

ABSA Plc Triples its Profits After Tax at 328.3%

Absa group posted a 328.3% Y/Y growth on its profit after tax (PAT) from Kes. 1.92Bn to Kes. 8.34Bn in Q3-2021. Its Profits before tax (PBT) jumped 249.9% Y/Y from Kes. 3.39Bn to Kes. 11.86Bn on reduced loan loss provisions which stood at kes. 3.40Bn compared to Kes. 7.60Bn provided same time last year. Q/Q performance dropped 13.6% and 15.5% on the counter's PBT and PAT respectively. The lender's operating income saw anormal growth of 7.5% Y/Y from Kes. 25.41Bn to Kes. 27.31Bn.

The group's board do not recommend an interim dividend on Q3-2021 results.

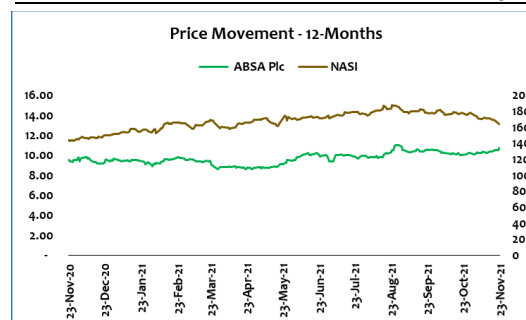
Income Statement

- Net Interest income rose 8.6% Y/Y and 9.1% Q/Q from Kes. 17.10Bn in Q3-2020 and Kes 12.00Bn in Q2-2021 to Kes. 18.58Bn. This resulted from total interest income increments of 1.3% Y/Y and 9.7% Q/Q from Kes. 23.22Bn and Kes. 15.19Bn in Q2-2021 to close Q3-2021 at Kes. 23.52 Bn. Interest income from loans and advances saw normal growths of 3.9% Y/Y and 9.4% Q/Q from Kes. 16.37Bn and Kes. 11.13Bn to Kes. 17.00Bn, on the lender's growing loan book in the recovering economy.
- Interest income from government securities fell 8.2% Y/Y from Kes. 6.69Bn to Kes. 6.14Bn while remaining relatively stable Q/Q at 0.4% lower from Kes. 2.05Bn to Kes. 2.04Bn.
- Availability of cheap deposits saw interest expense drop 19.1% Y/Y on a deposit growth of 9.0% Y/Y from Kes. 246.55Bn to Kes. 268.82Bn. On Q/Q deposit growth slowed to a growth of 1.8% from Kes. 263.94Bn in Q2-2021 to Kes. 268.82Bn in Q3-2021 leading to a 12.1% rise in interest expense Kes. 3.20Bn to Kes. 4.94Bn.
- Non-funded income gathered 5.2% Y/Y from kes. 8.31Bn to Kes. 8.74% but contracted 3.3% Q/Q from Kes. 2.99Bn to Kes. 2.89Bn. Digital revenue rose 37.8% from Kes. 1.26Bn to Kes. 1.32Bn on customer focus on alternative channels which stood at 87% of the bank's total transactions. Forex income declined 3.4% Y/Y and 9.0% to Kes. 3.12Bn unlike that of its competitors that spiked on the weakening shilling.
- Loan loss provisions slumped 55.2% Y/Y from kes. 7.60Bn to Kes. 3.43Bn on closure of loan restructures. On Q/Q basis, provisions spiked 166.5% to Kes. 1.46Bn in Q3-2021 from that of kes. 0.55Bn.
- Staff costs dipped 8.8% to Kes. 6.845Bn from Kes. 7.48Bn reaping from its cost rationalization through digital enhancement and migrations.
- Expenses excluding loan loss provisions remained contained at contained at 3.5% Y/Y from kes. 12.48Bn in Q3-2020 to Kes. 12.05Bn.

Balance Sheet

- The group's assets grew gradually at 3.3% Q/Q and 6.1% Y/Y from Kes. 387.87Bn in Q3-2021 to Kes. 398.15Bn and Kes. 411.42Bn in Q2 and Q3-2021 respectively. This was supported by the growing loan book which saw 9.5% Y/Y and 4.7% Q/Q upticks.
- The growing loan book benefited from a 9.0% Y/Y and 1.8% Q/Q rise in deposits from Kes. 246.55Bn and Kes. 263.94Bn to kes. 268.82Bn by Q3-2021.
- Investment in government securities dipped 13.7% Y/Y from Kes. 94.66Bn to Kes. 89.68Bn.
- Investors' funds moved 22.4% up from Kes. 44.62Bn in Q3-2020 to Kes. 54.62Bn gaining greatly from retained earnings as the board reserved funds by the no dividend decision.

Bloomberg Ticker	ABSA KE Share Statistics
Current Price (kes)	10.75
Six Month Average	10.02
12 Month Average	9.69
52 Week High - Low	11.00 - 8.62
Issued shares (Mn)	5,431.54
Market Cap (Kes Mn)	58,389.01
Market Cap (USD Mn)	520.82
EPS	1.52
P/E	7.07
BVPS	10.06
PB	0.94



Absa Performance return		
Period	ABSA	NASI
MTM	6.40%	-7.30%
3-Months	6.40%	10.90%
6-Months	18.10%	4.90%
YTD	12.90%	7.70%
Y-Y	12.70%	13.90%

NNI -45.1% Q/Q

Provisions – 24.8% Q/Q

Opex. -43.9 Q/Q

PBT – 50.9% Q/Q

PAT + -52.2% Q/Q

Loans + 4.7% Q/Q

Deposits + 1.8% Q/Q

Shareholder's Funds + 5.1%

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Key Ratios

- The group's cost of funds fell 140bps from 5.2% to 3.8% on availability of cheap deposits. This saw the net interest margins moved 420bps up from 3.3% to 7.4% Y/Y.
- Cost to income ratio declined from 79.0% to 56.6% Y/Y on the falling loan loss provisions plus a 8.6% drop on staff costs. CTI less loan loss provisions declined 500bps from 49.1% to 44.1% Y/Y.
- Return on average assets (ROaA) and return on average equity (ROaE) remained on an upward trend on the growing net income. ROaE rose from 5.7% to 21.7% Y/Y as ROaA moved from 0.75 to 2.8% Y/Y.

P&L (KES Mn)	Q3 - 2020	Q2 - 2021	Q3 - 2021	Q/QΔ%	Y/YΔ%
Interest Income	23,215	15,190	23,520	-45.2%	1.3%
Interest Expense	6,114	3,195	4,944	-45.3%	-19.1%
NII	17,101	11,995	18,576	-45.1%	8.6%
NFI	8,309	5,845	8,738	-50.5%	5.2%
Total Income	25,410	17,840	27,314	-46.9%	7.5%
Deposits and placements	4,802	2,937	4,497	-46.9%	-6.4%
Loan Loss Provisions	7,597	1,942	3,403	-24.8%	-55.2%
Operating Expense	20,075	9,895	15,450	-43.9%	-23.0%
Opex Excl Provisions	12,478	7,953	12,047	-48.5%	-3.5%
PBT	3,391	7,945	11,864	-50.7%	249.9%
PAT	1,923	5,572	8,237	-52.2%	328.3%
EPS	0.35	1.03	1.52	47.6%	334.3%

Balance Sheet (KES Mn)	Q3 - 2020	Q2 - 2021	Q3 - 2021	Q/QΔ%	Y/YΔ%
Investments	94,664	77,064	81,665	6.0%	-13.7%
Loans and Advances	209,248	218,873	229,080	4.7%	9.5%
Total Asset	387,867	398,152	411,418	3.3%	6.1%
Customer Deposit	246,551	263,944	268,816	1.8%	9.0%
Shareholders' Fund	44,622	51,967	54,623	5.1%	22.4%

Ratios	Q3 - 2020	Q2 - 2021	Q3 - 2021
NII % of Total Income	67.3%	67.2%	68.0%
NFI % of Total Income	32.7%	32.8%	32.0%
CTI	79.0%	55.5%	56.6%
CTI excl Provisions	49.1%	44.6%	44.1%
Cost of Funds	5.2%	2.5%	3.8%
Net Interest Margin	3.3%	7.6%	7.4%
ROaA	0.7%	2.9%	2.8%
ROaE	5.7%	22.6%	21.7%
Gross NPL to Net Loans	7.4%	7.7%	7.8%
AD Ratio	84.9%	82.9%	85.2%
Investment to Assets	24.4%	19.4%	19.8%
Loans to Assets	53.9%	55.0%	55.7%

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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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