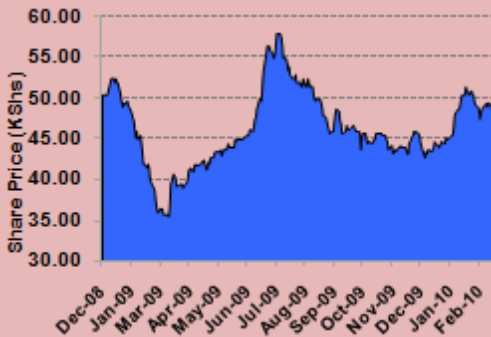




Earnings Announcement

Barclays Bank of Kenya Audited Group Statements For Full Year Ended 31st December, 2009

Barclays Bank: Share Price Movement



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Highlights

- ✓ Profit before tax up 12% to Kshs 9.0 bn
- ✓ Total operating income down 1% to Kshs 23.4 bn
- ✓ Management engaged in conservative/cautious lending
- ✓ Weighty investment in government securities
- ✓ Net non performing loans down 11%
- ✓ Cost base contained with operating expenses down 3%
- ✓ Total deposits down 0.4% to Kshs 126.1 bn from previous year
- ✓ Loan book down 14% to Kshs 93.5 bn from previous year
- ✓ EPS up 10.4% to Kshs 4.49. Final dividend of Kshs 2.00 proposed (with a 4.02% yield) and the books closure date is 11th March, 2010
- ✓ Current Share Price up 10.5% to Kshs 49.75 since December 2009 against a 9.7% gain in the NSE 20 Index (Jan to Feb)

Report Summary

1::	General Review
2::	Asset Quality
3::	Conclusions

22 FEBRUARY 2010

1:: GENERAL REVIEW OF BARCLAYS BANK KENYA RESULTS

Income Statement (Ksh mn)			
	Dec 2008	Dec 2009	
Interest Income	17,821	17,517	-2%
Interest Expenses	3,811	2,747	-28%
Net Interest Income	14,010	14,769	5%
Non Interest Income	9,617	8,628	-10%
Operating Income	23,627	23,397	-1%
Bad Debts Charge	1,282	513	-60%
Operating Expenses	14,336	13,882	-3%
Profit Before Tax	8,009	9,002	12%
Profit After Tax	5,518	6,091	10%
Earnings Per Share	4.06	4.49	
Dividend Per Share	2.00	2.50	
Balance Sheet (Ksh mn)			
	Dec 2008	Dec 2009	
Total Assets	168,510	164,875	-2%
Loans and Advances	108,086	93,543	-13%
Government Securities	28,307	43,861	55%
Shareholders' Funds	20,463	24,210	18%

Selected Performance Ratios			
	Industry	BBK	BBK
	Dec-08	Dec-08	Dec-09
Interest Margin	11.4%	12.6%	12.1%
Net Interest Margin	8.0%	9.9%	10.2%
NFI to Total Income	40.7%	40.7%	36.9%
NFI to Operating Cost	0.73x	0.67x	0.62x
Cost to Income	55.9%	60.7%	59.3%
Loss Provision to Income	8.5%	5.2%	2.2%
Operating Margin	35.6%	33.9%	38.5%
Earnings Margin	24.8%	23.4%	26.0%
ROE	24.6%	29.0%	27.3%
ROA	2.8%	3.4%	3.7%
Leverage (assets:equity)	7.0x	8.2x	6.8x
Loans to Deposits	72.4%	84.6%	74.2%
Government Securities To Total Assets	17.9%	16.8%	26.6%

Analysis of Non Interest Income Streams			
	Full Yr 08	Full Yr 09	Full Yr 09
	Growth	Growth	Ksh mn
Commissions Inc	10.0%	-5.0%	6,257
Forex Inc	73.7%	-14.6%	2,193
Other Income	N/A	-62%	179
Commissions Inc to Operating Costs			
	Full Yr 07	Full Yr 08	Full Yr 09
Cost Coverage(x)	0.54x	0.46x	0.45x

Source: Barclays Bank of Kenya Published Annual Results

*Industry figures for '09 ROE, ROA and Leverage are estimates

Core income streams trend downwards

Interest income stagnated as the bank relied more on income from government securities to grow its core income stream; however, an interest expense drop more than offset the interest income decline resulting in the net interest margin widening. The drop in interest expenses was attributed to the bank relying less on high cost term deposits used to bridge liquidity in 08. The bank had been operating in a hostile environment that had seen household lending grow marginally by 4.8% y-o-y to Dec. '09. Consequently BBK loan growth during '09 fell 13% prompting the management to shift funds into risk-free government paper in the hope of attracting high yields from medium to long bonds.

Decline in bad debts charge boosts the operating margin

There was a significant fall in loan loss provision which is consistent with the decline in risk weighted assets and the management's decision to engage in more prudent lending.

Non interest income growth still not significant

The income contribution from non interest income (NFI) was not substantial enough to reduce the impact of operating costs that was evident in the NFI to operating cost ratio that declined marginally. The meager contribution from NFI was due to a less vibrant forex market in '09, as currency volatility in '08 wasn't repeated. By booking fewer loans, fees and commissions income also dwindled during the period resulting in total commissions dipping 5.0%. We expect the recovery in consumer lending in '10 to support NFI considering ~40% of the bank's loan book are household loans. The bank is operating at a fairly lower leverage and has sufficient capital to increase lending and this also augurs well for '10 top-line income growth. The net interest margin widened due to the low cost of funds and we expect this to go on in '10 as the GOK maintains its expansionary monetary policy.

Costs kept at bay

During the period operating costs remained largely subdued as the bank adopted lean management that realized a marginal growth in staff costs and reduction in the cost to income ratio. BBKs strict lending policy also kept the cost base low, which was one of the main contributors to the better trading performance (including the low loan loss provision). The average impairment charge as a % of net loans dipped from 1.2% to 0.5%. We expect operating expenses to grow slightly in '10 as BBK seeks to grow its current deposit base and as consumer loans rebounds.

2:: ASSET QUALITY

“Despite the shift into treasuries and strict consumer lending, gross NPLs and net NPL exposure rose”

Other Disclosures (Ksh mn)			
Barclays Bank	Dec-08	Dec-09	
Gross NPLs	6,582	7,548	15%
Interest in Suspense	0	72	
Total NPLs	6,582	7,476	14%
Loan Loss Provision	3,328	4,566	37%
Net NPLs	3,254	2,910	-11%
Net Exposure	519	673	30%
Risk Weighted Assets	133,041	115,880	-13%

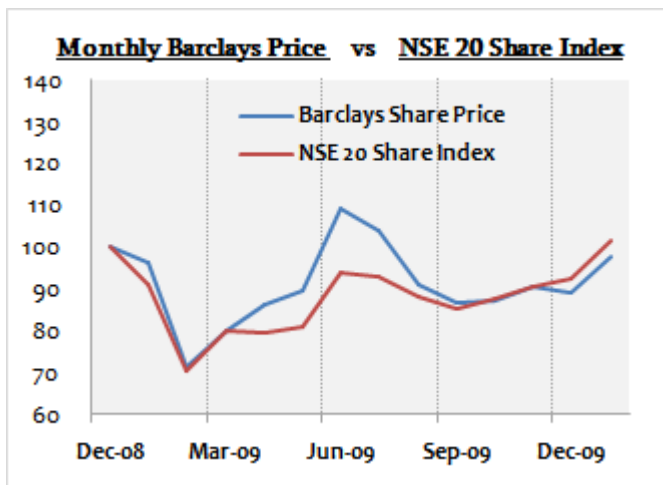
Selected NPL & Capital Ratios			
Barclays Bank	Ind. '09	Dec-08	Dec-09
Total NPLs / Total Loans	6.8%	6.1%	8.0%
NPL Exposure to Loans	N/A	0.5%	0.7%
Core Capital to RWA	18.9%	15.0%	19.1%
Total Capital to RWA	19.5%	18.7%	23.8%
Liquidity Ratio	39.8%	29.8%	42.1%

Net non performing loans decline as provisions rise

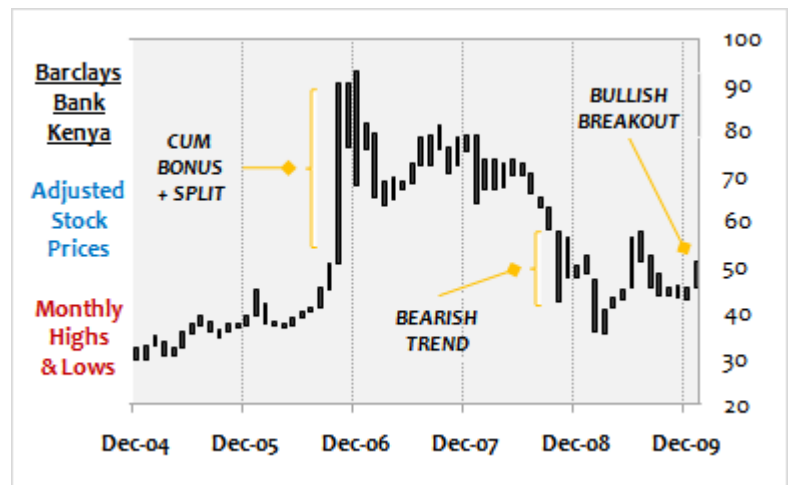
The bank recorded a marginal dip in bad loans (net NPLs) as a result of recording higher loan loss provisions; but, the total NPL to total loans ratio rose by 1.9% to 8.0% signifying the challenges the management was facing to keep its loan book clean. The net NPL exposure also rose significantly during the period as the realizable value of securities held on customer loans declined.

The bank’s capital ratios remain high relative to the ‘09 industry average due to higher earnings retention, a fall in risk weighted assets (due to faster loan repayments and govt bond investments) and a marginal dip in customer deposits. The bank’s total capital is still propped up by medium term notes issued in ‘08 and loan capital from Barclays Bank Plc. We anticipate the bank will have adequate capital and liquidity in ‘10 to expand its balance sheet.

Stock Details | Sector: Finance & Investment | Share Price: Ksh49.75 | Trailing PE: 11.1x | Div Yield: 5.0%



Source: NSE



Source: NSE

3:: CONCLUSIONS

Positive Outlook

The management indicated that it will focus on six key areas in the coming year that include:- widening the net interest margin, collecting high fees/commissions, maintaining adequate capital/liquidity to support lending, grow the deposit base, enhance the use of technology and provide a positive operating leverage. We expect the bank’s top-line growth to grow contingent on the recovery of consumer loans, which should result in loan book growth. The loose monetary policy is encouraging a lower cost of funds and we believe that this will enable the bank to widen its net interest margin. It is also for this reason we believe the short term interest rate risk on the bank’s government bond holdings will be minimal. We expect the cost base to rise only marginally given the current low inflation environment. We expect BBK’s shares to register capital gains in line with changes in the NSE 20 Index (Barclays share price is highly correlated with an estimated 1.08 equity beta).

Stock Data Sheet
***Pricing as at February 19, 2010**
****Fiscal Year End: December**
Brief Profile

Barclays Bank provides in its own name and through subsidiary companies an extensive range of banking, financial and related services and has a market capitalization of over \$877 million.

Large Shareholders as at Year End

	2006	2007	2008
Barclays Bank Plc	68.50	68.50	68.50
NSSF - Board of Trustees	1.65	1.65	1.65
Barclays Nom. A/C 1256	0.60	0.58	0.58

Key Banking Ratios (%)

	2007	2008	2009e
Industry Market Share			
Total Assets	16.6	14.2	12.0
Deposit Liabilities	15.6	13.7	11.8
Net Advances	21.3	16.1	12.3
Bank Accounts	9.1	9.8	-

Kenyan Banking Peer Comparison (latest 12 month figures) - Ksh mn

	Mkt Cap	Op. Inc	Profit	ROA	ROE	PBV	Branches	ATMs
Barclays Bank	67,555	23,397	6,091	3.7	27.3	2.8	120	238
KCB Bank Group	46,573	19,428	4,191	2.7	24.4	2.1	200	280
Equity Bank	57,393	15,676	4,234	4.7	19.9	2.5	155	512

Cost to Income	58.8	60.7	59.3
NFI to Total Inc	39.7	40.7	36.9
Leverage	9.0x	8.2x	6.8x
Loans to Deposits	90.9	84.6	74.2

Trading History	2002	2003	2004	2005	2006	2007	2008	2009
Inflation Adj Return%	50.2	170.4	-27.3	24.7	71.4	-4.6	-42.3	-13.6
Share Price %	39.3	189.2	-24.7	31.5	95.2	2.6	-36.1	-10.9
NSE 20 Index %	0.6	100.9	7.6	41.2	37.4	-4.7	-35.3	-7.8
Market Cap - Sh m	18705	54096	40740	53573	104566	107282	68579	61110

Growth Trends	1 Yr	3 Yr	Ind
	2009	07-09	2009e
Operating Income %	-1.0	16.3	13.9
Operating Costs %	-3.2	23.0	13.2
Pre Tax Profit %	12.4	11.6	15.6

Valuation (x)	2002	2003	2004	2005	2006	2007	2008	2009
Price/Earnings (P/E)	10.5	16.1	10.7	14.4	23.3	21.8	12.4	11.1
NSE-20 Index (P/E)	11.4	20.0	15.3	15.3	16.8	16.1	11.5	14.6
PBV (Barclays Bank)	1.9	4.9	3.3	4.1	7.0	6.1	3.4	2.5
PBV (NSE Banks)	1.0	2.8	2.6	2.7	4.3	3.9	2.4	1.9

Returns Analysis	1 Yr	3 Yr	Ind
	2009	07-09	2009e
Return on Assets %	3.7	3.5	2.8
Return on Equity %	27.3	28.9	24.6
ROE/Annual Inflation	2.9	2.6	2.7

Margins	2002	2003	2004	2005	2006	2007	2008	2009
Interest Margin %	11.3	10.0	9.0	10.3	10.8	11.3	12.6	12.1
Net Interest Margin %	9.3	9.0	8.5	9.2	9.3	9.4	9.9	10.2
Int. Spread % (est.)	2.0	1.1	0.5	1.1	1.5	1.9	2.7	1.9
Earnings Margin %	15.5	24.2	27.4	26.1	29.7	26.0	23.4	26.0

Revenue/Head-Ksh m	3.7	5.2	5.2
Profit per Head-Ksh m	0.9	1.4	1.3
Operating Cost Management			
NFI to Operating Cost	0.6x	0.7x	0.7x
Salaries to Total Inc	30.9	28.4	27.5

Inc Statement-Kshmn	2006	2007	2008	2009	Q1 '09	Q2 '09	Q3 '09	Q4 '09
Net Interest Inc	8936	11381	14010	14769	3409	3659	3756	3945
Non Interest Inc	6187	7479	9617	8628	2262	2089	2184	2094
Operating Costs	7767	11095	14329	13882	3109	3395	3680	3699
Loan Loss Provision	881	687	1282	513	365	34	147	-32
Net Income	4492	4910	5525	6091	1509	1603	1450	1529
EPS (Ksh)	3.31	3.62	4.06	4.49	1.11	1.18	1.07	1.13
DPS (Ksh)	1.65	1.65	2.00	2.50	-	0.50	-	2.00
Issued Shares Mn	1358	1358	1358	1358	1358	1358	1358	1358
Bk Value per Share	10.94	12.93	15.07	17.83	16.36	16.05	17.09	17.83

Net NPL (% CHG)	-10.6	-11.6	23.3
NPL as % total loans	8.0	6.4	6.8

Balance Sheet-Kshmn	2006	2007	2008	2009	Q1 '09	Q2 '09	Q3 '09	Q4 '09
Loans & Advances	73907	105346	108086	93543	101314	98390	96268	93543
Net NPL Exposure	0	0	519	673	635	670	489	673
Deposit Liabilities	96105	115920	127809	126130	126327	127833	130129	126130
Asset Base	117722	157656	168510	164875	164979	170073	168131	164875
Shareholders' Funds	14862	17564	20463	24210	22223	21797	23210	24210
Liquidity %	36.2	18.8	29.8	42.1	34.9	36.0	38.6	42.1
Capital Adequacy %	12.1	14.0	18.7	23.8	18.3	19.4	20.6	23.8

Financial Position as at 31st December 2009		
Ksh million	Dec-08	Dec-09
Net Loans & Advances	108,086	93,543
Government Securities	28,307	43,861
Placements with Banks	30	201
Balance Due from Group Firms	6,993	6,246
Intangible Assets	547	686
Other Assets	24,548	20,339
Total Assets	168,510	164,875
Deposit Liabilities	127,809	126,130
Borrowed Funds	289	34
Balance Due to Group Firms	9,883	3,986
Other Liabilities	10,066	10,515
Total Liabilities	148,047	140,665
Total Equity	20,463	24,210

GLOSSARY OF TERMS USED IN DOCUMENT

Deposits/Deposit Liabilities – Refers to both customer deposits and deposits due to other banking institutions

Bad Debts Charge – Also known as loan loss provision in the income statement

Government Securities – Treasury bills and bonds (both domestic and foreign)

Core Capital Ratio – Tier 1 capital as a percentage of deposit liabilities

Capital Adequacy Ratio – (Tier 1 + Tier 2 capital) as a percentage of total risk weighted assets

Interest Spread – Difference between interest margin and net interest margin

NFI – Non Funded Income or Non Interest Income (comprising commissions, forex income & others)

NPL – Net Non Performing Loans (adjusted for interest suspended and loan loss provisions)

ROE – Return on Equity (annualized only where interim figures are available)

ROA – Return on Assets (annualized only where interim figures are available)

PBV – Refers to Price-to-Book Value (Formula: Market Capitalization / Shareholders Funds)

Inflation Adj Returns – Real returns adjusted to reflect the country's overall average annual inflation

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