

Below is a summary of DTB-K Bank's Q1'2026 performance:

| Balance Sheet Items | Q1'2025 | Q1'2026 | y/y change |
|----------------------------|--------------|--------------|--------------|
| Government Securities | 136.9 | 159.8 | 16.7% |
| Net Loans and Advances | 284.3 | 323.6 | 13.8% |
| Total Assets | 595.1 | 660.9 | 11.1% |
| Customer Deposits | 463.6 | 511.9 | 10.4% |
| Deposits/ Branch | 2.9 | 3.3 | 11.1% |
| Total Liabilities | 497.4 | 543.2 | 9.2% |
| Shareholders' Funds | 86.9 | 105.6 | 21.5% |

| Balance Sheet Ratios | Q1'2025 | Q1'2026 | % Points change |
|--|---------|---------|-----------------|
| Loan to Deposit Ratio | 61.3% | 63.2% | 1.9% |
| Government Securities to Deposit ratio | 29.5% | 31.2% | 1.7% |
| Return on average equity | 11.5% | 11.4% | (0.1%) |
| Return on average assets | 1.6% | 1.7% | 0.2% |

| Income Statement | Q1'2025 | Q1'2026 | y/y change |
|---------------------------------|-------------|-------------|--------------|
| Net Interest Income | 7.7 | 10.0 | 30.9% |
| Net non-Interest Income | 3.0 | 2.9 | (3.2%) |
| Total Operating income | 10.7 | 12.9 | 21.2% |
| Loan Loss provision | 0.9 | 2.2 | 151.8% |
| Other Operating expenses | 3.0 | 3.0 | 0.9% |
| Total Operating expenses | 6.6 | 8.1 | 22.9% |
| Profit before tax | 4.1 | 4.8 | 18.6% |
| Profit after tax | 3.2 | 3.5 | 7.7% |
| Core EPS | 11.5 | 12.4 | 7.7% |

| Income Statement Ratios | Q1'2025 | Q1'2026 | % points change |
|--|---------|---------|-----------------|
| Yield from interest-earning assets | 11.9% | 11.7% | (0.2%) |
| Cost of funding | 6.5% | 5.0% | (1.5%) |
| Net Interest Spread | 5.4% | 6.7% | 1.3% |
| Net Interest Income as % of operating income | 71.7% | 77.4% | 5.7% |
| Non-Funded Income as a % of operating income | 28.3% | 22.6% | (5.7%) |
| Cost to Income Ratio (CIR) | 62.0% | 62.8% | 0.9% |
| CIR without provisions | 53.7% | 45.6% | (8.1%) |
| Cost to Assets | 5.1% | 5.5% | 0.4% |
| Net Interest Margin | 5.8% | 16.7% | 10.9% |

| Capital Adequacy Ratios | Q1'2025 | Q1'2026 | % Points Change |
|--|--------------|--------------|-----------------|
| Core Capital/Total Liabilities | 16.6% | 16.7% | 0.1% |
| Minimum Statutory ratio | 8.0% | 8.0% | |
| Excess | 8.6% | 8.7% | 0.1% |
| Core Capital/Total Risk Weighted Assets | 15.4% | 15.3% | (0.1%) |
| Minimum Statutory ratio | 10.5% | 10.5% | |
| Excess | 4.9% | 4.8% | (0.1%) |
| Total Capital/Total Risk Weighted Assets | 17.0% | 16.6% | (0.4%) |
| Minimum Statutory ratio | 14.5% | 14.5% | |
| Excess | 2.5% | 2.1% | (0.4%) |
| Liquidity Ratio | 54.6% | 55.9% | 1.3% |
| Minimum Statutory ratio | 20.0% | 20.0% | |
| Excess | 34.6% | 35.9% | 1.3% |

Income Statement

- Core earnings per share (EPS) increased by 7.7% to Kshs 12.4 in Q1'2026 from Kshs 11.5 in Q1'2025, driven by the 21.2% growth in total operating income to Kshs 12.9 bn from Kshs 10.7 bn in Q1'2025, but was however weighed down by the 22.9% increase in total operating expenses to Kshs 8.1 bn from Kshs 6.6 bn,
- The 21.2% increase in total operating income was mainly driven by a 30.9% growth in Net Interest Income (NII) to Kshs 10.0 bn, from Kshs 7.7 bn in Q1'2025. However, this was weighed down by a 3.2% decline in Non-Funded Income (NFI) to Kshs 2.9 bn, from Kshs 3.0 bn in Q1'2025,
- Interest income increased by 10.3% to Kshs 16.2 bn in Q1'2026 from Kshs 14.7 bn in Q1'2025, supported by higher income deposits and placements, which grew significantly by 186.6% to Kshs 1.2 bn in Q1'2026 from Kshs 0.4 bn in Q1'2025, and income from loans and advances, which rose by 11.0% to Kshs 9.2 bn in Q1'2026 from Kshs 8.3 bn in Q1'2025. Income from government securities, however, declined by 2.8% to Kshs 5.8 bn in Q1'2026 from Kshs 6.0 bn in Q1'2025. Consequently, the yield from interest-earning assets decreased by 0.2% points to 11.7% in Q1'2026 from 11.9% in Q1'2025, attributable to the 5.4% increase in trailing interest income to Kshs 62.5 bn in Q1'2026 from Kshs 59.3 bn in Q1'2025 which was outpaced by a 7.1% increase in average interest-earning assets to Kshs 533.3 bn in Q1'2026 from Kshs 497.9 bn in Q1'2025,
- Interest expenses declined by 12.2% to Kshs 6.1 bn in Q1'2026 from Kshs 7.0 bn in Q1'2025, mainly driven by a 28.9% decrease in interest expense on deposits and placements to Kshs 0.2 bn in Q1'2026 from Kshs 0.3 bn in Q1'2025, coupled with a 20.3% decline in other interest expenses to Kshs 0.1 bn in Q1'2026 from Kshs 0.2 bn in Q1'2025 and a 11.3% decrease in interest expense on customer deposits to Kshs 5.8 bn in Q1'2026 from Kshs 6.5 bn in Q1'2025. Consequently, the cost of funds decreased by 1.5% points to 5.0% in Q1'2026 from 6.5% in Q1'2025, owing to an 17.6% decline in trailing interest expense to Kshs 25.3 bn in Q1'2026 from Kshs 30.7 bn in Q1'2025, compared to the 11.1% increase in average interest-bearing liabilities to Kshs 455.6 bn in Q1'2026 from Kshs 410.2 bn in Q1'2025,
- Net Interest Margin (NIM) increased by 1.2% points to 7.0% in Q1'2026 from 5.8% in Q1'2025, attributable to an 29.0% growth in trailing net interest income to Kshs 37.2 bn in Q1'2026 from Kshs 28.7 bn in Q1'2025, compared to the 7.1% increase in average interest-earning assets to Kshs 533.3 bn in Q1'2026 from Kshs 497.9 bn in Q1'2025,

- Non-Funded Income (NFI) decreased by 3.2% to Kshs 2.9 bn in Q1'2026 from Kshs 3.0 bn in Q1'2025, mainly driven by a 17.1% decline in other income to Kshs 0.6 bn from Kshs 0.8 bn. This was, however, supported by an 5.8% increase in fees and commissions on loans to Kshs 0.61 bn from Kshs 0.58 bn in Q1'2026. The revenue mix shifted to 77:23, from 72:28 for the funded to Non-funded income owing to the faster 30.9% growth in Funded Income compared to a 3.2% decrease in the Non-Funded Income,
- Total operating expenses increased by 22.9% to Kshs 8.1 bn in Q1'2026 from Kshs 6.6 bn, driven by an 151.8% increase in loan loss provisions to Kshs 2.2 bn from Kshs 0.9 bn and a 5.4% increase in staff costs to Kshs 2.9 bn from Kshs 3.0 bn in Q1'2026,
- The cost-to-income ratio (CIR) increased by 0.9%points to 62.8% from 62.0%, owing to the 21.2% increase in total, which was outpaced by the 22.9% growth in total operating expenses. Notably, CIR without LLP decreased by 8.1% points to 45.6%, from 53.7% recorded in Q1'2025,
- Profit before tax increased by 18.6% to Kshs 4.8 bn in Q1'2026 from Kshs 4.1 bn in Q1'2025, with effective tax rate increasing to 27.6% in Q1'2026, from 20.3% in Q1'2025, leading to a 7.7% increase in profit after tax to Kshs 3.5 bn in Q1'2026, from Kshs 3.2 bn in Q1'2025,

Balance Sheet

- The balance sheet recorded an expansion, with total assets increasing by 11.1% to Kshs 660.9 bn in Q1'2026 from Kshs 595.1 bn in Q1'2025, driven by a 13.8% increase in net loans and advances to Kshs 323.6 bn in Q1'2026 from Kshs 284.3 bn in Q1'2025, coupled with a 16.7% growth in government securities holdings to Kshs 159.8 bn in Q1'2026 from Kshs 136.9 bn in Q1'2025.
- Total liabilities increased by 9.2% to Kshs 543.2 bn in Q1'2026 from Kshs 497.4 bn in Q1'2025, attributable to a 10.4% increase in customer deposits to Kshs 511.9 bn in Q1'2026 from Kshs 463.6 bn in Q1'2025. With 161 branches, compared to 158 branches in Q1'2025, deposits per branch increased by 11.1% to Kshs 3.3 bn, from Kshs 2.9 bn in Q1'2025.
- The 10.4% growth in customer deposits, which was outpaced by the 13.8% increase in net loans, led to 1.9% points increase in the loan-to-deposit ratio to 63.2% in Q1'2026 from 61.3% in Q1'2025,
- Asset quality improved, with the gross NPL ratio declining by 1.5% points to 11.8% in Q1'2026 from 13.2% in Q1'2025, as gross loans increased by 15.5% to Kshs 346.5 bn in Q1'2026 from Kshs 300.1 bn in Q1'2025, outpacing the 2.8% increase in gross non-performing loans to Kshs 40.8 bn in Q1'2026 from Kshs 39.7 bn in Q1'2025.
- General Provisions (LLP) increased by 38.0% to Kshs 21.4 bn in Q1'2026 from Kshs 15.5 bn in Q1'2025. The NPL coverage ratio increased to 16.2% in Q1'2026 from 39.9% in Q1'2025, attributable to the increase in general provisions coupled with a 337.9% rise in interest in suspense to Kshs 1.5 bn in Q1'2026 from Kshs 0.3 bn in Q1'2025, which outpaced the 2.8% increase in gross non-performing loans,
- Shareholders' funds increased by 21.5% to Kshs 105.6 bn in Q1'2026 from Kshs 86.9 bn in Q1'2025, supported by a 11.4% growth in retained earnings to Kshs 74.7 bn in Q1'2026 from Kshs 67.0 bn in Q1'2025.
- DTB-K Bank remains well-capitalized, with the core capital to total risk-weighted assets ratio standing at 15.3% in Q1'2026, which is 4.8 % points above the statutory minimum of 10.5%. Additionally, the total capital to total risk-weighted assets ratio came in at 16.6% in Q1'2026, exceeding the statutory requirement of 14.5% by 2.1 % points
- The bank currently has a Return on Average Assets (ROaA) of 1.7% in Q1'2026 from 1.6% in Q1'2025 and a Return on Average Equity (ROaE) of 11.4% in Q1'2026 from 11.5% in Q1'2025

Key Take-Outs:

- 1. Increased earnings** - Core earnings per share (EPS) increased by 7.7% to Kshs 12.4 in Q1'2026 from Kshs 11.5 in Q1'2025, driven by the 21.2% growth in total operating income to Kshs 12.9 bn from Kshs 10.7 bn in

Q1'2025, but was however weighed down by the 22.9% increase in total operating expenses to Kshs 8.1 bn from Kshs 6.6 bn.

- 2. Improved asset quality** – The bank's asset quality improved, with the gross NPL ratio declining by 1.5% points to 11.8% in Q1'2026 from 13.2% in Q1'2025, as gross loans increased by 15.5% to Kshs 346.5 bn in Q1'2026 from Kshs 300.1 bn in Q1'2025, outpacing the 2.8% increase in gross non-performing loans to Kshs 40.8 bn in Q1'2026 from Kshs 39.7 bn in Q1'2025.
- 3. Expanded Balanced sheet** - The balance sheet recorded an expansion, with total assets increasing by 11.1% to Kshs 660.9 bn in Q1'2026 from Kshs 595.1 bn in Q1'2025, driven by a 13.8% increase in net loans and advances to Kshs 323.6 bn in Q1'2026 from Kshs 284.3 bn in Q1'2025, coupled with a 16.7% growth in government securities holdings to Kshs 159.8 bn in Q1'2026 from Kshs 136.9 bn in Q1'2025.
- 4. Increased lending**- Customer net loans and advances increased by 10.4% to Kshs 511.9 bn in Q1'2026 from Kshs 463.6 bn in Q1'2025, reflecting the bank's continued appetite to expand customer lending.

Going forward, the factors that would drive the bank's growth would be:

- **Revenue Diversification:** The lender has an opportunity to grow its non-funded income streams, which declined by 3.2% to Kshs 2.9 bn, from Kshs 3.0 bn in Q1'2025. Over the years, DTB has launched various products and continues to offer differentiated solutions for diaspora clients, micro and small enterprises, home and vehicle insurance, bancassurance, and the DTB Weza platform, which makes overdrafts more accessible,
- **Digital Transformation:** The bank has developed digital initiatives, including a digital credit platform to streamline and enhance consumer lending processes. The rollout of a comprehensive digital banking platform with advanced mobile and online banking capabilities would improve customer convenience, attract tech-savvy clients, and boost retention. Combined with leveraging data analytics to optimize decision-making and enhance customer engagement, these initiatives position the bank to remain competitive in an increasingly digital financial landscape while unlocking new revenue streams and expanding market share.

Valuation Summary

- We are of the view that DTB-K Bank is a "buy" with a target price of Kshs 164.5 representing an upside of 10.2%, from the current price of Kshs 149.3 as of 15th May 2026.
- DTB-K Bank is currently trading at a P/TBV of 0.4x and a P/E of 3.8x vs an industry average of 1.3x and 5.7x respectively.