

### Resilient balance sheet, but earnings under pressure – Stanbic Bank Posts 1.1% EPS drop

Stanbic Bank Kenya released its FY2025 results, and, from the look of things, the year was not particularly rosy. Most key line items trended downward, with a sharper decline in profitability largely cushioned by a significant reduction in loan loss provisions.

The lender reported a marginal 1.1% y/y decline in Profit Before Tax (PBT) to Kes 18.59Bn from Kes 18.80Bn in 2024, alongside a similar 1.1% drop in Earnings Per Share (EPS) to Kes 34.16 from Kes 34.53. Despite the earnings stagnation, the bank increased its Dividend Per Share (DPS) to Kes 22.35 from Kes 20.7), comprising an interim dividend of Kes 3.80 and a final dividend of Kes 18.55, with books closing on 15th May 2026.

Stanbic has nonetheless outperformed the NASI across most metrics, except on a y/y basis, where it delivered a 53.6% gain. In our view, sustaining profitability going forward will require deliberate strategies to grow non-interest income and support interest income in a declining rate environment. This will be key to maintaining earnings momentum and sustaining the current payout ratio without drawing on reserves.

| Recommendation      | SPECULATIVE BUY |
|---------------------|-----------------|
| Share Statistics    |                 |
| Current Price       | 257.75          |
| 3-Month Av          | 216.29          |
| 6 Month Av          | 203.5           |
| 12 Month Av         | 186.51          |
| 52 Week High - High | 257.75          |
| 52 Week High - Low  | 148.75          |
| Issued shares Mn    | 395.32          |
| Market Cap (KES Mn) | 101.89          |
| Market Cap (USD Mn) | 788.04          |
| P/E                 | 7.55            |
| PB                  | 1.04            |
| EPS                 | 34.16           |

## Income Statement

**Total Income:** Total operating income declined by 3.3% y/y to Kes 38.07Bn from Kes 39.36Bn, reflecting pressure on both funded and non-funded income lines. Net interest income (NII) grew by a modest 6.5% y/y to Kes 28.59Bn from Kes 26.85Bn, supported by a 42.1% decline in interest expense to Kes 14.72Bn. This offset a sharp 17.1% decline in interest income to Kes 43.31Bn, from Kes 52.27Bn, reflecting the lower interest rate environment and reduced yields on assets.

**Interest income** declined primarily due to a 16.7% decline in income from loans and advances to Kes 29.92Bn from KES 35.92Bn, coupled with a 29.5% drop in earnings from deposits and placements from banking institutions. However, interest from government securities rose by 13.8% to KES 11.41Bn from KES 10.02Bn, in 2024.

**Interest expense** similarly fell, driven by a 49.3% decline in interest on deposits to Kes 10.66Bn, from Kes 21.01Bn in 2024.

**Non-Funded Income:** NFI contracted by 24.3% y/y to Kes 9.48Bn, from Kes 12.52Bn, weighing on overall income growth. As a result, NFI contribution to total income declined to 24.9%, pointing to slower momentum in fees and FX income.

**Operating expenses** Total operating expenses declined by 5.3% y/y to Kes 19.48Bn, supported by a 42.7% reduction in loan loss provisions (LLP) to Kes 2.00Bn—signaling improved asset quality and lower credit risk pressure.

However, operating expenses excluding provisions rose by 2.4% y/y, largely driven by a 1.4% increase in staff costs to Kes 8.66Bn, from Kes 8.54Bn.

| Return Performance |         |        |
|--------------------|---------|--------|
| Periods            | Stanbic | NASI   |
| 3mtd PriceΔ(%ge)   | 35.12%  | 16.99% |
| 6mtd PriceΔ(%ge)   | 41.82%  | 15.67% |
| YTD Δ(%ge)         | 30.34%  | 10.84% |
| Y/Y Δ(%ge)         | 53.65%  | 56.24% |

|                     |        |
|---------------------|--------|
| NII                 | 6.5%   |
| Provisions          | -42.7% |
| Opex                | -5.3%  |
| Opex Excl. LLPs     | 2.4%   |
| PBT                 | -1.1%  |
| PAT                 | -1.1%  |
| Loans               | 17.2%  |
| Govt. Securities    | 16.8%  |
| Deposits            | 19.5%  |
| Shareholders' Funds | 7.2%   |

# KINGDOM SECURITIES

## Balance Sheet

**Assets:** Stanbic's balance sheet expanded strongly in 2025, with total assets growing by 19.4% y/y to Kes 531.59Bn, from Kes 445.25Bn, supported by broad-based growth across the loan book and investment portfolio.

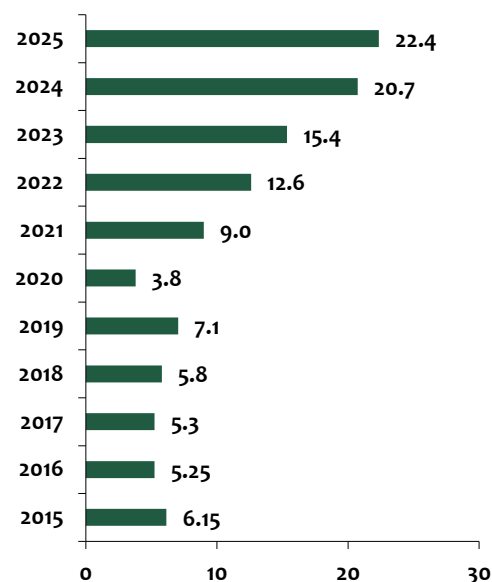
Net loans and advances rose by 17.2% y/y to Kes 270.01Bn, from 230.32Bn reflecting sustained credit uptake, while investments increased by 16.8% to Kes 52.03Bn, pointing to continued allocation into interest-earning securities.

**Customer Deposits:** On the funding side, customer deposits grew in tandem, rising by 19.5% y/y to Kes 384.18Bn, from Kes 321.57Bn, and remained the primary driver of balance sheet expansion.

However, borrowings increased by 29.1% y/y to Kes 18.08Bn, indicating a higher reliance on external funding to support growth. As a result, total liabilities rose by 21.5% (faster than the assets) to Kes 461.47Bn.

**Shareholders' funds** increased by a more moderate 7.2% y/y to Kes 70.11Bn, from Kes 65.42Bn, supported by retained earnings, supported by retained earnings which rose by 9.8% to Kes 56.83Bn, from Kes 51.78Bn in 2024.

## Stanbic Holdings Dividend History (Kes)



## Key Ratios

- Yield on interest-earning assets declined to 13.7% from 17.6%, on lower interest income coupled with an increase in average interest earning assets which rose by 6.3% to Kes 315.41Bn, from Kes 296.84Bn in 2024.
- Cost of funds improved significantly to 3.8% from 7.3% in 2024, on higher interest-bearing liabilities coupled with lower interest expense—supporting NII resilience.
- Net Interest Margin (NIM) remained broadly stable at 9.1%.
- NII contribution rose to 75.1%, while NFI fell to 24.9% highlighting the slowdown in non-interest income and decline in interest expense.
- Cost-to-income ratio (CIR) improved to 51.2%, though CIR ex-LLP rose to 45.9%, highlighting underlying cost pressures from key expense lines like staff costs.
- Asset quality improved, with NPL ratio declining to 8.0%, from 9.1% as growth in gross loans (16.8%) outpaced the growth in gross non-performing loans (2.9%).
- Loan-to-deposit ratio eased slightly to 70.3%, maintaining a balanced funding structure.
- On profitability, ROaE declined to 19.9%, while ROaA softened to 2.8%, from 21.7% and 3.0%, respectively in 2024, reflecting slightly weaker profitability.

# KINGDOM SECURITIES

| P&L (Kes. Bn) except EPS & DPS | FY2024       | FY2025       | %Δ Y/Y       |
|--------------------------------|--------------|--------------|--------------|
| Interest Income                | 52.27        | 43.31        | -17.1%       |
| Interest Expense               | (25.43)      | (14.72)      | -42.1%       |
| <b>NII</b>                     | <b>26.85</b> | <b>28.59</b> | <b>6.5%</b>  |
| NFI                            | 12.52        | 9.48         | -24.3%       |
| <b>Total Income</b>            | <b>39.36</b> | <b>38.07</b> | <b>-3.3%</b> |
| Loan Loss provision            | (3.50)       | (2.00)       | -42.7%       |
| Total Operating expenses       | (20.56)      | (19.48)      | -5.3%        |
| Opex excl Provision            | (17.07)      | (17.48)      | 2.4%         |
| <b>PBT</b>                     | <b>18.80</b> | <b>18.59</b> | <b>-1.1%</b> |
| <b>PAT</b>                     | <b>13.65</b> | <b>13.50</b> | <b>-1.1%</b> |
| <b>EPS</b>                     | <b>34.53</b> | <b>34.16</b> | <b>-1.1%</b> |
| <b>DPS</b>                     | <b>20.74</b> | <b>22.35</b> | <b>7.8%</b>  |

| Balance Sheet (Kes. Bn)    | FY2024        | FY2025        | %Δ Y/Y       |
|----------------------------|---------------|---------------|--------------|
| Investments                | 44.54         | 52.03         | 16.8%        |
| Loans and Advances         | 230.32        | 270.01        | 17.2%        |
| <b>Total Assets</b>        | <b>445.25</b> | <b>531.59</b> | <b>19.4%</b> |
| Customer Deposits          | 321.57        | 384.18        | 19.5%        |
| Borrowing                  | 14.01         | 18.08         | 29.1%        |
| Total Liabilities          | 379.83        | 461.47        | 21.5%        |
| <b>Shareholder's Funds</b> | <b>65.42</b>  | <b>70.11</b>  | <b>7.2%</b>  |

| Key Ratios                                   | FY2024      | FY2025      | %Δ Points Y/Y |
|--|-------------|-------------|---------------|
| Yield from interest-earning assets           | 17.6%       | 13.7%       | -3.9%         |
| Cost of funds                                | 7.3%        | 3.8%        | -3.4%         |
| <b>Cost of risk</b>                          | <b>8.9%</b> | <b>5.3%</b> | <b>-3.6%</b>  |
| Net Interest Margin                          | 9.0%        | 9.1%        | 0.0%          |
| Net Interest Income as % of operating income | 68.2%       | 75.1%       | 6.9%          |
| Non-Funded Income as a % of operating income | 31.8%       | 24.9%       | -6.9%         |
| Cost to Income Ratio                         | 52.2%       | 51.2%       | -1.1%         |
| CIR without LLP                              | 43.4%       | 45.9%       | 2.6%          |
| Cost to Assets                               | 3.8%        | 3.3%        | -0.5%         |
| <b>NPL Ratio</b>                             | <b>9.1%</b> | <b>8.0%</b> | <b>-1.1%</b>  |
| Loan to Deposit Ratio                        | 71.6%       | 70.3%       | -1.3%         |
| Return on average equity                     | 21.7%       | 19.9%       | -1.8%         |
| Return on average assets                     | 3.0%        | 2.8%        | -0.2%         |

# KINGDOM SECURITIES

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

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