

DIAMOND TRUST BANK KENYA FY'2022 EARNINGS UPDATE

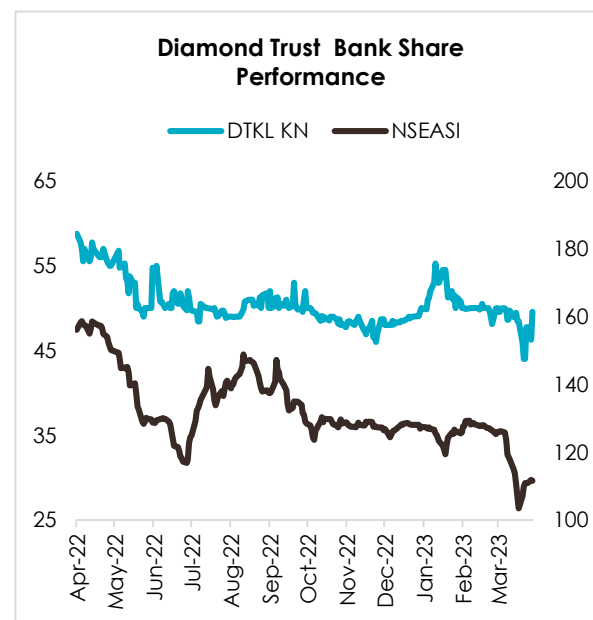
Diamond Trust Bank released its financial results posting a **55%** surge in profit after tax driven by a 45.1% rise in non-interest income and a 14.5% increase in net interest income. The **Return on Equity** and Return on Assets rose to **8.9%** and 1.2%, respectively. **Earnings per share** increased to **KES 21.68** from KES 13.98 recorded in the previous financial year. The Board of directors recommended payment of a **KES 5.00** first and final dividend (KES 3.00 in FY2021), which translates to **10.1%** dividend yield.

FY2022 Performance – % y/y performance

- **Earnings:** Operating income grew by 21.8% to KES 31.9Bn mainly driven by non-interest income which grew by 45.1% to KES 9.1Bn coupled with a 14.5% rise in interest income. This was largely attributable to growth in foreign exchange trading income which expanded by 75.8% to KES 4.3Bn as the bank leveraged on wider spreads.
- **Loan book:** The bank's loans and advances to customers grew by 15.1% to KES 253.7Bn slower than the 16.9% growth in deposits. This led to a 100bps decline in the loan to deposit ratio to 65.5% from 66.5% recorded in FY2021.
- **Customer deposits** grew by 16.9% to KES 387.6Bn supported by deposit mobilization through the opening of new branches to scale retail expansion. The bank opened six new branches to bring its total branch network to 70 branches in Kenya and 138 across East Africa. as part of the bank's plan to deepen its market presence.
- **Government securities** recorded 7.1% growth to KES 32.2Bn albeit lower than expected as the lender shifted its strategy towards aggressive lending and revenue diversification in the region.
- **Efficiency:** Cost to income ratio excluding provisions reduced to 46.8% from 47.0%. Cost to income ratio including provisions declined to 69.1% from 75.8% in 2021. Operating costs grew by 21.2% to KES 14.9Bn while loan loss provisions declined by 5.5% to KES 7.1Bn.
- **Asset Quality:** Gross NPLs grew by 7.2% to KES 32.3Bn. Credit impairment charges however declined by 5.5% to KES 7.1Bn which boosted the NPL ratio to 11.3% lower than the industry average of 13.7% – reflective of improved asset quality.

Share Data	Diamond Trust Bank
Ticker	DTKL KN
RECOMMENDATION	BUY
Current Price (KES)	49.55
Target Price (KES)	62.53
Dividend Yield	10.1%
Upside(Exc. Div. Yield)	26.2%
52WK High (KES)	60.00
52WK Low (KES)	44.00
Market Cap (KES Bn)	13.85
Free Float	55.1%
P/B	0.2x
P/E	2.3x
Current Price = as of 28th March 2023	

Source: Bloomberg, NSE, NCBA IB Research



Source: NSE, NCBA IB Research

Financial Summary

Diamond Trust Bank	Key Metrics Y/Y
Loans and Advances	Up 15.1% to KES 253.7Bn
Customer Deposits	Up 16.9% to KES 387.6Bn
Government Securities	Up 7.1% to KES 32.2Bn
Net Interest Income	Up 14.5% to KES 22.9Bn
Non-Interest Income	Up 45.1% to KES 9.1Bn
Forex trading income	Up 75.8% to KES 4.3Bn
Loan Loss Provisions	Down 5.5% to 7.1Bn
PBT	Up 43.8% to KES 9.5Bn
PAT	Up 55.1% to KES 6.1Bn
EPS	Up 55.1% to KES 21.68
DPS	Up 66.7% to KES 5.00

Source: Company financials, NCBA IB Research

Diamond Trust Bank	Key Ratios Y/Y
Loan Deposit ratio	Down to 65.5% from 66.5%
Net Interest Margin	Down to 4.3% from 4.4%
ROE	Up to 8.9% from 5.7%
Cost to Income	Down to 46.8% from 47.0%
Cost of Risk	Down to 2.8% from 3.4%
NPL Ratio	Down to 11.3% from 12.0%
Current Market Price	KES 49.55
P/E	2.3x
P/B	0.2x
Dividend payout	23.1%
Dividend Yield	10.1%

2023 Outlook

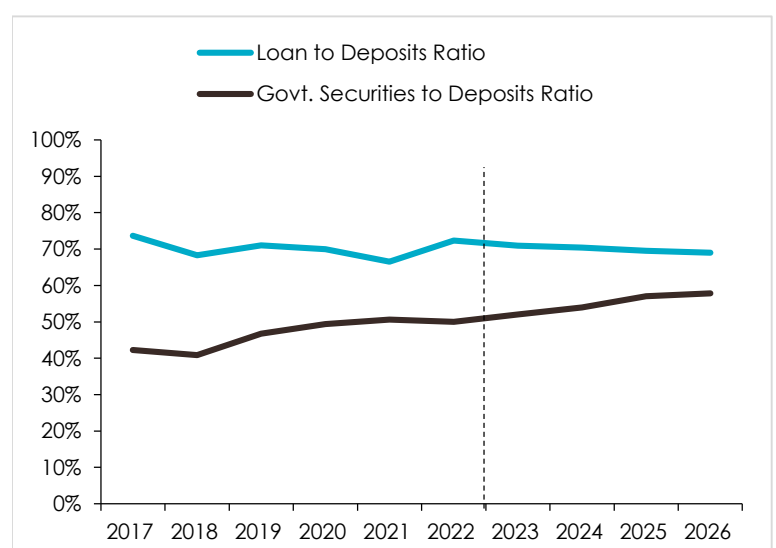
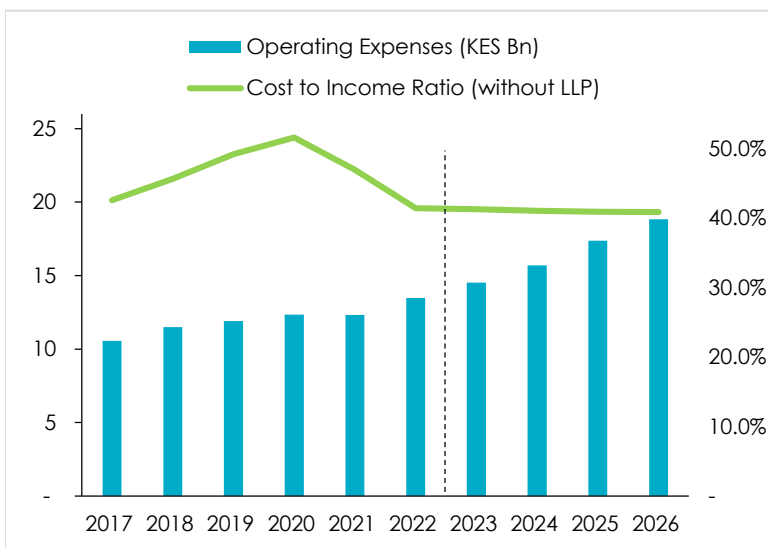
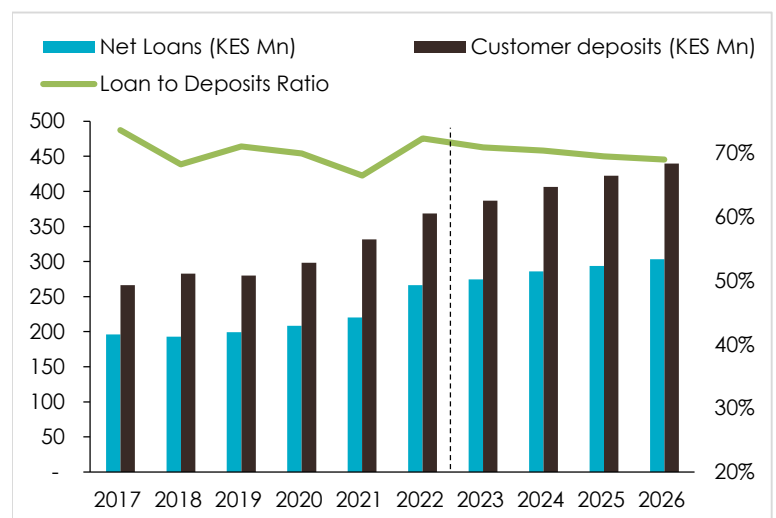
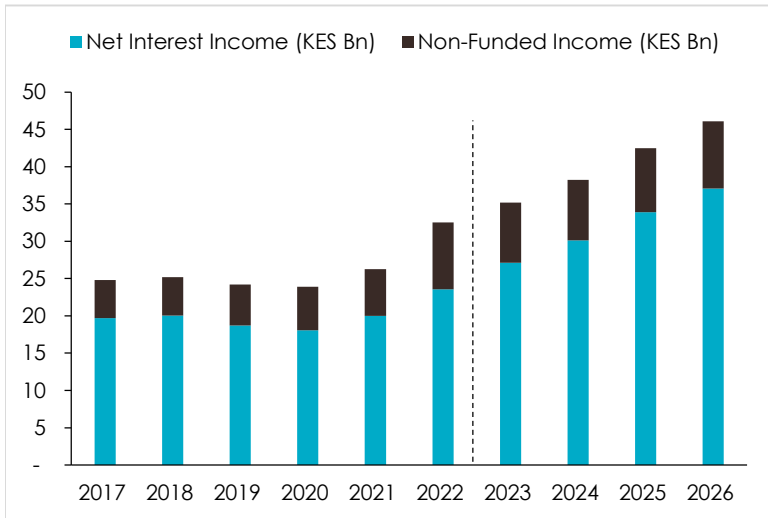
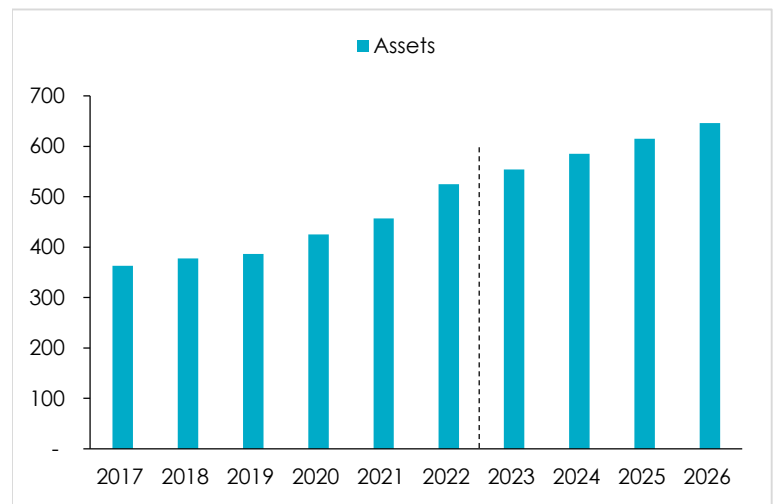
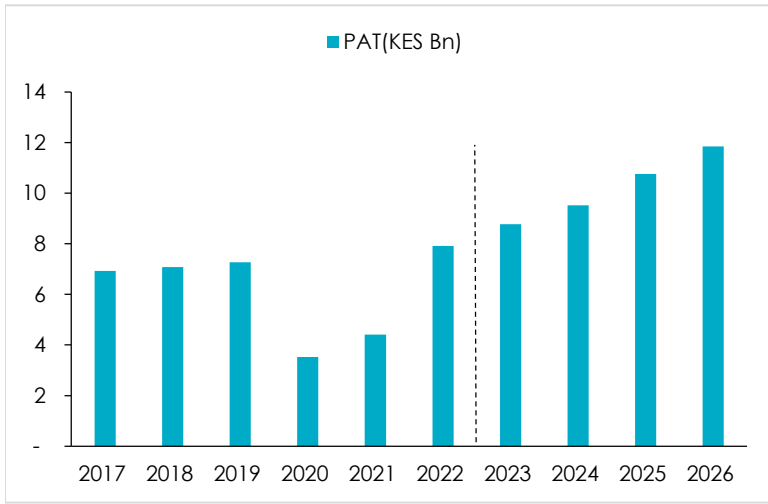
We expect Diamond trust bank to record steady growth boosted by:

- Branch expansion drive:** The lender is set to open 20 more branches in Kenya before the end of 2023 signaling a sizeable expansion in its branch network as part of the bank's plan to deepen its market presence.
- Strong performance of regional subsidiaries:** The banking subsidiaries in Tanzania, Uganda and Burundi contributed 33% of total assets and profitability in the Group. Following its drive to enhance its regional footprint, subsidiaries will continue to anchor the Group's performance.
- Improved efficiency levels:** The bank's cost to income ratio without loan loss provisions decreased to 46.8%, owing to management efforts to advance digital transformation. This will lead to increased profitability for the lender in the long-term as focus shifts to the topline.
- Improved asset quality:** We expect the bank to implement the risk-based pricing model to anchor its risk management strategy.

Investment recommendation:

At the current market price, we believe the stock presents an opportunity for long-term investors to earn capital gains and an attractive dividend yield.

We expect Diamond trust bank to deliver long-term profitability based on its focus on branch expansion, strong customer base, and improved asset quality.

Financial Highlights – DTB-K


About NCBA Investment Bank

NCBA Investment Bank is a subsidiary of NCBA Group. The services offered by the brokerage department include equities trading for listed securities, fixed income trading for both corporate and government bonds, Over the Counter (OTC) equity transactions as well as execution of equities transactions across the East African countries. Additionally, NCBA Investment Bank backs these activities with solid advice from the research team to enable investors meet their return objectives. NCBA Investment Bank deploys simple and convenient client driven technologies, robust risk management, highly competent and experienced staff and has the backing of robust research capabilities to differentiate itself from other players in the market.

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The following analyst(s) who prepared this research report: Victoria Mututu hereby certifies(y) that: (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and companies (y) and (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

Rating Definitions

BUY – Total expected 12-month return (incl. dividends) greater than 20%

ACCUMULATE - Total expected 12-month return (incl. dividends) between 10% - 20%

HOLD – Total expected 12-month return (incl. dividends) between 0% -10%

SELL – Total expected 12-month return (incl. dividends) less than 0%

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