Stanbic IBTC

Financial results presentation

for the year ended 31 December 2014

Contents

Operating Environment

Sola David-Borha CE, Stanbic IBTC Holdings

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Macroeconomic environment

- The pace of growth of Nigerian economy slowed down in the last quarter of 2014 with GDP growth rate of 5.94% from 6.23% in Q3 2014, resulting from decline in economic activities due to the impact of declining crude oil prices.

- The impact of declining crude oil prices was also felt on the Naira as the central bank was forced to devalue the currency.

- Foreign currency reserves were down 21% year-on-year as at December 2014 to close at $34.4 billion. This decline is majorly due to the fall in the crude oil price, which is the major source of revenue for the Nigerian government, and outflow of capital by foreign investors.

- The Central Bank of Nigeria in a bid to reduce the pressure on the naira recently closed the Retail Dutch Auction System (RDAS) and the Wholesale Dutch Auction System (WDAS).

- The inflation rate that has remained in single digit territory for the past 24 months, will likely edge upwards as the value of the Naira continues to depreciate.

- The capital market had a bearish performance in 2014 declining by 16.1% due to low investor confidence.

Banking industry – Recent events

Regulatory update

- Banks started reporting capital adequacy ratio under Basel II/III;
- Dividend policy linking composite risk rating (CRR) and asset quality to dividend payout; and
- Policy reducing foreign currency borrowings to 75% of capital from 200% previously.

Impact on Stanbic IBTC

- Increased risk weighted assets as more capital is required for operational and market risks in addition to credit risk;
- Our NPL ratio increased to 6.6%, although composite risk rating (CRR) is within recommended limit;
- Our current level of foreign currency borrowings is below 20% of capital, giving us the opportunity to borrow more in foreign currency when required.

Monetary policy changes

- NOP currently at 0.5% (down to 0%, then 0.1% before increase)
- MPR currently up to 13% from 12%
- CRR on private sector deposits up to 20% from 15%, public sector deposits at 75%.

Impact:

- Minimal impact on foreign exchange earnings;
- Increase in yields from interbank placement and money market investments; and
- Increase in cost of funds in the last quarter of 2014. However, net interest margins increased.

FY 2014 results

Arthur Oginga CFO, Stanbic IBTC Holdings

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Performance against targets for 2014

2014 Target		2014 Achievements
Deposits growth 25%	✗	• Achieved 19% growth in deposits despite the sizeable outflow and further tightening of the CRR
Loan growth 15%	✓	•Achieved 36% growth in gross loans and advances •Growth in major sectors of the economy: agriculture, oil & gas etc.
NPL ratio <5%	✗	•NPL ratio of 6.6% due to growth in NPLs occasioned by the high interest environment.
Cost of risk <1.5%	✓	•Achieved 0.8% in cost of risk, notwithstanding loan growth
Net interest margin >5%	✓	•Net interest margin of 5.5% was achieved despite the increase in CRR
Cost to income ratio <63%	✓	•Achieved a cost-to-income ratio of 58.6%
Return on equity – 25%	✓	•Achieved a return on equity of 28.7%

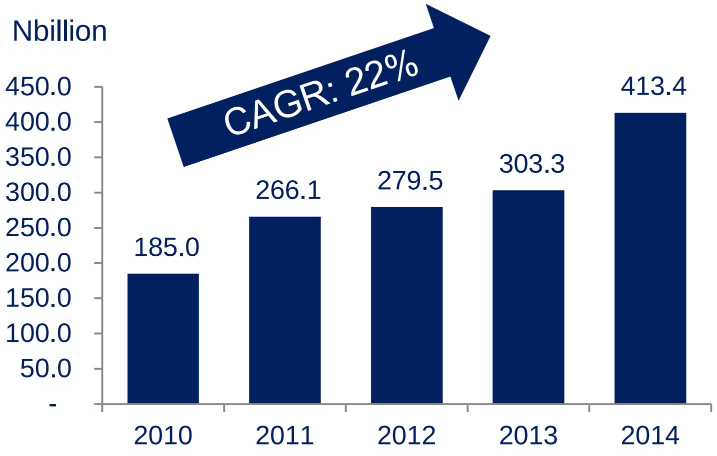
Good progress resulting in growth in profitability

Income statement	2014 Nbillion	Growth	2013 Nbillion
Gross earnings	130.6	+17%	111.2
Net interest income	46.7	+20%	37.0
Non-interest revenue	57.9	+20%	48.2
Profit before tax	40.1	+63%	24.6
Profit after tax	32.1	+54%	20.8

Balance sheet	2014 Nbillion	Growth	2013 Nbillion
Total Assets	944.5	+24%	763.0
Gross Loans & Advances	413.4	+36%	303.3
Customer Deposits	494.9	+19%	416.4
Total Shareholders' Funds	114.3	+17%	97.6

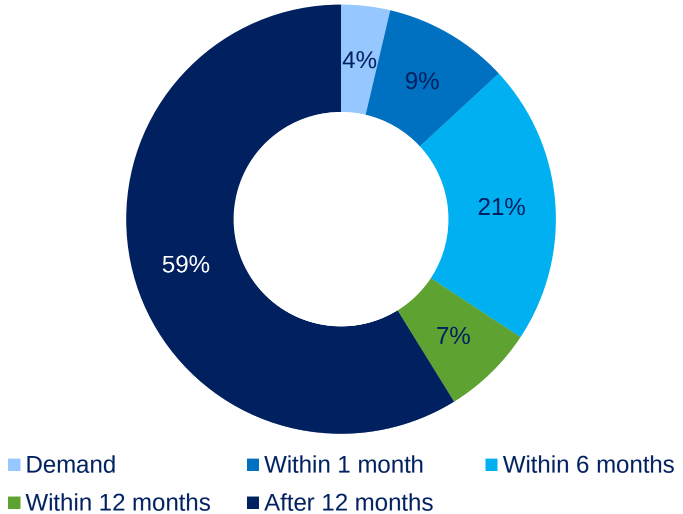
Key ratios	2014 %	2013 %
Net interest margin	5.5	4.9
Cost-to-income ratio	58.6	68.0
Capital Adequacy – Group (B2)	19.1	19.9
– Bank (B2)	15.3	15.4
Non-performing loans ratio	6.6	5.2
Return on average equity	28.7	21.0
Cost of Risk	0.8	0.9
EPS (Kobo)	293	186

36% Growth in loan book…..



Contribution to loan growth by products

Breakdown of loan book by maturity



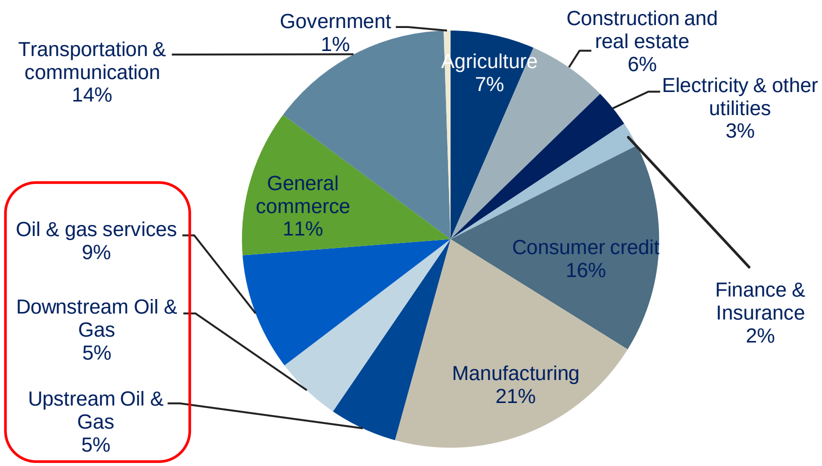
Breakdown of loan book by products and currency

	LCY loans Nmillion	FCY loans Nmillion	Total loans Nmillion
Personal & Business Banking	**151,832**	**14,559**	**166,391**
Mortgage lending	8,156	-	8,156
Instalment sale & finance leases	22,533	728	23,261
Overdrafts	20,063	1,023	21,086
Term loans	101,081	12,808	113,889
Corporate & Investment Banking	**88,730**	**158,319**	**247,049**
Term loans	53,836	158,314	212,149
Overdrafts	27,778	5	27,783
Instalment sale and finance leases	7,117	-	7,117
Total loans	**240,562**	**172,878**	**413,440**

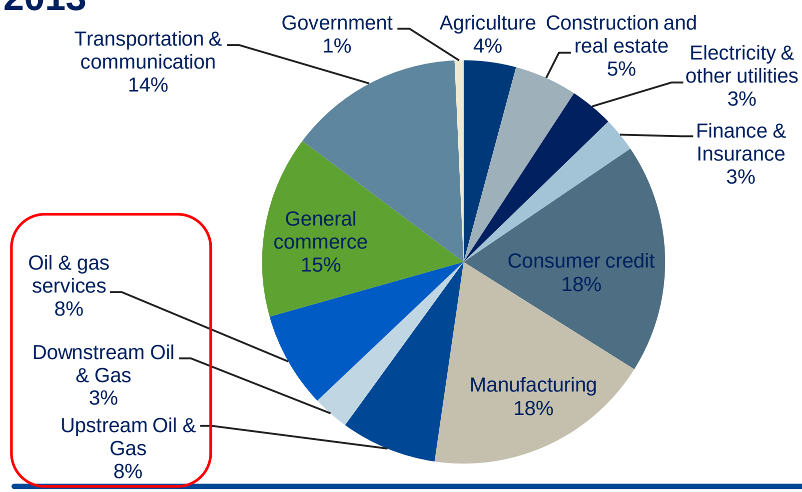
36% Growth in loan book…..

Breakdown of loan book by sectors

2014



2013



- ❖ Well diversified portfolio focused on growth sectors of the economy.
- ❖ Gross loans increased 36% benefitting from growth in lending to the following sectors
  - ✓ Oil and gas up 45% YoY
  - ✓ Agriculture up more than 100% YoY
  - ✓ Consumer credit up 20% YoY
  - ✓ Construction and real estate up 68% YoY
  - ✓ Manufacturing up 52% YoY
  - ✓ Transport & communication up 39% YoY
- ❖ Oil and gas accounted for 19% of gross loans & advances. We supported notable names in the upstream, downstream and services subsectors.
- ❖ Stress test on oil and gas upstream exposures reveal a breakeven price of between $40 - $43 per barrel
- ❖ Foreign currency loans accounted for 48% of gross loans in 2014 (2013: 34%), while revaluation of foreign currency loans contributed 7% to loan growth in 2014.
- ❖ Term loans increased by N92 billion and accounts for 79% of gross loans and advances with potential increase in annuity income.

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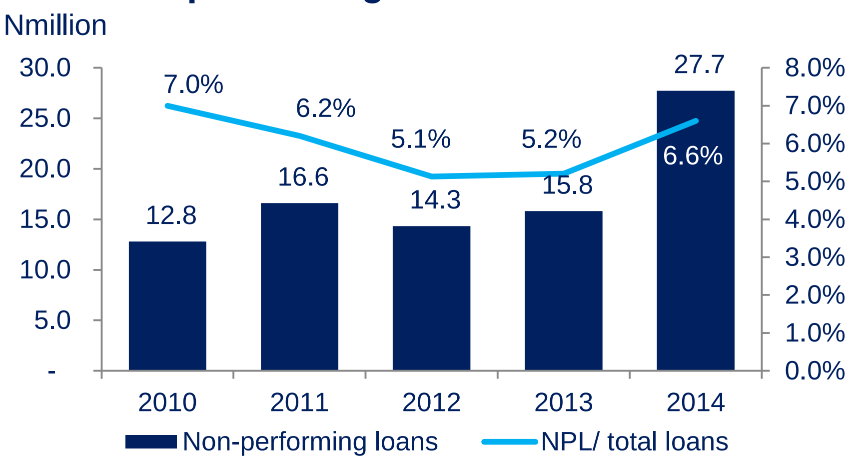
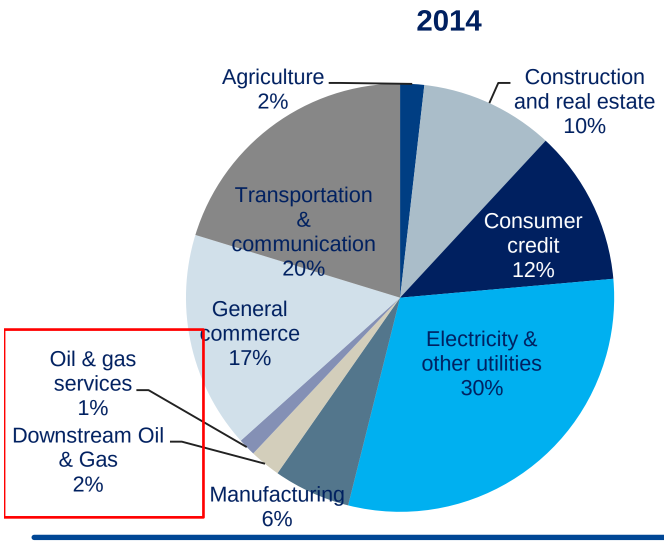
Increased NPL ratio due to growth in non-performing loans

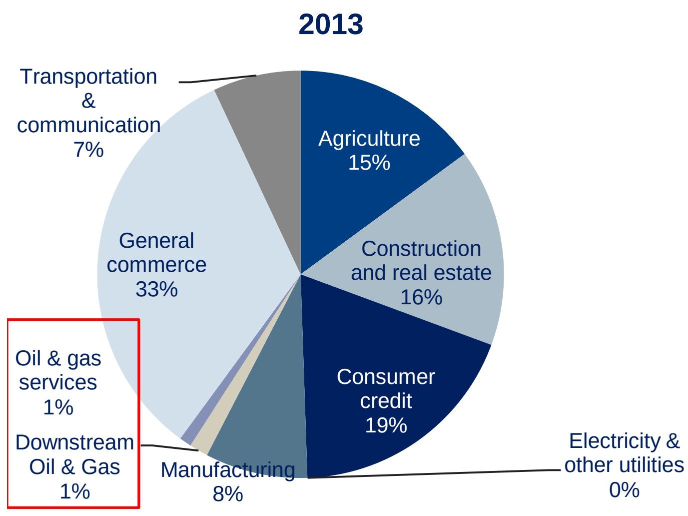
Non-performing loans and NPL ratio



- Non-performing loans grew by 76% to N27.7 billion (2013: N15.8 billion). The growth is due to newly classified loans majorly from the power and infrastructure sector.
- NPLs for 2014 and 2013 were reported based on Central Bank's prudential guidelines.
- NPLs in the Transportation & Communication sector includes loans to distributors of telecommunication companies and vehicle lease to group commercial transporters.
- Non-performing loans to total loans ratio deteriorated to 6.6% (2013: 5.2%) due to the increase in NPLs.

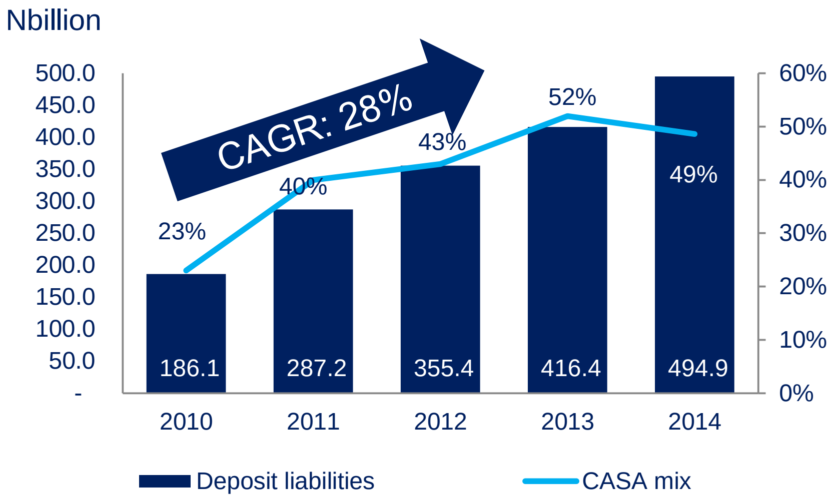
Non-performing loans by sector





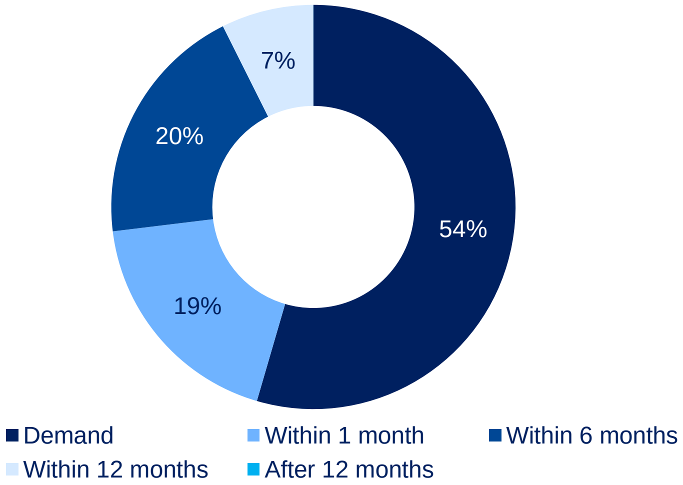
Deposits up 19% with over 400,000 new customers

Deposits evolution

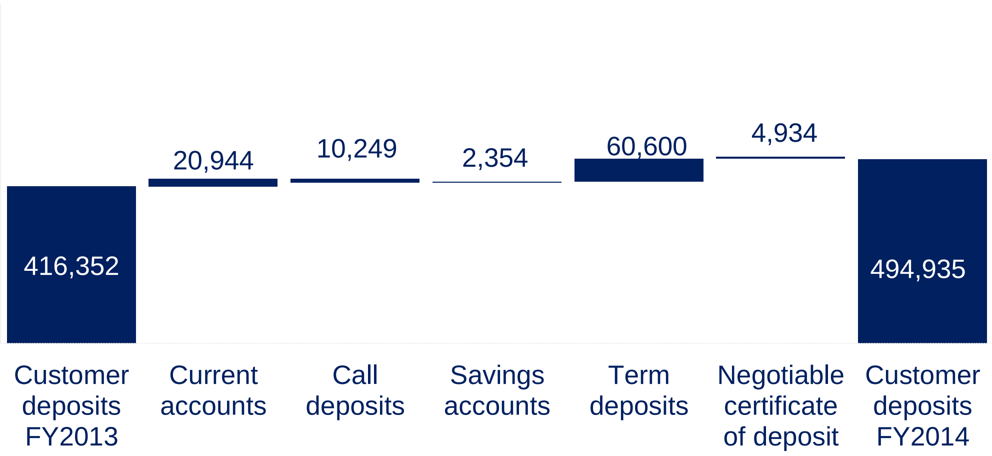


- Customer deposits grew by 19% supported by customer growth of over 400,000.
- Customer growth is on the back of acquisition initiatives implemented during the year focusing on customers with regular flow of income.
- High inflow of current accounts was recorded in the first half of 2014 resulting in lower cost of funds.
- PBB deposits grew by 7% due to the reduction in public sector deposits, while CIB deposits increased by 30% enjoying flows from capital raising for clients and term deposits from large institutional customers

Breakdown of customer deposits by maturity



Contribution to deposit growth by products



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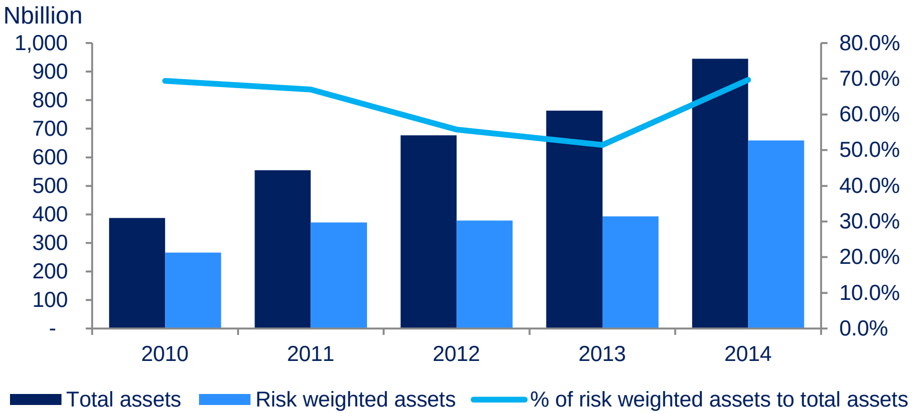
Well capitalised and liquid balance sheet

Risk weighted assets to total assets

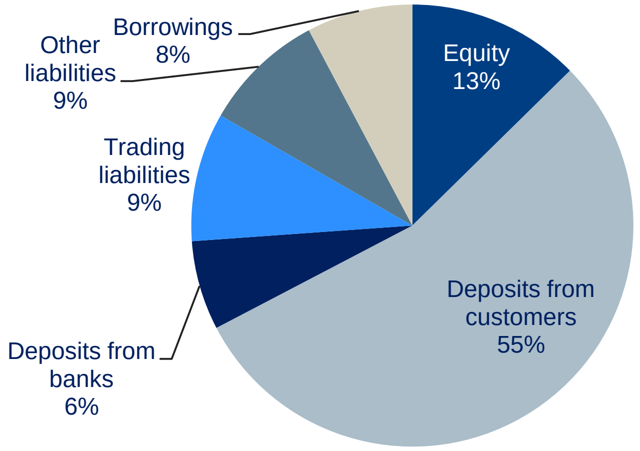


- N15.5 billion of tier 2 capital was raised in 3Q 2014 to support working capital and business expansion.
- Implementation of Basel II/III increased risk weighted assets which was evenly matched by our qualifying capital to ensure our capital adequacy remains well above minimum requirement of 10%.
- We intend to raise further capital, depending on market realities, in 2015 to ensure we keep adequate capital to support our asset growth rate.
- We maintained a strong liquidity ratio of 56.6% (Bank 50.8%)

Capital adequacy computation – Basel II

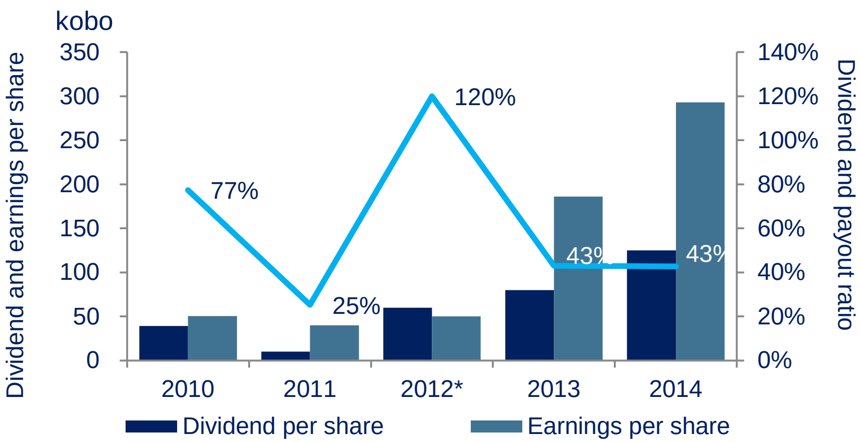
	Group	Bank	Group	Bank
	2014		2013	
	Nmillion	Nmillion	Nmillion	Nmillion
Tier I capital	104,011	72,471	88,990	62,356
Tier II capital	21,511	21,354	6,615	6,403
Total qualifying capital	**125,522**	**93,825**	**95,605**	**68,759**
Credit risk	526,320	509,846	374,174	359,174
Operational risk	129,931	99,637	104,050	84,392
Market risk	2,336	2,336	3,393	3,393
Risk weighted assets	**658,587**	**611,819**	**481,617**	**446,959**
Capital adequacy				
Tier I	15.8%	11.8%	18.5%	14.0%
Tier II	3.3%	3.5%	1.4%	1.4%
Total	**19.1%**	**15.3%**	**19.9%**	**15.4%**

Breakdown of funding sources



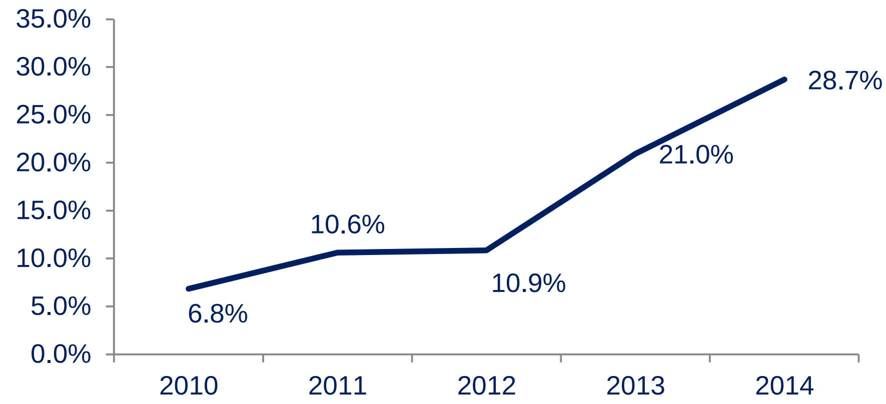
Increase in shareholder value

Dividend per share and dividend payout ratio

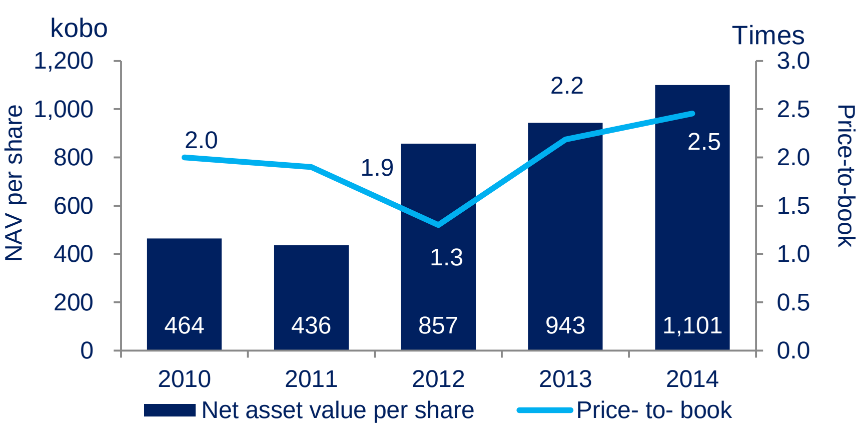


* 2012 included special dividend paid on restructuring to holding company

Return on equity



Net assets value per share and price-to-book ratio



Dividend history

Period ended	Total amount paid/proposed Nmillion	Dividend paid/proposed per share Kobo
December 31, 2014		
Interim:	11,000	110
Final proposed	1,500	15
December 31, 2013		
Interim:	7,000	70
Final:	1,000	10
December 31, 2012		
Final:	8,500	60

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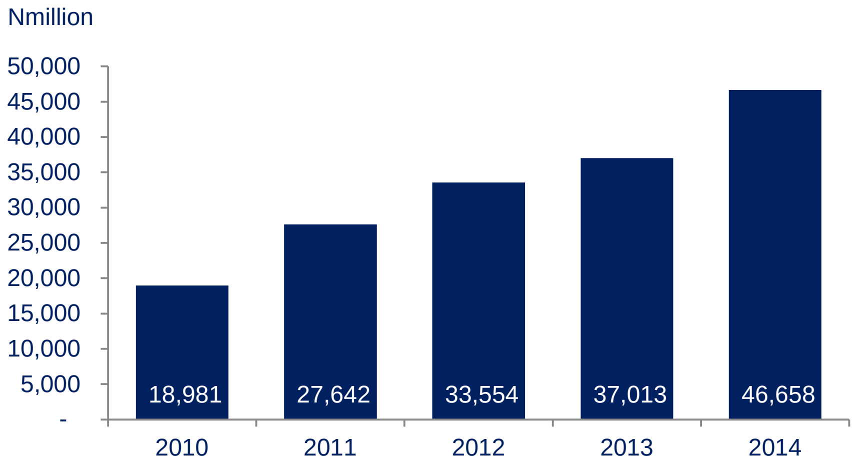
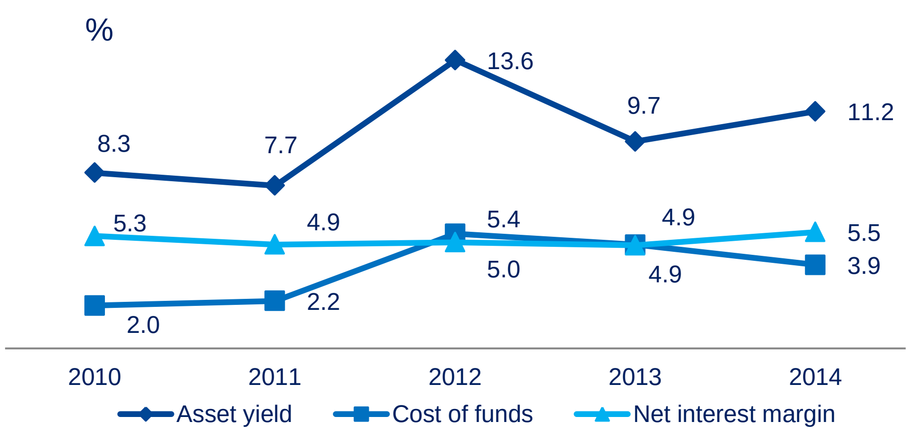
Growth in Net interest income amid margin compression

Evolution of net interest income (NII)

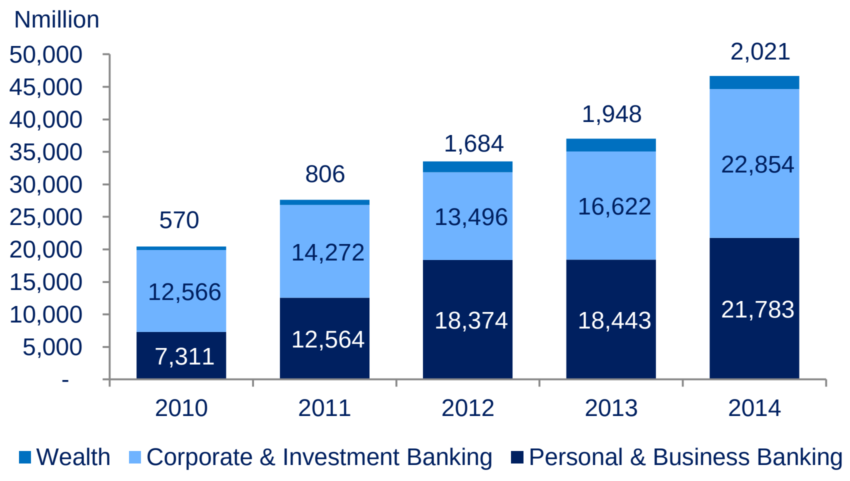


- Net interest income was up 26% from 2013 supported by increased interest income from growth in the loan book and lower cost of funds resulting from high volume of current account in 1H 2014, while increase in cost of funds associated with growth in term deposits in Q4 2014 muted net interest income growth.
- Net interest margin increased to 5.5% in 2014 from 4.9% in 2013. This is a result of increase in interest income and lower cost of funds despite the increase in cash reserve requirement.

Drivers of net interest income



Net interest income by business units



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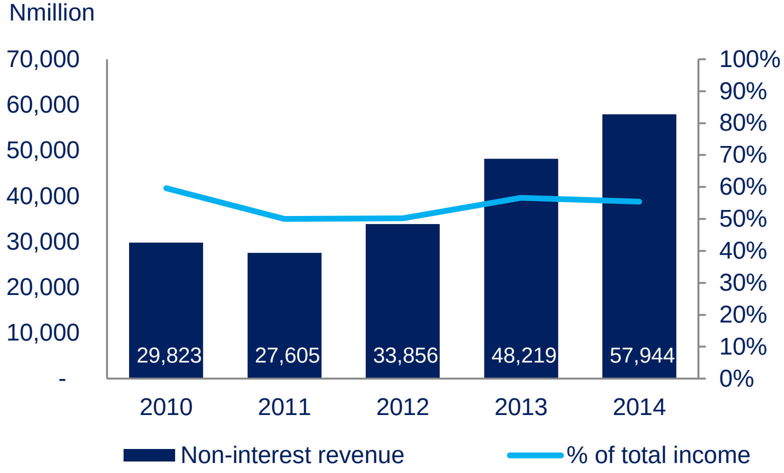
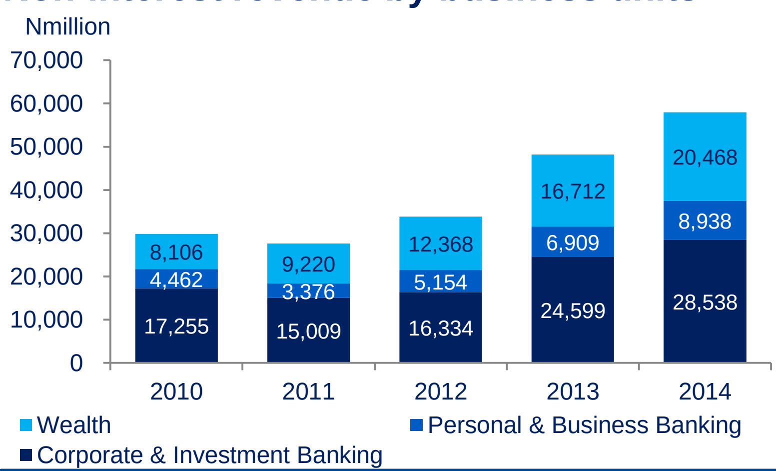
Growth in transaction volumes drives increase in NIR

Evolution of non-interest revenue (NIR)

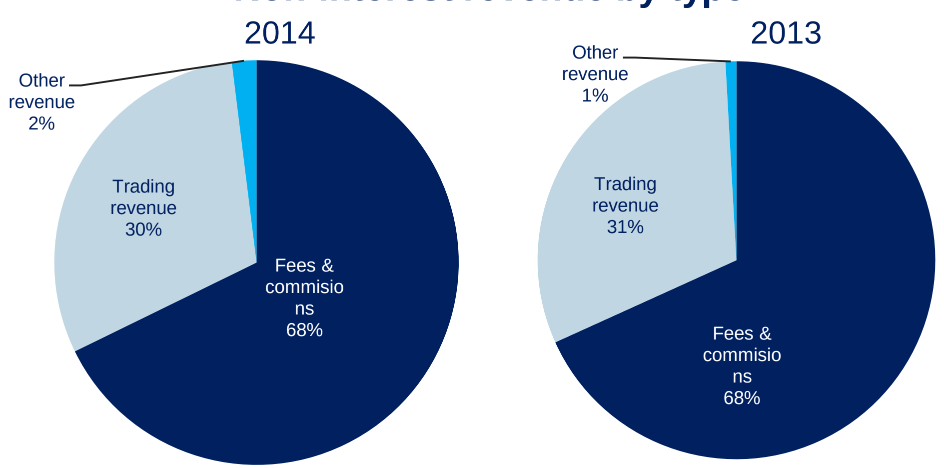


- Non-interest revenue grew by 20%, resulting from increase in net fee and commission revenue, trading revenue and other income.
- PBB fee and commission revenue grew by 20% on the back of increase in fees from e-banking transactions, ATMs and foreign transaction.
- CIB fee and commission revenue grew by 16% benefitting from execution of land mark deals in investment banking and increased transactional revenue from transactional products and services.
- Trading revenue was up 18% benefitting from an increase in foreign exchange transactions on behalf of customers, volatility in foreign exchange market and increased income on fixed income trading.

Non-interest revenue by business units



Non-interest revenue by type



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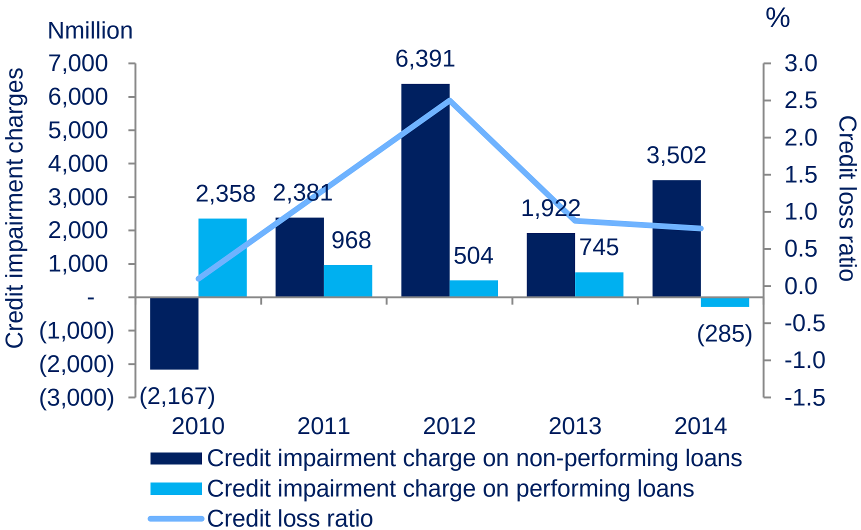
Increase in impairment charges as interest rates rises

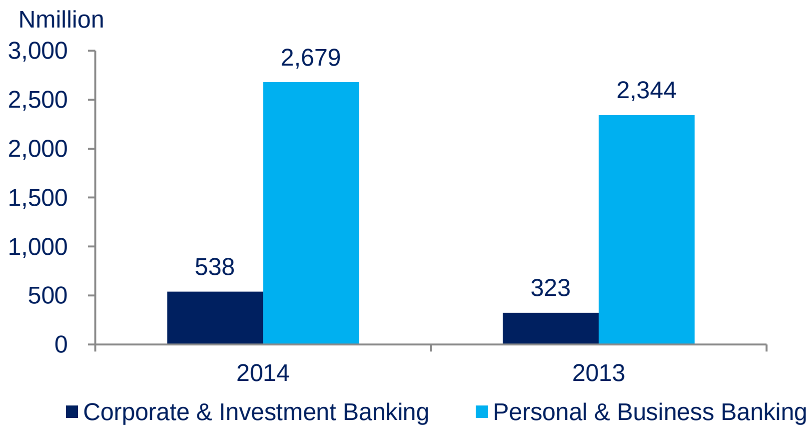
Credit impairment charges and credit loss ratio



Credit impairment charges by products

	Specific impairment raised and (released) Nmillion	General impairment raised and (released) Nmillion	Recoveries Nmillion	Total Nmillion
Mortgage lending	192	58	(59)	191
Instalmental sales and finance leases	316	(115)	(4)	196
Cards	28	19	-	46
Corporate lending	1,634	(826)	(271)	538
Other loans and advances	1,931	580	(265)	2,246
Total impairment charges	**4,100**	**(285)**	**(598)**	**3,217**

Credit impairment charges by business units



Movement in credit impairment charges

	change %	2014 Nmillion	2013 Nmillion
Specific credit impairment charges	66	4,100	2,474
Provision for performing loans	>(100)	(285)	745
Total impairment charges	19	3,815	3,219
Recoveries	8	(598)	(552)
Credit impairment charges	**21**	**3,217**	**2,667**

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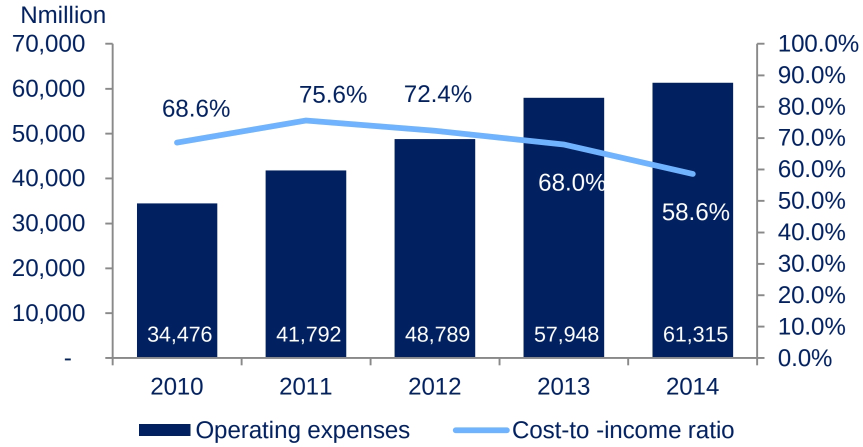
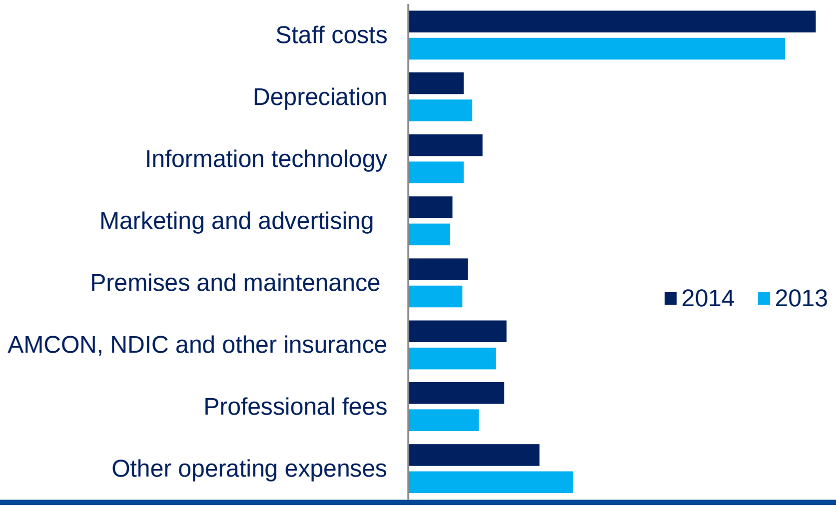
Focus on cost: Declining cost-to-income ratio

Operating expenses and cost-to-income ratio

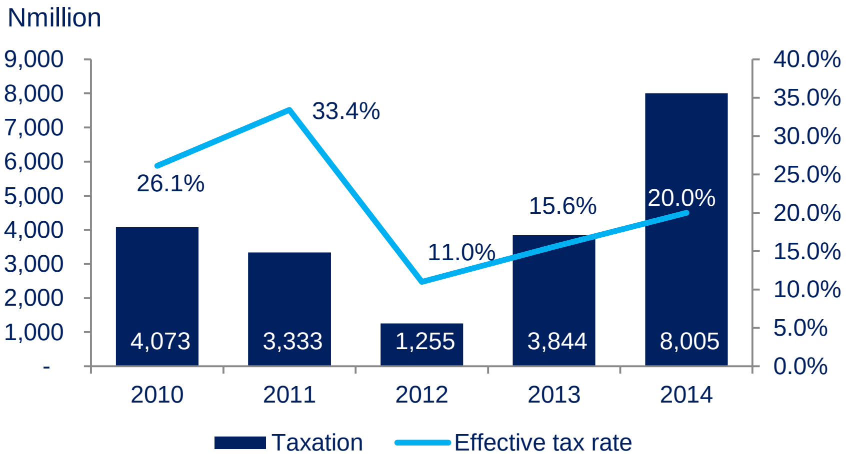


- Operating expenses grew by 6% driven by growth in staff cost and other expenses.
- Staff cost increased by 8% on the back of inflation adjustment to staff salaries and net movement in headcount of staff.
- Other operating expenses was up by 4% driven by increase in AMCON sinking fund contribution, information technology expenses and premises and maintenance cost. A disciplined approach to spending resulted in cost savings.
- Cost-to-income ratio improved to 58.6% from 68.0% despite the growth in operating expenses.

Breakdown of operating expenses



Taxation and effective tax rate



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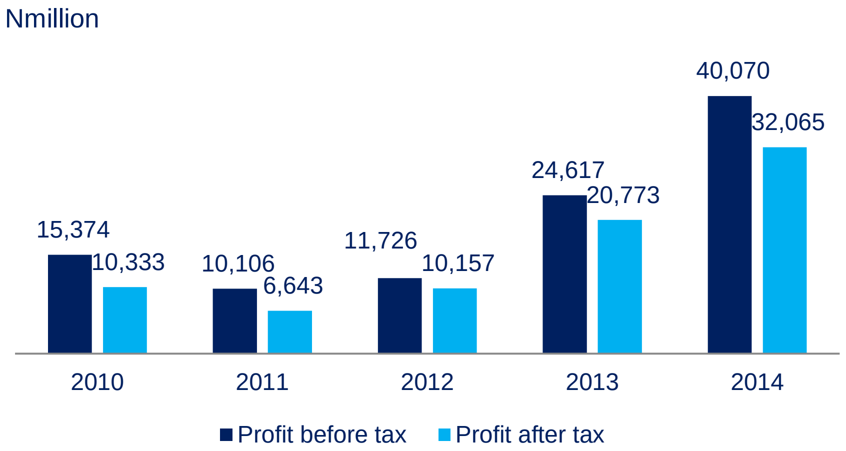
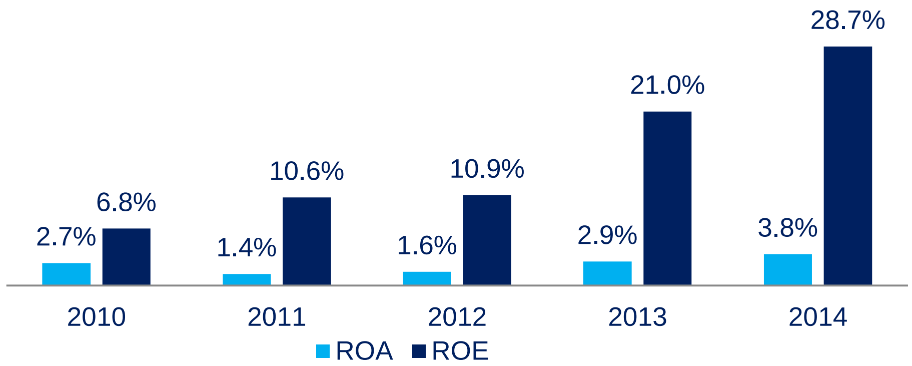
Growth in profitability and returns

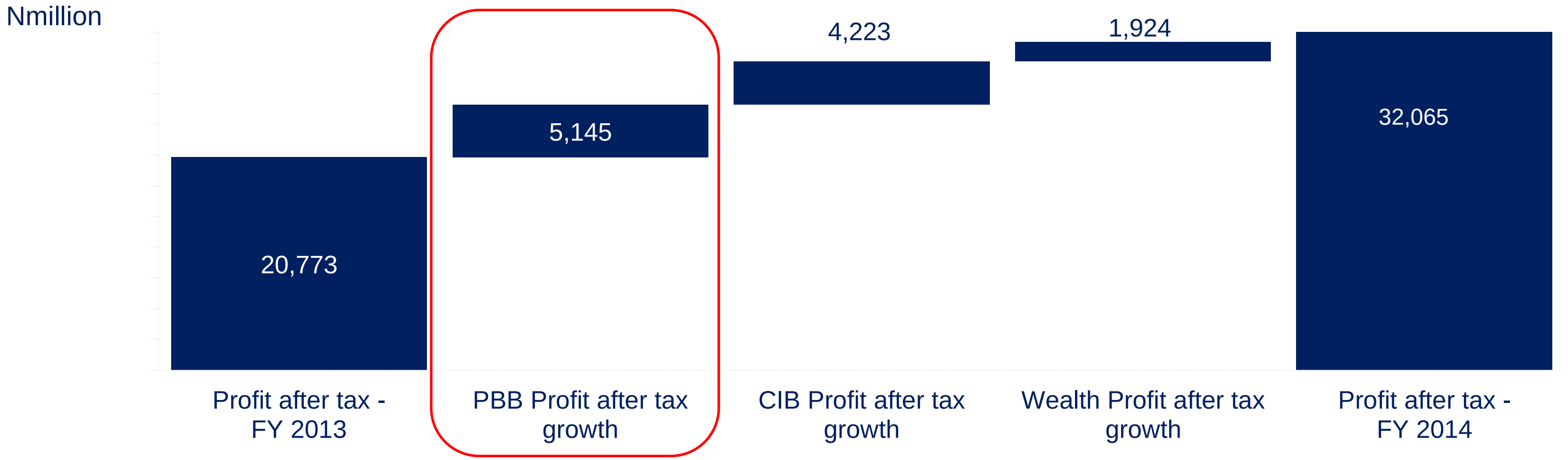
Profit before tax and Profit after tax



Return on equity and Return on assets



Contribution to growth in profit after tax



PBB

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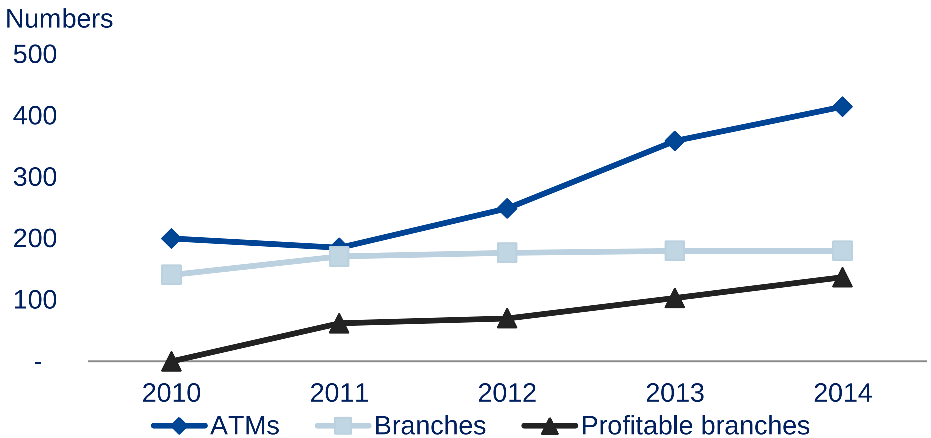
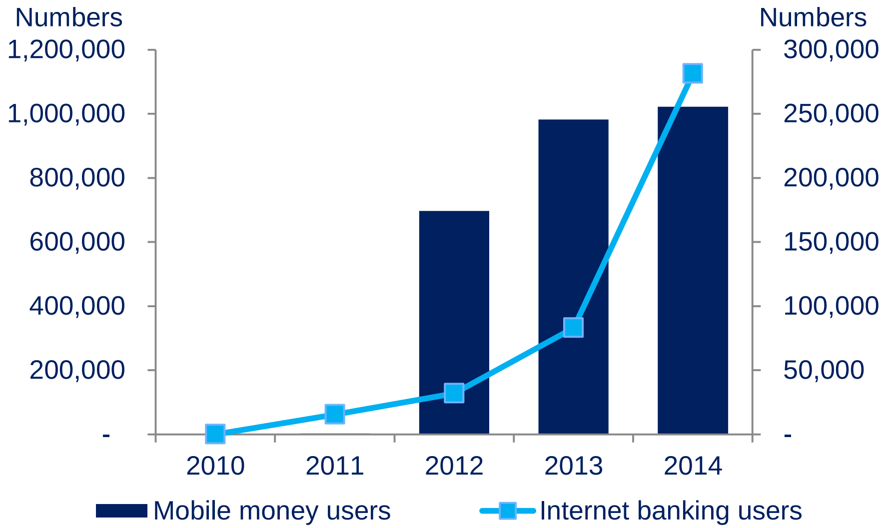
Significant progress in retail banking

Growth in physical channels



- Growth in internet banking users resulting from investment in a new easy to use internet banking platform.
- Profitable branches continue to increase facilitated by growth in customer numbers and transaction volumes and activities.
- Service delivery channels were increased during the year by adding 56 ATMs to take our total ATMs across the country to 415.

Growth in alternative banking channels



Growth in customer numbers

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PBB financial analysis

Performance highlights

Income statement	Change %	2014 Nmillion	2013 Nmillion
Net interest income	18	21,783	18,442
Non-interest revenue	29	8,938	6,909
Credit impairment charges	14	(2,679)	(2,344)
Operating expenses	2	(30,020)	(30,703)
Loss before tax	**74**	**(1,978)**	**(7,696)**
Loss after tax	**86**	**(862)**	**(6,007)**

Balance sheet			
Total assets	(10)	257,427	284,810
Gross loans & advances	25	166,391	133,550
Deposit liabilities	7	211,437	197,898

Key ratios	2014	2013
Cost-to-income (%)	97.7	121.1
Net interest margin (%)	8.0	6.5
Credit loss ratio (%)	1.6	1.8
Non-performing loans to total loans & advances (%)	6.9	7.5

- PBB's performance in 2014 was impressive contributing N5.1 billion to the growth of group profit after tax. The business unit loss after tax improved to N862 million from N6.0 billion loss in 2013.
- Net interest income grew by 18% to N21.8 billion (2013: N18.4 billion) resulting from a 12% growth in interest income and 1% decline in interest expense. Interest expense declined as a result of the increase in current and savings account deposits in the first nine months of 2014 which resulted in a lower funding cost. This impacted positively on net interest margin which increased to 8.0% from 6.5% in 2013.
- Non-interest revenue increased by 29% to N8.9 billion (2013: N6.9 billion) as a result of the growth in net fees and commission revenue and income from the disposal of obsolete fixed assets. Net fees and commission grew on the back of increase in volume of transactions on e-banking platforms, ATM transactions and foreign service transactions for our trade customers.
- Cost-to-income ratio improved to 97.7% from 121.1% recorded in 2013. This is due to a 2% decline in operating expenses resulting from efficient cost management.

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PBB achievements and focus

Achievements in 2014

- Increased the number of customers by over 400,000;
- Profitable branches increased to 137 (2013: 103 branches);
- Internet banking users increased by over 200%;
- Number of ATMs increased by 16% to 415;

Focus for 2015

- Aggressively grow our customer base in our chosen segments (Commercial, SME and Private Banking) based on excellent and consistent customer experience.
- Attract and retain engaged, enthusiastic and committed people
- Make clever use of technology to deliver improved efficiencies, effectiveness and innovation.

CIB

Victor Williams ED, Stanbic IBTC Bank

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CIB financial analysis

Performance highlights

Income statement	Change %	2014 Nmillion	2013 Nmillion
Net interest income	37	22,854	16,622
Non-interest revenue	16	28,538	24,599
Credit impairment charges	66	(538)	(323)
Operating expenses	16	(24,147)	(20,844)
Profit before tax	33	26,707	20,054
Profit after tax	23	22,617	18,394
Balance sheet			
Total assets	45	660,218	455,664
Gross loans & advances	46	247,049	169,756
Deposit liabilities	30	283,498	218,454

Key ratios	2014	2013
Cost-to-income	46.9	50.6
Non-interest revenue to total income	55.5	59.7
Net interest margin	4.1	3.6
Credit loss ratio	0.2	0.2
Non-performing loans to total loans & advances	2.6	2.0

- CIB increased its profit after tax by 23% in 2014 and contributed 71% of the group's profit.
- Net interest income increased to N22.9 billion, representing a 37% growth over N16.6 billion achieved in 2013. The growth is on the back of 19% increase in interest income and interest expense remained flat at N16.9 billion year-on-year. This impacted positively on net interest margin which increased to 4.1% from 3.6% in 2013.
- Non-interest revenue grew by 16% to N28.5 billion, resulting from a 12% growth in net fee and commission revenue and 18% growth in trading revenue. Net fee and commission growth was aided by the closure of good advisory mandates and execution of a landmark deal in our investment banking business, while trading income growth was on the back of foreign exchange earnings from customer transactions. Poor performance of the capital market impacted negatively on the revenues of our stock broking and custody businesses.
- Cost-to-income ratio improved to 46.9% from 50.6% recorded in 2013, despite the 16% growth in operating expenses.

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CIB achievements and focus

Achievements in 2014

- Joint Global Coordinator, Bookrunner and Joint Lead Issuing House: Seplat Petroleum: US$500 million (N82.5 billion) IPO on NSE and LSE.;
- Maintained dominance of the secondary equity stock market with a market share in excess of 17% in 2014;
- Lead Issuing House: African Development Bank: N12.95 billion 11.25% Bonds due 2021.;
- The Most active Dealing Member Firm (Stanbic IBTC Stockbrokers) - The Nigerian Stock Exchange CEO Award 2014 ;
- Best Investment Bank in Nigeria - Euromoney award of excellence (awarded to Stanbic IBTC Capital);
- Best IPO in Africa (Seplat) - EMEA Finance award 2014

Focus for 2015

- CIB's strategy centers on clients. Adoption of a client engagement model across the Standard Bank Group which focuses on building long-term relationships, developing more insight into client needs and affirming commitment to providing tailor-made solutions;
- We continue to focus on enhancing our capabilities in transactional banking capabilities by investing in e-banking suite technology;
- Harness the resources of the broader Standard Bank Group to provide our clients seamless access to pan-African and international capital markets;
- To present integrated offerings to clients in collaboration with Personal and Business Banking and Wealth pillars that meet the breadth of their financial needs;
- Continue to be at the forefront of financial innovation in the market, with a focus on advancing the efficiency and sophistication of the Nigerian capital markets.

Wealth

Demola Sogunle CE, Stanbic IBTC Pensions

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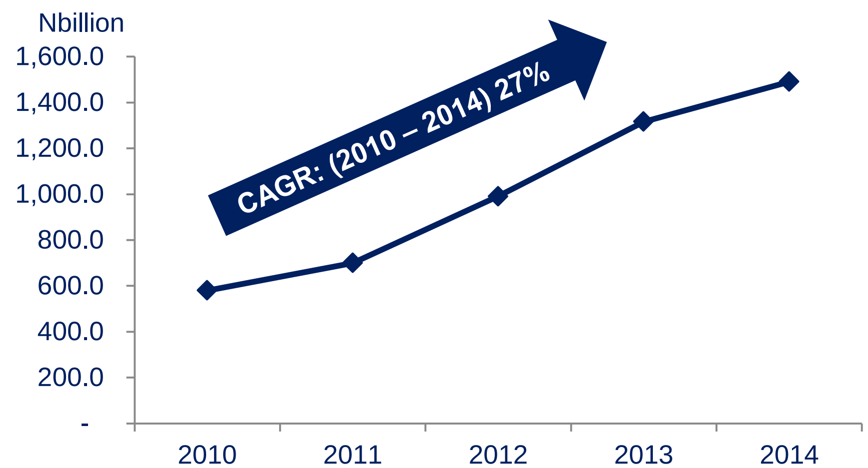
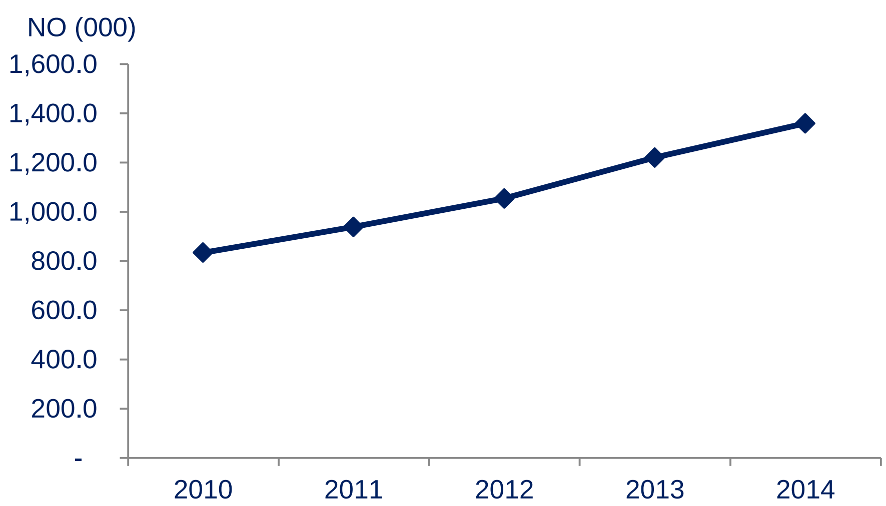
Wealth continues to grow AUM despite decline in capital market

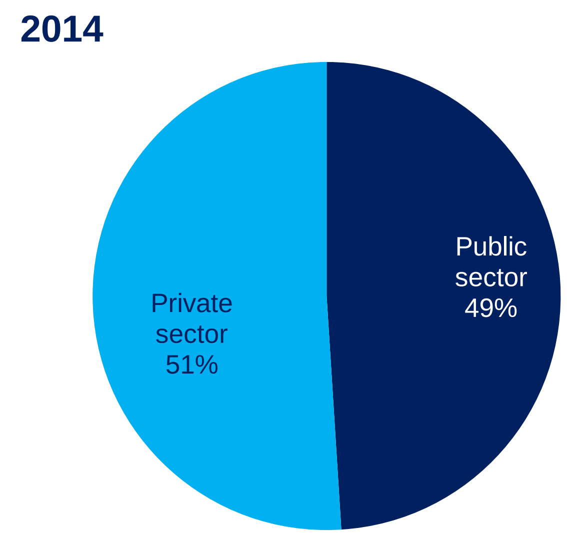
Growth in assets under management

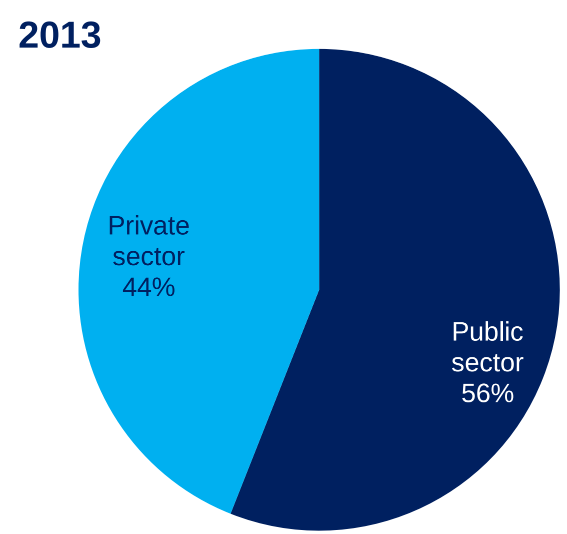


Growth in retirement savings accounts



Public vs. Private sector contributions





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Wealth financial analysis

Performance highlights

Income statement	Change %	2014 Nmillion	2013 Nmillion
Net interest income	4	2,021	1,948
Non-interest revenue	22	20,468	16,712
Operating expenses	12	(7,148)	(6,401)
Profit before tax	25	15,341	12,259
Profit after tax	23	10,310	8,386
Balance sheet			
Total assets	19	26,896	22,572
Assets under management	13	1,490,711	1,316,690
Retirement savings accounts (Nos)	11	1,359,709	1,220,777
Key ratios		**2014**	**2013**
Cost to income ratio (%)		31.8	34.3

- Wealth continued its impressive performance in 2014 increasing its profit after tax by 23% to N10.3 billion, which accounts for 32% of the group's profit after tax.
- Net interest income grew by 4% to N2.0 billion resulting from good yields in money market investments.
- Non-interest revenue was up 22% to N20.5 billion (2013: N16.7 billion) due to a continued growth in assets under management and increase in pension clients resulting in higher management fees despite the lull in the capital market performance. Pension assets grew by 19% to close at N1.4 trillion from N1.2 trillion recorded in 2013, while non-pension assets under management declined 26% to N116.9billion (2013: N159.0 billion), as a result of a State Government that part-redeemed its savings earmarked for infrastructure development.
- Wealth business continued to maintain a low cost-to-income ratio as the ratio for 2014 improved to 31.8% from 34.3% recorded in 2013.

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Wealth achievements and focus

Achievements in 2014

- Achieved record assets under management of N1.5 trillion (US$7.85 billion) to maintain our position as the largest institutional investment business and number one wealth manager in Nigeria

- Deployed successfully the EPCCOS – Electronic Pension Contribution Collection System for seamless and convenient remittance of pension contributions by employers;

- Launched an Exchange Traded Fund (Stanbic IBTC ETF 30), which is expected to track the movement of the 30 most capitalised equity securities listed on the floor of the Nigerian Stock Exchange during the year;

- Deployed the single sign-on feature on the Stanbic IBTC mutual funds online platform. This feature enables clients access all their mutual fund accounts using a single set of log-in details;

- Recapitalised the trustee business from shareholders' fund of N40m to N300m, in line with the directive from the Securities and Exchange Commission.

Focus for 2015

- Launching of new products in the trustee business, Stanbic IBTC Education Trust fund and the Zarkat Trust;

- Introduction of a dollar-denominated collective investment scheme in line with our strategy to broaden our bouquet of alternative investment solutions;

- Launching of a pension-index exchange traded fund;

- Exploration of online registration and pension application as an alternative for the internet savvy subset of prospective and existing Retirement Savings Account (RSA) holders.

Outlook for 2015

Sola David-Borha CE, Stanbic IBTC Holdings

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Outlook for 2015

- The weak external account position will put pressure on the Naira;
- Inflation will rise gradually weakening purchasing power as a result of further depreciation of the Naira;
- Further tightening of the monetary environment with the implementation of Treasury Single Account by CBN has reduced further cheap government deposits in the banking industry;
- Regulatory induced reduction in transaction charges (COT reduced to N1 per mille, zero COT on e-banking transactions for businesses) will weigh on banks' performance and profitability;
- Repatriation of investment proceeds by foreign portfolio investors has impacted negatively on stock market performance and value of listed securities;
- Low volume of business transactions in Q1 2015 due to uncertainties around the elections. Volume of business transactions is expected to increase by second half of 2015 after the new government takes over office; and
- The peaceful outcome of the presidential elections is expected to improve investor confidence and improve stock market performance;

Guidance for 2015

We look forward to deliver the following in 2015

Loan growth – 10 - 15%

- Focus sectors – Agriculture, manufacturing, oil and gas downstream and consumers.
- Loan growth excludes effects of exchange rate depreciation

Deposit growth – 15 - 18%

- Improve CASA ratio to 55% (Currently 49%)

NPL ratio <5%

- Improve on client engagements
- Enhance collection capabilities

Cost of risk <1.5%

- Continue to improve credit risk management capabilities

Net interest margin 4.5% - 5%

- Focus on higher yield assets, while driving down funding cost

Cost-to-income ratio < 60%

- Increased use of technology to improve and optimise processes

Return on equity 20% - 23%

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Q&A

Thank you

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