

Stanbic IBTC Group (SIBTC)
Financial results presentation
For the nine months ended 30 September 2010



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This presentation is based on the consolidated financial statements of Stanbic IBTC Bank Plc and its subsidiaries (herein referred to as “Group”). All financial results in this presentation are presented using Nigerian GAAP (Generally Accepted Accounting Principles), unless otherwise indicated as being on an IFRS (International Financial Reporting Standards) basis.



Operating environment

Chris Newson
CEO



Operating environment

Market was impacted by:

- The significant market liquidity with the resultant decline in interest rates continued in Q3 2010;
- The shortage of profitable investment outlets / securities to channel excess liquidity persisted in Q3 2010;
- Relative stability in international crude oil price and exchange rate;
- Slow down in capital market recovery especially in Q3 2010
- Improved confidence in the money market as a result of the extension of the Central Bank of Nigeria interbank guarantee; and
- Rapidly changing regulatory environment

Results were impacted by:

- Diversified business, strong capital and liquidity positions;
- Slow down in capital market recovery in Q3 adversely affected the revenues of the capital markets related businesses;
- Improvement in deposit mix ;
- Continued investment in our branch infrastructure and people;
- Lower cost of funding as a result of declining interest rates; and
- Continued growth in loan book despite the challenging operating environment.



Financial analysis

Ronald Pfende
CFO



Performance highlights

Profit & loss:

- Gross earnings; down by 4% to N41.1 billion (Sept. 2009: N42.8 billion)
- Net interest income; up by 7% to N20.4 billion (Sept. 2009 : N19.0 billion)
- Operating income; up by 8% to N35.2 billion (Sept. 2009: N32.6 billion)
- Operating expenses; up by 17% to N25.2 billion (Sept. 2009: N21.5 billion)
- Profit before tax; up by 89% to N9.7 billion (Sept .2009 : N7.4 billion)

Balance sheet:

- Gross loans & advances of N172.0 billion (Dec.09: N133.1 billion)
- Total assets of N394.4 billion (Dec. 09: N341.3 billion)
- Deposit liabilities of N156.4 billion (Dec 09: N169.2 billion)
- Net assets of N83.0 billion (Dec. 09: N81.5 billion)

Key ratios:

- Net interest margin 6.5% (Sept. 2009: 7.3%)
- Cost-to-income ratio 72% (Sept. 2009: 66%)
- Pre tax return on average equity 11.9% (Sept. 2009: 6.5%)
- Pre-tax return on average assets 2.6% (Sept. 2009: 1.5%)
- Earnings per share 38k (Sept. 2009: 20k)

Key ratios:

- NPL/total loans 9.7% (December 2009:14.1%)
- Provision adequacy 65.9% (December 2009: 70%)
- Net asset per share of 443 kobo (Dec. 09: 435 kobo)
- Price to book 1.7x (December 09: 1.7x)
- Liquidity ratio 51.1% (regulatory minimum : 25%)
- Capital adequacy 27.8% (statutory minimum: 10%)



Summarised income statement

N'million	Group			Bank		
	September 2010	September 2009	Change	September 2010	September 2009	Change
Gross Earnings	41,114	42,815	-4%	35,669	38,009	-6%
Interest and similar income	26,011	29,103	-11%	25,566	28,390	-10%
Interest and similar expense	(5,652)	(10,085)	-44%	(5,674)	(10,139)	-44%
Net interest income	20,359	19,018	7%	19,892	18,251	9%
Fee and commission income	13,121	9,508	38%	7,039	5,148	37%
Fee and commission expense	(264)	(162)	63%	(221)	(118)	87%
Net fee and commission income	12,857	9,346	38%	6,818	5,030	36%
Foreign exchange income	1,838	3,541	-48%	1,838	3,541	-48%
Income from investments	84	279	-70%	1,221	669	82%
Other income	60	384	-84%	5	260	-98%
Operating income	35,198	32,568	8%	29,774	27,752	7%
Operating expenses	(25,175)	(21,452)	17%	(21,938)	(18,780)	17%
Provision for losses	(370)	(6,012)	-94%	(370)	(6,012)	-94%
Profit/(Loss) before tax	9,653	5,104	89%	7,466	2,960	152%
Taxation	(2,472)	(1,387)	78%	(1,707)	(617)	177%
Profit after tax	7,181	3,717	93%	5,759	2,343	146%
Non- controlling interest	(442)	(319)	39%	-	-	
Profit after tax and minority interest	6,739	3,398	98%	5,759	2,343	146%



Income statement quarterly analysis

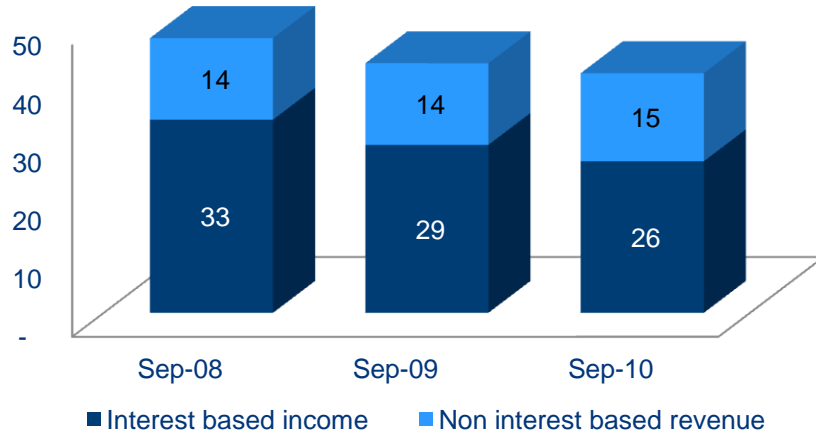
Nmillion	Group			Bank		
	Q3 2010	Q2 2010	Q1 2010	Q3 2010	Q2 2010	Q1 2010
Gross earnings	12,738	13,893	14,483	10,615	12,585	12,469
Interest and similar income	7,811	8,209	9,991	7,721	8,117	9,728
Interest and similar expense	(1,447)	(1,327)	(2,878)	(1,445)	(1,327)	(2,902)
Net interest income	6,364	6,882	7,113	6,276	6,790	6,826
Fee and commission income	4,218	5,213	3,690	2,232	3,177	1,630
Fee and commission expense	(189)	(48)	(27)	(176)	(32)	(13)
Net fee and commission income	4,029	5,165	3,663	2,056	3,145	1,617
Foreign exchange income	635	525	678	635	525	678
Income from investments	54	8	22	28	853	340
Other income	20	(62)	102	(1)	(87)	93
Operating income	11,102	12,518	11,578	8,994	11,226	9,554
Operating expenses	(8,576)	(8,748)	(7,851)	(7,511)	(7,630)	(6,797)
Provision for losses	(184)	95	(281)	(184)	95	(281)
Profit/(Loss) before tax	2,342	3,865	3,446	1,299	3,691	2,476
Taxation	(455)	(1,159)	(858)	(114)	(1,066)	(527)
Profit after tax	1,887	2,706	2,588	1,185	2,625	1,949
Non-controlling interest	(151)	(159)	(132)	-	-	-
Profit after tax and minority interest	1,736	2,547	2,456	1,185	2,625	1,949



Drivers of group profitability

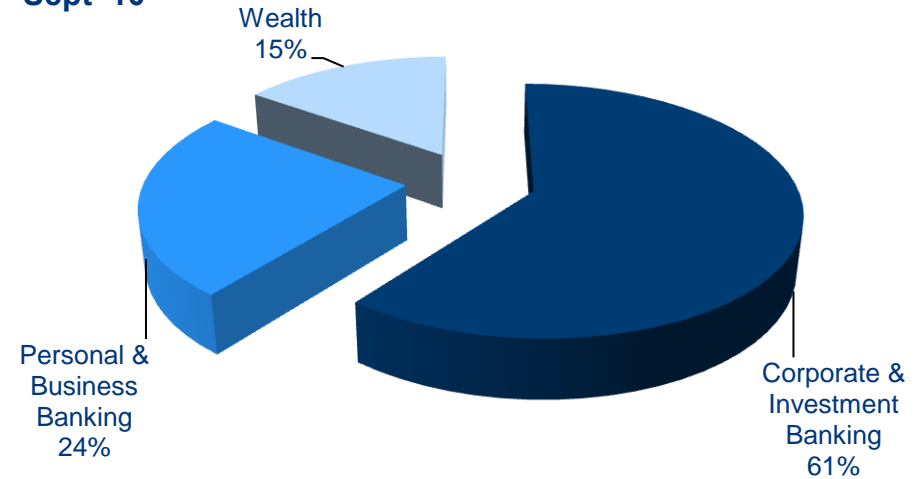
Gross income

N'-billion



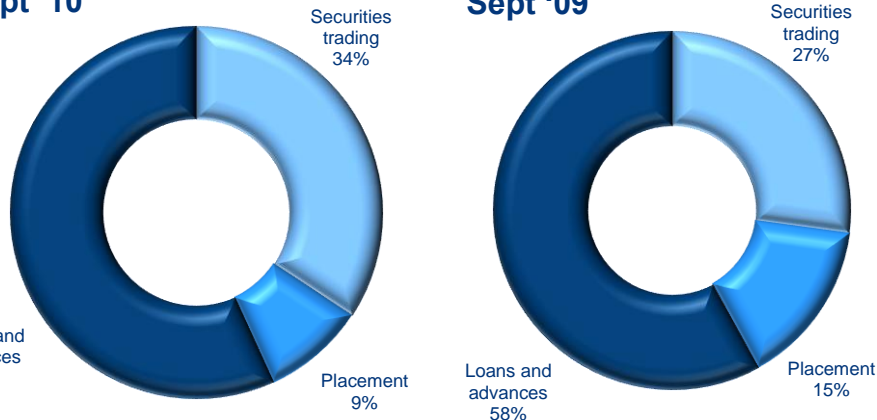
Gross income by business unit

Sept '10



Breakdown of interest income

Sept '10



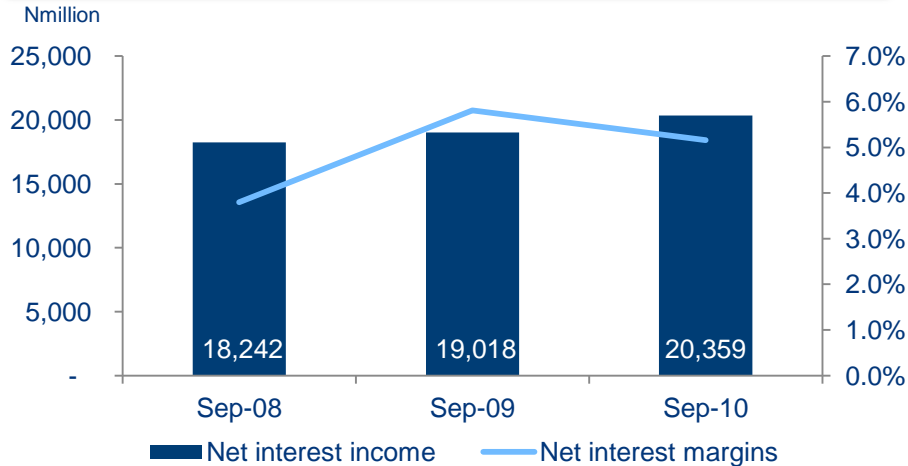
Comments

- Gross income declined by 4% chiefly on the back of 10% decrease in interest income. The reduction in interest income was occasioned by the declining lending rates.
- Lower yields in interbank and fixed income investments as a result of the significant market liquidity and dearth of profitable investment outlets also affected revenue adversely.

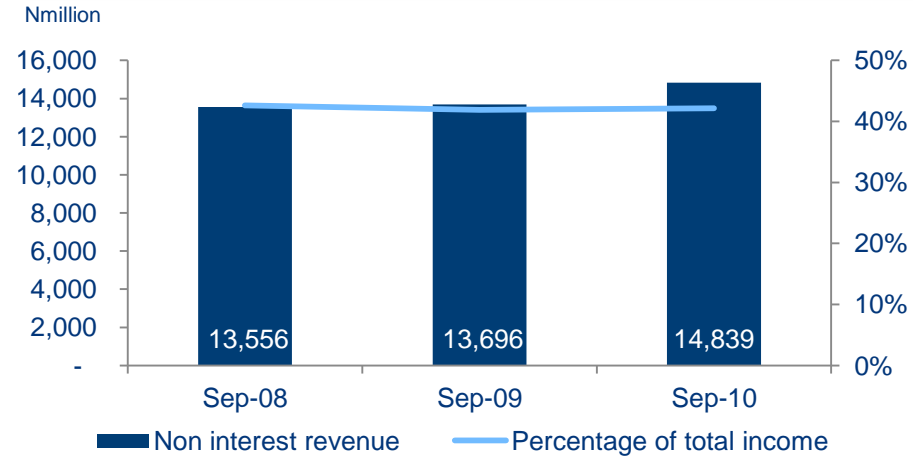


Drivers of group profitability

Net interest income and net interest margin



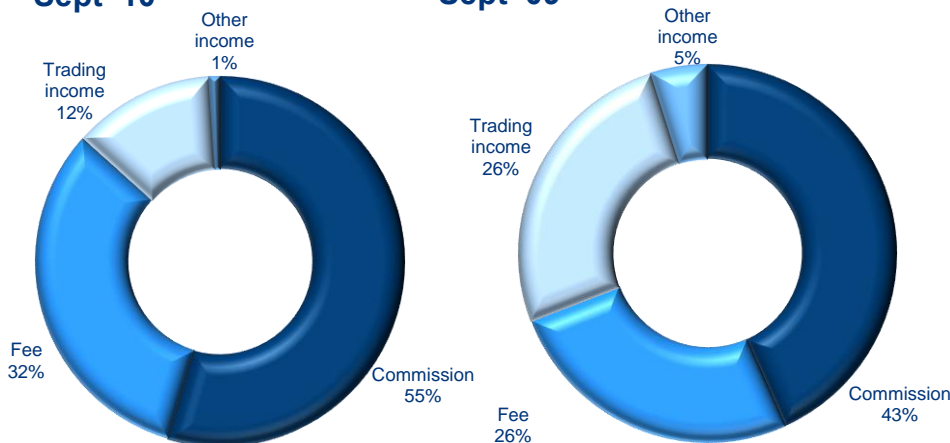
Non interest revenue



Component of non interest revenue

Sept '10

Sept '09



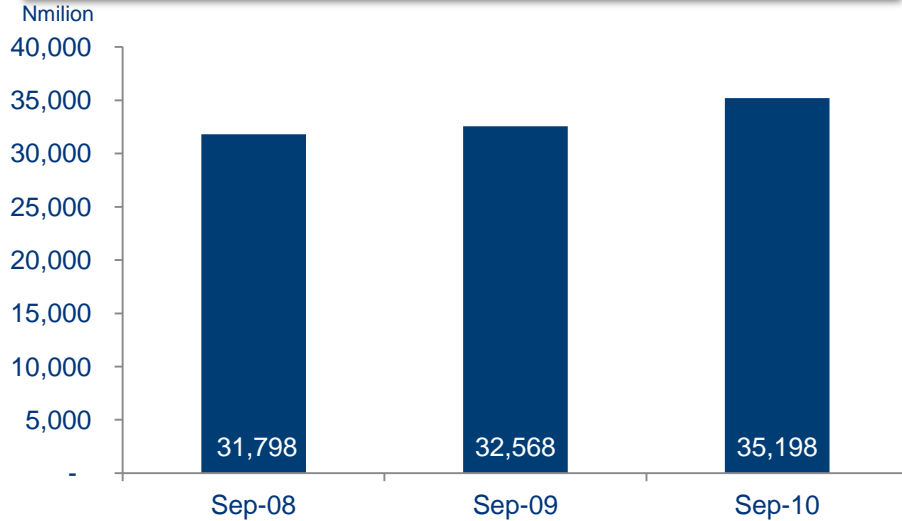
Comments

- Net interest income benefited from lower cost of funding as a result of the conscious decision to change deposit mix in favour of low and stable deposits and declining interest rates
- Non interest revenue grew by 8% as a result of the significant growth in net commissions and fees, resulting from of closure of new advisory mandates, increased transactional banking volumes and a gradual upward trend in capital market activities in the first half of the year.

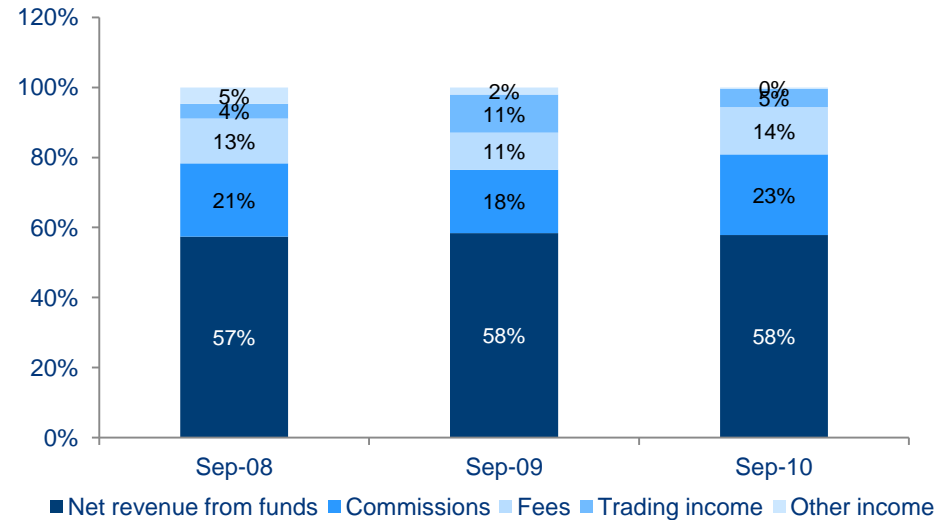


Drivers of group profitability

Operating profit



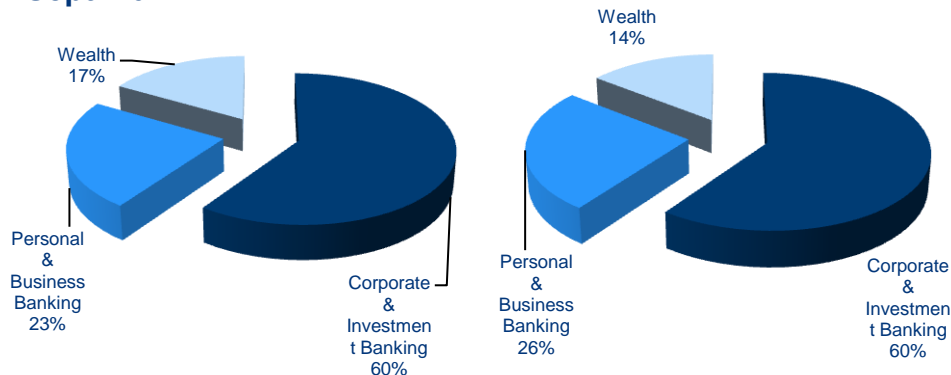
Breakdown of operating profit



Operating profit by business segment

Sept '10

Sept '09



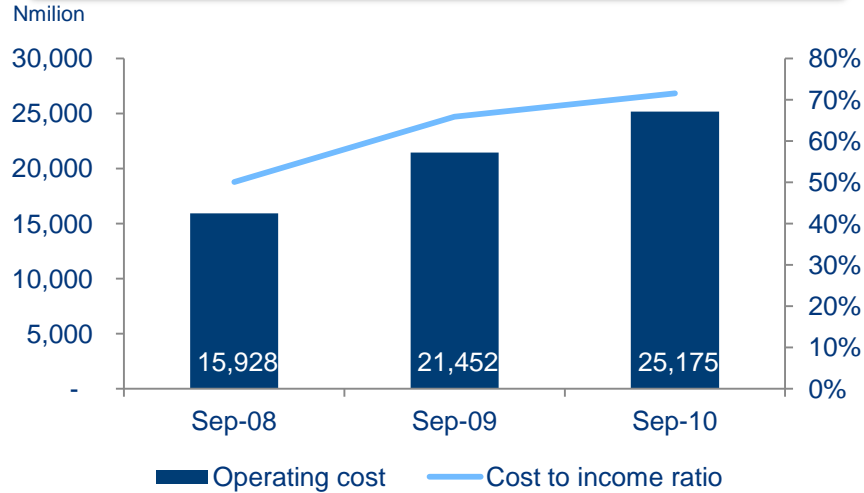
Comments

- Operating profit grew by 8% despite the difficult operating environment.
- Operating profit was derived mainly from the core business of lending. Increased contribution from commission and fee income positively affected operating profit
- Steady growth within our wealth business contributed considerably to operating profit, as wealth contribution to operating profit increased from 14% in 2009 to 17% in 2010

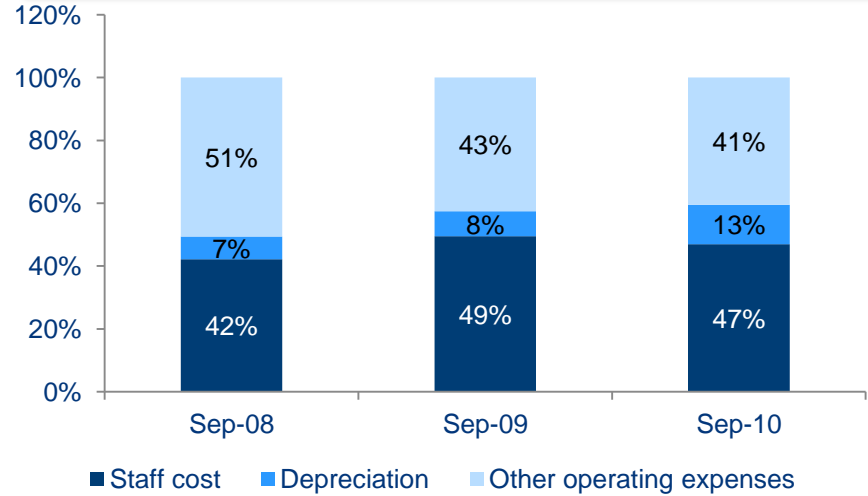


Expenses evolution

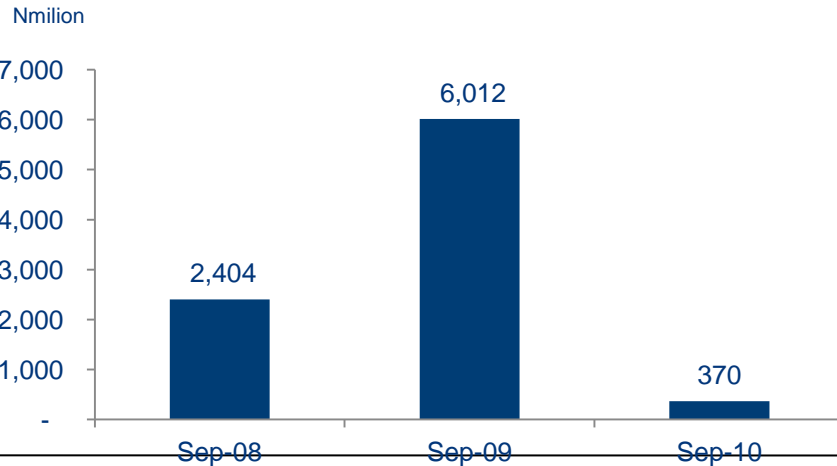
Operating expenses



Breakdown of operating expenses



Credit impairment charges



Comments

- Continued focus on cost and operational efficiency, resulting in 2% decrease in operating expenses quarter on quarter .
- Continued investment in infrastructure, people and skills for future growth. More than 50 branches have been opened since the beginning of the year, bringing our branch network to 123.
- Substantial growth in depreciation cost as a result of investment in infrastructure
- Lower credit impairment charges contributed positively to profitability



Summarised balance sheet

	30 September 2010		31 December 2009		30 September 2009	
	Group N'million	Bank N'million	Group N'million	Bank N'million	Group N'million	Bank N'million
ASSETS						
Cash and balances with central banks	9,846	9,846	7,772	7,768	5,725	5,725
Treasury bills	23,942	23,942	11,378	11,378	3,598	3,598
Due from other banks	77,829	76,606	76,954	75,913	95,853	90,777
Loans and advances to customers	147,832	148,083	110,508	110,967	97,920	98,443
Advances under finance lease	13,127	13,127	9,377	9,377	7,397	7,397
Investment securities	60,775	50,444	70,880	61,776	58,371	53,747
Investment in subsidiaries	-	1,924	1	1,925	1	1,885
Deferred tax assets	-	-	594	594	-	-
Other assets	31,991	30,113	26,944	25,831	35,609	34,394
Property and equipment	29,024	28,484	26,878	26,267	22,908	22,261
	394,366	382,569	341,286	331,796	327,382	318,227
LIABILITIES						
Customer deposits	156,357	157,390	169,200	170,411	141,166	142,555
Due to other banks	90,356	90,356	38,334	38,334	63,138	63,138
Other borrowings	14,261	14,261	12,647	12,647	12,944	12,944
Other liabilities	46,658	43,226	34,848	32,115	28,551	25,428
Current income tax	3,730	1,829	4,660	2,916	4,018	2,371
Deferred tax liabilities	20	-	100	-	469	330
	311,382	307,062	259,789	256,423	250,287	246,767
EQUITY						
Share capital	9,375	9,375	9,375	9,375	9,375	9,375
Reserves	72,445	66,132	71,105	65,998	66,875	62,085
SHAREHOLDERS' FUNDS	81,820	75,507	80,480	75,373	76,250	71,460
Minority interest	1,164	-	1,017	-	846	-
LIABILITIES AND EQUITY	394,366	382,569	341,286	331,796	327,382	318,227
ACCEPTANCES AND GUARANTEES	27,975	27,975	27,834	27,834	52,356	52,356



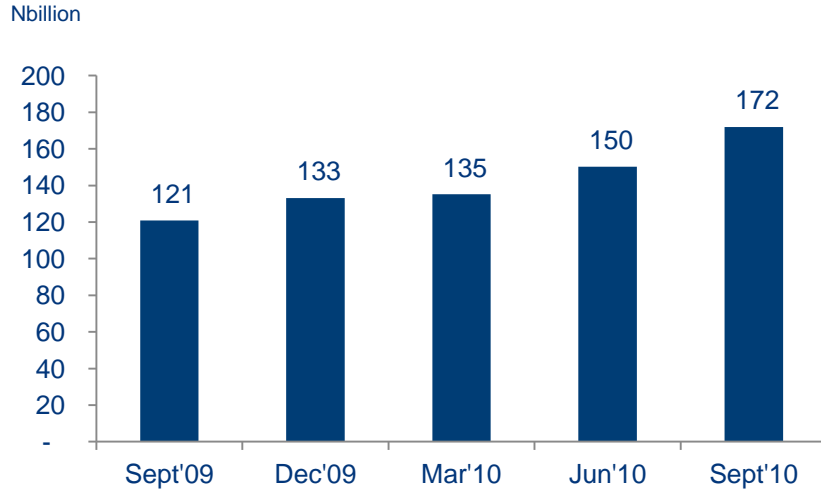
Balance sheet quarterly analysis

	30 September 2010		31 June 2009		30 March 2010	
	Group N'million	Bank N'million	Group N'million	Bank N'million	Group N'million	Bank N'million
ASSETS						
Cash and balances with central banks	9,846	9,846	8,295	8,295	6,519	6,519
Treasury bills	23,942	23,942	5,849	5,849	7,221	7,221
Due from other banks	77,829	76,606	70,724	69,451	74,094	73,306
Loans and advances to customers	147,832	148,083	127,824	128,074	110,894	111,147
Advances under finance lease	13,127	13,127	11,584	11,584	10,217	10,217
Investment securities	60,775	50,444	48,559	38,586	52,359	43,429
Investment in subsidiaries	-	1,924	-	1,924	-	1,924
Deferred tax assets	-	-	-	-	205	205
Other assets	31,991	30,113	37,161	35,611	36,323	34,276
Property and equipment	29,024	28,484	28,717	28,112	25,061	24,437
	394,366	382,569	338,713	327,486	322,893	312,681
LIABILITIES						
Customer deposits	156,357	157,390	151,239	152,225	160,189	163,331
Due to other banks	90,356	90,356	46,845	46,845	16,043	16,043
Other borrowings	14,261	14,261	12,390	12,390	12,640	12,640
Other liabilities	46,658	43,226	42,289	38,816	44,966	40,569
Current income tax	3,730	1,829	4,741	2,888	4,924	2,776
Deferred tax liabilities	20	-	47	-	61	-
	311,382	307,062	257,551	253,164	238,823	235,359
EQUITY						
Share Capital	9,375	9,375	9,375	9,375	9,375	9,375
Reserves	72,445	66,132	70,774	64,947	73,693	67,947
SHAREHOLDERS' FUNDS	81,820	75,507	80,149	74,322	83,068	77,322
Minority interest	1,164	-	1,013	-	1,002	-
	394,366	382,569	338,713	327,486	322,893	312,681
LIABILITIES AND EQUITY						
	394,366	382,569	338,713	327,486	322,893	312,681

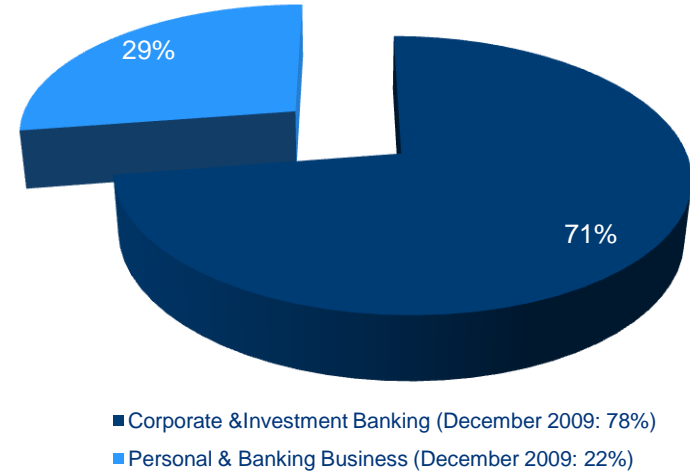


Balance sheet analysis: loans & advances

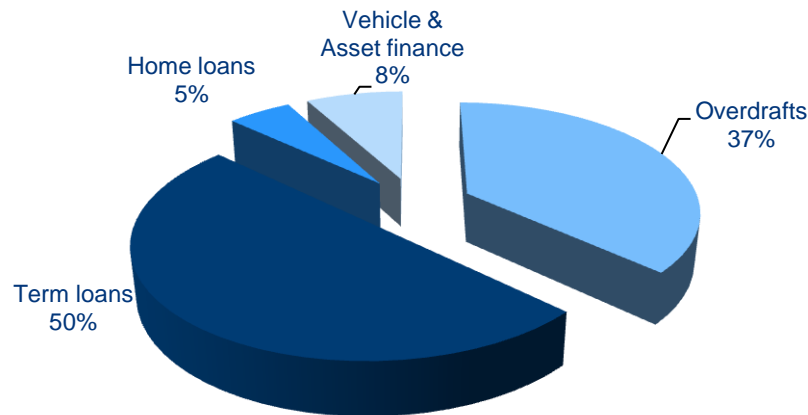
Gross loans and advances



By business segment



By type



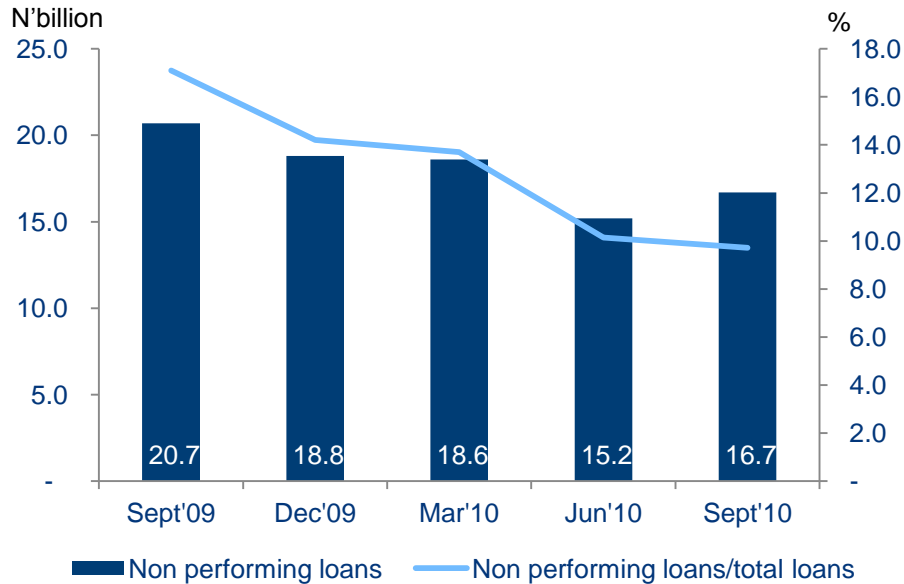
Comments

- The group continued to grow its loan book prudently and conservatively quarter on quarter despite the challenging operating environment.
- The gross loan book grew by 29% in the first nine months of the year.

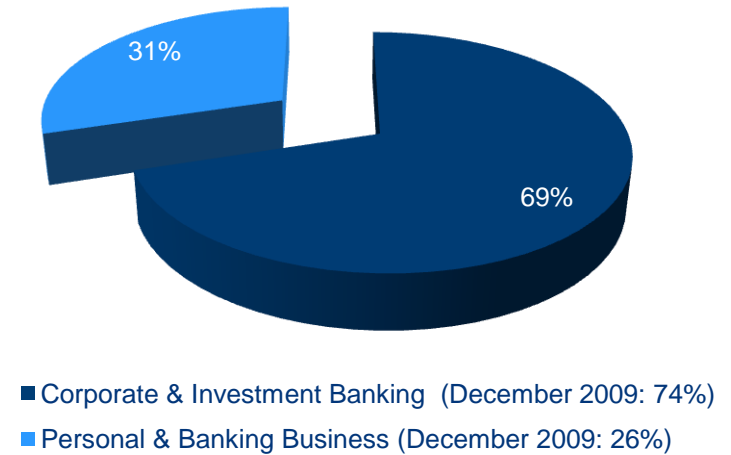


Balance sheet analysis: loans & advances performance

Non performing loans and NPL ratio



Non performing loans by business segment

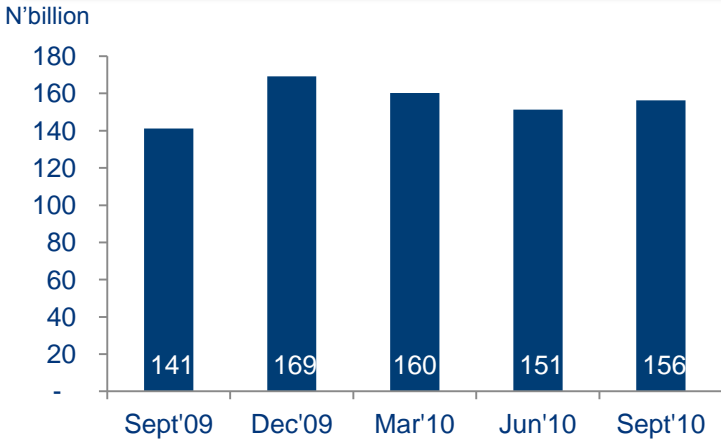


- Considerable improvement in asset quality as Non performing loan was down by 1% to N16.7 billion from N18.8 billion in December 2009.
- Continued improvement in the ratio of non performing loans to total loan book. The ratio was 9.7% as at Q3 2010 (FY 2009: 14.1)

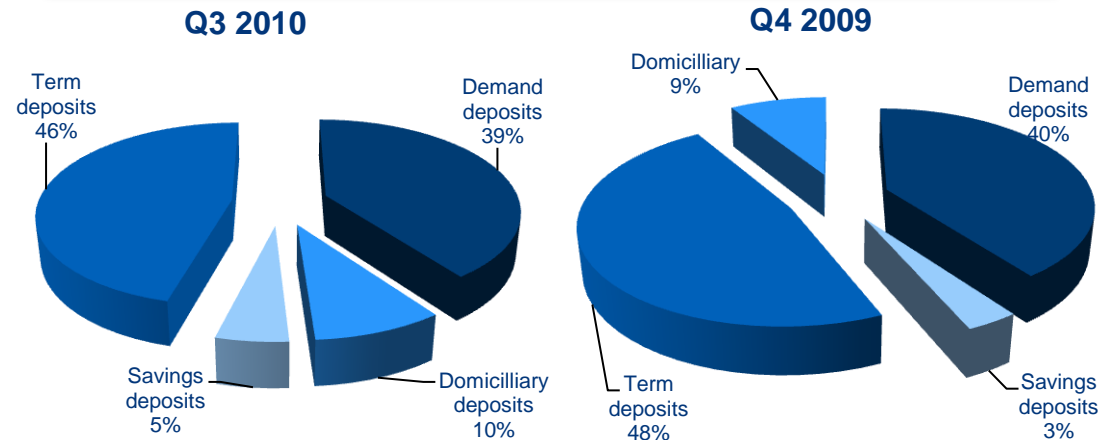


Balance sheet analysis: deposits

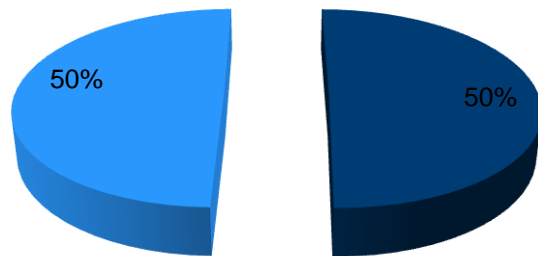
Deposit growth



By type (QoQ)



By business segment



- Corporate & Investment Banking (December 2009: 56%)
- Personal & Business Banking (December 2009: 44%)

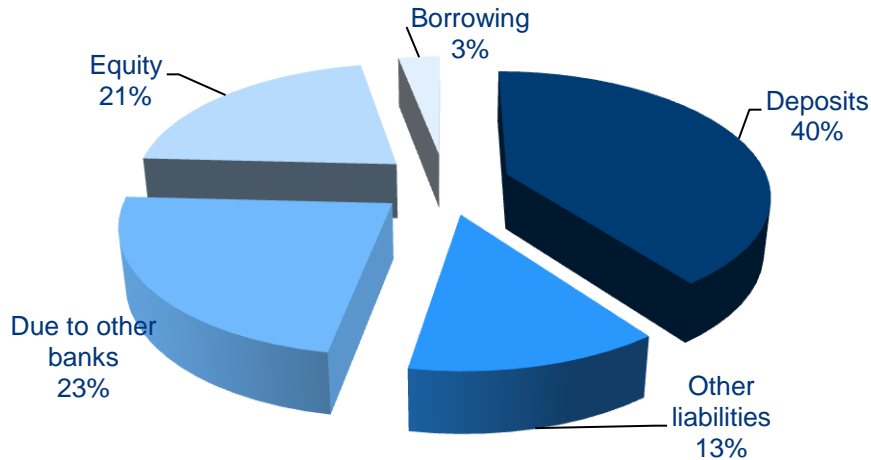
Comments

- The group prudently exited expensive deposits in Q1 2010 in the light of excess liquidity and declining interest rates. This decision has started to yield the desired results as considerable improvement is being witnessed in the deposit mix quarter –on-quarter
- The deposit base decreased by 8% in Q3 2010 when compared to FY 2009 but increased by 3% between Q2 2010 and Q3 2010
- The investment in branch network has started yielding results as evidenced in PBB contribution to total deposits.

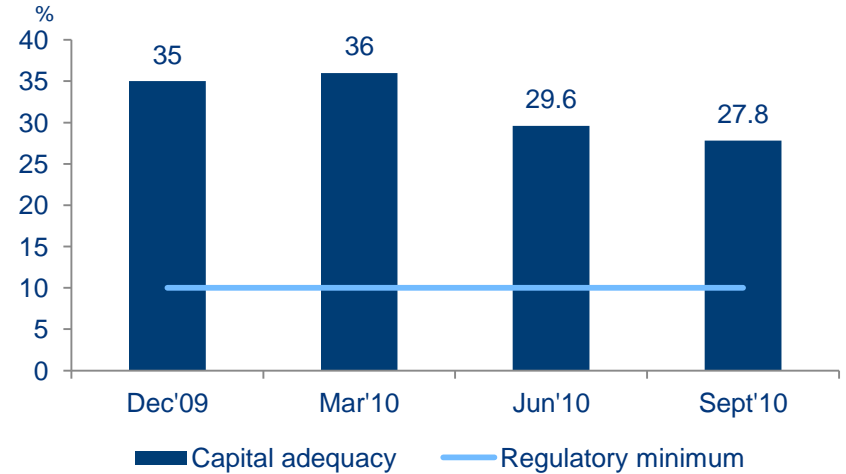


Funding, liquidity and capital

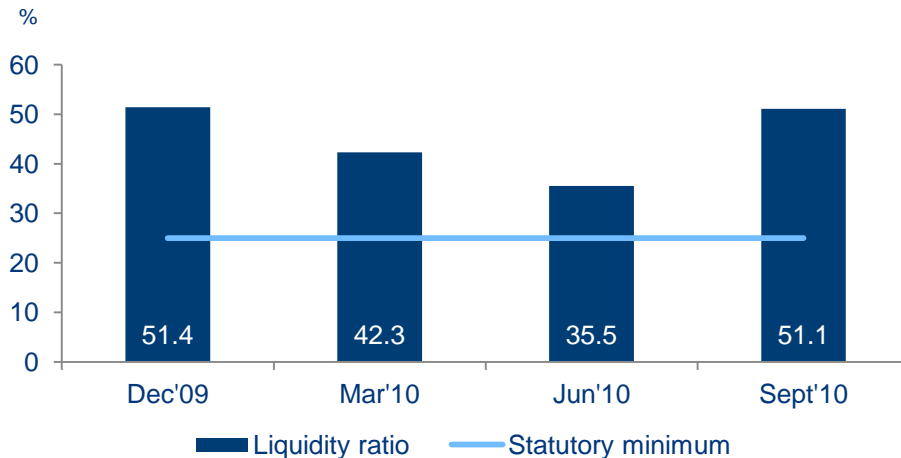
Funding mix



Capital adequacy



Liquidity ratio



Comments

- Total assets funded chiefly from deposit liabilities
- Fluid balance sheet which can be restructured swiftly to changing operating conditions
- Net interbank placer
- One of the highest tier-1 ratios in the industry at 28% and significantly above regulatory minimum of 10%
- Strong liquidity position



Business unit analysis

Ronald Pfende
CFO



Personal & Business Banking overview

Focus on individuals and SMEs:

Transactional products

Card products

Mortgage lending

Instalment sales & finance leases

Bancassurance

Abridged income statement	Sept 2010 N billion	change %	Sept 2009 N billion	Key ratios	Sept 2010	Sept 2009
Net interest income	5.09	(14)	5.92	Net interest margin(%)	3.8	5.1
Non-interest revenue	3.17	33	2.39	Net interest income to total income	61.6	71.2
Total income	8.26	(1)	8.31	Cost-to-income (%)	102.4	79.3
Less:				NPLs/total loans (%)	11.6	15.5
Credit impairment charges	0.76	>100	0.12	Loan to deposit (%)	59.4	46.3
Operating expenses	8.46	28	6.59	Other key business statistics		
Profit/(loss) before tax	(0.96)	>(100)	1.60	ATMs (No)	173	87
				Branch network	123	68



Corporate & Investment Banking overview

Focus on large corporates, financial institutions and international counterparties:

Global markets

Investment banking

Transactional products & services

Client coverage / corporate banking

Abridged income statement	Sept 2010 N billion	change %	Sept 2009 N billion	Key ratios	Sept 2010	Sept 2009
Net interest income	14.81	19	12.42	Net interest margin (%)	5.9	6.1
Non-interest revenue	6.29	(12)	7.15	Net interest income to total income (%)	70.3	63.5
Total income	21.10	8	19.57	Cost to income ratio (%)	64.5	63.0
Less:				NPLs/total loans (%)	9.1	17.5
Credit impairment charges	(0.39)	>(100)	5.90	Loan to deposit (%)	156.0	142.7
Operating expenses	13.61	10	12.33			
Profit before tax	7.88	>100	1.34			



Wealth overview

Focus on private non pension asset management, pension fund administration (PFA):

Asset Management Ltd
(non pension)

Pension Managers Ltd

Abridged Income statement	Sept 2010 N billion	change %	Sept 2009 N billion	Key performance indicator	Sept 2010	Sept 2009
Net interest income	0.46	(33)	0.69	Assets under management (Nbn)	501.4	344.0
Non-interest revenue	5.38	34	4.02	Retirement savings accounts (000)	792.4	696.8
Total income	5.84	24	4.71	Cost to income ratio (%)	53.1	53.9
Operating expenses	3.10	22	2.54			
Profit before tax	2.74	26	2.17			



Strategy & Outlook

Chris Newson
CEO



Outlook for Nigerian economy

Macro economic

- The country's official GDP stood at 7.7% in the second quarter of 2010, which is the same figure projected for 2010;
- Relative stability in exchange rate witnessed in the first nine months of the year is expected to continue;
- The headline inflation rate as at September 2010. was 13.6% Inflation rate is expected to remain in double digits;
- Oil price expected to hover between \$75-85 per barrel in 2010; and
- The gradual signs of recovery in the capital market activities expected to be sustained.

Banking sector

- The recent policy shift to monetary tightening has led to a sharp rebound in money market and t-bills rates, and will reduce naira liquidity;
- Many banks are expected to dispose off some of their branches and non-banking subsidiaries for efficiency and in compliance with the reviewed Universal Banking licence guideline of the CBN;
- Improved transparency and disclosure;
- Margins are expected to be under pressure as a result of declining interest rates:
- Credit extension is expected to pick up but at a slow pace in the remaining part of the year ; and
- The active supervisory role of CBN is expected to continue



Strategy and conclusion

Strategy

- Continue to build the Stanbic IBTC brand, which is synonymous with integrity, excellent service and reliability;
- Continuous review of growth opportunities -organic, inorganic & combinations;
- Enhance operational efficiency through improved cost management – e.g. shared service;
- Best people practices;
- Continue to expand our business within Personal & Business Banking space while “sweating” our existing assets;
- Capitalise on our position as market leader in Corporate Finance, Custody & Wealth Management;
- Focus on medium term financing and growing our loan book;
- Introduce derivatives and hedging products via our Global Market Services;
- Focus on trade & commercial banking to further grow our annuity income;
- Developing solutions for the under and unbanked; and
- Development of alternative service channel.

Conclusion

“We are well positioned for growth”:

- Strong capital base;
- Support from parent company - member of the Africa’s largest bank;
- Market leader in Investment Banking & Wealth Management;
- Deep understanding of retail business;
- Robust corporate governance structure and culture;
- Highly skilled and experienced local and international professional workforce;
- Existing Enterprise Risk Management framework; and
- Quickly achieving critical mass in network expansion.



Q & A