# Stanbic IBTC Holdings PLC

Analysis of full-year financial results for the year ended 31 December

# 2012

Stanbic IBTC
A member of Standard Bank Group

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All results in this booklet are presented on an IFRS (International Financial Reporting Standards) basis. Reconciliation of non-GAAP financial information to the most directly comparable measures under IFRS are provided in the "Reconciliation of comprehensive income" and "Reconciliation of equity" sections.

## Group results in brief


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# Performance highlights

**Gross income**
₦91,860 million
45% up

**Total income**
₦67,410 million
22% up

**Profit before tax**
₦11,726 million
16% up

**Profit after tax**
₦10,157 million
53% up

**Total assets**
₦676,819 million
22% up

**Gross loans and advances**
₦279,473 million
5% up

**Deposit liabilities**
₦355,419 million
24% up

**Cost-to-income ratio**
72.4%
(2011: 75.6%)

**After tax return on average equity**
10.9%
(2011: 6.8%)

**Credit loss ratio**
2.5%
(2011: 1.3%)

**NPL/total loan ratio**
5.1%
(2011: 6.2%)

**Capital adequacy ratio**
22.3%
(2011: 20.8%)

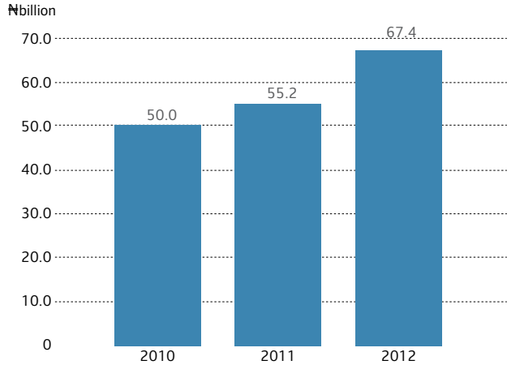
**Liquidity ratio**
45.5%
Statutory minimum 30%

**Price-to-book**
1.3 times
(2011: 1.9 times)

**Fitch rating**
AAA(nga)
(2011: AAA(nga))

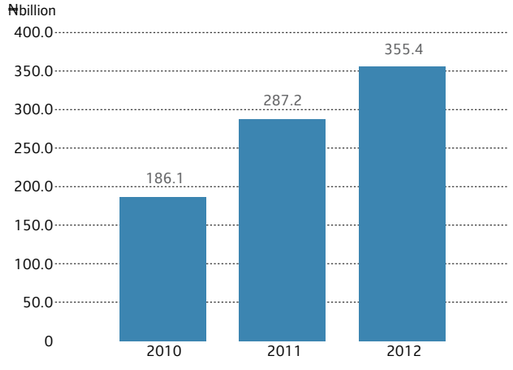
### Total income

*CAGR[1] (2010-2012): 16%*




### Total deposits and current accounts

*Total deposits (CAGR 2010-2012): 38%*




[1] *Compounded annual growth rate*

# Financial results, ratios and statistics

## Stanbic IBTC Group

| | | Change % | 2012 | 2011 |
|---|---|---|---|---|
| **Business unit contribution to profit before tax** | | | | |
| **Profit before tax** | ₦million | 16 | **11,726** | 10,106 |
| Banking business | ₦million | (4) | **4,255** | 4,426 |
| Personal and Business Banking | ₦million | 47 | **(5,232)** | (9,821) |
| Corporate and Investment Banking | ₦million | (33) | **9,487** | 14,247 |
| Wealth | ₦million | 32 | **7,471** | 5,680 |
| | | | | |
| **Balance sheet** | | | | |
| Total assets | ₦million | 22 | **676,819** | 554,507 |
| Loans and advances (net of credit impairments) | ₦million | 4 | **266,344** | 256,720 |
| Deposit liabilities | ₦million | 24 | **355,419** | 287,242 |
| | | | | |
| **Selected returns and ratios** | | | | |
| Net interest margin | % | | **4.96** | 4.98 |
| Non-interest revenue to total income | % | | **50.2** | 50.0 |
| Credit impairment charges | ₦million | >100 | **6,895** | 3,349 |
| Credit loss ratio | % | | **2.5** | 1.3 |
| Cost-to-income ratio | % | | **72.4** | 75.6 |
| Return on average equity (pre-tax) | % | | **14.4** | 12.2 |
| Return on average equity (after-tax) | % | | **10.9** | 6.8 |
| Return on average assets (pre-tax) | % | | **1.9** | 2.1 |
| Return on average assets (after-tax) | % | | **1.6** | 1.4 |
| Basic and diluted earnings per share | kobo | 68 | **50.3** | 30.0 |
| Net asset value per share | kobo | 96 | **856.5** | 436.1 |
| Shareholders' equity | ₦million | 4 | **83,341** | 79,867 |
| | | | | |
| **Other indicators** | | | | |
| Price to book (P/B ratio) | times | (32) | **1.3** | 1.9 |
| Total capital adequacy | % | | **22.3** | 20.8 |
| Tier 1 capital adequacy | % | | **20.7** | 19.4 |
| Loan to deposit ratio | % | | **78.6** | 92.6 |
| Non-performing loans to total loans | % | | **5.1** | 6.2 |
| Effective taxation rate | % | | **13.4** | 34.3 |
| Number of average employees | Number | (3) | **2,184** | 2,246 |

## Banking activities

| | | Change % | 2012 | 2011 |
|---|---|---|---|---|
| **Balance sheet** | | | | |
| Total assets | ₦million | 20 | **650,470** | 540,922 |
| Loans and advances (net of credit impairments) | ₦million | 4 | **266,344** | 256,720 |
| | | | | |
| **Selected returns and ratios** | | | | |
| Return on average equity | % | | **7.9** | 4.4 |
| Return on average assets | % | | **0.2** | 0.2 |
| Loan to deposit ratio | % | | **77.7** | 91.5 |
| Net interest margin | % | | **4.86** | 4.94 |
| Non-interest revenue to total income | % | | **40.1** | 41.2 |
| Credit impairment charges | ₦million | >100 | **6,895** | 3,349 |
| Credit loss ratio | % | | **2.5** | 1.3 |
| Cost-to-income ratio | % | | **79.4** | 82.0 |
| Effective taxation rate | % | | **(34.1)** | 33.1 |
| Number of average employees | Number | (7) | **1,823** | 1,962 |

### In 2012, the group experienced:

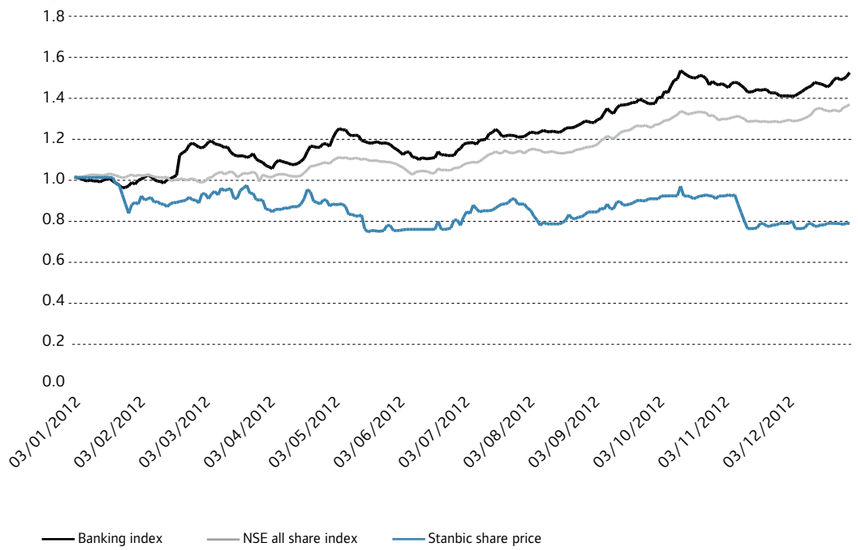
#### Globally

- Continued slow economic growth due to the European debt crisis, despite refinancing plans from the European Central Bank.
- Moderate growth in key emerging markets, specifically China and India, albeit a slower pace than in the previous year.
- Downgrade of banks' credit ratings.
- Contained inflation in spite of rising energy prices.
- African markets continuing to deliver strong performances in foreign exchange, local bonds and equities.

#### Nigeria

- Continued monetary policy tightening by the central bank, with monetary policy rate (MPR) maintained at 12%.
- Rising inflation on the back of increased oil and food prices.
- Improved yield on government securities.
- Economic reforms in the power sector and petroleum industry.
- Persistent high level of unemployment.
- Bearish trend in the capital markets in the first half of the year, which was reversed in the second half of the year. The NSE ASI appreciated by 35.5% in the year.
- Security concerns in the Northern part of the country, bunkering and illegal refining of crude oil in Southern part of the country.
- Ongoing reform of the banking industry.

**Share price performance:**
*January – December 2011 (rebased)*




Stanbic was outperformed by both the NSE All share Index and the Banking Index (BI) in 2012. Stanbic's adjusted share price depreciated by 25.7%, while the NSE ASI and the BI appreciated by 35.4% and 23.8% respectively during the year.

The group during the year adopted the Holding Company structure in line with regulatory requirement. On November 23, 2012, Stanbic IBTC Bank's shares were delisted from The Nigerian Stock Exchange and Stanbic IBTC Holdings PLC's shares were listed simultaneously and share price adjusted accordingly.



## Economic and capital market statistics

| | | Change % | 2012 | 2011 |
|---|---|---|---|---|
| **Economic indicators** | | | | |
| GDP average growth rate | % | | **6.6** | 7.3 |
| Headline inflation (12 month average) | % | | **12.2** | 10.9 |
| Average official exchange rate | ₦/$ | 1 | **155.4** | 153.7 |
| External reserves | $billion | 35 | **44.2** | 32.6 |
| **Market indicators** | | | | |
| NSE All Share Index | | 35 | **28,078.8** | 20,730.6 |
| NSE equities turnover | ₦billion | 4 | **658.2** | 634.9 |
| Average daily activity | million | (1) | **359.5** | 364.2 |
| Aggregate market capitalisation | ₦trillion | 44 | **14.8** | 10.3 |
| Equity market capitalisation | ₦trillion | 37 | **8.98** | 6.5 |
| **Stanbic share statistics** | | | | |
| Post HoldCo adjusted share price | | | | |
| High for the year | kobo | (40) | **1,238** | 2,059 |
| Low for the year | kobo | (6) | **1,041** | 1,106 |
| Closing | kobo | (26) | **1,100** | 1,481 |
| Shares traded | | | | |
| Number of shares | thousands | (16) | **633,567** | 750,000 |
| Value of shares | ₦million | (37) | **4,431.6** | 7,080.0 |
| Market capitalisation | ₦billion | (29) | **110.0** | 155.6 |

Stanbic IBTC Bank's shares were delisted on November 23, 2012, while Stanbic IBTC Holdings' shares were listed on the same day.

# Overview of financial results

## Operating environment

### Global operating environment

The global economic growth remained largely uneven and subdued in most economies in 2012. Global macroeconomic conditions remained weak, especially in the major advanced economies. Global output was weaker than forecast due to the continued contraction in the EuroZone and Japan and less than anticipated growth in Brazil and India. The frailty in the global economy was further compounded by the uncertainties surrounding the resolution of the "fiscal cliff" and the debt ceiling challenges in the US and the difficulties associated with China's attempt to "rebalance" its growth. These developments adversely affected private sector confidence, worsened the unemployment situation and further tightened financing conditions in both the periphery and core economies.

Emerging market economies continued to show superior growth rates, with the IMF estimating GDP growth of 5.3% in 2012, compared to 1.3% in advanced economies. The slowdown in global trade has, however, contained the growth in emerging economies.

African economic growth rebounded in 2012 after popular uprisings and political unrest in North Africa brought overall growth down to 3.4% in 2011. Although the continent is still recovering from the global financial crisis of 2008, strong growth is likely despite the difficult external environment and renewed global uncertainty. Africa's high population growth and rapid rate of urbanisation, as well as its resource wealth and deepening financial sector, are some of the main pillars providing structural support for this counter-cyclical growth pattern. Economic conditions in the sub-Saharan Africa remained generally robust despite the sluggish growth in the global economy. Prudent policies and improved fundamentals in most countries provided impetus for increased economic activity in the region.

### Domestic operating environment

The implementation of the Nigerian government's policy on fuel subsidy in January 2012 with the resultant labour unrest, stalled economic activities at the beginning of the year, the impact of which was felt by all the sectors of the economy.

The Nigerian economy, however, witnessed a robust growth of 6.6% in 2012, albeit lower than the 7.3% achieved in 2011. The slowdown in the GDP growth is attributable to the reduction in non-oil sector activities, especially agriculture and its wholesale and retail trade. Agricultural output was affected by the insecurity in northern parts of the country and the impact of flood on farmlands along the major agricultural belt of the country. The non-oil sector, however, continued to remain the major driver of growth, recording 8.2% increase in contrast to the oil sector, which declined by 0.17% in 2012.

Headline inflation averaged 12.2% in 2012 as against 10.9% recorded in 2011. The average core and food inflation stood at 13.9% and 11.3% respectively. The major drivers of headline inflation included food and non-alcoholic beverages, housing, water, electricity and transport.

In 2012, the nation's external reserves witnessed sustained accretion. The reserves stood at US$44.2 billion at the end of 2012, representing a 35% growth over US$32.6 billion recorded in the same period in 2011. The growth is driven by increased revenue from export of crude oil as a result higher oil prices and partial removal of fuel subsidies as well as increased crude oil related taxes and inflow of foreign portfolio investments. Oil revenue increased at an average of 2.7% monthly throughout 2012. The country's foreign reserves level could finance about 9 months of imports.

The foreign exchange rate market remained stable in 2012 on the back of improved supply of foreign exchanged by the oil companies and enhanced capital inflows from portfolio investors. The official exchange rate averaged ₦155.4/US$, in 2012 as against ₦153.7/US$ recorded in 2011. However, at the Wholesale Dutch Auction system, the exchange rate opened at ₦158.4/US$ at the beginning of the year and closed at ₦157.3/US$ at the end of the year, thus appreciating by 0.7%.

The banking sector continued to operate under a testing condition in 2012 as a result of the high interest rate environment. In a bid to contain inflation, ensure foreign exchange and price stability, the central bank maintained the Monetary Policy Rate and liquidity ratio at 12% and 30% respectively and increased the cash reserve requirement from 8% to 12% during the year.

The steady growth across most sectors and the inclusion of selected Nigerian government bonds in the JP Morgan Government Bond Index-Emerging Markets resulted in international interest in the Nigerian bond market, and the reawakening of local institutional investors' appetite for equities.

The Nigerian capital market witnessed its strongest performance since 2008. The NSE All-Share index closed the year at 28,078.80, thus representing a 35.5%, growth when compared to 20,730.63 recorded at the beginning of the year. Equity market capitalization also increased by 37.4% from ₦6.53 trillion at the beginning of the year to ₦8.98 trillion at the end of 2012. The positive performance of the capital market is attributable to the sustained increase in the demand for blue-chip stocks, particularly in the banking and consumers goods sectors following improvements in earnings and growing investor confidence.

The country's long term foreign and local currency sovereign credit rating was upgraded by Standard and Poor's in 2012 to BB- with a stable outlook, three notches below investment grade, from B+ it received in 2011. The long-term national scale rating was also upgraded to 'ngAA-' from 'ngA+. 'The upgrade was on the back of tighter fiscal policy of the government resulting in higher foreign exchange reserves and government reform efforts on fuel subsidies and in the electricity and banking sectors. Also, Moody's ratings expanded its rating coverage to include Nigeria during the year. The country was assigned local- and foreign-currency issuer ratings of Ba3 with a stable outlook on the back of the country's strong economic resilience and strength. During the year, Fitch ratings affirmed Nigeria's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB-' and 'BB' respectively with a stable outlook.

## Our results

The trading environment in 2012 was characterised by sustained monetary policy tightening in the money market, improved performance of the capital market in the second half of the year, improved yields on government securities and continued competition for good quality corporate credits. Notwithstanding the difficult environment, the group's financial performance has been sound and demonstrates good momentum in our businesses. Although earnings potential continued to be constrained in the face of continued monetary policy tightening with the resultant pressure on margins, our diversified business model, highly disciplined approach to risk management, excellent customer service and skilled and passionate people made 2012 a pleasing year.

The group delivered a 45% growth in gross income to a record ₦91.9 billion, and a 22% growth in total income to ₦67.4 billion. Profit before and after tax grew by 16% and 53% to ₦11.7 billion and ₦10.2 billion respectively. Total assets stood at ₦676.8 billion, thus representing a 22% growth. Gross loans and advances grew by 5% to ₦279.5 billion, while the deposit liabilities increased by 24% to ₦355.4 billion.

The key performance ratios are shown in the table below:

| | **2012 %** | 2011 % |
|---|---|---|
| Net interest margin | **4.96** | 4.98 |
| Return on average equity (after-tax) | **10.9** | 6.8 |
| Return on average assets (after-tax) | **1.6** | 1.4 |
| Cost-to-income ratio | **72.4** | 75.6 |
| Non-performing loans to total loans | **5.1** | 6.2 |
| Capital adequacy | **22.3** | 20.8 |
| Earnings per share (weighted) | **50k** | 30k |

### Highlights in 2012

The group's 2012 financial results reflect increased transactional volumes and activities, strong deposits growth, improvement in asset quality, diversified revenue stream, albeit an increase in cost of funding and growth in impairment charges.

A major focus area for 2012 was on driving transactional banking revenues. In the Corporate and Investment Banking (CIB) business unit, Transactional products and services (TPS) revenue grew by 66% chiefly on the back of increased revenue from custody business. In Personal and Business Banking (PBB) business unit, total revenue grew by 48% as a result of increased volume of transactions and activities as we continue to leverage on our expanded delivery network.

Income growth far exceeded cost growth for the first time in 3 years as we continued to leverage our expanded delivery network. Income growth in 2012 was 22%, while cost growth was 17% resulting in a lower cost-to-income ratio compared to what was recorded in 2011.

Wealth business unit results were particularly strong with total income up 40%. The business unit maintained its market leadership as the number one wealth manager in Nigeria.

Our mobile money product celebrated its first anniversary during the year. Stanbic is currently the market leader with over 700,000 clients on its mobile money platform and is one of the few operators whose solution works with all mobile telecommunication companies. The group is focused on ensuring a successful implementation of its mobile money strategy.

In line with the ongoing reform by the Central Bank, aimed at promoting a sound financial system, Stanbic IBTC complied in 2012 with the regulatory directive on the separation of banking business from non-banking activities. The Group adopted the Holding Company structure in the latter part of 2012. The new corporate structure became effective on 23 November 2012 with the delisting of Stanbic IBTC Bank's shares and listing of Stanbic IBTC Holdings PLC's shares on The Nigerian Stock Exchange.

The new corporate structure will contribute to improved shareholder value by ensuring that shareholders benefit from the entire business and retain the same exposure to the financial services that they had previously, whilst ensuring that the group continues to provide end-to-end financial solutions to its clients, by retaining all its existing lines of business, in line with its vision.

### Challenges in 2012

The key challenges encountered in 2012 were:

- **Cost of funding:** Expensive term funding accounted for more than 50% of the group's deposit book in 2012. This adversely impacted the net interest income and profitability.

  The group is focused on gathering lower priced retail deposits (savings and current accounts) by leveraging on the expanded delivery network, providing excellent service and structuring of products that meet customers' needs.

- **High credit impairment charges:** The group conservatively provided for its loan book in the light of the prevailing high interest rate environment.

## Income statement analysis

Our banking activities achieved pleasing revenue growth of 16%, which is testament to our solid client franchises. Credit impairments was up by over 100%, somewhat higher than anticipated due to our conservative stance on impairments on loans due to the high interest rate environment. The group's profitability was hampered by margin compression, a function of the high interest rate environment, with limited ability to increase lending rates particularly in the corporate customer segment, and high cost of funding. Profitability was also adversely impacted by the growth in credit impairment charges.

### Net interest income

The group's interest income increased significantly by 63% to ₦57.8 billion supported by continued growth in lending activities, occasioned by growing customer relationships and positive yields in investment securities. However, growth in interest income was tempered by marginal growth in the loan book. Gross loans and advances grew by 5% as a result of the sell down of existing large exposures to comply with a reduced single obligor limit post the HoldCo restructuring and sale of eligible assets to the Asset Management Corporation of Nigeria (AMCON). Notwithstanding the sale, revenue from loans and advances represented 76% of total interest income. The growth in interest income was enough to douse the effect of the significant growth in interest expense. Interest expense grew by 212% to ₦24.3 billion in 2012. The huge growth in interest expense is due to increasing cost of funding driven by the sustained monetary policy tightening and the skewing of the deposit book towards expensive wholesale funding. Overall, net interest income increased by 21% to ₦33.6 billion, while net interest margin (net interest income to total asset), which measures the quality of spread, stood at 4.96%, marginally below the 4.98% recorded in 2011.

### Non-interest revenue

Non-interest revenue increased by 23%, with net fee and commission revenue up 39%, trading revenue down 9% and other revenue down by 47%. Growth in net fee and commission revenue was achieved on the back of increased transaction volumes, a steady growth within our wealth business, closure of good advisory mandates and a gradual improvement in the capital market activities and prices in the second half of 2012, which positively affected the revenues of our custody, stock broking and asset management businesses. Documentation and administration fees grew by over 100%, while account transaction fees was up 28%.

Trading revenue, which is largely income from money market and fixed income trading, also benefitted from increased transaction volumes. Interest rate trading grew by over 100% on the back of increased client base and activity levels. Foreign exchange and credit trading however, declined by 1% and 55% respectively. The marginal decrease in foreign exchange trading revenue is attributable to the relative stability in the foreign exchange market in 2012 as against volatility witnessed in the second quarter of 2011. Other revenue included dividend income and other non-bank revenue. Overall, trading revenue declined by 9% to ₦8.1 billion in 2012.

### Credit impairments

Credit impairment charges of ₦6.9 billion were significantly higher than the ₦3.3 billion in the prior year, while average gross loans and advances increased by 22%. Consequently, credit loss ratio increased to 2.5% from 1.3% in the prior year. The increase in impairment charges was largely due to higher specific impairment provisioning within CIB, as 3 new corporate loans were provisioned during the year. The group also conservatively provided for loans in PBB due to the high interest rate environment, which may adversely impact repayment. During the year, a review of specific and portfolio impairment methodologies in mortgage loans was undertaken. A consequence of this was that more risk is now categorized under specific impairments rather than under portfolio impairments.

Credit impairment charges benefitted from recoveries amounting to ₦425 million during the year.

### Operating expenses

Operating expenses grew by 17% to ₦48.8 billion on the back of growth in staff costs and other operating expenses. Staff costs grew by 12% during the year. Fixed remuneration was up 11% due to higher non-full time employees and annual salary increases. Average headcount of full time employees decreased by 3%, while that of non-full time employees increased by 109%. Other operating expenses grew by 20% largely due to higher information technology cost for securing competitive advantage in business efficiency, AMCON sinking fund contribution and premises and marketing cost. Compounded with increased cost of funding, the cost-to-income ratio stood at 72.4% in 2012, compared to 75.6% recorded in 2011. This ratio witnessed a gradual decline quarter-on-quarter. The cost-to-income ratio of 66.5%, 72.2%, 77.6% and 74.6% was recorded in 4Q 2012, 3Q 2012, 2Q 2012 and 1Q 2012 respectively.

Overall, the group recorded a 16% growth in profit before tax to ₦11.7 billion, while profit after tax increased by 53% to ₦10.2 billion, benefitting from lower taxation. A significant portion of the group's earnings in 2012 was derived from tax exemption sources, particularly the Federal government bonds and treasury bills, which resulted in tax savings. Consequently, the effective tax rate in 2012 improved to 13% from 34% in 2011.

## Balance sheet analysis

Total assets stood at ₦676.8 billion at the end of 2012. This represents a 22% growth over the ₦554.5 billion recorded at the end of 2011. The growth is driven by loans and advances and liquid assets. The group's total assets were funded principally from deposits from customers, which accounted for 53% of total assets.

### Gross loans and advances

Loans to customers grew 5% year-on-year and resulted from 13% growth in PBB loans to customers, and 1% increase in that of CIB. The marginal increase in CIB loan book is connected to the sale of large two eligible risk assets to AMCON in the last quarter of the year coupled with the sell down of existing large performing exposures to comply with a reduced single obligor limit post the HoldCo restructuring. The growth in the PBB loan portfolio is driven by our growing customer relationships enhanced by our enlarged delivery footprint.

Asset quality continues to witness improvement as the ratio of non-performing loans to total loans stood at 5.1% in 2012 as against 6.2% achieved in 2011. Non-performing loans (NPL) reduced by 13% on the back of the two CIB eligible assets sold to AMCON. Consequently, non-performing loans of CIB were down by 58%, while NPL/Total loan ratio was down to 3.3% from 8.6% in 2011. PBB's ratio of non-performing loans to total loans grew significantly to 8.2% in 2012 from 3.2% in 2011, as a result of strain on retail customers attributable to the high interest rate environment. The NPL coverage ratio was 92% in 2012 as against 57% recorded in the prior year.

### Funding and liquidity

The group's overall liquidity position remains strong with liquidity buffers held for potential stressed conditions amounting to ₦173.5 billion. These levels of liquidity are prudent given the group's liquidity stress-testing philosophy. Liquidity ratio was 45.5% in 2012, which is above the 30% regulatory requirement.

Total deposits from customers grew by 24% on the back of 48% growth in PBB deposit book and 9% growth in that of CIB. The group's most stable funding source, demand and savings deposits from PBB customers, was 28% higher than the prior year. The growth in deposit base is driven by our enlarged delivery network, service excellence and ability to structure products that meet customers' needs.

The ratio of low cost demand and saving deposits to total deposits was 49% in 2012, slightly below the 51% recorded in 2011. The group is focused on generating low cost deposits to improve the deposit mix.

### Capital management

The group maintained a healthy level of capitalisation above the regulatory requirements in 2012 despite the considerable growth in business operations.

Tier I capital adequacy ratio was 20.7% (2011: 19.4%), while the total capital adequacy ratio stood at 22.3% (2011: 20.8%) in 2012. These ratios are significantly higher than the statutory minimum of 10%.

| | **2012 ₦million** | 2011 ₦million |
|---|---|---|
| Tier I capital | **78,172** | 72,193 |
| Tier II capital | **6,152** | 5,249 |
| **Total qualifying capital** | **84,324** | 77,442 |
| Risk weighted assets | **377,992** | 371,444 |
| **Capital adequacy** | | |
| Tier I | **20.7%** | 19.4% |
| Tier II | **1.6%** | 1.4% |
| **Total** | **22.3%** | 20.8% |

The group's capital is deemed adequate to support business risks and contingencies despite the recent corporate restructuring, and will enable us to continue to pursue growth opportunities within the Nigerian market.

# Summarised income statement – Group

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Gross income** | 45 | **91,860** | 63,377 |
| Net interest income | 21 | **33,554** | 27,642 |
| Interest income | 63 | **57,818** | 35,428 |
| Interest expense | >100 | **(24,264)** | (7,786) |
| Non-interest revenue | 23 | **33,856** | 27,605 |
| Net fee and commission revenue | 39 | **25,568** | 18,388 |
| Fee and commission income | 37 | **25,754** | 18,732 |
| Fee and commission expense | (46) | **(186)** | (344) |
| Trading revenue | (9) | **8,091** | 8,845 |
| Other revenue | (47) | **197** | 372 |
| **Total income** | 22 | **67,410** | 55,247 |
| Credit impairment charges | >100 | **(6,895)** | (3,349) |
| Credit impairment on non-performing credits | >100 | **(6,391)** | (2,381) |
| Credit impairment on performing credits | (48) | **(504)** | (968) |
| Income after impairment charges | 17 | **60,515** | 51,898 |
| Operating expenses | 17 | **(48,789)** | (41,792) |
| Staff costs | 12 | **(19,953)** | (17,840) |
| Other operating expenses | 20 | **(28,836)** | (23,952) |
| **Profit before taxation** | 16 | **11,726** | 10,106 |
| Taxation | (55) | **(1,569)** | (3,463) |
| **Profit after taxation** | 53 | **10,157** | 6,643 |
| Profit attributable to: | | | |
| Non-controlling interest | 32 | **1,289** | 976 |
| Equity holders of the parents | 56 | **8,868** | 5,667 |
| **Profit after taxation and minorities** | 53 | **10,157** | 6,643 |

| **Statement of other comprehensive income** | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Profit for the year** | 53 | **10,157** | 6,643 |
| Other comprehensive income | (>100) | **3,914** | (4,035) |
| Other comprehensive income for the period, net of income tax | (>100) | **3,914** | (4,035) |
| Net change in fair value of available-for-sale financial assets | (>100) | **3,645** | (3,933) |
| Realised fair value adjustments on available-for-sale financial assets | (>100) | **269** | (48) |
| Income tax on other comprehensive income | (100) | **-** | (54) |
| **Total comprehensive income of the year** | >100 | **14,071** | 2,608 |
| Attributable to non-controlling interests | 42 | **1,255** | 881 |
| Attributable to equity holders of the parent | >100 | **12,816** | 1,727 |

# Summarised Group income statement quarterly analysis

| | 4Q 2012 ₦million | 3Q 2012 ₦million | 2Q 2012 ₦million | 1Q 2012 ₦million |
|---|---|---|---|---|
| **Gross income** | **27,830** | **22,132** | **21,470** | **20,428** |
| Interest income | **15,283** | **14,539** | **14,075** | **13,921** |
| Interest expense | **(8,330)** | **(5,168)** | **(5,103)** | **(5,663)** |
| Net interest income | **6,953** | **9,371** | **8,972** | **8,258** |
| Non-interest revenue | **12,538** | **7,500** | **7,387** | **6,431** |
| Net fee and commission income | **8,433** | **6,033** | **6,024** | **5,078** |
| Fee and commission income | **8,442** | **6,126** | **6,032** | **5,154** |
| Fee and commission expense | **(9)** | **(93)** | **(8)** | **(76)** |
| Trading revenue | **4,046** | **1,459** | **1,259** | **1,327** |
| Other revenue | **59** | **8** | **104** | **26** |
| **Total income** | **19,491** | **16,871** | **16,359** | **14,689** |
| Credit impairment charges | **(3,820)** | **(1,785)** | **(1,011)** | **(279)** |
| **Income after credit impairment charges** | **15,671** | **15,086** | **15,348** | **14,410** |
| Operating expenses | **(12,962)** | **(12,187)** | **(12,687)** | **(10,953)** |
| Staff costs | **(4,776)** | **(4,917)** | **(5,404)** | **(4,856)** |
| Other operating expenses | **(8,186)** | **(7,270)** | **(7,283)** | **(6,097)** |
| **Net income before indirect taxation** | **2,709** | **2,899** | **2,661** | **3,457** |
| Indirect taxation | **(37)** | **(160)** | **(96)** | **(21)** |
| Profit before direct taxation | **2,672** | **2,739** | **2,565** | **3,436** |
| Direct taxation | **488** | **(735)** | **(73)** | **(935)** |
| **Profit for the period** | **3,160** | **2,004** | **2,492** | **2,501** |

# Summarised income statement – Bank

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Gross income** | 45 | **77,732** | 53,505 |
| Net interest income | 18 | **31,603** | 26,732 |
| Interest income | 63 | **56,421** | 34,523 |
| Interest expense | >100 | **(24,818)** | (7,791) |
| Non-interest revenue | 13 | **21,125** | 18,732 |
| Net fee and commission revenue | 31 | **10,978** | 8,380 |
| Fee and commission income | 29 | **11,164** | 8,630 |
| Fee and commission expense | (26) | **(186)** | (250) |
| Trading revenue | (9) | **8,013** | 8,845 |
| Other revenue | 42 | **2,134** | 1,507 |
| **Total income** | 16 | **52,728** | 45,464 |
| Credit impairment charges | >100 | **(6,895)** | (3,349) |
| Income after impairment charges | 9 | **45,833** | 42,115 |
| Operating expenses | 12 | **(41,881)** | (37,286) |
| Staff costs | 9 | **(17,164)** | (15,809) |
| Other operating expenses | 15 | **(24,717)** | (21,477) |
| **Net income before indirect taxation** | (18) | **3,952** | 4,829 |
| Indirect taxation | (28) | **(188)** | (260) |
| **Profit before direct taxation** | (18) | **3,764** | 4,569 |
| Direct taxation | (>100) | **1,536** | (1,337) |
| **Profit for the period** | 64 | **5,300** | 3,232 |
| Profit attributable to: | | | |
| Non-controlling interests | | **-** | - |
| Equity holders of the parent | 64 | **5,300** | 3,232 |
| **Profit for the period** | 64 | **5,300** | 3,232 |

## Statement of other comprehensive income

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Profit for the year** | 64 | **5,300** | 3,232 |
| Other comprehensive income | (>100) | **3,472** | (3,563) |
| Other comprehensive income for the period, net of income tax | (>100) | **3,472** | (3,563) |
| Net change in fair value of available-for-sale financial assets | (>100) | **3,203** | (3,481) |
| Realised fair value adjustments on available-for-sale financial assets | (100) | **269** | (48) |
| Income tax on other comprehensive income | (100) | **-** | (34) |
| **Total comprehensive income of the period** | (>100) | **8,772** | (331) |
| Attributable to non-controlling interests | | **-** | - |
| Attributable to equity holders of the parent | (>100) | **8,772** | (331) |

# Statement of financial position – Group

| | Change % | 2012 ₦million | 2011 ₦million | 2010 ₦million |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | >100 | **76,933** | 30,074 | 10,048 |
| Trading assets | 73 | **114,877** | 66,476 | 70,886 |
| Pledged assets | 25 | **24,440** | 19,501 | 18,573 |
| Derivative assets | (45) | **1,709** | 3,081 | 263 |
| Financial Investments | (4) | **85,757** | 88,877 | 29,203 |
| Loans and advances | 6 | **320,662** | 302,771 | 209,970 |
| Loans and advances to banks | 18 | **54,318** | 46,051 | 33,291 |
| Loans and advances to customers | 4 | **266,344** | 256,720 | 176,679 |
| Current and deferred tax assets | 95 | **5,212** | 2,668 | 1,696 |
| Other assets | >100 | **22,771** | 11,299 | 16,375 |
| Intangible assets | (100) | **-** | 5,036 | 4,559 |
| Property and equipment | (1) | **24,458** | 24,724 | 25,645 |
| **Total assets** | 22 | **676,819** | 554,507 | 387,218 |
| **Equity and liabilities** | | | | |
| Liabilities | | | | |
| Trading liabilities | 40 | **88,371** | 63,173 | 50,116 |
| Derivative liabilities | 3 | **772** | 749 | - |
| Deposit and current accounts | 27 | **382,051** | 299,787 | 192,350 |
| Deposit and current accounts from banks | >100 | **26,632** | 12,545 | 6,232 |
| Deposit and current accounts from customers | 24 | **355,419** | 287,242 | 186,118 |
| Other borrowings | 40 | **66,873** | 47,618 | 18,272 |
| Current and deferred tax liabilities | (7) | **4,844** | 5,187 | 4,703 |
| Other liabilities | (14) | **48,257** | 56,215 | 34,799 |
| **Total liabilities** | 25 | **591,168** | 472,729 | 300,240 |
| **Capital and reserves** | | | | |
| Share capital | (47) | **5,000** | 9,375 | 9,375 |
| Share premium reserve | 0 | **65,450** | 65,450 | 65,450 |
| Other reserves | >100 | **12,891** | 5,042 | 10,777 |
| Shareholders funds | 4 | **83,341** | 79,867 | 85,602 |
| Non-controlling interest | 21 | **2,310** | 1,911 | 1,376 |
| **Total equity and liabilities** | 22 | **676,819** | 554,507 | 387,218 |

# Statement of financial position quarterly analysis – Group

| | 4Q 2012 ₦million | 3Q 2012 ₦million | 2Q 2012 ₦million | 1Q 2012 ₦million |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 76,933 | 44,790 | 36,391 | 41,895 |
| Derivative assets | 1,709 | 1,461 | 2,674 | 2,952 |
| Trading assets | 114,877 | 157,091 | 75,974 | 158,282 |
| Pledged assets | 24,440 | 24,118 | 25,228 | 20,930 |
| Financial investments | 85,757 | 64,963 | 71,159 | 74,872 |
| Loans and advances | 320,662 | 291,939 | 320,956 | 302,559 |
| Loans and advances to banks | 54,318 | 30,872 | 48,498 | 35,958 |
| Loans and advances to customers | 266,344 | 261,067 | 272,458 | 266,601 |
| Other assets | 22,771 | 18,909 | 14,749 | 35,466 |
| Current and deferred tax assets | 5,212 | 2,905 | 2,881 | 2,663 |
| Tangible assets | - | 3,791 | 3,827 | 3,879 |
| Property and equipment | 24,458 | 24,217 | 23,603 | 23,946 |
| **Total assets** | 676,819 | 634,184 | 577,442 | 667,444 |
| | | | | |
| **Equity and liabilities** | | | | |
| Liabilities | | | | |
| Trading liabilities | 88,371 | 104,675 | 106,478 | 164,336 |
| Derivative liabilities | 772 | 220 | 295 | 624 |
| Deposit and current accounts | 382,051 | 341,785 | 262,672 | 293,806 |
| Deposits and current accounts from banks | 26,632 | 25,950 | 16,473 | 23,221 |
| Deposits and current accounts from customers | 355,419 | 315,835 | 246,199 | 270,585 |
| Other borrowings | 66,873 | 55,229 | 53,960 | 40,584 |
| Current and deffered tax liabilities | 4,844 | 2,999 | 3,775 | 6,034 |
| Other liabilities | 48,257 | 39,846 | 63,580 | 76,850 |
| **Total liabilities** | 591,168 | 544,754 | 490,760 | 582,234 |
| | | | | |
| **Equity** | | | | |
| Share capital | 5,000 | 9,375 | 9,375 | 9,375 |
| Share premium reserve | 65,450 | 47,469 | 47,469 | 47,469 |
| Other reserves | 12,891 | 30,608 | 28,288 | 26,210 |
| Shareholders' funds | 83,341 | 87,452 | 85,132 | 83,054 |
| Non-controlling interest | 2,310 | 1,978 | 1,550 | 2,156 |
| **Liabilities and equity** | 676,819 | 634,184 | 577,442 | 667,444 |

# Statement of financial position – Bank

| | Change % | 31 Dec 2012 ₦million | 31 Dec 2011 ₦million | 1 Jan 2011 ₦million |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | >100 | 76,840 | 30,072 | 10,048 |
| Derivative assets | (45) | 1,709 | 3,081 | 263 |
| Trading assets | 71 | 113,401 | 66,476 | 70,886 |
| Pledged assets | 25 | 24,440 | 19,501 | 18,573 |
| Financial investments | (9) | 71,629 | 79,117 | 20,990 |
| Loans and advances | 4 | 313,915 | 301,285 | 208,153 |
| Loans and advances to banks | 7 | 47,571 | 44,565 | 31,474 |
| Loans and advances to customers | 4 | 266,344 | 256,720 | 176,679 |
| Deferred tax assets | 91 | 5,169 | 2,700 | 1,689 |
| Other assets | >100 | 19,378 | 9,385 | 17,475 |
| Intangible assets | (100) | - | 5,033 | 4,477 |
| Property and equipment | (1) | 23,989 | 24,272 | 25,336 |
| **Total assets** | 20 | 650,470 | 540,922 | 377,890 |
| | | | | |
| **Equity and liabilities** | | | | |
| Equity | (8) | 64,188 | 69,724 | 77,428 |
| Equity attributable to ordinary shareholders | (8) | 64,188 | 69,724 | 77,428 |
| Ordinary share capital | (80) | 1,875 | 9,375 | 9,375 |
| Ordinary share premium | (11) | 42,469 | 47,469 | 47,469 |
| Reserves | 54 | 19,844 | 12,880 | 20,584 |
| | | | | |
| Liabilities | 24 | 586,282 | 471,198 | 300,462 |
| Derivative liabilities | 3 | 772 | 749 | - |
| Trading liabilities | 40 | 88,371 | 63,173 | 50,116 |
| Deposit and current accounts | 27 | 386,135 | 303,365 | 194,968 |
| Deposits from banks | >100 | 26,632 | 12,545 | 7,002 |
| Deposits from customers | 24 | 359,503 | 290,820 | 187,966 |
| Other borrowings | 40 | 66,873 | 47,618 | 18,272 |
| Current tax liabilities | (41) | 1,577 | 2,670 | 716 |
| Deferred tax liabilities | 0 | - | - | - |
| Other liabilities | (21) | 42,554 | 53,623 | 36,390 |
| | | | | |
| **Total equity and liabilities** | 20 | 650,470 | 540,922 | 377,890 |

# Statement of changes in equity – Group

| | Ordinary share capital ₦million | Share premium ₦million | Merger reserve ₦million | Statutory credit risk reserve ₦million | Available-for-sale revaluation reserve ₦million | Share-based payment reserve ₦million | Other regulatory reserves ₦million | Retained earnings ₦million | Ordinary shareholders' equity ₦million | Non-controlling interest ₦million | Total equity ₦million |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2011** | 9,375 | 65,450 | (19,123) | 527 | 107 | 166 | 14,055 | 15,045 | 85,602 | 1,376 | 86,978 |
| Total comprehensive (loss)/income for the year | - | - | - | - | (4,089) | - | 1,022 | 4,645 | 1,578 | 976 | 2,554 |
| **Profit for the year** | - | - | - | - | - | - | 1,022 | 4,645 | 5,667 | 976 | 6,643 |
| Other comprehensive (loss)/income after tax for the year | - | - | - | - | (4,089) | - | - | - | (4,089) | - | (4,089) |
| Net change in fair value on available-for-sale financial assets | - | - | - | - | (3,987) | - | - | - | (3,987) | - | (3,987) |
| Realised fair value adjustments on available-for-sale financial assets | - | - | - | - | (48) | - | - | - | (48) | - | (48) |
| Income tax on other comprehensive income | - | - | - | - | (54) | - | - | - | (54) | - | (54) |
| Equity-settled share-based payment transactions | - | - | - | - | - | 129 | - | (129) | - | - | - |
| Statutory credit risk reserve | - | - | - | (527) | - | - | - | 527 | - | - | - |
| Transactions with shareholders, recorded directly in equity | - | - | - | - | - | - | - | (7,313) | (7,313) | (441) | (7,754) |
| Dividends paid to equity holders | - | - | - | - | - | - | - | (7,313) | (7,313) | (441) | (7,754) |
| **Balance at 31 December 2011** | 9,375 | 65,450 | (19,123) | - | (3,982) | 295 | 15,077 | 12,775 | 79,867 | 1,911 | 81,778 |
| **Balance at 1 January 2012** | **9,375** | **65,450** | **(19,123)** | **-** | **(3,982)** | **295** | **15,077** | **12,775** | **79,867** | **1,911** | **81,778** |
| Total comprehensive income/(loss) for the year | **-** | **-** | **-** | **-** | **3,914** | **-** | **1 343** | **7,525** | **12,782** | **1,255** | **14,037** |
| **Profit for the period** | - | - | - | - | - | - | 1,343 | 7,525 | 8,868 | 1,289 | 10,157 |
| Other comprehensive income/(loss) after tax for the year | - | - | - | - | 3,914 | - | - | - | 3,914 | (34) | 3,880 |
| Net change in fair value on available-for-sale financial assets | - | - | - | - | 3,645 | - | - | - | 3,645 | (34) | 3,611 |
| Realised fair value adjustments on available-for-sale financial assets | - | - | - | - | 269 | - | - | - | 269 | - | 269 |
| Others | - | - | - | - | - | - | - | - | - | - | - |
| Transfer of non-banking subsidiaries | - | - | - | - | - | - | - | - | - | - | - |
| Transactions with shareholders, recorded directly in equity | (4,375) | - | - | - | - | 67 | - | (5,000) | (9,308) | (856) | (10,164) |
| Equity-settled share-based payment transactions | - | - | - | - | - | 67 | - | - | 67 | - | 67 |
| Shares cancelled on holding company restructuring | (7,500) | - | - | - | - | - | - | - | (7,500) | - | (7,500) |
| Issue of shares on holding company restructuring | 3,125 | - | - | - | - | - | - | (3,125) | - | - | - |
| Dividends paid to equity holders | - | - | - | - | - | - | - | (1,875) | (1,875) | (856) | (2,731) |
| **Balance at 31 December 2012** | **5,000** | **65,450** | **(19,123)** | **-** | **(68)** | **362** | **16,420** | **15,300** | **83,341** | **2,310** | **85,651** |

# Statement of changes in equity – Bank

| | Ordinary share capital ₦million | Share premium ₦million | Statutory credit risk reserve ₦million | Available-for-sale revaluation reserve ₦million | Share-based payment reserve ₦million | SMIEIS reserves ₦million | Statutory reserves ₦million | Retained earnings ₦million | Ordinary shareholders' equity ₦million |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2011** | 9,375 | 47,469 | 527 | (38) | 166 | 1,039 | 12,246 | 6,644 | 77,428 |
| Total comprehensive (loss)/income for the year | - | - | - | (3,563) | - | - | 607 | 2,625 | (331) |
| **Profit for the year** | - | - | - | - | - | - | 607 | 2,625 | 3,232 |
| Other comprehensive (loss)/income after tax for the year | - | - | - | (3,563) | - | - | - | - | (3,563) |
| Net change in fair value on available-for-sale financial assets | - | - | - | (3,611) | - | - | - | - | (3,611) |
| Realised fair value adjustments on available-for-sale financial assets | - | - | - | 48 | - | - | - | - | 48 |
| Statutory credit risk reserve | - | - | (527) | - | - | - | - | 527 | - |
| Transactions with shareholders, recorded directly in equity | - | - | - | - | 129 | - | - | (7,502) | (7,373) |
| Equity-settled share-based payment transactions | - | - | - | - | 129 | - | - | (129) | - |
| Transfer of investment in non-banking subsidiaries | - | - | - | - | - | - | - | (60) | (60) |
| Dividends paid to equity holders | - | - | - | - | - | - | - | (7,313) | (7,313) |
| **Balance at 31 December 2011** | 9,375 | 47,469 | - | (3,601) | 295 | 1,039 | 12,853 | 2,294 | 69,724 |
| **Balance at 1 January 2012** | **9,375** | **47,469** | **-** | **(3,601)** | **295** | **1,039** | **12,853** | **2,294** | **69,724** |
| Total comprehensive income/(loss) for the year | **-** | **-** | **-** | **3,472** | **-** | **-** | **795** | **4,505** | **8,772** |
| **Profit for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **795** | **4,505** | **5,300** |
| Other comprehensive income/(loss) after tax for the year | **-** | **-** | **-** | **3,472** | **-** | **-** | **-** | **-** | **3,472** |
| Net change in fair value on available-for-sale financial assets | **-** | **-** | **-** | **3,203** | **-** | **-** | **-** | **-** | **3,203** |
| Realised fair value adjustments on available-for-sale financial assets | **-** | **-** | **-** | **269** | **-** | **-** | **-** | **-** | **269** |
| Others | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Statutory credit risk reserve | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Transactions with shareholders, recorded directly in equity | **(7,500)** | **(5,000)** | **-** | **-** | **67** | **-** | **-** | **(1,875)** | **(14 308)** |
| Equity-settled share-based payment transactions | **-** | **-** | **-** | **-** | **67** | **-** | **-** | **-** | **67** |
| Shares cancelled on holding company restructuring | **(7,500)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(7,500)** |
| Transfer to Holding Company as part of scheme of arrangement. | **-** | **(5,000)** | **-** | **-** | **-** | **-** | **-** | **-** | **(5,000)** |
| Dividends paid to equity holders | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,875)** | **(1,875)** |
| **Balance at 31 December 2012** | **1,875** | **42,469** | **-** | **(129)** | **362** | **1,039** | **13,648** | **4,924** | **64,188** |

# Statement of cash flow – Group

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Net cash flows from operating activities** | (56) | **28,923** | 65,750 |
| Cash flows used in operations | (>100) | **(244)** | 41,413 |
| Net income before indirect taxes | 16 | **11,726** | 10,106 |
| Adjusted for: | 12 | **(23,657)** | (21,151) |
| Amortisation of intangible assets | (100) | **-** | 72 |
| Credit impairment charges on loans and advances | >100 | **6,895** | 3,349 |
| Depreciation of property and equipment | (0) | **3,410** | 3,428 |
| Dividends included in trading revenue and investment income | (50) | **(112)** | (226) |
| Equity-settled share-based payments | (53) | **67** | 142 |
| Indirect taxation | >100 | **(314)** | (130) |
| Interest expense | >100 | **24,264** | 7,786 |
| Interest income | 63 | **(57,818)** | (35,428) |
| Loss/(profit) on sale of property and equipment | (66) | **(49)** | (144) |
| Increase in income-earning assets | (1) | **(88,203)** | (89,219) |
| Increase in deposits and other liabilities | (29) | **99,890** | 141,677 |
| Dividends received | (50) | **112** | 226 |
| Interest paid | >100 | **(24,264)** | (7,786) |
| Interest received | 63 | **57,818** | 35,428 |
| Direct taxation paid | 27 | **(4,499)** | (3,531) |
| **Net cash flows used in investing activities** | (>100) | **8,941** | (67,527) |
| Capital expenditure on: | | | |
| Property | (87) | **(89)** | (667) |
| Equipment, furniture and vehicles | (34) | **(2,091)** | (3,175) |
| Intangible assets | (95) | **(30)** | (612) |
| Proceeds from sale of property, equipment, furniture and vehicles | (33) | **657** | 980 |
| Proceeds from sale of intangible assets | 100 | **3,494** | - |
| Investment in financial investment securities | - | **7,000** | (64,053) |
| Investment in new subsdiary – Stanbic IBTC Capital Limited | - | **-** | - |
| **Net cash flows used in financing activities** | (58) | **9,024** | 21 682 |
| Net increase/(decrease) in other borrowings | (35) | **19,255** | 29,436 |
| Inflow received from Stanbic IBTC Bank PLC | - | **-** | - |
| Special dividend paid on share cancellation | | **(7,500)** | - |
| Net dividends paid | (65) | **(2,731)** | (7,754) |
| Effect of exchange rate changes on cash and cash equivalents | (>100) | **(29)** | 121 |
| Net increase in cash and cash equivalents | >100 | **46,859** | 20,026 |
| Cash and cash equivalents at beginning of the year | >100 | **30,074** | 10,048 |
| **Cash and cash equivalents at end of the year** | >100 | **76,933** | 30,074 |

# Statement of cash flow – Bank

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Net cash flows from operating activities** | (54) | **28,824** | 62,596 |
| Cash flows used in operations | (>100) | **(2,780)** | 36,230 |
| Net income before indirect taxes | (18) | **3,952** | 4,829 |
| Adjusted for: | 9 | **(23,760)** | (21,853) |
| Amortisation of intangible assets | (100) | **-** | 50 |
| Credit impairment charges on loans and advances | >100 | **6,895** | 3,349 |
| Depreciation of property and equipment | 0 | **3,231** | 3,222 |
| Dividends included in trading revenue and investment income | 43 | **(2,114)** | (1,474) |
| Equity-settled share-based payments | (48) | **67** | 129 |
| Indirect taxation | (28) | **(188)** | (260) |
| Interest expense | >100 | **24,818** | 7,791 |
| Interest income | 63 | **(56,421)** | (34,523) |
| Loss/(profit) on sale of property and equipment | (65) | **(48)** | (137) |
| Increase in income-earning assets | (6) | **(79,987)** | (85,463) |
| Increase in deposits and other liabilities | (30) | **97,015** | 138,717 |
| Dividends received | (43) | **2,114** | 1,474 |
| Interest paid | >100 | **(24,818)** | (7,791) |
| Interest received | 63 | **56,421** | 34,523 |
| Direct taxation paid | 15 | **(2,113)** | (1,840) |
| **Net cash flows used in investing activities** | (>100) | **13,093** | (64,816) |
| Capital expenditure on: | | | |
| Property | (87) | **(90)** | (667) |
| Equipment, furniture and vehicles | (37) | **(1,735)** | (2,736) |
| Intangible assets | (95) | **(30)** | (612) |
| Proceeds from sale of property, equipment, furniture and vehicles | (48) | **494** | 949 |
| Financial investments | (>100) | **10,960** | (61,690) |
| Proceeds from sale of intangible assets | >100 | **3,494** | - |
| Increase in investment in existing subsidiary | (100) | **-** | (60) |
| **Net cash flows used in financing activities** | (78) | **4,880** | 22,123 |
| Net increase/(decrease) in other borrowings | (35) | **19,255** | 29,436 |
| Special dividend paid on share cancellation | | **(7,500)** | - |
| Cash transferred to new holding company | | **(5,000)** | - |
| Net dividends paid | (74) | **(1,875)** | (7,313) |
| Effect of exchange rate changes on cash and cash equivalents | (>100) | **(29)** | 121 |
| Net increase in cash and cash equivalents | >100 | **46,768** | 20,024 |
| Cash and cash equivalents at beginning of the year | >100 | **30,072** | 10,048 |
| **Cash and cash equivalents at end of the year** | >100 | **76,840** | 30,072 |

# Reconciliation of comprehensive income

## for the year ended 31 December 2011 – Group

| | Previous GAAP ₦million | Effect of transition to IFRSs ₦million | IFRSs ₦million |
|---|---|---|---|
| **Income from banking activities** | | | |
| Net interest income | 29,764 | (2,122) | 27,642 |
| Interest income | 40,343 | (4,915) | 35,428 |
| Interest expense | (10,579) | 2,793 | (7,786) |
| Non-interest revenue | 26,741 | 864 | 27,605 |
| Net fee and commission revenue | 20,709 | (2,321) | 18,388 |
| Trading revenue | 5,660 | 3,185 | 8,845 |
| Other revenue | 372 | - | 372 |
| **Total income** | 56,505 | (1,258) | 55,247 |
| Credit impairment charges | (4,705) | 1,356 | (3,349) |
| Provision for credit losses | (3,571) | 222 | (3,349) |
| Diminution in other assets value | (1,134) | 1,134 | - |
| **Income after credit impairment charges** | 51,800 | 98 | 51,898 |
| Operating expenses | (40,557) | (1,235) | (41,792) |
| Staff costs | (16,570) | (1,270) | (17,840) |
| Other operating expenses | (23,987) | 35 | (23,952) |
| **Net income before taxation** | 11,243 | (1,137) | 10,106 |
| Taxation | (3,803) | 340 | (3,463) |
| **Profit after taxation** | 7,440 | (797) | 6,643 |
| **Profit for the year** | 7,440 | (797) | 6,643 |
| Other comprehensive income | | | |
| Total other comprehensive income of the period | - | (3,903) | (3,903) |
| Net change in fair value of available-for-sale financial assets | - | (3,801) | (3,801) |
| Realised fair value adjustments on available-for-sale financial assets transferred to profit or loss | - | (48) | (48) |
| Income tax on other comprehensive income | - | (54) | (54) |
| **Total comprehensive income for the year** | 7,440 | (4,700) | 2,740 |



# Reconciliation of comprehensive income

## for the year ended 31 December 2011 – Bank

| | Previous GAAP ₦million | Effect of transition to IFRSs ₦million | IFRSs ₦million |
|---|---|---|---|
| **Income from banking activities** | | | |
| Net interest income | 28,855 | (2,123) | 26,732 |
| Interest income | 39,458 | (4,935) | 34,523 |
| Interest expense | (10,603) | 2,812 | (7,791) |
| Non-interest revenue | 17,873 | 859 | 18,732 |
| Net fee and commission revenue | 10,706 | (2,326) | 8,380 |
| Trading revenue | 5,660 | 3,185 | 8,845 |
| Other revenue | 1,507 | - | 1,507 |
| **Total income** | 46,728 | (1,264) | 45,464 |
| Credit impairment charges | (4,705) | 1,356 | (3,349) |
| Provision for credit losses | (3,571) | 222 | (3,349) |
| Diminution in other assets value | (1,134) | 1,134 | - |
| **Income after credit impairment charges** | 42,023 | 92 | 42,115 |
| Operating expenses | (36,029) | (1,257) | (37,286) |
| Staff costs | (14,613) | (1,196) | (15,809) |
| Other operating expenses | (21,416) | (61) | (21,477) |
| **Net income before taxation** | 5,994 | (1,165) | 4,829 |
| Taxation | (1,946) | 349 | (1,597) |
| **Profit after taxation** | 4,048 | (816) | 3,232 |
| **Profit for the year** | 4,048 | (816) | 3,232 |
| Other comprehensive income | | | |
| Total other comprehensive income of the period | - | (3,563) | (3,563) |
| Net change in fair value of available-for-sale financial assets | - | (3,481) | (3,481) |
| Realised fair value adjustments on available-for-sale financial assets transferred to profit or loss | - | (48) | (48) |
| Income tax on other comprehensive income | - | (34) | (34) |
| **Total comprehensive income for the year** | 4,048 | (4,379) | (331) |

# Reconciliation of equity – Group

| | 1 Jan 11 | | | 31 Dec 11 | | |
|---|---|---|---|---|---|---|
| | Previous GAAP ₦million | Effect of transition to IFRSs ₦million | IFRSs ₦million | Previous GAAP ₦million | Effect of transition to IFRSs ₦million | IFRSs ₦million |
| **Assets** | | | | | | |
| Cash and balances with central banks | 10,048 | - | 10,048 | 30,074 | - | 30,074 |
| Derivative assets | - | 263 | 263 | - | 3,081 | 3,081 |
| Trading assets | - | 70,886 | 70,886 | - | 66,476 | 66,476 |
| Pledged assets | - | 18,573 | 18,573 | - | 19,501 | 19,501 |
| Financial investments | 60,013 | (30,810) | 29,203 | 131,195 | (42,318) | 88,877 |
| Loans and advances | 266,113 | (56,143) | 209,970 | 332,867 | (30,096) | 302,771 |
| Loans and advances to banks | 88,659 | (55,368) | 33,291 | 77,282 | (31,231) | 46,051 |
| Loans and advances to customers | 177,454 | (775) | 176,679 | 255,585 | 1,135 | 256,720 |
| Current and deferred tax assets | 939 | 757 | 1,696 | 1,566 | 1,102 | 2,668 |
| Other assets | 16,176 | 199 | 16,375 | 27,647 | (16,348) | 11,299 |
| Intangible assets | - | 4,559 | 4,559 | 5,036 | - | 5,036 |
| Property and equipment | 31,252 | (5,607) | 25,645 | 25,839 | (1,115) | 24,724 |
| **Total assets** | 384,541 | 2,677 | 387,218 | 554,224 | 283 | 554,507 |
| **Equity and liabilities** | | | | | | |
| Equity | 85,126 | 1,852 | 86,978 | 84,719 | (2,941) | 81,778 |
| Equity attributable to ordinary shareholders | 83,750 | 1,852 | 85,602 | 82,806 | (2,939) | 79,867 |
| Ordinary share capital | 9,375 | - | 9,375 | 9,375 | - | 9,375 |
| Ordinary share premium | 74,375 | 1,852 | 76,227 | 73,431 | (2,939) | 70,492 |
| Non-controlling interest | 1,376 | - | 1,376 | 1,913 | (2) | 1,911 |
| Liabilities | 299,415 | 825 | 300,240 | 469,505 | 3,224 | 472,729 |
| Derivative liabilities | - | - | - | - | 749 | 749 |
| Trading liabilities | - | 50,116 | 50,116 | - | 63,173 | 63,173 |
| Deposit and current accounts | 242,618 | (50,268) | 192,350 | 360,914 | (61,127) | 299,787 |
| Deposits from banks | 56,152 | (49,920) | 6,232 | 68,541 | (55,996) | 12,545 |
| Deposits from customers | 186,466 | (348) | 186,118 | 292,373 | (5,131) | 287,242 |
| Current and deferred tax liabilities | 4,305 | 398 | 4,703 | 5,039 | 148 | 5,187 |
| Other liabilities | 52,492 | 579 | 53,071 | 103,552 | 281 | 103,833 |
| **Total equity and liabilities** | 384,541 | 2,677 | 387,218 | 554,224 | 283 | 554,507 |

# Reconciliation of equity – Bank

| | 1 Jan 11 | | | 31 Dec 11 | | |
|---|---|---|---|---|---|---|
| | Previous GAAP ₦million | Effect of transition to IFRSs ₦million | IFRSs ₦million | Previous GAAP ₦million | Effect of transition to IFRSs ₦million | IFRSs ₦million |
| **Assets** | | | | | | |
| Cash and balances with central banks | 10,048 | - | 10,048 | 30,072 | - | 30,072 |
| Derivative assets | - | 263 | 263 | - | 3,081 | 3,081 |
| Trading assets | - | 70,886 | 70,886 | - | 66,476 | 66,476 |
| Pledged assets | - | 18,573 | 18,573 | - | 19,501 | 19,501 |
| Financial investments | 50,117 | (29,127) | 20,990 | 121,088 | (41,971) | 79,117 |
| Loans and advances | 265,144 | (56,991) | 208,153 | 331,381 | (30,096) | 301,285 |
| Loans and advances to banks | 87,439 | (55,965) | 31,474 | 75,796 | (31,231) | 44,565 |
| Loans and advances to customers | 177,705 | (1,026) | 176,679 | 255,585 | 1,135 | 256,720 |
| Current and deferred tax assets | 939 | 750 | 1,689 | 1,566 | 1,134 | 2,700 |
| Other assets | 13,683 | 3,792 | 17,475 | 25,915 | (16,530) | 9,385 |
| Intangible assets | 4,477 | - | 4,477 | 5,033 | - | 5,033 |
| Property and equipment | 26,280 | (944) | 25,336 | 25,233 | (961) | 24,272 |
| **Total assets** | 370,688 | 7,202 | 377,890 | 540,288 | 634 | 540,922 |
| **Equity and liabilities** | | | | | | |
| Equity | 75,635 | 1,793 | 77,428 | 72,311 | (2,587) | 69,724 |
| Equity attributable to ordinary shareholders | 75,635 | 1,793 | 77,428 | 72,311 | (2,587) | 69,724 |
| Ordinary share capital | 9,375 | - | 9,375 | 9,375 | - | 9,375 |
| Ordinary share premium | 47,469 | - | 47,469 | 47,469 | - | 47,469 |
| Reserves | 18,791 | 1,793 | 20,584 | 15,467 | (2,587) | 12,880 |
| Non-controlling interest | - | - | - | - | - | - |
| Liabilities | 295,053 | 5,409 | 300,462 | 467,977 | 3,221 | 471,198 |
| Derivative liabilities | - | - | - | - | 749 | 749 |
| Trading liabilities | - | 50,116 | 50,116 | - | 63,173 | 63,173 |
| Deposit and current accounts | 243,747 | (48,779) | 194,968 | 364,447 | (13,464) | 350,983 |
| Deposits from banks | 56,152 | (49,150) | 7,002 | 68,542 | (8,379) | 60,163 |
| Deposits from customers | 187,595 | 371 | 187,966 | 295,905 | (5,085) | 290,820 |
| Current and deferred tax liabilities | 2,051 | (1,335) | 716 | 2,524 | 146 | 2,670 |
| Other liabilities | 49,255 | 5,407 | 54,662 | 101,006 | (47,383) | 53,623 |
| **Total equity and liabilities** | 370,688 | 7,202 | 377,890 | 540,288 | 634 | 540,922 |

# Group entity's financial statements

| | Stanbic IBTC Holdings PLC Company ₦million | Stanbic IBTC Bank PLC ₦million | Stanbic IBTC Capital Ltd ₦million | Stanbic IBTC Pension Mgr Ltd ₦million | Stanbic IBTC Asset Mgt Ltd ₦million | Stanbic IBTC Ventures Ltd ₦million | Stanbic IBTC Trustees Ltd ₦million | Stanbic IBTC Stockbroking Ltd ₦million | Consolidations/ Eliminations ₦million | Stanbic IBTC Holdings PLC Group ₦million |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | | | | |
| Net interest income | - | 31,603 | - | 1,246 | 421 | 27 | 16 | 241 | - | 33,554 |
| Non interest revenue | 1,250 | 21,125 | 1,675 | 10,501 | 1,764 | 77 | 102 | 1,227 | (3,865) | 33,856 |
| **Total income** | 1,250 | 52,728 | 1,675 | 11,747 | 2,185 | 104 | 118 | 1,468 | (3,865) | 67,410 |
| Staff costs | (21) | (17,164) | (100) | (1,899) | (527) | - | (51) | (191) | - | (19,953) |
| Operating expenses | (51) | (24,717) | (170) | (3,299) | (357) | (15) | (14) | (213) | - | (28,836) |
| Credit impairment charges | - | (6,895) | - | - | - | - | - | - | - | (6,895) |
| **Total expenses** | (72) | (48,776) | (270) | (5,198) | (884) | (15) | (65) | (404) | - | (55,684) |
| **Profit before tax** | 1,178 | 3,952 | 1,405 | 6,549 | 1,301 | 89 | 53 | 1,064 | (3,865) | 11,726 |
| Tax | (125) | 1,348 | (474) | (1,919) | 30 | (9) | (7) | (282) | (131) | (1,569) |
| **Profit for the period** | 1,053 | 5,300 | 931 | 4,630 | 1,331 | 80 | 46 | 782 | (3,996) | 10,157 |
| **Balance sheet** | | | | | | | | | | |
| Total assets | 72,508 | 650,470 | 4,908 | 13,335 | 4,066 | 1,902 | 203 | 3,805 | (74,378) | 676,819 |
| Total liabilities | 1,004 | 586,282 | 477 | 5,474 | 966 | 169 | 86 | 2,443 | (5,733) | 591,168 |
| Equity and reserves | 71,504 | 64,188 | 4,431 | 7,861 | 3,100 | 1,733 | 117 | 1,362 | (68,645) | 85,651 |
| Return on equity (%) | 1.5 | 8.3 | 21.0 | 58.9 | 42.9 | 4.6 | 39.3 | 57.4 | - | 10.9 |
| Return on assets (%) | 1.5 | 0.8 | 19.0 | 34.7 | 32.7 | 4.2 | 22.7 | 20.6 | - | 1.6 |
| Cost-to-income ratio (%) | - | 79.4 | 16.1 | 44.2 | 40.5 | 14.4 | 55.1 | 27.5 | - | 72.4 |

## Segmental reporting


| | | | |
|---|---|---|---|
| Segmental structure for key business units | 31 | Corporate and Investment Banking | 40 |
| Summarised segmental income statement | 33 | Wealth | 46 |
| Personal and Business Banking | 34 | | |






# Segmental structure for key business units

## Stanbic IBTC Group

### Personal and Business Banking

Banking and other financial services to individual customers and small-to-medium-sized enterprises.

**What we offer:**

**Mortgage lending**
- Residential accomodation loans to mainly personal market customers

**Instalmental sale and finance leases**
- Finance of vehicles for personal market customers
- Finance of vehicles and equipment in the business market

**Card products**
- Credit card facilities to individuals and businesses (Credit card issuing)
- Merchant transaction acquring services (card acquiring)

**Transactional products**
- Comprehensive suite of transactional, savings and investment products. This includes deposit taking activities, electronic banking and debit card facilities.

**Lending products**
- Lending products offered to both personal and business markets

**Bancassurance**
- Short to long term insurance products to clients, through third parties, and financial planning services to clients

### Corporate and Investment Banking

Corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties.

**What we offer:**

**Global markets**
- Fixed income and currencies
- Commodities
- Equities

**Investment banking**
- Advisory
- Debt products
- Structured finance
- Equity capital markets
- Debt capital markets
- Structured trade and equity finance

**Transactional products and services**
- Investor services
- Transactional banking
- Trade finance

**Real estate and principal investment management**
- Real estate finance
- Investment in real estate
- Principal investment management

**Coverage and distribution**
- Client facing sales activities within CIB division

### Wealth

Investment management in form of non-pension asset management, pension asset management and trusteeship and estate management

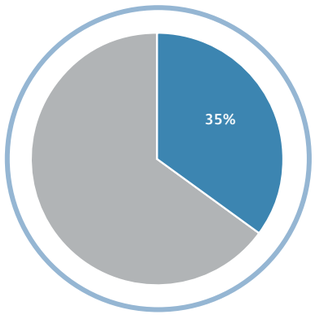
**What we offer:**

**Pension fund administration**

**Asset management**

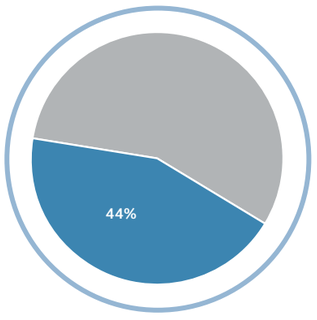
**Trustee services**

## Personal and Business Banking
% of group total income



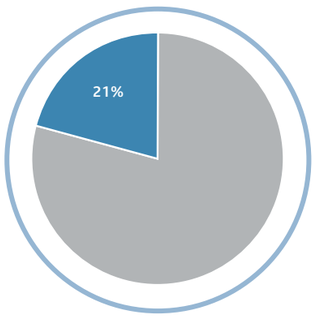

| | 2012 | 2011 |
|---|---|---|
| Total income | **₦23.5 billion** | ₦15.9 billion |
| Total income | **increase 48%** | increase 35% |
| Total income contribution (%) | **34.9** | 28.9 |
| Cost-to-income ratio (%) | **107.1** | 143.2 |
| Net interest margin (%) | **7.1** | 7.6 |
| Net loans and advances growth (%) | **9.5** | 69.0 |
| Deposit growth (%) | **47.5** | 35.0 |

## Corporate and Investment Banking
% of group total income




| | 2012 | 2011 |
|---|---|---|
| Total income | **₦29.8 billion** | ₦29.3 billion |
| Total income | **increase 2%** | decrease 1% |
| Total income contribution (%) | **44.3** | 53.0 |
| Cost-to-income ratio (%) | **57.0** | 49.9 |
| Net interest margin (%) | **3.4** | 3.8 |
| Net loans and advances growth (%) | **0.7** | 33.0 |
| Deposit growth (%) | **8.7** | 74.0 |

## Wealth
% of group total income




| | 2012 | 2011 |
|---|---|---|
| Total income | **₦14.1 billion** | ₦10.2 billion |
| Total income | **increase 40%** | increase 16% |
| Total income contribution (%) | **20.8** | 18.1 |
| Cost-to-income ratio (%) | **46.8** | 43.3 |
| Retirement savings account growth (%) | **12.3** | 13.0 |
| Assets under management growth (%) | **41.6** | 21.0 |

# Summarised segmental income statement

| | Personal and Business Banking | | | Corporate and Investment Banking | | | Wealth | | |
|---|---|---|---|---|---|---|---|---|---|
| | Change % | **₦million** | ₦million | Change % | **₦million** | ₦million | Change % | **₦million** | ₦million |
| **Gross income** | 65 | **29,257** | 17,734 | 36 | **48,551** | 35,617 | 40 | **14,052** | 10,026 |
| Interest income | 67 | **24,030** | 14,358 | 58 | **32,104** | 20,264 | >100 | **1,684** | 806 |
| Interest expense | >100 | **(5,656)** | (1,794) | >100 | **(18,608)** | (5,992) | - | **-** | - |
| Net interest income | 46 | **18,374** | 12,564 | (5) | **13,496** | 14,272 | >100 | **1,684** | 806 |
| Non-interest revenue | 53 | **5,154** | 3,376 | 9 | **16,334** | 15,009 | 34 | **12,368** | 9,220 |
| Net fee and commission revenue | 53 | **5,141** | 3,362 | 38 | **8,083** | 5,846 | 34 | **12,344** | 9,180 |
| Trading revenue | - | **-** | - | (9) | **8,091** | 8,845 | - | **-** | - |
| Other revenue | (8) | **13** | 14 | (50) | **160** | 318 | (40) | **24** | 40 |
| **Total income** | 48 | **23,528** | 15,940 | 2 | **29,830** | 29,281 | 40 | **14,052** | 10,026 |
| Credit impairment charges | 22 | **(3,566)** | (2,930) | >100 | **(3,329)** | (419) | - | **-** | - |
| **Total income after impairment charges** | 53 | **19,962** | 13,010 | (8) | **26,501** | 28,862 | 40 | **14,052** | 10,026 |
| Operating expenses | 10 | **(25,194)** | (22,831) | 16 | **(17,014)** | (14,615) | 51 | **(6,581)** | (4,346) |
| Staff costs | 9 | **(12,685)** | (11,596) | 6 | **(4,791)** | (4,533) | 45 | **(2,477)** | (1,711) |
| Other operating expenses | 11 | **(12,509)** | (11,235) | 21 | **(12,223)** | (10,082) | 56 | **(4,104)** | (2,635) |
| **Profit before taxation** | 47 | **(5,232)** | (9,821) | (33) | **9,487** | 14,247 | 32 | **7,471** | 5,680 |
| Taxation | (>100) | **2,222** | 2,391 | (54) | **(1,896)** | (4,138) | 10 | **(1,895)** | (1,716) |
| **Profit after taxation** | 59 | **(3,010)** | (7,430) | (25) | **7,591** | 10,109 | 41 | **5,576** | 3,964 |

# Personal and Business Banking (PBB)

Personal and Business Banking (PBB) segment is the retail arm of group's business, which focuses on the commercial and small and medium scale enterprise (SME); high networth individuals (HNIs) and the personal markets segments. It provides financial solutions through products and services across various channels and platforms. With a nationwide network of branches, ATMs and bank agents, PBB is focused on providing appropriate, affordable, convenient and accessible financial solutions to customers, through passionate and customer focused employees nationwide. Products offered include vehicle and asset finance, unsecured and secured personal and business loans, bancassurance, mortgage loans, a range of trade finance products and various current, savings and investment offerings.

PBB is structured along 3 business lines namely; Personal Banking, Business Banking and High NetWorth individuals (HNI). Personal Banking focuses on banking services to individuals through lifecycle management. It provides solutions that meet individual need as these needs change. Business Banking focuses on two segments - small and medium scale enterprises and commercial, providing them business solutions to support their growing business needs, while HNI focuses on offering bespoke services to high networth individuals by handling their wealth portfolio needs both locally and abroad.

## Financial performance

Gross income grew by a significant 65% to ₦29.3 billion from ₦17.7 billion in 2011 driven by growth in interest income and non-interest revenue. Interest income increased by ₦9.6 billion from ₦14.4 billion in 2011 to ₦24.0 billion in 2012, thus representing a 67% growth. Interest income was supported by a growing and better priced loan book. Interest expense, however, grew considerably from ₦1.8 billion in 2011 to ₦5.7 billion in 2012 to mute the strong growth in interest income. The significant growth in interest expense is caused by the high funding cost occasioned by the high interest rate environment. Interest income was more than enough to douse the effect of growth in interest expense, thereby resulting in a 46% increase in net interest income to ₦18.4 billion. Net interest margin (net interest income to total assets) decreased marginally to 7.1% from 7.6% in 2011 as a result of growth in total assets and interest expense.

PBB's non-interest revenue, which comprised principally net fee and commission revenue, benefitted from increased transaction volumes and activities on the back of our enlarged points of representation. Thus, non-interest revenue grew strongly by 53% to ₦5.1 billion. PBB's revenues in 2012 witnessed significant growth as in prior year. Total income grew by ₦7.6 billion in 2012 to close at ₦23.5 billion. This represents an increase of 48% when compared to 2011 results. The growth in total income was tempered by growth in credit impairment charges and operating expenses.

Credit impairment charges increased by 22% to ₦3.6 billion as a result of the business segment's conservative stance to provisioning in the light of the prevailing high interest rate operating condition. Operating expenses grew by 10% on the back of growth in staff cost and other operating expenses. PBB's operating expenses has been growing at a reduced rate when compared to the growth rate in the previous years. This is as a result of slowdown in investment on branch expansion and operating platform. We believe with the existing number of branches, the business segment can compete favourably in the retail market. The effect of increased operating costs and impairment charges resulted in the unit recording a loss before tax of ₦5.2 billion and loss after tax of ₦3 billion. This is an improvement over N9.8 billion loss before tax and ₦7.4 billion loss after tax recorded in 2011. Cost-to-income ratio, although still high, improved from 143% in 2011 to 107%.

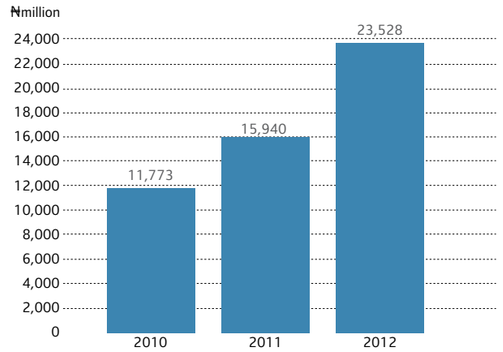
The business segment continued to grow its loan book responsibly despite the testing operating environment. Gross loans and advances grew by 17% to stand at ₦105.1 billion at the end of 2012. The loan book benefitted from growing customer relationships, a function of our enlarged branch network. Asset quality deteriorated during the year 2012 as evidenced by over 100% growth in non-performing loans to ₦8.7 billion (2011: ₦3.0 billion). The deterioration in asset quality is as a result of strain on customers repayment ability due to the high interest rate environment. Instalmental sale and finance lease and term loans accounted for 80% of the business unit's non-performing loan book. The considerable growth in non-performing loans adversely affected the ratio of non-performing loans to total loans which increased to 8.2% from 3.2% recorded in 2011. This is slightly above our 7% internal guidance for retail business. Deposit liabilities also benefitted from enlarged branch network and customer base as it recorded a 48% growth to ₦164.0 billion. Low cost savings and current deposits accounted for 57% of the unit's deposit base in 2012, which was lower than the 64% recorded in 2011.

The business unit received a mobile payment license from the central bank in the last quarter of 2011 and it became the first deposit money bank in Nigeria to partner with all four mobile telephone operators. The unit had over 700,000 clients on its mobile money platform at the end of 2012. This has improved the reach to the un-/under-banked in support of the CBN's financial inclusion goal.

The business unit was ranked third in retail and SME business segments by KPMG Professionals in the 2012 Customer Satisfaction survey.

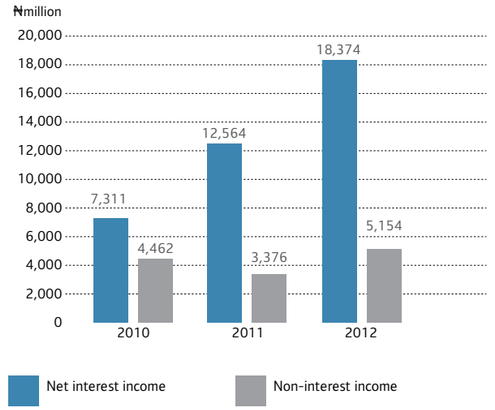
### Total income

*CAGR (2010-2012): 41%*




### Net interest income and net interest revenue

*CAGR (2010-2012): Interest based income: 59%*
*Non-interest based revenue: 7%*




## Performance highlights

| | | Change % | 2012 | 2011 |
|---|---|---|---|---|
| Net interest income | ₦million | 46 | **18,374** | 12,564 |
| Non-interest revenue | ₦million | 53 | **5,154** | 3,376 |
| Credit impairment charges | ₦million | 22 | **(3,566)** | (2,930) |
| Operating expenses | ₦million | 10 | **(25,194)** | (22,831) |
| Profit before tax | ₦million | 47 | **(5,232)** | (9,821) |
| Profit after tax | ₦million | 59 | **(3,010)** | (7,430) |
| | | | | |
| Total assets | ₦million | 56 | **257,191** | 165,186 |
| Gross loans and advances | ₦million | 13 | **105,055** | 93,067 |
| Deposit liabilities | ₦million | 48 | **164,031** | 111,207 |
| | | | | |
| Cost-to-income ratio | % | | **107.1** | 143.2 |
| Net interest margin | % | | **7.1** | 7.6 |
| Non-interest income to total income | % | | **21.9** | 21.2 |
| Credit loss ratio | % | | **3.4** | 3.1 |
| Loan to deposit | % | | **64.0** | 80.6 |
| Non-performing loans to total loans and advances | % | | **8.2** | 3.2 |
| | | | | |
| **Other key business statistics** | | | | |
| | | | | |
| Business infrastructure | | | | |
| Branch network | Number | 4 | **177** | 171 |
| ATMs | Number | 35 | **249** | 185 |

# Personal and Business Banking continued

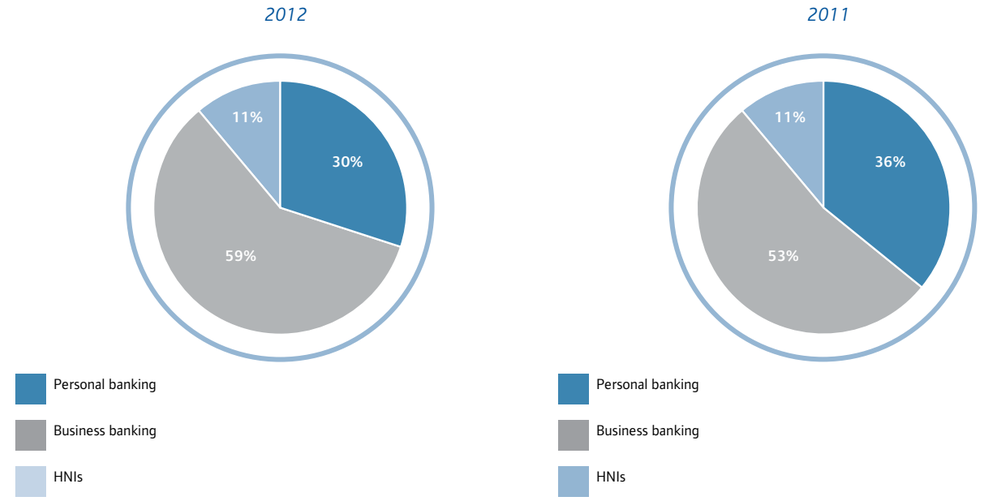
## Quarterly performance highlights

| | | 4Q 2012 | 3Q 2012 | 2Q 2012 | 1Q 2012 |
|---|---|---|---|---|---|
| Net interest income | ₦million | 5,099 | 5,048 | 4,200 | 4,027 |
| Non-interest revenue | ₦million | 1,367 | 1,322 | 1,385 | 1,080 |
| Credit impairment charges | ₦million | (1,215) | (1,009) | (1,160) | (182) |
| Operating expenses | ₦million | (6,365) | (6,597) | (6,621) | (5,611) |
| | | | | | |
| Total assets | ₦million | 257,191 | 178,279 | 163,196 | 175,206 |
| Gross loans and advances | ₦million | 105,055 | 103,080 | 104,776 | 98,660 |
| Deposit liabilities | ₦million | 164,031 | 148,141 | 120,655 | 116,343 |
| | | | | | |
| Cost-to-income ratio | % | 98.4 | 103.6 | 118.5 | 109.9 |
| Non-interest income to total income | % | 21.1 | 20.8 | 24.8 | 21.1 |
| Credit loss ratio | % | 1.2 | 1.0 | 1.1 | 0.2 |
| Loan to deposit | % | 64.0 | 69.6 | 86.8 | 84.8 |
| Non-performing loans to total loans | % | 8.2 | 6.4 | 5.4 | 4.6 |
| **Other key business statistics** | | | | | |
| Business infrastructure | | | | | |
| Branch network | Number | 177 | 175 | 174 | 173 |
| ATMs | Number | 249 | 216 | 201 | 193 |

## Business unit performance

| | | Personal banking | Business banking | HNIs | Total |
|---|---|---|---|---|---|
| Net interest income | ₦million | 4,925 | 11,376 | 2,073 | 18,374 |
| Non-interest revenue | ₦million | 2,193 | 2,433 | 528 | 5,154 |
| Credit impairment charges | ₦million | (845) | (2,711) | (9) | (3,566) |
| Operating expenses | ₦million | (12,687) | (11,178) | (1,329) | (25,194) |
| Profit/(loss) before tax | ₦million | (6,414) | (80) | 1,262 | (5,232) |
| Profit/(loss) after tax | ₦million | (4,879) | 430 | 1,439 | (3,010) |
| | | | | | |
| Total assets | ₦million | 90,017 | 146,599 | 20,575 | 257,191 |
| Gross loans and advances | ₦million | 36,769 | 59,881 | 8,404 | 105,055 |
| Deposit liabilities | ₦million | 52,490 | 83,656 | 27,885 | 164,031 |
| | | | | | |
| Cost-to-income ratio | % | 178.2 | 80.9 | 51.1 | 107.1 |
| Net interest margin | % | 5.5 | 7.8 | 10.1 | 7.1 |
| Non interest income to total income | % | 30.8 | 17.6 | 20.3 | 21.9 |
| Credit loss ratio | % | 2.3 | 4.5 | 0.1 | 3.4 |
| Loan to deposit | % | 70.1 | 71.6 | 30.1 | 64.0 |

## Total income by business unit




## Factors impacting the results

### Favourable

- Strong revenue growth in business banking
- Interest income benefitted from growing loan book at higher pricing.
- Higher non-interest revenue following strong growth in the transactional volumes as well as increased electronic and card based commission revenue.
- Strong growth in customer deposits, driven by both an increase in number of customers and higher average balances per deposit account.
- Growing loan book despite the testing operating environment.

### Adverse

- Increased credit impairment charges due to high interest rate environments with adverse effect on profitability.
- Growth in interest expense as a result of increased contribution of term funding in deposit mix and the monetary policy tightening of the CBN.

# Personal and Business Banking continued

## Loans and advances

| Breakdown of loans and advances to customers | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Gross loans and advances | 13 | **105,055** | 93,067 |
| Mortgage lending | (22) | **10,571** | 13,582 |
| Instalmental sale and finance leases | 18 | **17,080** | 14,443 |
| Overdrafts | 5 | **13,531** | 12,827 |
| Term loans | 22 | **63,873** | 52,215 |
| Provisions | 89 | **(7,544)** | (3,985) |
| Specific credit impairments | > 100 | **(5,561)** | (2,527) |
| Portfolio credit impairments | (18) | **(1,983)** | (1,458) |
| **Net loans and advances** | 9 | **97,511** | 89,082 |

### Breakdown of non-performing loans

| | | | |
|---|---|---|---|
| Overdrafts | > 100 | **647** | 30 |
| Term loans | > 100 | **5,839** | 1,768 |
| Instalmental sale and finance leases | 92 | **1,128** | 587 |
| Home loans | 70 | **1,052** | 619 |
| **Total non-performing loans** | > 100 | **8,666** | 3,004 |

## Mortgage lending

- Reduction in loan book as a result of the high interest rate environment, which affected customer patronage.
- Deterioration in the product asset book as non-performing mortgage loans to total mortgage loans worsened to 10.0% (2011: 4.6%).

## Instalmental sale and finance leases

- Continued market leadership in vehicle and asset finance business in Nigeria as evidenced by "Bank of the Year" award received during the Nigerian Auto Award 2012.
- Continued improvement in vehicle sales especially in the personal segment, which positively impacted interest income.
- Margin compression due to competitive pressure and increased cost of funding.
- Deterioration in asset quality as non-performing VAF loans increased to 6.6% (2011: 1.8%) of total Instalmental sale and finance leases loans.

## Transactional and lending products

- Increased balances in overdrafts and revolving credit facilities primarily due to continued focus on group schemes.
- Increased business term loans especially in the SME business segment driven by higher utilization of working capital facilities.
- Growth in personal transactional volumes and improved business volumes.
- Good margin on term advances as a result of better pricing of risk.
- Increased non-interest revenue driven by growth in the transactional account base.
- Deterioration in asset quality as non-performing loans increased to 8.4% (2011: 2.8%) of total loans.
- Growth in number of ATM and PoS contributed to higher transaction volumes and revenue.
- Higher credit impairment charges largely due to growth in the unsecured lending book and work place banking.

## Deposit liabilities

| Deposits breakdown | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Current deposits | 29 | **76,793** | 59,322 |
| Savings deposits | 23 | **15,116** | 12,315 |
| Call deposits | 57 | **1,799** | 1,146 |
| Term deposits | 83 | **70,323** | 38,424 |
| **Total deposit liabilities** | 48 | **164,031** | 111,207 |

- Higher current and savings deposits driven by growth in number of accounts.
- Stable and lower priced deposits accounted for 57% of total deposits, although lower than the 64% recorded in 2011.
- Continued focus on service excellence and internal efficiencies to attract and retain potential and existing customers.
- Continued to leverage on the investment in operating platform to increase deposit base.
- Aggressive pursuit of mobile money offerings for liabilities and customers.

# Corporate and Investment Banking (CIB)

Corporate and Investment Banking is the wholesale banking arm of the group through which investment, transactional and financing solutions are provided to large local and multinational corporates, institutional and public sector clients in strategic sectors of the economy. The services offered include debt and equity advisory, structured and project finance, trade services, transactional banking and lending, global markets, custody and stockbroking amongst others. The unit is divided into three distinct business sub-units namely; Investment banking, Global markets, and Transactional products and services.

Investment Banking delivers financial advisory, tailored structuring and funding solutions, which include debt and equity capital offerings. The Global Markets team comprises traders, sales managers and analysts of varying specialisation in equities, fixed income, foreign exchange, money market and other hedging requirements. Transactional product and services offers standardised or tailored transactional products and services including cash management, trade finance and custody solutions. A corporate banking team manages the corporate relationships and is the main point of contact with our clients.

## Financial performance

CIB's gross income was up 36% driven by 58% and 9% growth in interest income and non-interest revenue respectively. The significant growth in interest income was occasioned by improved yield in investment securities and the loan book. However, the growth in interest income was dwarfed by a considerable growth in interest expense on the back of high funding cost and a challenging interest rate movement, resulting in margin compression. Interest expense grew from ₦6.0 billion in 2011 to ₦18.6 billion. Consequently, net interest income was adversely impacted and recorded a 5% reduction to ₦13.5 billion. Net interest margin (net interest income to total assets), which measures the quality of spread, was down to 3.4% from 3.8% in 2011. The major challenge facing the business unit is high cost of funding as the deposit base is still skewed towards expensive term funding, a function of the characteristics of the legacy institutions (Stanbic Nigeria Limited and IBTC Chartered Bank), which were primarily merchant and investment banking businesses, from which CIB evolved.

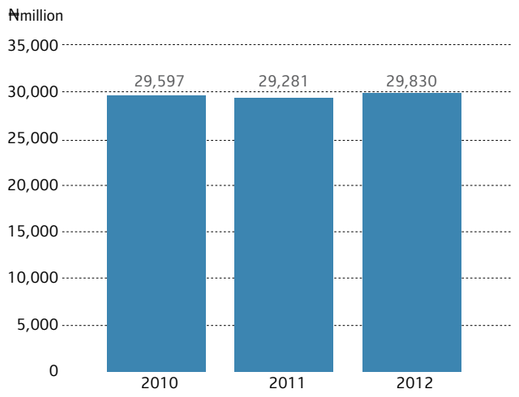
Non-interest revenue grew by 9% to ₦16.3 billion, due to a 38% growth in net fee and commission revenue. Net fee and commission at ₦8.1 billion benefitted from increased transactional volumes in the transactional product and services unit, closure of good advisory mandates in the investment banking unit and the rebound in the capital markets in the second half of the year, which positively affected the revenue of our custody and stockbroking businesses. Non-interest revenue was however, adversely impacted by a reduction in trading revenue and other non-interest revenue. Trading revenue was down 9% occasioned by a 1% and 55% decline in foreign exchange income and credit trading income respectively. The decrease in foreign exchange trading revenue is attributable to the relative stability in the foreign exchange market in 2012 compared to the volatile market of 2011. Overall, total income grew marginally by 2% to close at ₦29.8 billion but was impacted by growth in credit impairment charges and operating expenses. Credit impairments increased significantly to ₦3.3 billion from ₦0.4 billion as a result of higher specific impairment charges involving 3 obligors. Operating expenses grew by 16% on the back of 6% growth in staff costs and 21% growth in other operating expenses. The increase in other operating expenses is attributable to AMCON sinking fund contribution and one–off HoldCo restructuring cost. Cost-to-income ratio was up from 49.9% in 2011 to 57.0%. The effect of the increased credit impairments and operating expenses adversely affected profit before tax which was down by 33% to ₦9.5 billion, while profit after tax declined by 25% to ₦7.6 billion.

CIB's loan book witnessed a 1% increase to close at ₦174.4 billion. The marginal increase in the business segment's loan portfolio is as a result of sell down of large existing performing loans in the third quarter of the year in order to comply with the statutory single obligor limit requirement post HoldCo restructuring. A total of ₦6.0 billion loans were sold in this regard. None of these loans were sold at a loss. In addition, two delinquent loans, amounting to ₦12.3 billion were sold to AMCON in the last quarter of the year. ₦8.9 billion was received for the sale. Adjusting for the sales of the existing large performing exposure and the NPLs, the business unit's loan book would have grown by 11%. Competition for good quality credits from corporate clients remained stiff during the year. CIB's non-performing loans declined by 58% to ₦5.7 billion. Consequently, the ratio of non-performing loans to total loans, declined to 3.3% from 7.8% in 2011. Deposits from customers rose 9% to ₦191.4 billion from ₦176.0 billion in 2011. There was a conscious effort during the year to exit expensive term funding and source lower priced deposits and as expected, the deposit mix improved as the ratio of demand deposits improved to 32% from 24% recorded in 2011. The unit plans to increase the contribution of demand deposits to total deposits to 45% in 2013 as it focuses on transactional banking and public sector funds.

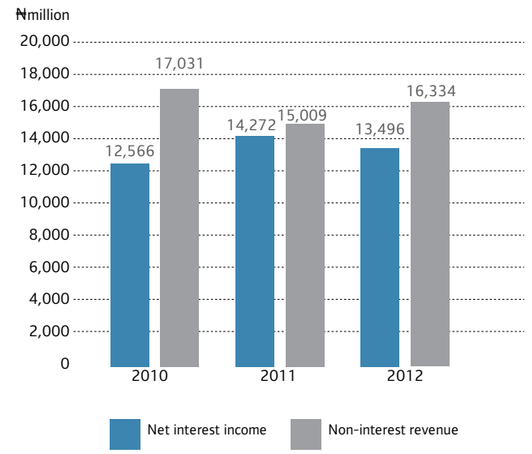
The business unit was ranked 8th in the 2012 KPMG Customer Survey exercise. This was an improvement over the 17th position it ranked in 2011. Some of the awards won in 2012 include:

- Broker Dealing Firm 2012, The Nigerian Stock Exchange.
- Best Broker in Nigeria, EMEA Finance, 2012.
- Best Investment Bank in Nigeria, EMEA Finance Banking Award, 2012.
- Best Bank in Africa, Euromoney Real Estate Award, 2012.
- Best Custodian in Nigeria 2012 by Global Investor for the sixth year running.

### Total income




### Net interest income and non-interest revenue




## Performance highlights

| | | Change % | 2012 | 2011 |
|---|---|---|---|---|
| Net interest income | ₦million | (5) | **13,496** | 14,272 |
| Non-interest revenue | ₦million | 9 | **16,334** | 15,009 |
| Credit impairment charges | ₦million | >100 | **(3,329)** | (419) |
| Operating expenses | ₦million | 16 | **(17,014)** | (14,615) |
| Profit before tax | ₦million | (33) | **9,487** | 14,247 |
| Profit after tax | ₦million | (25) | **7,591** | 10,109 |
| | | | | |
| Total assets | ₦million | 7 | **402,597** | 376,499 |
| Gross loans and advances | ₦million | 1 | **174,418** | 173,015 |
| Deposit liabilities | ₦million | 9 | **191,388** | 176,035 |
| | | | | |
| Cost-to-income ratio | % | | **57.0** | 49.9 |
| Net interest margin | % | | **3.4** | 3.8 |
| Non-interest revenue to total income | % | | **54.8** | 51.3 |
| Credit loss ratio | % | | **1.9** | 0.2 |
| Loans to deposits | % | | **91.1** | 100.3 |
| NPL/total loan ratio | % | | **3.3** | 8.6 |
| | | | | |
| **Other key business statistics** | | | | |
| Investor services | | | | |
| Transaction volumes | Number | >100 | **5,972** | 2,546 |
| Holdings under custody | ₦million | >100 | **2,113,885** | 598,275 |

# Corporate and Investment Banking (CIB) continued

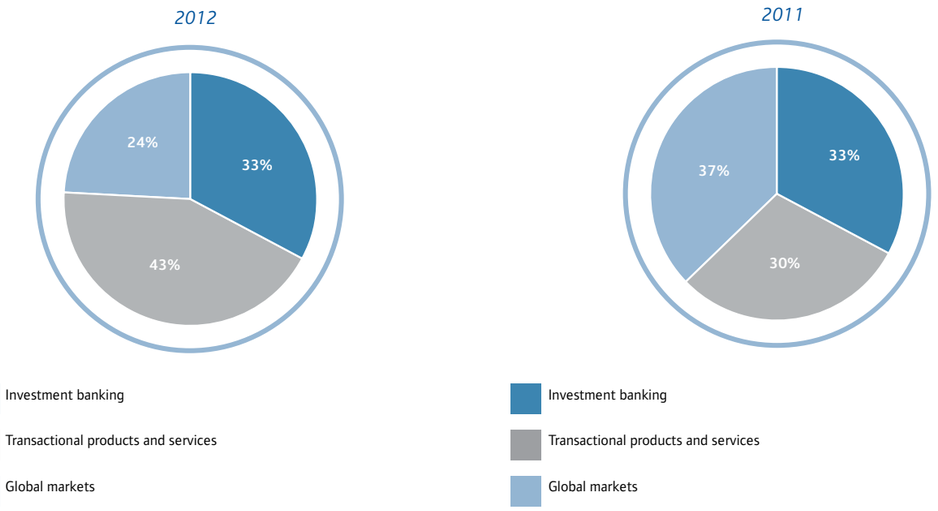
## Quarterly performance highlights

| | | 4Q 2012 | 3Q 2012 | 2Q 2012 | 1Q 2012 |
|---|---|---|---|---|---|
| Net interest income | ₦million | 1,343 | 3,875 | 4,417 | 3,861 |
| Non-interest revenue | ₦million | 7,529 | 3,032 | 2,866 | 2,907 |
| Credit impairment charges | ₦million | (2,605) | (776) | 979 | (927) |
| Operating expenses | ₦million | (3,829) | (4,786) | (4,424) | (3,975) |
| Profit before tax | ₦million | 2,438 | 1,345 | 3,838 | 1,866 |
| | | | | | |
| Total assets | ₦million | 402,597 | 438,948 | 399,614 | 326,795 |
| Gross loans and advances | ₦million | 174,418 | 170,829 | 178,696 | 178,349 |
| Deposit liabilities | ₦million | 191,388 | 157,132 | 125,544 | 154,242 |
| | | | | | |
| Cost-to-income ratio | % | 43.2 | 69.3 | 60.7 | 58.7 |
| Net interest margin | % | 1.3 | 3.5 | 4.4 | 4.7 |
| Non-interest revenue to total income | % | 84.9 | 43.9 | 39.4 | 43.0 |
| Credit loss ratio | % | 1.5 | 0.5 | (0.5) | 0.5 |
| Loans to deposits | % | 91.1 | 108.7 | 142.3 | 115.6 |
| NPL/total loan ratio | % | 3.3 | 11.6 | 10.0 | 7.8 |

## Business unit performance highlights

| | | Global markets | Investment banking | Transactional products and services | Total |
|---|---|---|---|---|---|
| Total income | ₦million | 7,057 | 9,756 | 13,017 | 29,830 |
| Credit impairment charges | ₦million | - | (2,259) | (1,070) | (3,329) |
| Operating expenses | ₦million | (4,991) | (4,240) | (7,783) | (17,014) |
| Profit before tax | ₦million | 2,066 | 3,257 | 4,164 | 9,487 |
| | | | | | |
| Gross loans and advances | ₦million | - | 113,371 | 61,046 | 174,418 |
| Deposit liabilities | ₦million | - | - | 191,388 | 191,388 |
| | | | | | |
| Cost-to-income ratio | % | 70.7 | 43.5 | 59.8 | 57.0 |
| Credit loss ratio | % | - | 2.0 | 1.8 | 1.9 |

## Total income by business segment




## Factors impacting the results

### Favourable

- Strong revenue growth in Transactional products and services business unit.
- High trade and transactional volumes with positive impact on net fee and commission revenue.
- Strong growth in assets under custody, with positive effect on non-interest income.
- Closure of more advisory mandates in investment banking.
- Improved yield on investment securities with positive impact on interest income.
- Bullish trend in capital market in the second half of the year, which affected the revenues of our custody and stock broking businesses positively.
- Strong performance in interest rate and foreign exchange trading.
- Growing deposit balances.
- Resolution of top NPLs improved asset quality.

### Adverse

- Margin compression as cost of funding increased with limited ability to pass on increase due to competitive pressure.
- Large specific credit impairments, with negative impact on profitability.
- Growth in operating expenses.
- Challenging market conditions for trading.
- Deposit base skewed towards expensive term deposits, with the resultant negative effect on net interest income.
- Bearish trend in the capital market in the first half of the year.

# Corporate and Investment Banking (CIB) continued

## Global markets

- Increased interest income occasioned by improved yield in investment securities.
- Higher income from interest rate trading, with positive impact on trading revenue.
- Revenue positively impacted by higher transaction volumes.
- Improved performance of the capital market increased revenue of stock broking business.
- Reduced revenue occasioned by the challenging operating environment on the back of tight margins, subdued trading volumes and increased competition.

## Investment banking

- Good growth in fee and commission revenue on the back of closure of more advisory mandates.
- Reduction in interest income as a result of sale of existing large performing exposures in order to comply with the single obligor limit of post corporate restructuring.
- Large credit impairment charges on portfolio, with negative impact on revenue.

## Transactional products and services

- Increased trade and investor services volumes, with positive impact on revenue.
- Strong revenue growth due to average loan book growth and growth in transaction volumes.
- Small number of large credit impairment provisions following strong loan book.
- Strong deposits and assets growth.
- Improvement in asset quality.
- Reduction in net interest income due to negative endowment effect.

## Loans and advances

| Breakdown of loans and advances to customers | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Gross loans and advances** | 1 | **174,418** | 173,015 |
| Instalmental sales and finance leases | 13 | **12,598** | 11,171 |
| Overdrafts | 3 | **16,085** | 15,668 |
| Term loans | (0) | **145,735** | 146,176 |
| **Credit impairments** | 4 | **(5,585)** | (5,377) |
| Specific credit impairments | 7 | **(3,726)** | (3,497) |
| Portfolio credit impairments | (1) | **(1,859)** | (1,880) |
| **Net loans and advances** | 1 | **168,833** | 167,638 |

| Breakdown of non-performing loans | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Overdrafts | (72) | **141** | 509 |
| Term loans | (63) | **4,514** | 12,206 |
| Instalmental sales and finance leases | 22 | **1,019** | 835 |
| **Total non-performing loans** | (58) | **5,674** | 13,550 |

- Continued competition for good quality credits.
- The growth in overdrafts and instalmental sales and finance leases were offset by the reduction in term loans.
- Significant reduction in non-performing loans driven by sales of eligible risk assets to AMCON.
- Growth in instalmental sale and finance leases non-performing loans due to the high interest rate environment.

## Deposits liabilities

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Current and demand deposits | 48 | **61,731** | 41,847 |
| Call deposits | (26) | **20,377** | 27,401 |
| Term deposits | 2 | **109,280** | 106,787 |
| **Total deposit liabilities** | 9 | **191,388** | 176,035 |

- Growth in deposit liabilities, although still skewed towards expensive term funding.
- Conscious effort to rebalance the deposit book to improve deposit mix and margin.
- Continued high interest rate environment impacted funding cost negatively.
- Continue to focus on gathering lower priced deposits.

# Wealth

Wealth group focuses primarily on pension administration, private non-pension asset management, as well as trusteeship and estate planning business. The pension administration is managed through Stanbic IBTC Pension Managers Limited, while the non-pension asset management is managed by Stanbic IBTC Asset Management Limited and trusteeship and estate management is managed by Stanbic IBTC Trustees Limited.

The wealth business model is primarily focused on assisting clients in investing in a variety of asset classes, including fixed income and equities markets to accumulate and preserve wealth.

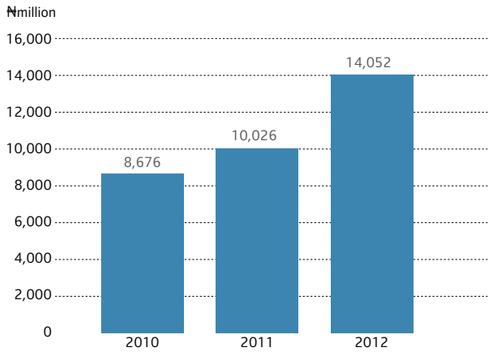
### Financial performance

The wealth group's gross income grew by 40% to ₦14.1 billion, driven by increased income from investment in money market and fee and commission revenue. Interest income grew considerably from ₦0.8 billion in 2011 to ₦1.7 billion. The growth in interest income was supported by the positive yield in money market investment. Non-interest revenue, comprising of fees and commissions and other income, was up 34% to ₦12.4 billion on the back of continued growth in pension clients and related funds under management. Assets under management grew by 42% to stand at ₦990.9 billion, from ₦699.8 billion achieved 2011, while the number of Retirement Savings Accounts (RSA) increased by 12% to 1,054,525, crossing the 1,000,000 mark. The lull in the capital market in the first half of the year, affected the revenues of the asset management business, this was however reversed in the second half of the year, when the capital market bounced into positive performance.

Total income increased by 40% to ₦14.1 billion. The growth in total income helped to soften the impact of a 51% rise in operating expenses. The considerable growth in operating expenses is driven by 56% and 45% growth in other operating expenses and staff costs respectively. The increase in other operating expenses was due to the regulatory induced investment in technology to capture clients' biometric information, while staff costs growth was due to recruitment of non-full time staff to help with the clients' data capturing. Consequently, the growth in operating expenses resulted in increase in cost-to-income ratio to 46.8% from 43.3% in 2011. Overall, profit before tax was up by 32% to close at ₦7.5 billion, while profit after tax grew by 41% to ₦5.6 billion.

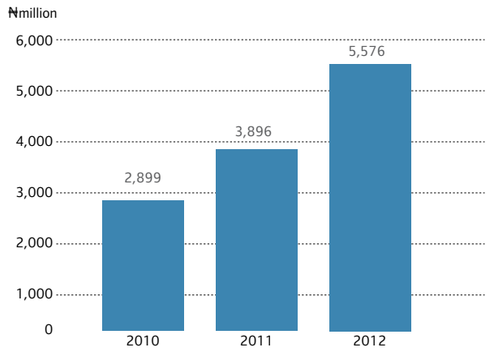
### Total operating income

*CAGR (2010 – 2012): 27%*




### Profit after tax

*CAGR (2010 – 2012): 39%*






## Performance highlights

| | | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|---|
| Interest income | ₦million | >100 | **1,684** | 806 |
| Non-interest income | ₦million | 34 | **12,368** | 9,220 |
| Operating expenses | ₦million | 51 | **(6,581)** | (4,346) |
| Profit before tax | ₦million | 32 | **7,471** | 5,680 |
| Profit after tax | ₦million | 41 | **5,576** | 3,964 |
| | | | | |
| Total assets | ₦million | 33 | **17,031** | 12,822 |
| Assets under management | ₦million | 42 | **990,881** | 699,961 |
| Retirement savings accounts | Number | 12 | **1,054,525** | 939,173 |
| | | | | |
| Cost-to-income ratio | % | | **46.8** | 43.3 |
| Return on equity | % | | **52.6** | 43.6 |

## Quarterly performance highlights

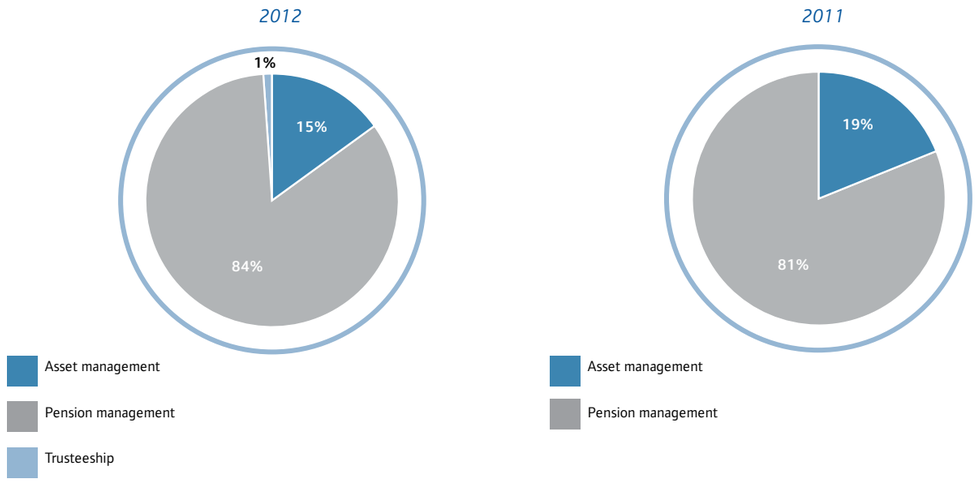
| | | 4Q 2012 | 3Q 2012 | 2Q 2012 | 1Q 2012 |
|---|---|---|---|---|---|
| Net interest income | ₦million | **511** | **448** | **355** | **370** |
| Non-interest income | ₦million | **3,642** | **3,146** | **3,136** | **2,444** |
| Operating expenses | ₦million | **(2,146)** | **(1,426)** | **(1,566)** | **(1,443)** |
| Profit before tax | ₦million | **2,007** | **2,168** | **1,925** | **1,371** |
| | | | | | |
| Total assets | ₦million | **17,031** | **16,957** | **14,631** | **11,149** |
| Assets under management | ₦million | **990,881** | **911,780** | **832,690** | **746,270** |
| Retirement savings accounts | ₦million | **1,054,525** | **1,020,893** | **994,903** | **966,421** |
| | | | | | |
| Cost-to-income ratio | % | **51.7** | **39.7** | **44.9** | **51.3** |

## Business unit performance highlights

| | | Pension management | Asset management | Trusteeship | Total |
|---|---|---|---|---|---|
| Total income | ₦million | **11,744** | **2,188** | **120** | **14,052** |
| Operating expenses | ₦million | **(5,442)** | **(1,069)** | **(70)** | **(6,581)** |
| Profit before tax | ₦million | **6,302** | **1,119** | **50** | **7,471** |
| Profit after tax | ₦million | **4,384** | **1,150** | **42** | **5,576** |
| | | | | | |
| Total assets | ₦million | **12,886** | **3,942** | **203** | **17,031** |
| Assets under management | ₦million | **865,861** | **125,020** | **0** | **990,881** |
| | | | | | |
| Cost-to-income ratio | % | **46.3** | **48.9** | **58.3** | **46.8** |

## Wealth continued

### Total income by business segment




### Assets under management (AuM) and retirement savings account

*CAGR (2010-2012): Pension management AuM: 33%*
*Asset management AuM: 17%*
*Retirement savings accounts: 12%*

### Factors impacting the results

#### Favourable

- Continued growth in pension clients and related funds under management.
- Improved yield in investment securities, with positive impact on interest income
- Improved performance of the stock market especially in the last 2 quarters of the year.

#### Adverse

- Increase in operating costs driven by regulatory induced investment in technology.

### Some of the key achievements by the group include:

- Largest and number one wealth manager in Nigeria in term of assets under management and number of clients.
- Awarded the Pension Fund Administrator (PFA) of the year by the Leadership Newspaper Group Limited.

### Pension fund management

- Asset under management grew by 43% to ₦865.9 billion, making it the largest pension manager in Nigeria.
- Continued market leadership with over 20% of market share.
- Retirement savings account crossing one million mark and up 12% year-on-year.
- Deployed the inclusion of RSA services on the Stanbic IBTC Bank ATMs, where pension clients can check their RSA balances.
- Maintained cost efficiency by attaining a cost-to-income ratio of 47% despite huge investment in biometric and other IT-related projects.
- Awarded the Pension Fund Administrator (PFA) of the year by the Leadership Newspaper Group Limited.
- Continued to maintain strong return on equity in excess of 40%.

### Asset management

- Grew asset under management by 33% to ₦125.02 billion, crossing the ₦100 billion mark.
- Continued market leadership as the largest independent non-pension assets manager measured by value of assets under management, number and size of mutual funds and number of clients.
- Pioneered the launch of an umbrella fund (with three sub-funds).
- Commenced the mark-to-market valuation of the bond portfolio of our fixed income mutual funds in line with the global best practice.
- Maintained a subscriber base of about 35,000 in mutual funds despite investors' apathy and other macro-economic challenges.

### Trustee and estate management

- Broke even in the first quarter of 2012 and closed the year with a profit before tax of ₦50million in the first full year of operation
- Acquired additional 15 clients in the course of the year in the corporate trusteeship arm of the business, bringing the total number of clients to 16.
- Retail wills closed the year with 1,500 clients.

## Income statement analysis

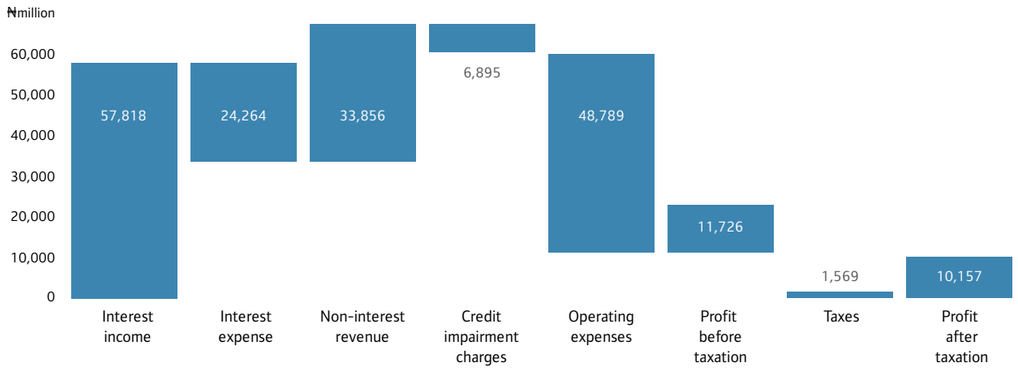

| | | | |
|---|---|---|---|
| Overview of group income | 51 | Credit impairment charges | 57 |
| Net interest income and margin analysis | 53 | Operating expenses | 59 |
| Non-interest revenue | 55 | Taxation | 62 |





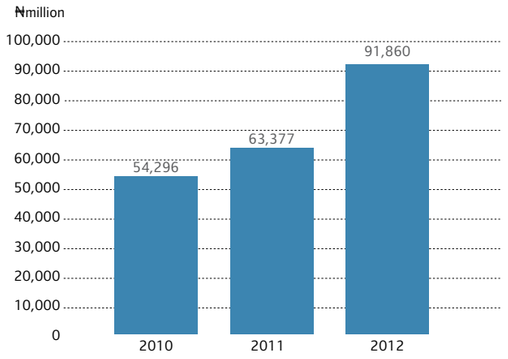

# Overview of group income

### Drivers of group income



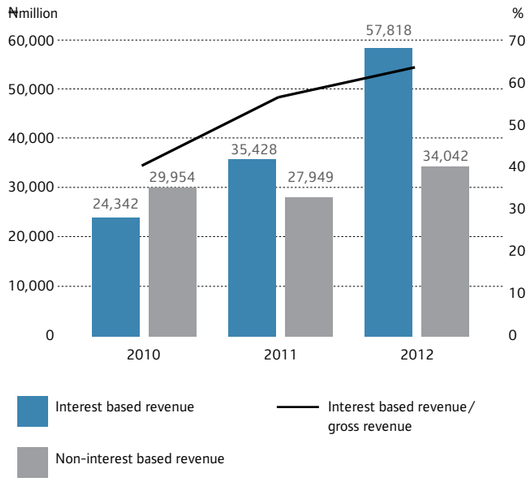

### Gross income

*CAGR (2010-2012): 30%*



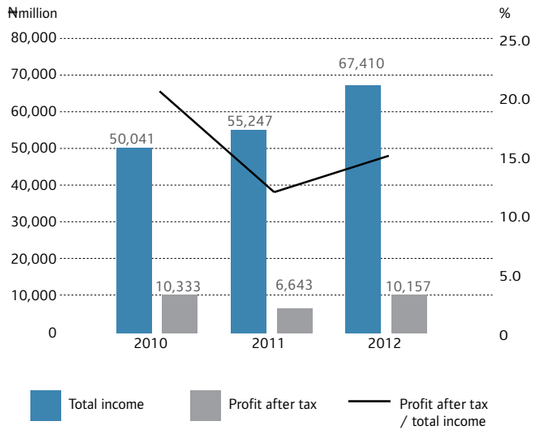

### Interest based revenue and non-interest revenue

*CAGR (2010-2012): Interest based revenue: 54%*
*Non-interest based revenue: 7%*

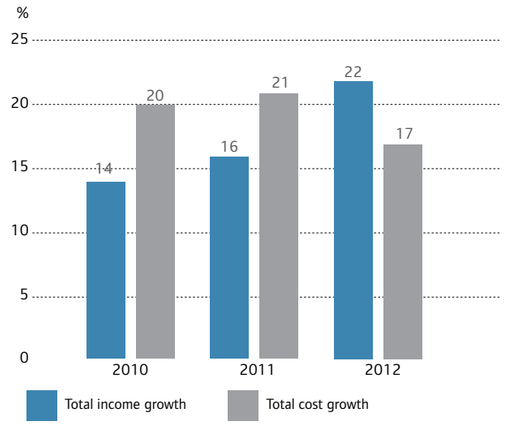


### Total income and profitability

*Total income: (CAGR: 2010-2012) 16%*



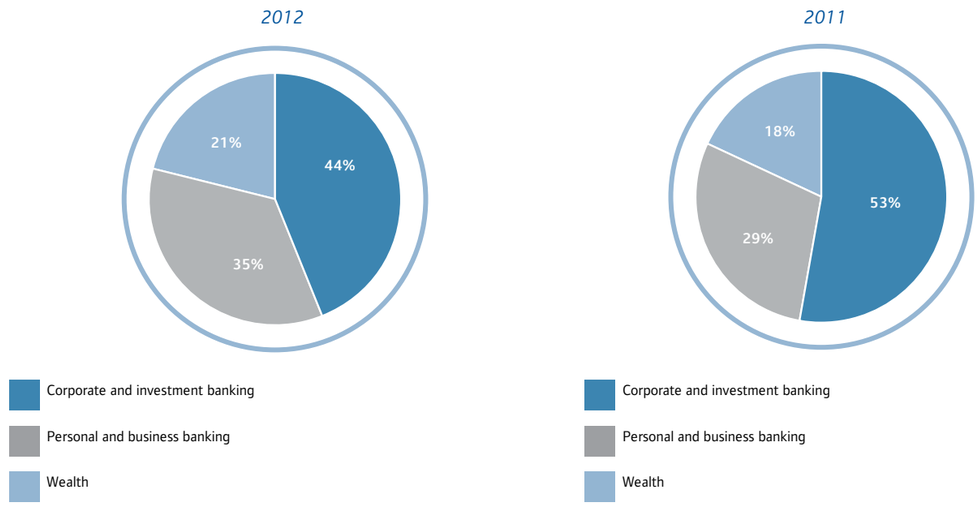

### Income growth Vs Cost growth




### Income statement summary

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Net interest income | 21 | **33,554** | 27,642 |
| Non-interest revenue | 23 | **33,856** | 27,605 |
| Credit impairment charges | >100 | **(6,895)** | (3,349) |
| Operating expenses | 17 | **(48,789)** | (41,792) |
| Profit before tax | 16 | **11,726** | 10,106 |
| Profit after tax | 53 | **10,157** | 6,643 |

### Total income by business unit

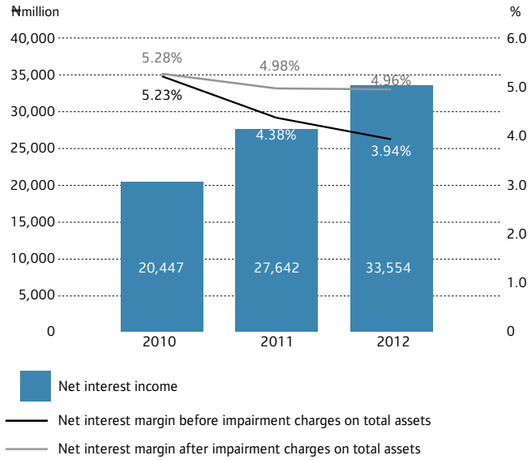




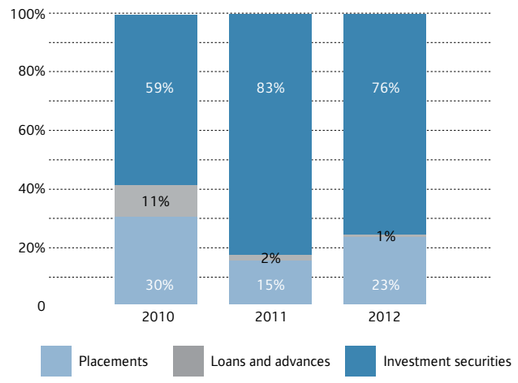

# Net interest income and margin analysis

### Net interest income and net interest margin

*Net interest income: CAGR (2010-2012): 28%*




### Composition of interest income




### Breakdown of net interest income

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Interest income on investment securities | >100 | **13,271** | 5,340 |
| Interest income on placement with banks | (50) | **352** | 706 |
| Interest revenue on loans and advances | 50 | **44,195** | 29,382 |
| Medium term advances | 52 | **30,988** | 20,414 |
| Overdrafts | 59 | **5,686** | 3,578 |
| Home loans | (11) | **2,108** | 2,381 |
| Instalmental sales and finance leases | 80 | **5,413** | 3,009 |
| Interest income | 63 | **57,818** | 35,428 |
| Interest expense | >100 | **24,264** | 7,786 |
| Savings accounts | 16 | **200** | 172 |
| Current accounts | (11) | **513** | 575 |
| Time deposit | >100 | **21,452** | 4,176 |
| Inter-bank takings | (11) | **1,234** | 1,391 |
| Borrowed funds | (41) | **865** | 1,472 |
| **Net interest income** | 21 | **33,554** | 27,642 |

### Business unit contribution to net interest income

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Corporate and Investment Banking | (5) | **13,496** | 14,272 |
| Personal and Business Banking | 46 | **18,374** | 12,564 |
| Wealth | >100 | **1,684** | 806 |
| **Net interest income** | 21 | **33,554** | 27,642 |

## Factors impacting net interest income

### Favourable

- Improved yield in investment securities.
- Positive endowment impact on transactional balances from higher interest rates.
- Growth in higher margin overdrafts, revolving credit plans and other unsecured lending.
- Higher net interest income in Personal and Business Banking driven by balance sheet growth and better pricing of risk assets.
- Continued growth in retail transactional deposits as a proportion of total book.

### Adverse

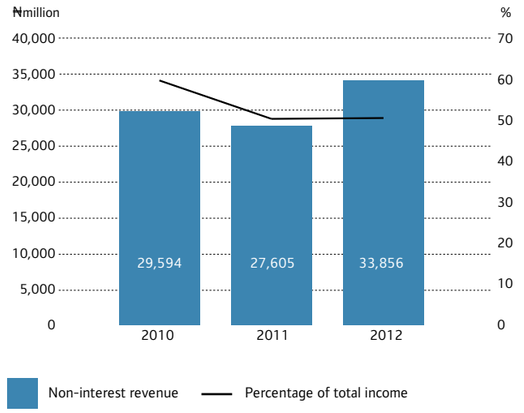
- Competitive constraints in passing the effects of higher funding costs to clients especially in CIB.
- Expensive funding in CIB and unfavourable movements in the yield curve.
- Increased liquid asset requirement with negative impact on lending.
- Sell down of existing large performing loans impacted interest income negatively.



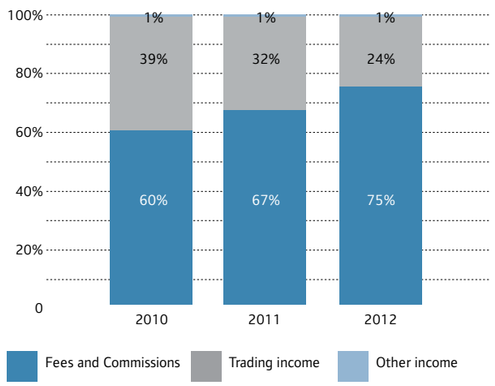
# Non-interest revenue

### Non-interest revenue

*CAGR (2010-2012): 7%*




### Analysis of non-interest revenue




| Breakdown of non-interest revenue | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Net fee and commission revenue** | 39 | **25,568** | 18,388 |
| Account transaction fees | 28 | **3,495** | 2,720 |
| Knowledge based fees and commission | 30 | **17,070** | 13,172 |
| Foreign currency service fees | 10 | **1,185** | 1,073 |
| Documentation and administration fees | >100 | **2,364** | 336 |
| Other fee and commission revenue | 34 | **1,454** | 1,087 |
| **Trading revenue** | (9) | **8,091** | 8,845 |
| Foreign exchange | (1) | **4,233** | 4,273 |
| Credit | (55) | **1,617** | 3,572 |
| Interest rates | >100 | **2,241** | 1,000 |
| **Other revenue** | (47) | **197** | 372 |
| Dividend income | (40) | **136** | 226 |
| Other non-bank revenue | (58) | **61** | 146 |
| **Total non-interest revenue** | 23 | **33,856** | 27,605 |

### Non-interest revenue by business unit

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Corporate and Investment Banking | 9 | **16,334** | 15,009 |
| Personal and Business Banking | 53 | **5,154** | 3,376 |
| Wealth | 34 | **12,368** | 9,220 |
| **Non-interest revenue** | 23 | **33,856** | 27,605 |

## Factors impacting non-interest revenue

### Favourable

- Good growth in the customer base, transactional volumes and points of representation.
- Growth in assets under management due to strong equity market performance and increased volumes.
- Higher documentation and administration fees due to account growth and personal lending portfolio.
- Continued market leadership in custody and stock broking businesses impacted non-interest revenue positively.
- Closure of good advisory mandates in investment banking.
- Higher arrangement, commitment and guarantee fees.
- Increased card-based commission due to higher turnover volumes.
- The group diversified business model supported growth in non-interest revenue.

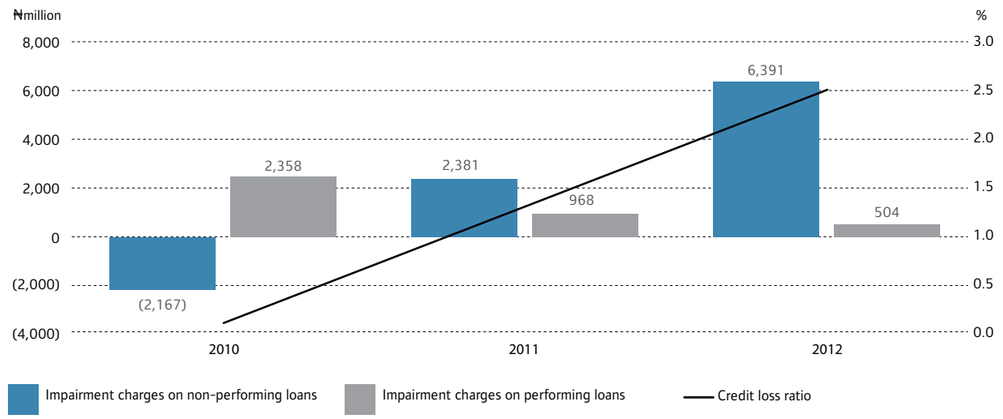
### Adverse

- Decrease in trading income due to lower earnings from foreign exchange transactions.
- Poor performance of the capital market in first half of the year muted revenue.
- Increased interchange expenses and processing costs due to higher transactional volumes.



# Credit impairment charges

### Credit impairment charges and credit loss ratio




### Movement in impairment charges

| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Specific credit impairment charges | 99 | **6,816** | 3,426 |
| Portfolio credit impairment charges | (48) | **504** | 968 |
| Total impairment losses | 67 | **7,320** | 4,394 |
| Recoveries on loans and advances previously written off | (59) | **(425)** | (1,045) |
| **Credit impairment charges** | >100 | **6,895** | 3,349 |

### Credit impairment charges by product

| | Specific impairment raised (and released) ₦million | Portfolio impairment raised (and released) ₦million | Recoveries ₦million | Credit impairment charges ₦million |
|---|---|---|---|---|
| Mortgage lending | 278 | 6 | (65) | 219 |
| Instalmental sales and finance leases | 626 | 537 | (14) | 1,149 |
| Cards | (1) | 1 | - | - |
| Corporate lending | 3,351 | (21) | - | 3,330 |
| Other loans and advances | 2,562 | (19) | (346) | 2,197 |
| **Total** | 6,816 | 504 | (425) | 6,895 |

| **Breakdown of credit impairment charges** | Change % | **2012 ₦million** | 2011 ₦million |
|---|---|---|---|
| Mortgage lending | (46) | **219** | 409 |
| Instalmental sales and finance leases | >100 | **1,149** | 91 |
| Cards | (100) | **-** | 41 |
| Corporate lending | >100 | **3,330** | 421 |
| Other loans and advances | (8) | **2,197** | 2,387 |
| **Total** | >100 | **6,895** | 3,349 |

| **Credit impairment charges by business unit** | Change % | **2012 ₦million** | 2011 ₦million |
|---|---|---|---|
| Corporate and Investment Banking | >100 | **3,329** | 419 |
| Personal and Business Banking | 22 | **3,566** | 2,930 |
| **Credit impairment charges** | >100 | **6,895** | 3,349 |

## Factors impacting credit impairment charges

### Favourable

- Improved collections capabilities.

### Adverse

- Increased specific provisioning in CIB.
- Higher credit impairment charges in instalmental sales and finance leases due to the high interest rate environment.
- Continued pressure on recovery values of collateral.
- Increased credit portfolio provisioning due to loan growth and cautious outlook especially in PBB.

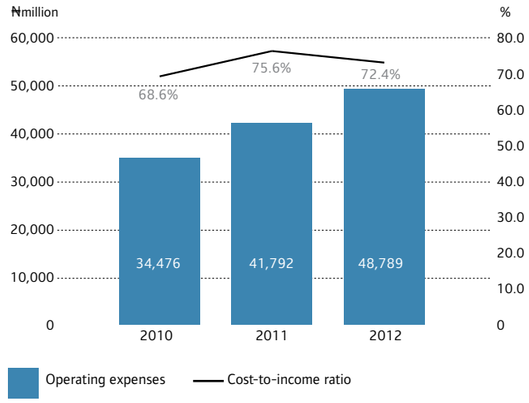




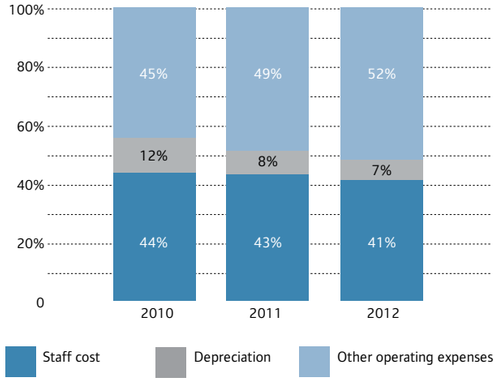
# Operating expenses

### Operating expenses and cost-to-income ratio

*Operating expenses CAGR (2010-2012): 19%*




### Composition of operating expenses

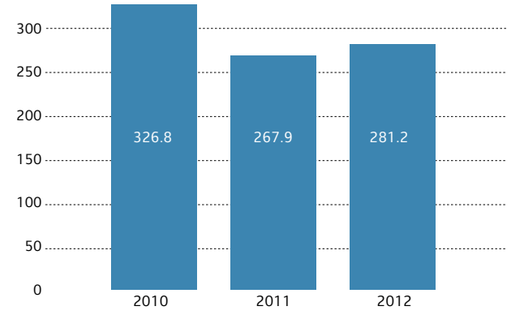



| **Breakdown of operating expenses** | Change % | **2012 ₦million** | 2011 ₦million |
|---|---|---|---|
| Staff costs | 12 | **19,953** | 17,840 |
| Salaries and allowances | 11 | **19,748** | 17,742 |
| Equity linked transactions | >100 | **205** | 98 |
| Other operating expenses: | 20 | **28,836** | 23,952 |
| Auditor's remuneration | 9 | **147** | 135 |
| Communication | 3 | **709** | 686 |
| Depreciation | (0) | **3,410** | 3,427 |
| Information technology | 69 | **3,143** | 1,861 |
| Marketing and advertising expenses | 12 | **1,762** | 1,574 |
| Premises and maintenance expenses | 5 | **4,192** | 3,992 |
| Travel and transportation | 9 | **1,112** | 1,020 |
| AMCON sinking fund contribution | 46 | **1,627** | 1,118 |
| NDIC deposit insurance | 15 | **1,739** | 1,510 |
| Professional fees | 27 | **4,938** | 3,902 |
| Others | 28 | **6,057** | 4,727 |
| **Total operating expenses** | 17 | **48,789** | 41,792 |

## Operating expenses continued

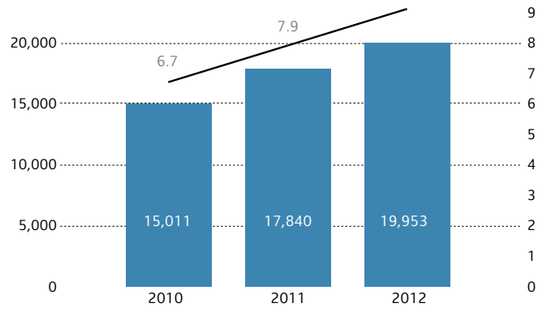
| Operating cost by business unit | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Corporate and Investment Banking | 16 | **17,014** | 14,620 |
| Personal and Business Banking | 10 | **25,194** | 22,831 |
| Wealth | 52 | **6,581** | 4,341 |
| **Operating expenses** | 17 | **48,789** | 41,792 |

### Operating cost per average branch




### Staff cost and staff cost per employee

*Staff cost CAGR (2010-2012): 15%*




| Average headcount by business unit | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Corporate and Investment Banking | (2) | **181** | 184 |
| Personal and Business Banking | 1 | **1,125** | 1,109 |
| Wealth | (1) | **335** | 339 |
| Credit | (14) | **70** | 81 |
| Other support funtions | (11) | **473** | 533 |
| **Average number of employee** | (3) | **2,184** | 2,246 |

### Staff cost and headcount

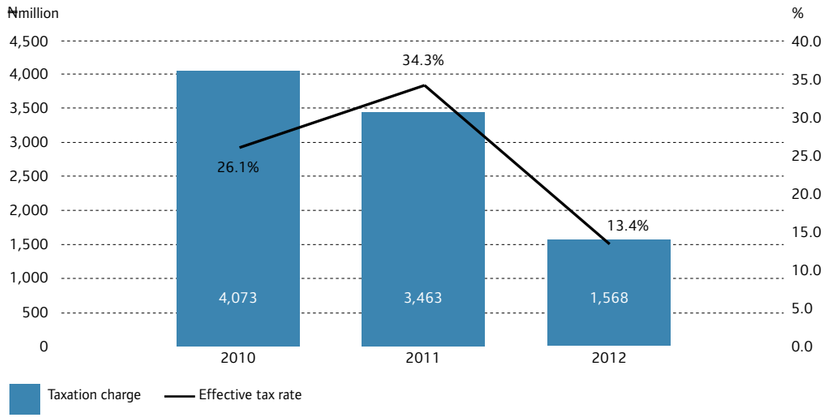
- Efficient deployment of human resources despite substantial growth in business activities and branch network.
- Higher fixed remuneration due to high inflation related salary increases and increase headcount of temporary staff and sales agents.

### Other operating expenses

- Increased marketing costs due to new product and brand awareness campaign.
- Increase in other operating expenses in Wealth business due to regulatory induced technology improvement.
- Increased information technology spend to support business expansion, including data line charges and additional hardware.
- Higher regulatory and compliance related insurance cost – AMCON sinking fund contribution and deposit insurance.
- Increased travel and communication costs due to increase in business volume.
- Increased premises costs due to network expansion, rental escalations and maintenance.

# Taxation

## Taxation charge and effective tax rate




## Movement in tax charge

| | Change | 2012 | 2011 |
|---|---|---|---|
| | % | ₦million | ₦million |
| Indirect taxation | >100 | **313** | 130 |
| Value added tax | (22) | **101** | 130 |
| Witholding tax | 100 | **212** | - |
| Direct taxation | (62) | **1,255** | 3,333 |
| Normal tax | (12) | **3,685** | 4,199 |
| Deferred tax | >100 | **(2,430)** | (1,020) |
| Income tax recognised in other comprehensive income | (100) | **-** | 154 |
| **Total tax charge** | (55) | **1,568** | 3,463 |

The lower provision in 2012 is due to the increase in the portion of the Group's earnings that came from tax exempt sources, including Federal Government of Nigeria bonds and treasury bills, with positive impact of the effective tax rate.

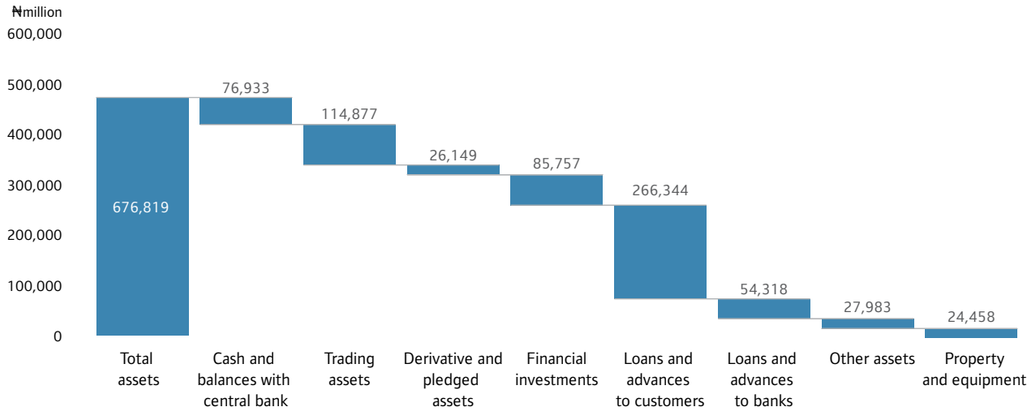


## Balance sheet analysis

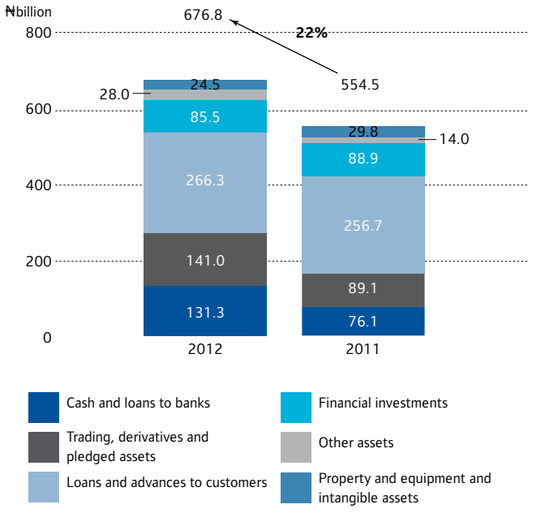

| | | | |
|---|---|---|---|
| Overview of group consolidated assets | **64** | Deposits and current accounts | **74** |
| Loans and advances | **66** | Funding and liquidity | **76** |
| Loans and advances performance | **69** | | |

# Overview of group consolidated assets

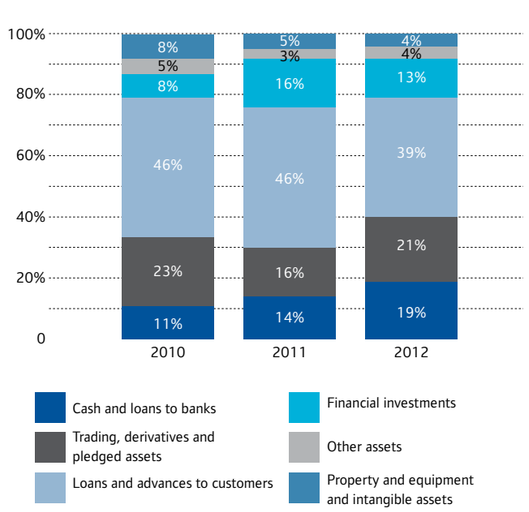
## Overview of group financial position




## Asset mix

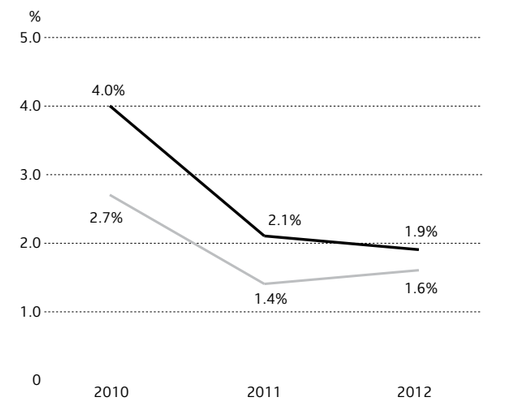



## Breakdown of total assets




| Total assets by business unit | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Personal and Business Banking | 56 | **257,191** | 165,186 |
| Corporate and Investment Banking | 7 | **402,597** | 376,499 |
| Wealth | 33 | **17,031** | 12,822 |
| **Stanbic IBTC group** | 22 | **676,819** | 554,507 |

## Return on average assets




## Return on assets by business unit

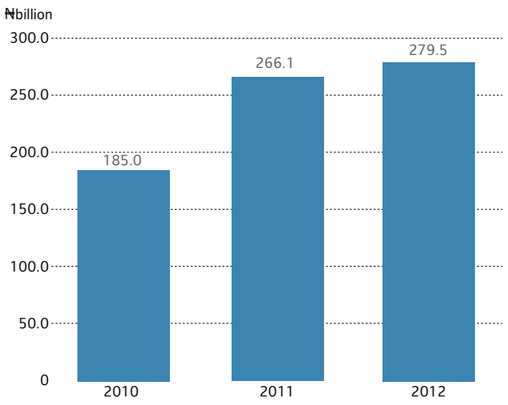
| | 2012 % | 2011 % |
|---|---|---|
| Personal and Business Banking | **(1.2)** | (4.5) |
| Corporate and Investment Banking | **1.9** | 2.7 |
| Wealth | **32.7** | 30.9 |

- The total balance sheet stood at ₦676.8 billion from ₦554.5 billion recorded in 2011, thus representing a 22% growth.
- Total assets benefitted from growing loan book and liquid assets. Net loans and advances to customers represented 39% of total assets.
- Higher return on assets in Wealth business.

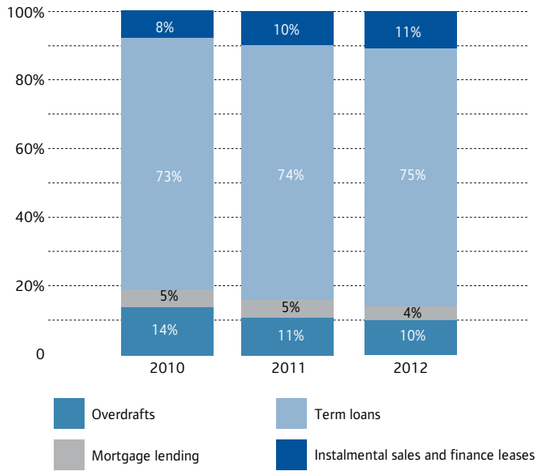
# Loans and advances

### Gross loans and advances

*CAGR (2010-2012): 23%*




### Composition of loan book




| Loan portfolio breakdown | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Gross loans and advances** | 5 | **279,473** | 266,082 |
| Mortgage lending | (22) | **10,571** | 13,582 |
| Instalmental sales and finance leases | 16 | **29,678** | 25,614 |
| Overdrafts | 4 | **29,616** | 28,495 |
| Term loans | 6 | **209,608** | 198,391 |
| **Provisions** | 40 | **(13,129)** | (9,362) |
| Specific credit impairments | 58 | **(9,287)** | (6,024) |
| Portfolio credit impairments | 15 | **(3,842)** | (3,338) |
| **Net loans and advances** | 4 | **266,344** | 256,720 |

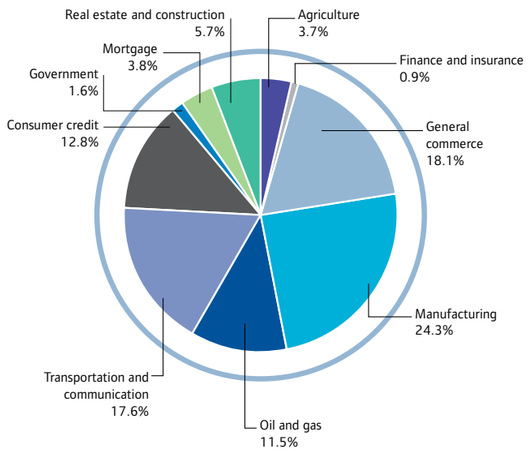
| Loan book by business unit | PBB ₦million | CIB ₦million | Total ₦million |
|---|---|---|---|
| Overdrafts | **13,531** | **16,085** | **29,616** |
| Home loans | **10,571** | **-** | **10,571** |
| Term loans | **63,873** | **145,735** | **209,608** |
| Instalmental sales and finance leases | **17,080** | **12,598** | **29,678** |
| **Total loans and advances** | **105,055** | **174,418** | **279,473** |

### Loans and advances by sector

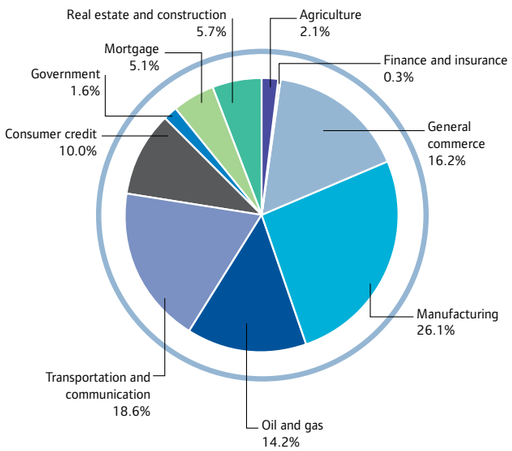
| | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Agriculture | 83 | **10,378** | 5,668 |
| Finance and insurance | >100 | **2,388** | 708 |
| General commerce | 17 | **50,620** | 43,161 |
| Manufacturing | (2) | **68,004** | 69,423 |
| Oil and gas | (15) | **32,161** | 37,846 |
| Transportation and communication | (0) | **49,296** | 49,526 |
| Consumer credit | 35 | **35,858** | 26,555 |
| Government | 2 | **4,419** | 4,341 |
| Mortgage | (23) | **10,571** | 13,582 |
| Real estate and construction | 3 | **15,778** | 15,272 |
| **Total loans and advances** | 5 | **279,473** | 266,082 |

### Breakdown of loans and advances by industry

*2012*




*2011*

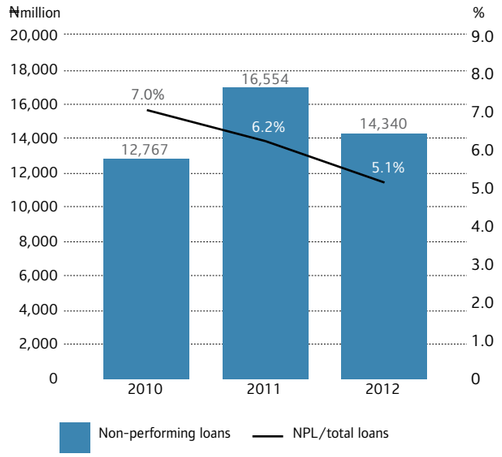


### Loans and advances

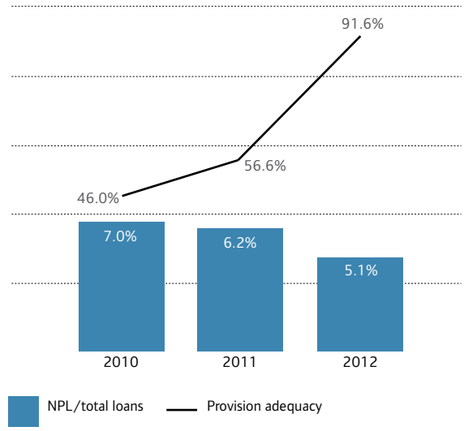
- Loan portfolio continued to witness moderate growth despite competition for good quality credits, sell down of existing large performing loans to meet the single obligor limit post Holdco restructuring and the sale of eligible assets to AMCON.
- Increased contribution to total loan portfolio by Personal and Business Banking from 34% in 2011 to 38% in 2012.
- Continued focus on business banking arm of Personal and Business Banking.
- Potential increase in annuity income as medium to long term loans accounted for 75% of total loan portfolio.
- Well diversified loan portfolio. Loans and advances to all economic sectors.

# Loans and advances performance

### Non-performing loans and NPL ratio




### NPL and coverage ratio



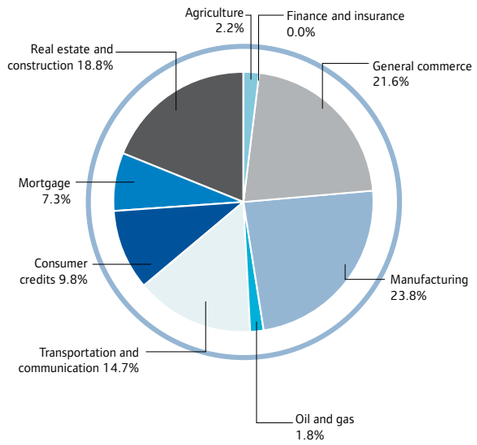

| Non-performing loans by product | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Overdrafts | 46 | **788** | 539 |
| Term loans | (26) | **10,353** | 13,974 |
| Instalmental sales and finance leases | 51 | **2,147** | 1,422 |
| Home loans | 70 | **1,052** | 619 |
| **Total non-performing loans** | (13) | **14,340** | 16,554 |

| Non-performing loans by business unit | PBB Nmillion | CIB ₦million | Total Nmillion |
|---|---|---|---|
| Overdrafts | **647** | **141** | **788** |
| Term loans | **5,839** | **4,514** | **10,353** |
| Instalmental sales and finance leases | **1,128** | **1,019** | **2,147** |
| Home loans | **1,052** | **-** | **1,052** |
| **Total non-performing loans** | **8,666** | **5,674** | **14,340** |

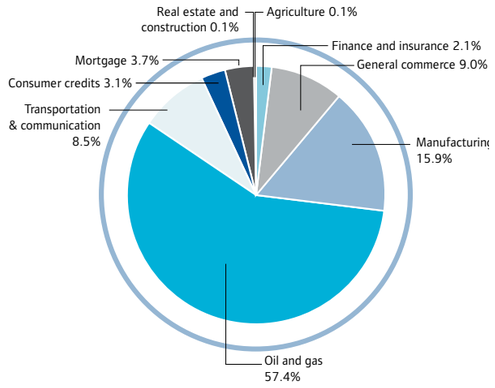
| Non-performing loans by industry | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Agriculture | >100 | **310** | 17 |
| Finance and insurance | (100) | **-** | 348 |
| General commerce | >100 | **3,093** | 1,490 |
| Manufacturing | 29 | **3,410** | 2,638 |
| Oil and gas | (97) | **258** | 9,502 |
| Transportation and communication | 50 | **2,110** | 1,407 |
| Consumer credits | >100 | **1,408** | 513 |
| Mortgage | 66 | **1,052** | 619 |
| Real estate and construction | >100 | **2,699** | 20 |
| **Total non-performing loans** | (13) | **14,340** | 16,554 |

## Non-performing loans by sector

*2012*




*2011*




## Loans and advances performance

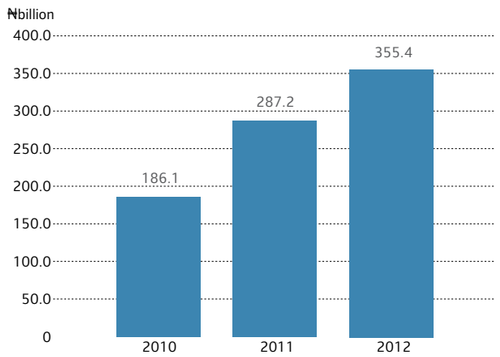
- The ratio of non-performing loans to total loans decreased to 5.1% from 6.7% in 2011 as a result of sale of two non-performing loans to AMCON. Total consideration of ₦8.9 billion was received for these eligible assets, with total value of ₦12.3 billion, thus representing a 38% discount.
- Significant growth in PBB's contribution to total NPLs from 15% in 2011 to 60% as the high interest rate environment impacted customer repayment ability.
- 23.8% of the total NPL is concentrated in the manufacturing sector. This has shifted from the Oil and Gas sector that accounted for 54.7% of NPL in 2011.
- Increased NPL coverage ratio to 92% from 53% in 2011.

## Asset quality

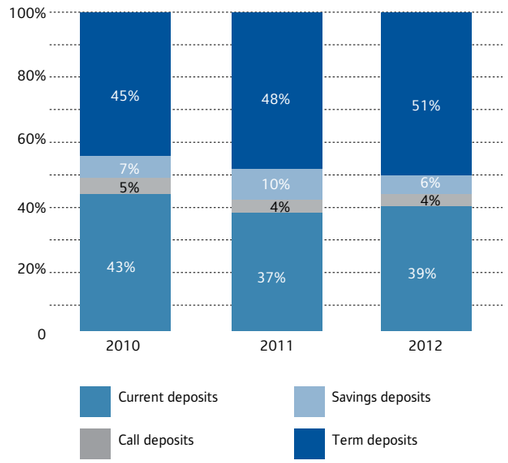
| | Total Loans and Advances to Customers | Balance sheet impairments for performing loans | Performing loans | | | | Non-performing loans | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Neither past due nor specifically impaired | | Not specifically impaired | | Specifically impaired loans | | | | | | | Total non-performing loans | Non-performing loans |
| | | | Normal monitoring | Close monitoring | Early arrears | Non-performing | Sub-standard | Doubtful | Loss | Total | Securities and expected recoveries on specifically impaired loans | Net after securities and expected recoveries on specifically impaired loans | Balance sheet impairments for non-performing specifically impaired loans | | |
| | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million | % |
| **Personal and business banking** | 105,055 | 1,983 | 72,934 | - | 21,173 | - | 3,365 | 2,334 | 2,967 | 8,666 | 3,105 | 5,561 | 5,561 | 8,666 | 8.2 |
| Mortgage loans | 10,571 | 190 | 6,302 | - | 2,851 | - | 288 | 374 | 389 | 1,052 | 321 | 732 | 732 | 1,052 | 10.0 |
| Instalmental sale and finance leases | 17,080 | 618 | 11,158 | - | 4,128 | - | 56 | 368 | 705 | 1,128 | 351 | 778 | 778 | 1,128 | 6.6 |
| Card debtors | 494 | 18 | 395 | - | 44 | - | 10 | - | 17 | 27 | 1 | 26 | 26 | 27 | 5.5 |
| Overdrafts | 13,037 | 110 | 11,657 | - | 532 | - | 183 | 1 | 435 | 619 | 108 | 511 | 511 | 619 | 4.8 |
| Unsecured personal loans | 34,155 | 273 | 24,943 | - | 7,836 | - | 353 | 297 | 424 | 1,074 | 184 | 890 | 890 | 1,074 | 3.1 |
| Business term loans | 29,718 | 774 | 18,479 | - | 5,782 | - | 2,475 | 1,294 | 997 | 4,766 | 2,140 | 2,624 | 2,624 | 4,766 | 16.0 |
| **Corporate and investment banking** | 174,418 | 1,859 | 168,744 | - | - | - | 176 | 3,098 | 2,401 | 5,674 | 1,948 | 3,726 | 3,726 | 5,674 | 3.3 |
| Corporate loans | 174,418 | 1,859 | 168,744 | - | - | - | 176 | 3,098 | 2,401 | 5,674 | 1,948 | 3,726 | 3,726 | 5,674 | 3.3 |
| Central and other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Gross loans and advances** | 279,473 | 3,842 | 241,678 | - | 21,173 | - | 3,541 | 5,432 | 5,367 | 14,340 | 5,053 | 9,287 | 9,287 | 14,340 | 5.1 |

# Deposits and current accounts

### Deposits from customers
CAGR (2010 - 2012): 38%




### Deposit mix




| Breakdown of total deposits | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| Deposits from banks | >100 | **26,632** | 12,545 |
| Deposits from banks | >100 | **26,632** | 12,545 |
| Deposits from customers | 24 | **355,419** | 287,242 |
| Current accounts | 34 | **138,524** | 103,262 |
| Savings accounts | 23 | **15,116** | 12,315 |
| Call deposits | (22) | **22,176** | 28,547 |
| Term deposits | 17 | **167,101** | 143,118 |
| Negotiable certificate of deposits | >100 | **12,502** | - |
| **Total deposits and current accounts** | 27 | **382,051** | 299,787 |

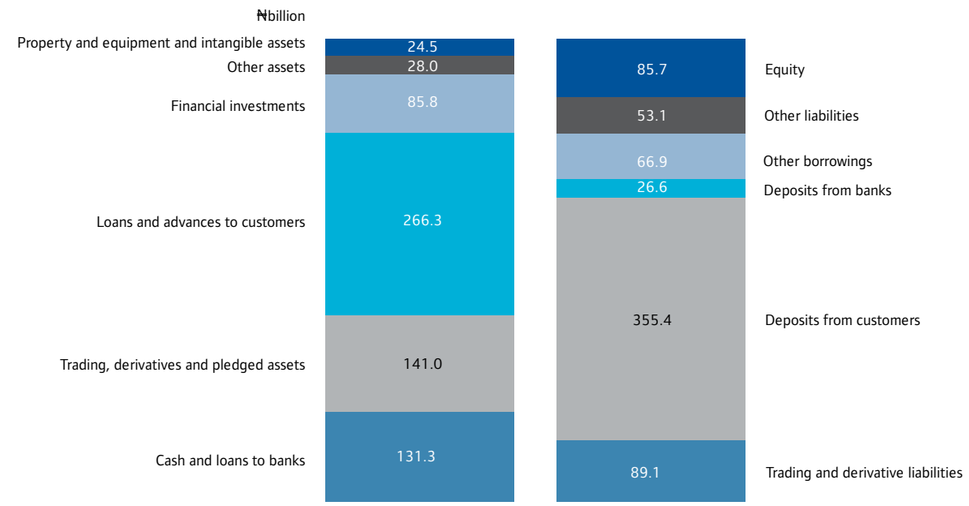
| Deposits from customers by business unit | Change % | 2012 ₦million | 2011 ₦million |
|---|---|---|---|
| **Personal and Business Banking** | 48 | **164,031** | 111,207 |
| Current deposits | 29 | **76,793** | 59,322 |
| Savings deposits | 23 | **15,116** | 12,315 |
| Call deposits | 57 | **1,799** | 1,146 |
| Term deposits | 83 | **70,323** | 38,424 |
| **Corporate and Investment Banking** | 9 | **191,388** | 176,035 |
| Current deposits | 48 | **61,731** | 41,847 |
| Call deposits | (26) | **20,377** | 27,401 |
| Term deposits | 2 | **109,280** | 106,787 |
| **Total deposits and current accounts** | 24 | **355,419** | 287,242 |

### Deposit liabilities

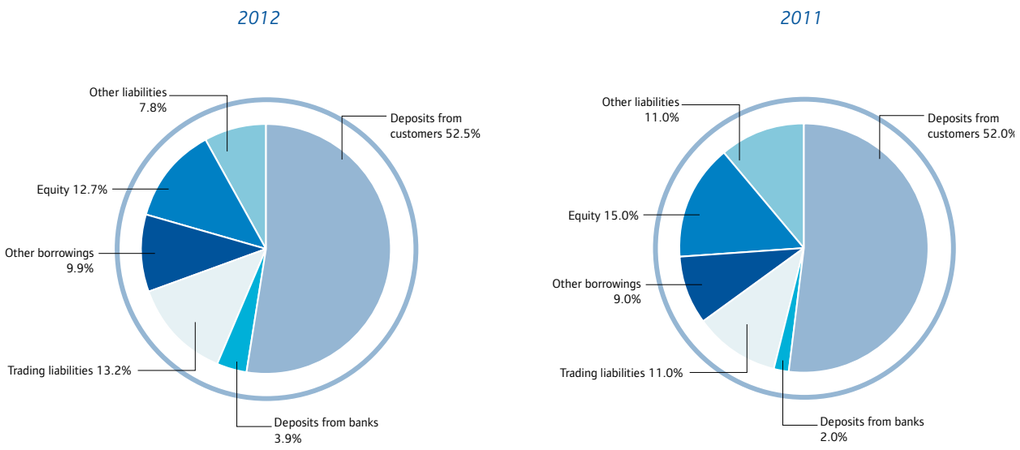
- Strong growth in deposits by 24%, a function of our expanded branch network and customer acquisition.
- Demand and savings deposits grew by 28% as we continue to leverage on our enlarged delivery footprint.
- Deposit mix impacted negatively by the high interest rate environment as customers preferred term deposits to other deposit types.
- Continued growth in PBB's contribution to deposit book from 39% in 2011 to 46%.
- Continued focus on attracting lower priced deposits.
- Pursuit of mobile money platform to gather lower priced deposits.

# Funding and liquidity

## Balance sheet funding




## Funding mix




| Liquidity ratio computation | Group 2012 ₦million | Bank 2012 ₦million | Group 2011 ₦million | Bank 2011 ₦million |
|---|---|---|---|---|
| **Specified liquid assets** | | | | |
| Cash | **12,398** | **12,306** | 10,137 | 10,135 |
| Balance with CBN | **16,246** | **20,197** | 17,177 | 17,177 |
| Net balance held with banks within Nigeria | **5,018** | **9** | 1,708 | 222 |
| Treasury Bills (Un pledged) | **65,995** | **65,995** | 63,710 | 60,558 |
| Net interbank placement with other banks | **2,551** | **2,551** | 21,317 | 21,316 |
| Federal Government of Nigeria bonds | **55,219** | **55,219** | 44,116 | 40,504 |
| Stabilisation securities | **5,395** | **5,395** | 4,756 | 4,756 |
| **Total asset (A)** | **162,822** | **161,672** | 162,921 | 154,668 |
| **Current liabilities** | | | | |
| Adjusted deposit liabilities | **357,474** | **324,549** | 228,232 | 231,764 |
| Due to other banks in Nigeria | | | | |
| Net interbank placements held for other banks | | | | |
| **Total liabilities (B)** | **357,474** | **324,549** | 228,232 | 231,764 |
| **Liquidity ratio A/B*100** | **45.5%** | **49.8%** | **71.4%** | **66.7%** |

## Liquidity management

### Liquidity market overview

- The group's liquidity risk management framework is designed to measure and manage the liquidity position at various levels of consolidation so that payment obligations could be met at all times, under both normal and considerably stressed conditions. Under the delegated authority of the board, the Asset and Liability Committee (ALCO) sets liquidity risk policies in accordance with regulatory requirements and international best practice.
- The group's overall liquidity risk has remained unchanged over 2012 with continued active management of financial resources within the group's stated risk tolerance.
- New term lending and investment activity are monitored and priced to take into account liquidity costs of anticipated regulatory changes that will impact the group.
- CBN maintained its monetary policy tightening stance throughout 2012. It retained the monetary policy rate and liquidity ratio at 12% and 30% respectively, while it raised the cash reserves ratio from 8% to 12% during the year.
- The average cost of wholesale funding has increased significantly as a result of the monetary policy tightening, with negative impact on margin.
- Repricing of risk assets continued to be challenging in CIB due to competitive pressures but this was effectively done in PBB business segment.

## Liquidity buffer

- Portfolios of highly liquid marketable securities, over and above prudential requirements, are maintained as protection against unexpected disruptions in cash flows. These holdings are considered in the context of internal stress tests and discounts assumed on certain securities in a possible sale.
- The amount of contingent liquidity required the group's liquidity risk standard is influenced by the nature of the depositor, and the contractual terms of the deposit as well as the prevailing and anticipated regulation.
- The surplus liquidity holdings are managed taking into account liquidity stress testing results and CBN regulation. The unencumbered surplus liquidity amounted to ₦173.5 billion as at 31 December 2012.

| **Group unencumbered surplus liquidity** | Change % | **2012 ₦million** | 2011 ₦million |
|---|---|---|---|
| Marketable assets | 10 | **130,077** | 118,784 |
| Short-term foreign currency placements | >100 | **38,420** | 11,033 |
| Total unencumbered marketable assets | 30 | **168,497** | 129,817 |
| Other readily accessible liquidity | (87) | **5,002** | 37,700 |
| **Total unencumbered surplus liquidity** | 4 | **173,499** | 167,517 |

## Structural liquidity requirements

- Behavioural profiling is applied to assets, liabilities and off balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets.
- In respect of liabilities, behavioural profiling assigns probable maturities based on historically observed customer behaviour. This process is used to identify core deposits, such as current and savings accounts. These core deposits, although repayable on demand or at short notice, can be considered stable funding based on their past behaviour.
- In respect of assets, behavioural profiling is used to identify additional sources of structural liquidity in the form of liquid assets or assets that could be used to generate liquidity within a specific time frame, and certain contractually demand assets are profiled in order to recognize inflow rates in realistic amounts.
- Limits are set to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets based on contractual and behavioural analysis.
- The behaviourally adjusted cumulative liquidity mismatch remains well within liquidity risk appetite.

## Diversified funding base

- The group's funding strategy is determined after reviewing the group projected balance sheet, which includes taking into account business unit forecasts, the group's capital requirements, the maturity profile of existing funding and anticipated changes in the deposit base. Funding requirements and initiatives are assessed in accordance with the group ALCO requirements for diversification, tenor and currency exposure, as well as the availability and pricing alternative liquidity sources.
- Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

| **Depositor concentrations** | **2012 %** | 2011 % |
|---|---|---|
| Single obligor | **3.7** | 10.8 |
| Top 10 depositors | **20.8** | 39.1 |

- Primary sources of funding consist of deposits from a wide range of retail and wholesale clients as well as long-term funding. Deposit liabilities funded 53% of total assets in 2012.
- Medium to long term funding from Development and Financial institutions form part of our diversified funding base. Funding from this source accounted for 10% of total liabilities and increased to ₦68.9 billion from ₦47.6 billion at the end of 2011.

## Liquidity stress testing and scenario analysis

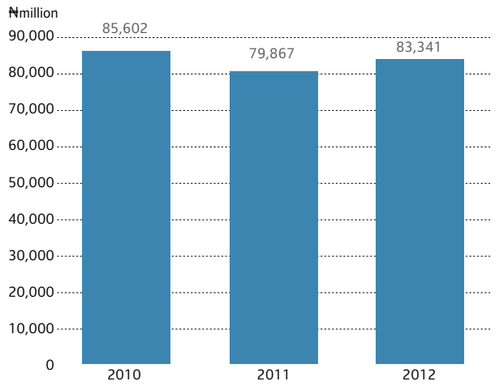
- Anticipated on-and off-balance sheet cash flows are subjected to a variety of bank-specific and systematic liquidity stress scenarios. These stress scenarios facilitate the evaluation of the impact of unlikely but plausible stress events on liquidity positions.
- The outcomes of the stress tests are reviewed by ALCO on at least a monthly basis, and inform minimum liquid asset portfolio requirements and liquidity contingency recovery plans. The scenarios themselves are reviewed periodically to ensure they remain valid.

## Capital management

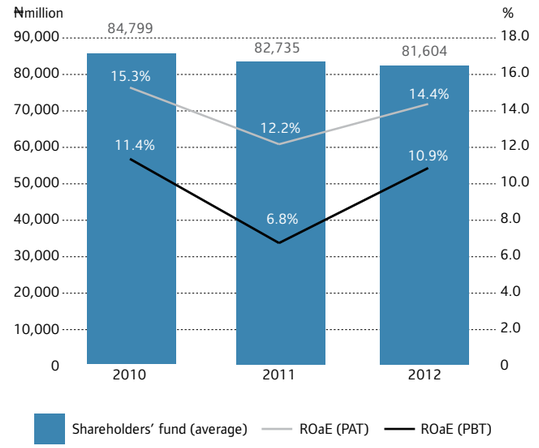
Return on ordinary equity 81
Risk – weighted assets 82

# Return on ordinary equity

### Shareholders' equity




### Average shareholders' fund and return on equity




### Breakdown of return on average equity by business unit

| | Average equity 2012 ₦million | Pre tax ROaE 2012 % | Post tax ROaE 2012 % | Average equity 2011 ₦million | Pre tax ROaE 2011 % | Post tax ROaE 2011 % |
|---|---|---|---|---|---|---|
| PBB | **14,689** | **(35.6)** | **(20.5)** | 16,547 | (59.4) | (44.9) |
| CIB | **56,306** | **16.8** | **13.5** | 57,087 | 25.0 | 17.7 |
| Wealth | **10,609** | **70.4** | **52.6** | 9,101 | 62.4 | 43.6 |
| **Stanbic IBTC Group** | **81,604** | **14.4** | **10.9** | 82,735 | 12.2 | 6.8 |

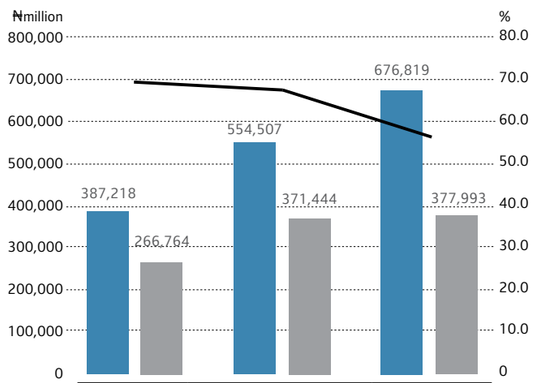
Equity attributable to shareholders was up 4% to close at ₦83.3 billion at the end of 2012. Pre-tax return on average equity was 14.4%, while after tax return on average stood at 10.9% in 2012. These ratios were better than pre-tax return on average equity of 12.2% and after-tax return on average equity of 6.8% achieved at the end of 2011. Over a three year period, pre tax return on average equity averaged 14.0%, while the after tax return on average equity averaged 9.7% over the same period.

The Wealth business unit continued to have the best return on equity. The unit's after-tax return on average equity increased from 43.6% in 2011 to 52.6%. Corporate and Investment banking after tax return on average equity was down to 13.5% from 17.7% in 2011. The decline is attributable to increase in credit impairments and other operating expenses, which impacted profitability negatively. The Personal and Business Banking's after tax return on average equity improved from negative 44.9% in 2011 to negative 20.5% as a result of a significant increase in revenue and a tax benefit arising from loss in previous periods.

# Risk – weighted assets

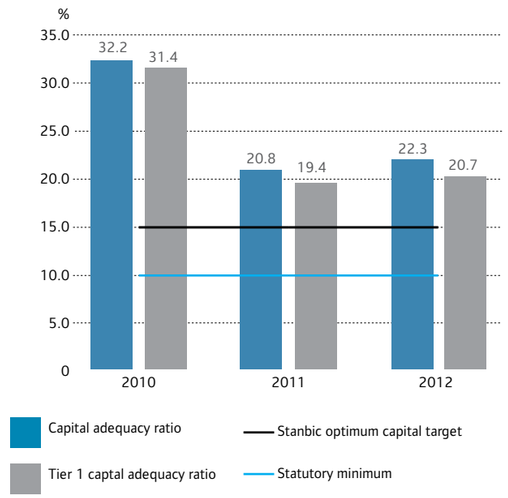
### Total assets and risk weighted assets

*CAGR (2010-2012) Total assets: 32%  Risk weighted assets: 19%*




| | 2010 | 2011 | **2012** |
|---|---|---|---|
| Total assets | 387,218 | 554,507 | **676,819** |
| Risk-weighted assets | 266,764 | 371,444 | **377,993** |
| % risk weighted assets to total assets | 69.4% | 67.0% | **55.8%** |

### Capital adequacy ratio




| **Computation of capital adequacy ratio** | **Group 2012 ₦million** | **Bank 2012 ₦million** | Group 2011 ₦million | Bank 2011 ₦million |
|---|---|---|---|---|
| Tier I capital | **78,172** | **59,019** | 72,193 | 61,991 |
| Tier II capital | **6,152** | **3,842** | 5,249 | 3,338 |
| Total qualifying capital | **84,324** | **62,861** | 77,442 | 65,329 |
| Risk weighted assets | **377,992** | **362,856** | 371,444 | 369,617 |
| **Capital adequacy** | | | | |
| **Tier I** | **20.7%** | **16.3%** | 19.4% | 16.8% |
| **Tier II** | **1.6%** | **1.1%** | 1.4% | 0.9% |
| **Total** | **22.3%** | **17.4%** | 20.8% | 17.7% |

The group's tier 1 and total capital adequacy ratio of 20.7% and 22.3% respectively at the end of 2012 are significantly higher than the statutory minimum of 10%. The group's capital is deemed adequate to support business risks and contingencies and will enable us to take advantage of opportunities in the Nigerian market.

Market and shareholder information

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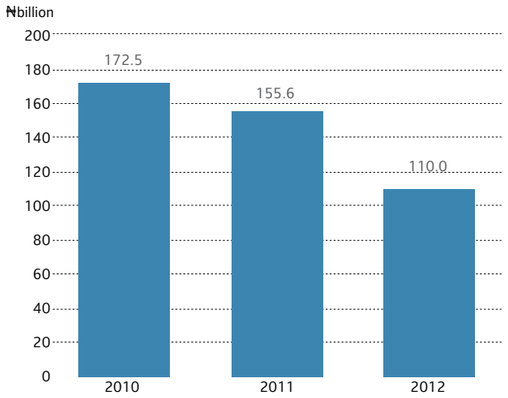
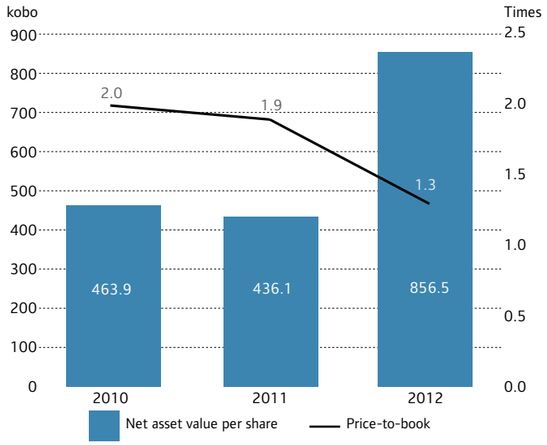
# Market capitalisation and price-to-book ratio

### Market capitalisation




### Net asset value per share and price-to-book




| | | Change % | 2012 | 2011 |
|---|---|---|---|---|
| Weighted average number of ordinary shares in issue* | thousands | (6) | **17,626,366** | 18,750,000 |
| Net asset value | ₦million | 5 | **85,651** | 81,778 |
| Net asset value per share | kobo | 96 | **857** | 436 |
| Share price at the end of the year | kobo | 33 | **1,100** | 830 |
| Market capitalisation at end of the year | ₦billion | (29) | **110.0** | 155.6 |
| Price-to-book at end of the year | times | (32) | **1.3** | 1.9 |

*Number of shares in issue in 2012

### Computation of number of shares in issues

| | Number of days | Number of shares in issue | Weighted average number of shares in issue |
|---|---|---|---|
| Pre-HoldCo restructuring | 319 | **18,750,000,000** | 16,342,213,115 |
| Post HoldCo restructuring | 47 | **10,000,000,000** | 1,284,153,005 |
| **Total** | 366 | | 17,626,366,120 |

Stanbic was outperformed by both the NSE All Share Index and the Banking Index (BI) in 2012. In 2012, Stanbic adjusted share price depreciated by 25.7%, while the NSE ASI and the BI appreciated by 35.4% and 23.8% respectively. The depreciation in the Stanbic's share price can be attributed to the less than satisfactory financial performances it recorded, which was at variance with the market expectation. In terms of market capitalisation Stanbic ranked 16th amongst the 195 listed equities and 8th amongst the 15 listed banking equities.

# Equity and range analysis

**The shareholding pattern of the Group as at 31 December 2012 is as follows:**

| Share range | Number of shareholders | Percentage of shareholders | Number of holding | Percentage holdings |
|---|---|---|---|---|
| 1 - 1,000 | **39,235** | **38.3** | **21,495,666** | **0.2** |
| 1,001 - 5,000 | **39,603** | **38.7** | **82,499,344** | **0.8** |
| 5,001 - 10,000 | **11,015** | **10.8** | **68,350,328** | **0.7** |
| 10,001 - 50,000 | **9,608** | **9.4** | **182,033,698** | **1.8** |
| 50,001 - 100,000 | **1,492** | **1.5** | **93,398,240** | **0.9** |
| 100,001 - 500,000 | **1,127** | **1.1** | **209,616,484** | **2.1** |
| 500,001 - 1,000,000 | **146** | **0.1** | **91,922,485** | **0.9** |
| 1,000,001 - 5,000,000 | **114** | **0.1** | **236,088,302** | **2.4** |
| 5,000,001 - 10,000,000 | **23** | **0.0** | **172,782,255** | **1.7** |
| 10,000,001 - 50,000,000 | **35** | **0.0** | **737,694,447** | **7.4** |
| 50,000,001 - 100,000,000 | **16** | **0.0** | **1,034,619,558** | **10.3** |
| 100,000,001 - 500,000,000 | **9** | **0.0** | **1,007,142,138** | **10.1** |
| 500,000,001 - 10,000,000,000 | **2** | **0.0** | **6,062,357,055** | **60.6** |
| **Grand Total** | **102,425** | **100.0** | **10,000,000,000** | **100.0** |
| Foreign shareholders | **144** | | **5,315,267,979** | **53** |
| Nigerian shareholders | **102,281** | | **4,684,732,021** | **47** |
| **Total** | **102,425** | | **10,000,000,000** | **100** |

### Significant shareholding of 5% and above

| Shareholder | Number of shares held 2012 | Percentage shareholding 2012 | Number of shares held 2011 | Percentage shareholding 2011 |
|---|---|---|---|---|
| Stanbic Africa Holdings Limited | **5,315,267,979** | **53.2** | 9,893,310,623 | 52.8 |
| First Century International Limited | **747,089,076** | **7.5** | 1,400,790,732 | 7.5 |

### Share capital history

| | Authorised (₦000) | | Issued and fully paid up | | Consideration |
|---|---|---|---|---|---|
| Year | increase | cumulative | increase | cumulative | |
| 2012 | - | 500 | - | 125 | share exchange |
| 2012 | 9,999,500 | 10,000,000 | 10,000,000 | 10,000,000 | share exchange |

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# Financial and other definitions

| | |
|---|---|
| **Basic earnings per ordinary share (EPS) (kobo)** | Earnings attributable to ordinary shareholders divided by the ordinary shares in issue. |
| **CAGR (%)** | Compound annual growth rate. |
| **Dividend cover (times)** | Earnings per share divided by dividend per share. |
| **Dividend per share (kobo)** | Total dividends to ordinary shareholders including dividends and scrip distributions declared per share in respect of the period. |
| **Net asset value (₦million)** | Equity attributable to ordinary shareholders. |
| **Net asset value per share (kobo)** | Net asset value divided by the number of ordinary shares in issue at the end of the period. |
| **Price-to-book ratio (times)** | Market capitalisation divided by net asset value. |
| **Profit attributable to ordinary shareholders** | Profit for the period attributable to ordinary shareholders, calculated as profit for the period less minority interests. |
| **Profit for the period (₦million)** | Income statement profit attributable to ordinary shareholders and minorities shareholders for the period. |
| **After tax return on average equity (ROaE) (%)** | Profit after tax as a percentage of annual average ordinary shareholders' funds. |
| **Shares in issue (number)** | Number of ordinary shares in issue as listed on the floor of the Nigerian Stock Exchange (NSE). |
| **Total capital adequacy ratio (%)** | Regulatory capital divided by risk-weighted assets. |
| **Turnover in shares traded (%)** | Number of shares traded during the period as a percentage of the weighted average number of shares. |
| **Weighted average number of share** | The weighted average number of ordinary shares in (number) issue during the period as recorded on the NSE. |
| **Cost-to-income ratio (%)** | Operating expenses as a percentage of total income |
| **Credit loss ratio (%)** | Total impairment charges on loans and advances per the income statement as a percentage of gross loans and advances |
| **Gross impairment coverage (%)** | Non-performing loan impairments as a percentage of gross non-performing loans. |
| **Non-performing loans ratio (%)** | Total non-performing loans as a percentage of gross loans and advances. |
| **Provisions for non-performing loans (₦million)** | Provisions for specific identified credit losses. |
| **Provision of performing loans (₦million)** | Provisions for incurred credit losses inherent in the performing loan book. |
| **Net interest margin (%)** | Net interest income as a percentage of total assets |
| **Non-interest revenue to total income (%)** | Non-interest revenue as a percentage of total income |

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01

02

03

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