



### Standard Chartered bank reveals loss from free M-Pesa deals

- Standard Chartered Bank of Kenya is losing KES.5Mn of revenue monthly from the waiver of fees on bank-to-M-Pesa transactions as part of measures to ease the financial burden on customers in the wake of the Covid-19 pandemic.
- Central Bank of Kenya (CBK) initiated the waiver on fees, which was to last from March 16, 2020 until June 30, 2020. The regulator later made a unilateral decision to extend the waivers until December 31, 2020, drawing protests from Safaricom and banks.
- StanChart has also restructured loans amounting to 17.5% of its total loan book, giving relief to customers whose incomes have dropped due to the pandemic.
- The loan restructuring was also brokered by CBK after it became clear that many households and corporate borrowers would struggle to meet their obligations.
- To soften the blow on the lenders, the CBK said it will be more flexible with regard to requirements for loan classification and provisioning for loans that were performing on March 2, 2020 and whose repayment period was extended or were restructured due to the pandemic.

### Our View:

- **Non-Funded Income has been a key driver of revenue for the bank, contributing 32% of total income FY2019 and we expect this to come under pressure due to waiver on fees on bank to M-Pesa transactions.**
- Interest income will also take a hit FY2020 as a result of poor business performance that has necessitated loan restructuring, as well as closure of some businesses that has resulted to low demand for new loans.
- It is likely that the bank will increase its holdings of Government securities to mitigate against credit risk exposure.
- The lender revised its final dividend payout downwards by 50% from KES.15 for every ordinary share to KES7.50 FY2019 in a bid to maintain a strong capital ratio amid the uncertainty of the Covid-19 crisis, and we anticipate that poor performance FY2020 will have a further negative impact on the bank's dividend payout.