



STANBIC IBTC HOLDING PLC (STANBIC)

Improvements in Q3 moderate y/y profit slide

STANBIC released its 9M'21 earnings last week, reporting a 40% y/y decline in Gross Earnings to ₦94 billion. However, Q3 performance was an improvement, with Gross Earnings growing 10% q/q to ₦53 billion thanks to a 24% q/q increase in Interest Income (II) to ₦29 billion, although this was matched by a similar increase in Interest Expense to ₦8 billion. This means that Net Interest Income (NII) came in 24% higher q/q at ₦21 billion. This translated to Interest Income of ₦73 billion for the 9M period, an 1% y/y decline. However, thanks to Interest Expense of ₦19 billion, 26% lower y/y, NII came in only 4% lower y/y at ₦54 billion. Meanwhile, Non-Interest Revenue (NIR) fell by 3% q/q to ₦24 billion, dragged by a 10% decline in fees and commissions, which means that NIR for the 9M period was 28% lower y/y at ₦73 billion.

On the other hand, the bank continued to report net writebacks, adding ₦131 million in Q3, 88% down from Q2 for a 9M figure of ₦1.4 billion, while Opex also declined by 19% q/q to ₦25 billion, bringing 9M'21 Opex to ₦83 billion, 13% higher y/y. Ultimately, this led to a 64% q/q rise in PBT to ₦39 billion (9M'21: ₦45 billion), while PAT rose 54% q/q to ₦17 billion (9M'21: ₦40 billion).

9M performance drives improved estimates

Stanbic's 9M performance came in slightly ahead of our estimates, with Gross earnings 3% above our forecast of ₦141 billion, thanks to Interest Income of ₦73 billion (Vetiva: ₦67 billion) and (NIR) of ₦73 billion (Vetiva: ₦74 billion). However, it was the slower-than-expected growth in Opex, which came in at ₦83 billion (Vetiva: ₦87 billion), that drove the outperformance. As a result, PBT came in 15% above our projection at ₦45 billion, while PAT printed at ₦40 billion, also 15% above our projection.

Based on this, we have adjusted our FY'21 estimates, raising Interest Income to ₦97 billion (Previous: ₦91 billion), while lowering Interest Expense to ₦26 billion (Previous: ₦31 billion), giving us a new NII figure of ₦72 billion (Previous: ₦59 billion). Conversely, we lowered our NIR forecast to ₦98 billion (Previous: ₦100 billion), while raising our writeback estimate to ₦2 billion (Previous, ₦1.5 billion). Finally, we raised our FY Opex expense to ₦111 billion (Previous: ₦108 billion). This gives us a new PBT projection of ₦60 billion (Previous: ₦52 billion) and PAT of ₦53 billion (Previous: ₦46 billion), yielding an EPS of ₦4.10 (Previous: ₦4.15). We, however, note that the fall in EPS is due to an increase in shares outstanding – caused by the issue of 1 bonus share for every six outstanding. This also gives us a new ROAE figure of 13.1% (Previous: 11.4%).

TP revised to ₦44.32 (Previous: ₦44.14)

Despite our revised profit estimates, we have maintained our dividend payout expectation for FY'21 at ₦2.50. Given the increased shares outstanding, reduced EPS and book value, our 12-month target price (TP) has been adjusted marginally to ₦44.32 (Previous: ₦44.14) maintaining our HOLD rating on the stock. The bank is currently trading at an 8% discount to our TP and at a P/B ratio of 1.4x, compared to our coverage average of 0.6x.

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Equity Research
25 October 2021

HOLD

Target price **₦44.32**

Company Statistics

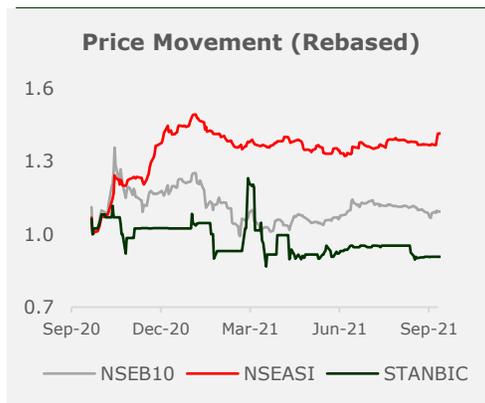
Price (₦)	41.00
Market Cap (₦Mn)	531,278
Shares Outstanding (Mn)	12,958
NSE	STANBIC
P/B (FY'21)	1.5x
P/E (FY'21)	10.0x
Bloomberg	STANBIC.NL
Reuters	IBTC.LG

Ownership Structure

Standard Bank Group	67.0%
Others	33.0%

Share Price Performance

30 days	5.13%
YTD	-6.92%
52 weeks	-6.82%



Source: Bloomberg, Vetiva Research

Business Description

Stanbic IBTC Holdings is a member of Standard Bank Group. Standard Bank Group is Africa's largest banking group ranked by assets and earnings and has been in business for over 150 years. With a controlling stake of 62% in Stanbic IBTC Holdings PLC, Standard Bank employs over 52,000 people worldwide; operates in 18 African countries including South Africa and 12 countries outside Africa including key financial centres like Europe, the United States and Asia.



#'million	9M'21	9M'20	y/y change	Vetiva Estimate	Variance	Q3'21	Q2'21	q/q Change
Gross Earnings	146,241	183,286	-20%	141,335	3%	52,649	47,866	10%
Net Interest Income	53,995	56,257	-4%	49,552	9%	21,116	17,019	24%
Impairment write-backs/(loss)	1,415	(6,998)	NM	1,648	16%	131	1,129	-88%
Non-Interest Income	73,238	101,333	-28%	74,454	-2%	23,875	24,651	-3%
Operating Expense	(83,336)	(73,727)	13%	(87,022)	-4%	(24,517)	(30,225)	-19%
Profit After Tax	39,949	66,163	-40%	34,108	17%	17,406	11,296	54%
	9M'21	FY'19	y/y change	Vetiva Estimate	Variance	Q3'21	Q2'21	q/q Change
Net Loans and Advances	821,990	632,967	30%	767,551	7%	821,990	759,595	8%
Deposits	1,094,276	819,944	33%	901,938	21%	1,094,276	958,370	14%
Total Assets	2,748,887	2,486,306	11%	2,602,496	6%	2,748,887	2,427,364	13%

Source: company filings, Vetiva Research



Income statement	2019A	2020A	2021E	2022F	2023F
	₺'mil	₺'mil	₺'mil	₺'mil	₺'mil
Gross Earnings	233,808	234,446	197,956	240,137	272,056
Interest income	120,412	105,776	100,166	136,480	161,662
Interest expenses	-42,581	-31,561	-25,901	-32,867	-34,172
Loan loss provision	-1,632	-9,935	1,963	-9,900	-9,450
Net interest income	77,831	74,215	74,265	103,613	127,490
Non-interest income	113,396	128,670	97,789	103,657	110,394
Operating income	186,586	202,885	172,054	207,270	237,884
Operating Expense	-94,029	-98,233	-112,439	-100,857	-116,984
PBT	90,925	94,717	61,578	96,512	111,450
Taxation	-15,890	-11,506	-7,480	-11,724	-13,539
PAT	75,035	83,211	54,098	84,788	97,911

2019A	2020A	2021E	2022F	2023F
\$'mil	\$'mil	\$'mil	\$'mil	\$'mil
615	617	521	632	716
317	278	264	359	425
-112	-83	-68	-86	-90
-4	-26	5	-26	-25
205	195	195	273	336
298	339	257	273	291
491	534	453	545	626
-247	-259	-296	-265	-308
239	249	162	254	293
-42	-30	-20	-31	-36
197	219	142	223	258

Balance Sheet	2019A	2020A	2021E	2022F	2023F
	₺'mil	₺'mil	₺'mil	₺'mil	₺'mil
Cash and Short-term funds	456,396	627,111	835,974	877,702	968,074
Interbank Placement	3,046	7,828	8,611	9,429	10,277
Investment in Securities	281,780	215,888	186,621	205,283	225,811
Loans and Advances	532,124	625,139	841,003	880,731	925,174
Property and Equipment	27,778	30,728	25,838	27,956	32,364
Total Assets	1,876,456	2,486,306	2,799,839	2,932,521	3,130,818
Deposit and Current Accounts	637,840	819,944	1,106,924	1,184,409	1,326,538
Total Liabilities	1,574,227	2,107,705	2,407,177	2,526,068	2,709,884
Total Equity	302,229	378,601	392,662	406,453	420,934

2019A	2020A	2021E	2022F	2023F
\$'mil	\$'mil	\$'mil	\$'mil	\$'mil
1,201	1,650	2,200	2,310	2,548
8	21	23	25	27
742	568	491	540	594
1,400	1,645	2,213	2,318	2,435
73	81	68	74	85
4,938	6,543	7,368	7,717	8,239
1,679	2,158	2,913	3,117	3,491
4,143	5,547	6,335	6,648	7,131
795	996	1,033	1,070	1,108

Ratios	2019A	2020A	2021E	2022F	2023F
Cost to Income Ratio	-50.4%	-48.4%	-65.4%	-48.7%	-49.2%
ROAE	26.8%	24.3%	13.4%	20.6%	23.1%
ROAA	4.1%	3.7%	2.0%	2.9%	3.2%
Loan to Deposit Ratio	62.7%	49.4%	53.6%	52.6%	50.0%
EPS	7.14	7.49	4.17	6.54	7.56
DPS	2.50	4.00	2.51	3.27	3.78



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Company	Disclosure
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