

Dear esteemed client,

Attached, please find a copy of latest half year results for NBK, BBK, Stanchart and Bamburi for the period ended 30th June 2008.

## **COMMENTS ON HALF-YEAR RESULTS [H1'08]**

### **NATIONAL BANK OF KENYA**

The Bank seems to be finally shaking off its big Non-performing Loans tag, with profitability and capital strength gradually improving. Profit before tax for the first half of 2008 was up 46.20%, while the earnings per share moved up by 62.60%, from Kshs 1.31 to Kshs. 2.13 per share. The bulk of the bank's income (61%) comes from interest receipts. In the period, loan loss provision fell by 31% from Kshs. 350m to Kshs. 240.40m. The balance sheet strength has also improved by a marginal 2.89% from Kshs. 42.14Bn to Kshs 43.36Bn. The total net Non-performing loans (pre- discounted securities value) stands at Kshs. 526m, down from the Kshs. 1.18Bn in June 2007. Key ratios have also improved, with liquidity ratio now at 34%, up from 29% in June 2007. The statutory requirement is at 20%. Of late there has been talk of strategic investors buying into the counter (with NSSF, a key shareholder discounting suggestions of a sale of part of its stake). In addition, a secondary offer to the public is likely in the 2009/2010 financial year. We remain bullish about the counter's long-term prospects.

### **BARCLAYS BANK OF KENYA**

Profit before tax for H1 of 2008 edged up by 21% from Kshs.3.5Bn to Kshs. 4.3Bn, on the back of marked improvements in non-interest income (up 37%) and interest income (up 34%). Loan loss provision was up by 44%, against a backdrop of an expanded loan book that rose by 30% to Kshs. 107Bn from the Kshs. 82Bn in June 2007. The balance sheet is now 22% stronger, with mobilization of deposits being key to growing earnings. Recent marketing initiatives may have been responsible for a 22% rise in customer deposits, which now make up 87% of the total liabilities. Net exposure for the Bank is up 274% and now stands at Kshs. 692m. Being a big Bank, big lending means higher relative exposure. Liquidity ratio stands at 28.2%, down from 35.2 in June 2007 against the statutory requirement of 20%. Given the fact that competition is getting even stiffer, new initiatives need to be brought to the fore to ensure that the Bank remains at the top tier.

### **STANDARD CHARTERED BANK**

Consolidated figures indicate that profit before tax rose by 0.96% to Kshs. 2.32Bn from the Kshs. 2.30Bn recorded in June 2007. Net interest income which is up by 3.31% to Kshs. 2.7Bn made up 60% of the total operating income. Loan loss provision now stands at Kshs. 148m, an 8.73% increase from the Kshs. 136m provision in June 2007. Total assets rose by 2% in the period to June 2008, while customer deposits which now stand at Kshs. 73.5Bn, represent a 2% decline from the Kshs. 75Bn in June 2007. Net NPLs exposure is now at Kshs. 79m down from the Kshs. 95m exposure in June 2007. The bank appears to prefer to maintain a high liquidity ratio which currently stands at 60%, up from the 54% ratio in June 2007. As deposit mobilization is key to growing earnings, the bank needs to seek ways of shoring up deposits to remain competitive in an increasingly dynamic industry.

### **BAMBURI CEMENT**

The Group's turnover was up 9% mainly as a result of market recovery in the second quarter of 2008, as the economy smarted from disruptions that led to access disruptions in Q1. Significant cost increases due to escalating fuel-oil prices and freight rates impacted on the group's operations. Further, the long shutdown of Hima plant due to fuel shortage and increased use of purchased clinker in Uganda all affected turnover levels. Pre-tax profit stood at Kshs. 2.88Bn, 28% above the figures for the half-year ended June 2007. The group's non-current asset base improved by 14% mainly due to large capital expenditure projects like Kasese capacity

expansion project and the new clinker cooler in Mombasa. The end-period cash position is noted to be lower due to a delay in fire insurance claim payments and down payments on key capital expenditure projects. Overall, earlier productivity investments, shorter plant shut downs in Mombasa, as well as cost minimization initiatives launched in 2006 are observed to be responsible for the company's profitability stunt. Management is optimistic about the second half performance. It is trading cum-dividend (DPS - Kshs. 3.20 per share), with books closing on September 5 2008.

Have a nice day

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