



Banks' Earnings Note

Listed Kenyan banks' H1 2021 performance

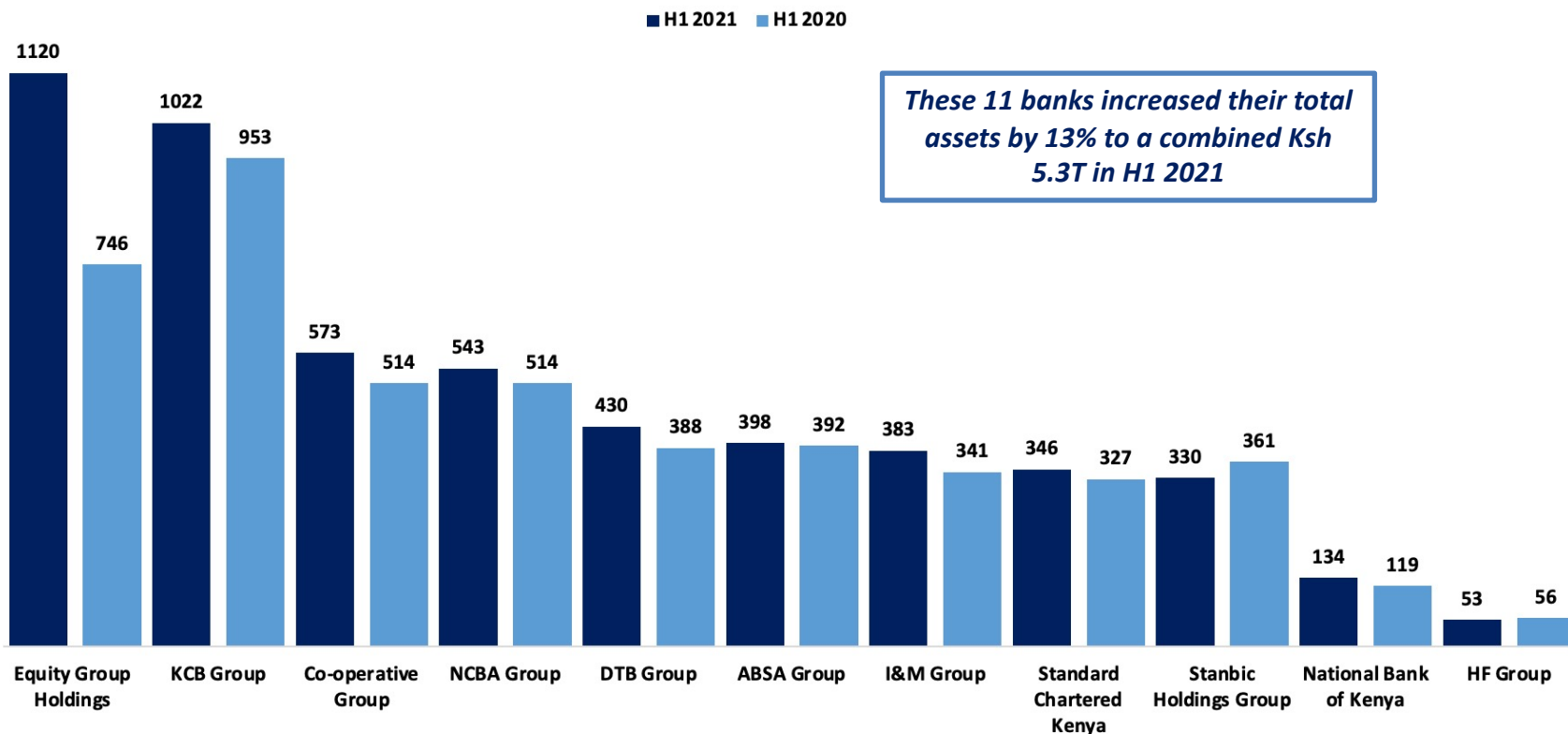
Erick Mokaya, CFA
Boniface Oyunge, ACIFA
Eric Maina

Nairobi Securities Exchange Banking Sector



Growing Balance Sheet Sizes

KCB Group reached Ksh 1T balance sheet mark



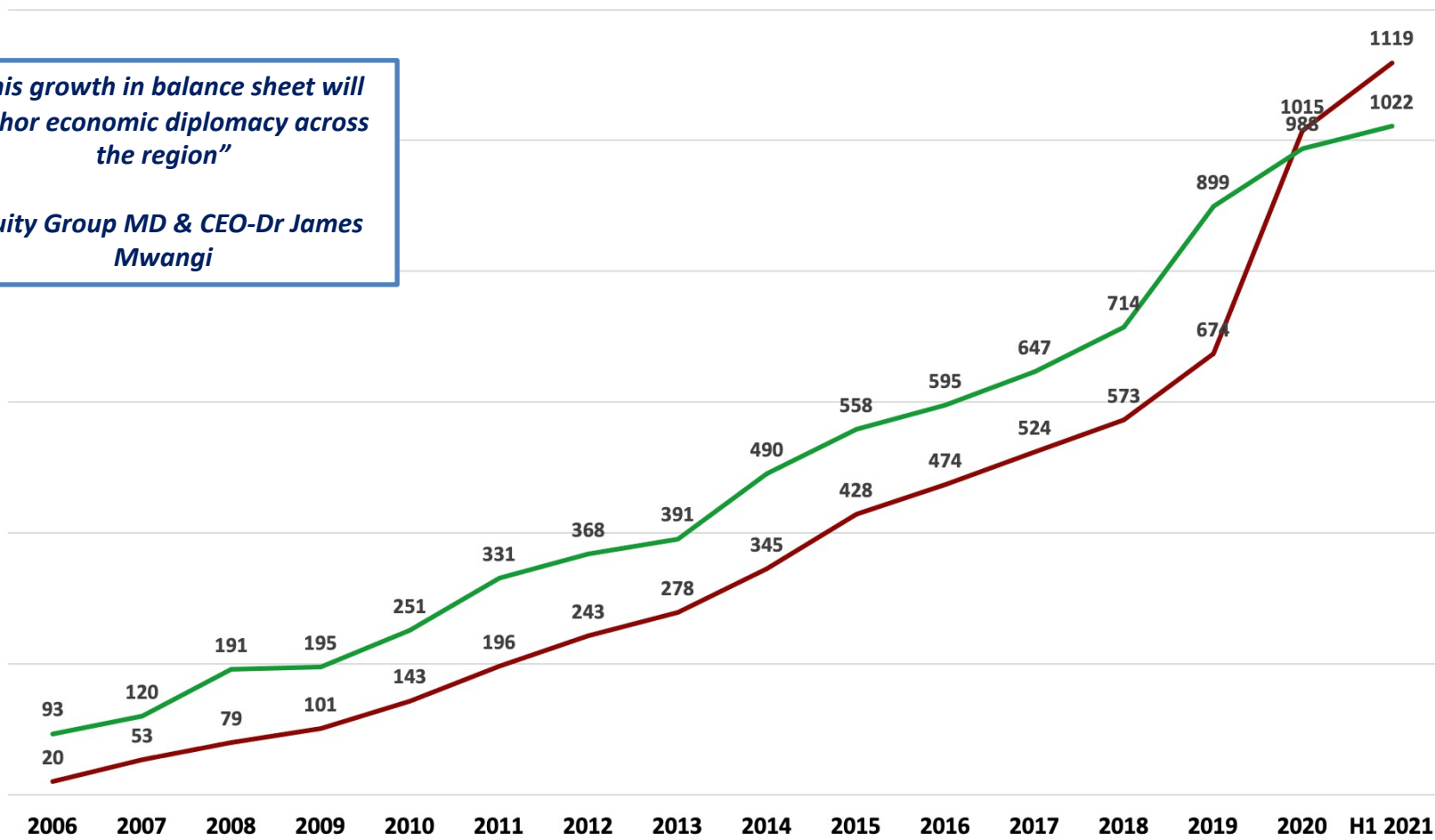
Racing to 2T in Total Assets?

Equity Group & KCB Group boast Ksh 1T balance sheets

— Equity Bank — KCB

“This growth in balance sheet will anchor economic diplomacy across the region”

Equity Group MD & CEO-Dr James Mwangi



Loans & advances to customers

Sluggish growth in loan books

Loan Book



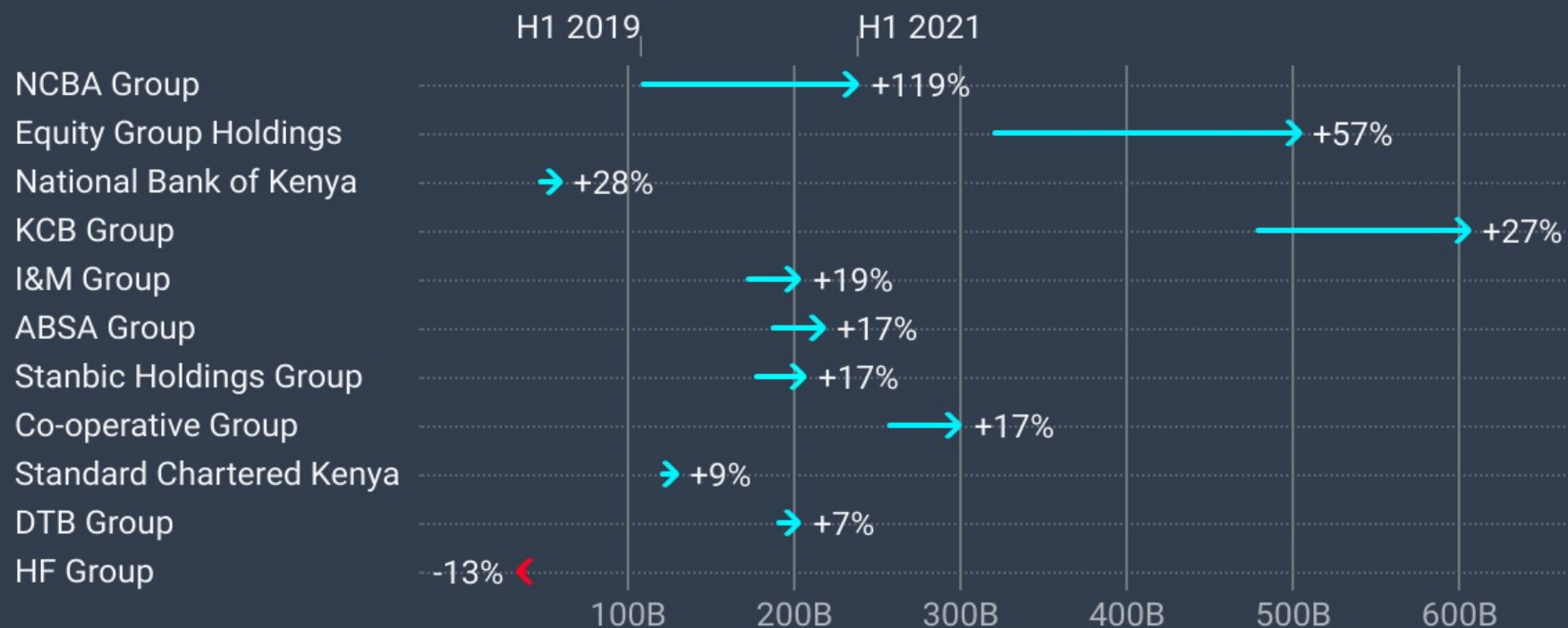
Only 4 banks posted double digit growth in loans

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Loans & advances to customers

Comparison to 2019

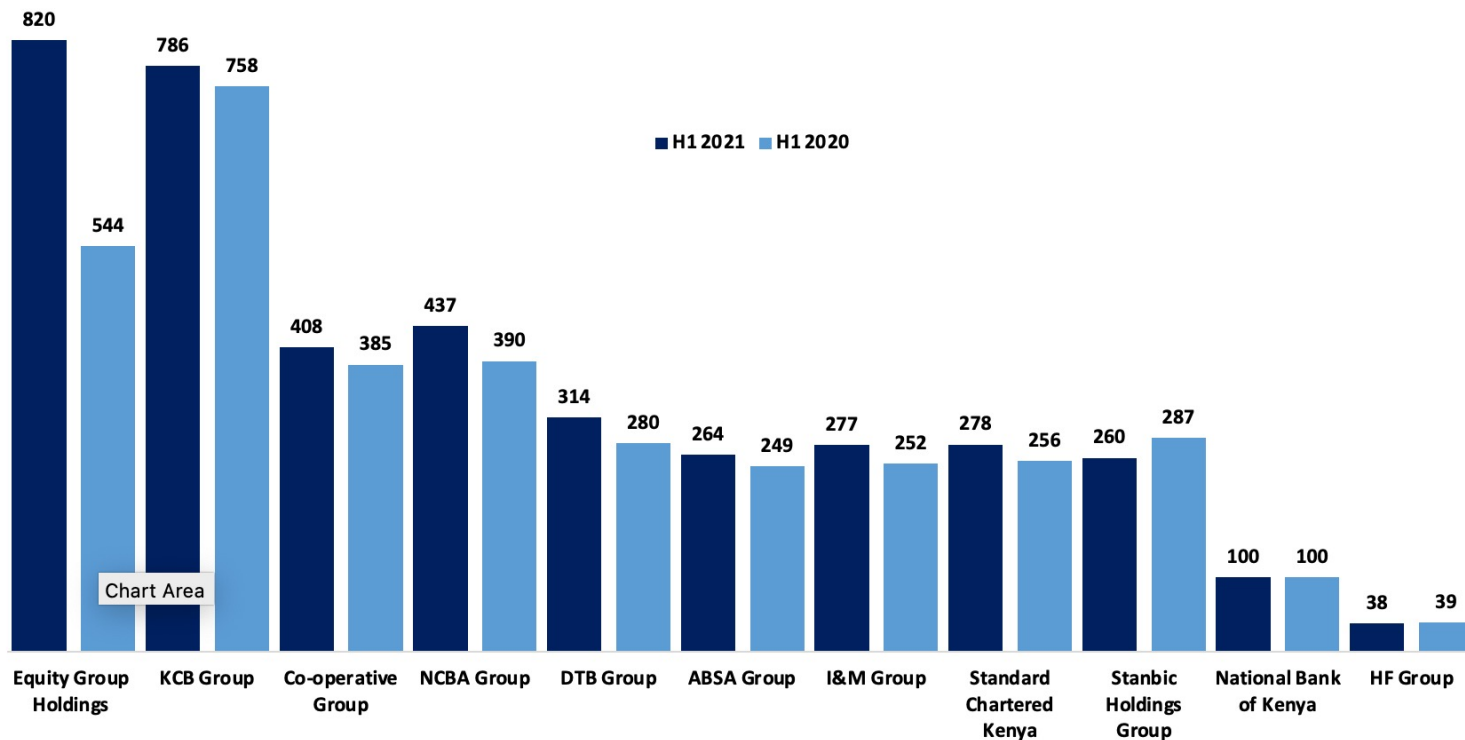
Loan Book



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Higher customer deposits

Customers are saving more (Kshs. Billions)

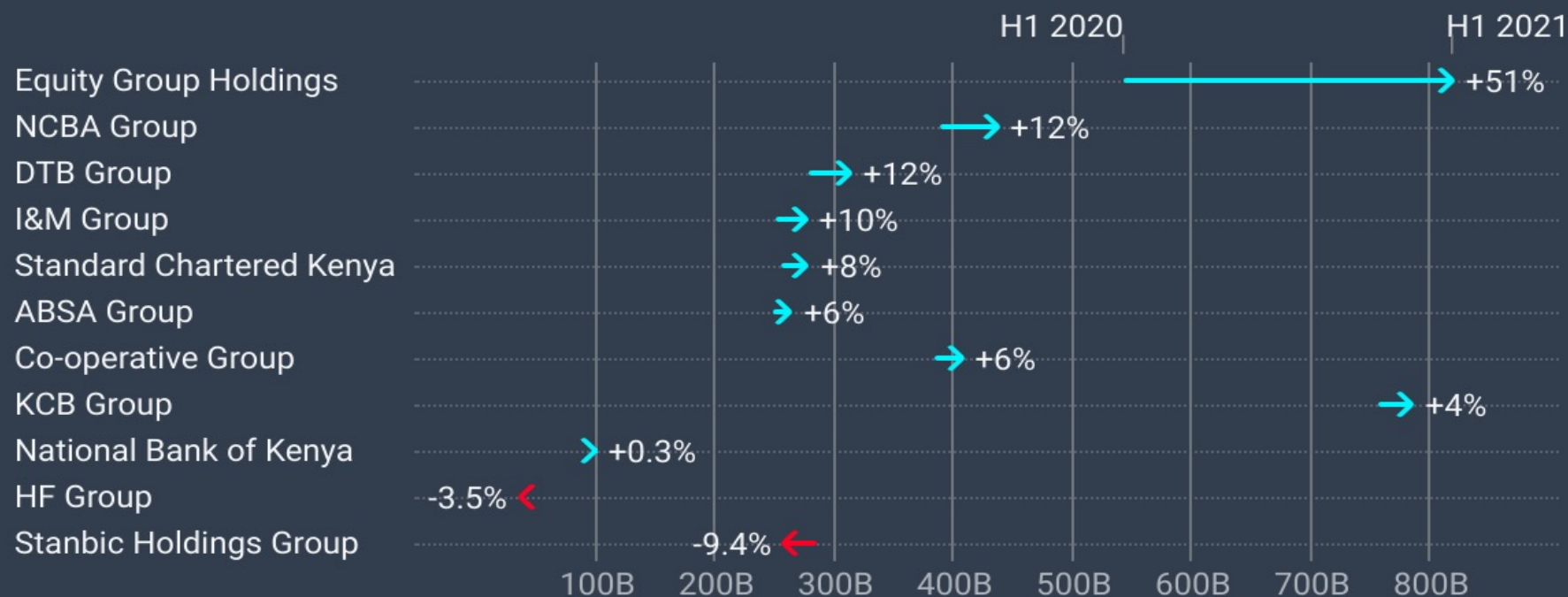


Customer deposits for these 11 banks increased 12.4% to Ksh 3.9T in H1 2021

Higher customer deposits

Stanbic Holdings & HF Group bucked the trend with deposits shrinkages

Customer deposits



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Higher customer deposits

Comparison to 2019

Customer deposits



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Interest Income

Private sector credit demand remains depressed

Interest Income [Loans]



Only 4 banks posted double digit growth in interest income from loans

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Interest Income

Comparison to 2019

Interest Income [Loans]

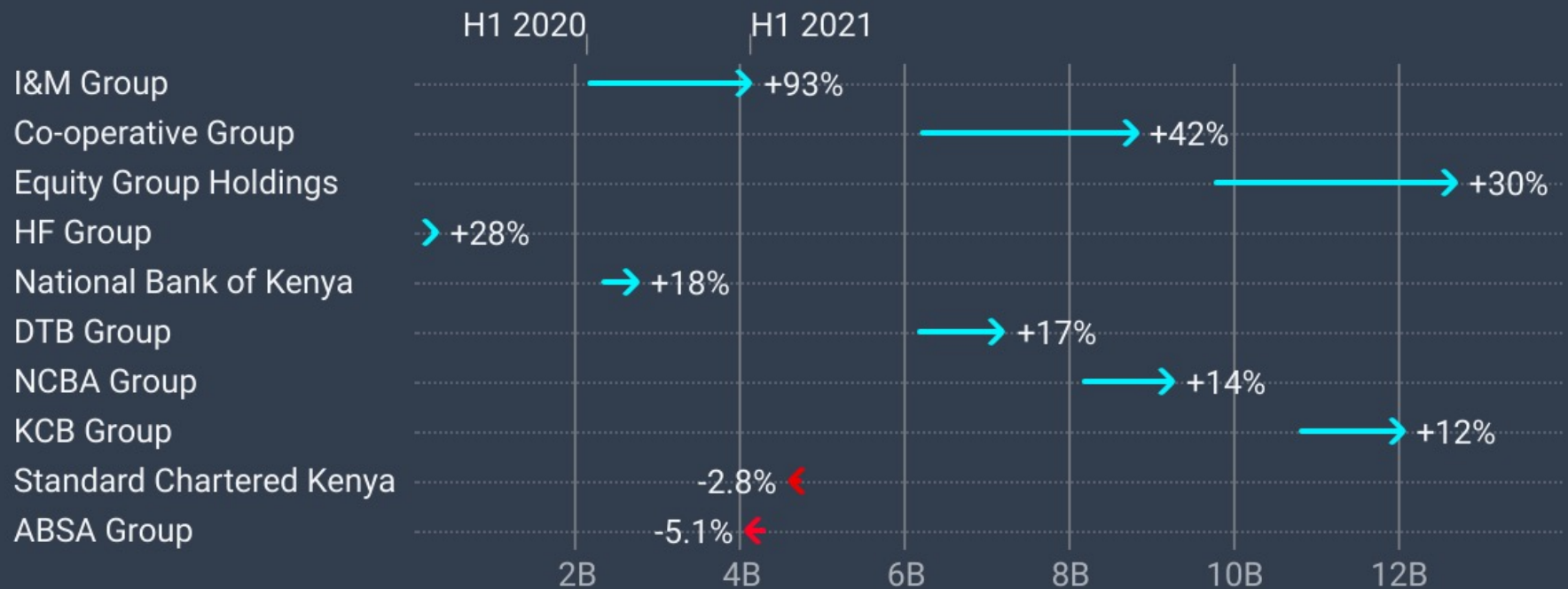


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Interest Income

Lending to the government remains a sweet spot for banks

Interest Income [Government Securities]



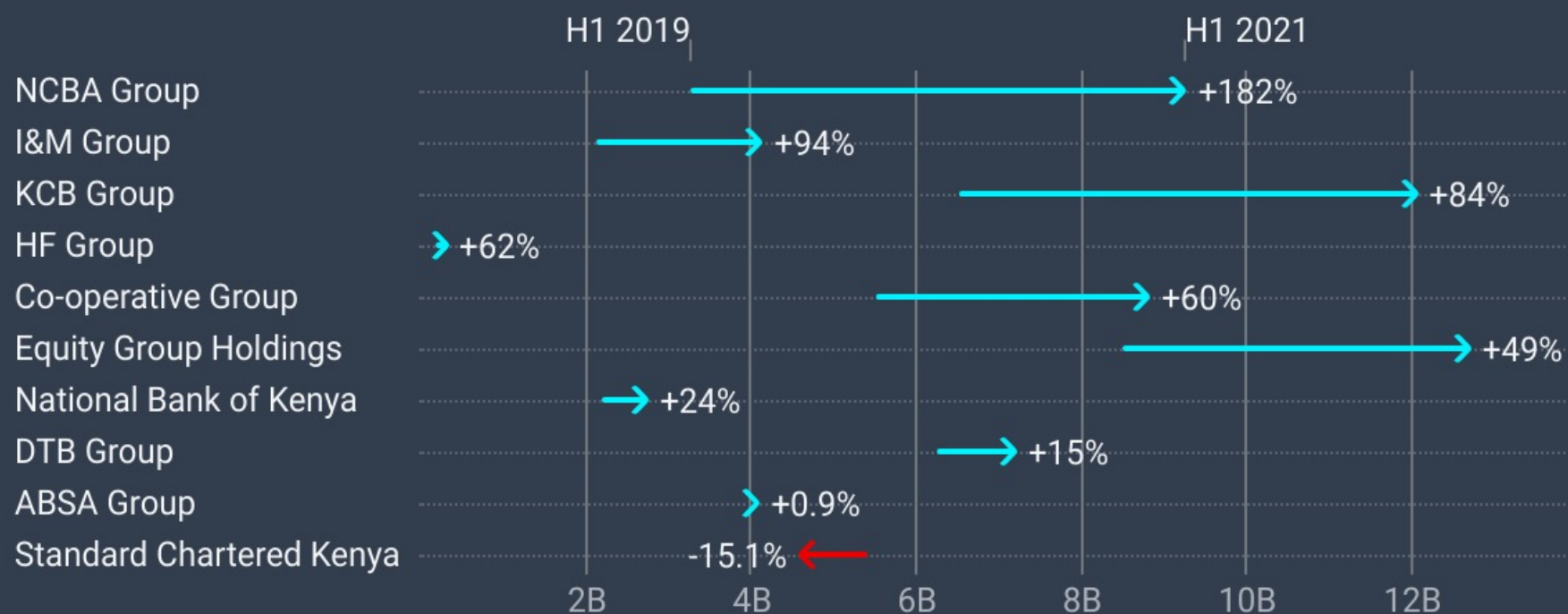
These 11 banks earned a combined Ksh 66B in interest income from government securities.

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Interest Income

Comparison to 2019

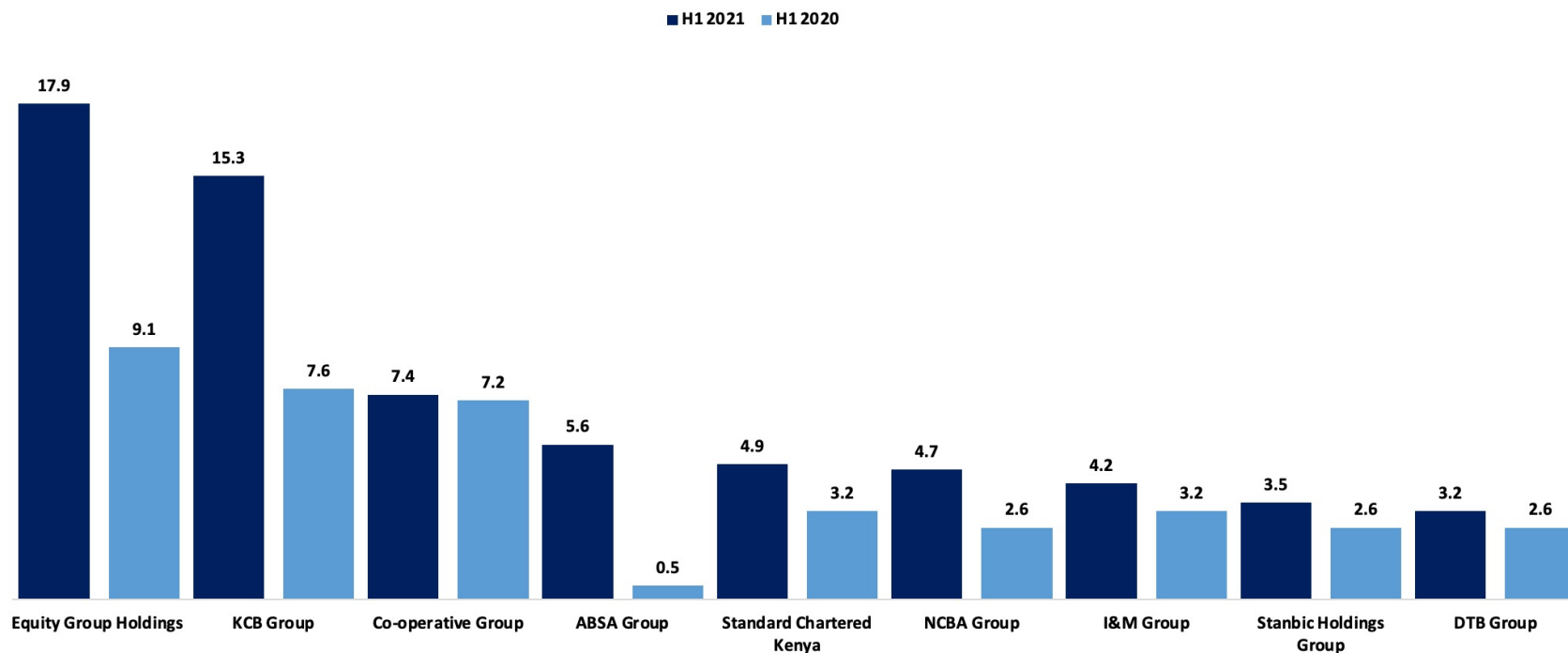
Interest Income [Government Securities]



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Surge in profits

Equity Group most profitable (Kshs. Billions)



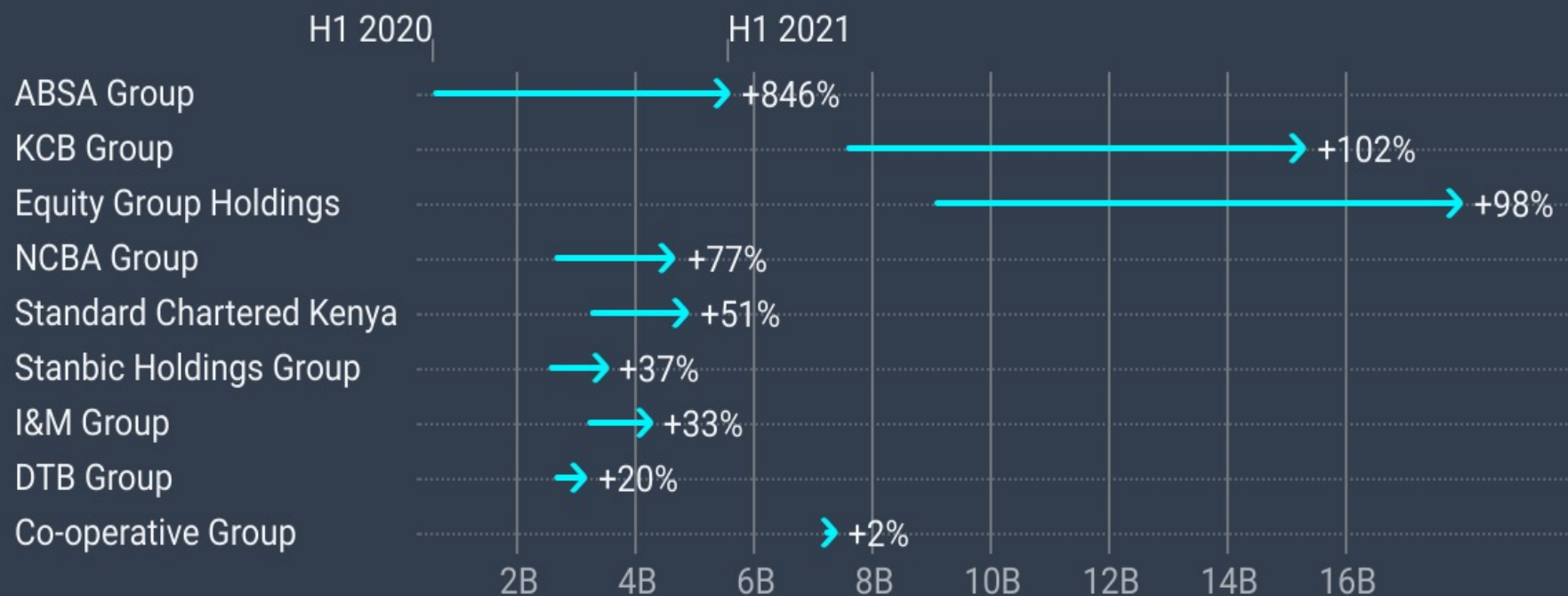
National Bank of Kenya bounced back to profitability recording Ksh 717M profit from Ksh 381M loss in H1 2020

HF Group loss position worsened to Ksh 346M from Ksh 295M in H1 2020

Surges in profit

Record half year profit growths

Profit after tax

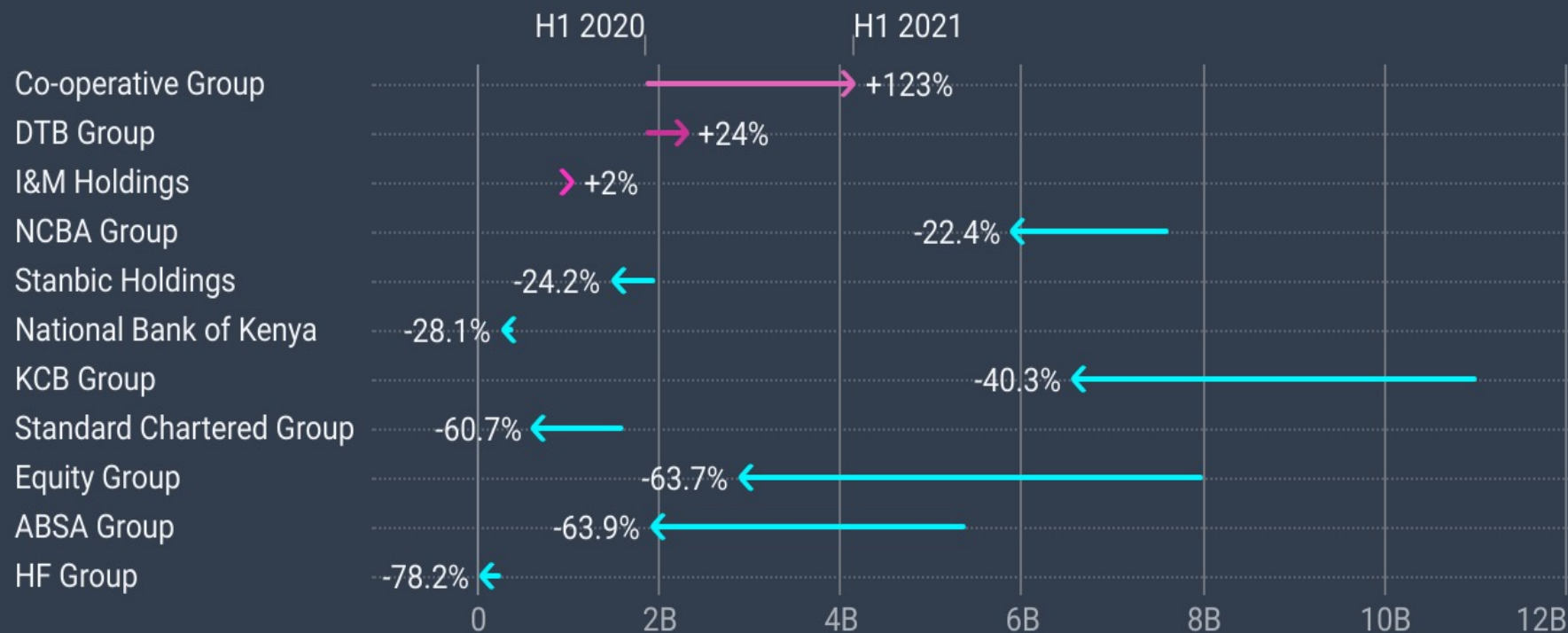


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Surge in profits

Reduced provisioning played a significant role

Loan loss provisions



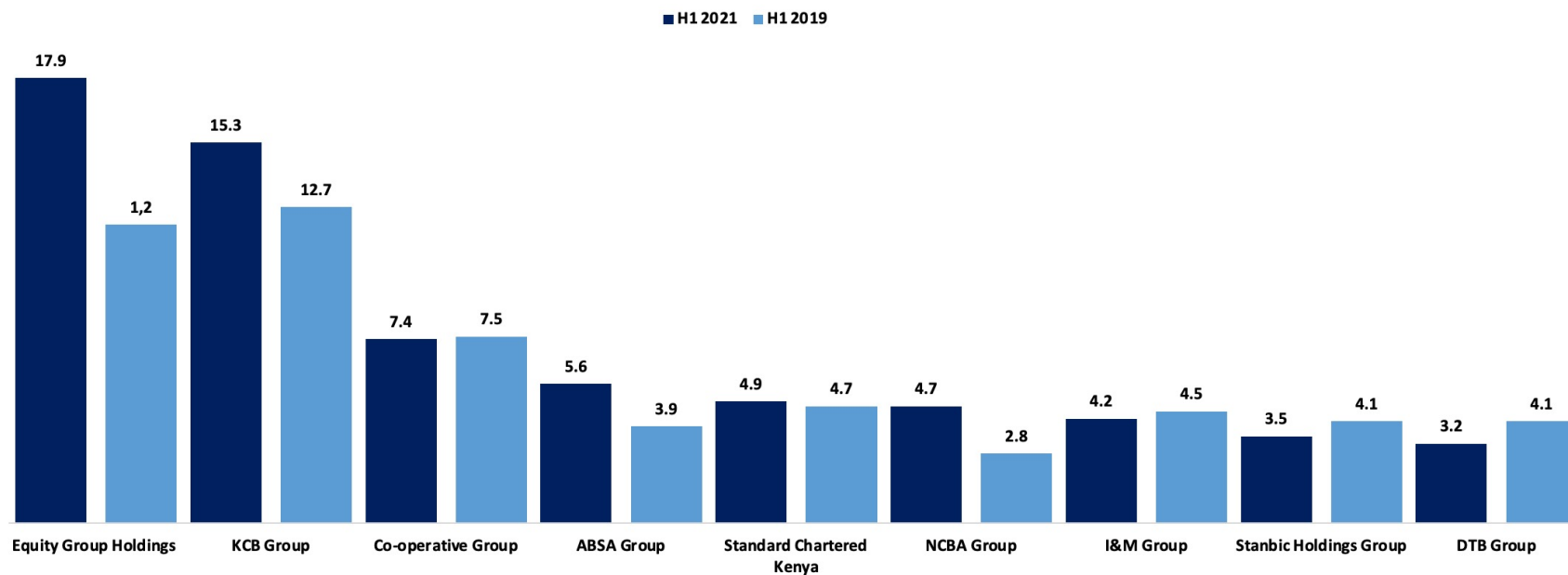
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These 11 banks slashed provisions by 33.4%

Co-op, DTB & I&M bucked the trend with rises in provisions

Surges in profit

Comparison to 2019 (Kshs. Billions)

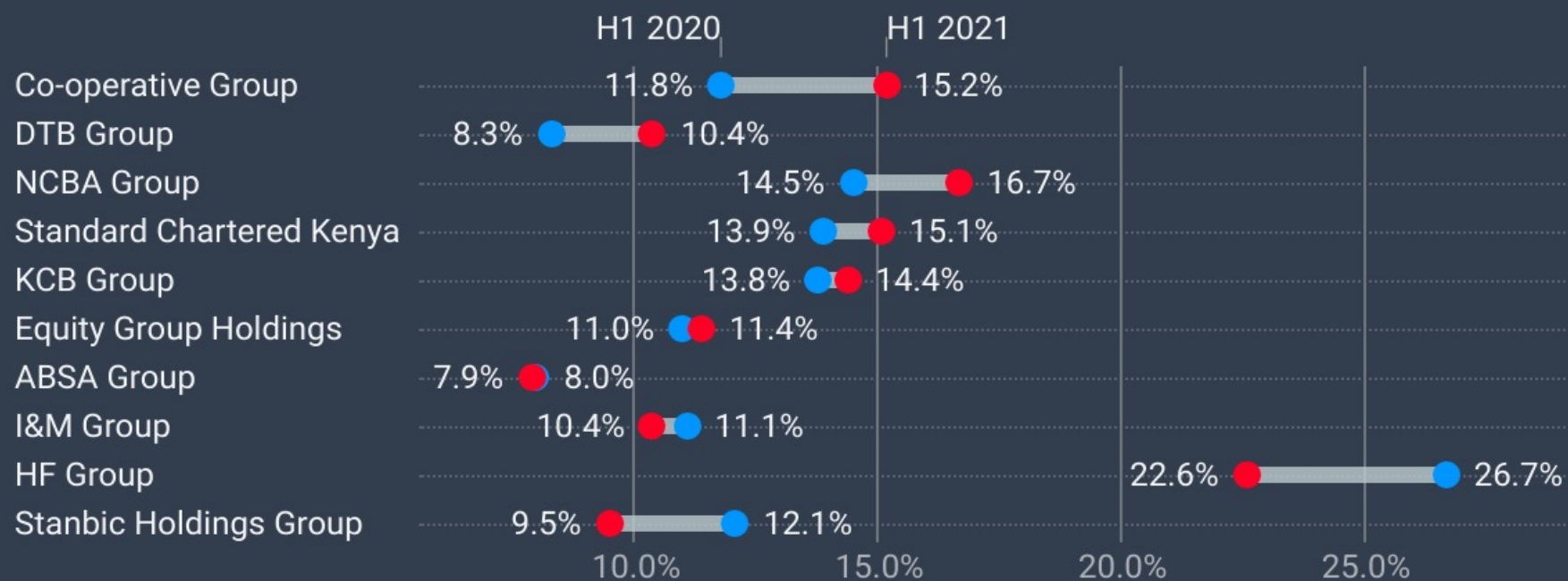


Asset quality

Co-operative Group posted highest increase in NPL ratio

HF Group posted highest decrease in NPL ratio

NPL ratio



Banking sector NPL ratio stood at 14% as per July 28, 2021 MPC meeting

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Return on Equity

ROE vs P/B on Some NSE Listed Banks

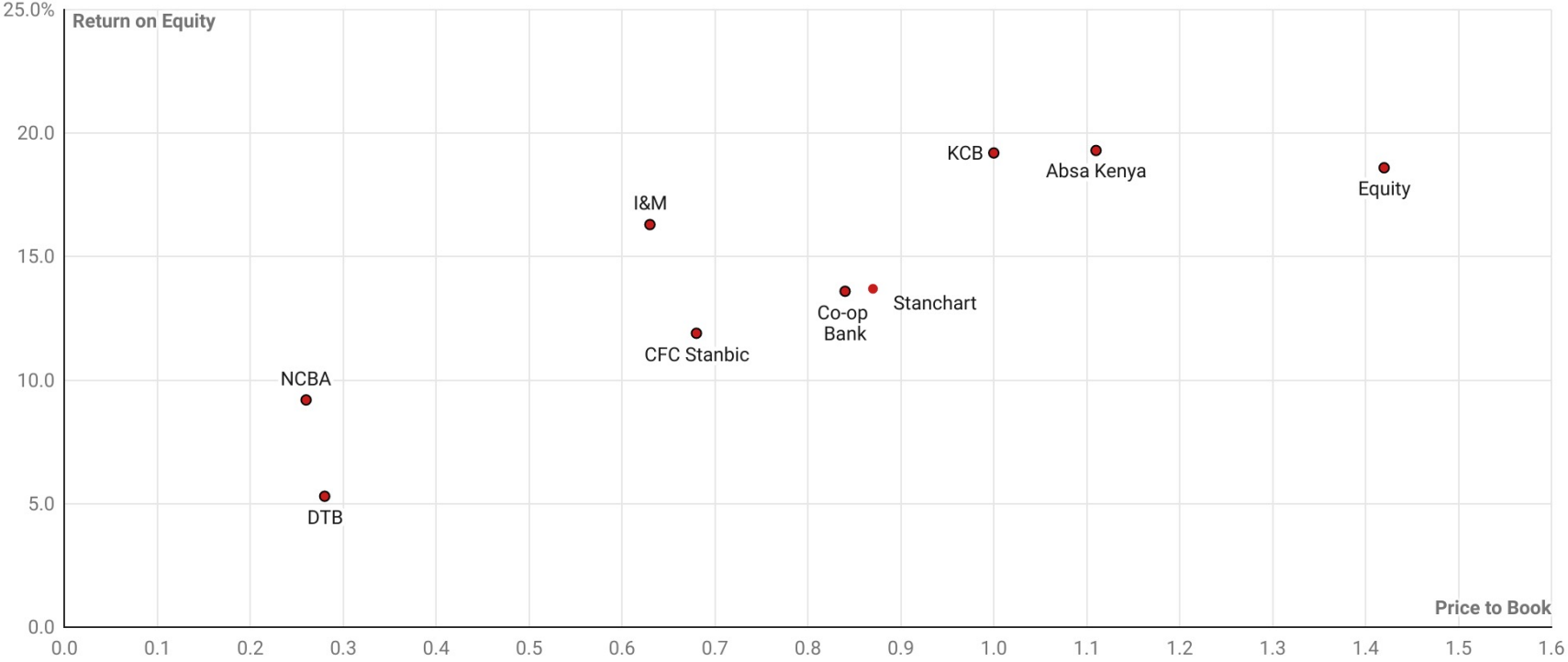


Chart: Mwango Capital • Source: Bloomberg • Created with Datawrapper

Only 2 of 12 listed banks intend to pay dividends



- Ksh 1.70 per share [2020: Ksh 3.80]
- Book closure date: 6th September 2021
- Payment date: 27th September 2021



- Ksh 0.75 per share [2020: nil]
- Book closure date: 28th September 2021
- Payment date: 12th October 2021

Turnarounds

National Bank and Kingdom Bank returned to profitability

Is this a win for consolidation?

- **National Bank of Kenya:**

- Ksh 717.6 million profit [H1 2020: Ksh 381.3 million loss]

- **Kingdom Bank:**

- Ksh 275 million profit [full year 2020: Ksh 200.9 million loss]

Looking ahead

Some things to watch

▪ **Regional Expansion:**

- I&M Group announced completion of its 90% acquisition of Orient Bank Uganda
- KCB Group announced completion of its 62.1% acquisition of Banque Populaire du Rwanda (BPR)
- Will other banks look to expand regionally?

▪ **Risk based lending:**

- Kenyan banks' are in conversation with the Central Bank of Kenya over risk based pricing of loans.
How will this unfold?

Contacts

Mwango Capital is a research and media company providing coverage to companies in East African financial markets.

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