

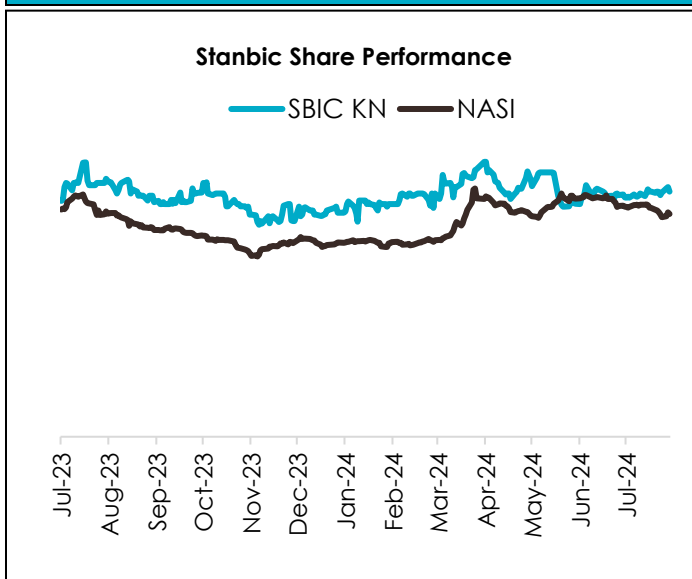
STANBIC HOLDINGS HY 2024 EARNINGS UPDATE

Stanbic Holdings released its **HY2024** financial results posting a **2.3%** growth in **profit after tax** attributable to a 4.2% increase in net interest income to KES 12.6Bn. The **earnings per share** rose to **KES 18.25**.

PERFORMANCE HIGHLIGHTS

- **Earnings:** Net interest income grew by 4.2% to KES 12.6Bn as a result of increased lending during the period. Non-interest income however, declined by 15.1% to KES 7.6Bn due to a drop in foreign exchange income. As a result of this, total income declined by 4.0%.
- **Loan book:** The bank's loans and advances grew by 28.4% to KES 361.4Bn boosting overall assets which grew by 29.6% to KES 497.9Bn This was attributable to the banks' aggressive multi-sectoral lending strategy. Deposits however grew at a faster rate, consequently, the loan to deposit ratio declined to 93.2% from 98.6% in the previous year.
- **Customer deposits:** Deposits from banks and customers grew by 35.8% to KES 387.6Bn anchored by growth in retail business and a dynamic deposits mobilization strategy. The bank leveraged on deposits to fund its investments and loans.
- **Financial Investments** rose by 36.3% to 74.6Bn due to increased investments in government securities to lock in high short to medium term returns.
- **Efficiency:** Cost to income ratio excluding provisions declined to 40.2% from 41.6% following cost optimization by the lender. Operating expenses declined by 6.8% to KES 8.1Bn.
- **Asset Quality:** The credit impairment charges declined by 21.7% to KES 2.0Bn indicative of the lender's proactive credit risk management. This was enabled by the use of risk-based pricing.

Share Data	Stanbic Holdings
Ticker	SBIC KN
Recommendation	ACCUMULATE
Current Price (KES)	117.50
Target Price (KES)	132.13
Upside	12.5%
52WK High (KES)	132.00
52WK Low (KES)	90.00
No. of shares issued (Mn)	395.32
Market Cap (KES Bn)	46.45
EPS (Annualized)	KES 36.5
DPS (Interim HY'24)	KES 1.84
P/E	6.4x
P/B	0.7X
Interim Dividend yield	1.6%
Current Price = VWAP as at 7thAug 2024	



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FINANCIAL SUMMARY

Stanbic Holdings	Key Metrics Y/Y
Loans and Advances	Up 28.4% to KES 361.4Bn
Customer Deposits	Up 35.8% to KES 387.6Bn
Financial Investments	Up 36.3% to KES 74.6Bn
Net Interest Income	Up 4.2% to KES 12.6Bn
Non-Interest Income	Down 15.1% to KES 7.6Bn
Loan Loss Provisions	Down 21.7% to KES 2.0Bn
PBT	Up 3.0% to KES 10.0Bn
PAT	Up 2.3% to KES 7.2Bn
EPS	Up 2.3% to KES 18.3
DPS	Up 60.0% to KES 1.84

OUTLOOK

We expect Stanbic Holdings to record gradual growth boosted by:

- 1. Loan Book Growth:** The bank has sustained an average double-digit loan book growth over the last 4 years. We see this growth enduring and translating to revenue expansion. The successful implementation of a risk-based pricing model will further scale up their lending strategy.
- 2. Risk Management:** The lender's NPL ratio is commendable compared to an 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:** The South Sudan subsidiary recorded an increase in PAT attributable to higher trading income. The bank also leverages support from the Group in terms of access to forex. We expect that these synergies, together with continued digitization initiatives, will support growth in non-interest income.

INVESTMENT RECOMMENDATION:

We maintain our recommendation to **ACCUMULATE**. At the current market price of KES 117.50, the stock is trading within its fair value but presents a value pick for long-term investors owing to its reliable dividend payout.

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