STANBIC HOLDINGS FY 2024 EARNINGS UPDATE

Stanbic Holdings reported a **12.8%** growth in Profit after Tax for FY2024, despite a decline in both interest and non-interest income. The strong performance was primarily driven by a **50.3%** reduction in credit impairment charges to KES 3.1Bn. As a result, earnings per share (EPS) rose to KES 34.70.

The bank declared an impressive final dividend of **KES 18.90** per share, bringing the total dividend for the year to **KES 20.74** (60% dividend payout ratio), up from KES 15.35 in the previous year.

	2024	2023	2022	2021	2020	2019
DPS	20.73	15.35	12.60	9.00	3.80	7.05

While total income declined, Stanbic Bank still delivered double-digit profit growth, aligning with the broader 2023 operating environment. Looking ahead, growth is expected to be driven by digital transformation and an expanding distribution network.

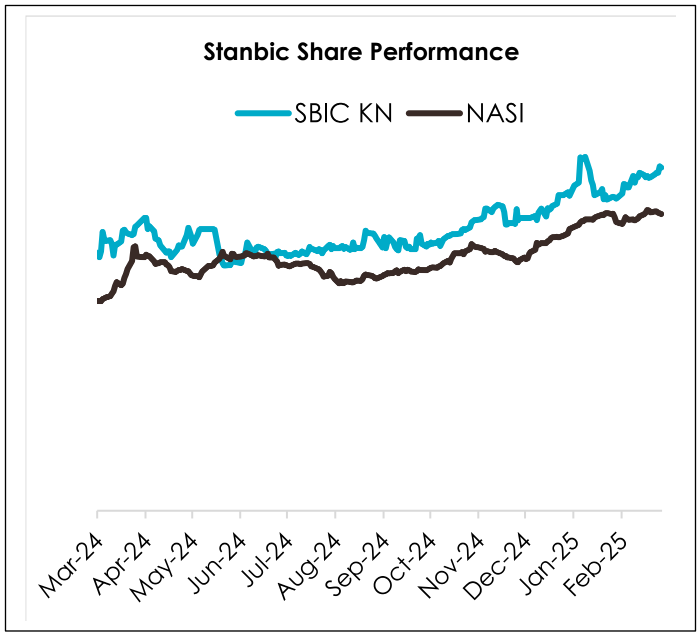
At the current market value of **KES 168.0**, the stock is trading within its fair value range. However, given its consistent dividend payouts, Stanbic presents an attractive long-term investment opportunity. We maintain a **Neutral** stance on the stock with an upside potential of **8.1%** at a target price of **KES 181.59.**

PERFORMANCE HIGHLIGHTS

- **Earnings:** Net interest income declined by **5.1%** to KES 24.34Bn, primarily due to a significant increase in the cost of funding, as gross interest expenses surged by over **90%.** This rise reflected the impact of the high-interest rate environment during the period. However, despite the higher funding costs, gross interest income grew by 25%, demonstrating the bank's ability to generate revenue amid challenging market conditions.

- The non-interest income declined by **1.7%** to KES 15.41Bn, primarily due to a 22% drop in forex trading income and the absence of a one-off transaction like the 2023 Diageo deal.

Share Data	Stanbic Holdings
Ticker	SBIC KN
Recommendation	Neutral
Current Price (KES)	168.00
Target Price (KES)	181.59
Upside	8.1%
52WK High (KES)	170.0
52WK Low (KES)	90.00
No. of shares issued (Mn)	395.32
Market Cap (KES Bn)	66.41
EPS (Annualized)	KES 34.70
DPS (FY'24)	*KES 20.74*
P/E	*4.84x*
P/B	*0.9X*
Trailing Dividend yield	*12%*
Current Price = VWAP as at 5th March 2025	



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- **Loan book:** The bank's loans and advances dropped by **17.3%** to KES 294.7Bn, leading to a 1.0% reduction in total assets. This was primarily driven by the strengthening of the Kenyan currency, which lowered the value of foreign currency-denominated loans, accounting for nearly 45% of the total loan book. Additionally, muted loan uptake due to the high-interest rate environment further contributed to the decline.

- **Customer deposits:** Deposits from banks and customers declined by 2.4% to KES 339.0Bn but remained largely stable during the year despite the challenging business environment.

- **Efficiency:** The cost-to-income ratio edged up marginally by 1.0% point to 44.5% from 43.5%, reflecting the bank's effective cost optimization efforts. Meanwhile, operating expenses saw a modest 1.7% increase to KES 17.7Bn, indicating disciplined cost management amid a dynamic operating environment.
- **Asset Quality:** The lender's credit impairment charges dopped significantly by 50.3% to KES 3.1Bn. This reflects the bank's proactive credit risk management and foreign currency adjustments, given its exposure to foreign-denominated loans. As a result, non-performing loans (NPLs) improved by 0.4% points to **9.11%**, well below the industry average of **16.4%.**

- **Stable Balance Sheet**: Despite a 1.0% decline in total assets to KES 454.8Bn, Stanbic's balance sheet remained stable, with an average asset growth of 13.3% over the period. The bank also maintained a strong capital position, with a total capital ratio of 18.37% and a robust liquidity ratio of 50.5%, ensuring financial resilience.

- **Subsidiary Performance**: Stanbic Kenya remained the top performer, leading in revenue contribution with an **18%** growth. In contrast, the other subsidiaries, Stanbic Bank South Sudan, Stanbic Bancassurance, and SBG Securities, posted declines in PAT of 63%, 19%, and 87%, respectively.

- Stanbic Bank Kenya continues to be the dominant contributor, accounting for **97.3%** of total profit. Meanwhile, South Sudan, Bancassurance, and SBG Securities contribute only a fraction of earnings, with SBG Securities being the smallest contributor at just 0.1%, as illustrated below:

Subsidiary Contribution	PAT	% contribution
Stanbic Bank Kenya	KES 13.5Bn	97.3%
Stanbic Bank S. Sudan	KES 176Mn	1.3%
Stanbic Bancassurance	KES 174Mn	1.3%
SBG Securities	KES 20Mn	0.1%

Source: Company Financials, NCBA IB Research

FINANCIAL SUMMARY

Stanbic Bank Kenya FY'2024 Results			
Key Metrics Y/Y			
Metric		**Y/Y %**	**Amount**
Loans & Advances	▼	17.3%	KES 294.7Bn
Customer Deposits	▼	2.4%	KES 339.0Bn
Net Interest Income	▼	5.1%	KES 24.3Bn
Non-Funded Income	▼	1.7%	KES 15.4Bn
Credit Impairment Charge	▼	50.3%	KES 3.1Bn
PBT	▲	11.0%	KES 19.0Bn
PAT	▲	12.8%	KES 13.7Bn
EPS	▲	12.8%	KES 34.7
DPS	▲	35.1%	KES 20.74

Source: Company Financials, NCBA IB Research

Key Ratios					
Ratio	**Q12024**	**Q22024**	**Q32024**	**FY2023**	**FY2024**
Loan Deposit Ratio	71.9%	67.0%	66.7%	102.0%	86.9%
Net Interest Margin	1.3%	2.5%	4.1%	6.0%	5.7%
Cost to Income	46.8%	50.0%	52.1%	43.5%	44.5%
ROE	6.5%	12.0%	16.5%	18.6%	19.3%

Source: Company Financials, NCBA IB Research

OUTLOOK

Stanbic Holdings is expected to sustain gradual growth, driven by key strategic initiatives:

- **Digitalization:** The bank remains committed to digital transformation, enhancing operational efficiency and risk management through advanced technology. By integrating digital solutions, Stanbic aims to streamline processes and improve customer experience.

- **Strong Risk Management:** With a commendable NPL ratio of 9.1%, well below the industry average of 16.4%, the bank continues to strengthen its risk management framework. The adoption of data-driven risk analysis and credit risk pricing models in mainstream lending is expected to further optimize credit loss and cost of risk ratios.

- **Expanding Distribution Network:** Stanbic has made significant strides in expanding its physical and agency banking presence. The number of branches increased to **30**, up from **28** in 2023, while agency outlets grew to **747**. This expansion has driven a rise in customer numbers to 291,000, reinforcing the bank's market reach and accessibility.

With these growth levers in place, Stanbic Holdings is well-positioned for steady, long-term expansion.

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