



Credit Rating Announcement

GCR upgrades Stanbic IBTC Bank PLC's National Scale Long-term Issuer Rating to AAA_(NG); Outlook Stable

Rating Action

Lagos, 29 June 2022 – GCR Ratings ("GCR") has upgraded the national scale long-term issuer rating assigned to Stanbic IBTC Bank PLC to AAA_(NG) from AA+_(NG) and affirmed the national scale short-term issuer rating at A1+_(NG), with a Stable Outlook.

Rated Entity	Rating class	Rating scale	Rating	Outlook
Stanbic IBTC Bank PLC	Long Term Issuer	National	AAA _(NG)	Stable
	Short Term Issuer	National	A1+ _(NG)	

Rating Rationale

Stanbic IBTC Bank PLC ("Stanbic IBTC" or "the bank") is considered a core operating entity to Stanbic IBTC Holdings PLC ("the Group"), as such, the national scale Issuer ratings on the bank reflect the strengths and weaknesses of the Group.

The rating upgrade is underpinned by Stanbic IBTC's sound competitive position, good risk profile, and healthy funding and liquidity position. Further supporting the rating is the robust financial and technical support from its ultimate parent, Standard Bank Group ("SBG"), the largest banking group in Africa in terms of balance sheet size and earnings.

Competitive position is a positive ratings factor, underpinned by the Group's strong and well-diversified business operations, spanning the full spectrum of the Nigerian financial industry. Cognizance is taken of the incorporation of the Group's wholly owned fintech subsidiary (Stanbic IBTC Financial Services Limited) in January 2022, which is expected to provide additional impetus for further product diversification. Leveraging its membership of the Group, the bank continues to harness inherent cross-selling opportunities to serve a wide range of customers and ultimately enhance its financial performance and market position. At FY21, Stanbic IBTC controlled an estimated market share of 4.3%, 4.0% and 3.0% of the Nigerian banking industry's total assets, loan portfolio and customer deposits respectively. Management and governance assessment is a neutral ratings factor.

Stanbic IBTC is adequately capitalised, with capital adequacy ratio consistently maintained well above the regulatory minimum of 10% over the review period. However, GCR's computed core capital ratio moderated to 21.6% in FY21 from 25.4% in FY20, as growth in risk-weighted assets ("RWA") outpaced internal capital generation. Specifically, the 30.3% contraction in pre-tax profit in FY21 reflects the decline in the highly volatile market-sensitive income (trading gains) during the year. Given management's concerted efforts at increasing core earnings (interest on loans), we expect some level of stability in profitability going forward. That said, GCR's core capital ratio is anticipated to range between 19%-20% over the next 12-18 months, as the faster growth in RWA persists. Positively, loan loss provision is viewed to be adequate, with reserve coverage of impaired loans consistently maintained above 100% over the review period.

Risk position is sound and well contained, with non-performing loans ("NPL") ratio of 2.2% at 1Q FY22 (FY21: 2.1%, FY20: 4.0%) which compares favourably with the regulatory tolerable limit of 5%. Similarly, credit losses registered at a moderate 0.2% at 1Q FY22 (FY21: -0.2%, FY20: 1.6%), with expectations that asset quality metrics (NPL ratio and credit losses) will be sustained within similar sound ranges over the next 12-18 months. Conversely, loan book concentration is assessed at an elevated level, with the twenty largest obligors constituting 48.5% of the loan portfolio at FY21 (FY20: 52.4%). Also, Foreign currency ("FCY") loans constituted a higher 51.0% of the loan portfolio at FY21 (FY20: 48.1%) largely underpinned by the impact of Naira devaluation during the year.

We assessed funding and liquidity to be sound. The funding structure is predominantly made up of relatively stable deposits. At FY21, total deposits accounted for 86.4% of the funding base (FY20: 78.8%), with customer deposits increasing by 37.0% during the year on the back of Stanbic IBTC's improved deposits mobilization capacity. An analysis of the deposit book reflects a fairly-diversified mix, with the single and twenty largest depositors accounting for 8.4% and 33.6% of customer deposits respectively at FY21. Further augmenting the bank's funding base is the Issuance of N24.2bn commercial paper in 1Q FY22. Liquidity is positive, with liquid assets covering 5.1x and 56.5% of wholesale funding and customer deposits respectively at FY21. GCR also views the liquidity management of the FCY book to be sound, with FCY liquid assets covering 26.9% of total FCY liabilities at FY21.

The national scale Issuer ratings benefit from parental support. The Group is 67.51% owned by SBG, which is headquartered and listed in South Africa, delivering finance solutions across twenty African countries. Though the Group is not a material asset or revenue contributor to SBG, there is evidence of support from the parent and assimilation. We believe SBG has the capacity to support the Group and bank based on its sound financial profile and good geographic diversification.

Outlook Statement

The stable outlook reflects GCR's expectation that Stanbic IBTC's financial profile would remain resilient despite the challenges in the operating environment. Credit losses and NPL ratio are expected to be contained, albeit with the loan book concentration by obligor and FCY exposures anticipated to remain elevated. Funding and liquidity metrics are expected to be maintained at healthy levels in view of its improved deposit mobilisation capacity.

Rating Triggers

The national scale ratings are at the AAA_(NG) ceiling. Conversely, downward ratings movement could be triggered by material deterioration in capitalisation and asset quality metrics.

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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 2022
 GCR Country Risk Scores, June 2022
 GCR Financial Institutions Sector Risk Score, June 2022

Ratings History

Stanbic IBTC Bank PLC					
Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term issuer	Initial	National	AA _(NG)	Stable	December 2006
Short Term issuer	Initial	National	A1 _(NG)		December 2006
Long Term issuer	Last	National	AA _(NG)	Stable	June 2021
Short Term issuer	Last	National	A1 _(NG)		June 2021

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	1.50
Capital and Leverage	0.25
Risk	0.50
Funding and Liquidity	0.75
Comparative profile	1.50
Group support	1.50
Government support	0.00
Peer analysis	0.00
Total Score	11.25

Glossary

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.
Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
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.
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
Income	Money received, especially on a regular basis, for work or through investments.
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.
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.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
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.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

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 Stanbic IBTC Bank PLC. The rating above was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the ratings.

Stanbic IBTC Bank PLC participated in the rating process via video conference management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The information received from Stanbic IBTC Bank PLC and other reliable third parties to accord the credit ratings included:

- The audited financial results to 31 December 2021
- Four years of comparative audited numbers
- Management account as at 31 March 2022
- Other related documents

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