

RATING ACTION COMMENTARY

Fitch Affirms Stanbic IBTC Holdings at 'AAA(nga)'/ Stable

Fri 09 Jun, 2023 - 12:39 PM ET

Fitch Ratings - London - 09 Jun 2023: 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)'. Fitch has assigned Stable Outlooks to the ratings.

A full list of rating actions is below.

KEY RATING DRIVERS

Stanbic IBTC's and Stanbic IBTC Bank's National Ratings are driven by potential support from their ultimate parent, South Africa's Standard Bank Group Limited (SBG; BB-/Stable). SBG owns 67.55% of Stanbic IBTC, which in turn owns 99.9% of Stanbic IBTC Bank. The ratings reflect SBG's propensity and ability to support both entities, if needed, considering its 'BB-' rating and Nigeria's 'B-' Country Ceiling.

Shareholder Support: Fitch's view of SBG's willingness to provide support considers Stanbic IBTC's strategic importance as the holding company for its leading corporate and investment banking (CIB) and wealth businesses in Nigeria, and for Stanbic IBTC Bank, an integral part of its Nigerian operations. It also considers SBG's controlling ownership of Stanbic IBTC, high integration, shared branding and modest contribution to net income.

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 over Stanbic IBTC Bank. There is no double leverage at the holding company level.

Challenging Operating Environment: Banks continue to contend with US dollar shortages and the Central Bank of Nigeria's (CBN) highly burdensome cash reserve requirement. Fitch expects reform progress under the new administration, including elimination of fuel subsidies and gradual liberalisation of the Nigerian naira. However,

there is a risk of a sharp naira depreciation due to the large disparity between the official and parallel exchange rates. The CBN has increased its policy rate by 700bp since April 2022 (currently 18.5%) due to rising inflation (22% in 4M23).

Leading Domestic CIB Franchise: Stanbic IBTC Bank is a Nigerian domestic universal bank (4% of sector assets at end-2022) comprising 94% of Stanbic IBTC's consolidated assets at end-2022. Fitch believes that support from SBG, if needed, would extend equally to both entities.

High Sovereign Exposure: Oil and gas exposure (20% of gross loans) is significant but below peers'. Sovereign exposure via securities and CBN cash reserves is very high relative to common equity Tier 1 (CET1; end-1Q23: 388%; end-2022: 362%).

Sound Asset Quality: The impaired loans (IFRS 9 Stage 3) ratio rose to 2.5% at end-1Q23 (end-2022: 2.3%) as the portfolio seasoned following fast growth in 2022 and 2021. We expect the ratio to increase moderately in the near term given operating environment pressures. Total reserves coverage of impaired loans is high (end-1Q23: 121%).

Strong and Consistent Profitability: The annualised operating profit/risk-weighted assets (RWAs) ratio rose to 7.7% in 1Q23 (2022: 5.5%) due to a wider net interest margin amid the higher interest rate environment and strong trading gains. Profitability is supported by Stanbic IBTC's diversified business model, sustained net fees and commissions growth and moderate loan impairment charges.

Solid Capitalisation: The CET1 ratio declined to 18.4% at end-1Q23 (end-2022: 19.5%) but remains strong owing to solid internal capital generation. Stanbic IBTC's total capital adequacy ratio (end-1Q23: 19.6%) maintains a solid buffer over its 11% minimum regulatory requirement under Basel III.

Entrenched Funding Profile, Liquidity Coverage: Stanbic IBTC's loans/customer deposits ratio (end-1Q23: 93%) is above peers' due to Stanbic IBTC Bank's smaller retail franchise and higher reliance on wholesale funding. Nonetheless, Stanbic IBTC Bank's funding profile is stable due to good brand recognition, while a significant share of deposits is in the form of current and savings accounts (CASA). Liquidity buffers are sufficient in local 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 multi-notch 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

Stanbic IBTC Bank's senior unsecured debt is rated in line with its National Long- and Short-Term Ratings as the likelihood of default on these obligations is the same as that 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

Stanbic IBTC Bank's senior unsecured ratings are sensitive to a downgrade of its National Ratings. They cannot be upgraded as they are at the highest level on Fitch's national rating scale.

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)
------------------------------	---------	--	--	----------

AAA(nga) Rating Outlook Stable

Affirmed

	Natl ST	F1+(nga)	Affirmed	F1+(nga)
--	---------	----------	----------	----------

Stanbic IBTC Bank PLC	Natl LT			AAA(nga)
-----------------------	---------	--	--	----------

AAA(nga) Rating Outlook Stable

Affirmed

	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](#)

FITCH RATINGS ANALYSTS

Konstantin Alekseenko

Associate Director

Primary Rating Analyst

+44 20 3530 1165

konstantin.alekseenko@fitchratings.com

Fitch Ratings Ltd

30 North Colonnade, Canary Wharf London E14 5GN

Maria Rodriguez

Senior Analyst

Secondary Rating Analyst

+44 20 3530 1802

maria.rodriquez2@fitchratings.com

Anton Lopatin

Senior Director

Committee Chairperson

+971 4 424 1225

anton.lopatin@fitchratings.com

MEDIA CONTACTS**Peter Fitzpatrick**

London

+44 20 3530 1103

peter.fitzpatrick@thefitchgroup.com

Additional information is available on www.fitchratings.com**PARTICIPATION STATUS**

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)[Bank Rating Criteria \(pub. 07 Sep 2022\) \(including rating assumption sensitivity\)](#)**ADDITIONAL DISCLOSURES**[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

Stanbic IBTC Bank PLC

-

Stanbic IBTC Holdings PLC

-

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following<https://www.fitchratings.com/rating-definitions-document> details Fitch's rating

definitions for each rating scale and rating categories, including definitions relating to

default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts,

ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the

“NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.