

**Key highlights during the quarter**

- CfC Stanbic bank successfully secured a USD 155 mn dual tranche loan from a consortium of lenders in Dubai including AfrAsia Bank, Al Khaliji France, Commerzbank Aktiengesellschaft, Filiale Luxemburg and Doha Bank for funding the bank's general business activities
- The bank successfully upgraded its core banking system and digital platforms which was aimed at reducing the operating expenses associated with branches

**Income Statement:**

- Core EPS grew marginally by 3.0% y/y to earnings per share of Kshs 6.96 from Kshs 6.76 per share in Q1'2015 driven by a 22.6% growth in total operating revenue, which was outpaced by a 30.2% growth in operating expenses
- Operating revenue grew by 22.6% to Kshs 4.7 bn from Kshs 3.8 bn in Q1'2015, which was supported by a growth of 32.5% growth in net interest income to Kshs 2.8 bn from Kshs 2.1 bn in Q1'2015. The growth in interest income was driven by a 14.7% growth in the company loan book and also supported by the relatively higher interest rate environment in Q1'2016 compared to Q1'2015. Interest income grew 39.5% to Kshs 4.4 bn from Kshs 3.2 bn in 2015 but was outpaced by interest expense growth of 53.0% to kshs 1.7 bn from kshs 1.1 bn in Q1'2015
- Non-funded income grew 10.5% to Kshs 1.9 bn from Kshs 1.7 bn in Q1'2015 supported by income from forex trading that grew 82.2% to Kshs 976.8 mn from Kshs 536.2 mn in 2015. This resulted in a funded income to non-funded income revenue mix of 59:41
- Operating expenses grew by 30.2% to Kshs 2.9 bn from 2.2 bn in Q1'2015 driven by a 1,053% increase in loan loss provision to Kshs 568.2 mn from Kshs 49.3 mn in Q1'2015 and a 16.8% rise in other operating expenses to Kshs 850.3 mn from Kshs 727.7 mn. This led to an increase in cost to income ratio to 60.9% from 57.3% in Q1'2015
- Profit after tax of the bank consequently grew by 3.0% to Kshs 1.2 bn from Kshs 1.6 bn in Q1'2015

**Balance Sheet:**

- The bank's balance sheet recorded a decent growth of 13.2% with total assets growing to Kshs 208.3 bn from Kshs 184.1 bn supported by a 14.7% loan book growth to Kshs 103.6 bn from Kshs 90.3 bn in Q1'2015
- Customer deposits grew by 3.2% to Kshs 108.8 bn from Kshs 105.4 bn in Q1'2015, leading to an increase in LDR to 95.2% from 85.7% in Q1'2015
- Placements from banking institutions both locally and abroad grew 111% to Kshs 37.8 bn from Kshs 17.9 bn in Q1'2016 as the bank diversifies its product offering to corporate, investment and personal business banking
- The yield from the bank's interest earning assets in Q1'2016 stood at 9.5%, while the cost of funds came in at 3.6%, resulting in a net interest margin of 5.9%, 20 bps higher from the 5.7% recorded in Q1'2015
- The bank's non-performing loans increased by 43.5% during the period to Kshs 5.2 bn from Kshs 3.7 bn in 2015 leading to an increase in NPLs to Loan ratio to 5.1% from 4.0% in 2015.
- The bank's return on average equity stood at 17.9% from 20.3% in Q1'2015, while the return on average assets came in at 2.4% from 2.9% in Q1'2015
- CFC Stanbic Bank is currently sufficiently capitalized with a core capital to risk weighted assets ratio at 15.9%, 5.4% above the statutory requirement

**Below is a summary of the key line items in the balance sheet and income statement.**

***Figures in Kshs billions unless otherwise stated***

Balance sheet	Q1'2015	Q1'2016	y/y change
Net Loans and Advances	90.3	103.6	14.7%
Government Securities AFS	31.4	38.6	22.7%
Government Securities held for dealing purposes	24.4	18.6	-24.0%
Other assets	37.9	47.6	25.7%
<b>Total Assets</b>	<b>184.1</b>	<b>208.3</b>	<b>13.2%</b>
Customer Deposits	108.8	105.4	3.2%
Borrowings	6.7	6.7	-0.3%
Other Liabilities	42.7	69.1	-38.3%
<b>Total Liabilities</b>	<b>158.2</b>	<b>181.2</b>	<b>-12.7%</b>
shareholders' funds	25.9	27.1	-4.3%
<b>Total Liabilities and Shareholders' funds</b>	<b>184.1</b>	<b>208.3</b>	<b>13.2%</b>

Income Statement	Q1'2015	Q1'2016	y/y change
Interest Income	3.2	4.4	39.5%
Interest Expense	1.1	1.7	53.0%
<b>Net interest income</b>	<b>2.1</b>	<b>2.8</b>	<b>32.5%</b>
Non-Interest income	1.7	1.9	10.5%
<b>Total Operating income</b>	<b>3.8</b>	<b>4.7</b>	<b>22.6%</b>
Loan loss provision	0.0	0.6	1053.2%
Staff costs	1.1	1.1	1.2%
other expenses	1.0	1.1	12.9%
<b>Total Operating expenses</b>	<b>2.2</b>	<b>2.9</b>	<b>30.2%</b>
Profit after tax	1.2	1.2	3.0%
<b>EPS</b>	<b>6.8</b>	<b>7.0</b>	<b>3.0%</b>

Ratios	Q1'2015	Q1'2016
Loan to Deposit Ratio	85.7%	95.2%
Return on average equity	20.3%	17.9%
Return on average assets	2.9%	2.4%
Yield on interest-earning assets	8.1%	9.5%
Cost of funding	2.4%	3.6%
Net Interest Margin	5.7%	5.9%
Cost to Income	57.3%	60.9%

Capital Adequacy Ratios	Q1'15	Q1'16
Core Capital/Total Liabilities	22.4%	22.5%
Minimum Statutory ratio	8.0%	8.0%
<b>Excess</b>	<b>14.4%</b>	<b>14.5%</b>
Core Capital/Total Risk Weighted Assets	17.0%	15.9%
Minimum Statutory ratio	10.5%	10.5%
<b>Excess</b>	<b>6.5%</b>	<b>5.4%</b>

Total Capital/Total Risk Weighted Assets	20.5%	18.5%
Minimum Statutory ratio	14.5%	14.5%
<b>Excess</b>	<b>6.0%</b>	<b>4.0%</b>
Liquidity Ratio	45.6%	68.8%
Minimum Statutory ratio	20.0%	20.0%
<b>Excess</b>	<b>25.6%</b>	<b>48.8%</b>

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