



Initial View

3 months ended 31st March, 2014**Recommendation: NEUTRAL**

- Stanbic IBTC Holdings Plc (IBTC) reported 14% YoY growth in gross earnings to ₦30.2billion for the 3 months to March 2014. PBT and PAT stood at ₦9 billion and ₦6.9 billion, indicating respective YoY growth of 89% and 93%. Strong YoY profit growth was underpinned by much lower interest expense and impairment charges amid higher revenues.

Dual improvement in revenue streams headlines operational progress

- Q1 14 gross earnings were up 7% QoQ reflecting improvements across both earning streams. After a 12% QoQ contraction in Q4 13, growth resumed in total earning assets (+6% QoQ) with loans (+6%) and cash (+34%) rising although securities portfolio contracted a further 5%. Net higher volumes helped offset mild 10bps dip in annualized asset yields from FY 13 level and drove interest income 4% higher QoQ to ₦17 billion. Furthermore, non-interest income rebounded from the Q4 dip, rising 11% QoQ to ₦13.1 billion. Although trading revenue doubled QoQ to ₦4.1billion, fee income which fell 7% QoQ to ₦9.1 billion tempered its impact.

As lower costs amplify impact on bottomline

- IBTC's funding base expanded 9% QoQ with deposits rising by same margin to ₦452 billion while interbank

Income Statement Data

	2014 – 3M'm	2013 – 3M'm	%chg
Revenue	30,221	26,586	14%
PBT	8,969	4,739	89%
Tax	2072	1166	78%
PAT	6,897	3,573	93%

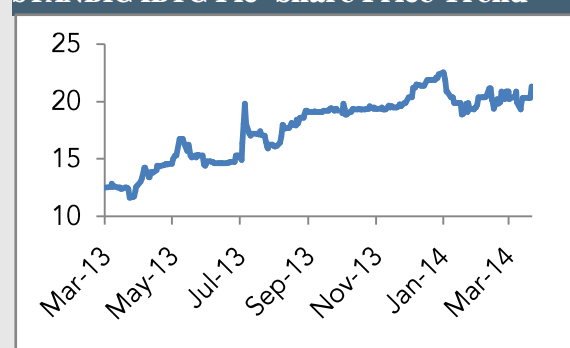
Balance Sheet Data

	2014-Mar 'm	2013 -Dec 'm	%chg
Fixed Assets	160,946	120,312	34%
Stocks	306,655	289,747	6%
Trade Debtors	452,362	416,352	9%
Trade Creditors	24,154	24,988	-3%
Cash & Bank bal	104,298	97,634	7%
Net Assets	160,946	120,312	34%

Stock Data

Price	₦22.42
52 week range	₦12.26 – ₦26.65
Market Cap. (N'm)	213,600.
1-month Avg. Vol	963,711
Curr. PE	8.9x
Bloomberg Ticker	STANBIC: NL
Reuters Ticker	IBTC.LG

STANBIC IBTC Plc- Share Price Trend



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takings grew 13% to ~~N~~58.5 billion. In marked contrast, interest expense shrank 18% QoQ to N5.3 billion. This dynamic again reinforces our earlier thesis (from GTB's results) that impact of further regulatory tightening in Q1 14 was significantly muted by banks' sizable cash balances. Annualized WACF to declined 130bps to 4.1% with the significant improvement in this metric not only reflecting a low cost deposit focus but is also notable, considering increase in interbank takings.

- Opex was 14% lower QoQ to ~~N~~14.6 billion, after accelerating in H2 13 (Q4 13: +18% QoQ). The moderation likely reflects a lowering of regulatory costs as accruals for 2014 have probably not fully kicked in. In line with this view, whilst staff costs were up 9% QoQ to ~~N~~6.4 billion, other opex declined 26% to ~~N~~8.2 billion. Against the backdrop of higher revenue, annualized CIR unsurprisingly declined a significant 900bps from FY 13 to 59% (Q4 13: +400bps QoQ). Furthermore, whilst impairment charges tripled to ~~N~~1.2 billion QoQ the overall level remains low and is 37% lower YoY.
- Largely reflecting the combination of higher revenue and significant cost decreases, PBT doubled QoQ to ~~N~~8.97 billion while PAT expanded 46% to ~~N~~6.9 billion with its slower growth rate reflecting a 23% tax rate in contrast to a modest tax credit in Q4 13 (FY 13 tax rate: 16%). Accordingly, whilst Q1 14 PBT margin of 30% is 760bps higher than FY 13, PAT margin of 23% is 420bps higher. On a YoY basis, margins are respectively 12pps and 9pps higher.

Sustainability of current performance could stimulate rating upgrade

- Whilst current numbers clearly revive optimism on profit growth, we will incorporate this cautiously as we assess sustainability of interest expense and opex declines, specifically. Nonetheless, with the revenue optimism which we looked for in Q4 13 having resumed in Q1 14, we are quite positive on future performance. However, despite having reduced significantly recently, current PE of 8.9x and P/Bv of 2.1x remain at respective to premium to peers' 5.9x and 1.2x. Overall, upside to our last FV estimate remains limited and we leave our rating at **NEUTRAL** as recent performance improvement has not fully compensated for premium pricing.
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ARM ratings and recommendations

ARM now employs a two-tier rating system which is based on systemic importance of the security under review and the deviation of our target price for the stock from current market price. We characterize systemic importance as a function of a stock's ranking among the group of top 20 stocks by NSE market capitalization over a trailing 6 month period (minimum) to the review date. We adopt a 5 point rating system for this category of stocks and a 3 point rating system for stocks outside this group. The choice of top 20 stocks arises from the consideration that this group of stocks constitutes >75% of overall market capitalization and stocks outside this group are generally less liquid and individually account for <<1% of market capitalization. For stocks in both categories, the basis for ratings subject to target price deviation is outlined below:

TOP 20		NON-TOP 20	
Rating	Deviation	Rating	Deviation
STRONG BUY	>20%	BUY	>20%
OVERWEIGHT	10% — 20 %	NEUTRAL	5% — 20 %
NEUTRAL	0% — 10 %	SELL	<5%
UNDERWEIGHT	-5% — 0%		
SELL	<-5%		

RECOMMENDATION KEY	
Rating	Recommendation
BUY	Accumulate security to a substantial extent constrained only by portfolio diversification considerations
OVERWEIGHT	Accumulate security to an extent moderated by cognizance of its benchmark weight
NEUTRAL	Maintain status quo for security with respect to current holding—i.e. keep if already holding and don't buy otherwise—subject to reasonable portfolio constraints
UNDERWEIGHT	Minimise exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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