FitchRatings

Stanbic IBTC Holdings PLC / Stanbic IBTC Bank Ltd

Update

Banks
Universal Commercial Banks
Nigeria

Ratings

Stanbic IBTC Holdings PLC
National Ratings

National Long-Term Rating	AAA(nga)
National Short-Term Rating	F1+(nga)

Stanbic IBTC Bank Ltd
National Ratings

National Long-Term Rating	AAA(nga)
National Short-Term Rating	F1+(nga)

Sovereign Risk (Nigeria)

Long-Term Foreign-Currency IDR	B-
Long-Term Local-Currency IDR	B-
Country Ceiling	B-

Outlooks

National Long-Term Ratings	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Key Rating Drivers

Stanbic IBTC Holdings PLC's (Stanbic IBTC) and Stanbic IBTC Bank Ltd.'s (Stanbic IBTC Bank) National Ratings are driven by potential support from their ultimate parent, South Africa-based Standard Bank Group Limited (SBG; BB-/Stable). SBG has an indirect 67.55% shareholding in Stanbic IBTC, which, in turn, has a 99.9% shareholding in Stanbic IBTC Bank.

Shareholder Support: Fitch Ratings believes SBG has a high propensity to support Stanbic IBTC and Stanbic IBTC Bank. This reflects the issuers' leading corporate and investment banking (CIB) and insurance and asset-management businesses in Nigeria and their importance to SBG's pan-African strategy, as well as SBG's controlling ownership, strong integration and shared branding. However, SBG's ability to provide support is constrained by Nigerian country risks.

Consolidated Assessment: Stanbic IBTC is a non-operating bank holding company (BHC). Stanbic IBTC's standalone creditworthiness is aligned with that of its consolidated risk profile due to the absence of common equity double leverage and high capital and liquidity fungibility. Stanbic IBTC Bank represented 97% of Stanbic IBTC's total assets at end-1H24, and therefore its standalone creditworthiness is aligned with Stanbic IBTC's consolidated risk profile.

Challenging Environment: President Tinubu has pursued key reforms since he assumed office in May 2023, removing the fuel subsidy and overhauling monetary policy, including allowing the naira to devalue by over 70%. The reforms are positive for Nigeria's creditworthiness and foreign exchange (FX) liquidity, but pose near-term challenges for the banking sector.

Strong CIB Franchise: Stanbic IBTC Bank has a moderate market share (end-1H24: 4% domestic sector assets), but a strong franchise via its CIB and insurance and asset management businesses. Client relationships are fostered by being part of a large pan-African banking group.

High Concentrations: Oil and gas exposure (end-1H24: 23% of gross loans) is significant but below that of many peers. Sovereign exposure via securities and cash reserves at the central bank is very high relative to common equity Tier 1 (CET1; end-3Q24: 275%; end-2023: 360%), although this is a common feature of the sector.

Sound Asset Quality: The impaired loans (IFRS 9 Stage 3) ratio increased to 3.2% at end-3Q24 (end-2023: 2.4%) but remains low by domestic standards. Specific loan loss allowance coverage of impaired loans was a high 91% at end-3Q24. Fitch expects the impaired loans ratio to increase moderately due to the challenging economic conditions.

Good Profitability Metrics: Operating returns averaged 5.6% of risk-weighted assets over the past four years (9M24: annualised 7.2%), supported by a wide net interest margin, high non-interest income and moderate loan impairment charges. We expect profitability to remain good in 4Q24 and 2025 due to high interest rates.

Lower CET1 Ratio: Stanbic IBTC's CET1 ratio declined to 12.7% at end-3Q24 (end-2023: 16.4%) primarily due to the naira devaluation. Stanbic IBTC Bank's total capital adequacy ratio (13.6% at end-3Q24) is above the 10% minimum requirement. Fitch expects capital ratios to improve in 2025 as a result of strong profitability and capital-raising to meet new requirements.

Comfortable Liquidity Coverage: Stanbic IBTC's gross loans-to-deposits ratio has improved to 79% at end-3Q24 (end-2023: 101%) due to healthy deposit growth. Liquidity coverage has remained comfortable in local and foreign currencies.

Applicable Criteria

Bank Rating Criteria (March 2024)

National Scale Rating Criteria (December 2020)

Related Research

Fitch Affirms Stanbic IBTC Holdings at 'AAA(nga)'; Outlook Stable (May 2024)

Stanbic IBTC Holdings PLC/Stanbic IBTC Bank Ltd. (June 2024)

Fitch Affirms Nigeria at 'B-'; Outlook Positive (November 2024)

Nigerian Banks' New Paid-In Capital Rules to Spur Equity Issuance, M&A (April 2024)

Nigerian Banks to Benefit from Monetary Policy Rate Increases (March 2024)

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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 the highest attainable on Fitch's national rating scale and cannot be upgraded.

Other Debt and Issuer Ratings

Debt Rating Classes (Stanbic IBTC Bank Ltd.)

Debt Rating Class	Rating
Senior unsecured: National long-term	AAA(nga)
Senior unsecured: National short-term	F1+(nga)

Source: Fitch Ratings

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.

Significant Changes from Last Review

Sovereign Affirmed with Positive Outlook

Nigeria's Long-Term IDRs were affirmed at 'B-' with a Positive Outlook on 1 November. The Positive Outlook reflects progress in implementing reforms that improve policy coherence and credibility and reduce economic distortions and near-term risks to macroeconomic stability. These reforms include exchange rate liberalisation, monetary policy tightening, and efforts to restore fiscal discipline, including the absence of deficit monetisation in recent months and the removal of fuel subsidies. The subsequent rise in foreign portfolio investment inflows, greater formalisation of FX activity, and official FX inflows (1H24: USD48 billion; 1H23: USD34 billion) have supported the recent recovery in international reserves.

Nevertheless, short-term challenges remain. The exchange rate remains volatile and capital inflows have decreased in recent quarters despite high market yields, possibly due to investor concerns over durability of the reform programme. Additionally, continued high fiscal spending, exchange rate devaluation, supply shocks, and the deregulation of gasoline prices (resulting in a near 65% yoy rise in September 2024) have accentuated Nigeria's structurally high inflation.

Effect of Windfall Tax to Be Offset by Profits and Capital Raisings

It remains unclear how the 70% tax on realised FX revaluation gains announced by the Senate in July 2024 will be treated. If ultimately applied to total FX revaluation gains, including gains related to derivatives, banks will be required to pay large taxes. However, the capital impact will be mitigated by healthy profits and capital raisings ahead of the new paid-in capital requirements effective end-1Q26. We expect most first- and second-tier banks to comply with the requirements by end-2025, but smaller banks may struggle to raise the necessary capital and be forced to merge or downgrade their licences.

Financials

Financial Statements

	30 Sep 24		31 Dec 23	31 Dec 22	31 Dec 21
	9 months	9 months	12 months	12 months	12 months
	(USDm)	(NGNbn)	(NGNbn)	(NGNbn)	(NGNbn)
	Unaudited	Unaudited	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	158	253	176	114	76
Net fees and commissions	78	125	110	91	83
Other operating income	55	87	68	34	12
Total operating income	290	465	354	239	171
Operating costs	121	193	168	129	107
Pre-impairment operating profit	170	272	186	110	64
Loan and other impairment charges	31	50	15	10	-2
Operating profit	139	222	172	99	66
Other non-operating items (net)	1	1	1	1	0
Tax	25	40	32	20	9
Net income	114	183	141	81	57
Other comprehensive income	-1	-1	8	-1	-5
Fitch comprehensive income	113	182	148	80	52
Summary balance sheet					
Assets					
Gross loans	1,546	2,476	2,091	1,238	946
– Of which impaired	49	79	49	29	20
Loan loss allowances	71	114	59	33	25
Net loans	1,475	2,362	2,032	1,205	921
Interbank	41	66	9	3	16
Derivatives	77	124	551	42	41
Other securities and earning assets	1,183	1,895	879	900	918
Total earning assets	2,776	4,446	3,471	2,151	1,896
Cash and due from banks	1,503	2,407	1,385	664	653
Other assets	256	410	290	214	194
Total assets	4,536	7,264	5,146	3,029	2,743
Liabilities					
Customer deposits	1,945	3,115	2,073	1,245	1,127
Interbank and other short-term funding	668	1,070	919	561	499
Other long-term funding	384	614	445	238	184
Trading liabilities and derivatives	524	839	672	199	70
Total funding and derivatives	3,521	5,639	4,110	2,243	1,880
Other liabilities	621	995	529	378	486
Total equity	394	631	507	408	377
Total liabilities and equity	4,536	7,264	5,146	3,029	2,743
Exchange rate		USD1 = NGN1601.528	USD1 = NGN899.393	USD1 = NGN448.55	USD1 = NGN412.99

Source: Fitch Ratings, Fitch Solutions, Stanbic IBTC

Key Ratios

	30 Sep 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	7.2	6.0	5.5	4.0
Net interest income/average earning assets	8.7	6.3	5.5	4.3
Non-interest expense/gross revenue	41.6	47.4	54.1	62.5
Net income/average equity	43.1	30.9	20.8	15.4
Asset quality				
Impaired loans ratio	3.2	2.4	2.3	2.2
Growth in gross loans	18.4	68.9	30.9	44.4
Loan loss allowances/impaired loans	144.0	119.5	116.9	124.0
Loan impairment charges/average gross loans	2.9	0.8	0.9	-0.1
Capitalisation				
Common equity Tier 1 ratio	12.7	16.4	19.5	–
Fitch Core Capital ratio	15.3	17.1	22.4	22.9
Tangible common equity/tangible assets	8.7	9.6	13.3	13.6
Basel leverage ratio	7.1	8.5	11.1	–
Net impaired loans/common equity Tier 1	-6.7	-2.0	-1.4	–
Net impaired loans/Fitch Core Capital	-5.5	-1.9	-1.2	-1.3
Funding and liquidity				
Gross loans/customer deposits	79.5	100.9	99.4	84.0
Customer deposits/total non-equity funding	56.0	56.6	56.2	60.8

Source: Fitch Ratings, Fitch Solutions, Stanbic IBTC

Support Assessment

Shareholder Support	
Shareholder IDR	BB-
Total Adjustments (notches)	
Shareholder Support Rating	
Shareholder ability to support	
Shareholder Rating	BB-/ Stable
Shareholder regulation	1 Notch
Relative size	Equalised
Country risks	2+ Notches
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	Equalised
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	1 Notch

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

The ratings of Stanbic IBTC and Stanbic IBTC Bank reflect a limited probability of support, if required, from SBG. Fitch believes SBG has a high propensity to provide support considering Stanbic IBTC's and Stanbic IBTC Bank's strategic importance to SBG's pan-African franchise, SBG's controlling ownership of Stanbic IBTC, the entities' high operational integration with SBG, shared branding, and Stanbic IBTC's contribution to SBG's earnings. However, the ability of Stanbic IBTC to receive and utilise such support is constrained by Nigerian country risks.

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