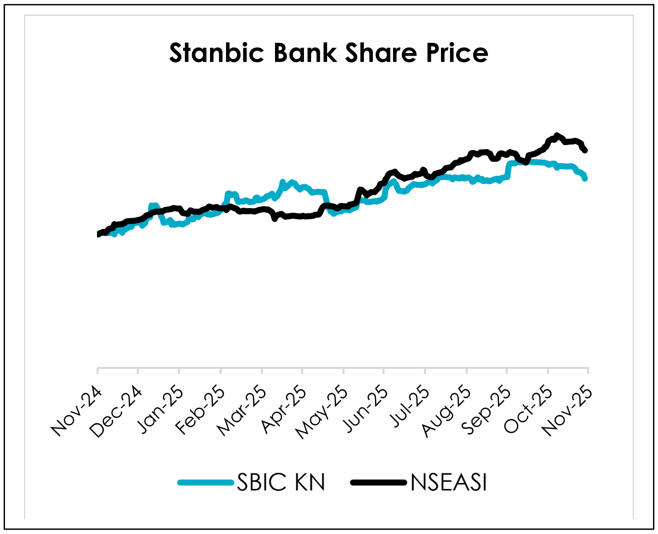
STANBIC HOLDINGS Q325 EARNINGS UPDATE

Stanbic Kenya reported a **8% decline** in Profit after Tax for Q325 to KES 9Bn partly attributable to a 25% drop in non-funded income to KES 8Bn, however net interest income did provide a partial buffer growing by 8% to KES 21Bn. Eps was down to KES 55.01 from KES 59.46 recorded in the same period previously.

At the current market value of **KES 182.75.** 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%** at a target price of **KES 198.96.**



PERFORMANCE HIGHLIGHTS

- **Earnings:** Net interest income increased by **8%** to KES 8Bn, as loans and advances inched up by 16% to KES 253Bn primarily reflects the improved private sector growth and modest yet steady rise in credit uptake environment. Strong performance in **fee and commission income** mitigated the impact of a drop in **foreign exchange revenue** due to margin pressure

- **Loan book:** The bank's loans and advances grew by **16%** to KES 253Bn as credit uptake starts to tick slowly yet steadily evidenced by impr63oved private sector credit. As a result, total assets increased by 5% to KES 476Bn from KES 4Bn recorded in the previous year.

  The bank's loan portfolio remains heavily skewed towards Term Lending & Trade, which accounts for 63% of total loans, reflecting its continued focus on supporting business and commercial clients. Home Loans make up 18%, while Overdrafts contribute 13%. Vehicle and Asset Finance (VAF) represents the smallest share at 7%, indicating a more conservative stance toward asset-backed retail lending.

- **Customer deposits:** Deposits from customers inched by 5% to KES 344Bn driven by **Easing monetary policy** expected to spur private sector credit growth ticking up in 2025 to 5.0% in Sept 2025.

- **Efficiency:** The cost-to-income ratio closed the quarter at 45.6% reflecting the bank's effective cost optimization efforts. Meanwhile, operating expenses saw a marginal 1% increase to KES 16Bn, primarily due to prior year base effects.

- **Asset Quality:** The lender's gross non-performing dopped by 8% to KES 22Bn. on lower exposures and focus on recoveries. As a result, non-performing loans (NPLs) improved to **8.24%**, well below the industry average of **17.6%.** The lender continues to focus on customer discussions to support and resolve distressed exposures.

Key Financial Metrics.

Q3 25 Stanbic Kenya Plc	Key Metrics Y/Y
Loans and Advances	Up 16% to KES 253Bn
Customer Deposits	Up 5% to KES 344Bn
Government Securities	Up 33% to KES 99Bn
Net Interest Income	**Up 8% to KES 21Bn**
Non-Funded Income	**Down 25% to KES 8Bn**
Forex trading income	Down 49% to KES 3Bn
Loan Loss Provisions	Down 7% to KES 3Bn
PBT	Down 8% to KES 13Bn
PAT	**Down 8% to KES 9Bn**
EPS	Down to KES 55.01 from KES 59.46

Stanbic Kenya Plc	Key Ratios Y/Y
Loan Deposit ratio	Up to 64% from 67%
Net Interest Margin	**Up to 4.3% from 4.1%**
Cost to Income	Up to 46% from 43%
NPL Ratio	**Down to 8.25% from 10.18%**
Cost of Risk	Down to 0.99% from 1.23%
Current Market Price as at 18/11/25	KES 182.75
P/E	3.52x
P/B	1.16x
Dividend (Q3)	**None**
	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 8.4%, well below the industry average of 17.1%, the bank continues to strengthen its risk management framework. The adoption of data-driven risk analysis and use of predictive Fraud monitoring capability 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 digital presence. The number of branches stayed the same at 30, while ATMs grew to 59 from 54. This expansion has driven a rise in customer numbers to 310,000, reinforcing the bank's market reach and accessibility.

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

Investment recommendation:

The Group remains anchored on solid fundamentals, with the increased interim dividend underscoring management's confidence in sustaining earnings stability and capital adequacy. Despite balance sheet contraction and income headwinds, the Group is expected to leverage its core strengths to navigate prevailing challenges while positioning for long-term value creation.

Based on the target price of **KES 198.96** we believe that the stock provides an opportunity for long-term investors to earn **capital gains** and an **attractive dividend yield**.

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