

# DYER & BLAIR INVESTMENT BANK

## EARNINGS UPDATE

Founder Member of the Nairobi Securities Exchange

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DYER & BLAIR  
INVESTMENT BANK

WE KNOW. YOU KNOW.

### DTB GROUP: 1Q22 EARNINGS UPDATE

Dear All,

DTB Group announced its 1Q22 results reporting a 16.3% y-o-y increase in profit after tax (PAT) to KES 2.4 BN mainly attributable to an 11.6% y-o-y growth in net interest income to KES 5.5 BN, a 14.1% y-o-y rise in non-funded income to KES 1.8 BN and a 14.9% y-o-y drop in loan loss provision expense to KES 582.0 MN. Earnings per share for the period stood at KES 7.79 compared to KES 6.97 in 1Q21.

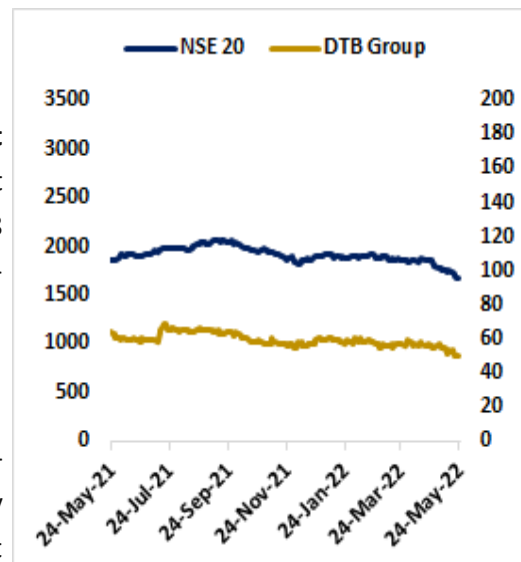
#### Key highlights:

**Net interest income rose by 11.6% y-o-y to KES 5.5 BN** following a 10.7% y-o-y growth in interest income to KES 9.2 BN which outweighed a 9.5% y-o-y jump in the interest expense to KES 3.7 BN. Annualized yield on interest earning assets rose slightly to 9.0% (+6 bps y-o-y) while annualized cost of funds eased marginally by 13 bps y-o-y to 3.9%. As a result, the group's annualized net interest margin (NIM) grew by 19 bps y-o-y to 5.2%.

**Interest income from loans and advances edged up by 1.5% y-o-y to KES 4.8 BN** as net customer loans and advances soared by 9.2% y-o-y to KES 224.8 BN. Annualized yield on loans declined by 38 bps y-o-y to 9.0%. Interest income from government securities rose by 23.0% y-o-y to KES 4.3 BN bolstered by a 10.4% y-o-y advancement in the group's allocation to government securities to KES 169.0 BN and further supported by a 75 bps y-o-y increase in the annualized yield on government securities to 10.8%.

**Interest expense from customer deposits went up by 13.5% y-o-y to KES 3.3 BN** buoyed by a 13.7% y-o-y growth in customer deposits to KES 343.1 BN and a 5 bps y-o-y marginal rise in the annualized cost of deposits to 4.2%.

#### DTB GROUP 52 WEEK PRICE PERFORMANCE



(Source: NSE, DBIB Research)

PRICE	ABSOLUTE	EXCESS
RETURN	RETURN	RETURN
3 month (%)	(14.8)	(2.1)
6 month (%)	(13.0)	(2.1)
12 month (%)	(22.5)	(12.4)

#### KEY METRICS

Current Price (KES)	49.60
52 week high (KES)	69.00
52 week low (KES)	49.60
YTD Return (%)	(16.6)
Issued Shares (MN)	279.6
Market Cap (USD MN)	119.0

Trailing EPS (KES)	14.80
NAV (KES)	247.13
P/E (x)	3.4
P/B (x)	0.2

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**Non-funded income (NFI) grew by 14.1% y-o-y to KES 1.8 BN** driven by a 41.7% y-o-y jump in other fees and commission to KES 555.1 MN and a 10.2% y-o-y rise in net income from forex dealings to KES 773.1 MN. Fees and commissions on loans remained fairly flat at KES 314.6 MN (+0.3% y-o-y) while other operating income dwindled by 10.8% y-o-y to KES 136.5 MN. The contribution of non-funded income to total operating income increased to 24.3% from 23.9% in 1Q21.

**Operating expenses (less loan provisions) increased by 16.8% y-o-y to KES 3.3 BN** mainly due to a 16.2% y-o-y rise in other operating expenses to KES 1.4 BN and a 17.0% y-o-y advancement in staff costs to KES 1.4 BN. Cost-to-income ratio inched higher by 181 bps y-o-y to 45.3%.

**Customer loans and advances grew by 9.2% y-o-y to KES 224.8 BN (+2.0% q-o-q).** The group's allocation to investment securities rose by 10.4% y-o-y to KES 169.0 BN (flat on a q-o-q basis).

**Customer deposits went up by 13.7% y-o-y to KES 343.1 BN (+3.5% q-o-q)** while **borrowed funds fell by 26.2% y-o-y to 16.1 BN (-20.3% q-o-q).** Loans-to-deposits ratio dropped by 269 bps y-o-y to 65.5%. while loans to deposits and borrowed funds ratio declined by 103 bps y-o-y to 62.6%.

**The group's loan loss provision expense saw a 14.9% y-o-y decrease to KES 582.0 MN** pivoting the annualized cost of risk to 1.0% (1Q21: 1.3%).

**Gross non-performing loans (NPLs) rose by 30.7% y-o-y to KES 30.0 BN** while interest expense shot up by 153.9% y-o-y to KES 1.4 BN placing total NPLs at KES 28.6 BN, 27.6% higher y-o-y. **As a result, the NPL ratio increased by 174 bps y-o-y to 11.8%.** Cumulative loan loss provisions rose by 11.1% y-o-y to KES 11.2 BN (-1.0% q-o-q) pulling down the NPL coverage ratio to 39.3% from 45.2% in 1Q21.

**DTB Kenya's core capital ratio (Core capital/TRWA) shed 30 bps y-o-y to 20.5% while total capital ratio (Total capital/TRWA) dropped by 60 bps to 21.8%.** Both ratios remain above the statutory minimum of 10.5% and 14.5% respectively. Liquidity ratio declined by 40 bps y-o-y to 58.3%, above the statutory minimum of 20.0%.

**On a trailing basis,** DTB is trading at a P/E multiple of 3.4x against an industry median of 4.0x and a P/B multiple of 0.2x against an industry median of 0.7x. Its ROE stands at 6.0% while its ROA stands at 0.9%.

## PROFIT AND LOSS SUMMARY (KES MN)

Year End: December	1Q22	1Q21	4q21	y-y% ch	q-q% ch
Interest income	9,232	8,337	8,779	10.7	5.2
Interest expense	3,696	3,375	24,307	9.5	(84.8)
Net interest income	5,536	4,962	5,263	11.6	5.2
Other operating income	136.5	153	(308)	(10.8)	144.4
Fees and commission income	869.7	705	1,186	23.3	(26.7)
Net income from forex dealings	773.1	701	640	10.2	20.8
Total non-interest income	1,779	1,560	1,518	14.1	17.2
Total income	7,315	6,522	6,781	12.2	7.9
Less operating expenses	3,312	2,834	21,370	16.8	(84.5)
Operating profit	4,004	3,687	3,500	8.6	14.4
Bad debt charge	582.0	684	10,623	(14.9)	(94.5)
Exceptional items	(34)	(12)	209	195.6	116.4
Profit before tax	3,387	2,991	6,602	13.2	(48.7)
Less tax	999	938	9,645	6.5	(89.6)
Profit after tax	2,388	2,053	2,176	16.3	9.8

(Source: Company, DBIB Research)

## BALANCE SHEET SUMMARY (KES MN)

Year End: December	1Q22	FY21	1Q21	y-y% ch	q-q% ch
Total shareholder's equity	69,097	67,294	63,980	8.0	2.7
Minority interest	7,510	7,259	6,502	15.5	3.5
Total Equity	76,607	74,553	70,482	8.7	2.8
Deposits due to other banks	23,765	14,795	14,652	62.2	60.6
Customer deposits	343,144	331,452	301,759	13.7	3.5
Borrowed funds	16,081	20,171	21,787	(26.2)	(20.3)
Other liabilities	11,739	15,872	8,662	35.5	(26.0)
Total equity and liabilities	471,336	456,843	417,342	12.9	3.2
Central bank balances	34,995	27,696	22,671	54.4	26.4
Deposits due from banks	15,898	16,136	13,597	16.9	(1.5)
Investment Securities	169,030	168,976	153,106	10.4	0.0
Customer loans and advances	224,800	220,425	205,806	9.2	2.0
Other assets	18,424	15,925	14,822	24.3	15.7
Intangible assets	848	849	842	0.7	(0.2)
Fixed assets	7,342	6,835	6,499	13.0	7.4
Total assets	471,336	456,843	417,342	12.9	3.2

(Source: Company, DBIB Research)

## INVESTMENT RETURN

	1Q22*	1Q21*	FY21	y-y bps ch	q-q bps ch
ROA (%)	1.8	1.9	1.0	(2)	88
ROIC (%)	2.0	2.0	1.0	2	96
ROE (%)	11.4	11.1	5.9	32	546

(Source: Company, DBIB Research)

\*Annualized

## CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

	1Q22	1Q21	FY21	y-y bps ch	q-q bps ch
Core capital/TRWA (%)	20.5	20.8	19.9	(30)	60
Min. Statutory Ratio (%)	10.5	10.5	10.5	-	-
Total capital/TRWA (%)	21.8	22.4	21.2	(60)	60
Min. Statutory Ratio (%)	14.5	14.5	14.5	-	-
Liquidity Ratio (%)	58.3	58.7	56.0	(40)	230
Min. Statutory Ratio (%)	20.0	20.0	20.0	-	-
Leverage Ratio (%)	14.7	15.3	14.7	(67)	(7)
Equity-to-Loans Ratio (%)	34.1	34.2	33.8	(17)	26
NPL Ratio (%)**	11.8	10.0	12.0	174	(23)
NPL Coverage Ratio (%)**	39.3	45.2	39.4	(586)	(1)
LT Debt to Total Liabilities and Equity (%)	3.4	5.2	41.8	(181)	(3,836)
NTA/share (KES)	244.1	225.8	4.4	1,828	23,968
Book value/share (KES)	247.1	228.8	183.7	1,830	6,340
Book value/share (KES)	228.8	218.2	168.6	1,058	6,020

(Source: Company, DBIB Research)

## OPERATING PERFORMANCE

	1Q22	1Q21	FY21	y-y bps ch	q-q bps ch
Yield on interest earning assets (%)*	9.0	9.0	8.4	6	65
Cost of funds (%)*	3.9	4.0	3.8	(13)	6
Net Interest Margin (%)*	5.2	5.0	4.6	19	59
Loan-to-Deposits ratio (%)	65.5	68.2	66.5	(269)	(99)
Loan-to-Dep. & Borrowed Funds ratio (%)	62.6	63.6	62.7	(103)	(11)
Funded Income Generating Potential (%)	86.9	89.3	88.8	(233)	(184)
Funded Income Reliance (%)	75.7	76.1	76.0	(40)	(34)
Cost to income ratio (%)	45.3	43.5	46.9	181	(159)
Cost of risk (%)*	1.0	1.3	3.4	(29)	(239)
Pre-tax margin (%)	46.3	45.9	25.2	43	2,111
PAT margin (%)	32.6	31.5	16.8	117	1,587

(Source: Company, DBIB Research)

\* Annualized

## 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 10.0% and 15.0% upside over the next 12 months

**Hold:** Share price may fall within the range of +/- 10% 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

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