



Absa Bank of Kenya Ltd

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Absa Bank of Kenya Ltd

Business profile

Year end: Dec	Absa Bank Kenya was founded in 1925 and is headquartered in Nairobi, Kenya. The bank, formerly Barclays Bank Kenya Limited, is a commercial bank in Kenya and a subsidiary of South Africa-based Absa Group Limited. It is licensed by the Central Bank of Kenya, the central bank and national banking regulator. ABSA Group has a presence in 14 countries across sub-Saharan Africa and is listed on Johannesburg Stock Exchange.
Incorporation: 1916	
Auditors: KPMG Kenya	
Listed: no	

Major shareholders

Absa Group Ltd	68.5%
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Major shareholder profile

Absa Group Limited is a South African multinational banking and financial services group headquartered in Johannesburg. The Group, which has a primary listing on the JSE and a secondary listing on the A2X exchange, is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, insurance, financial services and wealth management products and services. The Group operates in 12 African countries, as well as the UK and USA and employs 35 451 people. The Group has majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania, Uganda and Zambia. There are also representative offices in New York, London, Namibia and Nigeria as well as bancassurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia.

Market share (%)	2018	2019	2020	2021	2022
By assets	7.4	7.3	6.6	6.5	6.2
By deposits	6.4	6.3	5.9	5.5	5.4
By net advances	7.7	7.4	7.3	7.3	7.5

Franchise value and Strategy

The bank concluded its 2017 to 2022 strategy period, exceeding expectations. The bank has completed a multi-year restructuring programme following the merger of the Absa and Barclays operations in Kenya, and the rebranding of Barclays to Absa. Absa had previously operated as the National Bank of Commerce in Kenya. The bank has a strong

Kenya Commercial Bank's sector overview

Sector overview: As at 31 December 2022, the Kenyan banking sector comprised 38 commercial Banks¹ and 1 mortgage finance company. Out of the 39 banking institutions, 37 were privately owned while the Kenya Government had majority ownership in 2 institutions. Of the 37 privately owned banks, 20 were locally owned while 17 were foreign owned. The 20 locally owned institutions comprised 19 commercial banks and 1 mortgage finance company. Of the 17 foreign-owned institutions, all are commercial banks with 14 being local subsidiaries of foreign banks and 3 are branches of foreign banks. The 20 operating local private commercial banks and 2 operating local public commercial banks accounted for 67.4% and 0.5% of total net assets respectively. The 17 operating foreign owned commercial banks accounted for 32.1% of the sector's assets. The Kenyan commercial banks are classified into three peer groups using a weighted composite index². Accordingly, there are 9 large banks with a combined market share of 75.1% at end-2022, 8 medium banks with a combined market share of 16.3% and 22 small banks with a combined market share of 8.6%. However, the Kenyan banking sector is considered overbanked and is highly fragmented. As a comparison, 38 commercial banks operate in Kenya, a country of 52.1m people, versus Nigeria's 22 for 222.2m inhabitants and South Africa's 19 for around 61.5m people. A fragmented banking sector increases the burden on supervisors and makes it difficult for smaller banks to achieve economies of scale to help sustain profitability. Kenya's banking sector has been gradually consolidating since 2016, sparked by the failure of three mid-sized and small lenders⁴, as well as a cap on commercial lending rates, which was removed in November 2019. One significant merger and two acquisitions transactions were finalized in 2019-2020⁵. The need to build resilience and exploit emerging opportunities has led to increased consolidations and combinations among several players. Additionally, Kenyan banks have continued to expand regionally through acquisitions, including in the Democratic Republic of Congo, Rwanda, and Tanzania.

In October 2021, the issued Guidance on Climate Related Risk Management to the banking sector helping banks better understand and manage climate-related risks, invest in climate-friendly activities, and mobilize finance for climate action, thus contributing to Kenya achieving its Nationally Determined Contribution ("NDC"). The Guidance was aimed at enabling banks to integrate climate-related risks into their governance, strategy, risk management and disclosure frameworks, and also permitting banks to leverage on business opportunities from efforts to mitigate and adapt to climate change including the adoption of low emission energy sources, development of new products and services, access to new markets, housing, and resilient infrastructure. The central bank has also taken steps to strengthen anti-money laundering/ combatting the financing of terrorism ("AML/CFT") and commenced independent onsite inspections in January 2023 to assess compliance. The CBK will carry out the AML/CFT risk assessments annually.

Financial Soundness Indicators (%)	2018	2019	2020	2021	2022
Capital/Assets	14.0	14.8	14.9	14.8	13.9
RWCAR	17.8	18.8	19.0	19.6	19.0
Tier 1 RWCAR	16.5	16.8	16.6	16.6	16.1
ROaA	2.7	2.5	2.1	3.3	3.7
ROaE	22.5	21.2	14.5	22.0	22.3
NPLs/Gross loans	12.0	12.0	14.5	14.3	13.8
Net NPLs/Capital	20.3	18.8	21.6	18.4	23.9
Loans/Deposits	76.7	77.7	83.5	83.7	87.8
Liquid assets/Total assets	38.8	39.3	40.8	41.9	39.0
Liquid assets/ST liabilities	48.6	49.7	54.5	56.5	51.1
FX liabilities/Total liabilities	24.3	24.4	26.4	24.4	31.5

Absa Bank of Kenya Ltd

Credit Ratings

Kenya Country ratings	FCY LT	Outlook	Review date	Action	
(from agency websites)					
S&P	B	Negative	25 Aug 23	Outlook changed	Reason ▼
Moody's	B3	Negative	12 May 23	Downgraded	Reason ▼
Fitch	B	Negative	20 Jul 23	Outlook changed	Reason ▼

Entity ratings	Agency	NSR	ISR	Review date	Action
(from agency websites)					
Currently unrated					

Parent ratings	Agency	NSR	ISR	Review date	Action	
(from agency websites)						
Absa Group Ltd	Moody's	Aa3.za	Ba3	28 Sep 23	Maintained	Reason ▼
Absa Group Ltd	Fitch	AA+(zaf)	BB-	22 Sep 23	Maintained	Reason ▼

ISR = International Scale Rating, NSR = National Scale Rating

Outlook symbols: ↑ Positive ↓ Negative ↻ Evolving

Competitive position - Commercial Bank's in Kenya

Name	Asset share	Deposit share	Net loans share	Major shareholder	% holding
KCB Group PLC	20.1	20.2	22.8	National Treasury of Kenya	19.8
Equity Group Holdings	16.8	17.1	15.5	Arise B.V	11.9
NCBA Bank Kenya Ltd	8.0	8.9	7.4	Lingstone Registrars Ltd	17.0
Co-operative Bank of Kenya Ltd	7.8	7.5	9.0	Co-op Holdings Co-operative Society Limited	64.6
Diamond Trust Bank Kenya Ltd	6.8	6.9	6.7	Aga Khan Fund for Economic Development	16.5
Absa Bank of Kenya Ltd	6.2	5.4	7.5	Absa Group Limited	68.5
Stanbic Bank Kenya Ltd	5.0	4.8	6.2	Standard Bank Group	72.3
Standard Chartered Bank Kenya Ltd	4.9	5.0	3.7	Standard Chartered Holdings (Africa) BV	73.9
I&M Bank Ltd	4.3	4.4	4.7	Minard Holdings Limited	21.6
Bank of Baroda (Kenya) Ltd	2.5	2.9	1.6	Bank of Baroda India	86.7
Prime Bank Ltd	1.8	1.9	1.1	Afric Azure SPV	24.2
National Bank of Kenya	1.8	1.9	1.9	KCB Group Plc	100.0
Citibank NA - Kenya Branch	1.8	2.0	1.3	Citicorp	100.0
Family Bank Ltd	1.7	1.6	2.2	Kenya Tea Development Agency Holdings Limited	17.0
Bank of India Kenya	1.6	1.0	0.5	Bank of India Group	100.0
Ecobank Kenya Ltd	1.3	1.5	0.7	Ecobank Transnational Incorporated (ETI)	100.0
SBM Bank (Kenya) Ltd	1.1	0.9	1.0	SBM Africa Holdings	100.0
GTBank Kenya Ltd	0.7	0.7	0.5	GTBank Plc	70.0
Victoria Commercial Bank Ltd	0.7	0.7	0.9	Mr. Kanji Damji Pattni	11.3
Bank of Africa Kenya Ltd	0.6	0.6	0.5	BOA Group S.A	24.0
Sidian Bank Ltd	0.5	0.5	0.6	Bakki Holdco Limited	80.2
Gulf African Bank Ltd	0.5	0.6	0.6	Gulf African Bank (Holdings) Limited	51.0
African Banking Corporation Ltd	0.5	0.5	0.6	Ashraf Savani	25.0
Kingdom Bank Ltd	0.4	0.2	0.2	Co-operative Bank Of Kenya	90.0
Habib Bank AG Zurich Kenya	0.4	0.5	0.2	Gefan Finanz AG Zug	100.0
First Community Bank Ltd	0.4	0.4	0.5	Premier Bank Limited	62.5
Credit Bank Ltd	0.3	0.3	0.5	Nyachae's Sansora Group	15.0
DIB Bank Kenya Ltd	0.2	0.2	0.3	Dubai Islamic Bank PJSC	100.0
UBA Bank Kenya Ltd	0.2	0.1	0.1	UBA Group	100.0
Guardian Bank Ltd	0.2	0.2	0.2	Kevis Investment Limited	25.0
Consolidated Bank of Kenya Ltd	0.2	0.2	0.2	National Treasury via the Deposit Protection Fund	93.4
Access Bank PLC	0.2	0.2	0.1	Access Bank PLC	99.9
Paramount Bank Ltd	0.2	0.2	0.2	Paramount Holdings Ltd, controlled by the Merali family	100.0
M-Oriental Bank Ltd	0.2	0.2	0.2	M Holdings	33.9
Middle East Bank (K) Ltd	0.2	0.2	0.2	Primecorp Holdings Limited	17.5
Mayfair Bank Ltd	0.2	0.1	0.1	Commercial International Bank Egypt	51.0
Spire Bank Ltd	0.1	0.0	0.1	Mwalimu National Holdings	75.0

Absa Bank of Kenya Ltd

Corporate Governance

The bank's corporate governance structures are informed by the Banking Act and regulations. The bank is governed by a 10-member board comprising one executive (the CEO), and 9 non-executive directors, of which 8 are considered independent (including the Chairman). Board members are well qualified with extensive experience in business and banking. Board members are listed below, with management listed on the next page.

At FYE22, loans to directors, shareholders and associates were immaterial representing 0.1% of the loan portfolio/regulatory capital. The Banking Act restricts lending to insiders to an amount of not more than 20% of its core Capital.

Changes: The CEO/MD, Jeremy Awori, resigned from office with effect from 31 October 2022 to pursue a career opportunity outside the Absa Group. Mr Yusuf Omari, who has been the CFO of the Company and a Corporate Governance Statement Executive Director since 2009, was subsequently appointed as the Interim Managing Director with effect from 1 November 2022.

Board members

Name	Title	Qualifications	Years
Charles Njenga Murito	Non-Executive Director	Vast experience in various industries, MBA	
Patricia Ithau	Non-Executive Director	Broad experience in management and commerce, Advanced Management Program (AMP), holds MBA	
Louis Onyango Otieno	Non-Executive Director	Broad experience in IT and Commerce, MBA, Long Island University	
Charles Muchene	Non-Executive Chairperson	Vast experience in Banking & Finance, holds Bachelor of Commerce (Hons)	
Christine Sabwa	Non-Executive Director	Vast experience in Banking and Finance, holds BCom (Accounting) and a Certified Public Accountant.	
Yusuf Omari	Executive Director	Economics and Compliance, Fellow, Institute of Certified Public Accountants of Kenya, holds MBA	
Fulvio Tonelli	Non-Executive Director	Broad experience in accounting & auditing, Bcom Accounting	
Dr. Laila Macharia	Non-Executive Director	Vast experience in Law and Finance, Member of the Law Society of Kenya, LLD, Stanford Law School	
Japheth Okoth Olende	Non-Executive Director	-	

Absa Bank of Kenya Ltd

Management

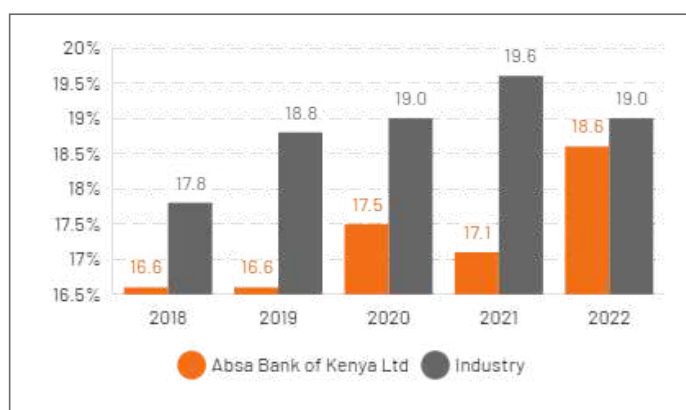
Name	Title	Experience/Qualifications	Years
Yusuf Omari	Interim MD/CEO	Previously Finance Director, Seasoned banker with an MBA from Strathmore Business School, Also a Fellow of the Institute of Certified Public Accountants of Kenya	
Moses Musyoka-Muthui	Interim CFO and Chief Strategy Officer		
David Hardisty	Executive, Retail and Business Banking		
James Agin	Executive, Corporate and Investment Banking		
Christine Mwai-Marandu	Director, Country Credit		
Anthony Mulisa	Director, East Africa Region Treasurer		
Mumbi Kahindo	Director, People and Culture		
Chiera Waithaka	Chief Risk Officer		
Ken Kanyarati	Director, Compliance and Legal		
Ruth Kamengere	Acting Chief Operating Officer		
Sharon Ingari	Chief Internal Auditor		
Stella Mambo	Director, Global Markets Sales		

Absa Bank of Kenya Ltd

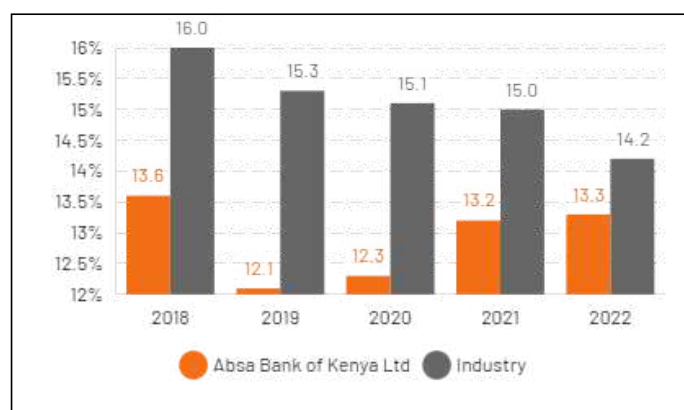
Capital adequacy (%)	2018	2019	2020	2021	2022
Asset growth	19.8	15.2	1.2	13.0	11.3
Capital growth	0.2	2.2	2.9	21.4	12.7
RWCAR	16.6	16.6	17.5	17.1	18.6
RWCAR (industry from FSI)	17.8	18.8	19.0	19.6	19.0
Capital/Assets	13.6	12.1	12.3	13.2	13.3
Capital/Assets (industry)	16.0	15.3	15.1	15.0	14.2
Capital/Loans+Equity+Guarantees	23.1	22.6	20.2	20.5	18.6
Capital/Loans+Equity+Guarantees (industry)	24.1	24.1	24.8	25.1	23.7
ROaE	16.8	16.7	9.1	21.1	24.3
ROaE (industry)	18.1	15.2	16.0	15.3	18.7
Net NPLs/Total capital	1.4	2.2	7.0	11.1	11.2
Net NPLs/Capital (industry)	20.3	15.2	25.4	25.5	23.7

Absa Kenya's capitalisation is commensurate with risks and adequate in relation to its planned growth, shareholder distributions and regulatory requirements. The risk weighted capital adequacy ratio was in line with the peer average, with sufficient headroom above the 14.5% regulatory requirement. Strong profitability saw internal capital generation reach a 5-year high of 22.9%.

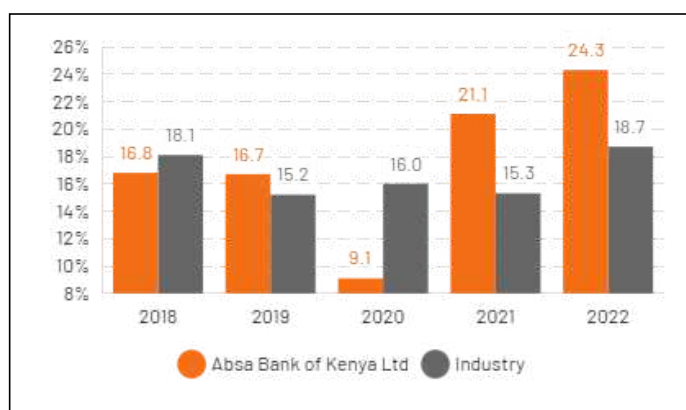
RWCAR compared to the industry (%)



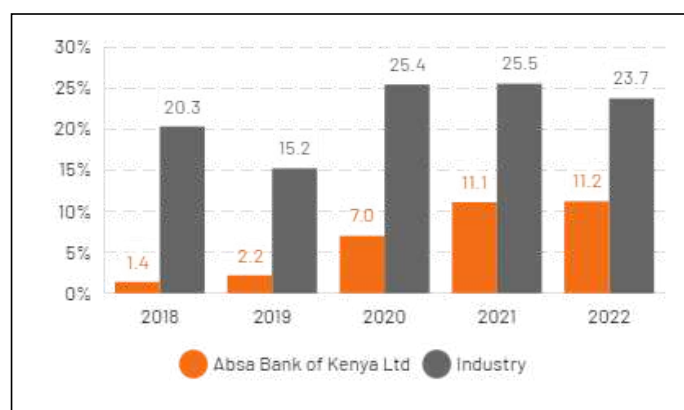
Capital/Assets compared to the industry (%)



ROaE versus industry average



Net NPLs to Capital versus industry

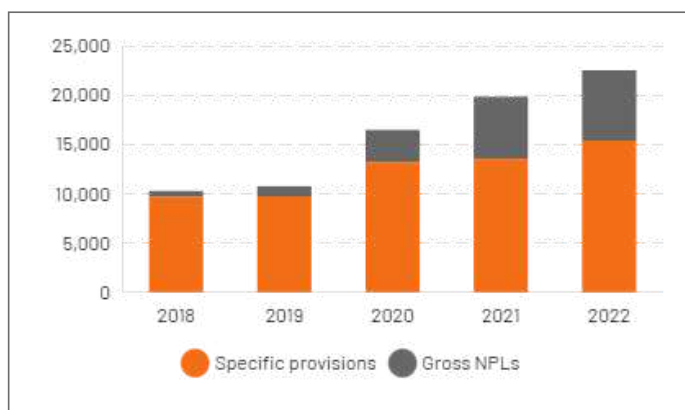


Absa Bank of Kenya Ltd

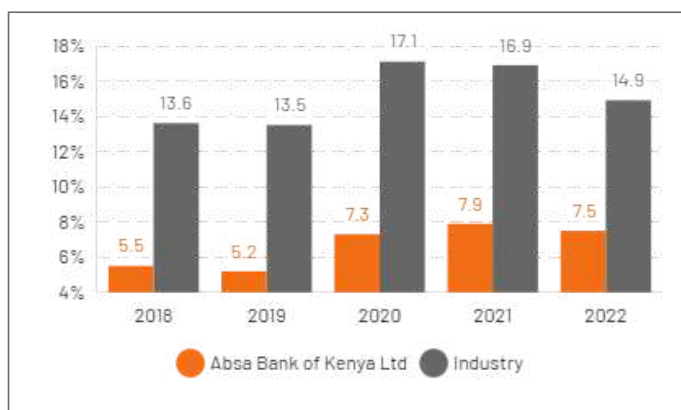
Asset quality (%)	2018	2019	2020	2021	2022
Net loan growth	5.3	9.9	7.2	12.2	21.1
Net loan growth (industry)	7.9	12.0	9.2	12.6	18.4
Gross NPL ratio	5.5	5.2	7.3	7.9	7.5
Gross NPL ratio (industry)	13.6	13.5	17.1	16.9	14.9
Gross NPL ratio (industry from FSI)	12.0	12.0	14.5	14.3	13.8
Specific provision/NPLs	93.9	90.6	80.2	68.4	68.3
Total provisions/NPLs	99.3	102.4	99.8	88.3	82.4
Specific provisions/NPLs (industry)	41.2	47.4	44.9	47.1	48.4
Total provisions/NPLs (industry)	51.0	63.3	50.9	49.5	50.5
Net NPL ratio	0.4	0.5	1.6	2.7	2.5
Net NPL ratio (industry)	6.2	4.6	7.7	7.9	6.9
Impairment charge/Total income	13.4	12.0	25.1	12.8	14.1
Impairment charge/Total income (industry)	7.7	9.3	20.0	16.3	11.4

Asset quality is a relative strength, with the gross NPL ratio maintained at well below the industry average. However, the level was above that of the consolidated Absa Group of 6.2% as at FYE22, reflective of a difficult operating environment. Strong loan growth was recorded, with a focus on trade loans, mortgages, unsecured lending and overdrafts. Total provisions coverage of impaired loans was high at 82.4%, well above the industry average but below previous years. We expect impairments to grow moderately in the near term, given operating environment pressures.

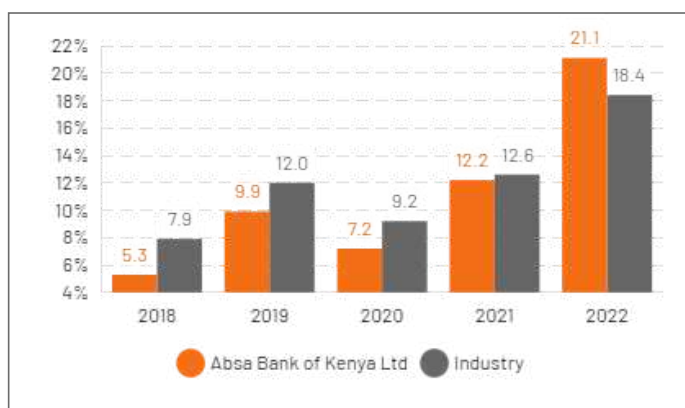
Gross NPL trend and Specific provision coverage (KES'm)



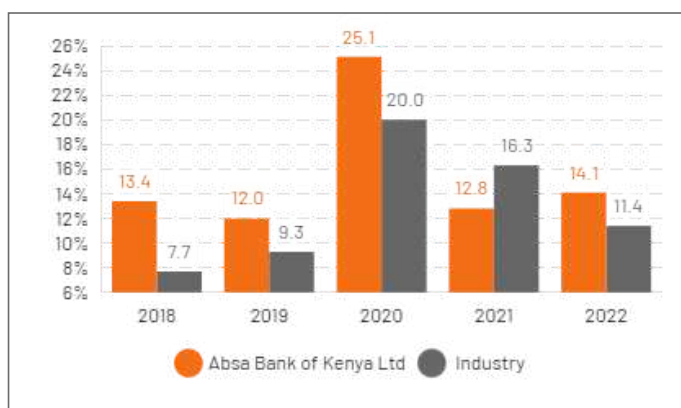
Gross NPLs relative to Gross Loans, compared to the industry



Net loan growth versus industry



Impairment charge to Total income (%)

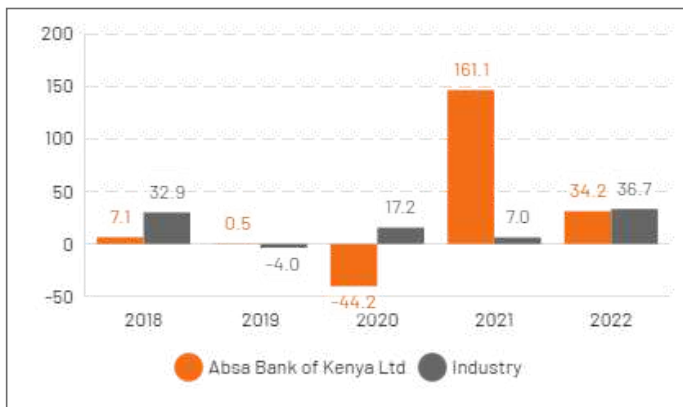


Absa Bank of Kenya Ltd

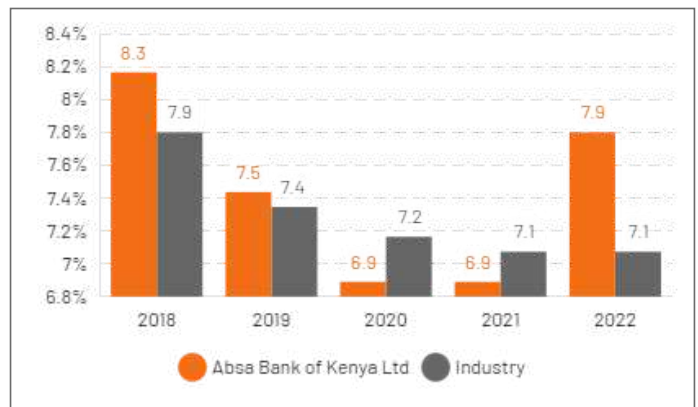
Profitability	2018	2019	2020	2021	2022
NPAT growth	7.1	0.5	-44.2	161.1	34.2
<i>NPAT growth (sector)</i>	<i>32.9</i>	<i>-4.0</i>	<i>17.2</i>	<i>7.0</i>	<i>36.7</i>
Net interest margin	8.3	7.5	6.9	6.9	7.9
<i>Net interest margin (sector)</i>	<i>7.9</i>	<i>7.4</i>	<i>7.2</i>	<i>7.1</i>	<i>7.1</i>
Non-interest/Total income	30.6	31.4	31.4	31.6	29.7
<i>Non-interest/Total income (sector)</i>	<i>30.0</i>	<i>0.0</i>	<i>31.5</i>	<i>33.5</i>	<i>35.3</i>
Cost ratio	54.2	55.7	58.2	45.1	40.6
<i>Cost ratio (sector)</i>	<i>52.9</i>	<i>52.9</i>	<i>52.3</i>	<i>48.7</i>	<i>47.6</i>
ROaA	2.5	2.1	1.1	2.7	3.2
<i>ROaA (sector)</i>	<i>2.9</i>	<i>2.3</i>	<i>2.4</i>	<i>2.3</i>	<i>2.7</i>

Following the COVID induced contraction in FY20, NPAT rebounded strongly in FY21 and this momentum was carried into FY22, when the strongest growth of the past 15 years was recorded for the bank. Income was driven by strong balance sheet growth, as well as improved yields due to the repricing of the loan book. The net interest margin widened to 7.9% as a result, well above that of the industry average. Expenses were contained through the automation of the bank's processing centres, investment in alternate channels and branch rationalisation programmes. Resultantly, the cost ratio dropped to an industry leading 41%.

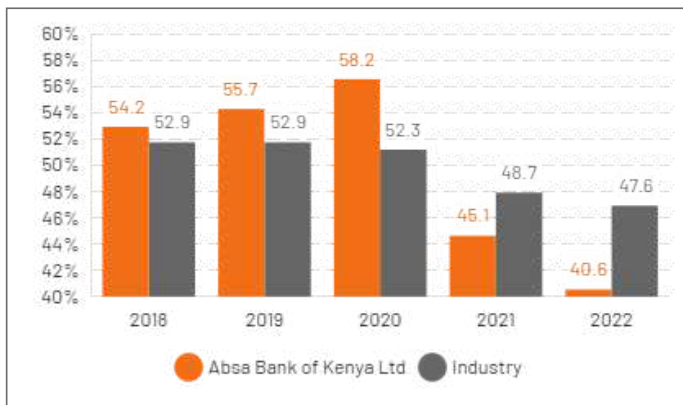
NPAT growth compared to the industry (%)



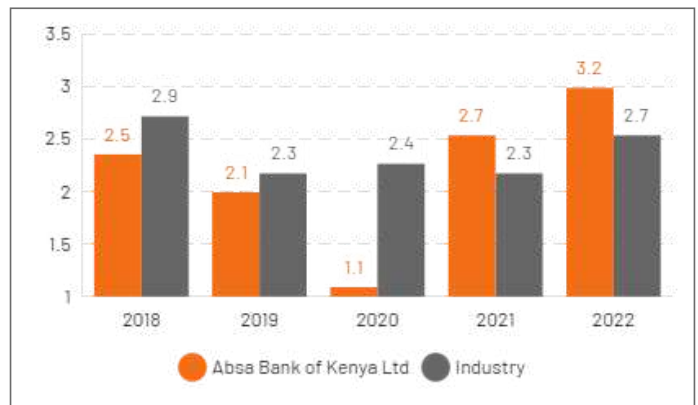
Net Interest Margin compared to the industry (%)



Cost ratio versus industry average



ROaA versus industry

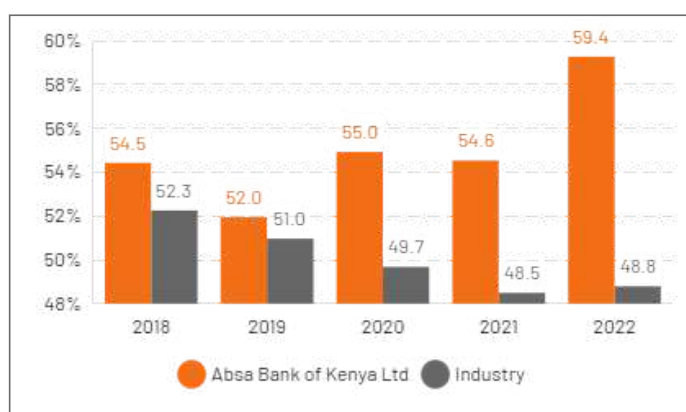


Absa Bank of Kenya Ltd

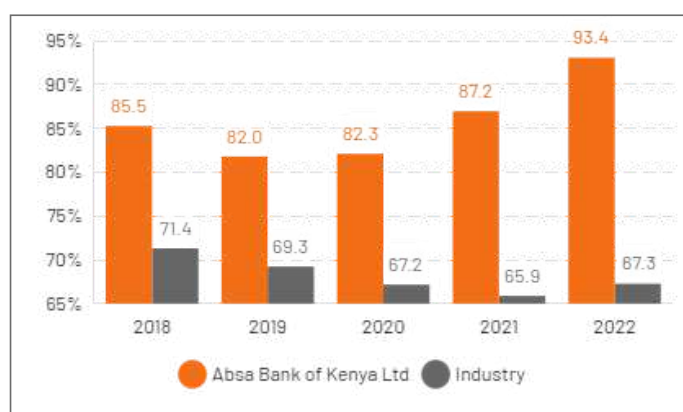
Funding and liquidity	2018	2019	2020	2021	2022
Advances/Total assets	54.5	52.0	55.0	54.6	59.4
<i>Advances/Total assets (sector)</i>	<i>52.3</i>	<i>51.0</i>	<i>49.7</i>	<i>48.5</i>	<i>48.8</i>
Advances/Customer deposits	85.5	82.0	82.3	87.2	93.4
<i>Advances/Customer deposits (sector)</i>	<i>71.4</i>	<i>69.3</i>	<i>67.2</i>	<i>65.9</i>	<i>67.3</i>
Liquid assets/Total assets	35.2	38.0	37.0	37.9	33.2
<i>Liquid assets/Total assets (sector)</i>	<i>33.2</i>	<i>36.2</i>	<i>38.9</i>	<i>41.0</i>	<i>41.1</i>
Liquid assets/Customer deposits	55.2	60.0	55.3	60.4	52.2
<i>Liquid assets/Customer deposits (sector)</i>	<i>45.3</i>	<i>49.3</i>	<i>52.6</i>	<i>55.7</i>	<i>56.6</i>

Liquidity and the funding structure is a key strength. Customer deposits comprised 77% of non-equity funding and are stable. Liquidity ratios are sound, with sufficient headroom above the regulatory requirement. The liquidity ratio was 33.6% at FYE22, compared to the 20% regulatory limit.

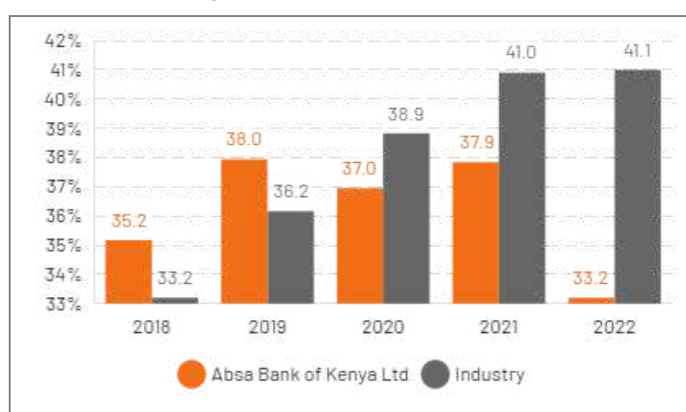
Advances to Total Assets (%)



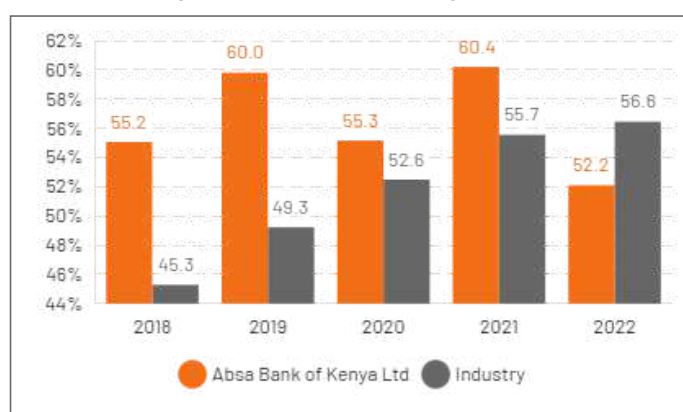
Advances to Customer Deposits (%)



Liquid Assets to Total Assets (%)



Liquid Assets to Customer deposits (%)



Absa Bank of Kenya Ltd

Financial Statements (KES'm)

Number of months	12	12	12	12	12
Year end	December	December	December	December	December
Income statement (KES'm)	2018	2019	2020	2021	2022
Interest income	29,061.0	31,024.0	31,440.0	32,038.0	40,853.1
Interest expense	-7,069.0	-7,845.0	-8,059.0	-6,781.0	-8,537.7
Net interest income	21,992.0	23,179.0	23,381.0	25,257.0	32,315.4
Net fees and commissions	5,625.0	6,121.0	5,518.0	6,156.0	6,172.7
Trading income	3,280.0	3,641.0	4,448.0	4,162.0	6,646.0
Other income	797.0	827.0	734.0	1,347.0	8,538.8
Non-interest income	9,702.0	10,589.0	10,700.0	11,665.0	21,357.5
Total operating income	31,694.0	33,768.0	34,081.0	36,922.0	53,672.8
Impairment charge on loans	-4,240.0	-4,065.0	-8,551.0	-4,709.0	-6,479.5
Impairment charge on other	369.0	-136.0	-34.0	0.0	0.0
Operating expenditure	-17,177.0	-18,815.0	-19,848.6	-16,664.0	-18,659.1
Profit/loss from associate	0.0	0.0	0.0	0.0	0.0
Other income/expenses	0.0	0.0	0.0	0.0	0.0
Exceptional items	0.0	0.0	0.0	0.0	0.0
Net profit before tax	10,646.0	10,752.0	5,647.4	15,549.0	28,534.2
Tax	-3,230.0	-3,296.0	-1,484.2	-4,679.0	-6,262.1
Net profit after tax	7,416.0	7,456.0	4,163.2	10,870.0	22,272.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Other after tax inc/exp	0.0	0.0	0.0	0.0	0.0
Net income	7,416.0	7,456.0	4,163.2	10,870.0	22,272.0
Less: Dividends paid	0.0	0.0	0.0	0.0	0.0
Retained income	7,416.0	7,456.0	4,163.2	10,870.0	22,272.0

Absa Bank of Kenya Ltd

Balance sheet (KES'm)	2018	2019	2020	2021	2022
Share capital	2,716.0	2,716.0	2,716.0	2,716.0	2,715.8
Share premium	0.0	0.0	0.0	0.0	0.0
Statutory reserve	0.0	0.0	0.0	0.0	0.0
Revaluation reserves	529.0	281.0	1,082.0	394.0	-1,551.4
Credit risk reserve	0.0	0.0	0.0	0.0	0.0
Retained earnings	35,885.0	37,095.0	42,524.0	47,252.0	55,980.5
Other reserves	5,076.0	5,097.0	183.0	6,086.0	6,468.2
Common equity	44,206.0	45,189.0	46,505.0	56,448.0	63,613.0
Preference shares	0.0	0.0	0.0	0.0	0.0
Outside shareholders	0.0	0.0	0.0	0.0	0.0
Other permanent equity	0.0	0.0	0.0	0.0	0.0
Subordinated debt	0.0	0.0	0.0	0.0	0.0
Qualifying debentures	0.0	0.0	0.0	0.0	0.0
Other secondary capital	0.0	0.0	0.0	0.0	0.0
Hybrid capital	0.0	0.0	0.0	0.0	0.0
Goodwill excluded	0.0	0.0	0.0	0.0	0.0
Total capital and reserves	44,206.0	45,189.0	46,505.0	56,448.0	63,613.0
Bank borrowings	57,246.0	68,433.0	54,105.0	80,456.0	85,321.6
Customer deposits	207,408.0	237,739.0	253,630.0	268,717.0	303,751.0
Other borrowings	5,096.0	7,628.0	8,211.0	0.0	4,266.9
Total funding	269,750.0	313,800.0	315,946.0	349,173.0	393,339.5
Other liabilities	11,357.0	15,915.0	16,990.0	23,069.0	20,281.4
Total capital and liabilities	325,313.0	374,904.0	379,441.0	428,690.0	477,233.9
Cash	5,815.0	7,091.0	5,829.0	7,730.0	11,464.4
Bank placements	15,698.0	12,507.0	8,324.0	22,065.0	13,683.2
Balances with central bank	17,718.0	21,719.0	12,435.0	13,279.0	12,746.8
NOSTRO accounts	0.0	0.0	0.0	0.0	0.0
Other cash and ST funds	-2.0	-2.0	-4.0	0.0	0.0
Cash & ST funds	39,229.0	41,315.0	26,584.0	43,074.0	37,894.4
Net advances	177,354.0	194,895.0	208,855.0	234,234.0	283,578.5
Treasury bills	29,708.0	43,774.0	36,375.0	44,196.0	42,905.4
Government bonds	63,230.0	79,221.0	89,682.0	88,380.0	90,584.7
Other marketable securities	0.0	0.0	0.0	0.0	0.0
Marketable securities	92,938.0	122,995.0	126,057.0	132,576.0	133,490.0
Investment in subs & assoc's	0.0	0.0	0.0	0.0	0.0
Equity investments	0.0	0.0	0.0	0.0	0.0
Debt instruments	0.0	0.0	0.0	0.0	0.0
Investment property	65.0	0.0	0.0	0.0	0.0
Other investments	473.0	921.0	2,679.0	0.0	0.0
Total investments	538.0	921.0	2,679.0	0.0	0.0
Fixed assets	2,272.0	2,843.0	2,808.0	2,416.0	2,676.0
Other assets	12,982.0	11,935.0	12,458.0	16,390.0	19,595.0
Total assets	325,313.0	374,904.0	379,441.0	428,690.0	477,233.9
Contingencies	62,074.0	84,809.0	79,574.0	131,904.0	199,178.6

Absa Bank of Kenya Ltd

Financial Statements (USD'm)

Number of months	12	12	12	12	12
Year end	December	December	December	December	December
USD/KES (avg)	102.53	101.62	105.23	111.13	118.33
Income statement (USD'm)	2018	2019	2020	2021	2022
Interest income	283.5	305.3	298.8	288.3	345.3
Interest expense	-68.9	-77.2	-76.6	-61.0	-72.2
Net interest income	214.5	228.1	222.2	227.3	273.1
Net fees and commissions	54.9	60.2	52.4	55.4	52.2
Trading income	32.0	35.8	42.3	37.5	56.2
Other income	7.8	8.1	7.0	12.1	7.2
Non-interest income	94.6	104.2	101.7	105.0	115.6
Total operating income	309.1	332.3	323.9	332.2	388.7
Impairment charge on loans	-41.4	-40.0	-81.3	-42.4	-54.8
Impairment charge on other	3.6	-1.3	-0.3	0.0	0.0
Operating expenditure	-167.5	-185.2	-188.6	-150.0	-157.7
Profit/loss from associate	0.0	0.0	0.0	0.0	0.0
Other income/expenses	0.0	0.0	0.0	0.0	0.0
Exceptional items	0.0	0.0	0.0	0.0	0.0
Net profit before tax	103.8	105.8	53.7	139.9	176.2
Tax	-31.5	-32.4	-14.1	-42.1	-52.9
Net profit after tax	72.3	73.4	39.6	97.8	123.3
Minority interests	0.0	0.0	0.0	0.0	0.0
Other after tax inc/exp	0.0	0.0	0.0	0.0	0.0
Net income	72.3	73.4	39.6	97.8	123.3
Less: Dividends paid	0.0	0.0	0.0	0.0	0.0
Retained income	72.3	73.4	39.6	97.8	123.3

Absa Bank of Kenya Ltd

Financial Statements (USD'm)

USD/KES (close)	101.89	101.35	109.11	113.15	123.50
Balance sheet (USD'm)	2018	2019	2020	2021	2022
Share capital	26.7	26.8	24.9	24.0	22.0
Share premium	0.0	0.0	0.0	0.0	0.0
Statutory reserve	0.0	0.0	0.0	0.0	0.0
Revaluation reserves	5.2	2.8	9.9	3.5	-12.6
Credit risk reserve	0.0	0.0	0.0	0.0	0.0
Retained earnings	352.2	366.0	389.7	417.6	453.3
Other reserves	49.8	50.3	1.7	53.8	52.4
Common equity	433.9	445.9	426.2	498.9	515.1
Subordinated debt	0.0	0.0	0.0	0.0	0.0
Qualifying debentures	0.0	0.0	0.0	0.0	0.0
Other secondary capital	0.0	0.0	0.0	0.0	0.0
Hybrid capital	0.0	0.0	0.0	0.0	0.0
Less: Goodwill	0.0	0.0	0.0	0.0	0.0
Total capital and reserves	433.9	445.9	426.2	498.9	515.1
Bank borrowings	561.8	675.2	495.9	711.1	690.9
Customer deposits	2,035.6	2,345.7	2,324.5	2,374.9	2,459.5
Other borrowings	50.0	75.3	75.3	0.0	34.5
Total funding	2,647.5	3,096.2	2,895.7	3,085.9	3,184.9
Other liabilities	111.5	157.0	155.7	203.9	164.2
Total capital and liabilities	3,192.8	3,699.1	3,477.6	3,788.7	3,864.2
Cash	57.1	70.0	53.4	68.3	92.8
Bank placements	154.1	123.4	76.3	195.0	110.8
Balances with central bank	173.9	214.3	114.0	117.4	103.2
NOSTRO accounts	0.0	0.0	0.0	0.0	0.0
Other cash and ST funds	0.0	0.0	0.0	0.0	0.0
Cash & ST funds	385.0	407.6	243.6	380.7	306.8
Net advances	1,740.6	1,923.0	1,914.2	2,070.1	2,296.2
Treasury bills	291.6	431.9	333.4	390.6	347.4
Government bonds	620.6	781.7	821.9	781.1	733.5
Other marketable securities	0.0	0.0	0.0	0.0	0.0
Marketable securities	912.1	1,213.6	1,155.3	1,171.7	1,080.9
Investment in subs & assoc's	0.0	0.0	0.0	0.0	0.0
Equity investments	0.0	0.0	0.0	0.0	0.0
Debt instruments	0.0	0.0	0.0	0.0	0.0
Investment property	0.6	0.0	0.0	0.0	0.0
Other investments	4.6	9.1	24.6	0.0	0.0
Total investments	5.3	9.1	24.6	0.0	0.0
Fixed assets	22.3	28.1	25.7	21.4	21.7
Other assets	127.4	117.8	114.2	144.9	158.7
Total assets	3,192.8	3,699.1	3,477.6	3,788.7	3,864.2
Contingencies	832.4	785.1	1,208.9	1,165.7	1,612.8

Absa Bank of Kenya Ltd

Ratio analysis (%)	2018	2019	2020	2021	2022
Capitalisation					
Risk weighted capital adequacy	16.6	16.6	17.5	17.1	18.6
Capital/Loans+equity+guarantees	23.1	22.6	20.2	20.5	18.6
Total capital/Total assets	13.6	12.1	12.3	13.2	13.3
Internal capital generation	16.8	16.5	9.0	19.3	22.9
Liquidity					
Advances/Total assets	54.5	52.0	55.0	54.6	55.9
Advances/Customer deposits	85.5	82.0	82.3	87.2	93.4
Liquid assets/Total assets	35.2	38.0	37.0	37.9	33.2
Liquid/Customer deposits	55.2	60.0	55.3	60.4	52.2
Liquid assets/Total contingencies	1.8	1.7	1.8	1.2	0.8
Asset quality					
Gross NPL ratio	5.5	5.2	7.3	7.9	7.5
Loan loss provisions/Gross loans	5.5	5.4	7.3	7.0	6.1
Net NPL ratio	0.4	0.5	1.6	2.7	2.5
Net NPLs/Total capital	1.4	2.2	7.0	11.1	11.2
Loan loss provisions/NPLs	99.3	102.4	99.8	88.3	82.4
Specific provisions/NPLs	93.9	90.6	80.2	68.4	68.3
Impairment charge/Total income	13.4	12.0	25.1	12.8	14.1
Profitability					
Net interest margin	8.3	7.5	6.9	6.9	7.9
Other income/Total income	30.6	31.4	31.4	31.6	29.7
Non-interest income/Expenses	56.5	56.3	53.9	70.0	73.3
Cost ratio	54.2	55.7	58.2	45.1	40.6
Overhead ratio	5.8	5.4	5.3	4.1	4.1
Effective tax rate	30.3	30.7	26.3	30.1	30.0
ROaE	16.8	16.7	9.1	21.1	24.3
ROaA	2.5	2.1	1.1	2.7	3.2
Growth					
NPAT	7.1	0.5	-44.2	161.1	34.2
Operating income	4.7	6.5	0.9	8.3	24.6
Total assets	19.8	15.2	1.2	13.0	11.3
Net advances	5.3	9.9	7.2	12.2	21.1
Customer deposits	11.5	14.6	6.7	5.9	13.0
Total capital	0.2	2.2	2.9	21.4	12.7
Contingencies	-25.6	36.6	-6.2	65.8	51.0
Gross NPL	0.0	-1.3	-9.7	-1.8	-4.6

Absa Bank of Kenya Ltd

The Africa Analyst Scores

Absa-KE's National Score reflects its long history and established franchise in Kenya, adequate liquidity and capital buffers, reasonable asset quality and resilient earnings performance. The assessment also factors in support (technical and financial) from the strong rated parent.

Asset quality continues to be a problem for Kenya's banking sector, but the largest banks are stable and profitable. A number of smaller banks are opaque and as a group pose some systemic risk, but ongoing consolidation in the sector will ease some of those risks. Banking industry risk in terms of supervision and stability of the sector was considered negligible. However, economic and political risk is considered moderate, leading to a 2-notch downgrade for the Pan-African Score.

The International Foreign Currency Score is impacted by Kenya's weak international credit profile. The country is on a negative outlook by the major international rating agencies given liquidity concerns.

	Business Profile	Financial Profile					Support		National Rating	Industry risk	Year: 2022		
		Capitalisation	Asset Quality	Provision Coverage	Profitability	Liquidity	Shareholder	Government			Country risk	Pan-African Rating	Int. Rating
	20%	25%	10%	10%	10%	25%	Yes	No		0	1		
aaa							Yes	No		0	1		
aa+													
aa													
aa-													
a+													
a													
a-													
bbb+													
bbb													
bbb-													
bb+													
bb													
bb-													
b+													
b													
b-													
ccc+													
ccc													
ccc-													
cc													
c													
d													

For Industry and Country risk: 0 = Insignificant, 1 = Moderate, 2 = High, 3 = Very High