Q3 2020 Kenya Banks Earnings Update - Housing Finance Group PLC

- Housing Finance reported KES.730.2Mn in **Loss after Tax** Q3 2020 compared to KES.84.6Mn Q3 2019 (-763%) due to depleted operating income streams with both interest and non-interest income plunging.
- **Total Assets** went down 4.0% to KES.55.1Bn attributable to 4.1% decline in loans and advances to customers
- **Loan book** declined 4.1% to KES.37.6Bn while investment in **Government securities** increased 65.6% to KES.5.9Bn in an attempt to cushion customers amidst the pandemic.
- **Customer deposits** escalated 9.9% to KES.38.0Bn compared to KES.34.6Bn Q3 2019.
- **Total Interest Income** declined 12.2% to KES.3.6Bn from KES.4.1Bn Q3 2019 on the back of 15.8% fall in interest income from loans and advances to KES.3.8Bn.
- **Interest expense** declined 16.9% to KES.2.0Bn compared to KES.2.4Bn Q3 2019 owing to 59.6% reduction in other interest expenses despite a 6.3% rise in interest costs on customer deposits.
- **Non-Funded Income (NFI)** down 62.2% to KES.404.2Mn (Q3 2019 – KES.1.1Bn) as a result of a 47.0% dip in other fees and commissions.
- **Loan loss provisions** down 24.9% to KES.441.2Mn compared to KES.587.5Mn Q3 2019, resulting in a 6.0% decrease in total operating expenses.
- **Gross Non-Performing Loans (NPLs)** decreased 11.3% to KES.11.2Bn from KES.12.7Bn.
- **Earnings per Share** (EPS) consequently went into negative territory to KES.0.29 from KES.2.53 over the same period in 2019.

FY2020 Outlook

- Following disruptions from the pandemic, we expect an overall decline in the bank's profitability FY2020 driven by declining operating income as it proceeds to issue a profit warning on expected earnings.
- We expect NFI to be the main area of business growth for the lender thus compensating for the slow growth in interest income.
- Housing Finance is banking on low risk holdings in government securities in a bid to mitigate against credit risk exposure. We however still anticipate an increase in the non-performing loans as economic hardships continue.
- Loan loss provisions to decrease as the bank continues to strengthen its asset quality due to expected credit loss events.
- Investors are unlikely to receive dividends FY2020 due to the poor performance of the bank.