STANBIC HOLDINGS PLC

HALF YEAR EARNINGS UPDATE

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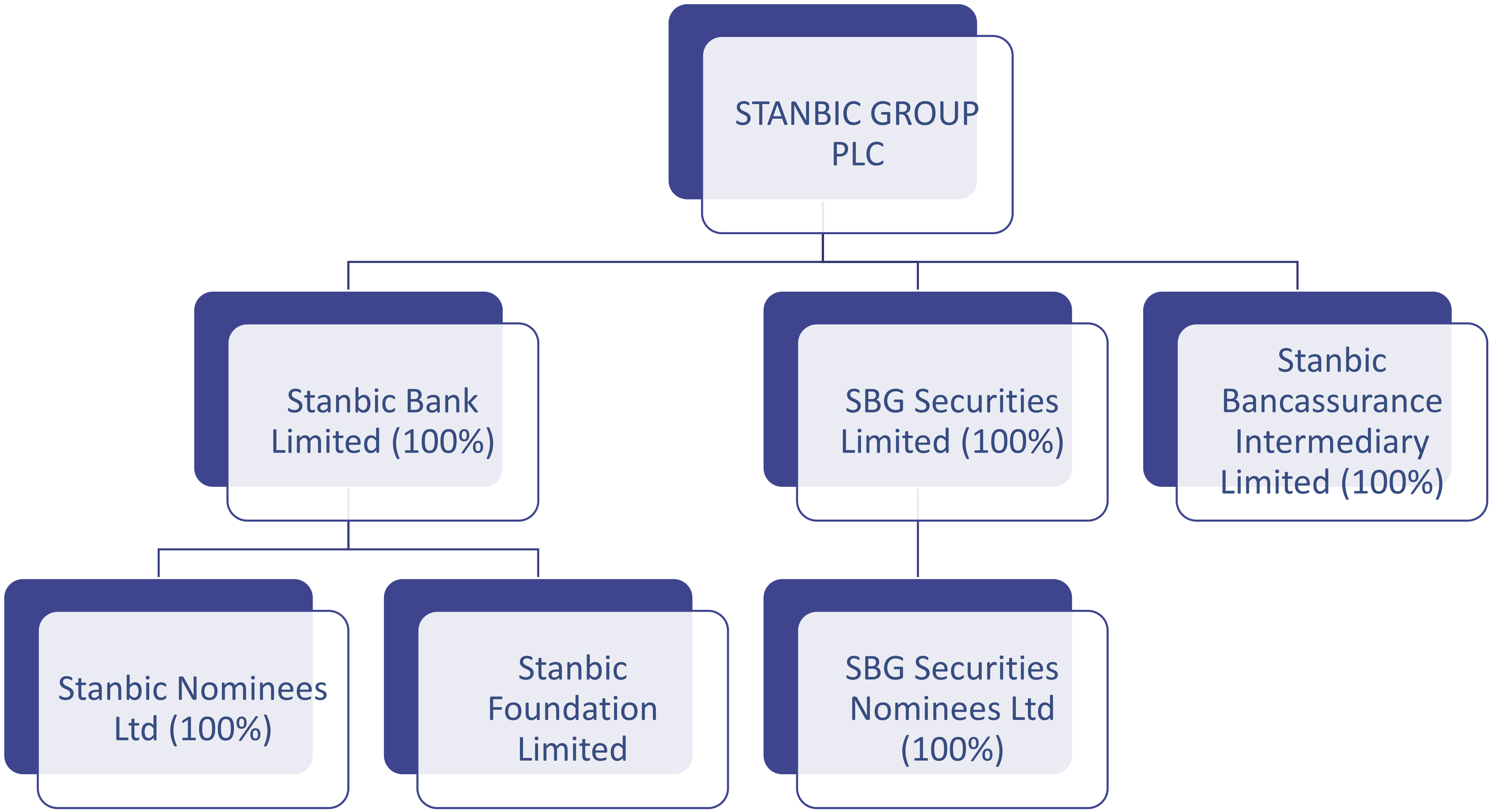
STANBIC GROUP PLC BUSINESS OVERVIEW

- Stanbic Holdings Plc, formerly known as CfC Stanbic Holdings Limited, is a financial services organization in Kenya..
- The Group's headquarters are located in Nairobi, Kenya. With operations in Kenya and South Sudan.
- The institution serves the banking needs of large and small business customers as well as individuals. Stanbic Holdings Plc is a large financial services organization in Kenya, with an asset base of over Kes. 390 billion.
- It offers a full range of services including corporate banking, treasury and capital markets, retail banking, wealth and investment management, and investment banking.
- Through its innovative products and services, the company has built up a strong reputation in the banking industry.
- With a strong balance sheet and a robust governance structure, Stanbic Holdings is well-positioned to continue to make significant contributions to the African banking industry.

STANBIC GROUP PLC	
Ticker symbol	**SBIC**
Primary Industry	**Banking**
Primary exchange	**Nairobi Securities Exchange**
Shares Outstanding	**395,321,638**
Market Capitalization	**Kes. 46.154 billion**
Current stock price	**Kes. 116.75**

STANBIC GROUP PLC SUBSIDIARIES



Stanbic Group Plc Balance Sheet

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
	30th June 2019 Kes '000	30th June 2020 Kes '000	30th June 2021 Kes '000	30th June 2022 Kes '000	30th June 2023 Kes '000
ASSETS					
Cash and balances with the Central Bank of Kenya	18,261,825.00	17,744,354.00	14,705,372.00	17,087,860.00	19,602,972.00
Financial Investments	94,098,765.00	81,530,734.00	82,213,196.00	52,570,451.00	54,725,807.00
Derivative Assets	2,036,849.00	2,459,093.00	1,361,805.00	3,291,067.00	3,176,755.00
Loans and advances to banks and customers	177,084,261.00	235,149,004.00	207,628,967.00	244,040,536.00	281,386,441.00
Other assets and payments	4,373,347.00	4,130,898.00	4,635,828.00	4,914,211.00	4,996,248.00
Other Investments	17,500.00	17,500.00	17,500.00	17,500.00	17,500.00
Property and equipment	3,259,326.00	2,311,854.00	2,123,709.00	1,916,390.00	1,851,889.00
Intangible assets- goodwill	9,349,759.00	9,349,759.00	9,349,759.00	9,349,759.00	9,349,759.00
TOTAL ASSETS	**313,309,838.00**	**361,504,509.00**	**329,548,058.00**	**341,579,507.00**	**384,280,167.00**
EQUITY AND LIABILITIES					
LIABILITIES					
Derivative liabilities	2,478,335.00	1,999,622.00	1,688,222.00	3,130,601.00	1,358,873.00
Financial liabilities	-	-	-	-	12,155,466.00
Trading liabilities	4,711,059.00	1,626,727.00	411,526.00	6,533,564.00	-
Deposits from banks and customers	237,983,996.00	287,034,028.00	259,987,992.00	258,231,012.00	285,379,618.00
Borrowings	9,184,892.00	5,387,160.00	5,444,519.00	6,040,227.00	12,334,963.00
Other liabilities and accrued expenses	10,418,555.00	14,665,295.00	6,216,874.00	7,246,107.00	7,100,548.00
Current income tax	1,704,084.00	151,209.00	1,206,924.00	1,025,490.00	894,767.00
Lease liabilities	-	1,276,856.00	1,086,119.00	1,182,443.00	1,104,993.00
TOTAL LIABILITIES	**266,480,921.00**	**312,165,966.00**	**276,042,176.00**	**283,389,444.00**	**320,329,228.00**
EQUITY					
Ordinary share capital	1,976,608.00	1,976,608.00	1,976,608.00	1,976,608.00	1,976,608.00
Ordinary share premium	16,897,389.00	16,897,389.00	16,897,389.00	16,897,389.00	16,897,389.00
Revenue and other reserves	27,954,920.00	30,464,546.00	34,631,885.00	39,316,066.00	45,076,942.00
TOTAL EQUITY	**46,828,917.00**	**49,338,543.00**	**53,505,882.00**	**58,190,063.00**	**63,950,939.00**
TOTAL EQUITY AND LIABILITIES	**313,309,838.00**	**361,504,509.00**	**329,548,058.00**	**341,579,507.00**	**384,280,167.00**

Stanbic Group Plc Income Statement

SUMMARY CONSOLIDATED INCOME STATEMENT					
	30th June 2019 KShs '000	30th June 2020 KShs '000	30th June 2021 KShs '000	30th June 2022 KShs '000	30th June 2023 KShs '000
Net Interest Income	6,702,229.00	6,303,938.00	6,901,256.00	8,343,225.00	12,050,744.00
Non-interest revenue	6,135,202.00	4,960,321.00	5,481,674.00	6,859,818.00	8,898,533.00
Total Income	**12,837,431.00**	**11,264,259.00**	**12,382,930.00**	**15,203,043.00**	**20,949,277.00**
Credit impairment charges	- 1,234,920.00	- 1,982,306.00	- 1,502,316.00	- 1,260,891.00	- 2,496,479.00
Income after impairment charges	**11,602,511.00**	**9,281,953.00**	**10,880,614.00**	**13,942,152.00**	**18,452,798.00**
Total operating expenses	- 6,041,793.00	- 5,151,253.00	- 6,059,807.00	- 7,335,203.00	- 8,718,315.00
Profit before taxation	**5,560,718.00**	**4,130,700.00**	**4,820,807.00**	**6,606,949.00**	**9,734,483.00**
Income tax expense	- 1,497,690.00	- 1,577,695.00	- 1,318,453.00	- 1,810,547.00	- 2,683,215.00
PROFIT FOR THE PERIOD	**4,063,028.00**	**2,553,005.00**	**3,502,354.00**	**4,796,402.00**	**7,051,268.00**

Summary Analysis

	2019	2020	2021	2022	2023
Net Interest Income Growth YoY	19.51%	-5.94%	9.48%	20.89%	44.44%
Loan to Deposit	0.7441	0.8192	0.7986	0.9450	0.9860
Asset to Equity Ratio	6.6905	7.3270	6.1591	5.8701	6.0090
Debt Service Coverage Ratio	0.4424	0.4739	0.6433	0.7941	0.5716
ROOE	9.63%	5.45%	7.10%	8.96%	12.12%
ROOA	1.457%	0.815%	0.9689%	1.455%	2.064%
Total assets (in Kes.)	313,310m	361,505m	329,548m	341,580m	384,280m
Earnings per share (in Kes.)	10.28	6.46	8.86	12.13	17.84

INVESTMENT SUMMARY

Economic Analysis

- The CBK noted sustained inflationary pressures driven by fuel, food and non-food non-fuel (NFNF) prices.
- The global economic outlook remains uncertain, reflecting continuing concerns about financial sector stability in advanced economies.
- The CBK foreign exchange reserves, which currently stand at USD 7,379 million (4.07 months of import cover), continue to provide adequate cover and a buffer against any short-term shocks in the foreign exchange market.
- Leading economic indicators of the Kenyan economy pointed to strong economic performance in the first half of 2023, mainly driven by activity in the services sector and recovery in agriculture.
- Exports of goods have remained strong, growing by 5.5% in the 12 months to May 2023 compared to a similar period in 2022.
- The banking sector remained stable and resilient, with strong liquidity and capital adequacy ratios.
- Growth in the private sector stood at 13.2% in both April and May 2023.
- In Kenya, the GDP grew by just 4.8% while projected growth decreased to 5.8% from 6.1% because of lower growth in the agricultural sector.
- The Government succeeded in passing the Finance bill 2023 which targets to raise total revenue including appropriation-in-aid of kes. 2.9 trillion equivalent to 17.9% of GDP in the FY 2023/24.
- Total expenditure for FY 2023/24 is estimated to be kes. 3.7 trillion equivalent to 22.6% of GDP.
- Given the commitment to contain expenditures and boost revenues, fiscal deficit is projected at kes. 718 billion (4.4% of GDP) in the FY 2023/24.
- Kenya's public debt has been on a parabolic increase over the years. This has led to an increase of debt service costs which is estimated to hit kes. 1,802.122 billion for the FY 2023/24. This is a cause for concern as it may impair the government's ability to deliver essential services.

INVESTMENT SUMMARY Continued…

Company Analysis

- Their half year loan book has been increasing at a CAGR of 12.274% over the past 5 years indicating good growth.
- Their half year deposits have increased at a CAGR of 4.645% over the past fast 5 years increasing their pool of capital for lending.
- Their loan to deposit ratio has increased steadily since 2021 and is currently at 98.6% indicating increased risk profile.
- Net interest income has increased at a CAGR of 15.797% indicating that they have been increasing their earnings from their interest earning assets relative to their interest-bearing liabilities.
- The net interest income growth Year on Year has been on a steady increase at 44.44% in Q2 of 2023 it's at its highest since half year of 2019, indicating an increase in the efficiency of the company in converting sales to actual profit.
- The leverage ratios have also been on steady increase with debt to assets, debt to equity and debt to capital ratios currently at 3.21%, 19.29% and 16.27%. This shows high leverage in the company's capital structure. The increasing profits indicate that the company is doing a great job in generating profits from borrowed money.
- A consistent increase in the level of profitability was generated from the company's total assets and shareholder's equity, as ROOA was 2.064% and ROOE stood at 12.12% in this year's second quarter.
- There has also been a steady increase in total asset base at a CAGR of 5.237% over the past 5 years. This rise indicates increase in the company's opportunities in maintaining its growth.
- There has also been a steady increase the Earnings Per Share since 2020 currently peaking at Kes. 17.84. This higher EPS indicates greater value because investors will pay more for a company's shares if they think the company has higher profits relative to its share price.

INVESTMENT SUMMARY Continued…

Management View

- Stanbic Group Plc can continue to grow and execute its strategy thanks to a variety of factors. These include increased efficiency resulting from digital adoption prompted by the COVID-19 environment, strong diversification in different countries and product offerings, a potential increase in loan growth from the implementation of risk-based pricing, and a continued economic recovery. They plan on growing to the top 5 banks in Kenya in the coming years.

Our View

- Despite the increase in costs and macroeconomic tailwinds that have plagued the banking sector, its strong asset base, as well as its subsidiaries across Africa with increased diversification in financial services sector means that Stanbic Group is poised to achieve its strategy over the next years. Its Stanbic Bancassurance Intermediary is a new growth area. Its loan book will also likely continue growing with the implementation of risk-based pricing. With the increasing interest rates, it will be interesting to see how they navigate, whether they'll pass on those costs to the end consumers and how that will impact their business.

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