

Kingdom Securities Limited

Banking Sector Earnings Update 2021



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Full Year – 2021 Performance Summary

Key Ratios	ABSA	DTB	EQUITY	HFCK	I&M	KCB	NCBA	STANBIC	STANCHART	CO-OP	Listed Banks Average	Listed Banks Median
EPS	2.00	13.98	10.38	(1.54)	4.92	10.64	6.21	18.23	23.49	2.85	9.12	8.29
BVPS	10.39	266.64	46.69	20.72	44.78	53.99	47.34	117.66	140.83	17.17	76.62	47.01
PE	6.2	4.1	4.7	(2.0)	4.2	4.1	4.2	5.7	6.1	4.5	4.7	4.3
PB	1.3	0.2	1.2	0.1	0.5	0.9	0.6	0.9	1.0	0.8	0.8	0.8
RoAA	2.7%	0.9%	3.4%	-1.1%	2.1%	3.2%	1.8%	2.2%	2.7%	3.7%	2.2%	2.5%
RoAE	21.1%	5.5%	24.9%	-7.2%	11.4%	21.6%	13.6%	16.0%	17.4%	17.2%	14.1%	16.6%
Div	1.10	3.00	3.00	-	1.50	3.00	3.00	9.00	19.00	1.00	4.36	3.00
Payout	55.0%	21.5%	28.9%	0.0%	30.5%	28.2%	48.3%	49.4%	80.9%	35.1%	37.8%	32.8%
Div Yield	8.9%	5.2%	6.1%	0.0%	7.2%	6.9%	11.6%	8.7%	13.3%	7.8%	7.6%	7.5%
VWAP 4/04/22	12.35	57.75	49.15	3.03	20.75	43.50	25.95	104.00	143.00	12.75		

Profitability

Only Housing Finance posted a loss after tax despite it being a 187.7% drop in loss. NCBA posted the highest gain in PBT of 201.8% followed by ABSA 175.4% and Equity Group with 134.0%. the PBT growth was higher compared to 87.2% of the sector PBT growth.

PBT growth was championed by a drop in loan loss provision (LLP) with the listed sector declining by 45.1%. Equity Group had the highest dip in LLP of 78.1%, followed by KCB Group 52.8%, Stanbic 51.1%. ABSA and Co-op were the others that posted higher LLP decline compared to sector reporting with 47.8% and 46.4% respectively. DTB and I&M posted a positive growth in LLP of 3.2% and 69.8% respectively.

PE and PB

Strong sector PE and PB performance with DTB (PE 4.1, PB 0.2), I&M (PE 4.2, PB 0.5), NCBA (4.2, PB 0.5) and Co-op Bank (PE 4.5, PB 0.7) trading below the sector PE and PB of 4.3 and 0.8.

Dividend

After some banks opting to skip on dividend payment in FY-20, listed banks reverted to rewarding shareholders with Stanchart issuing the highest payout of 80.9% and dividend yield of 13.3%.

Income Statement

- Listed banks posted 87.2% y-y increase in FY-21 profits before tax (PBT) to a cumulative KES 193.26Bn from KES 103.26Bn in FY-20. The performance was supported by a 14.6% rise in net interest income and a 10.3% drop in operating expense.
- The effects of zero charges on bank to wallet and wallet to bank continued to be felt on the non-funded income with the income line growing by 7.9%. NFI contribution to total income edged down to 34.4% from 35.7% in FY-20.
- Overall loan loss provision declined by 45.1% y-y. This pushed cost to income (CTI) down to 59.8% from 74.9% in FY-20. Operating expenses excluding provisions increased by 7.9% y-y. CTI was supported downwards by a faster rise in total income to 47.3% from 49.2%.
- Profit after tax (PAT) increased by 87.3% y-y supported by a 97.7% q-q jump in Q4-21 PAT.

P&L (KES Mn)	FY2020	FY2021	ΔY-Y	Q3-2021	Q4-2021	ΔQ-Q
Interest Income	393,683	444,022	12.8%	113,451	120,129	5.9%
Interest Expense	118,543	128,802	8.7%	33,326	34,029	2.1%
NII	275,140	315,220	14.6%	80,125	86,101	7.5%
NFI	152,876	165,019	7.9%	42,173	42,398	0.5%
Total Income	428,016	480,239	12.2%	122,298	128,499	5.1%
Loan Loss Provisions	110,111	60,414	-45.1%	16,604	16,840	1.4%
Operating Expense	320,519	287,364	-10.3%	73,089	80,308	9.9%
Opex less Provisions	210,408	226,950	7.9%	56,485	63,468	12.4%
PBT	103,261	193,257	87.2%	49,234	50,488	2.5%
PAT	82,203	153,952	87.3%	33,748	39,056	15.7%

Balance Sheet

- Sector balance sheet saw total assets expand by 14.0%. Banks remained skeptical of risk opting to grow investments in securities by 27.3% compared to a 11.8% y-y expansion of the loan book. The balance sheet was fueled by a 13.1% y-y growth in deposits while borrowing was up 15.2% y-y.
- The sector saw a weak fourth quarter with loan disbursement shingling by 41.0% q-q. investments in securities were 60.4% q-q, a move seen towards borrowing reduction.
- Advance to deposit ratio eased to 68.8% in FY-21 compared to 69.6% with loan to asset ratio easing to 50.3% from 51.3%.
- NPL remained flat at 11.4% while cost of risk declining to 2.1% from 4.4% in FY-20.

Balance Sheet (KES Mn)	FY2020	FY2021	ΔY-Y	Q3-2021	Q4-2021	ΔQ-Q
Investments	1,236,466	1,574,592	27.3%	122,311	48,488	-60.4%
Loans and Advances	2,529,777	2,828,748	11.8%	129,545	76,392	-41.0%
Total Asset	4,930,434	5,623,134	14.0%	198,691	206,292	3.8%
Customer Deposit	3,635,885	4,113,702	13.1%	142,090	88,150	-38.0%
Borrowing	230,207	265,183	15.2%	(59)	23,226	39580.5%
Shareholders' Fund	729,852	841,175	15.3%	32,480	29,720	-8.5%

Key Ratio – FY-2021

COUNTER	ABSA	DTB	EQUITY	HFCK	I&M	KCB	NCBA	STANBIC	STANCHART	CO-OP	LISTED
Ratios	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021	FY2021
NII % of Total Income	68.4%	76.0%	60.7%	77.3%	70.5%	71.5%	55.0%	57.2%	64.5%	67.9%	65.6%
NFI % of Total Income	31.6%	24.0%	39.3%	22.7%	29.5%	28.5%	45.0%	42.8%	35.5%	32.1%	34.4%
CTI	57.9%	75.6%	54.2%	136.3%	59.9%	56.0%	68.1%	60.6%	56.8%	63.0%	59.8%
CTI less Provisions	45.1%	46.9%	49.1%	124.5%	45.8%	44.0%	42.2%	51.9%	49.7%	49.9%	47.3%
Yield on Advance	10.4%	8.7%	12.0%	9.0%	11.9%	11.6%	10.4%	8.8%	9.5%	12.2%	11.0%
Yield of Govt Securities	9.3%	9.5%	9.6%	9.7%	9.1%	11.1%	10.6%	9.8%	9.8%	10.7%	10.1%
Cost of Fund	2.6%	3.9%	2.7%	4.8%	3.9%	2.8%	4.2%	2.5%	1.1%	3.3%	3.1%
NIM	7.6%	4.8%	6.6%	4.3%	6.5%	8.3%	5.5%	6.1%	8.9%	8.1%	7.0%
Cost of Deposit	2.3%	3.9%	2.1%	3.9%	3.7%	2.6%	4.2%	2.4%	1.2%	3.4%	2.8%
ROaA	2.7%	0.9%	3.4%	-1.1%	2.1%	3.2%	1.8%	2.2%	2.7%	3.7%	2.6%
ROaE	21.1%	5.5%	24.9%	-7.2%	11.4%	21.6%	13.6%	16.0%	17.4%	17.2%	17.6%
Cost of Risk	2.0%	3.4%	1.0%	0.8%	2.0%	1.9%	5.2%	1.1%	1.7%	2.6%	2.1%
Non-Performing Loans	7.4%	13.1%	7.6%	16.9%	8.4%	16.3%	14.8%	9.8%	10.9%	14.0%	11.4%
Advance to Deposit	87.2%	66.5%	61.3%	92.0%	71.0%	80.7%	51.9%	77.3%	47.5%	76.1%	68.8%
Investment to Assets	20.6%	37.0%	30.2%	12.4%	26.3%	23.8%	37.0%	12.8%	27.2%	32.0%	28.0%
Loans to Assets	54.6%	48.2%	45.0%	65.6%	50.7%	59.3%	41.3%	58.1%	37.6%	53.5%	50.3%
Debt to Equity	0.0%	27.1%	70.3%	54.6%	26.4%	21.6%	7.8%	22.9%	0.0%	42.6%	31.5%

Key Ratios – FY-2020

COUNTER	ABSA	DTB	EQUITY	HFCK	I&M	KCB	NCBA	STANBIC	STANCHART	CO-OP	LISTED
Ratios	FY2020	FY2020	FY2020	FY2020	FY2020	FY2020	FY2020	FY2020	FY2020	FY2020	FY2020
NII % of Total Income	67.7%	74.7%	58.9%	78.5%	64.4%	70.5%	54.9%	55.4%	69.8%	64.0%	64.3%
NFI % of Total Income	32.3%	25.3%	41.1%	21.5%	35.6%	29.5%	45.1%	44.6%	30.2%	36.0%	35.7%
CTI	74.4%	81.3%	77.6%	170.6%	52.0%	73.3%	86.2%	71.6%	73.0%	69.3%	74.9%
CTI less Provisions	48.2%	51.0%	49.2%	153.6%	41.8%	44.8%	42.2%	52.0%	58.8%	55.1%	49.2%
Yield on Advance	11.0%	9.1%	12.3%	9.7%	12.1%	11.5%	10.7%	9.2%	9.8%	12.1%	11.2%
Yield of Govt Securities	10.6%	8.8%	10.7%	9.5%	8.6%	12.3%	10.9%	10.1%	9.9%	10.5%	10.5%
Cost of Fund	3.2%	3.9%	2.7%	5.4%	4.6%	2.7%	4.4%	3.3%	1.9%	3.2%	3.2%
NIM	7.6%	4.7%	7.4%	4.1%	5.4%	8.4%	5.7%	6.1%	8.5%	8.1%	7.1%
Cost of Deposit	2.4%	3.9%	2.2%	4.7%	4.3%	2.6%	4.3%	3.0%	1.7%	3.1%	3.0%
ROaA	1.1%	0.8%	2.3%	-3.1%	2.4%	2.1%	0.9%	1.7%	1.0%	3.3%	1.8%
ROaE	9.1%	4.9%	15.8%	-18.2%	12.5%	14.4%	6.5%	12.9%	7.2%	16.0%	11.9%
Cost of Risk	4.3%	3.5%	5.6%	1.1%	1.3%	4.6%	8.2%	2.7%	3.2%	2.8%	4.4%
Non-Performing Loans	7.0%	10.7%	10.6%	20.3%	10.0%	14.2%	13.5%	12.5%	10.9%	18.1%	11.4%
AD Ratio	82.3%	70.0%	64.5%	92.6%	71.3%	77.6%	59.0%	73.0%	47.4%	75.7%	69.6%
Investment to Assets	23.6%	34.9%	21.4%	12.8%	25.1%	21.1%	31.0%	16.9%	29.1%	30.4%	25.1%
Loans to Assets	55.0%	49.1%	47.1%	66.7%	52.3%	60.3%	47.1%	49.6%	37.3%	53.4%	51.3%
Debt to Equity	0.0%	29.0%	62.9%	43.0%	21.7%	26.0%	18.4%	20.0%	0.0%	50.0%	31.5%

KINGDOM SECURITIES

Kenya Banking Sector Earning Analysis FY 2021

Income Statement

INCOME STATEMENT KES MN	ABSA		DTB		EQUITY		HFCK		I&M		KCB	
	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021
Interest Income	31,440	32,038	31,090	33,904	73,765	94,345	4,266	3,923	27,849	33,081	88,745	102,157
Interest Expense	8,059	6,781	13,010	13,912	18,616	25,534	2,399	2,095	12,249	12,205	20,808	24,463
NII	23,381	25,257	18,079	19,993	55,149	68,811	1,866	1,828	15,600	20,877	67,938	77,694
NFI	11,140	11,665	6,122	6,308	38,508	44,575	512	538	8,638	8,736	28,451	30,941
Total Income	34,522	36,921	24,202	26,301	93,657	113,386	2,379	2,366	24,237	29,613	96,388	108,635
Loan Loss Provisions	9,027	4,709	7,324	7,558	26,631	5,845	405	281	2,473	4,200	27,508	12,988
Operating Expense	25,673	21,372	19,669	19,884	72,664	61,505	4,058	3,226	12,606	17,748	70,669	60,820
Opex less Provisions	16,647	16,663	12,344	12,326	46,033	55,661	3,653	2,945	10,134	13,549	43,161	47,832
PBT	5,646	15,549	4,668	6,626	22,170	51,881	(1,776)	(876)	10,952	12,413	25,719	47,814
PAT	4,162	10,870	3,248	3,908	19,789	39,174	(1,707)	(593)	8,074	8,131	19,604	34,091
EPS	0.77	2.00	11.61	13.98	5.24	10.38	(4.40)	(1.54)	9.77	4.92	6.10	10.64

INCOME STATEMENT KES MN	NCBA		STANBIC		STANCHART		CO-OP		LISTED BANKS	
	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021
Interest Income	44,245	46,514	19,709	20,125	23,734	22,285	48,841	55,648	393,683	444,022
Interest Expense	18,751	19,477	7,541	6,248	4,617	3,475	12,492	14,611	118,543	128,802
NII	25,493	27,037	12,168	13,877	19,117	18,809	36,349	41,037	275,140	315,220
NFI	20,943	22,114	9,805	10,391	8,290	10,355	20,466	19,396	152,876	165,019
Total Income	46,437	49,151	21,973	24,268	27,407	29,164	56,815	60,433	428,016	480,239
Loan Loss Provisions	20,441	12,717	4,307	2,106	3,882	2,082	8,112	7,929	110,111	60,414
Operating Expense	40,033	33,450	15,736	14,701	20,011	16,566	39,398	38,090	320,519	287,364
Opex less Provisions	19,592	20,733	11,429	12,595	16,129	14,485	31,286	30,161	210,408	226,950
PBT	4,982	15,035	6,237	9,568	7,396	12,598	17,267	22,649	103,261	193,257
PAT	4,571	10,224	5,224	7,066	3,233	9,044	13,798	16,544	82,203	138,129
EPS	2.77	6.21	30.63	41.43	13.95	23.49	1.98	2.85	-	-

KINGDOM SECURITIES

Kenya Banking Sector Earning Analysis FY 2021

Balance Sheet

BALANCE SHEET	ABSA		DTB		EQUITY		HFCK		I&M		KCB	
KES MN	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021
Investments	89,682	88,380	148,378	168,976	217,408	394,101	7,106	6,550	89,842	109,167	208,765	270,830
Loans and Advances	208,855	234,234	208,593	220,425	477,847	587,775	36,998	34,693	187,391	210,620	595,254	675,480
Total Asset	379,441	428,690	425,054	456,843	1,015,093	1,304,914	55,445	52,904	358,100	415,181	987,810	1,139,673
Customer Deposit	253,630	268,717	298,167	331,452	740,801	958,977	39,944	37,715	262,681	296,747	767,224	837,141
Borrowing	-	-	19,798	20,171	87,221	123,912	3,681	4,351	14,773	19,546	37,032	37,561
Shareholders' Fund	46,504	56,447	68,314	74,553	138,641	176,191	8,562	7,968	68,063	74,048	142,424	173,508
NPLs	ABSA		DTB		EQUITY		HFCK		I&M		KCB	
KES MN	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021
Gross NPLs	17,099	19,817	22,770	30,056	59,393	53,856	10,799	8,673	23,595	21,448	96,613	122,850
Total NPLs	14,666	17,322	22,254	28,855	50,627	44,504	7,511	5,856	18,681	17,771	84,763	110,130

BALANCE SHEET	NCBA		STANBIC		STANCHART		CO-OP		LISTED BANKS	
KES MN	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021
Investments	163,547	218,809	53,869	41,000	94,853	91,015	163,018	185,763	1,236,466	1,574,592
Loans and Advances	248,498	244,038	158,182	185,313	121,524	125,975	286,634	310,195	2,529,777	2,828,748
Total Asset	527,954	591,088	318,986	319,199	325,605	334,872	536,945	579,772	4,930,434	5,623,134
Customer Deposit	421,504	469,890	216,805	239,869	256,498	265,469	378,630	407,726	3,635,885	4,113,702
Borrowing	13,319	6,097	8,355	10,630	-	-	46,026	42,915	230,207	265,183
Shareholders' Fund	72,548	77,987	41,857	46,512	50,890	53,214	92,048	100,746	729,852	841,175
NPLs	NCBA		STANBIC		STANCHART		CO-OP		LISTED BANKS	
KES MN	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021	FY-2020	FY-2021
Gross NPLs	40,057	44,339	25,038	22,504	22,337	23,283	59,134	49,731	368,070	373,274
Total NPLs	33,488	36,089	19,703	18,242	13,212	13,747	51,889	43,392	288,498	322,161

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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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