

## STANBIC IBTC HOLDINGS PLC

BLOOMBERG: STANBIC NL

### Robust interest income propels PAT expansion

In its recently released H1'25 results, Stanbic IBTC Holdings Plc (NGX: STANBIC — TP: UR) reported an impressive 49.1% YoY increase in profit after tax (PAT) to N173.4 billion, cascading to an earnings per share (EPS) of N10.78 (H1'24: N8.84). The impressive performance was driven by the 56.3% YoY growth in interest income, which accounted for 88.7% of STANBIC's N433.9 billion operating income.

We attribute the robust growth in interest income to its increased investing activities, as evinced by a cumulative N173.4 billion YtD increase in FGN bonds and Treasury bill holdings. This rewarded STANBIC favorably, with Interest income on investments expanding by 2.3x YoY. Elsewhere, gross loans rose by a marginal 0.03% YtD, bringing Interest Earning Assets (IEA) to a balance of N3.8 trillion (vs N3.0 trillion in H1'24). On the funding end, interest expense declined by 4.3% YoY to N68.8 billion, majorly due the moderation in interest expense from interbank deposits and borrowed funds. Consequently, net-Interest Income (NII) rose by 81.3% YoY to N316.0 billion, with a significant 5.0ppts expansion in the Net Interest Margin (NIM) to 16.6%.

Away from its core earnings, STANBIC's Non-Interest Revenue (NIR) moderated by 8.7% YoY, primarily due to a significant loss of N856.0 million in fixed income and currency trading, compared to a gain of N39.7 billion in H1'24. Nevertheless, there was a notable 37.8% YoY improvement in net fees and commission income. Overall, although operating expenses (OPEX) rose by 37.9% YoY to N179.1 billion, the stronger 43.0% YoY growth in operating income helped improve the cost-to-income ratio (CIR) to 41.3% (vs. 42.8% in H1'24).

In terms of asset quality, the non-performing loan (NPL) ratio worsened to 4.7%, up from 3.6% in H1'24 and 4.2% for the FY'24. Non-Performing Loans increased by 42.2% YoY to N116.1 billion due to challenges in the Agriculture, Manufacturing and Oil and Gas loan portfolios. However, net impairment losses on financial assets fell by 58.2% YoY, as recoveries on previously written-off loans and advances reached N7.6 billion. This contributed to a decrease in the cost of risk by 0.7ppts YoY, resulting in a cost of risk of 1.3%.

The group's performance translated into notable gains in profitability metrics, with return on average assets (ROAA) rising to 4.6% (from 4.1% in H1'24) and return on average equity (ROAE) increasing to 42.8% (from 42.6% in H1'24). STANBIC also declared an interim dividend of N2.50 (vs N2.00 in H1'24), implying a dividend yield of 2.6% with today's closing price as reference price.

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**H1'25 Earnings Breakdown**

	H1'25	H1'24	YoY	FY'25E	% of FY25E
<b>Gross Earnings</b>	<b>502.7</b>	<b>375.3</b>	<b>34.0%</b>	<b>940.7</b>	<b>53.4%</b>
Interest income	384.8	246.1	56.3%	735.7	52.3%
Interest expense	(68.8)	(71.8)	-4.3%	-125.1	55.0%
Net interest income	316.0	174.3	81.3%	610.5	51.8%
Net impairment charges on financial assets	(11.1)	(26.5)	-58.2%	-46.5	23.9%
Non-interest income	117.9	129.1	-8.7%	205.1	57.5%
Operating Expenses	(179.1)	(129.9)	37.9%	-305.9	58.5%
<b>Profit before tax</b>	<b>243.7</b>	<b>147.0</b>	<b>65.8%</b>	<b>463.3</b>	<b>52.6%</b>
Income tax expense	(70.3)	(30.6)	129.4%	-139.0	50.6%
<b>Profit for the period</b>	<b>173.4</b>	<b>116.4</b>	<b>49.1%</b>	<b>324.3</b>	<b>53.5%</b>

**Ratio Analysis**

Net-interest margin	16.6%	11.5%			
Cost-of-risk (CoR)	1.3%	2.0%			
Cost to income (CIR)	41.3%	42.8%			
Annualised ROAA	4.6%	4.1%			
Annualised ROAE	42.8%	42.6%			
EPS (N)	10.8	8.8			
P/B	1.70x				
10-yr average P/B	1.56x				

**Q2'25 Earnings Breakdown**

88.7%

N'billions	Q2'25	Q2'24	YoY	Q1'25	QoQ
<b>Gross Earnings</b>	<b>269.1</b>	<b>198.1</b>	<b>35.8%</b>	<b>233.6</b>	<b>15.2%</b>
Interest income	204.3	130.3	56.8%	180.5	13.2%
Interest expense	(38.2)	(32.9)	16.0%	-30.6	24.9%
Net interest income	166.1	97.4	70.6%	149.9	10.8%
Loan Loss Expenses	(14.6)	(19.4)	-25.2%	3.4	-521.9%
Non-interest income	64.8	67.8	-4.5%	53.1	21.9%
Operating Expenses	(89.0)	(61.5)	44.8%	-90.0	-1.1%
<b>Profit before income tax</b>	<b>127.3</b>	<b>84.3</b>	<b>51.1%</b>	<b>116.4</b>	<b>9.4%</b>
Income tax expense	(36.0)	(13.6)	165.0%	-34.4	4.7%
<b>Profit for the year</b>	<b>91.4</b>	<b>70.7</b>	<b>29.2%</b>	<b>82.1</b>	<b>11.3%</b>

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