

DTB Front-Loads Provisions as Profitability Stays Strong, Q1 2026 EPS Jumps 11.6%

Diamond Trust Bank Kenya has released its Q1'2026 results, and the performance broadly mirrors prevailing sector trends, with strong earnings growth anchored on margin expansion, improved funded income, and solid balance sheet growth. Profit before tax (PBT) rose 18.6% y/y to Kes. 4.81Bn, while earnings per share (EPS) increased 11.6% to Kes. 11.39 from Kes 10.21 in Q1 2025. DTB appears to have front-loaded part of its loan loss provisions during the quarter, as evidenced by the sharp increase in the cost of risk despite notable improvement in asset quality, suggesting a more conservative provisioning approach by management.

At the bourse, the counter has delivered stellar returns to investors, significantly outperforming the broader market. The stock has gained 30.35% year-to-date and 107.29% over the last twelve months. However, the counter currently trades close to its 52-week high of Kes. 162.00, suggesting that a significant portion of the earnings momentum may already be priced in.

We therefore maintain a HOLD recommendation on the counter. While the bank's fundamentals remain resilient, recent entrants may consider holding positions as they monitor further earnings progression, while investors sitting on substantial capital gains may selectively lock in profits amid the elevated market environment.

Recommendation:	HOLD
Bloomberg Ticker:	DTKL KN
Share Stats	
Current Price	149.25
3-Month Av	152.15
6 Month Av	135.28
12 Month Av	111.75
52 Week High	162.00
52 Week Low	68.75
Issued shares (Bn)	279.60
Market Cap (KES Bn)	41.73
Market Cap (USD Mn)	0.32
P/E	12.82
PB	0.39
EPS	11.39

Income Statement

Total Income: DTB delivered a strong earnings performance in Q1'2026, with total income rising 21.2% y/y to Kes. 12.94Bn from Kes. 10.68Bn in Q1'2025, supported by robust growth in funded income. Non-funded income (NFI), however, declined marginally by 3.2% y/y to Kes. 2.92Bn from Kes. 3.02Bn.

Net interest income (NII) grew strongly by 30.9% y/y to Kes. 10.02Bn from Kes. 7.66Bn, driven by higher interest income alongside a notable reduction in funding costs. Interest income increased by 10.3% y/y to Kes. 16.16Bn from Kes. 14.65Bn in Q1'2025, while interest expense declined by 12.2% to Kes. 6.14Bn from Kes. 6.99Bn, supporting margin expansion.

The growth in NII was primarily supported by strong growth in interest income from loans and advances, which rose by 11.0% y/y. Income from placements also expanded sharply by 186.6%, offsetting the slight 2.8% decline in interest income from government securities. On the funding side, interest expense on customer deposits declined by 11.3%, while interest expense on placements and other borrowings declined by 28.9% and 20.3%, respectively.

Operating Expenses: Cost pressures remained elevated, with total operating expenses rising 22.9% y/y to Kes. 8.14Bn from Kes. 6.62Bn. This was largely driven by a sharp 151.8% increase in loan loss provisions to Kes. 2.23Bn from Kes. 0.89Bn, reflecting a more cautious provisioning stance despite improving asset quality.

Excluding loan loss provisions, operating expenses grew at a much slower pace of 3.0% y/y to Kes. 5.90Bn from Kes. 5.73Bn, highlighting relatively contained core operating costs. Staff costs increased moderately by 5.4% during the period.

Periods	DTB-K	NASI
3mtd Price Δ	-7.87%	-4.31%
6mtd Price Δ	28.66%	10.25%
YTD Δ	30.35%	10.75%
Y/Y Δ	107.29%	54.95%

NII	30.9%
Provisions	151.8%
Opex	22.9%
Opex Excl. LLPs	3.0%
PBT	18.6%
PAT	7.7%
Loans	13.8%
Govt. Securities	5.2%
Shareholders' Funds	21.5%

Balance Sheet

Total Assets: The bank's balance sheet expanded strongly in Q1'2026, with total assets growing 11.1% y/y to Kes. 660.93Bn from Kes. 595.14Bn in Q1'2025. The growth was supported by expansion in both loans and advances as well as investments.

Loans and advances rose by 13.8% y/y to Kes. 323.60Bn from Kes. 284.26Bn, indicating sustained lending growth across key segments. Investments also increased by 5.2% to Kes. 188.03Bn from Kes. 178.69Bn, reflecting continued allocation towards relatively lower-risk assets.

Deposits: Customer deposits increased by 10.4% y/y to Kes. 511.93Bn from Kes. 463.58Bn, highlighting continued deposit mobilization and franchise strength. Meanwhile, borrowings declined sharply by 85.5% to Kes. 0.35Bn from Kes. 2.44Bn, pointing to significantly lower reliance on external funding. Total liabilities rose by 9.2% y/y to Kes. 543.24Bn from Kes. 497.37Bn.

Shareholders' funds increased strongly by 21.5% y/y to Kes. 105.62Bn from Kes. 86.92Bn, supported by improved profitability and earnings retention. Retained earnings grew by 11.4% to Kes 74.66B, from Kes 67.04Bn.

<u>Interest Income</u>	Q1 2025	Q1 2026
Loans	8.26	9.17
Government Securities	5.98	5.81
Placements	0.41	1.18

<u>Interest Expenses</u>	Q1 2025	Q1 2026
Deposits	6.52	5.79
Placements	0.29	0.21
Others	0.19	0.15

Key Ratios

- Profitability remained resilient, with return on average assets (ROaA) improving to 1.74% from 1.56%, although return on average equity (ROaE) edged down marginally to 11.38% from 11.47%.
- Margins strengthened significantly, with net interest margin (NIM) improving to 7.01% from 5.76%, supported by lower funding costs and stronger funded income growth.
- Income mix shifted further towards funded income, with NII contribution to operating income increasing to 76.08% from 68.48%, while NFI contribution declined to 23.92% from 31.52%.
- Efficiency weakened slightly, with the cost-to-income ratio increasing marginally to 62.85% from 61.98%. However, CIR excluding loan loss provisions improved significantly to 45.61% from 53.68%, reflecting stronger operational efficiency before provisioning costs.
- The yield on interest-earning assets declined slightly to 11.76% from 11.92%, while the cost of funds improved to 1.22% from 1.46%, supporting margin expansion.
- The loan-to-deposit ratio increased to 63.21% from 61.32%, reflecting faster growth in lending relative to deposit mobilization.
- Cost to assets increased slightly to 5.45% from 5.09%, reflecting higher provisioning expenses during the period.
- Asset quality improved during the period, with the NPL ratio declining to 11.77% from 13.37% in Q1'2025, reflecting improved credit risk management and recoveries. However, the cost of risk increased significantly to 17.24% from 8.30% due to the sharp increase in loan loss provisions.

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Balance Sheet	Q1 2025	Q1 2026	%Δ Y-Y
Investments	178.69	188.03	5.23%
Loans and Advances	284.26	323.60	13.84%
Total Assets	595.14	660.93	11.06%
Customer Deposits	463.58	511.93	10.43%
Borrowing	2.44	0.35	-85.53%
Total Liabilities	497.37	543.24	9.22%
Shareholder's Funds	86.92	105.62	21.52%

Income Statement	Q1 2025	Q1 2026	%Δ Y-Y
Interest Income	14.65	16.16	10.3%
Interest Expense	(6.99)	(6.14)	-12.2%
NII	7.66	10.02	30.9%
NFI	3.02	2.92	-3.2%
Total Income	10.68	12.94	21.2%
Loan Loss provision	(0.89)	(2.23)	151.8%
Total Operating expenses	(6.62)	(8.14)	22.9%
Opex excl Provision	(5.73)	(5.90)	3.0%
PBT	4.05	4.81	18.6%
PAT	3.23	3.48	7.7%
EPS	10.21	11.39	11.6%

Ratios	Q1 2025	Q1 2026	pp. Δ Y-Y
Yield from interest-earning assets	11.92%	11.76%	-0.15%
Cost of funds	-1.46%	-1.22%	0.25%
Cost of risk	8.30%	17.24%	8.94%
Net Interest Margin	5.76%	7.01%	1.25%
Net Interest Income as % of operating income	68.48%	76.08%	7.60%
Non-Funded Income as a % of operating income	31.52%	23.92%	-7.60%
Cost to Income Ratio	61.98%	62.85%	0.87%
CIR without LLP	53.68%	45.61%	-8.07%
Cost to Assets	5.09%	5.45%	0.36%
NPL Ratio	13.37%	11.77%	-1.59%
Loan to Deposit Ratio	61.32%	63.21%	1.89%
Return on average equity	11.47%	11.38%	-0.09%
Return on average assets	1.56%	1.74%	0.18%

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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