

DYER & BLAIR INVESTMENT BANK

EARNINGS UPDATE

Founder Member of the Nairobi Securities Exchange

28TH MARCH 2023



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

DTB GROUP: FY22 EARNINGS UPDATE

Dear All,

DTB Group released its FY22 results reporting a 55.1% y-o-y improvement in after-tax profits to KES 6.1 BN supported by a 43.5% y-o-y growth in non-funded income to KES 9.1 BN, a 14.5% y-o-y increase in net interest income to KES 22.9 BN and a 5.5% y-o-y drop in loan loss provisions to KES 7.1 BN. The EPS for the period stood at KES 21.68 vis-à-vis KES 13.98 in FY21. **The board recommended a first and final dividend of KES 5.00 (FY21: KES 3.00).** If approved, the dividend will be paid on or about 15th June 2023 to shareholders on the register at the close of business on 12th May 2023.

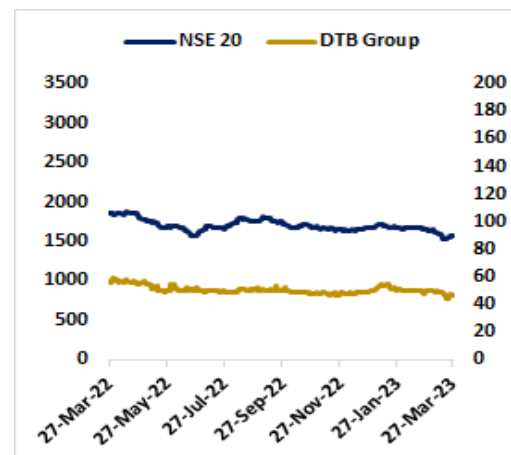
Below please find key highlights:

Net interest income rose by 14.5% y-o-y to KES 22.9 BN on the back of an 18.2% y-o-y growth in interest income to KES 40.1 BN as the interest expense rose by 23.5% y-o-y to KES 17.2 BN. The yield on interest earning assets grew by 32 bps y-o-y to 8.7% while the cost of funds rose by 11 bps y-o-y to 3.9% placing the net interest margin at 4.8% (FY21: 4.6%).

Interest income from loans and advances went up by 13.4% y-o-y to KES 21.1 BN supported by a 15.1% y-o-y growth in the group's loan book to KES 253.7 BN and a 22 bps y-o-y increase in the yield on loans to 8.9%. Interest income from the group's portfolio of government & investment securities inched higher by 23.9% y-o-y to KES 18.7 BN buoyed by an 11.5% y-o-y rise in government & investment securities to KES 188.3 BN and a 96 bps y-o-y uptick in the yield on government securities to 10.5%.

Interest expenses from customer deposits rose by 18.0% y-o-y to KES 14.6 BN mirroring the 16.9% y-o-y growth in customer deposits to KES 387.6 BN and a 13 bps y-o-y increase in the cost of customer deposits to 4.1%.

DTB GROUP 52 WEEK PRICE PERFORMANCE



Source: NSE, DBIB Research

PRICE	ABSOLUTE	EXCESS
RETURN	RETURN	RETURN
3 months (%)	(5.7)	0.2
6 months (%)	(7.4)	2.8
12 months (%)	(17.0)	(1.9)

KEY METRICS

Current Price (KES)	46.25
52 week Low (KES)	44.00
52 week High (KES)	59.00
YTD Return (%)	(7.5)
Issued Shares (MN)	279.6
Market Cap (USD MN)	98.4

Trailing EPS (KES)	21.68
NAV (KES)	246.64
Trailing P/E (x)	2.1
Trailing P/B (x)	0.2
Div Yld (%)	10.8

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Non-funded income climbed by 43.5% y-o-y to KES 9.1 BN mainly due to a 75.8% y-o-y jump in net income from forex dealings to KES 4.3 BN, a 28.9% y-o-y increase in fees and commissions on loans to KES 1.7 BN, a 14.7% y-o-y rise in other fees and commissions to KES 2.6 BN and a 105.6% y-o-y growth in other operating income to KES 482.6 MN. Total operating income grew by 21.4% y-o-y to KES 31.9 BN. The contribution of non-funded income to the total operating income came in at 28.3% from 24.0% in FY21.

Operating expenses (less loan loss provisions) increased by 21.2% y-o-y to KES 14.9 BN primarily due to a 26.9% y-o-y rise in staff costs to KES 6.1 BN and a 27.0% y-o-y increase in other operating expenses to KES 6.3 BN. The cost-to-income ratio eased marginally by 9 bps y-o-y to 46.8%.

Loan loss provisions expense edged down by 5.5% y-o-y to KES 7.1 BN leading to a subsequent 61 bps y-o-y drop in the cost of risk to 2.8%. Cumulative loan loss provisions grew by 20.8% y-o-y to 13.7 BN (+5.9% q-o-q), placing the NPL coverage ratio at 44.2%, 485 bps higher y-o-y.

Gross non-performing loans went up by 7.2% y-o-y to KES 32.2 BN (-2.2% q-o-q) while interest in suspense remained fairly flat y-o-y at KES 1.2 BN (-38.6% q-o-q). As such, total NPLs rose by 7.5% y-o-y to KES 31.0 BN (+0.1% q-o-q). The NPL ratio fell by 73 bps y-o-y to 11.3%.

Customer loans and advances inched higher by 15.1% y-o-y to KES 253.7 BN (+4.1% q-o-q) while investment securities rose by 11.5% y-o-y to KES 188.3 BN (+19.4% q-o-q). **On the funding side, customer deposits advanced by 16.9% y-o-y to KES 387.6 BN (+7.8% q-o-q)** while borrowed funds rose by 26.5% y-o-y to KES 25.5 BN (+27.1% q-o-q). The group's loan-to-deposits ratio fell by 105 bps y-o-y to 65.5% while loan-to-deposits and borrowed funds ratio dropped by 128 bps y-o-y to 61.4%.

DTB Bank's core capital ratio (Core capital/TRWA) edged down by 10 bps y-o-y to 19.8% while Total capital/TRWA ratio dwindled by 50 bps y-o-y to 20.7%. Both ratios remain above the statutory minimum of 10.5% and 14.5% respectively. Liquidity ratio declined by 340 bps y-o-y to 58.2% above the statutory minimum of 20.0%.

DTB is currently trading at a P/E multiple of 2.1x against an industry median of 3.5x and a P/B multiple of 0.2x against an industry median of 0.7x. ROE stands at 8.8% while ROA stands at 1.2%. As per current prices, its dividend yield stands at 10.8%.

PROFIT AND LOSS SUMMARY (KES MN)

Year End: December	FY22	FY21	y-y% ch	4q22	3q22	4q21	y-y% ch	q-q% ch
Interest income	40,067	33,904	18.2	11,071	10,200	8,779	26.1	8.5
Interest expense	(17,180)	(13,912)	23.5	(29,369)	4,524	(24,307)	20.8	(749.2)
Net interest income	22,887	19,993	14.5	6,080	5,677	5,263	15.5	7.1
Other operating income	483	235	105.6	(87)	329	(308)	(71.7)	(126.4)
Fees and commission income	4,265	3,625	17.7	1,228	1,277	1,186	3.6	(3.8)
Net income from forex dealings	4,305	2,449	75.8	1,039	1,351	640	62.4	(23.1)
Total non-interest income	9,053	6,308	43.5	2,181	2,957	1,518	43.6	(26.2)
Total income	31,940	26,301	21.4	8,261	8,634	6,781	21.8	(4.3)
Less operating expenses	(14,940)	(12,326)	21.2	(25,652)	3,773	(21,370)	20.0	(779.9)
Operating profit	17,000	13,975	21.6	4,032	4,861	3,500	15.2	(17.0)
Bad debt charge	(7,142)	(7,558)	(5.5)	(11,143)	1,569	(10,623)	4.9	(810.2)
Exceptional items	(333)	209	(259.3)	(302)	24	186	-	(1,342.0)
Profit before tax	9,525	6,626	43.8	590	3,316	(808)	(173.0)	(82.2)
Less tax	(2,731)	(2,212)	23.5	(5,373)	979	(4,450)	20.7	(648.7)
Profit after tax	6,794	4,413	53.9	501	2,337	(782)	(164.0)	(78.6)
Attributable Income	6,061	3,908	55.1	310	2,167	(922)	(133.6)	(85.7)
EPS (KES)	21.68	13.98	55.1	1.11	7.75	(3.30)	(133.6)	(85.7)

(Source: Company, DBIB Research)

BALANCE SHEET SUMMARY (KES MN)

Year End: December	FY22	3Q22	FY21	y-y% ch	q-q% ch
Total shareholder's equity	68,962	70,104	67,294	2.5	(1.6)
Minority interest	8,699	7,896	7,259	19.8	10.2
Total Equity	77,662	78,000	74,553	4.2	(0.4)
Deposits due to other banks	26,679	37,140	14,795	80.3	(28.2)
Customer deposits	387,562	359,684	331,452	16.9	7.8
Borrowed funds	25,513	20,078	20,171	26.5	27.1
Other liabilities	9,568	12,589	15,872	(39.7)	(24.0)
Total equity and liabilities	526,983	507,491	456,843	15.4	3.8
Central bank balances	36,992	36,625	27,696	33.6	1.0
Deposits due from banks	19,453	18,192	16,136	20.6	6.9
Investment Securities	188,333	157,774	168,976	11.5	19.4
Held for dealing securities	-	-	-	-	-
Customer loans and advances	253,675	243,666	220,425	15.1	4.1
Other assets	21,215	20,329	15,925	33.2	4.4
Intangible assets	1,093	1,028	849	28.7	6.3
Fixed assets	6,222	7,734	6,835	(9.0)	(19.6)
Total assets	526,983	507,491	456,843	15.4	3.8

(Source: Company, DBIB Research)

INVESTMENT RETURN

	FY22	3Q22	FY21	y-y bps ch	q-q bps ch
ROA (%)	1.3	1.5	1.0	32	(22)
ROIC (%)	1.4	1.7	1.0	35	(29)
ROE (%)	8.7	9.8	5.9	283	(108)

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

	FY22	3Q22	FY21	y-y bps ch	q-q bps ch
Core capital/TRWA (%)	19.8	20.0	19.9	(10)	(20)
Min. Statutory Ratio (%)	10.5	10.5	10.5	-	-
Total capital/TRWA (%)	20.7	21.1	21.2	(50)	(40)
Min. Statutory Ratio (%)	14.5	14.5	14.5	-	-
Liquidity Ratio (%)	58.2	60.5	61.6	(340)	(230)
Min. Statutory Ratio (%)	20.0	20.0	20.0	-	-
Leverage Ratio (%)	13.1	13.8	14.7	(164)	(73)
Equity-to-Loans Ratio (%)	30.6	32.0	33.8	(321)	(140)
NPL Ratio (%)	11.3	11.9	12.0	(73)	(64)
NPL Coverage Ratio (%)	44.2	41.8	39.4	485	243
Long Term Debt to Total Liabilities and Equity (%)	4.8	4.0	4.4	43	88
NTA/share (KES)	170.8	223.1	183.7	(1295)	(5230)
Book value/share (KES)	246.6	250.7	240.7	597	(408)

(Source: Company, DBIB Research)

OPERATING PERFORMANCE

	FY22	3Q22	FY21	y-y bps ch	q-q bps ch
Yield on interest earning assets (%)	8.7	8.8	8.4	32	(7)
Cost of funds (%)	3.9	3.9	3.8	11	1
Net Interest Margin (%)	4.8	4.9	4.6	21	(8)
Loan-to-Deposits ratio (%)	65.5	67.7	66.5	(105)	(229)
Loan-to-Dep. & Borrowed Funds ratio (%)	61.4	64.2	62.7	(128)	(275)
Funded Income Generating Potential (%)	87.6	87.1	88.8	(120)	52
Funded Income Reliance (%)	71.7	71.0	76.0	(436)	68
Cost to income ratio (%)	46.8	45.2	46.9	(9)	154
Cost of risk (%)	2.8	2.2	3.4	(61)	63
Pre-tax margin (%)	29.8	2.2	25.2	463	2763
PAT margin (%)	21.3	37.7	16.8	449	(1646)
NFI contribution to total income	28.3	29.0	24.0	436	(68)

(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 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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