

## HY 2020 Kenya Banks Earnings Update – Absa Bank Kenya Ltd

- Absa Bank has reported a KES.0.6Bn **Profit after Tax (PAT)** for HY 2020, an 84.8% decline from the HY 2019 (KES.3.9Bn).
- The decline was attributable to 228.1% growth in loan loss provisions to KES.5.4Bn which resulted in a 34.9% increase in operating expenses to KES.13.6Bn.
- **Total Assets** grew by 10.8% from KES.353.8Bn HY2019 to KES.391.9Bn supported by 8.2% growth in loans and advances to KES.201.9Bn and 13.3% increase holdings of Government securities to KES.92Bn.
- The group recorded 8.2% growth in the **loan book** to KES.201.9Bn, and 13.3% increase in its holdings of **government securities** to KES.92Bn indicating a shift towards safer investments in government papers.
- **Customer deposits** recorded a growth of 8.3% from KES.229.7Bn to KES.248.7Bn.
- **Total Interest Income** remained relatively unchanged at KES.15.3Bn (+0.8%), supported by a minimal decline in interest income from loans and advances (-0.8%) to KES.10.9Bn, and 6.3% increase in interest income from government securities to KES.4.3Bn.
- **Interest expense** fell 3.3% to KES.4Bn as a result of 7.8% decline in interest expense on customer deposits. We attribute this decline to an overall decline in deposit rates as the bank strives to maintain its interest rates margins in a declining lending rates environment.
- **Non Funded Income** (NFI) grew 4.2% to KES.5.5Bn, mainly driven by 20.7% growth in foreign exchange trading income to KES.2.1Bn. NFI contribution to total operating income increased marginally to 32.7% from 32.4% HY2019.
- **Gross Non-performing loans and advances** (NPLs) increased to KES.17Bn from KES.15.7Bn HY2019, a growth of 8.4%.
- The board of directors did not recommend an interim dividend. (HY2019: KES.0.20)

### FY2020 Outlook

- We anticipate an overall decline in the bank's profitability FY2020, driven by declining interest income as well as increased provisioning for expected credit losses during the pandemic period.
- The bank offered loan relief and restructures totaling KES.57Bn to customers, equivalent to 28% of net customer loans and advances. This is likely to result in a decline in interest income for the bank FY2020.
- Private sector lending poses an increased level of credit risk and we anticipate the bank to maintain its current strategy of investing in government securities in order to protect its asset quality. Declining yields on government securities however, will result in a decline of the bank's interest income.
- Loan book growth is likely to record single digit growth as the bank engages in selective lending.

**Attached, please find Absa Bank Kenya Ltd audited financial performance results HY 2020**