# Stanbic IBTC Bank
# Financial results presentation

for the nine months ended 30 September 2011

# Contents



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.

# The operating environment

Sola David-Borha
CEO

# Operating environment

**Market was impacted by:**

- Further Monetary Policy tightening by the Central Bank;
- Relative stability in international crude oil prices and domestic oil production levels;
- Improved confidence in the money market as a result of the extension of the Central Bank of Nigeria interbank guarantee until end December 2011;
- Moderate depreciation in exchange rate in the latter part of Q3 2011;
- Growth in private sector credit in Q3 2011 and continued competition for good quality risk assets;
- Continued bearish trend in the capital markets; and
- Rapidly changing regulatory environment.

**Results reflect the following:**

- Continued growth in risk assets and deposit liabilities;
- Considerable improvement in deposit mix.
- Increased transactional volumes and activities, a function of our expanded footprint;
- Increasing cost of funding due to monetary policy tightening;
- Reduced revenues from our capital market related businesses as a result of the bearish market;
- Growth in trading revenue;
- Continued investment in infrastructure albeit at a slower pace; and
- Diversified business, strong capital and liquidity positions.



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# Financial analysis

Ronald Pfende
CFO

# Performance highlights

### *Profit & loss:*

- Gross earnings; up by 21% to N49.6 billion
- Net interest income; up by 12% to N22.7 billion
- Non - interest revenue; up by 36% to N20.2 billion
- Operating expenses; up by 24% to N30.8 billion
- Profit before tax; up by 9% to N11.0 billion
- Profit after tax; up by 10% to N7.9 billion

### *Balance sheet:*

- Gross loans & advances of N246.7 billion (December 2010: N187.1 billion)
- Deposit liabilities of N228.1 billion (December 2010: N186.5 billion)
- Total assets of N488.8 billion (December 2010: N384.5 billion)

### *Key ratios:*

- Net interest margin 6.2% ( September 2010: 6.9%)
- Cost-to-income ratio 71.8% (September 2010: 70.4%)
- Annualised pre tax return on average equity 17.5% (September 2010:16.5%)
- Annualised pre-tax return on average assets 3.4% (September 2010: 3.6%)

### *Key ratios:*

- NPL/total loans 6.2% (December 2010: 7.6%)
- Credit loss ratio 0.5% (December 2010: 0.3%)
- Liquidity ratio 53.8% (regulatory minimum :30%)
- Capital adequacy 23.2% (statutory minimum: 10%)
- Price to book 2.0x (December 2010: 2.0x)

# Summarised group income statement

| | September 2011 Nmillion | change % | September 2010 Nmillion |
|---|---|---|---|
| Interest income | **29,107** | 12 | 26,011 |
| Interest expense | **(6,375)** | 13 | (5,652) |
| **Net interest income** | **22,732** | 12 | 20,359 |
| **Non interest revenue:** | **20,222** | 36 | 14,839 |
| Fee & commission income | 15,636 | 22 | 12,857 |
| Trading income | 4,173 | >100 | 1,838 |
| Other income | 413 | >100 | 144 |
| **Operating income** | **42,954** | 22 | 35,198 |
| Less: Credit impairment charges | (1,151) | >100 | (370) |
| Operating expenses | (30,828) | 24 | (24,775) |
| **Profit before tax** | **10,975** | 9 | 10,053 |
| Tax | (3,093) | 8 | (2,872) |
| **Profit after tax** | **7,882** | 10 | 7,181 |

# Group income statement quarterly analysis

| | Q3 2011 Nmillion | Q2 2011 Nmillion | Q1 2011 Nmillion |
|---|---|---|---|
| Interest income | **9,752** | 10,205 | 9,150 |
| Interest expense | **(1,933)** | (2,322) | (2,120) |
| **Net interest income** | **7,819** | 7,883 | 7,030 |
| **Non interest revenue:** | **7,554** | 6,664 | 6,004 |
| Fee & commission income | 5,389 | 5,334 | 4,913 |
| Trading income | 2,156 | 1,132 | 885 |
| Other income | 9 | 198 | 206 |
| **Operating income** | **15,373** | 14,547 | 13,034 |
| Less: Credit impairment charges | (923) | (663) | 435 |
| Operating expenses | (10,092) | (10,890) | (9,846) |
| **Profit before tax** | **4,358** | 2,994 | 3,623 |
| Tax | (1,208) | (847) | (1,038) |
| **Profit after tax** | **3,150** | 2,147 | 2,585 |



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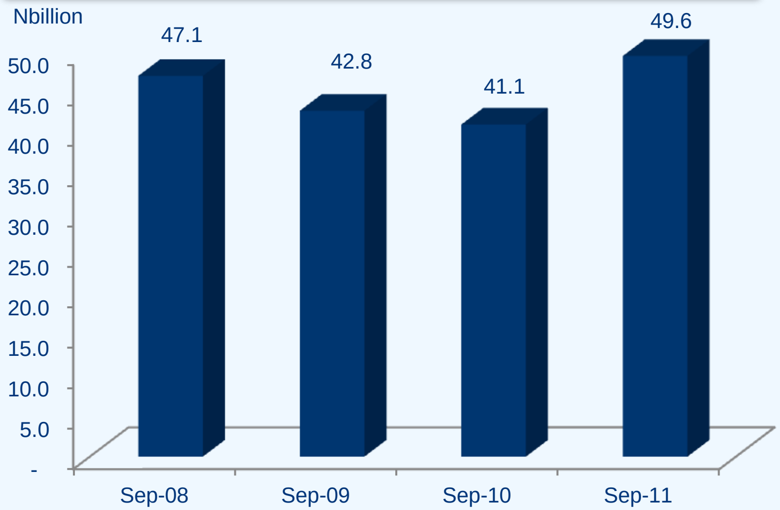
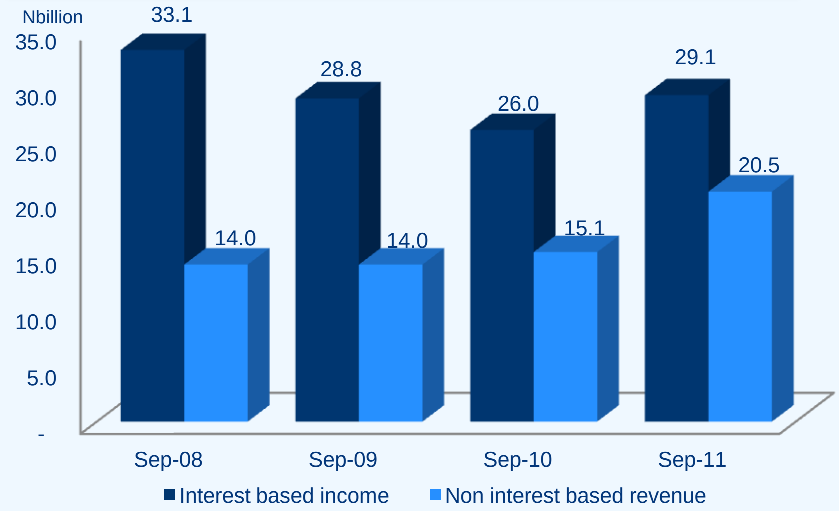
# Revenue evolution

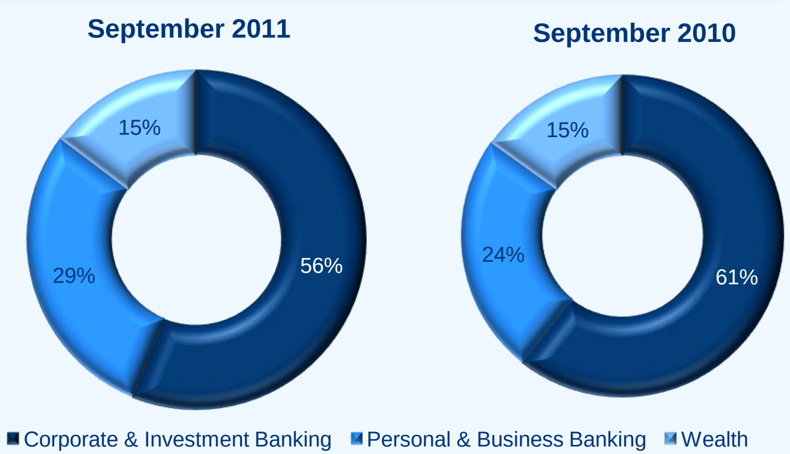
## Gross revenue




## Component of gross revenue




## Gross revenue by business segment

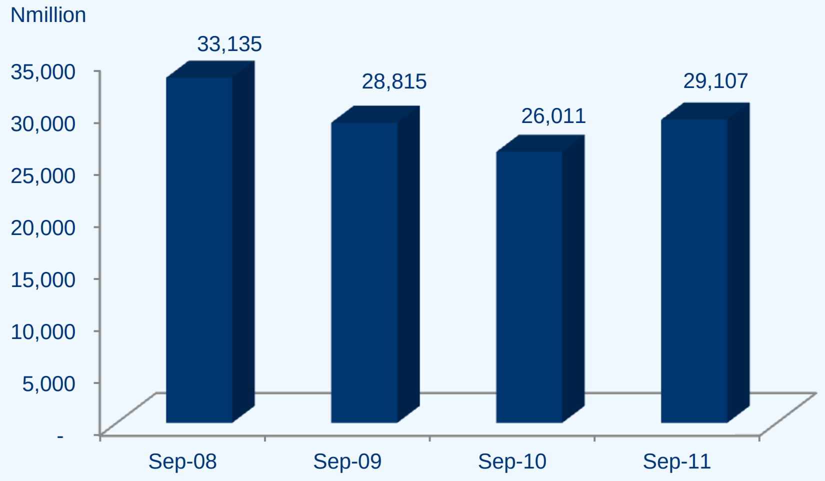



## Comments

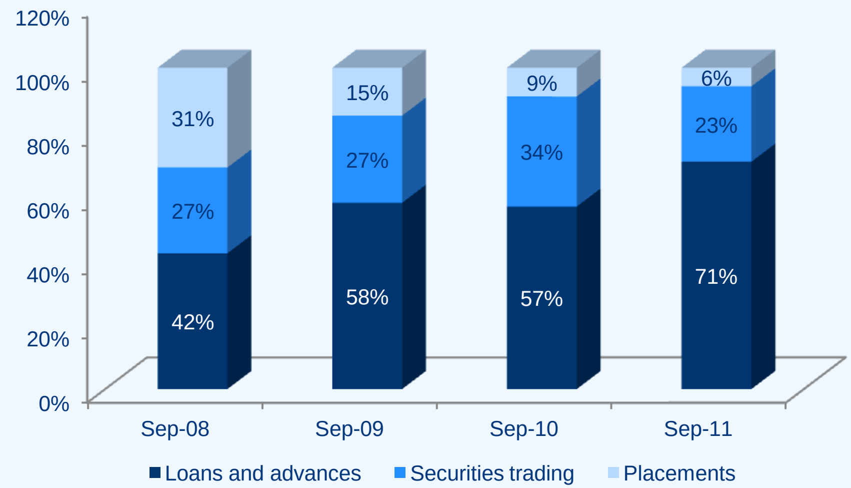
- Gross revenue grew by 21% year-on-year on the back of 12% growth in interest income and 36% growth in non-interest revenue.
- Increased contribution to gross revenue by Personal & Business Banking from 24% in September 2010 to 29% in September 2011 attributable to increased transaction volumes and activities, a function of our increased footprint.

# Revenue evolution

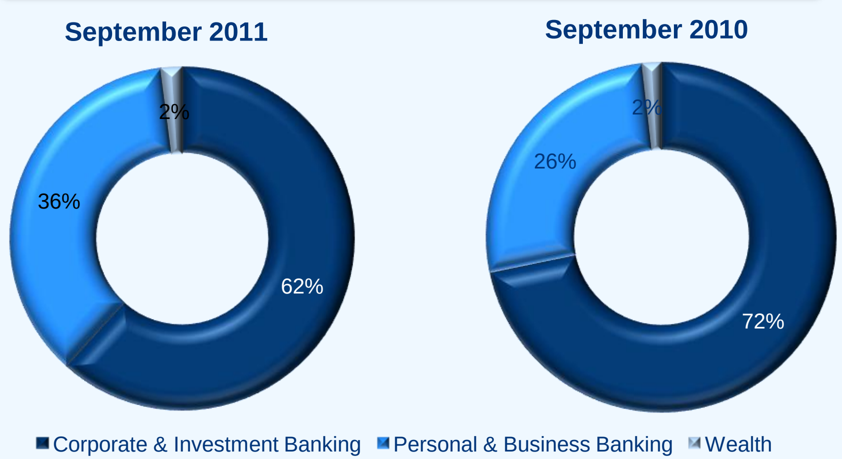
## Interest income




## Breakdown of interest income




## Interest income by business segment




## Comments

- Interest income witnessed a 12% growth year-on-year benefitting from growing loan book as well as increase in investment income but adversely impacted by reduced income from interbank placement .
- Significant contribution to interest income by lending activities, accounting for 71% of interest income .
- Increased contribution to interest income by Personal and Business banking business segment from 26% to 36% attributable to 54% growth in loan book.



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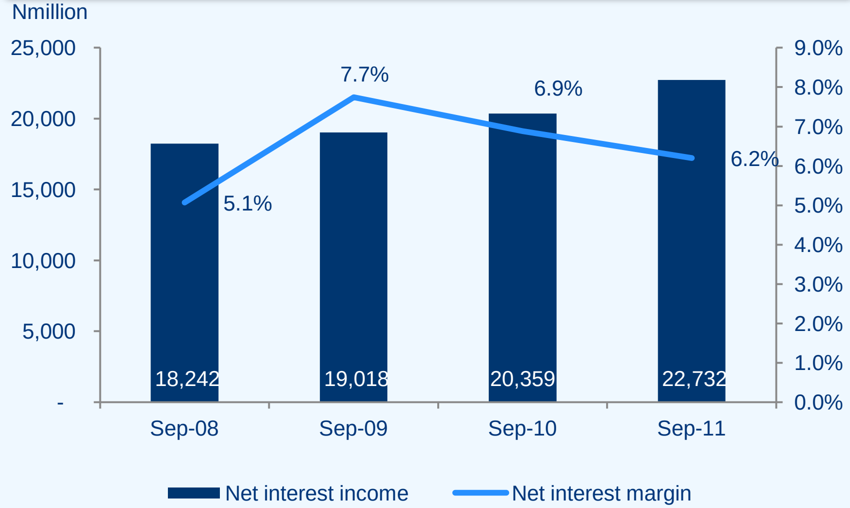
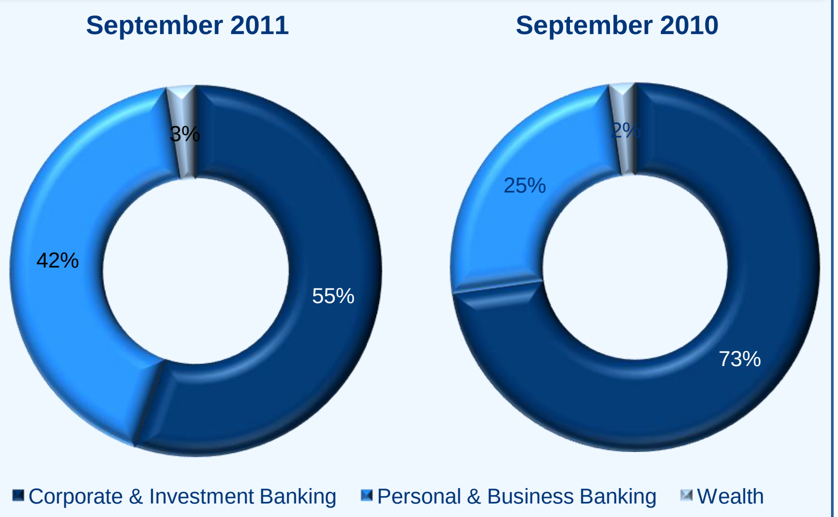
# Revenue evolution

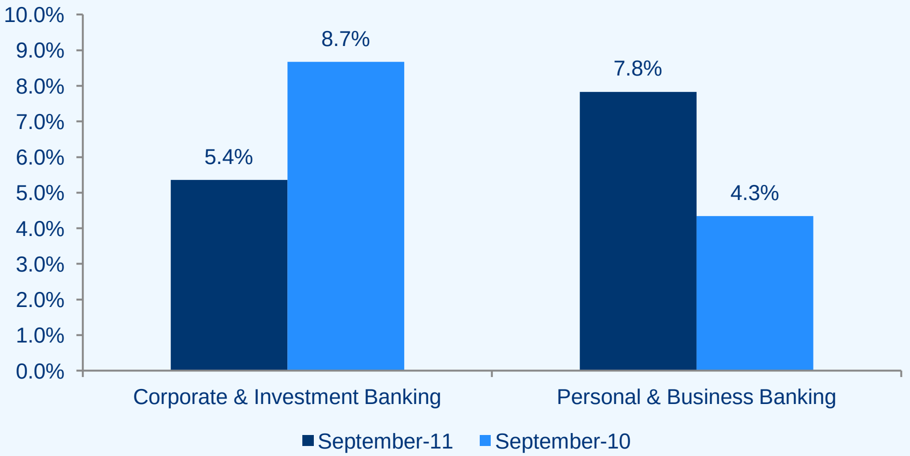
## Net interest income and interest margin




## Net interest income by business unit




## Net interest margin by business segment

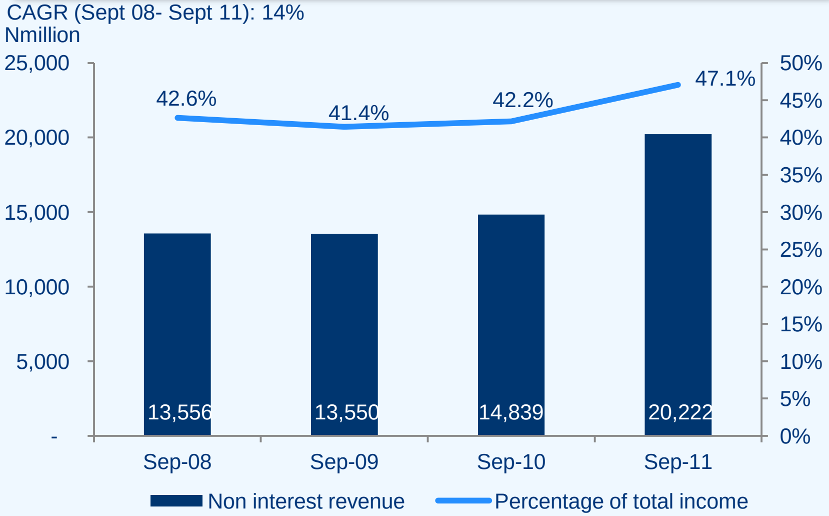



## Comments

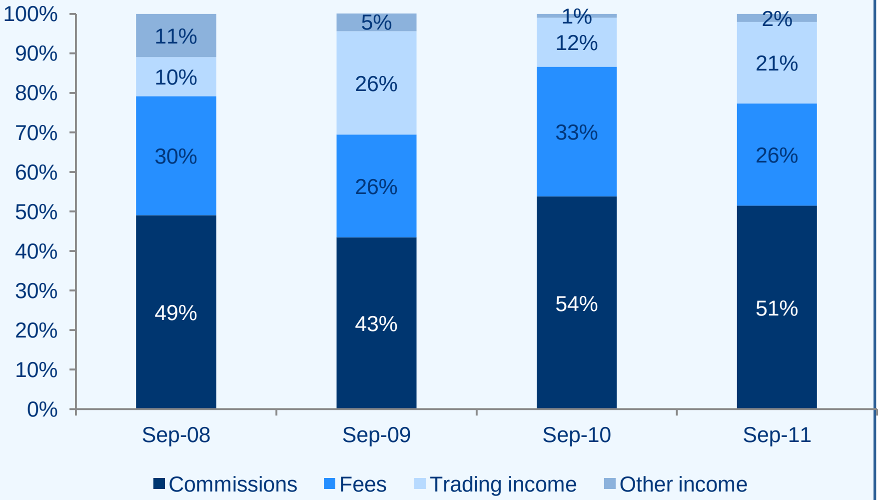
- Increasing funding costs due to monetary policy tightening.
- Margin reduced to 6.2% on the back of increased competition in lending, resulting in inability to fully offset cost of funding increases especially in the corporate segment.
- Considerable improvement in margin in Personal and Business Banking business due to ability to transmit cost of funding increases in that market segment and improvement in deposit mix.

# Revenue evolution

## Non-interest revenue

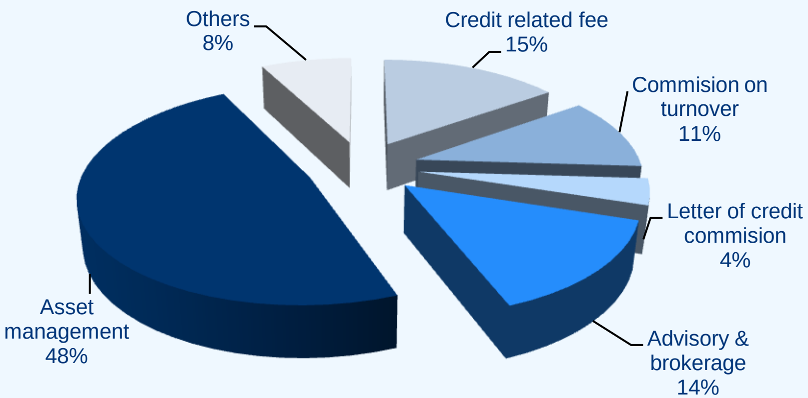



## Component of non-interest revenue




## Non-interest revenue by business segment

**September 2011**

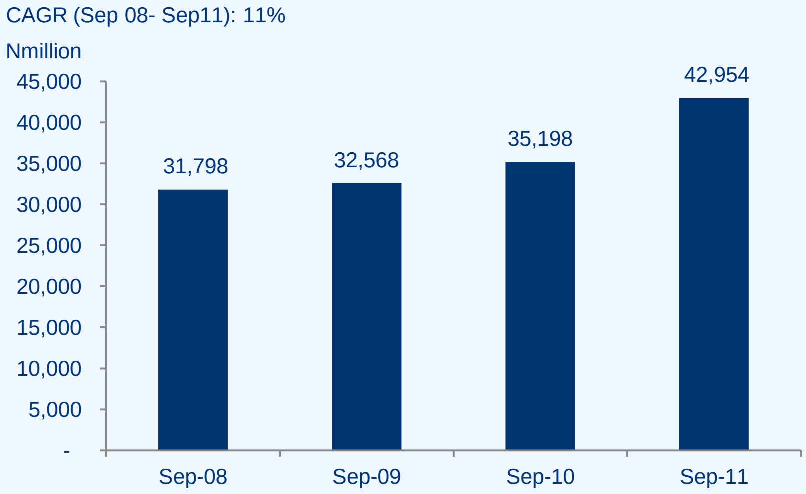



## Comments

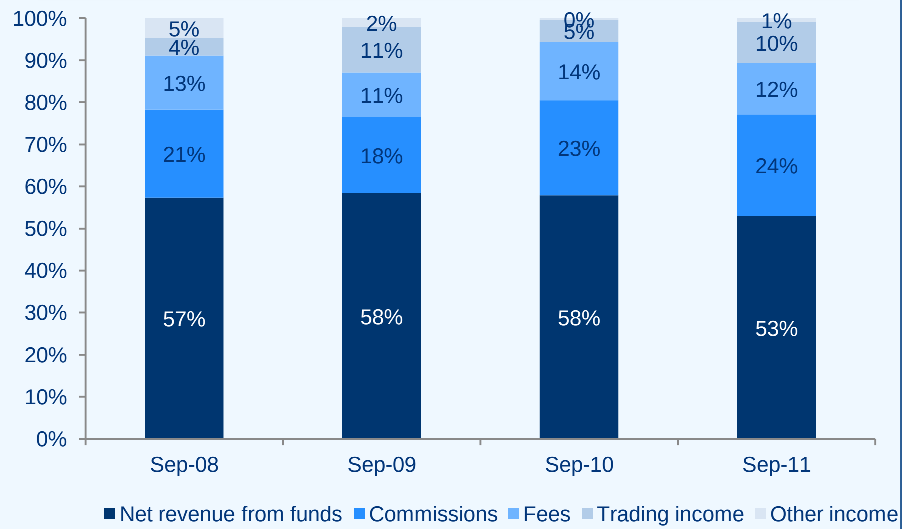
- Non-interest revenue growth of 36% year-on-year is driven by increased transactional volumes and value per transaction, a function of our expanded footprint, our ability to structure foreign exchange related solutions for our corporate clients and steady growth within our wealth business.
- Non-interest revenue was adversely affected by the bearish trend of the capital markets in the last two quarters of 2011.
- Corporate & Investment banking and Personal & business banking segments contribution to non-interest revenue grew in September 2011 when compared to September 2010, as transactions volumes increased.

# Revenue evolution

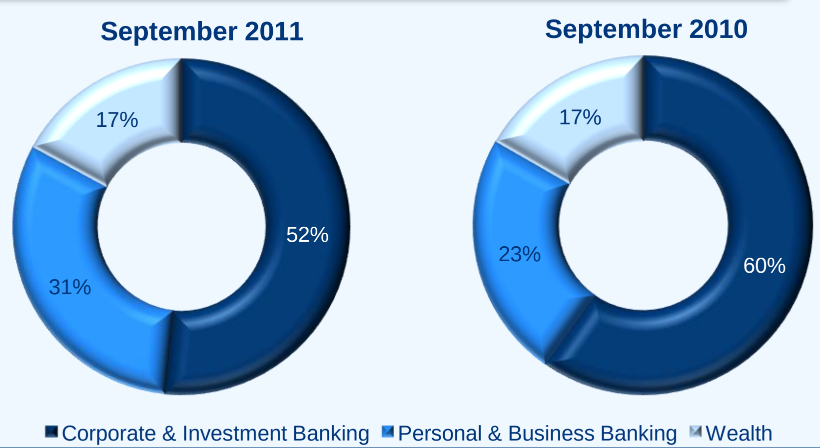
## Total operating income




## Breakdown of operating income




## Total operating income by business unit

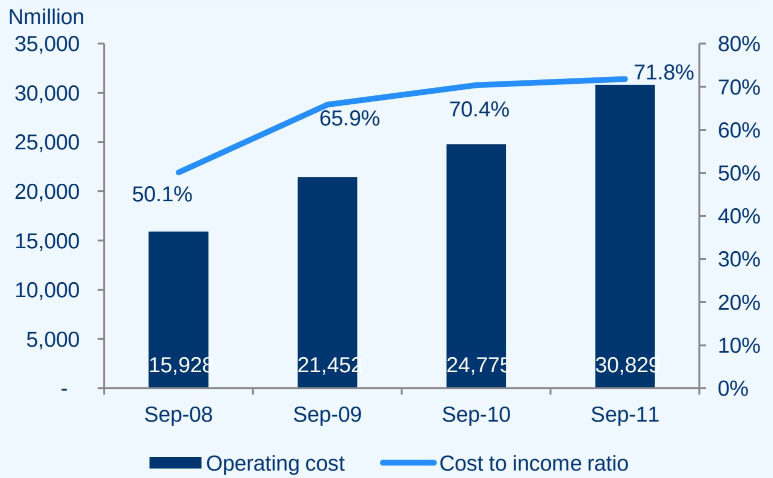



## Comments

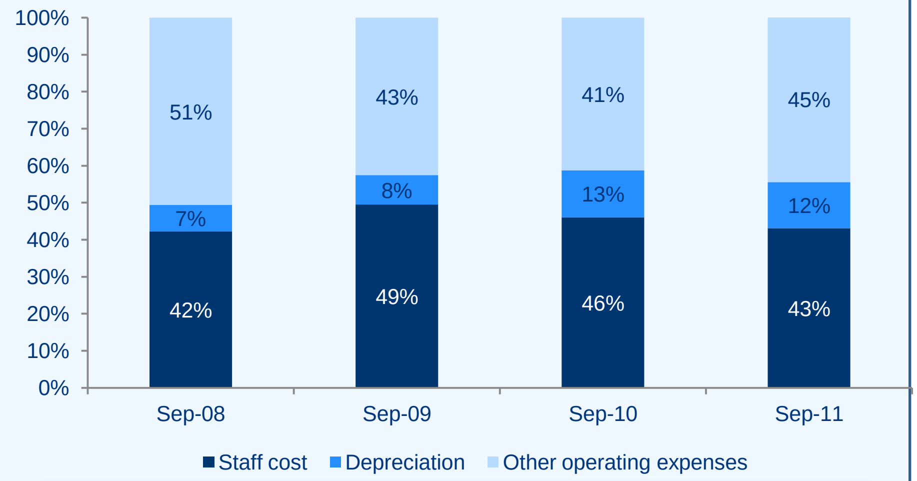
- Operating income recorded a 22% growth with lending activities contributing more than half of total operating income.
- Significant growth in trading revenue positively impacted operating income positively.
- Increased contribution to interest income by Personal & Business Banking business segment as volume of transactions and activities grew as a result of expanded network

# Expenses evolution

## Operating costs




## Breakdown of operating costs




## Operating cost breakdown

| | Sept. 2011 Nmillion | change % | Sept. 2010 Nmillion |
|---|---|---|---|
| Staff cost | 13,296 | 16 | 11,417 |
| Depreciation | 3,832 | 22 | 3,151 |
| Premises | 3,963 | 48 | 2,672 |
| AMCON fund | 838 | | 0 |
| Other operating cost | 8,899 | 18 | 7,535 |
| Total operating cost | 30,828 | 24 | 24,775 |

## Comments

- Pressure on cost consistent with investment for future growth. 23 new branches were opened in the first nine months of 2011 bringing the total to 164.
- Substantial growth in depreciation and premises related costs due to investment in infrastructure.
- Cost-to-income ratio has stabilised as revenue capacity of our branches starts to grow.
- Continued focus on cost and operational efficiency as earnings capacity remained constrained in a challenging operating environment.



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# Summarised group balance sheet

| | September 2011<br>Nmillion | Change<br>% | December 2010<br>Nmillion |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 13,127 | 31 | 10,048 |
| Treasury bills | 27,235 | >100 | 12,428 |
| Due from other banks | 86,910 | (2) | 88,659 |
| Loans and advances | 215,454 | 31 | 163,952 |
| Advances under finance lease | 22,499 | 67 | 13,502 |
| Investment securities | 75,850 | 59 | 47,585 |
| Other assets | 17,889 | 5 | 17,115 |
| Property and equipment | 29,787 | (5) | 31,252 |
| **Total assets** | 488,751 | 27 | 384,541 |
| **Liabilities** | | | |
| Customer deposits | 228,147 | 22 | 186,466 |
| Due to other banks | 86,438 | 54 | 56,152 |
| Other borrowings | 23,333 | 28 | 18,272 |
| Other liabilities | 60,751 | 77 | 34,328 |
| Current income tax | 4,921 | 17 | 4,197 |
| | 403,590 | 35 | 299,415 |
| **Equity** | | | |
| Share capital | 9,375 | - | 9,375 |
| Reserves | 74,144 | - | 74,375 |
| **Shareholders' funds** | 83,519 | - | 83,750 |
| Non-controlling interest | 1,642 | 19 | 1,376 |
| **Liabilities and equity** | 488,751 | 27 | 384,541 |



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# Group balance sheet quarterly analysis

| | September 2011 Nmillion | June 2011 Nmillion | March 2011 Nmillion | December 2010 Nmillion |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 13,127 | 46,654 | 17,379 | 10,048 |
| Treasury bills | 27,235 | 10,716 | 9,321 | 12,428 |
| Due from other banks | 86,910 | 30,585 | 75,110 | 88,659 |
| Loans and advances | 215,454 | 194,593 | 186,082 | 163,952 |
| Advances under finance lease | 22,499 | 19,722 | 14,778 | 13,502 |
| Investment securities | 75,850 | 76,810 | 78,577 | 47,585 |
| Other assets | 17,889 | 15,337 | 18,167 | 17,115 |
| Property and equipment | 29,787 | 30,542 | 32,271 | 31,252 |
| **Total assets** | 488,751 | 424,959 | 431,685 | 384,541 |
| **Liabilities** | | | | |
| Customer deposits | 228,147 | 212,219 | 234,803 | 186,466 |
| Due to other banks | 86,438 | 55,201 | 30,822 | 56,152 |
| Other borrowings | 23,333 | 23,319 | 20,484 | 18,272 |
| Other liabilities | 60,751 | 46,915 | 52,819 | 34,328 |
| Current income tax | 4,921 | 5,224 | 5,363 | 4,197 |
| | 403,590 | 342,878 | 344,291 | 299,415 |
| **Equity** | | | | |
| Share capital | 9,375 | 9,375 | 9.375 | 9,375 |
| Reserves | 74,144 | 71,332 | 76,695 | 74,375 |
| **Shareholders' funds** | 83,519 | 80,707 | 86,070 | 83,750 |
| Non-controlling interest | 1,642 | 1,374 | 1,324 | 1,376 |
| **Liabilities and equity** | 488,751 | 424,959 | 431,685 | 384,541 |



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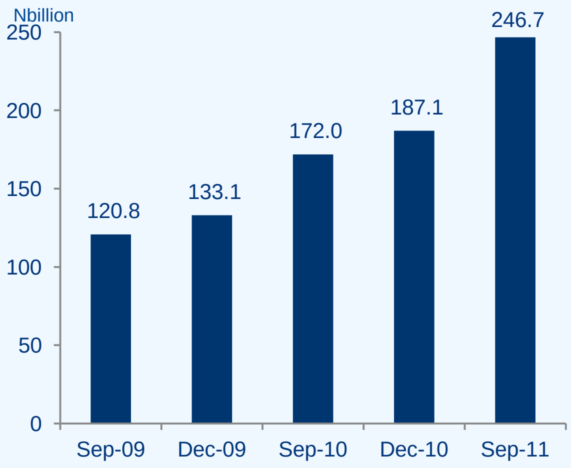
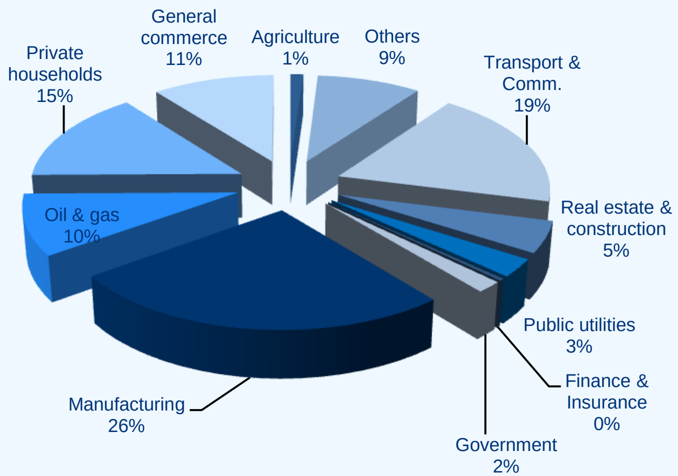
# Balance sheet analysis: loans and advances

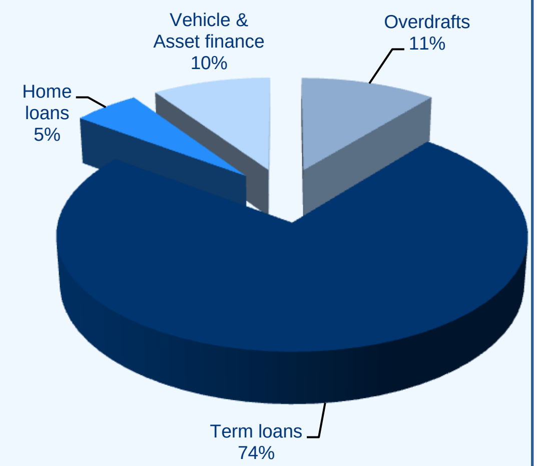
## Gross loans and advances




## Loans and advances by industry

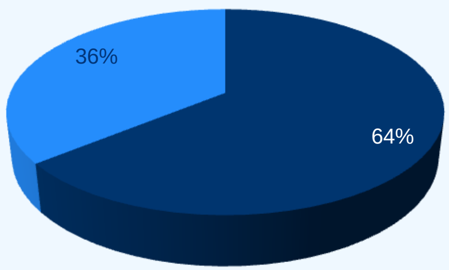



## Loans and advances by type

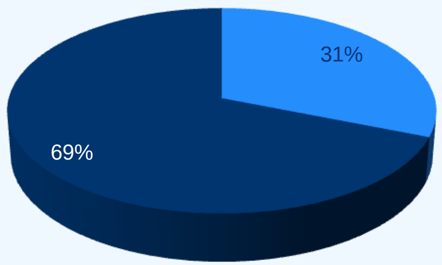



## Loans and advances by business segment

**September 2011**




**December 2010**




■ Corporate & Investment Banking ■ Personal & Business Banking

## Comments

- Continued growth in loan book despite increased competition for quality credit. Loan book was up by 32% in first nine months of 2011.
- Loan growth was achieved without compromising credit risk management principles.
- Increased contribution to total loan portfolio by Personal and Business banking business segment



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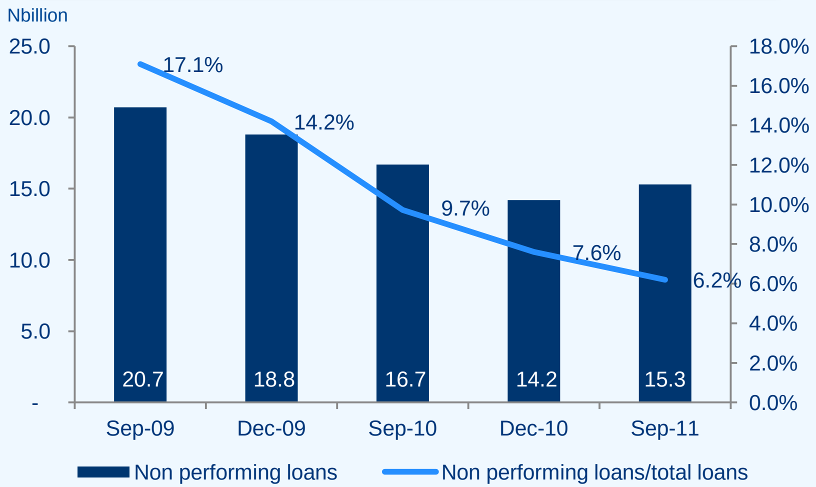
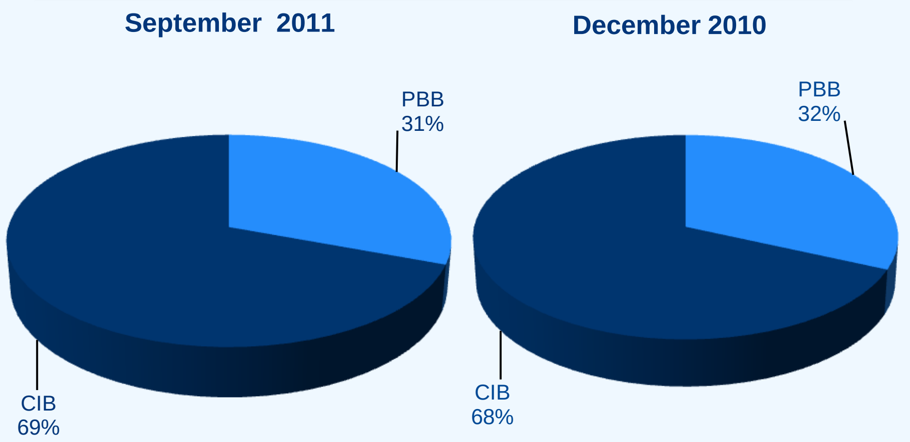
# Loans and advances performance

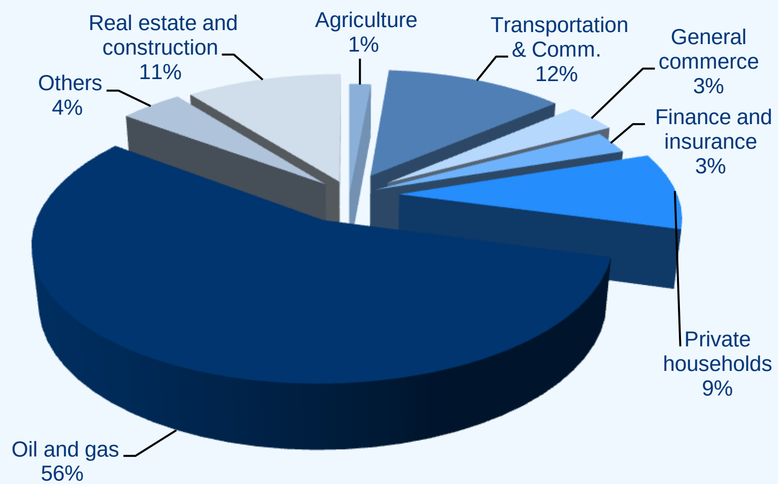
## Non-performing loans




## Non-performing loans by business segment




## Non-performing loans by industry

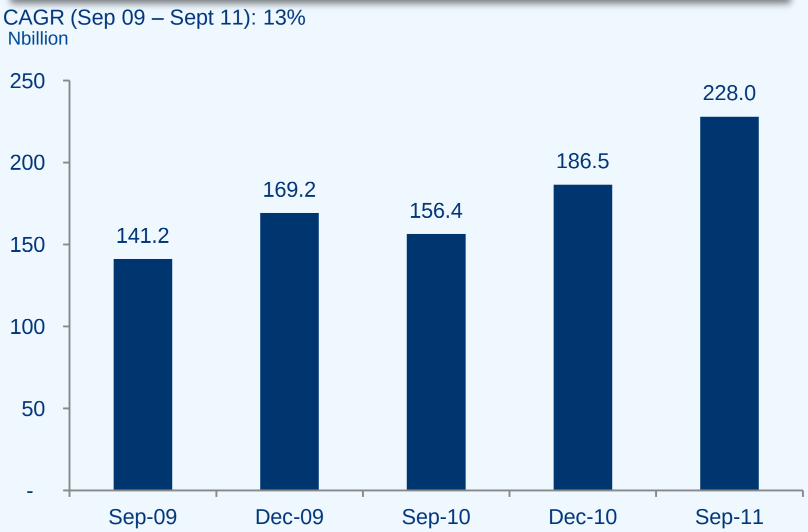



## Comments

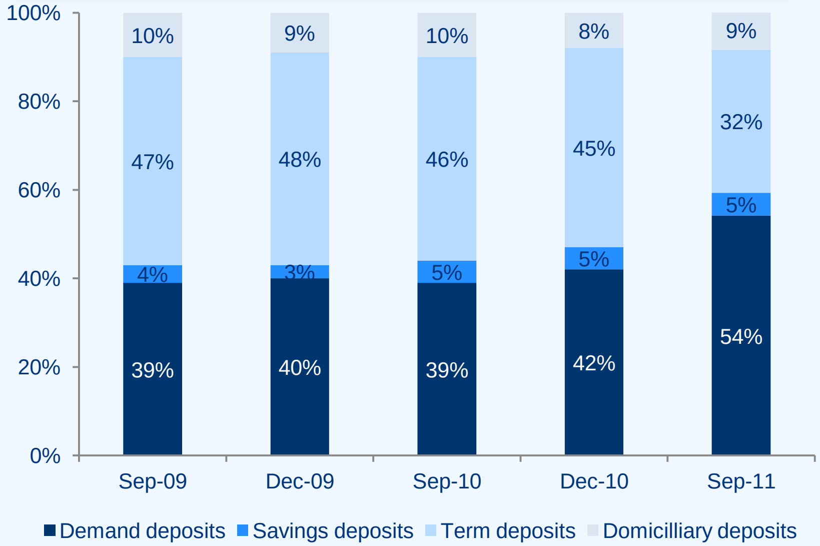
- Continued improvement in the ratio of non performing loans (NPL) to total loans from 7.6% at end December 2010 to 6.2% at end Q3 2011.
- The NPL is concentrated in the hands of the top 4 NPLs, accounting for 69% of total NPLs, while the top NPL represents 56% of total NPL. Resolution of the top NPL is continuing and is expected in the near future
- Continued improvement in credit collection capabilities and processes coupled with enhancement of credit systems to support exposure monitoring.

# Balance sheet analysis: Deposits

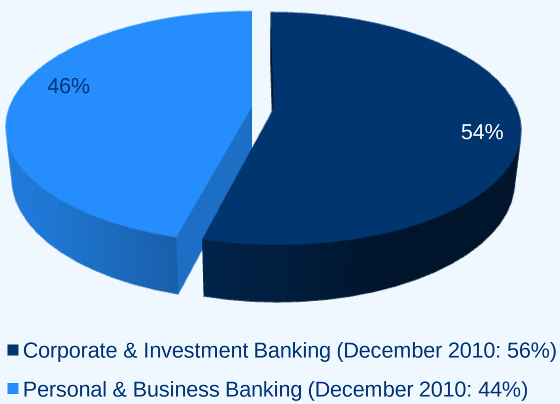
## Deposit liabilities




## Breakdown of deposits




## Deposit contribution by business unit




## Comments

- Continued growth in deposit liabilities, despite exiting expensive funding in the second quarter of the year.
- Considerable improvement in deposit mix as evidenced by increase in low cost and stable deposit to total deposit ratio from 55% in Q4 2010 and H1 2011 to 68% in Q3 2011.
- Our on-going footprint expansion and service excellence has impacted positively on our deposit gathering capabilities.
- Continued improvement in PBB contribution to total deposits.
- Continue to leverage footprint to fully improve deposit mix.



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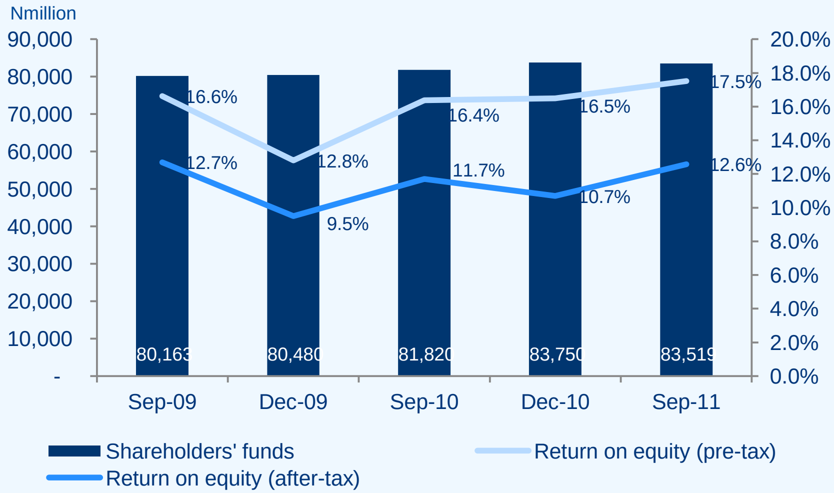
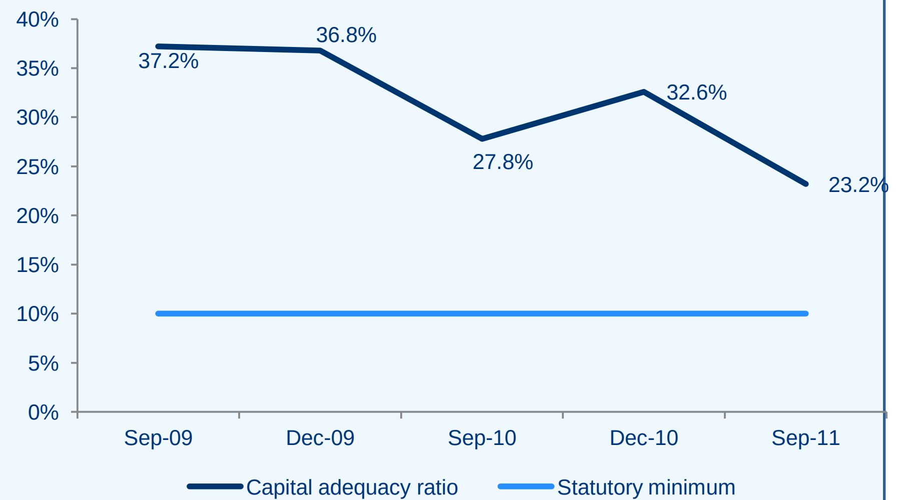
# Capital and funding

## Shareholders' funds and ROE

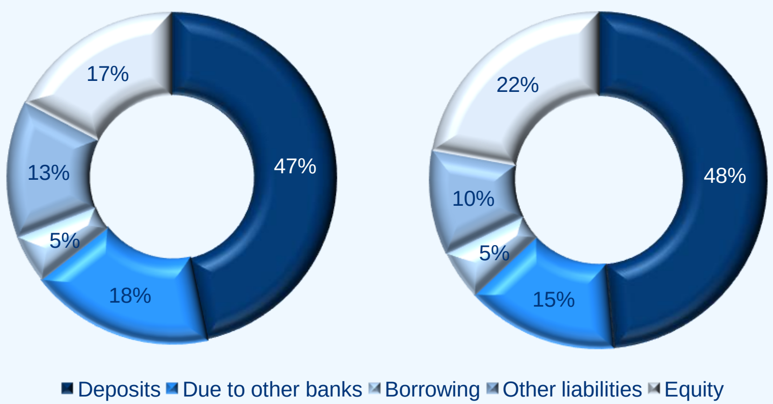



## Capital adequacy




## Funding mix

**September 2011** **December 2010**




## Comments

- Strong capital adequacy ratio of 23%, despite footprint expansion and business growth, which is more than twice the statutory minimum.
- Reduction in capital adequacy driven by large dividend payment in June 2011.
- Stable source of funding to exploit market opportunities, as total assets was funded chiefly from deposit liabilities.
- Strong liquidity position, with liquidity ratio of 53.8% as at end Q3 2011, which is above the 30% regulatory minimum.
- Year-on-year improvement in ROE.



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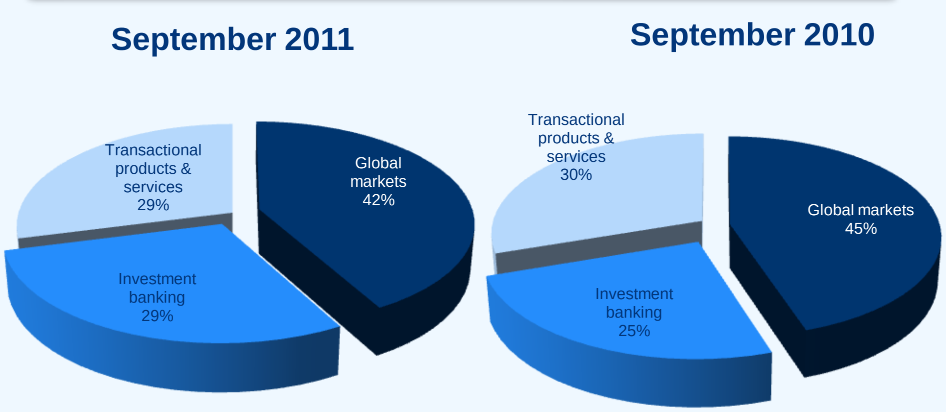
# Business segment performance review

# Corporate and Investment Banking

| | September 2011 Nmillion | change % | September 2010 Nmillion |
|---|---|---|---|
| Net interest income | 12,581 | (15) | 14,811 |
| Non-interest revenue | 9,590 | 53 | 6,288 |
| **Total income** | 22,171 | 5 | 21,099 |
| Credit impairment charges | 690 | 78 | 388 |
| Operating expenses | (10,712) | (10) | (11,910) |
| **Profit before tax** | 12,149 | 27 | 9,577 |
| | | | |
| Net interest margin (%) | 5.4 | | 8.7 |
| Cost-to-income ratio (%) | 48.3 | | 56.4 |
| | September 2011 | | December 2010 |
| Gross loans and advances (Nmillion) | 158,276 | 22 | 129,807 |
| Deposits liabilities (Nmillion) | 123,540 | 19 | 104,222 |
| NPL/total loan ratio (%) | 6.7 | | 7.5 |

**Contribution to total income by business unit**




**Comments**

- Total income benefitted from growth in transaction volumes and activities, significant increase in trading revenue and growing loan book but was somewhat moderated by reduced contribution by interbank activities.
- The bearish trend in the capital market in the last two quarters of 2011 negatively impacted revenues
- Credit impairments impacted positively by recoveries due to improved asset quality
- Increased contribution from investment banking to total revenue



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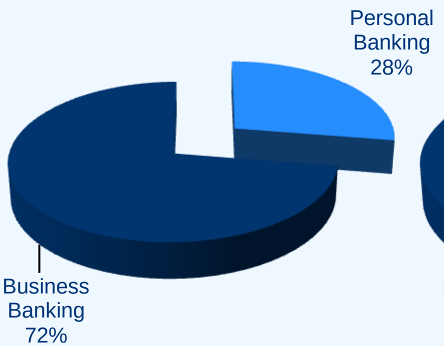
# Personal and Business Banking

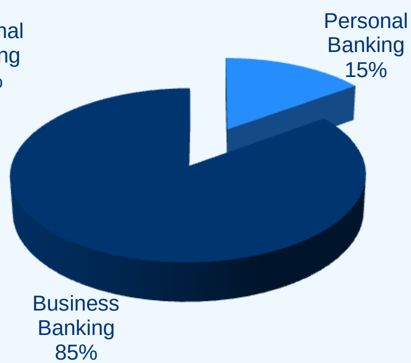
| | September 2011 Nmillion | change % | Restated September 2010 Nmillion |
|---|---|---|---|
| Net interest income | 9,574 | 88 | 5,089 |
| Non-interest revenue | 3,871 | 22 | 3,174 |
| **Total income** | 13,445 | 63 | 8,263 |
| Credit impairment charges | (1,841) | >100 | (758) |
| Operating expenses | (16,980) | 80 | (9,430) |
| **Loss before tax** | (5,376) | >(100) | (1,925) |
| | | | |
| Net interest margins (%) | 7.8 | | 4.3 |
| Cost-to-income ratio (%) | 125.6 | | 114.1 |
| | September 2011 | | December 2010 |
| Gross loans and advances (Nmillion) | 88,396 | 54 | 57,335 |
| Deposit liabilities (Nmillion) | 104,476 | 27 | 82,224 |
| NPL to total loan ratio (%) | 5.3 | | 7.9 |

**Contribution to total income by business unit**

**September 2011**




**September 2010**




**Comments**

- Net interest income benefitted from better pricing of risk assets and lower cost of funding.
- Non-interest revenue increased on the back of growth in transactional volumes and activities, a function of our increased network and improving customer service.
- Improvement in asset quality as credit management and exposure monitoring continued to be a key business focus.
- Significant improvement in deposit mix
- Increased contribution by Personal banking to operating income



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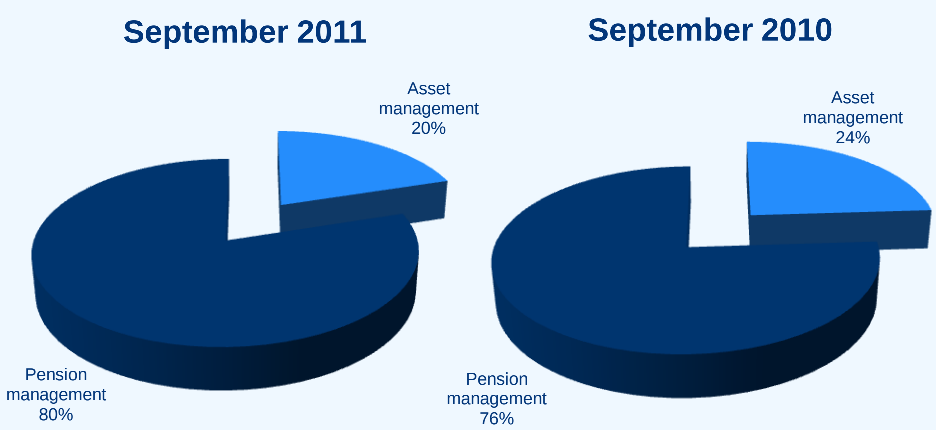
# Wealth – Key financial performance

| | September 2011 Nmillion | change % | September 2010 Nmillion |
|---|---|---|---|
| Net interest income | 576 | 25 | 459 |
| Non-interest revenue | 6,762 | 26 | 5,377 |
| **Total income** | 7,338 | 26 | 5,836 |
| Operating expenses | 3,136 | 1 | 3,098 |
| **Profit before tax** | 4,202 | 53 | 2,738 |
| Cost-to-income ratio (%) | 42.7 | | 53.1 |
| | September 2011 | | December 2010 |
| Assets under management (YTD) (Nbillion) | 662.2 | 14 | 580.2 |
| Retirement savings accounts (YTD) | 914,589 | 9 | 835,298 |

**Contribution to total income by business unit**




**Comments**

- Continued growth in revenues, assets under management and number of retirement savings accounts.
- Continued focus on operational efficiencies, as evidenced by reduction in cost to income ratio.
- Reduced contribution by the Asset Management arm of our wealth businesses to total income as a result of the bearish performance of the capital market in the last two quarter of 2011.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# Strategy and prospects

Sola David-Borha

CEO

# Key strategic imperatives

**Core strategy to build a scalable domestic universal banking franchise remains unchanged**.

- Continue to build the Stanbic IBTC brand synonymous with integrity, excellent service and reliability.
- Provide our clients with end-to-end financial solutions to meet their banking, financing and wealth management needs.
- Capitalise on and maintain our market leadership position in Investment banking, Stock broking, Custody & Wealth Management.
- Leverage our new footprint to expand our share of wallet within Personal & Business Banking with a key focus to improve our deposit mix.
- Financial inclusion – Use mobile banking license and Non-interest banking window to expand customer base and market share.
- Enhance operational efficiency through cost management & control – shared services, core banking project.
- Leverage technology to grow our cash management capabilities and broaden our market penetration.
- Focus on trade & commercial banking to further grow our annuity income.
- Leverage the China and emerging market franchise of Standard Bank to capture cross-border opportunities.
- Best people practices.

# Prospects – Q4 2011

- We expect a more challenging operating environment in the last quarter of the year due to monetary policy tightening, with the attendant risk of margin compression and increased loan delinquency industry wide.

- However, our robust credit risk management processes and practices coupled with our expanded network as a source of cheaper liabilities will assists in alleviating these risks.

- We therefore expect:

  - Margins to be squeezed as the full impact of CBN's monetary tightening is felt.

  - Risk asset and deposit growth of 30-35% YoY.

  - Cost to income ratio to stabilise.

  - Our Wealth businesses to continue to be leading players in both the pension and non-pension fund management areas.

- We remain cautiously optimistic in respect of Q4 2011.

# Prospects

- Strategically, we are well positioned for growth:
  - Strong capital base to support planned growth and take advantage of business opportunities;
  - Existing Enterprise Risk Management framework;
  - Market leader in investment banking and wealth business;
  - Talented people – local and international professionals;
  - Robust corporate governance  structure and culture;
  - Achieved critical mass in respect of our footprint and now have representation in all the 36 states;
  - Recognised as a customer service leader in the market;
  - Strong parentage - member of Africa's largest bank; and
  - Technology base that can deliver efficiency and service enhancement.

# Q & A