

NIC GROUP : 1Q2019

Increase in operating expenses decrease profitability

- Profit after Tax (PAT) down 4.26% on account of a 16% increase in operating expenses. The bank recorded a decrease in PAT despite a 9.4% increase in net interest income as its costs increased.
- Operating expenses increased by 16.82% to 2.5 billion. This was driven by a 21.4% increase in the loan loss provisions to 673 million from 555 million. Despite the increased provisions, the bank's cost of risk remained low (at 0.6%). We expect an increase in provisions during the year as cost of risk normalizes following the implementation of IFRS9. Director's emoluments and amortization charges also increased by 55.8% and 53.16% respectively.
- Net Interest Income increased by 9.44% to 2.7 billion from 2.4 billion. This was a result of a 7.89% decline in the interest expense. The bank was able to acquire cheaper deposits which led to lower deposits costs.
- Non funded income increased by 7.17% to 1.1 billion from 1.04 billion. This was largely attributed to a 10.09% increase in fees and commissions on loans and advances, which outpaced the 2.1% increase in its loan book.
- Outlook: Operating expenses are expected to continue to increase during the year which should decrease the banks profitability.

Date: 16th May 2019

ROE: 2.72%

ROA: 0.45%

52 week range: KES 27.50 to
KES 30.95

EPS: KES 1.38

Latest Results: 1Q2019

Analyst

Carolyne Mugo

+254706243328

nyawiram@aibcapital.com

KES '000'	1Q 2018	1Q2019	% Change
	Shs 'millions'	Shs 'millions'	
Interest income	4,664.17	4,726.68	1.34%
interest expense	2,180.74	2,008.76	-7.89%
Net interest income	2,483.43	2,717.93	9.44%
Fees and commissions on loans & advances	320.39	352.70	10.09%
Other fee & commissions	243.62	246.48	1.17%
Forex	300.26	308.64	2.79%
Other Income	178.64	209.81	17.45%
Non-funded income	1,042.91	1,117.63	7.17%
Total operating income	3,526.34	3,835.56	8.77%
Loan Loss provision	554.71	673.21	21.36%
Staff Costs	803.31	895.77	11.51%
Directors Emoluments	43.03	67.05	55.82%
Rental Charges	97.40	104.26	7.04%
Depreciation on PPE	63.98	74.93	17.11%
Armotization Charges	44.27	67.80	53.16%
Other operating expenses	533.14	616.75	15.68%
Operating expenses	2,139.83	2,499.77	16.82%
Taxation	413.85	404.52	-2.25%
Profit After tax	972.66	931.27	-4.26%
Earnings per share	1.52	1.38	-9.21%

CONTACTS:

Research Desk

Sarah Wang

wangas@aibcapital.com

(+254) 711047105

Victor Koech

koechv@aibcapital.com

(+254) 711047133

Equities Dealing

Bernard Kung'u

kungub@aibcapital.com

(+254) 711047108

Benard Gichuru

gichurub@aibcapital.com

(+254) 711047111

Brian Tanui

tanuib@aibcapital.com

(+254) 711047124

Bond Dealing

Crispus Otieno

otienoc@aibcapital.com

(+254) 711047113

Titus Marenye

marenyet@aibcapital.com

(+254) 711047118

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