

Quick take: Strong operating performance

Stanbic's 9M 2023 **unaudited** numbers showed a 72.4%y/y increase in Interest Income to N184.6bn driven by improved yields on risk assets. Q/q (Q3 2023 compared with Q2 2023), Interest Income was up 24.2%. Net Loans to customers was up 46.3% in 9M 2023 compared with the December 2022 position (inclusive of the impact of the devaluation on foreign currency loans). Interest Expense also grew strongly, up 133.9% y/y to N64.1bn. Q/q, Interest Expense was up 12.6%. Customer deposits were up 42.3% in 9M 2023 (also inclusive of the impact of devaluation) compared with December 2022. Overall, Net Interest Income grew 51.3% y/y to N120.5bn in 9M 2023.

Stanbic IBTC 9M 2023, Nm

Nm	9M 2022	9M 2023	y/y	Q2 2023	Q3 2023	q/q
Interest Income	107,057	184,591	72.4%	59,841	74,332	24.2%
Interest Expense	-27,396	-64,088	133.9%	-23,537	-26,513	12.6%
Net Int Income	79,661	120,503	51.3%	36,304	47,819	31.7%
Net Fee & Commission Income	68,454	79,526	16.2%	26,229	28,372	8.2%
Other Income	25,941	62,435	140.7%	27,782	14,971	-46.1%
Total Op Inc	174,056	262,464	50.8%	90,315	91,162	0.9%
Opex	-97,650	-123,050	26.0%	-40,891	-40,712	-0.4%
cost to income	56.1%	46.9%	-922bps	45%	45%	-62bps
Loan losses	-7,460	-9,956	33.5%	-2,699	-3,977	47.4%
cost of risk	1.0%	0.9%	-10bps	n/a	n/a	n/a
PBT	68,946	129,458	87.8%	46,725	46,473	-0.5%
Tax	-13,761	-20,209	46.9%	-7,667	-5,161	-32.7%
Tax charge	20.0%	15.6%	-21.8%	16.4%	11.1%	-32.3%
Net Profits	55,185	109,249	98.0%	39,058	41,312	5.8%

Source: Company, CSL Research

Net Fee and Commission was up 16.2% y/y and 8.2% q/q mainly driven by growth in asset management fees (Up 21.3%/y/y) to N52.4bn in 9M 2023 from N43.2bn in 9M 2022.

Other Income (Income from life insurance activities, trading Revenue and Other Revenue) grew significantly, up 140.7% y/y to N62.4bn but declined 46.1%q/q. The y/y growth in Other Income was due to a 140.1% y/y growth in trading revenue on fixed income and currencies to N59.7bn

The group reported Impairment Charge of N9.96bn in 9M 2023, 33.5% higher than N7.46bn reported in 9M 2022 bringing 9M 2023 annualised Cost of Risk (COR) to 0.9%. Non-performing loan to total loan ratio was up slightly to 2.5% compared with 2.4% in December 2022.

Operating Expenses grew 26.0% y/y but declined marginally by 0.4% in Q3 2023 compared with Q2 2023. The moderate y/y growth in OPEX compared with the strong growth in Total Operating Income (+50.8% y/y) led to an improvement in Cost to Income Ratio (CIR ex provisions) to 46.9% in 9M 2023 from 56.1% in 9M 2022.

The group's Pre-tax Profit was up 87.8% y/y to N129.5bn in 9M 2023 while Net Profit grew higher by 98.0% y/y to N109.2bn, bringing 9M 2023 annualised ROAE to 33.2%.

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Under segment reporting, Business and Commercial banking reported a Pre-tax profit of N13.1bn in 9M 2023 compared with Pre-tax profit of N7.5bn in 9M 2022 while Corporate and Investment Banking reported Pre-tax profit of N79.6bn in 9M 2023 compared with N39.1bn in 9M 2022. The Consumer & High Net Worth business reported Pre-tax profit of N36.8bn in 9M 2023 compared with N22.4bn in 9M 2022.

The Group's total capital adequacy ratio closed at 17.9% (Bank:14.9%) which is higher than the 11% minimum regulatory requirement.

We have a BUY recommendation on Stanbic. Our estimates are under review.

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