

Below is a summary of Stanbic Bank's Q1'2026 performance:

Balance Sheet	Q1'2025 (Kshs bn)	Q1'2026 (Kshs bn)	y/y change
Net Loans and Advances to Customers	244.0	258.2	5.8%
Kenya Government Securities	79.2	137.4	73.5%
<b>Total Assets</b>	<b>450.1</b>	<b>551.7</b>	<b>22.6%</b>
Customer Deposits	337.6	411.0	21.7%
Deposits Per Branch	11.3	13.7	21.7%
<b>Total Liabilities</b>	<b>381.5</b>	<b>478.3</b>	<b>25.4%</b>
<b>Shareholders' Funds</b>	<b>68.7</b>	<b>73.4</b>	<b>6.9%</b>

Balance sheet Ratios	Q1'2025	Q1'2026	% point change
Loan to Deposit ratio	72.3%	62.8%	(6.5%)
Government securities to deposits ratio	23.5%	33.4%	10.0%
Return on average equity	20.0%	19.6%	(0.4%)
Return on average assets	2.8%	2.8%	0.0%

Income Statement	Q1'2025 (Kshs bn)	Q1'2026 (Kshs bn)	y/y change
Net interest Income	6.8	7.6	11.7%
Non-interest income	2.8	2.4	(13.7%)
<b>Total Operating income</b>	<b>9.5</b>	<b>10.0</b>	<b>4.3%</b>
Loan loss provision	(0.9)	(0.4)	(59.1%)
<b>Total Operating expenses</b>	<b>(5.5)</b>	<b>(5.0)</b>	<b>(7.8%)</b>
Profit before tax	4.1	4.9	20.5%
<b>Profit after tax</b>	<b>3.3</b>	<b>3.5</b>	<b>5.50%</b>
<b>Core EPS</b>	<b>8.4</b>	<b>8.9</b>	<b>5.5%</b>

Income Statement Ratios	Q1'2025	Q1'2026	% point change
Yield from interest-earning assets	12.3%	10.0%	(2.3%)
Cost of funding	6.3%	3.6%	(2.8%)
Net Interest Margin	5.9%	5.7%	(0.3%)
Net Interest Income as % of operating income	71.1%	76.1%	5.0%
Non-Funded Income as a % of operating income	28.9%	23.9%	(5.0%)
Cost to Income Ratio	57.2%	50.5%	(6.6%)
CIR without LLP	48.2%	47.0%	(1.2%)
Cost to Assets	1.0%	0.8%	(0.2%)

Capital Adequacy Ratios	Q1'2025	Q1'2026	% points change
Core Capital/Total Liabilities	17.1%	15.4%	(1.7%)
Minimum Statutory ratio	8.0%	8.0%	0.0%
<b>Excess</b>	<b>9.1%</b>	<b>7.4%</b>	<b>(1.7%)</b>
Core Capital/Total Risk Weighted Assets	14.9%	14.6%	(0.3%)
Minimum Statutory ratio	10.5%	10.5%	0.0%
<b>Excess</b>	<b>4.4%</b>	<b>4.1%</b>	<b>(0.3%)</b>
Total Capital/Total Risk Weighted Assets	18.4%	18.1%	(0.3%)
Minimum Statutory ratio	14.5%	14.5%	0.0%
<b>Excess</b>	<b>3.9%</b>	<b>3.6%</b>	<b>(0.3%)</b>
Liquidity Ratio	50.5%	61.0%	10.5%
Minimum Statutory ratio	20.0%	20.0%	0.0%
<b>Excess</b>	<b>30.5%</b>	<b>41.0%</b>	<b>10.5%</b>

### **Income Statement**

- Core earnings per share increased by 5.5% to Kshs 8.9 from Kshs 8.4 recorded in in Q1'2025, mainly driven by 7.8% decrease in total operating expense to Kshs 5.0 bn, from Kshs 5.5 bn in Q1'2025, supported by the 4.3% increase in total operating income to Kshs 10.0 bn, from Kshs 9.5 bn in Q1'2025
- The 4.3% increase in Total Operating Income was driven by a 11.7% increase in Net Interest Income to Kshs 7.6 bn in Q1'2026, from Kshs 6.8 bn in Q1'2025. The performance was however, weighed down by the 13.7% decrease in Non-Interest Income to Kshs 2.4 bn in Q1'2026, from Kshs 2.8 bn in Q1'2025.
- Interest income increased by 4.7% to Kshs 11.5 bn from Kshs 11.0 bn in Q1'2025, mainly driven by a 138.2% increase in interest income from placements with banking institutions to Kshs 1.9 bn, from Kshs 0.8 bn in Q1'2025, coupled with a 9.2% increase in interest income from government securities to Kshs 3.3 bn, from Kshs 3.0 bn in Q1'2025, which was weighed down by the 11.9% decrease in interest income from loans and advances to Kshs 6.3 bn from Kshs 7.2 bn in Q1'2025. As such, the Yield on Interest-Earning Assets (YIEA) decreased by 2.3% points to 10.0% from 12.3% recorded in Q1'2025, attributable to the decline of 14.4% in trailing interest income to Kshs 43.8 bn, from Kshs 51.2 bn in Q1'2025, compared to a 5.4% Increase in average interest earning assets to Kshs 439.0 bn, from Kshs 416.3 bn in Q1'2025,
- Interest expenses declined by 6.4% to Kshs 4.0 bn from Kshs 4.2 bn in Q1'2025, mainly driven by 67.7% decrease in interest expense on placements to Kshs 0.1 bn from Kshs 0.3 bn in Q1'2025 and 3.9% decrease in interest expenses on customer deposits to Kshs 3.1 bn from Kshs 3.2 bn in Q1'2025. Consequently, Cost of funds (COF) decreased by 2.8% points to 3.6% from 6.3% recorded in Q1'2025, owing to a 39.9% decrease in trailing interest expense to Kshs 14.4 bn from Kshs 24.0 bn recorded in Q1'2025, compared to a 7.0% increase in average interest-bearing liabilities to Kshs 406.3 bn from Kshs 379.9 bn in Q1'2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 0.3% points to 5.7% from 5.9% in FY'2024, attributable to a 1.0% increase in trailing net interest income to Kshs 24.9 bn from Kshs 24.6 bn recorded in Q1'2025, which was outpaced by the 5.4% growth in average interest earning assets,
- Non-Funded Income (NFI) decreased by 13.7% to Kshs 2.4 bn from Kshs 2.8 bn in Q1'2025, mainly driven by a 28.1% decrease in Foreign exchange income to Kshs 0.7 bn, from Kshs 1.0 bn in Q1'2025. Total fees and

commissions increased by 4.0% to Kshs 1.3 bn from Kshs 1.2 bn in Q1'2025. The revenue mix shifted to 76:24, from 71:29 for the funded to Non-funded income owing to the 11.7% increase in Funded Income which outpaced with the 13.7% decrease in the Non-Funded Income,

- Total operating expense decreased by 7.8% to Kshs 5.0 bn in Q1'2026, from Kshs 5.5 bn in Q1'2025, mainly attributable to 59.1% decrease in loan loss provision to Kshs 0.4 bn, from Kshs 0.9 bn in Q1'2025 which outpaced the 18.3% increase in staff costs to Kshs 2.5 bn from Kshs 2.2 bn in Q1'2025.
- Cost to Income Ratio (CIR) decreased by 6.6% points to 50.5% from 57.2% in Q1'2025, owing to the 7.8% decrease in total operating expenses which outpaced the 4.3% increase in total operating income. Notably, CIR without LLP decreased by 1.2% points to 47.0%, from 48.2% recorded in Q1'2025,
- Profit before tax increased by 20.5% to Kshs 4.9 bn, from Kshs 4.1 bn recorded in Q1'2025, with effective tax rate decreasing to 0.9% in FY'2025, from 27.9% in Q3'2024, leading to a 5.5% increase in profit after tax to Kshs 3.5 bn in Q1'2026, from Kshs 3.3 bn in Q1'2025.
- The Board of Directors did not recommend any dividends consistent with Q1'2025.

**Balance Sheet**

- The balance sheet recorded an expansion as total assets increased by 22.6% to Kshs 551.7 bn, from Kshs 450.1 bn in Q1'2025, mainly driven by a 5.8% increase in net loans and advances to customers to Kshs 258.2 bn, from 244.0 bn in Q1'2025. Government securities increased by 73.5% to Kshs 137.4 bn, from Kshs 79.2 bn in Q1'2025. Total liabilities increased by 25.4% to Kshs 478.3 bn from Kshs 381.5 bn in Q1'2025, mainly driven by a 21.7% increase in customer deposits to Kshs 411.0 bn, from Kshs 337.6 bn in Q1'2025, coupled with the 7.5% increase in borrowings to Kshs 18.3 bn, from Kshs 17.0 bn in Q1'2025. With 30 branches similar to Q1'2025, deposits per branch increased 21.7% to Kshs 13.7 bn, from Kshs 11.3 bn in Q1'2025,
- The 21.7% increase in customer deposits, compared to the 5.8% increase in net loans led to an increase in the loan to deposits ratio to 78.7%, from 72.3% in Q1'2025,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing by 4.1% points to 8.4% in Q1'2026, from 8.7% in Q1'2025, attributable to an 1.6% increase in Gross non-performing loans to Kshs 23.3 bn, from Kshs 22.9 bn in Q1'2025, relative to the 5.9% increase in gross loans to Kshs 278.1 bn, from Kshs 262.6 bn recorded in Q1'2025,
- General Provisions (LLP) increased by 4.4% to Kshs 12.7 bn in Q1'2026 from Kshs 12.2 bn in Q1'2025. The NPL coverage increased by 5.7% points to 85.4% in Q1'2026, from 80.8% in Q1'2024, attributable to the 4.4% increase in general provisions coupled with the 13.0% increase in interest in suspense to Kshs 7.2 bn from 6.4 bn in Q1'2025.
- Shareholders' funds increased by 6.9% to Kshs 73.4 bn in Q1'2026, from Kshs 68.7 bn in Q1'2025, attributable to the 5.5% increase in retained earnings to Kshs 3.5 bn, from Kshs 3.3 bn in Q1'2025,
- Stanbic Bank remains capitalized with a core capital to risk-weighted assets ratio of 14.6%, 4.1% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 18.1%, exceeding the statutory requirement of 14.5% by 3.6% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 2.8%, and a Return on Average Equity (ROaE) of 19.6%.

**Key Take-Outs:**

1. **Increased earnings** - Core earnings per share increased by 5.5% to Kshs 8.9 from Kshs 8.4 recorded in Q1'2025, mainly driven by 7.8% decrease in total operating expense to Kshs 5.0 bn, from Kshs 5.5 bn in Q1'2025, coupled with the 4.3% increase in total operating income to Kshs 10.0 bn, from Kshs 9.5 bn in Q1'2025

2. **Improved asset quality** – The bank's Asset Quality improved, with Gross NPL ratio decreasing by 4.1% points to 8.4% in Q1'2026, from 8.7% in Q1'2025, attributable to an 1.6% increase in Gross non-performing loans to Kshs 23.3 bn, from Kshs 22.9 bn in Q1'2025, relative to the 5.9% increase in gross loans to Kshs 278.1 bn, from Kshs 262.6 bn recorded in Q1'2025,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 22.6% to Kshs 551.7 bn, from Kshs 450.1 bn in Q1'2025, mainly driven by a 5.8% increase in net loans and advances to customers to Kshs 258.2 bn, from 244.0 bn in Q1'2025. Government securities increased by 73.5% to Kshs 137.4 bn, from Kshs 79.2 bn in Q1'2025
4. **Increased lending**- Customer loans increased by 5.8% to Kshs 258.2 bn, from Kshs 244.0 bn in Q1'2026 as the lender increased lending.

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 to improve its operational efficiency, which has been a key factor in its financial performance. The lender upgraded their T24 core banking system to improve client's experiences. Additionally, the lender is adopting use of Artificial Intelligence in its operations and it rolled out Intelligence Automation framework with 17 bots successfully deployed across multiple business function

#### **Valuation Summary**

- We are of the view that Stanbic Bank is a "hold" with a target price of Kshs 313.2 representing an upside of 8.0% from the current price of 290.0 as of 8<sup>th</sup> May 2026.
- Stanbic Bank is currently trading at a P/TBV of 1.6x and a P/E of 8.2x vs an industry average of 1.1x and 5.6x respectively.