Kenya Listed Commercial Banks Review

Cytonn FY'2024 Banking Sector Report

“Banking Resilience Amid Macroeconomic Shifts”

Cytonn

20th April, 2025

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I. Introduction to Cytonn

About Us

Cytonn Investments is an alternative investment manager, with real estate development capability, and a primary focus on private equity and real estate investments in the high growth Kenyan Region. Cytonn has a unique strategy of coupling two compelling demand areas - the lack of high yielding investment products and the lack of institutional grade real estate. We provide high yielding investment instruments to attract funding from investors, and we deploy that funding to largely pre-sold investment grade real estate. With offices in Kenya and Washington, DC - USA, we are primarily focused on offering alternative investment solutions to global and local institutional investors, individual high net-worth investors, and diaspora investors interested in the East-African region. Real estate investments are made through our development affiliate, Cytonn Real Estate, where we currently have over Kshs. 82 billion (USD 820 mn) of projects under mandate across ten projects. In private equity, we invest in banking, education, and hospitality.

82 Over Kshs. 82 billion worth of projects under mandate

3 Three offices across 2 continents

500 Over 500 staff members, including Cytonn Distribution

10 10 investment ready projects in real estate

A unique franchise differentiated by:

Independence & Investor Focus

Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

Alternative Investments

Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

Strong Alignment

Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

Committed Partners

Strong global and local partnerships in financing, land and Cytonn Real Estate, our development affiliate

Why We Exist

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the alternative markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the alternative markets, while providing the best client service and always protecting our clients' interests.

WE SERVE THREE MAIN CLIENT SEGMENTS:

- High Net-worth Individuals through Cytonn Private Wealth. This is done through our captive Distribution Network
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional Clients. These clients are served from our Investment & Fundraising Team

WE INVEST OUR CLIENT FUNDS IN:

- Real Estate, and Real Estate Related Businesses
- Private Equity
- Fixed Income Structured Solutions
- Equities Structured Solutions

We collect funds from our clients → **We invest them in high growth opportunities** → **We deliver the best possible returns**

Our Business Structure

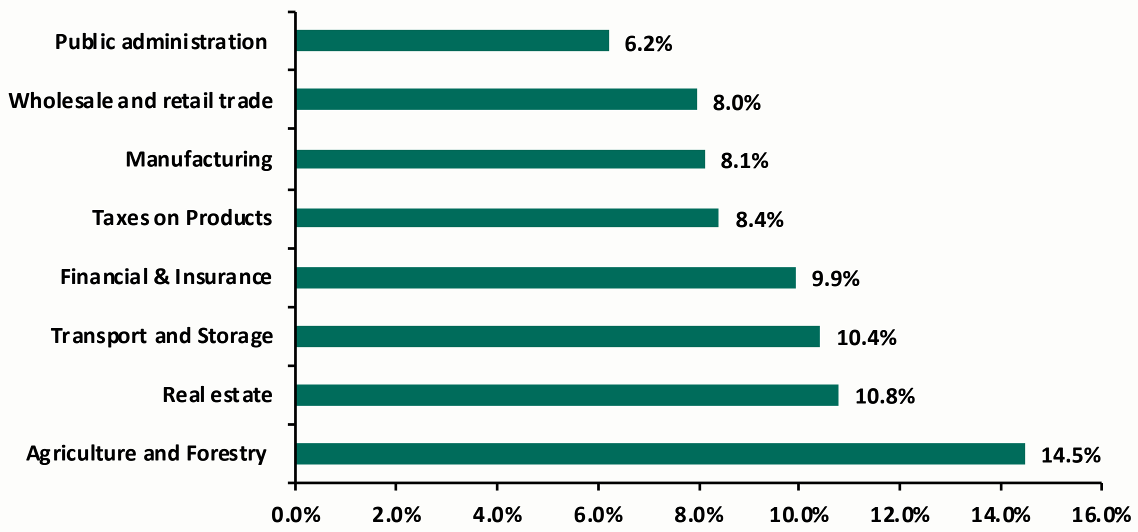
Cytonn Investments Management Plc

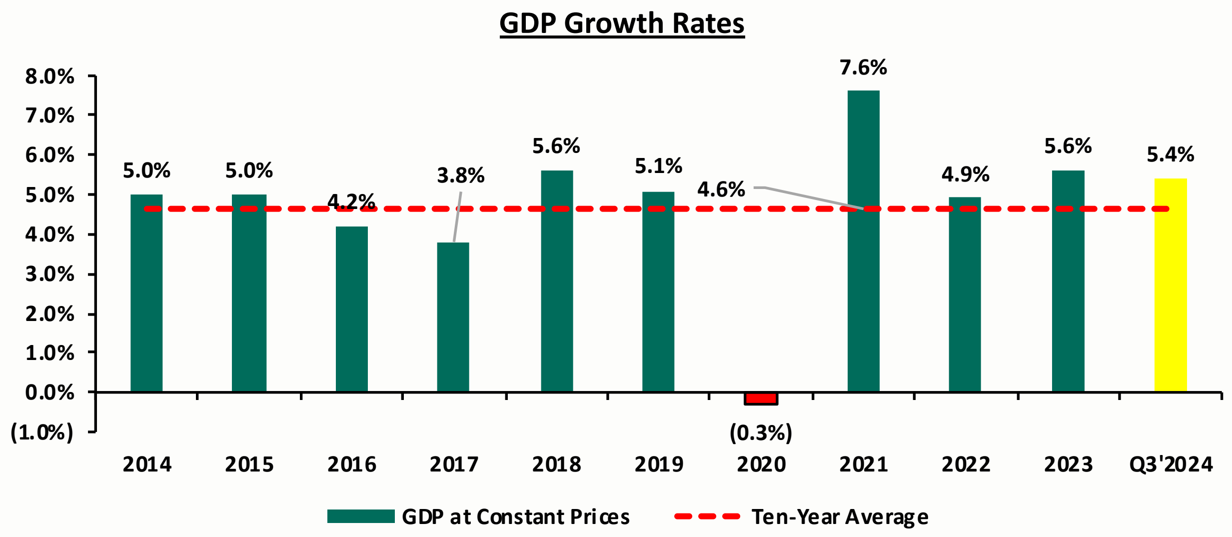
- **Cytonn Capital Partners** (Private Markets)
  - Private Offers and Real Estate Investments
  - Cytonn Hospitality
  - Superior Homes Kenya
- **Cytonn Asset Managers** (Regulated by CMA & RBA)
  - Unit Trust Funds
  - Cytonn Africa Financial Fund
  - Cytonn Advisory
  - Pension Fund Management
- **Cytonn Real Estate**
  - Research and Deal Origination
  - Project Management
  - Quality Assurance/ Control
  - Cytonn Procurement - Cymatt
  - Cytonn Real Estate Legal
  - Cytonn Properties
  - Cytonn Centre for Affordable Housing
- **Other Strategic Initiatives**
  - Cytonn Distribution
  - East African Forum for Alternative Investments

II. Kenya Economic Review and Outlook

Economic Growth

The Kenyan economy grew by 4.0% in Q3’2024, slower than the 6.0% growth in Q3’2023





**Source: KNBS*

- The Kenyan economy recorded an average growth of 4.0% in Q3’2024, slower than the growth rate of 6.0% recorded in Q3’2023.
- The main contributor to Kenyan GDP remains to be the Agriculture, fishing and forestry sector which grew by 4.2% in Q3’2024, lower than the 5.1% expansion recorded in Q3’2023.
- Most sectors recorded declining growth rates compared to Q3’2023 with Accommodation and Food Services, Mining & Quarrying and Financial & Insurance Sectors recording the highest declines of 20.8%, 11.9% and 10.8% points, respectively.

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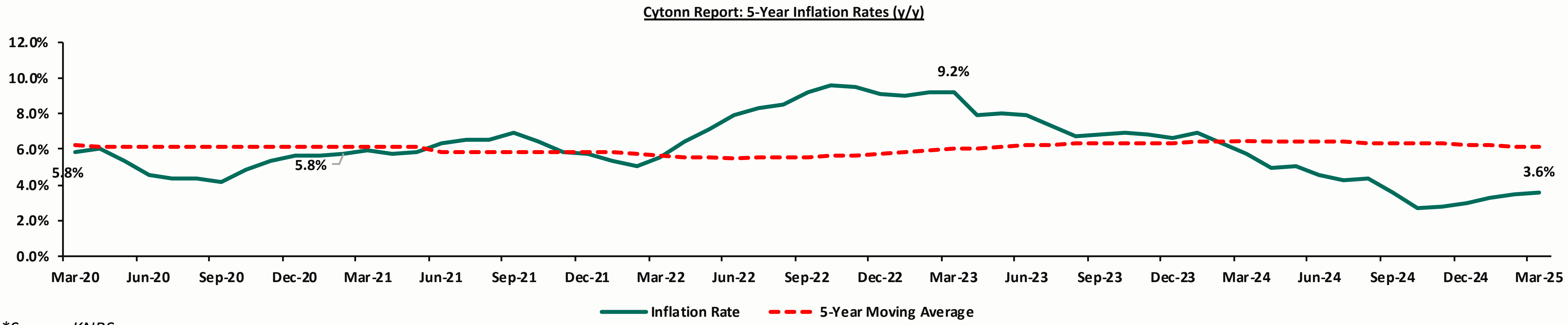
Inflation

The y/y inflation in 2024 decreased by 3.2% points to 4.5%, from the 7.7% recorded in 2023.



**Source: KNBS*

- The average inflation rate decreased to 4.5% in 2024, compared to 7.7% in 2023. Notably, the y/y inflation in March 2025 increased slightly by 0.1% points to 3.6%, from the 3.5% recorded in February 2025. This was according to our expectations and projection that it would come within a range of 3.6% to 3.8%.
- The headline inflation in March 2025 was majorly driven by increase in prices of commodities in the following categories; Food & Non-Alcoholic Beverages, and Transport sector by 6.6% and 1.5% respectively. However, the commodity prices in Housing, Water, Electricity, Gas & other fuels declined by 0.8%, remaining within the CBK's preferred range of 2.5%-7.5% for the seventeenth consecutive month.

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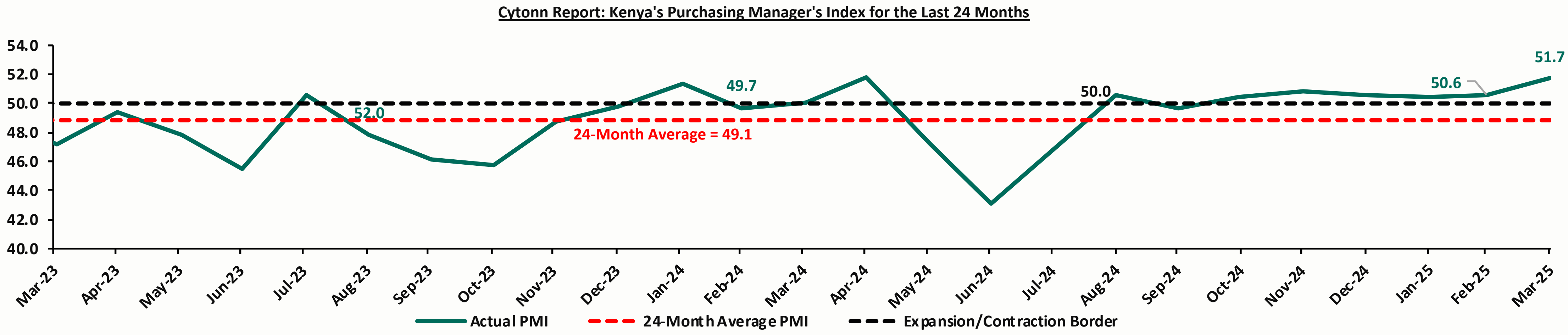
Stanbic PMI Index

The PMI averaged at 49.6 in 2024, compared to 48.1 in 2023



**Source: Market Economics, Stanbic PMI*

- The Stanbic Purchasing Managers Index (PMI) for 2024 improved, coming in at 49.6, up from 48.1 in 2023, signaling a modest improvement in operating conditions across Kenya. Key to note, a PMI reading of above 50 indicates improvements in the business environment, while a reading below 50 indicates a worsening outlook.
- This is majorly attributable to stable fuel prices and a decrease in borrowing costs, which resulted to the increase sales to its strongest performance in six months.
- Going forward, we project that the business environment will improve in the short to medium term on the back of reduced food and fuel prices, as well as the eased inflationary pressures with the current inflation standing at 3.6%.

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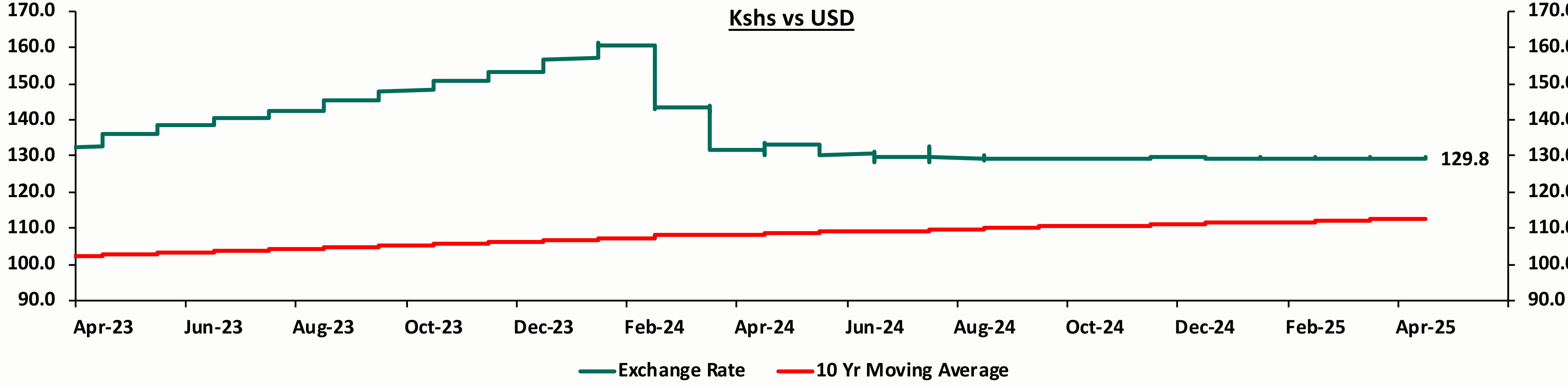
Currency

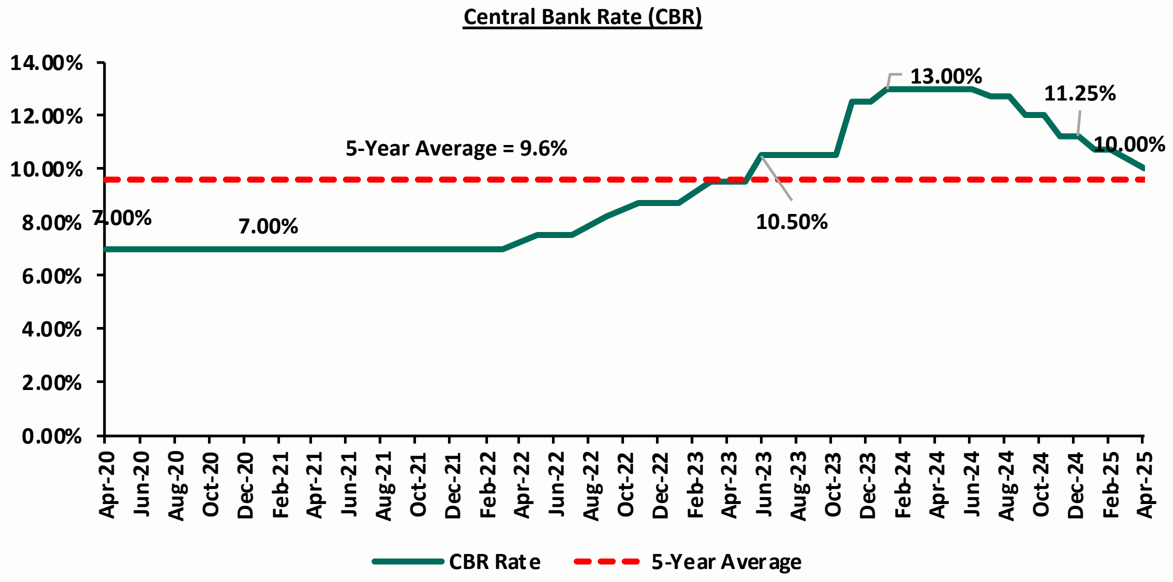
The Kenya Shilling appreciated by 17.4% against the US Dollar in 2024 a contrast to the 26.8% depreciation recorded in 2023.

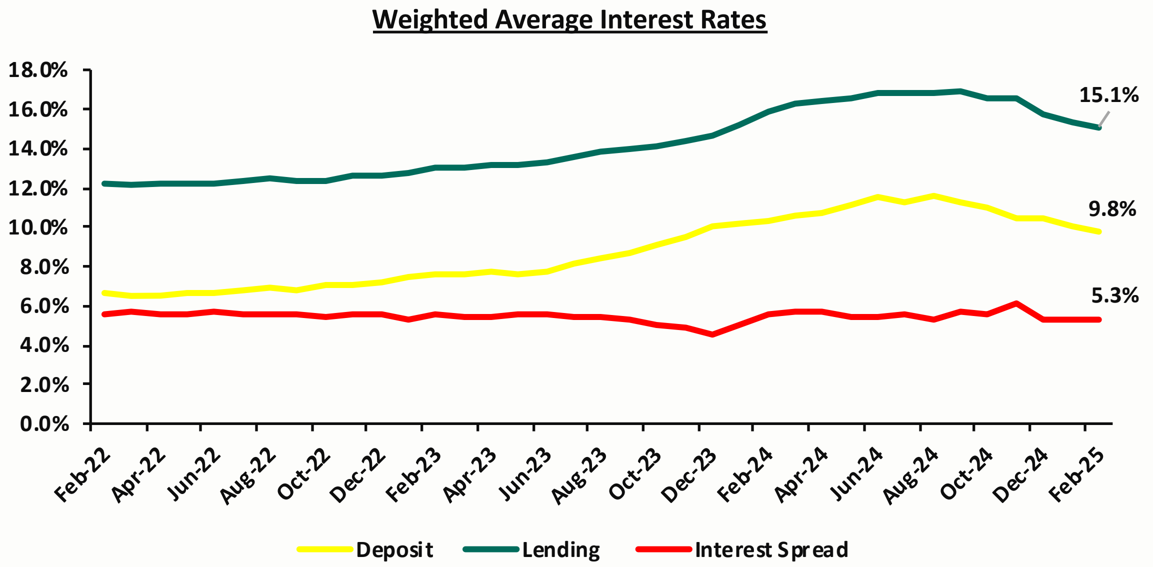


**Source: Central Bank of Kenya*

- The Kenya Shilling appreciated by 17.4% against the US Dollar in 2024 a contrast to the 26.8% depreciation recorded in 2023.On a year to date basis, the shilling has depreciated by 37.5 bps against the US Dollar, a contrast to the 17.6% appreciation recorded in 2024. We note that the shilling has being supported by diaspora remittances standing at a cumulative USD 4,972.0 mn in the twelve months to March 2025, 13.5% higher than the USD 4,380.0 mn recorded over the same period in 2024, which has continued to cushion the shilling against depreciation.
- However, we expect the shilling to remain under pressure in 2025 as a result of an ever-present current account deficit and the need for government debt servicing which continues to put pressure on the forex reserves given that 62.1% of Kenya's external debt is US Dollar-denominated as of September 2024

Interest Rates and Monetary Policy





**Source: CBK*

- The Monetary Policy Committee (MPC) has met twice during 2025, to review the outcome of its previous policy decisions. The MPC decided to ease the CBR rate by 75.0 bps points to 10.00% from 10.75% in February, after decreasing it by 50.0 bps to 10.75% from 11.25% in December 2024.
- The decision was on the back of a stable exchange rate, anchored inflationary pressures, some major economies starting to cut on their interest rates and the need to support the economy by adopting a more accommodative interest rate policy.
- The committee noted that there was scope for gradual easing of the monetary policy stance, while ensuring a stable exchange rate.

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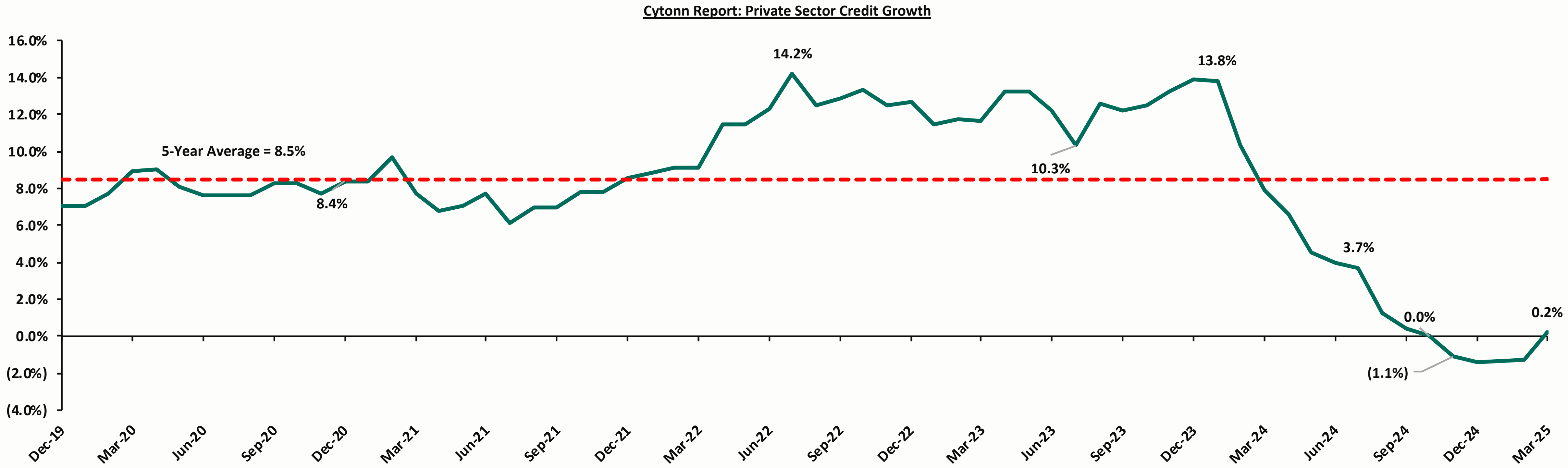
Private Sector Credit growth



**Source: KNBS*

- Growth in private sector grew by modest 0.2% in March 2025 compared to contraction of 1.3% in February 2025, mainly attributed to the dissipation of exchange rate valuation effects on foreign currency-denominated loans due to the appreciation of the Shilling and increased demand attributable to declining lending interest rates. Additionally, the number of loan applications and approvals remained strong, reflecting resilience in economic activities.

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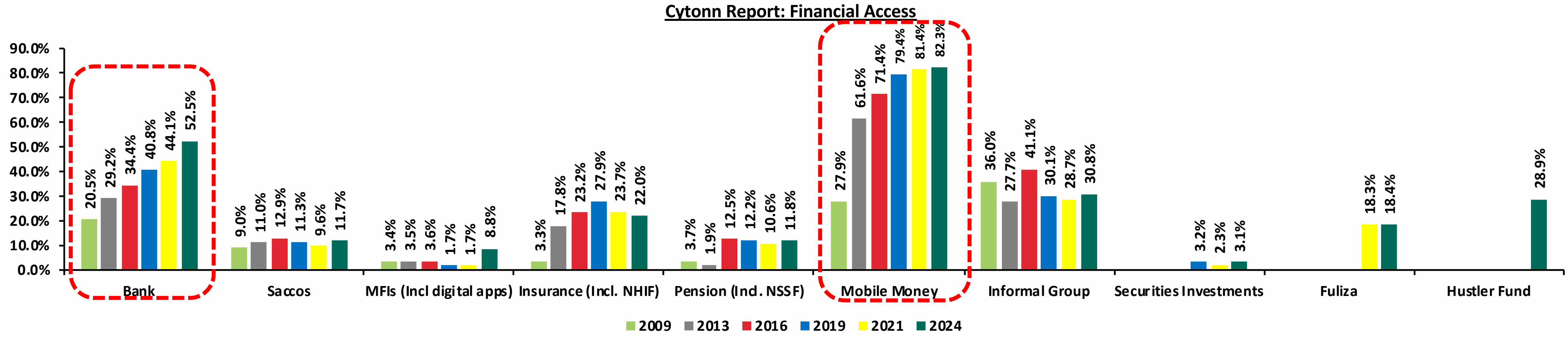
III. Banking Sector Overview

Kenyan Banking Sector Overview

Financial Inclusion in Kenya continues to rise, having expanded to 84.8% in 2024,from 83.7% in 2021

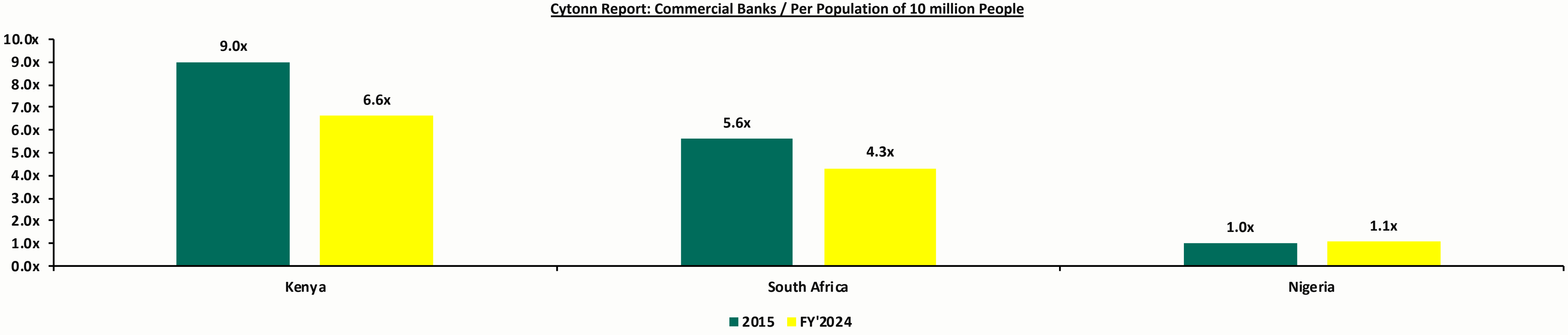
- In Kenya there are a total of 37 commercial banks, 1 mortgage finance company, 14 microfinance banks, 10 representative offices of foreign banks, 84 foreign exchange bureaus, 28 money remittance providers and 3 credit reference bureaus
- Financial inclusion in Kenya has continued to rise, with 84.8% of the adult population able to access formal financial services. This has largely been driven by digitization, with Mobile Financial Services (MFS), transfer and lending, rising to be the preferred method to access financial services. According to the [2024 FinAccess Household Report](), the banking services including mobile banking stood at 52.5% as of 2024 from 44.1% in 2021 despite the decreased usage of mobile banking accounts; whose proportion declined to 32.6% in 2024 from 34.4% in 2021



Source: Central Bank of Kenya, FinAccess report

Kenyan Banking Sector Overview

Kenya still remains overbanked as the number of banks remains relatively high compared to the population



*Source: World Bank, Central Bank of Kenya, South Africa Reserve Bank, Central Bank of Nigeria; * Data as of April 2025*

- The number of commercial banks in Kenya currently stands at 38 (including 1 mortgage finance company), the same as in FY'2023 but lower than the 43 licensed banks in FY'2015.
- The ratio of the number of banks per 10 million population in Kenya now stands at 6.6x, which is a reduction from 9.0x in FY'2015, demonstrating continued consolidation in the banking sector. However, despite the ratio improving, Kenya still remains overbanked as the number of banks remains relatively high compared to the African major economies

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Recent Developments in the Kenyan Banking Sector

1. Regulation:

- **Risk-based Lending:** Over the years, the government has used various policy tools to curb the increasing interest rates and promote access to credit by the private sector. As such, after the repeal of the Interest Cap Law in 2019, the Central Bank of Kenya (CBK) intervened administratively by halting banks from repricing their loans. Instead, banks were required to develop and submit new risk-based lending formulas for approval. The model's primary purpose is to instil fairness and transparency in the credit pricing decisions as it allows Banks to price based on a customer's risk profile. This represents a shift from the traditional practice of rejecting loan applicants solely based on their credit scores. The new credit scoring system primarily targets borrowers with higher risks, many of whom are micro, small, and medium-sized enterprises facing challenges in accessing traditional credit. As of September 2024, all 38 banks in the country had their models approved by the CBK, with Equity Bank being the first commercial bank to implement risk-based lending. However, the approval process of the models has been gradual in a bid to avoid causing distress to customers through high interest rates. Further, the full deployment has been slowed due to inadequate data to analyse the client's risk profile
- **Higher capital requirements and reopening of new banks licensing:** Following the enactment of The Business Laws (Amendment) Act 2024 the Central Bank of Kenya increased the minimum core capital requirement for commercial banks to Kshs 10.0 bn from the previous Kshs 1.0 bn that had been in effect since 2012.

Recent Developments in the Kenyan Banking Sector

1. Regulation Continuation:

- To facilitate compliance, lenders below this threshold were directed to incrementally grow the figure over a 5-year period, required to close 2025 with a minimum core capital of Kshs 3.0 bn, rising to Kshs 5.0 bn by the end of 2026, Kshs 7.0 bn by the end of 2027, Kshs 9.0 bn by the end of 2028 and full compliance at Kshs 10.0 bn by the end of 2029. This substantial increase aims to enhance the financial resilience of banks and ensure that new entrants are well-capitalized to support Kenya's economic development. Additionally, recently in a significant policy shift, on April 16, 2024, the Central Bank of Kenya (CBK), announced that with effect from July 1, 2025, it will lift the moratorium on licensing of new commercial banks that had been in place since November 2015. The moratorium was introduced in response to governance, risk management, and operational issues within the banking sector, aiming to create room for reforms. Since then, Kenya’s banking sector has seen notable progress, including stronger legal and regulatory frameworks, increased mergers and acquisitions, and the entry of new local and international strategic investors. With the moratorium now lifted, new entrants into Kenya’s banking sector must prove their ability to meet the revised minimum core capital requirement of Kshs 10.0 bn. This move opens the door for investors to apply for greenfield licenses, unlike the previous arrangement where entry was heavily reliant on mergers and acquisitions.

Recent Developments in the Kenyan Banking Sector…..

2. Digitization: In FY'2024, digitization continued to be a transformative force in the banking sector, significantly improving how banks operate and deliver services. There has been a significant increase in the adoption of mobile and online banking platforms as customers now prefer to perform banking transactions from the comfort of their homes, leading to a decline in the use of physical branches. For instance, most of the listed banks disclosed that the majority of transactions were conducted through alternative channels, with Equity Group and KCB Group reporting that 85.9% and 99.0% of their transactions, respectively, were done through non-branch channels as of end of FY'2024,

3. Interest Rates: Interest rates soared to historical highs in 2024 compared to 2023. Notably, the yields on Kenyan government securities were on an upward trajectory during the period under review, with the yield on the 91-day paper averaging 15.2% during the year, 3.0% points higher than the average of 12.2% in FY'2023, peaking at an average of 16.7% for the month of March 2024. However, yields on the Kenyan government securities were on a downward trajectory in the second half of FY'2024, with the yield on the 91-day paper averaging 14.3% during the second half of the year and closing the year at 9.9% from 15.9% recorded at the close of 2023. The significant declines in rates towards the year end, especially in Q4'2024 led to a decrease in the listed bank's interest income growth, softening to a weighted average growth of 21.1% in FY'2024, from a weighted average growth of 30.5% in FY'2023. Additionally, interest expense by a weighted average of 43.6% in FY'2024, down from 52.4% in FY'2023,

Recent Developments in the Kenyan Banking Sector…..

4. Regional Expansion through Mergers and Acquisitions:

Kenyan banks are increasingly expanding their regional footprint, with subsidiaries contributing significantly to overall profitability. For instance, Equity Group reported that, regional subsidiaries contributed 51.0% of the Group's Profit Before Tax (PBT) in FY'2024, up from 50.0% in the same period last year, demonstrating the growing importance of these subsidiaries to the group's earnings. Additionally, KCB Group's subsidiaries contributed 36.6% of the group's PBT in FY'2024. In 2024, there was one acquisition agreement announcement between Access Bank plc and KCB Group:

a) On April 14, 2025 The Central Bank of Kenya announced the acquisition of 100.0% shareholding of National Bank of Kenya Limited (NBK) by Access Bank Plc from KCB Group Plc, following CBK's approval on April 4, 2025 under Section 13 (4) of the Banking Act, and approval by the Cabinet Secretary for the National Treasury and Economic Planning on April 10, 2025, pursuant to Section 9 of the Banking Act. As part of the transaction, CBK, on April 4, 2025, further approved the transfer of certain assets and liabilities of National Bank of Kenya Limited to KCB Bank Kenya Limited pursuant to section 9 of the Banking Act. Additionally, the Cabinet Secretary for The National Treasury and Economic Planning, approved the transfer on April 10, 2025, pursuant to section 9 of the Banking Act. The acquisition and transfer shall take effect upon completion of the transaction in accordance with the terms of the Agreement between the parties.

Recent Developments in the Kenyan Banking Sector.....

4. Regional Expansion through Mergers and Acquisitions Cont:

c) On March 20, 2024 Access Bank Plc announced that it had entered into a share purchase agreement with KCB Group Plc that would allow Access Bank Plc to acquire 100% shareholding in National Bank of Kenya Limited (NBK) from KCB. In the signed deal, Access Bank will pay multiples of 1.3x the book value of NBK, which stood at Kshs 10.6 bn as of end December 2023. This values the deal at about Kshs 13.3 bn with the actual figure to be announced when the transaction is completed

d) In April 2024, Sidian Bank disclosed that the founders of the bank and other nine individual shareholders relinquished a combined stake of 728,525 shares representing 16.6% stake to Pioneer General Insurance Limited, pioneer Life Investments Limited, Wizro Enterprises Limited, Afrah Limited, and Telesec Africa Limited. The transaction amounted to Kshs 0.8 bn translating to a price to book multiple (p/bv) of 1.0x. This follows an earlier transaction executed on October 2023 when Pioneer General Insurance, Wizpro Enterprise and Afram Limited bought 38.9% stake in the lender following a shareholders' resolution passed on 20th September 2023 approving the sale

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Recent Developments in the Kenyan Banking Sector…..

4. Regional Expansion through Mergers and Acquisitions Cont:

e) On March 17, 2023, the Central Bank of Kenya (CBK) announced that Premier Bank Limited Somalia (PBLS) had completed acquisition of 62.5% shareholding of First Community Bank Limited (FCB) effective 27 March 2023. This came after receiving regulatory approvals from the CBK and the Cabinet Secretary for the National Treasury. FCB, which has been in operation since June 2008, is classified as a tier 3 bank in Kenya with 18 branches and a market share of 0.3% as at December 2022. The acquisition by Premier Bank Limited Somalia (PBLS), came at a time when FCB has been struggling to meet regulatory Capital adequacy requirements. For more information, please see our Cytonn Weekly #11/2023.

f) On May 22, 2023, the Central Bank of Kenya (CBK) announced that Shorecap III, LP, a Private Equity fund governed by the laws of Mauritius, had acquired a 20.0% stake in Credit Bank Plc. The fund is managed by Equator Capital Partners LLC, and the acquisition took effect from June 15, 2023. While the CBK initially did not reveal the value of the deal, it has since been disclosed that Shorecap III, LP paid Ksh 0.7 bn for the 20.0% stake, valuing the bank at Ksh 3.64 bn. Shorecap III, LP assumed control of 7,289,928 ordinary shares, which make up 20.0% of the Bank's ordinary shares. The funds helped lift Credit Bank from a regulatory capital breach. For additional details, refer to our Cytonn Weekly #21/2023,

Recent Developments in the Kenyan Banking Sector…..

4. Regional Expansion through Mergers and Acquisitions Cont:

e) On September 27, 2023, the NCBA Group declared its plan to purchase a 100% share in AIG Insurance. AIG Insurance is a well-established company in Kenya, having been in operation for over 50 years, providing general insurance services to corporations, SMEs and individuals. Currently, the NCBA Group holds a minority stake in AIG Insurance and intends to negotiate with AIG Inc, the majority stakeholder, to acquire the remaining shares. This acquisition is part of NCBA Group's strategy to broaden its bancassurance operations transforming it into a universal bank that caters to all the financial needs of its customers. The acquisition is contingent upon the necessary due diligence, approval from the boards of NCBA, AIG Kenya, AIG Group, and the relevant banking, insurance, and other regulatory authorities.

g) On December 1, 2023 Equity Group Holdings Plc (EGH) announced that it had successfully completed the acquisition of its Rwandan Subsidiary, Compagnie Générale de Banque (Cogebanque) Plc, marking a significant milestone in its regional expansion strategy. Equity Group now holds 198,250 shares representing 99.1% of the issued share capital of COGEBANQUE, following receipt of all regulatory and corporate approvals, officially making COGEBANQUE its subsidiary. EGH made the announcement it had entered into a binding agreement with the Government of Rwanda, Rwanda Social Security Board, and other investors of Compagnie Generale De Banque (Cogebanque) Plc Limited to acquire a 91.9% stake in the Rwanda based lender on June 14, 2023.

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Recent Developments in the Kenyan Banking Sector….

The average acquisition valuations for banks remained unchanged at 1.3x in 2024, similar to what was recorded in 2023

Cytonn Report: Banking Sector Deals and Acquisitions						
Acquirer	Bank Acquired	Book Value at Acquisition (Kshs bn)	Transaction Stake	Transaction Value (Kshs bn)	P/Bv Multiple	Date
Access Bank PLC (Nigeria)	National Bank of Kenya	10.6	100.00%	13.3	1.3x	Apr-25
Pioneer General Insurance and four other companies	Sidian Bank	5.0	16.57%	0.8	1.0x	Apr-24
Pioneer General Insurance and two other companies	Sidian Bank	5.0	38.91%	2.0	1.0x	Oct-23
Equity Group	Cogebanque PLC ltd	5.7	91.13%	6.7	1.3x	Dec-23
Shorecap III	Credit Bank Plc	3.6	20.00%	0.7	1.0x	Jun-23
Premier Bank Limited	First Community Bank	2.8	62.50%	Undisclosed	N/A	Mar-23
KCB Group PLC	Trust Merchant Bank (TMB)	12.4	85.00%	15.7	1.5x	Dec-22
Equity Group	Spire Bank	Unknown	Undisclosed	Undisclosed	N/A	Sep-22*
Access Bank PLC (Nigeria)*	Sidian Bank	4.9	83.40%	4.3	1.1x	June-22*
KCB Group	Banque Populaire du Rwanda	5.3	100.00%	5.6	1.1x	Aug-21
I&M Holdings PLC	Orient Bank Limited Uganda	3.3	90.00%	3.6	1.1x	Apr-21
KCB Group**	ABC Tanzania	Unknown	100.00%	0.8	0.4x	Nov-20*
Co-operative Bank	Jamii Bora Bank	3.4	90.00%	1	0.3x	Aug-20
Commercial International Bank	Mayfair Bank Limited	1.0	51.00%	Undisclosed	N/A	May-20*
Access Bank PLC (Nigeria)	Transnational Bank PLC.	1.9	100.00%	1.4	0.7x	Feb-20*
Equity Group **	Banque Commerciale Du Congo	8.9	66.50%	10.3	1.2x	Nov-19*
KCB Group	National Bank of Kenya	7.0	100.00%	6.6	0.9x	Sep-19
CBA Group	NIC Group	33.5	53%.47%	23	0.7x	Sep-19
Oiko Credit**	Credit Bank	3.0	22.80%	1	1.5x	Aug-19
CBA Group**	Jamii Bora Bank	3.4	100.00%	1.4	0.4x	Jan-19
AfricInvest Azure	Prime Bank	21.2	24.20%	5.1	1.0x	Jan-18
KCB Group	Imperial Bank	Unknown	Undisclosed	Undisclosed	N/A	Dec-18
SBM Bank Kenya	Chase Bank Ltd	Unknown	75.00%	Undisclosed	N/A	Aug-18
DTBK	Habib Bank Kenya	2.4	100.00%	1.8	0.8x	Mar-17
SBM Holdings	Fidelity Commercial Bank	1.8	100.00%	2.8	1.6x	Nov-16
M Bank	Oriental Commercial Bank	1.8	51.00%	1.3	1.4x	Jun-16
I&M Holdings	Giro Commercial Bank	3.0	100.00%	5	1.7x	Jun-16
Mwalimu SACCO	Equatorial Commercial Bank	1.2	75.00%	2.6	2.3x	Mar-15
Centum	K-Rep Bank	2.1	66.00%	2.5	1.8x	Jul-14
GT Bank	Fina Bank Group	3.9	70.00%	8.6	3.2x	Nov-13
Average			**73.3%**		**1.3x**	
Average: 2013 to 2018			**73.5%**		**1.7x**	
Average: 2019 to 2024			**73.2%**		**1.0x**	

*** Announcement Date**
**** Deals that were dropped**

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Recent Developments in the Kenyan Banking Sector….

3. Asset Quality:

- Asset quality for listed banks deteriorated in FY'2024, with the weighted average Gross Non-Performing Loan ratio (NPL) increasing marginally by 0.6% points to 13.2%, from 12.6% recorded in FY'2023. The performance remained 2.1% points above the ten-year average of 11.1%. Notably, 6 out of the 10 listed banks recorded an increase in the NPL ratio, mainly driven by tough business conditions, increased borrowing costs, and a decline in lending due to elevated credit risk.

- However, the deterioration in listed banks' asset quality was mitigated by an improvement in Standard Chartered Bank's asset quality, with the Gross NPL ratio decreasing by 2.3% points to 7.4% in FY'2024 from 9.7% in FY'2023. This was attributable to the 30.2% decrease in gross non-performing loans to Kshs 12.0 bn from Kshs 17.2 bn in FY'2023, outpacing the 8.9% decrease in gross loans to Kshs 161.5 bn from Kshs 177.2 bn in FY'2023. A total of six out of the ten listed Kenyan banks recorded a deterioration in asset quality, driven by the elevated borrowing costs, and a decline in lending due to elevated credit risk. However, the Central Bank of Kenya lowered the Central Bank Rate (CBR) by a cumulative 175 basis points to 11.25% in December 2024 from 13.00% in July 2024 in the year, and further by 125 bps to 10.00% in March 2025, signalling a gradual easing of monetary policy, noting that its previous measures had stabilized the currency and anchored inflation. This reduction in CBR is expected to support credit growth and ease financial pressures on borrowers.

Banking Sector Growth Drivers

- **Growth in Interest income:** Going forward, we expect interest income growth to remain a key driver in the banking industry, evidenced by the 21.2% growth recorded in FY'2024, albeit lower than the 30.5% growth recorded in FY'2023, partly on the back of high borrowing costs experienced during the year. However, the recent easing of monetary policy by the Central Bank of Kenya, which lowered the Central Bank Rate (CBR) by 75 basis points to 10.00% in April 2025, signals a gradual reduction in borrowing costs

- **Revenue Diversification:** In FY'2024, non-funded income (NFI) recorded a 12.1% weighted average growth, slower than the 16.4% weighted growth in FY'2023 with 7 out of the 10 listed Banks recording an increase in their non-funded income. Despite the reduced growth in non-funded income, the weighted average contribution of NFI to total operating income came in at 39.8% in FY'2024, 2.8% points higher than the 37.0% weighted average growth contribution recorded in FY'2023. There still exists an opportunity for the sector to further increase NFI contributions to revenue given the continuous adoption of digitization

- **Growth in Loans and Advances:** While 1 of the listed banks, HF Group, experienced positive loan growth of 0.2%, 9 out of the 10 listed banks recorded negative growth in loans and advances to customers, majorly due to increased credit risk and the elevated borrowing costs. However, with the consistent ease in the Central Bank Rate (CBR) recently, borrowing costs are expected to decline. This reduction is anticipated to support credit growth by encouraging increased borrowing by the private sector and easing financial pressures on borrowers. To drive further loan growth, banks must leverage opportunities such as risk-based lending models, improved customer segmentation, and expanding access to credit in underserved sectors, and,

Banking Sector Growth Drivers

- **Regional Expansion and Further Consolidation:** Consolidation remains a key theme going forward with the current environment offering opportunities for larger banks with a sufficient capital base to expand and take advantage of the market's low valuations, as well as further consolidate out smaller and weaker banks. Notably, the majority of the bigger banks have continued to cushion over unsystematic risks specific to the local market by expanding their operations into other African nations. Additionally, we expect the increased capital requirements imposed on banks to further accelerated consolidation, as only well-capitalized banks are able to meet these thresholds while pursuing expansion opportunities. As such, we expect to see a continued expansion trend aimed at revenue optimization.

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IV. Listed Banking Sector Metrics

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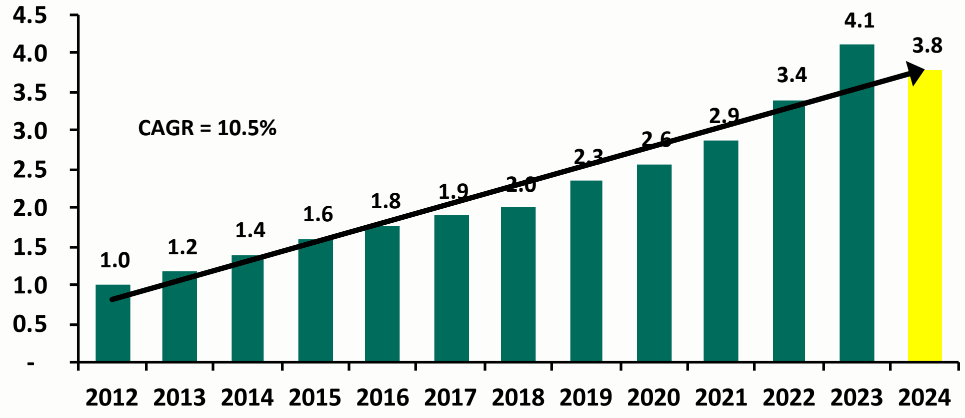
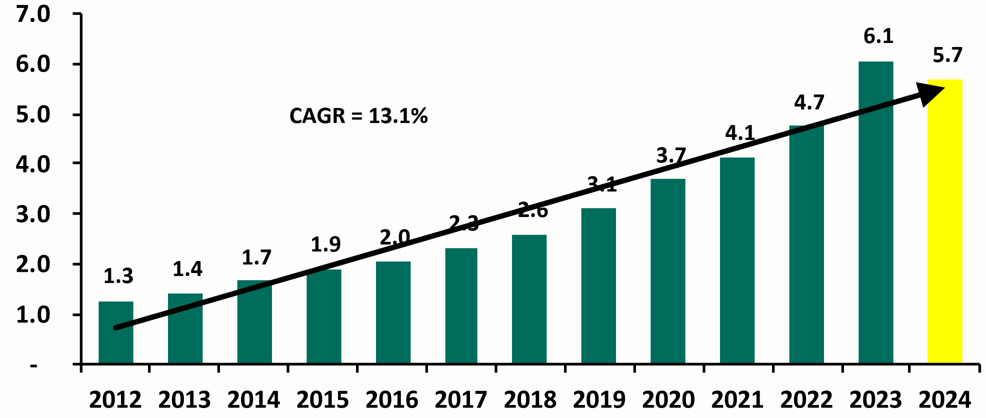
Listed Banking Sector Metrics

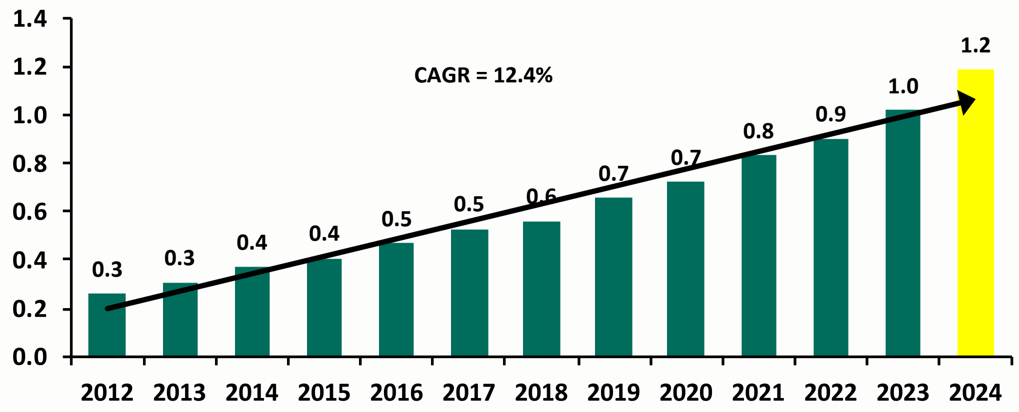
Loans and Advances (Kshs tn)



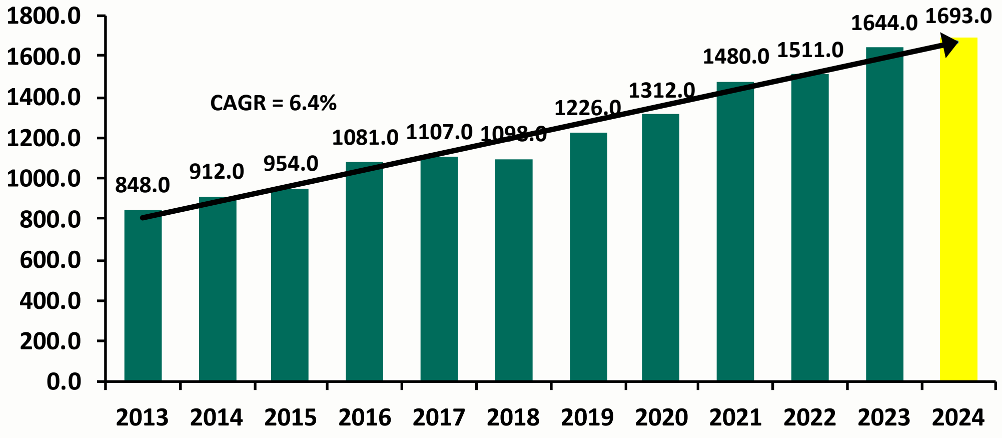
Deposits (Kshs tn)



Shareholders Equity (Kshs tn)



Bank Branches



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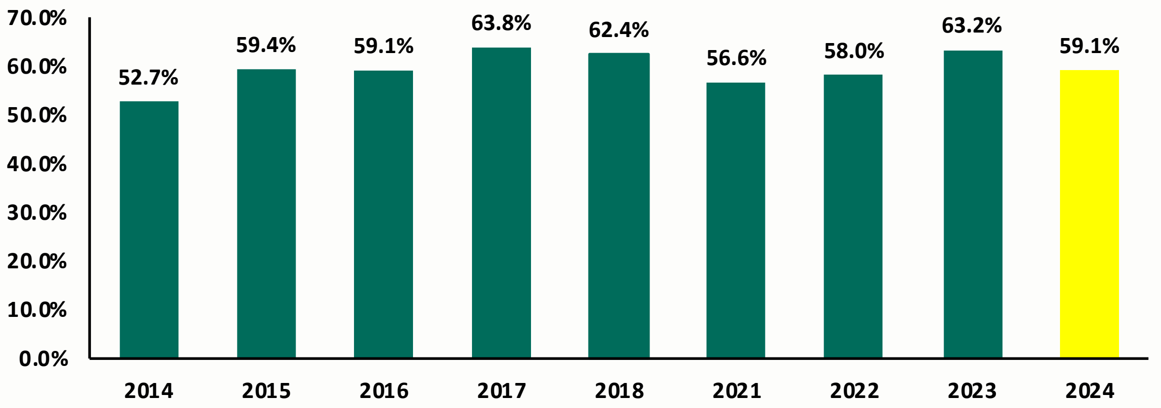
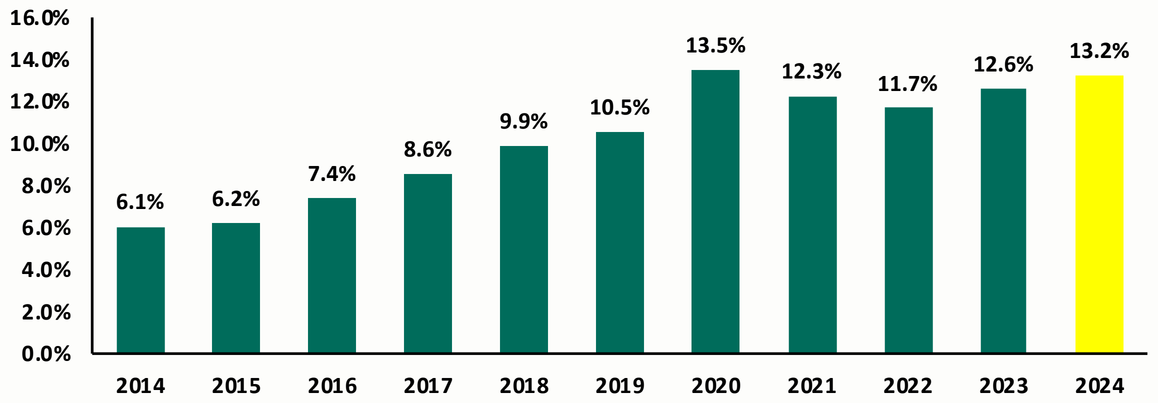
Listed Banking Sector Metrics

Banks' asset quality deteriorated in FY'2024, with the NPL ratio increasing to 13.2% from 12.6% in FY'2023

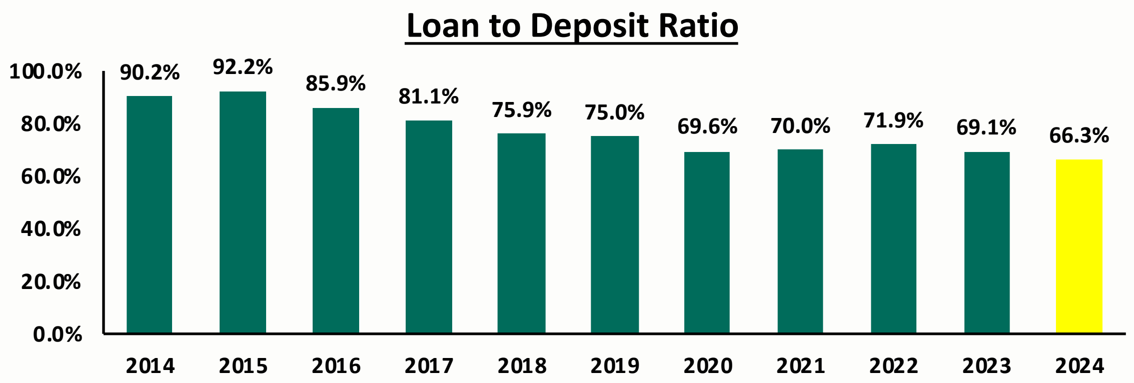
Cost to Income Ratio



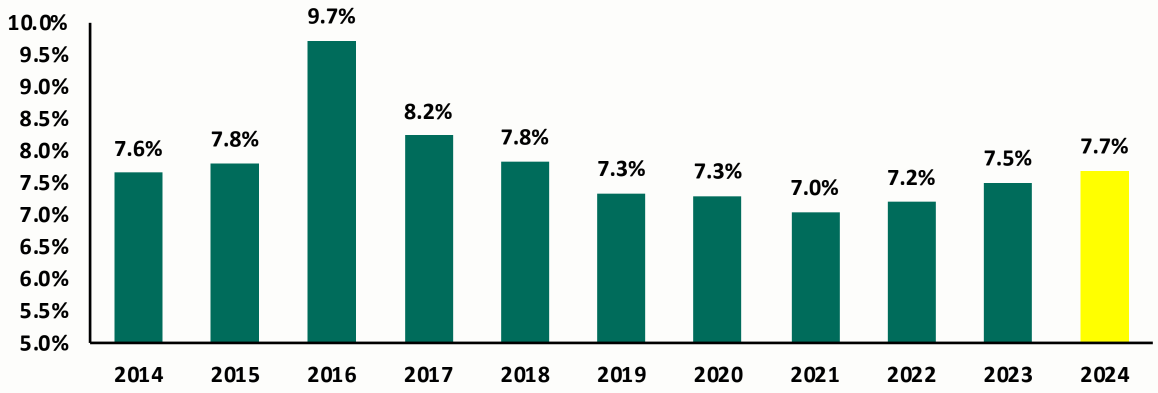
NPL Ratio



Loan to Deposit Ratio



Net Interest Margin



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Listed Banking Earnings and Growth Metrics

Kenya's listed banks weighted average core EPS grew by 25.7% in FY'2024, compared to 11.4% in FY'2023

Cytonn Report: Kenyan Listed Banks Performance FY'2024															
Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Net Interest Income Growth	Net Interest Margin	Non-Funded Income Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Growth in Government Securities	Loan to Deposit Ratio	Loan Growth	Return on Average Equity	COF	YIEA
KCB Group	**64.9%**	26.9%	25.0%	28.0%	7.8%	16.6%	33.0%	10.1%	(18.3%)	(43.6%)	71.7%	(9.6%)	24.6%	4.6%	12.4%
Standard Chartered Bank	**45.0%**	20.0%	83.4%	13.4%	9.5%	40.4%	34.4%	11.9%	(13.8%)	34.7%	51.3%	(7.1%)	30.1%	1.7%	11.1%
Diamond Trust Bank Kenya	**28.2%**	12.0%	21.6%	3.0%	5.5%	**7.3%**	31.5%	15.8%	(8.0%)	5.5%	63.8%	(7.5%)	11.3%	6.3%	11.5%
Absa Bank Kenya	**27.5%**	19.3%	30.1%	15.4%	10.1%	10.8%	25.8%	1.7%	1.2%	37.2%	84.2%	(7.9%)	27.0%	4.5%	14.2%
I&M Group	**21.9%**	35.0%	39.9%	31.2%	7.7%	(2.8%)	26.7%	15.6%	(1.1%)	31.0%	69.6%	(7.8%)	16.9%	6.7%	15.4%
Stanbic Holdings	**12.8%**	37.8%	105.7%	(5.1%)	5.9%	(1.7%)	38.8%	(13.1%)	(2.8%)	67.9%	71.6%	(11.6%)	19.1%	7.1%	12.6%
Equity Group	**11.0%**	9.2%	20.3%	3.7%	7.0%	10.7%	43.9%	12.9%	3.1%	22.0%	58.5%	(7.7%)	22.1%	4.1%	10.9%
Co-operative Bank of Kenya	**9.8%**	24.9%	45.7%	13.9%	8.3%	10.1%	36.1%	3.2%	12.1%	15.1%	73.8%	(0.1%)	19.7%	6.4%	13.9%
NCBA Group	**1.9%**	16.0%	34.5%	(0.3%)	5.7%	(3.1%)	45.0%	5.5%	(13.4%)	(11.1%)	60.2%	(10.4%)	21.2%	7.4%	12.5%
HF Group	**(10.8%)**	23.1%	41.0%	4.4%	5.0%	21.2%	36.1%	36.1%	8.3%	75.3%	81.9%	0.2%	4.3%	7.5%	12.0%
FY'24 Mkt Weighted Average*	**25.7%**	**21.1%**	**43.6%**	**11.7%**	**7.7%**	**12.2%**	**36.3%**	**7.3%**	**(4.4%)**	**15.4%**	**66.3%**	**(7.7%)**	**22.9%**	**5.0%**	**12.5%**
FY'23 Mkt Weighted Average**	**11.4%**	**30.5%**	**52.4%**	**20.6%**	**7.5%**	**16.4%**	**37.0%**	**18.4%**	**25.0%**	**2.2%**	**69.0%**	**9.5%**	**21.2%**	**4.0%**	**11.2%**
*Market cap weighted as at 17/04/2025															
**Market cap weighted as at 18/04/2024															

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Takeout from Key Operating Metrics

The listed banks recorded a 22.9% weighted average growth on RoaE, 1.5% points lower than 21.2% in FY'2023

- Listed banks recorded a 25.7% growth in core Earnings per Share (EPS) in FY’2024, compared to the weighted average growth of 11.4% in FY’2023, an indication of sustained performance supported by improved operating environment experienced in FY’2024 on the back of easing inflationary pressures and a strengthening Shilling. The performance during the period was mainly supported by a 11.7% weighted average growth in net interest income, coupled with a 12.2% weighted average growth in non-funded income,
- Investments in government securities investments by listed banks increased significantly in FY’2024, having recorded a market-weighted average growth of 15.4%, from the 2.2% increase recorded in FY’2023, with 8 of the 10 listed banks recording increases in government securities investments. HF Group and Stanbic Holdings recorded the largest increases of 75.3% and 67.9% respectively. However, 2 of the 10 listed banks recorded decreases in government securities investments of 43.6% and 11.1% for KCB Group and NCBA Group respectively,
- Interest income recorded a weighted average growth of 21.1% in FY’2024, compared to 30.5% in FY’2023. Similarly, interest expenses recorded a market-weighted average growth of 43.6% in FY’2024 compared to a growth of 52.4% in FY’2023. Consequently, net interest income recorded a weighted average growth of 11.7% in FY’2024, albeit lower than the 20.6% growth recorded in FY’2023,
- The listed banks recorded a 22.8% weighted average growth on return on average equity (RoaE), 1.5% points lower than the 21.2% growth registered in FY’2023.

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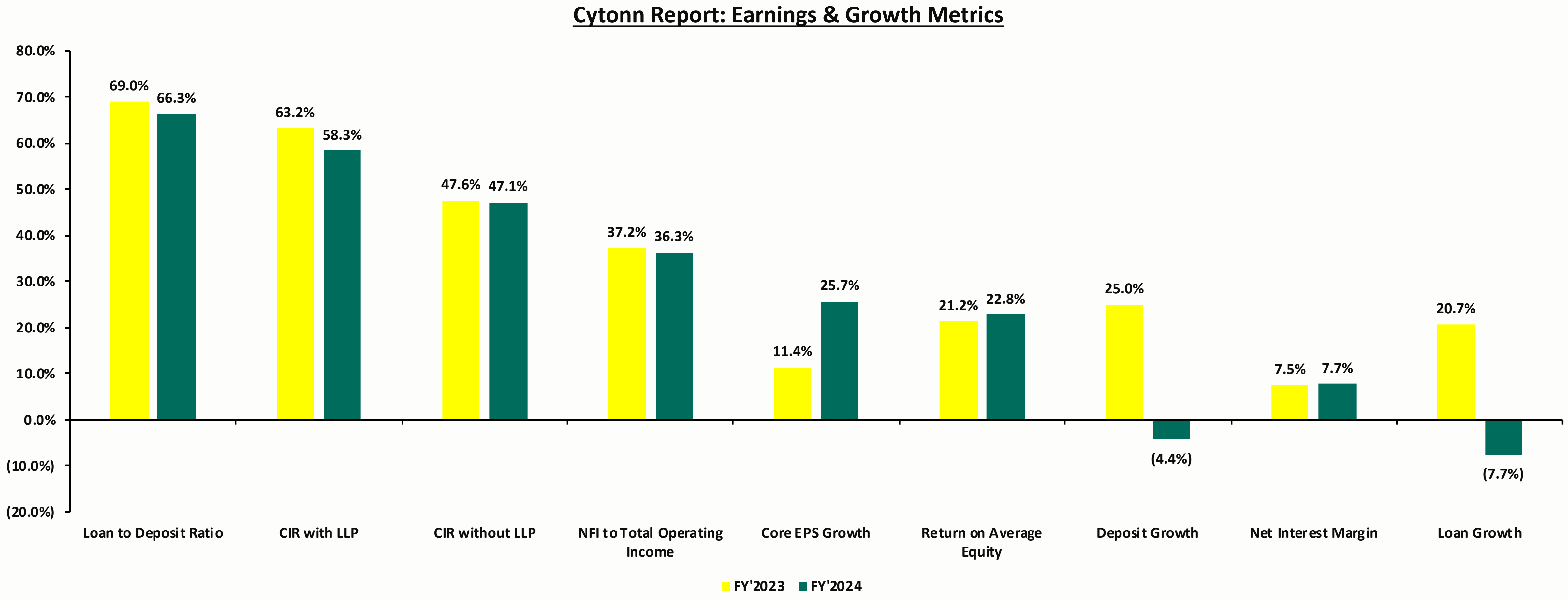
Listed Banks Earnings and Growth Metrics Cont…

The banking sector has witnessed decreased customer loans registering a decline rate of 7.7% in FY'2024, 28.4% points lower than the 20.7% growth in FY'2023



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Listed Banks Operating Metrics

Asset quality for the listed banks deteriorated during the period, with the market-weighted average NPL ratio increasing by 0.7% points to 13.2% from a 12.6% in FY'2023

Cytonn Report: Listed Banks Asset Quality						
	FY'2024 NPL Ratio*	FY'2023 NPL Ratio**	% point change in NPL Ratio	FY'2024 NPL Coverage*	FY'2023 NPL Coverage**	% point change in NPL Coverage
KCB Group	19.8%	17.0%	2.9%	65.1%	62.5%	2.6%
Absa Bank Kenya	12.6%	9.9%	2.7%	66.0%	65.6%	0.4%
HF Group	25.3%	23.1%	2.2%	70.3%	74.9%	(4.6%)
Equity Group	13.6%	12.1%	1.5%	63.7%	52.4%	11.3%
I&M Group	11.5%	10.7%	0.8%	62.3%	55.8%	6.5%
Co-operative Bank of Kenya	17.0%	16.2%	0.7%	63.9%	57.2%	6.8%
Stanbic Holdings	9.1%	9.5%	(0.4%)	78.4%	70.4%	8.0%
Diamond Trust Bank	12.6%	13.4%	(0.8%)	39.9%	41.4%	(1.6%)
NCBA	11.5%	12.3%	(0.9%)	59.2%	55.2%	4.0%
Standard Chartered Bank	7.4%	9.7%	(2.3%)	81.8%	81.6%	0.3%
Mkt Weighted Average*	**13.2%**	**12.6%**	**0.7%**	**66.8%**	**60.7%**	**6.1%**
*Market cap weighted as at 17/04/2025						
**Market cap weighted as at 18/04/2024						

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Listed Banks Trading Metrics

The listed banking sector has continued to trade at cheaper prices compared to historical averages, currently trading at an average P/TBV of 0.9x and average P/E of 3.8x

Bank	No. of shares (bn)	Market Cap (Kshs bn)	P/E	Price*	P/TBV
SCBK	0.4	113.4	5.7x	300.3	1.7x
Stanbic Bank	0.4	68.5	5.0x	173.3	0.9x
HF Group	0.4	2.4	4.5x	6.2	0.2x
Absa Bank	5.4	94.0	4.5x	17.3	1.1x
NCBA Group	1.6	89.0	4.1x	54.0	0.9x
Coop Bank	5.9	93.6	3.7x	16.0	0.7x
Equity Bank	3.8	168.3	3.4x	44.6	0.8x
I&M Holdings	1.7	49.5	3.0x	30.0	0.6x
DTBK	0.3	20.6	2.4x	73.5	0.3x
KCB Group	3.2	122.9	2.0x	38.3	0.5x
Weighted Average FY'2024*			3.8x		0.9x

*Prices as at 17th April 2025

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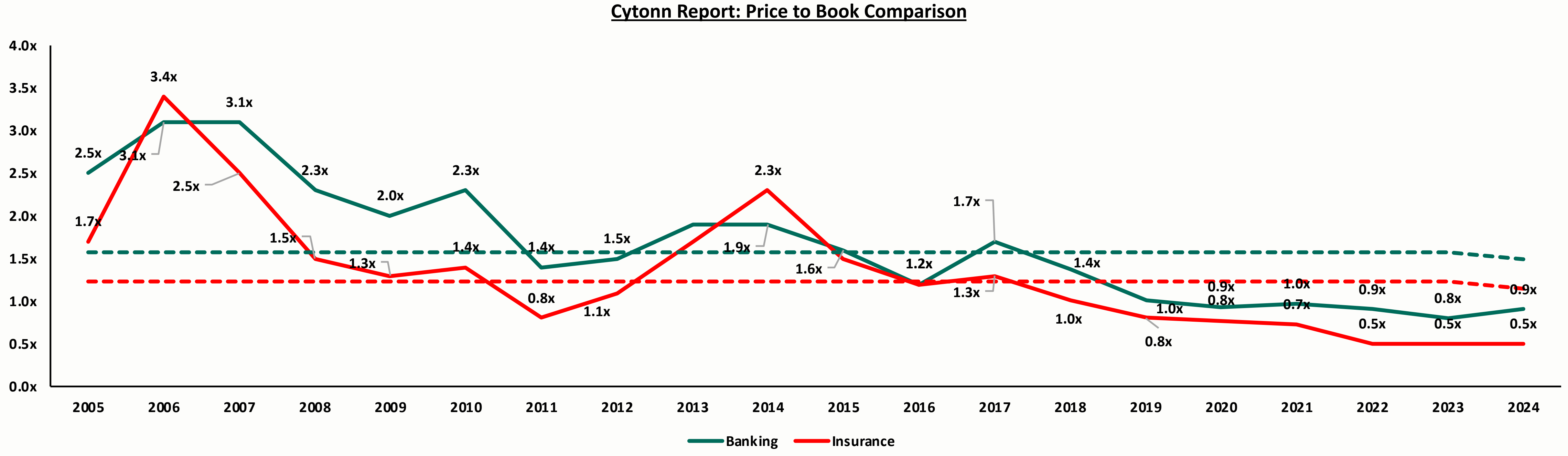
Listed Banks & Insurance Trading Metrics

Listed banks are trading at an average P/B of 0.9x, higher than the insurance sector, which is priced at 0.5x. Both sectors are trading below their 18-year averages of 1.5x and 1.1x, respectively

18 year Price to Book Value: Banking and Insurance



On a price to book valuation, listed banks are currently priced at a P/BV of 0.9x, higher than listed insurance companies at 0.5x, with both lower than their historical averages of 1.5x for the banking sector and 1.1x for the insurance sector

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V. Banks Valuation Reports

Ranking by Franchise Value

Standard Chartered Bank emerged top in the franchise ranking having had the lowest cost to income ratio of 44.3% against a weighted market average of 58.3% for the listed banks

Bank	LDR	CIR	ROACE	NIM	PEG ratio	PTBV	Deposits/ Branch	Gross NPL Ratio	NPL Coverage	Tangible Common Ratio	Non Interest Income/ Revenue	Camel Rating	Total	Rank
SCBK	10	1	1	2	9	10	1	1	1	3	6	1	46	**1**
Absa Bank	1	3	2	1	5	9	3	5	4	4	10	2	49	**2**
Stanbic Bank	5	2	7	7	8	8	2	2	2	5	3	5	56	**3**
Coop Bank	3	4	6	3	6	5	9	8	6	2	5	4	61	**4**
KCB Group	4	5	3	4	1	3	8	9	5	9	7	9	67	**5**
NCBA Group	8	6	5	8	7	7	4	3	9	6	1	6	70	**6**
I&M Holdings	6	7	8	5	4	4	5	4	8	7	9	3	70	**6**
Equity Bank	9	8	4	6	3	6	6	7	7	10	2	8	76	**8**
HF Group	2	10	10	10	10	1	10	10	3	1	4	10	81	**9**
DTBK	7	9	9	9	2	2	7	6	10	8	8	7	84	**10**

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Valuation Summary of Listed Banks

KCB Bank presents the highest return with a total potential return of 39.9%

(all values in Kshs)

Bank	Current Price	Target Price	Upside/(Downside)	DPS	Dividend Yield	Total Potential Return	FY'2024 Ranking
KCB Group	38.3	50.5	32.0%	3.00	7.8%	39.9%	1
I&M Holdings	30.0	36.8	22.9%	3.00	10.0%	32.9%	2
Absa Bank	17.3	21.0	21.4%	1.75	10.1%	31.5%	3
DTBK	73.5	87.8	19.5%	7.00	9.5%	29.0%	4
Equity Bank	44.6	52.7	18.2%	4.25	9.5%	27.7%	5
Coop Bank	16.0	18.8	17.9%	1.50	9.4%	27.3%	6
SCBK	300.3	328.5	9.4%	45.00	15.0%	24.4%	7
NCBA Group	54.0	60.2	11.4%	5.50	10.2%	21.6%	8
HF Group	6.2	7.5	21.0%	0.00	0.0%	21.0%	9
Stanbic Bank	173.3	185.3	6.9%	20.74	12.0%	18.9%	10

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Cytonn Banking Report - Comprehensive Ranking

ABSA Bank Kenya emerged top of the ranking in terms of comprehensive ranking

Bank	Franchise Value Rank	Intrinsic Value Rank	Weighted Rank Score	FY'2023 Rank	FY'2024 Rank
Absa Bank	2	3	2.4	1	1
KCB Group	5	1	3.4	9	2
SCBK	1	7	3.4	5	3
I&M Holdings	6	2	4.4	5	4
Coop Bank	4	6	4.8	2	5
Stanbic Bank	3	10	5.8	3	6
Equity Bank	8	5	6.8	4	7
NCBA Group	6	8	6.8	8	7
DTBK	10	4	7.6	7	9
HF Group	9	9	9.0	10	10

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VI. Appendix

A. Tier I Banks

I. Equity Group Holdings

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Equity Group Summary of Performance – FY'2024

- Profit before tax increased by 17.1% to Kshs 60.7 bn, from Kshs 51.9 bn recorded in FY’2023, with effective tax rate increasing to 19.6% in FY’2024, from 15.7% in FY’2023. As such, profit after tax increased by 11.6% to Kshs 48.8 bn in FY’2024, from Kshs 43.7 bn in FY’2023.
- Total operating income increased by 6.7% Kshs 193.8 bn, from Kshs 181.7 bn in FY’2023, mainly driven by a 10.7% increase in Non- Interest Income (NFI) to Kshs 85.1 bn from Kshs 76.9 bn in FY’2023 coupled with a 3.7% growth in Net Interest Income (NII) to Kshs 108.7 bn, from Kshs 104.8 bn in FY’2023.
- Total operating expense increased by 2.5% to Kshs 133.0 bn in FY’2024, from Kshs 129.8 bn in FY’2023, mainly attributable to the 2.9% increase in staff costs to 33.3 bn from 32.0 in FY’2023.
- The balance sheet recorded a contraction as total assets declined by 0.9% to Kshs 1,804.6 bn, from Kshs 1,821.4 bn in FY’2023,
- Gross Non-Performing Loans (NPLs) increased by 6.5% to Kshs 122.0 bn, from Kshs 114.6 bn in FY’2023, while Gross Loans decreased by 5.3% to Kshs 896.9 bn from Kshs 947.5 bn in FY’2023. Consequently, the asset quality deteriorated with the NPL Gross NPL ratio rising to 13.6% in FY’2024, from 12.1% in FY’2023:

I. **Digital Transformation–** Equity Group Holdings has been at the forefront of digital transformation within Kenya’s banking sector, implementing innovative solutions to enhance customer experience and operational efficiency, reducing the need for physical branch operations. A cornerstone of this strategy is Equitel, the Group’s mobile virtual network operator, which has significantly influenced the financial landscape

Financial Statements Extracts

Equity Group's PAT is expected to grow at a 5-year CAGR of 5.3%

Income Statement	2022	2023	2024	2025f
Net Interest Income	86.0	104.8	108.7	111.8
Non Funded Income	59.9	76.9	85.1	96.3
Total Operating Income	145.9	181.7	193.8	208.1
Loan Loss Provision	(15.4)	(35.6)	(20.2)	(26.2)
Other Operating Expenses	(70.7)	(94.2)	(112.9)	(106.9)
Total Operating Expenses	**(86.1)**	**(129.8)**	**(133.0)**	**(133.2)**
Profit Before Tax	59.8	51.9	60.7	74.9
Profit After tax	46.1	43.7	48.8	52.5
% PAT Change YoY	**15.1%**	**(5.1%)**	**(11.6%)**	**7.5%**
EPS	12.2	11.1	12.3	13.9
DPS	4.0	4.0	4.3	5.3
Cost to Income	59.0%	71.4%	68.7%	64.0%
NIM	**7.2%**	**7.4%**	**7.0%**	**6.9%**
ROaE	26.7%	22.8%	22.1%	17.9%
ROaA	3.4%	2.7%	2.7%	2.7%
Balance Sheet	**2022**	**2023**	**2024**	**2025f**
Net Loans and Advances	706.6	887.4	819.2	865.7
Government Securities	219.2	246.7	300.9	338.7
Other Assets	521.2	687.4	684.5	898.0
Total Assets	**1447.0**	**1821.4**	**1804.6**	**2102.4**
Customer Deposits	1052.2	1358.2	1399.6	1578.6
Other Liabilities	212.6	241.1	154.6	158.6
Total Liabilities	**1264.8**	**1603.3**	**1557.8**	**1737.2**
Shareholders Equity	**176.2**	**207.8**	**234.0**	**352.5**
Number of Shares	**3.8**	**3.8**	**3.8**	**3.8**
Book value Per share	46.7	55.1	62.0	93.4
% Change in BPS YoY	**4.2%**	**17.9%**	**12.6%**	**50.6%**

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Valuation Summary

Equity Group is undervalued with a total potential return of 26.0%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	58.9	40.0%	23.6
Residual Income	39.3	30.0%	11.8
PBV Multiple	64.5	15.0%	9.7
PE Multiple	51.5	15.0%	7.7
Fair Value			**52.70**
Current Price			**44.6**
Upside/(Downside)			17.1%
Dividend Yield			8.9%
Total Potential Return			**26.0%**

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II. KCB Group

KCB Group Summary of Performance – FY'2024

- Profit before tax increased by 69.2% to Kshs 82.0 bn, from Kshs 48.5 bn recorded in FY’2023, with effective tax rate increasing to 24.6% in FY’2024 from 22.7% in FY’2023, leading to an 64.9% increase in profit after tax to Kshs 61.8 bn in FY’2024, from Kshs 37.5 bn in FY’2023.
- Total operating income increased by 24.0% to Kshs 204.9 bn, from Kshs 165.2 bn in FY’2023, mainly driven by a 28.0% growth in Net Interest Income (NII) to Kshs 137.3 bn, from Kshs 107.3 bn in FY'2023, coupled with the 16.6% increase in Non Interest Income (NFI) to Kshs 67.5 bn from Kshs 57.5 bn in FY'2023,
- Total operating expenses increased by 5.2% to Kshs 122.9 bn from Kshs 116.8 bn in FY'2023, driven by a 17.9% increase in other operating expenses to Kshs 53.1 bn from Kshs 45.0 bn recorded in FY'2023,,
- The bank’s Asset Quality deteriorated, with Gross NPL ratio increasing to 19.8% in FY’2024, from 17.0% in FY’2023, attributable to a 8.4% increase in Gross non-performing loans to Kshs 225.7 bn, from Kshs 208.3 bn in FY’2023, compared to the 7.2% increase in gross loans to Kshs 1,137.2 bn, from Kshs 1,226.1 bn recorded in FY’2023,
- Going forward, we expect the bank’s growth to be driven by:

i. **Continued Digitization -** The Group has continued to maximize on digital trasformation. As of FY’2024, 99.0% of the transactions by number were done through the non-branch channels. Notably, the Group witnessed 77.0% growth in the value of mobile loans disbursed mainly driven by Fuliza, introduction of term loans on KCB Mobi and new mobile lending products for small businesses.

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Financial Statements Extracts

KCB Group's PAT is expected to grow at a 5-year CAGR of 19.8%

Income Statement	2021	2022	2023	2024	2025f
Net Interest Income	77.7	86.7	107.3	137.3	160.6
Non Funded Income	30.9	43.3	57.9	67.5	77.0
Total Operating Income	**108.6**	**129.9**	**165.2**	**204.9**	**237.5**
Loan Loss Provision	13.0	13.2	(33.6)	30.0	29.3
Other Operating Expenses	47.8	59.4	150.4	53.1	61.5
Total Operating Expenses	**60.8**	**72.6**	**116.8**	**122.9**	**132.5**
Profit Before Tax	47.8	57.3	48.5	82.0	105.0
% PAT Change YoY	**74.3%**	**19.5%**	**(8.3%)**	**64.9%**	**22.0%**
EPS	10.6	12.7	11.7	19.2	22.9
DPS	3.0	2.0	0.0	3.0	2.5
Cost to Income (with LLP)	56.0%	55.9%	70.7%	60.0%	55.8
NIM	**8.4%**	**7.5%**	**4.3%**	**7.8%**	**14.1%**
ROE	21.8%	22.0%	17.5%	24.6%	21.3%
ROA	3.2%	3.0%	2.0%	3.0%	4.3%
Balance Sheet	**2021**	**2022**	**2023**	**2024f**	**2025f**
Net Loans and Advances	675.5	863.3	1095.9	990.4	1049.8
Government Securities	270.8	278.0	397.2	196.6	360.9
Other Assets	193.4	412.7	677.7	775.3	979.3
Total Assets	**1139.7**	**1554.0**	**2170.9**	**1962.3**	**2390.0**
Customer Deposits	837.1	1135.4	1690.9	1382.0	1464.9
Other Liabilities	129.0	212.3	243.6	297.3	303.6
Total Liabilities	**966.2**	**1347.8**	**1934.5**	**1679.3**	**1768.5**
Shareholders Equity	**171.7**	**200.2**	**228.3**	**274.9**	**613.4**
Number of Shares	**3.2**	**3.2**	**3.2**	**3.2**	**3.2**
Book value Per share	53.4	62.3	71.1	85.54	190.9
% Change in BPS YoY	**20.6%**	**16.6%**	**14.0%**	**35.9%**	**123.1%**

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Valuation Summary

KCB Group is undervalued with a total potential return of 39.9%

Valuation Summary	Implied Price	Weighting	Weighted Value
Residual Income	8.4	35%	2.9
PBV Multiple	92.9	15%	13.9
PE Multiple	81.9	10%	8.2
DDM	64.1	40%	25.6
Target Price			**50.7**
Current Price			**38.3**
Upside/(Downside)			32.0%
Dividend Yield			7.8%
Total Return			**39.9%**

Cytonn

III. Co-operative Bank

Cooperative Bank Summary of Performance – FY'2024

- Profit before tax increased by 7.5% to Kshs 34.8 bn, from Kshs 32.4 bn recorded in FY’2023, with effective tax rate increasing to 28.4% in FY’2024 from 28.9% in FY’2023, leading to a 9.8% increase in profit after tax to Kshs 25.5 bn in FY’2024, from Kshs 23.2 bn in FY’2023.
- Core earnings per share grew by 9.8% to Kshs 4.3, from Kshs 4.0 in FY’2023, driven by the 12.5% increase in total operating income to Kshs 80.6 bn, from Kshs 71.7 bn in FY’2023. However, the performance was weighed down by an 17.7% increase in total operating expenses to Kshs 46.7 bn from Kshs 39.7 bn in FY’ 2023,
- The 12.5% increase in total operating income was mainly driven by an 13.9% increase in Net Interest Income (NII) to Kshs 51.5 bn from Kshs 45.2 bn in FY’2023, coupled with the 10.1% growth in Net Non Interest Income (NFI) to Kshs 29.1 bn, from Kshs 26.5 bn in FY’2023,
- The bank’s Asset Quality deteriorated, with Gross NPL ratio increasing to 17.0% in FY’2024, from 16.2% in FY’2023, attributable to a 6.2% increase in Gross non-performing loans to Kshs 71.1 bn, from Kshs 66.9 bn in FY’2023, compared to the 1.6% increase in gross loans to Kshs 419.2 bn, from Kshs 412.5 bn recorded in FY’2023,

Going forward, we expect the bank’s growth to be driven by:

- **Strong Customer Base –** Cooperative Bank still retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which this year contracted by 0.1% to Kshs 373.7 bn from Kshs 374.2 bn in FY’2023.

- **Diversified products –** The bank has in recent days launched a number of products and continues to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance and the Sacco Mco-op cash. This diversification is expected to continue improving the Non-funded Income of the bank which came in at 29.1 bn, an 10.1% increase from Kshs 26.5 bn in FY’2024,

Financial Statements Extracts

Cooperative Bank's PAT is expected to grow at a 5-year CAGR of 12.0%

Income Statement	2018	2019	2020	2021	2022	2023	2024	2025
Interest Income	43.0	43.6	39.6	55.6	61.7	69.1	86.2	72.8
Interest Expense	(12.2)	(12.3)	(10.9)	(14.6)	(16.2)	(23.8)	(34.7)	(17.9)
Net Interest Income	30.8	31.3	28.7	41.0	45.5	45.2	51.5	54.9
Non Funded Income	12.9	17.2	15.7	19.4	25.7	26.5	29.1	33.9
Total Operating Income	**43.7**	**48.5**	**44.4**	**60.4**	**71.3**	**71.7**	**80.6**	**88.8**
Loan Loss Provision	(1.8)	(2.5)	(6.0)	(7.9)	(8.7)	(6.0)	(8.7)	(9.5)
Other Operating Expenses	(23.9)	(25.3)	(21.9)	(30.2)	(33.6)	(33.7)	(19.7)	(37.2)
Total Operating Expenses	**(25.7)**	**(27.8)**	**(28.0)**	**(38.1)**	**(42.2)**	**(39.7)**	**(46.7)**	**(46.7)**
Profit Before Tax	18.2	20.7	16.5	22.6	29.4	32.4	34.8	42.9
Profit After tax	12.7	14.3	11.6	16.5	22.0	23.2	25.5	30.6
% PAT Change YoY	**11.6%**	**12.4%**	**-18.8%**	**42.3%**	**33.2%**	**5.2%**	**24.1%**	**20.1%**
EPS	1.9	2.1	1.7	2.8	3.8	4.0	4.3	5.2
DPS	1.0	1.0	0.0	1.0	1.5	1.5	1.5	1.5
Cost to Income	58.8%	57.4%	63.0%	63.0%	59.3%	55.3%	57.9%	52.6%
ROE	18.3%	19.2%	14.2%	17.3%	21.2%	21.0%	19.7%	18.4%
ROA	3.2%	3.3%	2.3%	3.0%	3.7%	3.6%	3.6%	3.8%
Balance Sheet								
Net Loans and Advances	245.4	266.7	306.3	310.2	339.4	374.2	373.7	427.4
Government Securities	80.3	117.8	193.3	184.1	173.3	189.0	217.6	242.5
Other Assets	87.7	72.5	93.3	85.5	94.5	107.9	121.3	168.1
Total Assets	413.4	457.0	592.9	579.8	607.2	671.1	743.2	838.14
Customer Deposits	306.1	332.8	420.4	407.7	423.8	451.6	506.1	567.15
Other Liabilities	36.1	43.3	77.1	71.3	75.4	105.8	110.4	93.0
Total Liabilities	342.2	376.2	497.5	479.0	499.3	557.5	597.6	660.1
Shareholders Equity	69.9	79.3	95.0	100.2	107.7	113.6	145.4	177.8
Number of Shares	6.9	6.9	6.9	5.9	5.9	5.9	5.9	5.9
Book value Per share	10.2	11.6	13.8	17.1	18.4	19.4	22.7	25.-
% Change in BPS YoY	**-14.2%**	**13.6%**	**19.8%**	**23.4%**	**7.4%**	**5.5%**	**17.4%**	**11.0%**

Cytonn

Valuation Summary

Co-operative Bank is undervalued with a total potential return of 27.2%

	Implied Price	Weighting	Weighted Value	
Common Ratio	23.5	40%	9.4	
Residual income	6.8	30%	2.0	
PBV Multiple	27.4	20%	5.5	
PE Multiple	16.9	10%	1.7	
Target Price			18.80	
Current Price			16.0	
Upside/(Downside)				17.9%
Dividend Yield				9.4%
Total Return				**27.2%**

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IV. NCBA Bank

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NCBA Bank Summary of Performance – FY'2024

- Profit before tax decreased by 1.3% to Kshs 25.1 bn from Kshs 25.5 bn in FY'2023, with effective tax rate decreasing to 13.0% in FY'2024 from 15.8% in FY'2023. As such, profit after tax increased by 1.9% to Kshs 21.9 bn, from Kshs 21.5 bn in FY'2023.
- Total operating income decreased by 1.5% to Kshs 62.7 bn, from Kshs 63.7 bn in FY'2023 , driven by a 3.1% decrease in Non funded Income (NFI) to Kshs 28.2 bn, from Kshs 29.1 bn in FY'2023, coupled with a 0.3% decrease in Net Interest Income to Kshs 34.5 bn, from Kshs 34.6 bn in FY'2023,
- Total operating expenses decreased by 1.6% to Kshs 37.6 bn from Kshs 38.2 bn in FY'2023, driven by 40.1% decrease in loan loss provisions to Kshs 5.5 bn from Kshs 9.2 bn in FY'2023, which outpaced the 10.7% increase in staff costs to Kshs 13.4 bn from Kshs 12.1 bn in FY'2023 coupled with the 10.5% increase in other operating expenses to Kshs 18.8 bn from Kshs 17.0 bn in FY'2023.
- The balance sheet recorded a contraction as total assets declined by 9.4% to Kshs 665.9 bn, from Kshs 734.6 bn in FY'2023, mainly driven by a 10.4% loan book contraction to Kshs 302.1 bn from Kshs 337.0 bn in FY'2023.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 11.5% in FY'2024, from 12.3% in FY'2023, attributable to the 16.6% decrease in gross non-performing loans to Kshs 37.2 bn, from Kshs 44.6 bn in FY'2023, which outpaced the 10.4% decrease in gross loans to Kshs 324.1 bn, from Kshs 361.6 bn recorded in FY'2023.
- Going forward, we expect the bank's growth to be driven by:

i. **Revenue diversification**. The lender has also capitalized on revenue diversification and increasing the bottom line contribution of all the business lines. Notably, the group acquired AIG Kenya in July 2024 with the company being rebranded as NCBA-IG on March 2025 joining NCBA's six other subsidiaries, reinforcing the group's commitment to its footprints in the financial services landscape

Financial Statements Extracts

NCBA Group's PAT is expected to grow at a 5-year CAGR of 9.0%

Income Statement	2022	2023	2024	2025e
Net Interest Income	30.7	34.6	34.5	43.7
Non Funded Income	30.3	29.1	28.2	24.9
Total Operating Income	**60.9**	**63.7**	**62.7**	**68.6**
Loan Loss Provision	(13.1)	(9.2)	(5.5)	(4.9)
Other Operating Expenses	(24.9)	(29.1)	(32.2)	(35.2)
Total Operating Expenses	**(37.9)**	**(38.2)**	**(37.6)**	**(40.1)**
Profit Before Tax	22.5	25.5	25.1	16.1
Profit After Tax	13.8	21.5	21.9	23.8
% PAT Change YoY	**34.8%**	**55.7%**	**1.9%**	**9.0%**
EPS	8.4	13.0	13.3	14.5
DPS	4.3	4.8	5.5	8.0
Cost to Income (with LLP)	62.2%	60.0%	60.0%	58.4%
NIM	**5.9%**	**5.9%**	**5.7%**	**7.6%**
ROE	17.2%	24.0%	21.2%	22.0%
ROA	2.3%	3.2%	3.1%	3.6%
Balance Sheet	**2022f**	**2023F**	**2024**	**2025F**
Net Loans and Advances	278.9	337.0	302.1	268.5
Government Securities	205.4	203.4	180.8	156.7
Other Assets	135.4	194.2	183.0	178.3
Total Assets	619.7	734.6	665.9	603.4
Customer Deposits	502.7	579.4	502.0	435.0
Other Liabilities	34.6	58.6	54.2	53.6
Total Liabilities	537.2	638.0	556.2	488.6
Shareholders Equity	82.4	96.7	109.7	114.8
Number of Shares	1.6	1.6	1.6	1.6
Book value Per share	50.0	58.7	66.6	69.7
% Change in BPS YoY	**5.9%**	**17.3%**	**13.5%**	**4.7%**

Valuation Summary

NCBA Group is undervalued with a total potential return of 21.6%

	Implied Price	Weighting	Weighted Value
DDM Integrated	65.0	40.0%	26.0
Residual Valuation	52.4	35.0%	18.3
PBV Multiple	63.2	20.0%	12.6
PE Multiple	63.9	5.0%	3.2
Target Price			**60.2**
Current Price			**54.0**
Upside/(Downside)			11.4%
Dividend Yield			10.2%
Total Potential Return			**21.6%**

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V. Standard Chartered Bank Kenya

SCBK's Summary of Performance – FY'2024

- Core earnings per share increased by 45.0% to Kshs 51.3, from Kshs 36.6 in FY'2023, mainly driven by the 21.4% increase in total operating income to Kshs 50.7 bn, from Kshs 41.7 bn in FY'2023 which outpaced the 1.9% increase in total operating expenses to Kshs 22.5 bn, from Kshs 22.1 bn in FY'2023,
- The 21.4% growth in total operating income was mainly driven by a 40.4% growth in Non Interest Income to Kshs 17.4 bn, from Kshs 12.4 bn in FY'2023, coupled with a 13.4% growth in Net Interest Income (NII) to Kshs 33.3 bn, from Kshs 29.3 bn in FY'2023,
- Total operating expenses increased by 1.9% to Kshs 22.5 bn from Kshs 22.1 bn in FY'2023, driven by the 14.9% increase in staff costs to Kshs 9.1 bn from Kshs 7.9 bn in FY'2023, coupled with a 2.1% increase in other operating expenses to Kshs 11.0 bn from Kshs 10.8 bn in FY'2023,
- The balance sheet recorded a contraction as total assets declined by 10.3% to Kshs 384.6 bn, from Kshs 429.0 bn in FY'2023, driven by a 7.1% decrease in net loans and advances to Kshs 151.6 bn from Kshs 163.2 bn in FY'2023,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 7.4% in FY'2024, from 9.7% in FY'2023, attributable to the 30.2% decrease in gross non-performing loans to Kshs 12.0 bn, from Kshs 17.2 bn in FY'2023, relative to the slower 8.9% decrease in gross loans to Kshs 161.5 bn, from Kshs 177.2 bn recorded in FY'2023.
- Going forward, we expect the bank's growth to be driven by:

i. **Digital transformation -**The lender has leveraged digital innovation to enhance service delivery, enabling customers to invest in various funds such as offshore mutual funds, government securities, and local money market funds, as well as to access digital loans. This digital shift has significantly contributed to the lender's financial performance. The convenience and speed offered by digital banking services have made it easier for customers to manage their finances and access financial products, leading to higher customer satisfaction and loyalty. Consequently, the lender's adoption of digital solutions has positioned it as a competitive player in the financial market, driving growth and expanding its market share**.**

Financial Statements Extracts

SCBK's PAT is expected to grow at a 5-year CAGR of 28.4%

Income Statement	2020	2021	2022	2023	2024	2025f
Net Interest Income	19.1	18.8	22.2	29.3	33.3	37.9
Non Funded Income	8.3	10.4	11.8	12.4	17.4	19.1
Total Operating Income	**27.4**	**29.2**	**34.0**	**41.7**	**50.7**	**57.0**
Loan Loss Provision	3.9	2.1	1.3	3.4	2.4	2.8
Other Operating Expenses	16.1	14.5	15.5	18.7	20.1	21.3
Total Operating Expenses	**20.0**	**16.6**	**16.9**	**22.1**	**22.5**	**24.1**
Profit Before Tax	7.4	12.6	17.1	19.7	28.2	32.9
Profit After tax	5.4	9.0	12.1	13.8	20.1	22.6
% PAT Change YoY	**-33.9%**	**66.2%**	**33.3%**	**14.7%**	**45.0%**	**12.7%**
EPS	14.4	24.0	32.0	36.7	53.2	60.0
DPS	10.5	14.0	22.0	29.0	45.0	38.0
Cost to Income	73.0%	56.8%	49.7%	52.9%	44.3%	42.2%
NIM	6.8%	6.4%	7.0%	8.3%	9.5%	9.3%
ROaE	11.0%	17.4%	22.1%	23.5%	30.1%	29.3%
ROaA	1.7%	2.7%	3.4%	3.4%	4.9%	5.7%

Balance Sheet	2020	2021	2022	2023	2024	2025f
Net Loans and Advances	121.5	126.0	139.4	163.2	151.6	214.0
Government Securities	99.8	95.6	105.7	69.6	93.7	97.7
Other assets	104.3	113.3	136.2	196.2	139.2	96.9
Total Assets	**325.6**	**334.9**	**381.3**	**429.0**	**384.6**	**408.7**
Customer Deposits	256.5	265.5	278.9	342.9	295.7	308.9
Other Liabilities	18.2	16.2	46.2	24.6	17.1	17.1
Total Liabilities	**274.7**	**281.7**	**325.1**	**367.4**	**312.8**	**326.0**
Shareholders Equity	**50.9**	**53.2**	**56.1**	**61.5**	**71.8**	**82.7**
Number of shares	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Book value Per share	135.0	141.2	148.9	163.2	190.4	219.3
% Change in BPS YoY	**6.6%**	**4.6%**	**5.5%**	**9.6%**	**16.6%**	**15.2%**

Cytonn

Valuation Summary

SCBK is undervalued with a total potential return of 24.2%

Valuation Summary	Implied Price	Weighting	Weighted Value
DDM Integrated	550.3	40%	220.1
Residual Income	293.2	10%	29.3
PBV Multiple	124.5	20%	24.9
PE Multiple	181.7	30%	54.5
Target Price			**328.8**
Current Price			**300.3**
Upside/(Downside)			9.4%
Dividend Yield			14.8%
Total Return			**24.2%**

VI. Diamond Trust Bank Kenya

DTB K Holdings Summary of Performance –FY'2024

- Profit before tax increased by 24.2% to Kshs 11.2 bn, from Kshs 9.0 bn recorded in FY'2023, with effective tax rate increasing to 21.2% in FY'2024 from 13.4% in FY'2023, leading to an 13.1% increase in profit after tax Kshs 8.8 bn, from Kshs 7.8 bn recorded in FY'2023.
- Core earnings per share grew by 28.2% to Kshs 31.5, from Kshs 24.6 in FY'2023, driven by the 4.3% increase in total operating income to Kshs 41.4 bn, from Kshs 39.7 bn in FY'2023 coupled with the 2.3% decrease in total operating expenses to Kshs 30.2 bn from Kshs 30.9 bn in FY'2023,
- The 4.3% increase in total operating income was mainly driven by a 3.0% growth in Net Interest Income (NII) to Kshs 28.4 bn, from Kshs 27.6 bn in FY'2023, coupled with the 7.3% increase in Non Funded Income (NFI) to Kshs 13.0 bn from Kshs 12.2 bn in FY'2023,
- Total operating expenses decreased by 2.3% to Kshs 30.2 bn from Kshs 30.9 bn in FY'2023, driven by a 15.6% decrease in loan loss provisions to Kshs 8.7 bn from Kshs 10.3 bn recorded in FY'2023, coupled with a 3.2% decrease in other operating expenses to Kshs 11.6 bn, from Kshs 12.0 bn recorded in FY'2023.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 12.6% in FY'2024, from 13.4% in FY'2023, attributable to a 13.3% decrease in Gross non-performing loans to Kshs 37.9 bn, from Kshs 43.6 bn in FY'2023, compared to the 7.9% decline in gross loans to Kshs 300.7 bn, from Kshs 326.5 bn recorded in FY'2023,

Going forward, we expect the bank's growth to be driven by:

- **Revenue Diversification.** The lender has a great opportunity to explore the growth of its non-funded income streams, which grew by 7.3% to Kshs 13.0 bn, from Kshs 12.2 bn in FY'2023. 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.

Cytonn

Financial Statements Extracts

DTB K Holdings PAT is expected to grow at a 5-year CAGR of 14.4%

Income Statement	2017	2018f	2019	2020	2021	2022	2023	2024	2025f
Net Interest Income	19.7	20.0	18.7	18.1	20.0	22.9	27.6	28.4	33.3
Non Funded Income	5.3	5.4	5.8	6.1	6.3	9.1	12.2	13.0	13.5
Total Operating Income	**25.0**	**25.5**	**24.5**	**24.2**	**26.3**	**31.9**	**39.7**	**41.4**	**46.7**
Loan Loss Provision	4.3	3.0	1.3	7.3	7.6	7.1	10.3	8.7	8.5
Other Operating Expenses	10.6	11.5	11.9	12.3	12.3	14.9	20.5	11.6	26.2
Total Operating Expenses	**14.9**	**14.5**	**13.2**	**19.7**	**19.9**	**22.1**	**30.9**	**30.2**	**34.7**
Profit Before Tax	10.1	11.0	11.3	4.7	6.6	9.5	9.0	11.2	12.0
Profit After tax	6.9	7.1	7.3	3.5	4.4	6.8	7.8	8.8	10.1
% PAT Change YoY	**-10.3%**	**2.3%**	**2.6%**	**-51.5%**	**25.1%**	**53.9%**	**14.7%**	**13.1%**	**14.4%**
EPS	24.8	25.3	26.0	12.6	15.8	24.3	27.9	31.5	36.1
DPS	2.6	2.6	2.7	0.0	3.0	5.0	6.0	7.0	6.0
Cost to Income	59.6%	56.9%	54.0%	81.3%	75.6%	69.1%	77.7%	72.8%	74.2%
NIM	**6.5%**	**6.2%**	**5.6%**	**5.0%**	**5.1%**	**5.3%**	**5.5%**	**5.5%**	**6.5%**
ROE	14.4%	13.9%	12.9%	5.8%	6.8%	10.0%	10.8%	11.3%	11.0%
ROA	2.0%	1.9%	1.9%	0.9%	1.0%	1.4%	1.3%	1.5%	1.8%

Balance Sheet	2017	2018	2019	2020	2021e	2022f	2023f	2024f	
Net Loans and Advances	196.0	193.1	199.1	208.6	220.4	253.7	308.5	285.3	271.3
Government Securities	112.5	115.0	119.3	111.1	83.3	73.5	58.5	126.8	160.1
Other Assets	54.7	69.6	67.8	105.3	153.1	199.8	268.0	268.0	119.9
Total Assets	**363.3**	**377.7**	**386.2**	**425.1**	**456.8**	**527.0**	**635.0**	**573.9**	**551.3**
Customer Deposits	266.2	282.9	280.2	298.2	331.5	387.6	486.1	447.2	411.5
Other Liabilities	43.4	35.9	41.5	58.6	50.8	61.8	62.6	71.8	32.9
Total Liabilities	**309.7**	**318.8**	**321.7**	**356.7**	**382.3**	**449.3**	**548.7**	**481.5**	**444.4**
Shareholders Equity	48.4	53.7	58.9	62.0	67.3	69.0	74.9	81.8	96.35
Number of Shares	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Book value Per share	173.0	191.9	210.5	221.6	240.7	246.6	267.8	292.5	344.6
% Change in BPS YoY	**17.9%**	**10.9%**	**9.7%**	**5.3%**	**8.6%**	**2.5%**	**8.6%**	**29.1%**	**17.8%**

Cytonn

Valuation Summary

DTB-K Holdings is undervalued with a total potential return of 29.0%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	37.9	40.0%	15.1
Residual Income	126.3	40.0%	50.5
PBV Multiple	100.7	10.0%	10.1
PE Multiple	113.6	10.0%	11.4
Target Price			**87.82**
Current Price			**73.5**
Upside/(Downside)			19.5%
Dividend yield			9.5%
Total return			**29.0%**

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VII. ABSA Bank Kenya

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ABSA Bank's Summary of Performance – FY'2024

- Core earnings per share increased by 27.5% to Kshs 3.8, from Kshs 3.0 in FY'2023, mainly driven by the 14.2% increase in total operating income to Kshs 62.3 bn, from Kshs 54.6 bn in FY'2023 which outpaced the 5.5% increase in total operating expenses to Kshs 32.6 bn, from Kshs 30.9 bn in FY'2023
- The 14.2% growth in total operating income was mainly driven by a 15.4% growth in Net Interest Income to Kshs 46.2 bn, from Kshs 40.0 bn in FY'2023, coupled with a 10.8% growth in Non funded Income (NFI) to Kshs 16.1 bn, from Kshs 14.5 bn in FY'2023
- Total operating expenses increased by 5.5% to Kshs 32.6 bn from Kshs 30.9 bn in FY'2023, driven by a 11.0% increase in staff costs to Kshs 13.0 bn from Kshs 11.7 bn in FY'2023 coupled with the 5.7% increase in other operating expenses to Kshs 10.5 bn from Kshs 9.9 bn in FY'2023
- The balance sheet recorded a contraction as total assets declined by 2.6% to Kshs 506.5 bn, from Kshs 519.8 bn in FY'2023, driven by a 7.9% loan book contraction to Kshs 309.1 bn from Kshs 335.7 bn in FY'2023
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 12.6% in FY'2024, from 9.9% in FY'2023, attributable to the 20.1% increase in gross non-performing loans to Kshs 42.5 bn, from Kshs 35.4 bn in FY'2023, relative to the 6.1% decrease in gross loans to Kshs 337.1 bn, from Kshs 358.9 bn recorded in FY'2023
- Going forward, the factors that would drive the bank's growth would be:

i. **Continued Digitization -**The bank has continued to leverage digital transformation as a strategy to enhance financial services and customer experience. This expansion in digital distribution has led to an increase in digital loan disbursements and growth in consumer business through the Timiza digital platform, significantly contributing to its financial performance. Additionally, the lender's subsidiary divisions, particularly asset management and insurance, not only diversifies the bank's revenue streams but also provide additional value-added services to customers, enhancing overall client retention and satisfaction.

Financial Statements Extracts

Absa Bank's PAT is expected to grow at a 5-year CAGR of 23.3%

Income Statement	2020	2021	2022	2023	2024	2025f
Net Interest Income	23.4	25.3	32.3	40.0	46.2	39.4
Non Funded Income	11.1	11.7	13.7	14.5	16.1	25.1
Total Operating Income	**34.5**	**36.9**	**46.0**	**54.6**	**62.3**	**64.5**
Loan Loss Provision	(9.0)	(4.7)	(6.5)	(9.2)	(9.1)	(3.9)
Other Operating Expenses	(16.6)	(16.7)	(18.7)	(21.6)	(23.5)	(24.5)
Total Operating Expenses	**(25.7)**	**(21.4)**	**(25.1)**	**(30.9)**	**(32.6)**	**(28.4)**
Profit Before Tax	5.6	15.5	20.8	23.7	29.7	36.1
Profit After tax	**4.2**	**10.9**	**14.6**	**16.4**	**20.9**	**25.7**
% PAT Change YoY	**-44.2%**	**161.2%**	**34.2%**	**12.2%**	**27.5%**	**23.3%**
EPS	0.8	2.0	2.7	3.0	3.8	4.7
DPS	0.0	1.1	1.4	1.6	1.8	3.0
Cost to Income	74.4%	57.9%	54.7%	56.6%	52.3%	44.0%
NIM	**7.1%**	**7.1%**	**8.2%**	**9.4%**	**10.1%**	**7.3%**
ROaE	9.1%	21.1%	24.3%	24.6%	27.0%	5.1%
ROaA	1.1%	2.7%	3.2%	3.3%	4.1%	0.9%
Balance Sheet	**2020**	**2021**	**2022**	**2023**	**2024**	**2025f**
Net Loans and Advances	208.9	234.2	283.6	335.7	309.1	313.7
Government Securities	126.1	132.6	133.5	95.2	130.6	132.2
Other Assets	44.5	61.9	60.2	88.9	66.8	89.4
Total Assets	**379.4**	**428.7**	**477.2**	**519.8**	**506.5**	**535.3**
Customer Deposits	253.6	268.7	303.8	362.7	367.1	371.5
Other Liabilities	79.3	103.5	109.9	87.9	54.2	54.5
Total Liabilities	**332.9**	**372.2**	**413.6**	**450.6**	**421.3**	**426.0**
Shareholders Equity	**46.5**	**56.4**	**63.6**	**69.2**	**85.2**	**109.3**
Number of shares	**5.4**	**5.4**	**5.4**	**5.4**	**5.4**	**6.4**
Book value Per share	8.6	10.4	11.7	12.7	15.7	20.1
% Change in BPS YoY	**2.9%**	**21.4%**	**36.8%**	**22.6%**	**23.1%**	**57.9%**

Cytonn

Valuation Summary

Absa Bank is undervalued with a total potential return of 31.5%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	22.5	40%	9.0
Residual Income	26.6	35%	9.3
PBV Multiple	10.7	20%	2.1
PE Multiple	10.9	5%	0.5
Target Price			**21.0**
Current Price			**17.3**
Upside/(Downside)			21.4%
Dividend Yield			10.1%
Total Return			**31.5%**

Cytonn

VIII. Stanbic Holdings

Stanbic Holdings' Summary of Performance – FY'2024

- Profit before tax increased by 11.0% to Kshs 19.0 bn from Kshs 17.1 bn in FY'2023, with effective tax rate decreasing to 27.7% in FY'2024, from 28.9% in FY'2023. As such, profit after tax increased by 12.8% to Kshs 13.7 bn in FY'2024, from Kshs 12.2 bn in FY'2023.
- Total operating income decreased by 3.8% to Kshs 39.7 bn in FY'2024 from Kshs 41.3 bn in FY'2023, driven by a 5.1% decline in Net Interest Income to Kshs 24.3 bn, from Kshs 25.6 bn in FY'2023, coupled with 1.7% decline in Non funded Income (NFI) to Kshs 15.4 bn, from Kshs 15.7 bn in FY'2023,
- Total operating expenses decreased by 14.2% to Kshs 20.8 bn from Kshs 24.2 bn in FY'2023, mainly driven by a 50.3% decrease in loan loss provisions to Kshs 3.1 bn from Kshs 6.2 bn recorded in FY'2023.
- The balance sheet recorded a contraction as total assets decreased by 1.0% to Kshs 454.8 bn, from Kshs 459.3 bn in FY'2023, mainly attributable to the 11.6% decline in customer net loans and advances to Kshs 230.3 bn in FY'2024, from Kshs 260.5 bn in FY'2023
- The bank's Asset Quality deteriorated, with Gross NPL ratio decreasing to 9.1% in FY'2024, from 9.5% in FY'2023, attributable to 14.4% decrease in Gross non-performing loans to Kshs 22.6 bn, from Kshs 26.5 bn in FY'2023, which outpaced the 11.1% decrease in gross loans to Kshs 248.1 bn, from Kshs 279.1 bn recorded in FY'2023,
- Going forward, the factors that would drive the bank's growth would be:

i. **Digital transformation.** The lender has capitalized on digital innovation for service delivery over the past three years to improve its operational efficiency, which has been a key factor in its financial performance. In March 2024, the lender disclosed that 90.0% of transactions happened on digital channels. In 2022 the bank introduced borderless banking, allowing its customers across East Africa to conduct transaction smoothly and in real time, which has registered USD 697.0 mn worth of transactions as of December 2023.Additionally, the lender upgraded their T24 core banking system to improve client's experiences.

Financial Statements Extracts

Stanbic Holdings' PAT is expected to grow at a 5-year CAGR of 24.2%

Income Statement	2020	2021	2022	2023	2024	2025f
Net Interest Income	12.8	14.4	18.9	25.6	24.3	27.9
Non Funded Income	10.4	10.6	13.1	15.7	15.4	15.1
Total Operating Income	**23.2**	**25.0**	**32.1**	**41.3**	**39.7**	**43.1**
Loan Loss Provision	(4.9)	(2.5)	(4.9)	(6.2)	(3.1)	(3.0)
Total Operating Expenses	**(12.1)**	**(12.7)**	**(19.9)**	**(24.2)**	**(20.8)**	**(22.2)**
Profit Before Tax	6.2	9.8	12.2	17.1	19.0	20.9
Profit after Tax	5.2	7.2	9.1	12.2	13.7	15.1
% PAT Change YoY	**(18.6%)**	**38.8%**	**25.7%**	**68.7%**	**51.4%**	**24.2%**
EPS	13.1	18.2	22.9	30.8	34.7	38.2
DPS	3.8	9.0	12.6	14.2	18.9	10.0
Cost to Income (with LLP)	0.5	0.6	62.1	0.6	0.5	0.5
NIM	**4.7%**	**5.0%**	**5.7%**	**6.9%**	**5.9%**	**6.5%**
ROaE	10.3%	13.3%	15.3%	18.6%	19.1%	19.8%
ROaA	1.6%	2.2%	2.5%	2.8%	3.0%	3.1%
Balance Sheet	**2020**	**2021**	**2022**	**2023**	**2024**	**2025f**
Net Loans and Advances	196.3	229.3	266.8	260.5	230.3	252.3
Other Assets	132.3	99.6	133	198.8	224.5	238.4
Total Assets	**328.6**	**328.9**	**399.8**	**459.3**	**454.8**	**490.7**
Customer Deposits	260	254.6	304.3	330.9	321.6	344.9
Borrowings	5.5	5.7	10.1	12.7	10.5	10.5
Other Liabilities	11.4	12.1	23.2	47.1	47.4	48.8
Total Liabilities	**276.9**	**272.4**	**337.6**	**390.7**	**379.4**	**404.2**
Shareholders Equity	51.7	56.5	62.2	68.6	75.4	86.5
No of Ordinary Shares	0.4	0.4	0.4	0.4	0.4	0.4
Book value Per share	130.9	142.8	157.3	171.4	188.5	216.4
% Change in BVPS	**5.5%**	**9.1%**	**2.0%**	**9.0%**	**10.0%**	**14.8%**

Valuation Summary

Stanbic Holdings is undervalued with a total potential return of 18.9%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	242.6	40%	97.1
Residual Income	136.1	35%	47.6
PBV Multiple	143.3	15%	21.5
PE Multiple	191.4	10%	19.1
Target Price			**185.3**
Current Price			**173.3**
Upside/(Downside)			6.9%
Dividend Yield			12.0%
Total return			**18.9%**

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IX. I&M Group

I&M Group Summary of Performance – FY'2024

- Profit before tax increased by 24.6% to Kshs 20.8 bn, from Kshs 16.7 bn recorded in FY'2023, with effective tax rate increasing by 0.2% to remain relatively unchanged from the 28.6% recorded in FY'2023. As such, profit after tax increased by 24.8% to Kshs 16.7 bn in FY'2024, from Kshs 13.3 bn in FY'2023.
- Total operating income increased by 20.0% to Kshs 51.2 bn, from Kshs 42.7 bn in FY'2023, mainly driven by a 31.2% growth in Net Interest Income (NII) to Kshs 37.6 bn, from Kshs 28.6 bn in FY'2023. The performance was however weighed down by a 2.8% decrease in Non- Interest Income (NFI) to Kshs 13.7 bn from Kshs 14.1 bn in FY'2023.
- Total operating expense increased by 15.2% to Kshs 31.3 bn in FY'2024, from Kshs 27.2 bn in FY'2023, mainly attributable to 21.3% increase in staff cost to Kshs 9.1 bn, from Kshs 7.5 bn in FY'2023, coupled with the 12.4% increase in other operating expenses to 14.4 bn from 12.9 in FY 2023. Notably, loan loss provisions expense increased by 13.8% to Kshs 7.8 bn, from 6.9 bn in FY'2023.
- The balance sheet recorded an expansion as total assets increased by 0.3% to Kshs 581.3 bn, from Kshs 579.9 bn in FY'2023.
- Gross Non-Performing Loans (NPLs) increased by 0.4% to Kshs 35.5 bn, from Kshs 35.4 bn in FY'2023, while Gross Loans decreased by 6.6% to Kshs 309.2 bn from Kshs 331.1 bn in FY'2023. Consequently, the asset quality deteriorated with Gross NPL ratio increasing by 0.8%to 11.5% in FY'2024, from 10.7% in FY'2023
- Going forward, we expect the bank's growth to be driven by:

i. **The iMara Strategy -** The Group has focused on growing customer deposits and loans through the iMara strategy. Part of the initiative includes opening more branches across the country to expand market reach. The initiative emphasizes a customer-centric approach, innovative product offerings and strategic partnerships to drive long-term value for stakeholders. By aligning with evolving financial trends and customer needs, iMara aims to solidify the bank's position as a leading financial institution in Kenya.

Financial Statements Extracts

I&M Group's PAT is expected to grow at a 5-year CAGR of 8.0%

Income Statement	2022	2023	2024	2025f
Net Interest Income	22.9	28.6	37.6	46.3
Non- Funded Income	12.7	14.1	13.7	14.8
Total Operating Income	**35.7**	**42.7**	**51.2**	**61.2**
Loan Loss Provision	(5.2)	(6.9)	(7.8)	(8.1)
Other Operating Expenses	(16.1)	(20.3)	(23.5)	(28.3)
Total Operating Expenses	**(21.3)**	**(27.2)**	**(31.3)**	**(36.4)**
Profit Before Tax	15.0	16.7	20.8	25.7
% PAT Change YoY	**11.6%**	**15.2%**	**24.8%**	**8.0%**
EPS	7.0	7.6	9.3	10.9
DPS	2.3	2.6	3.0	4.0
Cost to Income (with LLP)	59.8%	63.7%	61.2%	59.5%
NIM	**6.7%**	**7.0%**	**7.7%**	**13.2%**
ROaE	14.4%	15.0%	16.9%	16.8%
ROaA	2.6%	2.6%	2.9%	2.8%
Balance Sheet	**2022**	**2023**	**2024**	**2025f**
Government securities	113.1	78.1	102.3	118.9
Net Loans and Advances	238.6	311.3	287.1	333.5
Other Assets	84.9	190.3	191.9	252.5
Total Assets	**436.6**	**579.7**	**581.3**	**704.8**
Customer Deposits	312.3	416.7	412.2	478.8
Other Liabilities	42.6	67.3	67.5	103.1
Total Liabilities	**355.0**	**484.0**	**479.6**	**581.9**
Shareholders Equity	76.5	88.2	94.5	115.7
Number of Shares	1.7	1.7	1.7	1.7
Book Value Per Share	46.3	53.3	57.1	70.0
% BVPS Change YoY	**9.9%**	**15.2%**	**7.1%**	**22.5%**

Valuation Summary

I&M Group is undervalued with a total potential return of 32.9%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	41.4	40.0%	16.5
Residual income	29.3	40.0%	11.7
PBV Multiple	44.7	10.0%	4.5
PE Multiple	41.1	10.0%	4.1
Target Price			**36.8**
Current Price			**30.0**
Upside/(Downside)			22.9%
Dividend yield			10.0%
Total return			**32.9%**

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B. Tier II Bank

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I. HF Group

HF Group Summary of Performance – FY'2024

- Profit before tax increased by 37.5% to Kshs 0.5 bn, from Kshs 0.3 bn recorded in FY’2023, with effective tax rate decreasing to 14.1% in FY’2024, from 16.0% in FY’2023, leading to a 35.2% increase in profit after tax to Kshs 0.5 bn in FY’2024, from Kshs 0.4 bn in FY’2023.
- The total operating income increased by 9.9% to Kshs 4.2 bn from Kshs 3.8 bn in FY’2023, mainly driven by a 21.2% increase in Non- Interest Income (NFI) to Kshs 1.5 bn from Kshs 1.2 bn in FY’2023, coupled with the 4.4% growth in Net Interest Income (NII) to Kshs 2.7 bn, from Kshs 2.5 bn in FY’2023.
- Total operating expenses increased by 7.0% to Kshs 3.7 bn in FY’2024, from Kshs 3.5 bn in FY’2023, mainly attributable to 16.5% increase in staff cost to Kshs 1.9 bn, from Kshs 1.6 bn in FY’2023. Notably, loan loss provisions expense increased by 17.8% to Kshs 0.4 bn, from 0.3 bn in FY’2023.
- The balance sheet recorded an expansion as total assets increased by 14.0% to Kshs 70.1 bn, from Kshs 61.6 bn in FY’2023.
- Gross Non-Performing Loans (NPLs) increased by 10.6% to Kshs 12.0 bn, from Kshs 10.8 bn in FY’2023, while Gross Loans increased by 0.8% to Kshs 47.3 bn from Kshs 46.9 bn in FY’2023. Consequently, the asset quality deteriorated with with NPL ratio rising to 25.3% in FY’2024, from 23.1% in FY’2023.
- Going forward, we expect the bank’s growth to be driven by:

i. **Capital injection through rights issue -** The Group successfully raised Kshs 6.0 bn in 2024 via a rights issue. This capital boosted HF Group’s financial position, enabling further investment in growth initiatives. The capital raised was for product expansion, technological advancements and for regulatory compliance requiring banks to increase their capital base to Kshs 10.0 bn by 2028. The successful completion of the rights issue positioned HF Group to implement its growth strategies effectively and navigate the evolving financial landscape

Financial Statements Extracts

HF's PAT is expected to grow at a 5-year CAGR of 20.7%

Income Statement	2022	2023	2024	2025F
Net Interest Income	2.2	2.5	2.7	7.4
Non- Funded Income	0.9	1.2	1.5	(3.0)
Total Operating Income	3.0	**3.8**	**4.2**	4.5
Loan Loss Provision	(0.2)	(0.3)	(0.4)	2.3
Other Operating Expenses	**(2.6)**	(3.2)	(3.4)	**6.7**
Total Operating Expenses	(2.8)	**(3.5)**	(3.7)	(0.2)
Profit Before Tax	0.2	0.3	0.5	(5.7)
% PAT Change YoY	**(138.9%)**	**46.2%**	**35.2%**	**20.7%**
EPS	0.7	1.0	0.9	1.9
DPS	0.0	0.0	0.0	0.0
Cost to Income	93.5%	92.0%	89.5%	87.2%
NIM	**5.0%**	**5.4%**	**5.0%**	**7.2%**
ROaE	3.1%	4.4%	4.3%	4.1%
ROaA	0.5%	0.7%	0.8%	0.9%
Balance Sheet	**2022**	**2023**	**2024**	**2025F**
Net Loans and Advances	36.3	38.8	38.9	42.1
Government securities	8.5	9.7	17.0	18.4
Other Assets	12.2	13.1	14.3	13.8
Total Assets	**57.0**	**61.6**	**70.1**	**92.6**
Customer Deposits	39.8	43.8	47.5	51.4
Other Liabilities	8.4	8.8	7.0	6.6
Total Liabilities	**48.2**	**52.7**	54.5	**58.0**
Shareholders Equity	8.8	8.9	**15.7**	16.2
Number of Shares	0.4	0.4	0.4	0.4
Book Value Per Share	22.8	23.0	40.8	42.2
% BVPS Change YoY	**6.0%**	**1.1%**	**76.9%**	**3.5%**

Cytonn

Valuation Summary

Housing Finance is undervalued with a total potential return of 21.0%

Valuation Summary:	Implied Price	Weighting	Weighted Value
Residual Income	14.0	60%	8.4
PTBV Multiple	8.1	35%	2.8
PE Multiple	4.6	5%	0.2
Fair Value			**7.50**
Current Price			**6.20**
Upside/(Downside)			21.0%
Dividend Yield			0.0%
Total return			***21.0%***

Cytonn

Feedback Summary

During the preparation of this FY'2024 Banking Sector Report, we shared with the subject companies the operating metrics that were used in the Report for their confirmation and verification

- Below is a summary of the banks we were able to acquire feedback from and those that went unresponsive:

Bank	Operating Metrics Shared	Sent Feedback
Co-operative Bank of Kenya	Yes	Unresponsive
Standard Chartered Bank Kenya	Yes	Yes
I&M Group	Yes	Yes
Stanbic Holdings	Yes	Unresponsive
Diamond Trust Bank	Yes	Yes
KCB Group	Yes	Yes
NCBA Group	Yes	Yes
Housing Finance Group	Yes	Unresponsive
Equity Group Holdings	Yes	Unresponsive
Absa Bank Kenya	Yes	Yes

Licensed Financial Institutions

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I. Banks and Mortgage Finance Institutions

Licensed Banks in Kenya

#	Bank	#	Bank
1	ABSA Bank Kenya	20	Gulf African Bank Limited
2	Access Bank Kenya	21	Habib Bank A.G Zurich
3	African Banking Corporation Limited	22	I&M Bank Limited
4	Bank of Africa Kenya Limited	23	Kingdom Bank Kenya Limited
5	Bank of Baroda (Kenya) Limited	24	KCB Bank Kenya Limited
6	Bank of India	25	Mayfair CIB Bank Limited
7	Citibank N.A Kenya	26	Middle East Bank (K) Limited
8	Consolidated Bank of Kenya Limited	27	M-Oriental Bank Limited
9	Co-operative Bank of Kenya Limited	28	National Bank of Kenya Limited
10	Credit Bank Limited	29	NCBA Bank Kenya PLC
11	Development Bank of Kenya Limited	30	Paramount Bank Limited
12	Diamond Trust Bank Kenya Limited	31	HF Group Limited
13	DIB Bank Kenya Limited	32	Prime Bank Limited
14	Ecobank Kenya Limited	33	SBM Bank Kenya Limited
15	Equity Bank Kenya Limited	34	Sidian Bank Limited
16	Family Bank Limited	35	Stanbic Bank Kenya Limited
17	First Community Bank Limited	36	Standard Chartered Bank Kenya Limited
18	Guaranty Trust Bank (K) Ltd	37	UBA Kenya Bank Limited
19	Guardian Bank Limited	38	Victoria Commercial Bank Limited

Licensed Banks in Kenya

Licensed Mortgage Finance Institution

1. HFC Limited

Authorized Non-operating Bank Holding Companies

1. Bakki Holdco Limited
2. Equity Group Holdings Limited
3. HF Group Limited
4. I&M Group
5. KCB Group
6. M Holdings Limited
7. NCBA Group
8. Stanbic Group Holdings

II. Micro-Finance Institutions

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Licensed Microfinance Banks in Kenya

#	Microfinance Bank	#	Microfinance Bank
1	Caritas Microfinance Bank Limited	8	Lolc Microfinance Bank Limited
2	Branch Microfinance Bank Limited	9	SMEP Microfinance Bank Limited
3	Choice Microfinance Bank Limited	10	Sumac Microfinance Bank Limited
4	Daraja Microfinance Bank Limited	11	U & I Microfinance Bank Limited
5	Faulu Microfinance Bank Limited	12	Salaam Microfinance Bank Ltd
6	Kenya Women Microfinance Bank Limited	13	Maisha Microfinance Bank Limited
7	Rafiki Microfinance Bank Limited	14	Muungano Microfinance Bank PLC

Source : CBK

Thank You!

For More Information

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For more information or any further clarification required, kindly contact the research team at invteam@cytonn.com

Q&A / AOB

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