Stanbic IBTC Holdings PLC

Nine months 2019 Results Presentation

CELEBRATING 30 YEARS
of Moving You Forward
1989 - 2019

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Background and the operating environment

Strategic focus

Mission	Committed to solutions that drive your progress.
Vision	To be the **leading** end-to-end financial solutions provider in **Nigeria** through **innovative** and **customer focused people**.

In executing our group strategy our key focus areas are

Client centricity	Do valuable things for clients
Digitisation	Digitise front to back
Universal Financial Service Offering	Seamlessly deliver relevant, holistic solutions

We measure our progress using five strategic value drivers

SEE = Social, economic and environmental

Stanbic IBTC: Nigeria's leading financial services group

1.72 million RSAs

N3.63trn AuM

14 Mutual funds

Largest Pension and Non-Pension Asset Manager

Best Advisory and Investment Bank

Market Leadership Position

No. 1 Stockbroking firm by market share of trade value

Largest Custodial service firm

GCR AA(ng) (Bank)

FitchRatings AAA(nga)

S&P Global B/stable/B (Bank)

N6.42trn AuC

No. 1 FX Liquidity Provider

24 BNAs & 697 ATMs

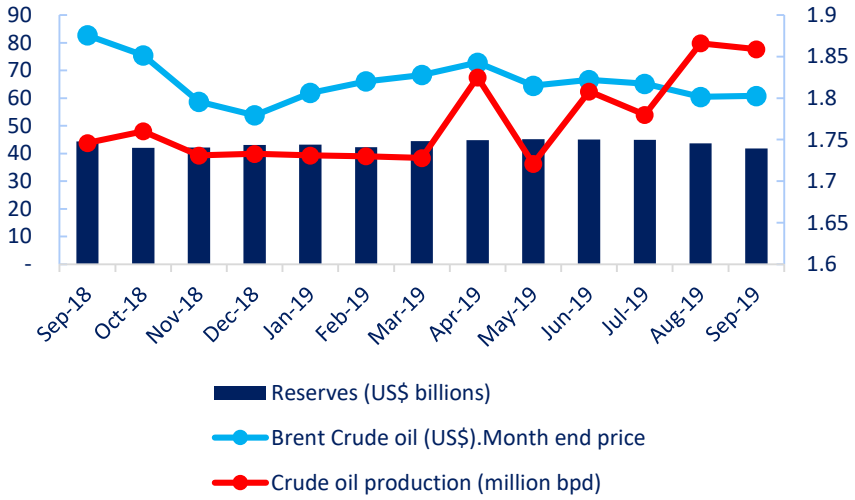
2.4 million Banking Customers

10,771 POS

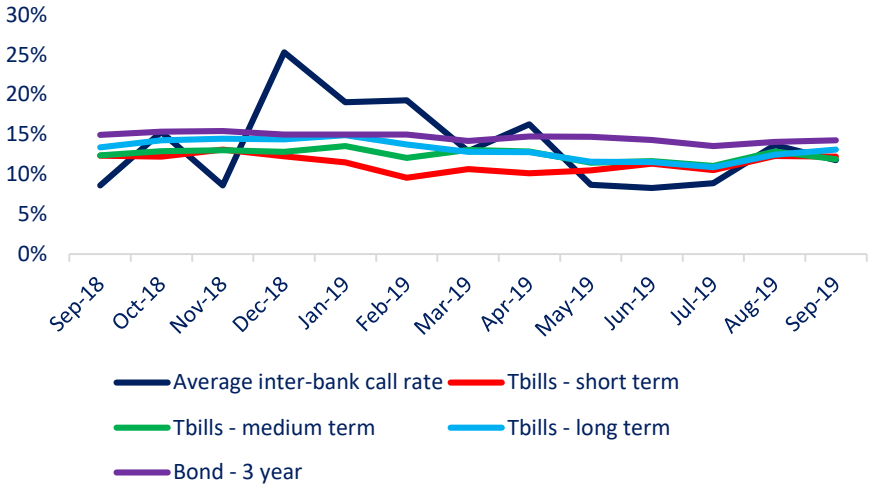
176 Branches

Macro-economic and operating environment

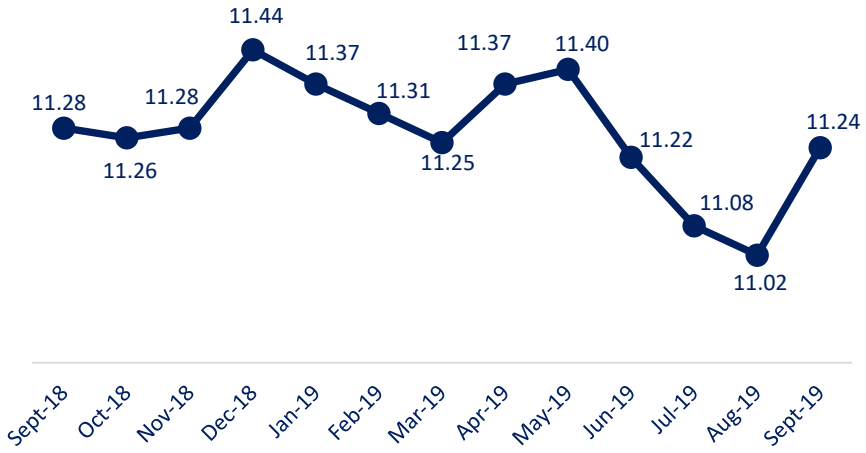
Reserves, Brent Crude Oil Price & Crude Oil Production



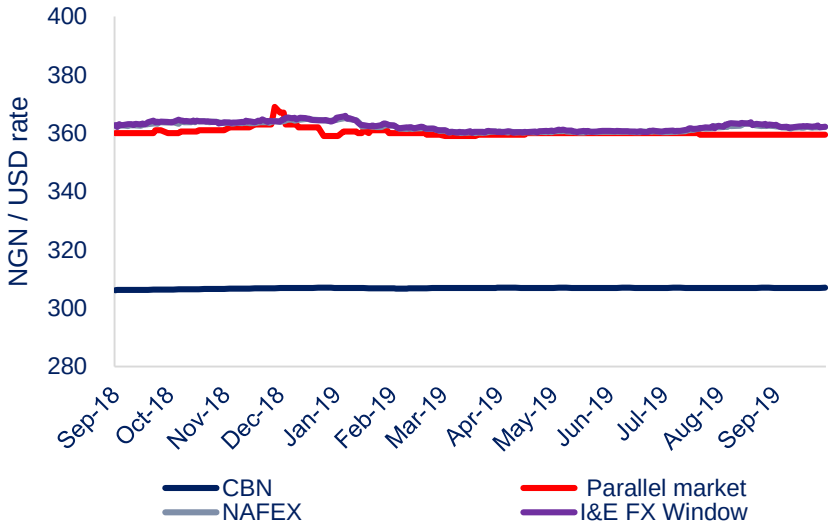
Interest Rates



Inflation (%)



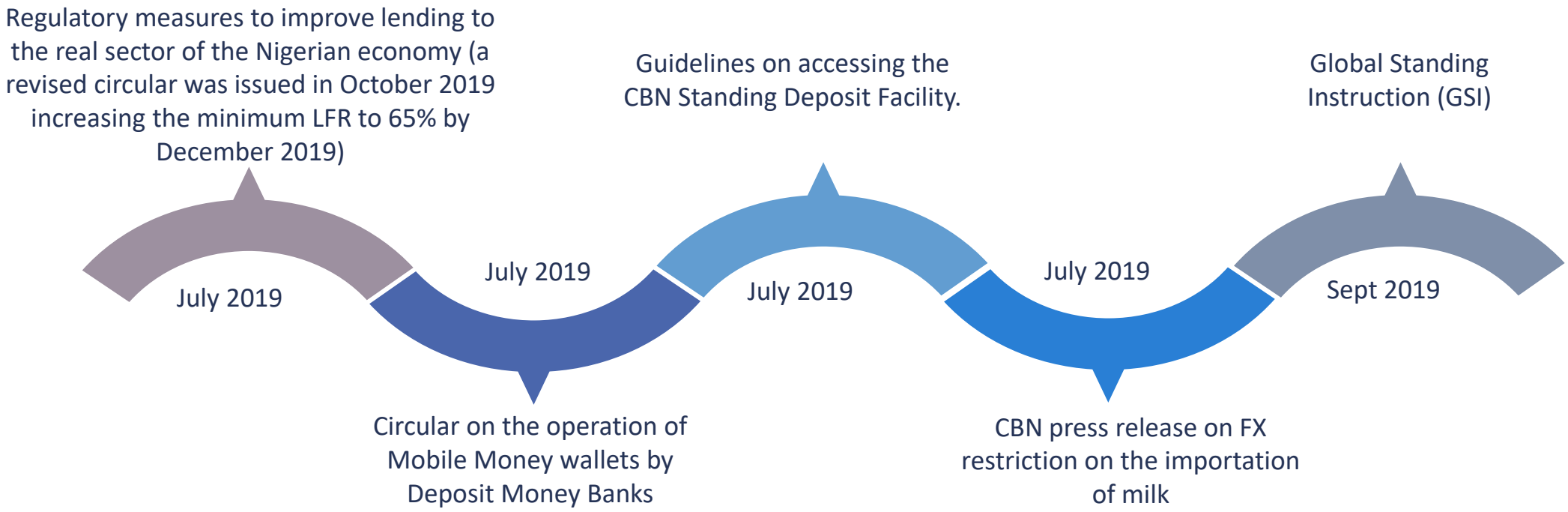
Exchange Rate Movement



- There has been pressure on the external reserves which closed at $41.8 billion in September 2019 from its peak of $45 billion in June 2019 due to a combination of portfolio outflows and oil price volatility as well as the sustained intervention of the CBN in the FX market. The reserves position remains at levels sufficient to cover over 10 months of import, nonetheless.
- Brent crude oil prices have been volatile mainly impacted by the pessimism over US-China trade talks. The attack on Saudi Arabia's oil outfit also ignited some volatility. Nigeria oil production averaged 1.8m bpd over the period.
- The NGN/USD rate which saw some level of appreciation at the beginning of the year witnessed some pressure in the third quarter due to the decreasing pace of portfolio inflows. The pace of portfolio investments slowed amid oil price volatilities and drop in yields.
- Headline inflation was mostly sticky over the nine months period of 2019 (averaging 11.25%). Risks remain to the upside as we expect elevated food inflation on the back of supply shortages from the recent border closures.
- The NSE All Share Index (ASI) recorded a negative YtD return of 12.1% as at September 2019 due to the weak underlying macroeconomic environment. Investment flows into Nigeria equity assets have been muted despite the Nigeria listing of two major telecommunications giants during the period.

Source: IMF/NBS/CBN/BMI

Regulatory Update



Financial Review: 9M 2019

Summary of Nine months 2019 Performance – Income Statement items

Gross Earnings

9M 2019: N176.2bn
9M 2018: N168.8bn

+4%

Basic Earnings Per Share

9M 2019: 513Kobo
9M 2018: 573Kobo

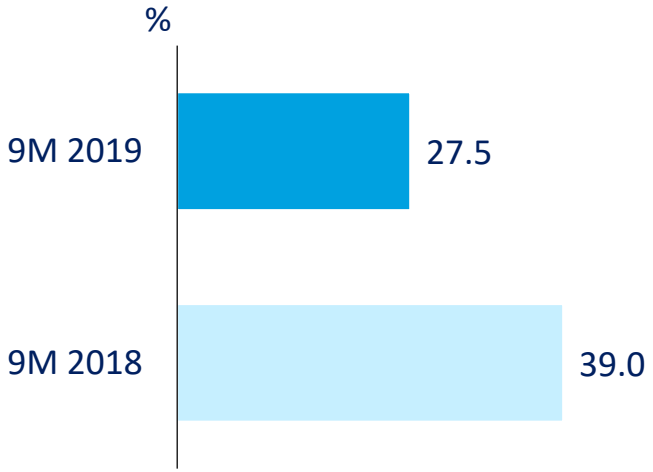
-10%

Profit After Tax

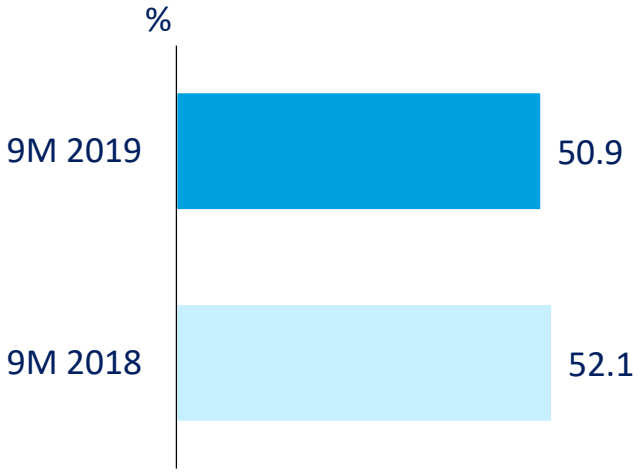
9M 2019: N55.6bn
9M 2018: N59.8bn

-7%

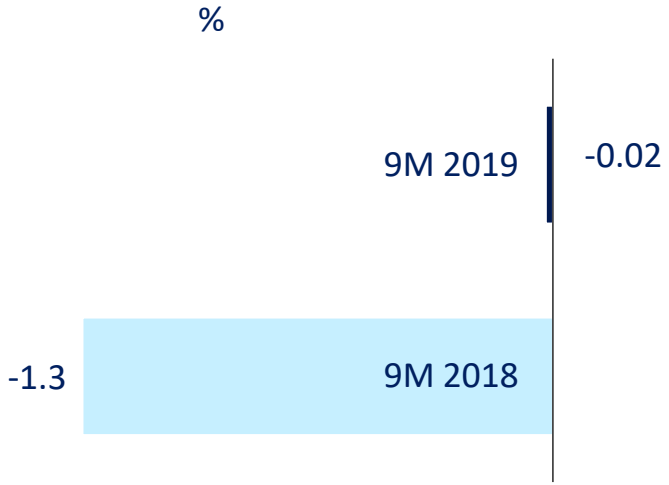
ROE



Cost to Income



Credit Loss Ratio



Summary of Nine months 2019 Performance – Financial Position items

Total Asset

9M 2019: N1.833trn
FY 2018: N1.664trn

+10%

Customer Deposits

9M 2019: N687.9bn
FY 2018: N807.7bn

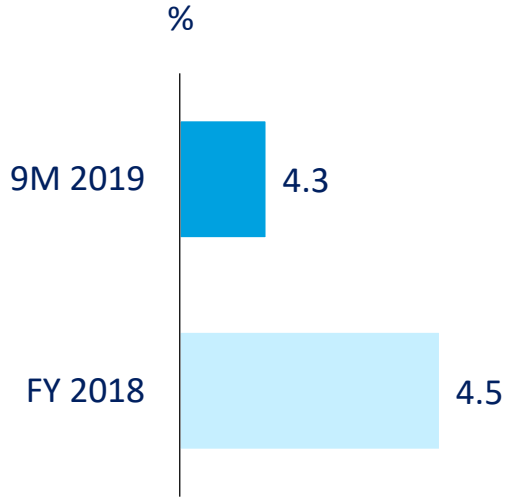
-15%

Net Customer Loans & Advances

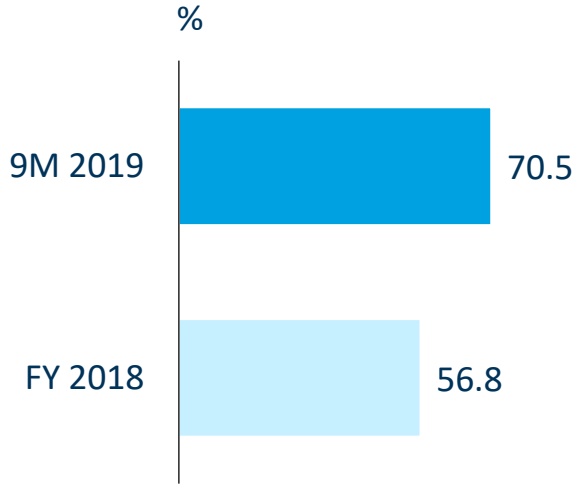
9M 2019: N537.5bn
FY 2018: N432.7bn

+24%

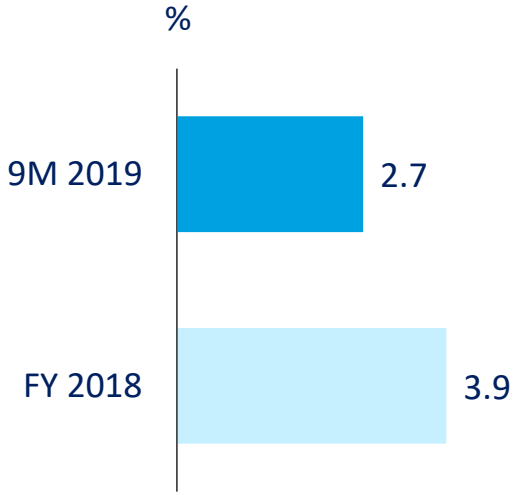
ROA



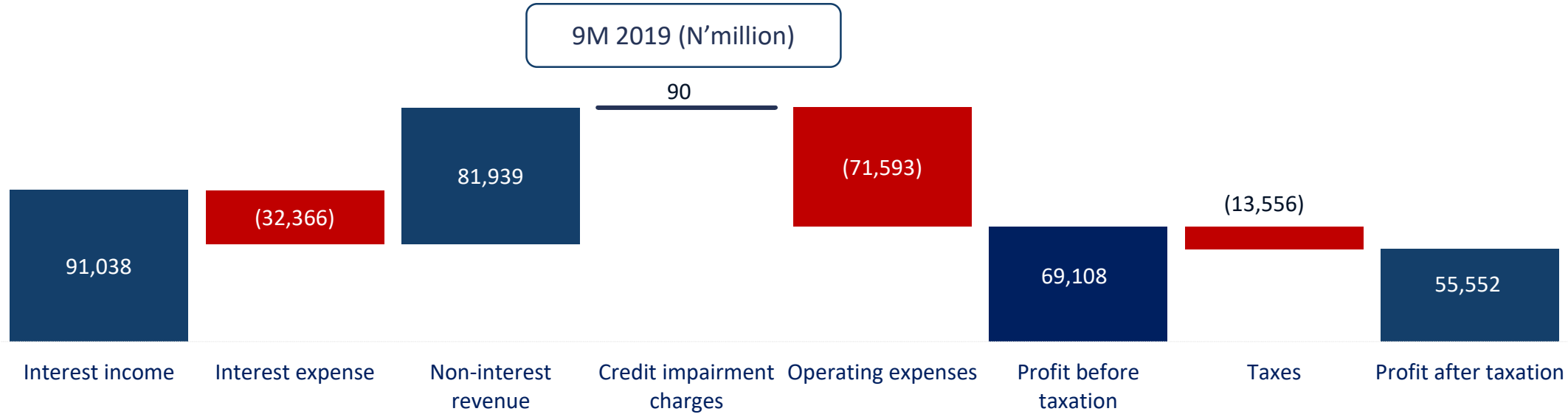
CASA Ratio

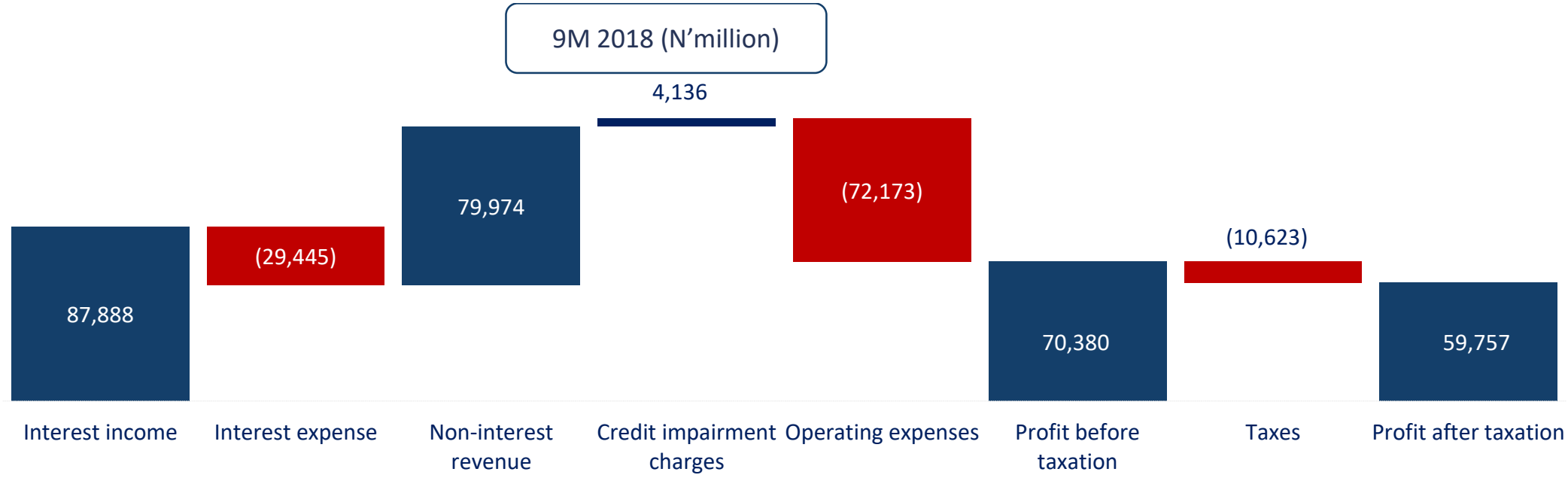


Gross NPL Ratio



Overview of income statement for 9M 2019 vs 9M 2018





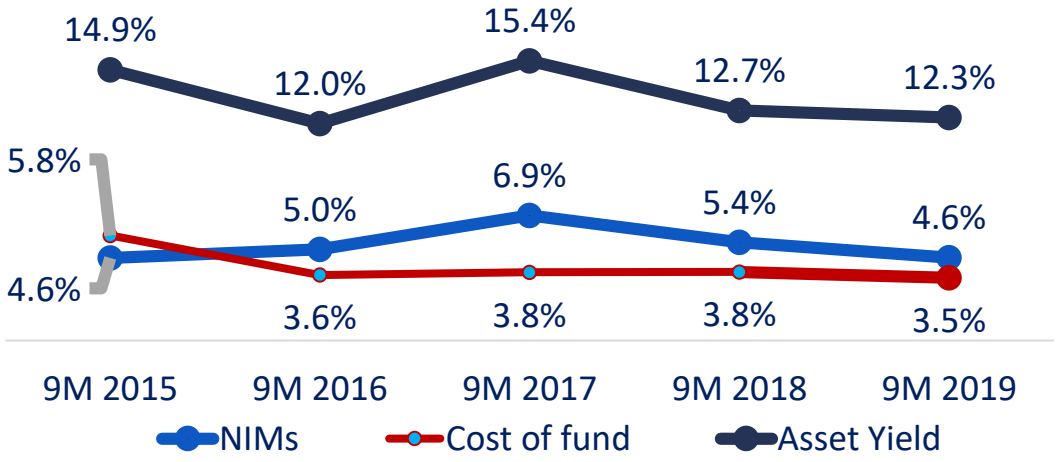
Net Interest Income

Interest Income (N'million)

Interest Expense (N'million)

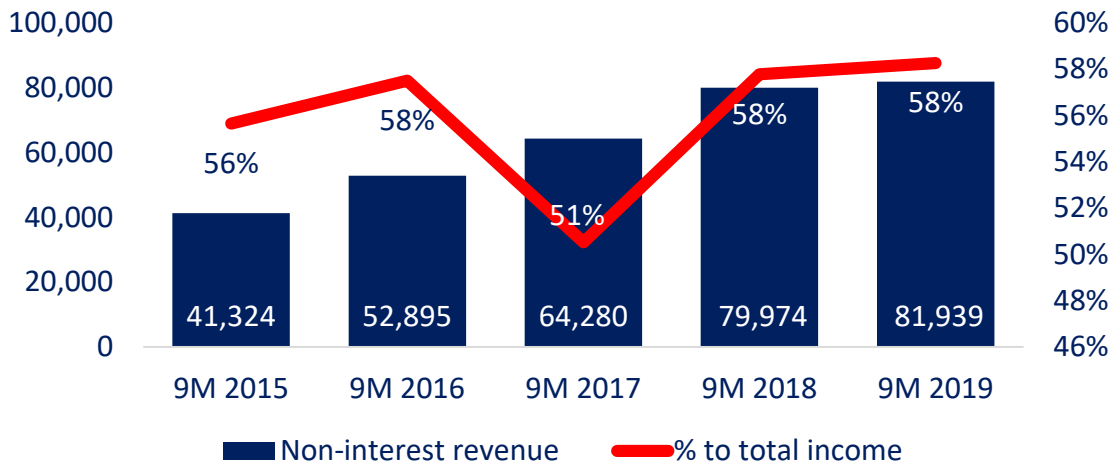
Net Interest Income (N'million)

Drivers of net interest income (%)

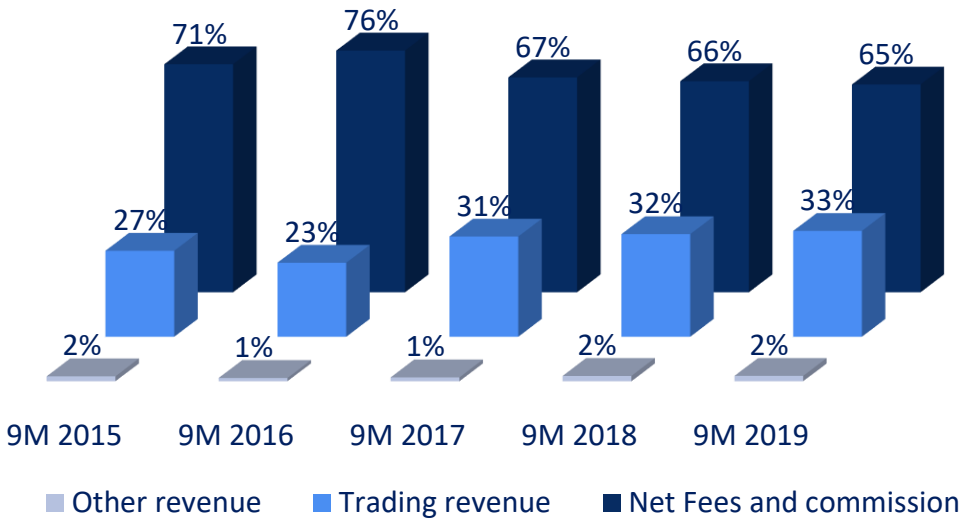


- Net interest income grew marginally by 39bps to N58.7 billion (9M 2018: N58.4 billion) though interest income was up by 4% to N91.0 billion (9M 2018: N87.9 billion) while interest expense grew by 10%.
- Asset yield declined due to competitive asset pricing.
- Consequently, net interest margin declined as a result of liquidity squeeze and reduced financial investment portfolio and increased excess cash reserve asset.
- Cost of funds declined year-on-year as we continue our deliberate drive to replace expensive term deposits with cheaper and stable liabilities.

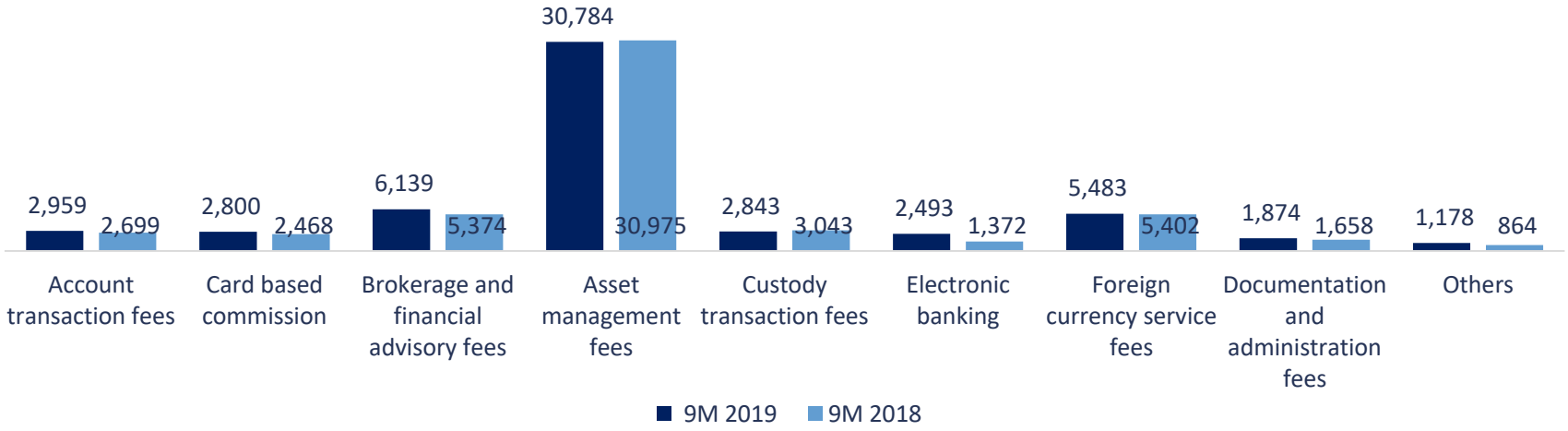
Non-Interest Revenue



Break down of non-interest revenue by type

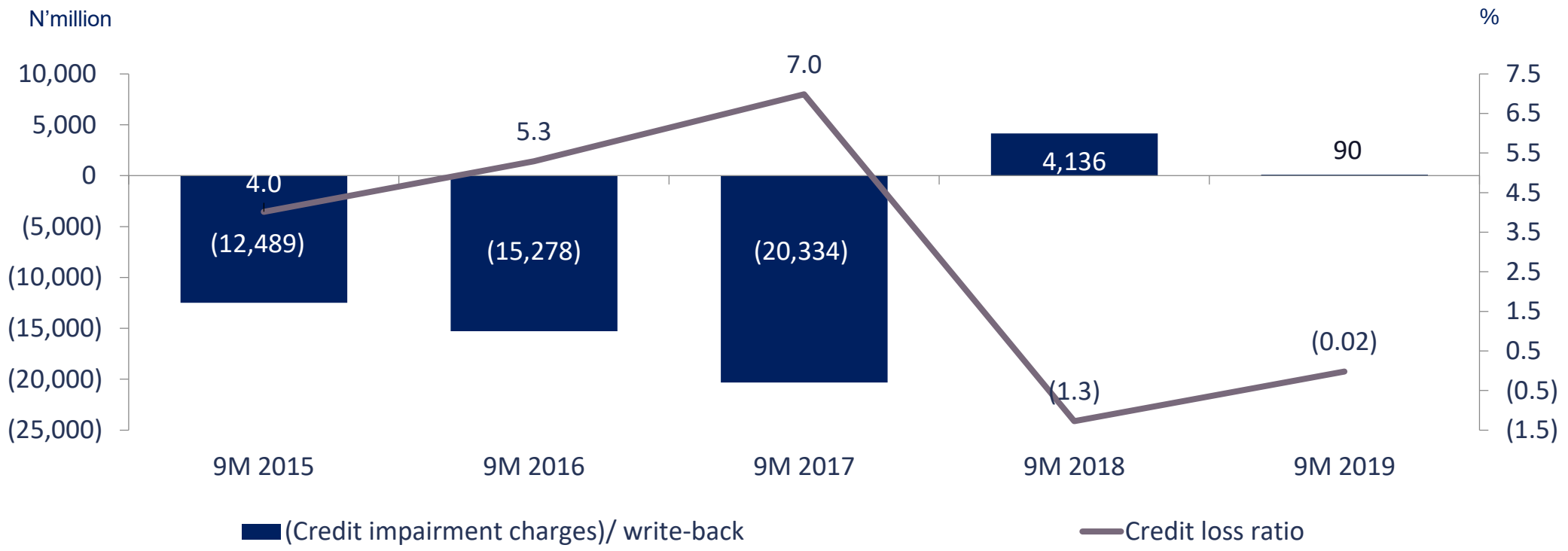


Break down of fees and commission income



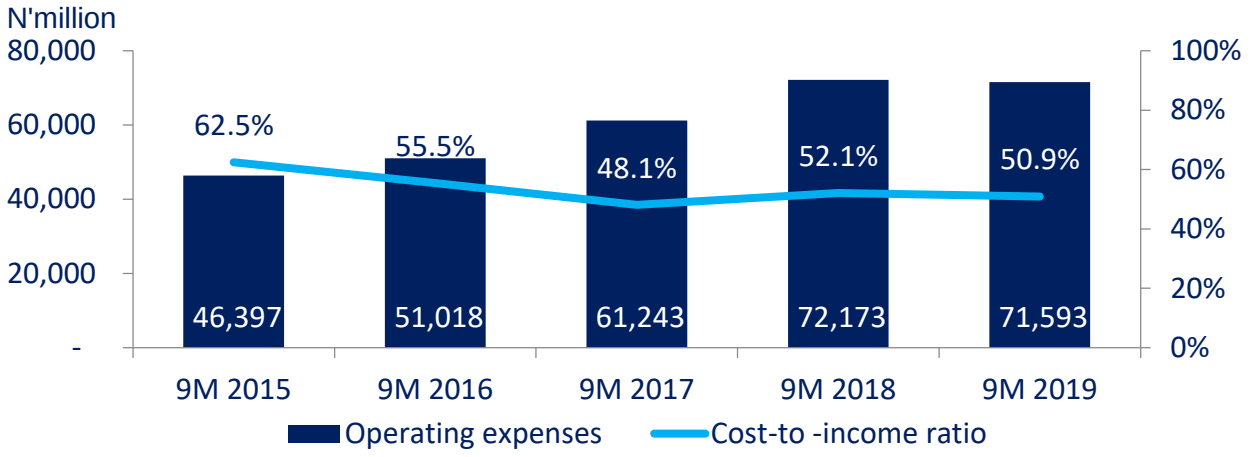
- Non-interest revenue grew by 2% driven by a 1% growth in net fees and commission, 6% increase in trading income and 3% growth in other revenue.
- Electronic banking fees was up 82% year-on-year.

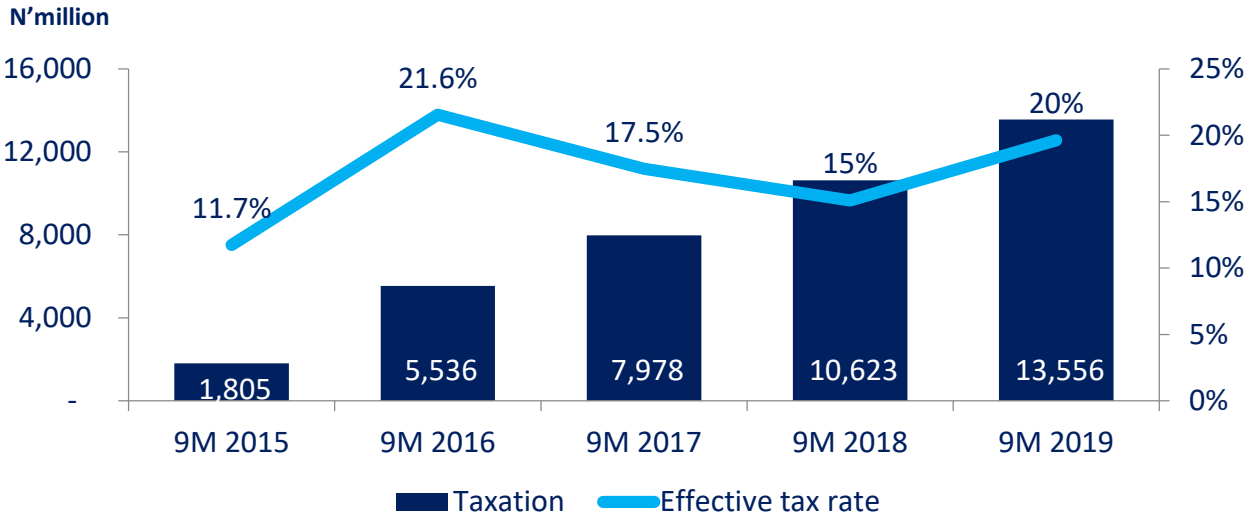
Income statement - credit impairment



- Credit impairment charges were a write back of N90mn compared to N4.14bn in prior period. We continue to pursue recovery of previously impaired assets.
- Credit loss ratio was (0.02%) compared to (1.3%) in 9M 2018.

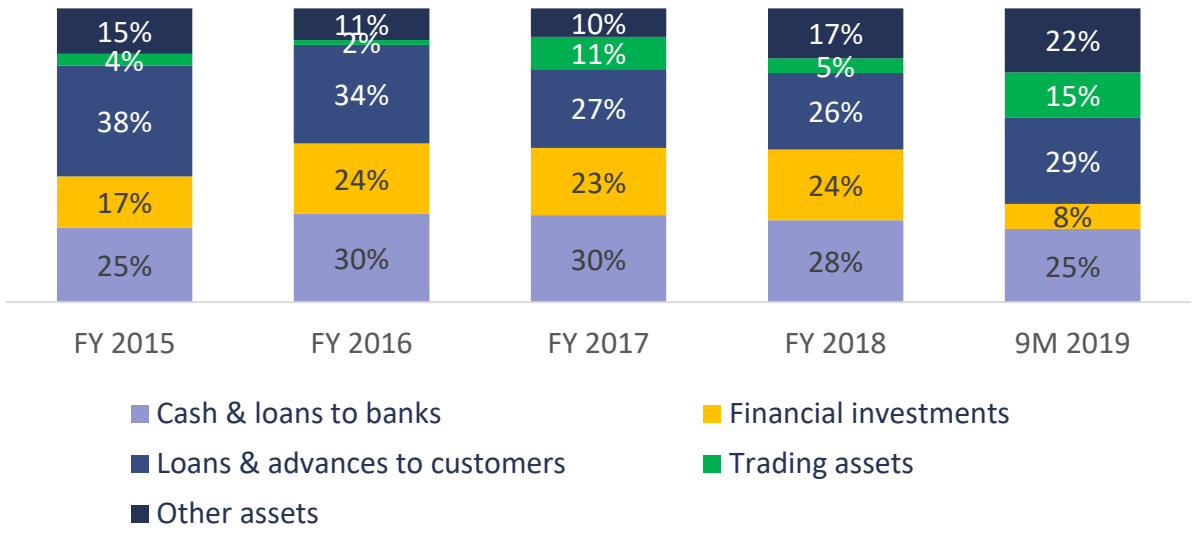
Operating expenses and Taxation

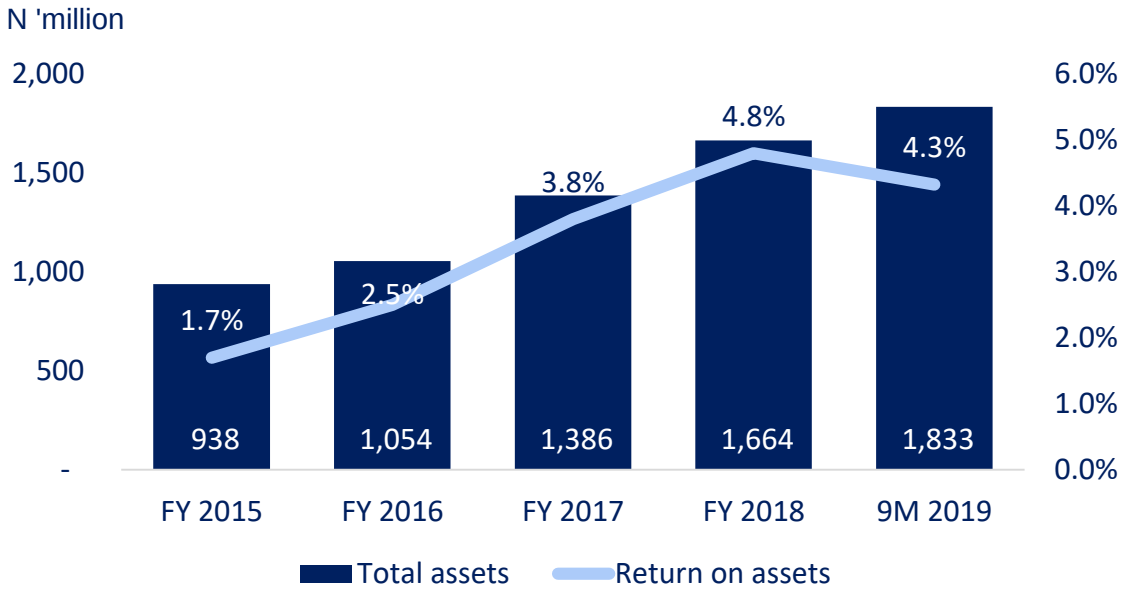


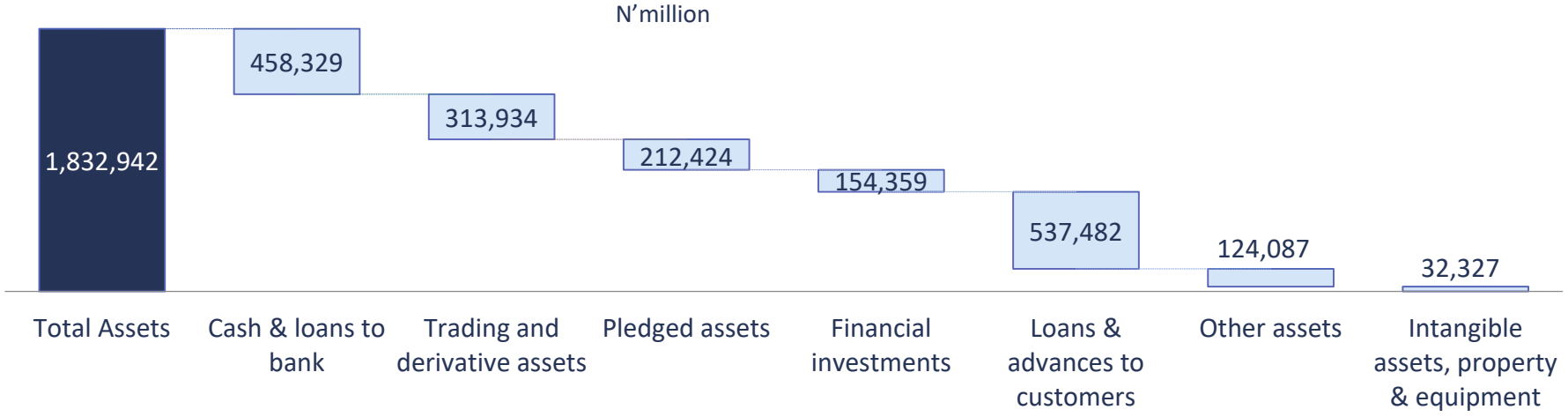


- Operating expenses declined by 1% year-on-year.
- Staff cost declined by 2% year-on-year due to decline in share-based compensation charges on the back of decline in the company share price.
- Other operating expenses were flat year-on-year.
- Consequently, Cost to income ratio improved to 50.9% from 52.1% recorded in prior year.
- Effective tax rate increased to 20% from 15% in 9M 2018 due to assessment of the Banking subsidiary using excess dividend tax basis.

Total Assets



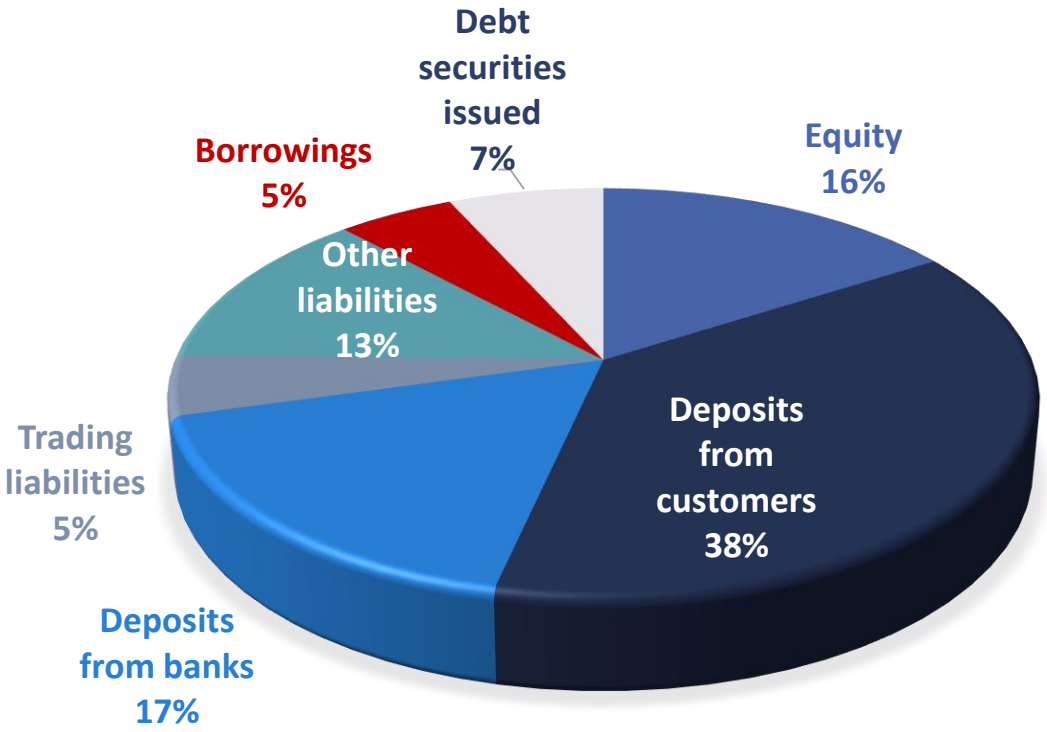




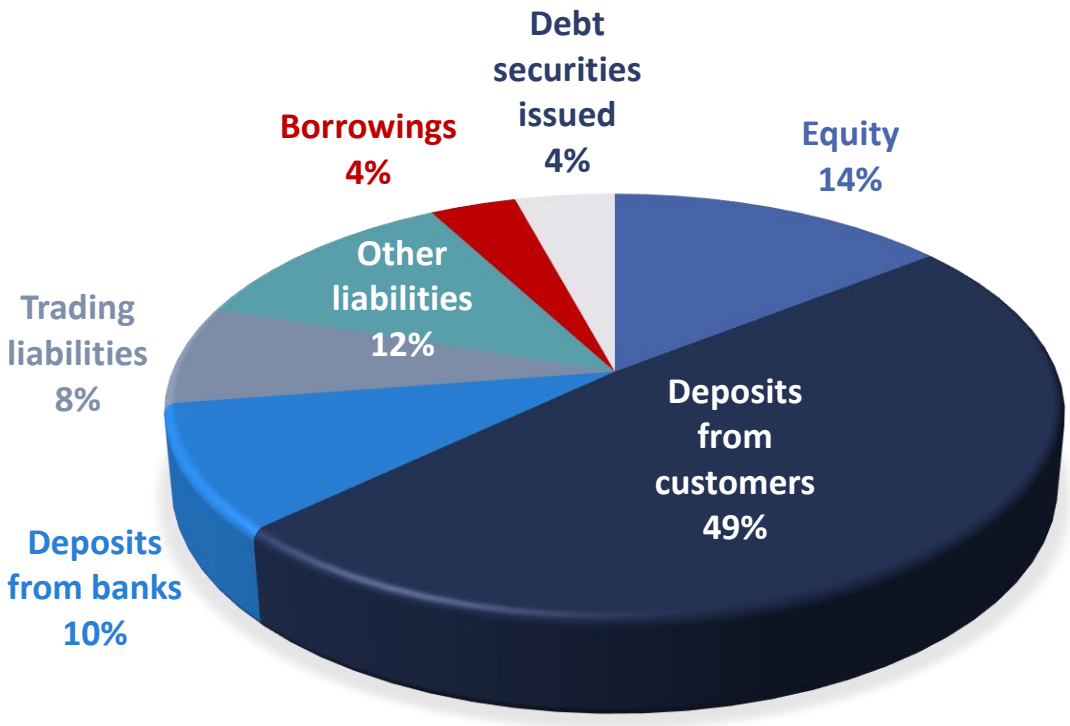
Return on assets declined due to lower earnings and increased assets.

Funding mix

9M 2019



FY 2018

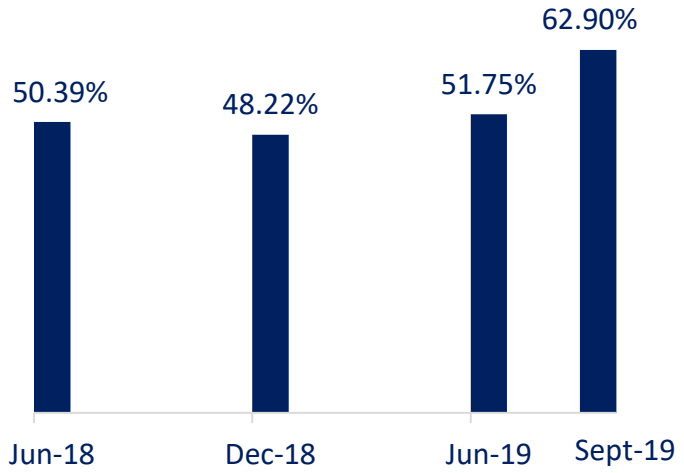


Loans and Advances

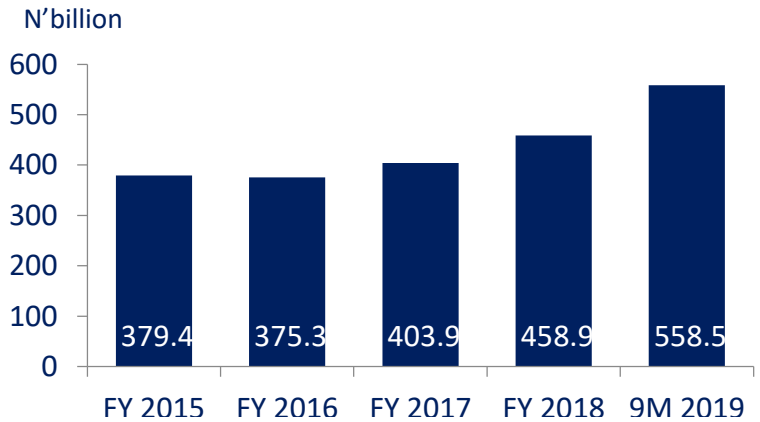
- Gross loans portfolio increased by 22% year-to-date amid some maturities.
- Installment sales, finance leases and mortgage loans declined as a result of repayments and write-offs during the period.
- Lending via term loans and overdrafts to customers increased as we continue to provide financing to our customers.

	9M 2019			FY 2018		
	LCY loans N'billion	FCY loans N'billion	Total loans N'billion	LCY loans N 'billion	FCY loans N 'billion	Total loans N 'billion
Personal & Business Banking	**163.4**	**35.3**	**198.7**	**139.4**	**40.4**	**179.8**
Mortgage lending	4.5	-	4.5	5.6	-	5.6
Instalment sale & finance leases	6.6	0.72	7.3	7.9	0.8	8.7
Overdrafts	27.1	2.98	30.1	28.8	2.9	31.6
Term loans	125.2	31.6	156.8	97.2	36.8	134
Corporate & Investment Banking	**168.4**	**191.4**	**359.8**	**104.3**	**174.9**	**279.1**
Term loans	107.9	191.4	299.3	67.6	174.9	242.5
Overdrafts	59.7	0.01	59.7	35.5	-	35.5
Instalment sale and finance leases	0.83	-	0.83	1.1	-	1.1
Total loans	**331.8**	**226.7**	**558.5**	**243.7**	**215.3**	**459**
Percentage	59%	41%	100%	53%	47%	100%

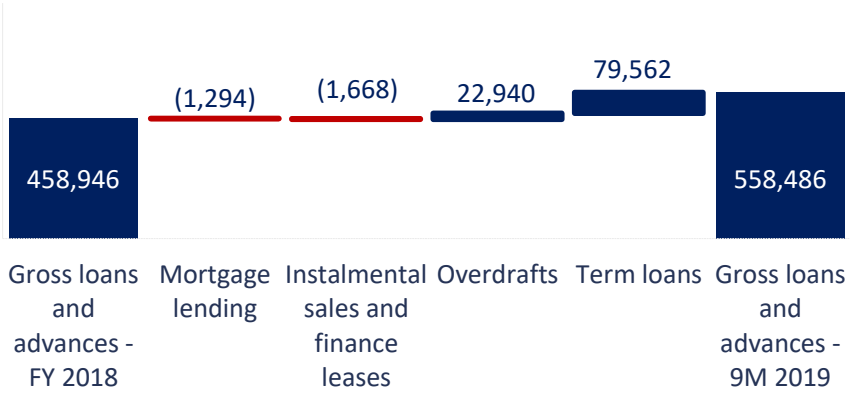
Loan to funding ratio



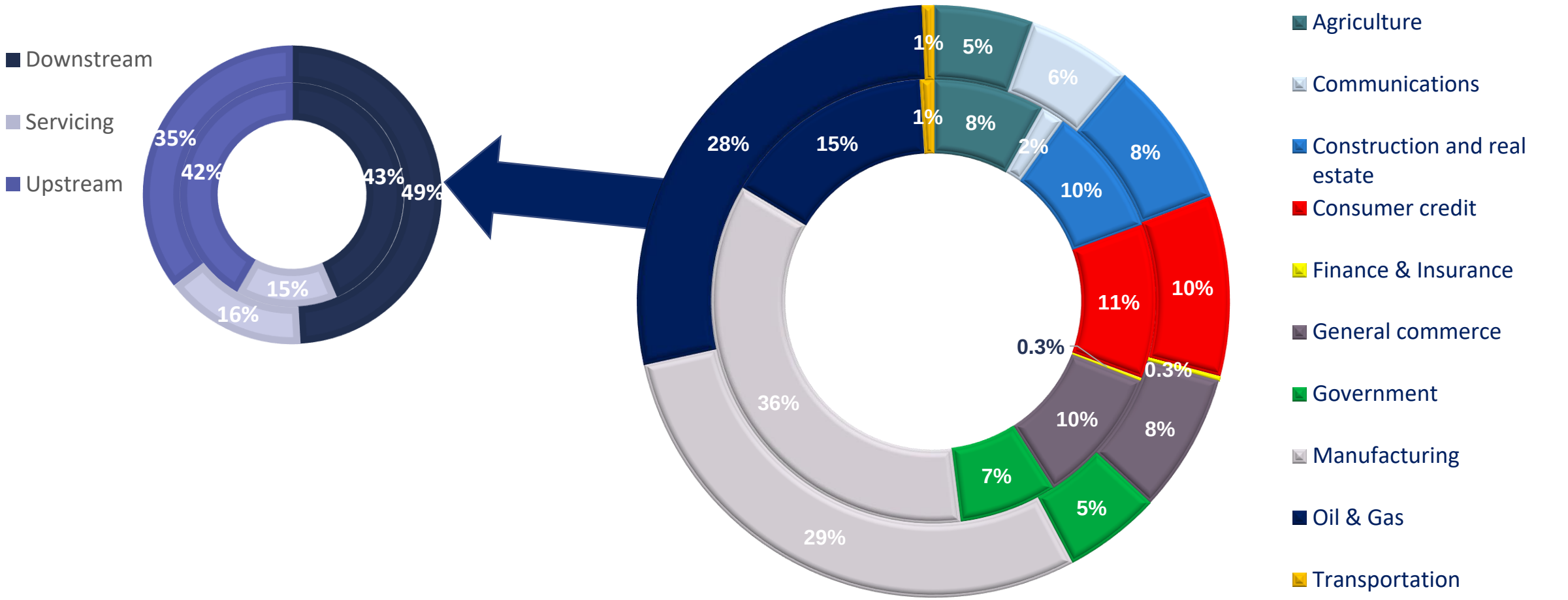
Gross loans and advances



Contribution to loans and advances by product



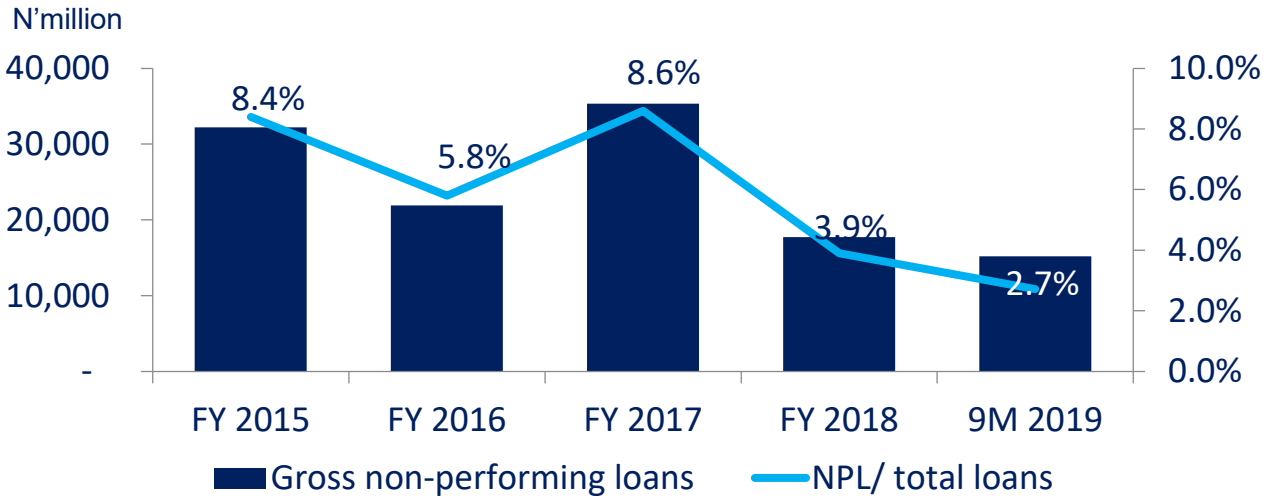
Loans and Advances by Sector



FY 2018 – Inner pie chart
9M 2019 – Outer pie chart

Loan Performance

Non-performing loans and NPL ratio (Gross)



Non-performing loans by currency (N 'million) (IFRS)

	9M 2019 N'million	% of total NPLs	FY 2018 N'million	% of total NPLs
Local currency	10,569	70%	15,037	85%
Foreign currency	4,624	30%	2,677	15%
Total NPLs	**15,193**	**100%**	**17,714**	**100%**

Non-performing loans ratio by sector (IFRS)

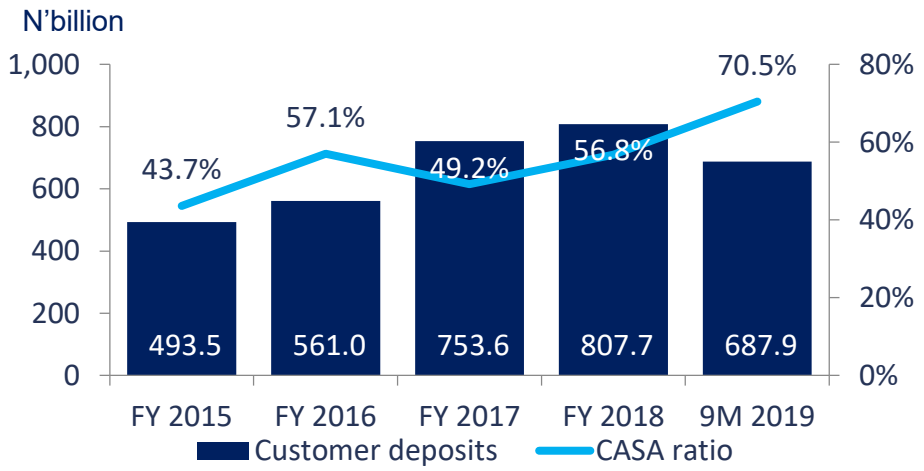
	9M 2019		FY 2018	
Sector	**% of Total NPL**	**NPL ratio (%)**	**% of Total NPL**	**NPL ratio (%)**
Agriculture	47.8%	23.9%	12.4%	5.9%
Communication	0.01%	0.003%	-	-
Construction and real estate	1.1%	0.4%	2.9%	1.2%
Consumer credit	24.9%	6.9%	44.9%	15.5%
General commerce	7.2%	2.6%	10.0%	3.8%
Government	6.0%	3.1%	9.4%	5.1%
Manufacturing	0.3%	0.03%	0.7%	0.1%
Oil & Gas Downstream	0.04%	0.01%	0.2%	0.1%
Oil & Gas Services	3.4%	2.2%	5.4%	9.1%
Transportation	9.2%	39.1%	14.1%	54.4%
Grand Total	**100.0%**	**2.7%**	**100.0%**	**3.9%**

Customer Deposits

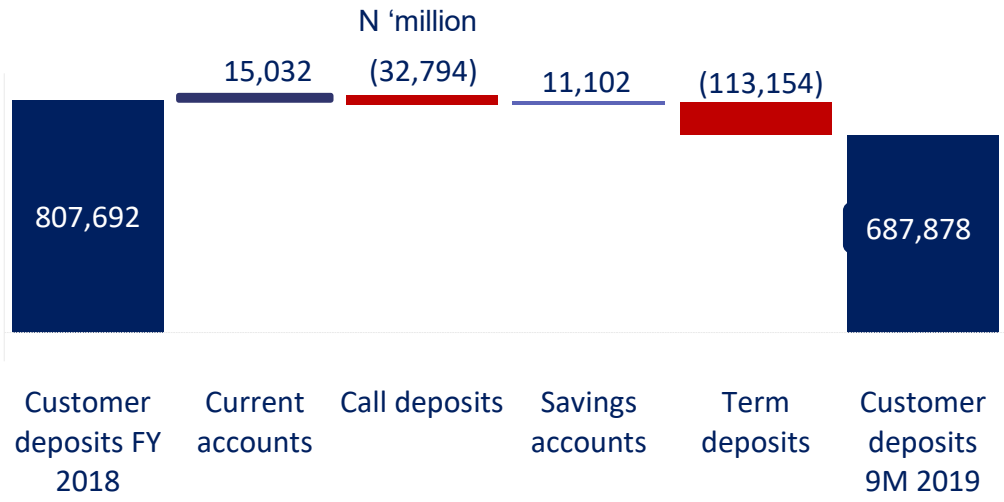
- Customer deposits declined by 15% to close at N687.9bn from N807.7bn in 2018 due to release of expensive term and call deposits.
- Term and call deposits declined by 41% and 45% respectively while current and savings account balances grew by 4% and 16% respectively.
- The deposit mix improved as CASA ratio grew to 70.5% as at 9M 2019 from 56.8% in FY 2018.

Deposit breakdown by business unit	9M 2019 LCY N'billion	9M 2019 FCY N'billion	9M 2019 Total N'billion	FY 2018 LCY N 'billion	FY 2018 FCY N 'billion	FY 2018 Total N 'billion
Personal & Business Banking	309.0	189.7	498.6	339.6	166.1	501.7
Current deposits	173.7	161.3	335.0	204.3	121.5	325.8
Savings deposits	78.4	-	78.4	67.3	-	67.3
Call deposits	6.3	4.5	10.8	5.3	0.9	6.2
Term deposits	50.5	23.9	74.4	62.7	39.7	102.4
Corporate & Investment Banking	**124.2**	**65.0**	189.2	171.0	131.0	306.0
Current deposits	42.5	28.7	71.2	38.5	26.9	65.4
Call deposits	27.7	2.4	30.1	37.0	30.5	67.5
Term deposits	54.0	33.9	88.0	95.4	77.7	173.1
Total deposits and current accounts	**433.2**	**254.7**	**687.9**	510.6	297.1	807.7
% of total deposits	63%	37%	100%	**63%**	**37%**	**100%**

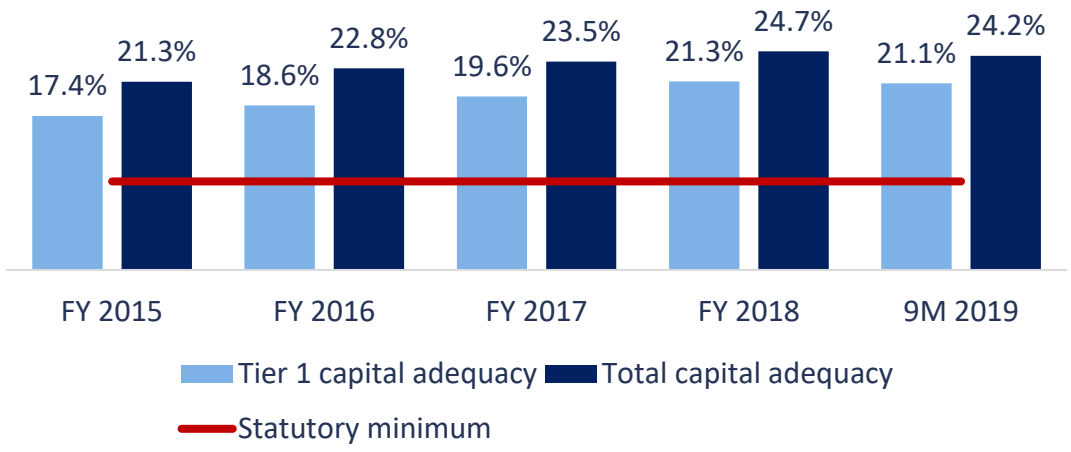
Customer deposits and CASA ratio



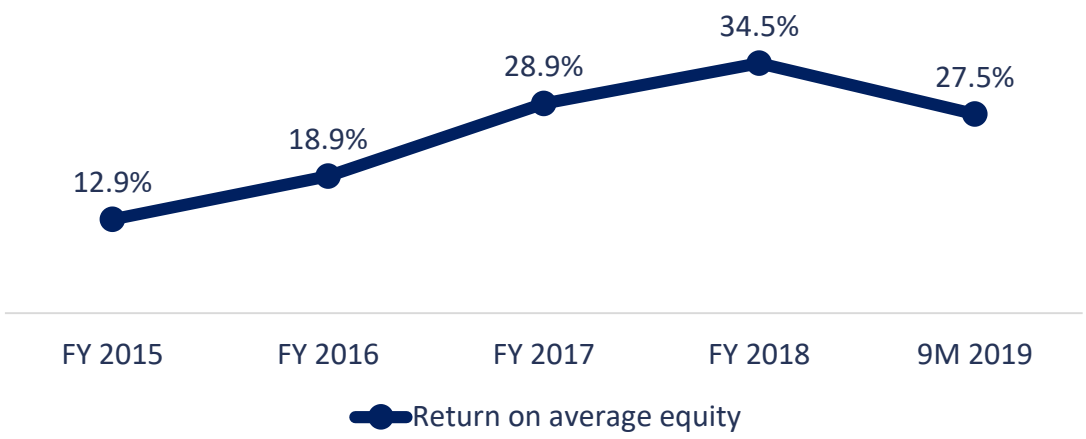
Contribution to customer deposits by product



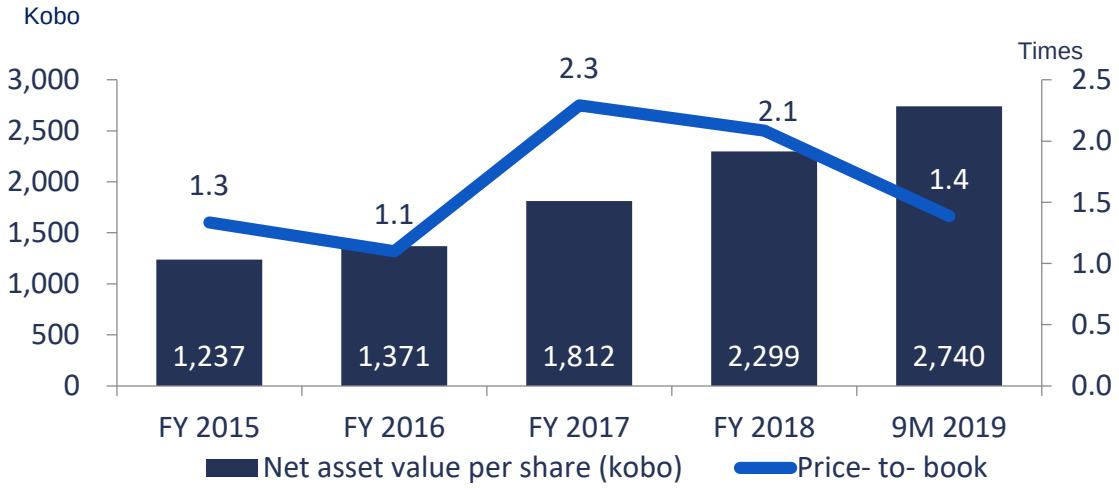
Capital and Shareholder Value



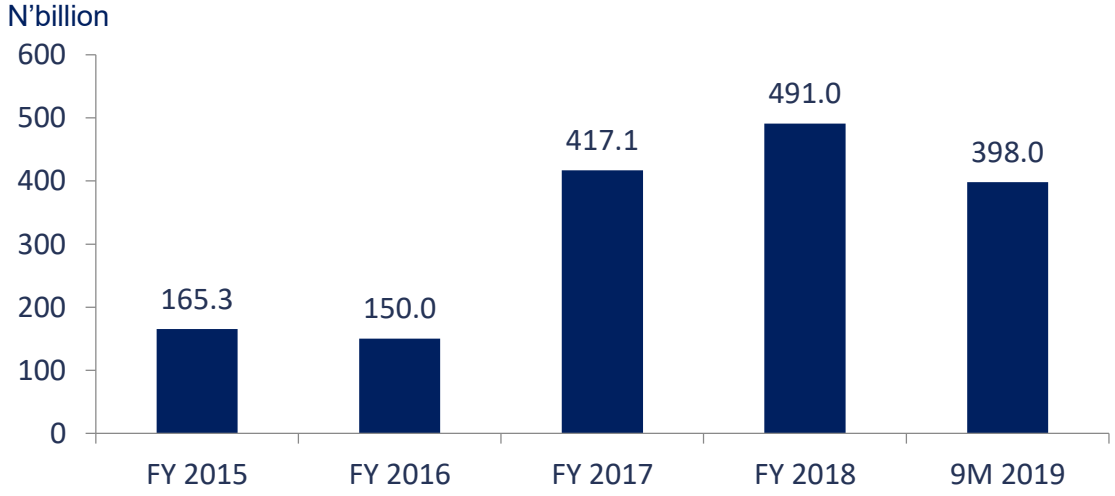
Return on average equity



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



Market capitalisation



Business units results

Personal & Business Banking (“PBB”)

PBB Performance Highlights

Total Income

9M:19: N39.8bn
9M:18: N35.8bn

+11%

Profit After Tax

9M:19: N1.44bn
9M:18: N529mn

>100%

Gross loans & Advances

9M:19: N198.7bn
FY18: N179.8bn

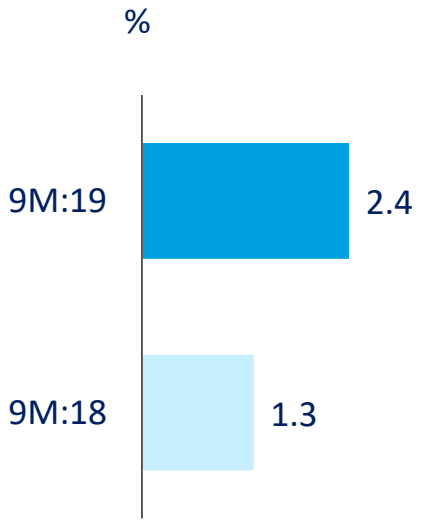
+11%

Customer Deposits

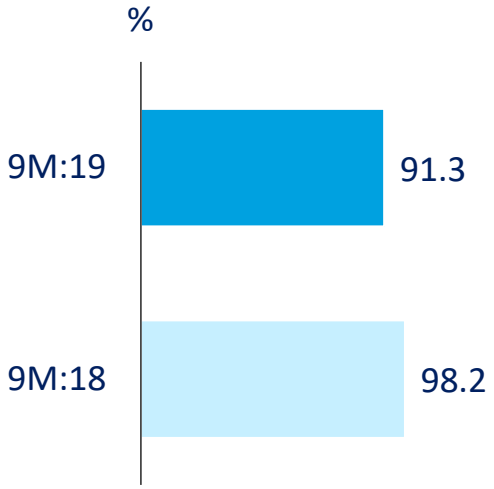
9M:19: N498.6bn
FY18: N501.7bn

-1%

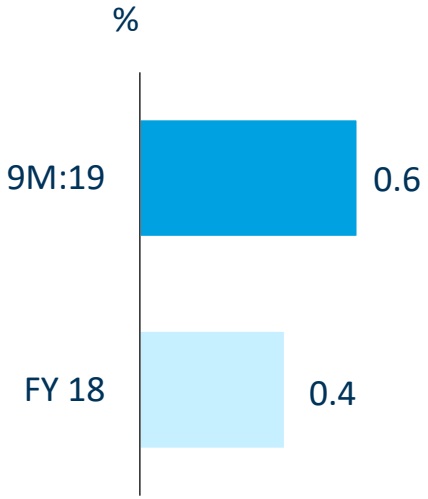
ROE



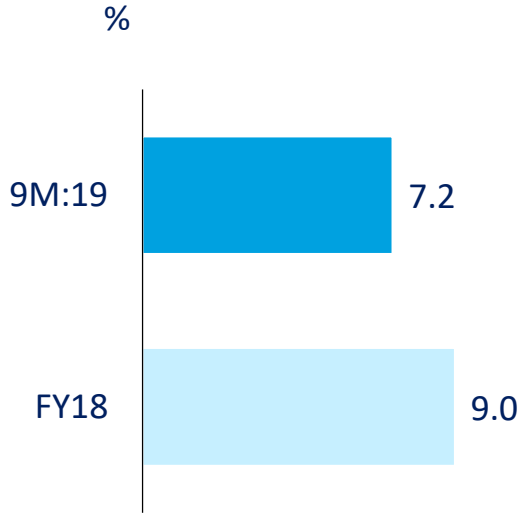
Cost to Income



Credit Loss Ratio



NPL Ratio



PBB Financial Analysis – 9M 2019

Performance highlights

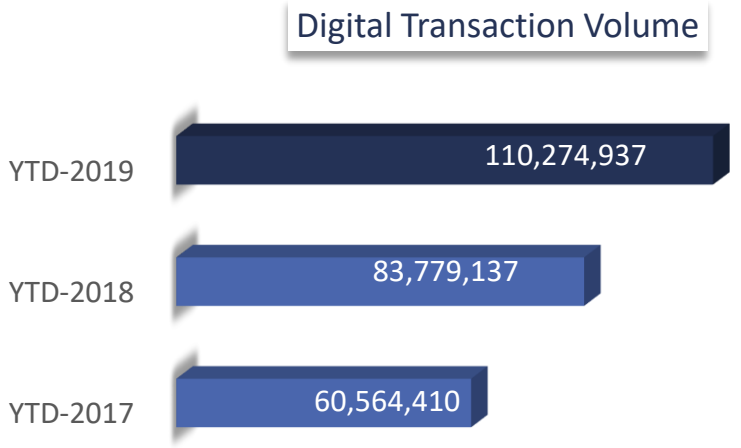
Income statement	9M 2019 N'million	Change %	9M 2018 N'million
Net interest income	26,586	12	23,715
Non-interest revenue	13,214	9	12,123
Total income	**39,800**	**11**	**35,838**
Credit impairment charges	(1,665)	>(100)	517
Operating expenses	(36,353)	3	(35,201)
Profit before tax	**1,782**	**54**	**1,154**

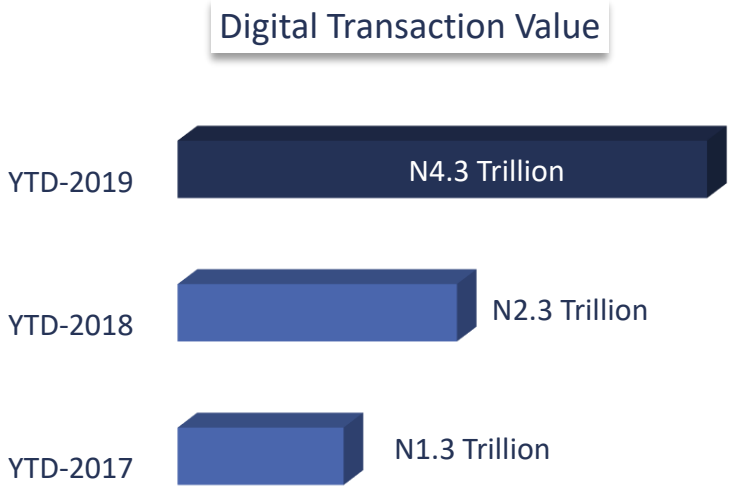
Balance sheet	9M 2019		FY 2018
Gross loans & advances	198,695	11	179,813
Deposit liabilities	498,640	(1)	501,689

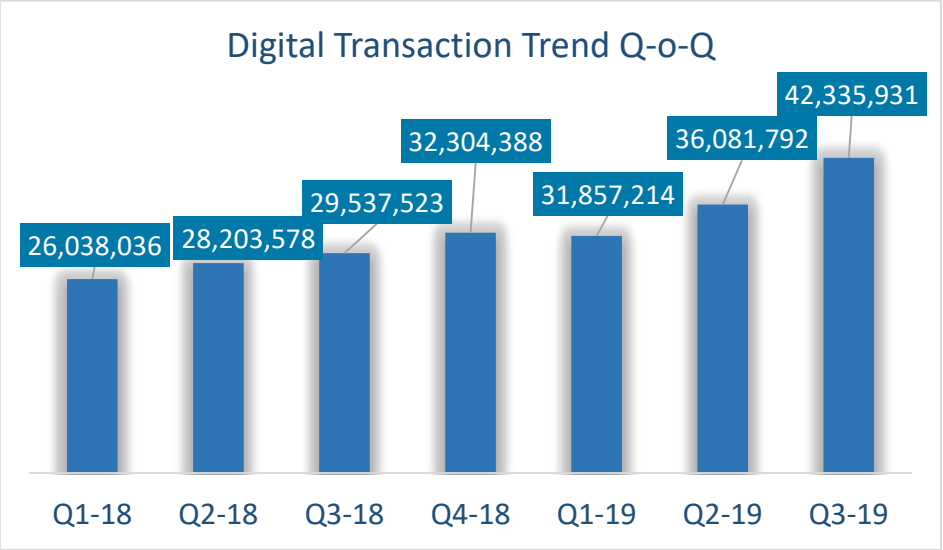
Key selected ratios	9M 2019	9M 2018
Cost to income ratio %	91.3	98.2
CASA %	82.9	78.0
Credit loss ratio %	0.6	(0.4)
NPL/total loan ratio %	7.2	8.8

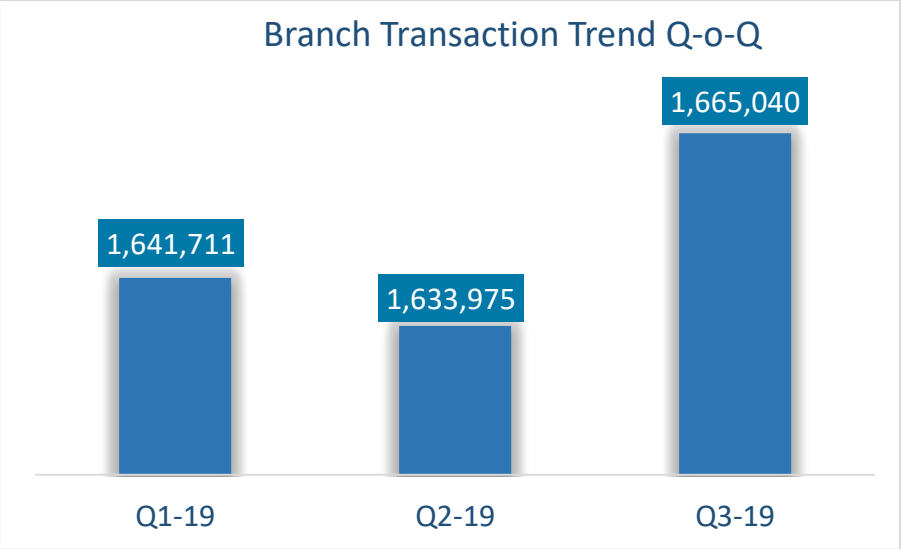
- Net interest income grew by 12% year-on-year on the back of increased asset book and lower level of expensive deposits on the liability book.
- Non-interest revenue grew as transaction turnover grew year-on-year across our banking channels. This is a reflection of success achieved from our digital strategy which has recorded improved activities on our channels.
- In line with our discipline, provisions were made on some delinquent loans which led to credit impairment charges of N1.67bn as against a write back of N517mn in the prior period.
- Staff cost was flat year-on-year while operating expenses grew by 6% YoY as a result of AMCON charges and deposit insurance premium.
- Loan book grew by 11% as we continue to support our client business while exploring opportunities to support the various sectors of the economy most especially the real and agricultural sectors.
- Deposit book inched down slightly YTD as we continue to replace expensive deposits with cheaper deposits to reduce our cost of funds.

Digital Channels









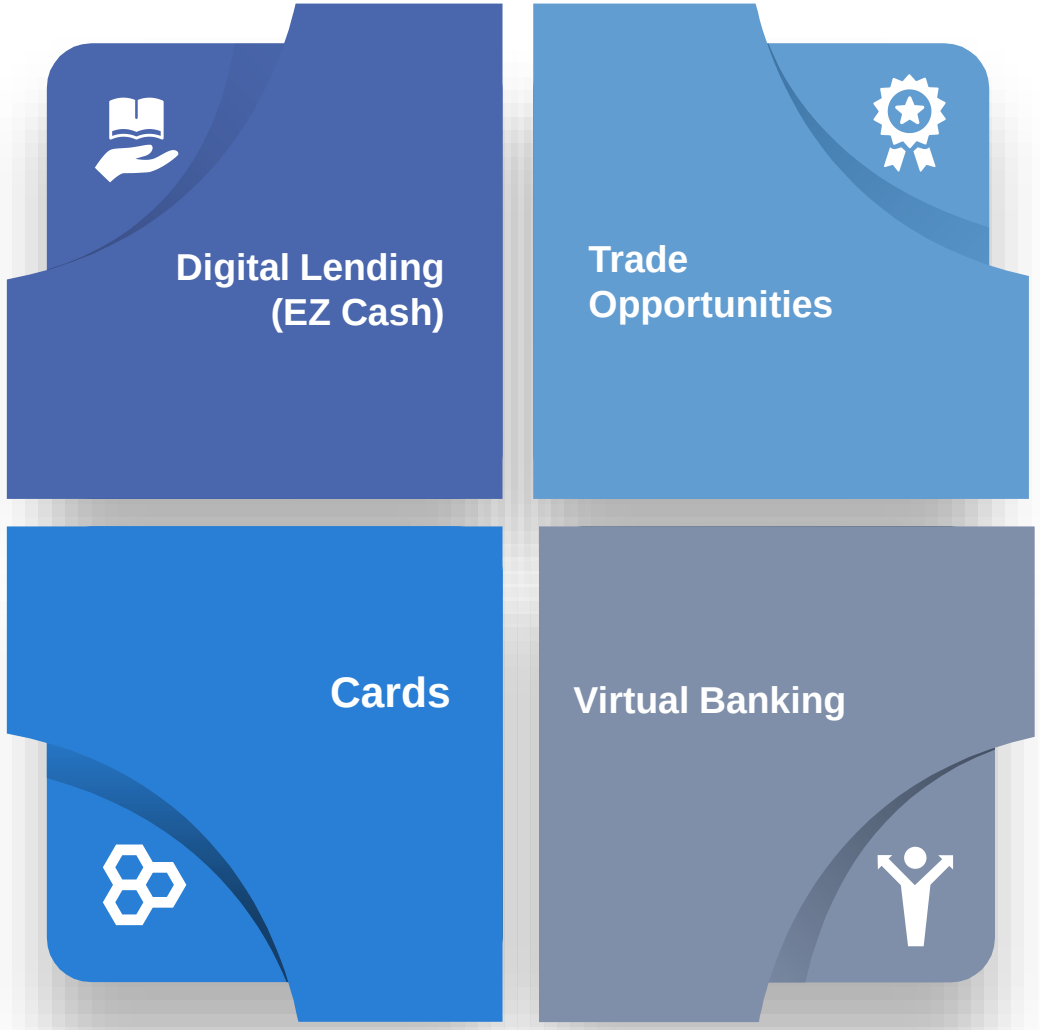
Digital banking continues to be a major focus for PBB. The digital transaction volume and value grew year-on-year by 31% and 87% respectively.

The bank continues to drive digital transactions as customers become more comfortable using our alternative channels. This is reflected in the 17.3% growth in Digital transactions between Q3 & Q2 2019.

PBB– Moving forward Q4 2019

Digital Lending (EZ Cash)
We have made progress with the Instant Cash Advance. This would continue to be a major focus for the final quarter of 2019.

Trade Opportunities
The last quarter of the year presents a lot of opportunities for Trade.



Cards
This remains a focus area in Q4 2019. The aim is to increase monthly revenue on cards.

Virtual Banking
The launch of the Virtual Banking 2.0 in Q4 2019 will enable us increase scale and ramp up customer acquisition.

Corporate & Investment Banking (CIB)

CIB Performance Highlights

Total Income

9M:19 : N64.0bn
9M:18 : N67.0bn

-5%

Profit After Tax

9M:19 : N36.6bn
9M:18 : N41.9bn

-13%

Gross loans & Advances

9M:19: N359.8bn
FY18: N279.1bn

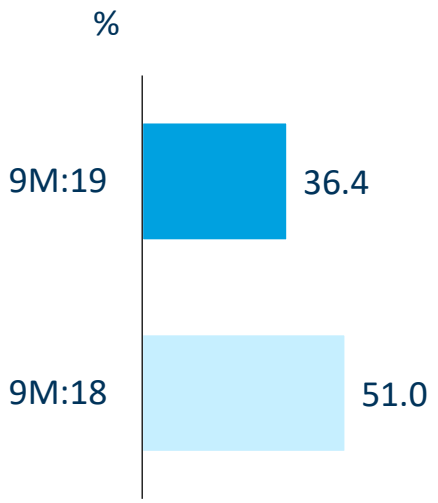
+29%

Customer Deposits

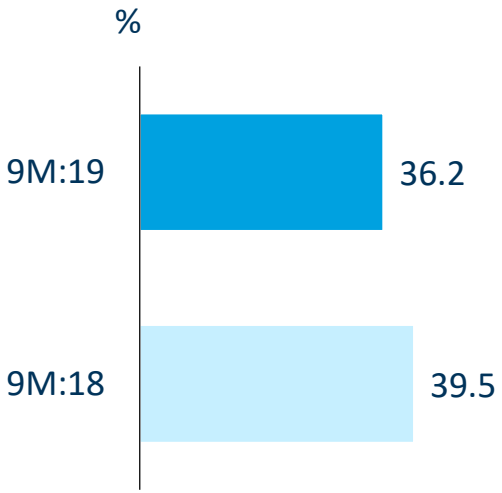
9M:19 : N189.2bn
FY18: N306.0bn

-38%

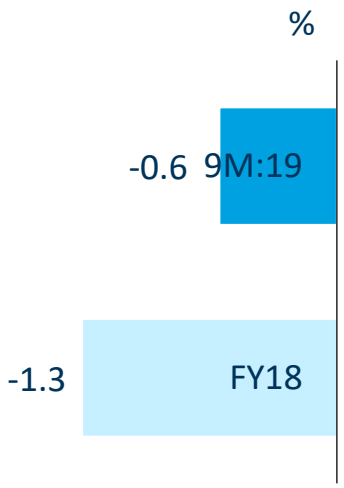
ROE



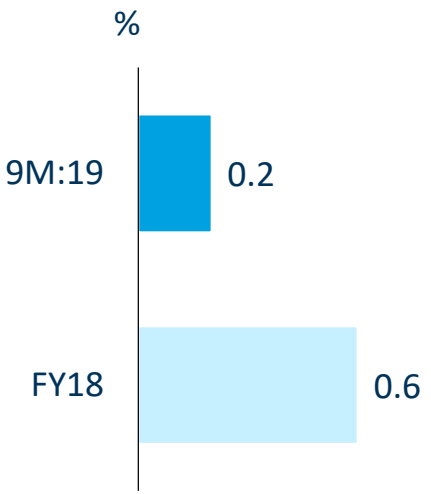
Cost to Income



Credit Loss Ratio



NPL Ratio



CIB Financial Analysis – 9M 2019

Performance highlights

Income statement	9M 2019 N'million	Change %	9M 2018 N'million
Net interest income	27,077	(12)	30,900
Non-interest revenue	36,873	2	36,137
Total income	**63,950**	**(5)**	**67,037**
Credit impairment charges	1,725	(52)	3,606
Operating expenses	(23,172)	(13)	(26,493)
Profit before tax	**42,503**	**(4)**	**44,150**

Balance sheet	9M 2019		FY 2018
Gross loans & advances	359,791	29	279,133
Deposit liabilities	189,238	(38)	306,003

Key selected ratios	9M 2019		9M 2018
Cost to income ratio %	36.2		39.5
NIR to total income %	57.7		53.9
Credit loss ratio %	(0.6)		(1.7)
NPL/total loan ratio %	0.2		2.1

- Good performance from our capital markets, advisory, custody, FX trading and trade finance businesses despite the challenging operating environment. This led to a 2% growth in NIR.
- Competitive asset pricing impacted net interest income.
- Credit impairment charges were a write back, similar to the prior period but the recovered sum was lower.
- Cost-to-income ratio improved to 36.2% from 39.5% in 9M 2018.
- Loan book growth was driven by opportunities in term loans and overdrafts. The asset book is of good quality with NPL ratio of 0.2%.
- Deposit book declined due to our drive to curtail cost of funds by releasing expensive term deposits.

CIB– Moving forward Q4 2019

1. Growing quality loans and advances with focus on the more resilient sectors of the economy.
2. Growing deposits with focus on transactional low cost deposits. Relentless focus on lowering cost of funding.
3. Growing our Trade Finance market share.
4. Focus on winning mandates in our capital markets businesses.
5. Growing market share in our foreign currency trading business.
6. Develop structured products in the Global Markets space to target foreign financial institution sector clients.

Wealth
PENSION MANAGERS
ASSET MANAGEMENT
WEALTH
TRUSTEES
INSURANCE BROKERAGE

Wealth Performance Highlights

Total Income

9M:19: N36.9bn
9M:18: N35.5bn

+4%

Profit After Tax

9M:19: N17.5bn
9M:18: N17.3bn

+1%

Assets under Management

9M:19: N3.63trn
FY18: N3.22trn

+13%

No. of RSAs

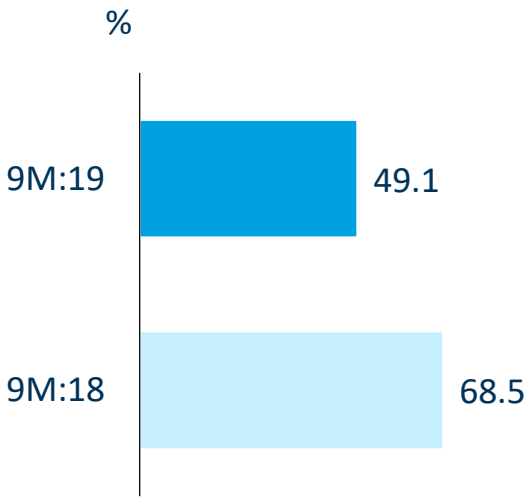
9M:19: 1.718mn
FY18: 1.695mn

+1%

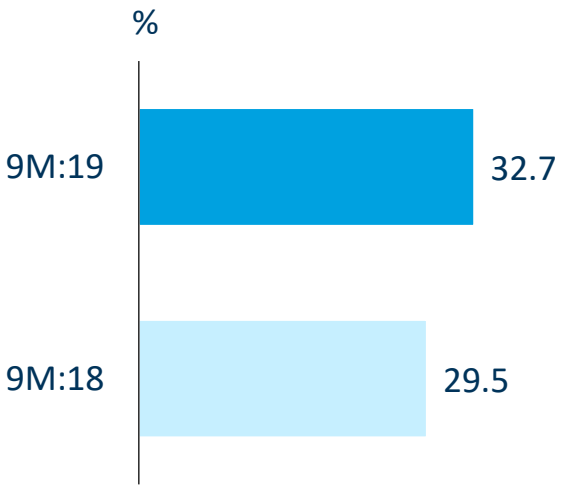
No. of Mutual Funds

9M:19: 150,000

ROE



Cost to Income



Wealth Financial Analysis – 9M 2019

Performance highlights

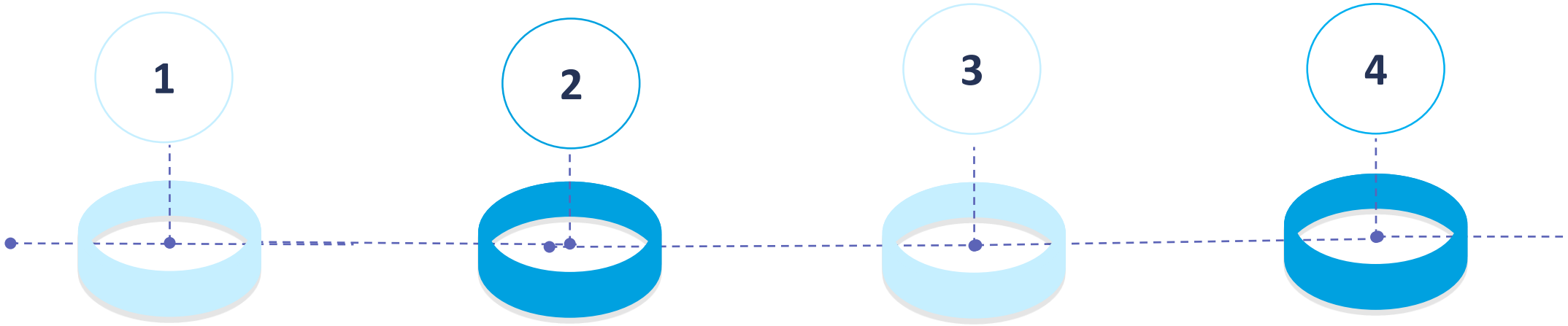
Income statement	9M 2019 N'million	Change %	9M 2018 N'million
Net interest income	5,009	31	3,828
Non-interest revenue	31,852	0.4	31,714
Total income	**36,861**	**4**	**35,542**
Credit impairment	30	>100	13
Operating expenses	(12,068)	15	(10,479)
Profit before tax	**24,823**	**(1)**	**25,076**

Balance sheet	9M 2019		FY 2018
Assets under management (N'million)	3,627,448	13	3,221,574
Retirement savings accounts (Number)	1,718,092	1	1,695,861

Key selected ratios	9M 2018	9M 2018
Cost to income ratio %	32.7	29.5

- Net interest income grew by 31% as the business continues to invest its capital in financial and investment securities.
- Non-interest revenue was flat year-on-year even with the effect of regulatory induced fee rate cut. The NIR was achieved on the back of AuM growth which neutralized the effect of the fee rate cut.
- Operating expenses grew by 15%, driven by increased pension protection levy and marketing expenses.
- Cost-to-income ratio deteriorated year-on-year but the business will continue to strive for better efficiencies.

Wealth – Moving forward Q4 2019



Digitization

We will continue refining our business model and accelerate on deploying more digital initiatives to drive operational efficiency and improved value to our clients.

Collaboration

Continue to leverage on the Stanbic IBTC ecosystem and other stakeholders to deliver optimum value proposition to our clients.

Market Share Growth

We will leverage our unique suite of products to grow market share, deploy tailored awareness campaign to appeal to all segments of the market for brand acceptance and market share preservation.

Employee Engagement

An important aspect of our strategic focus area is our people. We will ensure our workforce is sufficiently engaged to drive our digital transformation agenda as they continue to provide quality and exceptional service experience to our clients.

Outlook & Guidance for 2019

Outlook for Q4 2019

1 Nigeria's Economic & Political environment

- ✓ Moderate economic growth
- ✓ Stable oil production levels and relative peace in the Niger Delta Region
- ✓ Stable oil price around the $60/bbl levels
- ✓ Fairly contentious political environment
- ✓ Average headline inflation of c.11%
- ✓ Accretion to external reserves

2 Banking Industry

- ✓ Interest rates remain around 11% - 13%
- ✓ Stable foreign exchange rate
- ✓ Heightened regulation in a bid to drive loan growth
- ✓ Pressured NIMs
- ✓ Relatively tight liquidity regime
- ✓ Improved digital efficiency
- ✓ Improvement in asset quality but risks still lingers

3 Stanbic IBTC

Areas of focus for 2019 financial year:

- ✓ Cost efficiency
- ✓ Improving risk asset quality
- ✓ Loan growth
- ✓ Growing low-cost deposits
- ✓ Client service and improving customer experience
- ✓ Digitization

Key risks to our results are:

- ✓ Low-cost deposit growth
- ✓ Competitive asset pricing
- ✓ Regulatory interventions

2019 Guidance Vs 9M 2019 Actual

	2018 Actual	9M 2019 Actual	2019 Guidance
AuM Growth	19%	13%	15% - 20%
Return on Equity	34.5%	27.5%	25% - 30%
Cost to Income	52.9%	50.9%	50% - 55%
Net Interest Margin	5.2%	4.6%	4.0 - 5.0%
Cost of Risk	(0.7%)	(0.02%)	<3.0%
CASA Ratio	57%	70.5%	>60% *
NPL Ratio	3.9%	2.7%	<5%
Deposit Growth	7%	(15%)	(10%) – (15%)
Loan Growth	16%	24%	20% - 25%*

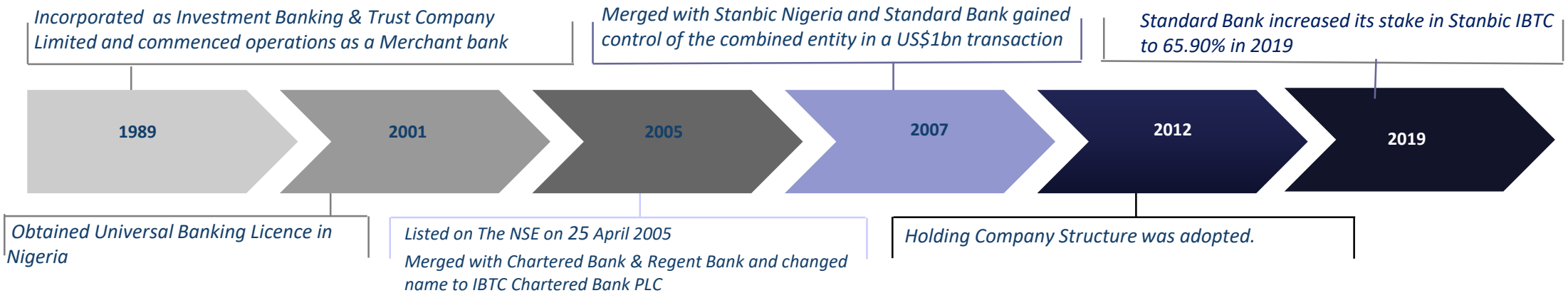
* Revised

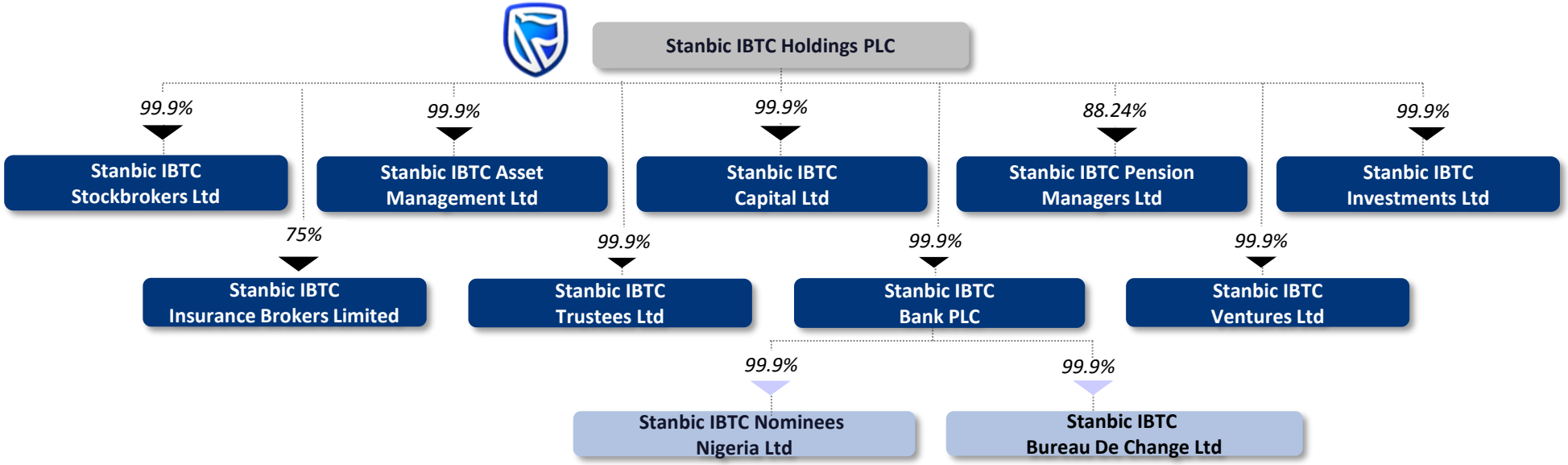
Now her dance
doesn't have
to end
Together for a Limb
Enabling them to achieve their dreams

Give them
a shot at
normal life
Together for a Limb
Enabling them to achieve their dreams

Appendix

About Stanbic IBTC Holdings PLC





Group income statement

	Change %	9M 2019 Nmillion	9M 2018 Nmillion
Gross earnings	4	176,157	168,801
Net interest income	0	58,672	58,443
Interest income	4	91,038	87,888
Interest expense	10	(32,366)	(29,445)
Non-interest revenue	2	81,939	79,974
Net fees and commission revenue	1	53,373	52,916
Fees and commission revenue	5	56,553	53,855
Fees and commission expense	>100	(3,180)	(939)
Trading revenue	6	27,188	25,720
Other revenue	3	1,378	1,338
Total income	2	140,611	138,417
Credit impairment charges	(98)	90	4,136
Income after credit impairment charges	(1)	140,701	142,553
Operating expenses	(1)	(71,593)	(72,173)
Staff costs	(2)	(30,573)	(31,337)
Other operating expenses	0	(41,020)	(40,836)
Profit before taxation	(2)	69,108	70,380
Direct taxation	28	(13,556)	(10,623)
Profit for the period	(7)	55,552	59,757

Group quarterly income statement

	Q1 2019 N'million	Q2 2019 N'million	Q3 2019 N'million	9M 2019 N'million
Gross income	58,693	58,681	58,783	176,157
Net interest income	20,185	19,125	19,362	58,672
Interest income	31,142	29,642	30,254	91,038
Interest expense	(10,957)	(10,517)	(10,892)	(32,366)
Non-interest revenue	27,004	27,848	27,087	81,939
Net fee and commission revenue	16,791	19,178	17,404	53,373
Fee and commission revenue	17,338	20,369	18,846	56,553
Fee and commission expense	(547)	(1,191)	(1,442)	(3,180)
Trading revenue	9,798	7,805	9,585	27,188
Other revenue	415	865	98	1,378
Total income	47,189	46,973	46,449	140,611
Credit impairment charges	1,391	(834)	(467)	90
Income after credit impairment charges	48,580	46,139	45,982	140,701
Operating expenses	(25,071)	(24,998)	(21,524)	(71,593)
Staff costs	(9,170)	(10,715)	(10,688)	(30,573)
Other operating expenses	(15,901)	(14,283)	(10,836)	(41,020)
Profit before taxation	23,509	21,141	24,458	69,108
Taxation	(4,359)	(4,046)	(5,151)	(13,556)
Profit for the period	19,150	17,095	19,307	55,552

Group statement of financial position

	YTD Change %	9M 2019 Nmillion	FY 2018 Nmillion
Assets			
Cash and cash equivalents	(1)	453,358	455,773
Trading assets	>100	282,800	84,351
Pledged assets	49	212,424	142,543
Derivative assets	3	31,134	30,286
Financial investments	(61)	154,359	400,000
Asset held for sale		-	-
Loans and advances	23	542,453	441,261
Loans and advances to banks	(42)	4,971	8,548
Loans and advances to customers	24	537,482	432,713
Other assets	44	111,838	77,787
Deferred tax assets	(3)	8,870	9,181
Right of Use assets		3,379	-
Property and equipment	25	27,055	21,652
Intangible assets	>100	5,272	827
Total assets	10	1,832,942	1,663,661

	YTD Change %	9M 2019 N 'million	FY 2018 N 'million
Equity and liabilities			
Equity	22	292,210	239,667
Equity attributable to ordinary shareholders	22	286,949	235,406
Ordinary share capital	2	5,237	5,120
Ordinary share premium	15	87,067	76,030
Reserves	26	194,645	154,256
Non-controlling interest	23	5,261	4,261
Liabilities	8	1,540,732	1,423,994
Trading liabilities	(31)	86,610	125,684
Derivative liabilities	(17)	3,464	4,152
Deposit and current accounts	4	1,002,492	967,964
Deposits from banks	96	314,614	160,272
Deposits from customers	(15)	687,878	807,692
Other borrowings	34	93,709	69,918
Current and deferred tax liabilities	5	15,789	15,036
Provisions		10,581	13,452
Debt securities issued	>100	124,130	60,595
Other liabilities	22	203,957	167,193
Total equity and liabilities	10	1,832,942	1,663,661

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