



Diamond Trust Bank (DTB) Q1'2026 Earnings Note

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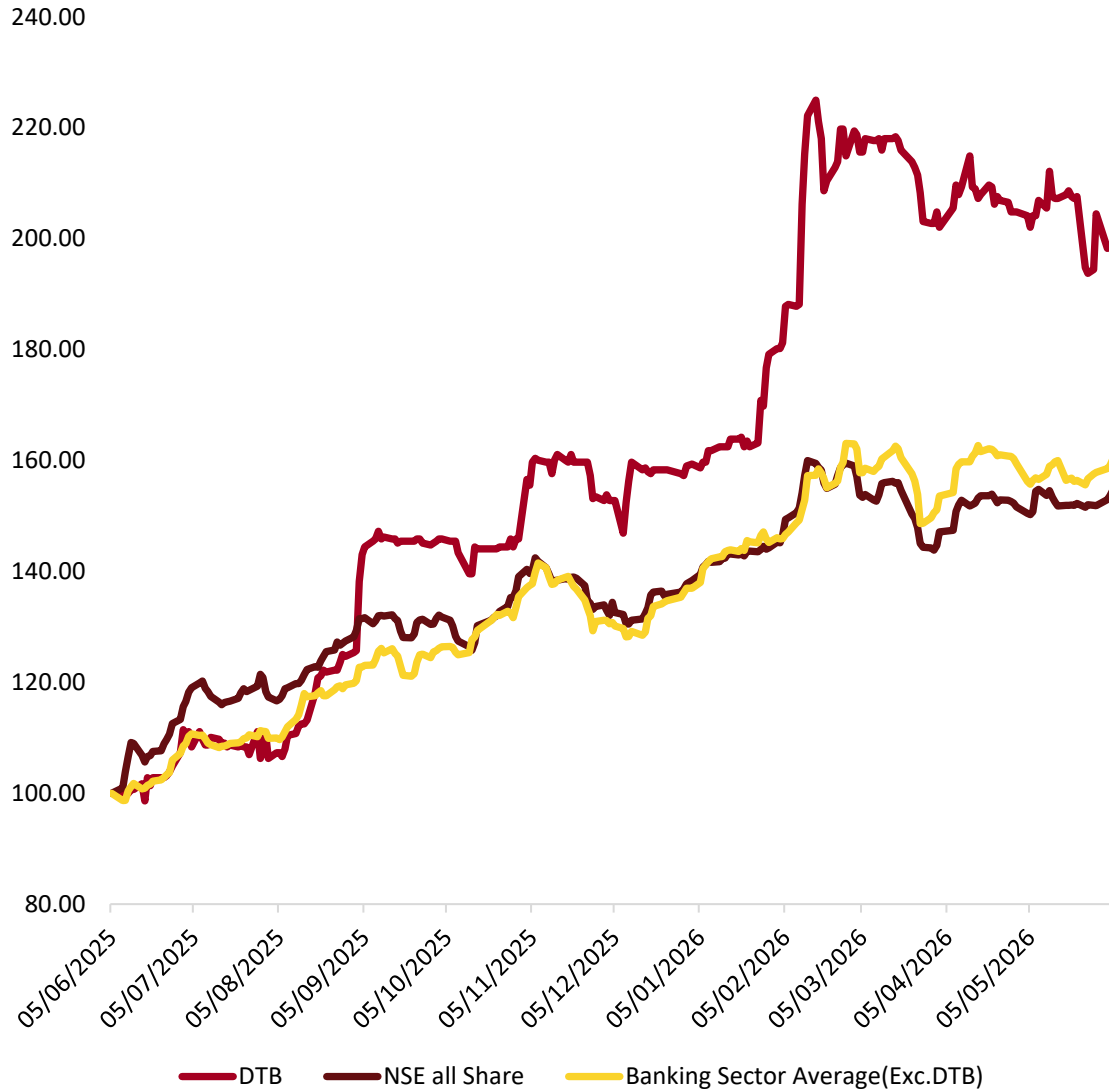
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Summary

Normalized share price movement of DTB VS the Market and other Banking Peers



Source: Bloomberg

Last Price –4th June 2026 in KES	143.00
Valuation Estimate in KES :	161.00
Upside	12.58%
Recommendation	BUY
52-Week High	170.00
52-Week Low	70.00
52-Week Price Return	111.40%
Year-to-Date Price Return	32.9%
Price to Earnings Ratio (P/E)	4.24
Price to Book Ratio (P/B)	0.38

Source: Bloomberg and Faida Analysis

We recommend a **BUY** on DTB Kenya with a **fair value of KES 161.00**, representing an **upside of 12.58%** based on the 4th June 2026 closing price of **KES 143.00**.

Diamond Trust Bank's Q1'2026 results delivered a headline beat, with PAT rising 7.7% y-o-y to KES 3.48 billion, bolstered by a sharp 32.63% surge in Net Interest Income to KES 10.02 billion. The ongoing CBK easing cycle has visibly compressed funding costs down 150 bps to 5.0% while the loan book expanded a healthy 13.8% y-o-y to KES 323.6 billion. The result was a meaningful widening in Net Interest Margin to 6.8%, up from 5.4% in Q1'2025. That tells us the bank is finally monetizing its balance sheet more efficiently after years of margin compression. Non-funded income softened 3.2% to KES 2.92 Bn in Q1'2026, as Foreign Exchange income normalized and transaction activity remained muted. Therefore today, 77% of Operating Income comes from Net Interest alone, a concentration risk that leaves DTB more exposed to rate cycles than its peers. We maintain a BUY, but with a caveat: this is a margin-driven story for now. A more compelling entry would come once provisions trough or non-funded income shows sustained recovery.

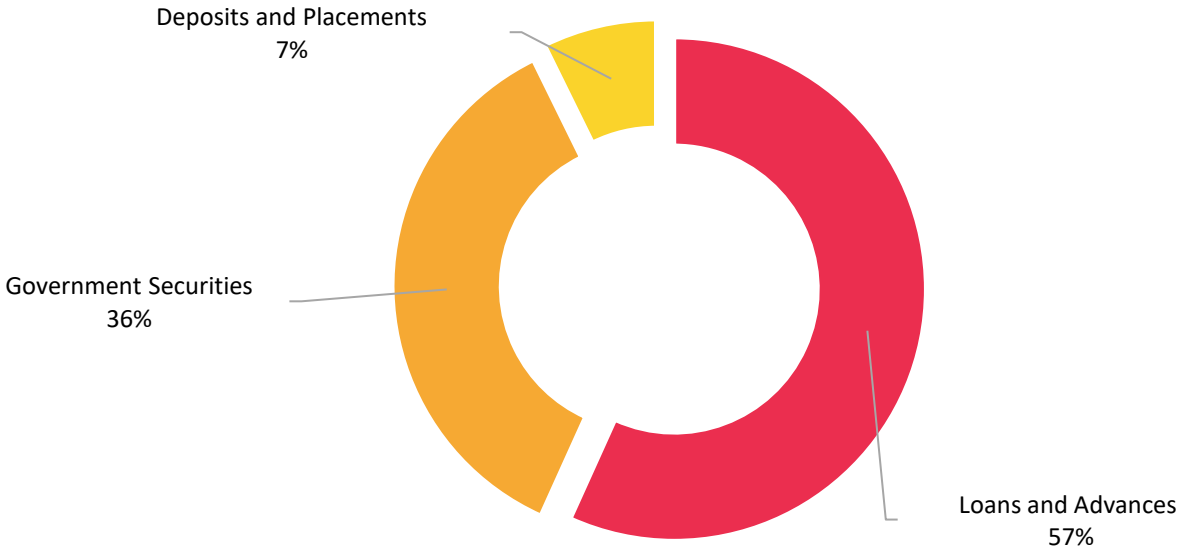
Interest Income

Total interest income increased by 10.3% to KES 16.16 billion in Q1'2026 from KES 14.65 billion in Q1'2025, primarily driven by a 186.6% surge in income from deposits and placements to KES 1.18 billion in Q1'2026 from KES 410.5 million in Q1'2025.

Income from loans and advances also recorded solid growth, rising by 11.0% to KES 9.17 billion in Q1'2026 from KES 8.26 billion in Q1'2025.

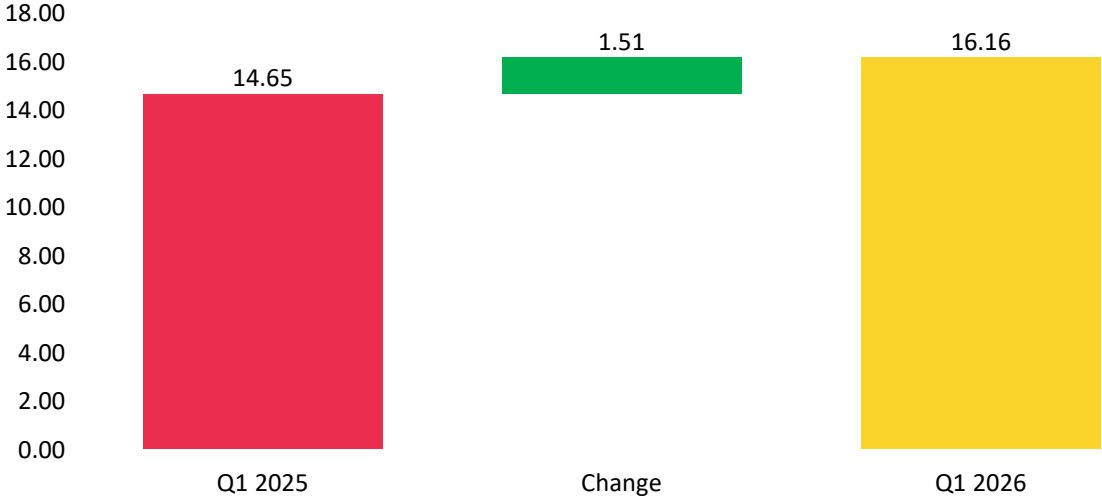
However, income from government securities declined by 2.8% to KES 5.81 billion in Q1'2026 from KES 5.98 billion in Q1'2025.

Interest Income Composition in Q1'2026 (%)



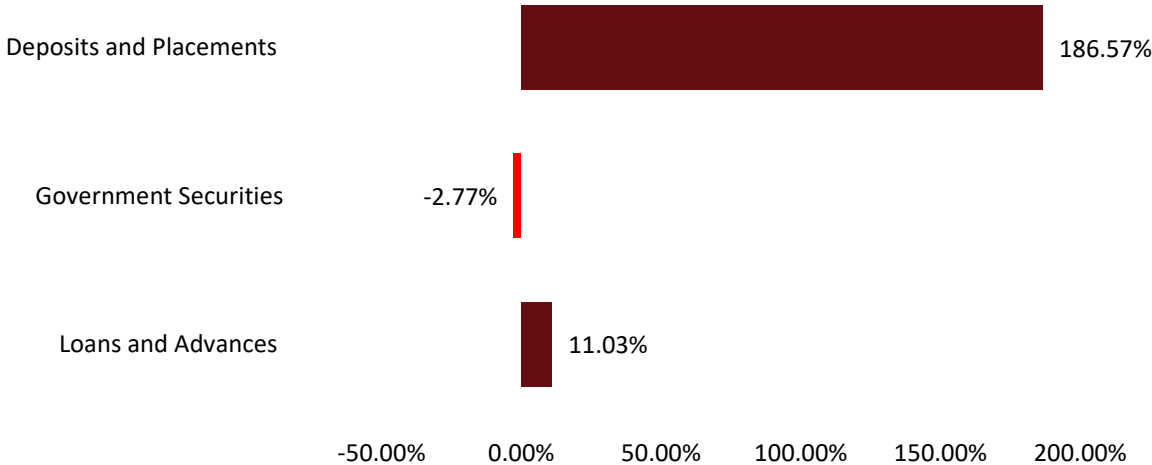
Source: Company Financials

Change in Interest Income in Q1'2026 (KES Billions)



Source: Company financials

Interest Income growth rate Q1'2025/Q12026 (%)



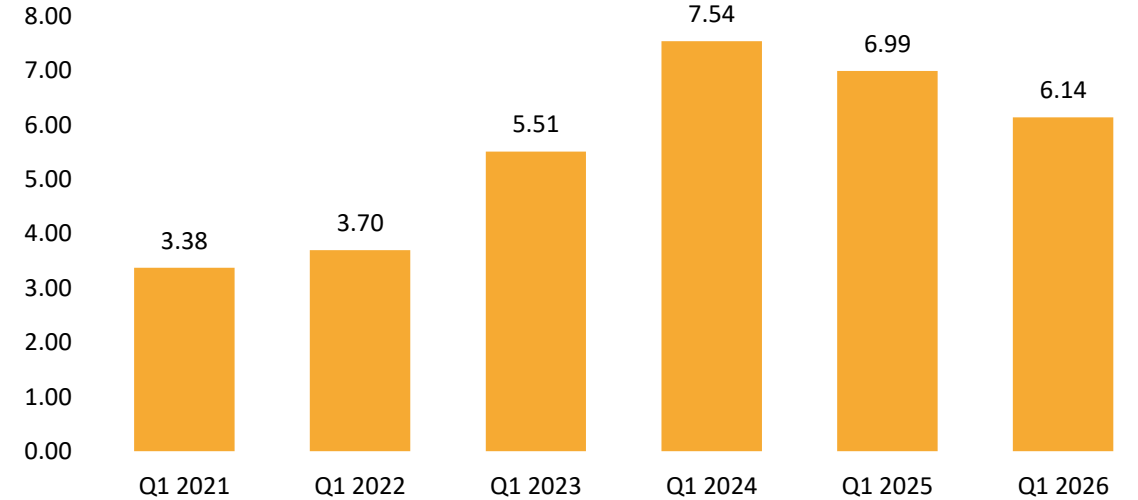
Source: Company Financials

Interest Expense

Total interest expense declined by 12.22% to KES 6.14 billion in Q1'2026 from KES 6.99 billion in Q1'2025. The reduction was driven by an 11.25% decrease in interest expense on customer deposits to KES 5.79 billion in Q1'2026 from KES 6.52 billion in Q1'2025.

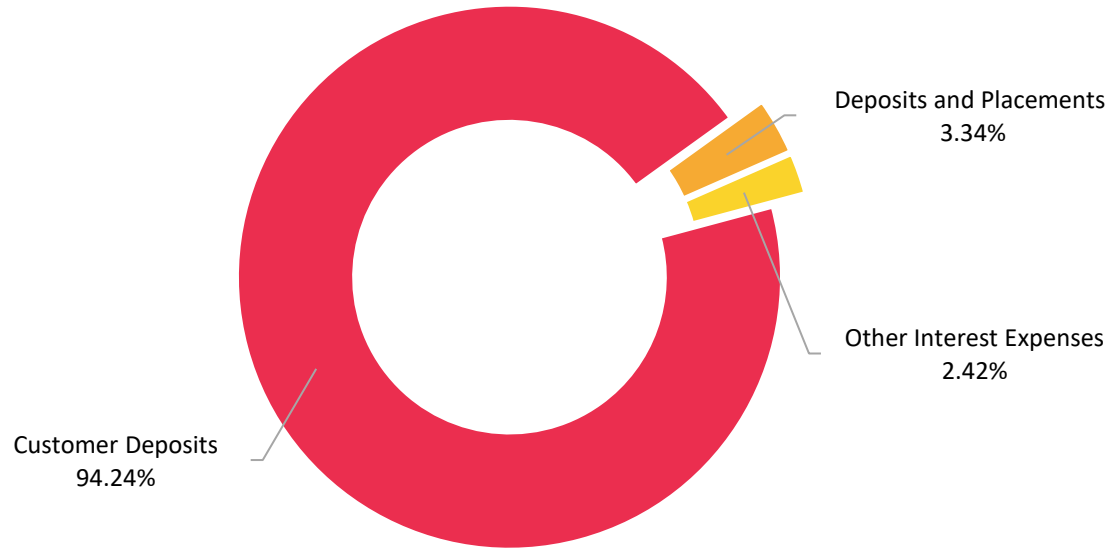
Interest expense on deposits and placements from banking institutions also fell significantly by 28.86% to KES 205.13 million in Q1'2026 from KES 288.33 million in Q1'2025, while other interest expenses declined by 20.30% to KES 148.78 million in Q1'2026 from KES 186.69 million in Q1'2025.

Interest Expense Development (KES billions)

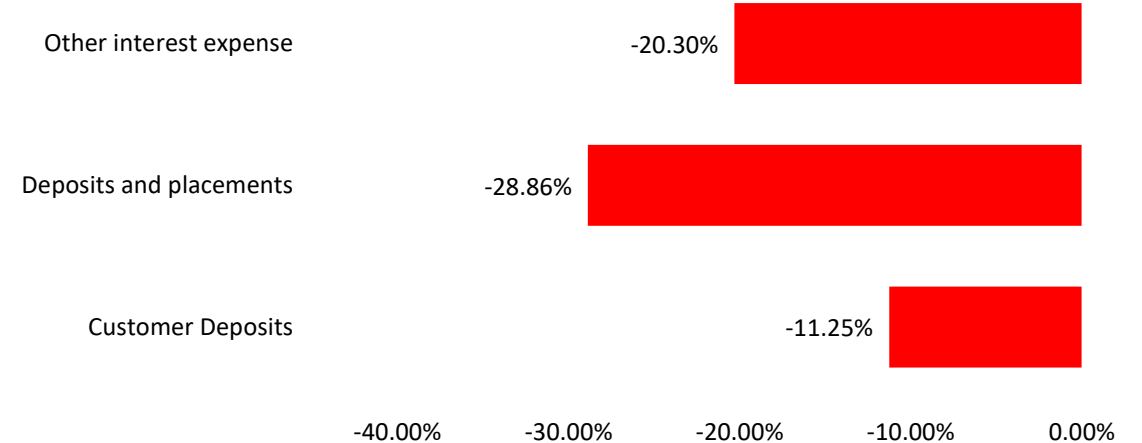


Source: Company financials

Interest expense composition (%)



Interest expense growth rate (%)



Source: Company Financials

Source: Company Financials

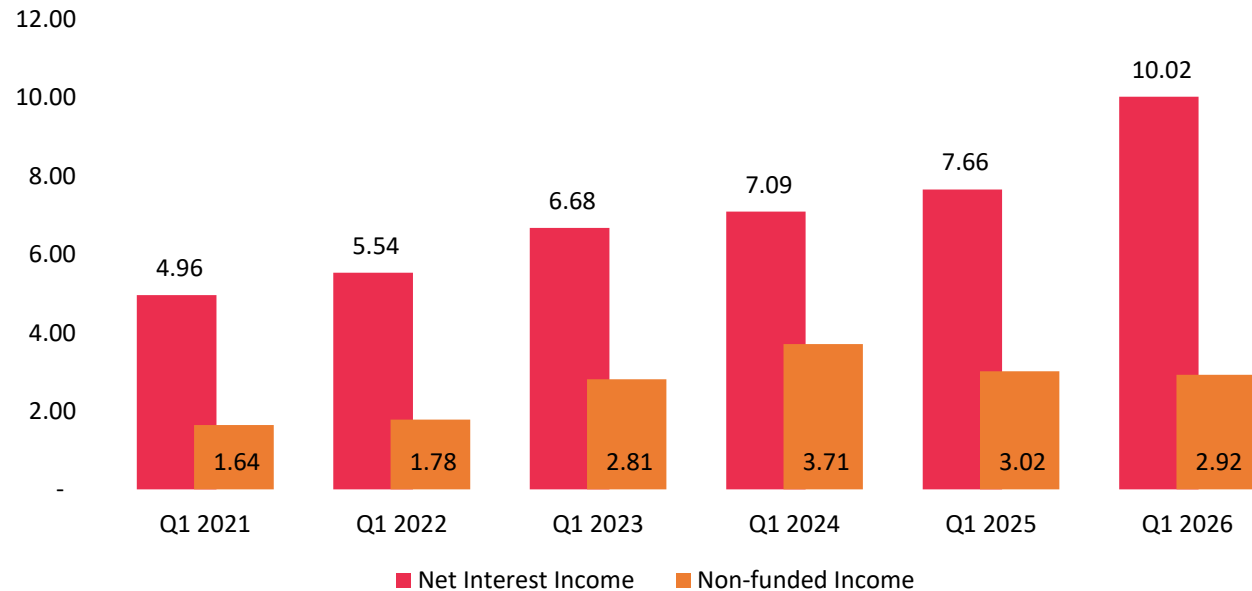
Net Interest Income & Non-funded Income

Net interest income surged by 32.63% to KES 10.02 billion in Q1'2026, up from KES 7.56 billion in Q1'2025. Non-funded income declined by 3.24% to KES 2.92 billion in Q1'2026 from KES 3.02 billion in Q1'2025, primarily driven by a decline in other income to KES 624.81 million in Q1'2026 from KES 753.43 million in Q1'2025 representing a 17.07% decrease.

Other fees and commissions remained broadly flat, declining marginally by 11bps to KES 941.71 million in Q1'2026 from KES 942.78 million in Q1'2025. Fees and commissions on loans and advances recorded solid growth, increasing by 5.80% to KES 610.84 million from KES 577.34 million in Q1'2025.

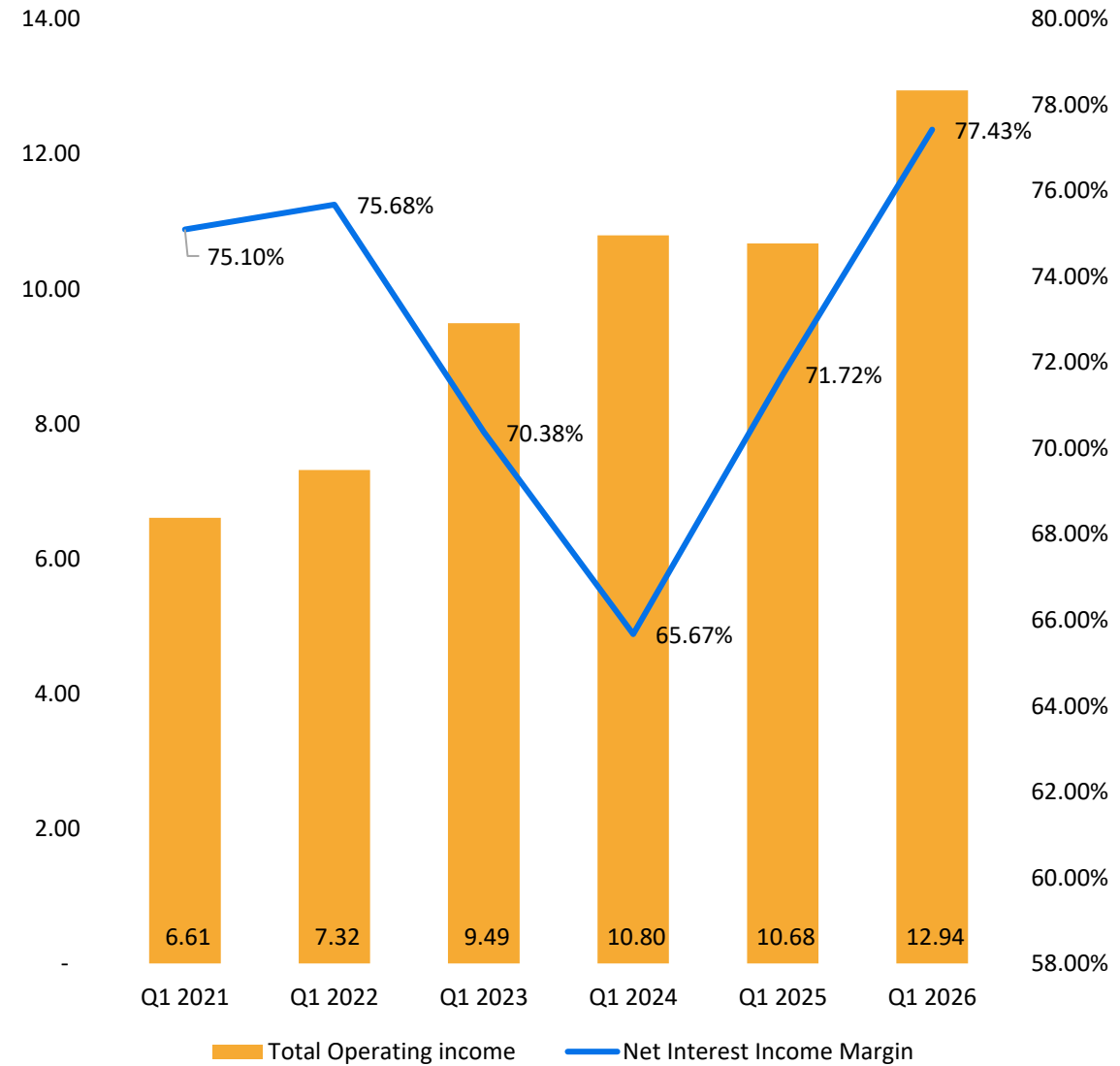
Foreign exchange trading income was largely stable, easing by 20 bps to KES 744.44 million in Q1'2026 from KES 745.95 million in Q1'2025.

Net Interest Income & Non-Interest Income (KES Billions)



Source: Company financials

Total Operating income (KES billions) & Net Interest Income Margin (%)



Source: Company Financials

Operating expenses

Total operating expenses increased by 22.94% to KES 8.14 billion in Q1'2026 from KES 6.62 billion in Q1'2025, driven by a sharp increase in loan loss provisions by 151.80% to KES 2.23 billion in Q1'2026 from KES 886.26 million in Q1'2025, reflecting elevated credit risk across operating markets and resulting in a higher cost of risk of 0.7% in Q1' 2026 compared to 0.3% in Q1'2025.

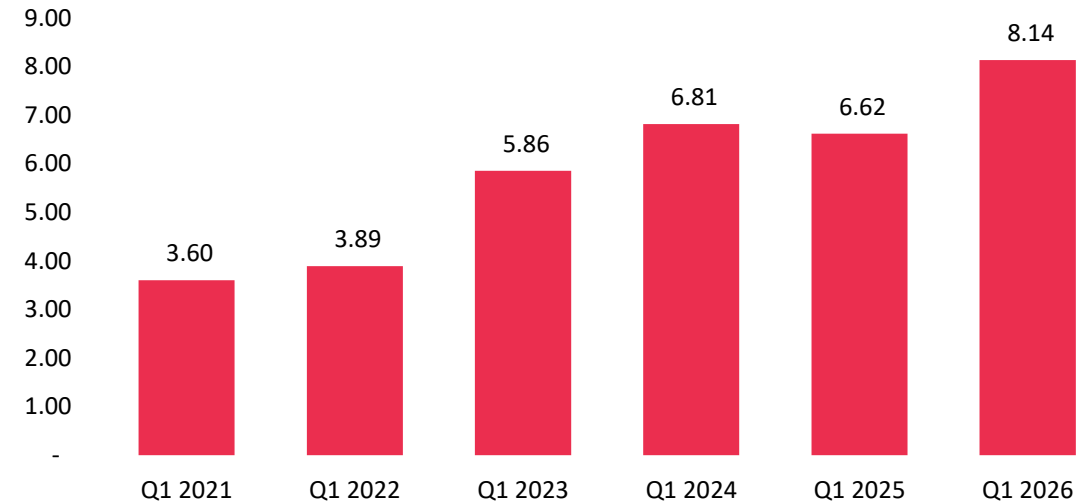
Staff costs rose by 5.36% to KES 2.86 billion in Q1'2026 from KES 2.71 billion in Q1'2025, while director emoluments increased by 20.47% to KES 115.51 million from KES 95.88 million in Q1'2025. Rental expenses grew by 5.10% to KES 142.76 million in Q1'2026 from KES 135.83 million in Q1'2025, while depreciation on property and equipment increased by 6.96% to KES 483.49 million in Q1'2026 from KES 452.05 million in Q1'2025.

Amortization charges also rose by 5.92% to KES 165.20 million in Q1'2026 from KES 155.97 million in Q1'2025. In contrast, other operating expenses declined by 1.84% to KES 2.14 billion from KES 2.18 billion in Q1'2025.

The cost-to-income ratio (including loan loss provisions) increased by 80 bps to 62.8% in Q1'2026 from 62.0% in Q1'2025. However, the cost-to-income ratio (excluding loan loss provisions) improved significantly by 810 bps to 45.6% in Q1'2026 from 53.7% in Q1'2025, underscoring improved underlying operating efficiency and stronger income growth relative to the Bank's core Operating Expenses.

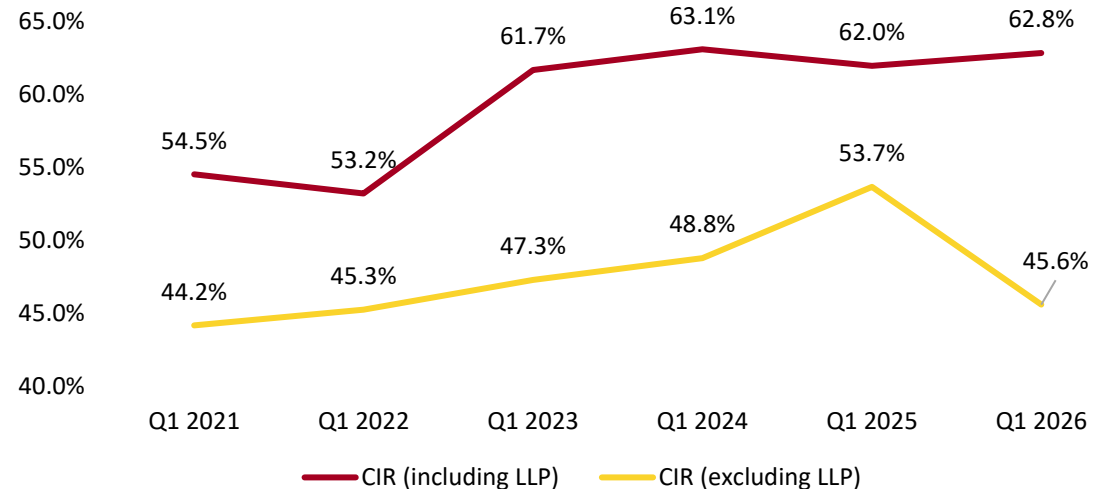
**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*

Total Operating Expenses (KES Billions)



Source: Company financials

Cost-income ratio(%)



Source: Company Financials

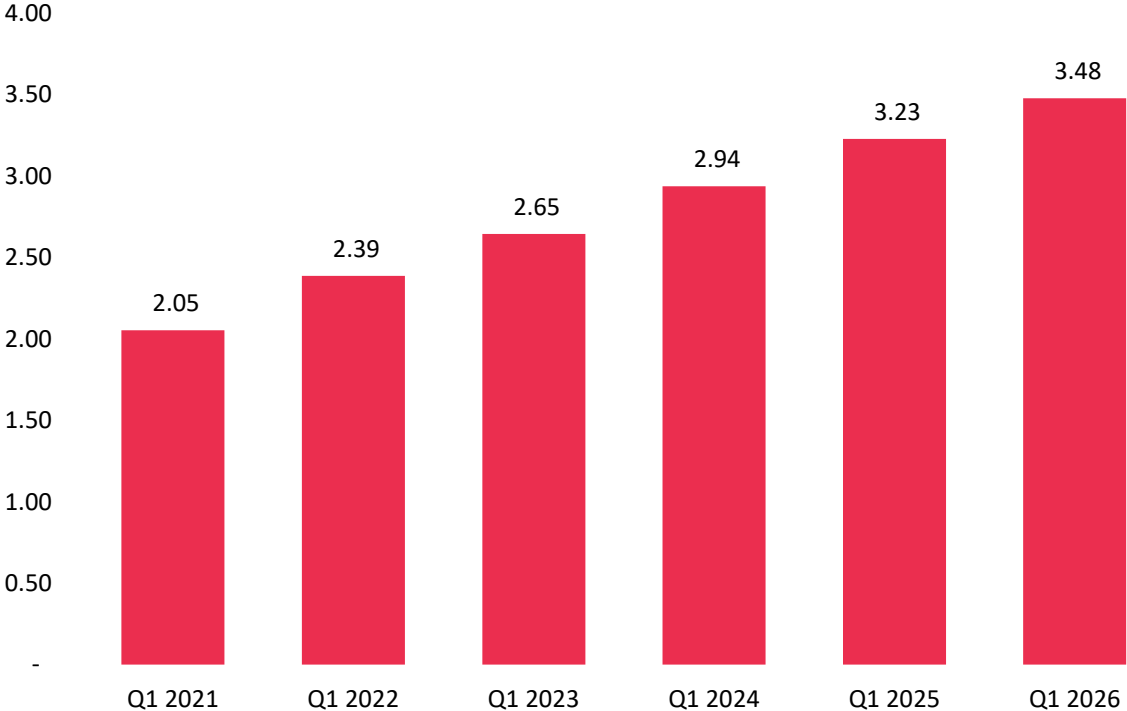
Profitability

Profit before tax increased by 18.61% to KES 4.81 billion in Q1'2026 from KES 4.05 billion in Q1'2025. Profit after tax rose by 7.71% to KES 3.48 billion in Q1'2026.

Total comprehensive income for the period declined by 17.67% to KES 4.65 billion in Q1'2026 from KES 5.65 billion in Q1'2025.

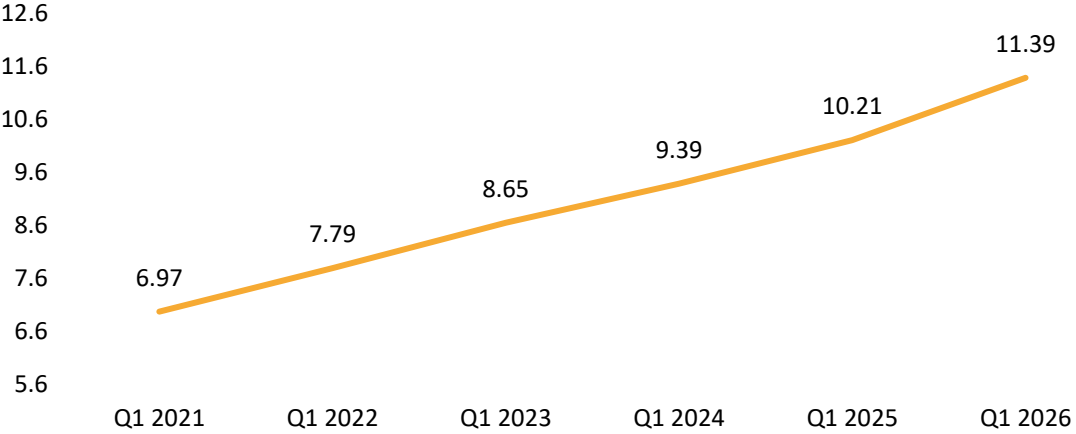
Earnings per share (EPS) advanced by 11.56% to KES 11.39 in Q1'2026 from KES 10.21 in Q1'2025, highlighting enhanced value creation for shareholders.

Profit After Tax (KES Billions)



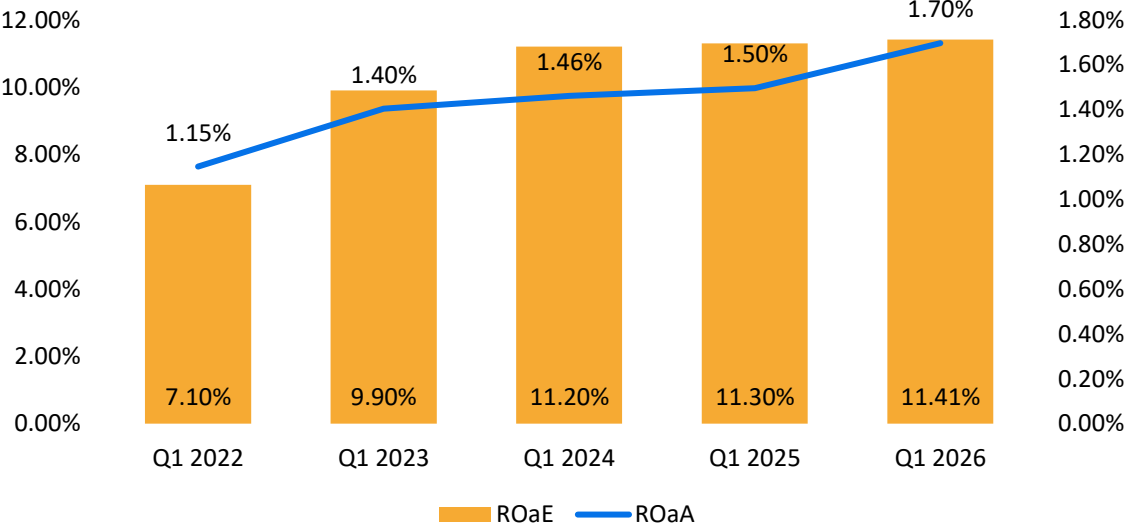
Source: Company Financials

Earnings Per Share (KES)



Source: Company Financials

Profitability Ratios (%)



Source: Company Financials

Balance Sheet Rundown

Total Assets expanded by 11.06% to KES 660.93 billion in Q1'2026 from KES 595.14 billion in Q1'2025, representing balance sheet growth of KES 65.80 billion.

Balances due from central banks increased by 16.22% to KES 44.41 billion in Q1'2026 from KES 38.22 billion in Q1'2025, while balances due from foreign banking institutions rose by 28.26% to KES 48.90 billion from KES 38.12 billion in Q1'2025, strengthening the Group's liquidity position. Deposits and balances from local banking institutions also increased significantly to KES 1.10 billion in Q1'2026 from KES 89.09 million in Q1'2025.

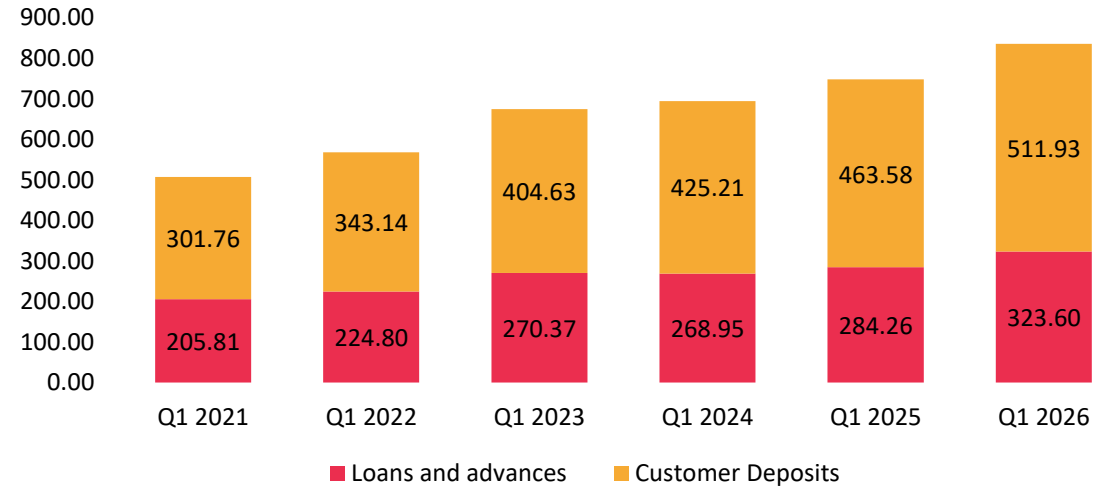
On the investment portfolio, holdings of Kenyan government securities held to maturity declined by 40.70% to KES 21.80 billion in Q1'2026 from KES 36.77 billion in Q1'2025, while investments in other securities decreased by 16.22% to KES 7.28 billion in Q1'2026 from KES 8.69 billion in Q1'2025.

Net loans and advances to customers grew by 13.84% to KES 323.60 billion in Q1'2026 from KES 284.26 billion in Q1'2025. Customer deposits also increased by 10.43% to KES 511.93 billion in Q1'2026 from KES 463.58 billion in Q1'2025, translating to an increase of KES 48.35 billion, providing a stable funding base for balance sheet growth.

The Loan-to-deposit Ratio increased to 63.21% from 61.32% in Q1'2025, while the Loan-to-asset Ratio moderated to 48.96% in Q1'2026 from 47.76% in Q1'2025, indicating a more conservative lending stance and improved liquidity positioning for the group.

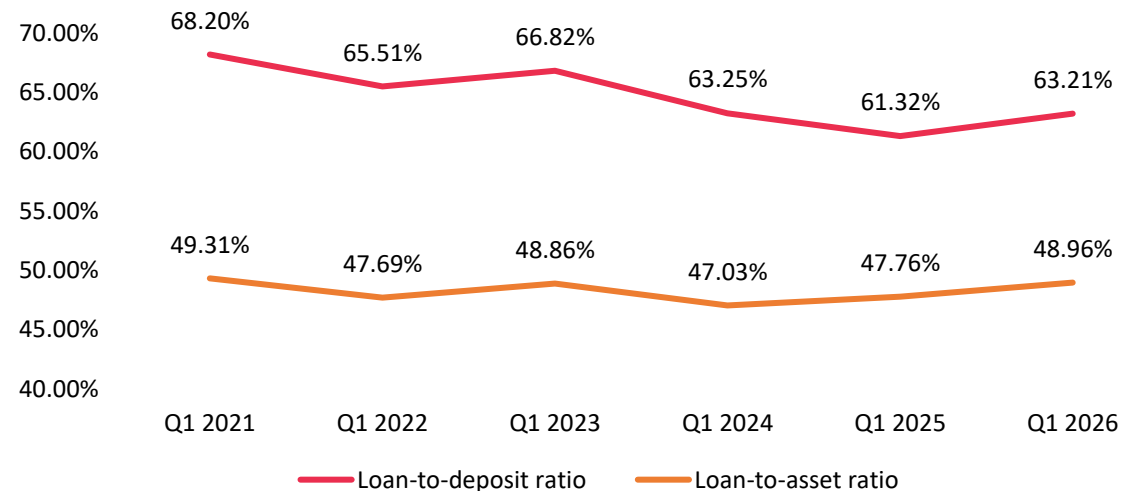
Total shareholders' funds grew by 21.52% to KES 105.62 billion in Q1'2026 from KES 86.92 billion in Q1'2025, driven by a strong 11.38% increase in retained earnings to KES 74.66 billion in Q1'2026 from KES 67.04 billion in Q1'2025.

Loan book and Customer deposits (KES Billions)



Source: Company financials

Loan-to-deposit & Loan-to-asset ratio (%)



Source: Company Financials

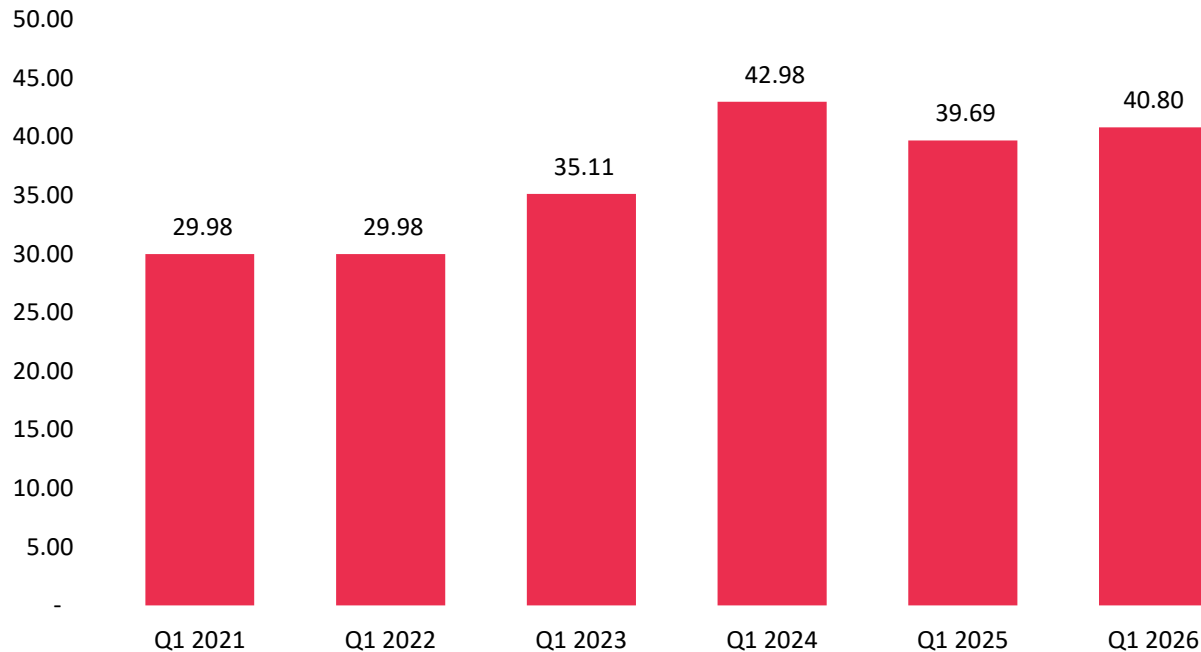
Asset Quality

Gross non-performing loans (NPLs) increased by 2.79% to KES 40.80 billion in Q1'2026 from KES 39.69 billion in Q1'2025, representing an absolute increase of KES 1.11 billion.

Consequently, Asset quality improved with the NPL ratio declining to 12.55% in Q1'2026 from 13.94% in Q1'2025, representing a contraction of 139 basis points.

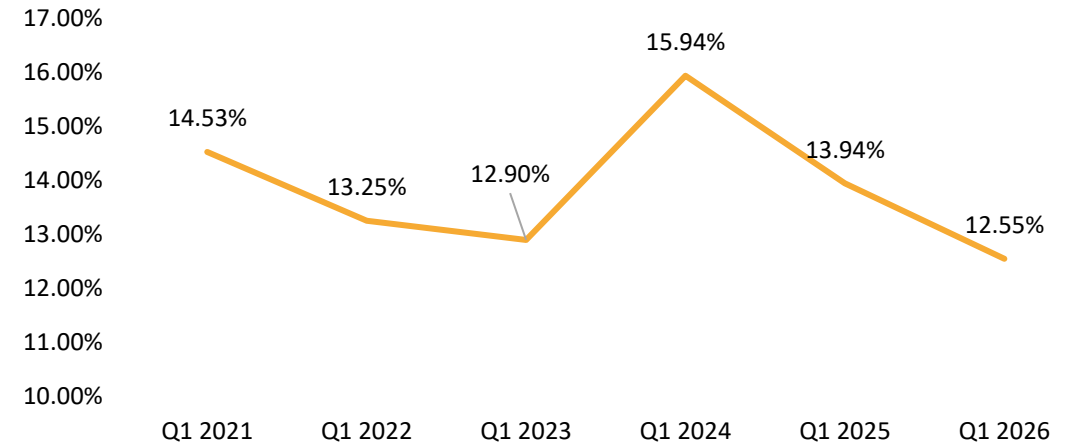
The NPL coverage ratio strengthened significantly to 56.1% in Q1'2026 from 39.9% in Q1'2025, an increase of 16.2 percentage points, driven by higher provisioning levels during the period, signalling improved provision buffers against credit risk exposure.

Gross Non-performing Loans (KES Billions)



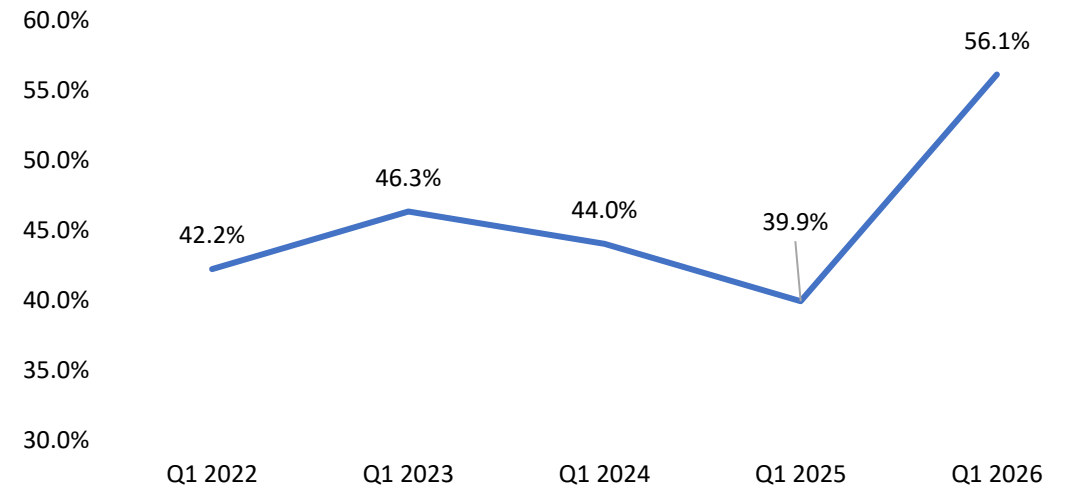
Source: Company Financials

Gross NPL ratio (%)



Source: Company Financials

NPL Coverage ratio (%)



Source: Company Financials

Outlook and Recommendation

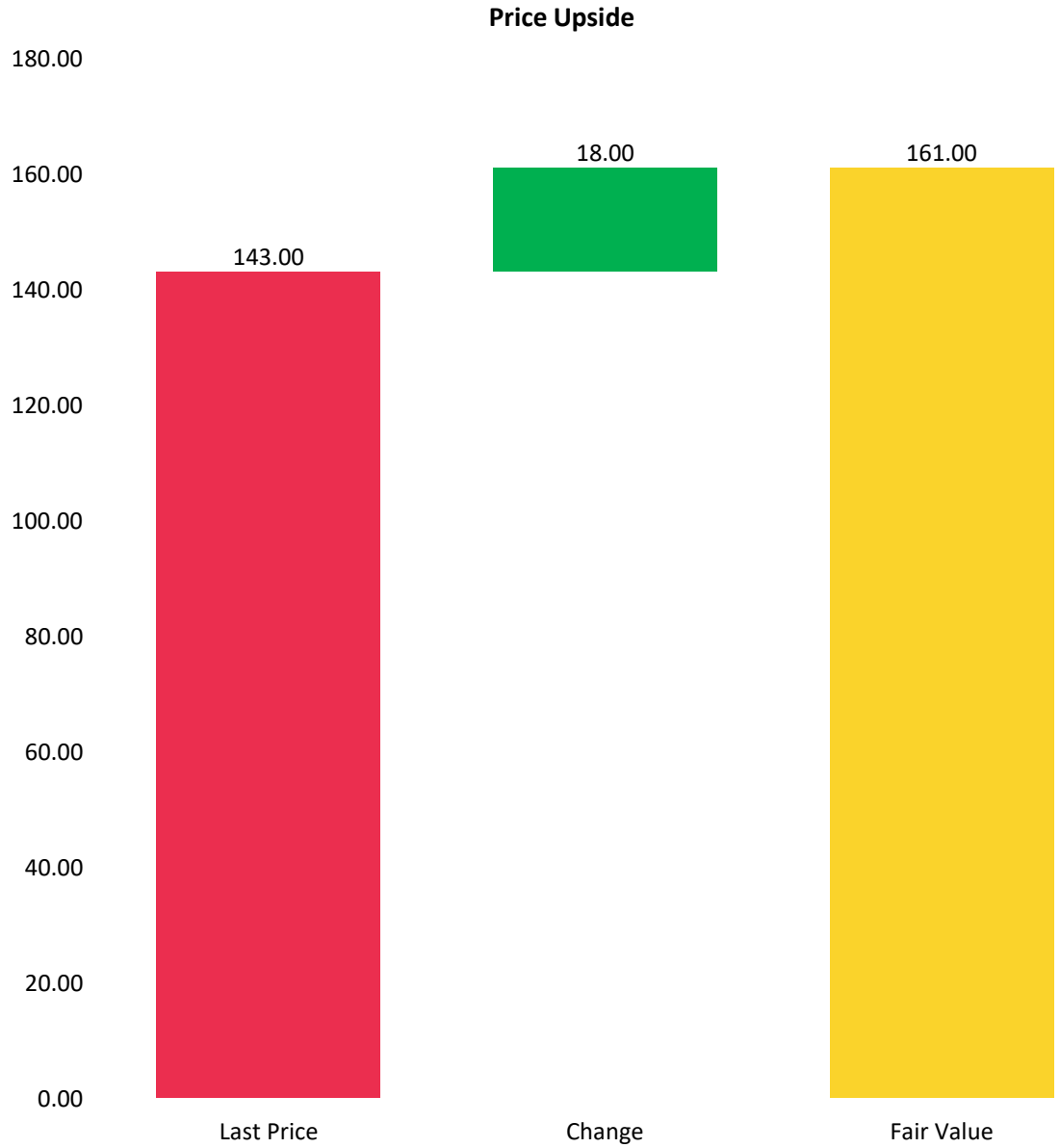
Diamond Trust Bank’s Q1’2026 results delivered a headline beat, with profit after tax rising 7.7% y-o-y to KES 3.48 billion, bolstered by a sharp 30.9% surge in Net Interest Income to KES 10.02 billion. That expansion was no accident. The ongoing CBK easing cycle has visibly compressed funding costs down 150 bps to 5.0% while the loan book expanded a healthy 13.8% y-o-y to KES 323.6 billion. The result was a meaningful widening in Net Interest Margin to 6.8%, up from 5.4% in Q1’2025. That tells us the bank is finally monetizing its balance sheet more efficiently after years of margin compression.

But pull back the layers, and the picture gets more complicated. Loan loss provisions more than doubled to KES 2.23 billion, a 152% y-o-y spike that management attributes to continued de-risking. Yet gross NPLs improved slightly to 12.55% from 13.94%, and NPL coverage jumped to 56.1% in Q1’2026 from 39.9% in Q1’2025. That suggests the bank is front-loading provisions ahead of any potential weakness prudent, but costly. Non-funded income softened 3.2% to KES 2.92 Bn in Q1’2026, as Foreign Exchange income normalized and transaction activity remained muted. Therefore today, 77% of Operating Income comes from Net Interest alone, a concentration risk that leaves DTB more exposed to rate cycles than its peers.

On the funding side, customer deposits rose 10.4% y-o-y to KES 511.9 billion in Q1’2026, with deposits per branch climbing 11% to KES 3.3 billion, reflecting steady operational leverage. Shareholders’ funds jumped 21.5% to KES 105.6 billion, supported by retained earnings. Capital remains adequate with core capital to risk-weighted assets at 15.3% which is still well above the 10.5% statutory floor, so no regulatory pressure in the near term.

Looking ahead, the bank is well-positioned to benefit from continued credit uptake and its regional East African footprint. Management’s tactical shift toward fair-value government securities suggests a more active treasury stance that could support yields further. But we cannot ignore the sharp rise in provisions or the stagnant non-interest income. Until we see evidence that credit costs stabilize and fee income recovers, the earnings beat feels narrower than it looks.

We recommend a **BUY** on DTB Kenya with a **fair value of KES 161.00**, representing an **upside of 12.58%** based on the 4th June 2026 closing price of **KES 143.00**.



Source: Company Financials and Faida Forecasts

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Glossary of Terms

Target Price – Analyst estimate of the fair value or intrinsic value of the company.

Cost of Funds - This is the effective average interest rate paid on interest-earning liabilities. It is calculated as Total Interest Expense/Average Interest Earning Liabilities.

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as Interest on Loans and Advances/Average Loans and Advances.

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as Net Impairment Provisions/Average Gross Loans in the period.

Non-Performing Loans -These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful, and Loss depending on the performance of the loan. The last three i.e. sub-standard, doubtful, and loss are referred to as non-performing loans. Under IFRS, these are classified as stage 3 loans.

Non-Performing Loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as Gross NPLs/Gross Loans.

Non-Funded/Non-Interest Income– This represents income that is not classified as interest income.

Recommendation

BUY – Minimal risks to catalysts.

SELL- Risks outweigh the catalysts.

HOLD – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term