

Stan-Chart Profits Up 39.5% to KES 5.62Bn in Q1-2024

Standard Chartered Bank Kenya reported KES 7.53Bn profits before tax (PBT) for Q1-2024, a 35.4% year on year (y-y) rise compared to that of KES 5.64Bn earned same period in 2023. The performance was strongly supported by faster growths in interest and non-funded income lines, and a better management of its operating expenses which were contained at a 6.0% rise. Profit after tax (PAT) jumped 39.5% y-y from KES 4.03Bn to KES 5.62Bn. The performance further emanates from a focus on lending by the bank while cutting down holdings in the government securities.

The Bank's earnings per shares (EPS) climbed 36.7% y-y up from 10.55 in Q1-2024 to 14.42 in Q1-2024, giving an annualized price to earnings ratio of 3.24. We retain a BUY recommendation in the counter's share price with an implied value of KES 222.11 per share.

In FY-2023, Stan-Chart's issued a total dividend of KES 29.00 per share, a payout of 79.7% from a FY-2023 EPS of 36.17, which we expect to be maintained in FY-2024.

Income Statement

The Bank's net interest income (NII) accelerated 20.0% y-y up from KES 6.89Bn to KES 8.27Bn on account of a faster rise in interest income which outweighed interest expenses. NII contribution to total income dropped marginally from 64.1% in Q1-2023 to 63.3% on a faster rise in the company's non-funded income lines especially on improved forex transactions.

Interest income jumped 25.4% up to KES 9.52Bn rallied mainly by interest income from loans and advances which expanded 45.5% from KES 3.94Bn to KES 5.73Bn. We attribute the faster rise in interest income to a 12.0% uptick in the Bank's loan book and the adoption of the risk-based pricing implemented in the second half of 2023.

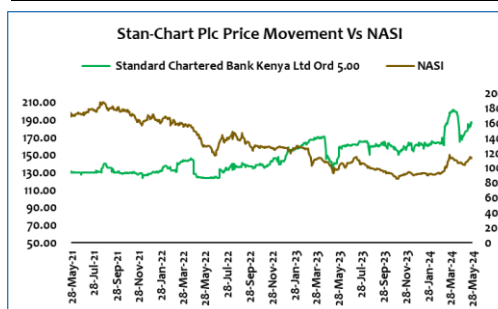
The yield on loans and advances improved 308.2bps from 11.5% to 14.5% on account of the above risk-based rate reviews, and upward adjustments of the Central Bank rates (CBR) which hit 13.0% in the quarter compared to 8.75% of Q1-2023.

Interest from government securities shrunk 19.9% y-y from KES 2.53Bn in Q1-2023 to KES 2.03Bn in Q1-2024 on effect from cuts in securities investments. Government securities book fell 45.8% y-y from KES 92.90Bn to KES 50.34Bn as the bank seemed to reduce exposure in the sector.

The yield on government securities, however, improved 396.9bps from 10.3% in Q1-2023 to 14.2% in Q1-2024, on the better returns witnessed in the period which hit as high as 18.46%.

Interest expense ballooned 78.0% from KES 0.70Bn to KES 1.25Bn funding the asset book became expensive on the rising rates especially in government papers. Cost

Recommendation:	BUY
Bloomberg Ticker:	SCBL KN
Share Statistics	
Implied Value	222.11
Current Price	187.00
Upside/Downside	18.8%
3-Month Av	181.18
6 Month Av	171.12
52 Week Av	165.43
52 Week High - Low	201.25 – 157.25
Issued shares Mn	377.86
Market Cap (KES Mn)	70,660.12
Market Cap (USD Mn)	533.64
P/E	3.24
BVPS	179.87
P/B	1.04
EPS	14.42



Return Performance		
Periods	Stan-Chart	NASI
3-Months %Δ	14.7%	22.8%
6-Months %Δ	19.6%	23.7%
Y-T-D %Δ	17.2%	24.4%
Y-Y %Δ	26.4%	15.2%

- NII + 20.0% y-y
- Provisions – 30.7% y-y
- Opex. + 6.0% y-y
- PBT + 35.4% y-y
- PAT + 39.5% y-y
- Loan Book + 12.0% y-y
- Govt. Securities – 45.8% y-y
- Deposits + 1.0% y-y
- Shareholder's Funds + 12.6% y-y

of customer deposits shoot up 66.5% from KES 1.25Bn even as a new other interest expense was also introduced.

Operating expenses were contained at KES 5.43Bn, a 6.0% y-y rise in relation to KES 5.12Bn of Q1-2023, on impact of a lower loan loss provisions reported in the period. Loan loss provisions dipped 30.7% from KES 790.92Mn to KES 547.92Mn on what we view as instatement of stringent measure in their loan book especially on new loans.

Operating expenses excluding loan loss provisions went up 12.7% y-y from KES 4.33Bn to KES 4.88Bn elevated staff costs which jumped 24.1% y-y up from KES 1.90Bn to KES 2.26Bn.

Balance Sheet

Stan-Chart Bank's total assets remained relatively stable with only a 0.7% y-y rise from KES 388.25Bn to KES 391.34Bn slowed down by declines in government securities.

Government securities book dipped 45.8% y-y from KES 92.90Mn to KES 50.34Bn as that of loans and advances book rose 12.0% y-y from KES 137.11Bn to KES 153.58Bn.

Customer deposits grew 1.0% from KES 302.95Bn to KES 306.01Bn to sufficiently support the rising loan book.

Shareholders' funds enlarged by 12.6% y-y from KES 60.38Bn in Q1-2023 to KES 67.96Bn gaining from the faster rise in net revenues which saw retained earnings expand 14.4% y-y to KES 46.37Bn.

Key Ratios

Return on average equity (ROaE) grew faster at 704.7bps from 26.7% in Q1-2023 to 34.7% in Q1-2024 as Return on average assets (REaA) went up 129.3bps from 4.2% to 5.5% by close of March 2024.

Cost of funds rose by half from 1.0% in Q1-2023 to 1.5% by close of March 2024 on impact from the faster rise in interest expense compared to interest paying liabilities of the bank.

Cost of risk declined from 2.35 IN q1-2023 TO 1.4% in Q1-2024 on what we view as improvement of the lender's asset quality that grew faster at 12.0% year on year.

P&L (KES Mn)	Q1-2023	FY-2023	Q1-2024	Y-Y %Δ
Interest Income	7,596	32,352	9,522	25.4%
Interest Expense	702	3,027	1,249	78.0%
NII	6,894	29,325	8,273	20.0%
NFI	3,868	12,403	4,792	23.9%
Total Income	10,762	41,729	13,065	21.4%
Loan Loss Provisions	791	3,380	548	-30.7%

Operating Expense	5,123	22,060	5,429	6.0%
Opex excl Provision	4,332	18,680	4,881	12.7%
PBT	5,639	19,668	7,636	35.4%
PAT	4,027	13,835	7,636	89.6%
EPS	10.55	36.17	14.42	36.7%

Balance Sheet (KES Mn)	Q1-2023	FY-2023	Q1-2024	Y-YΔ
Investments	92,901	63,834	50,341	-45.8%
Loans and Advances	137,113	129,254	117,221	-14.5%
Total Asset	388,636	428,962	391,341	0.7%
Customer Deposit	302,949	342,853	306,008	1.0%
Shareholders' Fund	60,382	61,532	67,964	12.6%

Ratios	Q1-2023	FY-2023	Q1-2024
NII % of Total Income	64.1%	70.3%	63.3%
NFI % of Total Income	35.9%	29.7%	36.7%
CTI	47.6%	52.9%	41.6%
CTI exc Provision	40.3%	44.8%	37.4%
AD Ratio	45.3%	37.7%	38.3%
Investment Securities to Assets	23.9%	14.9%	12.9%
Advances to Assets	35.3%	30.1%	30.0%
Asset Yield	12.7%	13.6%	17.2%
Cost of Funds	1.0%	1.0%	1.5%
Net Interest Margins	11.8%	12.6%	15.6%
Yield on Advances	11.4%	12.0%	14.5%
Yield on Govt Securities	10.3%	9.8%	14.2%
ROaA	4.2%	3.4%	5.5%
ROaE	27.6%	23.5%	34.7%
Cost of Risk	2.3%	2.2%	1.4%

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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 total of both capital appreciation and the dividend yield.

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