

Standard Chartered Bank Kenya Ltd: 1H19

Date: 26th August 2019

Standard Chartered bank announced a 5% yoy increase 1H19 in PAT to KES 4.7 billion from KES 4.5 billion. This was slightly below our forecasted 6% growth in PAT. This growth was mainly driven by 70% decline in loan loss provision. The bank declared a dividend of 5sh per share.

Target Price: KES 234.0

52 week range: KES 165.00 to KES 243.00

TtM EPS: KES 13.46

- Interest income declines 7% to KES 12.7 billion from KES 13.7 billion. This is mainly attributed to a decline in the bank's yield on loans. Meanwhile, the bank's net interest income remained relatively unchanged as the removal of the floor on deposits enabled the bank to decrease its deposit costs.
- The loan loss provision declined 70% to KES 0.3Bn from KES 1.2Bn as the quality of the loan book improves. The bank's net NPL ratio improved to 14.7% from 15.5% in 1H18 as the bank recorded some recoveries during the period. We view this as a positive trend and expect that the bank will record a single digit NPL ratio at the end of the year.
- Non-interest income declines 2% due to a decline in other fees and commission income. Fees & commission income on loans and advances increased by 26.7% as the bank was able to increase its fees. StanChart is currently focusing on transforming its digital network and will soon launch its mobile lending platform to disburse loans. We view this as a positive development for the bank as it is likely to be accepted by most of its customers.

Latest Results: 1H2019, 4.7Bn



Analyst

Sarah Wanga

+254711047105

wangas@aibcapital.com

Income Statement 'KES Millions'	Jun-18	Jun-19	% Change
Interest income	13,742	12,732	-7.35%
Interest expense	3,899	2,886	-25.98%
Net interest income	9,843	9,846	0.03%
Fees and commissions on loans & advances	127	161	26.77%
Other fee & commissions	2,822	2,411	-14.56%
Forex	1391	1565	12.51%
Other Income	480	546	13.75%
Non-funded income	4,821	4,713	-2.24%
Total operating income	14,664	14,559	-0.72%
Loan Loss provision	1,266	379	-70.06%
Staff Costs	3,326	3,530	6.13%
Directors Emoluments	149	128	-14.09%
Rental Charges	273	155	-43.22%
Depreciation on PPE	220	319	45.00%
Amortization Charges	211	291	37.91%
Other operating expenses	2,648	2,838	7.18%
Operating expenses	8,093	7,639	-5.61%
Taxation	2,099	2,368	12.82%
Profit After tax	4,467	4,706	5.35%
Earnings per share	12.76	13.46	5.49%

Balance sheet			
Cash & balance with CBK	13,307	14,114	6.06%
Government securities (HTM)	4,799	4,556	-5.06%
Loans and advances to customers(net)	111,749	120,064	7.44%
Property and equipment	3,193	3,700	15.88%
Total assets	295,955	294,543	-0.48%
Deposits due to other banks	464	2	-99.57%
Customer deposits	230,845	228,500	-1.02%
Other Liabilities	9,842	6,109	-37.93%
Total liabilities	251,314	247,669	-1.45%
Shareholders' funds	44,641	46,874	5.00%

CONTACTS:

Research Desk

Sarah Wang

wangas@aibcapital.com

(+254) 711047105

Equities Dealing

Bernard Kung'u

kungub@aibcapital.com

(+254) 711047108

Bond Dealing

Crispus Otieno

otienoc@aibcapital.com

(+254) 711047113

Victor Koech

koechv@aibcapital.com

(+254) 711047133

Benard Gichuru

gichurub@aibcapital.com

(+254) 711047111

Titus Marenye

marenyet@aibcapital.com

(+254) 711047118

Brian Tanui

tanuib@aibcapital.com

(+254) 711047124

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