



RATING ACTION COMMENTARY

Fitch Revises Outlook on Stanbic Bank Uganda to Stable; Affirms at 'B+'

Fri 24 Jun, 2022 - 7:57 AM ET

Fitch Ratings - London - 24 Jun 2022: Fitch Ratings has revised the Outlook on Stanbic Bank Uganda Limited's (SBU) Long-Term Issuer Default Rating (IDR) to Stable from Negative and affirmed the IDR at 'B+'. This follows a similar rating action on the Ugandan sovereign on 20 June 2022. SBU's Viability Rating and National Ratings are unaffected. A full list of rating actions is below.

KEY RATING DRIVERS

SBU's Long-Term IDR reflects a limited probability of support from the bank's ultimate parent, South Africa-based Standard Bank Group Limited (SBG; BB-/Stable), which has an indirect 80% shareholding. The Stable Outlook mirrors the Outlook on Uganda's 'B+' Long-Term IDR.

Shareholder Support: SBU's Long-Term IDR is one notch below that of SBG, reflecting its strategically important role in the group's regional operations outside South Africa. SBG's ability to provide support is underpinned by SBU's small size.

Fitch considers that SBG has a high propensity to provide support to SBU. This reflects the parent's indirect 80% ownership, common branding, reputational risks and the high level of management and operational integration, including the use of common products, risk policies and processes.

Despite operating outside of SBG's core market of South Africa, Fitch regards SBU as a strategically important subsidiary, due to the bank's systemic importance in Uganda and its role in SBG's pan-African strategy. Our view also considers a public commitment by SBG to ensure that its banking subsidiaries, including SBU, meet local capital requirements. Any required support would be immaterial relative to SBG's ability to provide support as SBU only accounted for 1% of SBG's consolidated assets at end-2021.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

SBU's Long-Term IDR is sensitive to a weakening in SBG's ability or propensity to provide support. Reduced ability to support would most likely result from a downgrade of SBG's Long-Term IDR.

The rating is also sensitive to a downward revision of Uganda's Country Ceiling of 'B+', which captures Fitch's view of transfer and convertibility risk, most likely to be triggered by a downgrade of Uganda's ratings.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

An upgrade of SBU's Long-Term IDR would require both an upgrade of SBG's Long-Term IDR and an upward revision of Uganda's Country Ceiling.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

SBU's ratings are linked to those of its ultimate parent, SBG.

ESG CONSIDERATIONS

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on SBU, either due to their nature or to the way in which they are being managed by SBU. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Stanbic Bank Uganda Limited	LT IDR	B+ Rating Outlook Stable		B+ Rating Outlook Negative
		Affirmed		
	ST IDR	B	Affirmed	B
	Shareholder Support	b+	Affirmed	b+

[VIEW ADDITIONAL RATING DETAILS](#)

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Stanbic Bank Uganda Limited

UK Issued, EU Endorsed

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Banks Africa Uganda
