

Stanbic Holdings Earnings Update

Stanbic released its 1H19 earnings this morning. The bank reported a 14% increase in PAT driven by a 15% growth in its loan book. The quality of the loan book, however, deteriorated as the total NPL ratio increased to 8.7%. The bank's cost to income ratio which had improved to 43% in 1Q19 increased to 54% in 2Q19. We expect a stronger 2H19 as the bank continues to grow its loan book while the quality of its book is also expected to improve as the business environment improves.

- PAT grew by 14% to KES 4.1 billion in HY19 from 3.6% recorded in HY18. This is mainly due to the increase in both net interest income and the non-interest income.
- The net interest income rose by 20% to KES 6,702 million. This is due to the growth in customer loans and advances, which increased by 8% to KES 3,669 million. The yield on loans however declined to 9.6% in 2Q19 from 10.3% in 2Q18.
- The non-interest income rose by 10% to KES 6,135 million from KES 5,569 million. This is due to an increase in net fees and commissions. Fees and commissions rose as a result of key investment banking deals and continued growth in volumes.
- The quality of the loan book deteriorated as gross Non-Performing Loans increased by 59% to KES 16,738 million in HY19. The bank's total NPL ratio increased to 8.7% from 6.1% in 2Q18. We expect a decrease in the NPL ratio in 2H19 as the government pays suppliers. The government's delayed payment to suppliers has been one of the reasons for the high NPLs in the banking sector.

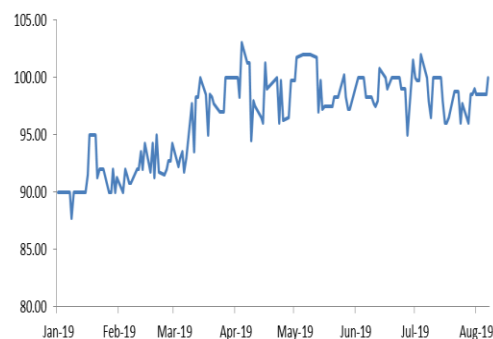
Date: 8th August 2019

52 week range: KES 81.00 to KES 105.00

TtM EPS: KES 10.28

Latest Results: 2Q2019, KES 4063Mn

Share price movement



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Income statement 'Millions'	HY19	HY18	% Change
Net interest income	6,702	5,608	19.51%
Non interest income	6,135	5,570	10.15%
Total income	12,837	11,178	14.84%
Credit impairment losses	(1,235)	(253)	387.59%
Income after credit impairment losses	11,603	10,925	6.20%
Total operating expenses	(6,042)	(5,730)	5.43%
Profit before tax	5,561	5,194	7.05%
Income tax expense	(1,498)	(1,642)	-8.80%
Profit for the period	4,063	3,552	14.38%
EPS	10.28	8.99	14.35%
Dividend per share	1.25	2.25	-44.44%

Balance sheet 'Millions'	HY19	HY18	% Change
Total assets	313,310	290,570	7.83%
Total liabilities	266,481	236,571	12.64%
Equity	46,829	42,210	10.94%
Total equity & liabilities	313,310	278,781	12.39%

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