



RATING ACTION COMMENTARY

Fitch Affirms Stanbic IBTC Holdings PLC at 'AAA(nga)'

Mon 13 Jun, 2022 - 12:35 PM ET

Fitch Ratings - London - 13 Jun 2022: Fitch Ratings has affirmed the National Long-Term Ratings of Nigeria-based Stanbic IBTC Holdings PLC (Stanbic IBTC) and its 99.9% owned subsidiary, Stanbic IBTC Bank PLC, at 'AAA(nga)'. A full list of rating actions is below.

KEY RATING DRIVERS

The National Ratings of Stanbic IBTC and Stanbic IBTC Bank are based on potential support from their ultimate parent, South Africa's Standard Bank Group Limited (SBG; BB-/Stable), which owns 67.5% of Stanbic IBTC. The ratings reflect SBG's willingness and ability to support Stanbic IBTC and Stanbic IBTC Bank, if required. SBG's ability to support considers its 'BB-' Long-Term Issuer Default Rating (IDR), but is constrained by Nigeria's Country Ceiling of 'B'.

Shareholder Support: Fitch's view of SBG's willingness to support considers Stanbic IBTC's strategic importance to SBG as the holding company for its leading corporate and investment banking (CIB) and wealth businesses in Nigeria (the country is a key growth market for SBG's Africa Regions strategy) - and for Stanbic IBTC Bank, an integral part of its Nigerian operations. Our view of support also considers SBG's controlling ownership of Stanbic IBTC, high risk-management, operations and strategy integration, shared branding, and Stanbic IBTC's modest contribution to SBG's net income (7.5% in 2021).

Leading Domestic CIB Franchise: Stanbic IBTC Bank is a local universal bank (with around 5% of banking sector assets) and formed 95% of Stanbic IBTC's consolidated

assets at end-2021. Fitch believes that support from SBG, if needed, would extend equally to Stanbic IBTC and Stanbic IBTC Bank. Both entities are incorporated in Nigeria and regulated by the Central Bank of Nigeria.

Consolidated Assessment: Fitch assesses the Nigerian operations on a consolidated basis as Stanbic IBTC Bank is Stanbic IBTC's main operating subsidiary and is highly integrated with the holding company. Stanbic IBTC has full ownership and control of Stanbic IBTC Bank. There is no double leverage at the holding company level.

Downside to Operating Conditions: Rising global risks will weaken domestic operating conditions. Inflation (16.8% in April 2022) is expected to remain stubbornly high, posing downside risks to our real GDP growth forecasts of 3.1% in 2022 and 3.3% in 2023. However, downside risks are somewhat mitigated by strong oil prices, which should also underpin growth in non-oil sectors and banks' asset quality.

Sound Asset Quality: Stanbic IBTC's impaired loan (IFRS 9 Stage 3) ratio fell to 2.2% at end-2021 (end-2020: 4%), given sizeable write-offs (1.5% of average loans in 2021) and high loan growth (44%). The ratio was stable at end-1Q22 and Fitch expects it to remain below 3% in 2022, supported by high oil prices and zero Covid-19 restructured loans at end-1Q22. Total reserves coverage of impaired loans is high (end-1Q22: 119%).

Earnings Hit by Muted Trading Activities: Stanbic IBTC's operating profit/risk-weighted assets (RWA) ratio fell to 4% in 2021 (2020: 7%) largely due to a significant decline in trading revenue (down 75%) and increased regulatory induced costs. Despite earnings pressures, profitability was supported by Stanbic IBTC's diversified business model, underpinned by net fees and commissions (up 16% in 2021), and strong recoveries.

Solid Capitalisation: Stanbic IBTC's Fitch core capital ratio decreased to 21.9% at end-1Q22 (end-2020: 26.7%) mainly due to high RWA growth but remains strong. Stanbic IBTC's total capital adequacy ratio (end-1Q22: 19.5%) provides a solid buffer over its 11% regulatory requirement under Basel III.

Entrenched Funding and Liquidity Profile: Stanbic IBTC's loans/customer deposits ratio (end-1Q22: 84%) is higher than peers due to Stanbic IBTC Bank's smaller retail franchise and higher reliance on wholesale funding. However, Stanbic IBTC Bank's funding profile is stable, with 66% of deposits in the form of current and savings accounts. Liquidity buffers are sufficient in naira and foreign currency.

RATING SENSITIVITIES

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

Stanbic IBTC's and Stanbic IBTC Bank's National Long-Term Ratings could be downgraded following a downgrade of SBG's Long-Term IDR. Downside risks to the ratings could also stem from a weakening in SBG's propensity to provide support, but this is unlikely, in our view.

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

Stanbic IBTC's and Stanbic IBTC Bank's National Ratings are at the highest level on Fitch's national rating scale and cannot be upgraded.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The ratings of senior unsecured obligations are in line with Stanbic IBTC Bank's National Long-and Short-Term Ratings. This is because we view the likelihood of default on Stanbic IBTC Bank's senior unsecured obligations as the same as the likelihood of default of the bank. Default on any material class of senior unsecured obligations would be treated as a default of Stanbic IBTC Bank.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

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

The senior unsecured ratings are sensitive to a downgrade of Stanbic IBTC Bank's National Ratings.

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

Stanbic IBTC Bank's senior unsecured ratings are at the highest level and cannot be upgraded.

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.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of Stanbic IBTC and Stanbic IBTC Bank are linked to the ratings of their ultimate parent, SBG.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Stanbic IBTC Holdings PLC	Natl LT	AAA(nga)	Affirmed	AAA(nga)
	Natl ST	F1+(nga)	Affirmed	F1+(nga)
Stanbic IBTC Bank PLC	Natl LT	AAA(nga)	Affirmed	AAA(nga)
	Natl ST	F1+(nga)	Affirmed	F1+(nga)
senior unsecured	Natl LT	AAA(nga)	Affirmed	AAA(nga)
senior unsecured	Natl ST	F1+(nga)	Affirmed	F1+(nga)

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Bank Rating Criteria \(pub. 12 Nov 2021\) \(including rating assumption sensitivity\)](#)

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ENDORSEMENT STATUS

Stanbic IBTC Bank PLC	-
Stanbic IBTC Holdings PLC	-

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Banks Africa Nigeria
