

# DYER & BLAIR INVESTMENT BANK

## EARNINGS UPDATE

Founder Member of the Nairobi Securities Exchange

25<sup>th</sup> November 2022



DYER & BLAIR  
INVESTMENT BANK

WE KNOW. YOU KNOW.

## DTB GROUP: 3Q22 EARNINGS UPDATE

Dear All,

DTB Group released its 3Q22 results reporting a 21.1% y-o-y improvement in after-tax profits to KES 6.3 BN supported by a 43.5% y-o-y growth in non-funded income to KES 6.9 BN and a 14.1% y-o-y increase in net interest income to KES 16.8 BN. The EPS for the period stood at KES 20.57 vis-à-vis KES 17.28 in 3Q21.

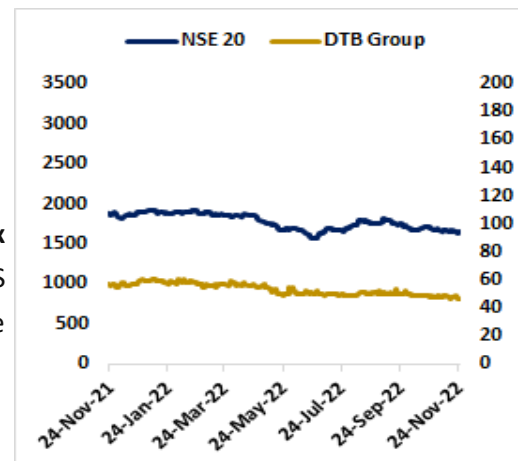
Below please find key highlights:

**Net interest income rose by 14.1% y-o-y to KES 16.8 BN** on the back of a 15.4% y-o-y growth in interest income to KES 29.0 BN and a 17.2% y-o-y increase in interest expense to KES 12.2 BN. Annualized yield on interest earning assets edged down by 9 bps y-o-y to 8.8% while the annualized cost of funds fell slightly by 4 bps to 3.9%. As a result, net interest margin remained fairly flat at 4.9% (-4 bps y-o-y).

**Interest income from loans and advances went up by 9.4% y-o-y to KES 15.2 BN** underpinned by an 18.5% y-o-y growth in the group's net customer loans and advances to KES 243.7 BN. The annualized yield on loans remained fairly flat at 9.1% (+1 bp y-o-y). **Interest income arising from government securities rose by 23.4% y-o-y to KES 13.6 BN** held up by a 14.0% y-o-y advancement in investment securities to KES 179.9 BN. The annualized yield on government securities contracted by 659 bps y-o-y to 10.7%.

**Interest expense on customer deposits grew by 14.1% y-o-y to KES 10.5 BN** anchored by an 11.1% y-o-y expansion in the group's customer deposits to KES 359.7 BN. The annualized cost of deposits shed 329 bps y-o-y to 4.1%.

### DTB GROUP 52 WEEK PRICE PERFORMANCE



Source: NSE, DBIB Research

PRICE RETURN	ABSOLUTE RETURN	EXCESS RETURN
3 months (%)	(10.7)	(4.6)
6 months (%)	(8.0)	(5.9)
12 months (%)	(18.2)	(6.0)

### KEY METRICS

Current Price (KES)	46.00
52 week Low (KES)	46.00
52 week High (KES)	60.00
YTD Return (%)	(22.7)
Issued Shares (MN)	279.6
Market Cap (USD MN)	105.2

Trailing EPS (KES)	17.27
NAV (KES)	250.73
Trailing P/E (x)	2.7
Trailing P/B (x)	0.2

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**Non-funded income soared by 43.5% y-o-y to KES 6.9 BN** mainly due to an 80.6% y-o-y jump in net income from forex dealings to KES 3.3 BN, a 35.1% y-o-y increase in fees and commissions on loans to KES 1.3 BN and a 17.7% y-o-y rise in other fees and commissions to KES 1.7 BN. Total operating income advanced by 21.3% y-o-y to KES 23.7 BN. The contribution of non-funded income to the total operating income came in at 29.0% from 24.5% in 3Q21.

**Operating expenses (less loan loss provisions) increased by 18.4% y-o-y to KES 10.7 BN** primarily due to a 20.0% y-o-y rise in staff costs to KES 4.4 BN and a 29.0% y-o-y increase in other operating expenses to KES 4.9 BN. The cost to income ratio eased by 110 bps y-o-y to 45.2%.

**Loan loss provisions expense rose by 30.5% y-o-y to KES 4.0 BN** leading to a subsequent 20 bps y-o-y increase in the cost of risk to 2.2%. Cumulative loan loss provisions grew by 38.2% y-o-y to 13.0 BN (+5.1% q-o-q), placing the NPL coverage ratio at 41.8%, 397 bps higher y-o-y.

**Gross non-performing loans went up by 28.1% y-o-y to KES 33.0 BN (+3.7% q-o-q)** while interest in suspense jumped by 110.8% y-o-y to KES 2.0 BN (+12.9% q-o-q). As such, the total NPLs increased by 25.1% y-o-y to KES 31.0 BN. **The NPL ratio edged up by 79 bps y-o-y to 11.9%, below the Kenyan industry average of 14.2% as at August 2022.**

**Customer loans and advances inched higher by 18.5% y-o-y to KES 243.7 BN (+4.3% q-o-q)** while investment securities rose by 14.0% y-o-y to KES 179.9 BN (+3.0% q-o-q). **On the funding side, customer deposits climbed by 11.1% y-o-y to KES 359.7 BN (+3.8% q-o-q)** while borrowed funds dropped marginally by 0.9% y-o-y to KES 20.1 BN (-14.2% q-o-q). The group's loan to deposits ratio rose by 425 bps y-o-y to 67.7% in line with the loans to deposits and borrowed funds ratio which grew by 441 bps y-o-y to 64.2%.

**DTB Bank's core capital ratio (Core capital/TRWA) shrank by 70 bps y-o-y to 20.0% while total capital/TRWA ratio declined by 100 bps y-o-y to 21.1%.** Both ratios remain above the statutory minimum of 10.5% and 14.5%, respectively. Liquidity ratio rose by 40 bps y-o-y to 60.5% above the statutory minimum of 20.0%.

**On a trailing basis,** DTB is trading at a P/E multiple of 2.7x against an industry median of 3.7x and a P/B multiple of 0.2x against an industry median of 0.7x. ROE stands at 6.9% while ROA stands at 1.0%.

**PROFIT AND LOSS SUMMARY (KES MN)**

<b>Year End: December</b>	<b>3Q22</b>	<b>3Q21</b>	<b>y-y% ch</b>	<b>3q22</b>	<b>2q22</b>	<b>1q22</b>	<b>3q21</b>	<b>y-y% ch</b>	<b>q-q% ch</b>
Interest income	28,996	25,125	15.4	10,200	9,564	9,232	8,423	21.1	6.7
Interest expense	12,189	10,396	17.2	4,524	3,970	3,696	3,514	28.7	13.9
Net interest income	16,807	14,730	14.1	5,677	5,594	5,536	4,909	15.7	1.5
Other operating income	570	542	5.0	329	104	137	49	577.3	217.6
Fees and commission income	3,037	2,439	24.5	1,277	891	870	829	53.9	43.3
Net income from forex dealings	3,266	1,809	80.6	1,351	1,142	773	587	130.0	18.3
Total non-interest income	6,872	4,790	43.5	2,957	2,136	1,779	1,465	101.8	38.4
Total income	23,679	19,519	21.3	8,634	7,730	7,315	6,374	35.5	11.7
Less operating expenses	10,711	9,045	18.4	3,773	3,627	3,312	3,089	22.1	4.0
Operating profit	12,967	10,475	23.8	4,861	4,103	4,004	3,285	48.0	18.5
Bad debt charge	4,001	3,065	30.5	1,569	1,850	582	754	108.2	(15.2)
Other gains & losses	(31)	23	(234.1)	24	(21)	(34)	23	4.6	(214.3)
Profit before tax	8,935	7,433	20.2	3,316	2,232	3,387	2,555	29.8	48.6
Less tax	2,642	2,238	18.1	979	664	999	510	92.2	47.5
Profit after tax	6,293	5,195	21.1	2,337	1,568	2,388	2,045	14.3	49.0
Attributable Income	5,751	4,831	19.1	2,167	1,406	2,179	1,900	14.0	54.1
<b>EPS (KES)</b>	<b>20.57</b>	<b>17.28</b>	<b>19.0</b>	<b>7.75</b>	<b>5.03</b>	<b>7.79</b>	<b>6.80</b>	<b>14.0</b>	<b>54.1</b>

(Source: Company, DBIB Research)

**BALANCE SHEET SUMMARY (KES MN)**

<b>Year End: December</b>	<b>3Q22</b>	<b>1H22</b>	<b>3Q21</b>	<b>y-y% ch</b>	<b>q-q% ch</b>
Total shareholder's equity	70,104	68,888	67,482	3.9	1.8
Minority interest	7,896	7,718	7,015	12.6	2.3
Total Equity	78,000	76,607	74,498	4.7	1.8
Deposits due to other banks	37,140	27,806	7,602	388.6	33.6
Customer deposits	359,684	346,492	323,737	11.1	3.8
Borrowed funds	20,078	23,396	20,258	(0.9)	(14.2)
Other liabilities	12,589	10,740	8,298	51.7	17.2
Total equity and liabilities	507,491	485,041	434,392	16.8	4.6
Central bank balances	36,625	35,123	32,593	12.4	4.3
Deposits due from banks	18,192	13,996	15,668	16.1	30.0
Government Securities	179,919	174,677	157,774	14.0	3.0
Held for dealing securities	-	-	-	-	-
Customer loans and advances	243,666	233,622	205,553	18.5	4.3
Other assets	20,329	19,180	15,622	30.1	6.0
Intangible assets	1,028	955	828	24.1	7.6
Fixed assets	7,734	7,489	6,355	21.7	3.3
<b>Total assets</b>	<b>507,491</b>	<b>485,041</b>	<b>434,392</b>	<b>16.8</b>	<b>4.6</b>

(Source: Company, DBIB Research)

**INVESTMENT RETURN**

	<b>3Q22</b>	<b>1H22</b>	<b>3Q21</b>	<b>y-y bps ch</b>	<b>q-q bps ch</b>
ROA (%)*	1.5	1.5	1.5	3	3
ROIC (%)*	1.7	1.6	1.5	14	7
ROE (%)*	9.8	9.4	8.6	119	47

(Source: Company, DBIB Research)

\*Annualized

## CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

	3Q22	1H22	3Q21	y-y bps ch	q-q bps ch
Core capital/TRWA (%)	20.0	20.5	20.7	(70)	(50)
Min. Statutory Ratio (%)	10.5	10.5	10.5	-	-
Total capital/TRWA (%)	21.1	21.8	22.1	(100)	(70)
Min. Statutory Ratio (%)	14.5	14.5	14.5	-	-
Liquidity Ratio (%)	60.5	58.3	60.1	40	220
Min. Statutory Ratio (%)	20.0	20.0	20.0	-	-
Leverage Ratio (%)	13.8	14.7	15.5	(172)	(85)
Equity-to-Loans Ratio (%)	32.0	34.1	36.2	(423)	(207)
NPL Ratio (%)	11.9	11.8	11.1	79	15
NPL Coverage Ratio (%)	41.8	39.3	37.8	397	243
Long Term Debt to Total Liabilities and Equity (%)	4.0	3.4	4.7	(71)	54
NTA/share (KES)	223.1	244.1	218.6	445	(2,103)
Book value/share (KES)	250.7	247.1	241.4	937	360

(Source: Company, DBIB Research)

## OPERATING PERFORMANCE

	3Q22	1H22	3Q21	y-y bps ch	q-q bps ch
Yield on interest earning assets (%)*	8.8	8.9	8.8	(9)	(15)
Cost of funds (%)*	3.9	3.9	3.9	(4)	4
Net Interest Margin (%)*	4.9	5.0	4.9	(4)	(19)
Loan-to-Deposits ratio (%)	67.7	67.4	63.5	425	32
Loan-to-Dep. & Borrowed Funds ratio (%)	64.2	63.2	59.8	441	100
Funded Income Generating Potential (%)	87.1	87.1	87.2	(20)	(1)
Funded Income Reliance (%)	71.0	74.0	75.5	(448)	(300)
Cost to income ratio (%)	45.2	46.1	46.3	(110)	(88)
Cost of risk (%) *	2.2	2.1	2.0	20	11
Pre-tax margin (%)	37.7	37.3	38.1	(35)	39
PAT margin (%)	26.6	26.3	26.6	(4)	28

(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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