DYER & BLAIR INVESTMENT BANK EARNINGS UPDATE

Founder Member of the Nairobi Securities Exchange

16TH JUNE 2022

DYER & BLAIR INVESTMENT BANK

WE KNOW. YOU KNOW.

KENYA: LISTED BANKS 1Q22 BY THE NUMBERS:

Dear All,

Following the release of the listed banks' 1Q22 results, we explore the financial performance of the banks from an individual and sector wide perspective to garner insights on the industry.

Below please find key highlights:

Rising profitability: In 1Q22, all the listed banks recorded an improvement in profitability on a year on year basis, posting double digit growth. Across the listed banks, the rise in profitability was generally attributable to higher total operating income and a reduction in loan loss provisions (lower cost of risk). Robust profitability growth was witnessed in banks like Co-op (68.9%), KCB (54.6%), I&M (43.6%) and Equity (36.0%). Notably, HF returned to profitability in 1Q22 on the back of a significant jump in non-funded income (+87.2% y-o-y), higher net-interest income (+9.7% y-o-y), lower loan loss provisions (-24.4% y-o-y) and a reduction in operating expenses (-5.0% y-o-y).

Reduced loan loss provisions: The lower cost of risk was for the most part occasioned by a recovery in the operating environment, improved debt recovery efforts and higher coverage. The reduction in the cost of risk largely corresponded with an improvement in asset quality; majority of the listed banks (6 out of 10) reported an improvement in asset quality.

Macroeconomic headwinds: Without a doubt, the effects of the growth momentum witnessed in FY21 have definitely been reflected in listed banks' performance in 1Q22. However, even with the debilitating effects of the pandemic more or less in the rearview mirror, FY22 presents its own unique set of challenges (Russia-Ukraine conflict, rising global commodity prices, unrelenting inflationary pressures, hawkish monetary policies globally, a persistently weakening USD/KES exchange rate and heightened political activities) that may affect banks' profitability going forward and lead to weaker asset quality. We believe that the banks that have a larger presence regionally and have a well- diversified SME & corporate book will be better suited to weather the storm.

PAT (KES BN)	1Q22	1Q21
KCB	9.9	6.4
EQTY	11.9	8.7
COOP	5.8	3.5
SCBK	2.8	2.4
ABSA	3.0	2.4
NCBA	3.4	2.8
SBIC	2.1	1.9
DTB	2.4	2.1
I&M	2.7	1.9
HF	0.0	(0.2)

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

PAT Growth	Y/Y(%)	Q/Q(%)
KCB	54.6	9.9
EQTY	36.0	(10.1)
COOP	68.9	18.7
SCBK	15.6	2.8
ABSA	22.1	12.2
NCBA	20.3	(8.1)
SBIC	12.0	8.0
DTB	16.3	-
I&M	43.6	(6.1)
HF	-	-

(Source: Company, DBIB Research)

PPOP (KES BN)	1Q22	1Q21
KCB	16.1	12.0
EQTY	17.1	13.0
COOP	9.3	7.4
SCBK	3.8	3.8
ABSA	5.5	4.8
NCBA	7.6	6.7
SBIC	3.4	3.2
DTB	4.0	3.7
I&M	4.0	3.3
HF	0.1	(0.1)

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

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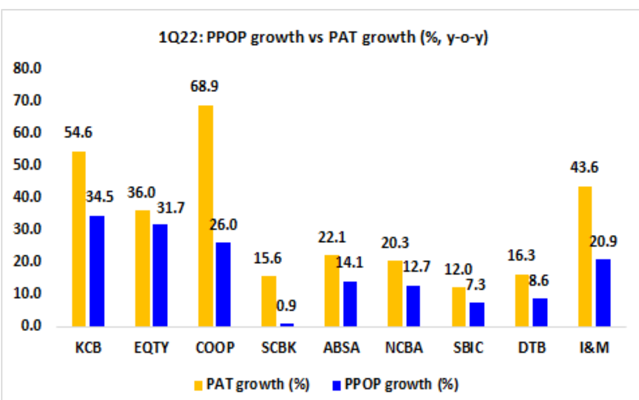
Introduction

In 1Q22, all the listed banks recorded an improvement in profitability on a year on year basis, posting double digit growth. Across the listed banks, the rise in profitability was generally attributable to higher total operating income and a reduction in loan loss provisions. Robust profitability growth was witnessed in banks like Co-op (68.9%), KCB (54.6%), I&M (43.6%) and Equity (36.0%). Notably, HF returned to profitability in 1Q22 on the back of a significant jump in non-funded income (+87.2% y-o-y), higher net-interest income (+9.7% y-o-y), lower loan loss provisions (-24.4% y-o-y) and a reduction in operating expenses (-5.0% y-o-y). According to management, the turnaround in performance was powered by a business transformation strategy centered on growing SME and retail banking while prudently managing costs and asset quality.



Source: Company, DBIB Research

Looking at pre-provision operating profit (PPOP), we notice that all the banks registered growth, however the strongest growth was generally witnessed across mass market banks (Equity, KCB and Co-op). Generally, PAT growth was higher than PPOP growth largely due to reduced loan loss provisions.

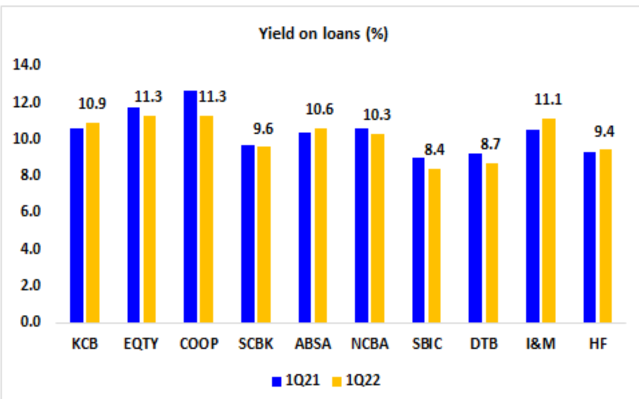
The lower cost of risk was for the most part occasioned by a recovery in the operating environment, improved debt recovery efforts and higher coverage. The reduction in the cost of risk largely corresponded with an improvement in asset quality; majority of the listed banks (6 out of 10) reported an improvement in asset quality.

Equity went against the grain to increase its loan loss provisions (+42.4% y-o-y), despite an improvement in asset quality (NPL ratio was down 282 bps y-o-y to 8.7%). We opine that the higher provisions serve to signal an anticipated decline in asset quality going by the current macroeconomic conditions. We note that in 1Q22, DTB, NCBA and KCB recorded significant deterioration in asset quality, contrary to the industry wide trend.

Without a doubt, the effects of the growth momentum witnessed in FY21 have definitely been reflected in the listed banks' performance in 1Q22. However, even with the debilitating effects of the pandemic more or less in the rearview mirror, FY22 presents its own unique set of challenges (Russia-Ukraine conflict, rising global commodity prices, unrelenting inflationary pressures, hawkish monetary policies globally, a persistently weakening USD/KES exchange rate and higher political temperatures) that may affect banks' profitability going forward and lead to weaker asset quality. We believe that the banks that have a larger presence regionally and have a well-diversified SME & corporate book will be better suited to weather the storm.

Given the Central Bank's slow pace in approving risk based pricing models, expected weaker asset quality, challenging macroeconomic environment and a persistently rising yield curve, we expect to see growth in interest income possibly being driven more by investments in government securities rather than loan origination. Furthermore, we believe that the rise in the yield curve will continue to add further pressure on the cost of customer deposits.

Loan book and yield on loans



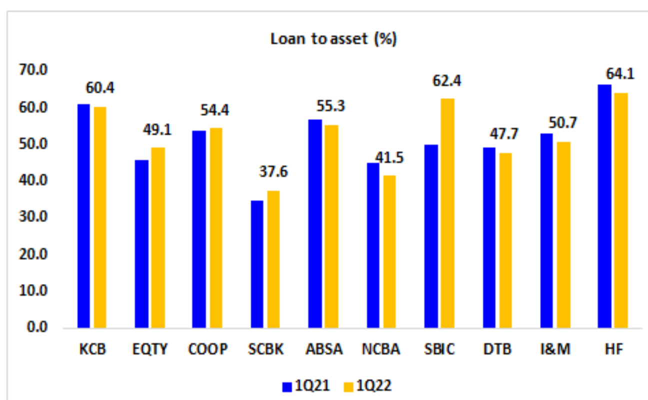
Source: Company, DBIB Research

On average, there was a decline in the yield on loans across the listed banks. **We opine that the lower loan yields were mostly influenced by an improvement in asset quality. We note that generally, banks that recorded lower NPL ratios registered lower loan yields (Equity, Co-op, StanChart, Stanbic) while those that posted higher NPL ratios recorded higher/elevated yields on loans (KCB, Absa, HF). We see these movements as a factor of banks repricing their overall loan books based on the perceived credit risk of their loan book.** Notable exceptions were however witnessed with NCBA & DTB (higher NPL, lower yield on loans) and I&M (lower NPL, higher yield on loans).

Despite the fact that most banks haven't received approvals for their risk based pricing models from the Central Bank of Kenya (CBK), we believe that most banks have generally had some leeway in adjusting lending rates post-rate cap, and this could possibly explain the shift in loan yields in tandem with asset quality movement.

As it stands, of all the listed banks, only Equity has reported to have received approvals for its risk based pricing model; the rest are currently still in consultations with the Central Bank. Based on Equity's disclosures, its new lending rates will generally be based on sovereign risk, sector-specific risk, client specific risk and operational costs. Equity made this disclosures sometime in March 2022 hence the effect of the approval wasn't fully reflected in the 1Q22 results.

Going forward, as the CBK approves more banks' risk based pricing models, we expect to see yield on loans head north but before then, we see the high credit risk and rising interest rate environment providing an impetus for banks to lift their lending rates and by extension their yield on loans.



Source: Company, DBIB Research

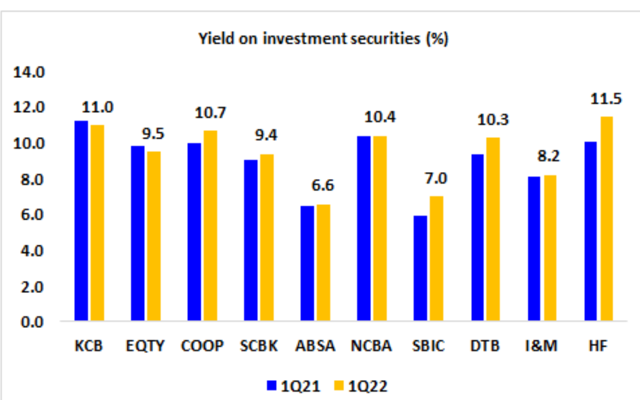
With regard to the loan to asset ratios (which provides an indication of a bank's balance sheet agility and future lending/earning potential) we see that across the listed banks, Equity, StanChart, NCBA, DTB and I&M have loan to asset ratios which are below the industry average as at 1Q22 indicative of their conservative lending approach.

Despite having below average loan to asset ratios, Equity and StanChart recorded impressive improvement in the said ratio due to growths witnessed in their loan books.

NCBA had the highest decline in the loan to asset ratio on a y-o-y basis occasioned by a flat growth in the loan book (+0.3% y-o-y) plausibly due to asset quality challenges, against strong growth in its portfolio of government securities (+29.3% y-o-y).

Stanbic bank on the other hand recorded the highest jump in the loan to asset ratio on a y-o-y basis and this was emblematic of robust growth in its loan book.

Investment securities and yields on investment securities

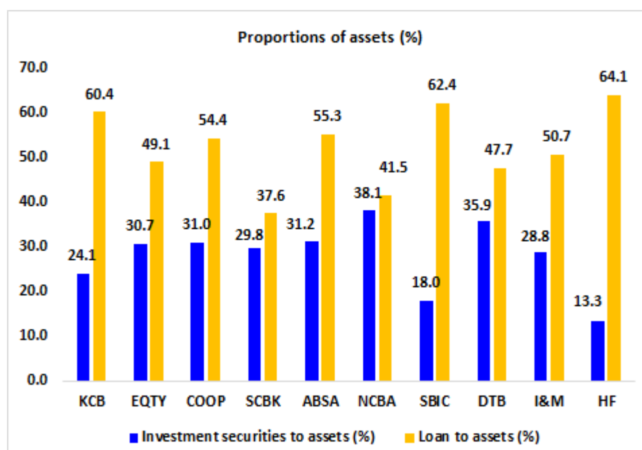


Source: Company, DBIB Research

Yields on investment securities generally adopted an upward bias in 1Q22. With the exception of KCB and Equity, all the listed banks recorded higher yields on investment securities. The overall rise in yields on investment securities corresponded with a comparable rise in the yield curve on a y-o-y basis.

We note that in 1Q22 listed banks channeled more funds towards lending in comparison to investing in government securities. The growth witnessed in the loan book (in Shilling amounts) vis-à-vis that realized in investment securities was larger for all the listed banks with the exception of HF and NCBA which preferred growing their investment portfolio in lieu of lending -- unsurprising given their high NPL ratios.

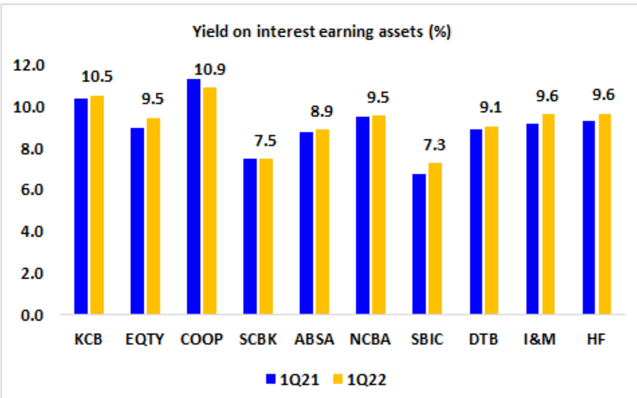
This fact was further validated when comparing loan to asset ratios and investment securities to asset ratios. The top three listed banks with the highest NPL ratios (HF, KCB & NCBA) are most notably the banks with a higher y-o-y bps increase in investment securities to asset ratios that is matched with a y-o-y bps decline in the loan to asset ratio.



Source: Company, DBIB Research

Owing to the delays by the CBK in approving risk based pricing models, we see an increasing potential for banks to lean towards a more conservative lending approach in favor of investing in government securities especially given the heightened credit risk environment and the rising yield curve.

Interest earning assets and yields on interest earning assets



Source: Company, DBIB Research

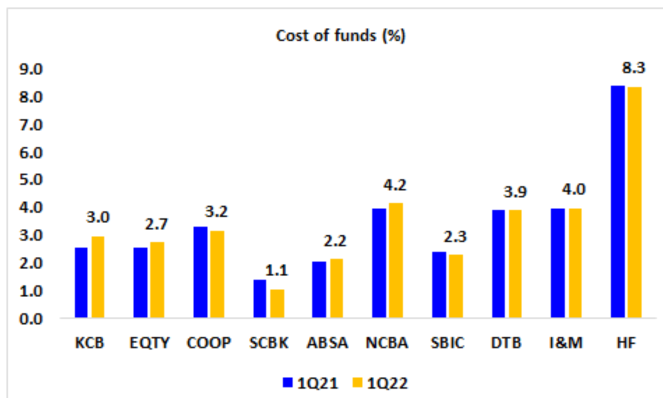
Across the listed banks, the yield on interest earning assets increased on a y-o-y basis largely driven by higher yields on investment securities. Co-op was the only listed bank whose yield on interest earning assets recorded a decline. Co-op's yield on interest earning assets was weighed down by a 133 bps y-o-y dip in the yield on loans against a 64 bps y-o-y rise in the yield on investment securities.

We also note that for KCB and I&M, the increased yields on interest earning assets were mostly on the back of higher growth in the yield on loans in comparison to the change realized in the yield on investment securities. KCB's yield on investment securities shed 28 bps y-o-y against a 29 bps y-o-y rise in the yield on loans while I&M's 59 bps y-o-y growth in the yield on loans towered the 10 bps y-o-y rise seen in the yield on investment securities.

Evaluating the funded income generating potential (interest earning assets/total assets), we observe that foreign owned banks (Absa, StanChart and Stanbic) continued to maintain their lead over their peers, followed by mass market banks (KCB, Co-op, Equity) while NCBA, DTB, I&M and HF posted below industry average numbers.

The outlook for yields on interest earning assets remains largely hinged on several factors: whether the persistent rise witnessed in interest rates so far will continue to hold, further supporting higher yields on investment securities; the pace with which the CBK approves respective banks risk based pricing models; and the extent to which banks adjust lending rates upwards to reflect higher cost of funds & heightened credit risk.

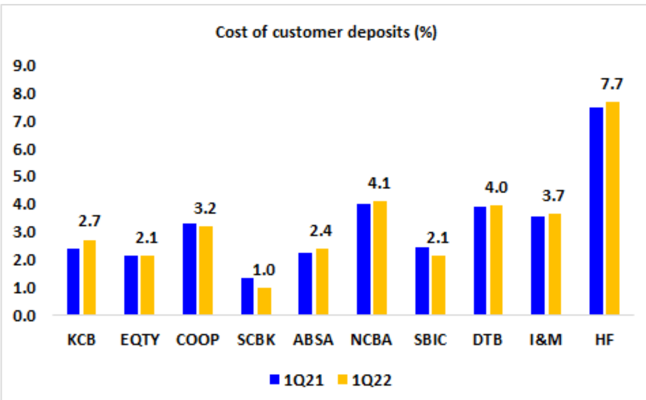
Cost of funds



Source: Company, DBIB Research

Across majority of the listed banks, cost of funds remained relatively stable in 1Q22. KCB was a notable exception as it recorded a 40 bps y-o-y upswing in cost of funds to 3.0% in 1Q22. According to management, the notable jump in cost of funds was fueled by KES/USD depreciation (we note that 17.0% of KCB's deposits were denominated in foreign currency), LIBOR increase and an upswing in term deposit rates.

On the flip side, StanChart posted a 35 bps y-o-y decline in cost of funds to 1.1% in 1Q22 driven by lower cost of customer deposits. We believe that StanChart's high liquidity ratio continues to place it at an advantage compared to its peers as the high liquidity provides it with leverage to reject expensive deposits.



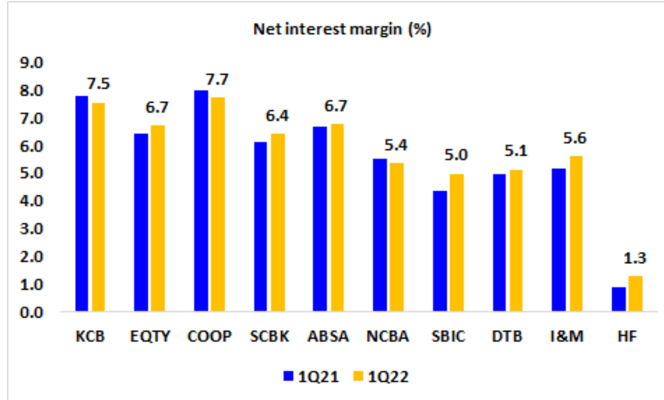
Source: Company, DBIB Research

Net interest margins

Owing to the upswing in yields on interest earning assets coupled with fairly stable cost of funds, net interest margins (NIMs) amongst the listed banks generally improved. KCB, Co-op and NCBA were the only banks that saw their NIMs decline.

KCB and NCBA's net interest margins were impacted by the higher cost of funds, while Co-op's was influenced by the lower yield on loans.

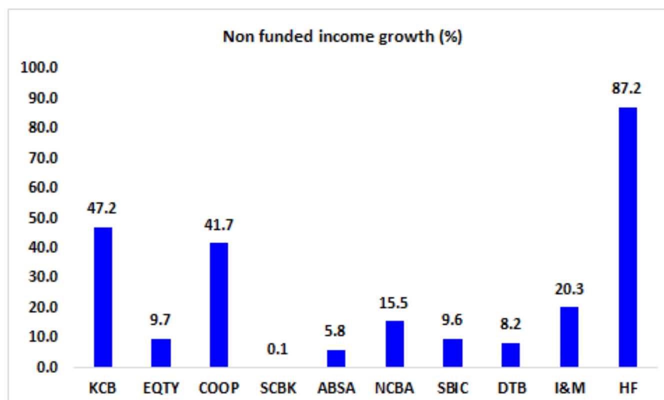
Moving forward, we believe that there is some room for NIMs to rise further supported by potentially higher yields on investment securities and yield on loans as mentioned in earlier sections of this report. However, we expect to see cost of funds coming under some pressure especially for banks with a low proportion of CASA deposits as the high interest rate environment nudges term deposit rates higher.



Source: Company, DBIB Research

Non-funded income

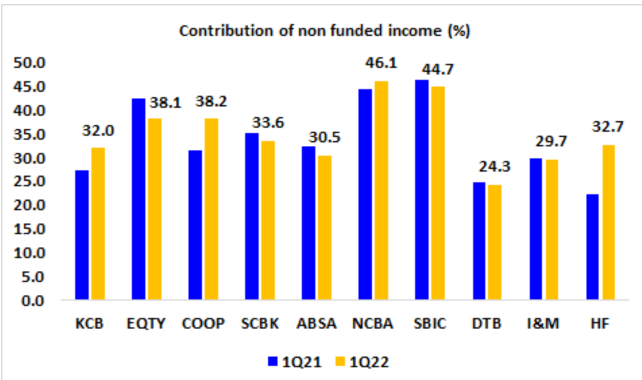
With the exception of StanChart, all the listed banks reported a y-o-y increase in non-funded income in 1Q22. Taking a cumulative view of the listed banks' non-funded income growth, we note that the main drivers of non-funded income growth were other fees and commissions, fees and commissions on loans and forex trading income.



Source: Company, DBIB Research

Interestingly, we observe that for mass market banks (KCB, Equity, Co-op), non-funded income growth was principally buoyed by fees and commissions on loans and other fees and commissions, while for foreign owned banks (Absa, StanChart, Stanbic) forex trading income lifted growth.

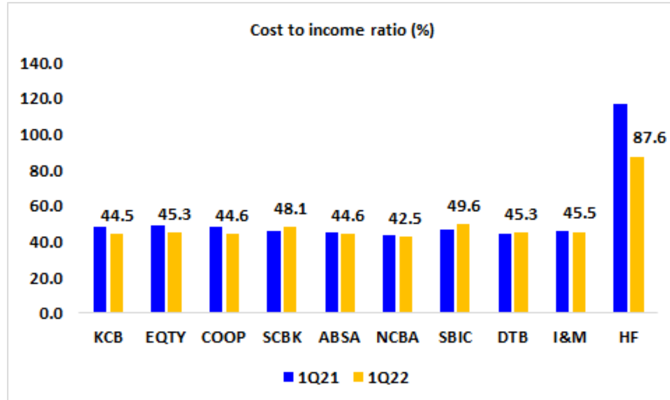
In terms of the contribution of non-funded income to total operating income, the listed banks industry average recorded a 137 bps y-o-y increase to 35.0% (1Q21: 33.6%). HF recorded the highest jump (1,054 bps y-o-y) followed by Co-op (667 bps y-o-y), KCB (460 bps y-o-y) and NCBA (176 bps y-o-y). We note positively on the progress made by HF, KCB and Co-op.



Source: Company, DBIB Research

Going forward, we expect to see non-funded income growth being driven by total fees & commissions for mass market banks and forex trading income for foreign owned banks as has been the case. For the mass market banks, we believe their efforts to introduce new products (KCB, Equity) while leveraging on their digital platforms will continue to buoy growth in total fees & commissions. A key risk to non-funded income growth in 1Q22 is the rising yield curve which could affect income from bond trading especially amongst banks with a high proportion of bonds held for trading such as Absa, StanChart, and Equity.

Efficiency

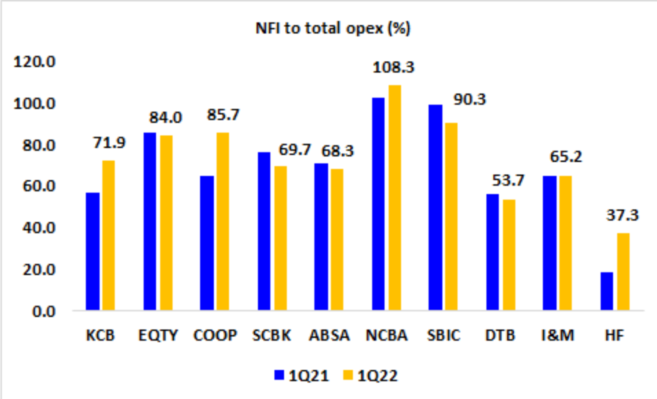


Source: Company, DBIB Research

Listed banks generally recorded improved efficiency in 1Q22, with the exception of StanChart, Stanbic and DTB. NCBA emerged as the most efficient bank with the lowest cost-to-income ratio. We note that the industry wide improvement in efficiency was powered by a higher growth observed in total operating income against the slower growth seen in operating expenses (sans provisions) at industry level.

We believe that the improved efficiency continues to be a trickle-down effect of pandemic era efforts aimed at taming operating costs, as well as increased adoption of variable cost channels coupled with lower depreciation costs (on the back of reduced capex investments). Staff costs, on the other hand, generally increased across majority of the listed banks (except for Absa).

For StanChart, Stanbic and DTB, the lower cost-to-income ratios (excluding provisions) were realized on the back of a faster growth in operating expenses (sans provisions) compared to the growth realized in the top-line.

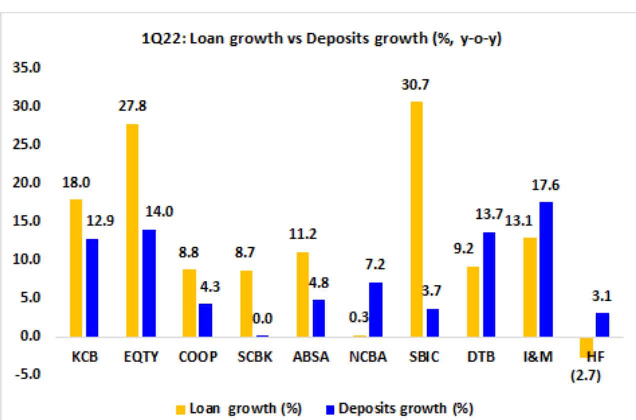


Source: Company, DBIB Research

Looking at the degree to which non-funded income covers operating expenses across banks, we observe that NCBA, Stanbic, Co-op and Equity achieved above average ratios and this is indicative of their prowess in leveraging alternative channels to boost incomes and enhance cost savings.

Our overall expectation is that the trend witnessed in efficiency in 1Q22 will largely continue in 1H22, even as inflationary pressures continue to mount. Our view is premised on the implementation of cost management measures by banks, increasing adoption of variable cost alternative banking channels as well as the expectation that topline growth will exceed operating expenses.

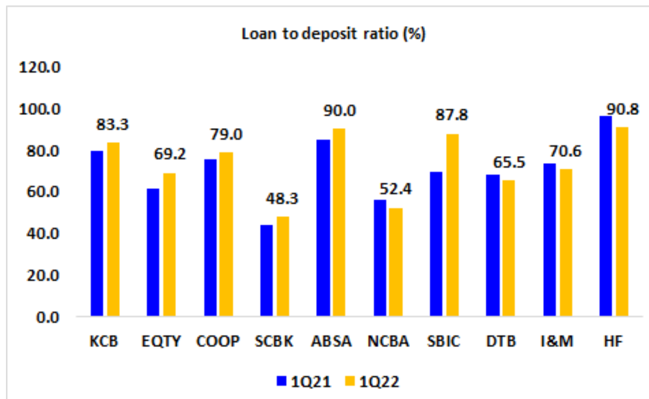
Loans and customer deposits



Source: Company, DBIB Research

In 1Q22, mass market banks (KCB, Equity, and Co-op) and foreign owned banks (Stanbic, StanChart, and Absa) recorded an improvement in their loan to deposit ratios and this was emblematic of higher loan book growth apropos to growth in customer deposits.

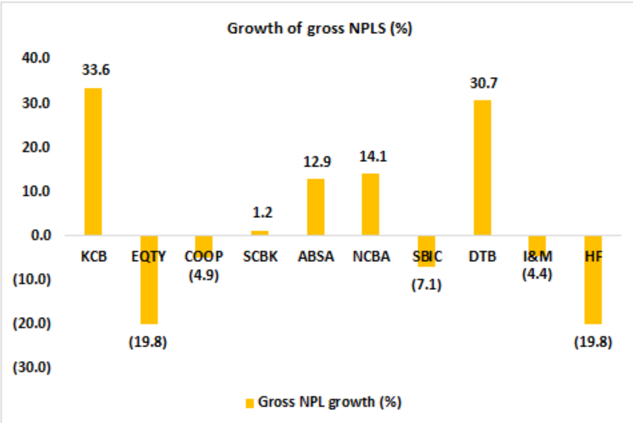
NCBA, DTB, I&M and HF all saw their loan to deposit ratios head south. For NCBA, the lower ratio was characterized by flat loan book growth against rising deposits from customers – possibly influenced by its asset quality issues. HF registered a marginal decline in its loan book coupled with slow growth in customer deposits.



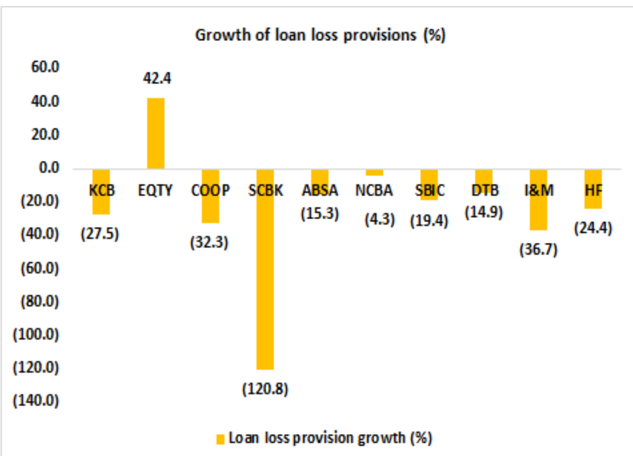
Source: Company, DBIB Research

We believe that going forward, loan to deposit ratios will continue to be largely determined by asset quality expectations/concerns and this rings true for banks such as NCBA and HF. Despite their above average NPL ratios, KCB and StanChart ramped up lending in 1Q22 and we opine that this could be due to the fact that the weak asset quality is concentrated on a few sectors/clients. Thus, we expect to see these two banks further grow their loan books in 1H22, albeit cautiously. Overall, as more banks get their risk based pricing models approved, this will enhance their ability to price credit risk effectively even in light of the prevalent credit risk environment, supporting loan disbursement.

Asset Quality

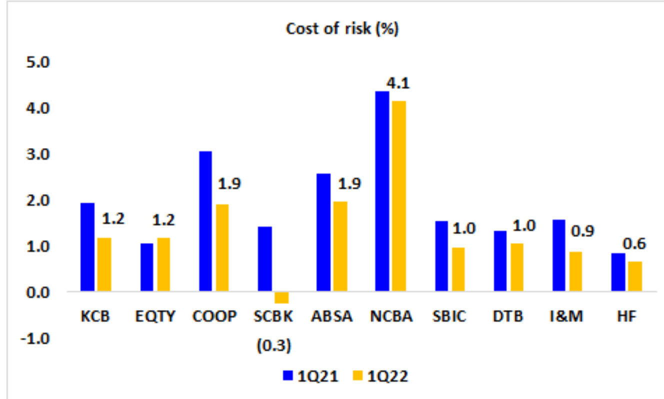


Source: Company, DBIB Research



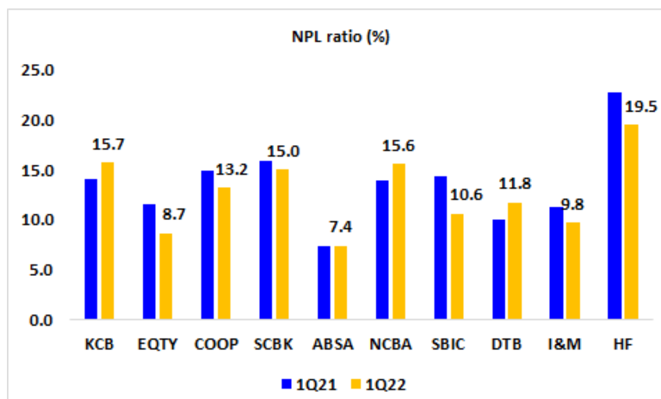
Source: Company, DBIB Research

Looking at the listed banks asset quality performance in 1Q22, we observe that there was a general increase in gross NPLs on a y-o-y basis. The increase was in spite of a general decline in loan loss provisions across the listed banks. We opine that the lower cost of risk in the face of rising gross NPLs was mostly supported by higher coverage ratios which went up across 7 of the 10 listed banks on a y-o-y basis.



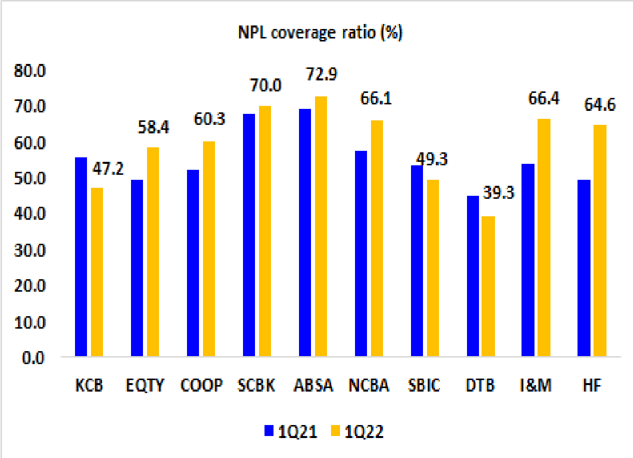
Source: Company, DBIB Research

On average across the listed banks, in 1Q22 we noted an improvement in the NPL ratio (commensurate with the banking industry trend); the average NPL ratio of the listed banks in 1Q22 was 12.7%, down from 13.6% in 1Q21. Out of the 10 listed banks, DTB, NCBA and KCB recorded significant deterioration in their NPL ratios, while the rest reported notable improvements, with the exception of Absa whose NPL ratio remained relatively unchanged.



Source: Company, DBIB Research

KCB attributed the weaker asset quality to the manufacturing, building & construction and hospitality sectors while the corporate segment registered the largest jump in the NPL ratio. We believe that NCBA's asset quality woes continued to be predicated mostly on corporate clients (according to the group, as at FY21 c. 50.0% of NPLs were concentrated on 5 clients). DTB reported in FY21 that asset quality deterioration was mostly concentrated on the trade, real estate and manufacturing sectors.



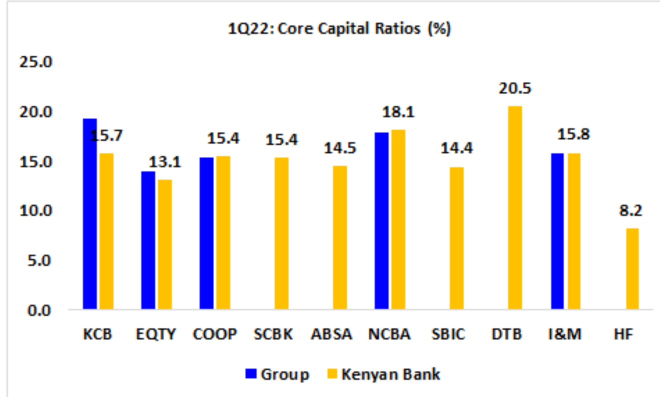
Source: Company, DBIB Research

In terms of ranking, Absa, Equity, I&M and Stanbic recorded below average (listed banks) NPL ratios. Furthermore, Equity, I&M and Stanbic encountered contractions in gross non-performing loans on a y-o-y basis.

As at April 2022, the Central Bank of Kenya (CBK) noted that the banking industry's NPL ratio stood at 14.1%, slightly up from 14.0% in March 2022. Overall, credit risk remains elevated owing to challenges prevalent in the operating environment. Unrelenting inflationary pressures (impacted by surging global commodity prices) have the potential to affect consumer demand, which may trickle down to loan servicing challenges among various businesses. Furthermore, given the current challenges faced by importers in sourcing US Dollars, several firms may experience disruptions in business performance. Going forward, we see the aforementioned shocks impacting banks which have sizeable corporate books with exposure to the manufacturing, building and construction, trade, and transport and communication sectors.

That said, we see a significant potential of banks to increase their cost of risk.

Capital Adequacy



Source: Company, DBIB Research

Taking a closer look at core capital adequacy ratios for the listed banks both at the group and the bank level, we note that majority of the banks have stable ratios with the exception of HF (core capital ratio for the bank remains below the statutory level of 10.5% as it stands at 8.2%).

For Equity, both the group and the bank have the lowest core capital ratios amongst their peers; however, the bank's core capital ratio improved by 120 bps y-o-y while that of the group eased by 30 bps y-o-y.

OPERATING EFFICIENCY

1Q22	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets (%)	10.5	9.5	10.9	7.5	8.9	9.5	7.3	9.1	9.6	9.6
Cost of funds (%)	3.0	2.7	3.2	1.1	2.2	4.2	2.3	3.9	4.0	8.3
Net Interest Margin (%)	7.5	6.7	7.7	6.4	6.7	5.4	5.0	5.1	5.6	1.3
Loan-to-Deposits ratio (%)	83.3	69.2	79.0	48.3	90.0	52.4	87.8	65.5	70.6	90.8
Loan-to-Dep. & Borrowed Funds (%)	79.7	60.8	71.5	48.3	90.0	51.7	83.5	62.6	66.3	80.3
Funded Inc Generating Potential (%)	88.0	87.2	87.7	90.1	91.3	87.1	89.8	86.9	84.8	79.6
Contribution of NFI (%)	32.0	38.1	38.2	33.6	30.5	46.1	44.7	24.3	29.7	32.7
Cost to income ratio (%)	44.5	45.3	44.6	48.1	44.6	42.5	49.6	45.3	45.5	87.6
Cost to assets ratio(%)	4.4	4.5	5.0	1.0	4.0	1.0	4.1	2.8	3.1	5.0
Cost of risk (%)	1.2	1.2	1.9	(0.3)	1.9	4.1	1.0	1.0	0.9	0.6
Pre-tax margin (%)	48.3	48.9	46.4	53.0	43.4	36.9	43.2	46.3	49.6	5.1
PAT margin (%)	34.0	37.9	34.8	37.3	29.8	25.9	31.2	32.6	36.6	4.4
NFI to OPEX ratio (%)	71.9	84.0	85.7	69.7	68.3	108.3	90.3	53.7	65.2	37.3

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

1Q22	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	15.7	13.1	15.4	15.4	14.5	18.1	14.4	20.5	15.8	8.2
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 (%)	19.6	18.5	16.7	17.6	17.0	18.1	16.3	21.8	20.6	12.1
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 (%)	33.1	75.6	46.4	71.6	36.7	60.8	40.0	58.3	52.8	24.6
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 (%)	15.7	13.7	17.3	16.3	13.5	13.7	14.7	16.3	17.5	14.5
EQTY-to-Loans Ratio (%)	26.1	27.9	31.8	43.4	24.4	32.9	23.5	34.1	34.5	22.6
NPL Ratio (%)	15.7	8.7	13.2	15.0	7.4	15.6	10.6	11.8	9.8	19.5
NPL Coverage Ratio (%)	47.2	58.4	60.3	70.0	72.9	66.1	49.3	39.3	66.4	64.6
L/T Debt to Liabilities and EQTY (%)	20.6	71.3	42.0	0.0	0.0	7.3	25.1	21.0	26.5	63.4
NTA/share (KES)	54.88	42.98	16.41	135.98	10.80	45.30	120.43	271.57	41.55	19.19
Book value/share (KES)	57.17	46.16	17.57	147.21	10.89	48.74	122.82	273.98	45.50	20.46

(Source: Company, DBIB Research)

INVESTMENT RETURN

1Q22	KCB	EQTY	COOP	SBCK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)	3.4	3.7	3.9	3.2	2.7	2.3	2.5	2.0	2.5	0.3
ROaA(%)	3.4	3.7	4.0	3.3	2.7	2.3	2.6	2.1	2.6	0.3
ROIC (%)	3.7	4.0	4.2	3.4	3.6	2.5	2.9	2.2	2.7	1.0
ROE (%)	21.5	27.2	22.6	19.9	20.0	17.0	17.4	12.5	14.4	1.7
ROaE(%)	22.1	27.1	22.9	20.3	20.4	17.2	17.8	12.6	14.5	1.7

(Source: Company, DBIB Research)

OPERATING EFFICIENCY

1Q21	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets (%)	10.4	9.0	11.3	7.5	8.7	9.5	6.8	8.9	9.1	9.3
Cost of funds (%)	2.6	2.6	3.3	1.4	2.1	3.9	2.4	3.9	3.9	8.4
Net Interest Margin (%)	7.8	6.4	8.0	6.1	6.7	5.5	4.3	5.0	5.2	0.9
Loan-to-Deposits ratio (%)	79.7	61.7	75.7	44.4	84.9	56.0	69.7	68.2	73.4	96.2
Loan-to-Dep.&Borrowed Funds (%)	76.0	55.5	67.7	44.4	84.9	54.4	66.8	63.6	69.5	84.6
Funded Inc Generating Potential (%)	86.7	87.2	87.8	88.3	91.5	87.4	90.1	89.3	87.1	78.4
Contribution of NFI (%)	27.4	42.3	31.5	35.1	32.3	44.3	46.3	24.9	29.7	22.2
Cost to income ratio (%)	48.0	49.5	48.6	46.2	45.5	43.3	46.7	44.2	45.7	117.0
Cost to assets ratio(%)	4.5	4.8	5.0	1.0	4.2	0.9	3.5	2.8	3.1	5.3
Cost of risk (%)	1.9	1.0	3.1	1.4	2.6	4.3	1.5	1.3	1.6	0.8
Pre-tax margin (%)	39.6	45.6	34.7	48.0	38.7	32.7	43.1	45.3	43.3	(29.3)
PAT margin (%)	27.7	34.0	24.1	33.8	27.5	24.0	31.6	31.1	30.7	(31.5)
NFI to OPEX ratio (%)	57.1	85.5	64.9	76.1	71.1	102.2	99.3	56.3	65.1	18.9

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

1Q21	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	16.2	11.9	15.3	15.9	14.4	18.3	15.8	20.8	18.1	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 (%)	19.9	15.4	17.1	18.3	17.0	18.4	17.8	22.4	21.6	11.6
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 (%)	31.3	81.5	46.9	74.7	38.3	58.9	59.8	58.7	47.1	20.6
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 (%)	15.1	13.2	17.1	15.6	12.7	13.8	13.7	16.9	19.1	15.4
EQTY-to-Loans Ratio (%)	24.7	28.8	31.7	44.9	22.3	30.7	27.5	34.2	36.0	23.2
NPL Ratio (%)	14.1	11.5	14.8	15.9	7.3	14.0	14.3	10.0	11.4	22.7
NPL Coverage Ratio (%)	55.6	49.3	52.2	67.6	69.0	57.4	53.5	45.2	53.9	49.4
L/T Debt to Liabilities and EQTY (%)	24.4	63.0	49.5	0.0	0.0	17.4	22.8	30.9	21.2	61.6
NTA/share (KES)	44.23	34.69	14.96	130.19	8.90	41.44	107.93	249.69	38.63	19.83
Book value/share (KES)	45.90	37.22	16.13	139.97	8.96	45.28	109.96	252.08	42.04	21.54

(Source: Company, DBIB Research)

INVESTMENT RETURN

1Q21	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)	2.6	3.3	2.5	2.8	2.5	2.1	2.4	2.0	2.1	(1.4)
ROaA(%)	2.6	3.4	2.5	2.9	2.5	2.1	2.4	1.9	2.1	(1.4)
ROIC (%)	2.7	3.4	2.6	3.0	3.2	2.2	2.7	2.1	2.2	(5.2)
ROE (%)	17.3	24.8	14.6	18.1	19.9	15.2	17.3	11.7	10.9	(9.3)
ROaE(%)	17.6	25.0	14.8	18.4	20.3	15.4	17.7	11.8	11.0	(9.1)

(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

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