

## RATING ACTION COMMENTARY

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

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Fitch Ratings - London - 30 May 2024: Fitch Ratings has affirmed Stanbic IBTC Holdings PLC's (Stanbic IBTC) and its banking subsidiary Stanbic IBTC Bank Ltd.'s (Stanbic IBTC Bank) National Long-Term Ratings at 'AAA(nga)' with Stable Outlooks. A full list of rating actions is below.

#### KEY RATING DRIVERS

The National Ratings of Stanbic IBTC and Stanbic IBTC Bank are driven by potential support from ultimate parent, South African-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 sees a high propensity by SBG 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. It also reflects 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 holding company. 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 at holding company level. Stanbic IBTC Bank represented 97% of Stanbic IBTC's total assets at end-2023 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, reducing the fuel subsidy and overhauling monetary policy, including by allowing the naira to devalue by over 65%. The reforms are positive for Nigeria's creditworthiness but pose near-term macro-economic challenges for the banking sector.

**Strong CIB Franchise:** Stanbic IBTC Bank has only a moderate market share, representing 4% of domestic banking system assets at end-2023, but holds a strong franchise through its CIB and insurance and asset management businesses, and client relationships are fostered by being part of a leading pan-African banking group. Revenue diversification is high, with non-interest income representing 50% of operating income in 2023.

**High Sovereign Exposure:** Single-obligor credit concentration is high, with the 20 largest loans representing 2.2x common equity Tier 1 (CET1) capital at end-1Q24. Oil and gas exposure (end-2023: 20% of gross loans) is material. Nigeria sovereign exposure through securities and cash reserves at the Central Bank of Nigeria (CBN) is very high relative to CET1 (end-1Q24: 320%).

**Low Problem Loans:** The impaired loans (IFRS 9 Stage 3) ratio increased to 3% at end-1Q24 (end-2023: 2.4%) but remains low by domestic standards. Specific loan loss allowance coverage of impaired loans was 82.7% at end-1Q24. Stage 2 loans (end-1Q24: 1.4% of gross loans) remain significantly lower than peers'. Fitch expects the impaired loans ratio to increase moderately in the near term.

**Good Profitability Metrics:** Operating returns averaged 5.6% of risk-weighted assets (RWAs) over the past four years, supported by a wide net interest margin, high non-interest income and moderate loan impairment charges (LICs). Profitability increased modestly in 2023, primarily driven by foreign-exchange (FX) revaluation gains after the naira devaluation and a wider net interest margin. We expect profitability metrics to be maintained in 2024 on the back of higher interest rates.

**Declined CET1 Ratio:** Stanbic IBTC's CET1 ratio declined sharply to 11.8% at end-1Q24 (end-2022: 19.5%) primarily as a result of the naira devaluation, which inflated foreign-currency (FC)-denominated RWAs. Nevertheless, Stanbic IBTC Bank's total capital adequacy ratio (standalone CAR; 12.8% at end-1Q24; Basel II excluding unaudited profit for 1Q24) continues to have a buffer over the 10% minimum requirement. Fitch expects capital ratios to improve in 2024 as a result of strong internal capital generation and core capital-raising to meet new paid-in capital requirements.

**Comfortable Liquidity Coverage:** Stanbic IBTC's gross loans-to-customer deposits ratio (end-1Q24: 99%) is significantly higher than peers', reflecting its higher reliance on non-deposit funding. The customer deposit base comprises a high proportion of current and savings accounts (end-1Q24: 76%), supporting funding stability. 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.

**OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES**

The senior unsecured debt ratings will move in tandem with 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.

**ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

**RATING ACTIONS**

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕	
Stanbic IBTC Holdings PLC	Natl LT	AAA(nga)	Rating Outlook Stable	Affirmed	AAA(nga) Rating Outlook Stable
	Natl ST	F1+(nga)	Affirmed		F1+(nga)
Stanbic IBTC Bank Ltd.	Natl LT	AAA(nga)	Rating Outlook Stable	Affirmed	AAA(nga) Rating Outlook Stable
	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](#)

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**APPLICABLE CRITERIA**

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Bank Rating Criteria \(pub. 15 Mar 2024\) \(including rating assumption sensitivity\)](#)

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Stanbic IBTC Bank Ltd. -  
Stanbic IBTC Holdings PLC -

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