

Kenya Listed Commercial Banks Review

Cytonn FY'2025 Banking Sector Report

“Earnings Growth Moderates, with Improving Asset Quality and Credit Recovery”



19th April, 20265

Table of Contents

1 Introduction to Cytonn

2 Kenya Economic Review and Outlook

3 Banking Sector Overview

4 Listed Banking Sector Metrics

5 Bank Valuation Reports

6 Appendix

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:

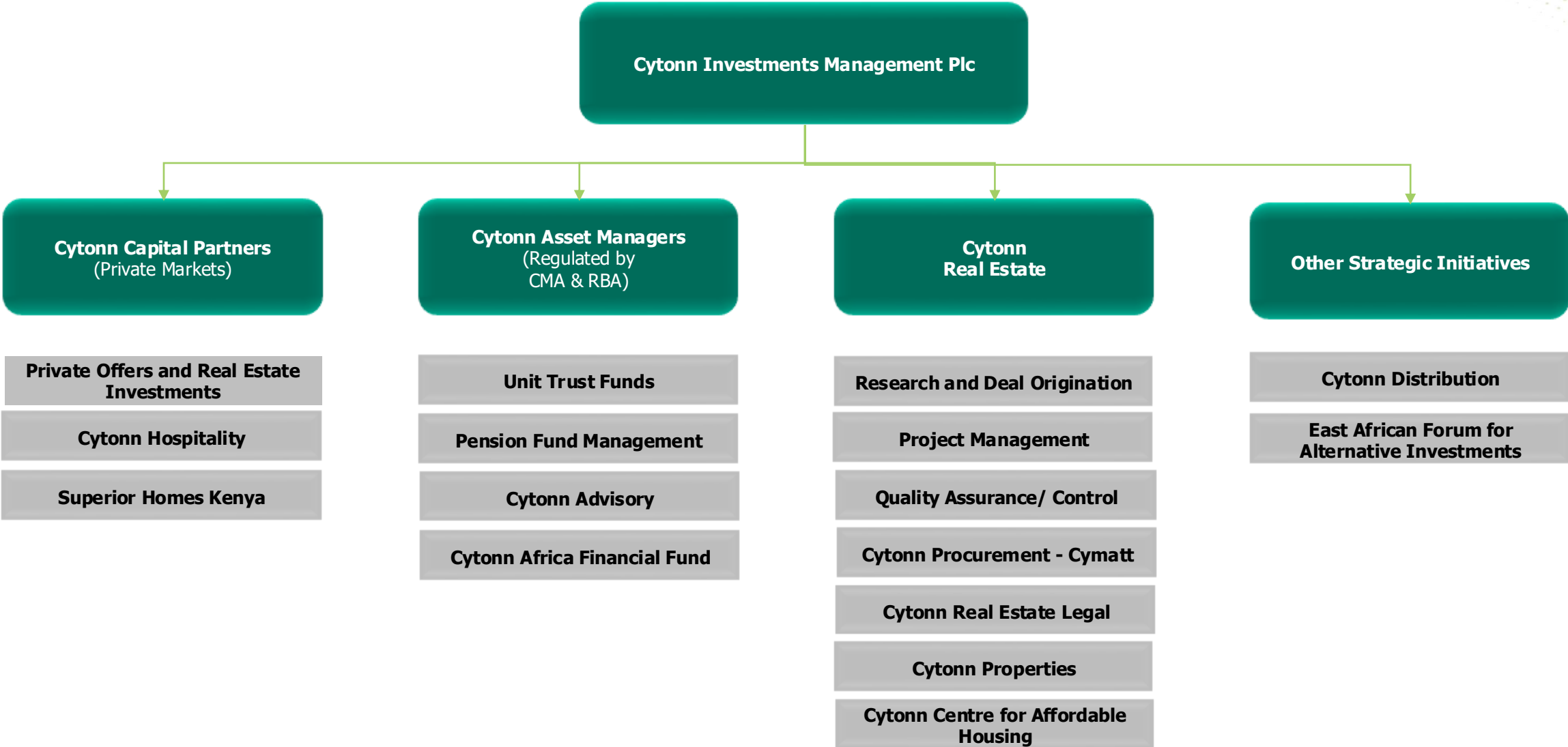
- High Net-worth Individuals through Cytonn Private Wealth. This is done through our captive Distribution Network
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional Clients. These clients are served from our Investment & Fundraising Team

WE INVEST OUR CLIENT FUNDS IN:

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



Our Business Structure

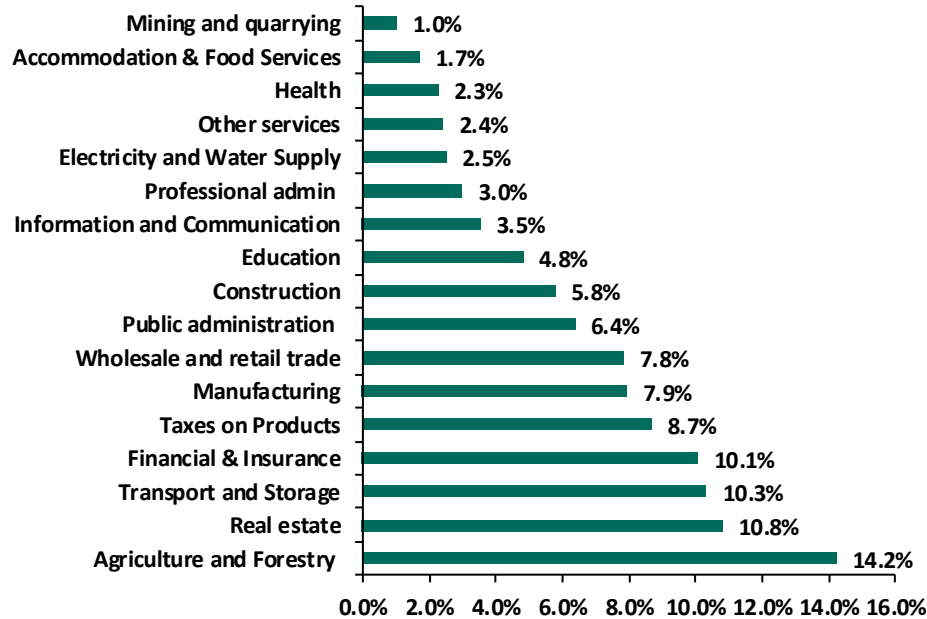


II. Kenya Economic Review and Outlook

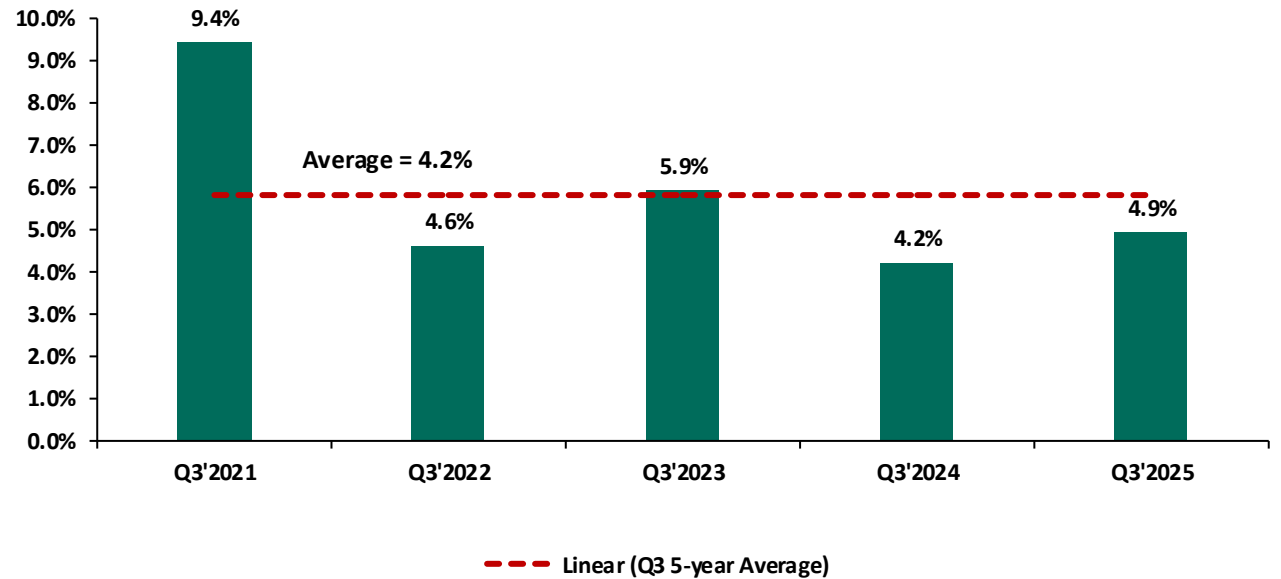
Economic Growth

The Kenyan economy grew by 4.9% in Q3'2025, higher than the 4.2% growth recorded in Q3'2024

Cytonn Report: Q3' 2025 GDP Contribution by sector



Cytonn Report: Third Quarter Growth Rates



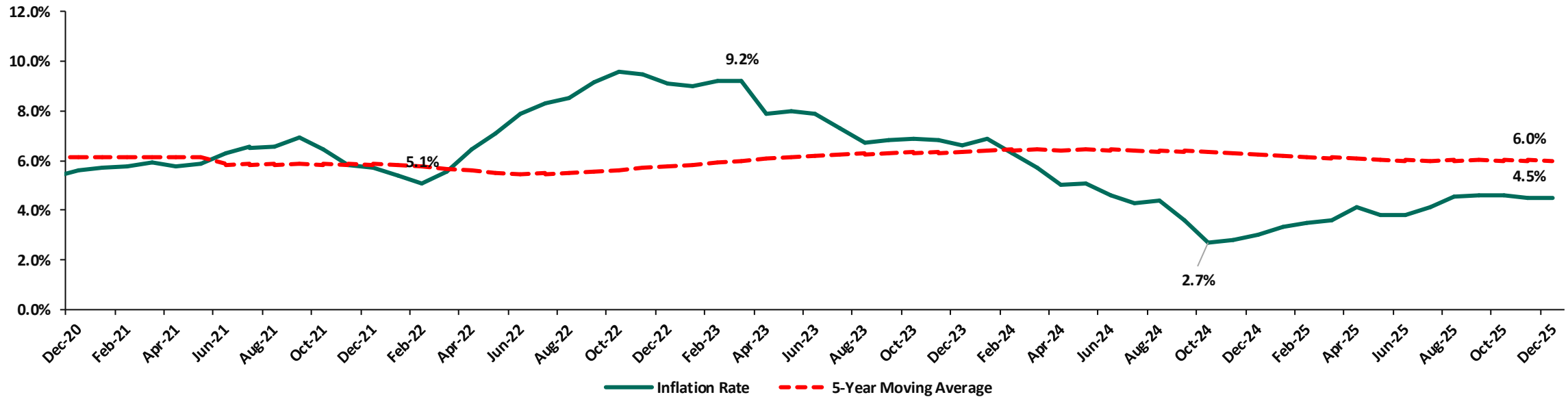
- The Kenyan economy recorded a 4.9% in Q3'2025, higher than the 4.2% growth recorded in Q3'2024. The main contributor to Kenyan GDP remains to be the Agriculture, forestry and fishing sector whose contribution stood at 14.2% in Q3'2025, lower than the 14.5% recorded in Q3'2024. All sectors in Q3'2025 recorded positive growths, with varying magnitudes across activities.
- We expect the reduced borrowing costs and the stronger Shilling to continue reducing production costs, leading to lower food prices in the country. However, growth is likely to be weighed down by increased taxation by the government thereby decreasing the purchasing power of consumers, coupled with increasing fuel prices.

*Source: KNBS, Central Bank of Kenya

Inflation

The average inflation rate increased to 4.5% in FY'2025, compared to 4.1% in FY'2024

Cytonn Report: 5-Year Inflation Rates (y/y)



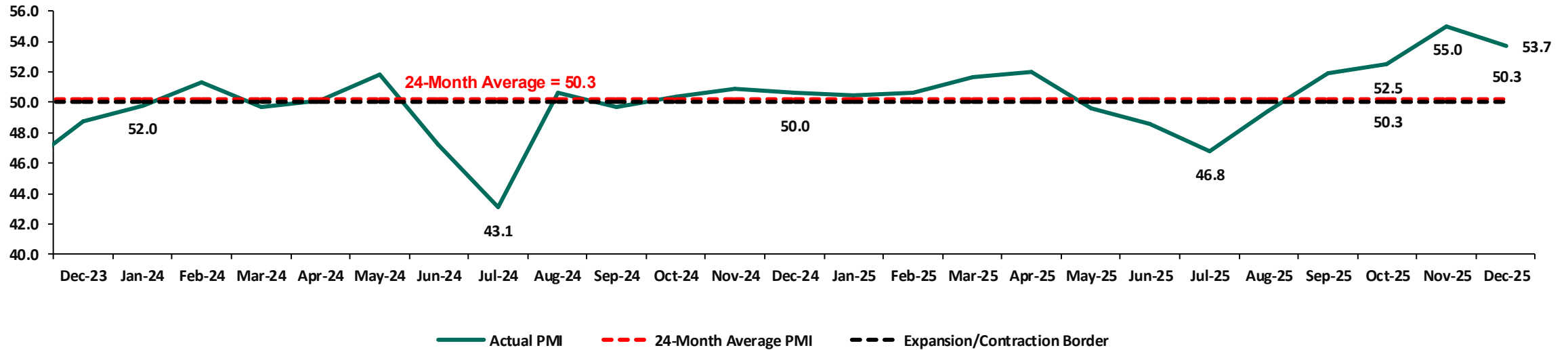
- The average inflation rate increased to 4.5% in FY'2025, compared to 4.1% in FY'2024, attributable to a stronger and stable Shilling, and lower fuel prices.
- The inflation in December 2025 remained unchanged from the 4.5% recorded in November 2025, driven by a rise in prices of items in the Food and Non-Alcoholic Beverages 7.8 %, Transport 5.2 %, and Housing, Water, Electricity, Gas and other fuels 1.6% over the one-year period.
- Going forward, we expect the inflationary pressures to remain within the CBK's preferred target in the short to medium term. However, the geopolitical tensions remain a risk for the inflation rate.

*Source: KNBS

Stanbic PMI Index

The PMI averaged at 53.7 in FY'2025, compared to 50.6 in FY'2024

Cytonn Report: Kenya's Purchasing Manager's Index for the Last 24 Months

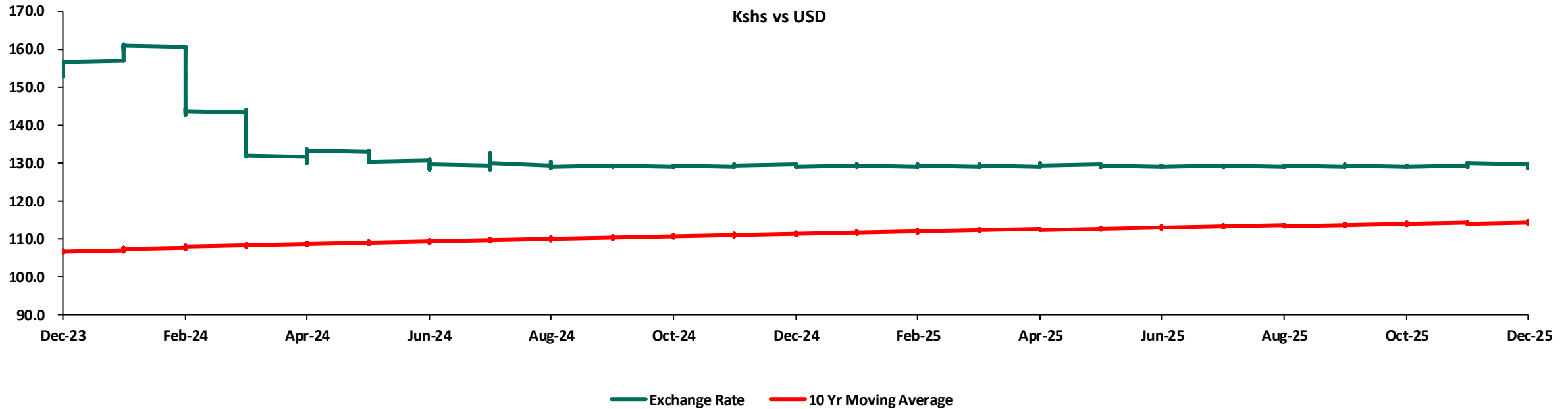


- Kenya’s general business environment slightly improved in FY’2025, with the average Purchasing Manager’s Index coming in at 53.7, compared to 50.6 recorded in FY’2024. The improvement was largely driven by a solid expansion in output and sales volumes, as firms benefited from robust demand conditions, improved tourism activity, increased advertising and competitive pricing strategies..
- Going forward, the business environment is expected to remain supportive in the short to medium term, underpinned by strengthening demand conditions, improved supply chain performance, and a more accommodative monetary policy stance following the Central Bank of Kenya’s decision to [maintain](#) the rate at 8.75% in March 2026 and the prospect of further easing. However, rising input costs driven by higher operating expenses and tax pressures, combined with subdued consumer purchasing power, are expected to weigh on business profitability and overall growth.

*Source: Central Bank of Kenya

Currency

The Kenyan Shilling appreciated by 17.8 bps in Q4'2025 to close the quarter at Kshs 129.0



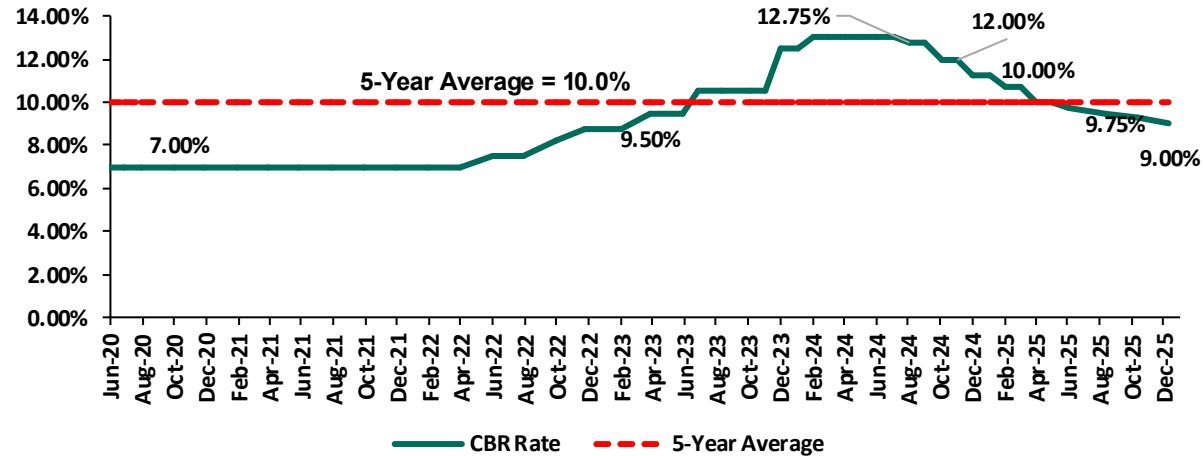
- The Kenyan Shilling appreciated by 17.8 bps in Q4'2025 to close the quarter at Kshs 129.0 from the Kshs 129.2 recorded at the beginning of the quarter, attributable to stable and adequate foreign inflows during the period.
- In our view, the shilling will be supported by diaspora remittances standing at cumulative USD 5,051.2 mn in the twelve months to February 2026, 1.9% higher than the USD 4,956.5 mn recorded over the same period in 2025, which has continued to cushion the shilling against further depreciation, as well as the tourism inflow receipts. We however expect the shilling to remain under pressure as a result of an ever-present current account deficit which came at 2.4% of GDP in the twelve months to February 2026, and, as well as the need for government debt servicing.

**Source: Central Bank of Kenya*

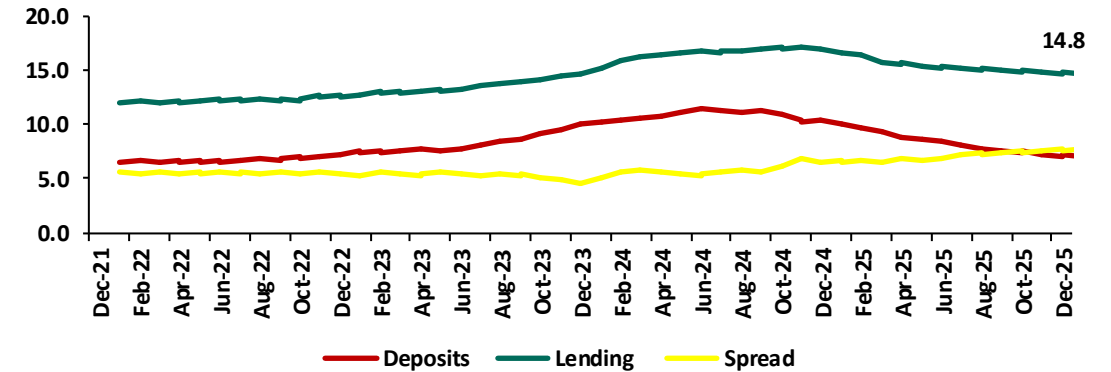
Interest Rates and Monetary Policy

The MPC cut the Central Bank Rate to 9.00% in the December 2025 meeting, from 9.25% set in October 2025

Central Bank Rate (CBR)



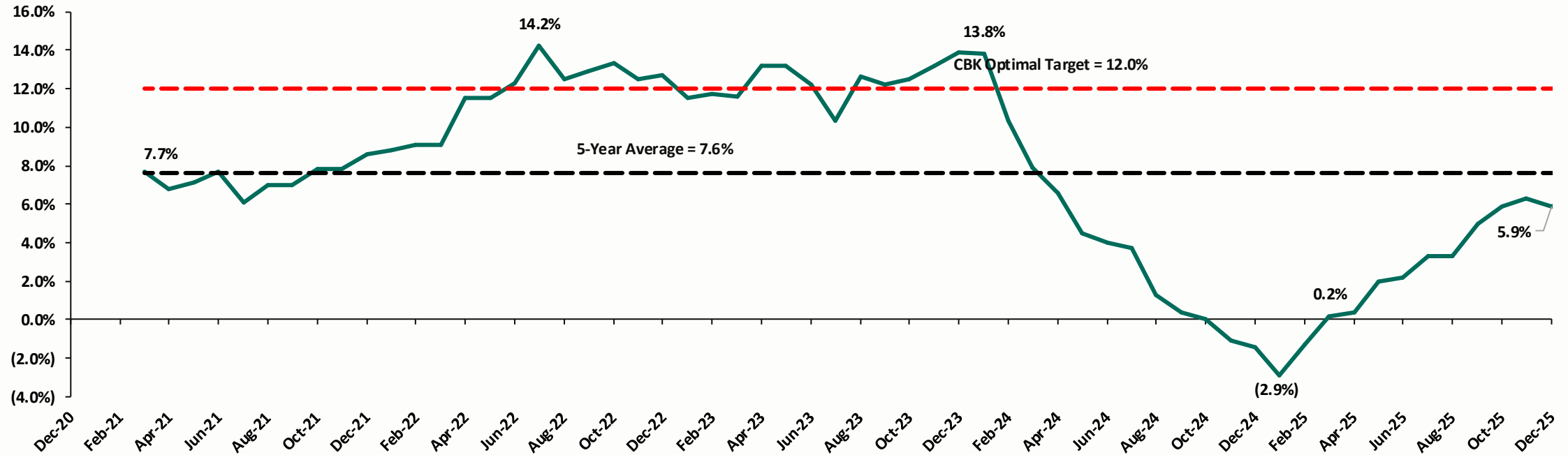
Cytonn Report: Weighted Average Interest Rates



- The Monetary Policy Committee (MPC) met twice in Q4'2025 in (October and December) and lowered the CBR rate by 50.0 bps to 9.0%, from 9.5% in August 2025 against a backdrop of elevated uncertainties to the global outlook for growth, lower but sticky inflation in advanced economies heightened trade tensions as well as persistent geopolitical tensions
- In our view, we expect the MPC to adopt a more cautious approach to rate adjustments in the coming meetings in a bid to continue supporting the private sector, while closely monitoring the impact on inflation and the exchange rate, as a result of the ongoing Middle East war. The next MPC meeting is scheduled for June 2026, where we expect the Central Bank Rate (CBR) to be maintained at 8.75%.

Private Sector Credit growth

Cytonn Report: Private Sector Credit Growth



*Source: KNBS

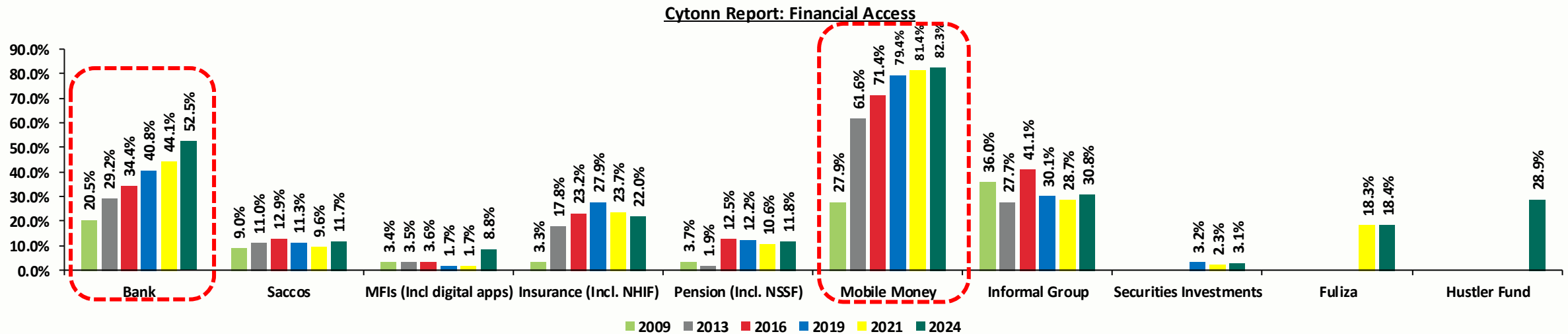
- Growth in private sector grew by 5.9% in December 2025 from a contraction of 1.4% in December 2024, mainly attributed to the dissipation of exchange rate valuation effects on foreign currency-denominated loans due to the appreciation of the Shilling and increased demand attributable to declining lending interest rates. Additionally, the number of loan applications and approvals remained strong, reflecting resilience in economic activities.

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

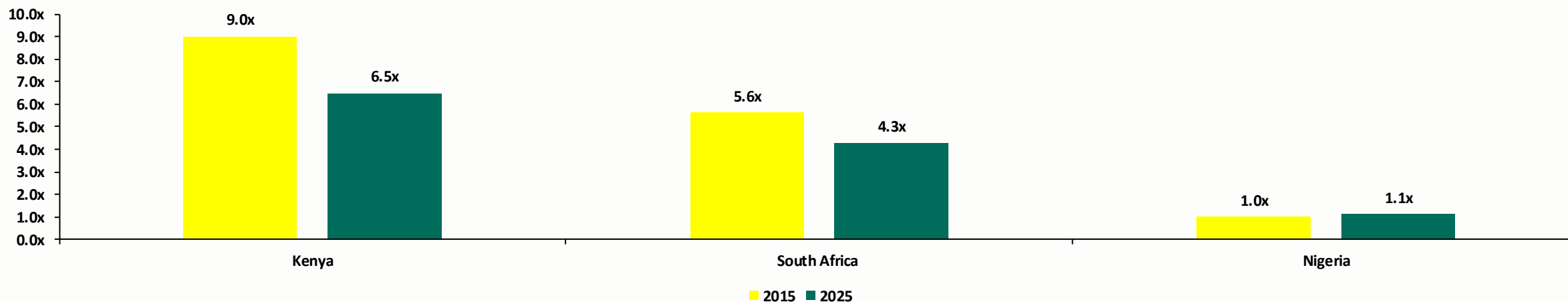
- In Kenya there are a total of 37 commercial banks, 1 mortgage finance company, 14 microfinance banks, 9 representative offices of foreign banks, 83 foreign exchange bureaus, 29 money remittance providers and 3 credit reference bureaus
- Financial inclusion in Kenya has continued to rise, with 84.8% 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



Kenyan Banking Sector Overview

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

Cytonn Report: Commercial Banks/ Per Population of 10 million People



Source: World Bank, Central Bank of Kenya, South Africa Reserve Bank, Central Bank of Nigeria

- The number of commercial banks in Kenya currently stands at 38 (including 1 mortgage finance company), the same as in FY'2024 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 6.5x, 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

Recent Developments in the Kenyan Banking Sector

1. Regulation:

- **Risk-based Lending:** Over the years, the government has deployed various policy tools to manage interest rates and improve private sector access to credit. Following the repeal of the Interest Rate Cap Law in 2019, the Central Bank of Kenya (CBK) directed banks to adopt risk-based lending models that price loans according to borrower risk profiles, improving fairness and transparency for MSMEs. Although the CBK [introduced](#) a revised pricing framework in August 2025 anchored on the Kenya Shilling Overnight Interbank Average (KESONIA), a benchmark derived from actual overnight interbank transactions meant to replace the Central Bank Rate (CBR) for shilling-denominated variable loans, most commercial banks have opted to continue using the CBR as their reference rate under the new model. Institutions such as KCB, Equity, Absa, NCBA, DTB, Stanbic applied CBR plus a customer-specific risk premium since 1st December 2025, despite having previously rejected CBR as a benchmark and championed the creation of KESONIA. Banks cited ongoing systems testing and the need for operational readiness as the reason for delaying adoption of KESONIA, whose higher volatility would also require more frequent lending-rate adjustments and additional regulatory approvals. Co-operative Bank and Kingdom Bank were the first banks to adopt the interbank-based rate. CBK continues publishing KESONIA, currently marginally higher than the 8.75% CBR by 0.15 bps. The revised banking sector Risk-Based Credit Pricing Model (RBCPM) was fully [implemented](#) in March 2026. Overall, although the revised framework is intended to strengthen monetary policy transmission, align Kenya with global benchmarks such as SOFR and SONIA, and enhance transparency through mandatory disclosure of lending rates, premiums, and fees, its impact will vary: borrowers with strong credit profiles may benefit from more competitive pricing, while higher-risk customers could face steeper charges, and lending rates are likely to become more responsive, but also more volatile, once full adoption of KESONIA eventually takes effect.

Recent Developments in the Kenyan Banking Sector

- **Higher capital requirements and reopening of new banks licensing:** Following the [enactment](#) of the Business Laws (Amendment) Act, 2024, the Central Bank of Kenya (CBK) increased the minimum core capital requirement for commercial banks to Kshs 10.0 bn from the previous Kshs 1.0 bn, which had been in effect since 2012. The new framework requires lenders to comply gradually, Kshs 5.0 bn by 2026, Kshs 6.0 bn by 2027, Kshs 8.0 bn by 2028, and full compliance at Kshs 10.0 bn by 2029. As of December 2025, 6 banks were below the Kshs 3.0 bn threshold and needed a combined Kshs 9.4 bn to meet the December 2025 deadline. By December 2026, banks will be required to meet the minimum threshold of a core capital of Kshs 5.0 bn. Currently, 15 banks are yet to meet the threshold, and need a combined Kshs 35.5 bn to meet the deadline. Consolidated Bank remains the most distressed, with a negative core capital of Kshs 546.1 mn, requiring over Kshs 5.5 bn to meet the 2026 minimum amid ongoing plans for a rights issue and long-delayed government support. Although the Kenya Bankers Association (KBA) did not [expect](#) significant merger and acquisition activity in 2025, arguing that most banks could meet the Kshs 3.0 bn threshold individually, it anticipated heightened consolidation pressure from 2026 onward as capital requirements rise to Kshs 5.0 bn and beyond. In 2026, Paramount Bank has led early consolidation activity with the acquisition of its 100% stake by Nigeria's Zenith Bank. CBK is currently reviewing the submitted capital plans and monitoring ongoing efforts as banks race to achieve compliance ahead of the phased deadlines.

Recent Developments in the Kenyan Banking Sector

- **Lifting of moratorium on licensing of new commercial banks:** In a significant policy shift, the Central Bank of Kenya (CBK) [lifted](#) the moratorium on licensing new commercial banks on July 1, 2025, ending a restriction that had been in place since November 2015. The [moratorium](#) had been introduced to address governance, risk management, and operational weaknesses in the sector, providing space for reforms. Over the past decade, the industry has undergone substantial strengthening, with improvements in legal and regulatory frameworks, a wave of mergers and acquisitions, and the entry of new strategic investors. With the moratorium now lifted, early indications point to renewed investor interest, particularly from regional financial groups and non-bank financial institutions seeking to upgrade to full banking licenses. While no large-scale greenfield entries have yet materialized, the policy shift is expected to stimulate competition, product innovation, and capital inflows over the coming year, especially as potential entrants assess compliance with the revised minimum core capital requirement of Kshs 10.0 bn. In the near term, the move is likely to deepen financial sector resilience and broaden consumer choice, although the pace of new licensing is expected to remain measured as CBK maintains a cautious, risk-based approval approach.
- **Digitization:** In FY'2025, 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 [88.4%](#) and [99.0%](#) of their transactions, respectively, were done digitally through non-branch channels in FY'2025.

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

- **Interest Rates:** Interest rates were on a downward trajectory during the period under review. Notably, the yields on Kenyan government securities declined during the period under review, with the yield on the 91-day paper averaging 8.3% during the period, 6.9% points lower than the average of 15.2% in FY'2024. The significant declines in rates in FY'2025 led to a decrease in the listed bank's interest income growth, softening to a weighted average drop of 3.8% in FY'2025, from a weighted average growth of 21.1% in FY'2024. However, the lower interest rate environment led to a substantial reduction in interest expense which declined by a weighted average of 24.9% in FY'2025, compared to the 43.6% growth in FY'2024 this decline in funding cost helped support overall profitability contributing to a 10.8% growth in net interest income in FY'2025.

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'2025, up from 50.0% in the same period last year, demonstrating the continued importance of these subsidiaries to the Group's earnings. Additionally, KCB Group's subsidiaries contributed 29.1% of the Group's Profit After Tax (PAT) in FY'2025. In terms of consolidation activity, 2025 saw one confirmed acquisition agreement between Access Bank Plc and KCB Group for the acquisition of National Bank of Kenya. More recently, Nedbank announced the intention of acquisition of 66.0% NCBA Group's shareholding to diversify its regional presence into East Africa.

a) On March 19, 2026, the Central Bank of Kenya [announced](#) the acquisition of 100.0% shareholding of Paramount Bank Ltd by Zenith Bank Plc. The deal was first announced in November 2025, however, the transaction values and details were not disclosed. The acquisition is a strategic entry point into Kenya's established banking ecosystem, enhancing its geographic diversification and positioning it to tap into Kenya's relatively mature and dynamic banking sector as a gateway to the broader region. Zenith bank joins other Nigerian banks in the Kenyan market including Access Bank, UBA and GTBank.

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

4. Regional Expansion through Mergers and Acquisitions Cont:

- b) On January 21, 2026, Nedbank [announced](#) the intention to acquire approximately 1.1 bn ordinary shares, representing 66.0% of NCBA's issued share capital, from NCBA shareholders through a partial tender offer, subject to regulatory approvals. The acquisition will be made at a par value of Kshs 5.0 per share, resulting to a total transaction value of Kshs 5.4 bn. If successfully completed, the transaction will result in Nedbank acquiring a controlling interest in NCBA, while the remaining 34.0% of the shares will remain listed on the Nairobi Securities Exchange (NSE). The planned acquisition values NCBA at a multiple of 1.4x its book value. This proposed transaction is part of Nedbank's stated strategy to extend its reach beyond Southern Africa, prioritizing the high-growth markets of East Africa, especially with Kenya's prominent role as a financial center, bolstered by robust institutions, advanced capital markets and a dynamic technology sector.
- c) On November 4, 2025 KCB Group Plc [revealed](#) its acquisition of an undisclosed minority stake in Pesapal Limited, one of the region's leading digital payment providers, as part of its strategic initiative to bolster digital capabilities and reinforce its footprint in banking, agency solutions, and business services across Kenya, Uganda, and Rwanda. This move proves to be strategic as KCB strives to capture the biggest market share of the fast-growing fintech market

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

4. Regional Expansion through Mergers and Acquisitions Cont:

- d) On March 24, 2025, KCB Group Plc [disclosed](#) its acquisition of a 75.0% controlling interest in Riverbank Solutions Limited, a fintech entity focused on payment systems, as part of its strategic initiative to bolster digital capabilities and reinforce its footprint in banking, agency solutions, and business services across Kenya, Uganda, and Rwanda. Riverbank, a collaborator with KCB since 2013 in agency banking, brings expertise in digital payments, payroll management, and financial reporting, which KCB aims to harness to enhance its offerings tailored for small and medium enterprises (SMEs) and micro, small, and medium enterprises (MSMEs). The integration of Riverbank's capabilities is expected to facilitate the unification of KCB's agent banking channels into a single platform, optimizing operational efficiency.
- e) 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. The acquisition and completion of the transaction was finalised on 30th May 2025 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:

f) 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. Access Bank Plc is a wholly owned subsidiary of Access Holdings Plc listed on the Nigerian Exchange as Access Corporation. Notably, KCB Bank had acquired the National Bank of Kenya back in 2019 in a rescue deal that was supervised by the Central Bank of Kenya. The announcement followed the release of the Q1'2024 results for the KCB group, which revealed a decline in earnings with its Core earnings per share (EPS) declining by 8.3% to Kshs 11.7, from Kshs 12.7 in FY'2022. The transaction represents an important milestone for Access Bank as it moves closer to the achievement of its five-year strategic plan through increased scale in the Kenyan market. 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.

Recent Developments in the Kenyan Banking Sector....

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

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 |
|--|-----------------------------|-------------------------------------|-------------------|-----------------------------|---------------|----------|
| Zenith Bank | Paramount Bank | Unknown | 100.0% | Undisclosed | N/A | Apr-26 |
| Nedbank | NCBA | 6.0 | 66.0% | 5.4 | 1.4x | Jan-26 |
| KCB | Pesapal | Unknown | Undisclosed | Undisclosed | N/A | Nov-25 |
| KCB | Riverbank | Unknown | 75.0% | 2.0 | N/A | Mar-25 |
| 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 | | | 74.5% | | 1.3x | |
| Average: 2013 to 2018 | | | 73.5% | | 1.7x | |
| Average: 2019 to 2026 | | | 73.2% | | 1.0x | |

* Announced Deal

** Deals that were dropped

Recent Developments in the Kenyan Banking Sector....

3. Asset Quality:

- Asset quality for listed banks improved in FY'2025, with the weighted average Gross Non-Performing Loan ratio (NPL) decreasing by 1.3% points to 11.9%, from 13.2% recorded in FY'2024. The performance remained 1.2% points above the ten-year average of 11.7%. Notably, all the 10 listed banks recorded a decrease in their NPL ratios, signalling an improvement in asset quality even as credit risk remains elevated compared to historical levels, albeit showing signs of moderation following recent monetary policy easing and improving lending conditions. Similarly, most banks experienced a decline in gross non-performing loans coupled with growth in gross loans. As a result, the overall gross non-performing loans (NPL) ratio in the banking industry [decreased](#) by 1.5% points, falling to 15.4% in December 2025 from 16.9% in September 2025.
- Additionally, KCB Group's NPL ratio declined the most by 3.7% points to 16.2%, from 19.8% in FY'2024, while HF Group's NPL ratio decreased by 3.1% points to 22.2%, from 25.3% in FY'2024. KCB's asset quality improved due to a 15.0% increase in gross loans to Kshs 1,308.3 bn, from Kshs 1,137.2 bn recorded in FY '2024 compared to the 6.1% decrease in Gross non-performing loans to Kshs 211.8 bn, from Kshs 225.7 bn in FY'2024. Similarly, HF Group's asset quality improved due to a 5.3% growth in gross loans to Kshs 49.8 bn from Kshs 47.3 bn in FY'2024, compared to the 7.5% decline in gross non-performing loans to Kshs 11.1 bn from Kshs 12.0 bn in FY'2024

Recent Developments in the Kenyan Banking Sector....

3. Asset Quality Cont:

- However, the improvement in listed banks' asset quality was weighed down by a deterioration in Co-operative Bank's asset quality, with the Gross NPL ratio increasing by 0.8% points to 17.3% in Q3'2025 from 16.5% in Q3'2024. This was attributable to the 12.7% increase in gross non-performing loans to Kshs 78.9 bn from Kshs 70.0 bn in Q3'2024, which outpaced the 7.8% increase in gross loans to Kshs 456.8 bn from Kshs 423.7 bn in Q3'2024. Absa bank's asset quality deteriorated with the Gross NPL ratio increasing by 0.5% points to 13.0% in Q3'2025 from 12.6% in Q3'2024. This was attributable to a 3.6% increase in Gross non-performing loans to Kshs 44.2 bn, from Kshs 42.7 bn in Q3'2024, relative to the 0.01% increase in gross loans to Kshs 339.4 bn, from Kshs 339.3 bn recorded in Q3'2024.
- The Central Bank of Kenya has lowered the Central Bank Rate (CBR) by a cumulative 425 basis points, from 13.0% in July 2024 to 8.75% in February 2026, signalling a gradual easing of monetary policy following the successful stabilization of the currency and anchoring of inflation. The earlier easing cycle, with the CBR cut to 8.75% from 13.00% in July 2024, has supported stronger credit demand and improved loan growth prospects as borrowing costs declined. The decision to pause now is likely to keep lending conditions steady, sustaining the recovery in credit uptake without further accelerating it, as banks continue benefiting from the prior rate cuts already transmitted into the market. Notably, growth in private sector credit [grew](#) by 8.1% in March 2026 from 7.4% in February 2026 and a contraction of 2.9% in January 2025, reflecting improved demand for credit in line with the declining lending interest rates

Banking Sector Growth Drivers

- **Growth in Interest income:** Going forward, we expect interest income growth to remain a key driver in the banking industry. With the recent easing of monetary policy by the Central Bank of Kenya, which lowered the Central Bank Rate (CBR) by 25 basis points to 8.75% in February 2026 and maintained in the April 2026 MPC meeting, signals a gradual reduction in borrowing costs. This is likely to support an increase in credit uptake, expanding banks' loan books and consequently boosting interest income. Additionally, the continued use of banks' risk-based lending models will enable banks to effectively price their risk, further contributing to the growth of interest income.,
- **Revenue Diversification:** In FY'2025, non-funded income (NFI) recorded a 1.9% weighted average growth, compared to the 12.2% weighted growth in FY'2024. This contraction was largely driven by lower foreign exchange income, reflecting subdued FX trading volumes and reduced transactional activity as exchange rate volatility remained relatively muted, limiting trading and revaluation gains despite the broadly stable Shilling. In addition, the slowdown in fees and commissions income, one of the key components of NFI, also contributed to the weaker performance, with growth moderating to 5.4% in FY'2025 from 7.3% in FY'2024, reflecting softer transactional volumes and a potential tapering in digital revenue momentum. Notably, this deceleration occurred with 5 of the 10 listed Banks recording a decrease in their non-funded income. As a result of the decline in non-funded income (NFI) the weighted average contribution of NFI to total operating income came in at 33.9% in FY'2025, 2.4% points lower than the 36.3% weighted average contribution recorded in FY'2024 and as such, there still exists an opportunity for the sector to further increase NFI contributions to revenue given the continuous adoption of digitization

Banking Sector Growth Drivers

- **Growth in Loans and Advances:** All the 10 listed banks recorded growth in loans and advances to customers, resulting in a weighted average growth in loans of 8.9% relative to the 7.7% decline recorded in a similar period in 2024. With the consistent ease in the Central Bank Rate (CBR) recently, borrowing costs are expected to decline. The MPC's decision to maintain the CBR at 8.75% in April 2026, after prior easing, signals a pause in the monetary policy easing cycle. This is likely to stabilise borrowing costs at their current lower levels rather than drive further declines, meaning credit growth will continue to benefit from earlier rate cuts but without additional near-term stimulus from policy easing. As a result, loan growth should remain supported by improved affordability and stronger private sector demand, but its pace may moderate compared to a scenario of continued rate reductions. 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,
- **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. Banks such as KCB and Equity Group have been leveraging on expansion and consolidation, which has largely contributed to their increased asset base as well as earnings growth. Additionally, we expect the increased capital requirements imposed on banks to further accelerate 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.

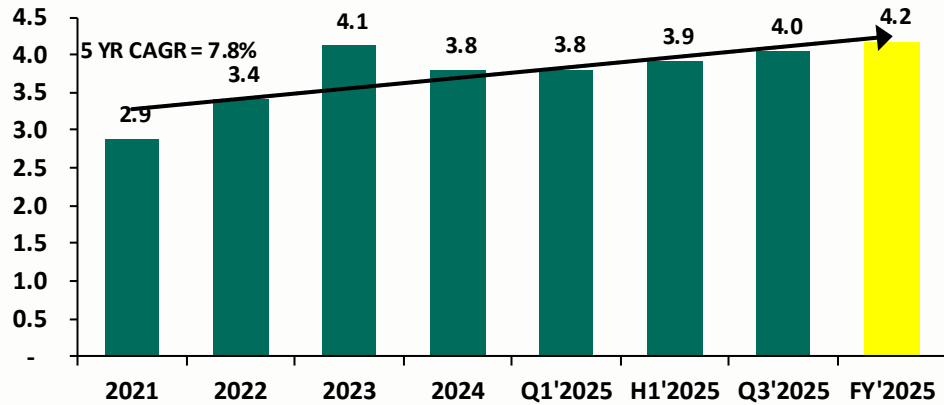
Banking Sector Growth Drivers

- **Geopolitical Tensions:** Geopolitical tensions stemming from the US–Iran conflict are likely to weigh on the Kenyan banking sector through higher global oil prices, which feed into domestic inflation and raise the cost of living, thereby pressuring borrowers' repayment capacity and elevating credit risk. This environment may also dampen economic activity and investor sentiment, leading to more cautious lending behaviour, slowed credit growth, and a preference by banks to hold higher precautionary buffers in anticipation of potential asset quality deterioration. In addition, the resulting external shocks could weaken the Kenyan shilling through a wider current account deficit and higher import costs, negatively affecting banks by increasing the cost of servicing foreign currency liabilities, heightening FX-related credit risk for unhedged borrowers, and amplifying volatility in foreign currency income and balance sheet valuations

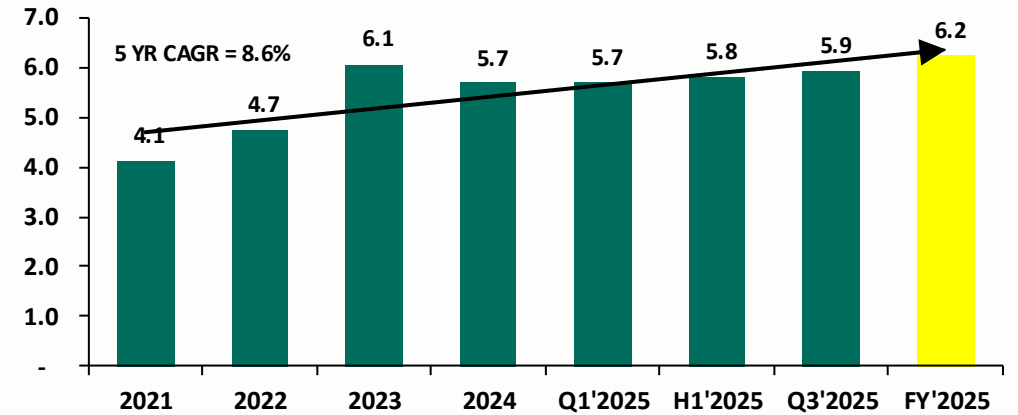
IV. Listed Banking Sector Metrics

Listed Banking Sector Metrics

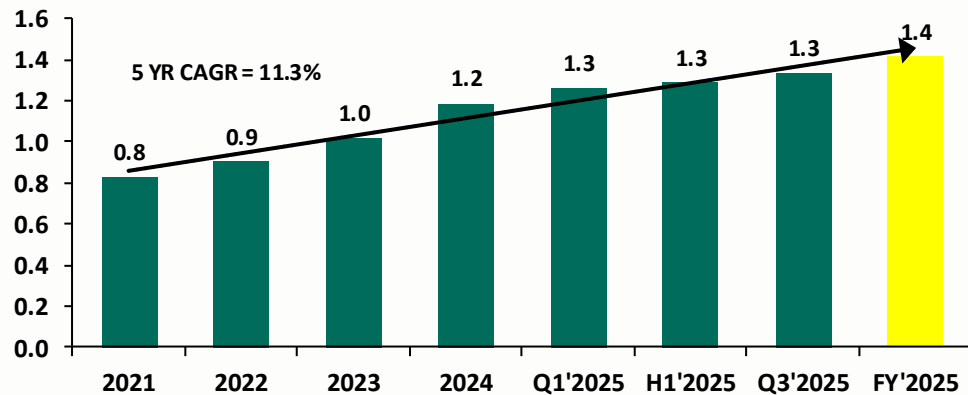
Loans and Advances (Kshs tn)



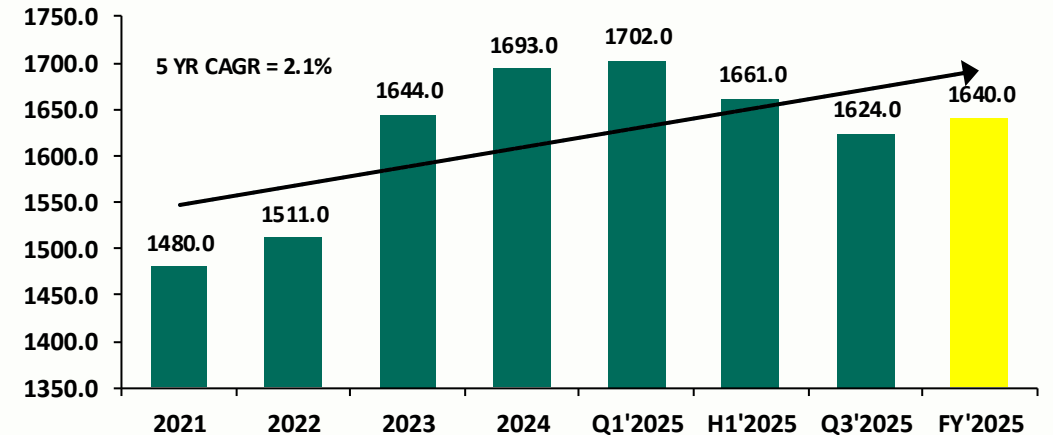
Deposits (Kshs tn)



Shareholders Equity (Kshs tn)



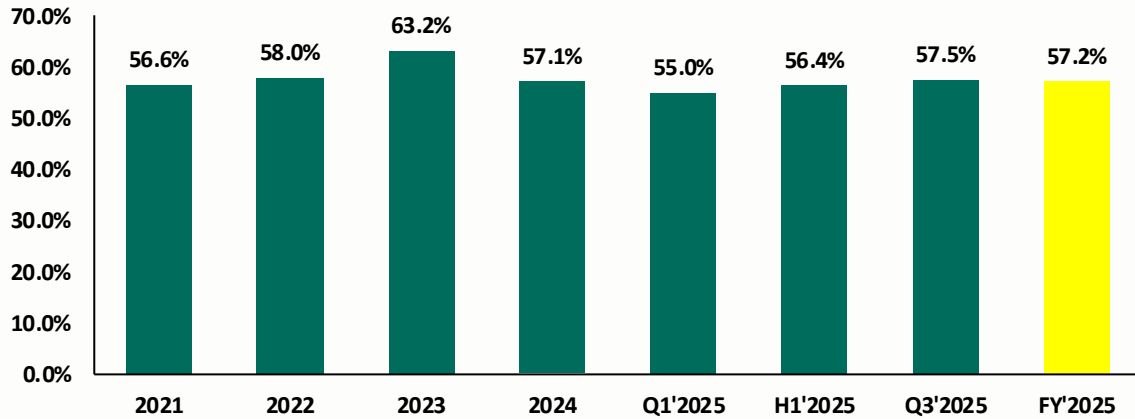
Bank Branches



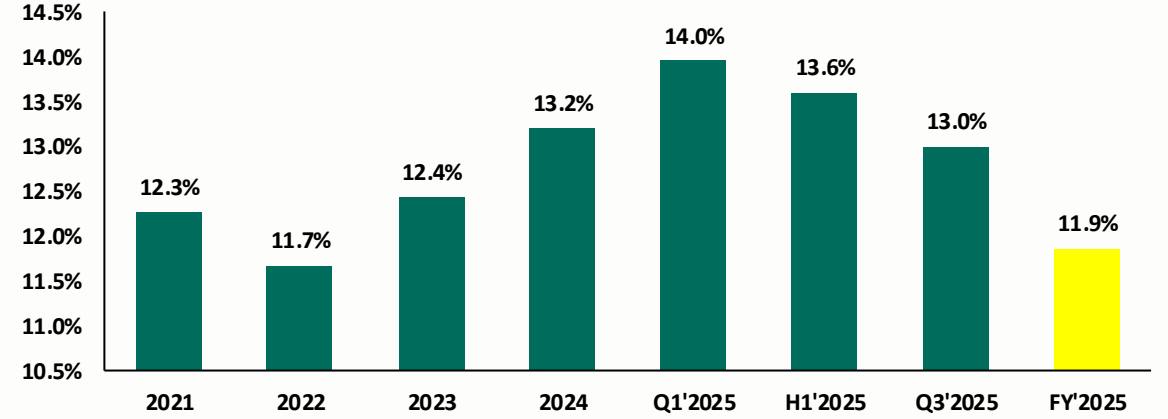
Listed Banking Sector Metrics

Banks' asset quality improved in FY'2025, with the NPL ratio decreasing to 11.9% from 13.2% in FY'2024

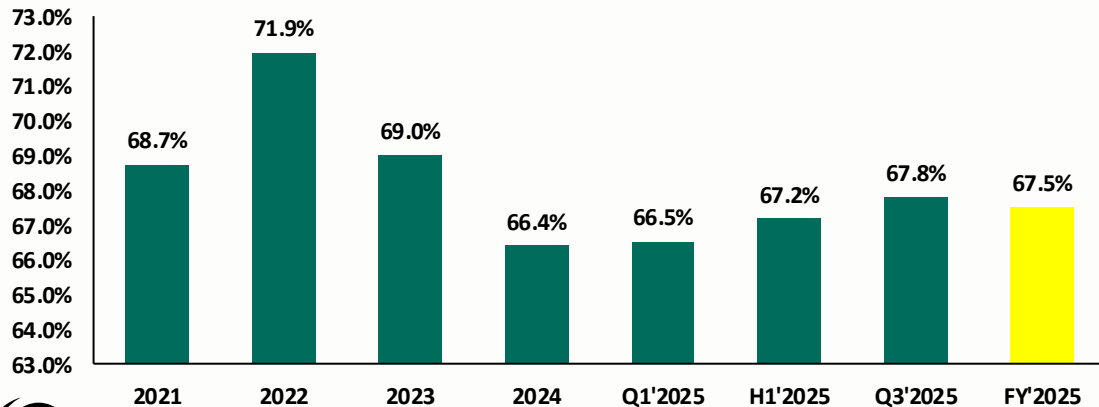
Cost to Income Ratio



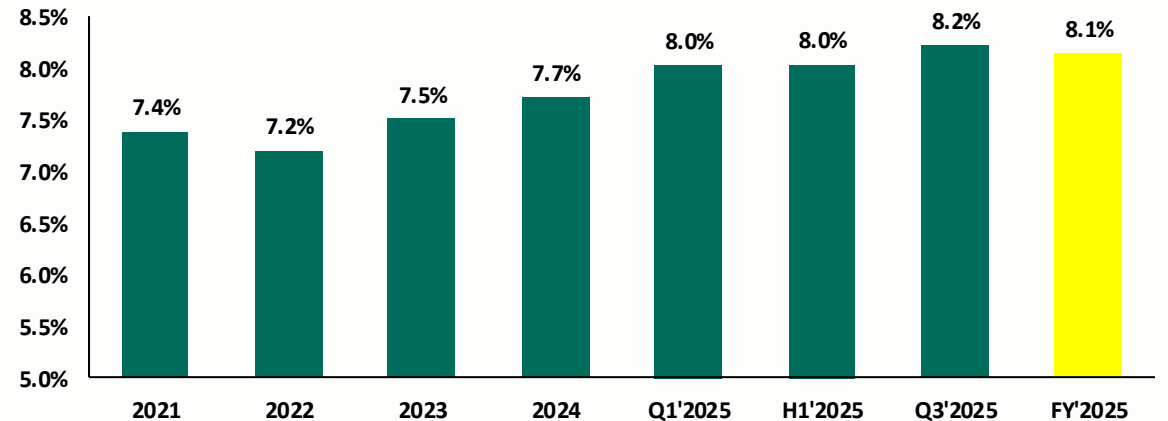
NPL Ratio



Loan to Deposit Ratio



Net Interest Margin



Listed Banking Earnings and Growth Metrics

Kenya's listed banks weighted average core EPS grew by 15.1% in FY'2025, compared to 25.7% growth in FY'2024

| Cytonn Report: Kenyan Listed Banks Performance FY'2025 | | | | | | | | | | | | | | | |
|--|-----------------|------------------------|-------------------------|----------------------------|---------------------|--------------------------|-------------------------------|------------------------------------|----------------|---------------------------------|-----------------------|---------------|--------------------------|-------------|--------------|
| 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 |
| Equity Group | 54.7% | 2.0% | (24.2%) | 16.8% | 7.8% | 6.7% | 41.7% | 7.9% | 4.0% | 11.4% | 60.6% | 7.7% | 27.8% | 3.1% | 10.6% |
| Diamond Trust Bank | 23.1% | 2.8% | (16.3%) | 24.1% | 6.7% | (9.1%) | 25.3% | 10.4% | 13.8% | 17.7% | 63.7% | 13.6% | 11.7% | 5.2% | 11.8% |
| I&M Group | 21.2% | (1.4%) | (23.9%) | 16.0% | 8.5% | 30.8% | 23.8% | 20.9% | 17.4% | 55.5% | 63.3% | 6.5% | 17.8% | 4.7% | 12.8% |
| Co-operative Bank | 16.9% | 8.0% | (12.8%) | 22.0% | 9.2% | (0.3%) | 31.6% | 1.2% | 13.4% | 12.6% | 73.3% | 12.6% | 19.1% | 5.0% | 13.6% |
| KCB Group | 11.2% | (1.7%) | (18.9%) | 7.8% | 8.6% | (2.6%) | 30.8% | 0.7% | 15.2% | 10.2% | 72.3% | 16.3% | 22.5% | 3.8% | 12.1% |
| Absa Bank Kenya | 9.7% | (10.9%) | (22.2%) | (6.4%) | 9.1% | 12.2% | 29.4% | 18.8% | 1.4% | 20.7% | 83.8% | 1.0% | 24.7% | 3.5% | 12.2% |
| NCBA Group | 7.0% | (10.0%) | (41.6%) | 27.7% | 7.5% | 3.8% | 39.9% | 4.0% | 5.9% | 4.6% | 59.6% | 5.0% | 19.7% | 4.5% | 11.7% |
| Stanbic Group | 0.0% | (17.2%) | (41.4%) | (1.0%) | 5.7% | (6.4%) | 37.5% | (10.0%) | 19.5% | 36.4% | 70.3% | 17.2% | 17.6% | 3.8% | 10.2% |
| HF Group | (16.7%) | 17.3% | (15.8%) | 63.9% | 6.9% | 19.9% | 29.3% | (3.5%) | 17.7% | 66.6% | 73.6% | 5.8% | 8.5% | 5.7% | 11.9% |
| Standard Chartered Bank | (38.0%) | (15.4%) | (29.1%) | (13.1%) | 8.7% | (23.0%) | 31.7% | 1.0% | (4.1%) | 11.8% | 54.4% | 1.8% | 18.0% | 1.4% | 9.8% |
| FY'2025 Mkt Weighted Average* | 15.1% | (3.8%) | (24.9%) | 10.8% | 8.1% | 1.9% | 33.9% | 5.4% | 8.7% | 17.4% | 67.5% | 8.9% | 21.5% | 3.8% | 11.6% |
| FY'2024 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% |

*Market cap weighted as at 17/04/2026

**Market cap weighted as at 17/04/2025

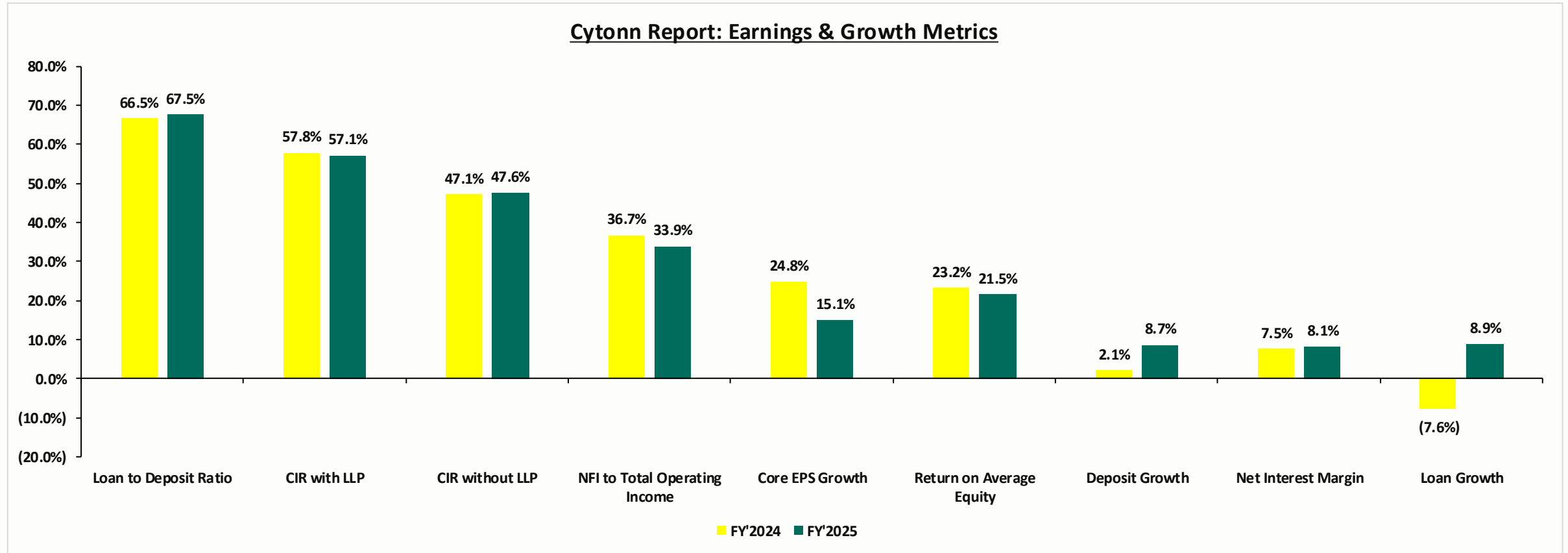
Takeout from Key Operating Metrics

The listed banks recorded a 21.5% weighted average growth on return on average equity (RoaE), 1.4% points lower than the 22.9% growth registered in FY'2024.

- The listed banks recorded a 15.1% growth in core Earnings per Share (EPS) in FY'2025, compared to the weighted average growth of 25.7% in FY'2024, an indication of weaker performance on the back of a 1.9% growth in non-funded income in FY'2025, compared to a growth of 12.2% in FY'2024. This was majorly attributable to a decline in foreign exchange income due to reduced dollar demand and lower transaction volumes weighing down on fees and commissions income growth which declined by 1.9% points to 5.4% in FY'2025 from 7.3% in FY'2024. The performance during the period highlights banks' reliance on interest income as reflected in the faster decline in the non-funded income weighted average growth to 1.9% from 12.2% in FY'2024 compared to a marginal decline in net interest income weighted average growth to 10.8% from 11.7% in FY'2024 that resulted in a slowdown in earnings growth
- Investments in government securities investments by listed banks increased in FY'2025, having recorded a market-weighted average growth of 17.4%, from the 15.4% growth recorded in FY'2024, with all of the listed banks recording increases in government securities investments. The increase was as a result of banks deploying excess liquidity into safe, attractive government securities, while the decline in treasury bonds yields in 2025 also boosted the market value of existing bonds, generating capital gains and reinforcing the appeal of holding government debt. HF Group and I&M Group recorded the largest increases of 66.6% and 55.5% respectively.
- Interest income recorded a weighted average decline of 3.8% in FY'2025, compared to a growth of 21.1% in FY'2024. Similarly, interest expenses recorded a market-weighted average decline of 24.9% in FY'2025 compared to a growth of 43.6% in FY'2024. Consequently, net interest income recorded a weighted average growth of 10.8% in FY'2025, slightly lower than the 11.7% growth recorded in FY'2024, on the back of easing monetary policy leading to lower lending and deposit rates,
- The listed banks recorded a 21.5% weighted average growth on return on average equity (RoaE), 1.4% points lower than the 22.9% growth registered in FY'2024

Listed Banks Earnings and Growth Metrics Cont...

The banking sector has witnessed increased customer loans registering a growth rate of 8.9% in FY'2025, 11.3% points higher than the negative 7.6% decline in FY'2024



Listed Banks Operating Metrics

Asset quality for the listed banks improved in FY'2025, with market weighted average NPL decreasing by 1.3% points to 11.9% from 13.2% in FY'2024

| Cytonn Report: Listed Banks Asset Quality | | | | | | |
|---|--------------------|---------------------|-----------------------------|-----------------------|------------------------|--------------------------------|
| | FY'2025 NPL Ratio* | FY'2024 NPL Ratio** | % point change in NPL Ratio | FY'2025 NPL Coverage* | FY'2024 NPL Coverage** | % point change in NPL Coverage |
| KCB Group | 16.2% | 19.8% | (3.7%) | 74.0% | 65.1% | 9.0% |
| HF Group | 22.2% | 25.3% | (3.1%) | 78.2% | 70.3% | 8.0% |
| Equity Group | 11.5% | 13.6% | (2.1%) | 66.8% | 63.7% | 3.1% |
| Standard Chartered Bank | 5.5% | 7.4% | (2.0%) | 87.0% | 81.8% | 5.2% |
| I&M Group | 9.6% | 11.5% | (1.8%) | 71.6% | 62.3% | 9.3% |
| Co-operative Bank | 15.7% | 17.0% | (1.3%) | 66.0% | 63.9% | 2.1% |
| Diamond Trust Bank | 11.3% | 12.6% | (1.3%) | 52.8% | 39.9% | 13.0% |
| Stanbic Holdings | 8.0% | 9.1% | (1.1%) | 84.3% | 78.4% | 5.9% |
| Absa Bank Kenya | 11.5% | 12.6% | (1.1%) | 64.6% | 66.0% | (1.4%) |
| NCBA Group | 10.4% | 11.5% | (1.0%) | 71.6% | 59.2% | 12.4% |
| Mkt Weighted Average* | 11.9% | 13.2% | (1.3%) | 71.5% | 66.8% | 4.7% |
| *Market cap weighted as at 17/04/2026 | | | | | | |
| **Market cap weighted as at 17/04/2025 | | | | | | |

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 1.2x and average P/E of 6.0x

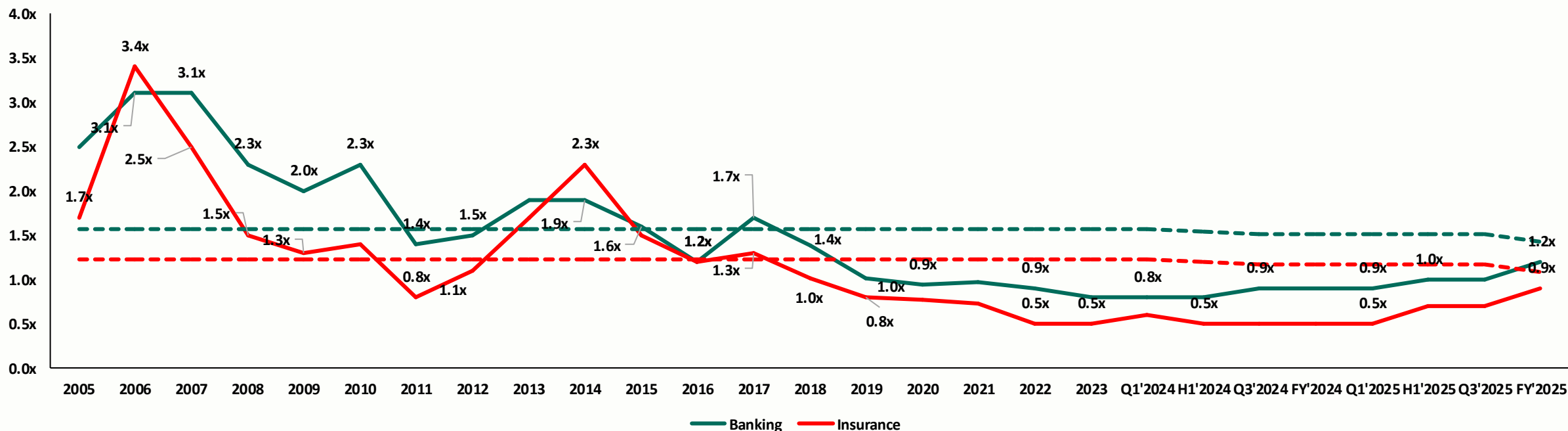
| Bank | No. of shares (bn) | Market Cap (Kshs bn) | P/E | Price* | P/TBV |
|----------------------------------|--------------------|----------------------|-------------|--------|-------------|
| NCBA Group | 1.6 | 147.9 | 6.3x | 89.8 | 1.2x |
| Absa Bank | 5.4 | 170.8 | 7.5x | 31.5 | 1.7x |
| Stanbic Bank | 0.4 | 114.2 | 8.3x | 289.0 | 1.6x |
| Equity Bank | 3.8 | 283.0 | 3.7x | 75.0 | 1.0x |
| SCBK | 0.4 | 136.0 | 10.9x | 360.0 | 2.2x |
| DTBK | 0.3 | 41.9 | 3.9x | 149.8 | 0.4x |
| Coop Bank | 5.9 | 190.7 | 6.4x | 32.5 | 1.2x |
| KCB Group | 3.2 | 222.5 | 3.3x | 69.3 | 0.7x |
| I&M Holdings | 1.7 | 84.3 | 4.3x | 48.5 | 0.8x |
| HF Group | 1.9 | 17.5 | 12.3x | 9.3 | 1.0x |
| Weighted Average FY'2025* | | | 6.0x | | 1.2x |
| Prices as at 17th April 2026 | | | | | |

Listed Banks & Insurance Trading Metrics

Listed banks are trading at an average P/B of 1.2x, higher than the insurance sector, which is priced at 0.9x. Both sectors are trading below their 21-year averages of 1.6x and 1.2x, respectively

18 year Price to Book Value: Banking and Insurance

Cytonn Report: Price to Book Comparison



On a price to book valuation, listed banks are currently priced at a P/BV of 1.0x, higher than listed insurance companies at 0.7x, with both lower than their historical averages of 1.6x for the banking sector and 1.2x for the insurance sector



V. Banks Valuation Reports

Ranking by Franchise Value

Absa Bank emerged top in the franchise ranking having had the lowest cost to income ratio of 46.7% against a weighted market average of 57.1% 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 |
|--------------|-----|-----|-------|-----|-----------|------|------------------|-----------------|--------------|-----------------------|------------------------------|--------------|-------|------|
| Absa Bank | 1 | 1 | 2 | 2 | 7 | 9 | 5 | 7 | 9 | 3 | 7 | 1 | 54 | 1 |
| Equity Bank | 8 | 5 | 1 | 6 | 2 | 4 | 6 | 6 | 7 | 8 | 1 | 2 | 56 | 2 |
| SCBK | 10 | 6 | 6 | 3 | 9 | 10 | 1 | 1 | 1 | 4 | 4 | 4 | 59 | 3 |
| KCB Group | 4 | 4 | 3 | 4 | 1 | 2 | 7 | 9 | 4 | 9 | 6 | 6 | 59 | 3 |
| Coop Bank | 3 | 3 | 5 | 1 | 5 | 6 | 9 | 8 | 8 | 2 | 5 | 8 | 63 | 5 |
| I&M Holdings | 7 | 7 | 7 | 5 | 4 | 3 | 3 | 3 | 6 | 6 | 10 | 3 | 64 | 6 |
| NCBA Group | 9 | 8 | 4 | 7 | 6 | 7 | 4 | 4 | 5 | 5 | 2 | 5 | 66 | 7 |
| Stanbic Bank | 5 | 2 | 8 | 10 | 8 | 8 | 2 | 2 | 2 | 10 | 3 | 7 | 67 | 8 |
| DTBK | 6 | 9 | 9 | 9 | 3 | 1 | 8 | 5 | 10 | 7 | 9 | 9 | 85 | 9 |
| HF Group | 2 | 10 | 10 | 8 | 10 | 5 | 10 | 10 | 3 | 1 | 8 | 10 | 87 | 10 |

Valuation Summary of Listed Banks

KCB Bank presents the highest return with a total potential return of 27.2%

(all values in Kshs)

| Bank | Current Price | Target Price | Upside/(Downside) | DPS | Dividend Yield | Total Potential Return | FY'2025 Ranking |
|------------------|---------------|--------------|-------------------|-------|----------------|------------------------|-----------------|
| KCB Group | 69.25 | 81.08 | 17.1% | 7.00 | 10.1% | 27.2% | 1 |
| Equity Bank | 75.00 | 87.80 | 17.1% | 5.75 | 7.7% | 24.7% | 2 |
| I&M Holdings | 48.45 | 56.66 | 16.9% | 3.75 | 7.7% | 24.7% | 3 |
| NCBA Group Plc | 89.75 | 103.30 | 15.1% | 7.10 | 7.9% | 23.0% | 4 |
| DTBK | 149.75 | 175.09 | 16.9% | 9.00 | 6.0% | 22.9% | 5 |
| Coop Bank | 32.50 | 37.17 | 14.4% | 2.50 | 7.7% | 22.1% | 6 |
| HF Group | 9.26 | 11.20 | 21.0% | 0.00 | 0.0% | 21.0% | 7 |
| Absa Bank | 31.45 | 31.73 | 0.9% | 2.05 | 6.5% | 7.4% | 8 |
| SCBK | 360.00 | 346.80 | (3.7%) | 31.00 | 8.6% | 4.9% | 9 |
| Stanbic Holdings | 289.00 | 273.47 | (5.4%) | 22.35 | 7.7% | 2.4% | 10 |

DPS is for FY'2024

Cytonn Banking Report - Comprehensive Ranking

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

| Cytonn Report: Listed Banks FY'2025 Rankings | | | | | |
|--|----------------------|----------------------|---------------------|--------------|--------------|
| Bank | Franchise Value Rank | Intrinsic Value Rank | Weighted Rank Score | FY'2024 Rank | FY'2025 Rank |
| Equity Bank | 2 | 2 | 2.0 | 7 | 1 |
| Coop Bank | 5 | 1 | 3.4 | 5 | 2 |
| KCB Group | 3 | 5 | 3.8 | 2 | 3 |
| Absa Bank | 1 | 9 | 4.2 | 1 | 4 |
| SCBK | 3 | 8 | 5.0 | 3 | 5 |
| NCBA Group | 7 | 3 | 5.4 | 8 | 6 |
| I&M Holdings | 6 | 7 | 6.4 | 4 | 7 |
| DTBK | 9 | 4 | 7.0 | 9 | 8 |
| HF Group | 10 | 6 | 8.4 | 10 | 9 |
| Stanbic Bank | 8 | 10 | 8.8 | 6 | 10 |

VI. Appendix

A. Tier I Banks

I. Equity Group Holdings

Equity Group Summary of Performance – FY'2025

- Profit before tax increased by 51.7% to Kshs 92.1 bn, from Kshs 60.7 bn recorded in FY'2024, with effective tax rate decreasing to 18.0% in FY'2025, from 19.6% in FY'2024, leading to a 54.7% increase in profit after tax to Kshs 75.5 bn in FY'2025, from Kshs 48.8 bn in FY'2024.
- The 12.4% increase in total operating income was mainly driven by a 16.8% increase in Net Interest Income (NII) to Kshs 126.9 bn from Kshs 108.7 bn in FY'2024, coupled with a 6.7% increase in Non-Interest Income (NFI) to Kshs 90.8 bn, from Kshs 85.1 bn in FY'2024
- Total operating expense decreased by 5.6% to Kshs 125.6 bn in FY'2025, from Kshs 133.0 bn in FY'2024, mainly attributable to the 28.2% decrease in loan loss provisions expense to 14.5 bn from 20.2 bn in FY'2024
- The balance sheet registered an expansion as total assets increased by 9.2% to Kshs 1,971.0 bn in FY'2025, from Kshs 1,804.6 bn in FY'2024, mainly driven by the 11.4% increase in government securities to Kshs 335.3 bn, from Kshs 300.9 bn in FY'2024, coupled with a 7.7% increase in net loans to customers to Kshs 882.5 bn, from Kshs 819.2 bn in FY'2024.
- Gross Non-Performing Loans (NPLs) decreased by 9.8% Kshs 110.1 bn, from Kshs 122.0 bn in FY'2024, while Gross Loans increased by 6.6% to Kshs 956.0 bn, from Kshs 896.9 bn recorded in FY'2024. Consequently, the asset quality improved, with Gross NPL ratio decreasing to 11.5% in FY'2025, from 13.6% in FY'2024.
- Going forward, we expect the bank's growth to be driven by:
 - I. Regional Expansion & Ecosystem Development** - The Group's long-term growth is further driven by its ambition to expand its footprint across Africa, targeting operations in up to 15 countries and 100 million customers by 2030. Its regional presence supports cross-border trade and SME growth by providing integrated digital payments and transaction banking solutions that connect businesses to new markets, suppliers, and opportunities

Financial Statements Extracts

Equity Group's PAT is expected to grow at a 5-year CAGR of 6.6%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
|---------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Net Interest Income | 68.8 | 86.0 | 104.8 | 108.7 | 126.9 | 161.2 |
| Non Funded Income | 44.6 | 59.9 | 76.9 | 85.1 | 90.8 | 101.1 |
| Total Operating Income | 113.4 | 145.9 | 181.7 | 193.8 | 217.7 | 262.3 |
| Loan Loss Provision | (5.8) | (15.4) | (35.6) | (20.2) | (14.5) | (16.0) |
| Other Operating Expenses | (55.7) | (70.7) | (94.2) | (112.9) | (111.1) | (132.4) |
| Total Operating Expenses | (61.5) | (86.1) | (129.8) | (133.0) | (125.6) | (148.3) |
| Profit Before Tax | 51.9 | 59.8 | 51.9 | 60.7 | 92.1 | 113.9 |
| Profit After tax | 40.1 | 46.1 | 43.7 | 48.8 | 75.5 | 75.6 |
| % PAT Change YoY | 99.4% | 15.1% | (5.1%) | 11.6% | 54.7% | 0.0% |
| EPS | 10.6 | 12.2 | 11.6 | 12.9 | 20.0 | 20.0 |
| DPS | 3.0 | 4.0 | 4.0 | 4.3 | 5.8 | 6.0 |
| Cost to Income | 54.2% | 59.0% | 71.4% | 68.7% | 57.7% | 56.6% |
| NIM | 6.8% | 7.2% | 7.4% | 7.0% | 7.8% | 8.2% |
| ROaE | 26.6% | 26.7% | 22.8% | 22.1% | 27.8% | 11.3% |
| ROaA | 3.5% | 3.4% | 2.7% | 2.7% | 4.0% | 2.2% |
| Balance Sheet | 2021e | 2022 | 2023 | 2024 | 2025f | 2026f |
| Net Loans and Advances | 587.8 | 706.6 | 887.4 | 819.2 | 882.5 | 994.6 |
| Government Securities | 228.5 | 219.2 | 246.7 | 300.9 | 335.3 | 667.0 |
| Other Assets | 488.7 | 521.2 | 687.4 | 684.5 | 753.2 | 776.2 |
| Total Assets | 1304.9 | 1447.0 | 1821.4 | 1804.6 | 1971.0 | 2437.7 |
| Customer Deposits | 959.0 | 1052.2 | 1358.2 | 1399.6 | 1455.1 | 1679.9 |
| Other Liabilities | 169.7 | 212.6 | 245.1 | 158.1 | 189.7 | 189.8 |
| Total Liabilities | 1128.7 | 1264.8 | 1603.3 | 1557.8 | 1644.9 | 1869.6 |
| Shareholders Equity | 169.2 | 176.2 | 207.8 | 234.0 | 309.5 | 551.5 |
| Number of Shares | 3.8 | 3.8 | 3.8 | 3.8 | 4.8 | 5.8 |
| Book value Per share | 44.8 | 46.7 | 55.1 | 62.0 | 82.0 | 146.1 |
| % Change in BPS YoY | 28.0% | 4.2% | 17.9% | 12.6% | 32.2% | 78.2% |

Valuation Summary

Equity Group is undervalued with a total potential return of 24.7%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|-------------------------------|---------------|-----------|----------------|
| DDM | 91.1 | 40.0% | 36.4 |
| Residual Income | 46.6 | 30.0% | 14.0 |
| PBV Multiple | 107.7 | 15.0% | 16.1 |
| PE Multiple | 139.3 | 15.0% | 20.9 |
| Fair Value | | | 87.8 |
| Current Price | | | 75.0 |
| Upside/(Downside) | | | 17.1% |
| Dividend Yield | | | 7.7% |
| Total Potential Return | | | 24.8% |

II. KCB Group

KCB Group Summary of Performance – FY'2025

- Profit before tax increased by 10.9% to Kshs 90.9 bn, from Kshs 82.0 bn recorded in FY'2024, with effective tax rate increasing to 24.8% in FY'2025 from 24.6% in FY'2024, leading to an 10.6% increase in profit after tax to Kshs 68.4 bn in FY'2025, from Kshs 61.8 bn in FY'2024.
- Total operating income increased by 4.3% to Kshs 213.8 bn, from Kshs 204.9 bn in FY'2024, mainly driven by a 7.8% growth in Net Interest Income (NII) to Kshs 148.0 bn, from Kshs 137.3 bn in FY'2024, it was however weighed down by the 2.6% decrease in Non Interest Income (NFI) to Kshs 65.8 bn from Kshs 67.5 bn in FY'2024,
- Total operating expenses decreased by 0.02% to Kshs 122.87 bn from Kshs 122.89 bn in FY'2024, driven by a 2.3% decrease in staff cost expenses to Kshs 39.0 bn from Kshs 39.9 bn recorded in FY'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 16.2% in FY'2025, from 19.8% in FY'2024, attributable to a 15.0% increase in Gross loans to Kshs 1,308.3 bn, from Kshs 1,137.2 bn in FY'2024, compared to the 6.1% decrease in Gross non-performing loans to Kshs 211.8 bn, from Kshs 225.7 bn in FY'2024
- Going forward, we expect the bank's growth to be driven by:
 - i. Continued Digitization** - The Group has sustained its focus on digital transformation. As of FY'2025, 99.0% of the transactions by number were done through the non-branch channels mainly driven by rolling out a new unified mobile app featuring easy and fast self-onboarding for account and wallet opening, integrated MMF access, and a mini-app ecosystem. Notably, the Group witnessed 30.0% growth in mobile loans disbursement to Kshs 544.0 bn, equivalent to Kshs 1.5 bn per day.

Financial Statements Extracts

KCB Group's PAT is expected to grow at a 5-year CAGR of 18.1%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Interest Income | 77.7 | 86.7 | 107.3 | 137.3 | 148.0 | 171.4 |
| Non Funded Income | 30.9 | 43.3 | 57.9 | 67.5 | 65.8 | 71.3 |
| Total Operating Income | 108.6 | 129.9 | 165.2 | 204.9 | 213.8 | 242.7 |
| Loan Loss Provision | 13.0 | 13.2 | (33.6) | 30.0 | 32.4 | 35.4 |
| Other Operating Expenses | 47.8 | 59.4 | 150.4 | 92.9 | 90.5 | 102.9 |
| Total Operating Expenses | 60.8 | 72.6 | 116.8 | 122.9 | 122.9 | 138.3 |
| Profit Before Tax | 47.8 | 57.3 | 48.5 | 82.0 | 90.9 | 104.4 |
| % PAT Change YoY | 74.3% | 19.5% | (8.3%) | 64.9% | 10.6% | 14.9% |
| EPS | 10.6 | 12.7 | 11.7 | 19.2 | 16.2 | 15.1 |
| DPS | 3.0 | 2.0 | 0.0 | 3.0 | 7.0 | 5.0 |
| Cost to Income (with LLP) | 56.0% | 55.9% | 70.7% | 60.0% | 57.5% | 57.0% |
| NIM | 8.4% | 7.5% | 4.3% | 7.8% | 8.6% | 8.7% |
| ROE | 21.8% | 22.0% | 17.5% | 24.6% | 22.5% | 17.4% |
| ROA | 3.2% | 3.0% | 2.0% | 3.0% | 3.3% | 3.2% |
| Balance Sheet | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
| Net Loans and Advances | 675.5 | 863.3 | 1095.9 | 990.4 | 1151.6 | 1313.8 |
| Government Securities | 270.8 | 278.0 | 397.2 | 302.8 | 333.7 | 400.3 |
| Other Assets | 193.4 | 412.7 | 677.7 | 669.2 | 661.9 | 1022.9 |
| Total Assets | 1139.7 | 1554.0 | 2170.9 | 1962.3 | 2147.2 | 2737.0 |
| Customer Deposits | 837.1 | 1135.4 | 1690.9 | 1382.0 | 1592.6 | 1835.4 |
| Other Liabilities | 129.0 | 212.3 | 243.6 | 297.4 | 214.0 | 319.9 |
| Total Liabilities | 966.2 | 1347.8 | 1934.5 | 1679.3 | 1806.7 | 2155.3 |
| Shareholders Equity | 171.7 | 200.2 | 228.3 | 274.9 | 331.5 | 572.7 |
| Number of Shares | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Book value Per share | 53.4 | 62.3 | 71.1 | 85.5 | 78.7 | 109.8 |
| % Change in BPS YoY | 20.6% | 16.6% | 13.6% | 20.8% | 20.6% | 72.8% |

Valuation Summary

KCB Group is undervalued with a total potential return of 27.2%

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|----------------------|---------------|-----------|----------------|
| Residual Income | 8.7 | 20% | 1.7 |
| PBV Multiple | 145.1 | 15% | 21.8 |
| PE Multiple | 122.8 | 25% | 30.7 |
| DDM | 67.3 | 40% | 26.9 |
| Target Price | | | 81.1 |
| Current Price | | | 69.3 |
| Upside/(Downside) | | | 17.1% |
| Dividend Yield | | | 10.1% |
| Total Return | | | 27.2% |

III. Co-operative Bank

Cooperative Bank Summary of Performance – FY'2025

- Profit before tax increased by 15.8% to Kshs 40.3 bn, from Kshs 34.8 bn recorded in FY'2024, with effective tax rate decreasing to 27.3% in FY'2025, from 28.4% in FY'2024, leading to a 16.9% increase in profit after tax to Kshs 29.8 bn in FY'2025, from Kshs 25.5 bn in FY'2024
- Core earnings per share grew by 16.9% to Kshs 5.1, from Kshs 4.3 in FY'2024, driven by the 13.9% increase in total operating income to Kshs 91.9 bn, from Kshs 80.6 bn in FY'2024. However, the performance was weighed down by a 11.4% increase in total operating expenses to Kshs 52.0 bn from Kshs 46.7 bn in FY' 2024.
- The 13.9% increase in total operating income was mainly driven by a 22.0% growth in Net Interest Income (NII) to Kshs 62.9 bn, from Kshs 51.5 bn in FY'2024. It was however weighed down by a 0.3% decrease in Non-Interest income to Kshs 29.0 bn in FY'2025, from Kshs 29.1 bn in FY'2024.
- The bank's Asset Quality improved slightly, with Gross NPL ratio decreasing to 15.7% in FY'2025, from 17.0% in FY'2024, attributable to a slower 3.4% increase in Gross non-performing loans to Kshs 73.5 bn, from Kshs 71.1 bn in FY'2024, relative to the 12.0% increase in gross loans to Kshs 469.5 bn, from Kshs 419.2 bn recorded in FY'2024.

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 expanded by 12.6% to Kshs 421.0 bn from Kshs 373.7 bn in FY'2024.
- **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 29.0 bn, an 0.3% decrease from Kshs 29.1 bn in FY'2024.

Financial Statements Extracts

Cooperative Bank's PAT is expected to grow at a 5-year CAGR of 14.7%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income | 55.6 | 61.7 | 69.1 | 86.2 | 93.1 | 97.9 |
| Interest Expense | (14.6) | (16.2) | (23.8) | (34.7) | (30.3) | (32.6) |
| Net Interest Income | 41.0 | 45.5 | 45.2 | 51.5 | 62.9 | 65.2 |
| Non Funded Income | 19.4 | 25.7 | 26.5 | 29.1 | 29.0 | 36.7 |
| Total Operating Income | 60.4 | 71.3 | 71.7 | 80.6 | 91.9 | 101.9 |
| Loan Loss Provision | (7.9) | (8.7) | (6.0) | (8.7) | (9.5) | (9.8) |
| Other Operating Expenses | (30.2) | (33.6) | (33.7) | (38.0) | (42.5) | (46.4) |
| Total Operating Expenses | (38.1) | (42.2) | (39.7) | (46.7) | (52.0) | (56.1) |
| Profit Before Tax | 22.6 | 29.4 | 32.4 | 34.8 | 40.3 | 46.2 |
| Profit After tax | 16.5 | 22.0 | 23.2 | 25.5 | 29.8 | 32.8 |
| % PAT Change YoY | 42.3% | 33.2% | 5.2% | 9.8% | 16.9% | 10.2% |
| EPS | 2.8 | 3.8 | 4.0 | 4.3 | 5.1 | 5.6 |
| DPS | 1.0 | 1.5 | 1.5 | 1.5 | 2.5 | 4.2 |
| Cost to Income | 63.0% | 59.3% | 55.3% | 57.9% | 56.6% | 55.1% |
| ROE | 17.3% | 21.2% | 21.0% | 19.7% | 19.1% | 19.6% |
| ROA | 3.0% | 3.7% | 3.6% | 3.6% | 3.8% | 3.8% |
| Balance Sheet | | | | | | |
| Net Loans and Advances | 310.2 | 339.4 | 374.2 | 373.7 | 421.0 | 496.6 |
| Government Securities | 184.1 | 173.3 | 189.0 | 217.6 | 244.9 | 281.4 |
| Other Assets | 85.5 | 94.5 | 107.9 | 151.9 | 161.4 | 139.7 |
| Total Assets | 579.8 | 607.2 | 671.1 | 743.2 | 827.4 | 917.7 |
| Customer Deposits | 407.7 | 423.8 | 451.6 | 506.1 | 574.2 | 659.0 |
| Other Liabilities | 71.3 | 75.4 | 105.8 | 91.5 | 87.1 | 88.4 |
| Total Liabilities | 479.0 | 499.3 | 557.5 | 597.6 | 661.3 | 747.4 |
| Shareholders Equity | 100.2 | 107.7 | 113.6 | 145.4 | 165.5 | 169.7 |
| Number of Shares | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 |
| Book value Per share | 17.1 | 18.4 | 19.4 | 24.8 | 28.2 | 28.9 |
| % Change in BPS YoY | 23.4% | 7.4% | 5.5% | 28.0% | 13.8% | 2.6% |

Valuation Summary

Co-operative Bank is undervalued with a total potential return of 22.1%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|----------------------|---------------|-----------|----------------|
| Common Ratio | 38.4 | 40% | 15.3 |
| Residual income | 32.2 | 10% | 3.2 |
| PBV Multiple | 38.4 | 40% | 15.4 |
| PE Multiple | 32.2 | 10% | 3.2 |
| Target Price | | | 37.2 |
| Current Price | | | 32.5 |
| Upside/(Downside) | | | 14.4% |
| Dividend Yield | | | 7.7% |
| Total Return | | | 22.1% |

IV. NCBA Bank

NCBA Bank Summary of Performance – FY'2025

- Profit before tax increased by 10.9% to Kshs 27.9 bn from Kshs 25.1 bn in FY'2024, with effective tax rate increasing by 3.1% points to 16.1% from 13.0% in FY'2024. As such, profit after tax increased by 7.0% to Kshs 23.4 bn, from Kshs 21.9 bn in FY'2024.
- Core earnings per share increased by 7.0% to Kshs 14.2, from Kshs 13.3 in FY'2024, mainly driven by the 17.0% increase in total operating income to Kshs 73.3 bn, from Kshs 62.7 bn in FY'2024, which was weighed down by the 21.0% increase in total operating expenses to Kshs 45.5 bn, from Kshs 37.6 bn in FY'2024
- The 17.0% increase in total operating income was mainly driven by the 27.7% increase in Net Interest Income to Kshs 44.1 bn, from Kshs 34.5 bn in FY'2024. Non funded Income (NFI) increased by 3.8% to Kshs 29.3 bn, from Kshs 28.2 bn in FY'2024
- Total operating expenses increased by 21.0% to Kshs 45.5 bn from Kshs 37.6 bn in FY'2024, driven by 46.3% increase in loan loss provisions to Kshs 8.0 bn from Kshs 5.5 bn in FY'2024, coupled with the 21.9% increase in staff costs to Kshs 16.3 bn from Kshs 13.4 bn in FY'2024 and the 12.9% increase in other operating expenses to Kshs 21.2 bn from Kshs 18.8 bn in FY'2024.
- The balance sheet recorded an expansion as total assets increased by 7.5% to Kshs 716.0 bn, from Kshs 665.9 bn in FY'2024, mainly driven by a 5.0% loan book expansion to Kshs 317.2 bn from Kshs 302.1 bn in FY'2024, this was also supported by 4.6% increase in investment in government securities to Kshs 189.1 bn, from Kshs 180.8 bn in FY'2024
- The bank's Asset Quality improved, with Gross NPL ratio reduced by 1.0% points to 10.4% in FY' 2025 from 11.5% in FY'2024, attributable to the 3.6% decrease in gross non-performing loans to Kshs 35.8 bn, from Kshs 37.2 bn in FY'2024, which outpaced the 5.8% increase in gross loans to Kshs 342.8 bn, from Kshs 324.1 bn recorded in FY'2024
- Going forward, we expect the bank's growth to be driven by:
 - Revenue diversification.** The lender has also capitalized on revenue diversification and increasing the bottom line contribution of all the business lines.
 - Proposed acquisition by NedBank:** Once this is approved, NCBA will become a subsidiary and it will enable NCBA to have a stronger capital base and have more avenues for regional expansion

Financial Statements Extracts

NCBA Group's PAT is expected to grow at a 5-year CAGR of 18.0%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Net Interest Income | 27.0 | 30.7 | 34.6 | 34.5 | 44.1 | 31.3 |
| Non Funded Income | 22.1 | 30.3 | 29.1 | 28.2 | 29.3 | 28.7 |
| Total Operating Income | 49.2 | 60.9 | 63.7 | 62.7 | 73.3 | 60.0 |
| Loan Loss Provision | (12.7) | (13.1) | (9.2) | (5.5) | (8.0) | (8.2) |
| Other Operating Expenses | (20.7) | (24.9) | (29.1) | (32.2) | (37.5) | (30.7) |
| Total Operating Expenses | (33.4) | (37.9) | (38.2) | (37.6) | (45.5) | (38.9) |
| Profit Before Tax | 15.0 | 22.5 | 25.5 | 25.1 | 27.9 | 21.2 |
| Profit After tax | 10.2 | 13.8 | 21.5 | 21.9 | 23.4 | 19.2 |
| % PAT Change YoY | 70.6% | 34.8% | 55.7% | 1.9% | 7.0% | (17.8%) |
| EPS | 6.2 | 8.4 | 13.0 | 13.3 | 14.2 | 11.7 |
| DPS | 3.0 | 4.3 | 4.8 | 5.5 | 7.1 | 5.0 |
| Cost to Income | 68.1% | 62.2% | 60.0% | 60.0% | 62.1% | 64.9% |
| NIM | 5.7% | 5.9% | 5.9% | 5.7% | 7.5% | 5.3% |
| ROE | 13.6% | 17.2% | 24.0% | 21.2% | 19.7% | 14.5% |
| ROA | 1.8% | 2.3% | 3.2% | 3.1% | 3.4% | 2.7% |
| Balance Sheet | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
| Net Loans and Advances | 244.0 | 278.9 | 337.0 | 302.1 | 317.2 | 317.3 |
| Government Securities | 196.1 | 205.4 | 203.4 | 180.8 | 189.1 | 177.9 |
| Other Assets | 151.0 | 135.4 | 194.2 | 183.0 | 209.8 | 200.5 |
| Total Assets | 591.1 | 619.7 | 734.6 | 665.9 | 716.0 | 695.6 |
| Customer Deposits | 469.9 | 502.7 | 579.4 | 502.0 | 531.9 | 500.2 |
| Other Liabilities | 43.2 | 34.6 | 58.6 | 54.2 | 56.8 | 57.0 |
| Total Liabilities | 513.1 | 537.2 | 638.0 | 556.2 | 588.6 | 557.2 |
| Shareholders Equity | 77.9 | 82.4 | 96.7 | 109.7 | 127.5 | 138.5 |
| Number of Shares | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Book value Per share | 47.3 | 50.0 | 58.7 | 66.6 | 77.4 | 84.0 |
| % Change in BPS YoY | 7.6% | 5.9% | 17.3% | 13.5% | 16.2% | 8.6% |

Valuation Summary

NCBA Group is undervalued with a total potential return of 23.0%

| | Implied Price | Weighting | Weighted Value |
|-------------------------------|---------------|-----------|----------------|
| DDM Integrated | 99.9 | 40% | 40.0 |
| Residual Valuation | 124.5 | 35% | 43.6 |
| PBV Multiple | 79.9 | 20% | 16.0 |
| PE Multiple | 73.5 | 5% | 3.7 |
| Target Price | | | 103.3 |
| Current Price | | | 89.8 |
| Upside/(Downside) | | | 15.1% |
| Dividend Yield | | | 7.9% |
| Total Potential Return | | | 23.0% |

V. Standard Chartered Bank Kenya

SCBK's Summary of Performance – FY'2025

- Core earnings per share decreased by 38.0% to Kshs 32.9 in FY'2025, from Kshs 53.1 in FY' 2024, mainly driven by the 16.5% decrease in total operating income to Kshs 42.3 bn in FY'2025 , from Kshs 50.7 bn in FY'2024, coupled with a 13.3% increase in total operating expenses to Kshs 25.5 bn in FY'2025, from Kshs 22.5 bn in FY'2024,
- The 16.5% decline in total operating income was mainly driven by a 23.0% decrease in Non Interest Income to Kshs 13.4 bn in FY'2025, from Kshs 17.4 bn in FY'2024, coupled with a 13.1% decrease in Net Interest Income (NII) to Kshs 28.9 bn in FY'2025, from Kshs 33.3 bn in FY'2024,
- Total operating expenses increased by 13.3% to Kshs 25.5 bn in FY'2025 from Kshs 22.5 bn in FY'2024, mainly driven by the 23.7% increase in staff costs to Kshs 11.2 bn in FY' 2025 from Kshs 9.1 bn in FY' 2024, however the increase was slowed down by a 16.3% decrease in loan loss provision to Kshs 2.0 bn in FY' 2025 from Kshs 2.4 bn in FY'2024. The decrease in provisioning comes as a result of the 26.5% decrease in gross non-performing loans to Kshs 8.8 bn in FY'2025, from Kshs 12.0 bn in FY'2024,
- The balance sheet recorded a contraction as total assets decreased by 5.5% to Kshs 363.5 bn, from Kshs 384.6 bn in FY'2024, driven by a 64.2% decrease in cash and Central Bank balance to Kshs 11.6 bn in FY'2025 from Kshs 32.3 bn in FY'2024. The performance was however supported by 11.8% increase in Government Securities to Kshs 104.7 bn in FY'2025 from Kshs 93.7 bn in FY'2024,
- 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 decline at a 5-year CAGR of 4.9%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Net Interest Income | 18.8 | 22.2 | 29.3 | 33.9 | 44.6 | 57.0 |
| Non Funded Income | 10.4 | 11.8 | 12.4 | 17.4 | 13.4 | 20.0 |
| Total Operating Income | 29.2 | 34.0 | 41.7 | 51.3 | 58.0 | 77.0 |
| Loan Loss Provision | 2.1 | 1.3 | 3.4 | 2.4 | 2.0 | 2.0 |
| Other Operating Expenses | 14.5 | 15.5 | 18.7 | 20.1 | 20.5 | 20.4 |
| Total Operating Expenses | 16.6 | 16.9 | 22.1 | 22.5 | 22.5 | 22.5 |
| Profit Before Tax | 12.6 | 17.1 | 19.7 | 28.2 | 16.8 | 33.3 |
| Profit After tax | 9.0 | 12.1 | 13.8 | 20.1 | 12.4 | 23.6 |
| % PAT Change YoY | 66.2% | 33.3% | 14.7% | 45.0% | -38.0% | 89.7% |
| EPS | 24.0 | 32.0 | 36.7 | 53.2 | 33.0 | 62.6 |
| DPS | 14.0 | 22.0 | 29.0 | 45.0 | 31.0 | 55.0 |
| Cost to Income | 56.8% | 49.7% | 52.9% | 44.3% | 60.2% | 41.2% |
| NIM | 6.4% | 7.0% | 8.3% | 9.5% | 9.5% | 9.5% |
| ROaE | 17.4% | 22.1% | 23.5% | 30.1% | 18.0% | 33.5% |
| ROaA | 2.7% | 3.4% | 3.4% | 4.9% | 3.3% | 6.3% |
| Balance Sheet | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
| Net Loans and Advances | 126.0 | 139.4 | 163.2 | 151.6 | 154.3 | 158.5 |
| Government Securities | 95.6 | 105.7 | 69.6 | 93.7 | 104.7 | 111.0 |
| Other assets | 113.3 | 136.2 | 196.2 | 139.2 | 125.5 | 115.1 |
| Total Assets | 334.9 | 381.3 | 429.0 | 384.6 | 384.6 | 384.6 |
| Customer Deposits | 265.5 | 278.9 | 342.9 | 295.7 | 283.5 | 298.0 |
| Other Liabilities | 16.2 | 46.2 | 24.6 | 17.1 | 29.3 | 14.8 |
| Total Liabilities | 281.7 | 325.1 | 367.4 | 312.8 | 312.8 | 312.8 |
| Shareholders Equity | 53.2 | 56.1 | 61.5 | 71.8 | 66.3 | 69.1 |
| Number of shares | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Book value Per share | 141.2 | 148.9 | 163.2 | 190.4 | 175.9 | 183.4 |
| % Change in BPS YoY | 4.6% | 5.5% | 9.6% | 16.6% | -7.6% | 4.2% |

Valuation Summary

SCBK is overvalued with a total potential return of 6.1%

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|----------------------|---------------|-----------|----------------|
| DDM Integrated | 523.1 | 40% | 209.2 |
| Residual Income | 277.3 | 30% | 83.2 |
| PBV Multiple | 188.1 | 15% | 28.2 |
| PE Multiple | 173.5 | 15% | 26.0 |
| Target Price | | | 346.7 |
| Current Price | | | 360.0 |
| Upside/(Downside) | | | (3.7%) |
| Dividend Yield | | | 9.8% |
| Total Return | | | 6.1% |

VI. Diamond Trust Bank Kenya

DTB-K Holdings Summary of Performance – FY'2025

- Profit before tax increased by 20.5% to Kshs 13.4 bn in FY'2025 from Kshs 11.1 bn in FY'2024, with effective tax rate decreasing to 20.1% in FY'2025, from 20.7% in FY'2024, leading to a 21.4% increase in profit after tax to Kshs 10.7 bn in FY'2025, from Kshs 8.8 bn in FY'2024.
- Core earnings per share (EPS) increased by 23.1% to Kshs 33.7 in FY'2025 from Kshs 27.3 in FY'2024, driven by the 13.6% growth in total operating income to Kshs 46.7 bn from Kshs 41.1 bn in FY'2024, which outpaced the 9.4% increase in total operating expenses to Kshs 32.7 bn from Kshs 29.9 bn.
- The 13.6% increase in total operating income was mainly driven by a 24.1% growth in Net Interest Income (NII) to Kshs 34.9 bn, from Kshs 28.1 bn in FY'2024. However, this was weighed down by a 9.1% decline in Non-Funded Income (NFI) to Kshs 11.8 bn, from Kshs 13.0 bn in FY'2024.
- Total operating expenses increased by 9.4% to Kshs 32.7 bn in FY'2025 from Kshs 29.9 bn, driven by an 14.6% increase in loan loss provisions to Kshs 10.0 bn from Kshs 8.7 bn and a 12.4% increase in staff costs to Kshs 11.0 bn from Kshs 9.8 bn.
- The bank's Asset Quality improved, with the gross NPL ratio declining by 1.3% points to 11.3% in FY'2025 from 12.6% in FY'2024, as gross loans increased by 14.8% to Kshs 344.8 bn in FY'2025 from Kshs 300.4 bn in FY'2024, outpacing the 3.2% increase in gross non-performing loans to Kshs 39.1 bn in FY'2025 from Kshs 37.9 bn in FY'2024.

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

Revenue Diversification: The lender has an opportunity to grow its non-funded income streams, which declined by 9.1% to Kshs 11.8 bn in FY'2025 from Kshs 13.0 bn in FY'2024. Over the years, DTB has launched various products and continues to offer differentiated solutions for diaspora clients, micro and small enterprises, home and vehicle insurance, bancassurance, and the DTB Weza platform, which makes overdrafts more accessible.

Digital Transformation: The bank has developed digital initiatives, including a digital credit platform to streamline and enhance consumer lending processes. The rollout of a comprehensive digital banking platform with advanced mobile and online banking capabilities would improve customer convenience, attract tech-savvy clients, and boost retention. Combined with leveraging data analytics to optimize decision-making and enhance customer engagement, these initiatives position the bank to remain competitive in an increasingly digital financial landscape while unlocking new revenue streams and expanding market share.

Financial Statements Extracts

DTB K Holdings PAT is expected to grow at a 5-year CAGR of 20.4%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Interest Income | 20.0 | 22.9 | 27.6 | 28.1 | 34.9 | 38.3 |
| Non Funded Income | 6.3 | 9.1 | 12.2 | 13.0 | 11.8 | 11.8 |
| Total Operating Income | 26.3 | 31.9 | 39.7 | 41.1 | 46.7 | 50.1 |
| Loan Loss Provision | 7.6 | 7.1 | 10.3 | 8.7 | 10.0 | 11.4 |
| Other Operating Expenses | 12.3 | 14.9 | 20.5 | 21.2 | 22.8 | 25.2 |
| Total Operating Expenses | 19.9 | 22.1 | 30.9 | 29.9 | 32.7 | 36.5 |
| Profit Before Tax | 6.6 | 9.5 | 9.0 | 11.1 | 13.4 | 13.7 |
| Profit After tax | 4.4 | 6.8 | 7.8 | 8.8 | 10.7 | 11.2 |
| % PAT Change YoY | 25.1% | 53.9% | 14.7% | 13.1% | 21.4% | 4.5% |
| EPS | 15.8 | 24.3 | 24.6 | 27.3 | 33.7 | 40.0 |
| DPS | 3.0 | 5.0 | 6.0 | 7.0 | 9.0 | 9.0 |
| Cost to Income | 75.6% | 69.1% | 77.7% | 72.8% | 70.1% | 72.9% |
| NIM | 5.1% | 5.3% | 5.5% | 5.4% | 6.7% | 6.6% |
| ROE | 6.8% | 10.0% | 10.8% | 11.3% | 11.7% | 10.6% |
| ROA | 1.0% | 1.4% | 1.3% | 1.5% | 1.7% | 1.6% |
| Balance Sheet | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
| Net Loans and Advances | 220.4 | 253.7 | 308.5 | 285.3 | 324.2 | 371.9 |
| Government Securities | 83.3 | 73.5 | 58.5 | 44.5 | 24.5 | 27.4 |
| Other Assets | 153.1 | 199.8 | 268.0 | 244.1 | 310.5 | 331.4 |
| Total Assets | 456.8 | 527.0 | 635.0 | 573.9 | 659.1 | 730.6 |
| Customer Deposits | 331.5 | 387.6 | 486.1 | 447.2 | 509.1 | 569.6 |
| Other Liabilities | 50.8 | 61.8 | 62.6 | 34.3 | 36.9 | 39.4 |
| Total Liabilities | 382.3 | 449.3 | 548.7 | 481.5 | 546.1 | 609.0 |
| Shareholders Equity | 67.3 | 69.0 | 74.9 | 81.8 | 101.1 | 109.7 |
| Number of Shares | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Book value Per share | 240.7 | 246.6 | 267.8 | 292.5 | 361.6 | 392.2 |
| % Change in BPS YoY | 8.6% | 2.5% | 8.6% | 9.2% | 23.6% | 8.5% |

Valuation Summary

DTB-K Holdings is undervalued with a total potential return of 22.9%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|----------------------|---------------|-----------|----------------|
| DDM Integrated | 96.9 | 30.0% | 29.1 |
| Residual Income | 219.9 | 45.0% | 99.0 |
| PBV Multiple | 161.8 | 15.0% | 24.3 |
| PE Multiple | 228.0 | 10.0% | 22.8 |
| Target Price | | | 175.1 |
| Current Price | | | 149.8 |
| Upside/(Downside) | | | 16.9% |
| Dividend yield | | | 6.0% |
| Total return | | | 22.9% |

VII. ABSA Bank Kenya

ABSA Bank's Summary of Performance – FY'2025

- Core earnings per share grew by 9.7% to Kshs 4.2 bn , from Kshs 3.8 in FY'2025 driven by the 12.2% decrease in total operating expense to Kshs 28.6 bn, from Kshs 32.6 bn in FY'2024. However the performance was weighed down by a 1.6% decrease in total operating income to Kshs 61.4 bn from Kshs 62.3 bn in FY' 2024.
- The 12.2% decrease in total operating expense was mainly driven by a 31.8% decline in Loan Loss Provision (LLP) to Kshs 6.2 bn, from Kshs 9.1 bn in FY'2024. It was however weighed down by a 4.0% increase in staff cost to Kshs 13.5 bn in FY'2025, from Kshs 13.0 bn in FY'2024. Total operating expense decreased by 13.0% to Kshs 22.3 bn in Q3'2025, from Kshs 25.7 bn in Q3'2024, mainly attributable to 39.6% decrease in loan loss provision to Kshs 4.8 bn, from Kshs 8.0 bn in Q3'2024, coupled with the 1.9% decrease in staff cost to 9.6 bn from 9.8 in Q3'2024.
- The balance sheet recorded an expansion as total assets increased by 6.2% to Kshs 537.6 bn, from Kshs 506.5 bn in FY'2024, mainly driven by a 20.7% increase in governments securities holdings to Kshs 157.7 bn, from 130.6 bn in FY'2024.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 11.5% in FY'2025, from 12.6% in FY'2024, attributable to a 8.4% decrease in Gross non-performing loans to Kshs 38.9 bn, from Kshs 42.5 bn in FY'2024, relative to the 0.1% decrease in gross loans to Kshs 337.3 bn, from Kshs 337.1 bn recorded in FY'2024,

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

- Strong Customer Base** Absa 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 increased by 1.0% to Kshs 312.2 bn from Kshs 309.1 bn in FY'2024.
- Diversified products– 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 diversify 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 19.8%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Interest Income | 25.3 | 32.3 | 40.0 | 46.2 | 43.3 | 46.1 |
| Non Funded Income | 11.7 | 13.7 | 14.5 | 16.1 | 18.1 | 22.5 |
| Total Operating Income | 36.9 | 46.0 | 54.6 | 62.3 | 61.4 | 68.5 |
| Loan Loss Provision | (4.7) | (6.5) | (9.2) | (9.1) | (6.2) | (6.7) |
| Other Operating Expenses | (16.7) | (18.7) | (21.6) | (10.5) | (8.9) | (23.1) |
| Total Operating Expenses | (21.4) | (25.1) | (30.9) | (30.9) | (28.6) | (29.8) |
| Profit Before Tax | 15.5 | 20.8 | 23.7 | 29.7 | 32.7 | 38.8 |
| Profit After tax | 10.9 | 14.6 | 16.4 | 20.9 | 22.9 | 26.4 |
| % PAT Change YoY | 161.2% | 34.2% | 12.2% | 27.5% | 9.7% | 15.3% |
| EPS | 2.0 | 2.7 | 3.0 | 3.8 | 4.2 | 4.9 |
| DPS | 1.1 | 1.4 | 1.6 | 1.8 | 2.1 | 2.0 |
| Cost to Income | 57.9% | 54.7% | 56.6% | 52.3% | 46.7% | 43.4% |
| NIM | 7.1% | 8.2% | 9.1% | 10.1% | 10.1% | 8.1% |
| ROaE | 21.1% | 24.3% | 24.6% | 27.0% | 24.7% | 2.9% |
| ROaA | 2.7% | 3.2% | 3.3% | 4.1% | 4.4% | 0.6% |
| Balance Sheet | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Net Loans and Advances | 234.2 | 283.6 | 335.7 | 309.1 | 312.2 | 356.5 |
| Government Securities | 132.6 | 133.5 | 95.2 | 130.6 | 157.7 | 180.0 |
| Other Assets | 61.9 | 60.2 | 88.9 | 66.8 | 67.8 | 99.2 |
| Total Assets | 428.7 | 477.2 | 519.8 | 506.5 | 537.6 | 635.7 |
| Customer Deposits | 268.7 | 303.8 | 362.7 | 367.1 | 372.4 | 425.3 |
| Other Liabilities | 103.5 | 109.9 | 87.9 | 54.2 | 64.7 | 70.7 |
| Total Liabilities | 372.2 | 413.6 | 450.6 | 421.3 | 437.1 | 495.9 |
| Shareholders Equity | 56.4 | 63.6 | 69.2 | 85.2 | 100.5 | 139.8 |
| Number of shares | 5.4 | 5.4 | 5.4 | 5.4 | 6.4 | 7.4 |
| Book value Per share | 10.4 | 11.7 | 12.7 | 15.7 | 18.5 | 25.7 |
| % Change in BPS YoY | 21.4% | 36.8% | 22.6% | 23.1% | 45.3% | 64.1% |

Valuation Summary

Absa Bank is undervalued with a total potential return of 7.5%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|------------------------|---------------|-----------|----------------|
| <i>DDM</i> | 41.1 | 40% | 16.4 |
| <i>Residual Income</i> | 26.6 | 35% | 9.3 |
| <i>PBV Multiple</i> | 23.5 | 20% | 4.7 |
| <i>PE Multiple</i> | 24.3 | 5% | 1.2 |
| Target Price | | | 31.7 |
| Current Price | | | 31.5 |
| Upside/(Downside) | | | 0.7% |
| Dividend Yield | | | 6.8% |
| Total Return | | | 7.5% |

VIII. Stanbic Holdings

Stanbic Holdings' Summary of Performance – FY'2025

- Core earnings per share increased marginally by 0.02% to remain relatively unchanged at the Kshs 34.7 recorded in in FY'2024, mainly driven by 5.7% decrease in total operating expense to Kshs 19.6 bn, from Kshs 20.8 bn in FY'2024 which outpaced the 3.1% decrease in total operating income to Kshs 38.5 bn, from Kshs 39.7 bn in FY' 2024
- The 3.1% increase in Total Operating Income was driven by a 6.4% decrease in Non-Interest Income to Kshs 14.4 bn in FY'2025, from Kshs 10.4 bn in FY'2024 coupled with the 1.0% decrease in Net-Interest income to Kshs 24.1 bn in FY'2025, from Kshs 24.3 bn in FY'2024.
- Total operating expense decreased by 5.7% to Kshs 19.6 bn in FY'2025, from Kshs 20.8 bn in FY'2024, mainly attributable to 42.9% decrease in loan loss provision to Kshs 2.0 bn, from Kshs 3.5 bn in FY'2024
- The balance sheet recorded an expansion as total assets increased by 19.0% to Kshs 541.3 bn, from Kshs 454.8 bn in FY'2024, mainly driven by a 17.2% increase in net loans and advances to customers to Kshs 270.0 bn, from 230.3 bn in FY'2024. Government securities increased by 36.4% to Kshs 103.0 bn, from Kshs 75.5 bn in FY'2024. Total liabilities increased by 21.5% to Kshs 461.1 bn from Kshs 379.4 bn in FY'2024, mainly driven by a 19.5% increase in customer deposits to Kshs 384.2 bn
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 8.1% in FY'2025, from 9.1% in FY'2024, attributable to an 2.9% increase in Gross non-performing loans to Kshs 23.3 bn, from Kshs 22.6 bn in FY'2024, relative to the 16.8% increase in gross loans to Kshs 289.6 bn, from Kshs 248.1 bn recorded in FY'2024, Going forward, the factors that would drive the bank's growth would be:
 - Digital transformation.** The lender has capitalized on digital innovation for service delivery to improve its operational efficiency, which has been a key factor in its financial performance. The lender upgraded their T24 core banking system to improve client's experiences. Additionally, the lender is adopting use of Artificial Intelligence in its operations and it rolled out Intelligence Automation framework with 17 bots successfully deployed across multiple business functions.

Financial Statements Extracts

Stanbic Holdings' PAT is expected to grow at a 5-year CAGR of 16.7%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Interest Income | 14.4 | 18.9 | 25.6 | 24.3 | 24.1 | 27.0 |
| Non Funded Income | 10.6 | 13.1 | 15.7 | 15.4 | 14.4 | 18.6 |
| Total Operating Income | 25.0 | 32.1 | 41.3 | 39.7 | 38.5 | 45.6 |
| Loan Loss Provision | (2.5) | (4.9) | (6.2) | (3.1) | (1.6) | (3.7) |
| Total Operating Expenses | (12.7) | (19.9) | (24.2) | (20.8) | (19.6) | (24.0) |
| Profit Before Tax | 9.8 | 12.2 | 17.1 | 19.0 | 18.9 | 21.6 |
| Profit after Tax | 7.2 | 9.1 | 12.2 | 13.7 | 13.7 | 15.6 |
| % PAT Change YoY | 38.8% | 25.7% | 68.7% | 51.4% | 12.8% | 13.6% |
| EPS | 18.2 | 22.9 | 30.8 | 34.7 | 34.7 | 39.4 |
| DPS | 9.0 | 12.6 | 14.2 | 20.7 | 22.4 | 20.0 |
| Cost to Income (with LLP) | 0.6 | 62.1 | 0.6 | 0.5 | 0.5 | 0.5 |
| NIM | 5.0% | 5.7% | 6.9% | 5.9% | 5.7% | 6.0% |
| ROaE | 13.3% | 15.3% | 18.6% | 19.1% | 18.8% | 17.3% |
| ROaA | 2.2% | 2.5% | 2.8% | 3.0% | 2.7% | 2.6% |
| Balance Sheet | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f |
| Net Loans and Advances | 229.3 | 266.8 | 260.5 | 230.3 | 270.0 | 322.6 |
| Other Assets | 99.6 | 133 | 198.8 | 224.5 | 271.2 | 316.9 |
| Total Assets | 328.9 | 399.8 | 459.3 | 454.8 | 541.3 | 639.5 |
| Customer Deposits | 254.6 | 304.3 | 330.9 | 321.6 | 384.2 | 459.0 |
| Borrowings | 5.7 | 10.1 | 12.7 | 10.5 | 13.0 | 13.0 |
| Other Liabilities | 12.1 | 23.2 | 47.1 | 47.4 | 63.9 | 67.5 |
| Total Liabilities | 272.4 | 337.6 | 390.7 | 379.4 | 461.1 | 539.5 |
| Shareholders Equity | 56.5 | 62.2 | 68.6 | 75.4 | 80.1 | 100.0 |
| No of Ordinary Shares | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Book value Per share | 142.8 | 157.3 | 171.4 | 188.5 | 200.4 | 250.0 |
| % Change in BVPS | 9.1% | 2.0% | 9.0% | 10.0% | 6.3% | 24.8% |

Valuation Summary

Stanbic Holdings is undervalued with a total potential return of 21.4%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|----------------------|---------------|-----------|----------------|
| DDM Integrated | 392.6 | 40% | 157.0 |
| Residual Income | 184.8 | 35% | 64.7 |
| PBV Multiple | 206.4 | 15% | 31.0 |
| PE Multiple | 211.0 | 10% | 21.1 |
| Target Price | | | 273.5 |
| Current Price | | | 289.3 |
| Upside/(Downside) | | | (5.4%) |
| Dividend Yield | | | 8.6% |
| Total return | | | 3.2% |

IX. I&M Group

I&M Group Summary of Performance – FY'2025

- Profit before tax increased by 22.4% to Kshs 24.2 bn, from Kshs 19.8 bn recorded in FY'2024, with effective tax rate decreasing by 1.4% points to 18.0% from the 19.3% recorded in FY'2024, leading to a 24.5% increase in profit after tax to Kshs 19.8 bn in FY'2025, from Kshs 15.9 bn in FY'2024.
- Total operating expense increased by 16.3% to Kshs 36.9 bn in FY'2024, from Kshs 31.7 bn in FY'2024, mainly attributable to 20.3% increase in staff cost expense to Kshs 10.9 bn, from Kshs 9.1 bn in FY'2024, coupled with the 16.6% increase in other operating expenses to 17.3 bn from 14.9 in FY'2024. Notably, loan loss provision increased by 11.1% to Kshs 8.7 bn, from 7.8 bn in FY'2024,
- The balance sheet recorded an expansion as total assets increased by 15.1% to Kshs 668.9 bn, from Kshs 580.9 bn in FY'2024, mainly driven by a 55.5% increase in governments securities holdings to Kshs 159.4 bn, from 102.5 bn in FY'2024, coupled with a 6.5% increase in net loans and advances to Kshs 306.3 bn, from Kshs 287.5 bn in FY'2024.
- Gross Non-Performing Loans (NPLs) decreased by 911.5% Kshs 31.4 bn, from Kshs 35.3 bn in FY'2024, while Gross Loans increased by 6.2% to Kshs 328.8 bn, from Kshs 309.6 bn recorded in FY'2024. Consequently, the asset quality improved, with Gross NPL ratio decreasing to 9.6% in FY'2025, from 11.5% in FY'2024.
- Going forward, we expect the bank's growth to be driven by:
 - i. The Ni Sare Strategy** - The Group has leveraged digital innovation as a primary distribution channel through its Ni Sare proposition, which offers zero-fee transactions, particularly from bank accounts to M-Pesa. This initiative significantly lowers barriers to entry and attracts a broader, younger customer base while increasing transaction volumes across its platforms.
 - ii. Strategic SME Growth** - The Group has structured its SME segment as a comprehensive financial ecosystem rather than a traditional lending portfolio. By onboarding small and medium enterprises digitally and linking them to multiple banking services, providing working capital financing, payments processing, and cashflow management I&M captures multiple revenue streams from each client.

Financial Statements Extracts

I&M Group's PAT is expected to grow at a 5-year CAGR of 26.7%

| Income Statement | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|---------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Net Interest Income | 20.9 | 22.9 | 28.6 | 39.6 | 46.0 | 55.3 |
| Non- Funded Income | 8.7 | 12.7 | 14.1 | 11.0 | 14.4 | 27.5 |
| Total Operating Income | 29.6 | 35.7 | 42.7 | 50.6 | 60.3 | 82.8 |
| Loan Loss Provision | (4.2) | (5.2) | (6.9) | (7.8) | (8.7) | (10.2) |
| Other Operating Expenses | (13.5) | (16.1) | (20.3) | (23.9) | (28.2) | (37.0) |
| Total Operating Expenses | (17.7) | (21.3) | (27.2) | (31.7) | (36.9) | (47.1) |
| Profit Before Tax | 12.4 | 15.0 | 16.7 | 19.8 | 24.2 | 36.5 |
| Profit After Tax | 8.6 | 11.6 | 13.3 | 15.9 | 19.8 | 24.7 |
| % PAT Change YoY | 2.5% | 34.3% | 15.2% | 19.4% | 24.5% | 24.3% |
| EPS | 5.2 | 7.0 | 7.6 | 8.9 | 10.8 | 14.9 |
| DPS | 1.5 | 2.3 | 2.6 | 3.0 | 3.9 | 8.0 |
| Cost to Income | 59.9% | 59.8% | 63.7% | 62.7% | 61.2% | 56.9% |
| NIM | 6.3% | 6.7% | 7.0% | 8.1% | 8.5% | 9.9% |
| ROaE | 12.2% | 14.4% | 15.0% | 16.2% | 17.8% | 16.4% |
| ROaA | 2.1% | 2.6% | 2.6% | 2.7% | 3.2% | 3.1% |
| Balance Sheet | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
| Government securities | 125.5 | 68.1 | 78.1 | 102.5 | 159.4 | 202.4 |
| Net Loans and Advances | 210.6 | 238.6 | 311.3 | 287.5 | 306.3 | 389.0 |
| Other Assets | 79.0 | 130.6 | 190.3 | 190.9 | 203.2 | 311.4 |
| Total Assets | 415.2 | 437.3 | 579.7 | 580.9 | 668.9 | 902.9 |
| Customer Deposits | 296.7 | 312.3 | 416.7 | 412.2 | 483.9 | 614.7 |
| Other Liabilities | 44.4 | 43.4 | 67.3 | 67.8 | 63.0 | 96.2 |
| Total Liabilities | 341.1 | 355.7 | 484.0 | 480.0 | 546.9 | 710.8 |
| Shareholders Equity | 69.6 | 76.5 | 88.2 | 93.8 | 115.2 | 185.2 |
| Number of Shares | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Book Value Per Share | 42.1 | 46.3 | 53.3 | 56.7 | 69.6 | 112.0 |
| % BVPS Change YoY | (45.8%) | 9.9% | 15.2% | 6.4% | 22.8% | 60.8% |

Valuation Summary

I&M Group is undervalued with a total potential return of 24.7%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|----------------------|---------------|-----------|----------------|
| DDM Integrated | 61.4 | 40.0% | 24.6 |
| Residual income | 36.6 | 40.0% | 14.6 |
| PBV Multiple | 75.1 | 10.0% | 7.5 |
| PE Multiple | 67.8 | 10.0% | 6.8 |
| Target Price | | | 56.66 |
| Current Price | | | 48.45 |
| Upside/(Downside) | | | 16.9% |
| Dividend yield | | | 7.7% |
| Total return | | | 24.7% |

B. Tier II Bank

I. HF Group

HF Group Summary of Performance – FY'2025

- Profit before tax increased by 249.9% to Kshs 1.6 bn, from Kshs 0.5 bn recorded in FY'2024. Despite the effective tax rate turning positive to 11.6% in FY'2025 from negative 14.1% in FY'2024, profit after tax grew by 171.1% to Kshs 1.4 bn from Kshs 0.5 bn in FY'2024.
- The total operating income increased by 48.0% to Kshs 6.2 bn from Kshs 4.2 bn in FY'2024, mainly driven by a 63.9% growth in Net Interest Income (NII) to Kshs 4.4 bn, from Kshs 2.7 bn in FY'2024, coupled with the 19.9% increase in Non- Interest Income (NFI) to Kshs 1.8 bn from Kshs 1.5 bn in FY'2024,
- Interest expenses declined by 15.8% to Kshs 3.2 bn from Kshs 3.7 bn in FY'2024, mainly driven by a 84.3% decrease in interest expense from placements and deposits to Kshs 0.1 bn, from Kshs 0.4 bn recorded in FY'2024 coupled with an 8.0% decrease in other interest expenses to Kshs 0.3 bn from Kshs 0.4 bn in FY'2024,
- The balance sheet recorded an expansion as total assets increased by 17.5% to Kshs 82.4 bn, from Kshs 70.1 bn in FY'2024,
- The bank's asset quality improved, as the Gross NPL ratio declined to 22.2% in FY'2025 from 25.3% in FY'2024. This was supported by a 5.3% growth in gross loans to Kshs 49.8 bn from Kshs 47.3 bn in FY'2024, compared to the 7.5% decline in gross non-performing loans to Kshs 11.1 bn from Kshs 12.0 bn in FY'2024.
- 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 14.4%

| Income Statement | 2022 | 2023 | 2024 | 2025 | 2026f |
|---------------------------------|-----------------|--------------|----------------|---------------|---------------|
| Net Interest Income | 2.2 | 2.5 | 2.7 | 4.4 | 4.9 |
| Non- Funded Income | 0.9 | 1.2 | 1.5 | 1.8 | 0.4 |
| Total Operating Income | 3.0 | 3.8 | 4.2 | 6.2 | 5.3 |
| Loan Loss Provision | (0.2) | (0.3) | (0.4) | (0.4) | (0.1) |
| Other Operating Expenses | (2.6) | (3.2) | (3.4) | (4.7) | (2.6) |
| Total Operating Expenses | (2.8) | (3.5) | (3.7) | 1.6 | 2.7 |
| Profit Before Tax | 0.2 | 0.3 | 0.5 | 1.4 | 1.9 |
| Profit After Tax | 0.1 | 0.2 | 0.5 | 1.4 | 1.9 |
| % PAT Change YoY | (138.9%) | 46.2% | 35.2% | 171.1% | 482.8% |
| EPS | 0.7 | 1.0 | 0.9 | 0.8 | 1.0 |
| DPS | 0.0 | 0.0 | 0.0 | - | - |
| Cost to Income | 93.5% | 92.0% | 89.5% | 75.9% | 73.7% |
| NIM | 5.0% | 5.4% | 5.0% | 6.9% | 7.4% |
| ROaE | 3.1% | 4.4% | 4.3% | 4.3% | 11.8% |
| ROaA | 0.5% | 0.7% | 0.8% | 1.1% | 2.7% |
| Balance Sheet | 2022 | 2023 | 2024 | 2025 | 2026f |
| Net Loans and Advances | 36.3 | 38.8 | 38.9 | 41.1 | 49.0 |
| Government securities | 8.5 | 9.7 | 17.0 | 28.3 | 22.9 |
| Other Assets | 12.2 | 13.1 | 14.3 | 13.0 | 13.0 |
| Total Assets | 57.0 | 61.6 | 70.1 | 82.4 | 84.9 |
| Customer Deposits | 39.8 | 43.8 | 47.5 | 55.9 | 55.3 |
| Other Liabilities | 8.4 | 8.8 | 7.0 | 8.8 | 10.0 |
| Total Liabilities | 48.2 | 52.7 | 54.5 | 64.7 | 65.3 |
| Shareholders Equity | 8.8 | 8.9 | 15.7 | 17.7 | 19.6 |
| Number of Shares | 0.4 | 0.4 | 1.9 | 1.9 | 1.9 |
| Book Value Per Share | 22.8 | 23.0 | 8.3 | 9.4 | 10.4 |
| % BVPS Change YoY | 6.0% | 0.9% | (64.6%) | 13.3% | 10.6% |

Valuation Summary

Housing Finance is undervalued with a total potential return of 2052%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|-----------------------------|---------------|-----------|----------------|
| <i>Residual Income</i> | 15.8 | 60% | 9.5 |
| <i>PTBV Multiple</i> | 4.3 | 35% | 1.5 |
| <i>PE Multiple</i> | 4.0 | 5% | 0.2 |
| <i>Fair Value</i> | | | 11.20 |
| <i>Current Price</i> | | | 9.32 |
| Upside/(Downside) | | | 20.52% |
| Dividend Yield | | | 0.0% |
| <i>Total return</i> | | | 20.52% |

Feedback Summary

During the preparation of this FY'2025 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 | Yes |
| Standard Chartered Bank Kenya | Yes | Unresponsive |
| I&M Group | Yes | Yes |
| Stanbic Holdings | Yes | Unresponsive |
| Diamond Trust Bank | Yes | Yes |
| KCB Group | Yes | Unresponsive |
| NCBA Group | Yes | Unresponsive |
| Housing Finance Group | Yes | Unresponsive |
| Equity Group Holdings | Yes | Unresponsive |
| Absa Bank Kenya | Yes | Yes |

Licensed Financial Institutions

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

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 | Muongano Microfinance Bank PLC |

Source : CBK

Thank You!

For More Information

- **Free Market Research:** www.cytonnreport.com
- **Follow on Twitter:** @CytonnInvest
- **On Facebook:** Cytonn Investments

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

Disclaimer: The views expressed in this publication, are those of the writers where particulars are not warranted. This publication, which is in compliance with Section 2 of the Capital Markets Authority Act Cap 485A, is meant for general information only and is not a warranty, representation, advice or solicitation of any nature. Readers are advised in all circumstances to seek the advice of a registered investment advisor.

Q&A / AOB