

# Stanbic IBTC FY 2019 results

## Low growth

- Stanbic IBTC released its FY 2019 unaudited results yesterday. Results were generally flat-to-negative year-on-year (y/y). Net profits were up 0.8% y/y (average 2019 inflation: 11.32%), with growth largely driven by trading income.
- The RoAE fell from 35.7% to 27.7%.
- An interim dividend of N1.00/s was paid at half year but the bank is yet to declare final dividend for FY 2019 as its board of directors are scheduled to sit on 06 February 2019 to propose final dividend among other matters.

Stanbic IBTC's net interest income fell by 0.5% during the period owing to faster growth, +6.0%, in interest expense compared with 1.7% growth in interest and similar income.

Net fee and commission income grew 0.8% y/y. This unimpressive growth could be attributed to a decrease in asset management fees and falling custody transaction fees during the period. The sustainability of this income line may be under pressure due to the recent cut by the Central Bank of Nigeria (CBN) on account maintenance and transfer charges.

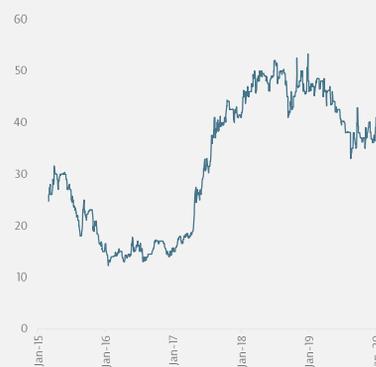
Growth in other income is perhaps the most surprising aspect of the FY 2019 result, its 17.1% increase was largely driven by trading in fixed income securities.

Management continues to control expenses as the cost-to-income ratio declined by 248bps y/y, which is lower than the 6.0% y/y increase in non-interest income.

Rating	Buy
Price (N)	41.50
Price target (N)	61.35
Up/downside potential	47.8%
Market cap (Nbn/US\$m)	491 / 1,348
Bloomberg	STANBIC:NL
Reuters	IBTC.LG
Free float	28.63%

Priced at 08 January 2020

Share price performance (N)



Source: Bloomberg, Coronation Research

### Stanbic IBTC FY 2019 results

Naira millions	FY 2018	FY 2019	y/y %
Interest and similar income	118,382	120,412	1.7%
Interest and similar expense	(40,173)	(42,581)	6.0%
<b>Net Interest Income</b>	<b>78,209</b>	<b>77,831</b>	<b>-0.5%</b>
Net Fee & Commission Income	69,845	70,393	0.8%
Other Income	32,759	38,362	17.1%
<b>Total Op Inc.</b>	<b>180,813</b>	<b>186,586</b>	<b>3.2%</b>
Opex	(95,601)	(94,029)	-1.6%
<i>cost to income ratio ex provisions</i>	<i>52.9%</i>	<i>50.4%</i>	<i>-248bps</i>
<b>Operating income</b>	<b>85,212</b>	<b>92,557</b>	<b>8.6%</b>
Loan losses	2,940	(1,632)	-155.5%
<i>Cost of risk (COR)</i>	<i>0.7%</i>	<i>0.3%</i>	<i>-38bps</i>
<b>PBT</b>	<b>88,152</b>	<b>90,925</b>	<b>3.1%</b>
Tax	(13,712)	(15,890)	15.9%
<b>Net Profits</b>	<b>74,440</b>	<b>75,035</b>	<b>0.8%</b>

Source: Company, Coronation Research

### Key Contact

Head of Research  
Guy Czartoryski  
+234 708 5730 301  
[gczartoryski@coronationmb.com](mailto:gczartoryski@coronationmb.com)

By reading this report the reader assents to the terms of the disclaimer and disclosures which appear at the end of this report and which form an integral part of it. This report is not for distribution outside Nigeria except where authorised. In the European Union it may be distributed in accordance with MiFID II compliant agreements. The USA it may only be distributed by an authorised and regulated distributor of investment research.

Customer deposits declined during the year (-21.0%) to N637.8 billion (US\$1,771 million) due to the reduction of expensive term deposits. Gross loans and advances grew by 21.2% to N556.4 billion (US\$1,545 million) at FY 2019. This growth, in our view, is due to the 65.0% regulatory minimum loan-to-deposit (LDR) ratio. We estimate Stanbic's LDR at FY 2019 to be 62.7%.

Asset quality deteriorated slightly during the period as loan loss provisions which were positive throughout 2018 moved into the negative terrain in 2019. The non-performing loan ratio was reported at 3.8% at FY 2019 which is likely to prove slightly lower than those of other banks, and lower than CBN's 5.0% limit.

Return on average equity (RoAE) for FY 2019 dropped to 27.7% from 35.7% in FY 2018. This isn't a bad ROE by any means (it's likely to be one of the best in the Nigerian banking industry), but it is worth keeping an eye on.

The bank faces near-term headwinds. Interest rates are expected to remain low for the foreseeable future, which we believe is likely to put pressure on net interest income. But balance sheet growth and the asset mix have been able to mitigate some of that headwind recently.

We have a price target of N61.35/s for Stanbic IBTC and, given the potential upside relative to current price of N41.5/s, we maintain our Buy rating on the stock.

# Stanbic IBTC: forecasts

[Back to Top ↑](#)

Income statement Nm	2014	2015	2016	2017	2018	2019	2020f	2021f
Net Interest Income	46,658	43,860	57,859	83,587	78,209	77,831	81,937	85,222
Net Fee and Commission Income	39,267	40,704	52,154	59,089	69,845	70,393	76,798	81,795
Other Income	18,677	16,084	16,040	30,093	32,759	38,362	44,597	52,005
Loan loss & other provision	(3,217)	(14,931)	(19,803)	(25,577)	2,940	(1,632)	(1,253)	(1,378)
Operating expenses	(61,315)	(62,066)	(69,041)	(86,026)	(95,601)	(94,029)	(100,050)	(105,405)
Pretax profits	40,070	23,651	37,209	61,166	88,152	90,925	102,029	112,239
Effective tax rate	21%	20%	23%	21%	16%	17%	15%	15%
Net Profits	32,065	18,891	28,520	48,381	74,440	75,035	86,725	95,403
Minority Interest	(2,772)	(2,163)	(2,163)	(2,379)	(2,353)	(2,353)	(2,847)	(3,132)
Net Profits to shareholders	29,293	16,728	26,357	46,002	72,087	72,682	83,878	92,271
EPS	2.93	1.67	2.64	4.60	7.04	7.10	7.98	8.78
DPS	0.10	0.95	0.05	1.21	1.82	2.56	3.05	3.63
Payout ratio	3%	57%	2%	26%	26%	36%	38%	41%
Weighted Ave. Share Count	10,000	10,000	10,000	10,000	10,240	10,505	10,505	10,505
<b>Statement of financial position</b>								
Cash and Short term funds	143,171	211,481	301,351	401,348	455,773	456,396	564,480	638,135
Due from banks	8,814	26,782	15,264	9,623	8,548	3,046	12,723	15,522
Loans and advances to Customers	398,604	353,513	352,965	372,088	432,713	532,170	633,323	696,655
Financial Investments	204,502	162,695	252,823	316,755	400,000	155,330	443,524	467,030
Fixed assets (PP&E)	24,004	25,311	22,962	21,883	21,652	27,778	23,015	22,256
Other assets	162,824	157,782	108,158	264,719	344,975	701,736	408,444	446,042
Total assets	944,542	937,564	1,053,523	1,386,416	1,663,661	1,876,456	2,085,508	2,285,641
Customer deposits	494,935	493,513	560,969	753,642	807,692	637,840	1,110,577	1,221,634
Other liabilities	232,434	201,431	218,200	331,258	470,753	718,334	549,086	593,013
Taxation & deferred taxation	9,774	8,847	9,555	12,360	15,036	19,230	16,263	16,913
Long term liabilities/borrowings	93,124	104,806	124,001	103,938	130,513	198,823	47,214	18,816
Total liabilities	830,267	808,597	912,725	1,201,198	1,423,994	1,574,227	1,723,140	1,850,376
Shareholders' Funds	110,052	123,726	137,102	182,060	235,406	296,302	356,903	429,196
Minority Interest	4,223	5,241	3,696	3,158	4,261	5,927	5,465	6,068
BVPS	11.6	12.4	13.7	18.2	23.0	28.9	34.0	40.9
<b>Ratios</b>								
Cost/income ratio ex provisions	55.3%	61.7%	54.8%	49.8%	52.9%	50.4%	49.1%	47.9%
Cost/income ratio	57.1%	72.4%	65.0%	58.4%	52.0%	50.8%	49.4%	48.2%
Pre-tax margin	33.3%	16.9%	23.8%	28.8%	39.6%	38.9%	38.9%	39.3%
RoAA	3.4%	1.8%	2.6%	3.8%	4.7%	4.1%	4.2%	4.3%
RoAE	32.8%	15.8%	21.9%	30.3%	35.7%	28.2%	36.5%	37.2%
NPLratio	4.3%	7.1%	5.0%	5.0%	4.0%	4.8%	4.7%	4.7%
Cost of risk	0.9%	3.7%	5.2%	5.0%	0.8%	0.1%	0.2%	0.2%
Leverage	8.6x	7.6x	7.7x	7.6x	7.1x	6.3x	5.8x	5.3x
Loan to deposit	82%	72%	63%	51%	54%	83%	66%	66%
Capital adequacy ratio (CAR)	20.0%	21.8%	22.8%	23.5%	24.7%	32%	25.0%	25.0%
Price to book ratio	4.18	3.92	3.54	2.66	2.09	1.47	1.80	0.96
Price to earnings ratio	12.76	24.87	16.18	8.79	5.85	6.0	4.5	4.1
Dividend yield	0.2%	2.0%	0.1%	2.5%	3.8%	6.0%	8.5%	10.1%

Source: Company, Coronation Research

## Disclosures & Disclaimers

The analyst(s) and/or Head of Research has (have) produced this report independently of the company or companies, and independently of the issuer of security or securities, covered in this report, and (has) have done so using publicly-available information. Information used in the preparation of this report is believed to be accurate at the time of going to press, though not verified independently. No liability is accepted for errors nor omissions of fact, nor is any warranty given for the reasonableness, accuracy or completeness of the information presented. Market information may have been gathered from different sources, including official and government sources, and processed in arriving at the opinion(s) expressed in this report.

This report is intended as background information for clients of Coronation Merchant Bank Ltd, and clients of its subsidiaries and affiliates, and is not to be read as a solicitation, approval or advice to buy or sell securities.

Neither Coronation Merchant Bank Ltd, its directors, employees and contractors, nor its subsidiaries and affiliates, nor the directors, employees and contractors of its subsidiaries and affiliates, accept(s) responsibility for losses or opportunity costs, whether direct or consequential, that may be incurred as a result of trading, or not trading, in securities covered in this report, or other securities, as a result of any decision taken after reading this report. Clients of Coronation Merchant Bank Ltd, and of its subsidiaries and affiliates, who read this report, should not rely on it for the purposes of making investment decisions and should make their own evaluation of: the potential performance of securities; the risks involved in buying or selling securities; the volatility and liquidity of securities; and of other factors such as interest rates, exchange rates, exchange rate liquidity, trading costs, settlement and custody. Clients of Coronation Merchant Bank Ltd, and of its subsidiaries and affiliates, who read this report, should assess their own investment objectives and financial capacities when taking investment decisions and should consult a relevant financial adviser in these respects.

This report is intended for the clients of Coronation Merchant Bank Ltd, and of its subsidiaries and affiliates. Copying and reproduction of this report, and onward forwarding, is only allowed with the specific permission of Coronation Merchant Bank Ltd, its subsidiaries and affiliates. Receipt of this report does not qualify you as a client of Coronation Merchant Bank Ltd, its subsidiaries and affiliates. If you are in unauthorised receipt of this report you are requested to notify Coronation Merchant Bank Ltd, or one of its subsidiaries or affiliates, and to return or delete the report.

This report is intended for corporate and institutional clients of Coronation Merchant Bank Ltd, and of its subsidiaries and affiliates, where those clients are regulated and professional investment customers and market counterparties. This report is not intended for individual investors.

This report is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulations.

Coronation Research is a department within Coronation Asset Management Ltd which supplies research services to Coronation Merchant Bank Ltd, and is ring-fenced with regard to the activities of Coronation Asset Management Ltd. The Head of Research, contractors and employees of Coronation Research do not receive any non-public information regarding the investments or investment objectives of Coronation Asset Management Ltd and do not take part in its internal meetings.

Coronation Merchant Bank Ltd and its subsidiaries are incorporated under the laws of the Federal Government of Nigeria and are licensed by the Central Bank of Nigeria and by the Securities and Exchange Commission of Nigeria.

Your attention is brought to the fact the analyst(s), and/or Head of Research, mentioned at the beginning of this report is (are) employed by Coronation Merchant Bank Ltd in the Federal Republic of Nigeria, and while subject to the laws of the Federal Republic of Nigeria is (are) not subject, as author(s) of this report, to the laws of other countries, notably the United States of America ('US'), the member states of the European Union ('EU'), or the United Kingdom ('UK', during and after its membership of the EU) as these laws may affect the production, publication and distribution of this report.

## Disclosures & Disclaimers

Your attention is brought to the fact that the analyst(s), and/or Head of Research, mentioned at the beginning of this report, is (are) not registered or qualified as research analysts with the Financial Industry Regulatory Authority in the US, nor registered with the Financial Conduct Authority of the United Kingdom. No liability for compliance with those laws, with respect to this report, is accepted by Coronation Merchant Bank Ltd, its directors, staff and contractors, or those of its subsidiaries and affiliates.

Where this report is distributed to clients and potential clients of Coronation Merchant Bank Ltd, and of its clients and affiliates, in the European Union ('EU'), including the United Kingdom ('UK'), during and after its membership of the EU, this report is either: a) distributed by virtue of a contract between Coronation Merchant Bank Ltd, its subsidiaries and affiliates, and the client for research services, or: b) distributed as a free sample, for a given period of time, pursuant to a future contract for the sale of research services.

The opinions expressed in this report concerning the company(ies) and securities covered, accurately represent the personal views of the analyst(s) and Head of Research whose names are given at the beginning of the report. No part of the compensation of the analyst(s) and Head of Research mentioned at the beginning of this report is, or will be, related to the views or recommendations(s) given in this report.

### Conflicts of Interest

The compensation of the analyst(s), and/or Head of Research, mentioned at the beginning of this report is not linked to the recommendations, forecasts, estimates or opinions expressed in this report, nor to commissions or spreads or other gains generated in trading securities, whether covered in this report or not.

This report is produced by the Research Department of Coronation Merchant Bank Ltd and may be used, after its publication, by other departments of Coronation Merchant Bank Ltd for advisory or trading purposes, or otherwise for the assessment of companies and securities. However, it is the policy of Coronation Merchant Bank Ltd that no department influences the opinions, estimates, forecasts or recommendations of the Research Department, nor is privy to the contents or recommendations of the Research Department's reports and recommendations ahead of their publication. It is also the policy of Coronation Merchant Bank Ltd that members of the Research Department are not privy to knowledge of advisory mandates, or other fiduciary relationships, engaged in by other departments. Coronation Merchant Bank Ltd, its directors, contractors and staff, and its subsidiaries and affiliates and their directors, contractors and staff, and connected parties, may have positions in the securities covered by this report, and may have advisory and/or other fiduciary relationships with companies covered in this report. As such, this report should not be considered free from bias.

### Disclosures for companies cited in report

The table below outlines currently known conflicts of interest that may unknowingly bias or affect the objectivity of the analyst(s) with respect to an issuer that is the subject matter of this report. Disclosure(s) apply to Coronation Merchant Bank or any of its direct or indirect subsidiaries or affiliates with respect to any issuer or the issuer's securities.

- a. The analyst(s) responsible for the preparation and content of this report (as shown on the front page of this report) holds personal positions, directly or indirectly, in securities of the company(s) to which this report relates.
- b. The analyst(s) responsible for this report as indicated on the front page is a board member, officer or director of the Company(s)
- c. Coronation Merchant Bank or its affiliates have recently been the beneficial owners of 1% or more of the securities mentioned in this report.
- d. Coronation Merchant Bank or its affiliates have managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
- e. Coronation Merchant Bank or its affiliates have received compensation for investment banking services from the issuer of these securities in the past 12 months.

## Disclosures & Disclaimers

- f. Coronation Merchant Bank or its affiliates expects to receive compensation for investment banking services from the issuer of these securities within the next three months.
- g. The company (s) covered in this report is a client of Coronation Merchant Bank or its affiliates.
- h. Coronation Merchant Bank has other financial or other material interest in the Company

Security Name	Available Disclosure
Access Bank	D, E, F, G
Diamond Bank	
FBN Holdings	D, F, G
FCMB	
Fidelity Bank	
Guaranty Trust Bank	
Skye Bank	
Stanbic IBTC	
UBA	D, F, G
Zenith Bank	

### Coronation Research's equity research rating system

Coronation Research's Investment ratings are a function of the research analyst's expectation of a stock's performance relative to relevant indices or peers. The benchmark used in deciding our stock rating is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest percent.

Coronation Merchant Bank uses the following rating system:

- Buy:** The analyst considers the stock undervalued and expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
- Hold:** The analyst considers the stock to be fairly valued and expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
- Sell:** The analyst considers the stock overvalued and expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
- Under Review (UR):** Where the company covered has a significant material event with further information pending or to be announced, it may be necessary to temporarily place the investment rating Under Review. This does not revise the previously published rating, but indicates that the analyst is actively reviewing the investment rating or waiting for additional information to re-evaluate the expectation of the company's performance.
- Not Rated:** This applies when the stock is either not covered by Coronation Research or the rating and price target has been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Coronation Merchant Bank is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts' ability to provide forecasts for the company in question.
- Price targets:** Price targets reflect the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.

## Disclosures & Disclaimers

In cases where issuing of research is restricted due to legal, regulatory or contractual obligations, publishing investment ratings will be restricted. Previously published investment ratings should not be relied upon as they may no longer reflect the analysts' current expectations of total return. While restricted, the analyst may not always be able to keep you informed of events or provide background information relating to the issuer.

If the investment rating on a stock has not been reviewed for a period of one year, coverage of the stock will be discontinued by Coronation Research. Investment decisions should be based upon personal investment objectives and should be made only after evaluating the security's expected performance and risk. Coronation Research reserves the right to update or amend its investment ratings in any way and at any time it determines.

### Ratings and Price target history

	Date Recommendation	Recommendation	Date Recommendation	Recommendation	Date Recommendation	Recommendation	Current price, Naira/s	Target price, Naira/s
FBNH	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	7.40	12.50
Zenith	5-Apr-18	Hold	21-Dec-18	Buy	1-Jan-19	Buy	21.85	27.50
UBA	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	7.35	11.50
GT Bank	5-Apr-18	Buy	21-Dec-18	Hold	1-Jan-19	Hold	33.50	35.00
Access	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	5.65	8.70
Diamond	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	2.02	3.13
Fidelity	5-Apr-18	Buy	21-Dec-18	Buy	1-Jan-19	Buy	2.00	2.40
Stanbic IBTC	5-Apr-18	Hold	21-Dec-18	Buy	1-Jan-19	Buy	46.15	66.00
Sterling	5-Apr-18	Hold	21-Dec-18	Hold	1-Jan-19	Hold	1.98	1.90

#### Coronation Research Investment Rating Distribution

Buy	78%
Sell	0%
Hold	22%
Under Review	0%

By accepting this document, you agree to be bound by all the preceding provisions. The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose without the written consent of Coronation Merchant Bank.

© Coronation Merchant Bank 2019. All rights reserved

Coronation Merchant Bank,  
10 Amodu Ojikutu Street,  
PO Box 74853, Victoria Island  
Lagos, Nigeria.