



# Earnings Note

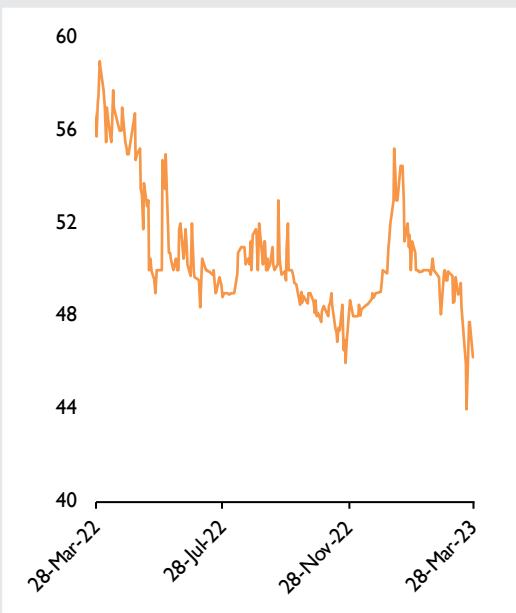


## Company details

<b>Bloomberg Ticker</b>	DTB:KN
<b>NSE Code:</b>	DTK
<b>Issued Shares (Bn)</b>	0.28
<b>52-week high:</b>	59.00
<b>52-week Low</b>	44.00

As at 28<sup>th</sup> March 2023

### Price chart – Last 12 Months



AIB-AXYS Research, NSE

### Historical Price Performance

	1m	3m	6m	12m
<b>Absolute</b>	<b>-7.41%</b>	<b>-5.71%</b>	<b>-6.66%</b>	<b>-18.86%</b>

AIB-AXYS Research, NSE

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March 28<sup>th</sup> 2023

## DTB-K Group FY'22 Earnings Note

**Recomm: BUY**

**Current Price: KES 49.55**

**Target Price: KES 59.21**

### Summary

- Diamond Trust Bank Group released their FY'22 earnings results posting a 55.08% climb in EPS & PAT** to KES 21.68/share and KES 6.06Bn respectively driven by a 14.48% increase in net interest income and a 45.08% growth in non-interest income. Trailing ROaE & ROaA improved to 9.97% & 1.38% respectively in FY'22. NIMs remained adequate at 5.28% while the profit margin edged up 445bps y/y to 21.27%. In line with our expectation, the board of directors recommended a first and final dividend of KES 5.00 in FY'22 representing a 66.67% increase from KES 3.00 paid out in FY'21. The book closure of the dividends is set for 12th May 2023 while payment date is set for 15th June 2023.
- Loan book grew 15.08% y/y to KES 253.67Bn slower than the 16.93% y/y growth in the customer deposits to KES 387.56Bn** leading to a 105bps decline in the loan deposit ratio to 65.45%. Allocation to government securities edged up 11.15% y/y to 187.82Bn in driven by hunt for higher yields. The lender increased its borrowings by 26.48% year over year to KES 25.52Bn from KES 20.17Bn, which we suspect is being used for CAPEX requirements to fund branch development projects they started in July 2022 to boost DTB's presence in East Africa to over 150 branches by the end of the year.

### Key Highlights

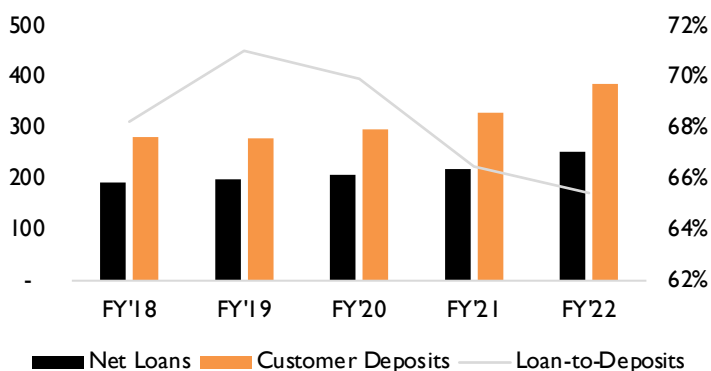
- Net Interest income lags Non-funded Income:** Net Interest Income grew 14.48% y/y to 22.89Bn slower than a 45.08% y/y increase in Non-Funded income to 9.05Bn mainly driven by a 28.89% y/y jump in income from loan fees and commissions. Furthermore, the impact of the prevailing dollar shortage and Kenya shilling depreciation challenges were seen in the Forex trading income growth of 75.81% to 4.30Bn from 2.45Bn in FY'21, as the bid/ask spreads have widened to between 5-8.00% of the CBK indicative rate. On a trailing basis, Yield on assets grew 58ps y/y to 9.25% as income from government papers grew faster than interest earning assets in the year. Cost of funds edged up 37bps to 4.26% y/y from 3.89% in FY'21. Subsequently, profitability margin increased 445bps y/y to 21.27% and the Net Interest Margin (NIM) grew 17bps y/y to 5.28%
- Digital transactions boosts efficiency:** The Cost to Income ratio less impairment fell 21bps on a year-on-year basis to 46.78% from 46.99% in FY'21 mainly attributed to a 5.51% decline in loan loss provisions in line with FY'21 industry trend KES 7.14Bn indicating reduced lending risk. We commend the bank for recording a lower CTI despite the push to open new physical branches.
- Asset Quality Improvements Noted:** Gross NPLs edged up 7.23% y/y to KES 32.23Bn lower than loan book growth, leading to the NPL ratio declining 89bps y/y to 11.98% slightly lower than the latest industry average of 13.30%. Meanwhile, the NPL Coverage improved 4.51% y/y to 46.28% from 41.77% in FY'21 driven by provisioning growing faster than Gross NPL. Cost of Risk edged up 61bps y/y at 2.82%. We expect the asset quality to continue under pressure given the ongoing currency depreciation.

**Outlook** –We expect the bank's performance to be driven by a focus on both digital channels and traditional branches in line with the lender's branch expansion strategy. We expect the bank to receive approval of their risk-based pricing model during the year which is likely to drive interest income growth in FY'23 and going forward. However, Deteriorating local & global macroeconomic conditions will lead to continuous pressure on the company's loan book.

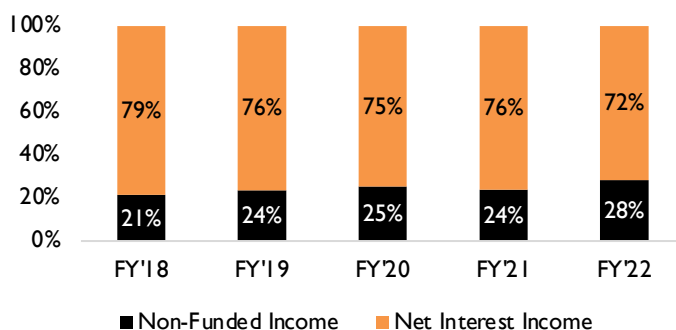
**Valuation**- Additionally, DTB-K is currently trading at a P/B multiple of 0.17x against an industry median of 0.77x. The counter closed today's trading at KES 49.55, which is 7.44% higher than yesterday. We expect the impressive results and attractive dividend to excite investors and is likely lead to a share price rally in the coming days. As such, we maintain our **BUY** recommendation on the counter given the upside potential as well as the dividend yield of 10.09%.

## DTBK Group FY'22 Earnings Charts

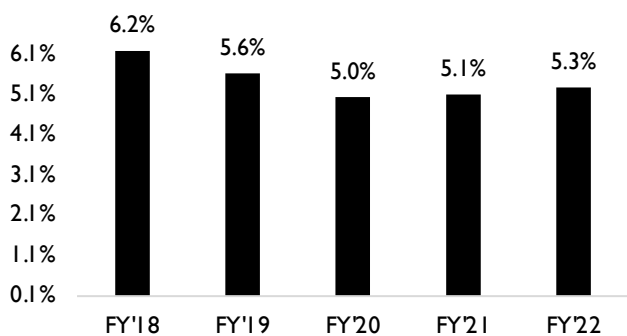
Graph 1: Customer Deposits continue to drive Balance sheet growth



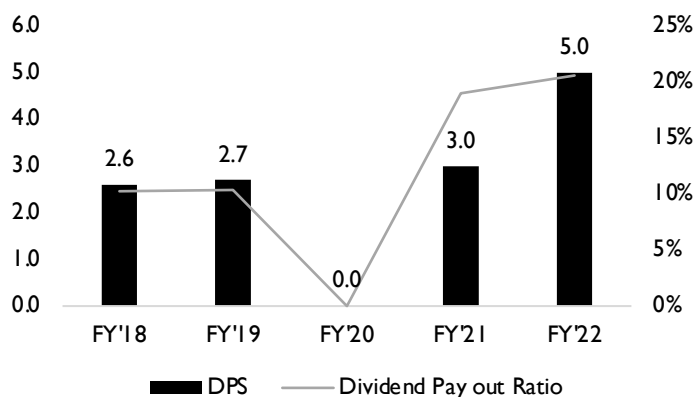
Graph 2: Revenue mix continues to favor Net Interest Income



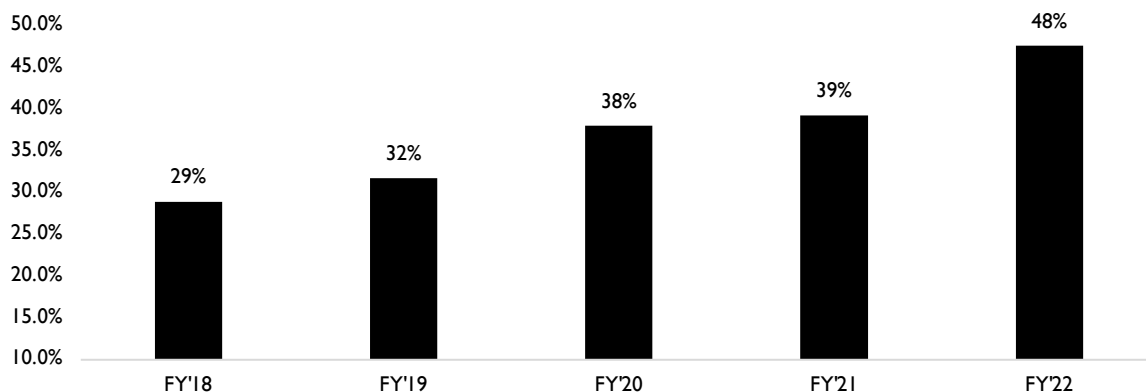
Graph 3: We observed an uptick in Net Interest Margins



Graph 4: Dividend Payout Ratio improved marginally



Graph 5: Forex Income as a % of Net Income edged up



Source: Company Filings, AIB-AXYS Analyst Estimates

## Financial Statement Summary

### I. Statement of Profit and Loss

Income Statement	FY20	FY'21	Q1'22	Q2'22	Q3'22	FY'22	y/y % Change	FY'22e	Variance
Net Interest Income	18,079.49	19,992.57	5,536.01	11,129.73	16,806.66	22,887.10	14.48%	21,235.27	7.78%
Net non-Interest Income	6,122.42	6,239.85	1,779.31	3,915.41	6,872.15	9,052.82	45.08%	8473.74	6.83%
<b>Total Operating income</b>	<b>24,201.91</b>	<b>26,232.43</b>	<b>7,315.32</b>	<b>15,045.15</b>	<b>23,678.80</b>	<b>31,939.92</b>	<b>21.76%</b>	<b>29709.00</b>	<b>7.51%</b>
Provision for Impairment	(7,324.44)	(7,558.12)	(582.04)	(2,431.83)	(4,000.79)	(7,141.78)	-5.51%	-7896.23	-9.55%
Total Operating expenses	(19,668.56)	(19,883.83)	(3,893.85)	(9,370.50)	(14,712.28)	(22,082.04)	11.06%	-20926.86	5.52%
<b>Profit before tax</b>	<b>4,668.27</b>	<b>6,625.66</b>	<b>3,387.24</b>	<b>5,619.15</b>	<b>8,966.53</b>	<b>9,524.93</b>	<b>43.76%</b>	<b>8991.13</b>	<b>5.94%</b>
<b>Profit after tax</b>	<b>3,247.53</b>	<b>3,908.41</b>	<b>2,178.60</b>	<b>3,584.52</b>	<b>5,782.61</b>	<b>6,061.02</b>	<b>55.08%</b>	<b>6261.89</b>	<b>-3.21%</b>
Core EPS	11.61	13.98	7.79	12.82	20.68	21.68	55.08%	22.37	-3.09%
DPS	-	3.00	-	-	-	5.00	66.67%	3.50	42.86%

### 2. Statement of Financial Position

	FY20	FY'21	Q1'22	Q2'22	Q3'22	FY'22	y/y % Change	FY'22e	Variance
Government Securities	148,377.94	168,975.87	167,061.89	174,676.59	179,918.53	187,824.22	11.15%	172931.31	8.61%
Loans and Advances	208,592.89	220,425.34	224,799.83	233,621.79	243,665.64	253,674.91	15.08%	254757.83	-0.43%
<b>Total Assets</b>	<b>425,054.03</b>	<b>456,842.72</b>	<b>456,842.72</b>	<b>456,842.72</b>	<b>456,842.72</b>	<b>526,983.27</b>	<b>15.35%</b>	<b>500,778.32</b>	<b>5.23%</b>
Customer Deposits	298,166.60	331,451.67	343,144.13	346,492.24	359,684.03	387,562.47	16.93%	368452.44	5.19%
<b>Total Liabilities</b>	<b>356,739.90</b>	<b>382,289.73</b>	<b>382,289.73</b>	<b>382,289.73</b>	<b>382,289.73</b>	<b>449,321.57</b>	<b>17.53%</b>	<b>420942.05</b>	<b>6.74%</b>
<b>Shareholder's Funds</b>	<b>61,970.59</b>	<b>67,294.14</b>	<b>69,096.85</b>	<b>68,888.26</b>	<b>70,103.54</b>	<b>68,962.49</b>	<b>2.48%</b>	<b>72,577.42</b>	<b>-4.98%</b>

### 3. Key Metrics

	FY'20	FY'21	Q1'22	Q2'22	Q3'22	FY'22
<b>Growth Metrics (y/y)</b>						
Loan book Growth	4.77%	5.67%	9.23%	14.34%	18.54%	15.08%
Customer Deposits Growth	6.42%	11.16%	13.71%	10.42%	11.10%	16.93%
PAT Growth	-51.45%	25.08%	16.33%	25.59%	22.29%	53.93%
<b>Spreads Analysis</b>						
Yield on Assets	8.67%	8.67%	2.41%	4.71%	7.35%	9.25%
Cost of Funds	3.93%	3.89%	3.95%	3.93%	4.09%	4.26%
Net Interest Margin	5.04%	5.11%	5.37%	5.33%	5.59%	5.28%
ROaE	5.84%	6.83%	7.14%	7.78%	8.09%	9.97%
ROaA	0.87%	1.00%	1.09%	1.18%	1.25%	1.38%
Profit Margin	14.58%	16.82%	32.65%	26.30%	26.71%	21.27%
<b>Operating Efficiency</b>						
Cost of Income Less LLP	51.00%	46.99%	45.27%	46.12%	45.24%	46.78%
Cost of Assets	-2.90%	-2.70%	-0.72%	-1.52%	-2.34%	-2.84%
Loan to Deposit	69.96%	66.50%	65.51%	67.42%	67.74%	65.45%
<b>Asset Quality</b>						
NPL	10.37%	12.86%	12.62%	12.82%	12.73%	11.98%
NPL Coverage	44.61%	41.77%	42.21%	44.24%	45.22%	46.28%
Cost of Risk	-3.51%	-3.43%	-0.26%	-1.04%	-1.64%	-2.82%
<b>Capital Adequacy</b>						
Core Capital/TRWA	20.70%	19.90%	21.70%	21.70%	21.90%	19.80%
Total Capital /TRWA	22.50%	21.20%	21.80%	21.20%	21.10%	20.70%
Liquidity	56.00%	58.70%	60.30%	60.10%	58.70%	58.20%

Source: Company Filings, AIB-AXYS Estimates



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