

Below is a summary of DTB-K Bank's FY'2025 performance:

Balance Sheet Items	FY'2024	FY'2025	y/y change
Government Securities	126.8	149.3	17.7%
Net Loans and Advances	285.3	324.2	13.6%
<b>Total Assets</b>	<b>573.9</b>	<b>659.1</b>	<b>14.9%</b>
Customer Deposits	447.2	509.1	13.8%
Deposits/ Branch	2.8	3.2	11.7%
Total Liabilities	481.5	546.1	13.4%
<b>Shareholders' Funds</b>	<b>81.8</b>	<b>101.1</b>	<b>23.6%</b>

Balance Sheet Ratios	FY'2024	FY'2025	% Points change
Loan to Deposit Ratio	63.8%	63.7%	(0.1%)
Government Securities to Deposit ratio	28.3%	29.3%	1.0%
Return on average equity	11.3%	11.7%	0.5%
Return on average assets	1.5%	1.7%	0.3%

Income Statement	FY'2024	FY'2025	y/y change
Net Interest Income	28.1	34.9	24.1%
Net non-Interest Income	13.0	11.8	(9.1%)
<b>Total Operating income</b>	<b>41.1</b>	<b>46.7</b>	<b>13.6%</b>
Loan Loss provision	8.7	10.0	14.6%
Other Operating expenses	11.5	11.8	3.0%
<b>Total Operating expenses</b>	<b>29.9</b>	<b>32.7</b>	<b>9.4%</b>
<b>Profit before tax</b>	<b>11.1</b>	<b>13.4</b>	<b>20.5%</b>
<b>Profit after tax</b>	<b>8.8</b>	<b>10.7</b>	<b>21.4%</b>
<b>Core EPS</b>	<b>27.3</b>	<b>33.7</b>	<b>23.1%</b>
<b>Dividend Per Share (Kshs)</b>	<b>7.0</b>	<b>9.0</b>	<b>28.6%</b>
<b>Dividend Payout</b>	<b>25.6%</b>	<b>26.7%</b>	<b>1.1%</b>
<b>Dividend Yield</b>	<b>10.1%</b>	<b>5.8%</b>	<b>(4.3%)</b>

Capital Adequacy Ratios	FY'2024	FY'2025	% Points Change
Core Capital/Total Liabilities	16.7%	16.4%	(0.3%)
Minimum Statutory ratio	8.0%	8.0%	
<b>Excess</b>	<b>8.7%</b>	<b>8.4%</b>	<b>(0.3%)</b>
Core Capital/Total Risk Weighted Assets	15.7%	15.5%	(0.2%)
Minimum Statutory ratio	10.5%	10.5%	
<b>Excess</b>	<b>5.2%</b>	<b>5.0%</b>	<b>(0.2%)</b>

Total Capital/Total Risk Weighted Assets	17.3%	16.9%	(0.4%)
Minimum Statutory ratio	14.5%	14.5%	
<b>Excess</b>	<b>2.8%</b>	<b>2.4%</b>	<b>(0.4%)</b>
Liquidity Ratio	49.9%	54.6%	4.7%
Minimum Statutory ratio	20.0%	20.0%	
<b>Excess</b>	<b>29.9%</b>	<b>34.6%</b>	<b>4.7%</b>

### Income Statement

- Core earnings per share (EPS) increased by 23.1% to Kshs 33.7 in FY'2025 from Kshs 27.3 in FY'2024, driven by the 13.6% growth in total operating income to Kshs 46.7 bn from Kshs 41.1 bn in FY'2024, which outpaced the 9.4% increase in total operating expenses to Kshs 32.7 bn from Kshs 29.9 bn,
- The 13.6% increase in total operating income was mainly driven by a 24.1% growth in Net Interest Income (NII) to Kshs 34.9 bn, from Kshs 28.1 bn in FY'2024. However, this was weighed down by a 9.1% decline in Non-Funded Income (NFI) to Kshs 11.8 bn, from Kshs 13.0 bn in FY'2024,
- Interest income increased by 2.8% to Kshs 61.0 bn in FY'2025 from Kshs 59.3 bn in FY'2024, supported by higher income deposits and placements, which grew significantly by 127.6% to Kshs 3.4 bn in FY'2025 from Kshs 1.5 bn in FY'2024, and income from loans and advances, which rose by 3.7% to Kshs 33.4 bn in FY'2025 from Kshs 32.2 bn in FY'2024. Income from government securities, however, declined by 5.6% to Kshs 24.2 bn in FY'2025 from Kshs 25.6 bn in FY'2024. Consequently, the yield from interest-earning assets increased by 0.4% points to 11.8% in FY'2025 from 11.4% in FY'2024, supported by a 2.8% increase in trailing interest income to Kshs 61.0 bn in FY'2025 from Kshs 59.3 bn in FY'2024 compared to a 0.2% decline in average interest-earning assets to Kshs 517.1 bn in FY'2025 from Kshs 518.3 bn in FY'2024,
- Interest expenses declined by 16.3% to Kshs 26.1 bn in FY'2025 from Kshs 31.2 bn in FY'2024, mainly driven by a 79.3% decrease in interest expense on deposits and placements to Kshs 0.8 bn in FY'2025 from Kshs 4.0 bn in FY'2024, coupled with a 60.6% decline in other interest expenses to Kshs 0.8 bn in FY'2025 from Kshs 2.0 bn in FY'2024 and a 2.9% decrease in interest expense on customer deposits to Kshs 24.5 bn in FY'2025 from Kshs 25.2 bn in FY'2024. Consequently, the cost of funds decreased by 1.1% points to 5.2% in FY'2025 from 6.3% in FY'2024, owing to an 16.3% decline in trailing interest expense to Kshs 26.1 bn in FY'2025 from Kshs 31.2 bn in FY'2024, compared to the 0.9% increase in average interest-bearing liabilities to Kshs 449.0 bn in FY'2025 from Kshs 495.2 bn in FY'2024,
- Net Interest Margin (NIM) increased by 1.3% points to 6.7% in FY'2025 from 5.4% in FY'2024, attributable to a 24.1% growth in trailing net interest income to Kshs 34.9 bn in FY'2025 from Kshs 28.1 bn in FY'2024, compared to the 0.2% decrease in average interest-earning assets to Kshs 517.1 bn in FY'2025 from Kshs 518.3 bn in FY'2024,
- Non-Funded Income (NFI) decreased by 9.1% to Kshs 11.8 bn in FY'2025 from Kshs 13.0 bn in FY'2024, mainly driven by a 51.9% decline in foreign exchange trading income to Kshs 2.3 bn from Kshs 4.7 bn, reflecting reduced FX margins. This was, however, supported by an 13.4% increase in fees and commissions on loans to Kshs 2.5 bn from Kshs 2.2 bn, coupled with an 8.8% increase in other fees to Kshs 4.4 bn from Kshs 4.1 bn, and a 31.8% increase in other income to Kshs 2.6 bn from Kshs 2.0 bn. The revenue mix shifted to 75:25, from 68:32 for the funded to Non-funded income owing to the faster 24.1% growth in Funded Income compared to a 9.1% decrease in the Non-Funded Income,
- Total operating expenses increased by 9.4% to Kshs 32.7 bn in FY'2025 from Kshs 29.9 bn, driven by an 14.6% increase in loan loss provisions to Kshs 10.0 bn from Kshs 8.7 bn and a 12.4% increase in staff costs to Kshs 11.0 bn from Kshs 9.8 bn,

- The cost-to-income ratio (CIR) decreased by 2.7%points to 70.1% from 72.8%, owing to the 13.6% increase in total operating income to Kshs 46.7 bn from Kshs 41.1 bn, outpacing the 9.4% growth in expenses. Notably, CIR without LLP decreased by 2.9% points to 48.8%, from 51.7% recorded in FY'2024,
- Profit before tax increased by 20.5% to Kshs 13.4 bn in FY'2025 from Kshs 11.1 bn in FY'2024, with effective tax rate decreasing to 20.1% in FY'2025, from 20.7% in FY'2024, leading to a 21.4% increase in profit after tax to Kshs 10.7 bn in FY'2025, from Kshs 8.8 bn in FY'2024, and,
- The Board of Directors recommended a first and final dividend of Kshs 9.0 per share in FY'2025, from Kshs 7.0 in FY'2024, translating to a dividend payout ratio and dividend yield of 26.7% and 5.8% respectively in FY'2025.

### **Balance Sheet**

- The balance sheet recorded an expansion, with total assets increasing by 14.9% to Kshs 659.1 bn in FY'2025 from Kshs 573.9 bn in FY'2024, driven by a 13.6% increase in net loans and advances to Kshs 324.2 bn in FY'2025 from Kshs 285.3 bn in FY'2024, coupled with a 17.7% growth in government securities holdings to Kshs 149.3 bn in FY'2025 from Kshs 126.8 bn in FY'2024.
- Total liabilities increased by 13.4% to Kshs 546.1 bn in FY'2025 from Kshs 481.5 bn in FY'2024, attributable to a 13.8% increase in customer deposits to Kshs 509.1 bn in FY'2025 from Kshs 447.2 bn in FY'2024. With 161 branches, compared to 158 branches in FY'2024, deposits per branch increased by 11.7% to Kshs 3.2 bn, from Kshs 2.8 bn in FY'2024.
- The 13.8% growth in customer deposits, which outpaced the 13.6% increase in net loans, led to 0.1% points decrease in the loan-to-deposit ratio to 63.7% in FY'2025 from 63.8% in FY'2024,
- Asset quality improved, with the gross NPL ratio declining by 1.3% points to 11.3% in FY'2025 from 12.6% in FY'2024, as gross loans increased by 14.8% to Kshs 344.8 bn in FY'2025 from Kshs 300.4 bn in FY'2024, outpacing the 3.2% increase in gross non-performing loans to Kshs 39.1 bn in FY'2025 from Kshs 37.9 bn in FY'2024.
- General Provisions (LLP) increased by 29.0% to Kshs 19.3 bn in FY'2025 from Kshs 14.9 bn in FY'2024. The NPL coverage ratio increased to 52.8% in FY'2025 from 39.9% in FY'2024, attributable to the increase in general provisions coupled with a 746.5% rise in interest in suspense to Kshs 1.4 bn in FY'2025 from Kshs 0.2 bn in FY'2024, which outpaced the 3.2% increase in gross non-performing loans to Kshs 39.1 bn in FY'2025 from Kshs 37.9 bn in FY'2024,
- Shareholders' funds increased by 23.6% to Kshs 101.1 bn in FY'2025 from Kshs 81.8 bn in FY'2024, supported by a 11.1% growth in retained earnings to Kshs 71.1 bn in FY'2025 from Kshs 64.0 bn in FY'2024.
- DTB-K Bank remains well-capitalized, with the core capital to total risk-weighted assets ratio standing at 15.5% in FY'2025, which is 5.0 % points above the statutory minimum of 10.5%. Additionally, the total capital to total risk-weighted assets ratio came in at 16.9% in FY'2025, exceeding the statutory requirement of 14.5% by 2.4 % points
- The bank currently has a Return on Average Assets (ROaA) of 1.7% in FY'2025 from 1.5% in FY'2024 and a Return on Average Equity (ROaE) of 11.7% in FY'2025 from 11.3% in FY'2024

### **Key Take-Outs:**

- 1. Increased earnings** - Core earnings per share (EPS) grew by 23.1% to Kshs 33.7 in FY'2025 from Kshs 27.3 in FY'2024, driven by the 13.6% growth in total operating income to Kshs 46.7 bn in FY'2025 from Kshs 41.1 bn in FY'2024, which outpaced the 9.4% increase in total operating expenses to Kshs 32.7 bn in FY'2025 from Kshs 29.9 bn in FY'2024.
- 2. Improved asset quality** – The bank's asset quality improved, with the Gross NPL ratio declining to 11.3% in FY'2025 from 12.6% in FY'2024, as the 14.8% growth in gross loans to Kshs 344.8 bn in FY'2025 from Kshs

300.4 bn in FY'2024, which outpaced the 3.2% increase in gross non-performing loans to Kshs 39.1 bn in FY'2025 from Kshs 37.9 bn in FY'2024,

- 3. Expanded Balanced sheet** - The balance sheet expanded, with total assets increasing by 14.9% to Kshs 659.1 bn in FY'2025 from Kshs 573.9 bn in FY'2024, driven by a 13.6% increase in net loans and advances to Kshs 324.2 bn in FY'2025 from Kshs 285.3 bn in FY'2024, coupled with a strong 17.7% increase in government securities to Kshs 149.3 bn in FY'2025 from Kshs 126.8 bn in FY'2024,
- 4. Increased lending**- Customer net loans and advances increased by 13.6% to Kshs 324.2 bn in FY'2025 from Kshs 285.3 bn in FY'2024, reflecting the bank's continued appetite to expand customer lending.
- 5. Declaration of dividends** -nThe Board of Directors recommended a first and final dividend of Kshs 9.0 per share in FY'2025, from a final and total dividend of Kshs 7.0 in FY'2024. The payout ratio and dividend yield came in at 23.5% and 5.8% respectively in FY'2025.

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 9.1% to Kshs 11.8 bn in FY'2025 from Kshs 13.0 bn in FY'2024. 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 173.4 representing an upside of 24.7%, including the 5.8% dividend yield from the current price of Kshs 146.3 as of 27<sup>rd</sup> March 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 1.2x and 5.6x respectively.