Financial results presentation

For the period ended 30 June 2013

Stanbic IBTC

A member of Standard Bank Group

Contents

This presentation is based on the consolidated financial statements of Stanbic IBTC Holdings PLC and its subsidiaries. All financial results in this presentation are presented on an International Financial Reporting Standards(IFRS) basis.

Operating environment

Sola David-Borha

Chief executive

Operating environment

Market was impacted by:

- Monetary policy rate maintained at 12% as the central bank sustained its monetary policy tightening;
- Significant capital market appreciation in 1H 2013. NSE ASI appreciated by 28.8% in the first six months of 2013;
- Improved yields in government securities, although this declined in 1Q 2013.
- Slow growth in private sector credit and continued competition for good quality risk assets;
- Ongoing economic reforms in the power and oil & gas sectors of the economy; and
- Rapidly changing regulatory environment.

Results reflect the following:

- Continued growth in transactional volumes and activities, with positive impact on revenue;
- Growth in revenues of our capital market related businesses driven by the bullish trend in the capital market performance in 1H 2013;
- Well positioned trading book aided growth in revenue;
- Sustained growth in loan growth and deposit liabilities;
- Continued improvement in asset quality as evidenced by reduction non-performing loans;
- High cost of funding - albeit declining - due to expensive term deposits; and
- Conditions for high impairment charges remain elevated.

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1H 2013 results analysis

Arthur Oginga

Chief financial officer

1H 2013: Performance highlights

Income statement highlights	
• Gross earnings; up 30% to N54.5 billion	(1H 2012: N41.9 billion)
• Net interest income; grew 4% to N17.9 billion	(1H 2012: N17.2 billion)
• Non - interest revenue; up 74% to N24.1 billion	(1H 2012: N13.8 billion)
• Total income; increased 35% to N42.0 billion	(1H 2012: N31.0 billion)
• Profit before tax; up 115% to N13.1 billion	(1H 2012: N6.1 billion)
• Profit after tax; grew 104% to N10.2 billion	(1H 2012: N5.0 billion)

Balance sheet highlights	
• Gross loans & advances of N295.1 billion	(FY 2012: N279.5 billion)
• Deposit liabilities of N370.0 billion	(FY 2012: N355.4 billion)
• Total assets of N818.3 billion	(FY 2012: N676.8 billion)
• Shareholders' funds of N91.8 billion	(FY 2012: N83.3 billion)

1H 2013: Performance highlights

Selected returns and ratios:

• Net interest margin	5.5%	(1H 2012: 6.9%)
• Cost-to-income ratio	63.1%	(1H 2012: 76.1%)
• Credit loss ratio	1.6%	(1H 2012: 0.5%)
• Pre-tax return on average equity (annualised)	30.0%	(1H 2012: 14.8%)
• After tax return on average equity (annualised)	21.1%	(1H 2012: 10.6%)
• After-tax return on average assets (annualised)	2.7%	(1H 2012: 1.8%)
• NPLs/total loans	4.6%	(FY 2012: 5.1%)
• Capital adequacy:		
▪ Group	20.8%	
▪ Bank	15.4%	(statutory minimum: 10%)
• Earnings per share	93 kobo	(1H 2012: 47 kobo)
• Price- to-book	1.7x	(FY 2012: 1.3x)

1H 2013: Summarised group income statement

	1H 2013 Nmillion	change %	1H 2012 Nmillion
Interest income	30,382	9	27,996
Interest expense	(12,445)	16	(10,766)
Net interest income	**17,937**	4	17,230
Non interest revenue	**24,068**	74	13,818
Net fee & commission revenue	14,981	35	11,102
Trading revenue	8,811	>100	2,586
Other revenue	276	>100	130
Operating income	**42,005**	35	31,048
Less: Credit impairment charges	(2,368)	84	(1,290)
Operating expenses	(26,512)	12	(23,640)
Profit before tax	**13,125**	>100	6,118
Tax	(2,940)	>100	(1,125)
Profit after tax	**10,185**	>100	4,993

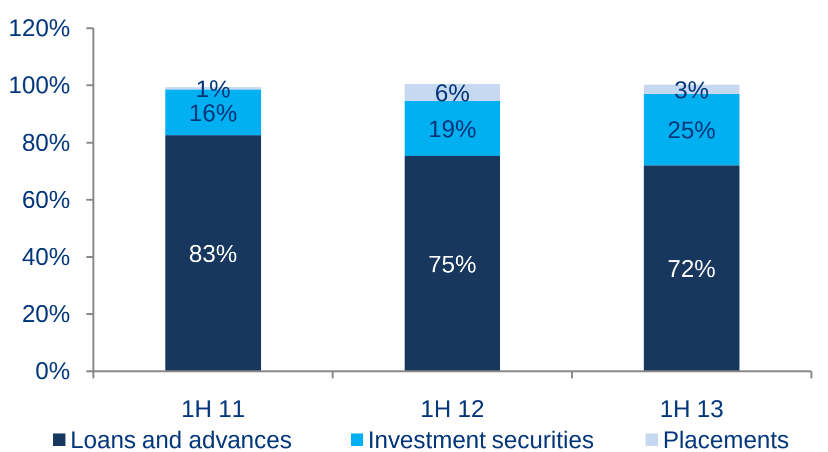
1H 2013: Group income statement quarterly analysis

	2Q 2013 Nmillion	change %	1Q 2013 Nmillion
Interest income	15,716	7	14,666
Interest expense	(6,034)	(6)	(6,411)
Net interest income	**9,682**	17	**8,255**
Non interest revenue	**12,196**	3	**11,872**
Net fee & commission revenue	8,013	15	6,968
Trading revenue	3,924	(20)	4,887
Other revenue	259	>100	17
Operating income	**21,878**	9	**20,127**
Less: Credit impairment charges	(483)	(74)	(1,885)
Operating expenses	(13,022)	(3)	(13,490)
Profit before tax	**8,373**	76	**4,752**
Tax	(1,761)	49	(1,179)
Profit after tax	**6,612**	85	**3,573**
Key performance ratios			
Cost-to-income ratio (%)	59.5		67.0
Net interest margin (%)	5.9		5.3
Credit loss ratio (%)	0.7		2.7
After tax return on average equity (%)	27.2		14.9
Non-performing loans to total loans ratio (%)	4.6		5.3

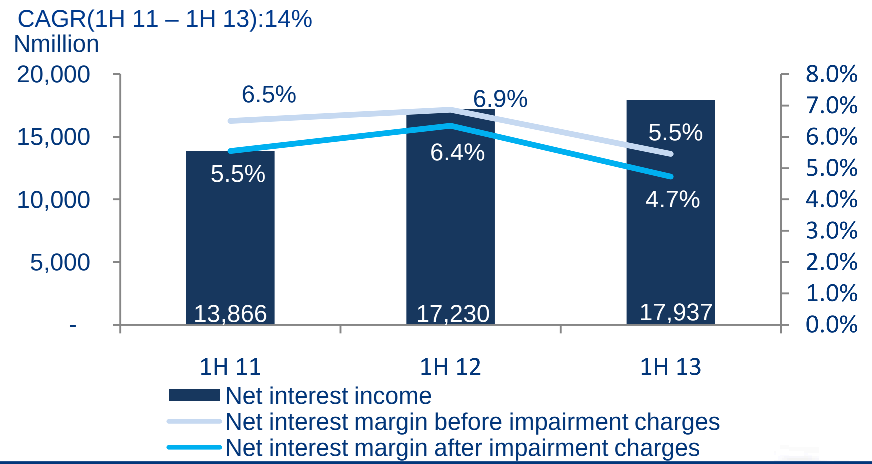
20.0%

Revenue evolution

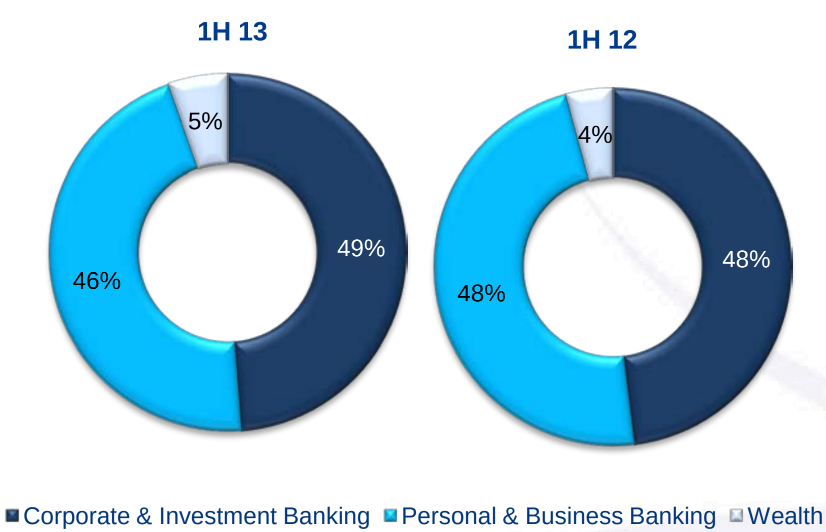
Breakdown of interest income



Net interest income and net interest margin



Net interest income by business unit



- Net interest income was up 4% on the back of a 9% increase in interest income derived mainly from lending activities. Income from lending activities accounted for 72% of interest income. The growth in interest income was however muted by a 16% increase in interest expense driven by high cost of funding due to high interest rate environment. Consequently, net interest margin declined to 5.5% from 6.9% in 1H 2012.

- Net interest income will benefit from improved funding cost as we continue to exit expensive deposits to replace them with lower priced deposits.

- Increased contribution to net interest income by Corporate and Investment Banking and Wealth businesses.

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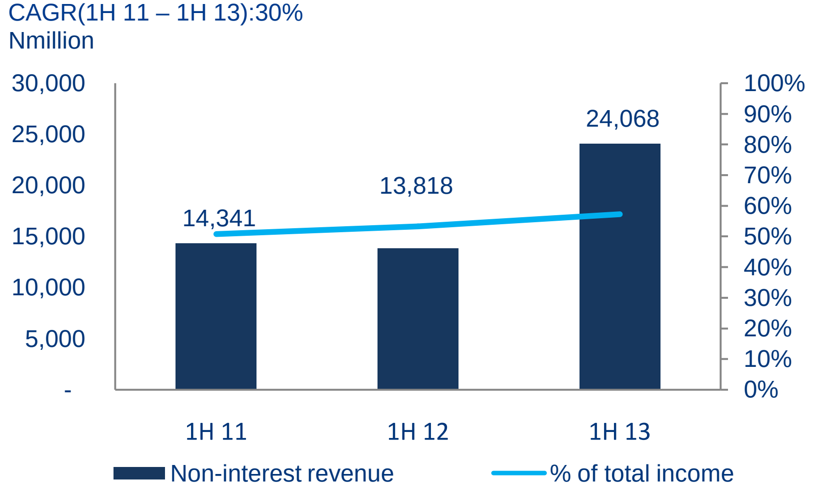
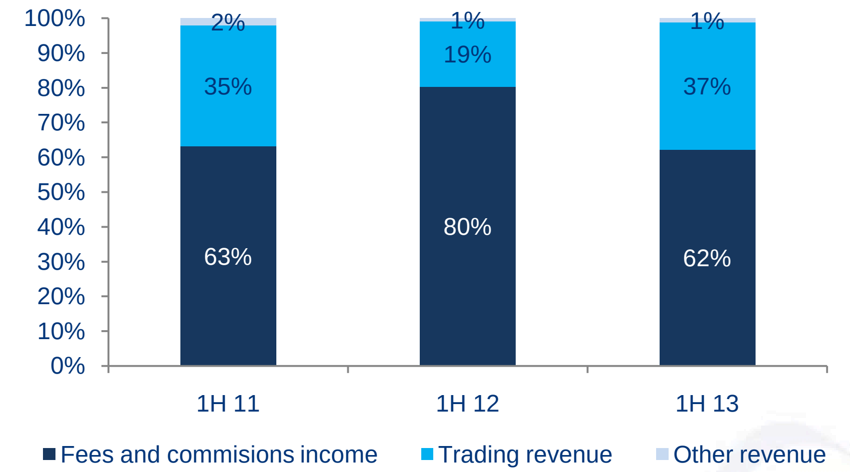
Revenue evolution

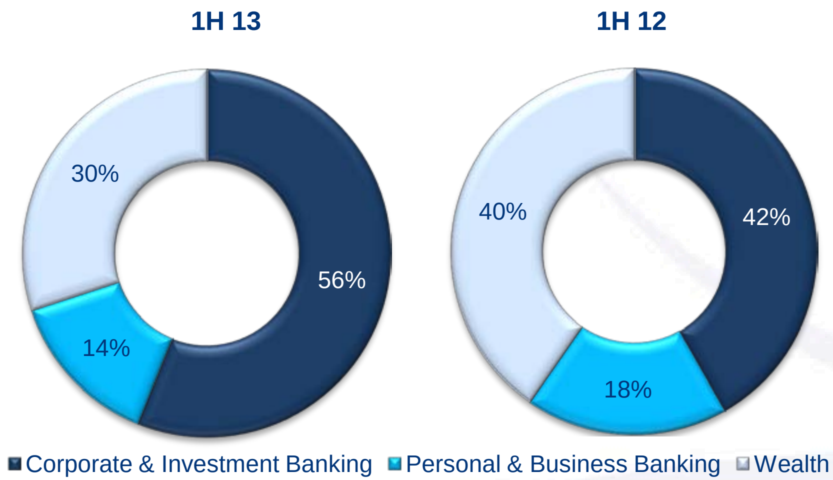
Non-interest revenue



Breakdown of non-interest revenue



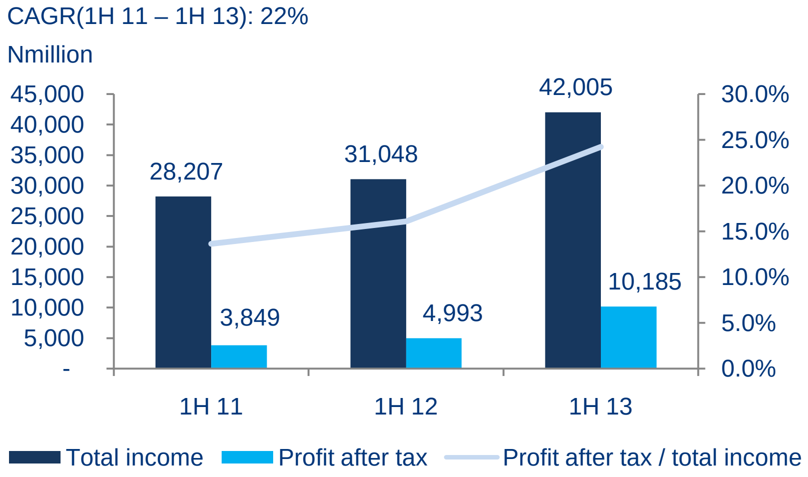
Non-interest revenue by business unit



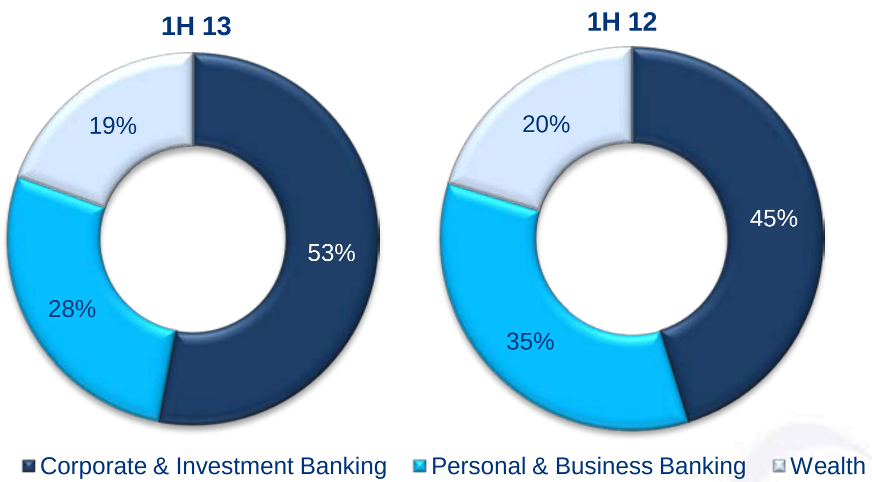
- Non-interest revenue increased significantly by 74%, benefitting from increased transactional volumes and activities, steady growth in our wealth business, closure of good advisory mandates within investment banking and good trading book performance. The performance of the capital market also positively impacted revenues of our capital market related businesses.
- Inspite of the regulatory changes, fee and commission revenue continued to be the major driver of non-interest revenue.
- Trading revenue benefited from correct reading of interest rate movements and volatility in the foreign exchange market

Revenue evolution

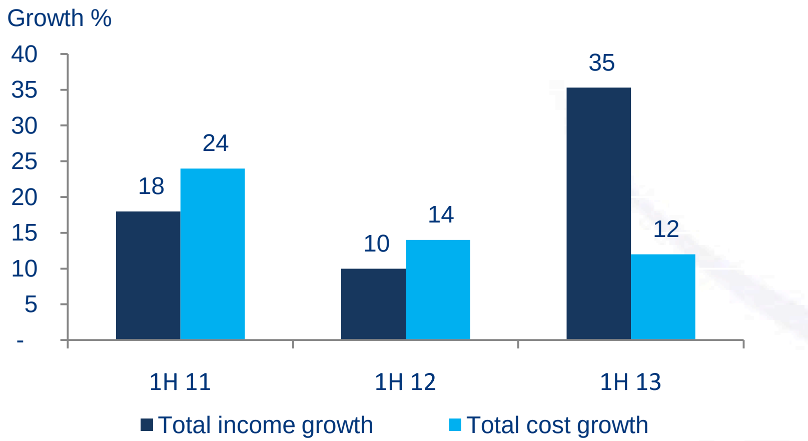
Total income



Total income by business unit



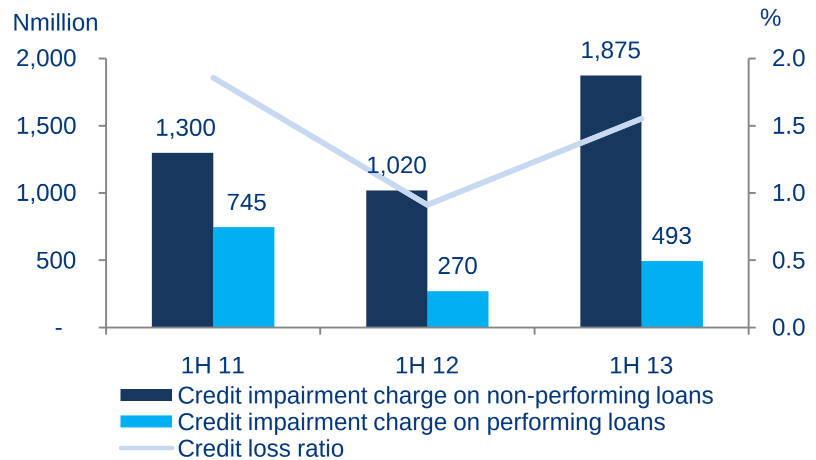
Income growth Vs Cost growth



- Total income was up 35% to N42.0 billion in 1H 2013. This growth is attributable chiefly to increase in non-interest revenue and sustained lending activities.
- CIB's increased contribution to total income is supported by growth in revenue from trading activities and increased transaction volumes.
- Revenue increased at a faster pace than cost growth in 1H 2013 as we continue to leverage our expanded network.

Credit impairments

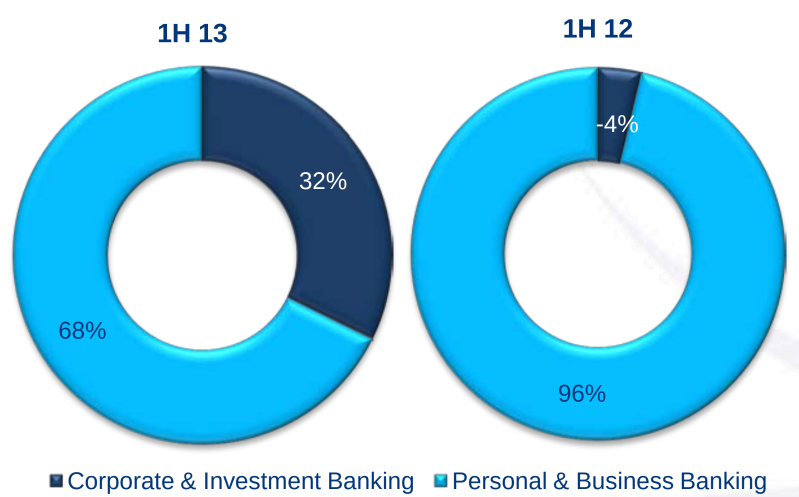
Credit impairment charges



Credit impairment charges by product

	Change %	1H 2013 Nmillion	1H 2012 Nmillion
Mortgage lending	> (100)	(145)	129
Instalmental sales and finance lease	(18)	307	376
Cards	>100	30	(16)
Corporate lending	(24)	764	1,003
Other loans and advances	>100	1,412	(201)
Total credit impairment charges	84	**2,368**	1,290

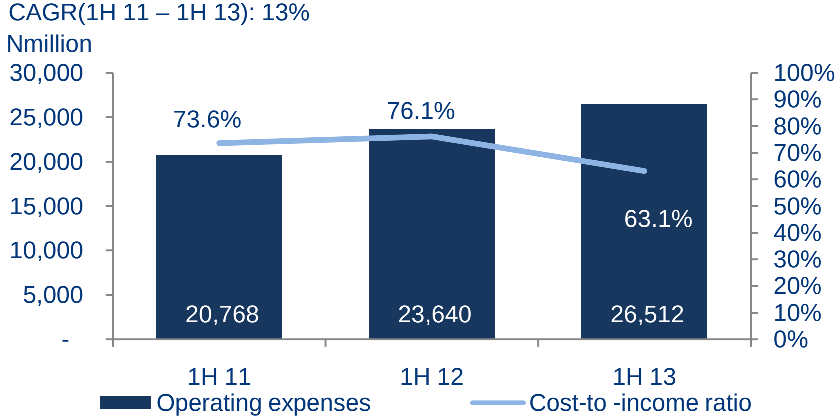
Credit impairments by business unit



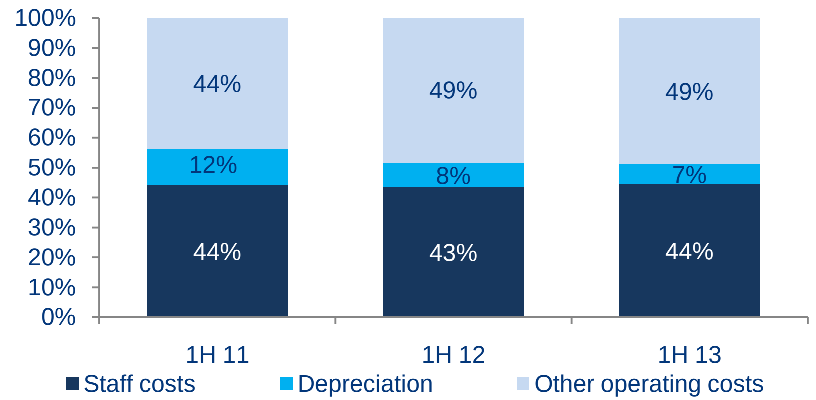
- Credit impairments was up 84% to N2.4 billion in 1H 2013 from N1.3 billion in 1H 2012. This increase was occasioned by higher specific provisioning of 2 credits in the PBB business in 1Q 2013. On a quarter-on-quarter basis, credit impairment declined by 74% N0.5 billion from N1.9 billion at end of 1Q 2013.
- Credit loss ratio increased to 1.6% from 0.5% in 1H 2012, due to increased credit impairment charges. However, on a quarter-on-quarter basis, credit loss ratio improved to 0.7% from 2.7% at end of 1Q 2013.
- Increased contribution to credit impairments by PBB as a result of conservative stance to impairments occasioned by the high interest rate environment.

Expenses evolution

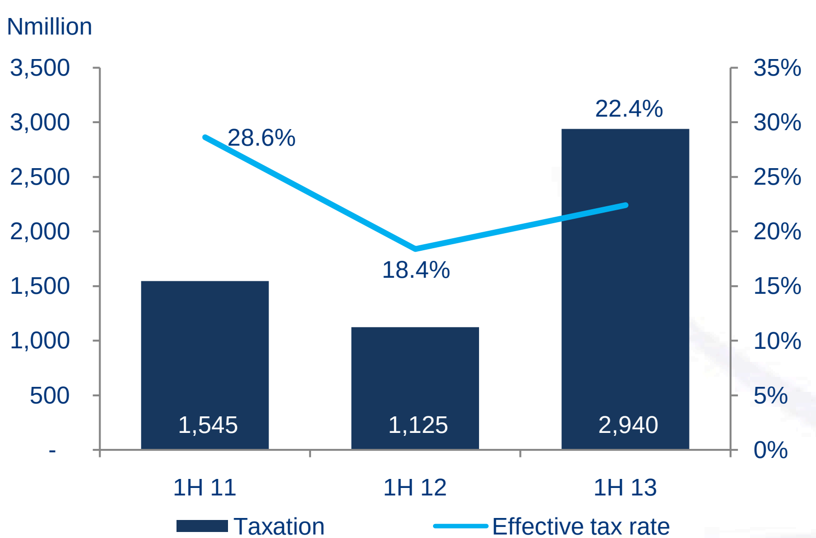
Operating expenses and cost-to-income ratio



Breakdown of operating expenses



Taxation and effective tax rate



- Operating expenses were up 12% to N26.5 billion. This growth is largely attributable to inflation related salary increases and increase in head count of sales staff to drive customer acquisition, as well as increased deposit insurance expenses, growth in AMCON sinking fund contribution and information technology costs incurred on the expanded network.
- Cost-to-income ratio improved to 63.1% from 76.1% in 1H 2013. We expect gradual improvement in the cost-to-income ratio as we leverage on our expanded delivery channels to drive higher revenues, while maintaining a lower cost growth.
- The effective tax rate increased to 22.4% in 1H 2013, due to a higher tax base in current year. The group declared a higher dividend in current year compared to 1H 2012.

1H 2013: Group statement of financial position

	1H 2013 Nmillion	Change %	FY 2012 Nmillion
Cash and balances with central banks	38,879	(49)	76,933
Trading assets	160,871	40	114,877
Pledged and derivative assets	25,237	(3)	26,149
Financial investments	142,522	66	85,757
Loans and advances	375,188	17	320,662
Loans and advances to banks	94,351	74	54,318
Loans and advances to customers	280,837	5	266,344
Current and deferred tax assets	5,146	(1)	5,212
Other assets	47,446	>100	22,771
Property and equipment	23,047	(6)	24,458
Total assets	**818,336**	21	676,819
Trading liabilities	81,567	(8)	88,371
Derivative liabilities	383	(50)	772
Deposits and current accounts	520,994	36	382,051
Deposits and current accounts from banks	150,974	>100	26,632
Deposits and current accounts from customers	370,020	4	355,419
Other borrowings	49,139	(27)	66,873
Subordinated debt	6,482	>100	-
Current and deferred tax liabilities	5,173	7	4,844
Other liabilities	60,767	26	48,257
Total liabilities	**724,505**	23	591,168
Shareholders' equity	91,759	10	83,341
Non-controlling interest	2,072	(10)	2,310
Liabilities and equity	**818,336**	21	676,819

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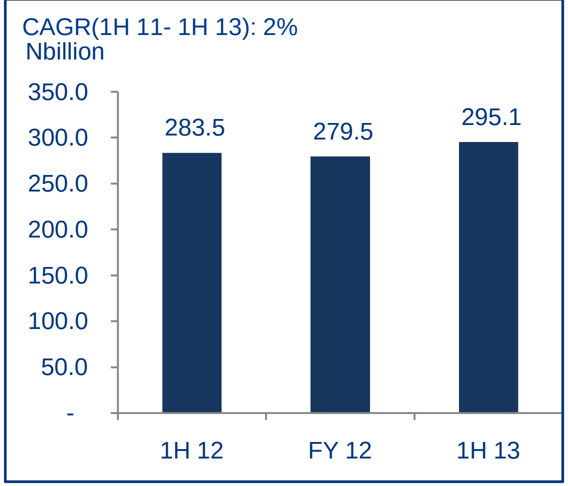
1H 2013: Group quarterly statement of financial position

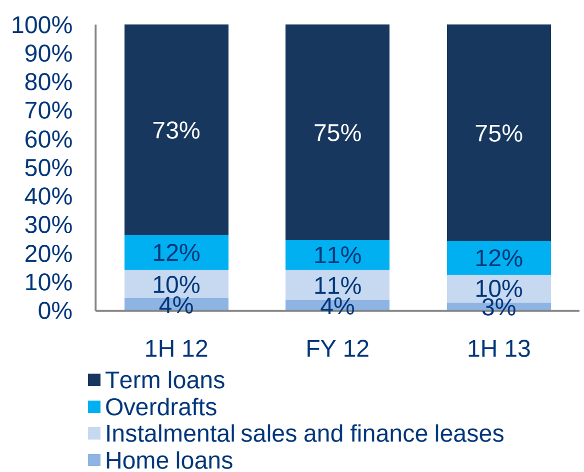
	2Q 2013 Nmillion	1Q 2013 Nmillion
Cash and balances with central banks	38,879	59,421
Trading assets	160,871	260,632
Pledged and derivative assets	25,237	24,127
Financial investments	142,522	110,448
Loans and advances	375,188	351,592
Loans and advances to banks	94,351	82,391
Loans and advances to customers	280,837	269,201
Other assets	47,446	49,226
Current and deferred tax assets	5,146	5,565
Property and equipment	23,047	23,702
Total assets	**818,336**	**884,713**
Liabilities		
Derivative liabilities	383	368
Trading liabilities	81,567	158,407
Deposits and current accounts	520,994	507,883
Deposits and current accounts from banks	150,974	84,287
Deposits and current accounts from customers	370,020	423,596
Other borrowings	49,139	52,080
Subordinated debt	6,482	-
Current and deferred tax liabilities	5,173	6,379
Other liabilities	60,767	69,791
Total liabilities	**724,505**	**794,908**
Shareholders’ equity	91,759	87,129
Non-controlling interest	2,072	2,676
Liabilities and equity	**818,336**	**884,713**

Loans and advances

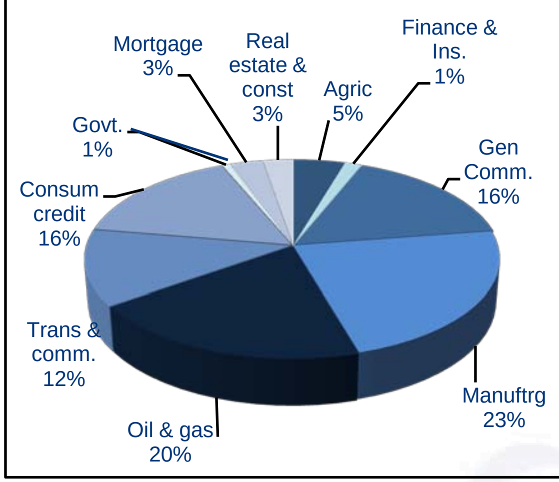
Gross loans and advances



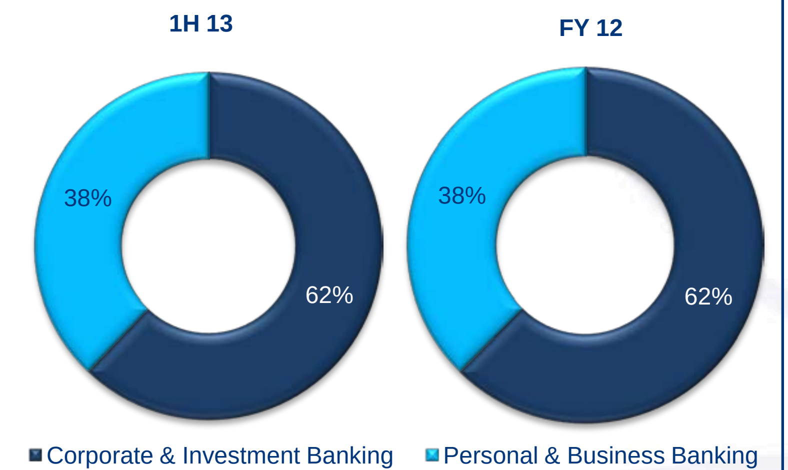
Breakdown of loans and advances



Loans and advances by sector



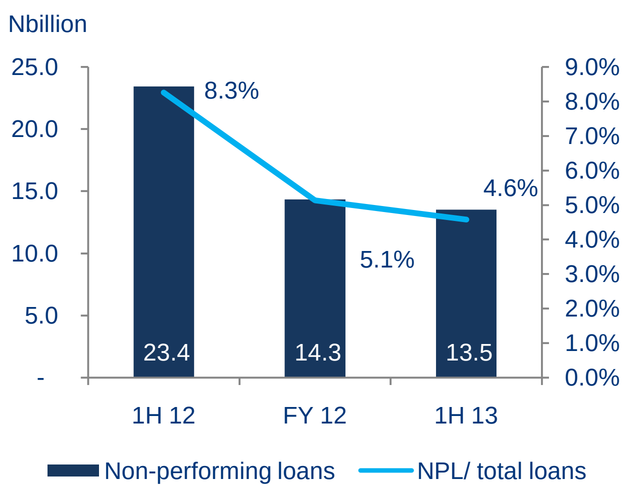
Loans and advances by business unit



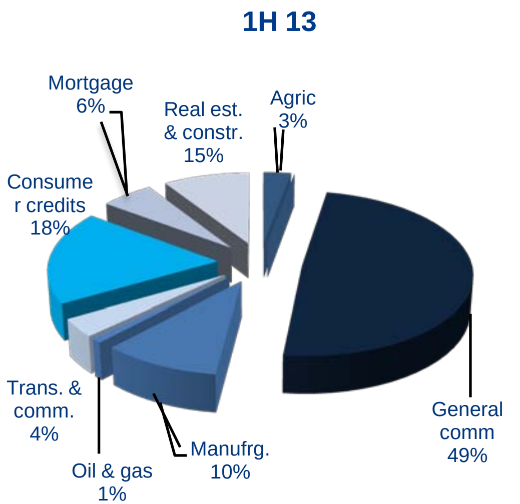
- Loan book grew slightly by 6% to N295.1 billion from N279.5 billion recorded in FY 2012. This growth was recorded despite the continued competition for good quality corporate credit and conscious decision to slowdown loan growth in PBB due to the high interest rate environment. Products such as Mortgage and Instalmental sale and finance leases were affected by this decision
- Potential increase in annuity income as medium to long term loans accounted for 75% of total loan portfolio.
- Well diversified portfolio supporting all sectors of the economy.
- We will continue to explore all opportunities to grow our loan book responsibly as we leverage on our growing customer relationships, enhanced by our enlarged delivery channels.

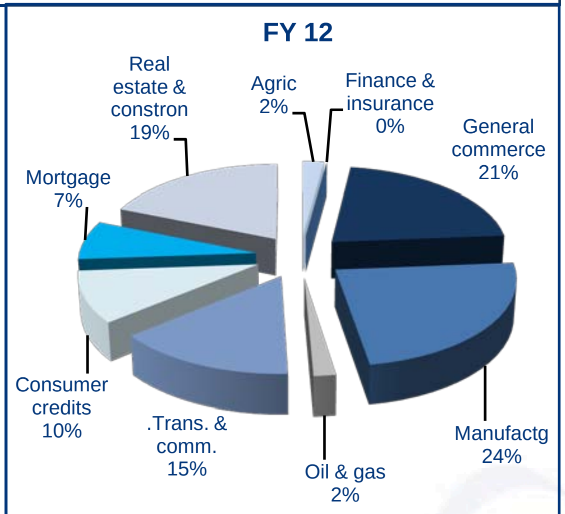
Loans and advances performance

Non-performing loans and NPL ratio

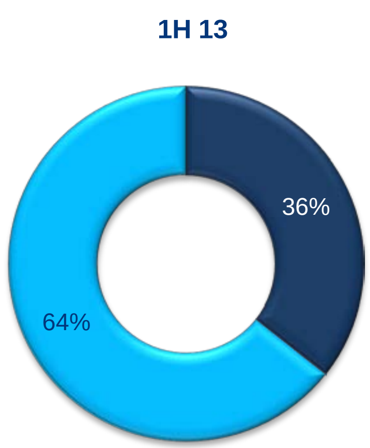


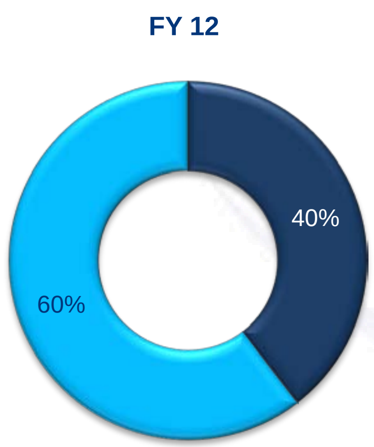
Non-performing loans by sector





Breakdown of NPLs by business unit





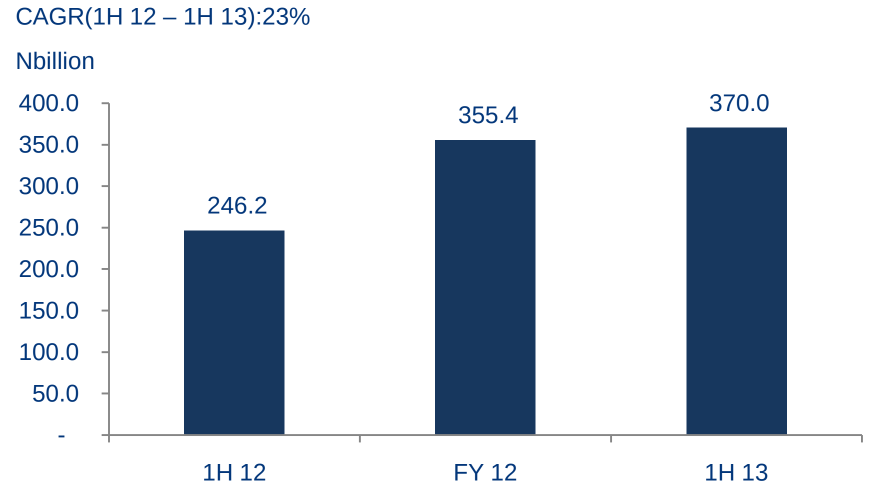
- Asset quality improved as NPLs declined by 6% to N13.5 billion in the first half of 2013. The ratio NPLs/total loans improved to 4.6% from 5.1% recorded in FY 2012. The improvement in asset quality is on the back of the resolution of some PBB loans in 2Q 2013.

- The general commerce sector accounts for 49% of the NPL book, due to the high interest rate environment which has hampered clients ability to make payment commitments.

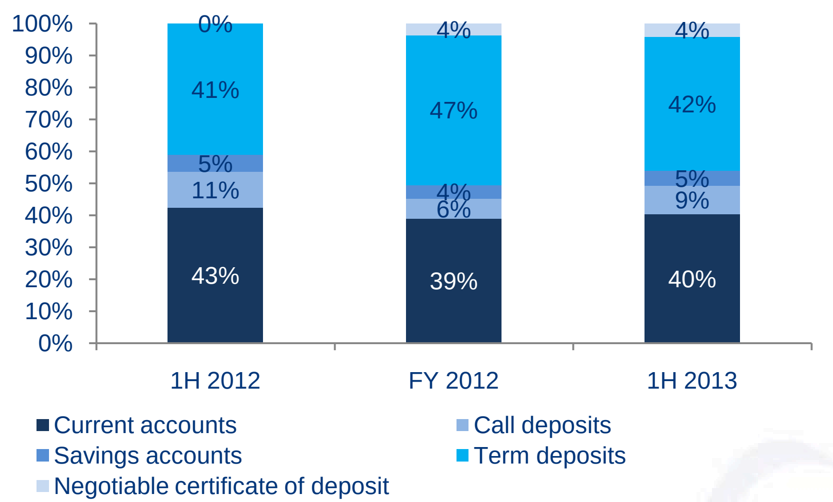
- Increased contribution to NPLs by PBB from 60% in FY 2012 to 64% in 1H 2013. The increase is as a result of the high interest rate environment, which placed some strain on retail customers.

Deposits and current accounts

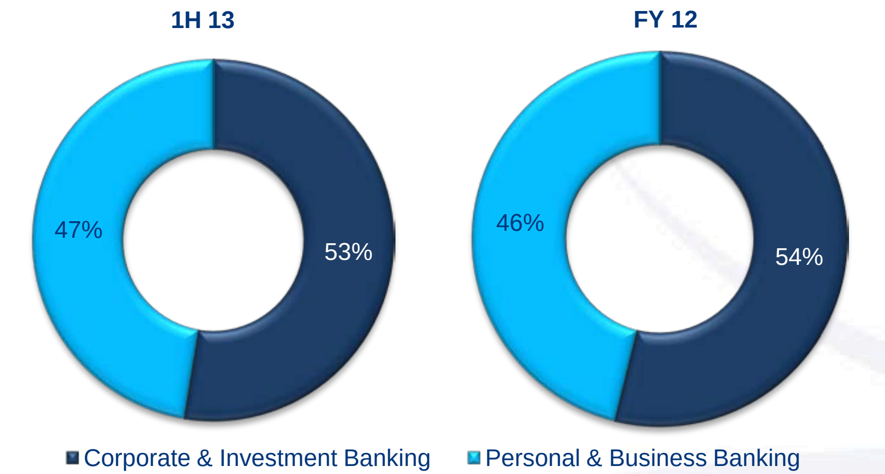
Deposits from customers



Breakdown of deposits by product



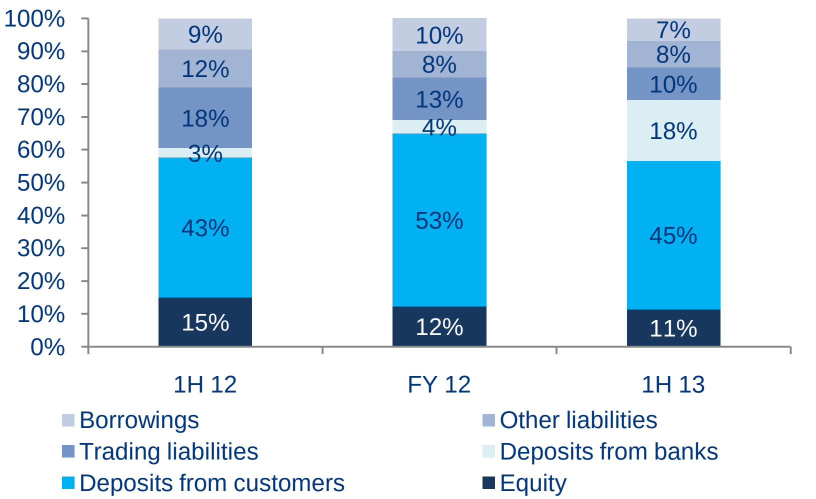
Deposit liabilities by business unit



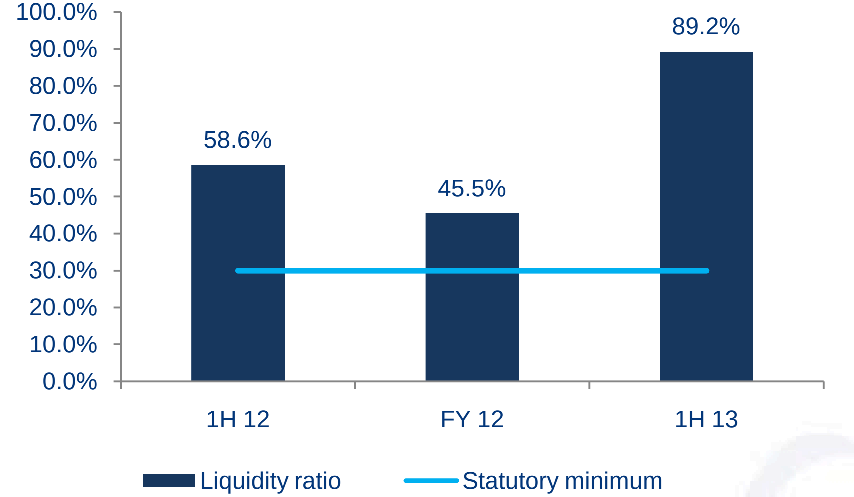
- Deposit book increased marginally by 4% to N370.0 billion due to our conscious effort to exit expensive term deposits. On a quarter-on-quarter basis however, deposit from customers at the end of 2Q 2013 declined by 12.7% from N423.6 billion recorded at end of 1Q 2013.
- The deposit mix improved slightly as low cost deposit accounted for 54%, from 49% in FY 2012, of total deposit.
- Continued focus on gathering lower priced deposits to improve deposit mix and margin

Funding, liquidity and capital

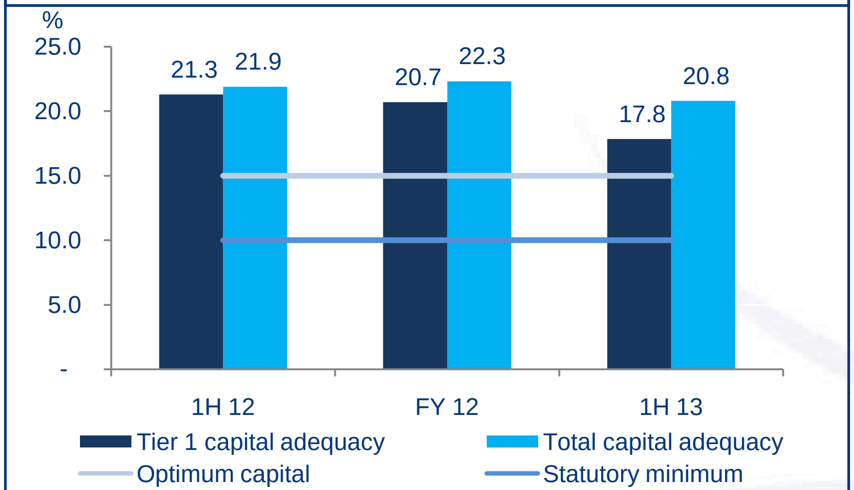
Funding mix



Liquidity ratio



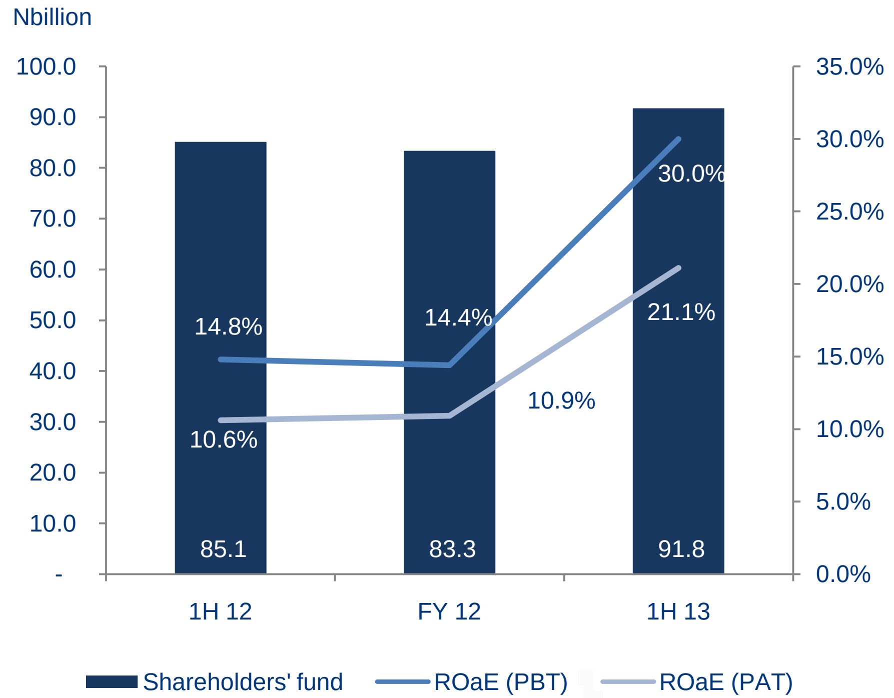
Capital adequacy ratio



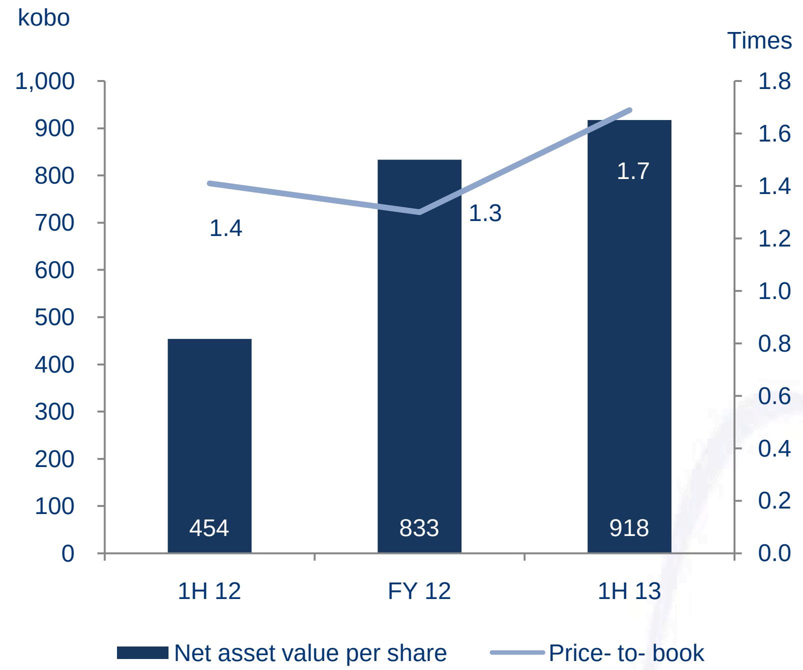
- Deposits from customers funded 45% of total assets and represented 51% of total liabilities.
- The group's liquidity ratio of 89.2% (Bank 82.6%) significantly above the 30% statutory requirement.
- The group's capital adequacy ratio of 20.8% (Bank 15.4%) is sufficient to pursue growth opportunities and support business risks and contingencies.
- Raised $40 million Tier 2 capital in 2Q 2013 to support growth.
- Plan to raise additional N15 billion in Tier 2 capital in the nearest future.

Group shareholder value

Average shareholders' funds and return on equity



Net asset value per share and price-to-book



- Significant improvement in return on average equity to 21.1% from 10.9% in FY 2012.
- Continued focus on improving shareholders' value
- A final dividend of 10 kobo per share for FY 2012 and an interim dividend of 70 kobo will be paid together later in the month.

Business segment performance review

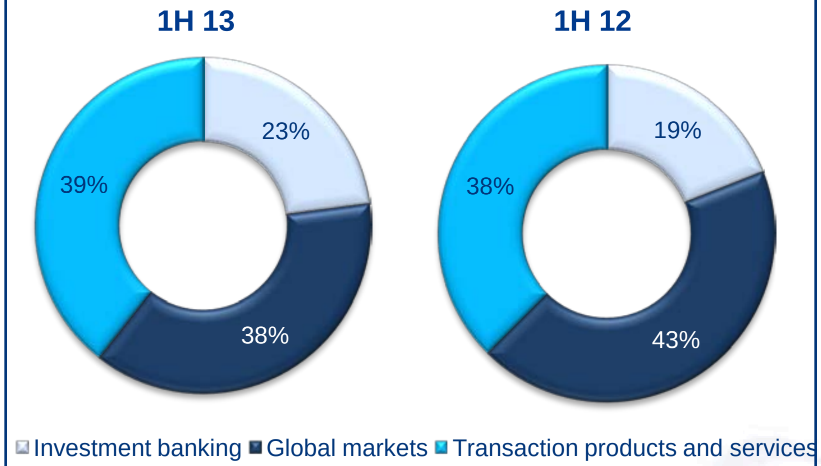
Corporate and Investment Banking

Victor Williams
ED, CIB

1H 2013: Summarised financial statement and selected ratios

	1H 2013 Nmillion	change %	1H 2012 Nmillion
Net interest income	8,749	6	8,278
Non-interest revenue	13,497	>100	5,773
Total income	**22,246**	58	14,051
Credit impairment charges	(765)	>100	52
Operating expenses	(9,496)	13	(8,399)
Profit before tax	**11,985**	>100	5,704
	1H 2013		FY 2012
Loans & advances	183,391	5	178,696
Deposit liabilities	189,446	(1)	191,388
NIR to total income %	60.7		54.8
Cost to income ratio %	42.7		59.8
NPL/total loan ratio %	2.6		10.0

Contribution to total income by business segment



- Net interest income increased marginally by 6% on the back of increased lending activities and improved yields in investment securities. This was however negatively impacted by high funding costs.
- Non-interest revenue more than doubled, benefitting from a well positioned trading book and improved performance of the capital market, which increased revenues of our custody and stock-broking businesses.
- Increased contribution from investment banking business segment to total income, is a function of increased revenue from closure of advisory mandates.

1H 2013: CIB quarterly performance analysis

	2Q 2013 Nmillion	change %	1Q 2013 Nmillion
Net interest income	4,843	24	3,906
Non-interest revenue	6,561	(5)	6,936
Total income	**11,404**	5	**10,842**
Credit impairment charges	(347)	(17)	(418)
Operating expenses	(4,916)	7	(4,580)
Profit before tax	**6,141**	5	**5,844**
Loans & advances	183,391	5	174,949
Deposit liabilities	189,442	(21)	241,203
Cost to income ratio %	43.1		42.2
NIR to total income %	57.5		64.0
Credit loss ratio %	0.8		1.0
NPL/total loan ratio %	2.6		3.4

Personal & Business Banking

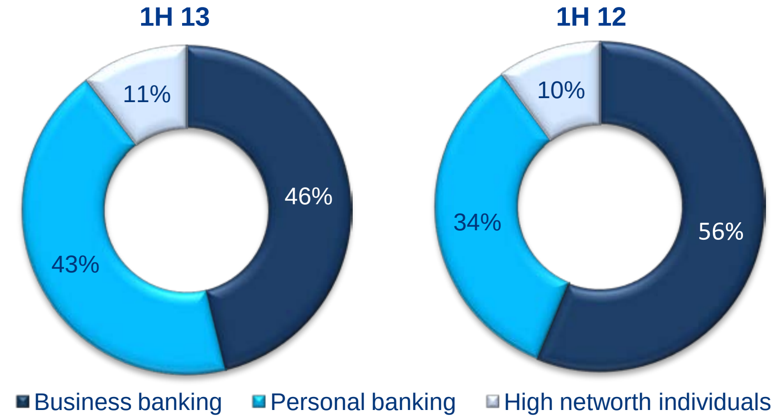
Obinnia Abajue

ED, PBB

1H 2013: Summarised financial statement and selected ratios

	1H 2013 Nmillion	change %	1H 2012 Nmillion
Net interest income	8,229	0	8,227
Non-interest revenue	3,338	35	2,465
Total income	**11,567**	8	10,692
Impairment charges	(1,603)	19	(1,342)
Operating expenses	(14,083)	15	(12,231)
Loss before tax	**(4,119)**	43	(2,881)
	1H 2013		FY 2012
Loans & advances	111,734	6	105,055
Deposit liabilities	180,574	10	164,031
Cost-to-income ratio %	121.8		114.4
NPL to total loan ratio %	7.8		8.2

Contribution to total income by business segment



- Total income was up 8% due to a 35% increase in non-interest revenue, while net interest income was stable at N8.2 billion.
- Increase in impairment charges due to specific provisioning on two credits in 1Q 2013. The impairment charges reduced significantly in 2Q 2013 as some of the delinquent loans are being resolved.
- Increased contribution to revenue from Personal banking business segment as we continue to drive our retail strategy in the right direction.

1H 2013: PBB quarterly performance analysis

	2Q 2013 Nmillion	change %	1Q 2013 Nmillion
Net interest income	4,392	14	3,837
Non-interest revenue	1,679	1	1,659
Total income	**6,071**	10	**5,496**
Credit impairment charges	(136)	(91)	(1,467)
Operating expenses	(6,709)	(9)	(7,374)
Loss before tax	**(774)**	(77)	**(3,345)**
Loans & advances	111,734	2	109,533
Deposit liabilities	180,578	(1)	182,477
Cost-to-income ratio %	110.5		134.2
Non-interest revenue to total income %	27.7		30.2
Credit loss ratio %	0.5		5.9
NPL to total loan ratio %	7.8		9.4

Wealth

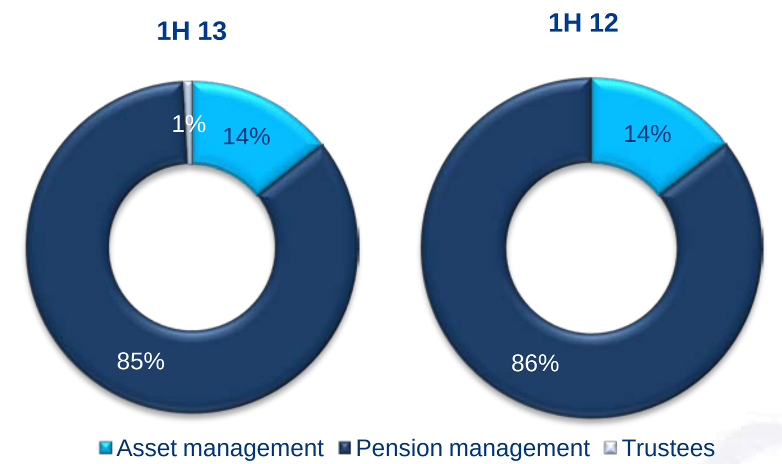
Demola Sogunle

CEO, Stanbic IBTC Pension Managers

1H 2013: Summarised financial statement and selected ratios

	1H 2013 Nmillion	change %	1H 2012 Nmillion
Net interest income	959	32	725
Non-interest revenue	7,233	30	5,580
Total income	**8,192**	30	6,305
Operating expenses	(2,933)	(3)	(3,009)
Profit before tax	5,259	60	3,296
	1H 2013		FY 2012
Assets under mgt (Nmillion)	1,131,328	14	990,881
Retirement savings accounts (number)	1,152,617	12	1,054,525
Cost-to-income ratio (%)	35.8		46.8
Return on equity (%)	51.3		43.8

Contribution to total income by business segment



- Increased revenue due to continued growth in assets under management, number of retirement savings accounts and improved capital markets performance in 1H 2013.
- Assets under management grew by 14% to cross the N1 trillion mark in 1H 2013.
- Improved cost-to-income ratio evidencing operational efficiency.
- Continue to maintain market leadership in pension and asset management business.

1H 2013: Wealth quarterly performance analysis

	2Q 2013 Nmillion	change %	1Q 2013 Nmillion
Net interest income	447	(13)	512
Non-interest revenue	3,956	21	3,277
Total income	**4,403**	16	**3,789**
Operating expenses	(1,397)	(9)	(1,536)
Profit before tax	**3,006**	33	**2,253**
Assets under management (Nmillion)	1,131,328	6	1,068,736
Retirement savings accounts (number)	1,152,617	5	1,094,870
Cost-to-income ratio (%)	31.7		40.5

Prospects and outlook

Sola David-Borha

Chief executive

2H 2013: Prospects and outlook

- Focus on growing low cost and stable deposits as well as increase customer base
- Cross sell – maximizing our share of wallet from every client interaction.
- Customer service – ensuring every client interaction is a memorable experience.
- Diversify revenue streams to increase contribution from transactional income.
- Enhance operational efficiency through cost management and control.
- Brand awareness - Appropriate utilization of marketing budget to improve retail brand in market.
- Depending on interest rates, raise Tier 2 capital up to N15 billion in 2H 2013.

We therefore expect:

- Cost- to- income ratio to stabilise below 70%.
- Net interest margin of between 5% - 5.5%
- Loans and advances - 10% growth YoY by end 2013 .
- Cost of risk - not more than 1.5%
- Return on equity of not less than 18%
- Deposit – 20% growth YoY by end 2013, with demand deposit of 55%
- NPL to total loan ratio of less than 5.0%
- Tax rate not higher than 25%

Q & A