DTB-K Bank – H1'2025

20th August, 2025

Below is a summary of DTB-K Bank's H1'2025 performance:

Balance Sheet Items	H1'2024	H1'2025	y/y change
Government Securities	124.3	145.5	17.1%
Net Loans and Advances	267.9	288.5	7.7%
Total Assets	**585.4**	**611.5**	**4.5%**
Customer Deposits	431.9	483.2	11.9%
Deposits/ Branch	2.8	3.1	7.6%
Total Liabilities	501.1	510.7	1.9%
Shareholders' Funds	**74.6**	**90.3**	**21.0%**

Balance Sheet Ratios	H1'2024	H1'2025	y/y change
Loan to Deposit Ratio	62.0%	59.7%	(2.3%)
Government Securities to Deposit ratio	28.8%	30.1%	1.3%
Return on average equity	11.3%	11.3%	0.0%
Return on average assets	1.4%	1.6%	0.1%

Income Statement	H1'2024	H1'2025	y/y change
Net Interest Income	14.2	15.9	11.7%
Net non-Interest Income	6.4	6.1	(5.0%)
Total Operating income	**20.6**	**21.9**	**6.6%**
Loan Loss provision	3.6	3.2	(10.4%)
Other Operating expenses	6.1	6.3	4.2%
Total Operating expenses	**14.2**	**14.8**	**3.7%**
Profit before tax	**6.3**	**7.2**	**14.5%**
Profit after tax	**4.9**	**5.4**	**10.5%**
Core EPS	**15.5**	**19.2**	**23.6%**

Income Statement Ratios	H1'2024	H1'2025	% points change
Yield from interest-earning assets	8.8%	11.8%	3.0%
Cost of funding	4.3%	6.1%	1.8%
Net Interest Spread	4.5%	5.7%	1.2%
Net Interest Income as % of operating income	69.0%	72.3%	3.4%
Non-Funded Income as a % of operating income	31.0%	27.7%	(3.4%)
Cost to Income Ratio (CIR)	69.2%	67.3%	(1.9%)
CIR without provisions	51.6%	52.5%	0.92%
Cost to Assets	4.1%	5.1%	1.1%
Net Interest Margin	5.7%	6.0%	0.3%

Capital Adequacy Ratios	H1'2024	H1'2025	% Points Change
Core Capital/Total Liabilities	18.2%	16.3%	(1.9%)
Minimum Statutory ratio	8.0%	8.0%	
Excess	10.2%	8.3%	(1.9%)
Core Capital/Total Risk Weighted Assets	17.6%	15.8%	(1.8%)
Minimum Statutory ratio	10.5%	10.5%	
Excess	7.1%	5.3%	(1.8%)
Total Capital/Total Risk Weighted Assets	19.1%	17.3%	(1.8%)
Minimum Statutory ratio	14.5%	14.5%	
Excess	4.6%	2.8%	(1.8%)
Liquidity Ratio	52.6%	154.6%	102.0%
Minimum Statutory ratio	20.0%	20.0%	
Excess	**32.6%**	**134.6%**	**102.0%**

Income Statement

- Core earnings per share grew by 23.6% to Kshs 19.2, from Kshs 15.5 in H1'2024 driven by the 3.7% increase in total operating expenses to Kshs 14.8 bn, from Kshs 14.2 bn in H1'2024 which was outpaced by the 6.6% growth in total operating income to Kshs 21.9 bn from Kshs 20.6 bn in H1'2024
- The 6.6% increase in total operating income was mainly driven by an 11.7% growth in Net Interest Income (NII) to Kshs 15.9 bn, from Kshs 14.2 bn in H1'2024. This growth was however weighed down by a 5.0% decline in Non-Interest Income (NFI) to Kshs 6.1 bn, from Kshs 6.4 bn in H1'2024,
- Interest income grew marginally by 0.1% to Kshs 29.4 bn in H1'2025, from Kshs 29.3 bn in H1'2024, mainly driven by an 89.8% increase in interest income from deposits and placements to Kshs 1.2 bn in H1'2025, from Kshs 0.6 bn in H1'2024, coupled with a 1.0% growth in interest income from loans and advances to Kshs 16.1 bn in H1'2025, from Kshs 16.0 bn in H1'2024. This performance was however weighed down by a 5.5% decline in interest income from government securities to Kshs 12.0 bn in H1'2025, from Kshs 12.7 bn in H1'2024.
- Interest expenses declined by 10.8% to Kshs 13.5 bn in H1'2025, from Kshs 15.2 bn in H1'2024, mainly driven by a 74.3% decrease in interest expense on deposits and placements to Kshs 0.5 bn in H1'2025, from Kshs 2.0 bn in H1'2024, coupled with a 67.5% decline in other interest expenses to Kshs 0.4 bn in H1'2025, from Kshs 1.1 bn in H1'2024. The decline was, however, weighed down by a 5.3% increase in interest expense on customer deposits to Kshs 12.6 bn in H1'2025, from Kshs 12.0 bn in H1'2024. Consequently, the Cost of Funds (COF) rose by 2.7% points to 7.0% in H1'2025, from 4.3% in H1'2024, owing to a 44.3% increase in trailing interest expense to Kshs 29.7 bn in H1'2025, from Kshs 20.6 bn in H1'2024, which outpaced the 11.3% decline in average interest-bearing liabilities to Kshs 423.4 bn in H1'2025, from Kshs 477.2 bn in H1'2024. Net Interest Margin (NIM) increased by 0.3% points to 6.0% from 5.7% in H1'2024, attributable to a 4.9% growth in trailing net interest income to Kshs 30.1 bn in H1'2025, from Kshs 28.7.6 bn in H1'2024, coupled with the 0.1% decrease in average interest-earning assets to Kshs 504.7 bn in H1'2025, from Kshs 505.3 bn in H1'2024.
- Non-Funded Income (NFI) decreased by 5.0% to Kshs 6.1 bn in H1'2025, from Kshs 6.4 bn in H1'2024, mainly driven by a 41.4% decline in foreign exchange trading income to Kshs 1.5 bn, from Kshs 2.6 bn, reflecting reduced FX margins. This was, however, partially supported by an 8.9% increase in fees and commissions to Kshs 3.1 bn, from Kshs 2.8 bn, and a 55.5% rise in other income to Kshs 1.5 bn, from Kshs 0.9 bn in H1'2024.

The revenue mix shifted to 72:28 in favour of funded income, from 69:31 in H1’2024, owing to the 11.7% increase in Net Interest Income (NII) coupled with the 5.0% decline in NFI.

- Total operating expenses increased by 3.7% to Kshs 14.8 bn in H1’2025, from Kshs 14.2 bn in H1’2024, mainly attributable to a 14.1% rise in staff costs to Kshs 5.2 bn, from Kshs 4.5 bn in H1’2024. The growth in costs was, however, partly offset by a 10.4% decline in loan loss provision expenses to Kshs 3.2 bn, from Kshs 3.6 bn in H1’2024, reflecting improved credit risk conditions and a relatively stable operating environment.
- Cost to Income Ratio (CIR) decreased by 1.9% points to 67.3% in H1’2025, from 69.2% in H1’2024, as the 3.7% growth in total operating expenses to Kshs 14.8 bn in H1’2025, from Kshs 14.2 bn in H1’2024, was outpaced by the 6.6% increase in total operating income to Kshs 21.9 bn in H1’2025, from Kshs 20.6 bn in H1’2024. Notably, CIR without LLP increased marginally by 0.9% points to 51.6% in H1’2025, from 52.5% in H1’2024, reflecting higher operating costs despite reduced provisioning,
- Profit before tax increased by 14.5% to Kshs 7.2 bn, from Kshs 6.3 bn recorded in H1’2024, with tax expense rising by 28.1% to Kshs 1.8 bn, from Kshs 1.4 bn in H1’2024, as the effective tax rate increased to 25.2% in H1’2025, from 22.6% in H1’2024. This resulted in a 10.5% growth in profit after tax to Kshs 5.4 bn in H1’2025, from Kshs 4.9 bn in H1’2024.
- The Board of Directors did not recommend an interim dividend for the period consistent with H1’2024

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 4.5% to Kshs 611.5 bn, from Kshs 585.4 bn in H1’2024, mainly driven by a 7.7% increase in Net Loans and Advances to Kshs 288.5 bn in H1’2025, from Kshs 267.9 bn in H1’2024, coupled with a 17.1% increase in government securities holdings to Kshs 145.5 bn in H1’2025, from Kshs 124.3 bn in H1’2024
- Total liabilities increased by 1.9% to Kshs 510.7 bn in H1’2025, from Kshs 501.1 bn in H1’2024, mainly driven by an 11.9% growth in customer deposits to Kshs 483.2 bn, from Kshs 431.9 bn in H1’2024. Borrowings, however, declined significantly by 86.2% to Kshs 2.5 bn in H1’2025, from Kshs 18.1 bn in H1’2024. With 158 branches, compared to 152 branches in H1’2024, deposits per branch increased by 7.6% to Kshs 3.1 bn, from Kshs 2.8 bn in H1’2024. The 11.9% growth in customer deposits, which outpaced the 7.7% increase in net loans, led to a decrease in the loan-to-deposit ratio to 59.7%, from 62.0% in H1’2024,
- The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 12.9% in H1’2025, from 13.5% in H1’2024, as the 7.6% growth in gross loans to Kshs 306.7 bn, from Kshs 285.0 bn in H1’2024, outpaced the 2.7% increase in Gross Non-Performing Loans to Kshs 39.6 bn, from Kshs 38.6 bn in H1’2024. The improvement was further supported by a 4.9% increase in general provisions to Kshs 17.2 bn, from Kshs 16.4 bn, though this was weighed down by a 34.3% rise in interest in suspense to Kshs 1.0 bn, from Kshs 0.7 bn in H1’2024. As such, the NPL coverage ratio improved to 45.9% in H1’2025, from 44.4% in H1’2024.
- General Provisions (LLP) increased by 4.9% to Kshs 17.2 bn in H1’2025, from Kshs 16.4 bn in H1’2024. The NPL coverage ratio improved to 45.9% in H1’2025, from 44.4% in H1’2024, attributable to the 4.9% growth in general provisions coupled with the 34.3% increase in interest in suspense to Kshs 1.0 bn, from Kshs 0.7 bn in H1’2024, which outpaced the 2.7% increase in Gross Non-Performing Loans to Kshs 39.6 bn, from Kshs 38.6 bn in H1’2024.
- Shareholders’ funds increased by 21.0% to Kshs 90.3 bn in H1’2025, from Kshs 74.6 bn in H1’2024, supported by a 9.7% growth in retained earnings to Kshs 4.8 bn, from Kshs 4.3 bn in H1’2024.

- DTB-K Bank remains well capitalized with a core capital to risk-weighted assets ratio of 15.8%, 5.3% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio stood at 17.3%, exceeding the statutory requirement of 14.5% by 2.8% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 1.6%, and a Return on Average Equity (ROaE) of 11.3%.

Key Take-Outs:

1. **Increased earnings -** Core earnings per share (EPS) grew by 23.6% to Kshs 19.2, from Kshs 15.5 in H1’2024, driven by the 6.6% growth in total operating income to Kshs 21.9 bn, from Kshs 20.6 bn in H1’2024, which outpaced the 3.7% increase in total operating expenses to Kshs 14.8 bn, from Kshs 14.2 bn in H1’2024,
2. **Improved asset quality –** The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 12.9% in H1’2025, from 13.5% in H1’2024, as the 7.6% growth in gross loans to Kshs 306.7 bn, from Kshs 285.0 bn in H1’2024, outpaced the 2.7% increase in Gross Non-Performing Loans to Kshs 39.6 bn, from Kshs 38.6 bn in H1’2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 4.5% to Kshs 611.5 bn, from Kshs 585.4 bn in H1’2024, driven by a 7.7% increase in net loans and advances to Kshs 288.5 bn, from Kshs 267.9 bn in H1’2024,
4. **Increased lending**- Customer net loans and advances increased by 7.7% to Kshs 288.5 bn in H1’2025, from Kshs 267.9 bn in H1’2024, despite the elevated credit risk in the industry, with the lender preferring to expand customer lending.

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

- **Revenue Diversification**: The lender has a great opportunity to explore the growth of its non-funded income streams, which declined by 5.0% to Kshs 6.1 bn, from Kshs 6.4 bn in H1’2024. Over the years, DTB has launched a number of products and continues to simultaneously offer differentiated solutions for diaspora clients, micro and small enterprises, home and vehicle insurance, bancassurance, and the DTB Weza platform, which makes overdrafts much more accessible.,
- **Digital Transformation**: The bank has devised digital transformation initiatives, including the development of a digital credit platform to streamline and enhance consumer lending processes. Additionally, 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 customer retention. These efforts, combined with leveraging data analytics to optimize decision-making and enhance customer engagement, would position the bank to remain competitive in an increasingly digital financial landscape while unlocking new revenue streams and expanding its market share.

Valuation Summary

- We are of the view that DTB-K Bank is a “buy” with a target price of Kshs 108.9representing an upside of 21.0%, from the current price of Kshs 87.8 as of 22nd August 2025.
- DTB-K Bank is currently trading at a P/TBV of 0.2x and a P/E of 2.2x vs an industry average of 1.1x and 4.1x respectively.