FitchRatings

RATING ACTION COMMENTARY

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

Thu 22 May, 2025 - 12:52 PM ET

Fitch Ratings - London - 22 May 2025: Fitch Ratings has affirmed Stanbic IBTC Holdings PLC's (Stanbic IBTC) and its banking subsidiary's, Stanbic IBTC Bank Ltd., (Stanbic IBTC Bank) National Long-Term Ratings at 'AAA(nga)' with Stable Outlooks. A full list of rating actions is provided below.

KEY RATING DRIVERS

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

Shareholder Support: Fitch believes SBG has a high propensity to provide support to 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-2024, and therefore its standalone creditworthiness is aligned with Stanbic IBTC's consolidated risk profile.

Improved Operating Environment: Nigeria's Long-Term IDRs were recently upgraded to 'B', as the exchange rate has stabilised, profitability and foreign-currency liquidity within the banking sector have improved and capital raisings are driving a recovery in capitalisation. However, inflation remains high, regulatory intervention is burdensome and expiring forbearance on oil and gas loans will lead to an increase in impaired loans (Stage 3 loans under IFRS 9) ratios and prudential provisions.

Strong CIB Franchise: Stanbic IBTC Bank has a moderate market share (end-2024: 4% of domestic banking system assets), but a strong franchise via its CIB and Investment and management businesses. Client relationships are fostered by being part of a large pan-African banking group. Revenue diversification is reasonable, with non-interest income accounting for 36% of operating income in 2024.

High Credit Concentrations: Single-obligor credit concentration is high, while its oil and gas exposure (end-2024: 28% of gross loans) is also material. Nigeria sovereign exposure through securities and cash reserves at the central bank is large relative to CET1 (end-1Q25: 3.5x).

Limited Problem Loans: The impaired loans (IFRS 9 Stage 3) ratio increased to 4.4% at end-1Q25 (end-2024: 4.2%) but remains low by international standards. Specific loan loss allowance coverage of impaired loans was 88% at end-1Q25. Fitch expects the impaired loans ratio to increase moderately in 2025.

Good Profitability Metrics: Operating returns averaged 5.6% of risk-weighted assets (RWAs) over the past four years (1Q25: 11.2%, annualised), supported by a wide net interest margin, high non-interest income and moderate loan impairment charges (LICs). We expect profitability metrics to be maintained in 2025 on the back of high interest rates.

Strong Internal Capital Generation: Stanbic IBTC's CET1 ratio improved to 14.3% at end-1Q25 (end-2024: 13.4%), due primarily to strong internal capital generation. Capital ratios will improve further in 2025 due to its soon-to-be completed capital-raising exercise.

Comfortable Liquidity Coverage: Stanbic IBTC's gross loans-to-deposits ratio (end-1Q25: 78%) is higher than peers', reflecting its higher reliance on non-deposit funding. Liquidity coverage is comfortable in local and foreign currencies.

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: 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 senior unsecured obligations would be treated as a default of Stanbic IBTC Bank.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The senior unsecured debt ratings will move in tandem with the National Ratings.

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 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 Ltd.	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)

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Bank Rating Criteria (pub. 21 Mar 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Stanbic IBTC Bank Ltd.	-
Stanbic IBTC Holdings PLC	-

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