DYER & BLAIR INVESTMENT BANK
EARNINGS UPDATE

Founder Member of the Nairobi Securities Exchange

09TH October 2024

DYER & BLAIR
INVESTMENT BANK
WE KNOW. YOU KNOW.

KENYA: LISTED BANKS 1H24 BY THE NUMBERS:

Dear All,

Following the release of the listed banks' 1H24 results, we explore the financial performance of the banks from a bank-specific and sector wide perspective to garner insights on the industry.

Below please find key highlights:

Rising profitability: In 1H24, all the listed banks recorded an improvement in profitability on a year on year basis. Across the listed banks, the rise in profitability was generally attributable to higher total operating income during the period. Robust profitability growth was witnessed in banks like KCB Group (86.4%), Standard Chartered (48.8%) and HF Group (46.3%).

Macroeconomic headwinds: Without a doubt, the effects of elevated interest rates witnessed in FY23 continued into 1H24 and have been reflected in the listed banks' performance. Banks recorded an increase in interest income which was curtailed by a surge in cost of funds leading to higher interest expense. The high interest rate environment also led to higher provisioning and higher non-performing loans in the banking sector. The strengthening of the Kenyan Shilling against the global currencies in the first half of 2024 was also reflected in the banks' performance. Half of the listed banks reported a drop in forex income due to lower spreads while the rest reported improvement in forex income.

Increased loan loss provisions: The higher cost of risk was for the most part occasioned by elevated interest rates leading to higher coverage. The increase in the cost of risk largely corresponded with a reduction in asset quality; majority of the listed banks reporting a reduction in asset quality apart from Standard Chartered, I&M and NCBA.

PAT (KES BN)	HY24	HY23
KCB	29.9	16.1
EQTY	29.6	26.3
COOP	13.0	12.1
ABSA	10.7	8.3
SBCK	10.3	6.9
DTB	4.9	4.4
SBIC	7.1	6.8
NCBA	9.8	9.3
I&M	6.1	5.0
HF	0.3	0.2

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

PAT Growth	Y/Y(%)
KCB	86.4
SBCK	48.8
HF	46.3
ABSA	28.9
I&M	21.1
EQTY	12.5
DTB	11.5
COOP	7.0
SBIC	5.1
NCBA	5.0

(Source: Company, DBIB Research)

PPOP (KES BN)	HY24	HY23
KCB	50.3	32.6
EQTY	47.7	42.3
NCBA	14.9	16.8
COOP	21.0	19.1
ABSA	20.4	17.2
I&M	11.9	9.8
SBCK	16.1	11.7
DTB	10.0	9.2
SBIC	11.8	11.6
HF	0.5	0.4

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

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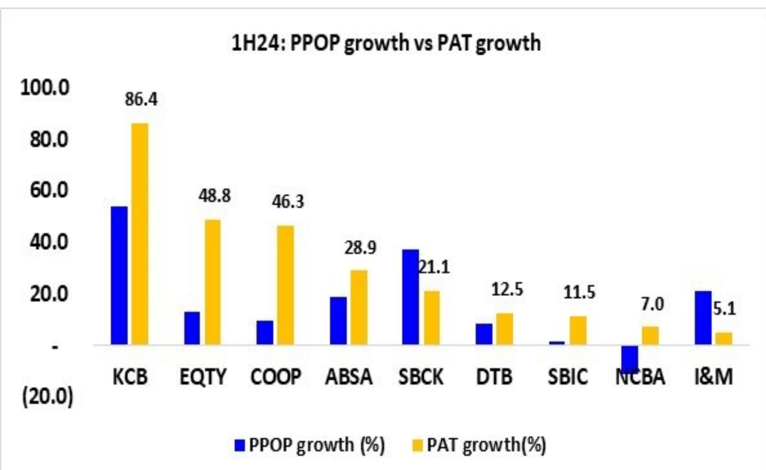
Introduction

In 1H24, all listed banks recorded an improvement in profitability on a year on year basis. Across the listed banks, the rise in profitability was generally attributable to higher total operating income during the period apart from Stanbic. Robust profitability growth was witnessed in banks like KCB Group (86.4%), Standard Chartered (48.8%) and HF Group (46.3%). Stanbic was the only bank to register a decline in total income (-2.7% y-o-y to KES 19.8 BN) but was still able to register a profit due to an 8.3% decline in operating expenses resulting in a 1.6% growth in pre-provision operating profit to KES 11.8 BN.



Source: Company, DBIB Research

Looking at pre-provision operating profit (PPOP), we notice that all the banks registered growth apart from NCBA which recorded an 11.2% decrease in PPOP mainly due to a higher growth in operating expenses(+15.5% y-o-y) which curtailed the growth in total income (+1.1% y-o-y). The strongest growth in PPOP was generally witnessed in KCB Group, Standard Chartered and HF Group. Generally, PAT growth was higher than PPOP growth. This was largely attributed to a faster growth in total income in comparison to loan loss provisions.

The higher cost of risk was for the most part occasioned by a shaky operating environment and higher coverage. The increase in the cost of risk largely corresponded with a deterioration in asset quality; majority of the listed banks (7 out of 10) reported a decline in asset quality.

In HY24 most banks increased their bad debt charge (7 out of 10), indicating a deterioration in asset quality. This was mainly brought about by the elevated interest rates attributed to fiscal tightening around the globe. Equity Group, KCB Group and DTB recorded the highest bad debt charge growth y-o-y with 48.3%, 19.7% and 11.1% respectively.

Without a doubt, the effects of the macroeconomic headwinds witnessed in 1H24 have been reflected in the listed banks' performances. Majority of the banks recorded growth in interest income which was curtailed by a higher growth in interest expense. Stanbic reported the highest growth in interest expense (154.3% y-o-y).

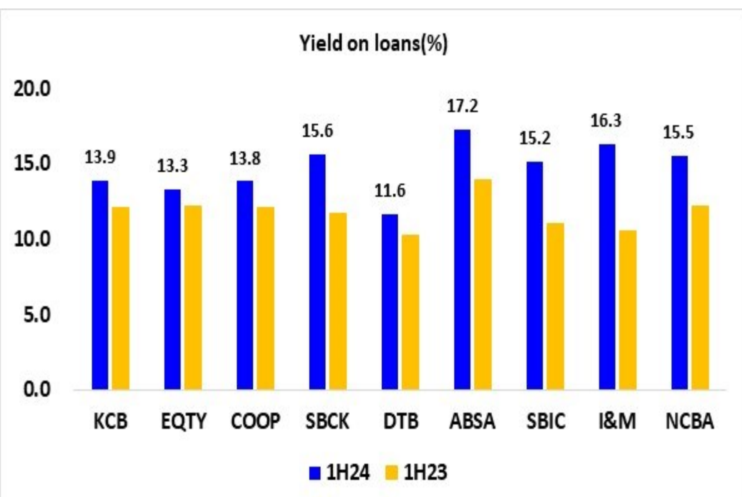
The strengthening of the Kenyan Shilling against the global currencies in 1H24 was also reflected in the banks' performance with half of the banks reporting a drop in forex income due to lower spreads. The rest of the banks recorded growth in forex income with KCB Group recording the highest growth (68.8% y-o-y).

1H24 presented its own unique set of challenges (Russia-Ukraine conflict, Conflicts in the middle east, elevated interest rates, Kenya Finance bill protests and a strengthening USD/KES exchange rate) that may have affected banks' profitability and asset quality.

Loan book and yield on loans

There was a rise in the yield on loans across all the listed banks. The higher loan yields were mostly influenced by the elevated interest rates and lending based on the risk based pricing models. I&M Group recorded the highest growth in yield on loans (+573 bps y-o-y to 16.3%).

Majority of listed banks (6 out of 10) recorded growths in their loan books with KCB Group reporting the highest growth (+7.0% y-o-y). Most banks that registered a decrease in their loan book attributed it to the drop in value of their foreign currency loans caused by the strengthening of the Kenya Shilling.

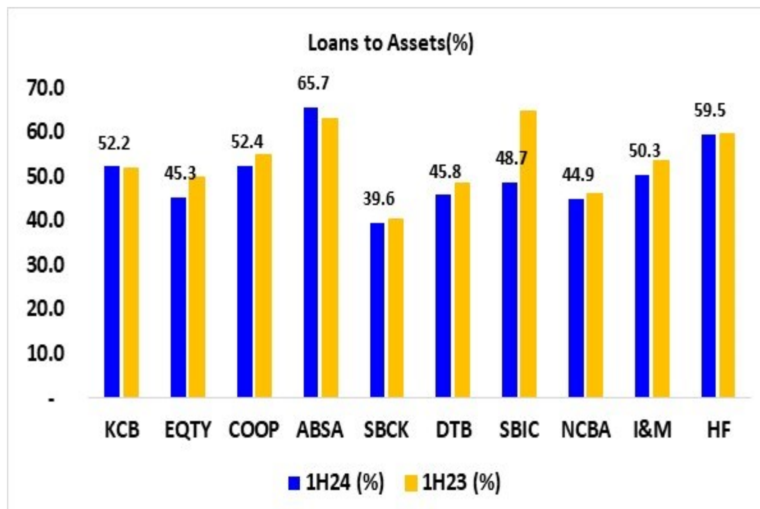


Source: Company, DBIB Research

All banks have received approvals for their risk based pricing models from the Central Bank of Kenya (CBK) and we believe that majority of the banks have generally had some leeway in adjusting lending rates and this could possibly explain the shift in loan yields.

Most banks started rolling out their risk based pricing models in FY23 which resulted in higher interest income from loans with such being the case for Stanbic. Most banks continued to reprice portions of their loan books to the risk based pricing model in 1H24.

Going forward, as more banks continue to implement their risk based pricing models, we expect to see yield on loans head north. We have seen the high credit risk and high 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, Stanbic and I&M have loan to asset ratios which are below the industry average as at 1H24 indicative of their conservative lending approach.

Most banks recorded a decline in their loan to assets with Stanbic having the highest decline in the loan to asset ratio on a y-o-y basis occasioned by a greater growth in its total assets (+29.8% y-o-y) compared to the growth of its loan book (-2.4% y-o-y) plausibly due to asset quality challenges, against strong growth in its total deposits due from other banks (+271.3% y-o-y).

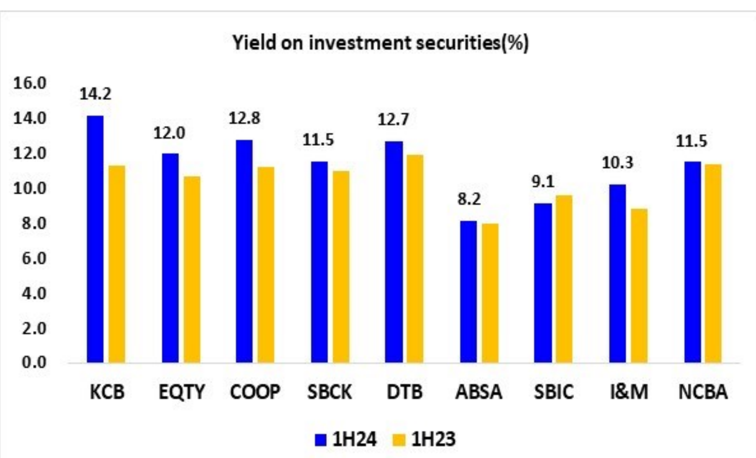
Absa bank on the other hand recorded the highest jump in the loan to asset ratio (+260 bps y-o-y to 65.7%) and this was emblematic of a marginal weakening of its loan book (-0.5% y-o-y) coupled with a strong growth in its total deposits due from other banks (+125.3% y-o-y).

Investment securities and yields on investment securities

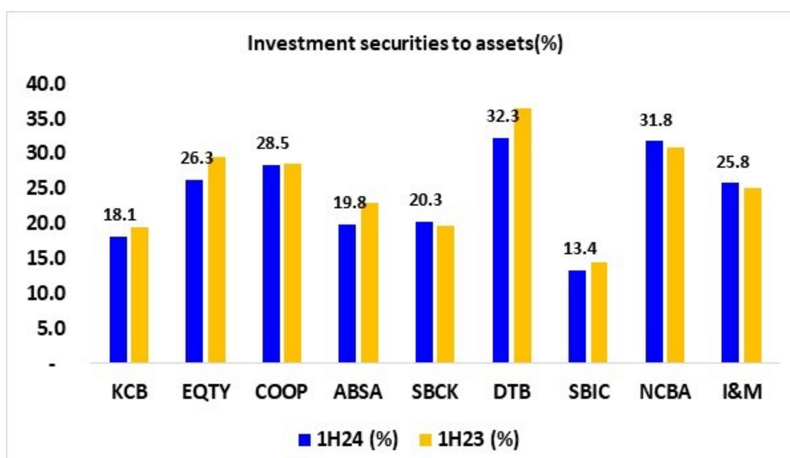
Yields on investment securities generally adopted an upward bias in 1H24. With the exception of Stanbic, all the listed banks recorded higher yields on investment securities. The overall rise in yields on investment securities corresponded with a comparable rise in the yield curve on a y-o-y basis.

We note that in 1H24 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 Co-operative bank, I&M and HF Group which preferred growing their investment portfolio in lieu of lending.

Owing to the CBK approving all banks' risk-based pricing models, we see an increasing potential for banks to lean towards a more aggressive lending approach and reduce investing in government securities especially given an anticipation of interest rates dropping.



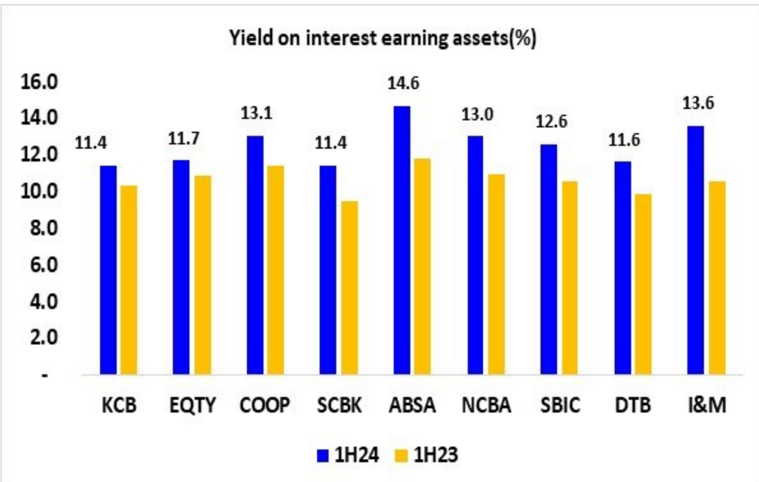
Source: Company, DBIB Research



Source: Company, DBIB Research

Interest earning assets and yields on interest earning assets

Across all the listed banks, the yield on interest earning assets increased on a y-o-y basis largely driven by higher yields on investment securities and yield on loans.



Source: Company, DBIB Research

We also note that for most listed banks, 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. Co-operative Bank's yield on investment securities edged up 155 bps y-o-y against a 174 bps y-o-y rise in the yield on loans while I&M's 573 bps y-o-y growth in the yield on loans outpaced the 139 bps y-o-y rise seen in the yield on investment securities.

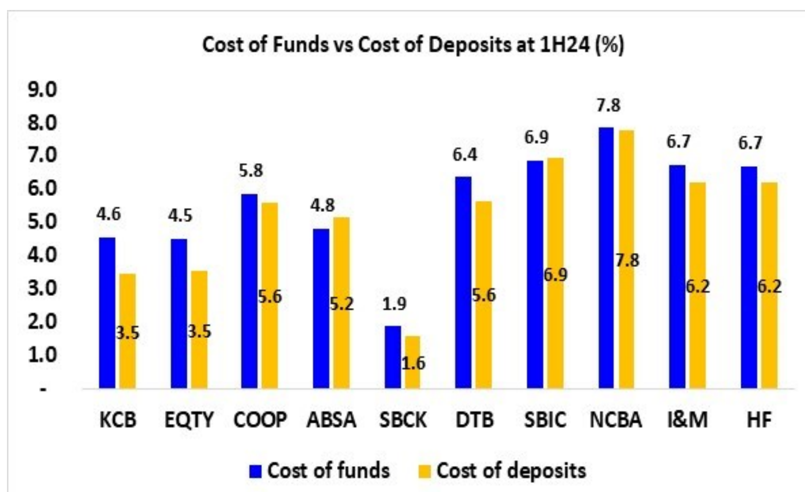
Evaluating the funded income generating potential (interest earning assets/total assets), we observe that StanChart, Absa, Stanbic, KCB and Co-operative bank maintain their lead over their peers while HF, Equity, DTB, NCBA and I&M posted below industry average numbers.

The outlook for yields on interest earning assets remains largely hinged on several factors: whether the high interest rates will continue to hold, further supporting higher yields on investment securities and the extent to which banks adjust lending rates upwards to reflect higher cost of funds & heightened credit risk.

We expect a downward shift of the yield curve to begin in 2H24 with inflation now being tamed and is contained currently in the inflation target range of 2.5% to 7.5%.

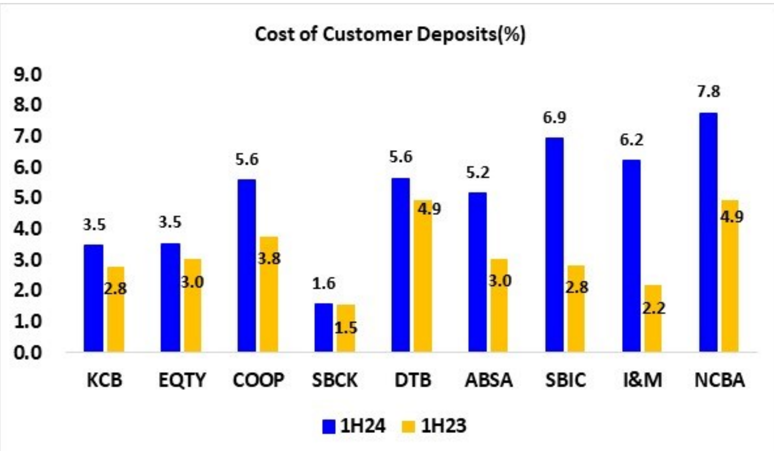
Cost of funds and cost of deposits

Across all of the listed banks, cost of funds and cost of deposits surged up in 1H24. This was mainly attributable to the hiking of rates by the CBK which raised the Central Bank Rate from 8.75% at the beginning of FY23 to 13.00% at the beginning of 1H24. This in turn caused a rise in the yield curve leading to a rise in cost of funds. Stanbic recorded the sharpest rise in cost of funds (+357 bps to 6.9%).



Source: Company, DBIB Research

StanChart maintained the lowest cost of funds at 1.9% (+85 bps y-o-y). 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.



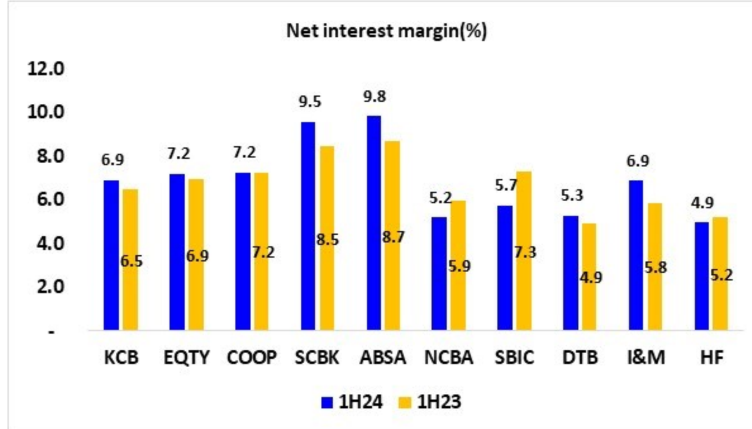
Source: Company, DBIB Research

Net interest margins

Owing to the upswing in yields on interest earning assets coupled with increased cost of funds, net interest margins (NIMs) amongst the majority of listed banks marginally increased. Co-op, NCBA, HF Group and Stanbic were the only banks that saw their NIMs decline.

The listed banks whose NIMs declined were impacted by the higher cost of funds which outweighed growth in yield from interest earning assets.

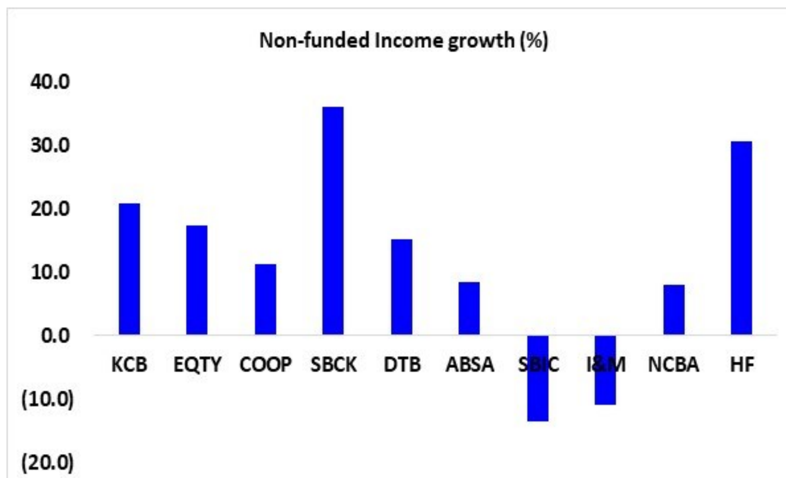
Moving forward, we believe that NIMs will start declining in 2H24 as a result of dropping yields on investment securities and yield on loans . This will be mainly caused by downward shifting of the yield curve as the year goes on.



Source: Company, DBIB Research

Non-funded income

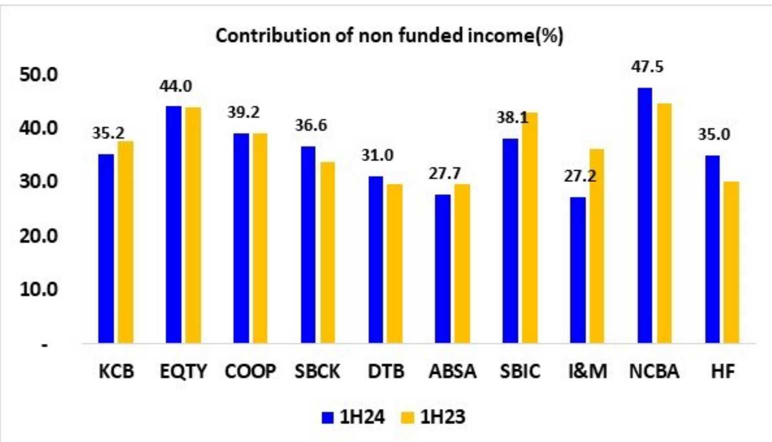
With the exception of Stanbic and I&M, all the listed banks reported a y-o-y increase in non-funded income in 1H24. Taking a cumulative view of the listed banks' non-funded income growth, we note that the main drivers of non-funded income growth were other fees and commissions, fees and commissions on loans and other operating 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.

In terms of the contribution of non-funded income to total operating income, the listed banks industry average recorded a 60 bps y-o-y decrease to 36.2% (1H23: 36.8%). HF recorded the highest jump (487 bps y-o-y to 35%) followed by NCBA (302 bps y-o-y to 47.5) and StanChart (299 bps y-o-y to 36.6%).



Source: Company, DBIB Research

Half of the listed banks (5 out of 10) experienced a drop in forex income in 1H24 attributable to the strengthening of the kenyan shilling which led to lower spreads in the forex market. I&M recorded the biggest drop in forex income (-37.3% y-o-y). We expect their forex income to increase with an anticipation of a more stable KES in 2H24.

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 (KCB, Equity and Co-op), we believe their efforts to grow their products while leveraging on their digital platforms will continue to buoy growth in total fees & commissions.

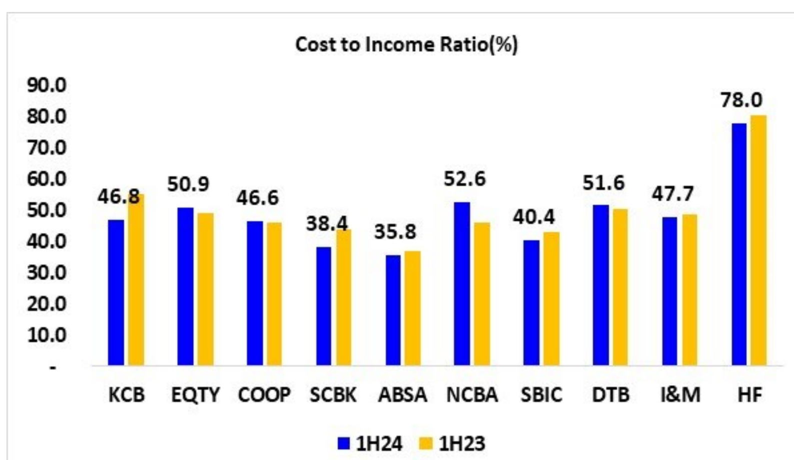
A key risk to non-funded income growth in 1H24 was the rising yield curve which affected income from bond trading especially amongst banks with a high proportion of bonds held for trading such as Absa and Stanbic.

Efficiency

Listed banks generally recorded decreased operational efficiency in 1H24, with the exception of Equity, Co-op, NCBA and DTB. Absa emerged as the most operationally efficient bank with the lowest cost-to-income ratio. We note that the industry wide deterioration in efficiency was powered by a slower growth observed in total operating income against a higher growth seen in operating expenses (sans provisions) at industry level.

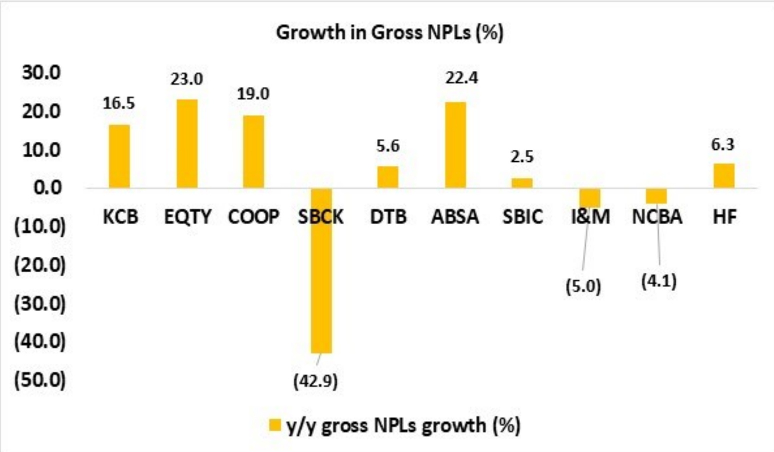
We believe that the decline in efficiency continues to be an effect of the challenging macro environment in 1H24 comprising of elevated interest rates and inflationary pressures which contributed in raising operation costs. Staff costs, on the other hand, increased across all listed banks.

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



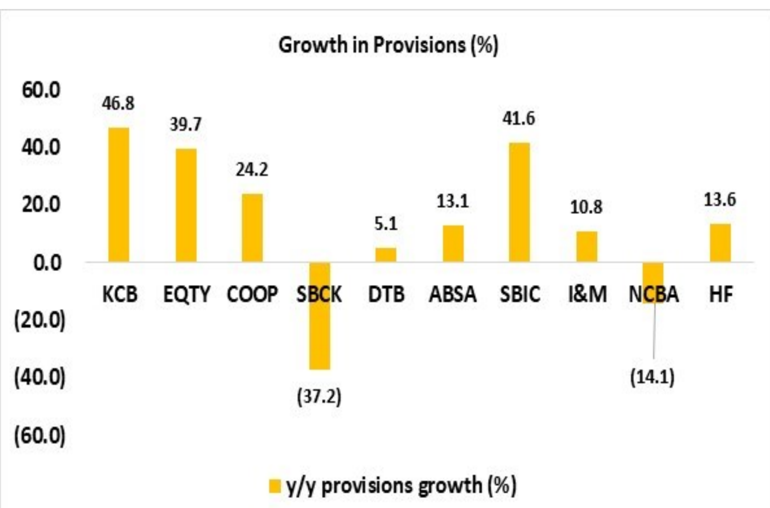
Source: Company, DBIB Research

Asset Quality

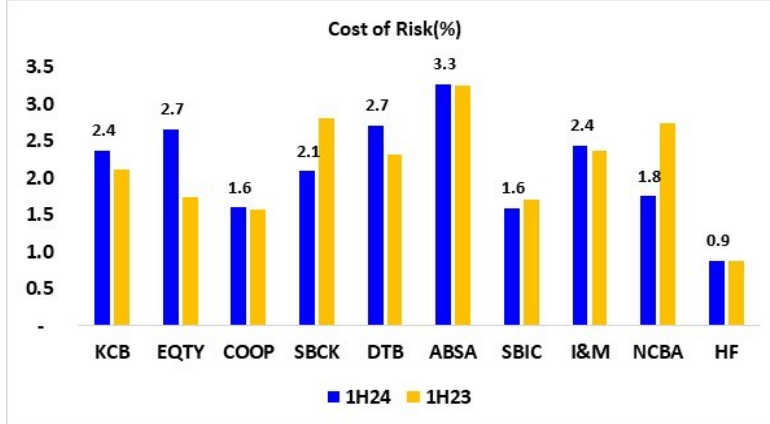


Source: Company, DBIB Research

Looking at the listed banks asset quality performance in 1H24, we observe that there was a general increase in gross NPLs on a y-o-y basis. This led to an increase in loan loss provisions across majority of the listed banks(7 out of 10). We opine that the higher cost of risk in the face of rising gross NPLs was mostly supported by higher coverage ratios which went up across majority of the listed banks on a y-o-y basis.

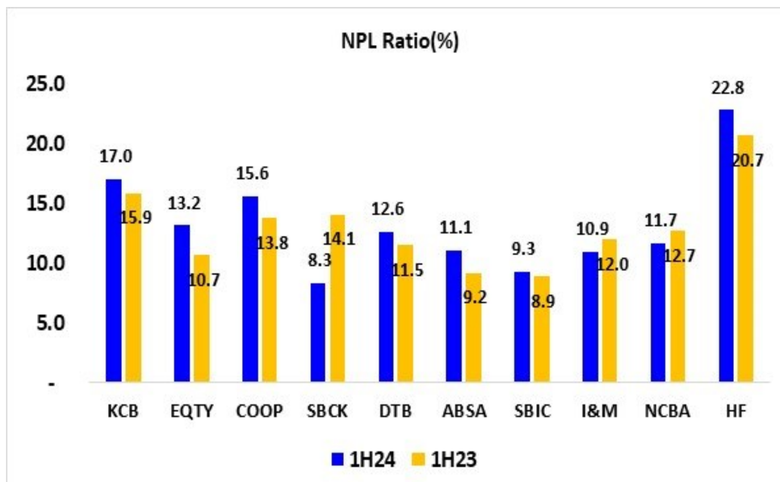


Source: Company, DBIB Research



Source: Company, DBIB Research

On average across the listed banks, in 1H24 we noted an increase in the NPL ratio (commensurate with the banking industry trend); the average NPL ratio of the listed banks in FY23 was 13.3%, up from 12.9% in 1H23. Out of the 10 listed banks, StanChart, I&M and NCBA recorded notable improvement in their NPL ratios, while the rest reported significant deterioration.



Source: Company, DBIB Research

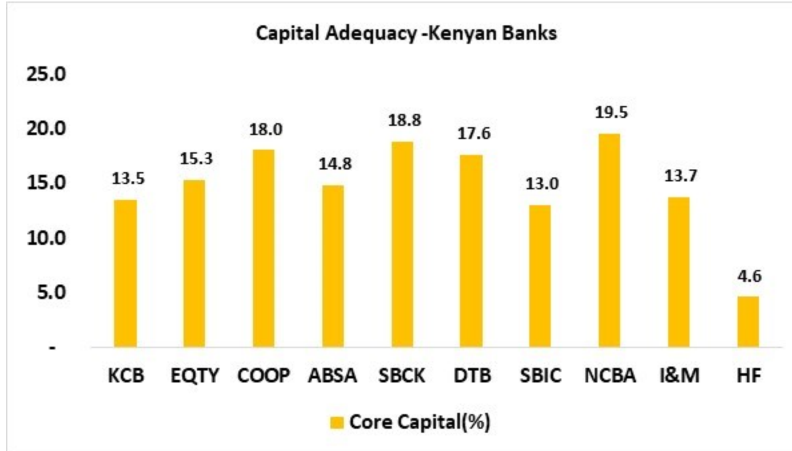
In terms of ranking, Stanbic, Absa, StanChart and I&M recorded below average (listed banks) NPL ratios. StanChart, I&M and NCBA reported contractions in gross non-performing loans on a y-o-y basis.

In 1H24, credit risk remained elevated owing to challenges prevalent in the operating environment. Continued inflationary pressures have affected consumer demand, which has trickled down to loan servicing challenges among various businesses.

Going forward, we see the aforementioned shocks having less impact on banks. We opine this to the normalization of the yield curve in the latter 2H24 and FY25 due to easing inflationary pressure. That said, we see a significant potential of banks decreasing their cost of risk in FY24.

Capital Adequacy

Taking a closer look at core capital adequacy ratios for the listed banks at 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 4.6%).



Source: Company, DBIB Research

OPERATING EFFICIENCY

1H24	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets (%)	11.4	11.7	13.1	11.4	14.6	13.0	12.6	11.6	13.6	11.6
Cost of funds (%)	4.6	4.5	5.8	1.9	4.8	7.8	6.9	6.4	6.7	6.7
Net Interest Margin (%)	6.9	7.2	7.2	9.5	9.8	5.2	5.7	5.3	6.9	4.9
Yield on loans (%)	13.9	13.3	13.8	15.6	17.2	15.5	15.2	11.6	16.3	12.5
Loan-to-Deposits ratio (%)	69.2	60.9	74.0	54.0	89.5	58.6	67.0	62.0	67.8	84.2
Loan-to-Dep.&Borr. Funds ratio (%)	66.6	56.4	67.4	52.3	89.5	57.5	64.8	59.5	65.5	78.8
Funded Income Generating Pot. (%)	88.3	84.5	87.3	91.1	90.7	85.3	90.3	85.2	85.8	79.4
Funded Income Reliance (%)	64.8	56.0	60.8	63.4	72.3	52.5	61.9	69.0	72.8	65.0
Contribution of NFI (%)	35.2	44.0	39.2	36.6	27.7	47.5	38.1	31.0	27.2	35.0
Cost to income ratio (%)	46.8	50.9	46.6	38.4	35.8	52.6	40.4	51.6	47.7	78.0
Cost to assets ratio(%)	4.5	5.7	5.1	5.3	4.7	4.8	3.3	3.6	3.8	5.0
Pre-tax margin (%)	40.3	38.3	46.3	55.6	48.0	38.8	50.1	30.5	38.5	13.8
PAT margin (%)	31.6	30.5	33.1	39.4	33.6	31.3	36.0	23.6	26.9	13.0
NFI to OPEX ratio (%)	75.1	86.5	84.2	95.4	77.5	90.4	94.4	60.2	56.9	44.8

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

1H24	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	13.5	15.3	18.0	18.8	14.8	19.5	13.0	17.6	13.7	4.6
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 (%)	16.9	18.6	21.4	18.9	18.6	19.5	16.6	19.1	16.6	8.1
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 (%)	40.9	77.7	51.4	63.2	35.2	56.4	40.3	52.6	45.7	27.9
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 (%)	12.6	12.6	17.7	17.0	15.2	14.7	12.1	14.4	16.4	14.6
EQTY-to-Loans Ratio (%)	24.1	27.9	33.8	42.9	23.1	32.7	24.9	31.5	32.6	24.6
Cost of risk (%)	2.4	2.7	1.6	2.1	3.3	1.8	1.6	2.7	2.4	0.9
NPL Ratio (%)	17.0	13.2	15.6	8.3	11.1	11.7	9.3	12.6	10.9	22.8
NPL Coverage Ratio (%)	60.4	49.5	56.3	76.6	61.1	45.0	67.3	43.3	51.9	65.2
LTD to Liabilities .and EQTY (%)	3.0	5.9	7.0	2.4	4.4	1.4	2.5	3.1	2.6	4.8
NTA/share (KES)	72.5	55.4	20.7	155.5	13.3	57.0	148.2	294.5	51.6	23.4
Book value/share (KES)	77.3	59.6	21.7	169.7	13.4	61.5	150.1	301.3	56.1	24.2
Payout ratio (%)	8.1	-	-	29.6	10.2	37.8	4.4	-	-	-
Payout ratio (%)	-	36.0	38.3	63.6	51.5	36.5	49.9	24.4	33.4	-

(Source: Company, DBIB Research)

INVESTMENT RETURN

1H24	KCB	EQTY	COOP	SBCK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)*	3.0	3.4	3.6	5.5	4.4	2.8	2.9	1.7	2.2	0.8
ROaA(%)	1.6	1.7	1.9	2.8	2.2	1.5	1.6	0.8	1.1	0.4
ROIC (%)*	3.3	3.6	3.8	5.9	4.7	3.0	3.1	1.8	2.2	0.9
ROE (%)*	24.1	26.9	20.4	32.1	29.3	19.4	24.0	11.5	13.1	5.7
ROaE(%)	12.8	14.3	11.0	17.0	15.7	10.3	12.6	5.8	6.9	2.9

(Source: Company, DBIB Research)

OPERATING EFFICIENCY

1H23	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets (%)	10.3	10.8	11.4	9.5	11.8	11.0	10.5	9.8	10.5	10.1
Cost of funds (%)	3.8	3.9	4.2	1.0	3.1	5.0	3.3	4.9	4.7	4.9
Net Interest Margin (%)	6.5	6.9	7.2	8.5	8.7	5.9	7.3	4.9	5.8	5.2
Yield on loans (%)	12.1	12.2	12.1	11.7	14.0	12.1	11.0	10.2	10.6	10.4
Loan-to-Deposits ratio (%)	65.6	69.5	78.8	51.3	95.6	58.5	89.4	67.3	75.6	89.22
Loan-to-Dep.&Borr. Funds ratio (%)	62.8	63.2	69.8	50.3	79.3	58.0	85.2	63.7	71.8	81.0
Funded Income Generating Pot. (%)	89.0	86.8	89.1	91.2	90.1	85.6	89.1	88.5	85.9	77.0
Funded Income Reliance (%)	62.3	56.0	60.9	66.3	70.3	55.5	57.1	70.3	63.9	69.9
Contribution of NFI (%)	37.7	44.0	39.1	33.7	29.7	44.5	42.9	29.7	36.1	30.1
Cost to income ratio (%)	55.3	49.0	46.0	44.1	37.0	46.0	42.9	50.6	48.8	80.3
Cost to assets ratio(%)	4.3	4.9	4.9	5.1	4.0	4.1	4.6	3.3	3.7	4.8
Pre-tax margin (%)	30.7	42.4	46.4	46.2	44.1	39.8	46.9	32.3	36.8	11.0
PAT margin (%)	22.0	31.8	34.3	33.1	30.4	30.1	33.3	23.4	26.3	10.0

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

1H23	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	11.1	15.2	16.5	16.9	13.5	17.9	13.8	18.5	12.8	6.4
Min. Statutory Ratio (%)	10.5	10.5	8.0	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Total capital/TRWA (%)	15.5	19.8	20.7	17.3	17.7	17.9	16.8	19.3	18.3	10.2
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 (%)	44.0	64.7	47.2	62.8	28.7	55.6	45.2	52.2	37.8	21.0
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 (%)	11.7	11.8	16.3	15.8	12.7	14.2	14.2	14.3	16.7	14.6
EQTY-to-Loans Ratio (%)	22.6	23.8	29.7	39.3	20.0	30.8	22.0	29.4	31.2	24.4
Cost of risk (%)	2.1	1.7	1.6	2.8	3.2	2.7	1.7	2.3	2.4	0.9
NPL Ratio (%)	15.9	10.7	13.8	14.1	9.2	12.7	8.9	11.5	12.0	20.7
NPL Coverage Ratio (%)	45.8	43.9	56.0	74.4	61.1	41.4	46.6	44.4	43.7	60.4
LTD to Total Liabilites and EQTY (%)	3.5	7.1	8.9	1.5	13.6	0.7	3.6	4.0	3.7	6.8
NTA/share (KES)	58.4	48.5	17.5	138.6	11.6	54.8	134.1	291.9	51.6	22.40
Book value/share (KES)	67.8	52.5	18.5	151.2	11.7	60.0	135.9	295.5	50.9	23.03
Payout ratio (%) (interim)	-	-	-	-	13.1	30.9	2.9	-	-	-
Payout ratio (%) (interim)	15.74	33.62	40.32	69.91	50.19	23.06	50.84	54.97	33.23	-

(Source: Company, DBIB Research)

INVESTMENT RETURN

1H23	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)*	1.7	3.2	3.7	3.8	3.3	2.7	3.6	1.5	2.0	0.6
ROaA(%)	1.0	1.9	1.9	1.9	1.8	1.3	1.8	0.8	1.0	0.3
ROIC (%)*	1.8	3.5	3.8	4.0	3.5	2.8	3.7	1.5	2.0	0.7
ROE (%)*	14.7	27.1	22.4	24.2	26.1	18.9	25.2	10.5	12.0	4.1
ROaE(%)	13.9	15.3	11.8	12.1	13.8	9.5	12.6	5.3	6.0	2.1

(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

DISCLAIMER