

Stanbic IBTC Holdings Plc

SELL

Margin strength and capital boost support outlook

Target Price: N102.84

Ref Price: N109.00

Stanbic IBTC Holdings Plc's (STANBIC) outlook remains strong, underpinned by sustained margin resilience, improved cost efficiency, and solid capital buffers that position it for measured loan expansion in the coming periods. With funding cost tailwinds expected to offset the impact of a softer rate environment, we forecast FY'25 Net Interest Margin (NIM) at 15.8% on our basis (7.5% under management's approach), slightly above management's revised 6.0%–7.0% guidance. The successful rights issue in Q1'25, which raised the equity base to N951.2 billion and lifted the Capital Adequacy Ratio (CAR) to 21.5%, provides significant capacity for balance sheet growth. Reflecting these positives, we revise our 12-month target price upward to N102.84 (from N75.17 previously). However, given the ticker's notable price appreciation since our last publication, we downgrade our rating on the counter to a SELL.

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Positive signals prompt upward review in NIM guidance

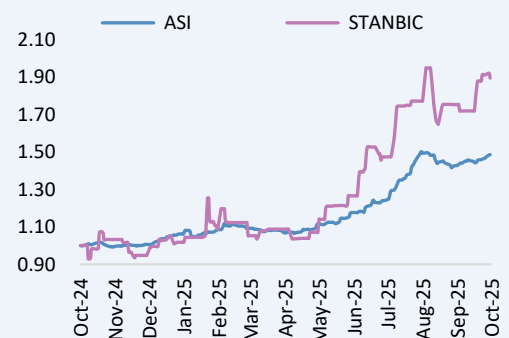
Management's deliberate strategy to deleverage interbank borrowings and reduce borrowings has begun to yield positive results, as shown in its H1'25 performance. In H1'25, interest expense declined 4.3% YoY to N68.8 billion. This moderation underpinned an 81.3% YoY surge in NII to N316.0 billion, while Net Interest Margin (NIM) expanded by 501bps YoY to 16.6%. Interestingly, the YoY moderation in interest expense in H1'25 was achieved despite the N382.4 billion increase in customer deposits in Q2'25, largely from its Corporate and Investment Banking (CIB) segment. Positively, STANBIC's interest expense-to-interest income remains well below its five-year average of 29.3%, highlighting improved cost efficiency.

With reported NIM at 8.6% by mid-year and already above the full-year guidance range, management has revised its FY'25 NIM guidance upward to 6.0% – 7.0% (from the initial 5.0% – 6.0%), citing confidence that funding cost tailwinds will offset the impact of a softer rate environment and modest loan growth.

On our basis¹, which differs from management's methodology², we project FY'25 NIM at 15.8%, lower than the 16.6% recorded in H1'25 as we anticipate slower income generation in the latter part of the year, driven by reduced market yields following the rate cut and the counteracting effect of a larger interest-earning asset base on our computation. However, when applying our forecasted net interest income under management's approach, the implied NIM prints at 7.5%, slightly ahead of management's revised guidance. While the rate cut is negative for income accretion, it is positive for Interest Bearing Liabilities (IBL) through immediate deposit repricing.

Market Data	STANBIC
Market Cap (N'tn)	1.72
Last close price (N)	N109.00
52-week high-low price (N)	111.10/52.95
Avg 3M daily volume (mn)	3.20

1-year price performance (rebased)



Source: NGX, CardinalStone Research

¹ NIM = Annualised NII/average interest-earning assets

² NIM = Annualised NII/Total assets excluding derivative assets

Figure 1: Deliberate reductions in expensive funding sources (N'bn)

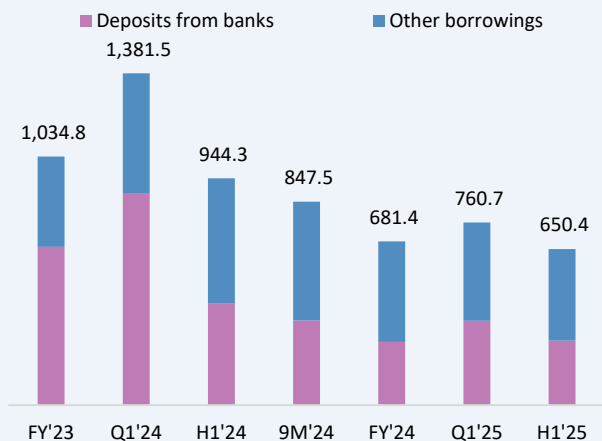
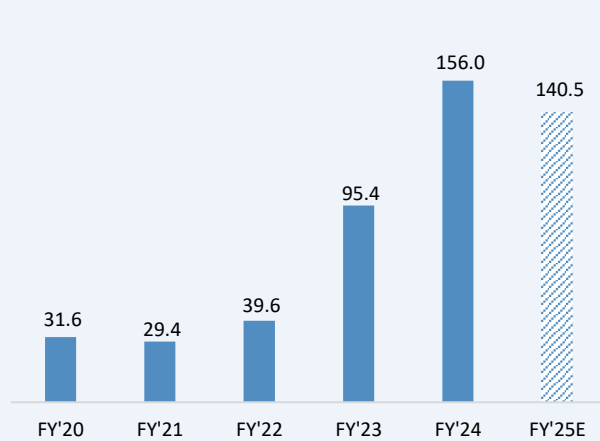


Figure 2: We forecast a 9.9% YoY fall in interest expense (N'bn)



Source: Company Financials, CardinalStone Research

Rising ECL amid manufacturing portfolio restructuring

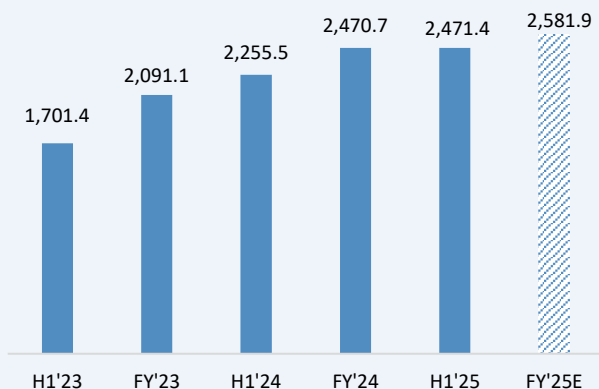
Although STANBIC reported muted gross loan growth of just +0.03% YtD in H1'25 and was unaffected by the CBN's directive on banks with forbearance loans, its loan portfolio still reflected notable developments, including restructurings, reclassifications, and a review of ECL coverage adequacy. The flat loan growth largely mirrored maturities and repayments on trade-related exposures as the CIB was the only segment to record an expansion in gross loans.

Restructurings were significant, specifically in the manufacturing sector, which has been STANBIC's largest exposure—averaging 29.6% of the loan portfolio since FY'20. A total of 4.8% of STANBIC's loan portfolio (N118.2 billion) was restructured mainly due to a single manufacturing borrower who accounted for N70.7 billion of this amount, which is higher than the total restructurings completed in FY'24 (N70.4 billion).

On reclassifications, two major oil and gas downstream facilities were downgraded from Stage 2 to Stage 3 after a marked deterioration in credit quality. This drove a sharp rise in ECL provisioning in Q2'25 (+N15.8 billion QoQ), compared with Q1'25 (+N4.1 billion QoQ), lifting the NPL coverage ratio by 4.3ppts YtD to 122.5%. Oil and gas downstream exposures now account for 24.9% of NPLs, down from 26.0% in FY'24 but still above 7.0% in FY'23. Beyond oil and gas, NPL growth was driven mainly by agriculture exposures, despite the sector's 2.8% YoY Gross Domestic Product (GDP) expansion.

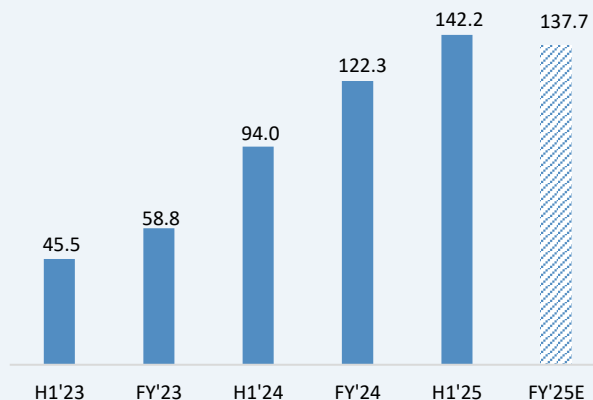
Prompted by H1 developments and aligned with management's decision to halve loan growth guidance from an average of 17.5% YoY to 7.5% YoY for FY'25, we have revised our loan growth projection downward to 4.5% (from 10.0% previously). This reflects a more cautious stance despite increasingly robust capital buffers (CAR: 21.5%). We expect NPLs to remain at current levels for FY'25, barring any significant reclassification or write-offs.

Figure 3: Muted growth in gross loans in H1'25 (N'bn)



Source: Company Financials, CardinalStone Research

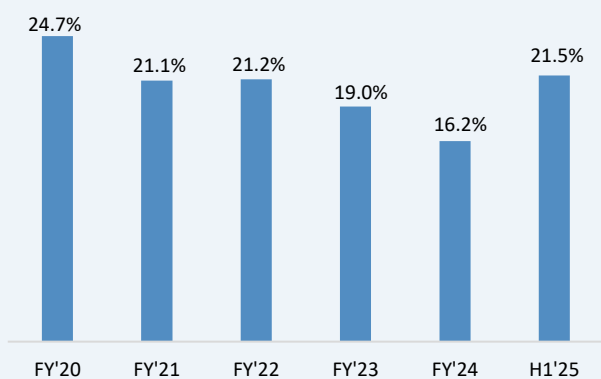
Figure 4: We project FY'25E ECL balance at N137.7 billion



Shareholders' equity set to cross the N1.0 trillion mark.

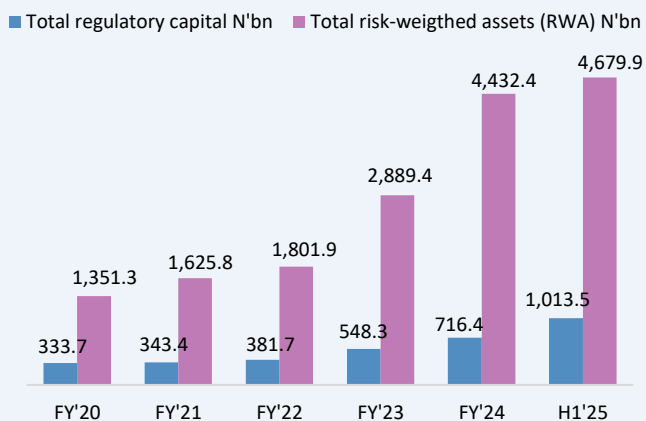
Following the completion of its rights issue program in Q1'25, STANBIC has successfully met its revised minimum capital requirement, becoming one of the few Tier 2 banks to do so. This achievement has increased the group's equity base to N941.7 billion, compared to N661.9 billion in FY'24. In addition to meeting regulatory compliance, the capital raise has lifted the Capital Adequacy Ratio (CAR) to 21.5%, providing significant room for expansion in risk-weighted assets. Notably, N116.6 billion, which constitutes 80.0% of the net proceeds from the rights issue program, was allocated for lending to clients in key business segments.

Figure 5: Proceeds from rights issue buoy uptick in CAR



Source: Company Financials, CardinalStone Research

Figure 6: Ample legroom for RWA creation following capital raise

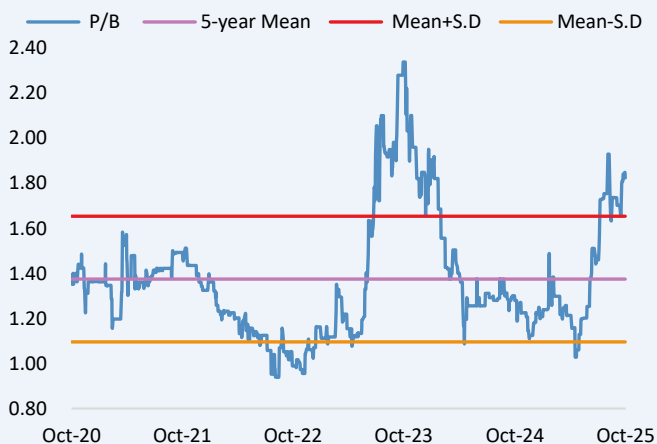


Valuation summary

Having made adjustments to our forecasts, we revise our 12-month Target Price (“TP”) higher to N102.84 (formerly N75.17). This upward revision also reflects a rerating of the stock in line with its Middle East and African (MEA) peers, following an increase in the peer group’s mean P/B multiple, which lifted the stock’s relative valuation benchmark. Furthermore, this adjustment also factors in the growing attention of foreign investors toward Nigerian equities and the higher dividend expectations over our forecast horizon. It is also noteworthy that the recent decline in fixed-income yields which resulted in an adjustment in our risk-free rate assumption contributed positively to the ticker’s valuation.

The revised TP implies an exit P/B of 1.32x (vs. the 5-year average of 1.37x and the EMEA average of 1.78x). However, we downgrade our recommendation on the ticker to SELL, given its notable price appreciation (+45.0%) since our last publication. The stock now trades at a P/B of 1.82x, well above its 5-year average of 1.37x.

Figure 7: Proceeds from rights issue buoy uptick in CAR



Source: S&P Capital IQ, CardinalStone Research

Figure 8: Summary table

Income Statement (N'billion)	2023A	2024A	2025E	2026E
Gross Earnings	450.6	802.9	980.9	1,054.3
Interest Income	270.6	566.5	776.9	812.9
Interest expense	(95.4)	(156.0)	(140.5)	(149.9)
Net interest income	175.2	410.5	636.4	663.0
Non-interest income	180.0	236.4	204.0	241.4
Loan loss provisions	(15.5)	(99.4)	(27.8)	(27.1)
Operating expenses	(166.8)	(243.7)	(315.1)	(339.2)
PBT	172.9	303.8	497.4	538.2
Tax	(32.3)	(78.5)	(149.2)	(161.4)
PAT	140.6	225.3	348.2	376.7
Profit attributable to parents	137.6	221.6	344.1	369.0
EPS (N)	10.9	17.4	24.1	23.7
EPS attributable to parents(N)	10.6	17.1	23.8	23.2
DPS (NGN)	3.7	5.0	6.8	8.1
Payout ratio	34.9%	29.2%	28.5%	35.0%
Weighted average number of shares (billions)	13.0	13.0	14.4	15.9
Shares outstanding (billions)	13.0	13.0	15.9	15.9

Balance Sheet (N'billion)	2023A	2024A	2025E	2026E
Cash and cash equivalents	1,384.9	2,245.3	2,291.4	2,423.3
Pledged Assets	374.9	127.9	496.5	357.5
Investments Securities	1,054.3	1,800.9	2,711.5	2,803.1
Loans and Advances	2,041.0	2,400.2	2,548.2	3,290.0
Other Assets	203.3	237.1	496.5	414.1
Other Current Assets	10.5	8.8	14.9	14.9
PP&E	76.7	91.8	107.4	107.4
Total assets	5,145.6	6,912.1	8,666.2	9,410.2
Customer deposits	2,072.9	3,009.9	3,819.0	3,972.6
Due from banks	658.9	263.8	263.8	263.8
Trading Liabilities	480.5	1,248.9	2,028.7	2,215.7
Other Liabilities	952.8	1,123.6	967.7	1,052.2
Current income tax payable	23.4	65.0	50.8	49.3
Borrowings	450.3	530.3	483.9	564.4
Total liabilities	4,638.7	6,241.4	7,613.8	8,118.0
Shareholders' equity	499.6	661.9	1,043.6	1,283.5
Minority interests	7.3	8.8	8.8	8.8
Total liabilities & equity	5,145.6	6,912.1	8,666.2	9,410.2

Loan Analysis	2023A	2024A	2025E	2026E
Loan growth	68.4%	18.2%	4.5%	10.0%
Cost of Risk (CoR)	1.0%	3.9%	1.0%	1.0%
NPL ratio	2.4%	4.2%	4.8%	4.3%
NPL Coverage	119.5%	118.2%	110.0%	140.0%

Capital & Liquidity Analysis	2023A	2024A	2025E	2026A
Capital adequacy	19.0%	16.2%	19.6%	21.6%
Liquidity ratio	39.2%	53.4%	49.2%	48.4%

Ratio Analysis	2023A	2024A	2025E	2026E
Asset Yield	11.3%	17.5%	19.3%	18.0%
Cost of Funds (CoF)	4.1%	5.0%	3.7%	3.5%
Net Income Margin (NIM)	7.3%	12.7%	15.8%	14.7%
Cost-to-Income (CIR)	47.0%	37.7%	37.5%	37.5%
PBT Margin %	38.4%	37.8%	50.7%	51.0%
Effective tax rate	18.7%	25.8%	30.0%	30.0%

Profitability Analysis	2023A	2024A	2025E	2026E
Return On Average Assets (ROAA)	3.4%	3.7%	4.5%	4.2%
Return On Average Equity (ROAE)	30.7%	38.3%	40.4%	32.1%

Growth Analysis	2023A	2024A	2025E	2026E
Gross Earnings YoY Growth	61.5%	78.2%	22.2%	7.5%
Pre-provision operating profit YoY Growth	70.4%	114.0%	30.3%	7.6%
Impairment charge YoY Growth	50.2%	543.0%	-72.0%	-2.4%
OPEX YoY Growth	29.4%	46.1%	29.3%	7.6%
PBT YoY Growth	72.4%	75.7%	63.7%	8.2%
PAT YoY Growth	74.2%	60.2%	54.5%	8.2%
EPS YoY Growth	76.1%	61.1%	39.4%	-2.7%
Total assets YoY Growth	69.9%	34.3%	25.4%	8.6%
Total liabilities YoY Growth	77.0%	34.6%	22.0%	6.6%
Equity YoY Growth	24.3%	32.3%	56.9%	22.8%

Valuation	2023A	2024A	2025E	2026E
P/E (x)	10.2	6.3	4.5	4.7
P/BV (x)	2.8	2.1	1.5	1.3
Dividend Yield	3.4%	4.6%	6.3%	7.5%

Source: Company reports, CardinalStone Research estimates

Note: NGN in billions (except per-share data). Fiscal year ends in December.

*Totals may not add up due to independent rounding

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Sell < 0.00% expected share price performance with weak fundamentals

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% with investment banking relationships	0%	0%	0%	0%

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STANBIC IBTC HOLDINGS PLC	E

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