Stanbic IBTC Bank PLC

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Stanbic IBTC Bank PLC

SACP	b-	+	Support	+1	+	Additional Factors	0

Anchor	b	
Business Position	Moderate	-1
Capital and Earnings	Moderate	0
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

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

Issuer Credit Rating
B/Stable/B

Major Rating Factors

Strengths:	Weaknesses:
• Strategic importance to the Standard Bank Group (SBG). • Leading investment banking and wealth franchise. • Strong earnings capacity supported by a comparatively moderate efficiency ratio. • Ample capital buffers above the regulatory minimum.	• High single-obligor concentrations and foreign currency lending, which is a structural issue in the Nigerian banking sector. • Funding cost optimization remains constrained by the limited, albeit growing, retail customer deposits franchise.

Outlook: Stable

The stable outlook on Stanbic IBTC Bank PLC reflects that of Nigeria (B/Stable/B). It also reflects S&P Global Ratings' expectation of group support over the next 12 months.

Downside scenario

We would lower the rating if we lowered the rating on Nigeria or if we observed a significantly lower likelihood of extraordinary support from the parent, SBG.

Upside scenario

An upgrade would be conditional on a similar rating action on the sovereign, all other factors remaining unchanged. This could happen if Nigeria's economic performance were to improve markedly more than our base case--for example, if it saw positive real per capita GDP growth, or it consolidated its fiscal deficits more quickly.

Rationale

Stanbic IBTC Bank operates in the middle tier of the competitive Nigerian banking sector and its business position benefits from its affiliation to SBG, as well as its brand recognition and segment diversification. We anticipate that the bank will report continued net income growth supported by increased revenue flows from its expanding retail operations and the continued expansion of its corporate banking operations.

We expect risk-adjusted capital (RAC) to remain broadly stable at about 6.5% over the next 12-18 months. This is based on our expectation that increased earnings would be balanced by higher dividend payments and a return on equity (ROE) of about 25%.

We forecast that nonperforming loans (NPLs) will remain high, but continue to improve from 2018 levels to 3.5%-3.7% over our forecast period. At the same time, we expect loan loss reserve coverage will be in excess of 100%, thus mitigating the risks associated with lending concentration. The bank's funding structure has improved over time and mostly relies on customer deposits. It also maintains a liquid balance sheet, proactively manages its foreign currency balance sheet, and has access to parent support in case of need.

Anchor: 'b' for banks operating in Nigeria

We use our Banking Industry Country Risk Assessment economic and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating to a bank. The anchor for a commercial bank operating in Nigeria is 'b', based on an economic risk score of '10' and an industry risk score of '9'.

Following years of heightened risks, operating conditions for the Nigerian banking sector are stabilizing, on the back of a weak economic recovery, and increasing U.S. dollar supply in the banking system. We still consider the Nigerian banking sector to be in a correction phase. We project slow economic recovery with real GDP growth of about 2% in 2019 and we expect flat or negative credit growth in 2019. The asset quality and profitability of the sector will likely improve only gradually, with high credit losses at 2.5%-3.0% in 2019. However, we expect top-tier banks' operating performance to remain resilient through the credit cycle.

Nigeria's weak banking oversight largely stems from a weak regulatory track record. However, the Central Bank of Nigeria has introduced a number of measures to ensure the sector's stability. For example, it has restricted banks from distributing dividends if their NPL ratio exceeds the 5% regulatory limit. Positively, the majority of banks have overcome their short-term liquidity challenges following the introduction of the Nigerian Autonomous Foreign Exchange Fixing Mechanism (NAFEX) window in April 2017.

Table 1

Stanbic IBTC Group Key Figures

		--Year-ended Dec. 31--			
(Mil. NGN)	**2019***	**2018**	**2017**	**2016**	**2015**
Adjusted assets	1,578,637.0	1,662,834.0	1,385,811.0	1,052,810.0	937,564.0
Customer loans (gross)	439,853.0	456,624.0	403,852.0	375,316.0	379,428.0
Adjusted common equity	255,528.0	220,944.0	174,396.0	137,618.0	120,557.0
Operating revenues	47,189.0	180,742.0	172,560.0	125,997.0	100,596.0

Table 1

Stanbic IBTC Group Key Figures (cont.)

	--Year-ended Dec. 31--				
(Mil. NGN)	**2019***	**2018**	**2017**	**2016**	**2015**
Noninterest expenses	24,814.0	94,606.0	86,026.0	69,041.0	62,066.0
Core earnings	19,169.9	74,425.7	48,215.7	28,477.1	18,849.5

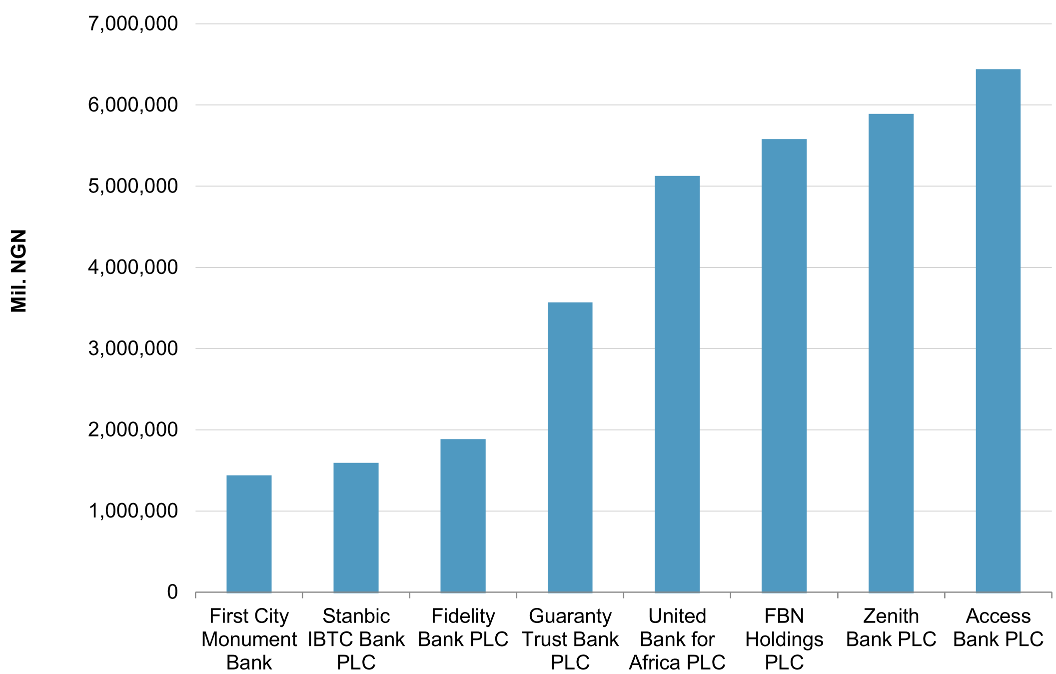
*Data as of March 31.
NGN--Nigerian naira.

Business position: Mid-tier banking group with good wealth management and investment banking franchise

Stanbic IBTC Bank operates in the middle tier of the competitive Nigerian banking sector, with a moderate market share of about 5%. However, the group has a leading wealth, investment banking, stock brokerage, and custody franchise in Nigeria. (see chart 1).

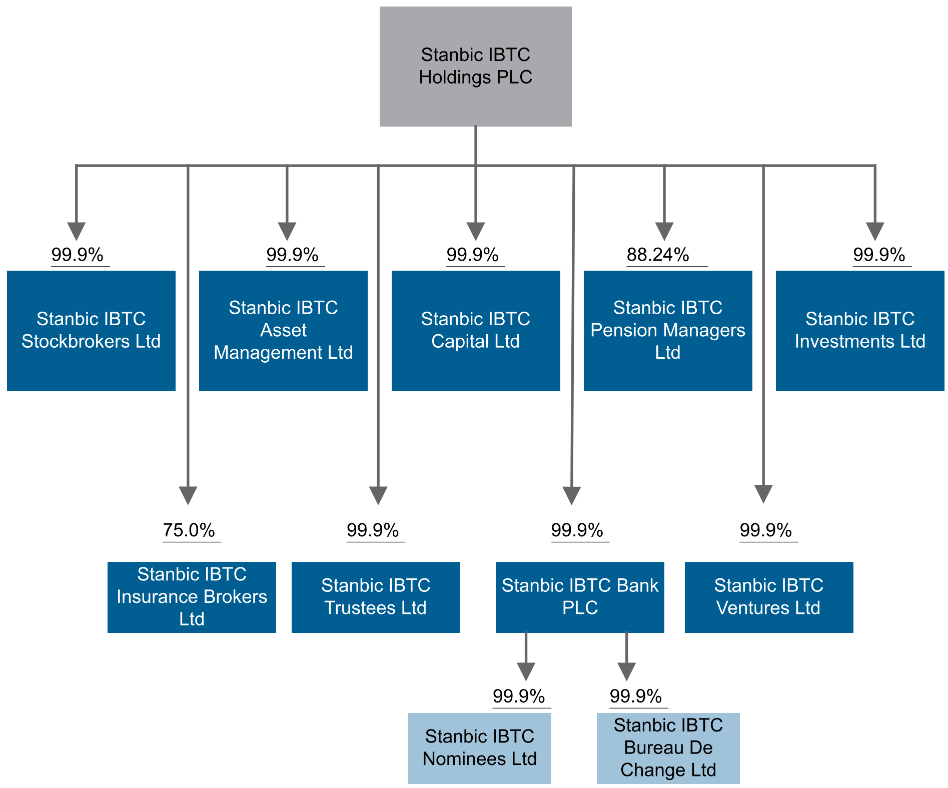
Chart 1

Nigeria's Banks Ranked By 2018 Assets



NGN--Nigerian naira. Source: S&P Global Ratings.

Stanbic IBTC Holdings PLC Group Structure



Source: Company reports.

The group's resilient performance is underpinned by good revenue stream diversification. Profitability is mainly due to noninterest revenue, which comprises assets under management and interest earned on investments. During 2018, noninterest revenue was boosted by an 18% increase in fee and commission income, reflecting growth in retail banking, assets under management, and brokerage and financial advisory services.

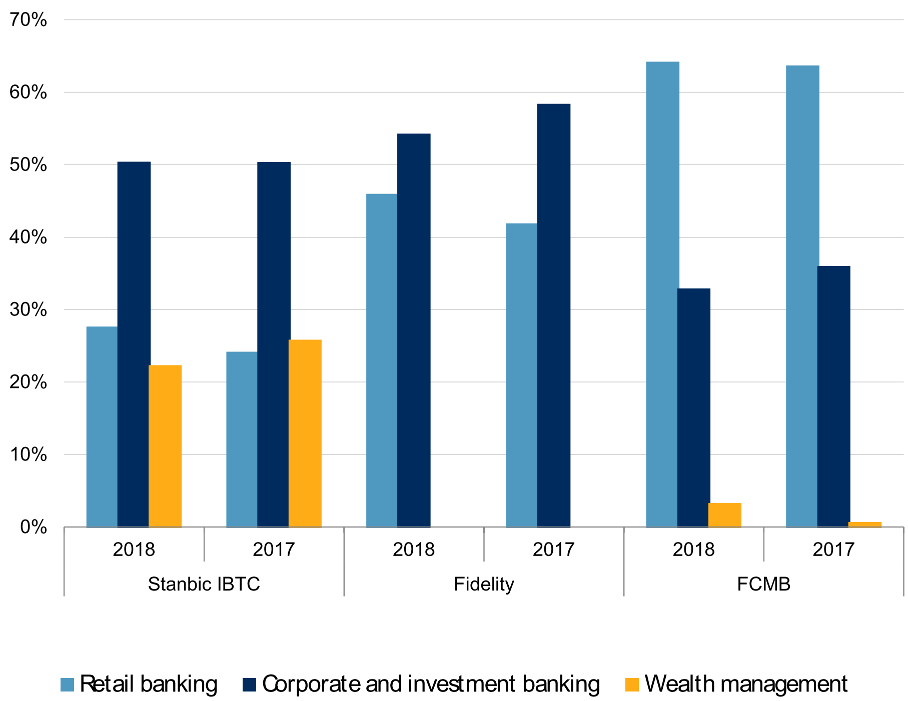
The bank's retail franchise yielded a profit for the first time in 2018 through growth in transaction volumes across its integrated digital platform, combining bank and nonbank services. We expect this will support overall group earnings going forward. The retail franchise remains central to the bank's strategy in the long term, and focuses on services, as opposed to pure loan growth.

Although retail banking revenue is smaller, in absolute terms, than mid-tier bank peers it is noteworthy that Stanbic's revenue base is more diversified (see charts 3 and 4).

Stanbic IBTC's earnings capacity and cost-to-income metrics are gradually improving to compare adequately with top tier banks in Nigeria. This, combined with the sustainable growth of its retail franchise, may support a stronger stand-alone credit assessment in the next 12-24 months.

Chart 3

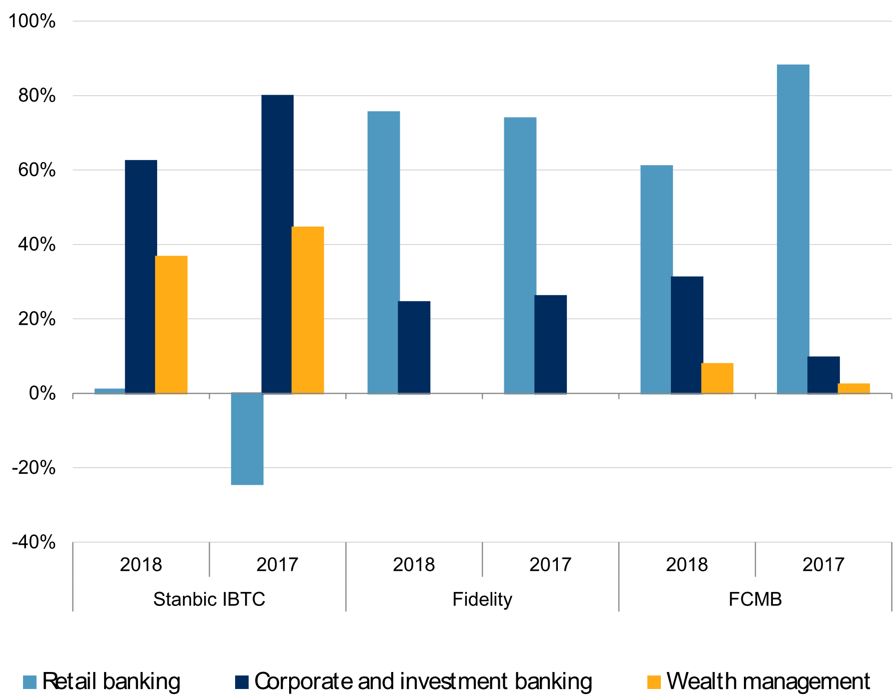
Stanbic IBTC And Peers' Revenue Contribution By Business Line



Source: S&P Global Ratings.

Chart 4

Stanbic IBTC And Peers' Pre-Tax Profit Contribution By Business Line



Source: S&P Global Ratings.

Stanbic IBTC Bank's strategy of transforming into a retail-led bank with low-cost retail deposits and a stable transactional revenue base, notably through innovation, is further supporting the bank's funding cost. Cost of funding improved to 3.6% in December 2018 from 4.6% in 2017. This compares well against some top-tier banks' cost of funds, despite a relatively modest retail franchise. Based on this, we forecast that the bank's net interest margin will improve from 6.8% in 2019 to 7.2% in 2021.

Recent management changes support broad expertise at the board level, including in business operations, international trade, and at various strategic projects. Similarly to top-tier banks in Nigeria, the management team is experienced and qualified to drive the bank's growth within well-defined risk appetite levels that are commensurate with its parent. In our view, the group's overall steady performance is also attributable to support from SBG, which provides a unique franchise across the African continent and beyond in addition to support in risk management. For example, the parent offers co-financing partnerships, lines of credit, risk transfers, and product structuring and development to its subgroup. This has allowed Stanbic IBTC to expand its corporate and investment banking operations into a market-leading franchise.

Stanbic IBTC has developed a unique partnership with Industrial and Commercial Bank of China, the largest bank in China, for its trade flows in Nigeria. Stanbic IBTC facilitates the banking requirements of all Chinese state-owned enterprises in Nigeria and is one of only two banks, alongside Standard Chartered, able to facilitate Nigerian naira (NGN)/Chinese yuan swaps.

The bank is building a positive track record in terms of environment, social, and governance goals focusing on developing the business skills of small and midsize enterprises.

Table 2

Stanbic IBTC Group Business Position

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Total revenues from business line (mil. NGN)	47,189.0	180,813.0	172,769.0	126,053.0	100,648.0
Retail banking/total revenues from business line	27.4	27.0	25.6	35.3	29.6
Trading and sales income/total revenues from business line	N/A	17.3	16.9	12.2	15.4
Investment banking/total revenues from business line	N/A	17.3	16.9	12.2	15.4
Return on average common equity	30.0	34.5	28.9	18.9	12.9

*Data as of March 31.
NGN--Nigerian naira. N/A--Not applicable.

Capital and earnings: Well capitalized and supported by strong earning capacity

We expect the consolidated group will maintain a broadly stable RAC ratio at about 6.5% over the next 12-18 months, compared with 5.8% at year-end 2018.

Under our base-case scenario, we assume:

- Loan growth of 20%-25% in 2019-2021. The group will selectively increase exposure to blue-chip clients in the oil and gas sector, while leveraging its relationships with both Standard Bank Group and ICBC.
- An increasing net interest margin of 6.9%-7.2%, because of improving yields on U.S. Treasury bills and reducing inflation in Nigeria.
- A stable NPL ratio of 3.5%-4.0% in 2019-2021.
- Broadly stable cost to income of 50%-55%.
- A dividend payout of about 30% in 2019. The dividend payout is adjusted to maintain a buffer of at least 350 basis points (bps) against the minimum capital adequacy ratio (CAR) and calibrated against asset quality and the parent's expectation of a 25% ROE.

Stanbic IBTC group's CAR improved to 24.7% in 2018, up from 23.5% in 2017. The group has a significant capital buffer above the regulatory minimum. The regulatory minimum CAR for the group is 10% because it is licensed to operate in Nigeria only, compared with a 15% minimum CAR for a domestic bank with an international banking license (see chart 5).

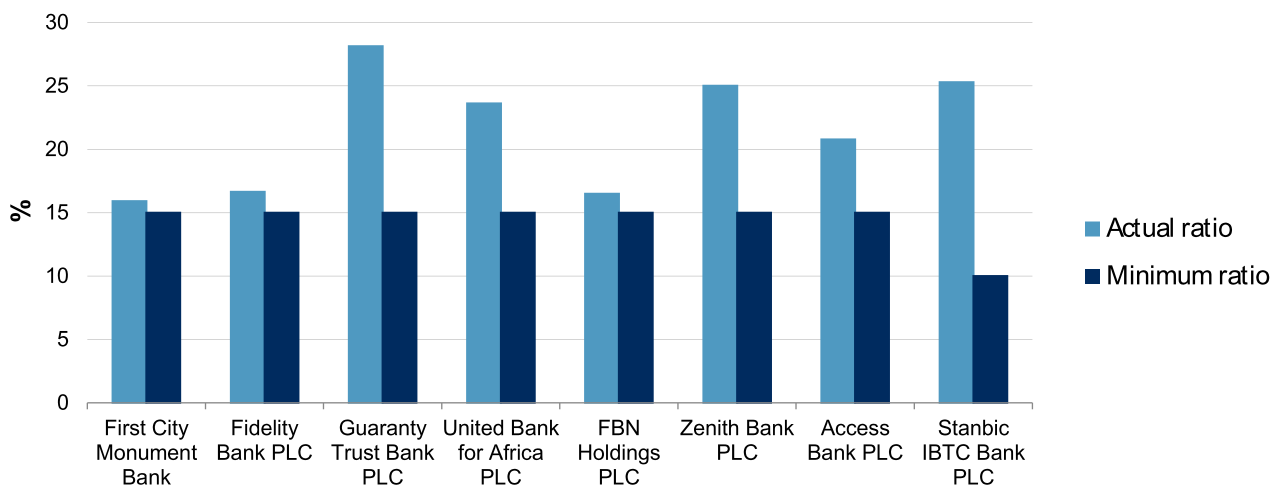
We expect the group's strong earnings retention capacity to keep its large capitalization buffer above its minimum CAR. Furthermore, we estimate the group's earnings buffer to be above 150bps in 2019, which compares adequately with the best-performing Nigerian banks.

Profitability will be supported by a diversified revenue mix with about 50% of noninterest income, of which more than half originates from the investment banking and wealth divisions. Trading revenue accounted for about one-third of noninterest income in 2018, largely driven by trading of treasury bills and foreign exchange for clients. We expect this trend to decrease over our forecast period as retail-based fee income increases as a proportion of noninterest revenue.

The quality of capital has improved, with Tier 2 capital accounting for 14% of total qualifying capital in 2018 compared with 20% in 2017, as a result of strong earnings retention. Tier 2 capital at the group level (about NGN32 billion) is primarily subordinated term debt (NGN30 billion). Almost one-quarter of it is denominated in U.S. dollars, with $40 million obtained from its South African parent.

Chart 5

Stanbic IBTC And Peers' Capital Adequacy Ratios



Source: S&P Global Ratings.

Table 3

Stanbic IBTC Group Capital And Earnings					
		--Year-ended Dec. 31--			
(%)	2019*	2018	2017	2016	2015
Tier 1 capital ratio	22.5	21.9	19.6	18.6	17.4
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Double leverage	84.3	83.7	92.3	117.2	95.6
Net interest income/operating revenues	42.8	43.3	48.4	45.9	43.6
Fee income/operating revenues	35.6	38.6	34.2	41.4	40.5
Market-sensitive income/operating revenues	20.8	17.3	16.9	12.2	15.4
Noninterest expenses/operating revenues	52.6	52.3	49.9	54.8	61.7
Preprovision operating income/average assets	5.5	5.6	7.1	5.7	4.1

Table 3

Stanbic IBTC Group Capital And Earnings (cont.)

		--Year-ended Dec. 31--			
(%)	2019*	2018	2017	2016	2015
Core earnings/average managed assets	4.7	4.9	4.0	2.9	2.0

*Data as of March 31.
N/A--Not applicable.

Table 4

Stanbic IBTC Group Risk-Adjusted Capital Framework 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	693,434	--	--	1,281,119	185
Of which regional governments and local authorities	--	--	--	--	--
Institutions and CCPs	48,263	--	--	119,465	248
Corporate	513,283	--	--	1,339,157	261
Retail	44,399	--	--	99,898	225
Of which mortgage	--	--	--	--	--
Securitization§	--	--	--	--	--
Other assets†	28,117	--	--	94,895	338
Total credit risk	1,327,496	--	--	2,934,535	221
Credit valuation adjustment					
Total credit valuation adjustment	--	--	--	--	--
Market Risk					
Equity in the banking book	19,548	--	--	177,447	908
Trading book market risk	--	--	--	--	--
Total market risk	--	--	--	177,447	--
Operational risk					
Total operational risk	--	--	--	342,473	--
(Mil. NGN)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	--	--	--	3,454,455	100
Total Diversification/ Concentration Adjustments	--	--	--	1,219,265	35
RWA after diversification	--	0	--	4,673,720	135
(Mil. NGN)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		204,277	21.3	201,667	5.8
Capital ratio after adjustments‡		204,277	21.3	201,667	4.3

Table 4

Stanbic IBTC Group Risk-Adjusted Capital Framework Data (cont.)

*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 2018, S&P Global Ratings.

Risk position: Improving credit losses supported by good recoveries and risk management

Stanbic IBTC Group's asset quality metrics improved in 2018, with the NPL ratio declining to 3.88% (2017: 7.85%), on the back of reversals on some nonperforming exposures. Due to a write back on previously written off loans, the group reported a positive impairment charge of NGN2.9 billion on Dec. 31, 2018, compared with a negative impairment charge of NGN25 billion a year before. Although the group managed to record significant loan recoveries, we still expect the cost of risk to normalize at 0.80% in the next 12-18 months.

The group has made notable progress in resolving Stage 2 loans in 2018 with their absolute value decreasing by almost half and their proportion halving to 11%. We expect this ratio to remain static during first-half 2019 due to a reducing loan balance on the back of continued loan recoveries and repayments.

Similarly to top tier banks in Nigeria, the group's exhibits high single-obligor concentrations and foreign currency lending. The top 20 loans accounted for 55% of total loans at year-end 2018, while the top 20 NPLs represented about 49% of the bank's total NPLs at the same date. Foreign currency lending represented 46% of total loans in 2018. These ratios generally deteriorated because of the naira devaluation in 2017. That said, given the Nigerian economy's reliance on hydrocarbons, the bank is unlikely to significantly reduce its share of foreign exchange loans. Positively, the bank maintains good loan-loss reserve coverage of NPLs, which should remain above 100% through our forecast period.

Table 5

Stanbic IBTC Group Risk Position

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Growth in customer loans	(14.7)	13.1	7.6	(1.1)	(8.2)
Total managed assets/adjusted common equity (x)	6.2	7.5	7.9	7.7	7.8
New loan loss provisions/average customer loans	(1.2)	(0.7)	6.6	5.2	3.8
Net charge-offs/average customer loans	(0.7)	(0.7)	(0.6)	(0.1)	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	4.0	3.9	7.9	5.0	7.1
Loan loss reserves/gross nonperforming assets	149.9	135.0	100.2	119.7	95.9

*Data as of March 31.

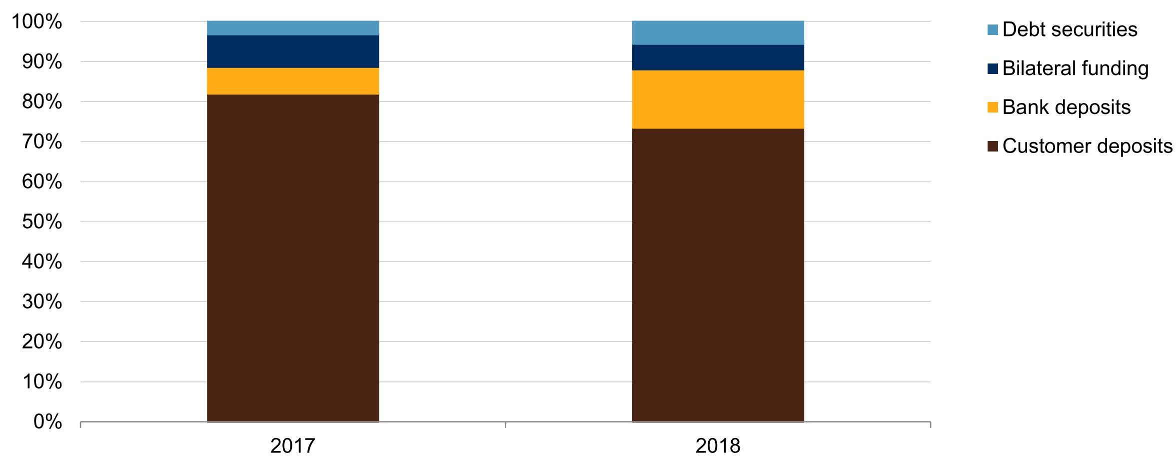
Funding and liquidity: Improving funding structure

Stanbic IBTC Bank's funding structure has improved over time and mostly relies on customer deposits. We think the bank also benefits from its brand reputation and the expertise available within the broader SBG to drive its corporate and investment banking relationships. Stanbic IBTC Bank is primarily deposit funded, and 70% of the funding base comprises core customer deposits (see chart 6).

The group's deposit book is short-dated, with about 70% of deposits repayable on demand. At year-end 2018, depositor concentration remained high with the top 20 depositors comprising about 33% of total deposits, while foreign currency deposits represented 38% of total deposits.

Chart 6

Stanbic IBTC's Funding Base Still Largely Comprises Customer Deposits



Source: S&P Global Ratings.

The group reported a net stable funding ratio of 155% at year-end 2018 and exhibits one of the lowest levels of loan leverage among rated banks in Nigeria. The group maintains a liquid balance sheet. It has proactively managed its foreign currency balance sheet and has access to parent support in case of need. During 2017, Stanbic IBTC Bank entered into a foreign currency revolving facility with Standard Bank of South Africa, to provide up to $50 million. To date, the bank has not drawn any funds under the agreement. Broad liquid assets covered short-term wholesale funding by about 3x compared with 2x in 2017 indicating an improving liquidity position.

The group's double leverage averaged 95% over the past five years, except for 2016 when it reached 117% following an equity investment in Stanbic IBTC Pension Managers. As of Dec. 31, 2018, the group had a double leverage of 92%, which we view as adequate.

Table 6

Stanbic IBTC Group Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Core deposits/funding base	65.6	68.9	80.7	73.6	65.5
Customer loans (net)/customer deposits	54.2	51.3	47.0	64.5	75.2
Long-term funding ratio	77.9	64.7	84.8	88.8	76.3
Stable funding ratio	196.6	154.4	188.9	163.6	136.8
Short-term wholesale funding/funding base	27.1	42.1	18.0	12.4	21.4
Broad liquid assets/short-term wholesale funding (x)	3.2	2.0	4.9	6.1	3.1

Table 6

Stanbic IBTC Group Funding And Liquidity (cont.)

		--Year-ended Dec. 31--			
(%)	2019*	2018	2017	2016	2015
Net broad liquid assets/short-term customer deposits	77.5	53.1	83.9	76.6	53.5
Short-term wholesale funding/total wholesale funding	78.7	135.7	93.4	46.9	61.9

*Data as of March 31.

Support: One notch of uplift reflects strategic important to SBG

We include one notch of uplift in our assessment of the 'b-' unsupported group credit profile (GCP), owing to the group's strategic importance to SBG. The uplift accounts for SBG's strategic emphasis on Africa and the importance of the Stanbic IBTC sub-group within its African operations. Furthermore, the Stanbic IBTC subgroup benefits from risk management support and additional capital and liquidity from SBG's South African operations. Consequently, we consider that the Stanbic IBTC sub-group, and by extension, Stanbic IBTC Bank, is likely to receive capital and liquidity support, if and when needed.

Stanbic IBTC Holding PLC is a member of SBG, which has a 65.35% equity holding interest through Stanbic Africa Holdings Ltd.

Additional rating factors: Sovereign rating

The 'b' supported GCP is constrained by the long-term foreign currency rating on Nigeria. 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.

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Nigeria 'B/B' And 'ngA/ngA-1' Ratings Affirmed; Outlook Stable, March 15, 2019
- Banking Industry Country Risk Assessment: Nigeria, Jan. 22, 2019
- Nigerian Financial Institutions National Scale Ratings Revised After Criteria Update; Removed From Criteria Observation, July 2, 2018
- Nigeria-Based Stanbic IBTC Bank PLC 'B/B' And 'ngBBB/ngA-2' Ratings Affirmed; Outlook Stable, May 22, 2018

Regulatory Disclosures

Regulatory disclosures applicable to the most recent credit rating action can be found in "Nigeria-Based Stanbic IBTC Bank PLC 'B/B' And 'ngBBB/ngA-2' Ratings Affirmed; Outlook Stable," published May 22, 2018, and "Nigerian Financial Institutions National Scale Ratings Revised After Criteria Update; Removed From Criteria Observation," published July 2, 2018 on RatingsDirect.

Glossary

- Adjusted assets: Total assets minus 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 carryforwards, minus postretirement benefit adjustments.
- Anchor: The starting point for assigning a bank a long-term rating, based on economic and industry risk.
- Asset-liability mismatch: Occurs when financial terms of an institution's assets and liabilities do not correspond.
- 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.
- Counterparty credit rating: A form of issuer credit rating, which is 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.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- 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.
- Earnings buffer: A measure of the capacity for earnings to absorb normalized losses through the credit cycle.
- 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).
- Group credit profile (GCP): S&P Global Ratings' opinion of a group's creditworthiness as if the group were a single legal entity, and is conceptually equivalent to an issuer credit rating. A GCP does not address any specific obligation.
- Group support: An assessment of the likelihood that a parent or other group member would provide extraordinary support to a bank within that group.
- 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 (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: Net income before extraordinary results minus preferred dividends over average common equity (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 paper, 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 carryforwards, 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: 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.

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	**10**
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	**b**
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of June 14, 2019)*

Stanbic IBTC Bank PLC		
Issuer Credit Rating		B/Stable/B
Nigeria National Scale		ngA/--/ngA-1
Issuer Credit Ratings History		
22-Sep-2016		B/Stable/B
24-Mar-2016		B+/Negative/B
25-Mar-2015		B+/Stable/B
13-Feb-2015		BB-/Watch Neg/B
02-Jul-2018	*Nigeria National Scale*	ngA/--/ngA-1
22-Sep-2016		ngBBB/--/ngA-2
24-Mar-2016		ngA-/--/ngA-2
25-Mar-2015		ngA/--/ngA-1
13-Feb-2015		ngAA-/Watch Neg/ngA-1
Sovereign Rating		
Nigeria		B/Stable/B
Nigeria National Scale		ngA/--/ngA-1
Related Entities		
Liberty Group Ltd.		
Issuer Credit Rating		
South Africa National Scale		zaAAA/--/zaA-1+
Subordinated		
South Africa National Scale		zaAA
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.

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