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Stanbic IBTC Bank Ltd.

Primary Credit Analyst:
Adnan Osman, Johannesburg; adnan.osman@spglobal.com

Secondary Contact:
Samira Mensah, Johannesburg + 27 11 214 4869; samira.mensah@spglobal.com

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Stanbic IBTC Bank Ltd.

Ratings Score Snapshot

Issuer Credit Rating
B-/Stable/B
Nigeria National Scale
ngBBB/--/ngA-2

SACP: b → **Support: +1** → **Additional factors: -2**

SACP: b		
Anchor	b	
Business position	Adequate	0
Capital and earnings	Constrained	0
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +1	
ALAC support	0
GRE support	0
Group support	+1
Sovereign support	0

Issuer credit rating
B-/Stable/B

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	**Key risks**
Strategic importance to Standard Bank Group (SBG).	Prolonged period of economic challenges in Nigeria.
Sufficient capital buffers above the regulatory minimum in the context of the weak naira.	Monetary policy settings exacerbate operating conditions.
	High single-obligor concentrations and foreign currency lending, which is a structural risk in the Nigerian banking sector.

Stanbic IBTC Bank Ltd.'s (Stanbic IBTC Bank) earnings benefit from a robust corporate and investment banking (CIB) business, a strong Insurance and Asset management (IAM) franchise, an expanding Personal and Private Banking (PPB), and business and commercial banking (BCB). S&P Global Ratings' view of Stanbic IBTC Bank's 'b' stand-alone credit profile (SACP) as the main operating entity of the Stanbic IBTC Holdings PLC subgroup (the group; Stanbic IBTC) reflects the bank's resilient operating performance through prolonged economic challenges. It also reflects its solid domestic franchise, which benefits from being part of the largest African banking group, Standard Bank Group (SBG). The CIB and IAM operations are the largest revenue and profitability drivers, versus the smaller but growing PPB and BCB franchises. The yield on retail exposures will help balance the somewhat more competitive yields from more creditworthy corporate loans, while gathering non-interest-bearing retail deposits will help lower the cost of funds. We expect digital revenue from retail transactional banking to continue increasing as the take-up and volume of digital transactions also steadily rises. The group has also established a financial technology subsidiary (Zest Payment Limited) that operates as a payment solution services provider, assisting in reducing capital consumption while broadening its revenue stream.

We expect regulatory capitalization to remain stable in 2024. The bank remains well capitalized with a regulatory capital adequacy ratio (CAR) of 12.8% as of March 2024, well above the 10% minimum requirement. We expect the bank to preserve capital buffers over the next 12-18 months supported by strong profitability and earnings retention as well as a stable but weak naira. We forecast a slight deterioration of our risk-adjusted capital (RAC) ratio to about 3.4% in 2024-2025 from 3.6% at year-end 2023, balancing growth in earnings and risk-weighted assets.

We expect pressure on asset quality to remain elevated in 2024 despite resilient metrics. Higher interest rates, inflation, and currency depreciation in the first quarter of 2024 led to a slight increase in nonperforming loans (NPL) ratio to 2.96%. Despite persisting macroeconomic pressures, we anticipate the NPL ratio will moderate below 3% through 2025 as loans continue to grow. Similarly, cost of risk increased to 1.3% at the end of March 2024 compared to 0.94% at year-end 2023. We anticipate it will average 1.2% through 2025. This is below forecasted sector average credit losses of around 2.0%. Stanbic IBTC Bank has better asset quality metrics than most peers, reflecting the bank's prudent underwriting and proactive risk management.

We consider Stanbic IBTC Bank to be strategically important to the wider SBG. Our view stems from SBG's strategic emphasis on Africa and the importance of Stanbic IBTC Bank within its African operations. Furthermore, the bank benefits from risk management support and additional capital and liquidity from SBG's South African operations. The ratings on Stanbic IBTC Bank remain constrained by the sovereign credit ratings on Nigeria, owing to the direct and indirect effects a sovereign stress would have on the bank's operations and creditworthiness.

Outlook

The stable outlook on Stanbic IBTC Bank reflects that on Nigeria.

Downside scenario

We would take a negative rating action on the bank if we took a similar action on Nigeria.

Upside scenario

We will take a positive rating action on Stanbic IBTC Bank over the next 12 months if we take a similar action on the sovereign, all else being equal.

Key Metrics

Stanbic IBTC Group--Key ratios and forecasts					
	--Fiscal year-ended Dec. 31--				
(%)	2021a	2022a	2023a	2024f	2025f
Growth in operating revenue	-14.1	40.1	48.4	30-33	14-15
Growth in customer loans	44.4	30.9	68.9	35-40	15-20
Net interest income/average earning assets (NIM)	4	5.2	6.2	7.75-8	7.5-7.75
Cost to income ratio	61.2	53.7	46.5	47.5-50.5	50.5-52.5
Return on average common equity	14.7	20.4	30.6	28.5-31.5	25.5-28.5
New loan loss provisions/average customer loans	-0.2	0.9	0.9	1-1.2	1-1.2
Gross nonperforming assets/customer loans	2.2	2.3	2.4	2.4-2.6	2.4-2.6
Risk-adjusted capital ratio	4.9	4.4	3.6	3.1-3.3	3.1-3.3

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'b' For Banks Operating Only In Nigeria

S&P Global Ratings classifies the banking sector of Nigeria in group '10' under its Banking Industry Country Risk Assessment (BICRA). We use our BICRA economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for banks operating only in Nigeria is 'b'.

Macroeconomic challenges will persist in 2024. The naira has depreciated sharply over the past 12 months, leading to a jump in inflation and increased economic instability. The CBN raised its benchmark rate by 150 bps to 26.25% in May 2024 while inflation increased to 33.95%. High inflation and interest rates will constrain real lending expansion, as will banks' high cash reserve ratios (CRRs). The Central Bank of Nigeria (CBN) imposes CRRs on banks at a high statutory minimum of 45%. Although it has eased, we expect the supply of dollars to remain tight in 2024, also constraining banks' lending capacity. We see some growth opportunities in the oil and gas sector, thanks to increased refining capacity. Elevated prices and interest rates will continue to constrain household spending. GDP per capita will remain low, partly reflecting the country's large population growth. Average income levels will fluctuate at about $1,300 through 2025.

The banking industry's credit cycles are intrinsically linked to the oil and gas sector and foreign currency risk. We estimate impairment charges of about 4% of loans in 2023 after banks used their exceptional earnings to boost provisions. We forecast the credit loss ratio at about 2% in 2024. Although the amount of nonperforming loans (NPLs) is likely to increase, the NPL ratio will likely decline to about 5% by year-end 2025, as gross loans increase because of the depreciation of the naira. Overall, we expect the share of foreign currency-denominated lending to remain high at about 50% of total loans in 2024. The industry has material exposure to the oil and gas sector, accounting for more than one third of total loans following the sharp naira depreciation in 2023 and early 2024.

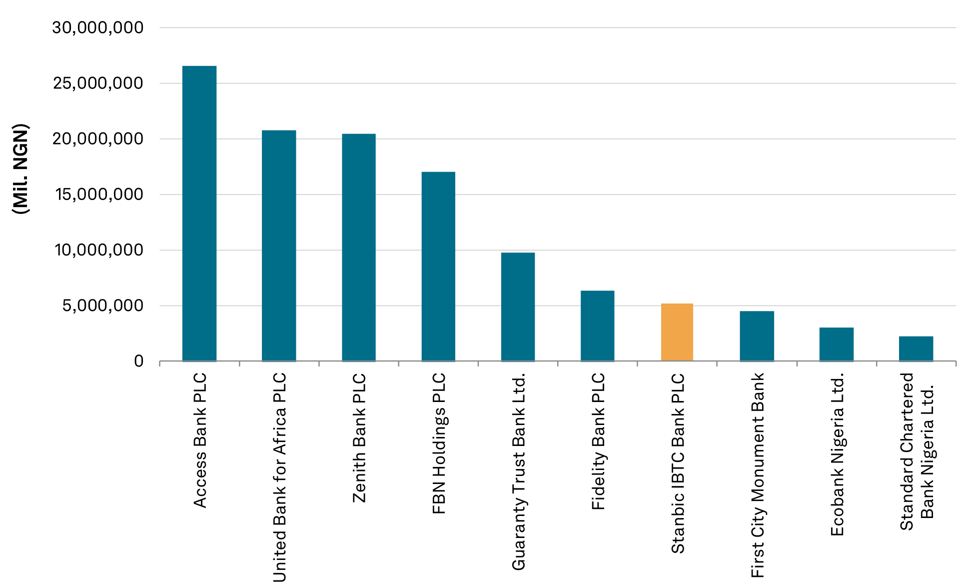
We anticipate the sector's profitability should stay resilient. The depreciating naira has reduced banks' capitalization because of high risk-weighted assets, which offset banks' exceptional revaluation gains in 2023. We forecast return on equity (ROE) will normalize in 2024 to about 20% following exceptional ROE of 30% in 2023, supported by unrealized gains stemming from banks' re-evaluation of their USD-denominated assets. We foresee potential mergers, acquisitions, or changes in business models as a result of the CBN's recapitalization exercise. The CBN has raised banks' minimum paid-up capital 20x to NGN500 billion (about $380 million) for an international banking license and NGN200 billion for a national license. The deadline to comply is March 2026.

Business Position: Diversified Revenue Streams From Strong Wealth And Investment Banking Franchises

Our assessment of Stanbic IBTC's business position balances its modest size against its leading CIB and IAM franchises. It also recognizes the group's growing retail banking operations in the competitive Nigerian banking sector.

Chart 1

Stanbic IBTC is the seventh largest Nigerian banking group by assets
Total assets

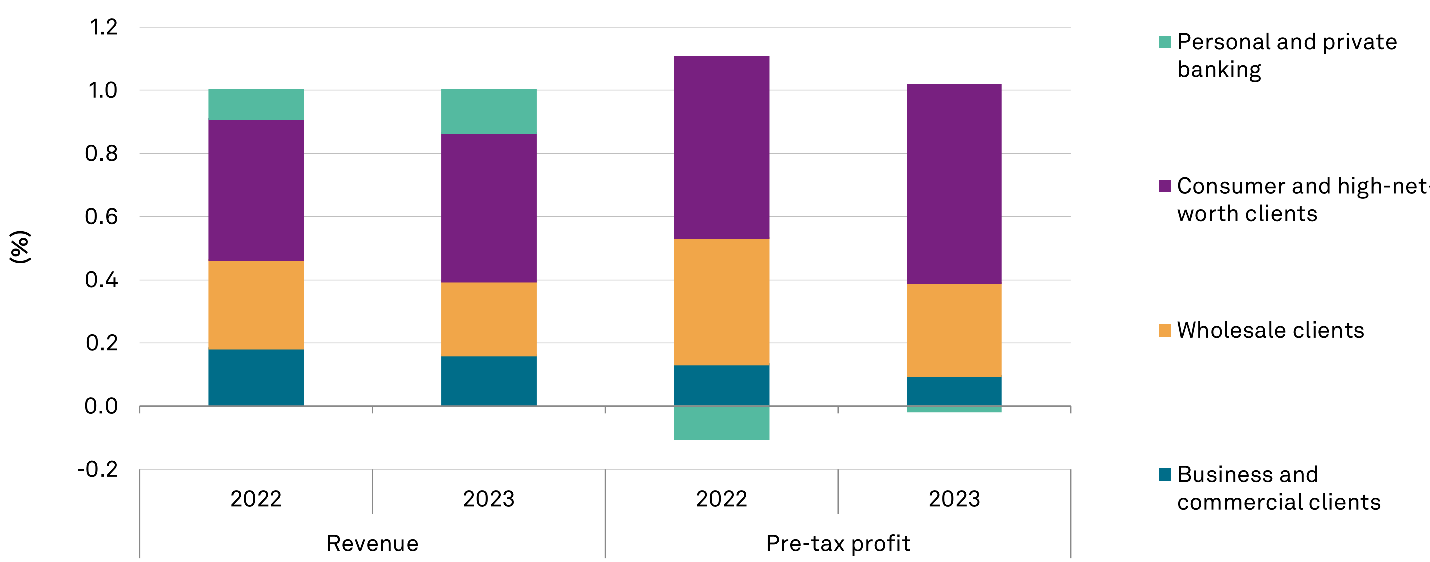


Data as of December 2023 except for Ecobank Nigeria which is of December 2022. NGN--Nigerian Naira. Source: S&P Global Ratings.

The CIB and IAM client operations remain the group's largest revenue and profitability drivers. The CIB franchise benefits from SBG's business relationships and balance-sheet backing. It also collaborates with ICBC, a 20% shareholder in SBG, to facilitate trade flows into Nigeria, as well as the banking requirements of Chinese state-owned enterprises and Chinese nationals operating locally. The CIB segment was the largest revenue contributor at 47% of total revenue in 2023, while the IAM clients segment was 23% of total revenue mainly supported by noninterest revenue from the insurance and asset management offering.

Chart 2

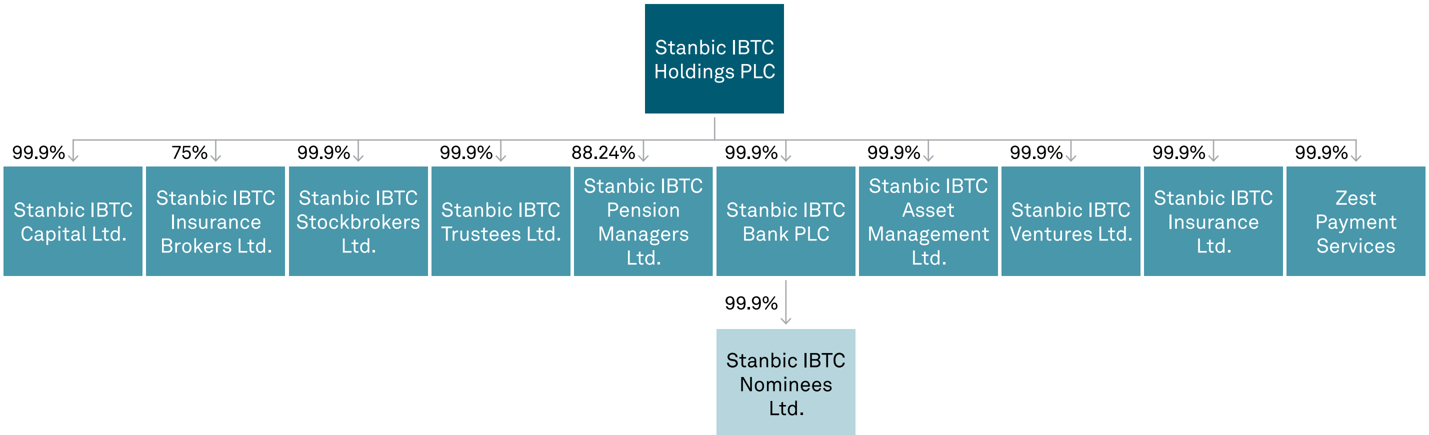
The CIB and IAM business segments remain the main revenue and profit drivers for the group



Sources: Company financials, S&P Global Ratings.

The group's operating performance has remained resilient through prolonged economic setbacks in Nigeria, supported by stable revenue streams. In 2023, the group's operating performance significantly improved with ROE of 30%, up from 20% in 2022, supported by an increase in net interest income, fees and commissions and foreign exchange revaluation gains. Noninterest income--51% of operating revenue in 2023--supports earnings stability by shielding the bank's earnings from the effects of changes in interest rates. We expect this revenue line will keep increasing mainly supported by growth in assets under management. In addition, the group's digital drive should continue supporting growth in fees and commissions and lower cost of funding through the ramp up of low-cost retail deposits.

Stanbic IBTC Holdings PLC group structure



As of July 11, 2024. Source: S&P Global Ratings.

Although the group's business scope is diversified, we expect it to continue deriving most of its revenue from its CIB and IAM divisions over the medium term. Stanbic IBTC's strategy is to be the leading end-to-end financial services provider in Nigeria. Its retail banking operations focus on low-cost deposits and a stable transactional revenue base, notably through innovation, such as its integrated digital platform, combining bank and nonbank financial services.

Capital And Earnings: Issuance To Meet New Paid-Up Capital Requirements Will Strengthen Capital Buffers

Stanbic IBTC Bank's capital adequacy ratio (CAR) declined by 310 basis points (bps) to 12.8% as of March 2024, down from 15.9% at Dec. 31, 2023, reflecting the impact of the naira depreciation. However, the bank's CAR remains well above its minimum of 10.0% under the Basel II framework. Its CAR at current levels also meets the Basel III minimum requirement of 11%, which includes a capital conservation buffer of 1% as the bank is licensed to operate only in Nigeria and is not considered a domestic systemically important bank. The Nigerian banking sector has been implementing the Basel III framework in parallel with the existing framework since November 2021. We expect the bank will maintain its CAR above the regulatory minimum over the next 12 months, supported by higher earnings accretion.

In March 2024, the CBN increased the minimum paid-up capital requirement for commercial banks with a national bank license to NGN200 billion ($133 million) from NGN25 billion. As of March 31, 2024, the bank's paid-up capital was NGN62 billion, resulting in a shortfall of NGN138 billion ($92 million) to meet the new requirement. The bank is looking to raise NGN140 billion through a rights issue program by the end of March 2026. This will further bolster capital buffers, strengthen its loss absorption capacity, and support growth.

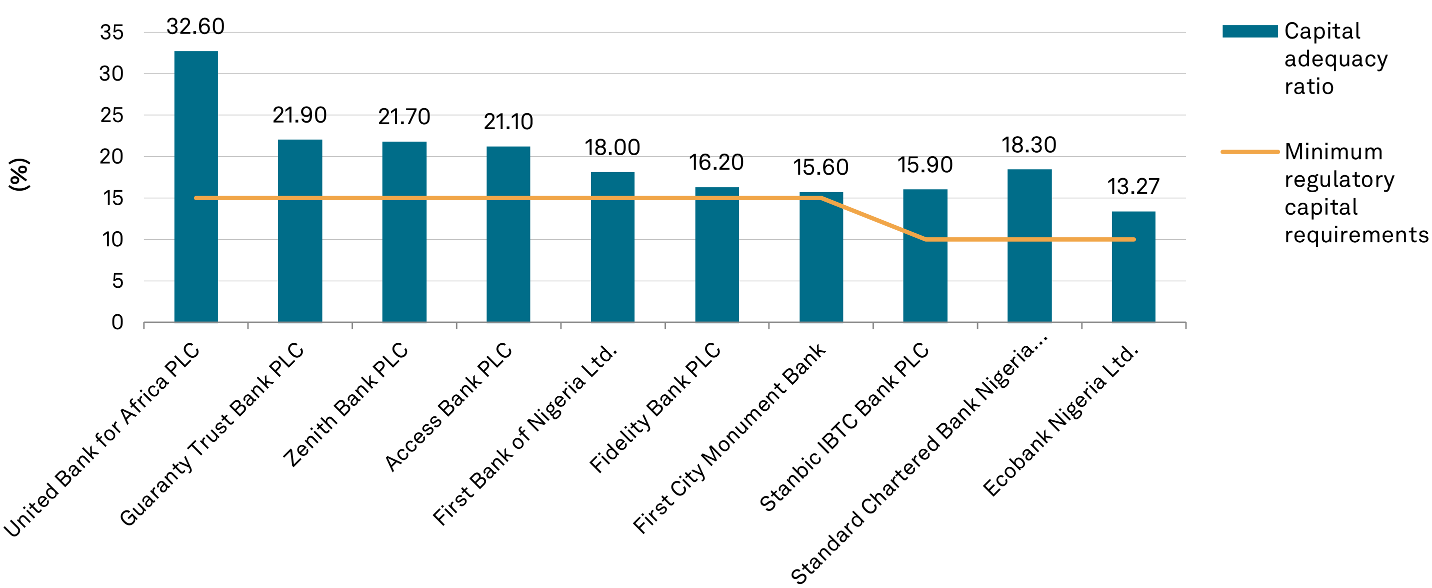
We forecast the group's RAC ratio at 3.3%-3.4% over the next 12-18 months, slightly down from 3.6% at year-end 2023, balancing growth in earnings, dividend payouts, and asset growth. Our RAC ratio declined by 70 bps to 3.6% in 2023, from 4.3% in 2022, due to a significant increase in risk-weighted assets amid the naira depreciation. Our measure of RAC reflects higher risk charges compared with regulatory capital because of the very high economic risk in Nigeria and treatment of elevated mandatory cash reserves in Nigeria in our RAC model.

Our projected RAC ratio assumes the following over 2024-2025:

- Loan growth of 30% in 2024, balancing a weaker naira compared to the end of March 2024, and the group's drive to increase loans to top corporates and retail clients;
- An increase in NIMs to 8% in 2024, reflecting higher interest rates and growth in retail lending;
- Operating expenses to increase by 35% in 2024, reflecting high inflation, but the cost-to-income ratio to remain broadly stable at about 48% supported by higher income.
- Nominal NPLs to increase by about 40%, reflecting the impact of high inflation, rising interest rates, and the weakened naira--although the NPL ratio will remain below 3% because of high loan growth;
- Cost of risk of 120 bps, below the expected 2% average for the sector; and
- Dividend distribution of 30% of net income.

Chart 4

Stanbic IBTC operates with capital adequacy ratios above the minimum requirements



Data as of December 2023 except for Ecobank Nigeria Ltd. which is as of December 2022. Source: Bank financials.

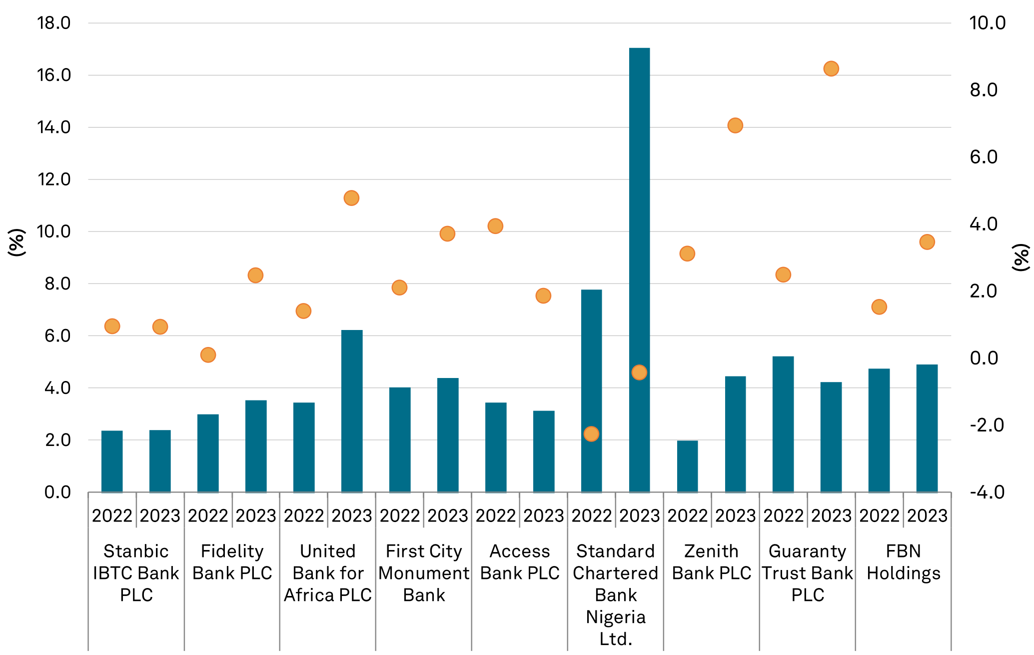
The group's quality of capital is comparable to peers, with Tier 2 debt constituting about 18.8% of qualifying capital as of March 31, 2024. Included within Tier 2 capital is U.S dollar denominated subordinated debt of $40 million (NGN92.5 billion), which provides some hedging against naira depreciation. It was obtained from Standard Bank of South Africa and matures in February 2031.

Earnings capacity is relatively strong compared to mid-tier peers. ROE was 30.6% in 2023 compared to a mid-tier rated peer average of 22.0%. We forecast ROE will remain stable at current levels over the next 12-18 months. Earnings will be supported by the increase in NIM because of higher interest rates and growth in nonfunded income, particularly from the IAM business. The CBN has raised its benchmark rate by a cumulative 750 bps since January 2024 to 26.25%. The high cash reserve requirements will however continue to constrain NIMs; the central bank raised the cash reserve requirement to 45% in 2024. We expect the group's earnings buffer to average 0.6% of S&P Global Ratings risk-weighted assets through 2024. This buffer is constrained by our more conservative estimate of normalized credit losses (average losses over an entire credit cycle).

The group's operating efficiency also supports profitability; it has one of the lowest cost-to-income ratios of rated Nigerian banks at 46.5% at year-end 2023 down from 53.7% in 2022. Regulatory costs, however, particularly the AMCON charge (0.5% of total on and off-balance sheet assets), remain a major cost driver for all Nigerian banks. Such costs have been increasing for Stanbic IBTC, because it has significantly grown its balance sheet over the past few years, to now 15% of operating expenses.

Chart 5

Stanbic IBTC Bank's asset quality compares well to peers', with one of the lowest NPL ratios among rated Nigerian banks



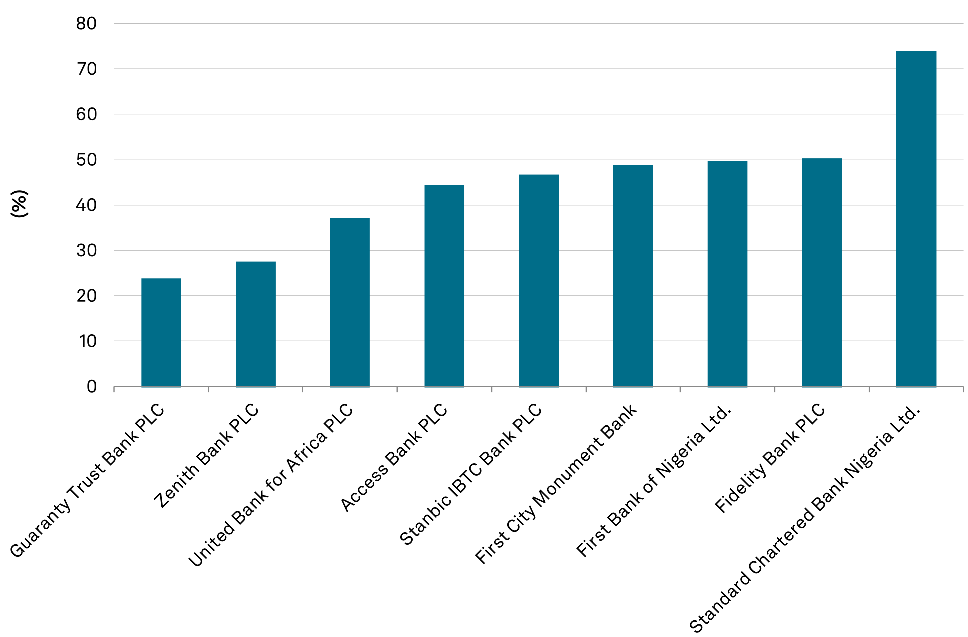
*Adjusted nonperforming assets/customer loans + other real estate owned. Source: S&P Global Ratings.

Risk Position: Good Asset Quality Metrics Despite Some Concentration Risks

Challenging macroeconomic conditions in Nigeria have had adverse effects on the bank's asset quality. NPLs in nominal value increased by 72% in 2023 largely reflecting the impact of the naira depreciation. However, the NPL ratio remained relatively stable at 2.4% in 2023, compared to 2.3% the previous year, reflecting the impact of the larger denominator. Higher interest rates, inflation, and currency depreciation in the first quarter of 2024 led to an increase in the NPL ratio to 2.96%. We anticipate NPLs will average 2.6% of gross loans through 2024 and pressure will moderate slightly in 2025, leading to a decrease in NPLs to around 2.3% as loan growth remains robust. We estimate new loan loss provisions at 1.2% of average total loans over the next 12-18 months. The group maintains a good loan-loss-reserve coverage of NPLs, which should remain above 100% through our forecast period. Stanbic IBTC Bank has better asset quality metrics than most peers, reflecting its prudent underwriting and risk management standards.

Chart 6

Stanbic IBTC's operating efficiency compares favorably among peers
Cost-to-income ratio



Data as of December 2023. Source: S&P Global Ratings.

The bank has been growing its loan book above the sector average over the past two years. Its gross loan book grew by 69% in 2023, from 31% in 2022, with naira depreciation serving as the main driver. Around 49% of loan growth was attributed to naira depreciation while 20% was real growth.

Like its rated Nigerian peers, the bank exhibits high single-obligor concentrations and foreign currency lending. The top 20 loans accounted for 28% of total loans at year-end 2023, while the top 20 NPLs represented about 45% of total NPLs during the same period. The high single obligor concentration reflects the group's concentration on large corporate clients--more than 67% of the loan book. Foreign currency lending represented 63% of total loans in 2023. Although these loans are extended to customers with revenue in the same currency, foreign currency risk persist amid the tight U.S dollar supply in Nigeria.

Stanbic IBTC Bank is exposed to energy transition risk given the material share of oil and gas loans in its loan book. Its oil and gas exposures accounted for about 20% of total loans as of end-2023, still below the sector average of 30%. Oil and gas will remain a significant component of Nigerian banks' loan books. As refining capacity increases in 2024, the sector provides lucrative opportunities for Nigerian banks to capitalize on.

Funding And Liquidity: A Growing Funding Base Underpins Comparatively Lower Cost Of Funding

Stanbic IBTC Bank's funding structure has improved and is mostly reliant on customer deposits. Core customer deposits remained stable at 57% of the group's funding base in 2023. Low-cost current and savings account deposits continued to grow, accounting for 72% of total deposits. Like peers, the cost of funding has increased--to 3.24% in 2023 from 1.94% in 2022--due to rising interest rates. The group benefits from a strong brand and the expertise available within the broader SBG to drive its corporate and investment banking relationships. It reported a stable funding ratio of 112% on Dec. 31, 2023.

The group maintains a liquid balance sheet and its liquidity indicators are in line with those of its peers. Broad liquid assets covered short-term wholesale funding by 1.53x as of Dec. 31, 2023. It also has access to foreign currency facilities that ensure stable access to foreign currency liquidity. Stanbic IBTC has maintained a committed foreign currency revolving facility with Standard Bank of South Africa since 2017, to provide up to $50 million. To date, the group has not drawn funds under the agreement. With a weaker naira, the share of foreign currency deposits have increased as clients use them as a hedging mechanism. They represented about 47% of total deposits as of Dec. 31, 2023, compared to 32% in 2022.

Support: Uplift For Group Support Constrained By The Low Sovereign Rating

We assess the group's SACP at 'b' and do not add any notch of support because of the lower sovereign rating.

However, we continue to view the group as strategically important to its South African parent, SBG. This reflects SBG's strategic emphasis on Africa and the importance of the Stanbic IBTC subgroup within its African operations.

Furthermore, the subgroup benefits from risk management support and additional capital and liquidity from SBG.

Consequently, we believe Stanbic IBTC and, by extension, the bank, is likely to receive capital and liquidity support if needed. Stanbic IBTC is a member of SBG, which has a 67.55% equity holding interest through Stanbic Africa Holdings Ltd.

Additional Rating Factors

We do not rate Nigerian banks above the sovereign because of the likely direct and indirect influence of sovereign distress on their operations, including their ability to service foreign currency obligations.

Environmental, Social, And Governance

Environmental and governance factors are negative considerations in our analysis of the Nigerian banking sector. Consequently, we apply the same considerations to our credit rating analysis of Stanbic IBTC.

Energy transition risk is material for the Nigerian banking system because of the large direct exposures to the oil and gas sector. This industry makes up about one third of systemwide loans, which weakens economic resilience and credit risk in the economy, in our view.

The governance indicator is largely driven by the weak banking regulation and supervision in Nigeria, which weighs on our institutional framework score, under our banking industry country risk assessment. Gaps in corporate governance in the wider economy exist and could affect the banking sector. Stanbic IBTC, however, benefits from governance and risk management oversight from its parent SBG.

Key Statistics

Table 1

Stanbic IBTC Group--Key figures

		--Year-ended Dec. 31--			
(Mil. NGN)	**2023**	**2022**	**2021**	**2020**	**2019**
Adjusted assets	5,143,356	3,025,245	2,738,525	2,481,666	1,871,224
Customer loans (gross)	2,091,139	1,238,195	946,259	655,292	556,383
Adjusted common equity	493,690	375,450	342,731	354,199	271,666
Operating revenues	355,080	239,234	170,777	198,854	186,552
Non-interest expenses	165,248	128,397	104,499	94,680	94,476
Core earnings	141,958	81,122	58,607	84,412	75,515

NGN--Nigerian naira.

Table 2

Stanbic IBTC Group--Business position

		--Year-ended Dec. 31--			
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (currency in millions)	355,166	240,113	171,145	198,924	186,586
Retail banking/total revenues from business line	13.51	9.61	9.65	19.40	28.04
Trading and sales income/total revenues from business line	N/A	44.58	36.93	26.20	19.47
Asset management/total revenues from business line	N/A	27.81	35.99	26.17	27.07

Table 2

Stanbic IBTC Group--Business position (cont.)

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Return on average common equity	30.60	20.35	14.72	24.26	27.33

N/A--Not applicable.

Table 3

Stanbic IBTC Group--Capital and earnings

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	14.00	19.50	19.30	23.30	22.30
Net interest income/operating revenues	49.34	47.28	44.13	37.32	41.72
Fee income/operating revenues	31.06	38.06	48.53	35.80	37.73
Market-sensitive income/operating revenues	17.57	14.55	7.23	26.66	20.40
Non-interest expenses/operating revenues	46.54	53.67	61.19	47.61	50.64
Pre-provision operating income/average assets	4.64	3.84	2.53	4.78	5.20
Core earnings/average managed assets	3.47	2.81	2.24	3.87	4.27

Table 4

Stanbic IBTC Bank Ltd.--Risk-adjusted capital framework (RACF) data

(Mil. NGN)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global RWA**	**Average S&P Global RW (%)**
Credit risk					
Government & central banks	2,244,922	0	0	5,215,686	232
Of which regional governments and local authorities	762,883	0	0	2,006,001	263
Institutions and CCPs	258,401	0	0	639,620	248
Corporate	2,141,475	2,461,312	115	5,305,723	248
Retail	131,052	0	0	294,868	225
Of which mortgage	0	0	0	0	0
Securitization§	0	0	0	0	0
Other assets†	393,713	0	0	1,022,145	260
Total credit risk	5,169,565	2,461,312	48	12,478,041	241
Credit valuation adjustment					
Total credit valuation adjustment	--	0	--	137,680	--
Market Risk					
Equity in the banking book	50,740	0	0	367,141	724
Trading book market risk	--	46,755	--	87,666	--
Total market risk	--	46,755	--	454,807	--
Operational risk					
Total operational risk	--	381,317	--	678,902	--
(Mil. NGN)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA

Table 4

Stanbic IBTC Bank Ltd.--Risk-adjusted capital framework (RACF) data (cont.)

(Mil. NGN)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Diversification adjustments					
RWA before diversification	--	2,889,384	--	13,749,430	100
Total Diversification/ Concentration Adjustments	--	--	--	4,594,803	33
RWA after diversification	--	2,889,384	--	18,344,233	133
(Mil. NGN)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio		Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments		403,573	14.0	493,690	3.6
Capital ratio after adjustments‡		403,573	14.0	493,690	2.7

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.NGN -- Nigerian naira. Sources: Company data as of Dec. 31 2023, S&P Global Ratings.

Table 5

Stanbic IBTC Group--Risk position

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	68.89	30.85	44.40	17.78	21.85
New loan loss provisions/average customer loans	0.93	0.94	(0.19)	1.35	0.13
Net charge-offs/average customer loans	N.M.	0.17	0.86	0.48	0.54
Gross nonperforming assets/customer loans + other real estate owned	2.35	2.31	2.15	4.04	3.88
Loan loss reserves/gross nonperforming assets	119.50	116.88	123.98	113.82	112.34

N.M.--Not meaningful.

Table 6

Stanbic IBTC Group--Funding and liquidity

	--Year-ended Dec. 31--				
(%)	**2023**	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	56.81	57.40	61.22	52.12	49.29
Customer loans (net)/customer deposits	97.65	94.64	81.11	70.78	80.81
Long-term funding ratio	67.02	68.54	72.20	68.51	70.24
Stable funding ratio	111.60	115.60	131.03	148.15	138.97
Short-term wholesale funding/funding base	37.52	37.20	33.39	38.44	36.38
Broad liquid assets/short-term wholesale funding (x)	1.53	1.75	2.40	2.29	2.11
Net broad liquid assets/short-term customer deposits	54.95	49.89	55.13	63.57	60.99
Short-term wholesale funding/total wholesale funding	86.87	87.32	86.11	80.29	71.73

Stanbic IBTC Bank Ltd.--Rating component scores

Issuer credit rating	B-/Stable/B
SACP	b

Stanbic IBTC Bank Ltd.--Rating component scores (cont.)	
Anchor	b
Economic risk	10
Industry risk	9
Business position	Adequate
Capital and earnings	Constrained
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	0
GRE support	0
Group support	+1
Sovereign support	0
Additional factors	-2

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Regulatory Disclosures

Regulatory disclosures applicable to the most recent credit rating action can be found at "Outlooks On 12 Nigerian Banks Revised To Stable After Same Action On Sovereign; Several National Scale Ratings Raised," published Aug. 11, 2023, on RatingsDirect

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 8, 2023
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Nigeria Ratings Affirmed At 'B-/B'; Outlook Remains Stable, Feb. 2, 2024
- Nigerian Banking Outlook 2024: Banks Stand Firm Amid Macroeconomic Pressures, Jan. 18, 2024
- Banking Industry Country Risk Assessment: Nigeria, Nov. 30, 2023

Glossary

- Adjusted assets: Total assets less nonservicing intangibles.
- Adjusted common equity: Common shareholders' equity plus minority interest, minus dividends (not yet distributed), minus revaluation reserves, minus nonservicing intangibles, minus interest only strips, minus tax-loss carry forwards, minus postretirement benefit adjustments.
- Anchor: The starting point for assigning a bank a long-term rating, based on economic and industry risk.
- Asset quality: A key measure of the quality and performance of the assets of a bank.
- Available stable funding: Core deposits, plus deposits due to banks (net of those that mature within one year), plus other borrowings (net of maturities within one year), plus total equity, minus intangibles.
- Business position: A measure of the strength of a bank's business operations.
- Broad liquid assets: cash (net of restricted cash) and reserves at the central bank, plus other cash and money market, plus bank loans and reverse repos that mature in less than one year, plus total liquid assets.
- Capital and earnings: A measure of a bank's ability to absorb losses.
- Core deposits: Total deposits minus noncore deposits (such as deposits due to banks and certificates of deposits).
- Core earnings over average managed assets: Annualized core earnings, over average assets of current period and last fiscal year.
- Core earnings: Net income before minority interest, minus nonrecurring income, plus nonrecurring expenses, plus/minus tax impact on adjustments, plus amortization/impairment of goodwill/intangibles, minus preferred dividends.
- Cost of funds: Interest expense as a percentage of average interest-bearing liabilities.
- Cost of risk: As a percentage of total loans, the charge for bad and doubtful debts.
- Issuer credit rating: A forward-looking opinion about an obligor's overall creditworthiness.
- Credit losses: Losses arising from credit risk.
- Credit risk: Risk that a borrower will default on its payment obligations.
- Customer loans (gross): Total customer loans before loan loss reserves.
- Customer loans (net) over customer deposits: Gross customer loans net of loan loss reserves, over core deposits.
- Earning capacity: The capacity of a bank to generate sufficient earnings against losses and the primary way that a bank builds or maintains its capitalization.

- ESG credit factors: Those environmental, social, and governance (ESG) factors that can materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis. These credit factors can have a negative or positive impact on creditworthiness, depending on whether they represent a risk or an opportunity.
- Fee income over operating revenues: Net income on fees and commissions over operating revenues.
- Funding and liquidity: A combined assessment of the strength and stability of a bank's funding mix and its ability to manage its liquidity needs in adverse market and economic conditions over an extended period.
- Funding base: Total deposits, plus acceptances, repurchase agreements, and other borrowings (including commercial papers, short- and long-term debt, subordinated debt, and minimal equity content hybrids).
- Gross nonperforming assets over customer loans plus other real estate owned over customer loans: Nonaccrual loans, plus restructured loans, plus repossessed assets plus loans 90-days past due; over gross customer loans plus repossessed assets.
- Loan loss reserves over gross nonperforming assets: General plus specific reserves, over adjusted nonperforming assets (nonaccrual loans plus restructured loans plus repossessed assets plus 90-day past due loans).
- Long-term funding ratio: Available stable funding, over funding base plus total equity, minus intangibles.
- National scale rating: An opinion of an obligor's creditworthiness or overall capacity to meet specific financial obligations, relative to other issuers and issues in a given country or region.
- Net interest income over operating revenues: Net interest income (including net interest income on loans, securities, and other assets), over operating revenues.
- New loan loss provisions over average customer loans: Credit loss provisions (including specific loan provisions and general and other provisions) minus recoveries, over average gross customer loans of current period and last fiscal year.
- Noninterest expenses: Salaries and general administrative expenses (including depreciations and amortizations).
- Operating revenues: Net interest income, plus operating noninterest income (that mainly includes fees and commissions and trading gains).
- Preprovision operating income over average assets: Operating revenues minus noninterest expenses, over average assets.
- Return on equity (ROE): Net income before extraordinary results minus preferred dividends over average common(average between current period and last fiscal period).
- Risk position: Our view of the specific risk characteristics of a particular bank.
- Risk-adjusted capital (RAC) ratio before diversification: This is calculated according to S&P Global Ratings' methodology as total adjusted capital over risk-adjusted assets.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial papers, debt and senior and subordinated bonds), plus bank deposits that mature in less than one year.
- Sovereign support: An assessment of the likelihood that the government would provide extraordinary support to a bank.
- Short-term wholesale funding: Debt securities that mature in less than one year (of commercial papers, debt and senior and subordinated bonds), plus bank deposits that mature in less than one year.

- Stable funding needs: Restricted cash and reserves at the central bank, plus interbank deposits, plus loans to banks (net of maturities within one year), plus reverse repurchase agreements, plus gross customer loans net of loan-loss reserves, plus securities, minus total liquid securities, plus equity participations in nonfinancial entities, plus fixed assets, plus other assets (considering foreclosed assets, tax loss carry forwards, and deferred assets).
- Stable funding ratio: Available stable funding over stable funding needs.
- Stand-alone credit profile (SACP): An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support.
- Total adjusted capital (TAC): adjusted common equity plus admissible preferred instruments and hybrids.
- Total wholesale funding: Noncore deposits, plus acceptances, repurchase agreements, other borrowings (including commercial papers, debt and senior and subordinated bonds, minimal equity content hybrids), and total equity, minus minority interest and common shareholders' equity.

Ratings Detail (As Of July 30, 2024)*		
Stanbic IBTC Bank PLC		
Issuer Credit Rating		B-/Stable/B
Nigeria National Scale		ngBBB/--/ngA-2
Issuer Credit Ratings History		
11-Aug-2023		B-/Stable/B
08-Feb-2023		B-/Negative/B
31-Mar-2020		B-/Stable/B
03-Mar-2020		B/Negative/B
11-Aug-2023	*Nigeria National Scale*	ngBBB/--/ngA-2
08-Feb-2023		ngBBB-/--/ngA-3
31-Mar-2020		ngBBB/--/ngA-2
03-Mar-2020		ngA-/--/ngA-2
Sovereign Rating		
Nigeria		B-/Stable/B
Nigeria National Scale		ngBBB+/--/ngA-2
Related Entities		
Liberty Group Ltd.		
Issuer Credit Rating		
South Africa National Scale		zaAAA/--/zaA-1+
Subordinated		
South Africa National Scale		zaAA-

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.