

CREDIT RATING ANNOUNCEMENT

GCR affirms Stanbic IBTC Bank PLC's National Scale Long and Short-term Issuer Ratings of AAA_(NG)/ A1+_(NG); Outlook Stable

Rating action

Lagos, 02 May 2023 – GCR Ratings (GCR) has affirmed Stanbic IBTC Bank PLC's (the bank) national scale long and short-term issuer ratings of AAA_(NG) and A1+_(NG) respectively. Concurrently, GCR has affirmed Stanbic IBTC Bank PLC's NGN30Bn Series 1 Senior Unsecured Notes national scale issue rating of AAA_(NG). The rating Outlook is Stable.

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)	
NGN30Bn Series 1 Senior Unsecured Notes	Long Term Issue	National	AAA _(NG)	Stable

Rating rationale

Stanbic IBTC Bank PLC (Stanbic IBTC Bank 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 affirmation is underpinned by Stanbic IBTC Bank'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, the largest banking group in Africa in terms of balance sheet size and one of the largest in terms of 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 landscape, such as asset management, pension management, custodian services, insurance, trusteeship and stock broking. 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 improve 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. As of 31 December 2022, Stanbic IBTC Bank controlled about 4.1%, 4.7% and 2.6% of the Nigerian banking industry's total assets, loans and customer deposits respectively. Management and governance assessment is considered adequate and a neutral ratings factor.

Stanbic IBTC Bank's capital and leverage remain within the intermediate range of GCR's assessment. Over the past year, the bank's capitalisation metrics have remained relatively stable, with a capital adequacy ratio well above the regulatory minimum of 10% for commercial banks with national authorisation. The Group's GCR core capital ratio registered at 21.5% at December 2022 (December 2021: 21.6%) on the back of a lesser growth in risk-weighted assets (RWA) compared to internal capital generated. The GCR's core capital ratio is expected to range between 19%-20% over the next 12-18 months, factoring in moderate RWA growth and supported by good levels of internal capital generation. Positively, loan loss provision is viewed to be strong, with reserve coverage of impaired loans consistently maintained above 100% over the review period.

Risk position is sound, well contained and positive to the rating. Stanbic IBTC Bank's non-performing loans (NPL) ratio registered at 2.4% at December 2022 (December 2021: 2.1%) and compared favourably with the regulatory tolerable limit of 5%. Similarly, credit losses registered at a moderate 0.9% at December 2022 (December 2021: -0.2%). We expect asset quality metrics (NPL ratio and credit losses) to be sustained within similar levels over the next 12-18 months. Conversely, counterparty concentration is assessed to be high, with the twenty largest obligors constituting 46.8% of the loan portfolio as of December 2022 (December 2021: 48.5%). Furthermore, foreign currency (FCY) exposures accounted for 49.0% of the loan book as of December 2022 (December 2021: 51.0%). While this is slightly higher than the industry's average, the bank's focus on obligors with FCY receivables acts as a natural hedge against foreign exchange risk.

Funding and liquidity assessment is a rating positive, reflecting the bank's highly stable funding structure. The funding structure predominantly comprises relatively stable customer deposits, which accounted for 86.1% of the funding base as of December 2022 (December 2021: 86.4%). The deposit book is also supportive of funding costs, given that the relatively inexpensive current and savings account deposits contributed 71.3% to total deposits as of December 2022 (December 2021: 75.2%), resulting in a weighted average cost of funds of 2.1% in 2022 (2021: 1.8%). Also, the deposit book is well-diversified, as the top twenty depositors accounted for a moderate 25.7% of total customer deposits as of December 2022 (December 2021: 33.6%). Liquidity coverage is good, with liquid assets covering 3.7x and 49.3% of wholesale funding and customer deposits respectively in 2022.

Stanbic IBTC Bank's national scale Issuer ratings benefit from parental support. The Group is 67.55% owned by Standard Bank Group, 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 Standard Bank Group, there is evidence of support from and assimilation with the parent. We believe Standard Bank Group has the capacity to support the Group and bank based on its sound financial profile and good geographic diversification.

Stanbic IBTC Bank's NGN30Bn Structured Note Programme (SNP) Series 1 Senior Unsecured Notes (the Series 1 Notes) was issued in December 2018 under the NGN150bn SNP, with a five-year maturity and a coupon rate of 15.75%. Coupon payments are made semi-annually in June and December, with a bullet redemption of the principal expected at maturity (December 2023). The latest performance reports received from the Bond Trustees, dated 11 April 2023, indicate that there has been no breach of covenants by the Issuer on the Bond since inception up till the report date.

The Series 1 Notes constitute senior, direct, irrevocable, and unsubordinated obligations of the Issuer, and shall rank *pari passu* without any preference among themselves and all unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future; however, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Being a senior unsecured debt, the Series 1 Notes bear the same default risk as the Issuer and would reflect similar recovery prospects to the senior unsecured creditors in the event of a default.

Outlook statement

The stable outlook reflects GCR's expectation that Stanbic IBTC Bank's financial profile would remain strong despite the strains in the operating environment. Credit losses and NPL ratio are expected to be contained; however, loan book concentration by obligor and FCY is expected to persist. Funding and liquidity metrics are expected to be maintained at healthy levels in view of its improved deposit mobilisation capacity.

Rating triggers

The long and short-term national scale ratings are at the AAA_(NG)/A1_(NG) ceilings. Conversely, downward ratings movement could be triggered by a material deterioration in capitalisation and asset quality metrics.

Given that the rating of the Series 1 Notes is intrinsically linked to Stanbic IBTC Bank's long-term issuer ratings, any change in the ratings assigned to the Issuer will directly affect the ratings of the Bonds. Additionally, non-compliance with covenants would negatively impact the Series 1 Notes' rating.

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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, March 2023
 GCR Financial Institutions Sector Risk Score, April 2023

Ratings history

Stanbic IBTC Bank PLC					
Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issuer	Initial	National	AA _(NG)	Stable	March 2016
Short Term Issuer	Initial	National	A1 _(NG)	Stable	March 2016
Long Term Issuer	Last	National	AAA _(NG)	Stable	June 2022
Short Term Issuer	Last	National	A1 _(NG)	Stable	June 2022
NGN30Bn Series 1 Senior Unsecured Notes	Initial	National	AA _(NG)	Stable	January 2019
NGN30Bn Series 1 Senior Unsecured Notes	Last	National	AAA _(NG)	Stable	June 2022

Risk score summary

Rating Components & Factors	Risk Scores
Operating environment	7.00
Country risk score	3.50
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	11.00

Glossary

Affirmation	See GCR Rating Scales, Symbols and Definitions.
Asset Quality	Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
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.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Capacity	The largest amount of insurance available from a company. In a broader sense, it can refer to the largest amount of insurance available in the marketplace.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its risks.
Capital	The sum of money that is invested to generate proceeds.
Capitalisation	The provision of capital for a company, or the conversion of income or assets into capital.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Coverage	The scope of the protection provided under a contract of insurance.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Creditor	A credit provider that is owed debt obligations by a debtor.
Customer Deposit	Cash received in exchange for a service, including safekeeping, savings, investment, etc. Customer deposits are a liability in a bank's books.
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.
Default Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than typically 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
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.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
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
Hedge	A form of risk management aimed at mitigating financial loss or other adverse circumstances. May include taking an offsetting position in addition to an existing position. The correlation between the existing and offsetting position is negative.
Insolvency	When an entity's liabilities exceed its assets.
Insurance	Provides protection against a possible eventuality.
Irrevocable	Not able to be changed, reversed, recovered and final.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
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.
Liquid Assets	Assets, generally of a short term, that can be converted into cash.
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.

Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
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.
National Scale Rating	National scale ratings measure creditworthiness relative to issuers and issues within one country.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Obligor	The party indebted or the person making repayments for its borrowings.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Performing Loan	A loan is said to be performing if the borrower is paying the interest on it on a timely basis.
Performing	An obligation that performs according to its contractual obligations.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Receivables	Any outstanding debts, current or not, due to be paid to a company in cash.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Redemption	The repurchase of a bond at maturity by the issuer.
Reserve	(1) An amount representing actual or potential liabilities kept by an insurer to cover debts to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Senior Unsecured Debt	Securities that have priority ahead of all other unsecured or subordinated debt for payment in the event of default.
Senior	A security that has a higher repayment priority than junior securities.
Short Term	Current; ordinarily less than one year.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.

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 process was based solely on the merits of the rated entity, security or financial instrument being rated; and c.) the ratings process was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entities. The rating above was solicited by, or on behalf of, the Stanbic IBTC Bank PLC, 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 as at 31 December 2022
- Four years of comparative audited numbers
- Other related documents.

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