Q3 2020 Kenya Banks' Earnings Update – Standard Chartered Bank Kenya

- Standard Chartered reported KES.4.3Bn in **Profit After Tax** Q3 2020, a 30.4% decline compared to KES.6.2Bn Q3 2019 largely attributable to declines in interest income and an increase in operating expenses.
- **Earnings Per Share** (EPS) declined to KES.11.13 from KES.16.15 over the same period in 2019.
- **Total Assets** increased 8.2% to KES.314.4Bn mainly supported by 11.1% growth in the **loans and advances** to KES.131.7Bn, as well as 6.9% growth in **holdings of government securities** to KES.102.3Bn.
- **Customer deposits** increased 8% to KES.242.8Bn compared to KES.224.7Bn Q3 2019.
- **Total Interest Income** declined 3.8% on the back of 6.8% fall in interest income from loans and advances to KES.9.4Bn coupled with 10.7% decrease in interest income from government securities to KES.7.2Bn.
- **Interest expense** declined 17.3% to KES.3.6Bn compared to KES.4.4Bn Q3 2019, attributable to 15.2% reduction in interest costs on customer deposits.
- **Non-Funded Income (NFI)** down 8.8% to KES.6.3Bn (Q3 2019 – KES.6.9Bn) as a result of a 19.9% dip in foreign exchange trading income.
- **Loan loss provisions** up 274.2% to KES.2.7Bn compared to KES.728.2Mn Q3 2019, resulting in a 12.9% increase in total operating expenses.
- **Asset Quality - Gross Non-Performing Loans** (NPLs) increased 10.3% to KES.21.9Bn from KES.19.9Bn due to increased customer defaults as a result of COVID-19 pandemic.

FY2020 Outlook

- The bank is likely to issue a profit warning ahead of the release of its FY2020 financial results due to its poor performance severely affected by the COVID-19 pandemic.
- We also expect worsening credit risk to result in an increase in loan loss provision FY2020 with this negatively impacting operating expenses.
- NFI will grow marginally as the bank focuses on this income line as interest income will remain under pressure.
- We further anticipate the bank to implement additional cost management strategies to contain operating expenses. For instance, the recent dismissal of 14% of their employees contributed to a 2.5% reduction in staffing costs for Q3 2020.
- It is likely that the bank will increase its holdings of Government securities to mitigate against credit risk exposure.
- The bank paid out KES.5 as dividend FY2019 but there is a high likelihood that it will withhold dividend payments FY2020.

Attached, please find Standard Chartered Bank (K) Ltd financial performance results Q3 2020