

Stanbic Kicks Off Earnings Season Strong, Posting a 5.3% EPS growth

For its full-year results, we noted that Stanbic Bank Kenya Limited would require deliberate strategies to grow non-interest income and support interest income in a declining interest rate environment to sustain profitability. In our view, this would be critical in maintaining earnings momentum and preserving superior shareholder returns without relying on reserves.

Fast forward to 1Q26, the bank has kicked off the earnings season with strong profit growth. However, just like in 2025, a significant reduction in loan loss provisions was a key driver of earnings expansion. While this does not come as a surprise given the prevailing operating environment characterized by moderating interest rates, lower credit uptake, and a relatively stable exchange rate, it nonetheless highlights the importance of underlying income growth going forward.

That said, Stanbic continues to demonstrate notable strengths, including a relatively low non-performing loan ratio of 8.4%, signaling a highly cautious lending approach and disciplined loan book management. Overall, this remains an interesting year to watch for the banking sector, with the possibility of upward interest rate adjustments offering a glimmer of hope for banks' top-line growth.

Recommendation	SPECULATIVE BUY
Share Statistics	
Current Price	290.00
3-Month Av	265.71
6 Month Av	238.17
12 Month Av	203.33
52 Week High - High	290.75
52 Week High - Low	148.75
Issued shares Mn	395.32
Market Cap (KES Mn)	114.64
Market Cap (USD Mn)	887.40
P/E	32.61
PB	1.38
EPS (Annualized)	8.89

Income Statement

Total Income: Operating income grew by 4.3% y/y to Kes. 9.95Bn from Kes. 9.54Bn, supported by stronger net interest income despite weaker non-funded income performance. Net interest income (NII) rose by 11.7% y/y to Kes. 7.57Bn from Kes. 6.78Bn, driven by a 6.4% decline in interest expense to Kes. 3.96Bn, which buttressed a moderate 4.7% increase in interest income to Kes. 11.53Bn. The improvement in NII reflects the bank's ability to manage funding costs efficiently amid the prevailing lower interest rate environment.

Interest income growth was supported mainly by a 9.2% increase in income from government securities to Kes. 3.30Bn and a sharp 138.2% rise in earnings from deposits and placements with banking institutions to Kes. 1.85Bn. However, income from loans and advances declined by 11.9% y/y to Kes. 6.33Bn, pointing to pressure on lending yields and cautious credit expansion. On the funding side, interest expense on customer deposits rose modestly by 4.0% to Kes. 3.20Bn, from Kes. 3.08Bn.

Non-Funded Income: NFI declined by 13.8% y/y to Kes. 2.38Bn from Kes. 2.76Bn, weighing on overall income growth. Consequently, NFI contribution to total operating income declined to 23.6% from 29.7% in 1Q25, reflecting softer momentum in fees, commissions, and foreign exchange income.

Operating Expenses: Total operating expenses declined by 7.7% y/y to Kes. 5.03Bn, largely driven by a 59.3% reduction in loan loss provisions to Kes. 0.35Bn, signaling improving asset quality and easing credit risk pressures. However, operating expenses excluding provisions rose by 1.9% y/y to Kes. 4.68Bn, largely on an 18.3% growth in staff costs.

As a result, profit before tax rose strongly by 20.3% y/y to Kes. 4.92Bn, while profit after tax increased by 5.3% to Kes. 3.52Bn. Earnings per share also improved by 5.3% to Kes. 8.89.

Return Performance		
Periods	Stanbic	NASI
3mtd PriceΔ(%ge)	31.97%	2.80%
6mtd PriceΔ(%ge)	48.91%	9.15%
YTD Δ(%ge)	46.65%	12.36%
Y/Y Δ(%ge)	70.84%	66.22%

NII	11.67%
Provisions	-59.29%
Opex	-7.73%
Opex Excl. LLPs	1.93%
PBT	20.33%
PAT	5.27%
Loans	5.80%
Investments	57.18%
Deposits	21.73%
Shareholders' Funds	6.93%

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Balance Sheet

Assets: Stanbic Bank Kenya Limited balance sheet expanded strongly in 1Q26, with total assets growing by 22.6% y/y to Kes. 551.72Bn from Kes. 450.13Bn, supported by significant growth in investments and moderate loan book expansion.

Investments surged by 57.2% y/y to Kes. 77.24Bn, reflecting increased allocation into interest-earning securities, while **loans and advances** grew by 5.8% y/y to Kes. 258.16Bn, from Kes 244.01Bn in 1Q25.

Customer Deposits: Customer deposits increased by 21.7% y/y to Kes. 411.00Bn from Kes. 337.63Bn, remaining the key driver of funding growth. Borrowings also rose by 7.5% y/y to Kes. 18.32Bn, from Kes 17.05Bn though at a slower pace relative to deposit growth. Consequently, total liabilities expanded by 25.4% y/y to Kes. 478.31Bn, from Kes 381.48Bn in 1Q25.

Shareholders' funds increased by 6.9% y/y to Kes. 73.41Bn from Kes. 68.65Bn, supported by a 9.0% growth in retained earnings to Kes 60.13Bn, from Kes 55.17Bn in 1Q25.

<u>INTEREST INCOME</u>	1Q25	1Q26
Loans	7.18	6.33
Government securities	3.02	3.30
Placements	0.78	1.85
Other interest income	0.03	0.05

<u>INTEREST EXPENSES</u>	1Q25	1Q26
Customer deposits	3.08	3.20
Placements	0.11	0.34
Other interest expenses	0.77	0.69

Key Ratios

- Yield on interest-earning assets eased slightly to 3.4% from 3.5%, reflecting faster growth in interest earning assets compared to interest income over the review period.
- Cost of funds improved significantly to 3.6% from 6.5%, in tandem with the declining interest rates environment, which has reduced the cost of deposits.
- Cost of risk declined sharply to 3.5% from 9.0%, driven by lower loan loss provisions and improving asset quality.
- Net Interest Margin (NIM) improved marginally to 8.7% from 8.6%.
- NII contribution to operating income increased to 76.4%, while NFI contribution declined to 23.6%, highlighting greater reliance on funded income.
- Cost-to-income ratio improved to 50.5%, while CIR excluding LLP improved slightly to 47.0%, reflecting operational efficiency gains.
- Asset quality improved marginally, with the NPL ratio easing to 8.4% from 8.5%. We note that Stanbic has one of the lowest NPL ratio compared to other players in the industry.
- Loan-to-deposit ratio declined to 62.8% from 72.3%, reflecting stronger deposit growth relative to credit expansion.
- Profitability softened slightly, with return on average equity declining to 19.3% from 19.9%, while return on average assets remained stable at 2.7%.

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P&L (Kes. Bn) except EPS & DPS	Q1'2025	Q1'2026	%Δ Y-Y
Interest Income	11.01	11.53	4.7%
Interest Expense	(4.23)	(3.96)	-6.4%
NII	6.78	7.57	11.7%
NFI	2.76	2.38	-13.8%
Total Income	9.54	9.95	4.3%
Loan Loss provision	(0.86)	(0.35)	-59.3%
Total Operating expenses	(5.45)	(5.03)	-7.7%
Opex excl Provision	(4.59)	(4.68)	1.9%
PBT	4.09	4.92	20.3%
PAT	3.34	3.52	5.3%
EPS	8.45	8.89	5.3%

Balance Sheet (Kes. Bn)	Q1'2025	Q1'2026	%Δ Y-Y
Investments	49.14	77.24	57.2%
Loans and Advances	244.01	258.16	5.8%
Total Assets	450.13	551.72	22.6%
Customer Deposits	337.63	411.00	21.7%
Borrowing	17.05	18.32	7.5%
Total Liabilities	381.48	478.31	25.4%
Shareholder's Funds	68.65	73.41	6.9%

Key Ratios	Q1'2025	Q1'2026	pp. Δ Y-Y
Yield from interest-earning assets	3.5%	3.4%	-0.1%
Cost of funds	6.5%	3.6%	-2.9%
Cost of risk	9.0%	3.5%	-5.5%
Net Interest Margin	8.6%	8.7%	0.1%
Net Interest Income as % of operating income	70.3%	76.4%	6.1%
Non-Funded Income as a % of operating income	29.7%	23.6%	-6.1%
Cost to Income Ratio	57.1%	50.5%	-6.6%
CIR without LLP	48.1%	47.0%	-1.1%
Cost to Assets	1.0%	0.8%	-0.2%
NPL Ratio	8.5%	8.4%	-0.1%
Loan to Deposit Ratio	72.3%	62.8%	-9.5%
Return on average equity	19.9%	19.3%	-0.6%
Return on average assets	2.8%	2.7%	0.0%

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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