KINGDOM SECURITIES

Stanbic Bank Kenya Earnings Update – H1 2026

Selective Optimism Underpins Stanbic's Balance Sheet Growth; Bottom Line Remains Stable

Stanbic Holdings released their half year earning delivering another resilient set of results, supported by robust balance sheet growth, improved asset quality and lower credit impairment charges. More importantly, management indicated that it has shifted from a cautious lending stance to one of selective optimism, a view that is reflected in the strong 16.7% y/y growth in the loan book.

One of the key talking points from the results was the sharp reduction in the interim dividend to Kes. 1.64 per share from Kes. 3.80 in H1'2025, a move that initially raised concerns over the sustainability of shareholder returns. However, management emphasized that the lower interim payout reflects a deliberate capital allocation decision rather than a weakening earnings outlook. The retained capital is intended to support loan growth as the Group transitions from a cautious lending stance to one of selective optimism, positioning the business to capitalize on improving credit demand. Importantly, management reaffirmed its commitment to its long-standing annual dividend payout ratio of 50%-60% of earnings. We therefore view the lower interim dividend as a timing decision rather than a structural shift in the Group's distribution policy. Should earnings momentum persist into the second half of the year, we expect the final dividend to account for a larger share of total distributions, with our full-year dividend forecast remaining in the range of Kes. 20.00-22.00 per share.

Recommendation	HOLD
Share Statistics	
Current Price	292.25
3-Month Av	286.98
6 Month Av	275.18
12 Month Av	232.96
52 Week High - High	296.00
52 Week High - Low	178.00
Issued shares Mn	395.32
Market Cap (KES Mn)	115.53
Market Cap (USD Mn)	892.69
P/E	7.69
PB	0.69
EPS (Annualized)	38.01

Stanbic Bank Kenya

Income Statement

Total Income: Operating income grew by a modest 1.7% y/y to Kes. 19.38Bn from Kes. 19.06Bn, supported by resilient net interest income despite weaker non-funded income performance. **Net interest income (NII)** increased by 5.6% y/y to Kes. 14.77Bn from Kes. 13.99Bn, underpinned by a 5.9% increase in interest income to Kes. 23.22Bn. However, interest expense rose at a slightly faster pace of 6.5% to Kes. 8.45Bn, reflecting the loan growth despite lower interest rates.

Interest income growth was largely driven by a 14.5% increase in income from government securities to Kes. 6.55Bn and a 103.3% surge in earnings from deposits and placements with banking institutions to Kes. 3.52Bn. These gains more than offset the 7.8% decline in income from loans and advances to Kes. 12.86Bn, reflecting lower lending yields amid the declining interest rate environment. On the funding side, interest expense on customer deposits increased by 9.4% y/y to Kes. 6.51Bn from Kes. 5.95Bn.

Non-Funded Income: NFI declined by 9.0% y/y to Kes. 4.62Bn from Kes. 5.07Bn, weighing on overall income growth.

Operating Expenses: Total operating expenses declined by 3.5% y/y to Kes. 10.29Bn, primarily driven by a 45.5% reduction in loan loss provisions to Kes. 0.88Bn, pointing to improving asset quality and easing credit risk pressures. Excluding provisions, operating expenses increased by 4.0% y/y to Kes. 9.41Bn, reflecting higher operating and staff-related costs.

As a result, profit before tax increased by 8.3% y/y to Kes. 9.09Bn, while profit after tax rose by 1.5% to Kes. 6.48Bn. Earnings per share also improved by 1.5% to Kes. 38.01.

Return Performance		
Periods	**Stanbic**	**NASI**
3mtd PriceΔ(%ge)	2.01%	15.21%
6mtd PriceΔ(%ge)	42.39%	15.87%
YTD Δ(%ge)	47.79%	25.64%
Y/Y Δ(%ge)	64.19%	48.01%

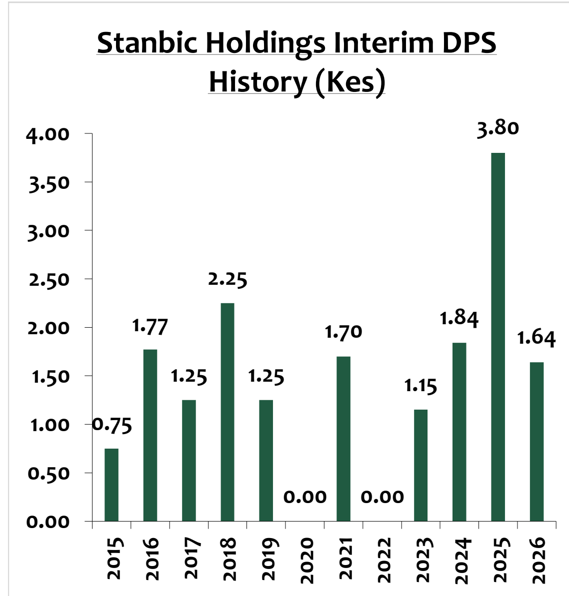
NII	5.55%
Provisions	-45.46%
Opex	-3.49%
Opex Excl. LLPs	3.97%
PBT	8.27%
PAT	1.47%
Loans	24.73%
Investments	57.02%
Deposits	23.01%
Shareholders' Funds	7.41%

Balance Sheet

Assets: Stanbic Bank Kenya's balance sheet expanded strongly in H1'26, with total assets growing by 27.5% y/y to Kes. 592.40Bn from Kes. 464.81Bn, supported by robust growth in both investments and the loan book.

Investments increased by 57.0% y/y to Kes. 83.64Bn, reflecting continued allocation towards interest-earning securities.

Meanwhile, **loans and advances** rose by 24.7% y/y to Kes. 290.63Bn from Kes. 233.00Bn. The strong loan growth aligns with management's shift from a cautious lending stance to one of selective optimism, signaling greater confidence in extending credit to quality borrowers as macroeconomic conditions improve.



Customer Deposits: Customer deposits increased by 23.0% y/y to Kes. 426.66Bn from Kes. 346.85Bn, remaining the primary source of funding growth. Borrowings eased marginally by 1.8% to Kes. 18.62Bn from Kes. 18.96Bn. Consequently, total liabilities expanded by 30.7% y/y to Kes. 523.34Bn from Kes. 400.51Bn.

Shareholders' Funds: Shareholders' funds increased by 7.4% y/y to Kes. 69.06Bn from Kes. 64.30Bn, supported by continued earnings retention during the period.

Key Ratios

- Yield on interest-earning assets eased to 6.6% from 7.1%, reflecting lower asset yields amid the prevailing interest rate environment.
- Cost of funds improved significantly to 3.6% from 5.6%, benefiting from the lower interest rate environment and more efficient funding costs.
- Cost of risk declined sharply to 4.5% from 8.4%, driven by substantially lower loan loss provisions and improving asset quality.
- Net Interest Margin (NIM) moderated to 8.4% from 9.3%, reflecting the faster compression in asset yields relative to funding costs.
- NII contribution to operating income increased to 76.5%, while NFI contribution declined to 23.5%, highlighting greater reliance on funded income.
- Cost-to-income ratio improved to 53.1% from 55.9%, demonstrating enhanced operational efficiency. However, CIR excluding loan loss provisions edged up to 48.5% from 47.5%, reflecting higher underlying operating costs which management link to digitization and system improvements.
- Asset quality improved markedly, with the NPL ratio declining to 7.3% from 9.2%, reinforcing Stanbic's position among the best-performing banks in terms of asset quality within the sector.
- Loan-to-deposit ratio increased marginally to 68.1% from 67.2%, reflecting stronger credit growth alongside healthy deposit mobilization.
- Profitability remained resilient, with return on average equity easing slightly to 20.4% from 20.9%, while return on average assets remained broadly stable at 2.6% from 2.7%.

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P&L (Kes. Bn) except EPS & DPS	H1'2025	H1'2026	%Δ Y-Y
Interest Income	21.92	23.22	5.9%
Interest Expense	(7.93)	(8.45)	6.5%
NII	13.99	14.77	5.6%
NFI	5.07	4.62	-9.0%
Total Income	**19.06**	**19.38**	**1.7%**
Loan Loss provision	(1.61)	(0.88)	-45.5%
Total Operating expenses	(10.66)	(10.29)	-3.5%
Opex excl Provision	(9.05)	(9.41)	4.0%
PBT	**8.40**	**9.09**	**8.3%**
PAT	**6.39**	**6.48**	**1.5%**
EPS	**37.46**	**38.01**	**1.5%**
DPS (Bank)	**8.82**	**3.82**	**-56.7%**
DPS (Group)	**3.80**	**1.64**	**-56.8%**

Balance Sheet (Kes. Bn)	H1'2025	H1'2026	%Δ Y-Y
Investments	53.27	83.64	57.0%
Loans and Advances	233.00	290.63	24.7%
Total Assets	**464.81**	**592.40**	**27.5%**
Customer Deposits	346.85	426.66	23.0%
Borrowing	18.96	18.62	-1.8%
Total Liabilities	400.51	523.34	30.7%
Shareholder's Funds	**64.30**	**69.06**	**7.4%**

Key Ratios	H1'2025	H1'2026	pp. Δ Y-Y
Yield from interest-earning assets	7.1%	6.6%	-0.5%
Cost of funds	5.6%	3.6%	-2.0%
Cost of risk	**8.4%**	**4.5%**	**-3.9%**
Net Interest Margin	9.3%	8.4%	-0.9%
Net Interest Income as % of operating income	74.0%	76.5%	2.5%
Non-Funded Income as a % of operating income	26.0%	23.5%	-2.5%
Cost to Income Ratio	55.9%	53.1%	-2.9%
CIR without LLP	47.5%	48.5%	1.1%
Cost to Assets	1.9%	1.6%	-0.4%
NPL Ratio	**9.2%**	**7.3%**	**-1.9%**
Loan to Deposit Ratio	67.2%	68.1%	0.9%
Return on average equity	20.9%	20.4%	-0.5%
Return on average assets	2.7%	2.6%	-0.1%

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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: 0711049039

Email: kingdomresearch@co-opbank.co.ke

Research Department		Equities Trading	
Stellah Swakei	sswakei@co-opbank.co.ke		
Chrisanthus Lunani	clunani@co-opbank.co.ke	**Asena Moffat**	amoffat@co-opbank.co.ke