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FY2018 Earnings Expectations Note

Sector: Banking

Diamond Trust Bank (K) Ltd

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Diamond Trust Bank (K) Ltd

- We recommend a **BUY** on Diamond Trust Bank (DTB) based on our fair value estimate of **KES 186.30**, an upside of 34% from the current price of KES 139.00.
- The bank operates on a forward P/E ratio of 5.4x and forward P/B ratio of 0.7x, below the industry average of 7.3x and 1.3x respectively.
- Loan book growth projected at 4.1% to KES.204.13Bn resulting in 1.6% growth of interest income.
- We project **10.6% growth in PAT** mainly driven by increased investment in government securities (12.0%) and growth of non-interest income (1.6%)
- We expect a slight increase in the bank's NPL ratio to 7.5% compared to 7.2% in FY2017.
- The lender has maintained the dividend per share at KES.2.60 and we expect a similar payout in FY2018.

Key Financial Summary

	2017	2018P	% Change
Balance Sheet (KES.Bn)			
Loans & Advances	196.05	204.13	4.1
Government Securities	112.54	126.04	12.0
Total Assets	363.40	386.85	6.5
Customer Deposits	266.25	287.55	8.0
Income Statement (KES.Bn)			
Interest income (Loans & Advances)	22.65	23.01	1.6
Interest income (Gov't Securities)	11.75	11.93	1.5
Total Interest Income	34.63	35.18	1.6
Non-Interest Income	5.28	5.49	4.1
Total Income	24.95	27.40	9.8
Total Operating Expenses	10.56	11.09	4.9
PBT	10.09	10.93	8.4
PAT	6.92	7.65	10.6
Ratios			
Cost to Income Ratio (%)	42.3	39.5	2.8
Loan to Deposit Ratio (%)	73.6	71.0	2.6
NPL Ratio (%)	7.2	7.5	0.3
NFI/Total Income	21.1	20.0	1.1
NII/Total Income	78.9	80.0	1.1
Government Securities/Total Assets	31.0	32.6	1.6

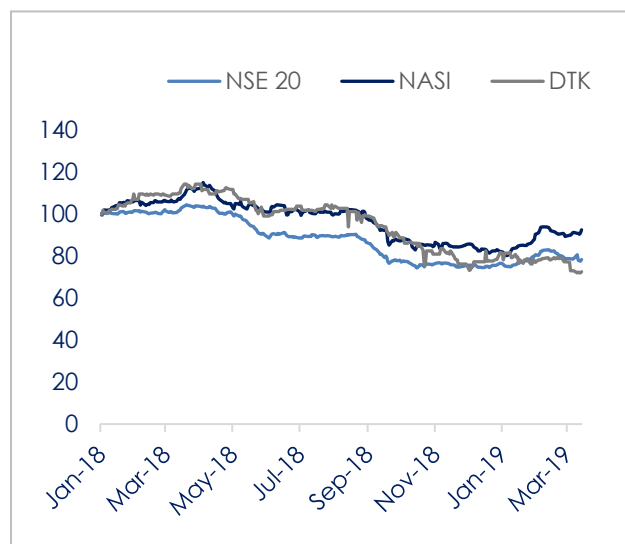
Source: Bank Filings & Sterling Capital Research

Share Summary

Fair Value Estimate (KES)	186.30
Recommendation	BUY
Current price (KES)	139.00
Upside (%)	34%
Price Change YoY (%)	-34.1%
Price Change YTD (%)	-10.9%
Dividend yield (%)	1.7%
P/E	5.4x
P/B	0.7x
Issued shares (m)	279.6
Market cap (KES. Bn)	36.7
NSE Code	DTK
Bloomberg Code	DTKL : KN

Source: Nairobi Securities Exchange & Sterling Capital Research

Share Price Performance



Source: Nairobi Securities Exchange

Source: Bank Filings & Sterling Capital Research

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Buy: FV above 10% of CSP

Hold: FV between -10% and 10% around CSP

Sell: FV more than 10% below CSP

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