

Stanbic Holdings – Earnings Update –FY 2021

Stanbic Holdings reported KES 7.21Bn in profits after tax (PAT) for FY-2021, a 38.8% y/y spike from that of KES 5.19Bn recorded in FY-2020. Profits before tax (PBT) moved 56.7% up from KES 6.23Bn to close the year at KES 9.76Bn. The overall performance was shouldered by a 51.1% drop in loan loss provisions plus a 14.0% growth in the lenders net interest income as operating expenses shrunk 30.4%.

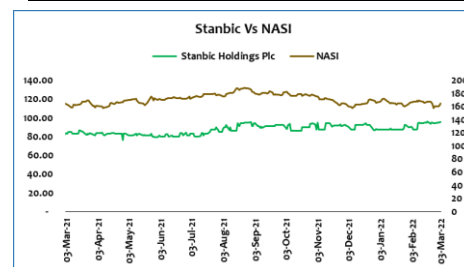
The bank's board recommended a final dividend of KES 7.30 whose book closure is on 20th May with a payment date to be communicated thereafter. If approved, the full dividend for the period will be KES 9.00, a dividend payout of 49.4%.

- Interest income improved 2.1% from KES 19.71Bn to KES 20.13Bn supported by a 4.58% growth in interest from loans and advances from KES 14.37Bn to KES 15.06Bn. Contribution from government securities assisted by a 2.2% growth from KES 4.53Bn to KES 6.63Bn.
- Interest expense dropped 17.2% y/y from KES 7.54Bn to KES 6.25Bn on drops in the lenders customer deposit cost that dropped from KES 6.25Bn to KES 5.42Bn. This resulted from the contracted customer liability for the lender that fell from KES 259.70Bn to KES 254.59Bn during the period.
- Non-funded income rose 1.7% from KES 9.81Bn to KES 10.39Bn boosted by forex commissions which jumped 13.0% up to KES 6.27Bn. This, however, was constrained by a 2.1% drop on commissions from loans and advances which was 3.1% down at 233.70Mn despite the above growth in loan book. Commissions from digital facilities are set reverse this upon the scheduled full rollout of the “Unayo” digital platform which is currently on its pilot stage. The platform is said to have disbursed over KES 5.60Bn on its initial six months ending Dec-2021.
- The counter's operating expenses declined 6.6% from KES 15.74Bn to KES 14.70Bn, benefitting mainly from loan loss provisions which plunged 51.1% from KES 4.31Bn to KES 2.11Bn. This is largely attributed to return to paying of several loans on recoveries from the ravages of covid-19 reflected in FY-2020.
- Excluding loan loss provisions, the bank's operating expenses stood 10.2% up to a total of KES 12.60Bn. This was elevated by 8.8% rise in staff costs from KES 5.68Bn to KES 6.18Bn pushing the cost to income ratio excluding loan loss provisions to remain above 50% at 51.9%, which is closely like that of 52.0% recorded in 2020. Other operating expenses also went up by 17.2% from KES 4.41Bn to KES 5.17Bn.
- The Kenyan subsidiary remained a key pillar contributing 94.3% of the group's revenue with a growth of 39.0% witnessed in the region. South Sudan contributed a PAT of 0.30Bn as Stanbic bancassurance and SBG securities brought in Kes. 99.0Mn and Kes. 16Mn respectively.

Balance Sheet

- The balance sheet saw assets remain stable at KES 328.87Bn, a 0.1% marginal growth from that of KES 328.59Bn in FY-2020.
- The lender's net loan book increased by 16.8% from KES 196.30Bn to KES 229.32Bn on the increased disbursements in the reopening economy. The net book rose by KES 33.02Bn with the digital credit space taking contributing 15.0%.
- Total deposit liability was 2.1% y/y down at KES 254.59Bn from that of KES 259.70Bn the year before held down by dips in deposits from banking institutions. Customer deposits remained steady with a 10.6% uptick to Kes. 239.87Bn thus helping sustain the growing loan book.

Bloomberg Ticker	SBIC:KN
Share Statistics	
Current Price (kes)	95.50
Six Month Average	90.55
12 Month Average	87.28
52 Week High - Low	76.00 - 96.25
Issued shares (Mn)	395.32
Market Cap (Kes Mn)	37,753.22
Market Cap (USD Mn)	331.49
EPS	18.23
P/E	5.24
BVPS	142.80
PB	0.67
DPS	9.00
Div. Yield	9.4%
Div. Pay-Out	49.4%



Stanbic Performance return

Period	SBIC Δ%	NASI Δ%
MTM	-3.06%	-1.36%
3-Months	5.52%	2.71%
6-Months	1.60%	-8.42%
YTD	9.77%	-1.64%
YoY	14.03%	0.57%

NNI +14.0% Y/Y

Provisions – 51.1% Y/Y

Opex. –6.6 Q/Q

Opex. Excl. Provisions +10.2% Y/Y

PBT +56.7% Y/Y

PAT +38.8%

Loans + 16.8%

Deposits +10.6%

Shareholder's Funds + 9.1%

Shadrack Manyinsa

Research Analyst

smanyinsa@co-opbank.co.ke

+254711049956

- Total borrowings by the group edged 3.6% up to cushion the growing loan book as debt to equity remained low at 10.1% in FY-2021 from that of 10.6% in 2020. This reflected a better debt utilization as the retained earnings kept rising.

Key Ratios

- Non-performing loans to total loan book improved drastically sustained by the growing loan book and the return to paying loans on the reopened economy. The ration stood at 9.3% in comparison to that of 14.6% the year before.
- Return on average equity moved 50bps up y/y as return on average equity gathered 40bps up on better utilization of assets as well at a better usage of the investor's funds reflected on the group's PAT for the year.
- The banks remained committed on a mission to deepening its roots in both Kenya and South Sudan with a focus on small and micro enterprises (SMES).

P&L (KES Mn)	FY - 2019	FY - 2020	FY - 2021	Y/YΔ%
Interest Income	20,405	19,709	20,125	2.1%
Interest Expense	7,665	7,541	6,248	-17.2%
NII	12,740	12,168	13,877	14.0%
NFI	10,806	9,805	10,391	6.0%
Total Income	23,546	21,973	24,268	10.4%
Loan Loss Provisions	2,614	4,307	2,106	-51.1%
Operating Expense	15,307	15,736	14,701	-6.6%
Opex Excl Provisions	12,692	11,429	12,595	10.2%
PBT	7,710	6,227	9,756	56.7%
PAT	6,381	5,192	7,208	38.8%
EPS	16.14	13.13	18.23	38.8%
DPS	7.05	3.80	9.00	136.8%

Balance Sheet (KES Mn)	FY - 2019	FY - 2020	FY - 2021	Y/YΔ%
Investments	35,868	53,869	41,000	-23.9%
Loans and Advances	152,814	196,300	229,321	16.8%
Borrowings	13,953	5,504	5,700	3.6%
Total Asset	292,705	328,595	328,872	0.1%
Customer Deposit	193,514	259,970	254,588	-2.1%
Shareholders' Fund	38,940	51,731	56,453	9.1%

Ratios	FY - 2020	FY - 2021
NII % of Total Income	55.4%	57.2%
NFI % of Total Income	44.6%	42.8%
CTI	71.6%	60.6%
CTI excl Provisions	52.0%	51.9%
Cost of Funds	3.3%	2.5%
Net Interest Margin	5.7%	5.5%
ROaA	6.8%	2.2%
ROaE	51.7%	13.3%
Gross NPL to Net Loans	14.6%	9.3%
AD Ratio	75.5%	90.1%
Investment to Assets	16.4%	12.5%
Dividend payout	28.9%	49.4%

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Analysts' stock ratings are defined as follows:

- ✦ **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- ✦ **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- ✦ **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- ✦ **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- ✦ **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049540

Email: kingdomresearch@co-opbank.co.ke

Research Department

Willis Nalweng

wnalenge@co-opbank.co.ke

Shadrack Manyinsa

smanyinsa@co-opbank.co.ke

Equities Dealing

Justus Ogalo

jogalo@co-opbank.co.ke

Andrew Karanja

amkaranja@co-opbank.co.ke