DYER & BLAIR INVESTMENT BANK
EARNINGS UPDATE

Founder Member of the Nairobi Securities Exchange

22ND SEPTEMBER 2022

DYER & BLAIR
INVESTMENT BANK
WE KNOW. YOU KNOW.

KENYA: LISTED BANKS 1H22 BY THE NUMBERS:

Dear All,

Following the release of the 1H22 results, we evaluate the numbers for sector wide insights on the industry.

Below please find key highlights:

Double-digit profit growth: Listed banks continued to post robust results in 1H22 as majority of the listed banks realized double-digit growth in earnings on a year-on-year basis. Overall, the listed banks' earnings were principally buoyed by higher total operating income – characterized by strong growth in both net interest income and non-funded income. Notably, NCBA (+66.9%), Co-op (+55.7%), Stanbic (+41.2%) and Equity (+36.1%) recorded above-average growth in after tax profits on a year-on-year basis. Looking at the earnings on a quarter-on-quarter basis, we observe that NCBA and Stanbic registered the highest growths at 43.9% q-o-q and 26.2% q-o-q respectively.

Robust NFI growth: All listed banks reported a y-o-y increase in non-funded income in 1H22. The growth in non-funded income across the board was primarily prompted by a rise in foreign exchange income as all the listed banks posted robust growth. I&M, NCBA and KCB led the listed banks in foreign exchange income growth.

Improving asset quality: In 1H22, the aggregate stock of gross non-performing loans of all the listed banks increased on a y-o-y basis. However, Equity, Absa, NCBA and HF stood out as notable exceptions as they recorded lower gross NPLs y-o-y. Despite the general rise in gross NPL, the listed banks posted lower loan loss provisions in 1H22 (translating into lower cost of risk) as coverage ratios across most listed banks improved. Looking at asset quality metrics, we observe that despite the general rise in gross NPLs, most of the listed banks (7 out of 10) recorded lower NPL ratios – an improvement in asset quality. KCB and DTB posted the highest y-o-y deterioration in asset quality as their NPL ratios rose by 557 bps y-o-y and 217 bps y-o-y to 19.2% and 12.0% respectively.

PAT (KES BN)	1H22	1H21
KCB	15.3	19.6
EQTY	17.9	24.4
COOP	7.4	11.5
SCBK	4.9	5.4
ABSA	5.6	6.3
NCBA	4.7	7.8
SBIC	3.4	4.8
DTB	3.2	4.0
I&M	4.2	4.9
HF	(0.3)	0.05

(Source: Company, DBIB Research)
PAT= profit after tax

PAT Growth	Y/Y(%)	Q/Q(%)
KCB	28.4	(0.7)
EQTY	36.1	5.9
COOP	55.7	(3.5)
SCBK	10.9	(4.3)
ABSA	13.0	13.1
NCBA	66.9	43.9
SBIC	41.2	26.2
DTB	25.6	(33.9)
I&M	15.9	(18.2)
HF	-	(54.2)

(Source: Company, DBIB Research)

PPOP (KES BN)	1H22	1H21
KCB	28.5	32.5
EQTY	26.7	35.0
COOP	14.6	18.5
SCBK	7.4	7.7
ABSA	9.9	12.1
NCBA	13.7	17.5
SBIC	5.8	7.6
DTB	7.2	8.1
I&M	6.7	8.3
HF	(0.3)	0.2

(Source: Company, DBIB Research)
PPOP= pre provisions operating earnings

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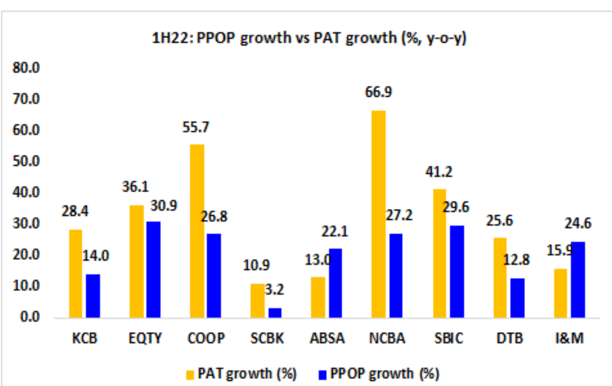
Introduction

Listed banks continued to post robust results in 1H22 as majority of the listed banks realized double-digit growth in earnings on a year-on-year basis. Overall, the listed banks' earnings were principally buoyed by higher total operating income – characterized by strong growth in both net interest income and non-funded income. Notably, NCBA (+66.9%), Co-op (+55.7%), Stanbic (+41.2%) and Equity (+36.1%) recorded above-average growth in after tax profits on a year-on-year basis. Looking at the earnings on a quarter-on-quarter basis, we observe that NCBA and Stanbic registered the highest growths at 43.9% q-o-q and 26.2% q-o-q respectively. Outstandingly, in 1H22 some banks (StanChart, Stanbic) refrained from interim dividend payments a move that was most likely influenced by concerns around the state of the operating environment. NCBA (which is targeting a dividend pay-out policy of 35.0% - 50.0%) and Absa were the only two banks to declare interim dividends while KCB committed to maintaining its dividend policy – possibly indicative of an interim dividend in 3Q22.



Source: Company, DBIB Research

Assessing the banks' profitability without the impact of loan loss provisions, we note that the growth witnessed in pre-provision operating profit (PPOP) continued to remain adequate in 1H22. Equity had the highest PPOP growth at 30.9% y-o-y followed by Stanbic at 29.6% y-o-y and NCBA at 27.2% y-o-y. Generally, most listed banks posted higher PAT growth compared to PPOP as a result of a reduction in loan loss provisions on a year-on-year basis.

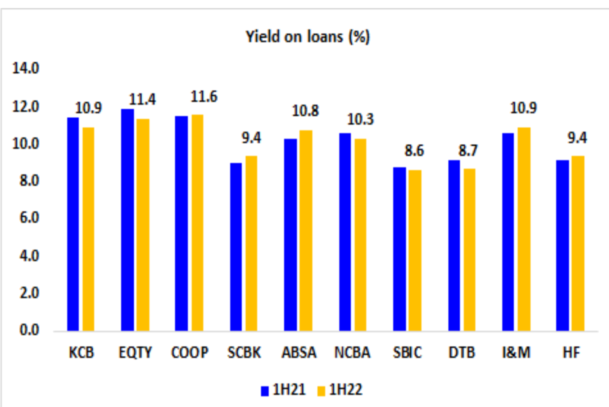
Absa, HF, Equity and I&M, were however notable exceptions as the aforementioned banks increased their cost of risk in 1H22, despite recording an improvement in asset quality. We see the higher cost of risk as largely a conservative approach because going by the listed banks 1H22 financial performance, the credit environment seems to be on the mend. Out of the 10 listed banks, 7 reported lower NPL ratios y-o-y which is indicative of an improvement in asset quality. KCB and DTB were however egregious exceptions as their NPL ratios (as per DBIB calculations) notched up by 557 bps y-o-y and 217 bps y-o-y to 19.2% and 12.0% respectively. KCB's asset quality troubles were mostly centered on their Kenyan business, corporate segment and the manufacturing, building & construction and hospitality sectors.

Despite the pervasive challenges witnessed in the operating environment (inflation, depreciating Kenya Shilling, rising yield curve, political uncertainty, geopolitical tensions, contractionary monetary policies) listed banks showed impressive performance in 1H22. While asset quality challenges still remain, we noted some improvement in 1H22 and we see this as being chiefly reflective of individual bank efforts to tame bad loans.

Going forward, in the remainder of FY22, we expect to see NPL ratios trend lower on the back of the abating political temperatures, potential resolution of pending bills and bank-specific initiatives. We don't anticipate much change in the macroeconomic environment in the near-term, but irrespective of this, we still expect bank earnings to continue remaining resilient.

Loan book and yield on loans

Across the listed banks, the yield on loans performance was varied in 1H22. Absa, StanChart, I&M and HF all recorded higher yields on a year-on-year basis while Stanbic, NCBA, DTB, Equity and KCB had lower yields, Co-op's yield on loans was relatively stable.

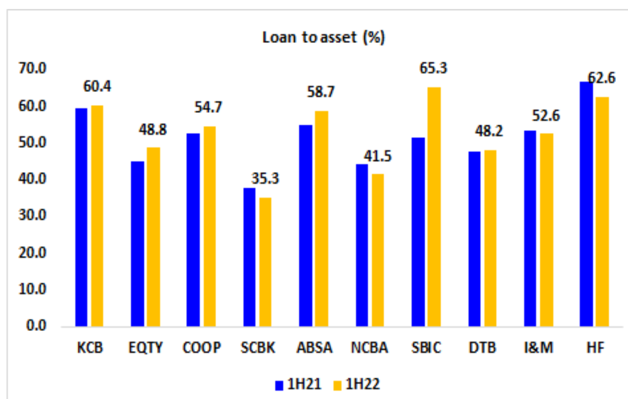


Source: Company, DBIB Research

We note positively on the progress made on the implementation of the risk-based pricing models. According to the Kenya Bankers Association (KBA), more than half of Kenyan banks have had their pricing models approved or signed off by the Central Bank.

Equity Group and Absa are amongst the listed banks whose risk based pricing models have been approved by the Central Bank. Equity group highlighted that despite the approval of its risk based pricing model, the upward adjustment to loan pricing is yet to be effected in a bid to remain competitive with its tier 1 competitors who are yet to gain approvals. Nonetheless, as more and more listed banks gain approvals by the regulator, we expect the proper incorporation of risk assessment in loan pricing to provide a gradual rise in the yield on loans in the medium-term.

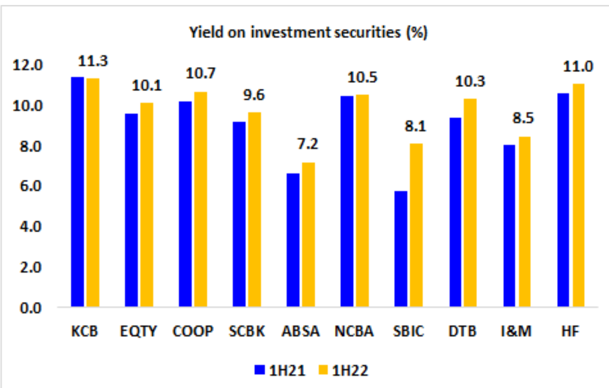
Analysis of the listed banks' loan to asset ratios reveals that I&M, Equity, DTB, NCBA and StanChart continue to have loan to asset ratios that are below the listed banking average implying that they have more room to ramp up lending. Interestingly, NCBA and I&M also had the lowest loan book growths in comparison to the other listed banks while StanChart recorded a contraction in its loan book.



Source: Company, DBIB Research

Investment securities and yields on investment securities

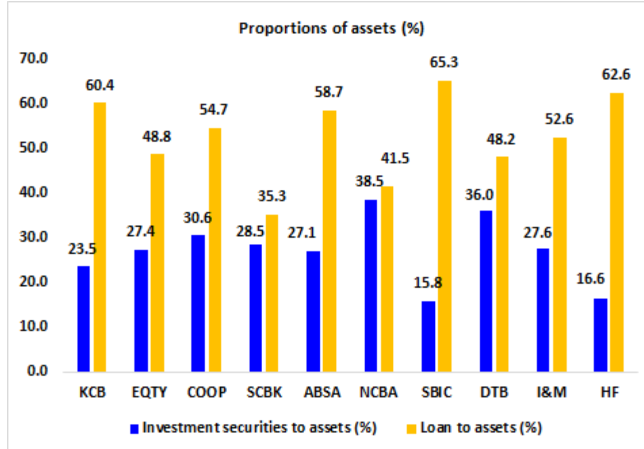
Yields on investment securities noticeably increased across majority of the listed banks. The rise in yields on investment securities continued to be reflective of the higher interest rate environment evidenced by the rise witnessed in the yield curve.



Source: Company, DBIB Research

In absolute terms, overall listed banks' channeled more funds towards the private sector in comparison to lending to the government in 1H22. However, StanChart, NCBA and HF bucked the trend preferring to ramp up their portfolios of government securities in lieu of lending, doubling down on their conservative lending approach – in light of their asset quality issues.

When looking at the loan to assets and investment securities to asset ratios, we also observe that on average, across the listed banks the former ratio increased on a year-on-year basis while the latter declined and this is consistent with banks' preference for lending to the private sector.

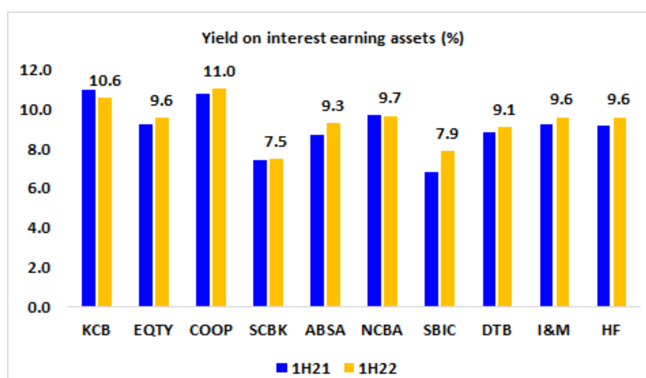


Source: Company, DBIB Research

We believe this trend has in part been influenced by banks' general leeway in pricing loans (post-rate cap era, even despite the pending risk based pricing model approvals) amidst a rising interest rate environment (both domestically and globally) which has seen several banks book mark-to-market losses.

We believe that as long as the yield curve persists on its upward trend, banks will continue channeling funds towards the private sector, especially as the risk based pricing approvals gain further traction, helping to standardize the credit market.

Interest earning assets and yields on interest earning assets



Source: Company, DBIB Research

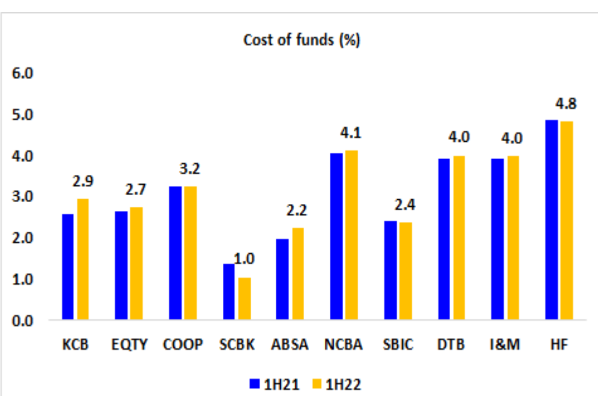
The noteworthy rise in yields on government securities across the listed banks, helped fuel a rise in yield on interest earning assets on a year-on-year basis. KCB was the only exception, its yield on interest earning assets eased by 37 bps y-o-y and this was mostly on the back of a 56 bps y-o-y decline in yield on loans.

A comparative analysis of the funded income generating potential (interest earning assets/total assets) of the listed banks shows that I&M and HF maintained below average ratios.

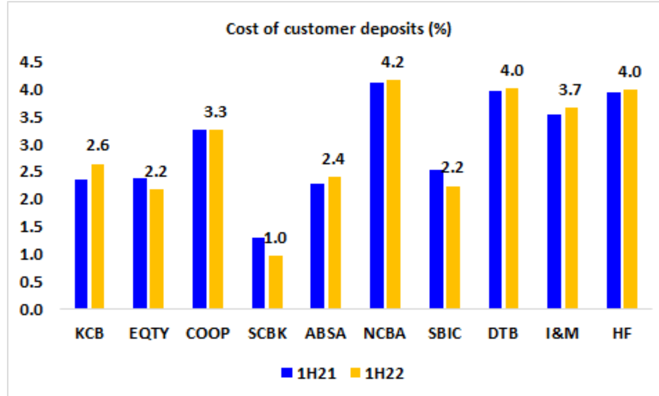
We continue to expect yields on interest earning assets to be buoyed by elevated yields on government securities as the operationalization of risk based pricing models continues to lag.

Cost of funds

With the exception of KCB, StanChart, and Absa, the average cost of funds across the listed banks remained stable in 1H22. KCB's cost of funds rose by 35 bps y-o-y to 2.9% as it continued to be affected by the depreciation of the Kenya Shilling and higher term deposit rates. StanChart's cost of funds, which settled at 1.0%, remained below the listed banks industry average of 3.1% -- positively impacted by its high liquidity ratio (73.6% against an average of 46.3%).

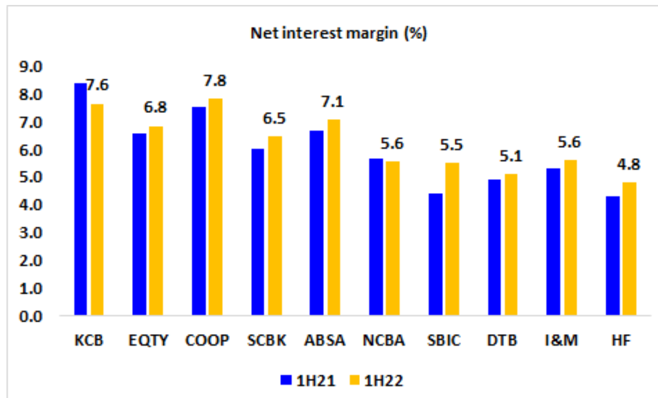


Source: Company, DBIB Research



Source: Company, DBIB Research

Net Interest Margins



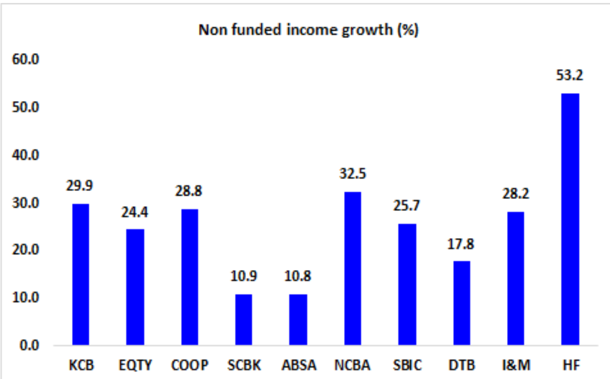
Source: Company, DBIB Research

In 1H22, most listed banks registered an improvement in their net interest margins (NIMs), although marginally. Overall, the uptick in net interest margins was mostly supported higher by yields on interest earning assets as cost of funds remained fairly stable. As is to be expected, KCB's NIM shed 72 bps y-o-y mostly on the back of a decline in the yield on interest earning assets (37 bps y-o-y to 10.6%) and a rise in its cost of funds (+35 bps to 2.9%).

Generally, we don't expect to see a significant change in NIMs – at least in the near term. We expect to see a steady rise in NIMs buttressed by elevated yields on government securities as cost of funds continue to remain stable due to their manageability (banks could ramp up their CASA deposits to manage cost of funds in spite of the high interest rate environment).

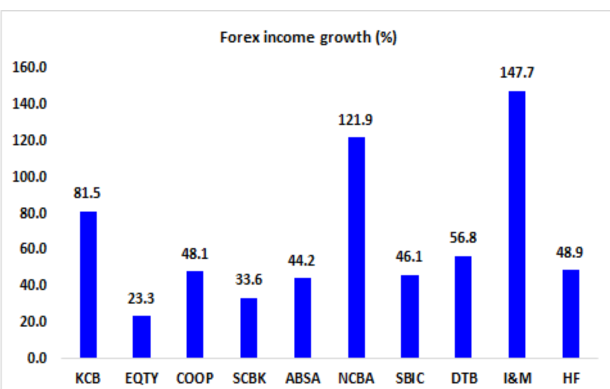
Non-funded income

All listed banks reported a y-o-y increase in non-funded income in 1H22. The growth in non-funded income across the board was primarily prompted by a rise in foreign exchange income as all the listed banks posted robust growth. I&M, NCBA and KCB led the listed banks in foreign exchange income growth.



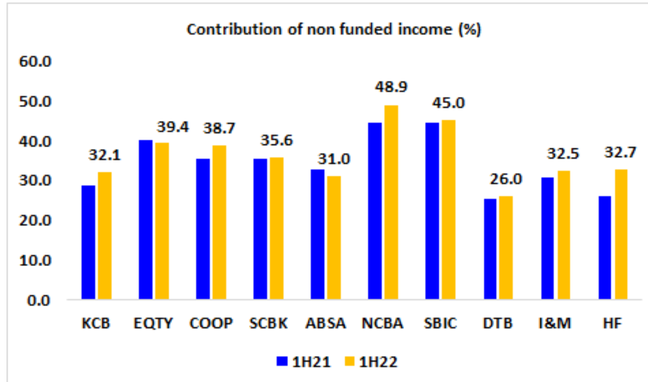
Source: Company, DBIB Research

We believe that the impressive performance witnessed in foreign exchange income was a factor of banks leveraging the weak sentiment around the Kenya Shilling and the US Dollar shortage in the market to charge higher spreads on forex trading.



Source: Company, DBIB Research

Given the impressive performance of non-funded income, the contribution of non-funded income to total operating income across the listed banks generally improved by 184 bps to an average of 36.2% (1H21: 34.4%).

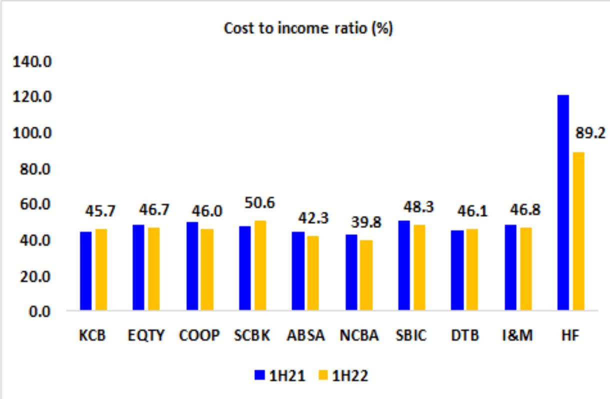


Source: Company, DBIB Research

Moving forward, we expect to see the momentum established by foreign exchange trading income translating through to the remainder of FY22, helping to sustain non-funded income growth. We continue to expect non-funded income growth however to be curtailed by potentially lower income from bond trading (due to the elevated yields) especially for banks with high proportion of trading bonds such as StanChart, Equity and Absa. Additionally, we anticipate banks with a considerable proportion of FVPL bonds such as Absa, I&M and Stanbic to experience unrealized losses (also due to elevated yields) further restraining their non-funded income.

Efficiency

In 1H22, listed banks generally recorded an improvement in efficiency with the glaring exceptions of KCB and StanChart. The sector-wide improvement in efficiency was mainly bolstered by total operating income growing at a faster pace than operating costs (excluding provisions). KCB's cost-to-income ratio increased by 131 bps to 45.7% while StanChart's increased by 334 bps to 50.6%. And both banks saw their operating costs (sans provisions) rising faster than their operating incomes.

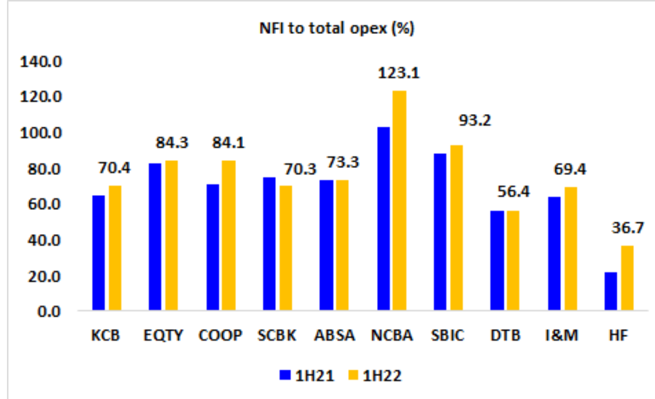


Source: Company, DBIB Research

NCBA once again emerged as the most efficient banks out of the 10 listed banks with a cost-to-income ratio of 39.8%.

We also observe that banks with above average cost-to-income ratio (below average efficiency) tend to have below average NPL ratios (above average asset quality) as seen with Equity, DTB, Stanbic and I&M and the converse rings true for NCBA and KCB – above average efficiency/high NPL. Whilst both asset quality and efficiency levels are influenced by a number of factors, we believe that the aforementioned relationship paints a picture of how asset quality improvement is partly determined by bank initiatives – which can prove costly.

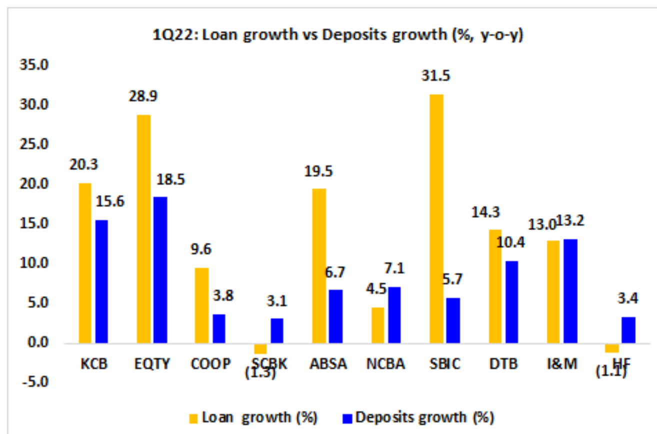
Analyzing the extent to which non-funded income covers operating costs, we notice that with the evident exception of StanChart, there was a significant improvement across banks in 1H22. This improvement points to the fact that banks are increasingly continuing to leverage their alternative banking channels to both boost non-funded income and reduce costs.



Source: Company, DBIB Research

We continue to expect the trajectory adopted by efficiency to be sustained through FY22. This outlook is hinged on the fact that we expect to see operating income growth continue to outpace the growth in operating expenses (excluding provisions).

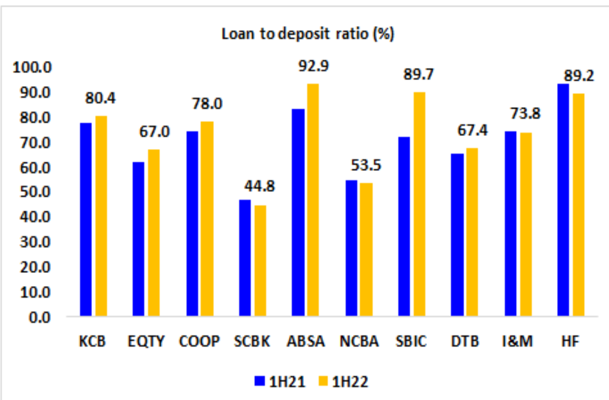
Loans and customer deposits



Source: Company, DBIB Research

Taking a closer look at the listed banks' loan to deposit ratios, we see that the said ratio performed well on 6 out of the 10 listed banks. KCB, Equity, Coop, Absa, Stanbic and DTB all posted higher ratios, while StanChart, NCBA and HF had lower loan to deposit ratios. I&M's loan to deposit ratio eased marginally.

For most banks, the higher loan to deposit ratios were a function of loan book growth exceeding deposit growth. On the contrary, StanChart, NCBA and HF had growth witnessed on deposit out-weighing loan book growth (NCBA and StanChart recorded contractions in their loan books). We also observed that DTB, Equity, NCBA and StanChart had below average loan to deposit ratios signaling that they have more potential to increase lending.

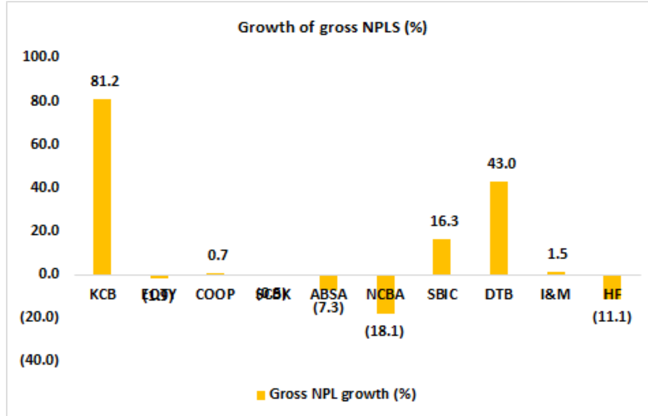


Source: Company, DBIB Research

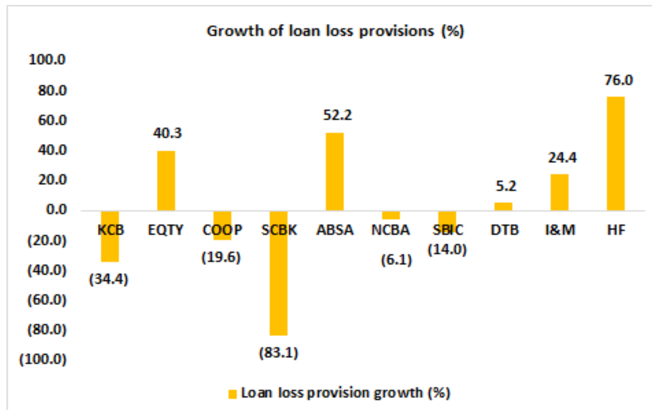
As banks continue to ramp up their lending efforts (amidst increasing approvals of risk based pricing models), we expect to see continued improvement in loan to deposit ratios for the remainder of FY22. However, for banks such as NCBA and StanChart, we expect them to maintain a conservative lending approach preferring to invest in government securities as opposed to lending.

Asset Quality

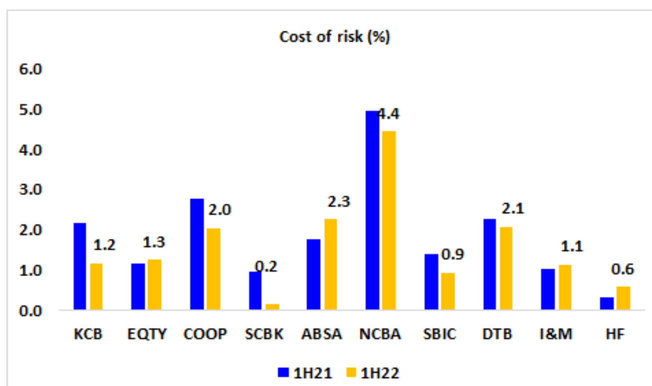
In 1H22, the aggregate stock of gross non-performing loans of all the listed banks increased on a y-o-y basis. However, Equity, Absa, NCBA and HF stood out as notable exceptions as they recorded lower gross NPLs y-o-y. Despite the general rise in gross NPL, the listed banks posted lower loan loss provisions in 1H22 (translating into lower cost of risk) as coverage ratios across most listed banks improved.



Source: Company, DBIB Research

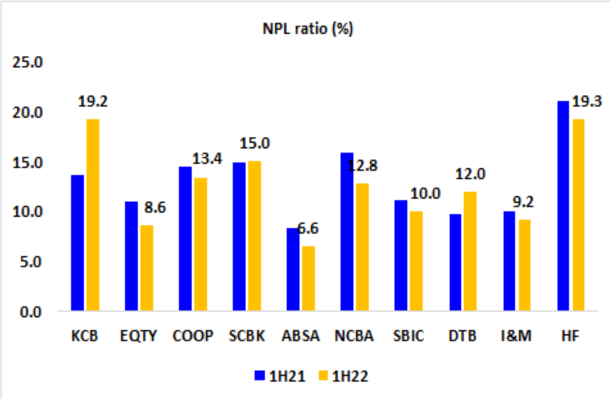


Source: Company, DBIB Research



Source: Company, DBIB Research

Looking at asset quality metrics, we observe that despite the general rise in gross NPLs, most of the listed banks (7 out of 10) recorded lower NPL ratios – an improvement in asset quality. KCB and DTB posted the highest y-o-y deterioration in asset quality as their NPL ratios rose by 557 y-o-y bps and 217 bps y-o-y to 19.2% and 12.0% respectively.

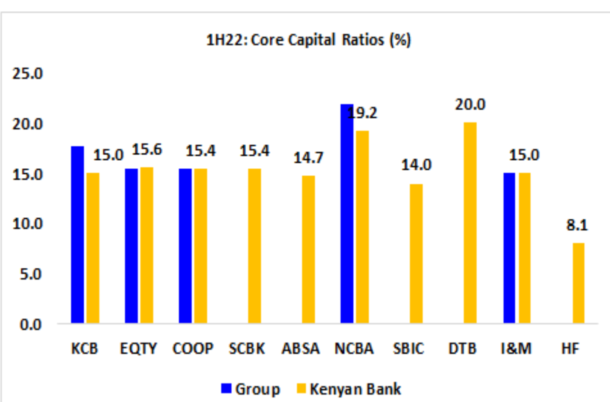


Source: Company, DBIB Research

Whilst their NPL ratios still remained above average, HF, StanChart, Co-op and NCBA showed marked improvement in 1H22. Absa, Equity and I&M posted the lowest NPL ratios across the listed banks.

With the electoral period moving into the rear-view mirror, we expect that some of the challenges facing businesses (delayed government payments, political jitters) to gradually ease, improving the outlook of asset quality in the near-term. Furthermore, we also expect individual banks to intensify their asset quality management initiatives -- a move which should see NPL ratios trend lower for the remainder of FY22.

Capital adequacy



Source: Company, DBIB Research

Looking at the listed banks core capital ratios, at the bank level, we note that with the exception of HF all banks maintained ratios above the statutory minimum. However, we observe that KCB, Stanbic and DTB recorded egregious declines on a y-o-y basis. KCB core capital ratio shed 160 bps y-o-y, while Stanbic's and DTB's eased by 210 bps y-o-y and 130 bps y-o-y respectively.

Equity showed marked improvement in core capital ratios at both the bank (+370 bps y-o-y) and group (+150 bps y-o-y) level. This was mostly attributable to the group adjusting its calculations of the aforementioned ratios to be consistent with its peers.

OPERATING EFFICIENCY

1H22	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets	10.6	9.6	11.0	7.5	9.3	9.7	7.9	9.1	9.6	9.6
Cost of funds	2.9	2.7	3.2	1.0	2.2	4.1	2.4	4.0	4.0	4.8
Net interest margin	7.6	6.8	7.8	6.5	7.1	5.6	5.5	5.1	5.6	4.8
Loan-to-Deposits ratio (%)	80.4	67.0	78.0	44.8	92.9	53.5	89.7	67.4	73.8	89.2
Loan-to-Dep. & Borrowed Funds (%)	77.0	59.6	71.1	44.8	92.9	52.9	86.4	63.2	69.5	79.6
Funded Inc. Generating Potential (%)	88.1	86.0	87.8	87.2	90.7	86.6	86.3	87.1	85.8	80.3
Contribution of NFI (%)	32.1	39.4	38.7	35.6	31.0	48.9	45.0	26.0	32.5	32.7
Cost to income ratio (%)	45.7	46.7	46.0	50.6	42.3	39.8	48.3	46.1	46.8	89.2
Cost to assets ratio(%)	4.5	4.6	5.2	4.3	4.0	3.8	4.3	2.9	3.3	4.9
Cost of risk (%)	1.2	1.3	2.0	0.2	2.3	4.4	0.9	2.1	1.1	0.6
Pre-tax margin (%)	47.1	47.1	44.5	48.7	43.6	38.6	44.9	37.3	46.1	3.9
PAT margin (%)	32.8	37.2	33.4	34.8	30.1	26.8	32.6	26.3	31.6	3.3
NFI to OPEX ratio (%)	70.4	84.3	84.1	70.3	73.3	123.1	93.2	56.4	69.4	36.7

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

1H22	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	15.0	15.6	15.4	15.4	14.7	19.2	14.0	20.0	15.0	8.1
Min. Statutory Ratio (%)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Total capital/TRWA (%)	19.5	20.8	16.6	17.7	17.3	19.2	16.2	21.2	19.8	12.0
Min. Statutory Ratio (%)	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Liquidity Ratio (%)	35.0	64.5	43.8	73.6	38.1	58.0	35.9	58.9	48.8	26.0
Min. Statutory Ratio (%)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Leverage Ratio (%)	15.0	11.3	16.1	15.5	12.6	13.3	14.5	15.8	16.3	14.3
EQTY-to-Loans Ratio (%)	24.9	23.1	29.4	43.9	21.5	32.0	22.3	32.8	30.9	22.8
NPL Ratio (%)	19.2	8.6	13.4	15.0	6.6	12.8	10.0	12.0	9.2	19.3
NPL Coverage Ratio (%)	40.9	55.7	61.3	72.9	66.5	51.3	45.5	41.0	72.5	66.6
LT Debt to Liabilities and EQTY (%)	22.1	80.1	42.6	0.0	0.0	5.9	18.8	30.5	27.0	59.5
NTA/share (KES)	54.35	36.67	15.28	138.30	10.26	45.51	119.93	271.19	39.13	19.50
Book value/share (KES)	56.56	39.85	16.53	149.34	10.35	48.71	122.21	273.98	43.21	20.68

(Source: Company, DBIB Research)

INVESTMENT RETURN

1H22	KCB	EQTY	COOP	SBCK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)	3.2	3.7	3.8	3.0	2.8	2.6	2.9	1.6	2.2	0.2
ROaA(%)	3.3	3.7	3.9	3.1	2.9	2.6	2.9	1.7	2.3	0.2
ROIC (%)	3.5	3.9	4.1	3.2	3.7	2.8	3.2	1.8	2.4	0.2
ROE (%)	21.6	32.5	23.6	19.2	22.4	19.4	19.8	10.3	13.8	1.3
ROaE(%)	22.1	29.9	23.2	19.7	22.3	19.6	20.1	10.5	13.5	1.3

(Source: Company, DBIB Research)

OPERATING EFFICIENCY

1H21	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets	10.9	9.2	10.8	7.4	8.7	9.7	6.8	8.9	9.3	9.1
Cost of funds	2.6	2.6	3.2	1.4	2.0	4.1	2.4	3.9	3.9	4.8
Net interest margin	8.4	6.6	7.5	6.0	6.7	5.7	4.4	4.9	5.3	4.3
Loan-to-Deposits ratio (%)	77.2	61.6	73.9	46.8	82.9	54.8	72.1	65.1	73.9	93.3
Loan-to-Dep. & Borrowed Funds (%)	73.9	55.0	66.6	46.8	82.9	53.9	68.5	61.0	69.2	83.0
Funded Inc. Generating Potential (%)	85.4	87.3	86.8	87.7	89.9	86.7	90.6	87.9	85.1	78.6
Contribution of NFI (%)	28.9	40.0	35.4	35.4	32.8	44.4	44.5	25.3	30.8	26.1
Cost to income ratio (%)	44.3	48.5	49.9	47.3	44.6	43.1	50.4	45.3	48.1	120.9
Cost to assets ratio(%)	4.4	4.5	5.1	3.9	4.0	3.8	3.7	2.8	3.2	5.7
Cost of risk (%)	2.2	1.2	2.8	1.0	1.8	4.9	1.4	2.3	1.0	0.3
Pre-tax margin (%)	42.8	45.9	36.1	48.2	44.5	30.7	39.7	37.1	45.8	(25.5)
PAT margin (%)	29.9	34.6	25.3	34.6	31.2	19.3	28.7	24.0	33.2	(27.8)
NFI to OPEX ratio (%)	65.1	82.5	71.0	74.9	73.5	102.9	88.2	55.8	64.1	21.6

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

1H21	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	16.6	11.9	15.4	15.9	14.0	18.8	16.1	21.3	15.9	8.8
Min. Statutory Ratio (%)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Total capital/TRWA (%)	20.2	15.1	17.2	18.3	16.4	18.9	18.1	22.8	20.7	12.3
Min. Statutory Ratio (%)	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Liquidity Ratio (%)	35.1	88.4	48.6	70.1	30.3	58.4	53.3	60.3	48.3	22.2
Min. Statutory Ratio (%)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Leverage Ratio (%)	15.0	13.8	16.2	15.0	13.1	13.7	13.6	16.8	18.3	15.5
EQTY-to-Loans Ratio (%)	25.2	30.7	30.7	39.7	23.7	31.1	26.4	35.3	34.3	23.3
NPL Ratio (%)	13.6	11.0	14.4	14.9	8.3	15.8	11.1	9.8	10.1	21.0
NPL Coverage Ratio (%)	56.0	57.5	57.9	67.9	75.5	61.5	41.8	40.2	60.8	49.6
LT Debt to Liabilities and EQTY (%)	22.9	63.6	48.0	0.0	0.0	9.8	27.6	29.0	26.6	56.9
NTA/share (KES)	46.01	38.49	14.62	126.69	9.50	41.40	108.19	255.70	38.88	19.76
Book value/share (KES)	47.59	41.09	15.78	136.84	9.57	45.18	110.32	257.98	42.38	21.34

(Source: Company, DBIB Research)

INVESTMENT RETURN

1H21	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)	3.0	3.2	2.6	2.8	2.8	1.7	2.1	1.5	2.2	(1.3)
ROaA(%)	3.0	3.4	2.7	2.9	2.9	1.7	2.1	1.5	2.3	(1.3)
ROIC (%)	3.1	3.3	2.7	3.0	3.5	1.8	2.4	1.5	2.3	(1.4)
ROE (%)	20.0	23.1	15.9	18.9	21.4	12.5	15.5	8.7	12.1	(8.4)
ROaE(%)	20.7	24.4	16.0	19.0	22.6	12.7	15.8	9.0	12.3	(8.3)

(Source: Company, DBIB Research)

APPENDIX

COMPANY INVESTMENT RATINGS

Buy: Share price may generate more than 15.0% upside over the next 12 months

Overweight: Share price may generate between 5.0% and 15.0% upside over the next 12 months

Hold: Share price may fall within the range of <+5.0/ -10.0% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels. Company fundamentals however remain strong

Underweight: Share price may generate between 10.0% and 15.0% downside over the next 12 months

Sell: Share price may generate more than 15.0% downside over the next 12 months, significant business and/or financial risks present, industry concerns

Not Rated: Counter is not within regular research coverage

SECTOR INVESTMENT RATINGS

Overweight： Industry performance better than that of the whole market

Equal weight： Industry performance about the same as that of the whole market

Underweight： Industry performance worse than that of the whole market

DISCLAIMER