

Kingdom Securities Limited

Listed Bank Review Q1-2023 Summary



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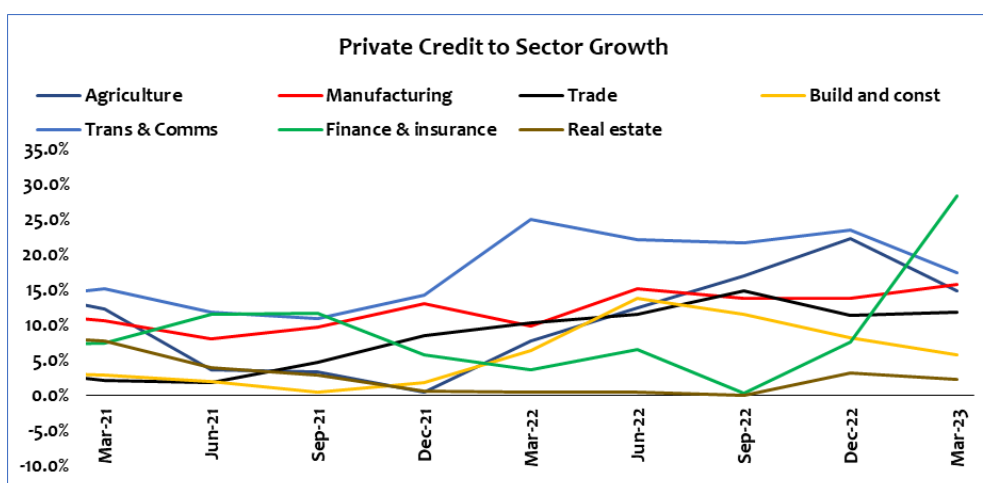
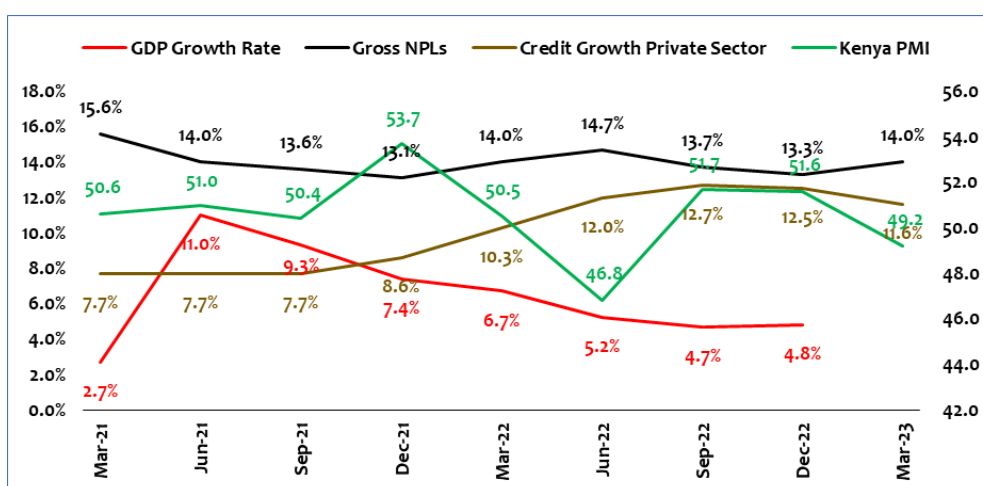
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Kenya Banking Industry Performance – Q1-2022

- The Kenyan banking industry was upbeat with total assets growing by 11.0% y-y compared to a growth of 10.4% in Q2-2022.
- Gross loans increased by 13.9% faster than 11.2% same period in 2022. This was driven by expansion in credit to the private sector which increased by 11.6% y-y as the economy continues recovery. NPLs remained at a high of 14.0%, flat compared to Q1-2022 while bettered Q1-2021.
- Deposits lagged growth in gross loans with the liability line up 8.1% as banks shied away from expensive credits.
- The rising yields in government securities and increase in risk appetite saw banks shift tactics as liquidity shrunk to 49.9% from 55.0% in Q1-2022. This is also reflected in the advance to deposit ratio which improved to 79.8% in Q1-23 from 75.7% in Q1-2022 and even better than 73.6% in Q1-2021

Growth Performance	Q1-2021	Q1-2022	Q1-2023	%Δ Q1-2022	%Δ Q1-2023
Total Assets	5,528	6,103	6,772	10.4%	11.0%
Shareholder's Fund	836	913	964	9.2%	5.7%
Gross Loans	3,041	3,382	3,852	11.2%	13.9%
Deposits	4,133	4,467	4,828	8.1%	8.1%
Advance to Deposit	73.6%	75.7%	79.8%	2.2%	4.1%
Gross NPL	14.6%	14.0%	14.0%	-0.6%	0.0%
Liquidity	56.3%	55.0%	49.9%	-1.3%	-5.1%



KINGDOM SECURITIES

Kenya Banking Sector Earnings Update Q1-2023

NAME OF BANKS	ABSA			DTB Bank			EQUITY GROUP			HOUSING FINANCE			I&M BANK			KCB GROUP		
Interest Income	8,781	12,143	38.3%	9,232	12,192	32.1%	26,674	32,440	21.6%	1,023	1,178	15.1%	8,604	10,175	18.3%	26,628	33,613	26.2%
Interest Expense	1,900	2,788	46.8%	3,696	5,513	49.2%	7,322	10,755	46.9%	503	549	9.1%	3,398	4,084	20.2%	6,888	11,553	67.7%
NII	6,882	9,356	36.0%	5,536	6,680	20.7%	19,352	21,685	12.1%	520	629	21.0%	5,205	6,091	17.0%	19,740	22,060	11.8%
NFI	3,018	4,505	49.3%	1,779	2,811	58.0%	11,914	18,384	54.3%	253	275	8.7%	2,195	3,485	58.8%	9,292	14,790	59.2%
Total Income	9,900	13,861	40.0%	7,315	9,491	29.7%	31,266	40,069	28.2%	773	904	17.0%	7,401	9,577	29.4%	29,031	36,850	26.9%
Loan Loss Provisions	1,181	2,401	103.3%	582	1,366	134.7%	1,806	3,477	92.5%	56	102	80.4%	481	1,642	241.5%	2,075	4,118	98.4%
Operating Expense	5,601	7,439	32.8%	3,894	5,856	50.4%	15,982	23,188	45.1%	734	814	10.9%	3,850	6,032	56.7%	14,999	22,996	53.3%
Opex less Provisions	4,420	5,038	14.0%	3,312	4,490	35.6%	14,176	19,711	39.0%	677	712	5.2%	3,369	4,390	30.3%	12,924	18,878	46.1%
PBT	4,299	6,422	49.4%	3,387	3,646	7.6%	15,284	16,881	10.5%	39	90	130.5%	3,430	3,746	9.2%	14,032	13,854	-1.3%
PAT	2,954	4,452	50.7%	2,179	2,418	11.0%	11,544	12,306	6.6%	34	83	143.5%	2,320	2,540	9.5%	9,789	9,503	-2.9%
EPS	0.54	0.82	51.9%	7.79	8.65	11.0%	3.06	3.26	6.5%	0.36	0.87	141.7%	1.55	1.54	-0.6%	12.18	12.14	-0.3%

NAME OF BANKS	NCBA GROUP			STANBIC BANK			STANCHART			CO-OP BANK			LISTED BANKS		
Interest Income	12,163	14,714	21.0%	5,270	7,856	49.1%	5,664	7,596	34.1%	14,001	15,570	11.2%	118,041	147,478	24.9%
Interest Expense	5,070	6,346	25.2%	1,527	2,438	59.7%	742	702	-5.4%	3,629	4,798	32.2%	34,674	49,524	42.8%
NII	7,093	8,368	18.0%	3,744	5,418	44.7%	4,922	6,894	40.1%	10,373	10,773	3.9%	83,366	97,954	17.5%
NFI	6,057	7,179	18.5%	3,030	5,736	89.3%	2,487	3,868	55.5%	6,408	7,099	10.8%	46,433	68,131	46.7%
Total Income	13,150	15,547	18.2%	6,774	11,154	64.7%	7,409	10,762	45.2%	16,781	17,872	6.5%	129,800	166,086	28.0%
Loan Loss Provisions	2,525	1,954	-22.6%	491	1,144	132.9%	(86)	791	1019.6%	1,544	1,532	-0.7%	10,656	18,527	73.9%
Operating Expense	8,117	9,153	12.8%	3,849	5,659	47.0%	3,481	5,123	47.2%	9,024	9,815	8.8%	69,531	96,074	38.2%
Opex less Provisions	5,592	7,199	28.7%	3,358	4,515	34.5%	3,567	4,332	21.4%	7,480	8,283	10.7%	58,875	77,548	31.7%
PBT	4,848	6,395	31.9%	2,925	5,495	87.8%	3,928	5,639	43.6%	7,789	8,149	4.6%	59,962	70,317	17.3%
PAT	3,411	5,066	48.5%	2,110	3,890	84.3%	2,765	4,027	45.7%	5,835	6,111	4.7%	42,941	50,397	17.4%
EPS	2.07	3.08	48.8%	12.37	22.81	84.4%	6.87	10.55	53.6%	0.90	1.04	15.6%	-	-	0.0%

- Top sector growth was seen on Stanbic Bank Kenya with all the key revenues line growth. This was supported growing loan book and rising loans and advances yields in line with industry changes. The top line performance was translated to profits after tax.
- Housing Finance posted a strong bottom-line growth supported by slower growth in expense.
- Only NCBA Group had a decline in loan loss provisions of 22.6% despite a 17.7% growth on loan book.
- Top regional banks were affected by the Kenyan subsidiaries with PBT and PAT down 12.4% and 14.4% while KCB Kenya PBT and PAT down 22.0%.

KINGDOM SECURITIES

Kenya Banking Sector Earnings Update Q1-2023

NAME OF BANKS	ABSA			DTB Bank			EQUITY GROUP			HOUSING FINANCE			I&M BANK		
Investment Securities	87,811	87,027	-0.9%	167,062	197,328	18.1%	389,414	392,469	0.8%	7,219	9,486	31.4%	108,562	110,694	2.0%
Loans And Advances (Net)	242,672	309,973	27.7%	224,800	270,369	20.3%	623,561	756,334	21.3%	34,810	36,967	6.2%	218,406	257,715	18.0%
Total Assets	438,500	514,604	17.4%	471,336	553,302	17.4%	1,269,458	1,537,677	21.1%	54,302	58,988	8.6%	430,831	472,606	9.7%
Customer Deposits	269,537	310,831	15.3%	343,144	404,632	17.9%	900,924	1,111,169	23.3%	38,353	41,206	7.4%	309,424	324,674	4.9%
Borrowed Funds	-	4,227	100.0%	16,081	25,732	60.0%	124,131	114,113	-8.1%	4,988	4,366	-12.5%	19,939	17,366	-12.9%
Total Shareholders' Equity	59,150	67,981	14.9%	76,607	82,542	7.7%	174,207	190,684	9.5%	7,870	8,792	11.7%	75,244	84,455	12.2%

NAME OF BANKS	KCB Group			NCBA			STANBIC BANK			STANCHART BANK			CO-OP BANK OF KENYA		
Investment Securities	274,443	297,719	8.5%	223,158	234,317	5.0%	45,937	50,328	9.6%	89,149	92,901	4.2%	185,038	181,043	-2.2%
Loans And Advances (Net)	704,366	928,824	31.9%	243,899	287,154	17.7%	206,460	230,273	11.5%	128,093	137,113	7.0%	324,483	360,106	11.0%
Total Assets	1,166,908	1,630,604	39.7%	587,377	628,826	7.1%	331,021	391,600	18.3%	340,913	388,636	14.0%	596,986	631,066	5.7%
Customer Deposits	845,817	1,196,587	41.5%	465,536	499,736	7.3%	235,114	291,005	23.8%	265,381	302,949	14.2%	410,825	419,755	2.2%
Borrowed Funds	37,843	62,636	65.5%	5,900	4,241	-28.1%	12,201	14,775	21.1%	-	-	0.0%	43,279	48,394	11.8%
Total Shareholders' Equity	183,723	214,846	16.9%	80,305	87,907	9.5%	48,552	56,082	15.5%	55,623	60,382	8.6%	103,097	112,879	9.5%

NAME OF BANKS	ABSA	DTB Bank	EQUITY GROUP	HOUSING FINANCE	I&M BANK	KCB GROUP	NCBA GROUP	STANBIC BANK	STANCHART	CO-OP BANK
EPS (annualized)	3.28	34.60	13.04	3.48	6.16	12.14	12.32	57.03	42.20	4.16
PE	3.4	1.3	2.9	1.2	2.7	2.6	2.9	1.8	3.8	2.9
PB	0.9	0.2	0.8	0.2	0.3	0.5	0.7	0.7	1.0	0.6
Book Value	12.52	295.21	50.53	22.86	51.07	66.86	53.36	141.86	159.80	19.24
No of Shares	5,432	280	3,774	385	1,654	3,213	1,648	395	378	5,867

- The entry into Congo through acquisition supported KCB Group balance sheet growth with assets crossing 1,630.60Bn mark overtaking Equity Group whose asset book stood at KES 1,537.68Bn. however Equity Group topped on customer deposit with KES 1,269.46Bn with KCB coming second with KES 1,166.91Bn
- All banks posted a slowdown on investments in government securities with Housing Finance posting the highest growth of 31.4% y-y while the average growth was 7.6%. this was due to rising yields leaving most of the investments underwater.

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Recommendation Guide:

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 of both capital appreciation and the dividend yield.

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