

Financial results presentation



for the period ended 30 June 2015

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Operating Environment

Sola David-Borha CE, Stanbic IBTC Holdings

Macroeconomic environment

- ❖ Decline in economic activities as government revenues continue to decline as a result of the fluctuating crude oil prices. GDP decline in Q1 2015 to 3.86% (Q4 2014 : 5.9%).
- ❖ Foreign currency reserves were on a downward trend. Decline in crude oil revenue due to instability in oil prices and increased outflow of capital by foreign investors.
- ❖ The Central Bank of Nigeria further tightened access to foreign exchange by excluding some import items from the official foreign exchange market in a bid to reduce demand for foreign exchange and support consumption of local products.
- ❖ Reduced disposable income, driven by inflation as a result of the weaker naira. Inflation as at end of June is projected at 9.1% (March 2015: 8.5%, December 2014 : 8.0%)
- ❖ The capital markets performance improved slightly in Q2 2015 appreciating by 5.4%, although on a year-to-date basis the stock market performance is still negative.

Banking industry

Recent regulatory changes

- ❖ Harmonisation of cash reserve requirement (CRR) by increasing reserving requirement on private sector deposits to 31% from 20% and reserving on public sector deposits reduced to 31% from 75%;
- ❖ Foreign exchange management directives which includes reduction in spending limits on naira denominated cards abroad, prohibition of paying foreign currency for transactions conducted in Nigeria and exclusion of some import items from accessing foreign currency at the official market;
- ❖ Directives to banks on the strengthening of their credit risk management systems and also fraud risk management process; and
- ❖ Regulatory induced reduction in transaction charges; COT reduced to N1 per mille, zero COT on E-Banking transactions for businesses.

1H 2015 results

Arthur Oginga CFO, Stanbic IBTC Holdings

for the period ended 30 June 2015

Key performance highlights

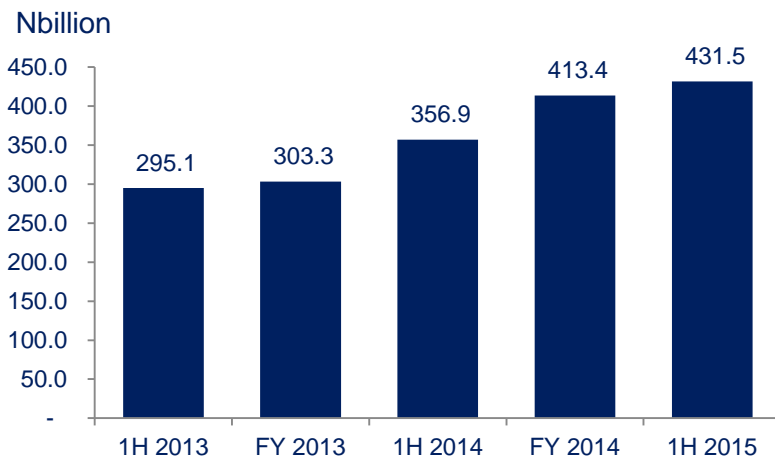
Income statement	H1 2015	Growth	H1 2014
	Nmillion		Nmillion
Gross earnings	68,295	10.7%	61,715
Net interest income	22,135	-3.7%	22,977
Non-interest revenue	26,346	-4.3%	27,517
Profit before tax	9,537	-52.2%	19,946
Profit after tax	9,695	-40.1%	16,184

Balance sheet	H1 2015	Growth	FY 2014
	Nmillion		Nmillion
Total assets	1,033,430	9.4%	944,542
Gross loans & advances	431,547	4.4%	413,440
Customer deposits	601,734	21.6%	494,935
Total shareholders' funds	118,763	7.9%	110,052

Key ratios	H1 2015	H1 2014	FY 2014
Net interest margin	4.5	5.6	5.5
Cost-to-income ratio	64.0	57.7	58.6
Capital adequacy – Group	15.3	19.8	19.1
– Bank	13.9	13.5	15.3
Non-performing loans ratio	7.2	4.8	6.6
Return on average equity	14.2	28.9	28.7
Cost of risk	3.7	0.8	0.8
EPS (Kobo)	80.3	148.4	293.0
Effective tax rate	-1.7%	18.9%	20.0%

Loans and advances

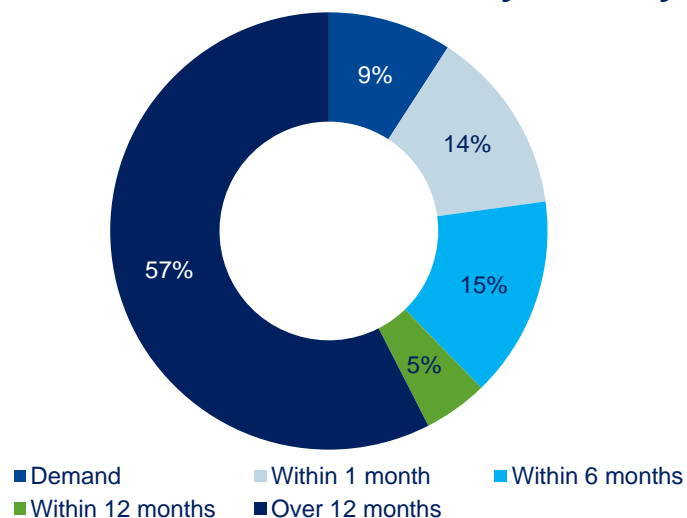
Growth in loans and advances



Contribution to loan growth by products



Breakdown of loan book by maturity



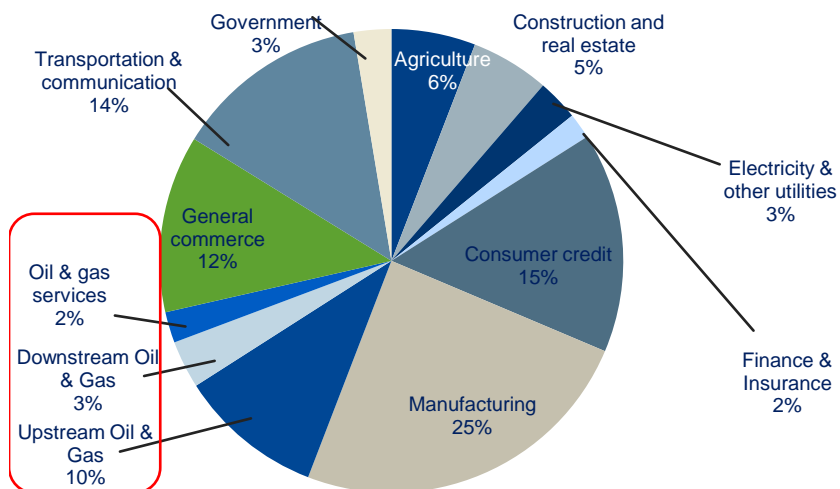
Breakdown of loan book by products and currency

	LCY loans Nmillion	FCY loans Nmillion	Total loans Nmillion
Personal & Business Banking	152,065	16,842	168,907
Home loan	9,746	-	9,746
Instalment sale & finance leases	23,362	546	23,908
Overdrafts	21,474	2,371	23,845
Term loans	97,483	13,925	111,408
Corporate & Investment Banking	120,221	142,419	262,640
Term loans	80,735	142,414	223,149
Overdrafts	34,190	5	34,195
Instalment sale and finance leases	5,297	-	5,297
Total loans	272,286	159,261	431,547

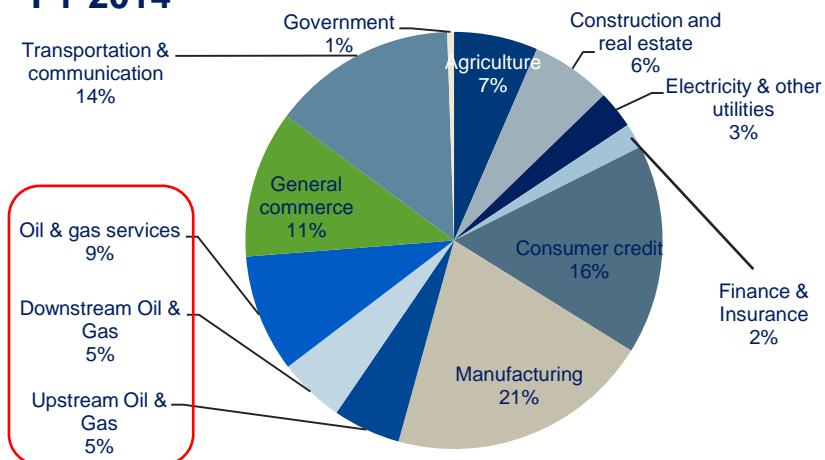
Loans and advances cont'd

Breakdown of loan book by sectors

H1 2015



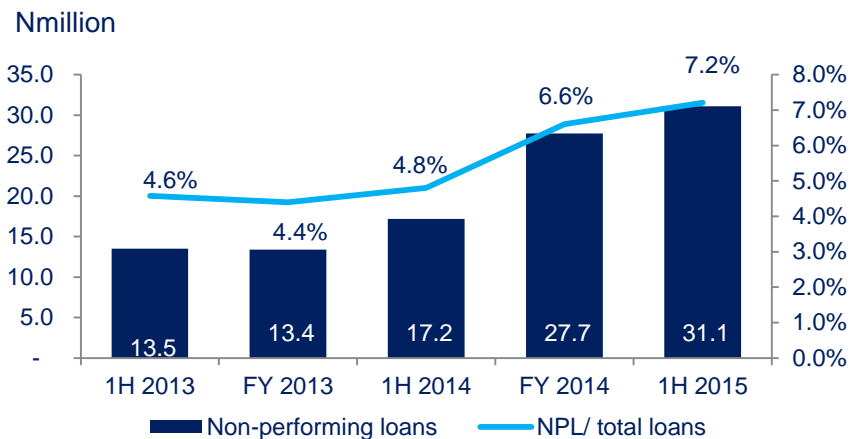
FY 2014



- ❖ Gross loans grew by 4% in the first six months of 2015
- ❖ The focus sectors were manufacturing, oil and gas and general commerce.
- ❖ The increase in loans to government is due to the reclassification of an infrastructure loan taken over by a state government. This also reduced exposure to construction sector.
- ❖ Loans to general commerce sector include loans to traders, importers and cooperative societies. These loans are majorly short term and renewable.
- ❖ Foreign currency loans accounted for 37% of gross loans in H1 2015 declining from 48% in FY 2014 as some clients have converted their exposures to Naira.

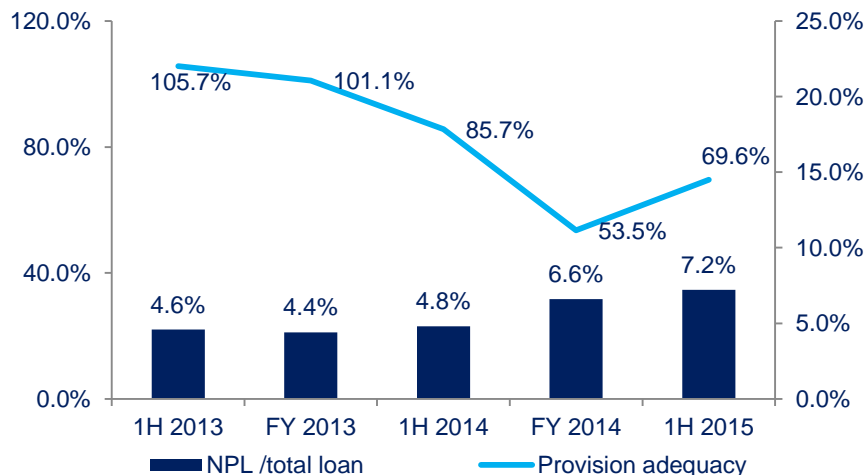
Loans and advances performance

Non-performing loans and NPL ratio



- ❖ Non-performing loans increased by 12% to N31.1 billion in H1 2015 from N27.7 billion in FY 2014. The increase is on the back of some newly classified loans in transport and communication sectors.
- ❖ The non-performing loans to total loans ratio consequently deteriorated to 7.2% from 6.6% recorded in FY 2014.
- ❖ NPL to government is an infrastructure loan taken over by government, this also accounts for the decline in construction and real estate sector. The infrastructure loan was granted to a company operating a public-private partnership with government before the partnership was nullified and the government took over all liabilities to the project.

Non-performing loans and coverage ratio

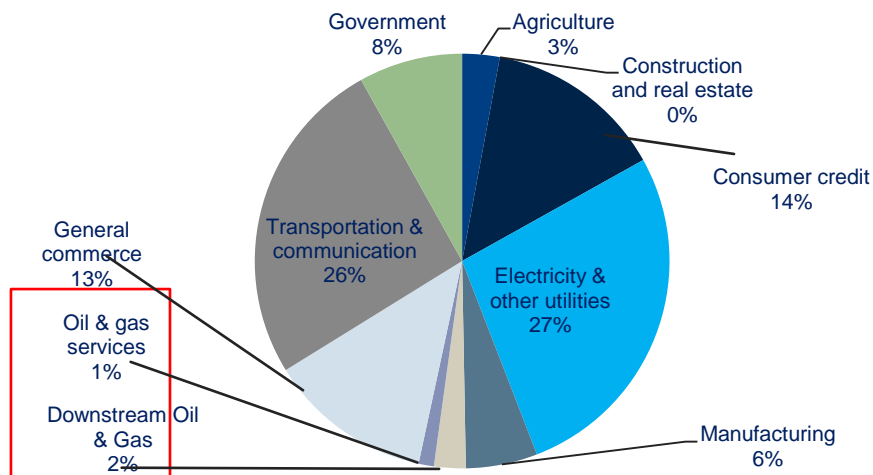


- ❖ Increase in NPLs in transport and communications sector due to classification of loans to haulage and logistics business. This is linked to the general slowdown evidenced in the consumer sector.
- ❖ Coverage ratio on performing loans for the period was 1.7%
- ❖ Foreign currency loans accounted for 14% of NPLs, while local currency loans accounted for the balance.

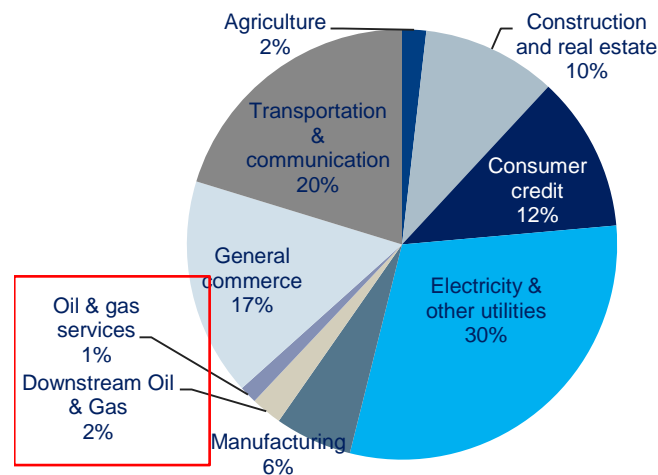
Loans and advances performance cont'd...

Non-performing loans by sector

H1 2015

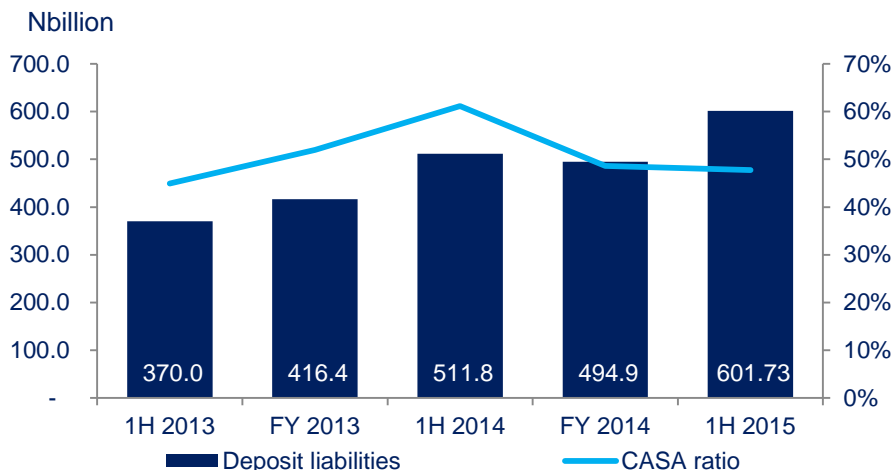


FY 2014



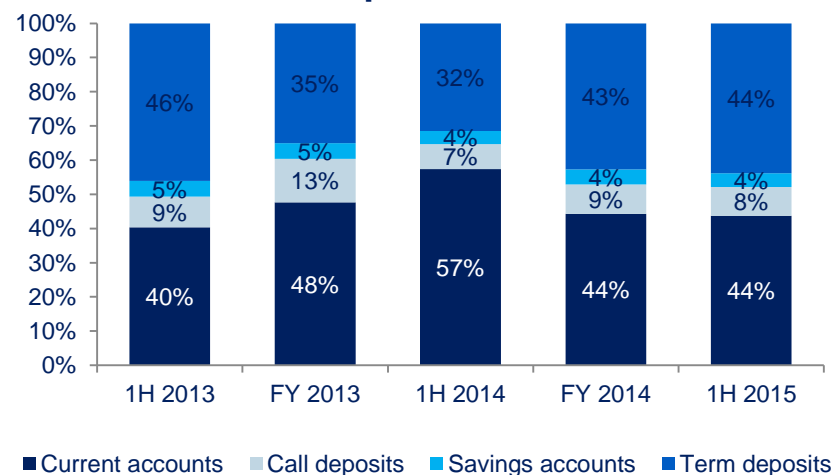
Customer deposits

Deposits evolution

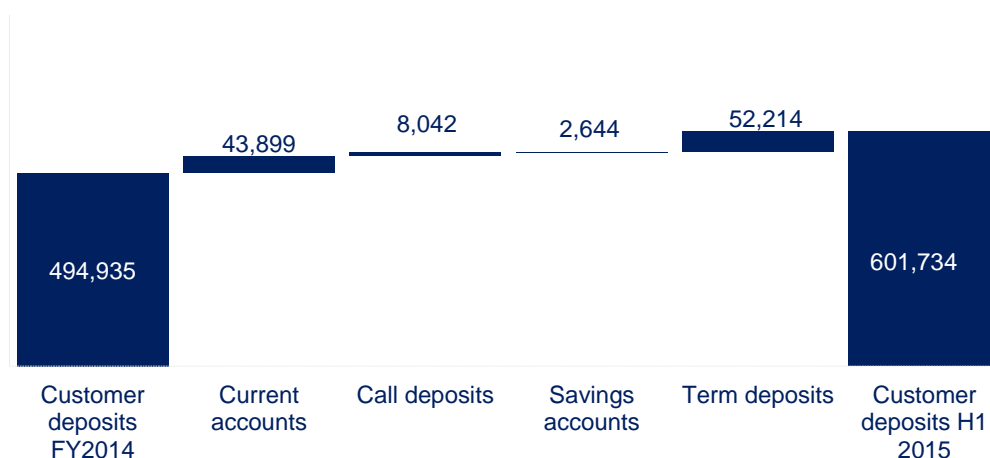


- ❖ Customer deposits grew by 21% on the back of growing customer relations and the need to make up for sterilized deposits due to the increase in cash reserve requirement.
- ❖ Customer acquisition initiatives continued to yield positive results as current and savings account balances grew by 32% from FY 2014.
- ❖ Ratio of transactional deposits to total deposit closed the period at 48% from 49% in FY 2014.
- ❖ We are focused on reducing the expensive term deposits carried forward from 2014 by repricing these deposits as they mature.

Deposit mix

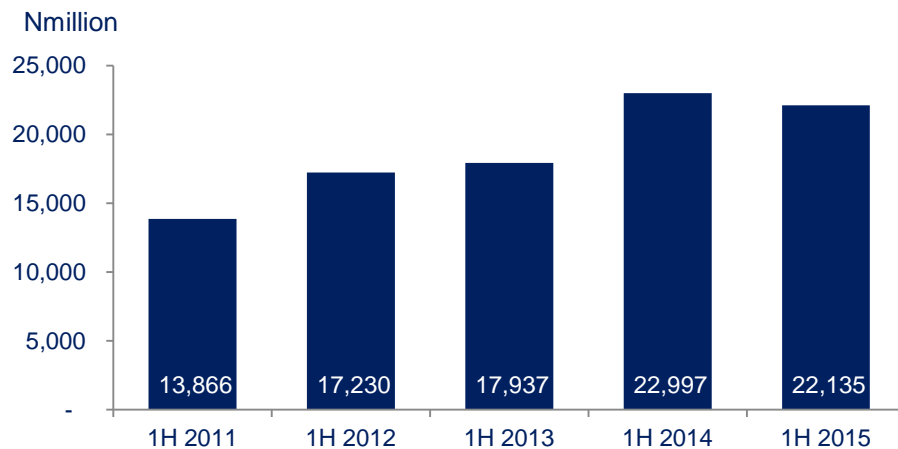


Contribution to deposit growth by products



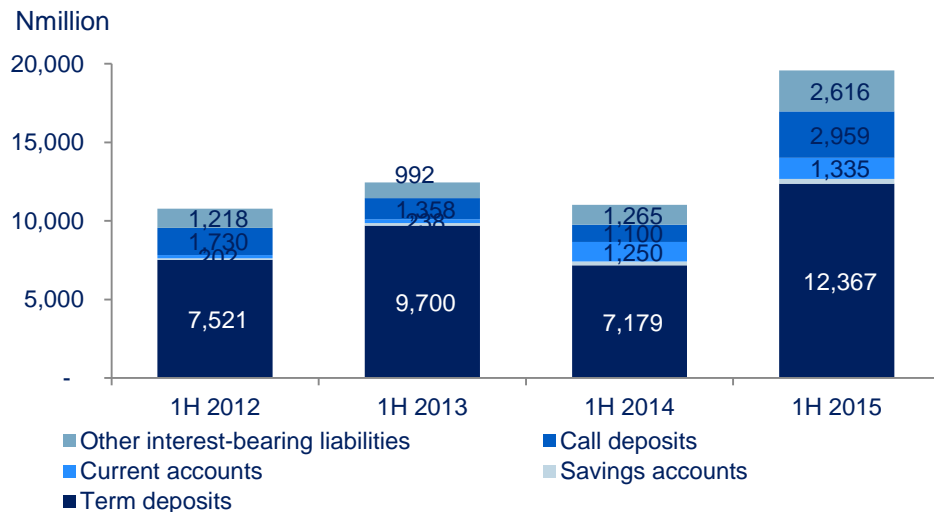
Net interest income analysis

Evolution of net interest income (NII)

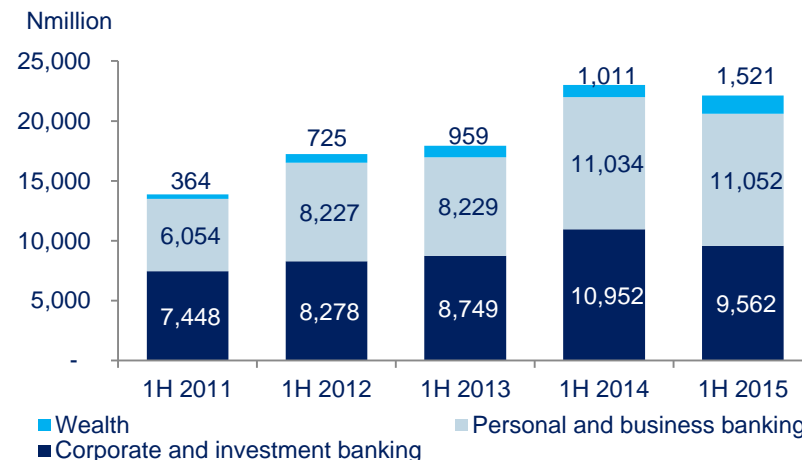


- ❖ Interest income increased by 23% to N41.7 billion (H1 2014: N34.0 billion) due to growth in the loan book, but on account of increase in interest expense by 78% resulting from an increase in reserving requirement by regulator and increase in term deposits, net interest income declined by 4%.
- ❖ Net interest margin compressed to 4.5% in H1 2015 from 5.5% in FY 2014 as a result of increasing cost of funds.

Interest expense by product



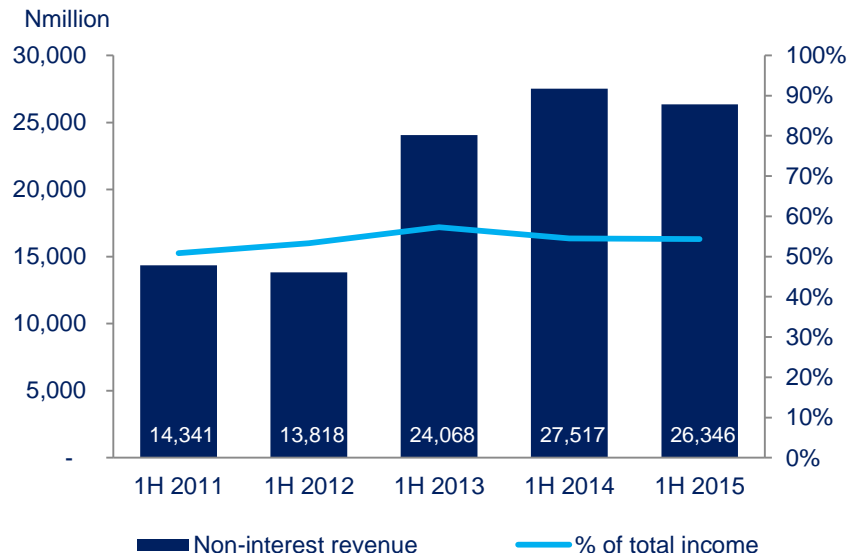
Net interest income by business units



for the period ended 30 June 2015

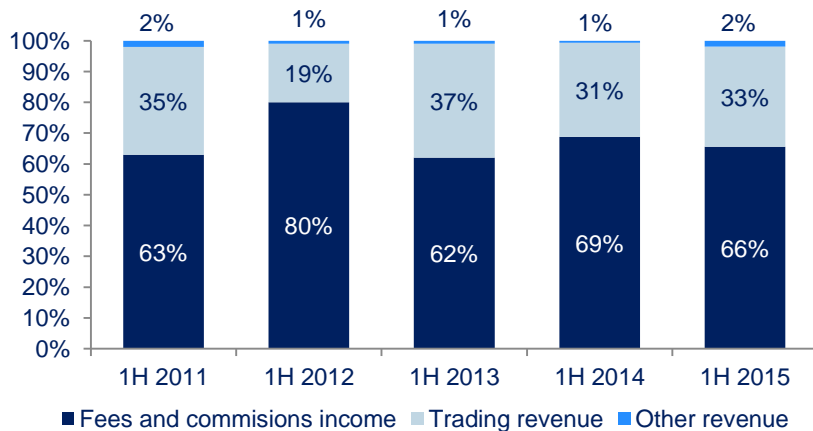
Non-interest revenue analysis

Evolution of non-interest revenue (NIR)

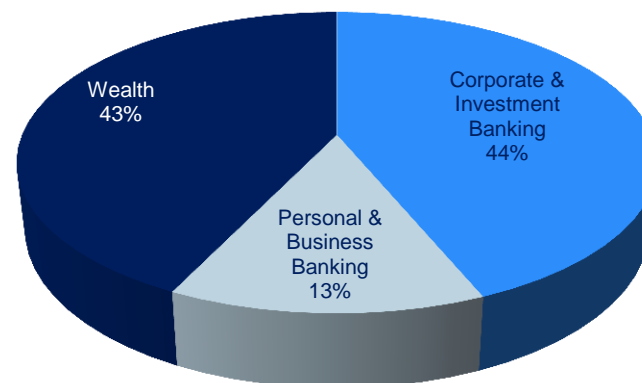


- ❖ Net fees and commission revenue remained flat at N18.8 billion in H1 2015.
- ❖ Non-interest revenue declined by 4%, resulting from a 14% decrease in trading revenue.
- ❖ Regulatory induced reduction in fees resulted in a 42% decline, year-on-year (YoY), in COT and account transaction fees. While the decline in stock market performance resulted in 19% decline YoY in stockbroking and custody fees. Asset management fees however cushioned the negative impact by growing 13% YoY and accounting for 59% of fees and commissions.
- ❖ Trading revenue was down 14% YoY. Recent regulations around foreign exchange management and slowdown in economic activities have impeded revenue growth from trading activities.

Non-interest revenue by type

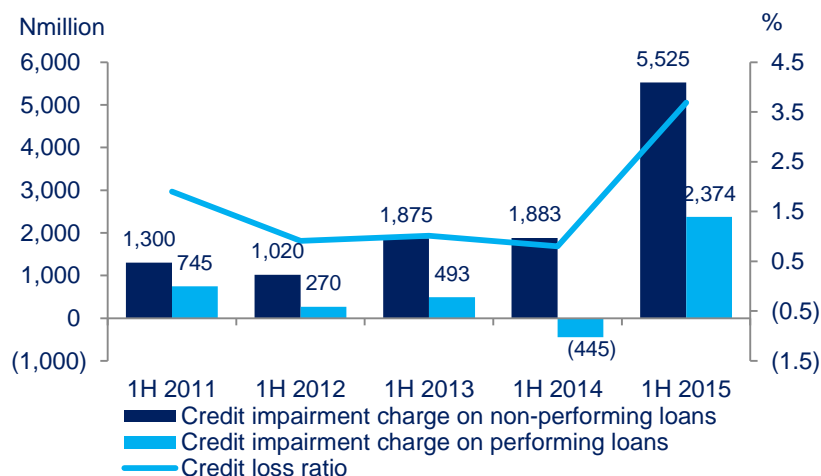


Non-interest revenue by business units



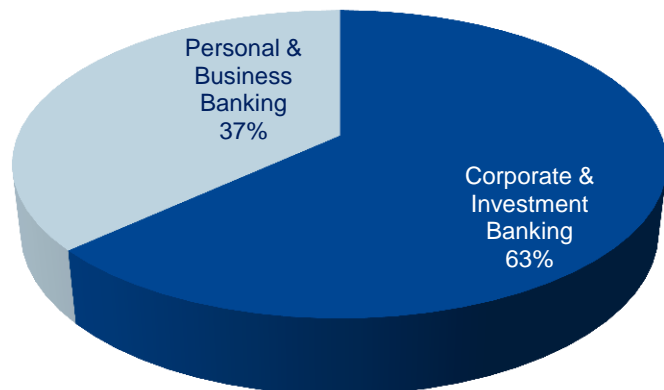
Credit impairment charges

Credit impairment charges and credit loss ratio



- ❖ Credit impairment charges increased by over 100% to N7.9 billion (1H 2014: N1.4 billion). The increase in credit impairments applied to both performing and non-performing loans. The decline in economic activities has resulted in strain on some sectors of the economy especially the oil and gas and government linked contractors and suppliers. The decline in government revenues resulted in unpaid salaries and delayed contractor payments. In line with these economic realities, the group had to increase its provisioning on loans and advances.
- ❖ The increase in credit impairment charges led to a higher cost of risk which increased to 3.7% from 0.8% in FY 2014.

Credit impairment charges by business units

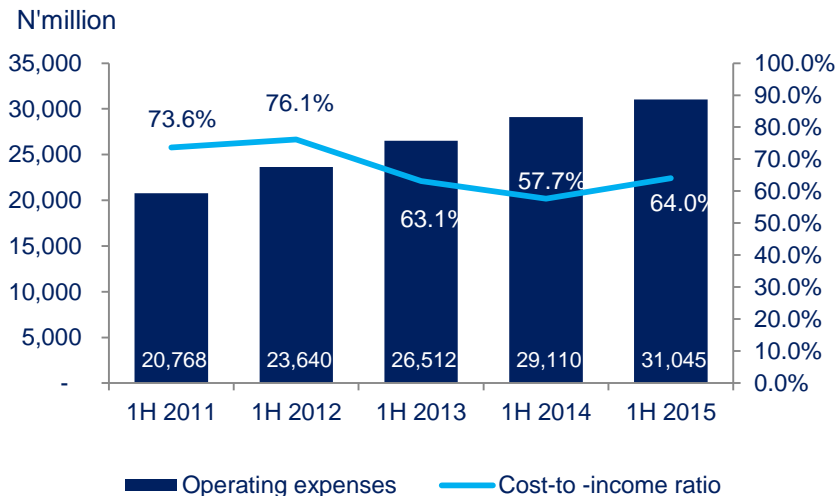


Movement in credit impairment charges

	change	H1 2015	H1 2014
	%	Nmillion	Nmillion
Specific credit impairment charges	>100	5,599	2,365
Provision for performing loans	>(100)	2,375	(445)
Total impairment charges	>100	7,974	1,920
Recoveries	(84)	(75)	(482)
Credit impairment charges	>100	7,899	1,438

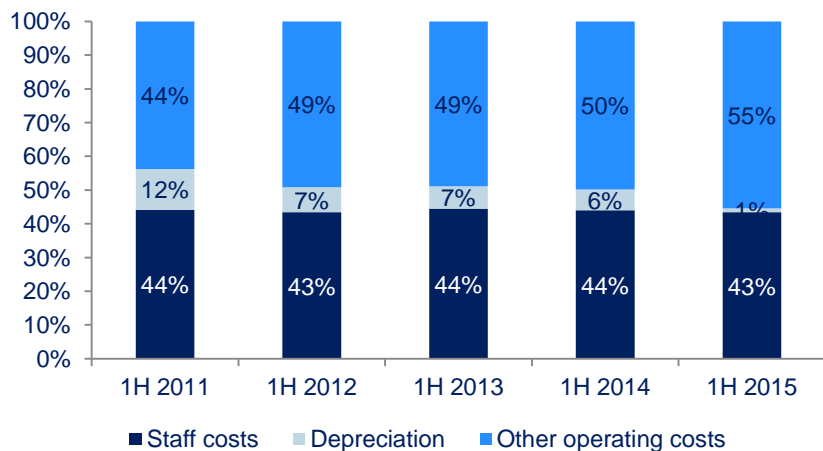
Operating expenses and taxation

Operating expenses and cost-to-income ratio

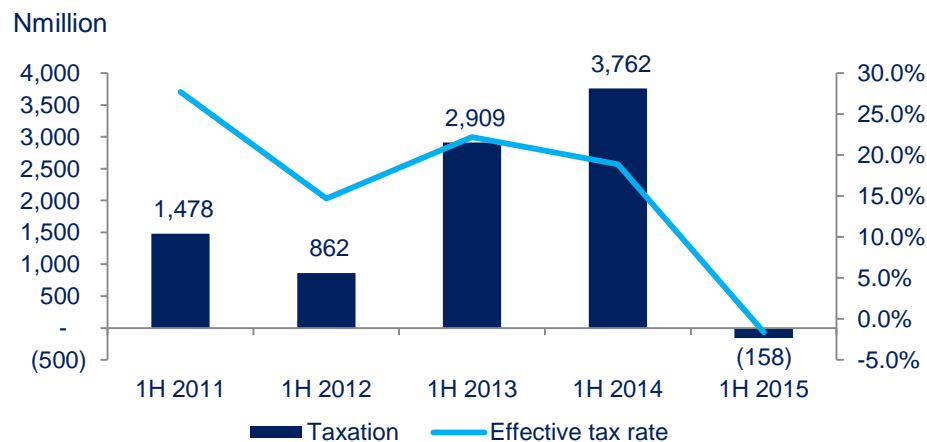


- ❖ Operating expenses grew by 7% albeit below inflation. This is driven by growth in staff cost and other operating expenses.
- ❖ Staff cost increased by 3% on the back of inflation adjustment to staff salaries and net movement in headcount of staff.
- ❖ Other operating expenses was up by 9% driven by growth in cost of securing our deposits with NDIC, increase in AMCON sinking fund expenses, premises and maintenance expenses.
- ❖ The tax credit is due to tax exempt income and credit impairment in the bank leading to tax loss which is available to offset future taxable income. The tax credit from the Bank offset the tax charge from other subsidiaries, resulting into a net credit position for the group.
- ❖ Cost-to-income ratio at the end of 1H 2015 was 64.0%

Breakdown of operating expenses

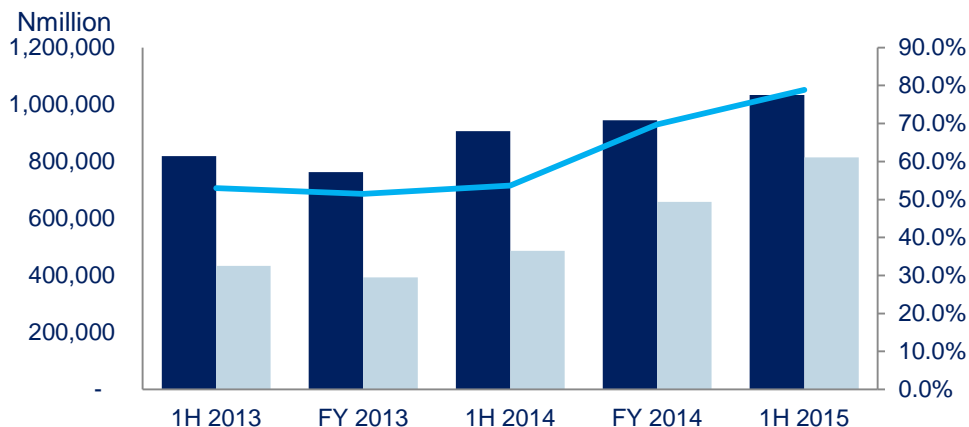


Taxation and effective tax rate



Capital and Liquidity

Risk weighted assets to total assets



- ❖ The ratio of risk weighted assets to total assets increased 78.8% from 69.7% in FY 2014 as a result of asset growth rate and currency depreciation.
- ❖ Capital adequacy ratio remains well above minimum regulatory requirement of 10%.
- ❖ The group is in the process of raising N20.4 billion in rights issue to support future asset growth rate.
- ❖ The group maintained a strong liquidity ratio of 55.6% (Bank 40.7%)

Capital adequacy computation – Basel II

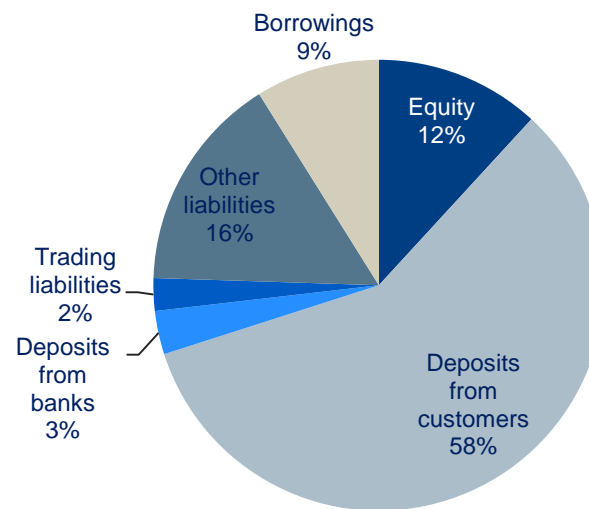
	H1 2015		FY 2014	
	Group	Bank	Group	Bank
	Nmillion	Nmillion	Nmillion	Nmillion
Tier I capital	102,512	70,971	104,011	62,356
Tier II capital	22,141	21,984	21,511	6,403
Total qualifying capital	124,653	92,955	125,522	68,759

Credit risk	599,731	544,663	526,320	509,846
Operational risk	160,484	118,276	129,931	99,637
Market risk	4,238	4,238	2,336	2,336
Risk weighted assets	764,453	667,177	658,587	611,819

Capital adequacy

Tier I	13.4%	10.6%	15.8%	11.8%
Tier II	2.9%	3.3%	3.3%	3.5%
Total	16.3%	13.9%	19.1%	15.3%

Breakdown of funding sources



Capital and Liquidity contd.

Rights issue

- ❖ Standard Bank is supportive of the right issue.
- ❖ The rights issue is presently going through regulatory approvals.
- ❖ The price will be set after approvals have been received.

Scrip dividend

- ❖ The Scrip Dividend Scheme offers shareholders who are willing to increase their shares an opportunity to acquire more share without incurring transaction costs.
- ❖ The number of shares to be received will depend on:
 - ❖ The amount of the cash dividend
 - ❖ The number of Ordinary Shares registered in shareholders name
 - ❖ The reference share price to be used in calculating your new Share entitlement.
 - ❖ The formula to determine the scrip dividend is -
$$\frac{\text{Dividend available to shareholder}}{\text{Reference price}}$$

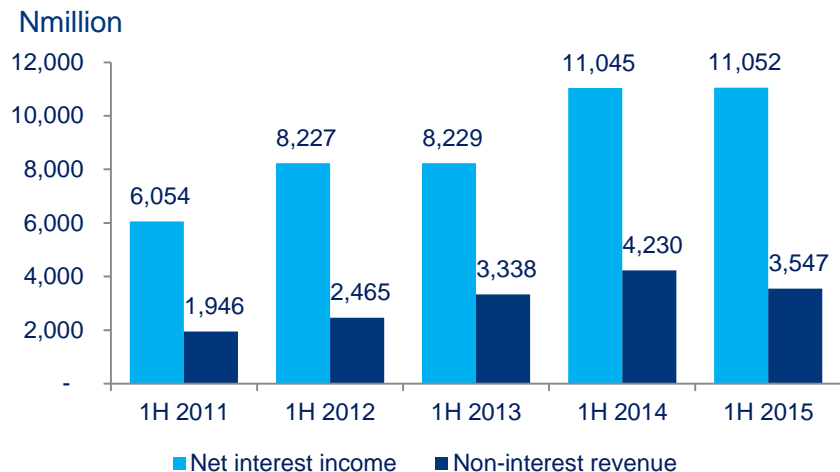


PBB

Obinnia Abajue ED, Stanbic IBTC Bank

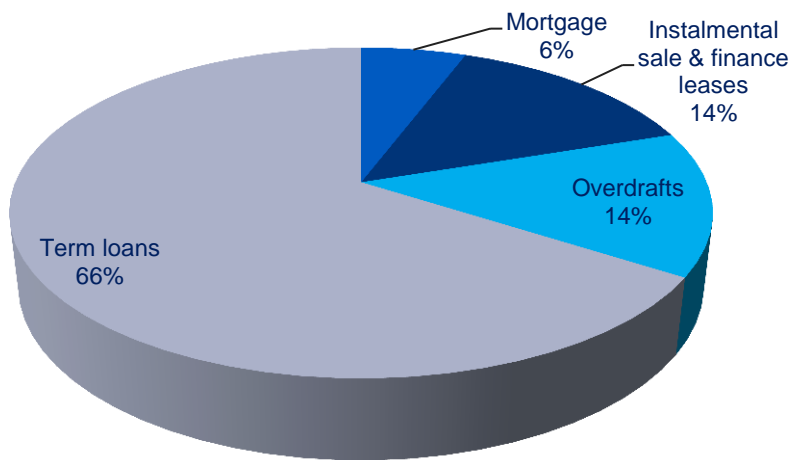
Personal and Business Banking (PBB) financial analysis

Net interest income (NII) and Non-interest revenue (NIR)

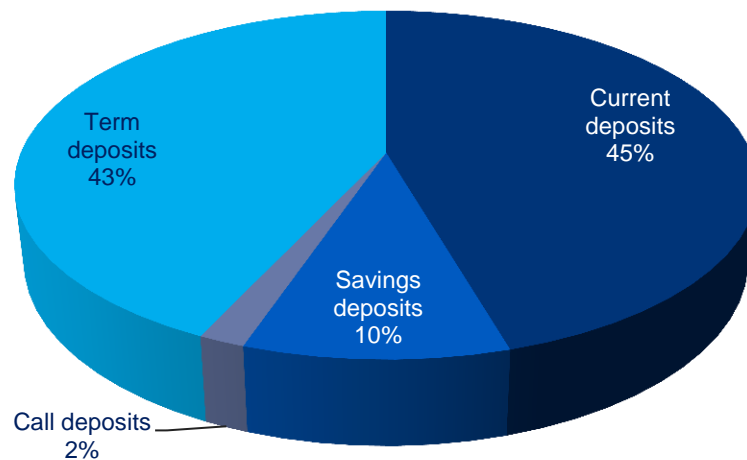


- ❖ PBB's Interest income increased by 11% as loans to customers continue to grow. Interest income growth was however subdued by 40% growth in interest expense leading to a flat net interest income of N11.5 billion YoY.
- ❖ NIR declined by 16% due to regulatory induced reduction in fees and commission and the decline in economic transactions.
- ❖ PBB's operating expenses increased by 7% as business units maintain cost discipline.
- ❖ Deposits from customers grew by 17% with CASA ratio of 55% at the end of H1 2015.

Breakdown of loans and advances



Breakdown of customer deposits



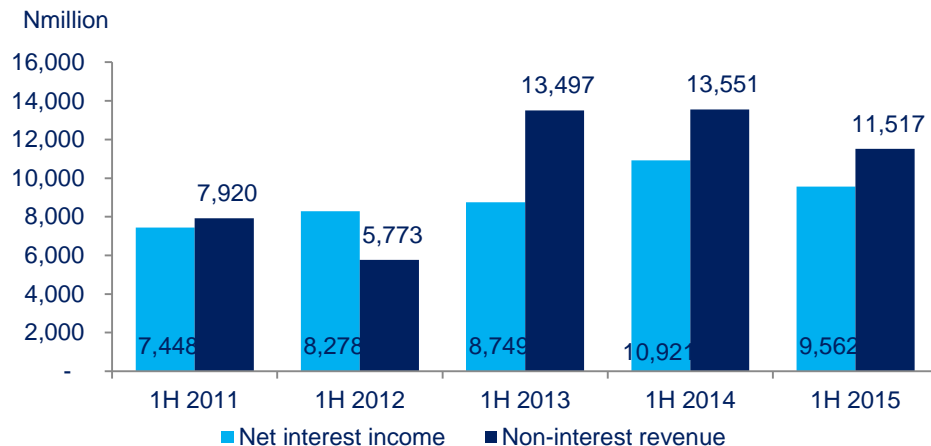


CIB

Yewande Sadiku ED, Stanbic IBTC Bank

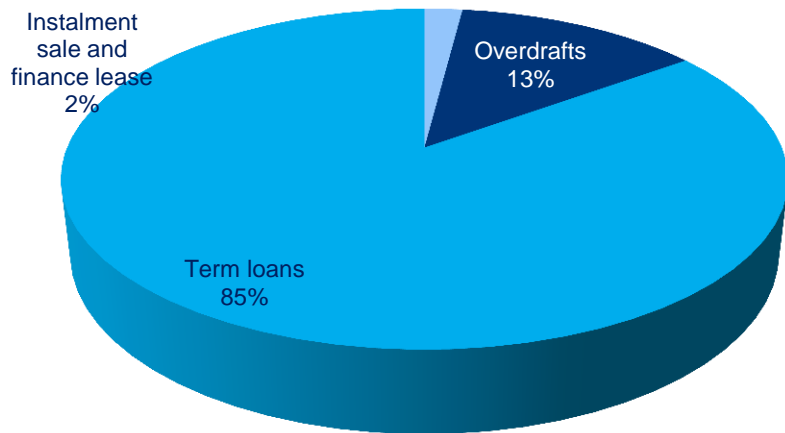
Corporate and Investment Banking (CIB) financial analysis

Net interest income and Non-interest revenue

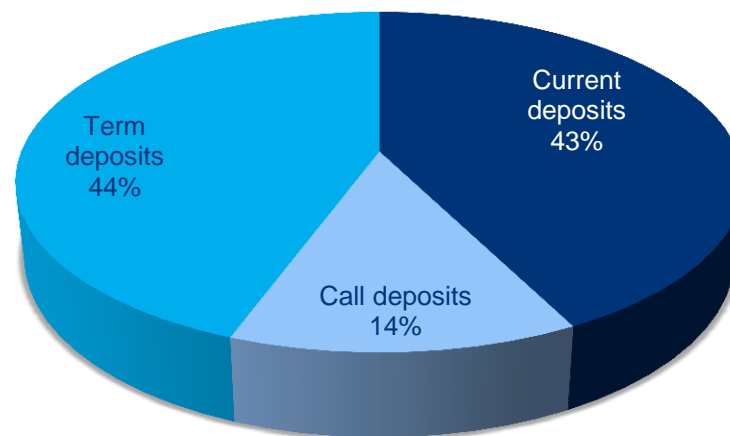


- ❖ CIB's interest income grew by 31% supported by increase in loans and advances and favourable yields on money market investment. This growth was however depressed by over 100% increase in cost of funds due to high volume of expensive term deposits carried from Q4 2014.
- ❖ The slow down in flows from foreign portfolio investors and depreciation of Naira impacted negatively on CIB's NIR which declined by 14%. Assets under custody declined to N2.4 trillion in H1 2015 (H1 2014: N2.8 trillion) as portfolio investors repatriated their investments, while the decline in economic activities also resulted in slow conversion of investment banking deal pipeline leading to decline in fees and commissions revenue.
- ❖ Operating expenses grew marginally by 2% as the business unit continues to focus on cost discipline.

Breakdown of loans and advances



Breakdown of customer deposits

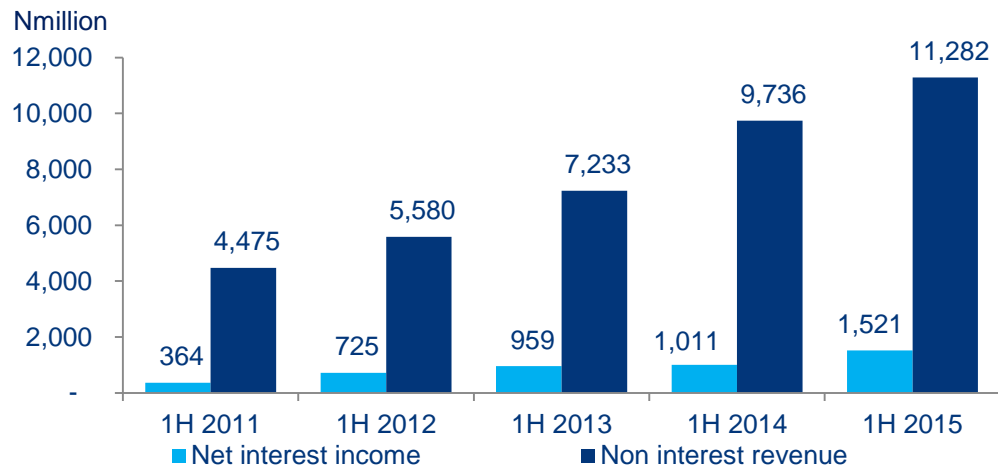


Wealth

Demola Sogunle CE, Stanbic IBTC Pensions

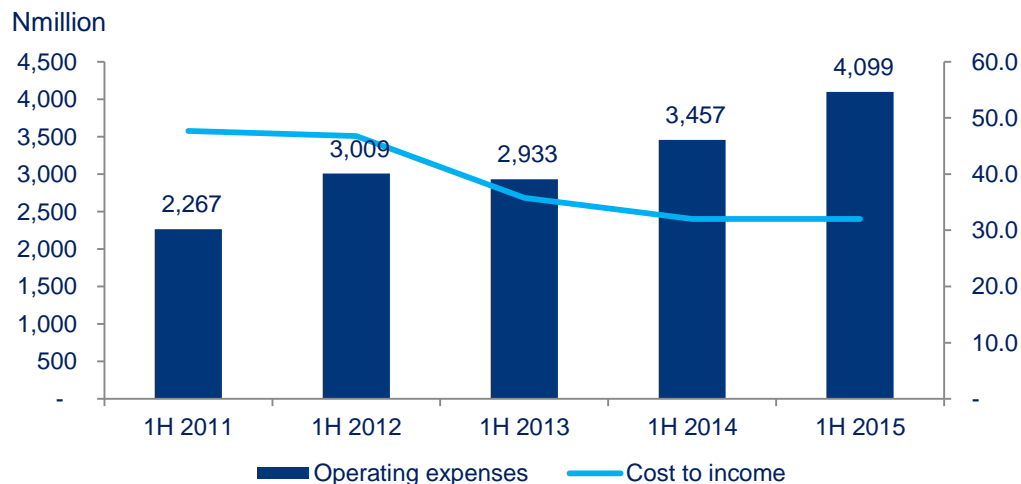
Wealth financial analysis

Net interest income and Non-interest revenue



- ❖ NIR from Wealth business is mainly asset management fees which increased by 16% YoY. This growth is as a result of continued growth in asset under management despite the lull in the capital market.
- ❖ NII grew by 50% YoY resulting from good yields in money market investments.
- ❖ Operating expenses grew by 19% due to 25% growth in staff cost and 13% growth in other operating expenses. Staff cost grew as a result of the recent regulatory directive on non-full time employees.

Operating expenses and cost-to-income ratio



- ❖ Wealth maintained a steady growth in its assets under management (AUM) despite the economic conditions. The pensions business also continues to focus on growing its retirement savings accounts to ensure continued growth in AUM.

Outlook for 2H 2015

Sola David-Borha CE, Stanbic IBTC Holdings

Outlook for 2H 2015

- ❖ Decline in government revenue continues to impact negatively on business activities;
- ❖ Continued pressure on the nation's reserves due to the increased pressure on the foreign exchange market;
- ❖ The federal government bailout measures for state government should clear the backlog of unpaid salaries , improving disposable income and remittance of pension contribution;
- ❖ Higher inflation weakening purchasing power as Naira is expected to depreciate further;
- ❖ Increased regulatory pressures weigh heavily on banks' performance and profitability; and
- ❖ Asset quality concerns due to continued high interest rate environment.

Guidance for 2015

In line with the economic realities we have changed our guidance to below:

Loan growth – 10%

- Focus sectors – Agriculture, manufacturing, oil and gas downstream and consumers.
- Loan growth excludes effects of exchange rate depreciation

Deposit growth – 15%

- Improve CASA ratio to 50% (Currently 49%)

NPL ratio <5.0%

- Improve on client engagements
- Enhance collection capabilities

Cost of risk <2.5%

- Focus on resolving classified loans

Net interest margin 4.5% - 5%

- Focus on higher yield assets, while driving down funding cost

Cost-to-income ratio < 60%

- Increased use of technology to improve and optimise processes

Return on equity 18%

Q&A

Appendix

for the period ended 30 June 2015

Group statement of financial position

	1H 2015 Nmillion	Change %	FY 2014 Nmillion
Cash and cash equivalents	296,042	>100	143,171
Trading assets	74,339	(23)	96,345
Pledged and derivative assets	27,041	(23)	39,032
Financial investments	117,489	(43)	204,502
Loans and advances	432,611	6	407,418
Loans and advances to banks	22,709	>100	8,814
Loans and advances to customers	409,902	3	398,604
Current and deferred tax assets	11,657	38	8,457
Other assets	49,276	128	21,613
Intangible asset	-	-	-
Property and equipment	24,975	4	24,004
Total assets	1,033,430	9	944,542
Trading liabilities	23,670	72	85,283
Derivative liabilities	515	(81)	2,677
Deposits and current accounts	633,922	14	554,056
Deposits and current accounts from banks	32,188	(46)	59,121
Deposits and current accounts from customers	601,734	22	494,935
Other borrowings	68,415	(2)	70,151
Subordinated debt	23,602	3	22,973
Current and deferred tax liabilities	8,594	(12)	9,774
Other liabilities	152,456	79	85,353
Total liabilities	911,174	9	830,267
Equity	122,256	7	114,275
Non-controlling interest	3,493	(17)	4,223
Liabilities and equity	1,033,430	9	944,542

for the period ended 30 June 2015

Group quarterly statement of financial position

	2Q 2015	1Q 2015
	Nmillion	Nmillion
Cash and Cash equivalent	296,042	189,572
Trading assets	74,339	76,977
Pledged and derivative assets	27,041	58,210
Financial investments	117,489	118,427
Loans and advances	432,611	437,917
Loans and advances to banks	22,709	25,139
Loans and advances to customers	409,902	412,778
Other assets	49,276	45,353
Current and deferred tax assets	11,657	9,689
Intangible assets	-	-
Property and equipment	24,975	24,535
Total assets	1,033,430	960,680
Liabilities		
Derivative liabilities	515	1,217
Trading liabilities	23,670	82,238
Deposit and current accounts	633,922	550,546
Deposits and current accounts from banks	32,188	31,688
Deposits and current accounts from customers	601,734	518,858
Other borrowings	68,415	66,778
Subordinated debt	23,602	23,269
Current and deferred tax liabilities	8,594	11,641
Provision and other liabilities	152,456	105,108
Total liabilities	911,174	840,797
Equity	122,256	114,934
Non-controlling interest	3,493	4,949
Liabilities and equity	1,033,430	960,680

for the period ended 30 June 2015

Summarised group income statement

	1H 2015 Nmillion	Change %	1H 2014 Nmillion
Interest income	41,718	23	33,997
Interest expense	(19,583)	78	(11,020)
Net interest income	22,135	(4)	22,977
Non interest revenue:	26,346	(4)	27,517
Net fee & commission income	18,804	-	18,763
Trading income	7,133	(14)	8,315
Other income	409	(7)	439
Operating income	48,481	(4)	50,494
Less: Credit impairment charges	(7,899)	>100	(1,438)
Operating expenses	(31,045)	9	(29,110)
Profit before tax	9,537	(52)	19,946
Tax	158	>100	(3,762)
Profit after tax	9,695	(40)	16,184

for the period ended 30 June 2015

Summarised group income statement – quarterly analysis

	2Q 2015 N'million	1Q 2015 N'million
Gross income	34,558	33,737
Net interest income	11,434	10,701
Interest income	22,022	19,716
Interest expense	(10,568)	(9,015)
Non-interest revenue	12,429	13,917
Net fee and commission revenue	9,260	9,544
Fee and commission revenue	9,387	9,648
Fee and commission expense	(127)	(104)
Trading revenue	2,905	4,228
Other revenue	264	145
Total income	23,863	24,618
Credit impairment charges	(3,958)	(3,941)
Income after credit impairment charges	19,905	20,677
Operating expenses	(15,183)	(15,862)
Staff costs	(6,378)	(7,094)
Other operating expenses	(8,805)	(8,768)
Profit before taxation	4,722	4,815
Taxation	759	(601)
Profit for the period	5,481	4,214

for the period ended 30 June 2015

PBB summarised financial statement and selected ratios

	1H 2015 Nmillion	Change %	1H 2014 Nmillion
Income statement			
Net interest income	11,052	-	11,045
Non-interest revenue	3,547	(16)	4,230
Total income	14,599	(4)	15,275
Impairment charges	(2,907)	>100	(1,340)
Operating expenses	(15,517)	7	(14,454)
Loss before tax	(3,825)		(519)
Balance sheet			
	1H 2015 Nmillion	Change %	FY 2014 Nmillion
Loans & advances	168,907	2	166,391
Deposit liabilities	247,628	17	211,437
Key ratios			
	1H 2015		1H 2014
Credit loss ratio %	3.4		3.4
Cost-to-income ratio %	>100		94.6
NPL to total loan ratio %	9.0		8.2

CIB summarised financial statement and selected ratios

	1H 2015	Change	1H 2014
Income statement	Nmillion	%	Nmillion
Net interest income	9,562	(12)	10,921
Non-interest revenue	11,517	(15)	13,551
Total income	21,079	(14)	24,472
Impairment charges	(4,992)	>100	(98)
Operating expenses	(11,429)	(2)	(11,199)
Profit before tax	4,658	(65)	13,175
	1H 2015	Change	FY 2014
Balance sheet	Nmillion	%	Nmillion
Loans & advances	262,640	7	247,049
Deposit liabilities	354,106	25	283,498
Key selected ratios	1H 2015		1H 2014
NIR to total income %	54.6		60.7
Cost to income ratio %	54.2		45.8
NPL/total loan ratio %	4.0		2.6

Wealth summarised financial statement and selected ratios

	1H 2015	Change	1H 2014
Income statement	Nmillion	%	Nmillion
Net interest income	1,521	50	1,011
Non-interest revenue	11,282	16	9,736
Total income	12,803	19	10,747
Operating expenses	(4,099)	19	(3,457)
Profit before tax	8,704	19	7,290
Key ratios			
Cost-to-income ratio (%)	32.0		32.2