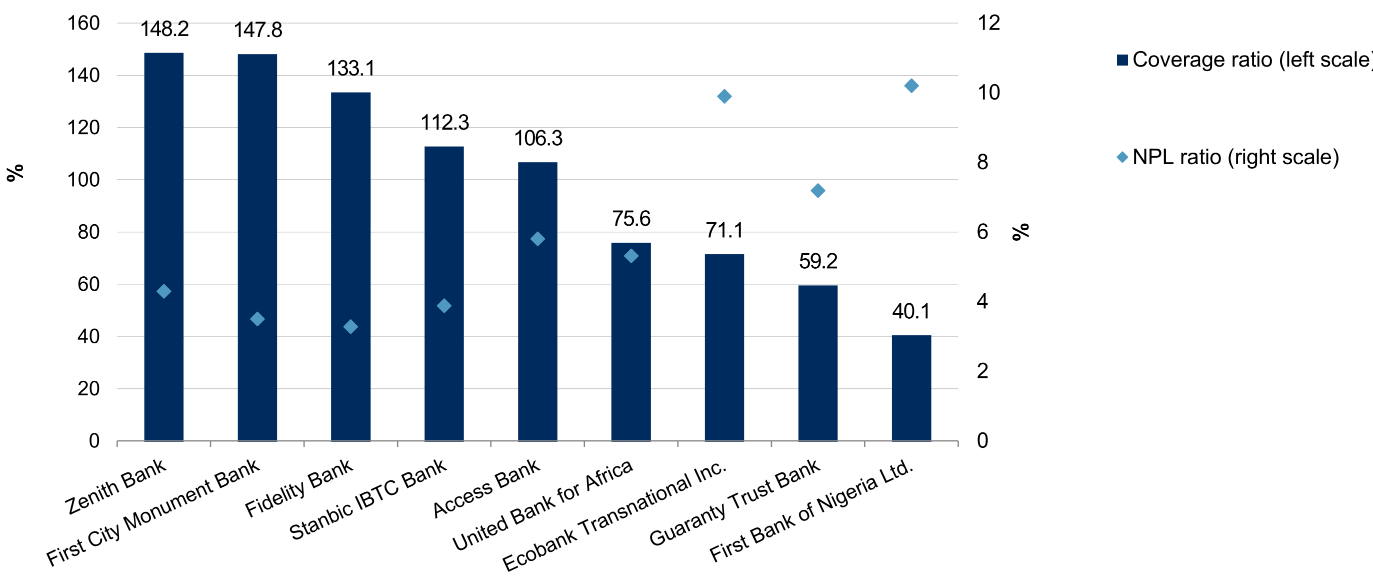
*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. NGN--Nigerian naira. Sources: Company data as of Dec. 31, 2019, S&P Global Ratings.

Risk position: Asset quality will come under pressure due to the collapse in oil prices and COVID-19

Stanbic IBTC group's asset quality metrics were stable in 2019 (see chart 6), with the NPL ratio unchanged at 3.9%. The net impairment charge amounted to NGN1.6 billion, relative to a write-back of NGN2.9 billion in 2018. The group has made notable progress in resolving Stage 2 loans in 2019, with their absolute value decreasing by almost half and their proportion halving to 56.52%. Although the NPL ratio increased to 4.2% in first-quarter 2020, the loan book's overall quality remains acceptable as Stage 2 loans continued decreasing (see chart 7).

Chart 6

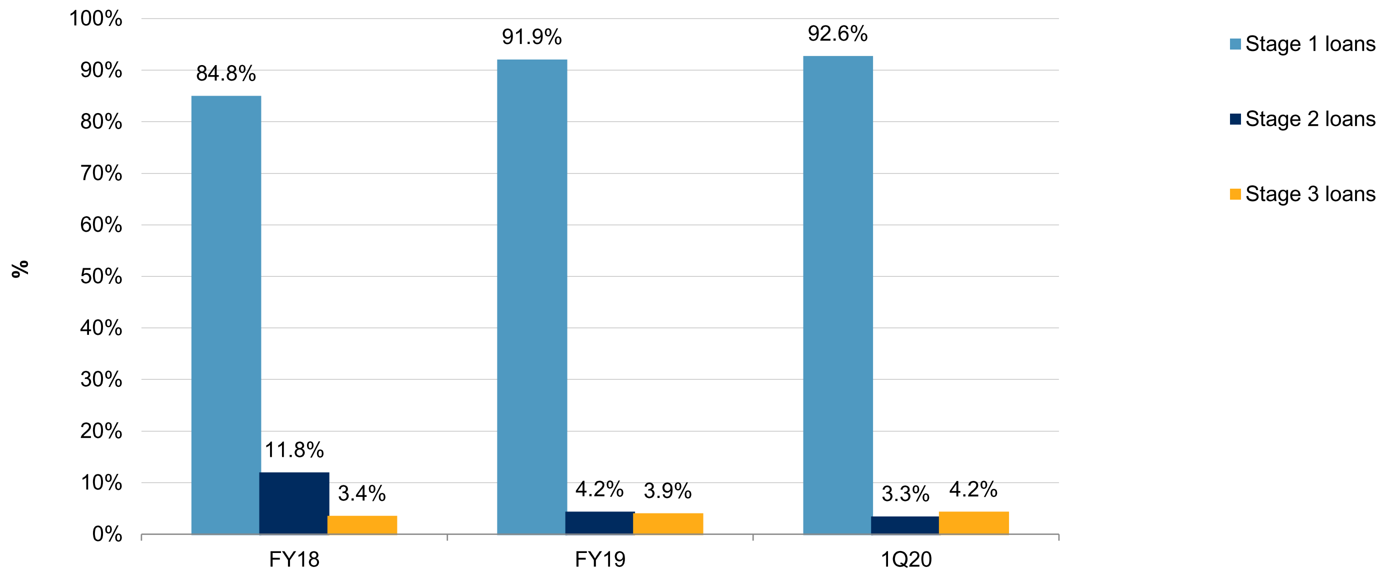
Nigerian Banks--Asset Quality Comparison



NPL--Nonperforming loans. Data as at December 2019. Source: S&P Global Ratings.

Chart 7

Stanbic IBTC Entered The Pandemic At A High Point



FY--Fiscal year. Source: S&P Global Ratings.

The 2016 oil price shock led to a significant restructuring of oil and gas exposure, particularly the downstream sector that depends on government subsidies. This was also affected by the significant naira devaluation in 2016. We anticipate that there will be further loan restructurings in 2020, because our expectation is that this would not be as severe as in 2016. This is because Stanbic IBTC has restructured its loans using a low break-even price point and has created buffers. Still, we believe that the impact of COVID-19, as well as the collapse in oil prices, will result in the NPL ratio increasing marginally to 5.0% from 3.9% in 2019, while the cost of risk will peak at 1.7% in 2020 and fall to 1.5% in 2021.

Similar to top-tier banks in Nigeria, the group exhibits high single-obligor concentrations and foreign currency lending. The top 20 loans accounted for 65% of total loans at year-end 2019, while the top 20 NPLs represented about 79% of total NPLs. Foreign currency lending represented 45% of total loans in 2019, broadly in line with the sector average. Given the Nigerian economy's reliance on hydrocarbons, Stanbic IBTC is unlikely to significantly reduce its share of foreign-exchange loans. Positively, it maintains good loan-loss reserve coverage of NPLs, which should remain above 100% through our forecast period.

Table 5

Stanbic IBTC Group--Risk Position

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Growth in customer loans	15.1	21.8	13.1	7.6	(1.1)
New loan loss provisions/average customer loans	(0.7)	0.1	(0.7)	6.6	5.2
Net charge-offs/average customer loans	(0.3)	0.5	(0.7)	(0.6)	(0.1)
Gross nonperforming assets/customer loans + other real estate owned	4.2	3.9	3.9	7.9	5.0
Loan loss reserves/gross nonperforming assets	97.8	112.3	135.0	100.2	119.7

*Data as of March 31.

Funding and liquidity: Stable funding structure

Stanbic IBTC's funding structure has improved, now mostly relying on customer deposits. We think the bank also benefits from its brand reputation and the expertise available within the broader SBG to drive its corporate and investment banking relationships. The bank is primarily deposit-funded, with 48.6% of the funding base from core customer deposits.

The deposit book is short-dated, with about 60% of deposits repayable on demand. At year-end 2019, depositor concentration remained high, with the top 20 depositors equating to 27.5% of total deposits, while foreign currency deposits represented 38% of total deposits.

The group reported a net stable funding ratio of 139% at year-end 2019 and exhibits one of the lowest levels of loan leverage among rated banks in Nigeria. Its ratio of total net loans to total deposits amounted to 54% as of March 31, 2020. The group maintains a liquid balance sheet. It has proactively managed its foreign currency balance sheet and has access to parent support if needed. In 2017, Stanbic IBTC entered a foreign currency revolving facility with Standard Bank of South Africa, to provide up to $50 million. To date, the group has not drawn funds under the agreement. Broad liquid assets covered short-term wholesale funding by about 2x in 2019.

We consider the group's double leverage manageable, at 70% as of Dec. 31, 2019.

Table 6

Stanbic IBTC Group--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Core deposits/funding base	48.6	49.3	68.9	80.7	73.6
Customer loans (net)/customer deposits	74.0	80.8	51.3	47.0	64.5
Long-term funding ratio	66.2	70.2	64.7	84.8	88.8
Stable funding ratio	144.3	139.0	154.4	188.9	163.6
Short-term wholesale funding/funding base	40.1	36.4	42.1	18.0	12.4
Broad liquid assets/short-term wholesale funding (x)	2.1	2.1	2.0	4.9	6.1
Net broad liquid assets/short-term customer deposits	65.1	61.0	53.1	83.9	76.6
Short-term wholesale funding/total wholesale funding	78.0	71.7	135.7	93.4	46.9

*Data as of March 31.

Support: Strategic importance to SBG, but no uplift due to the sovereign rating

We assess the group SACP at 'b-' and no longer add any notches of support because of the sovereign rating. However, we continue to view the bank as strategically important to its South African parent, SBG. This accounts for SBG's strategic emphasis on Africa and the importance of the Stanbic IBTC sub-group within its African operations. Furthermore, the subgroup benefits from risk management support and additional capital and liquidity from SBG's South African operations. Consequently, we believe the subgroup, and by extension, the bank, is likely to receive capital and liquidity support, if needed. Stanbic IBTC Holding PLC is a member of SBG, which has a 65.9% equity holding interest through Stanbic Africa Holdings Ltd.

Additional rating factors: The sovereign rating constrains the ratings

The 'b' supported GCP is constrained by the long-term foreign currency rating on Nigeria. We do not rate Nigerian banks above the sovereign because of the likely direct and indirect influence of sovereign distress on their operations, including their ability to service foreign currency obligations.

Additional rating factors: None

No additional factors affect the ratings.

Environmental, Social, and Governance (ESG)

We see ESG credit factors for Stanbic IBTC as broadly in line with industry and country peers. Governance and disclosure practices are in line with that of top-tier banks in Nigeria. That said, we believe that governance and management practices are closely aligned with the South African parent SBG. Similar to top Nigerian peers' and South African banks' practices, changes of the senior management are supported by an internal pool of talent and do not arise from a misalignment of strategic direction.

Similar to other Nigerian banks, Stanbic IBTC has sizable exposures to the oil and gas sector. Nevertheless, the group's lending has become more restrictive to reduce flaring practices. It is also increasing its resilience to climate change by continually diversifying lending away from the hydrocarbon sector, and working toward reducing its own carbon footprint.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And

Assumptions, Nov. 9, 2011

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Various Rating Actions On Nigerian Banks Following Sovereign Downgrade; Outlooks Stable; March 31, 2020
- Nigeria Long-Term Rating Lowered To 'B-' On Weakening External Position Tied To Sharp Fall In Oil Prices; Outlook Stable, March 26, 2020
- Banking Industry Country Risk Assessment: Nigeria, Nov. 28, 2019

Regulatory Disclosures

Regulatory disclosures applicable to the most recent credit rating action can be found at "Various Rating Actions On Nigerian Banks Following Sovereign Downgrade; Outlooks Stable" published March 31, 2020, on RatingsDirect.

Glossary

- Adjusted assets: Total assets less nonservicing intangibles.
- Adjusted common equity: Common shareholders' equity plus minority interest, minus dividends (not yet distributed), minus revaluation reserves, minus nonservicing intangibles, minus interest only strips, minus tax-loss carry forwards, minus postretirement benefit adjustments.
- Anchor: The starting point for assigning a bank a long-term rating, based on economic and industry risk.
- Asset quality: A key measure of the quality and performance of the assets of a bank.
- Available stable funding: Core deposits, plus deposits due to banks (net of those that mature within one year), plus other borrowings (net of maturities within one year), plus total equity, minus intangibles.
- Business position: A measure of the strength of a bank's business operations.
- Broad liquid assets: cash (net of restricted cash) and reserves at central bank, plus other cash and money market, plus bank loans and reverse repos that mature in less than one year, plus total liquid assets.
- Capital and earnings: A measure of a bank's ability to absorb losses.
- Core deposits: Total deposits minus noncore deposits (such as deposits due to banks and certificates of deposits).
- Core earnings over average managed assets: Annualized core earnings, over average assets of current period and last fiscal year.
- Core earnings: Net income before minority interest, minus nonrecurring income, plus nonrecurring expenses, plus/minus tax impact on adjustments, plus amortization/impairment of goodwill/intangibles, minus preferred dividends.
- Cost of funds: Interest expense as a percentage of average interest-bearing liabilities.

- Cost of risk: As a percentage of total loans, the charge for bad and doubtful debts.
- Issuer credit rating: A forward-looking opinion about an obligor's overall creditworthiness.
- Credit losses: Losses arising from credit risk.
- Credit risk: Risk that a borrower will default on its payment obligations.
- Customer loans (gross): Total customer loans before loan loss reserves.
- Customer loans (net) over customer deposits: Gross customer loans net of loan loss reserves, over core deposits.
- Earning capacity: The capacity of a bank to generate sufficient earnings against losses and the primary way that a bank builds or maintains its capitalization.
- Funding and liquidity: A combined assessment of the strength and stability of a bank's funding mix and its ability to manage its liquidity needs in adverse market and economic conditions over an extended period.
- Funding base: Total deposits, plus acceptances, repurchase agreements, and other borrowings (including commercial papers, short- and long-term debt, subordinated debt, and minimal equity content hybrids).
- Gross nonperforming assets over customer loans plus other real estate owned over customer loans: Nonaccrual loans, plus restructured loans, plus repossessed assets plus loans 90-days past due; over gross customer loans plus repossessed assets.
- Loan loss reserves over gross nonperforming assets: General plus specific reserves, over adjusted nonperforming assets (nonaccrual loans plus restructured loans plus repossessed assets plus 90-day past due loans).
- Long-term funding ratio: Available stable funding, over funding base plus total equity, minus intangibles.
- National scale rating: An opinion of an obligor's creditworthiness or overall capacity to meet specific financial obligations, relative to other issuers and issues in a given country or region.
- Net interest income over operating revenues: Net interest income (including net interest income on loans, securities, and other assets), over operating revenues.
- New loan loss provisions over average customer loans: Credit loss provisions (including specific loan provisions and general and other provisions) minus recoveries, over average gross customer loans of current period and last fiscal year.
- Noninterest expenses: Salaries and general administrative expenses (including depreciations and amortizations).
- Operating revenues: Net interest income, plus operating non-interest income (that mainly includes fees and commissions and trading gains).
- Preprovision operating income over average assets: Operating revenues minus noninterest expenses, over average assets.
- Return on equity: Net income before extraordinary results minus preferred dividends over average common (average between current period and last fiscal period).
- Risk position: Our view of the specific risk characteristics of a particular bank.
- Risk-adjusted capital (RAC) ratio before diversification: This is calculated according to S&P Global Ratings' methodology as total adjusted capital over risk-adjusted assets.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial papers, debt and

senior and subordinated bonds), plus bank deposits that mature in less than one year.

- Sovereign support: An assessment of the likelihood that the government would provide extraordinary support to a bank.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial papers, debt and senior and subordinated bonds), plus bank deposits that mature in less than one year.
- Stable funding needs: Restricted cash and reserves at the central bank, plus interbank deposits, plus loans to banks (net of maturities within one year), plus reverse repurchase agreements, plus gross customer loans net of loan-loss reserves, plus securities, minus total liquid securities, plus equity participations in nonfinancial entities, plus fixed assets, plus other assets (considering foreclosed assets, tax loss carry forwards, and deferred assets).
- Stable funding ratio: Available stable funding over stable funding needs.
- Stand-alone credit profile (SACP): An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support.
- Total adjusted capital (TAC): adjusted common equity plus admissible preferred instruments and hybrids.
- Total wholesale funding: Noncore deposits, plus acceptances, repurchase agreements, other borrowings (including commercial papers, debt and senior and subordinated bonds, minimal equity content hybrids), and total equity, minus minority interest and common shareholders' equity.

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	**10**
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	**b**
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of August 21, 2020)*

Stanbic IBTC Bank PLC	
Issuer Credit Rating	B-/Stable/B
Nigeria National Scale	ngBBB/--/ngA-2
Issuer Credit Ratings History	
31-Mar-2020	B-/Stable/B
03-Mar-2020	B/Negative/B
22-Sep-2016	B/Stable/B
24-Mar-2016	B+/Negative/B

Ratings Detail (As Of August 21, 2020)*(cont.)		
31-Mar-2020	*Nigeria National Scale*	ngBBB/--/ngA-2
03-Mar-2020		ngA-/--/ngA-2
02-Jul-2018		ngA/--/ngA-1
22-Sep-2016		ngBBB/--/ngA-2
24-Mar-2016		ngA-/--/ngA-2
Sovereign Rating		
Nigeria		B-/Stable/B
Nigeria National Scale		ngBBB/--/ngA-2
Related Entities		
Liberty Group Ltd.		
Issuer Credit Rating		
South Africa National Scale		zaAAA/--/zaA-1+
Subordinated		
South Africa National Scale		zaA+
South Africa National Scale		zaAA

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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