# Stanbic Holdings Plc – FY'2024
05th March, 2025

Below is a summary of Stanbic Group FY'2024 performance:

| Balance Sheet Items | FY'2023 | FY'2024 | y/y change |
|---|---|---|---|
| Government Securities | 45.3 | 77.4 | 70.6% |
| Net Loans and Advances | 260.5 | 230.3 | (11.6%) |
| **Total Assets** | **459.3** | **454.8** | **(1.0%)** |
| Customer Deposits | 330.9 | 321.6 | (2.8%) |
| Deposits/branch | 11.8 | 10.7 | (9.3%) |
| Total Liabilities | 390.7 | 379.4 | (2.9%) |
| **Shareholders' Funds** | **68.6** | **75.4** | 10.0% |

| Balance Sheet Ratios | FY'2023 | FY'2024 | % points change |
|---|---|---|---|
| Loan to Deposit Ratio | 78.7% | 71.6% | (7.1%) |
| Government Securities to Deposit Ratio | 13.7% | 24.1% | 10.4% |
| Return on average equity | 18.6% | 19.1% | 0.5% |
| Return on average assets | 2.8% | 3.0% | 0.2% |

| Income Statement | FY'2023 | FY'2024 | y/y change |
|---|---|---|---|
| Net Interest Income | 25.6 | 24.3 | (5.1%) |
| Net non-Interest Income | 15.7 | 15.4 | (1.7%) |
| **Total Operating income** | **41.3** | **39.7** | **(3.8%)** |
| Loan Loss provision | (6.2) | (3.1) | (50.3%) |
| **Total Operating expenses** | **(24.2)** | **(20.8)** | **(14.2%)** |
| Profit before tax | 17.1 | 19.0 | 11.0% |
| **Profit after tax** | **12.2** | **13.7** | **12.8%** |
| **Core EPS** | **30.8** | **34.7** | **12.8%** |
| **Dividend Per Share** | **15.4** | **20.7** | **35.1%** |
| **Dividend Payout ratio** | **49.9%** | **59.8%** | **9.9%** |
| **Dividend Yield** | **14.1%** | **12.5%** | **(1.6%)** |

| Income Statement Ratios | FY'2023 | FY'2024 | % points change |
|---|---|---|---|
| Yield from interest-earning assets | 10.2% | 12.6% | 2.4% |
| Cost of funding | 3.7% | 7.1% | 3.4% |
| Net Interest Margin | 6.9% | 5.9% | (1.0%) |
| Net Interest Income as % of operating income | 62.1% | 61.2% | (0.8%) |
| Non-Funded Income as a % of operating income | 37.9% | 38.8% | 0.8% |
| Cost to Income Ratio | 58.6% | 52.3% | (6.4%) |
| CIR without LLP | 43.5% | 44.5% | 0.9% |
| Cost to Assets | 3.9% | 3.9% | (0.0%) |

| Capital Adequacy Ratios | FY'2023 | FY'2024 | % points change |
|---|---|---|---|
| Core Capital/Total Liabilities | 15.1% | 17.1% | 2.0% |
| Minimum Statutory ratio | 8.0% | 8.0% | 0.0% |
| **Excess** | **7.1%** | **9.1%** | **2.0%** |
| Core Capital/Total Risk Weighted Assets | 13.0% | 14.9% | 1.9% |
| Minimum Statutory ratio | 10.5% | 10.5% | 0.0% |
| **Excess** | **2.5%** | **4.4%** | **1.9%** |
| Total Capital/Total Risk Weighted Assets | 16.6% | 18.4% | 1.8% |
| Minimum Statutory ratio | 14.5% | 14.5% | 0.0% |
| **Excess** | **2.1%** | **3.9%** | **1.8%** |
| Liquidity Ratio | 40.3% | 50.5% | 10.2% |
| Minimum Statutory ratio | 20.0% | 20.0% | 0.0% |
| **Excess** | **20.3%** | **30.5%** | **10.2%** |

**Income Statement**

- Core earnings per share increased by 12.8% to Kshs 34.7 from Kshs 30.8 in FY'2023, mainly driven by 14.2% decrease in total operating expenses to Kshs 20.8 bn, from Kshs 24.2 bn in FY'2023, which outpaced the 3.8% decline in total operating income to Kshs 39.7 bn in FY'2024 from Kshs 41.3 bn in FY'2023.
- The 3.8% decline in total operating income was driven by a 5.1% decline in Net Interest Income to Kshs 24.3 bn, from Kshs 25.6 bn in FY'2023, coupled with 1.7% decline in Non funded Income (NFI) to Kshs 15.4 bn, from Kshs 15.7 bn in FY'2023,
- Interest income grew by 37.8% to Kshs 52.3 bn from Kshs 37.9 bn in FY'2023, mainly driven by a 22.0% growth in interest income from loans and advances to Kshs 35.9 bn from Kshs 29.4 bn in FY'2023, coupled with 97.4% increase in interest income from government securities to Kshs 10.0 bn in FY'2024, from Kshs 5.1bn in FY'2023. Additionally, interest income from deposits and placements increased by 79.7% to Kshs 6.1 bn, from Kshs 3.4 bn in FY'2023.The Yield on Interest-Earning Assets (YIEA) increased by 2.4% points to 12.6% from 10.2% in FY'2023, attributable to the faster 37.8% growth in trailing interest income to Kshs 52.3 bn from Kshs 37.9 bn in FY'2023, which outpaced the 11.6% growth in Average Interest Earning Assets (AIEA) to Kshs 413.7 bn, from Kshs 370.7 bn in FY'2023,
- Interest expenses rose by 105.7% to Kshs 25.4 bn from Kshs 12.4 bn in FY'2023, mainly driven by a 114.4% increase in interest expense on customer deposits to Kshs 21.0 bn from Kshs 9.8 bn in FY'2023, coupled with a 108.2% increase from other interest expenses to Kshs 2.9 bn in FY'2024, from Kshs 1.4 bn recorded in FY'2023. Consequently, Cost of funds (COF) increased by 3.4 % points to 7.1% from 3.7% recorded in FY'2023, owing to a faster 105.7% increase in Trailing interest expense to Kshs 25.4 bn, from Kshs 12.4 bn recorded in FY'2023, outpacing the 7.2% increase in average interest bearing liabilities to Kshs 357.7 bn from Kshs 333.8 bn in FY'2023.Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 1.0%to 5.9% from 6.9% in FY'2023, attributable to the 5.1% decline in trailing Net Interest Income (NII) to Kshs 24.3 bn from Kshs 25.6 bn in FY'2023, compared to an 11.6% growth in average interest-earning assets to Kshs 413.7 bn from Kshs 370.7 bn in FY'2023,
- Non-Funded Income (NFI) decreased by 1.7% to Kshs 15.4 bn from Kshs 15.7 bn in FY'2023, mainly driven by 22.4% decrease in foreign exchange trading income to Kshs 7.0 bn from Kshs 9.0 bn in FY'2023, highlighting the bank's decreased foreign exchange margins following the appreciation of the Kenya Shilling against the dollar and other major currencies. Additionally, income from total fees and commissions decreased by 13.1% to Kshs 4.1 bn, from 4.8 bn in FY'2023. The revenue mix for funded to non-funded income shifted to 61:39 in FY'2024, from 62:38 in FY'2023, owing to the faster 5.1% decline in NII , compared to a 1.7% decrease in NFI,
- Total operating expenses decreased by 14.2% to Kshs 20.8 bn from Kshs 24.2 bn in FY'2023, mainly driven by a 50.3% decrease in loan loss provisions to Kshs 3.1 bn from Kshs 6.2 bn recorded in FY'2023. The decrease in provisioning is attributable to the decreased credit risk as a result of improving economic environment as evidenced by the average FY'2024 Purchasing Managers Index (PMI) of 49.6, up from an average of 48.1 in FY'2023,
- Cost to Income Ratio (CIR) decreased to 52.3% from 58.6% in FY'2023, owing to the 14.2% decrease in total operating expense, which outpaced the 3.8% decrease in total operating income. Notably, CIR without LLP increased by 0.9% points to 44.5% from 43.5% recorded in FY'2023, and,
- Profit before tax increased by 11.0% to Kshs 19.0 bn from Kshs 17.1 bn in FY'2023, with effective tax rate decreasing to 27.7% in FY'2024, from 28.9% in FY'2023. As such, profit after tax increased by 12.8% to Kshs 13.7 bn in FY'2024, from Kshs 12.2 bn in FY'2023.

- The Board of Directors recommended a final dividend of 18.90, in addition to an interim dividend of 1.84 paid during the year, an 35.1% increase to a total dividend of 20.74 in 2024, from a total dividend of 15.35 in 2023. Dividend yield decreased to 12.5 in FY'2024, from 14.1% in FY'2023, while the payout ratio increased to 59.8% in FY'2024, from 49.9% in FY'2023.

**Balance Sheet**

- The balance sheet recorded a contraction as total assets decreased by 1.0% to Kshs 454.8 bn, from Kshs 459.3 bn in FY'2023, mainly attributable to the 11.6% decline in customer net loans and advances to Kshs 230.3 bn in FY'2024, from Kshs 260.5 bn in FY'2023, coupled with 3.8% decline in placements to Kshs 92.0 bn from Kshs 95.7 bn in FY'2023, which outpaced the 70.6% increase in government securities to Kshs 77.4 bn, from Kshs 45.3 bn recorded in FY'2023
- Total liabilities decreased by 2.9% to Kshs 379.4 bn, from Kshs 390.7 bn in FY'2023, largely attributable to a 2.8% decline in customer deposits to Kshs 321.6 bn in FY'2024, from Kshs 330.9 bn in FY'2023, coupled with 17.6% decline in borrowings to Kshs 10.5 bn, from Kshs 12.7 bn in FY'2023. With 30 branches countrywide, compared to 28 branches in FY'2023, deposits per branch decreased by 9.3% to Kshs 10.7 bn, from Kshs 11.8 bn in FY'2023,
- The lower decline in customer deposits of 2.8% compared to the 11.6% decrease in net loans and advances, led to a decline in the loan to deposit ratio to 71.6%, from 78.7% in FY'2023,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 9.1% in FY'2024, from 9.5% in FY'2023, attributable to 14.4% decrease in Gross non-performing loans to Kshs 22.6 bn, from Kshs 26.5 bn in FY'2023, which outpaced the 11.1% decrease in gross loans to Kshs 248.1 bn, from Kshs 279.1 bn recorded in FY'2023,
- General Provisions (LLP) decreased by 6.6% to Kshs 11.9 bn in FY'2024 from Kshs 12.7 bn in FY'2023. The NPL coverage increased to 78.4% in FY'2024, from 70.4% in FY'2023, attributable to the 14.4% decrease in Gross non-performing loans to Kshs 22.6 bn, from Kshs 26.5 bn in FY'2023, outpacing the 6.6% decrease in both general provisions,
- Shareholders' funds increased by 10.0% to Kshs 75.4 bn in FY'2024, from Kshs 68.6 bn in FY'2023, supported by a 9.9% increase in retained earnings to Kshs 51.8 bn, from Kshs 47.1 bn in FY'2023,
- Stanbic banks remained capitalized with a core capital to risk-weighted assets ratio of 14.9%, 4.4% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 18.4%, exceeding the statutory requirement of 14.5% by 3.9% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.0%, and a Return on Average Equity (ROaE) of 19.1%.

**Key Take-Outs:**

1. **Strong earnings growth -** Core earnings per share increased by 12.8% to Kshs 34.7 from Kshs 30.8 in FY'2023, mainly driven by 14.2% decrease in total operating expenses to Kshs 20.8 bn, from Kshs 24.2 bn in FY'2023, which outpaced the 3.8% decline in total operating income to Kshs 39.7 bn in FY'2024 from Kshs 41.3 bn in FY'2023,
2. **Decreased Provisioning –** Gross NPL ratio decreasing to 9.1% in FY'2024, from 9.5% in FY'2023, attributable to 14.4% decrease in Gross non-performing loans to Kshs 22.6 bn, from Kshs 26.5 bn in FY'2023, which outpaced the 11.1% decrease in gross loans to Kshs 248.1 bn, from Kshs 279.1 bn recorded in FY'2023,
3. **Declaration of dividends -** The directors of Stanbic Group Holdings recommended a final dividend of 18.90, in addition to an interim dividend of 1.84 paid during the year, leading a to a total dividend of 20.74 in 2024, translating to a dividend yield of 12.5% and payout ratio of 59.8%,
4. **Improved asset quality-** Gross NPL ratio decreased to 9.1% in FY'2024, from 9.5% in FY'2023, attributable to 14.4% decrease in Gross non-performing loans to Kshs 22.6 bn, from Kshs 26.5 bn in FY'2023, which outpaced the 11.1% decrease in gross loans to Kshs 248.1 bn, from Kshs 279.1 bn

recorded in FY'2023,

5. **Reduced lending**- Customer net loans and advances decreased by 11.6% to Kshs 230.3 bn in FY'2024, from Kshs 260.5 bn in FY'2023 attributed to increased credit risk with high NPLs in the industry, with the lender preferring to invest in government securities during the period.

Going forward, the factors that would drive the bank's growth would be:

- **Digital transformation**. The lender has capitalized on digital innovation for service delivery over the past three years to improve its operational efficiency, which has been a key factor in its financial performance. The lender disclosed that 90.0% of transactions happened on digital channels. In 2022 the bank introduced borderless banking, allowing its customers across East Africa to conduct transaction smoothly and in real time. Additionally, the lender upgraded their T24 core banking system to improve client's experiences. Further, via Flexi Protect, the lender has managed to offer the first fully digital insurance solution with over 1000 policies.

**Valuation Summary**

- We are of the view that Stanbic bank is a "buy" with a target price of Kshs 171.2 representing an upside of 15.3%, from the current price of 166.5 as of 07th March 2025, inclusive of a dividend yield of 12.5%.
- Stanbic Holdings is currently trading at a P/TBV of 1.0x and a P/E of 4.8x vs an industry average of 1.1x and 5.0x respectively.