

Kingdom Securities Limited

Kenya Banking Industry Report - Full Year 2021



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Research Analyst:

Willis Nalwenge

wналwenge@co-opbank.co.ke

Office: +254 711 049 183

Kenya Banking Industry Summary

The banking industry saw total assets expand by 10.5% y-y with investment in securities growing by 19.9% y-y while net loan book was by 8.8% y-y. To finance the assets, customer deposits increased by 7.8% y-y while borrowing were up 30.0% y-y mostly aimed at containing regulatory requirements.

Industry profits before tax (PBT) increased by 76.1% y-y. Tier III PBT grew by 355.9% from a loss of KES 1.14Bn to a profit of KES 2.91Bn capturing 1.5% market share from a negative market share of 1.0%.

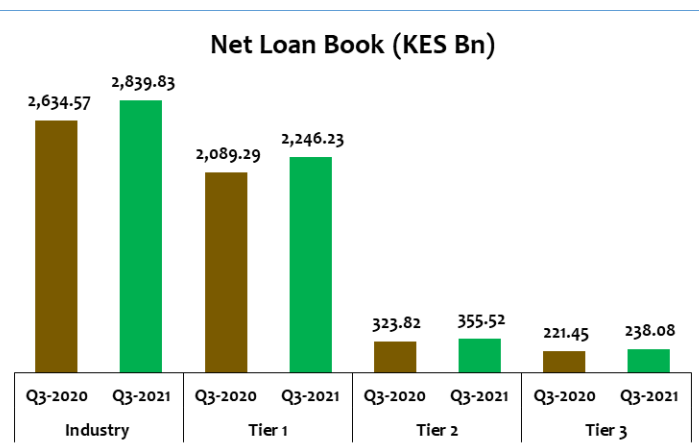
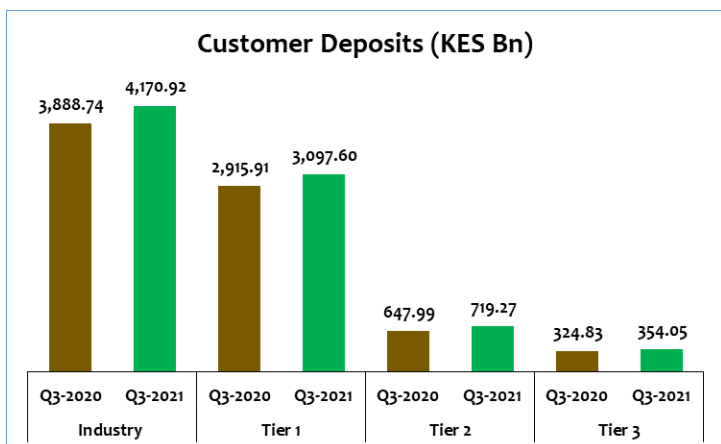
FY-2020				
KES Mn	Industry	Tier 1	Tier 2	Tier 3
Profit Before Tax	111,987	97,302	15,820	(1,135)
% Share		86.9%	14.1%	-1.0%
Investment Securities	1,566,077	1,079,867	355,078	131,133
% Share		69.0%	22.7%	8.4%
Net Loan Book	2,677,636	2,127,842	324,540	225,254
% Share		79.5%	12.1%	8.4%
Total Assets	5,418,698	4,076,548	875,355	466,795
% Share		75.2%	16.2%	8.6%
Customer Deposits	3,956,611	2,950,105	669,186	337,320
% Share		74.6%	16.9%	8.5%
Borrowed Funds	161,140	137,363	13,752	10,025
% Share		85.2%	8.5%	6.2%
Shareholder Funds	815,486	608,317	137,399	69,770
% Share		74.6%	16.8%	8.6%

FY-2021				
KES Mn	Industry	Tier 1	Tier 2	Tier 3
Profit Before Tax	197,203	170,652	23,646	2,905
% Share		86.50%	12.00%	1.50%
Investment Securities	1,878,171	1,330,043	411,737	136,391
% Share		70.80%	21.90%	7.30%
Net Loan Book	2,914,372	2,302,475	370,281	241,617
% Share		79.00%	12.70%	8.30%
Total Assets	5,986,600	4,508,166	981,733	496,701
% Share		75.30%	16.40%	8.30%
Customer Deposits	4,264,791	3,153,942	741,332	369,518
% Share		74.00%	17.40%	8.70%
Borrowed Funds	209,491	179,661	14,763	15,067
% Share		85.80%	7.00%	7.20%
Shareholder Funds	891,448	666,617	151,629	73,202
% Share		74.80%	17.00%	8.20%

Tier 1 Banks continued to dominate the industry with 79.0% loan book and 74.0% of the customer deposits. Tier 1 yield on loans were 10.3% compared to industry's 10.2% with tier 2 having lowest yields on advance of 9.2%. Industry advances to deposit ratio was at 68.3% with tier 1 banks at a high of 73.0% while tier 2 had the lowest levels of 49.9%.

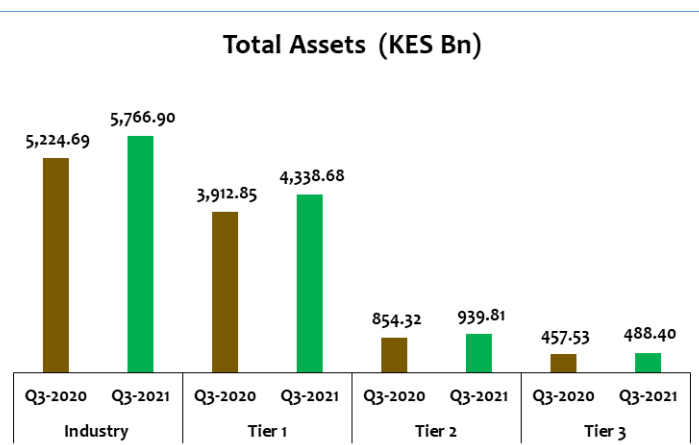
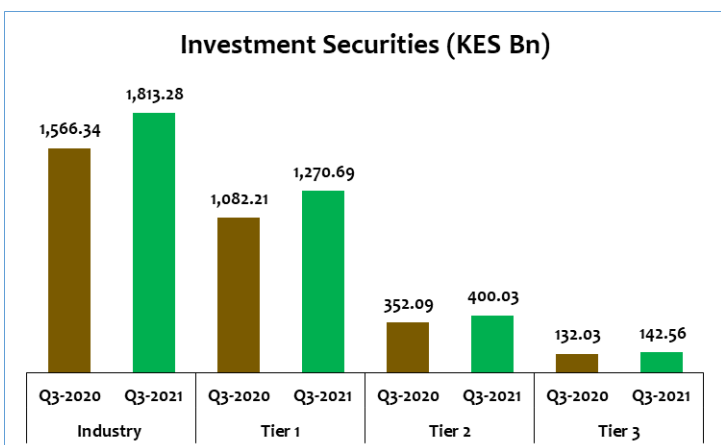
Industry cost of deposit was 3.2%. Tier 3 had the most expensive deposit of 4.7% while tier 1 had 2.9% with tier 2 at 3.7%.

The tier had the highest net interest margins (NIMs) of 6.6% in FY-21 compared to industry NIMs of 6.2%. Tier 3 had the lowest NIMs of 4.7% due to high cost of funds of 5.2% compared to tier 1 of 2.9% of tier 2- 3.8%.



There was a renewed focus on investments in government as industry increased by 19.9% with tier 1 remaining more conservative topping with a growth of

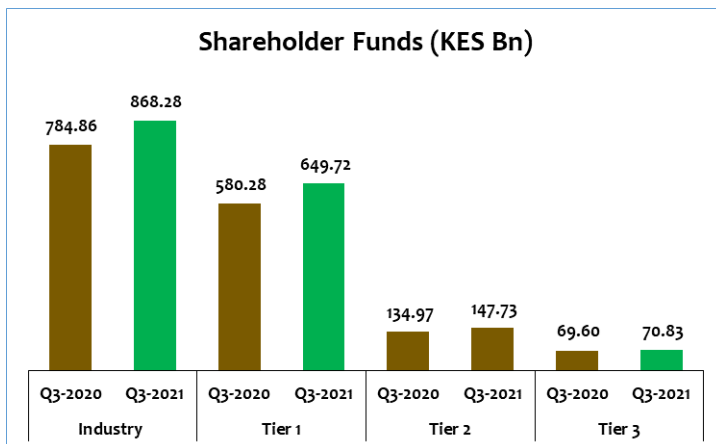
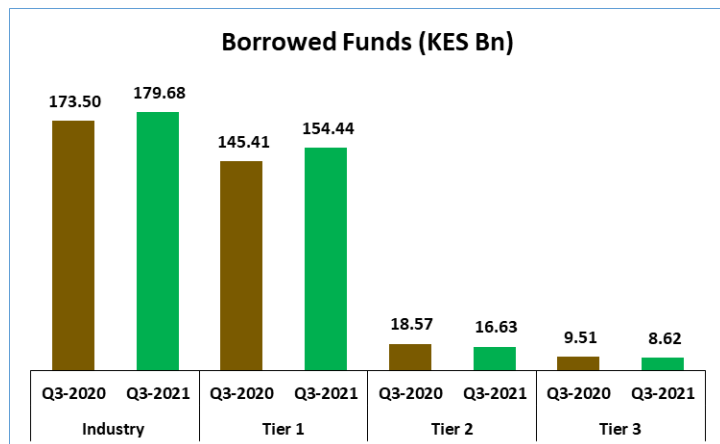
23.2%. Yields on government securities eased to 9.2% with tier 1 recording the lowest yields of 8.9% while tier 3 recorded 10.3%.



Borrowed funds increased by 30.0% pushing debt to equity ratio up to 23.5% from 19.8%. Growth in tier 1 borrowing increased by 30.8% y-y pushing the tier debt to equity to 27.0% from 22.6% with most of the cash used to meet statutory requirements.

Tier 2 banks saw low demand on borrowed funds which increased by 7.4% y-y with debt to equity easing to 9.7% from 10.0% in FY-20.

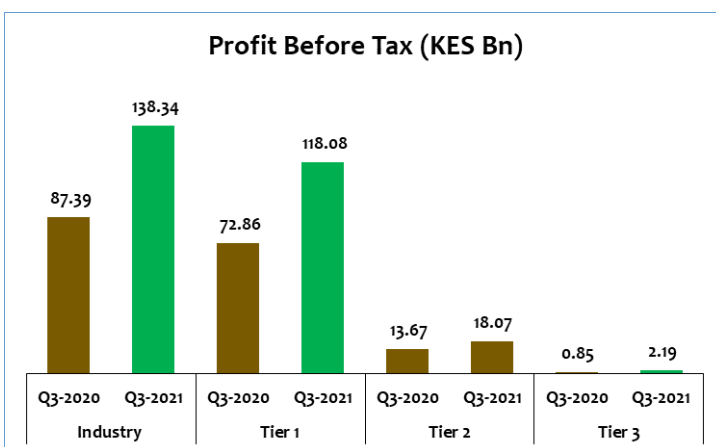
In spite of the resumption of dividend payment, low payout saw shareholders' funds expand by 9.6% y-y driven by retained earnings.



Tier 1 banks bottom-line growth was driven by a 50.1% y-y drop in loan loss provisions as the tier total income grew by 8.2% compared to industry 9.2%, tier 2 14.7% and tier 3 10.7% y-y growth.

Decline in loan loss provision (LLP) saw industry cost of risk (CoR) drop to 2.0% from 4.1% in FY-20. Tier one CoR declined to 2.1% from 4.6% as LLP decline by 50.1%.

Total non-performing loans (NPL) to net loans remained flat at 13.0%. Tier 2 banks NPLs dipped to 15.5% from 18.0% while tier 1 loans increased to 12.0% from 11.6% in FY-20.



Bank Industry Market Share Ranking

Most ranking parameters did not change as KCB Bank Kenya retained top position as the largest bank in loan book, deposit and shareholders' funds. Equity Bank Kenya took top position in PBT, investment securities and total assets.

Due to the ongoing acquisition discussion, Spire Bank did not release its FY-2021 results.

Total Deposit			Loan Book		
Bank	FY-2020	FY-2021	Bank	FY-2020	FY-2021
KCB	14.9%	14.6%	KCB	18.4%	18.1%
EQUITY	10.6%	11.0%	EQUITY	11.7%	13.1%
NCBA	9.8%	10.1%	CO-OP	11.4%	10.4%
CO-OP	10.1%	9.3%	ABSA	7.8%	8.0%
ABSA	6.4%	6.3%	NCBA	8.4%	7.5%
STANCHART	6.5%	6.2%	STANBIC	5.9%	6.3%
STANBIC	5.5%	5.6%	I&M	5.6%	5.6%
I&M	5.5%	5.3%	DTB	5.8%	5.5%
DTB	5.2%	5.3%	STANCHART	4.5%	4.3%
BARODA	3.4%	3.5%	NBK	2.1%	2.3%
NBK	2.5%	2.5%	FAMILY	2.1%	2.3%
CITI	2.0%	2.3%	BARODA	1.8%	1.9%
PRIME BANK	2.2%	2.3%	CITI	1.4%	1.8%
ECOBANK	2.0%	2.1%	PRIME BANK	1.3%	1.3%
FAMILY	1.8%	1.9%	HFCK	1.4%	1.2%
SBM	1.4%	1.4%	SBM	0.9%	1.0%
BANK OF INDIA	1.2%	1.2%	VICTORIA BANK	0.9%	1.0%
HFCK	1.0%	0.9%	ECOBANK	0.9%	0.8%
VICTORIA BANK	0.7%	0.8%	SIDIAN	0.7%	0.8%
ABC BANK	0.7%	0.7%	ABC BANK	0.8%	0.8%
GULF AFRICA	0.8%	0.7%	GULF AFRICA	0.8%	0.7%
BANK OF AFRICA	0.7%	0.6%	FIRST COMMUNITY BANK	0.5%	0.6%
SIDIAN	0.6%	0.6%	GT BANK	0.5%	0.6%
HABIB AG ZURICH	0.5%	0.6%	BANK OF AFRICA	0.6%	0.5%
GT BANK	0.5%	0.5%	BANK OF INDIA	0.5%	0.5%
FIRST COMMUNITY BANK	0.5%	0.5%	CREDIT	0.6%	0.5%
CREDIT	0.4%	0.5%	DUBAI INVESTMENT BANK DIB	0.3%	0.3%
GUARDIAN	0.3%	0.3%	DEVELOPMENT BANK OF KENYA	0.3%	0.3%
DUBAI INVESTMENT BANK DIB	0.3%	0.3%	CONSOLIDATED BANK	0.3%	0.3%
CONSOLIDATED BANK	0.2%	0.3%	GUARDIAN	0.3%	0.2%
UBA	0.2%	0.3%	PARAMOUNT	0.3%	0.2%
M ORIENTAL	0.2%	0.2%	M ORIENTAL	0.3%	0.2%
PARAMOUNT	0.2%	0.2%	HABIB AG ZURICH	0.2%	0.2%
ACCESS KENYA BANK	0.2%	0.2%	MIDDLE EAST	0.3%	0.2%
MIDDLE EAST	0.2%	0.2%	MAYFAIR	0.2%	0.2%
MAYFAIR	0.2%	0.2%	KINGDOM BANK	0.2%	0.2%
DEVELOPMENT BANK OF KENYA	0.1%	0.2%	ACCESS KENYA BANK	0.1%	0.1%
KINGDOM BANK	0.1%	0.1%	UBA	0.1%	0.1%
SPIRE BANK	0.1%	0.0%	SPIRE BANK	0.1%	0.0%

Investment Securities			Total Asset		
Bank	FY-2020	FY-2021	Bank	FY-2020	FY-2021
EQUITY	12.3%	17.8%	EQUITY	12.3%	14.6%
NCBA	9.7%	10.8%	KCB	13.9%	13.7%
KCB	8.8%	9.7%	NCBA	9.0%	9.1%
CO-OP	10.2%	8.5%	CO-OP	9.9%	9.0%
DTB	7.1%	6.6%	ABSA	6.9%	7.1%
BARODA	6.3%	5.9%	STANCHART	6.0%	5.6%
I&M	5.0%	4.9%	DTB	5.7%	5.4%
STANCHART	6.0%	4.8%	STANBIC	5.9%	5.3%
ABSA	5.6%	4.6%	I&M	5.2%	5.1%
PRIME BANK	3.8%	3.6%	BARODA	3.1%	3.0%
BANK OF INDIA	3.2%	3.2%	NBK	2.3%	2.4%
NBK	3.1%	2.8%	CITI	2.0%	2.2%
CITI	2.9%	2.2%	PRIME BANK	2.1%	2.1%
STANBIC	3.4%	2.2%	FAMILY	1.7%	1.9%
SBM	2.6%	1.9%	ECOBANK	1.7%	1.7%
ECOBANK	0.9%	1.7%	BANK OF INDIA	1.4%	1.4%
FAMILY	1.1%	1.3%	SBM	1.5%	1.4%
KINGDOM BANK	1.4%	1.2%	HFCK	1.0%	0.9%
HABIB AG ZURICH	1.1%	1.1%	VICTORIA BANK	0.7%	0.7%
GT BANK	0.7%	0.6%	BANK OF AFRICA	0.8%	0.7%
SIDIAN	0.4%	0.5%	SIDIAN	0.6%	0.7%
BANK OF AFRICA	0.6%	0.5%	GULF AFRICA	0.7%	0.6%
VICTORIA BANK	0.5%	0.5%	ABC BANK	0.6%	0.6%
GUARDIAN	0.3%	0.4%	GT BANK	0.6%	0.6%
HFCK	0.4%	0.3%	KINGDOM BANK	0.6%	0.5%
ABC BANK	0.2%	0.3%	HABIB AG ZURICH	0.5%	0.5%
MAYFAIR	0.2%	0.3%	CREDIT	0.4%	0.4%
ACCESS KENYA BANK	0.3%	0.3%	FIRST COMMUNITY BANK	0.4%	0.4%
CREDIT	0.2%	0.3%	GUARDIAN	0.3%	0.3%
M ORIENTAL	0.2%	0.2%	DEVELOPMENT BANK OF KENYA	0.3%	0.3%
DEVELOPMENT BANK OF KENYA	0.3%	0.2%	DUBAI INVESTMENT BANK DIB	0.2%	0.3%
PARAMOUNT	0.2%	0.2%	CONSOLIDATED BANK	0.2%	0.2%
MIDDLE EAST	0.1%	0.2%	M ORIENTAL	0.2%	0.2%
UBA	0.7%	0.2%	UBA	0.3%	0.2%
CONSOLIDATED BANK	0.1%	0.2%	MAYFAIR	0.2%	0.2%
SPIRE BANK	0.1%	0.0%	ACCESS KENYA BANK	0.2%	0.2%
GULF AFRICA	0.0%	0.0%	PARAMOUNT	0.2%	0.2%
FIRST COMMUNITY BANK	0.0%	0.0%	MIDDLE EAST	0.2%	0.2%
DUBAI INVESTMENT BANK DIB	0.0%	0.0%	SPIRE BANK	0.1%	0.0%

PBT			Total Equity		
Bank	FY-2020	FY-2021	Bank	FY-2020	FY-2021
EQUITY	12.7%	20.8%	KCB	13.6%	13.9%
KCB	21.1%	20.5%	EQUITY	10.6%	11.9%
CO-OP	19.1%	10.8%	CO-OP	10.1%	10.6%
NCBA	4.9%	8.1%	NCBA	9.8%	8.8%
ABSA	4.8%	7.4%	DTB	5.2%	6.4%
STANCHART	6.3%	6.1%	ABSA	6.4%	6.1%
I&M	9.2%	5.4%	STANCHART	6.5%	5.9%
STANBIC	5.6%	4.8%	I&M	5.5%	5.8%
BARODA	5.2%	3.4%	STANBIC	5.5%	5.2%
CITI	4.9%	3.0%	BARODA	3.4%	3.2%
DTB	3.4%	2.4%	PRIME BANK	2.2%	3.1%
BANK OF INDIA	2.4%	1.7%	CITI	2.0%	2.5%
FAMILY	1.2%	1.6%	BANK OF INDIA	1.2%	2.3%
PRIME BANK	1.7%	1.5%	NBK	2.5%	1.8%
NBK	0.3%	0.7%	FAMILY	1.8%	1.7%
GT BANK	0.4%	0.5%	GT BANK	0.5%	1.1%
SIDIAN	0.1%	0.4%	SBM	1.4%	1.0%
GULF AFRICA	0.5%	0.3%	HFCK	1.0%	0.9%
ECOBANK	0.0%	0.3%	VICTORIA BANK	0.7%	0.8%
FIRST COMMUNITY BANK	0.2%	0.3%	ECOBANK	2.0%	0.7%
KINGDOM BANK	-0.1%	0.3%	BANK OF AFRICA	0.7%	0.6%
HABIB AG ZURICH	0.4%	0.3%	GULF AFRICA	0.8%	0.6%
VICTORIA BANK	0.4%	0.3%	SIDIAN	0.6%	0.5%
BANK OF AFRICA	-0.6%	0.1%	MAYFAIR	0.2%	0.5%
SBM	0.6%	0.1%	ABC BANK	0.7%	0.4%
CREDIT	0.0%	0.1%	DEVELOPMENT BANK OF KENYA	0.1%	0.4%
PARAMOUNT	0.1%	0.1%	CREDIT	0.4%	0.4%
MIDDLE EAST	0.1%	0.1%	HABIB AG ZURICH	0.5%	0.4%
GUARDIAN	0.1%	0.1%	DUBAI INVESTMENT BANK DIB	0.3%	0.4%
ABC BANK	0.1%	0.1%	M ORIENTAL	0.2%	0.3%
ACCESS KENYA BANK	-1.8%	0.0%	GUARDIAN	0.3%	0.3%
MAYFAIR	-0.3%	0.0%	FIRST COMMUNITY BANK	0.5%	0.3%
M ORIENTAL	0.0%	0.0%	PARAMOUNT	0.2%	0.2%
DEVELOPMENT BANK OF KENYA	0.0%	0.0%	KINGDOM BANK	0.1%	0.2%
SPIRE BANK	-1.1%	0.0%	ACCESS KENYA BANK	0.2%	0.2%
CONSOLIDATED BANK	-0.2%	-0.1%	CONSOLIDATED BANK	0.2%	0.2%
HFCK	-0.9%	-0.3%	MIDDLE EAST	0.2%	0.2%
DUBAI INVESTMENT BANK DIB	-0.6%	-0.3%	UBA	0.2%	0.1%
UBA	0.1%	-0.7%	SPIRE BANK	0.1%	0.0%

Income Statement (KES Mn)	Banking Industry			Tier 1			Tier 2			Tier 3		
	Q3-2020	Q3-2021	Y-Y %%	Q3-2020	Q3-2021	Y-Y %%	Q3-2020	Q3-2021	Y-Y %%	Q3-2020	Q3-2021	Y-Y %%
Interest Income	439,230	479,614	9.2%	332,845	362,119	8.8%	67,322	75,177	11.7%	39,063	42,318	8.3%
Interest Expense	147,767	153,667	4.0%	100,372	102,340	2.0%	27,532	30,664	11.4%	19,862	20,663	4.0%
NII	291,463	325,947	11.8%	232,473	259,779	11.7%	39,790	44,513	11.9%	19,201	21,655	12.8%
NFI	141,884	147,075	3.7%	120,810	122,541	1.4%	12,015	14,893	24.0%	9,059	9,640	6.4%
Total Income	433,347	473,022	9.2%	353,282	382,320	8.2%	51,805	59,406	14.7%	28,259	31,295	10.7%
Loan Loss Provision	110,017	58,802	-46.6%	97,403	48,635	-50.1%	6,480	4,913	-24.2%	6,135	5,253	-14.4%
Expenses	316,485	275,334	-13.0%	251,150	211,194	-15.9%	35,951	35,750	-0.6%	29,384	28,390	-3.4%
Expense excl Provisions	206,468	216,532	4.9%	153,748	162,559	5.7%	29,471	30,836	4.6%	23,249	23,137	-0.5%
PBT	111,987	197,203	76.1%	97,302	170,652	75.4%	15,820	23,646	49.5%	(1,135)	2,905	355.9%
PAT	89,354	144,001	61.2%	78,988	124,066	57.1%	11,956	18,274	52.8%	(1,590)	1,661	204.5%

Balance Sheet (KES Mn)	Banking Industry			Tier 1			Tier 2			Tier 3		
	FY-2020	FY-2021	Y-Y %%	FY-2020	FY-2021	Y-Y %%	FY-2020	FY-2021	Y-Y %%	FY-2020	FY-2021	Y-Y %%
Investment Securities	1,566,077	1,878,171	19.9%	1,079,867	1,330,043	23.2%	355,078	411,737	16.0%	131,133	136,391	4.0%
Loans and Advances	2,677,636	2,914,372	8.8%	2,127,842	2,302,475	8.2%	324,540	370,281	14.1%	225,254	241,617	7.3%
Total Assets	5,418,698	5,986,600	10.5%	4,076,548	4,508,166	10.6%	875,355	981,733	12.2%	466,795	496,701	6.4%
Customer Deposits	3,956,611	4,264,791	7.8%	2,950,105	3,153,942	6.9%	669,186	741,332	10.8%	337,320	369,518	9.5%
Borrowings	161,140	209,491	30.0%	137,363	179,661	30.8%	13,752	14,763	7.4%	10,025	15,067	50.3%
Shareholders' Equity	815,486	891,448	9.3%	608,317	666,617	9.6%	137,399	151,629	10.4%	69,770	73,202	4.9%

NPLs (KES Mn)	Banking Industry			Tier 1			Tier 2			Tier 3		
	FY-2020	FY-2021	Y-Y %%	FY-2020	FY-2021	Y-Y %%	FY-2020	FY-2021	Y-Y %%	FY-2020	FY-2021	Y-Y %%
Gross NPL	420,811	451,412	7.3%	293,341	323,202	10.2%	72,991	71,946	-1.4%	54,478	56,264	3.3%
Total NPL	351,611	379,421	7.9%	247,770	276,257	11.5%	58,390	57,217	-2.0%	45,451	45,947	1.1%

Key Ratio	Banking Industry		Tier 1		Tier 2		Tier 3	
	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021
NII Contribution	67.3%	68.9%	65.8%	67.9%	76.8%	74.9%	67.9%	69.2%
NFI Contribution	32.7%	31.1%	34.2%	32.1%	23.2%	25.1%	32.1%	30.8%
CTI	73.0%	58.2%	71.1%	55.2%	69.4%	60.2%	104.0%	90.7%
CTI ex Provisions	47.6%	45.8%	43.5%	42.5%	56.9%	51.9%	82.3%	73.9%
Yield on Advances	10.4%	10.2%	10.5%	10.3%	9.6%	9.2%	10.8%	10.8%
Yield of Govt Sec	9.6%	9.2%	9.6%	8.9%	9.6%	9.5%	9.7%	10.3%
Yield on Assets	9.6%	9.5%	9.8%	9.5%	8.9%	9.0%	9.7%	9.9%
Cost of Deposit	3.3%	3.2%	3.0%	2.9%	3.7%	3.7%	4.9%	4.7%
Cost of Funds	3.4%	3.2%	3.1%	2.9%	3.8%	3.8%	5.4%	5.2%
NIMS	6.2%	6.2%	6.7%	6.6%	5.1%	5.1%	4.3%	4.7%
Cost of Risk	4.1%	2.0%	4.6%	2.1%	2.0%	1.3%	2.7%	2.2%
ROA	1.6%	2.4%	1.9%	2.8%	1.4%	1.9%	-0.3%	0.3%
ROE	11.0%	16.2%	13.0%	18.6%	8.7%	12.1%	-2.3%	2.3%
Total NPL: Net Loans	13.1%	13.0%	11.6%	12.0%	18.0%	15.5%	20.2%	19.0%
Advances to Deposit	67.7%	68.3%	72.1%	73.0%	48.5%	49.9%	66.8%	65.4%
Advances to (Deposit+ Borrowings)	65.0%	65.1%	68.9%	69.1%	47.5%	49.0%	64.9%	62.8%
Investment to Assets	28.9%	31.4%	26.5%	29.5%	40.6%	41.9%	28.1%	27.5%
Loans to Assets	49.4%	48.7%	52.2%	51.1%	37.1%	37.7%	48.3%	48.6%
Debt to Equity	19.8%	23.5%	22.6%	27.0%	10.0%	9.7%	14.4%	20.6%

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Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049540/0711049956

Email: kingdomresearch@co-opbank.co.ke

Research Department

Willis Nalwenge	wnalwenge@co-opbank.co.ke	+254 711 049 283
Shadrack Manyinsa	smanyinsa@co-opbank.co.ke	+254 711 049 956

Equities Trading

Andrew Karanja	amkaranja@co-opbank.co.ke	+254 711 049 150
Justus Ogalo	jogalo@co-opbank.co.ke	+254 711 049 240

Fixed Income Trading

Ashley Odundo	aodundo@co-opbank.co.ke	+254 711 049 195
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Client Service and Operation

Hycinth Monchari	hmonchari@co-opbank.co.ke	+254 711 049 888
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