KENYA LISTED BANKS H1’2019 PERFORMANCE

Regulations require commercial banks to publish their performance on a quarterly basis. For the H1’2019 results, banks are supposed to publish their results by 31st August 2019 and so far, we have seen 7 of the 11 listed banks release their results. The table below summarizes the performance of the seven banks:

Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Net Interest Income Growth	Net Interest Margin	Non-Funded Income Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Growth in Government Securities	Loan to Deposit Ratio	Loan Growth	Return on Average Equity
Stanbic Holdings	14.4%	10.5%	5.2%	19.5%	5.1%	10.1%	47.8%	53.2%	10.3%	8.1%	74.4%	15.0%	15.3%
Diamond Trust Bank	11.0%	(6.6%)	(5.5%)	(7.5%)	5.8%	8.5%	24.5%	(15.6%)	0.5%	14.4%	67.4%	(3.8%)	13.9%
Equity Group	9.1%	9.2%	14.3%	7.6%	8.5%	25.6%	44.0%	16.1%	16.5%	13.0%	70.0%	16.7%	22.1%
NIC Bank	8.6%	0.9%	(7.0%)	7.7%	0.0%	23.9%	32.5%	29.3%	3.5%	8.1%	77.8%	3.1%	12.0%
SCBK	5.4%	(7.3%)	(26.0%)	0.0%	7.6%	(2.2%)	32.4%	(12.8%)	(1.0%)	(15.2%)	52.5%	7.4%	18.2%
KCB Group	5.0%	4.3%	1.6%	5.2%	8.2%	14.7%	34.1%	3.5%	7.3%	20.3%	85.0%	13.6%	22.7%
Co-operative Bank	4.6%	(1.7%)	3.5%	(3.8%)	8.4%	25.1%	38.0%	38.1%	9.0%	14.2%	79.6%	2.6%	18.8%
H1'2019 Mkt Weighted Average*	7.5%	2.9%	1.4%	4.3%	7.5%	16.8%	37.7%	13.8%	8.8%	10.6%	73.1%	10.6%	19.7%
H1'2018 Mkt Weighted Average**	19.0%	7.9%	12.0%	6.4%	8.1%	6.9%	34.3%	4.6%	10.0%	14.9%	73.8%	3.8%	19.5%

*Market cap weighted as at 30/06/2019
**Market cap weighted as at 31/08/2018

Key takeaways from the table above include:

i. The seven listed Kenyan banks that have released recorded an 7.5% average increase in core Earnings Per Share (EPS), compared to an increase of 19.0% in H1’2018. The Return on Average Equity (RoAE) has risen marginally to 19.7%, from 19.5% in H1’2018,

ii. The sector has recorded a weaker deposit growth, which came in at 8.8%, slower than the 10.0% growth recorded in H1’2018. Interest expenses also increased at a slower pace of 1.4%, compared to 12.0% in H1’2018, indicating banks have been able to mobilize relatively cheaper deposits. In addition, the removal of the 70.0% minimum deposit payable on deposits in the Finance Act 2018 reduced the cost of deposit funding,

iii. Average loan growth came in at 10.6%, which was faster than the 3.8% recorded in H1’2018, indicating that there was an improvement in credit extension to the economy. Government securities on the other hand recorded a growth of 10.6% y/y, which was similar compared to the loans, but a decline from the 14.9% recorded in H1’2018. This highlights that banks are beginning to adjust their business models back to private sector lending as opposed to investing in government securities, as the yields on government securities declined during the year. Interest income increased by 2.9%, slower than the 7.9% increase recorded in H1’2018. Consequently, the Net Interest Income (NII) grew by 4.3% compared to a growth of 6.4% in H1’2018,

iv. The average Net Interest Margin in the banking sector currently stands at 7.5%, down from the 8.1% recorded in H1’2018, despite the Net Interest Income increasing by 4.3% y/y. The decline was mainly due to the decline in yields recorded in government securities, coupled with the decline in yields on loans due to the 100 bps decline in the Central Bank Rate (CBR), and,

v. Non Funded Income grew by 16.8% y/y, faster than the 6.9% recorded in H1’2018. The growth in NFI was boosted by the total fee and commission income which improved by 13.8%, compared to the 4.6% growth recorded in H1’2018, owing to the faster loan growth.

We expect the remaining 4 listed banks to release their half year results by 31st August 2019, and we will include this analysis in our H1’2019 Banking Sector Report.