

Below is a summary of DTB-K Bank's Q1'2025 performance:

| Balance Sheet Items | Q1'2024 | Q1'2025 | y/y change |
|----------------------------|--------------|--------------|--------------|
| Government Securities | 115.4 | 136.9 | 18.6% |
| Net Loans and Advances | 268.9 | 284.3 | 5.7% |
| Total Assets | 571.9 | 595.1 | 4.1% |
| Customer Deposits | 425.2 | 463.6 | 9.0% |
| Deposits/ Branch | 2.8 | 2.9 | 4.9% |
| Total Liabilities | 490.5 | 497.4 | 1.4% |
| Shareholders' Funds | 71.9 | 86.9 | 20.9% |

| Balance Sheet Ratios | Q1'2024 | Q1'2025 | y/y change |
|--|---------|---------|------------|
| Loan to Deposit Ratio | 63.3% | 61.3% | (1.9%) |
| Government Securities to Deposit ratio | 27.1% | 29.5% | 2.4% |
| Return on average equity | 11.2% | 11.5% | 0.3% |
| Return on average assets | 1.4% | 1.6% | 0.1% |

| Income Statement | Q1'2024 | Q1'2025 | y/y change |
|---------------------------------|-------------|-------------|---------------|
| Net Interest Income | 7.1 | 7.7 | 8.0% |
| Net non-Interest Income | 3.7 | 3.0 | (18.5%) |
| Total Operating income | 10.8 | 10.7 | (1.1%) |
| Loan Loss provision | 1.5 | 0.9 | (42.6%) |
| Other Operating expenses | 3.0 | 3.0 | 0.2% |
| Total Operating expenses | 6.8 | 6.6 | (2.9%) |
| Profit before tax | 4.0 | 4.1 | 1.7% |
| Profit after tax | 2.9 | 3.2 | 9.9% |
| Core EPS | 9.4 | 11.5 | 23.0% |

| Income Statement Ratios | Q1'2024 | Q1'2025 | % points change |
|--|---------|---------|-----------------|
| Yield from interest-earning assets | 11.4% | 12.0% | 0.6% |
| Cost of funding | 6.0% | 6.5% | 0.5% |
| Net Interest Spread | 5.4% | 5.5% | 0.1% |
| Net Interest Income as % of operating income | 65.7% | 71.7% | 6.0% |
| Non-Funded Income as a % of operating income | 34.3% | 28.3% | (6.0%) |
| Cost to Income Ratio (CIR) | 63.1% | 62.0% | (1.1%) |
| CIR without provisions | 48.8% | 53.7% | 4.9% |
| Cost to Assets | 5.7% | 5.1% | (0.5%) |
| Net Interest Margin | 5.7% | 5.8% | 0.1% |

| Capital Adequacy Ratios | Q1'2024 | Q1'2025 | % Points Change |
|--|--------------|--------------|-----------------|
| Core Capital/Total Liabilities | 18.6% | 16.6% | (2.0%) |
| Minimum Statutory ratio | 8.0% | 8.0% | |
| Excess | 10.6% | 8.6% | (2.0%) |
| Core Capital/Total Risk Weighted Assets | 17.4% | 15.4% | (2.0%) |
| Minimum Statutory ratio | 10.5% | 10.5% | |
| Excess | 6.9% | 4.9% | (2.0%) |
| Total Capital/Total Risk Weighted Assets | 18.2% | 17.0% | (1.2%) |
| Minimum Statutory ratio | 14.5% | 14.5% | |
| Excess | 3.7% | 2.5% | (1.2%) |
| Liquidity Ratio | 50.5% | 54.6% | 4.1% |
| Minimum Statutory ratio | 20.0% | 20.0% | |
| Excess | 30.5% | 34.6% | 4.1% |

Income Statement

- Core earnings per share grew by 23.0% to Kshs 11.5, from Kshs 9.4 in Q1'2024, driven by the 2.9% decrease in total operating expenses to Kshs 6.6 bn, from Kshs 6.8 bn in Q1'2024, which outpaced the 1.1% decrease in total operating income to Kshs 10.7 bn from Kshs 10.8 bn in Q1'2024,
- The 1.1% decrease in total operating income was mainly driven by a 18.5% decline in Non- Interest Income (NFI) to Kshs 3.0 bn, from Kshs 3.7 bn in Q1'2024, which was however supported by an 8.0% increase in Net-Interest Income (NII) to Kshs 7.7 bn from Kshs 7.1 bn in Q1'2024,
- Interest income grew by 0.1% to Kshs 14.7 bn from Kshs 14.6 bn in Q1'2024, mainly driven by a 4.1% growth in interest income from loans and advances to Kshs 8.3 bn, from Kshs 7.9 bn in Q1'2024, coupled with a 51.9% increase in interest income from deposits and placements to Kshs 0.4 bn, from Kshs 0.3 bn in Q1'2024 this performance was however weighed down by the 7.0% decrease in interest income from Government securities to Kshs 6.0 bn from Kshs 6.4 bn in Q1'2024. As such, the Yield on Interest-Earning Assets (YIEA) increased by 0.6% points to 12.0% from 11.4% recorded in Q1'2024, attributable to the faster 7.1% growth in trailing interest income to Kshs 59.7 bn, from Kshs 55.8 bn in Q1'2024, compared to a slower 2.0% Increase in average interest earning assets to Kshs 497.9 bn, from Kshs 488.2 bn in Q1'2024,
- Interest expenses declined by 7.2% to Kshs 7.0 bn from Kshs 7.5 bn in Q1'2024, mainly driven by a 73.0% decrease in interest expense on deposits and placements to Kshs 0.3 bn from Kshs 1.1 bn in Q1'2024, coupled with a 69.5% decrease in other interest expenses to Kshs 0.2 bn, from Kshs 0.6 bn recorded in Q1'2024. Consequently, Cost of funds (COF) increased by 0.5% points to 6.5% from 6.0% recorded in Q1'2024, owing to a 10.8% increase in Trailing interest expense to Kshs 30.8 bn from Kshs 27.8 bn recorded in Q1'2024, which outpaced the 2.3% increase in average interest-bearing liabilities to Kshs 470.5 bn from Kshs 459.8 bn in Q1'2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased marginally by 0.1% points to 5.8% from 5.7% in Q1'2024, attributable to a faster 3.5% increase in trailing net interest income to Kshs 29.0 bn from Kshs 28.0 bn recorded in Q1'2024, which outpaced the 2.0% growth in average interest earning assets,
- Non-Funded Income (NFI) decreased by 18.5% to Kshs 3.0 bn from Kshs 3.7 bn in Q1'2024, mainly driven by a 55.6% decrease in foreign exchange income to Kshs 0.7 bn, from Kshs 1.7 bn in Q1'2024 highlighting the

bank's decreased foreign exchange margins. Fees and commissions income increased by 3.4% to Kshs 1.52 bn from Kshs 1.47 bn in Q1'2024. The revenue mix changed to 72:28 from 66:34 for the funded to Non-funded income owing to the 8.0% increase in the Funded income coupled with the 18.5% decrease in Non- Funded Income,

- Total operating expense decreased by 2.9% to Kshs 6.6 bn in Q1'2025, from Kshs 6.8 bn in Q1'2024, mainly attributable to 42.6% decrease in loan loss provision expense to Kshs 0.9 bn, from Kshs 1.5 bn in Q1'2024, The decrease in provisioning comes amid improved business environment and reduced credit risk as evidenced by the average Q1'2025 Purchasing Managers Index (PMI) of 50.9, up from an average of 50.3 in Q1'2024, the decline in total operating expenses was however weighed down by a 20.2% increase in staff cost to Kshs 2.7 bn from Kshs 2.3 bn in Q1'2024.
- Cost to Income Ratio (CIR) decreased by 1.1% points to 62.0% from 63.1% in Q1'2024, owing to the 2.9% decrease in total operating expenses, which outpaced the 1.1% decrease in total operating income. Notably, CIR without LLP increased by 4.9% points to 53.7%, from 48.8% recorded in Q1'2024,
- Profit before tax increased by 1.7% to Kshs 4.1 bn, from Kshs 4.0 bn recorded in Q1'2024, with effective tax rate decreasing to 20.3% in Q1'2025, from 26.2% in Q1'2024, leading to a 9.9% increase in profit after tax to Kshs 3.2 bn in Q1'2025, from Kshs 2.9 bn in Q1'2024.
- The Board of Directors did not recommend an interim dividend for the period consistent with Q1'2024

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 4.1% to Kshs 595.1 bn, from Kshs 571.9 bn in Q1'2024, mainly driven by a 5.7% increase in Net loans and advances Kshs 284.3 bn, from 268.9 bn in Q1'2024 coupled with an 18.6% increase in government securities holdings to Kshs 136.9 bn, from Kshs 115.4 bn in Q1'2024.
- Total liabilities increased by 1.4% to Kshs 497.4 bn from Kshs 490.5 bn in Q1'2024, mainly driven by a 9.0% decrease in customer deposits to Kshs 463.6 bn, from Kshs 425.2 bn in Q1'2024. Notably, borrowings declined by 86.8% to Kshs 2.4 bn from Kshs 18.5 bn in Q1'2024. With 158 branches, compared to 152 branches in Q1'2024, deposits per branch increased by 4.9% to Kshs 2.9 bn, from Kshs 2.8 bn in Q1'2024.
- The 9.0% increased growth in customer deposits, which outpaced the 5.7% increase in net loans led to a decrease in the loan to deposits ratio to 61.3%, from 63.3% in Q1'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 13.2% in Q1'2025, from 14.9% in Q1'2024, attributable to a 7.7% decrease in Gross non-performing loans to Kshs 39.7 bn, from Kshs 43.0 bn in Q1'2024, coupled with the 4.2% increase in gross loans to Kshs 300.1 bn, from Kshs 287.9 bn recorded in Q1'2024,
- General Provisions (LLP) decreased by 15.2% to Kshs 15.5 bn in Q1'2025 from Kshs 18.3 bn in Q1'2024. The NPL coverage decreased to 39.9% in Q1'2025, from 44.0% in Q1'2024, attributable to the 15.2% decrease in general provisions coupled with the 48.2% decrease in interest in suspense to Kshs 0.3 bn from 0.7 bn in Q1'2024 which outpaced the 7.7% decrease in Gross Non-performing Loans to Kshs 39.7 bn, from Kshs 43.0 bn in Q1'2024.
- Shareholders' funds increased by 20.9% to Kshs 86.9 bn in Q1'2025, from Kshs 71.9 bn in Q1'2024, supported by an 8.8% increase in retained earnings to Kshs 2.9 bn, from Kshs 2.6 bn in Q1'2024,
- DTB-K Bank remains capitalized with a core capital to risk-weighted assets ratio of 15.4%, 4.9% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 17.0%, exceeding the statutory requirement of 14.5% by 2.5% points, and,

- The bank currently has a Return on Average Assets (ROaA) of 1.6%, and a Return on Average Equity (ROaE) of 11.5%.

Key Take-Outs:

1. **Increased earnings** - Core earnings per share (EPS) grew by 23.0% to Kshs 11.5, from Kshs 9.5 in Q1'2024, driven by the 2.9% decrease in total operating expense to Kshs 6.6 bn, from Kshs 6.8 bn in Q1'2024, which outpaced the 1.1% decrease in total operating income to Kshs 10.7 bn from Kshs 10.8 bn in Q1'2024,
2. **Improved asset quality** –The bank's Asset Quality improved, with Gross NPL ratio decreasing to 13.2% in Q1'2025, from 14.9% in Q1'2024, attributable to a 7.7% decrease in Gross non-performing loans to Kshs 39.7 bn, from Kshs 43.0 bn in Q1'2024, coupled with the 4.2% increase in gross loans to Kshs 300.1 bn, from Kshs 287.9 bn recorded in Q1'2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 4.1% to Kshs 595.1 bn, from Kshs 571.9 bn in Q1'2024, driven by a 5.7% increase in net loans and advances to Kshs 284.3 bn, from 268.9 bn in Q1'2024,
4. **Increased lending**- Customer net loans and advances increased by 5.7% to Kshs 284.3 bn in Q1'2025, from Kshs 268.9 bn in Q1'2024 despite the increased credit risk with high NPLs in the industry, with the lender preferring to increase 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 18.5% to Kshs 3.0 bn, from Kshs 3.7 bn in Q1'2024. They have, over the years, launched a number of products and continue to simultaneously offer differentiated products for diaspora bankers, 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 launch 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 87.1 representing an upside of 21.0%, from the current price of Kshs 72.00 as of 30th May 2025.
- DTB-K Bank is currently trading at a P/TBV of 0.3x and a P/E of 2.3x vs an industry average of 1.1x and 4.1x respectively.