

Standard Chartered Bank Kenya Ltd : 1Q19

decline in operating expenses causes a double digit growth in PAT

Date: 22nd May 2019

- Profit after Tax (PAT) rose 31.2% to KES 2.5Bn from KES 1.8Bn in 1Q18. This was attributed to an 11.8% drop in operating expenses to 3.8Bn from the previous 4.3Bn and a 3.7% rise in operating income to 7.4Bn from 7.1Bn recorded previously.
- The Loan loss provision declined 61% to KES 0.4Bn from KES 1.1Bn. This was despite the 21.73% rise in the Non performing loans to 22Bn from 18Bn in 1Q18. Loan loss provisions are expected to increase in 2019 as the cost of risk normalizes.
- Net Interest Income increased by 2.76% to KES 5Bn billion from KES 4.9Bn billion. This was as a result of a 28.8% drop in the interest expenses to 1.4Bn from the previous 2Bn. The decline in interest income may be attributed to the bank's ability to source cheaper deposits.
- Non funded income went up by 5.61% to KES 2.3 billion from KES 2.2billion. This was driven by the 37.24% increase in the Forex to 0.8Bn from 0.6Bn and a 3.26% rise in the loan and advances which shored up the fees and commission income on loans and advances to 76Mn from the previous 72Mn.

Target Price: KES 234.0

52 week range: KES 165.00 to KES 265.00

TtM EPS: KES 6.89

Latest Results: 1Q2019, KES 2410Mn

Analyst

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| Income Statement 'KES Millions' | Mar-18 | Mar-19 | % Change |
|--|--------------|--------------|---------------|
| Interest income | 6,825 | 6,389 | -6.39% |
| interest expense | 1,980 | 1,409 | -28.81% |
| Net interest income | 4,845 | 4,979 | 2.76% |
| Fees and commissions on loans & advances | 72 | 76 | 5.79% |
| Other fee & commissions | 1,383 | 1,233 | -10.87% |
| Forex | 596 | 818 | 37.24% |
| Dividend Income | | | |
| Other Income | 212 | 264 | 24.13% |
| Non-funded income | 2,264 | 2,391 | 5.61% |
| Total operating income | 7,109 | 7,370 | 3.67% |
| Loan Loss provision | 1,065 | 415 | -61.02% |
| Staff Costs | 1,612 | 1,841 | 14.25% |
| Directors Emoluments | 80 | 66 | -17.47% |
| Rental Charges | 145 | 78 | -46.55% |
| Depreciation on PPE | 106 | 153 | 44.63% |
| Armotization Charges | 108 | 397 | 268.13% |
| Other operating expenses | 1,221 | 1,195 | -2.16% |
| Operating expenses | 4,337 | 3,826 | -11.77% |
| Taxation | 1,109 | 1,334 | 20.28% |
| Profit After tax | 1,837 | 2,410 | 31.18% |
| Earnings per share | 5.23 | 6.89 | 31.74% |

| Balance sheet | | | |
|--------------------------------------|----------------|----------------|--------------|
| Cash & balance with CBK | 12,671 | 28,067 | 121.51% |
| Government securities (HTM) | 8,566 | 5,771 | -32.63% |
| Loans and advances to customers(net) | 113,848 | 117,564 | 3.26% |
| Property and equipment | 3,270 | 3,670 | 12.24% |
| Total assets | 293,995 | 301,366 | 2.51% |
| Deposits due to other banks | 464 | 2 | -99.52% |
| Customer deposits | 231,986 | 232,775 | 0.34% |
| Borrowings | | | |
| Other Liabilities | 4,953 | 9,770 | 97.26% |
| Total liabilities | 247,733 | 252,233 | 1.82% |
| Shareholders' funds | 46,262 | 49,133 | 6.21% |

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