

### **Key Highlights**

- In September 2018, Stanbic Bank was recognized as the best local investment bank in as well as the best foreign investment bank, in Kenya, Uganda and Tanzania, by the prestigious EMEA (Europe, Middle East and Africa) Finance Awards 2018. EMEA Finance Award celebrates excellence in the finance industry across Europe, Middle East and Africa.

### **Income Statement**

- Profit after tax increased by 46.7% to Kshs 4.7 bn in Q3'2018, from Kshs 3.2 bn in Q3'2017. The performance was driven by a 14.1% increase in total operating income and a 3.7% decline in operating expenses,
- Total operating income increased by 14.1% to Kshs 15.9 bn, from Kshs 14.0 bn in Q3'2017, driven by a 9.7% increase in Net Interest Income to Kshs 8.5 bn in Q3'2018, from Kshs 7.8 bn in Q3' 2017, coupled with a 19.6% increase in Non-Funded Income to Kshs 7.4 bn, from Kshs 6.2 bn in Q3'2017,
- Interest income increased by 13.3% to Kshs 13.8 bn in Q3'2018, from Kshs 12.2 bn in Q3'2017. This was largely due to the interest income on loans and advances, which increased by 15.6% to Kshs 10.3 bn in Q3'2018, from Kshs 8.9 bn in Q3' 2017. The yield on interest-earning assets dropped to 5.1% from 5.5% in Q3'2017,
- Interest expense increased by 19.7% to Kshs 5.3 bn from Kshs 4.4 bn in Q3'2017, following a 21.8% increase in the interest expense on customer deposits to Kshs 3.3 bn from Kshs 2.7 bn in Q3'2017 as well as the Interest expense on deposits and placements from banking institutions, which increased by 12.6% to Kshs 1.5 bn from Kshs 1.3 bn in Q3'2017. The cost of funds thus rose to 3.1%, from 2.6% in Q3'2017. Net Interest Margin declined to 6.2%, from 7.0% in Q3'2017
- Non-Funded Income (NFI) increased by 19.6% to Kshs 7.4 bn in Q3'2018 from Kshs 6.2 bn in Q3'2017. The growth in NFI was driven by a 56.9% increase in other income to Kshs 2.1 bn from Kshs 1.3 bn in Q3'2017, and a 9.4% increase in foreign exchange trading income to Kshs 2.3 bn from Kshs 2.1 bn in Q3'2017. Fees and commissions grew by 9.3% to Kshs 3.0 bn from Kshs 2.7 bn in Q3'2017. The current revenue mix stands at 53:47 funded to non-funded income in Q3'2018 from the 56:42 ratio recorded in Q3'2017, owing to a faster increase in NFI,
- Total operating expenses declined by 3.7% to Kshs 9.2 bn in Q3'2018 from Kshs 9.6 bn in Q3'2017, largely driven by a 44.9% decrease in the loan loss provision to Kshs 1.2 bn from Kshs 2.3 bn in Q3'2017, given that the non-performing loans increased by 13.9%, the decline in loan loss provision could possibly be attributed to the bank passing some of the provisions through the retained earnings as IFRS 9 allows this during the first year of implementation. The staff cost increased by 17.4% to Kshs 4.2 bn from Kshs 3.6 bn in Q3'2017,
- The cost to income ratio with LLP improved to 57.9% in Q3'2018 from 68.6% in Q3'2017. Without LLP, the Cost to income ratio also improved to 50.1% in Q3'2018 from 52.4% in Q3'2017,
- Profit before tax increased by 56.5% and stood at Kshs 6.7 bn, up from Kshs 4.2 bn in Q3'2017. Profit after tax increased by 46.7% to Kshs 4.7 bn in Q3'2018 from Kshs 3.2 bn in Q3'2017,

### **Balance Sheet**

- The balance sheet recorded an expansion as total assets increased by 21.0% to Kshs 286.3 bn from Kshs 236.56 bn in Q3'2017. This growth was largely driven by a 16.3% increase in the loan book to Kshs

141.1 bn from Kshs 121.3 bn, and balances due from the Central Bank, which increased by 116.0% to stand at Kshs 19.2 bn from Kshs 8.9 bn in Q3'2017,

- Total liabilities rose by 23.7% to Kshs 253.2 bn from Kshs 204.6 bn in Q3'2017, largely driven by a 45.5% increase in borrowings to Kshs 12.3 bn in Q3'2018 from Kshs 8.5 bn in Q3' 2017, and deposits that grew by 20.3% to Kshs 181.5 bn from Kshs 150.9 bn in Q3'2017. Other liabilities increased by 87.7% to Kshs 13.1 bn in Q3'2018 from Kshs 7.0 bn in Q3'2017,
- The faster increase in deposits as compared to the loans lead to the decrease in the loan to deposit ratio to 77.8% in Q3'2018 from 80.4% in Q3'2017. Government securities to deposits declined to 23.1% from 23.8 % in Q3'2017
- Gross non-performing loans increased by 13.9% to Kshs 10.6 bn from Kshs 9.3 bn in Q3'2017. The NPL ratio improved to 7.5% in Q3'2018 from 7.7% in Q3'2017, owing to a faster 16.3% growth in the net loans. General Loan Loss Provisions (LLPs) increased by 51.0% to Kshs 3.9 bn from Kshs 2.6 bn in Q3'2017. The NPL coverage thus improved to 60.6% in Q3'2018 from 43.0% in Q3'2017. The decline in the specific provisions despite a deterioration in asset quality is due banks being allowed to charge provisions on equity, on the initial implementation of IFRS 9,
- Shareholders' funds increased by 3.8% to Kshs 33.1 bn in Q3'2018 from Kshs 31.9 bn in Q3'2017, largely due to the 7.6% increase in the retained earnings to Kshs 26.3 bn from Kshs 24.4 bn in Q3'2017,
- Stanbic Bank is currently sufficiently capitalized with a core capital to risk weighted assets ratio of 13.9%, 3.4% points above the statutory requirement. In addition, the total capital to risk weighted assets ratio was 16.9%, exceeding the statutory requirement by 2.4% points. Adjusting for IFRS 9, core capital to risk weighted assets ratio was at 14.8% while total capital to risk weighted assets was 17.7%, indicating that the bank's total capital relative to its risk-weighted assets declined by 0.8% points due to the implementation of IFRS 9.

A summary of the performance is highlighted below.

Balance Sheet	Q3'2017	Q3'2018	y/y Change
Net Loans and Advances	121.3	141.1	16.3%
Government Securities	35.9	42.0	16.7%
Investment Securities	49.1	40.5	(17.6%)
Other Assets	30.1	62.8	108.4%
<b>Total Assets</b>	<b>236.5</b>	<b>286.3</b>	<b>21.0%</b>
Customer Deposits	150.9	181.5	20.3%
Deposits due to other banks	26.0	31.4	20.7%
Other Liability	27.8	40.4	45.2%
Shareholders' Funds	31.9	33.1	3.8%
<b>Total Equity and Shareholders' funds</b>	<b>236.5</b>	<b>286.3</b>	<b>21.0%</b>

Income Statement	Q3'2017	Q3'2018	y/y Change
Interest Income	12.2	13.8	13.3%
Interest Expense	4.4	5.3	19.7%
Net Interest Income	7.8	8.5	9.7%
Non- Interest Income	6.2	7.4	19.6%
<b>Total Operating Income</b>	<b>14.0</b>	<b>15.9</b>	<b>14.1%</b>
Loan Loss Provision	2.3	1.2	(44.9%)
Staff Costs	3.6	4.2	17.4%
Other Expenses	3.7	3.7	0.8%
<b>Total Operating Expenses</b>	<b>9.6</b>	<b>9.2</b>	<b>(3.7%)</b>
<b>Profit After Tax</b>	<b>3.2</b>	<b>4.7</b>	<b>46.7%</b>

Ratios	Q3'2017	Q3'2018
Loan to Deposit	80.4%	77.8%
Return on Average Equity	10.1%	14.3%
Return on Average Assets	1.4%	1.7%
Yield on Interest Earning Assets	5.5%	5.1%
Cost of Funds	2.6%	3.1%
Net Interest Margin	3.5%	3.1%
Cost to Income Ratio	68.6%	57.9%

Capital Adequacy Ratios	Q3'2017	Q3'2018
Core Capital/ Total liabilities	19.0%	16.6%
Minimum Statutory Ratio	8.0%	8.0%
<b>Excess</b>	<b>11.0%</b>	<b>8.6%</b>
Core Capital/ Total Risk Weighted Assets	15.2%	13.9%
Minimum Statutory Ratio	10.5%	10.5%
<b>Excess</b>	<b>4.7%</b>	<b>3.4%</b>
Total Capital/ Total Risk Weighted Assets	17.0%	16.9%
Minimum Statutory Ratio	14.5%	14.5%
<b>Excess</b>	<b>2.5%</b>	<b>2.4%</b>
Liquidity Ratio	57.4%	61.2%
Minimum Statutory Ratio	20.0%	20.0%
<b>Excess</b>	<b>37.4%</b>	<b>41.2%</b>