

## STANBIC BANK KENYA Q1 2024 EARNINGS UPDATE

Stanbic Bank Kenya released its Q1 2024 financial results posting a **2.8% y/y** increase in profit after tax largely attributable to 53.9% y/y increase in interest income to KES 12.09Bn from KES 7.85Bn. The **Return on Equity** increased to **6.8%** while **earnings per share** rose to **KES 23.43** from KES 22.81 in the previous financial year.

### Performance highlights (% = y/y performance)

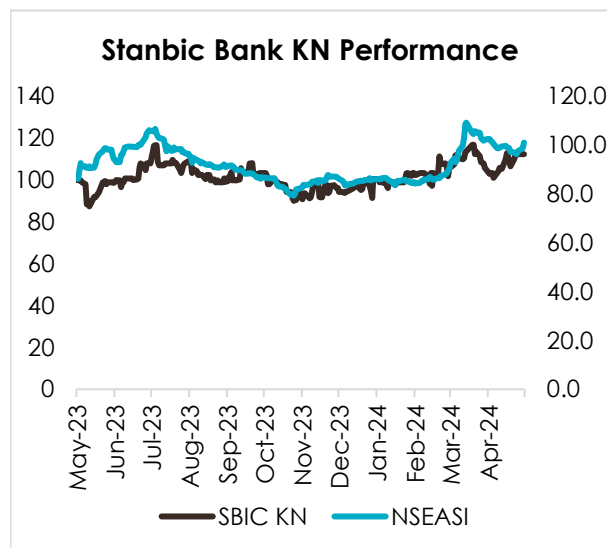
**Earnings:** Net interest income grew by 19.6% mainly driven by a 53.9% growth in interest income which was supported by greater earnings from loans and the implementation of risk-based pricing. Commercial bank average lending rates as reported by CBK are at the highest since 2010 at 13.00%.

Non-funded income declined by 34.0% to KES 3.78Bn driven by a 44.0% drop in FX income to KES 2.38Bn.

- **Loan book:** The bank's loans and advances to customers grew by 11.1% to KES 255.78Bn boosting overall assets attributable to the banks' aggressive lending strategy. The loan to deposit ratio declined to 71.9% from 79.1% in the previous year.
- **Customer deposits** increased by 22.2% to KES 355.54Bn faster than the 11.5% growth in loans following aggressive deposit mobilization and supported by branch expansion. The bank leveraged on deposits to fund its investments.
- **Government securities** on the other hand declined by 17.3% to 41.76Bn.
- **Efficiency:** Cost to income ratio excluding provisions declined to 35.7% from 40.5% following cost optimization by the lender. Cost to income ratio including provisions declined to 46.8% from 50.7% recorded in Q1 2023.
- **Asset Quality:** Gross NPLs decreased by 17.3% to KES 24.2Bn. The NPL ratio declined to 8.6% from 11.3% in This is indicative of lender's proactive credit management.

Share Data	Stanbic Bank Kenya
<b>Ticker</b>	<b>SBIC KN</b>
<b>RECOMMENDATION</b>	<b>HOLD</b>
<b>Current Price (KES)</b>	<b>125.00</b>
<b>Target Price (KES)</b>	<b>132.13</b>
<b>Upside</b>	<b>5.7%</b>
<b>52WK High (KES)</b>	<b>132.00</b>
<b>52WK Low (KES)</b>	<b>90.00</b>
<b>Market Cap (KES Bn)</b>	<b>49.42</b>
<b>Free float</b>	<b>56.6%</b>
<b>P/B</b>	<b>0.8x</b>
<b>P/E</b>	<b>5.3x</b>
<b>Current Price = as of 13<sup>th</sup> May 2024</b>	

Source: Bloomberg, NSE, NCBA IB Research



Source: NSE, NCBA IB Research

## Financial Summary

Stanbic Bank Kenya	Key Metrics Y/Y	Stanbic Bank Kenya	Key Ratios Y/Y
Loans and Advances	Up 11.1% to KES 255.78Bn	Loan Deposit ratio	Down to 71.9% from 79.1%
Customer Deposits	Up 22.2% to KES 355.54Bn	<b>Net Interest Margin</b>	<b>Down 1.3% from 1.4%</b>
Government Securities	Down 37.2% to KES 41.76Bn	Cost to Income	Down to 46.8% from 50.7%
<b>Net Interest Income</b>	<b>Up 53.9% to KES 12.09Bn</b>	<b>NPL Ratio</b>	<b>Down to 8.6% from 11.3%</b>
<b>Non-Funded Income</b>	<b>Down 34.0% to KES 3.78Bn</b>	Cost of Risk	Down 0.4% from 0.5%
Forex trading income	Down 44.0% to KES 2.38Bn	<b>ROE</b>	<b>Up to 6.8% from 6.6%</b>
Loan Loss Provisions	Down 0.5% to KES 1.14Bn	Current Market Price	KES 125
PBT	Down 0.5% to KES 5.47Bn	P/E	5.3x
<b>PAT</b>	<b>Up 2.8% to KES 3.99Bn</b>	P/B	0.8x
EPS	Up 2.7% to KES 23.43	<b>Dividend type</b>	<b>0.0</b>

Source: Company financials, NCBA IB Research

## 2024 Outlook

We expect Stanbic Bank Kenya to record gradual growth boosted by:

- 1. Loan Book Growth:** The bank has sustained an average double-digit loan book growth over the last 5 years excluding 2020. We see this impressive loan book growth enduring and translating into topline growth momentum. Implementation of risk-based pricing models will further scale up their the lending strategy.
- 2. Risk Management:** Notably, the banks NPL ratio is commendable compared to the industry average of 16%. Proactive data driven risk analysis with credit risk pricing models in the mainstream loans will boost credit loss and cost of risk ratios.
- 3. Revenue Diversification:** Stanbic South Sudan recorded increase in profit after tax attributable to higher trading income. The bank also leverages support from the Group in terms of access to forex and we expect this, together with continued digitization initiatives to support non-interest income growth.

## Investment recommendation:

At the current market price, the stock is trading within its fair value but presents a value pick for long-term investors owing to its reliable dividend payout.

We expect the bank to register long-term profitability based on its revenue diversification and sustained loan book growth.

## About NCBA Investment Bank

NCBA Investment Bank is a subsidiary of NCBA Group. The services offered by the brokerage department include equities trading for listed securities, fixed income trading for both corporate and government bonds, Over the Counter (OTC) equity transactions as well as execution of equities transactions across the East African countries. Additionally, NCBA Investment Bank backs these activities with solid advice from the research team to enable investors meet their return objectives. NCBA Investment Bank deploys simple and convenient client driven technologies, robust risk management, highly competent and experienced staff and has the backing of robust research capabilities to differentiate itself from other players in the market.

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## Rating Definitions

**BUY** – Total expected 12-month return (incl. dividends) greater than 20%

**ACCUMULATE** - Total expected 12-month return (incl. dividends) between 10% - 20%

**HOLD** – Total expected 12-month return (incl. dividends) between 0% -10%

**SELL** – Total expected 12-month return (incl. dividends) less than 0%

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