

Stanbic Posts a 34.2% Rise in Profits - FY 2023

Stanbic Holdings plc reported KES 17.09Bn profit before tax (PBT) for full year (FY) 2023, representing a 40.4% jump from a PBT of KES 12.17Bn of FY 2022. The Company's faster rise in profits was elevated by 48.0% surges on its interest income and a 36.2% rise on its non-funded income lines. This saw the Bank's operating income soar 28.4% year-on-year (y-y) to KES 17.09Bn.

Profits after tax (PAT) expanded 34.2% in FY 2023, from KES 9.06Bn to KES 12.16Bn despite a higher effective tax rate of 40.6% witnesses in FY 2023, in relation to an effective tax rate of 34.3% of FY 2022.

The Bank's Board recommended a final dividend per share (DPS) of KES 14.20 resulting to a total dividend of KES 15.35 per share for FY 2023, representing a dividend payout of 49.9%. Its dividend yield stands at 13.3% on the current price of KES 115.00 per share as of 5th March 2024. Its dividend book closure is scheduled for 17th May 2024 as payment date will be communicated.

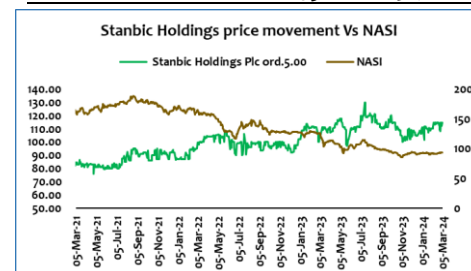
We issue a BUY recommendation on the counter's share price with a price target of above KES 125.00 per share.

Income Statement

- The Bank's net interest income (NII) climbed 38.8% from KES 18.42Bn to KES 25.57Bn on higher interest income that outweighed the faster rise in interest expense. Overall interest income was up 48.0% y-y to KES 37.93Bn with interest income contributing 77.6% of the Bank's interest income.
- NII contribution to total income grew to from 59.1% to 62.1% as the bank took advantage of the higher lending rates amid cost of deposits.
- Interest income from loans and advances expanded 51.3% y-y from KES 19.46Bn to KES 29.44Bn benefiting from the growing loan book which grew by 24.49Bn to KES 260.51Bn. Elevated lending rates saw yield on loans and advanced rise from 8.4% in FY 2022 to 11.9%, 3.5 percentage points higher.
- Government securities income, however, shrunk by 2.4% y-y following as the Bank cut its investment in government papers by 27.3% y-y to KES 42.45Bn in what we view as a measure to support its growing loan book while containing the cost of borrowings.
- Interest expenses jumped 71.7% from KES 5.91Bn to KES 9.80Bn on account of expensive customer deposits and placement from banking institutions, as they sought better compensation informed by Central Bank rate hikes which moved from 8.75% in Jan 2023 to close 13.0% by close of January.
- Non funded income (NFI) went up 26.2% y-y from KES 12.74Bn to KES 16.08Bn on income rises in forex and fees and commissions from its digital transactions. A weak local currency saw forex income up 5.0% y-y to KES 9.01Bn.
- The Bank's total operating expenses spiked 31.1%, being eroded by loan loss

Bloomberg Ticker	SBIC: KN
Share Statistics	
Recommendation	BUY
Valuation Price	127.00
Current Price (kes)	115.00
52 Week High - Low	129.75 - 97.25
12 Month Average	111.43
Six Month Average	109.71
Three Month Average	109.94
Issued shares (Mn)	395.32
Market Cap (Kes Mn)	45,461.99
Market Cap (USD Mn)	399.18
EPS	30.75
P/E	3.74
BVPS	147.62
PB	0.78
DPS	15.35
Div Yield	13.3%
Div Pay-Out	49.9%

Stanbic Performance return		
Period	SBIC	NASI
M/M %	4.55%	0.95%
3-Months Δ%	5.75%	-1.41%
6-Months	4.55%	-4.74%
YTD	8.49%	1.51%
YoY	8.49%	-25.78%



NNI + 38.8% Y/Y

Provisions 61.8% Y/Y

Opex. 31.1% Y/Y

PBT 28.8% Y/Y

PAT 34.2% Y/Y

Govt. Securities 27.3% Y/Y

Loans 10.4% Y/Y

Deposits 17.3% Y/Y

Shareholder's Funds 11.5% Y/Y

Shadrack Manyinsa

Research Analyst

smanyinsa@co-opbank.co.ke

+254711049956

provisions and other operating expenses. Loan provisions rose 61.8% to cushion the growing loan book.

Balance Sheet

The Bank's total assets enlarged by 15.2% y-y from KES 390.32Bn to KES 449.61Bn benefitting from a 10.4% rise in loan book and its investments in other banking institutions.

The Group's borrowings fell 13.2% y-y from KES 15.72Bnm to KES 13.65Bn as the Bank financed its loan book by offloading part of its holdings in governments securities. As a result, Stanbic's government securities book declined 27.3% from KES 58.42Bn to KES 42.44Bn while the total loan book went up 10.0% from KES 236.02B to KES 260.51Bn.

Shareholders' funds added KES 6.00Bn to grow at 11.5% y-y from KES 52.36Bn to KES 58.36Bn mainly benefitting from an 11.2% rise in retained earnings from KES 42.39Bn to KES 47.39Bn. The rise in retained earnings mainly benefitted from the above faster growth in net revenues.

Key Ratios

Stanbic Holdings' return on average assets (ROaA) rose from 2.4% in FY 2022 to 2.8% in FY 2023 on a lower rise in total average assets, as the return on average equity edged up faster from 18.4% to 21.5% on a faster rise in revenues compared to the shareholders' funds.

Cost of funds rose accelerated from 2.6% to 3.8% on a quick rise in the company's cost of borrowing especially the cost of customer deposits.

The Group's net interest margins (NIMs) soared from 5.9% in FY 2022 to 8.5% on a faster rise in the company's asset yield that grew faster than its cost of funds.

The Group's non-performing loans ratios improved from 10.6% to 9.1%, still below the industry NPL of 14.8%.

P&L (KES Mn)	FY-2021	FY-2022	FY-2023	Y/YΔ%
Interest Income	20,125	25,622	37,926	48.0%
Interest Expense	6,248	7,199	12,359	71.7%
NII	14,373	18,945	25,647	35.4%
NFI	10,617	13,138	15,669	19.3%
Total Income	24,990	32,083	41,316	28.8%
Loan Loss Provisions	2,106	4,485	7,258	61.8%
Operating Expense	14,701	19,003	24,905	31.1%
Opex Excl Provisions	12,595	14,518	17,647	21.6%
PBT	9,756	12,171	17,094	40.4%
PAT	7,208	9,060	12,158	34.2%
EPS	18.23	22.92	30.75	34.2%
DPS	9.00	12.60	15.35	21.8%

Balance Sheet (KES Mn)+A15	FY-2021	FY-2022	FY-2023	Y/YΔ%
Investments	41,000	58,420	42,447	-27.3%
Loans and Advances	229,321	236,015	260,507	10.4%
Borrowings	5,700	15,718	13,650	-13.2%
Total Asset	363,208	390,320	449,614	15.2%
Customer Deposit	239,870	282,139	330,897	17.3%
Shareholders' Fund	46,512	52,359	58,358	11.5%

Ratios	FY - 2019	FY - 2020	FY - 2021
NII % of Total Income	57.5%	59.1%	62.1%
NFI % of Total Income	42.5%	40.9%	37.9%
CTI	58.8%	59.2%	60.3%
CTI excl Provisions	50.4%	45.3%	42.7%
Cost of Funds	2.6%	2.6%	3.8%
Net Interest Margin	5.3%	5.9%	8.5%
ROaA	2.1%	2.4%	2.8%
ROaE	16.0%	18.4%	21.5%
Gross NPL to Net Loans	8.8%	10.6%	9.1%
AD Ratio	95.6%	83.7%	78.7%
Investment to Assets	11.3%	15.0%	9.4%
Dividend payout	49.4%	55.0%	49.9%

Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of use – Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

Recommendation Guide:

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

Shadrack Manyinsa smanyinsa@co-opbank.co.ke

Equities Dealing

Alfred Too atoo@co-opbank.co.ke
Ashley Odundo aodundo@co-opbank.co.ke