

## Non-Funded Income Drive Total Income

Stanchart Bank Kenya posted KES 5.64Bn in Q1-23 profits before tax (PBT), a 43.6% y-y rise from KES 3.93Bn in Q1-22. Profits after tax (PAT) increased by 45.7% y-y to KES 4.03Bn compared to KES 2.77Bn over the same period. The performance was supported by a 40.1% rise in net interest income (NII) and a 55.5% growth in non-funded income.

We advise client to **HOLD** the stock as the share currently trades 13.0% up y-y and 1.4% up the in six months but 5.6% below the 3-month and 2.8% y-t-d price. The stock has also posted better returns compared to the general market.

- The lender posted KES 6.89Bn in NII, a 40.1% rise from KES 4.92Bn in Q1-22. The performance was supported by a 34.1% y-y rise in interest income to KES 7.60Bn from KES 5.66Bn while interest expenses reduced by 5.4% y-y to KES 0.70Bn from KES 0.74Bn during the period. The NII contribution to total income was down to 64.1% from 66.4% during the reporting period.
- The 34.1% y-y rise in interest income was driven by 29.4% rise in income from loans and advances which is seen as improve collection on a loan book that grew by 7.0% y-y and a rise in yields from loans and advances to 11.4% from 9.6% in Q1-23. Income from government securities was up 9.1% y-y supported by rising yield on short term papers and a 4.2% growth in holding in government securities. Yields on government papers remained flat at 10.3%.
- Interest expenses declined by 5.4% y-y driven by a 1.1% drop in interest paid on customers deposits despite a 14.2% growth in deposit. Cost of funds declined to 1.0% from 1.1% while cost of deposit were down to 0.9% from 1.0% in Q1-22.
- Non-funded income (NFI) improved by 55.5% y-y to KES 3.87Bn from KES 2.49Bn pushing its contribution to 35.9% from 33.6%. the revenue line was supported by 113.9% surge in forex exchange trading income. Fees and commission income from loans and advances increased by 58.3% on growth in loan book while fees and other commission income were up 11.5% y-y. The company continues to grow the wealth management division which has continued to reward NFI.
- Overall operating expenses were up 47.2% y-y to KES 5.12Bn from KES 3.48Bn on a 1,019.6% rise in loan loss provisions and 30.4% growth in other expenses. Cost to income (CTI) ratio was at 47.6%, marginally higher than 47.0% in Q1-22. Operating expense excluding provisions were up 21.4% with CTI excluding provision dropping to 40.3% from 45.8%.
- Gross non-performing loans were flat while total non-performing loans declining by 2.8%. this saw non-performing loans at 9.7% to net loans, a drop from 10.7% in Q1-22. The NPLs were lower to industry levels of 13.1% seen in February 2023.

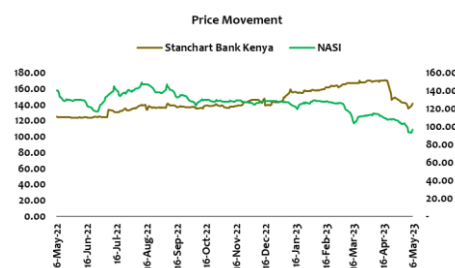
### Balance Sheet

- Balance sheet saw total assets grow by 14.0% y-y to KES 388.64Bn from KES 340.13Bn. Large bank stability and tight liquid market saw deposits and balances due from local banking institutions jump.

Bloomberg Ticker:	SCBL KN
Share Stats	
Current Price (KES)	141.00
3-Months Avr	158.84
6-Months Avr	157.29
12-Months Avr	158.88
52 Week High/Low	171.00 - 123.75
Issued shares (Mn)	377.86
Free Float	21.2%
Mrkt Cap (Kes Mn)	53,278.49
Mrkt Cap (USD Mn)	388.60
EPS (Annualized)	42.20
PE (Annualized)	3.34
PB	0.96

Price Movement		
Period	Stanchart Bank Kenya	NASI
16-May-23	141.00	96.82
3-Months	158.84	107.66
6-Months	157.29	118.38
Y-T-D	143.63	126.63
Y-Y	158.88	117.44
52-Wk Max	171.00	148.81
52-Wk Min	123.75	93.04

Price Return		
Period	Stanchart Bank Kenya	NASI
16-May-23	141.00	96.82
3-Months	-15.6%	-9.4%
6-Months	1.4%	-24.6%
Y-T-D	-2.8%	-24.0%
Y-Y	13.0%	-30.8%



**Willis Nalwenge**  
Lead Research Analyst

+254 711 049 047

[wналwenge@co-opbank.co.ke](mailto:wналwenge@co-opbank.co.ke)

# KINGDOM SECURITIES

Stanchart Bank Kenya Ltd

Earnings Update – Q1-2023

- Investment in government securities increased by 4.2% y-y growth with a shift away from the investment line due to rising yields. The proportion of investment in government securities to total assets was 23.9% from 26.2% the previous year.
- Net loan and advances book expanded by 7.0% y-y to KES 137.11Bn from KES 128.09Bn, a KES 9.02Bn y-y. this saw the book proportion to total assets thin to 35.3% from 37.6%.
- Customer deposits grew by 14.2% y-y to KES 302.95Bn from KES 265.38Bn on deposit drive. This is seen as cheap deposit with cost on deposit at 0.9%. Advance to deposit (AD) ratio shrunk to 45.3% from 48.3% on faster growth of deposits.
- A 14.1% y-y rise in retained income saw shareholders' funds improve by 8.6% y-y to KES 60.38Bn from KES 55.62Bn.

## Key ration

- A 279.5% y-y increase in interest from Deposits and placements with banking institutions aided to push net interest margins (NIM) up to 11.8% from 9.3%.
- Return on average assets were up to 4.2% from 3.3% while return on average equity surged to 27.6% from 20.3%.
- Cost of risk was 2.3% on rising loan loss provisions.

P&L (KES Mn)	Q1-2022	Q1-2023	Δ% Y-Y
Interest Income	5,664	7,596	34.1%
Interest Expense	742	702	-5.4%
NII	4,922	6,894	40.1%
NFI	2,487	3,868	55.5%
Total Income	7,409	10,762	45.2%
Loan Loss Provisions	(86)	791	1019.6%
Operating Expense	3,481	5,123	47.2%
Opex excl Provision	3,395	4,332	27.6%
PBT	3,928	5,639	43.6%
PAT	2,765	4,027	45.7%
EPS	6.87	10.55	53.6%

Balance Sheet (KES Mn)	Q1-2022	Q1-2023	Δ% Y-Y
Investments	89,149	92,901	4.2%
Loans and Advances	128,093	137,113	7.0%
Total Asset	340,913	388,636	14.0%
Customer Deposit	265,381	302,949	14.2%
Shareholders' Fund	55,623	60,382	8.6%

NPLs KES Mn	Q1-2022	Q1-2023	Δ% Y-Y
Gross NPLs	22,569	22,598	0.1%
Total NPL	13,681	13,297	-2.8%

# KINGDOM SECURITIES

Stanchart Bank Kenya Ltd

Earnings Update – Q1-2023

Ratios	Q1-2022	Q1-2023	Δ% Y-Y
NII % of Total Income	66.4%	64.1%	-3.6%
NFI % of Total Income	33.6%	35.9%	7.1%
CTI	47.0%	47.6%	1.3%
CTI exc Provision	45.8%	40.3%	-12.2%
Yield on Advances	9.6%	11.4%	18.8%
Yield on Government Securities	10.3%	10.3%	0.0%
Cost of Deposit	1.0%	0.9%	-10.0%
Cost of Funds	1.1%	1.0%	-9.1%
Net Interest Margins	9.3%	11.8%	26.9%
ROA	3.3%	4.2%	27.3%
ROE	20.3%	27.6%	36.0%
Gross NPL to Net Loans	10.7%	9.7%	-9.2%
Cost of Risk	-0.3%	2.3%	866.7%
AD Ratio	48.3%	45.3%	-6.2%
Investment Securiteis to Assets	26.2%	23.9%	-8.6%
Advances to Assets	37.6%	35.3%	-6.1%

#### Terms of Use – Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results. The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research, but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

#### Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

\*Expected Return (ER) represents the sum of both capital appreciation and the dividend yield.

**Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited.**

**Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya**

**Office: 0711049540/0711049956**

**Email: [info@kingdomsecurities.co.ke](mailto:info@kingdomsecurities.co.ke)**

#### Research Department

<b>Willis Nalwenge, CFA</b>	<b>+254 711 049 047</b>
<b>Shadrack Manyinsa</b>	<b>+254 711 049 956</b>

#### Sales Team

<b>Edgar Martim</b>	<b>+254 711 049 534</b>
<b>Alfred Too</b>	<b>+254 711 049 330</b>
<b>Asena Moffat</b>	<b>+254 711 049 663</b>
<b>Ashley Odundo</b>	<b>+254 711 049 195</b>
<b>Gloria Ohito</b>	<b>+254 711 049 993</b>

#### Client Service and Operations

<b>Joab Kiprono</b>	<b>+254 711 049 528</b>
<b>Purity Malombe</b>	<b>+254 711 049 729</b>