

Key Highlights

- In the first quarter of 2019, Stanbic Bank received a court order authorizing the bank to engage Interpol and the Kenya Police to search, seize and repatriate 32 vehicles that were used to secure a Kshs 300 mn loan from the lender that have since been sneaked out of the country to the Democratic Republic of Congo, Tanzania and Zambia.

Income Statement

- Profit after tax increased by 19.3% to Kshs 2.3 bn in Q1'2019, from Kshs 1.9 bn in Q1'2018. The performance was largely driven by an 18.5% increase in total operating income, despite the 24.4% increase in the total operating expenses,
- Total operating income increased by 18.5% to Kshs 6.7 bn, from Kshs 5.7 bn in Q1'2018, driven by a 19.3% increase in Net Interest Income (NII) to Kshs 3.4 bn in Q1'2019, from Kshs 2.9 bn in Q1'2018, coupled with a 17.7% increase in Non-Funded Income to Kshs 3.3 bn, from Kshs 2.8 bn in Q1'2018,
- Interest income rose by 12.9% to Kshs 5.2 bn in Q1'2019, from Kshs 4.6 bn in Q1'2018. This was largely due to the 18.3% increase in interest income on loans and advances to Kshs 3.9 bn from Kshs 3.3 bn in Q1' 2018, which outpaced the 9.1% decline in interest income on government securities to Kshs 1.1 bn from Kshs 1.2 bn in Q1'2018. The yield on interest-earning assets declined to 7.7% from 7.9% in Q1'2018, affected by the decline in yields on loans owing to the 100 bps reduction in the Central Bank Rate (CBR), and the decline in yields on government securities,
- Interest expense increased by 2.2% to Kshs 1.73 bn from Kshs 1.69 bn in Q1'2018, following a 10.9% increase in the interest expense on customer deposits to Kshs 1.2 bn from Kshs 1.1 bn in Q1'2018, as well as a 40.6% increase in other interest expense to Kshs 0.2 bn from Kshs 0.1 bn in Q1'2018. The increase in interest expenses was however mitigated by the 29.8% decline in interest expense on placement liabilities to Kshs 0.3 bn from Kshs 0.5 bn in Q1'2018. Cost of funds declined to 3.2%, from 3.3% in Q1'2018 owing to the faster 14.4% growth in interest bearing liabilities to Kshs 237.9 bn from Kshs 207.8 bn in Q1'2018. Consequently the Net Interest Margin (NIM) declined to 4.9%, from 7.0% in Q1'2018,
- Non-Funded Income (NFI) increased by 17.7% to Kshs 3.3 bn from Kshs 2.8 bn in Q1'2018. The growth in NFI was driven by a 61.5% increase in total fees and commission income to Kshs 1.7 bn from Kshs 1.0 bn in Q1'2018, and an 85.2% increase in foreign exchange trading income to Kshs 1.5 bn in Q1'2019 from Kshs 0.8 bn in Q1'2018. The growth in NFI was however weighed down by the 87.0% decline in other income to Kshs 0.1 bn from Kshs 0.9 bn in Q1'2018. The revenue mix remained unchanged at 51:49 funded to non-funded income, owing to comparable increments in the bank's NII and NFI,
- Total operating expenses rose by 24.4% to Kshs 3.5 bn from Kshs 2.9 bn in Q1'2018, largely driven by an 895.5% increase in the Loan Loss Provision (LLP) to Kshs 0.6 bn from Kshs 63.4 mn in Q1'2018, as the bank increased its provisioning owing to the 61.1% increase in Non-Performing Loans (NPLs). Other interest expenses rose by 16.0% to Kshs 1.5 bn from Kshs 1.3 bn in Q1'2018. The growth in expenses was however mitigated by the 5.3% decline in staff costs to Kshs 1.4 bn from Kshs 1.5 bn in Q1'2018,
- The Cost to Income Ratio (CIR) with LLP deteriorated to 53.0% in Q1'2019 from 50.5% in Q1'2018. Without LLP, the cost to income ratio improved to 43.6% in Q1'2019 from 49.4% in Q1'2018,
- Profit before tax and exceptional items increased by 12.6% and stood at Kshs 3.1 bn, up from Kshs 2.8 bn in Q1'2018. Profit after tax increased by 19.3% to Kshs 2.3 bn in Q1'2019 from Kshs 1.9 bn in Q1'2018.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 14.4% to Kshs 284.9 bn, from Kshs 249.0 bn in Q1'2018. This growth was largely driven by a 12.6% increase in the loan book to Kshs 144.7 bn from Kshs 128.5 bn, and balances due from the Central Bank, which increased by 130.6% to stand at Kshs 15.0 bn from Kshs 6.5 bn in Q1'2018,
- Government securities recorded an 8.8% decline to Kshs 40.3 bn from 44.2 bn in Q1'2018,
- Total liabilities rose by 14.9% to Kshs 248.0 bn from Kshs 215.9 bn in Q1'2018, largely driven by a 29.0% increase in deposits to Kshs 190.6 bn, from Kshs 147.8 bn in Q1'2018, coupled with the 13.2% increase in other liabilities to Kshs 8.2 bn, from Kshs 7.2 bn in Q1'2018. The growth in liabilities was however weighed down by the 3.3% and 43.3% decline in borrowings and placement liabilities to Kshs 11.7 bn and Kshs 13.8 bn in Q1'2019 from Kshs 12.0 bn and Kshs 24.3 bn in Q1'2018, respectively,
- The faster increase in deposits as compared to the loans lead to the decrease in the loan to deposit ratio to 75.9% in Q1'2019 from 87.0% in Q1'2018. Government securities to deposits declined to 21.2% from 29.9% in Q1'2018, Deposits per branch grew by 29.0% to Kshs 7.3 bn from Kshs 5.7 bn in Q1'2018,
- Gross non-performing loans increased by 61.1% to Kshs 16.7 bn from Kshs 10.4 bn in Q1'2018. Consequently, the NPL ratio deteriorated to 10.9% from 7.8% in Q1'2018. General Loan Loss Provisions (LLPs) increased by 88.2% to Kshs 6.2 bn from Kshs 3.3 bn in Q1'2018, with the NPL coverage increasing to 56.4% from 50.3% in Q1'2018,
- Shareholders' funds increased by 11.5% to Kshs 36.8 bn in Q1'2019 from Kshs 33.0 bn in Q1'2018, largely due to the 12.7% increase in retained earnings to Kshs 28.4 bn from Kshs 25.2 bn in Q1'2018,
- Stanbic Bank is currently sufficiently capitalized with a core capital to risk weighted assets ratio of 15.5%, 5.0% points above the statutory requirement. In addition, the total capital to risk weighted assets ratio was 18.4%, exceeding the statutory requirement by 3.9% points. Adjusting for IFRS 9, core capital to risk weighted assets ratio was at 15.5% while total capital to risk weighted assets was 19.1%, indicating that the bank's total capital relative to its risk-weighted assets declined by 0.7% points due to the implementation of IFRS 9.

A summary of the performance is highlighted below.

Balance Sheet	Q1'2018	Q1'2019	y/y Change
Net Loans and Advances	128.5	144.7	12.6%
Government Securities	44.2	40.3	(8.8%)
Investment Securities	47.5	47.2	(0.7%)
Other Assets	28.7	52.6	83.0%
Total Assets	249.0	284.9	14.4%
Customer Deposits	147.8	190.6	29.0%
Deposits due to other banks	23.7	21.9	(7.8%)
Other Liability	44.5	35.6	(20.0%)
Shareholders' Funds	33.0	36.8	11.5%
Total Equity and Shareholders' funds	249.0	284.9	14.4%

Income Statement	Q1'2018	Q1'2019	y/y Change
Interest Income	4.6	5.2	12.9%
Interest Expense	1.7	1.7	2.2%
Net Interest Income	2.9	3.4	19.3%
Non- Interest Income	2.8	3.3	17.7%
Total Operating Income	5.7	6.7	18.5%

Loan Loss Provision	0.1	0.6	895.5%
Staff Costs	1.5	1.4	(5.3%)
Other Expenses	1.3	1.5	16.0%
Total Operating Expenses	2.9	3.5	24.4%
Profit After Tax	1.9	2.3	19.3%

Ratios	Q1'2018	Q1'2019
Loan to Deposit	87.0%	75.9%
Return on Average Equity	15.7%	18.7%
Return on Average Assets	2.2%	2.5%
Yield on Interest Earning Assets	10.9%	7.7%
Cost of Funds	3.3%	3.2%
Net Interest Margin	7.0%	4.9%
Cost to income ratio	50.5%	53.0%

Capital Adequacy Ratios	Q1'2018	Q1'2019
Core Capital/ Total liabilities	20.5%	17.6%
Minimum Statutory Ratio	8.0%	8.0%
Excess	12.5%	9.6%
Core Capital/ Total Risk Weighted Assets	14.9%	15.5%
Minimum Statutory Ratio	10.5%	10.5%
Excess	4.4%	5.0%
Total Capital/ Total Risk Weighted Assets	18.5%	18.4%
Minimum Statutory Ratio	14.5%	14.5%
Excess	4.0%	3.9%
Liquidity Ratio	63.6%	55.9%
Minimum Statutory Ratio	20.0%	20.0%
Excess	43.6%	35.9%