# Cytonn H1’2024 Banking Sector Report

## “Sustained Profitability Owing to Improved Business Environment”

Cytonn

15th September, 2024

# Table of Contents

# I. Introduction to Cytonn

# About Us

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **82** | Over Kshs. 82 billion worth of projects under mandate | **3** | Three offices across 2 continents | **500** | Over 500 staff members, including Cytonn Distribution | **10** | 10 investment ready projects in real estate |

## A unique franchise differentiated by:

**Independence & Investor Focus**

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

**Alternative Investments**

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

**Strong Alignment**

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

**Committed Partners**

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

# Why We Exist

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

**WE SERVE THREE MAIN CLIENT SEGMENTS:**

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

**WE INVEST OUR CLIENT FUNDS IN:**

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

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

# Our Business Structure

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

# II. Kenya Economic Review and Outlook

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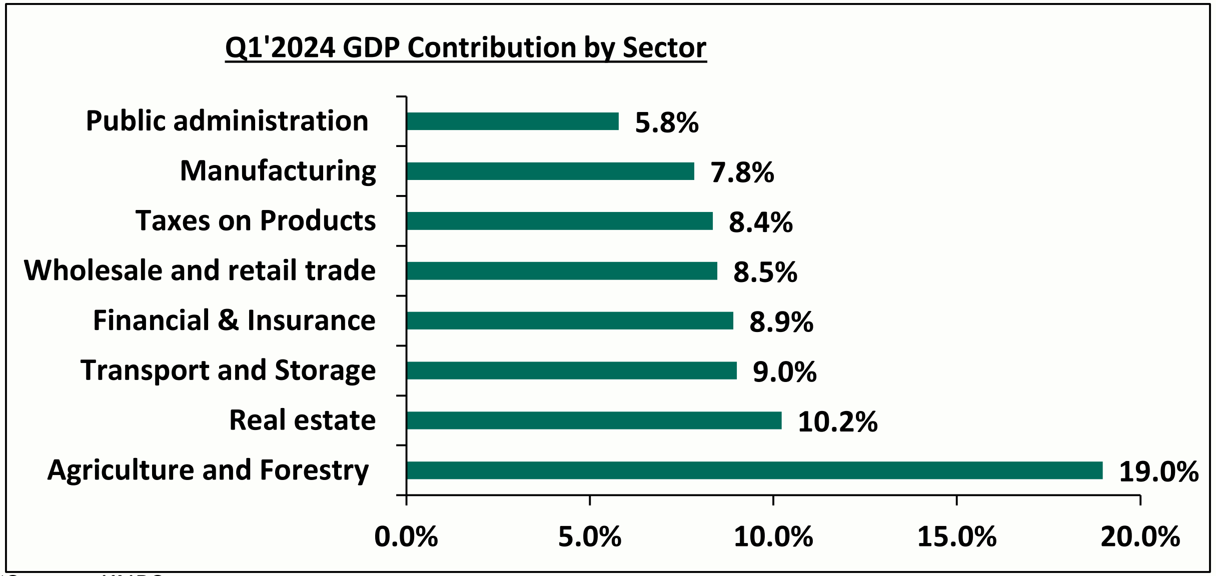
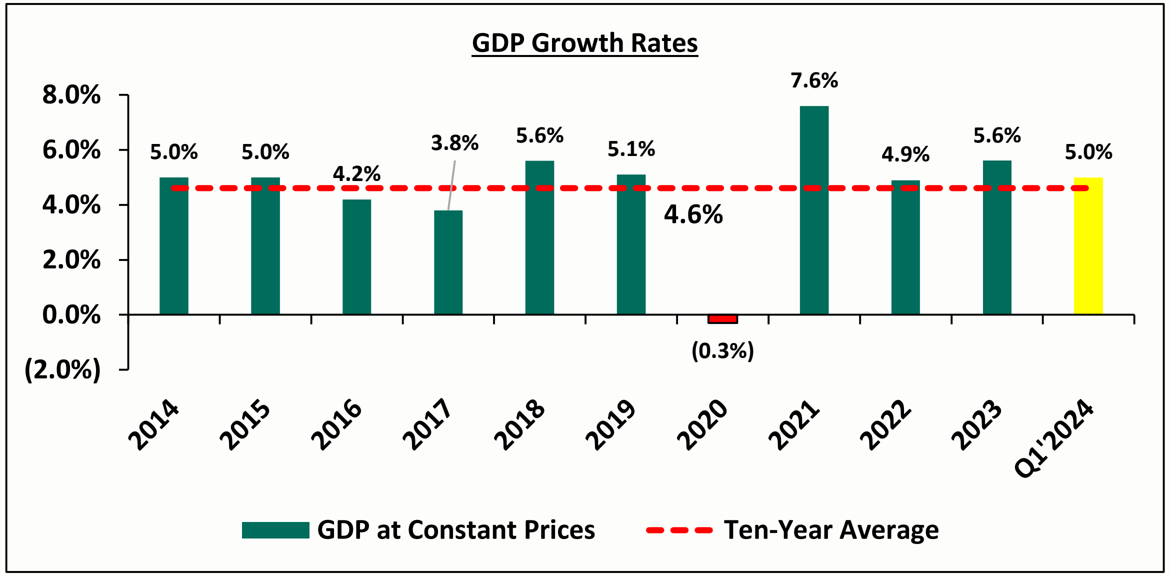
# Economic Growth

## The Kenyan economy grew by 5.0% in Q1’2024, slower than the 5.5% growth in Q1’2023




**Source: KNBS*

- The Kenyan economy recorded an average growth of 5.0% in the period between January to March 2024, slower than the growth rate of 5.5% recorded in Q1’2023.
- The performance in Q1’2024 was mainly driven by the 6.1% growth in the agricultural sector due to the favourable weather conditions, which led to more agricultural output as evidenced by the 42.9% increase in tea output to 168.8 thousand metric tonnes coupled with the 30.2% growth in volume of milk deliveries to 216.7 million litres. The performance was however curtailed by a 13.8% decrease in coffee exports to 9,722.3 metric tonnes in the quarter under review

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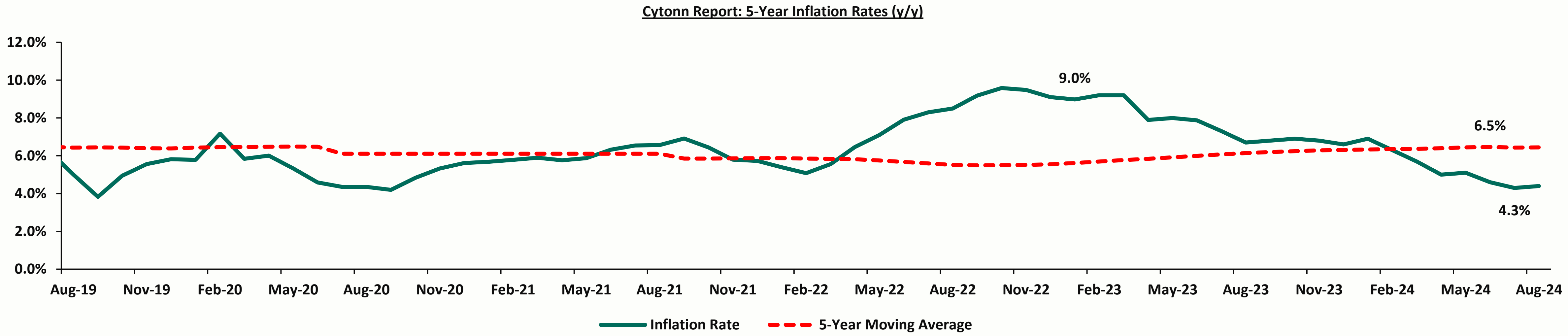
# Inflation

## The y/y inflation in August 2024 increased by 0.1% points to 4.4%, from the 4.3% recorded in July 2024




**Source: KNBS*

- The average inflation rate eased to 5.6% in H1’2024, compared to 8.5% in H1’2023. Notably, the y/y inflation in June 2024 eased by 0.5% points to 4.6%, from the 5.1% recorded in May 2024. This was according to our expectations and projection that it would come within a range of 4.7% to 5.1%.
- The headline inflation in July 2024 was majorly driven by increase in prices of commodities in the following categories, food and non-alcoholic beverages; transport; and housing, water, electricity, gas and other fuels by 5.6%, 4.0% and 3.9%, respectively. Notably, July’s overall headline inflation was on the decline for the second consecutive month, after the slight increase to 5.1% in May, and has remained within the Central Bank of Kenya (CBK) target range of 2.5% to 7.5% for the thirteenth consecutive month.

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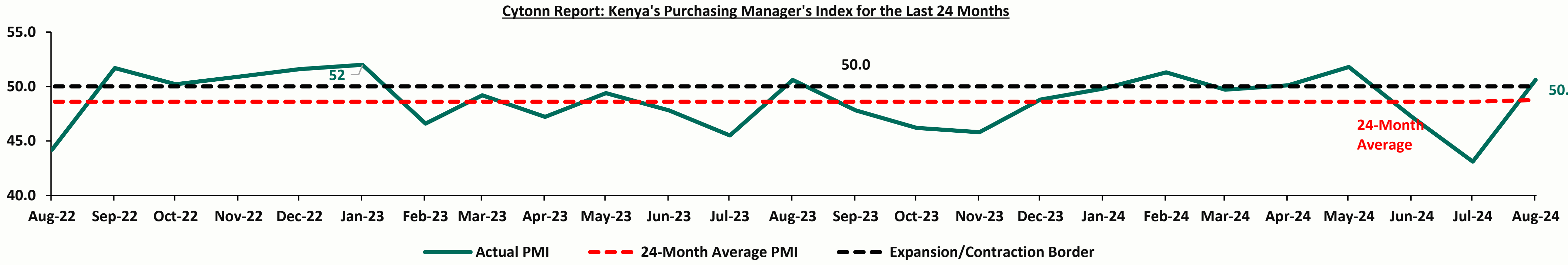
# Stanbic PMI Index

## The PMI averaged at 50.0 in H1’2024, compared to 48.7 in H1’2023

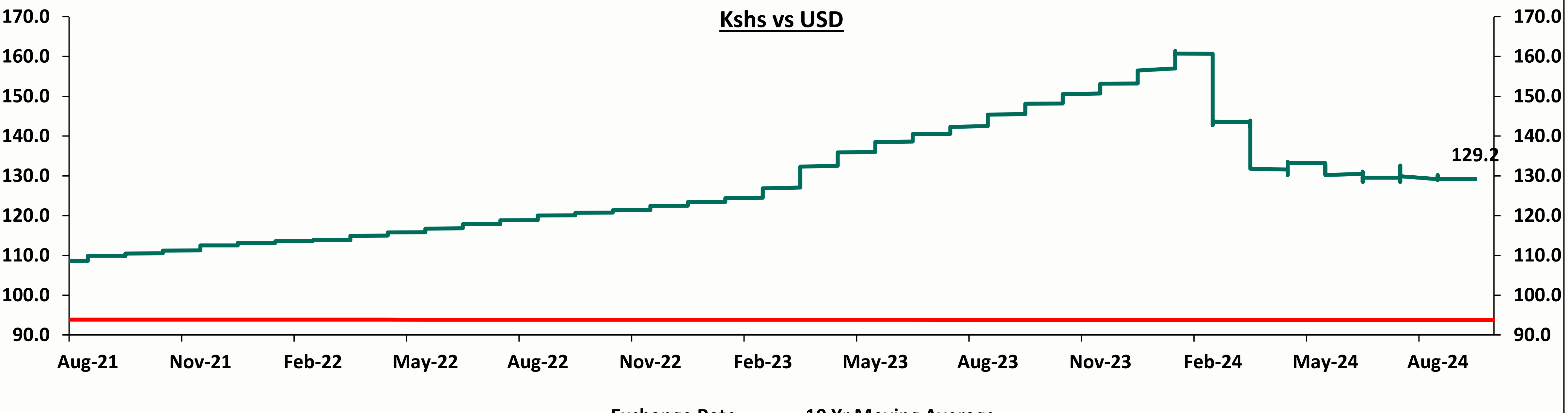



**Source: Market Economics, Stanbic PMI*

- The Stanbic Purchasing Managers Index (PMI) for August 2024 improved, coming in at 50.6, up from 43.1 in July 2024, signaling a modest improvement in operating conditions across Kenya. Key to note, a PMI reading of above 50 indicates improvements in the business environment, while a reading below 50 indicates a worsening outlook.
- The general upturn of the general business environment was mainly attributable to the calm which came after the suspension of anti-government protests that had limited business activity in the country.
- Going forward, we project that the business environment will improve in the short to medium term on the back of reduced food and fuel prices, as well as the eased inflationary pressures with the current inflation standing at 4.4%.

# Currency

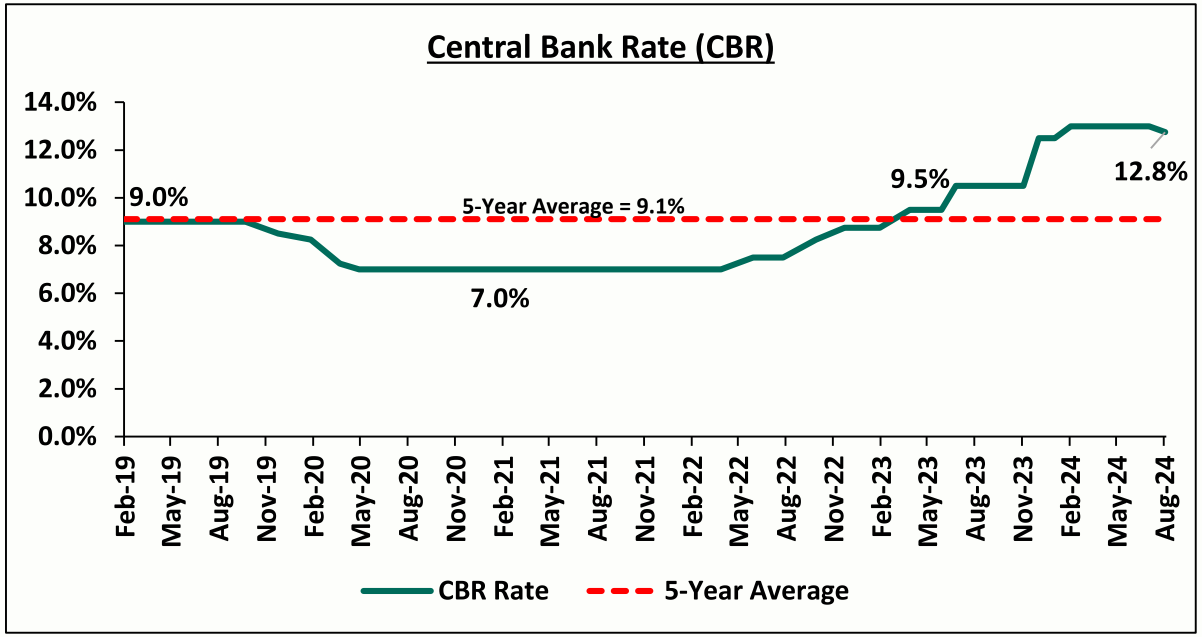
## The Kenyan shilling has appreciated by 17.7% year to date to Kshs 129.2 as of 14th August 2024, from Kshs 157.0 recorded at the beginning of the year

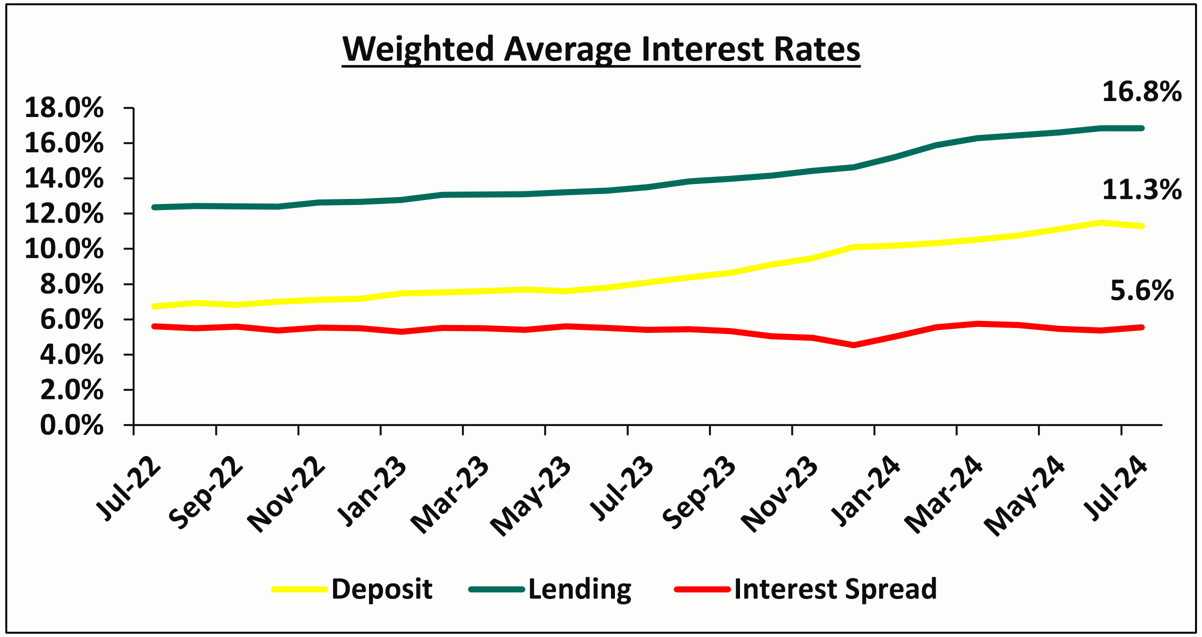



**Source: Central Bank of Kenya*

- On a year to date basis, the shilling has appreciated by 17.7% against the US Dollar, a sharp contrast to the 26.8% depreciation recorded in 2023. We note that the shilling has being supported by diaspora remittances standing at a cumulative USD 4,571.7 mn in the 12 months to July 2024, 12.2% higher than the USD 4,075.7 mn recorded over the same period in 2023, which has continued to cushion the shilling against depreciation.
- However, we expect the shilling to remain under pressure in 2024 as a result of an ever-present current account deficit and the need for government debt servicing which continues to put pressure on the forex reserves given that 67.9% of Kenya's external debt was US Dollar denominated as of March 2024.

# Interest Rates and Monetary Policy




**Source: CBK*

- The Monetary Policy Committee (MPC) has met four times during 2024, to review the outcome of its previous policy decisions. The MPC decided to ease the CBR rate by 25 bps points to 12.75% from 13.0% in August, after holding it unchanged at 13.0% from February 2024.
- The decision was on the back of a stable exchange rate, anchored inflationary pressures, some major economies starting to cut on their interest rates and the need to support the economy by adopting a more accommodative interest rate policy.
- The committee noted that there was scope for gradual easing of the monetary policy stance, while ensuring a stable exchange rate.

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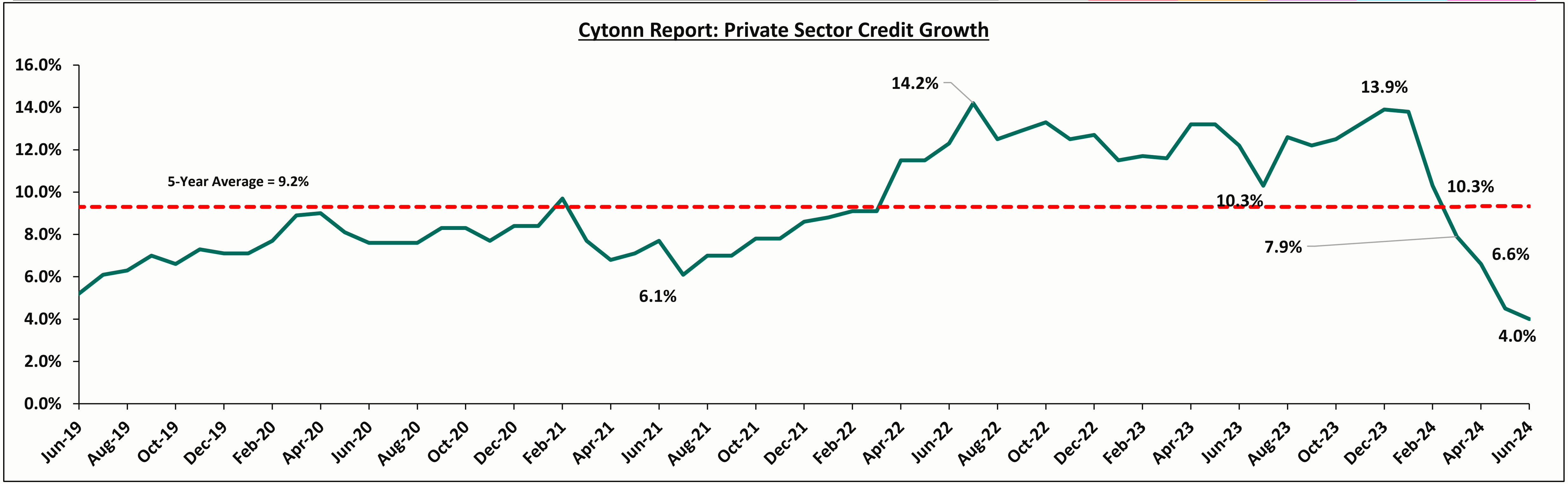
# Private Sector Credit growth




**Source: KNBS*

- Growth in private sector credit decreased to 4.0% in June 2024 from 4.5% May 2024, partly attributable to the strengthening of the Kenyan Shilling against the dollar. Strong credit growth was observed in sectors such as; agriculture, manufacturing, transport and communication, trade and consumer durables of 31.0%, 23.0%, 16.4%, 12.1% and 9.2% respectively. Additionally, the number of loan applications and approvals remained strong, reflecting resilience in economic activities.

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# III. Banking Sector Overview

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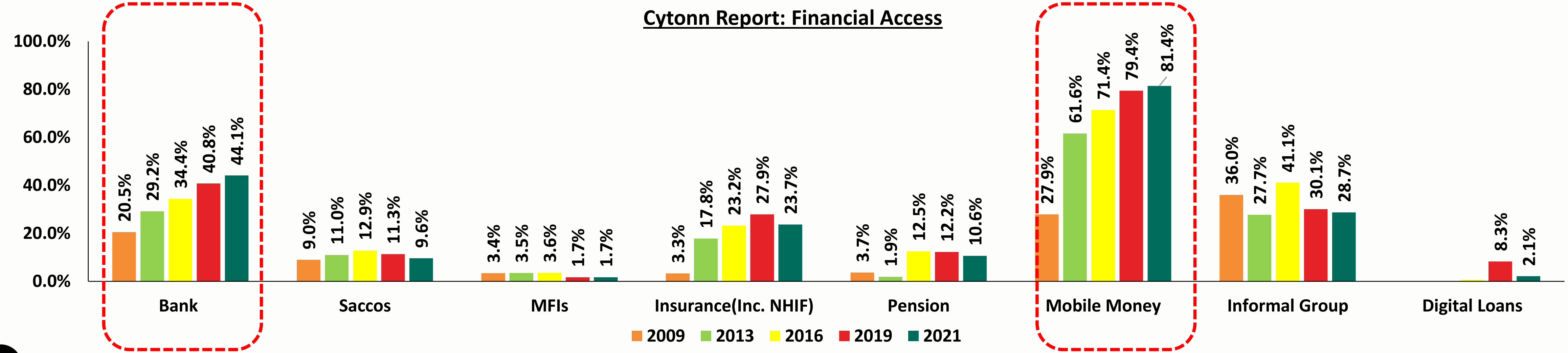
# Kenyan Banking Sector Overview

## Financial Inclusion in Kenya continues to rise, having expanded to 83.7% in 2021, from 82.9% in 2019

- In Kenya there are a total of 37 commercial banks, 1 mortgage finance company, 14 microfinance banks, 10 representative offices of foreign banks, 72 foreign exchange bureaus, 19 money remittance providers and 3 credit reference bureaus
- Financial inclusion in Kenya has continued to rise, with 83.7% 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 2021 FinAccess Household Report, the banking services including mobile banking stood at 44.1% as of 2021 from 40.8% in 2019 attributable to the increased usage of mobile banking accounts; whose proportion rose to 34.4% in 2021 from 25.3% in 2019

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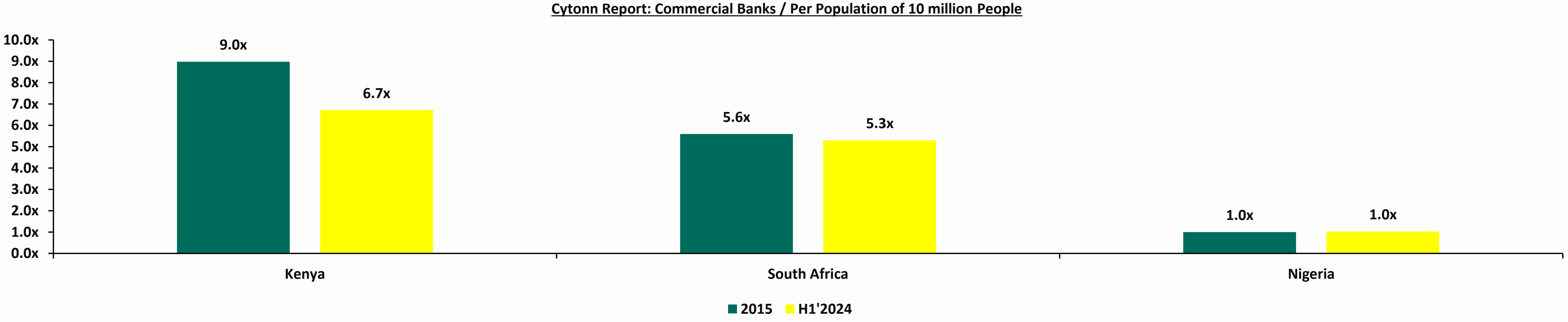
***Source: Central Bank of Kenya, FinAccess report***

# Kenyan Banking Sector Overview

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




*Source: World Bank, Central Bank of Kenya, South Africa Reserve Bank, Central Bank of Nigeria; * Data as of March 2024*

- The number of commercial banks in Kenya currently stands at 38 (including 1 mortgage finance company), the same as in H1'2023 but lower than the 43 licensed banks in FY'2015.
- The ratio of the number of banks per 10 million population in Kenya now stands at 6.7x, which is a reduction from 9.0x in FY'2015, demonstrating continued consolidation in the banking sector. However, despite the ratio improving, Kenya still remains overbanked as the number of banks remains relatively high compared to the African major economies

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# Recent Developments in the Kenyan Banking Sector

**1. Regulation:**

- **Risk-based Lending:** Following the scrapping of the Interest Cap Law in 2019, the Central Bank of Kenya (CBK) intervened administratively, stopping banks from reprising their loans and requiring them to submit new risk-based lending formulas for approval. The main aim of the risk-based lending model is to assist banks in making lending decisions based on the predicted risks associated with each loan applicant. This signifies a move from the traditional practice of blacklisting defaulters to a new credit scoring system that doesn't reject loan applicants solely based on their credit bureau scores. This method primarily focuses on borrowers who pose higher risks, most of whom are involved in micro, small, and medium-sized enterprises that have had difficulties securing traditional credit. Notably, as of May 2023, 33 out of the 39 banks in the country had their models approved by the CBK, with Equity Bank being the first commercial bank to implement risk-based lending. Adoption of risk based credit models has seen an increase in lending to the private sector, with the growth in credit to the private sector coming in at 12.2% in September 2023, 3.4% points above the five-year average rate of 8.8%. Consequently, the banking sector has reduced its appetite for government securities
- **Changes to Interbank Foreign Exchange Market:** In August 2023, the CBK issued a circular detailing several modifications to the interbank foreign exchange market operations. These changes included the removal of the tenor limit for swaps between residents, a rule that also applies to residents of the East African Community.

# Recent Developments in the Kenyan Banking Sector

**1. Regulation Continuation:**

- For swaps that involve non-residents, a minimum tenor of 6 months was established. The regulator also permitted the use of Electronic Brokerage Systems and lowered the minimum trade amount in the interbank market from USD 500,000 to USD 250,000. These modifications have improved swap transactions, allowing banks to more effectively manage their exchange rate and interest rate risks, and to assume speculative positions,
- **Foreign Exchange Code:** On March 22, 2023, the CBK introduced the Foreign Exchange Code (FX Code) to commercial banks. This was an effort to regulate the wholesale transactions in Kenya's foreign exchange market. The decision was triggered by the significant fluctuations in the exchange rate spread in the market, as highlighted in our currency review note. Following the scrapping of the Interest Cap Law in 2019, the Central Bank of Kenya (CBK) intervened administratively, stopping banks from reprising their loans and requiring them to submit new risk-based lending formulas for approval. The FX Code is designed to foster a strong and transparent foreign currency market by implementing certain reporting guidelines;

i. **Compliance with FX Code:** All market participants (commercial banks and foreign exchange brokers) were required to conduct a self-assessment and submit to the CBK a report on an institution's level of compliance with the FX Code by 30 April 2023, and submit a detailed compliance implementation plan that is approved by its Board by 30 June 2023.

# Recent Developments in the Kenyan Banking Sector

**1. Regulation Continuation:**

- Each participant was required to be fully compliant with the aforementioned code by December 31, 2023.

ii. **Reporting Mechanism:** All market participants will be required to submit a quarterly report to CBK, detailing their adherence to the FX Code within 14 days following the conclusion of each calendar quarter,

iii. **In the event of non-compliance**, CBK may take appropriate enforcement and other administrative action including monetary penalties as provided for under the Banking Act against any market participant, and,

iv. **Prohibitive Practices:** The FX Code aims to prevent market participants from engaging in disruptive practices such as quoting prices or moving prices in ways that create artificial delays, or misrepresent the market's depth and liquidity. Such practices will incur severe sanctions. Moreover, market participants should not engage in position or points parking, which are fake transactions to hide positions or shift profits or losses.

# Recent Developments in the Kenyan Banking Sector…..

**2. Regional Expansion through Mergers and Acquisitions:**

Kenyan banks are continuously looking at having an extensive regional reach and in first nine months leading to the end of Q3'2023, there were three completed acquisition done by Commercial International Bank (Egypt) S.A.E (CIB), Equity Group Holdings Plc and Premier Bank Limited Somalia as follows:

a) On January 30, 2023, the Central Bank of Kenya (CBK) announced that Commercial International Bank (Egypt) S.A.E (CIB) had completed acquisition of additional 49.0% shareholding of Mayfair CIB Bank Limited (MBL) at Kshs 5.0 bn following the earlier acquisition of 51.0% stake in MBL announced in April 2020. Consequently, MBL is now a fully owned subsidiary of CIB,

b) On January 30, 2023, Equity Group Holdings Plc., through Equity Bank Kenya Limited (EBKL) announced that it had completed the acquisition of certain assets and liabilities of the local Bank, Spire Bank Limited after obtaining all the required regulatory approvals. The completion of the acquisition followed the Assets and Liabilities Purchase Agreement, which was announced in September 2022, as highlighted in our Cytonn Weekly #37/2022. As such, Equity Bank Kenya Limited took over Spire Banks's 12 branches as well as all existing depositors in Spire Bank, other than remaining deposits from its largest shareholder, Mwalimu Sacco. For more information, please see our Cytonn Monthly-January 2023,

# Recent Developments in the Kenyan Banking Sector…..

**2. Regional Expansion through Mergers and Acquisitions:**

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

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

# Recent Developments in the Kenyan Banking Sector…..

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

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

# Recent Developments in the Kenyan Banking Sector…..

g) 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. The announcement follows the release of the FY'2023 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.. 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.

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

# Recent Developments in the Kenyan Banking Sector….

## The average acquisition valuations for banks remained unchanged at 1.3x in H1'2024, similar to what was recorded in H1'2023

| Cytonn Report: Banking sector Deals and Acquisitions | | | | | | |
|---|---|---|---|---|---|---|
| Acquirer | Bank Acquired | Book Value at Acquisition (Kshs bn) | Transaction Stake | Transaction Value (Kshs bn) | P/Bv Multiple | Date |
| Pioneer General Insurance and 4 other companies | Sidian Bank | 5.0 | 16.57% | 0.8 | 1.0x | Apr-24 |
| Access Bank PLC (Nigeria)* | National Bank of Kenya | 10.6 | 100.00% | 13.3 | 1.3x | Mar-24* |
| Pioneer General Insurance and 2 other companies | Sidian Bank | 5.0 | 38.91% | 2.0 | 1.0x | Oct-23 |
| Equity Group | Cogebanque PLC ltd | 5.7 | 91.90% | 6.7 | 1.3x | Jun-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% | 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 | 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 | 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 | 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 | 100.00% | 5 | 1.7x | Jun-16 |
| Mwalimu SACCO | Equatorial Commercial Bank | 1.2 | 75.00% | 2.6 | 2.3x | Mar-15 |
| Centum | K-Rep Bank | 2.1 | 66.00% | 2.5 | 1.8x | Jul-14 |
| GT Bank | Fina Bank Group | 3.9 | 70.00% | 8.6 | 3.2x | Nov-13 |
| **Average** | | | **73.3%** | | **1.3 X** | |
| **2013 to 2018 Avg.** | | | **73.5%** | | **1.7 x** | |
| **2019 to 2024 Avg.** | | | **73.2%** | | **1.0 x** | |

*** Announcement Date**

**** Deals that were dropped**

# Recent Developments in the Kenyan Banking Sector….

**3. Asset Quality:**

- Asset quality for listed banks deteriorated in H1'2024, with the weighted average Gross Non-Performing Loan ratio (NPL) increasing by 0.7% points to 13.4%, from 12.7% recorded in H1'2023. The performance remained 2.4% points above the ten-year average of 11.0%. The deterioration in asset quality in H1'2024 was mainly driven by the 2.7% points increase in Equity Group's NPL ratio to 13.9%, from 11.2% in H1'2023, coupled with the 2.1% points increase in Cooperative Group's NPL ratio to 16.7% from 14.6% in H1'2023.

- The deterioration in Equity Group asset quality was mainly attributable to 23.0% increase in Gross non-performing loans to Kshs 119.9 bn in H1'2024 from Kshs 97.5 bn in H1'2023, which outpaced the 1.0% decrease in gross loans to Kshs 861.6 bn from Kshs 870.3 bn recorded in H1'2023. However, the deterioration in listed banks asset quality was mitigated by an improvement in Standard Chartered Bank's Asset quality, with Gross NPL ratio decreasing by 5.9% points to 8.4% in H1'2024 from 14.4% in H1'2023, attributable to the 42.9% decrease in gross non-performing loans to Kshs 13.6 bn, from Kshs 23.8 bn in H1'2023, compared to the 2.9% decrease in gross loans to Kshs 160.9 bn, from Kshs 165.6 bn recorded in H1'2023. A total of three out of the ten listed Kenyan banks recorded improvement in asset quality, owing to the improvement in the economic environment. Going forward, we expect credit risk to decline gradually but remain at relatively elevated levels compared to previous years mainly on the back of the improved business environment owing to the eased inflationary pressures as well as the appreciation of the Kenya shilling.

# Banking Sector Growth Drivers

- **Growth in Interest income:** Going forward, we expect interest income growth to remain a key driver in the banking industry, evidenced by the 17.5% growth recorded in H1’2024, albeit lower than the 21.0% growth recorded in H1’2023, partly on the back of continued high borrowing costs. Furthermore, the continued approval of banks’ risk-based lending models will enable banks to effectively price their risk, expand loan books, and consequently increase their interest income,

- **Revenue Diversification:** In H1’2024, non-funded income (NFI) recorded a 13.7% weighted average growth, slower than the 27.9% weighted growth in H1’2023 with 8 out of the 10 listed Banks recording an increase in their non-funded income. As a result of the reduced growth in non-funded income, the weighted average contribution of NFI to total operating income came in at 38.1% in H1’2024, 0.8% points lower than the 38.9% weighted average growth contribution recorded in H1’2023. As such, there exists an opportunity for the sector to further increase NFI contributions to revenue given the continuous adoption of digitization, 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.

# IV. Listed Banking Sector Metrics

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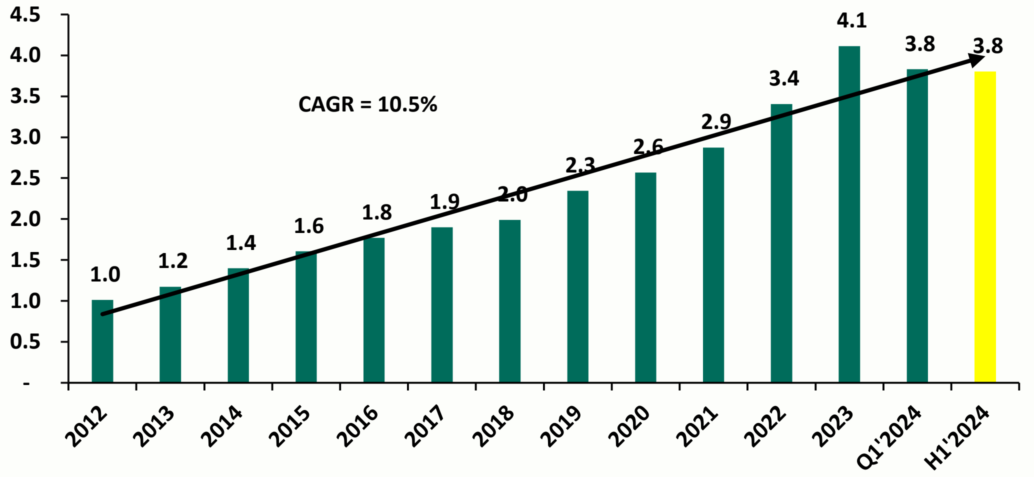
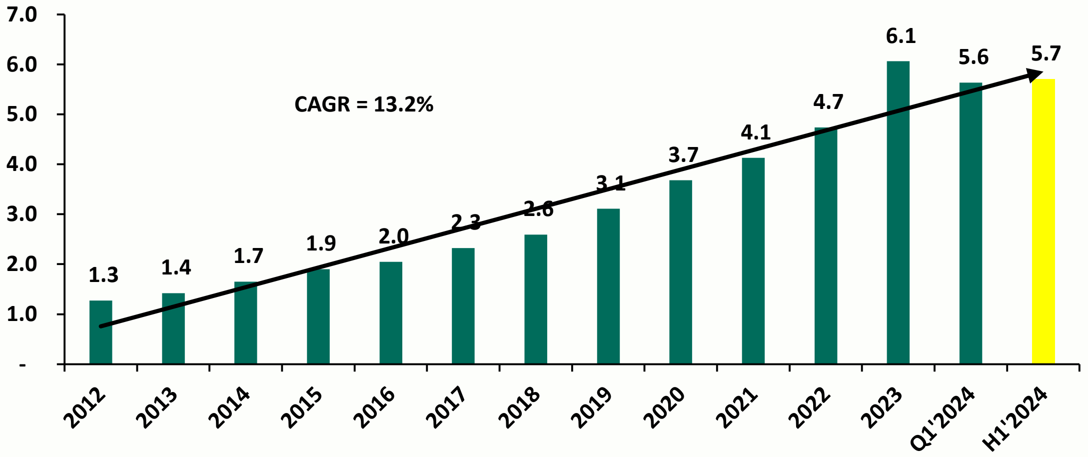
# Listed Banking Sector Metrics

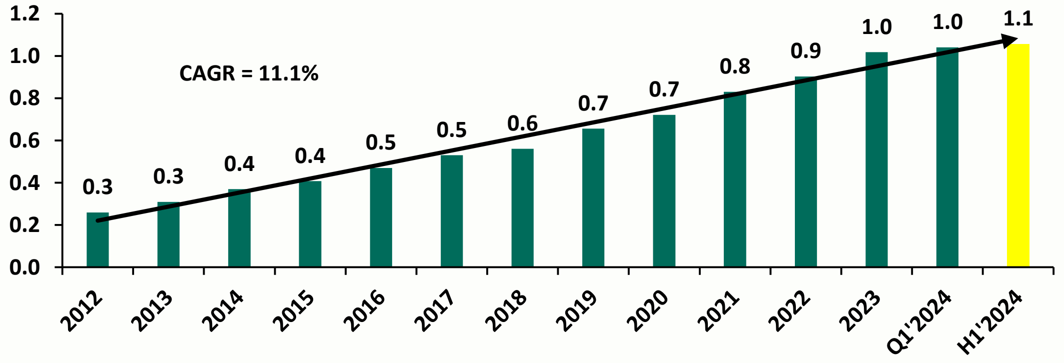
## Loans and Advances (Kshs tn)



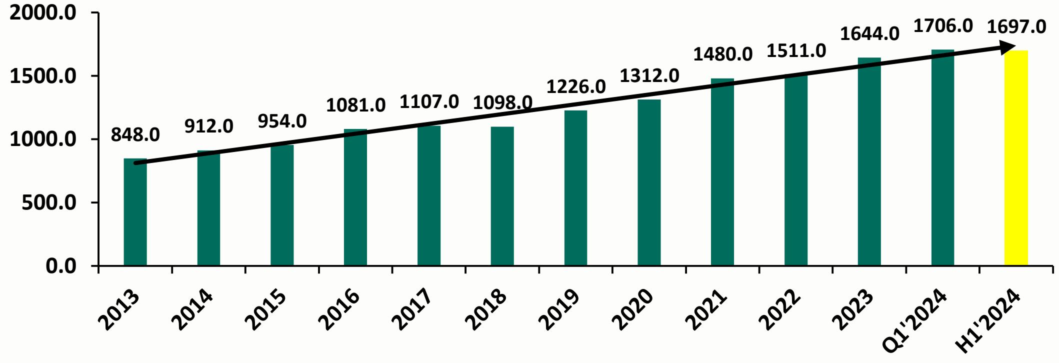

## Deposits (Kshs tn)




## Shareholders Equity (Kshs tn)




## Bank Branches

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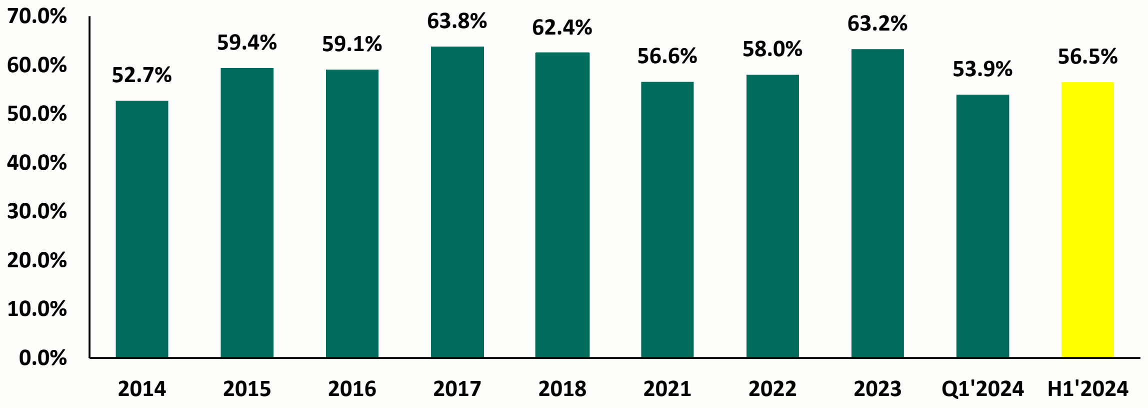
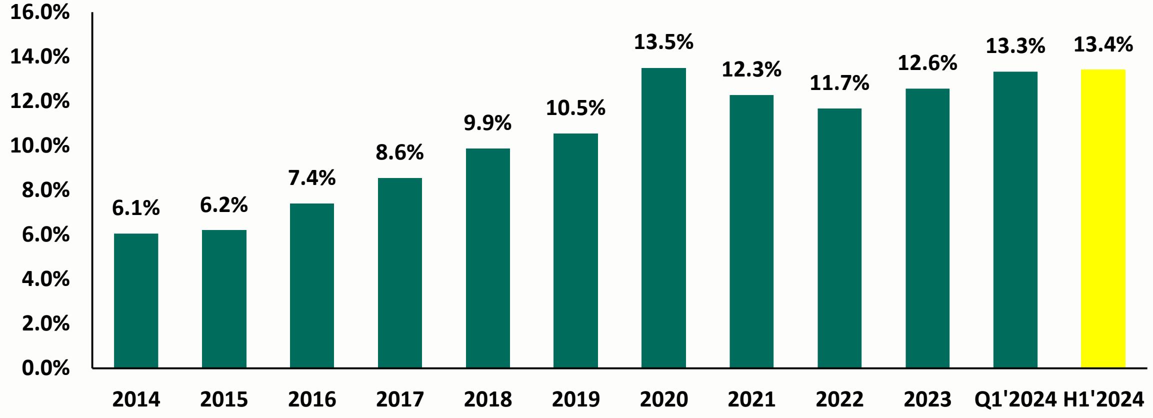
# Listed Banking Sector Metrics

## Banks' asset quality deteriorated in H1'2024, with the NPL ratio increasing to 13.4% from 12.7% in H1'2023

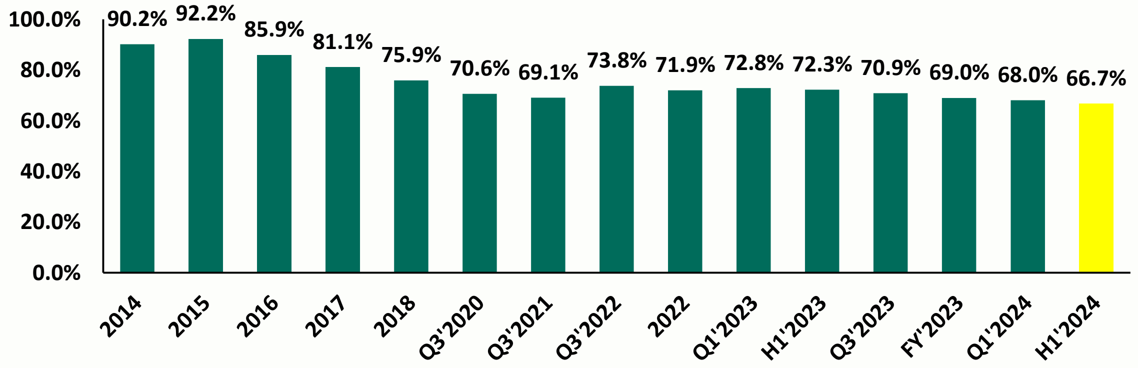
### Cost to Income Ratio



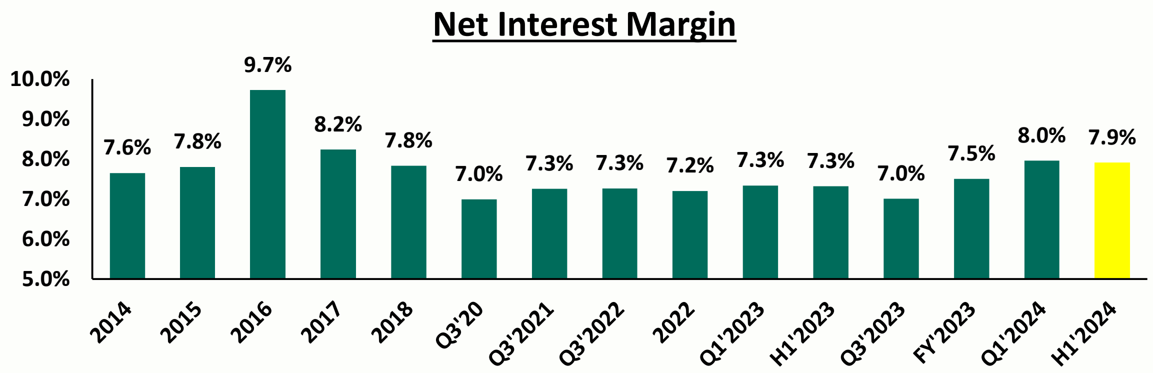

### NPL Ratio




### Loan to Deposit Ratio




### Net Interest Margin

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# Listed Banking Earnings and Growth Metrics

## Kenya's listed banks weighted average core EPS grew by 28.9% in H1'2024, compared to 14.3% in H1'2023

| Cytonn Report: Kenyan Listed Banks Performance H1'2024 | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank | Core EPS Growth | Interest Income Growth | Interest Expense Growth | Net Interest Income Growth | Net Interest Margin | Non-Funded Income Growth | NFI to Total Operating Income | Growth in Total Fees & Commissions | Deposit Growth | Growth in Government Securities | Loan to Deposit Ratio | Loan Growth | Return on Average Equity | Cost of Funds | YIEA |
| KCB Group | **86.4%** | 38.9% | 46.5% | 34.8% | 7.1% | 20.8% | 35.2% | 11.9% | 1.3% | (1.5%) | 67.8% | 0.0% | 22.7% | 4.6% | 11.3% |
| Standard Chartered | **48.9%** | 25.4% | 78.0% | 19.3% | 8.6% | 36.1% | 36.7% | 20.6% | 66.5% | (19.9%) | 54.0% | 2.7% | 25.5% | 1.2% | 9.6% |
| HF Group | **45.3%** | 23.8% | 44.4% | 4.7% | 5.3% | 30.7% | 35.0% | 29.2% | 10.7% | 24.4% | 84.2% | (0.4%) | 5.2% | 6.7% | 11.7% |
| ABSA Bank | **28.9%** | 29.3% | 60.1% | 19.7% | 10.1% | 8.4% | 27.7% | 0.2% | 6.2% | (21.0%) | 89.5% | (0.5%) | 27.5% | 5.0% | 14.2% |
| I&M Group | **17.3%** | 46.1% | 60.8% | 35.2% | 7.8% | (10.9%) | 27.2% | 16.2% | 17.5% | (18.6%) | 67.8% | 5.3% | 16.3% | 6.3% | 14.3% |
| Equity Group | **12.5%** | 21.5% | 30.1% | 17.2% | 7.7% | 17.2% | 44.0% | 15.5% | 10.6% | (5.1%) | 60.9% | (3.2%) | 23.7% | 4.2% | 10.5% |
| DTB-K Bank | **11.5%** | 17.9% | 28.6% | 8.3% | 5.7% | 15.1% | 31.0% | 17.3% | 3.3% | (8.7%) | 62.0% | (4.7%) | 11.3% | 6.1% | 11.4% |
| Co-operative Bank of Kenya | **7.0%** | 24.4% | 52.6% | 10.7% | 7.8% | 11.2% | 39.2% | 4.4% | 9.4% | 7.3% | 74.0% | 2.8% | 20.5% | 5.4% | 12.7% |
| NCBA Bank | **5.0%** | 25.4% | 64.5% | (4.4%) | (0.2%) | 7.9% | 47.5% | 11.5% | 2.4% | (9.8%) | 58.6% | 5.9% | 23.1% | 7.1% | 12.5% |
| Stanbic Holdings | **2.3%** | 49.1% | 154.3% | 4.2% | 7.9% | (15.1%) | 37.6% | (6.3%) | 30.3% | (21.0%) | 67.0% | (2.4%) | 18.5% | 5.9% | 13.9% |
| **H1'24 Mkt Weighted Average*** | **28.9%** | **29.7%** | **58.6%** | **17.6%** | **7.2%** | **13.6%** | **38.0%** | **10.8%** | **16.1%** | **(9.3%)** | **66.5%** | **0.4%** | **22.7%** | **4.7%** | **11.8%** |
| **H1'23 Mkt Weighted Average**** | **14.3%** | **28.2%** | **44.8%** | **21.0%** | **7.3%** | **27.9%** | **38.9%** | **26.6%** | **21.3%** | **5.3%** | **72.3%** | **20.5%** | **22.9%** | | |

*Market cap weighted as at 13/09/2024

**Market cap weighted as at 21/09/2023

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# Takeout from Key Operating Metrics

## The listed banks recorded a 22.8% weighted average growth on RoaE, 0.1% points lower than 22.9% in H1’2023

- Listed banks recorded a 28.9% growth in core Earnings per Share (EPS) in H1’2024, compared to the weighted average growth of 14.3% in H1’2023, an indication of sustained performance supported by an improved operating environment experienced in H1’2024 on the back of easing inflationary pressures and a strengthening Shilling. The performance during the period was mainly supported by a 17.6% weighted average growth in net interest income, coupled with a 13.6% weighted average growth in non-funded income,
- Investments in government securities by listed banks decreased in H1’2024, having recorded a market-weighted average decline of 9.3%, from the 5.3% growth recorded in H1’2023, with 8 of the 10 listed banks recording a decrease in government securities investments. The decreased investment in Kenya government securities was partly attributable to the increased perceived risk of default by the government on the back of the government's decision to forgo proposed tax increases through the Finance Bill 2024 and rely on expenditure cuts, significantly impacting Kenya's fiscal trajectory and financing needs,
- Interest income recorded a weighted average growth of 29.7% in H1’2024, compared to 28.2% in H1’2023. Similarly, interest expenses recorded a market-weighted average growth of 58.6% in H1’2024 compared to a growth of 44.8% in H1’2023. Consequently, net interest income recorded a weighted average growth of 17.6% in H1’2024, albeit lower than the 21.0% growth recorded in H1’2023,
- The listed banks recorded a 22.7% weighted average growth on return on average equity (RoaE), 0.2% points lower than the 22.9% growth registered in H1’2023

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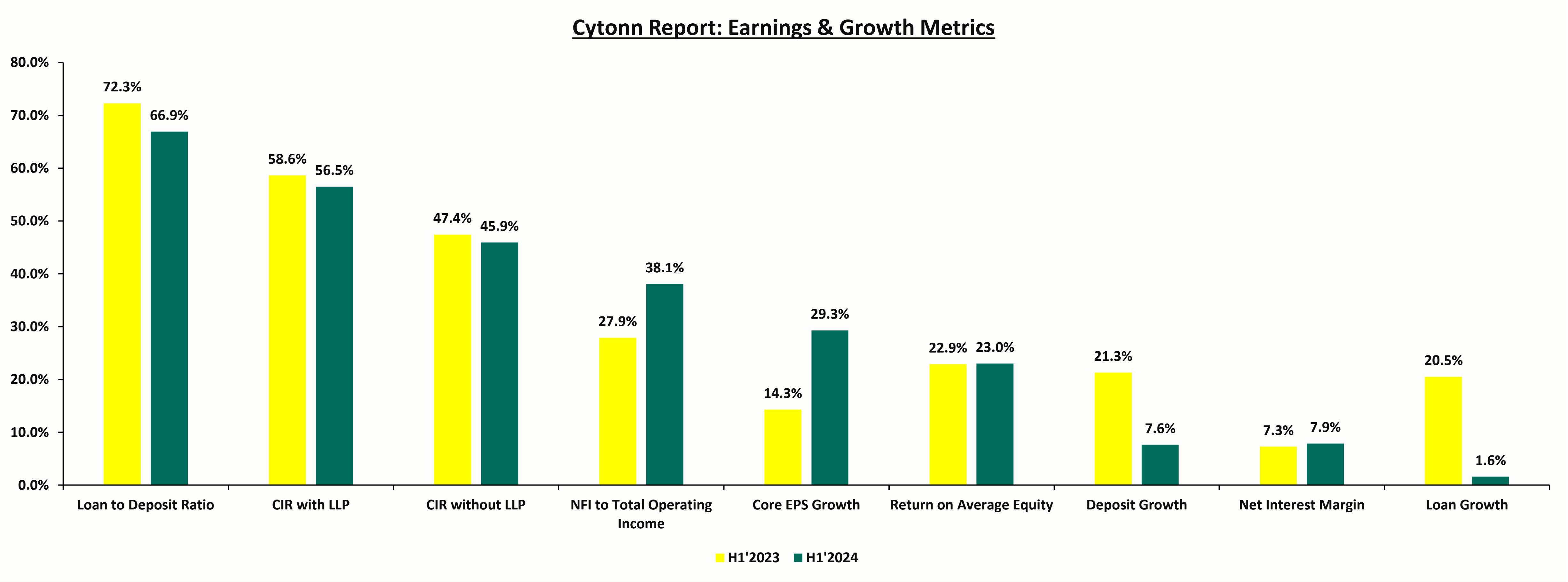
# Listed Banks Earnings and Growth Metrics Cont…

## The banking sector has witnessed decreased customer loans registering a growth rate of 1.6% in H1’2024, 18.9% points lower than the 20.5% growth in H1’2023

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# Listed Banks Operating Metrics

## Asset quality for the listed banks deteriorated during the period, with the market-weighted average NPL ratio increasing by 0.7% points to 13.4% from a 12.7% in H1'2023

| Cytonn Report: Listed Banks Asset Quality | | | | | | |
|---|---|---|---|---|---|---|
| | H1'2023 NPL Ratio* | H1'2024 NPL Ratio** | % point change in NPL Ratio | H1'2023 NPL Coverage* | H1'2024 NPL Coverage** | % point change in NPL Coverage |
| EQTY | 11.2% | 13.9% | **2.7%** | 54.5% | 58.8% | 4.3% |
| CO-OP | 14.6% | 16.7% | **2.1%** | 60.7% | 59.5% | (1.2%) |
| ABSA | 9.5% | 11.5% | **2.0%** | 69.4% | 67.7% | (1.7%) |
| DTB-K | 12.3% | 13.5% | **1.3%** | 46.4% | 44.4% | (2.0%) |
| HF | 23.1% | 24.2% | **1.1%** | 72.0% | 75.6% | 3.6% |
| KCB | 17.2% | 18.1% | **0.9%** | 16.2% | 18.1% | 1.9% |
| STANBIC | 9.2% | 9.5% | **0.3%** | 57.4% | 75.0% | 17.6% |
| NCBA | 13.4% | 12.2% | **(1.2%)** | 57.8% | 59.8% | 2.0% |
| I & M | 12.7% | 11.4% | **(1.3%)** | 49.8% | 57.9% | 8.1% |
| SCBK | 14.4% | 8.4% | **(5.9%)** | 86.8% | 83.7% | (3.1%) |
| **Mkt Weighted Average*** | **12.7%** | **13.4%** | **0.6%** | **60.1%** | **57.5%** | **(2.6%)** |
| *Market cap weighted as at 13/09/2024 | | | | | | |
| **Market cap weighted as at 21/09/2023 | | | | | | |

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# Listed Banks Trading Metrics

## The listed banking sector has continued to trade at cheaper prices compared to historical averages, currently trading at an average P/TBV of 0.8x and average P/E of 3.4x

| Bank | No. of shares (bn) | Market Cap (Kshs bn) | P/E | Price* | P/TBV |
|---|---|---|---|---|---|
| Absa Bank | 5.4 | **76.9** | 4.1x | **14.15** | 1.1x |
| NCBA Group | 1.6 | **66.3** | 3.3x | **40.25** | 0.8x |
| Equity Bank | 3.8 | **163.0** | 3.5x | **43.20** | 0.8x |
| KCB Group | 3.2 | **104.1** | 2.2x | **32.40** | 0.5x |
| SCBK | 0.4 | **79.7** | 4.6x | **211.00** | 1.4x |
| Coop Bank | 5.9 | **76.9** | 3.3x | **13.10** | 0.6x |
| Stanbic Bank | 0.4 | **47.4** | 3.7x | **120.00** | 0.8x |
| DTBK | 0.3 | **12.7** | 1.5x | **45.60** | 0.2x |
| I&M Holdings | 1.7 | **36.6** | 2.5x | **22.15** | 0.5x |
| HF Group | 0.4 | **1.6** | 3.3x | **4.12** | 0.2x |
| **Weighted Average H1'2024** | | | **3.4x** | | **0.8x** |

*Prices as at 14th September 2024

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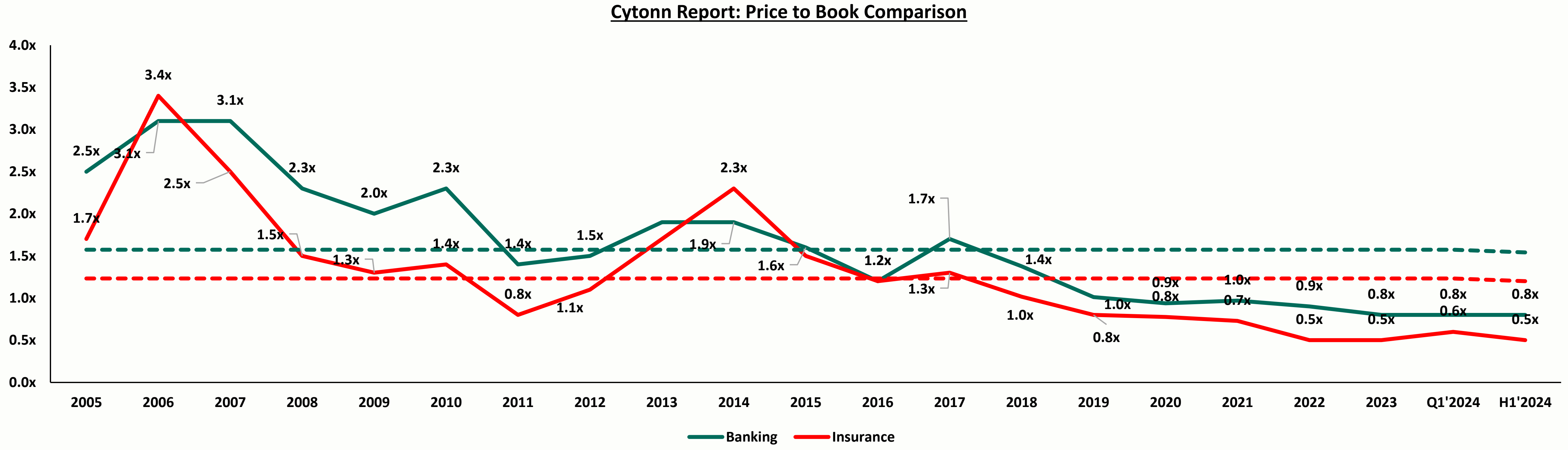
# Listed Banks & Insurance Trading Metrics

**Listed banks are trading at an average P/B of 0.8x, higher than the insurance sector, which is priced at 0.5x. Both sectors are trading below their 18-year averages of 1.6x and 1.2x, respectively**

**18 year Price to Book Value: Banking and Insurance**




**On a price to book valuation, listed banks are currently priced at a P/BV of 0.8x, higher than listed insurance companies at 0.5x, with both lower than their historical averages of 1.6x for the banking sector and 1.2x for the insurance sector**

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# V. Banks Valuation Reports

# Ranking by Franchise Value

## Standard Chartered Bank emerged top in the franchise ranking having had the lowest cost to income ratio of 44.4% against a weighted market average of 56.8% for the listed banks

| Bank | LDR | CIR | ROACE | NIM | PEG ratio | PTBV | Deposits/ Branch | Gross NPL Ratio | NPL Coverage | Tangible Common Ratio | Non Interest Income/ Revenue | Camel Rating | Total | Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SCBK | 10 | 1 | 1 | 2 | 9 | 10 | 2 | 1 | 1 | 2 | 5 | 1 | 45 | **1** |
| Stanbic Bank | 6 | 2 | 7 | 3 | 7 | 7 | 1 | 2 | 3 | 8 | 4 | 2 | 52 | **2** |
| Absa Bank | 2 | 3 | 2 | 1 | 8 | 9 | 5 | 4 | 4 | 3 | 9 | 3 | 53 | **3** |
| Coop Bank | 3 | 4 | 6 | 4 | 5 | 5 | 9 | 8 | 7 | 1 | 3 | 7 | 62 | **4** |
| NCBA Group | 9 | 6 | 4 | 8 | 6 | 6 | 3 | 5 | 6 | 6 | 1 | 6 | 66 | **5** |
| I&M Holdings | 5 | 8 | 8 | 5 | 4 | 3 | 4 | 3 | 9 | 5 | 10 | 4 | 68 | **6** |
| KCB Group | 4 | 5 | 5 | 7 | 1 | 4 | 8 | 9 | 5 | 9 | 6 | 9 | 72 | **7** |
| Equity Bank | 8 | 7 | 3 | 6 | 3 | 8 | 6 | 7 | 8 | 10 | 2 | 5 | 73 | **8** |
| DTBK | 7 | 9 | 9 | 9 | 2 | 1 | 7 | 6 | 10 | 7 | 8 | 8 | 83 | **9** |
| HF Group | 1 | 10 | 10 | 10 | 10 | 2 | 10 | 10 | 2 | 4 | 7 | 10 | 86 | **10** |

# Valuation Summary of Listed Banks

## Equity Bank presents the highest return with a total potential return of 47.1%

*(all values in Kshs )*

| Bank | Current Price | Target Price | Upside/(Downside) | DPS | Dividend Yield | Total Potential Return | H1'2024 Ranking |
|---|---|---|---|---|---|---|---|
| Equity Bank | 43.2 | 59.6 | 38.0% | 4.00 | 9.2% | 47.1% | 1 |
| DTBK | 45.6 | 58.8 | 28.9% | 6.00 | 11.0% | 39.9% | 2 |
| Absa Bank | 14.2 | 18.1 | 27.6% | 1.55 | 11.2% | 38.8% | 3 |
| Coop Bank | 13.1 | 13.5 | 27.4% | 1.50 | 11.1% | 38.5% | 4 |
| NCBA Group | 40.3 | 51.1 | 26.8% | 4.75 | 11.3% | 38.2% | 5 |
| Stanbic Bank | 120.0 | 149.4 | 24.5% | 15.35 | 13.1% | 37.6% | 6 |
| I&M Holdings | 22.2 | 22.2 | 24.1% | 2.55 | 12.4% | 36.5% | 7 |
| SCBK | 211.0 | 242.4 | 14.9% | 29.00 | 14.8% | 29.7% | 8 |
| KCB Group | 32.4 | 41.7 | 28.7% | 0.00 | 0.0% | 28.7% | 9 |
| HF Group | 4.1 | 4.5 | 4.4% | 0.00 | 0.0% | 4.4% | 10 |

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# Cytonn Banking Report - Comprehensive Ranking

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

*(all values in Kshs unless stated otherwise)*

| Bank | Franchise Value Rank | Intrinsic Value Rank | Weighted Rank Score | H1'2023 Rank | H1'2024 Rank |
|---|---|---|---|---|---|
| Absa Bank | 3 | 3 | 3.0 | 1 | 1 |
| Stanbic Bank | 2 | 6 | 3.6 | 5 | 2 |
| SCBK | 1 | 8 | 3.8 | 9 | 3 |
| Coop Bank | 4 | 4 | 4.0 | 4 | 4 |
| NCBA Group | 5 | 5 | 5.0 | 7 | 5 |
| Equity Bank | 8 | 1 | 5.2 | 6 | 6 |
| DTBK | 9 | 2 | 6.2 | 8 | 7 |
| I&M Holdings | 6 | 7 | 6.4 | 2 | 8 |
| KCB Group | 7 | 9 | 7.8 | 3 | 9 |
| HF Group | 10 | 10 | 10.0 | 10 | 10 |

# VI. Appendix

# A. Tier I Banks

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# I. Equity Group Holdings

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# Equity Group Summary of Performance – H1’2024

- Profit before tax increased by 5.7% to Kshs 37.2 bn from Kshs 35.2 bn in H1’2023, with effective tax rate declining to 20.3% in H1'2024 from 25.1% in H1'2023. As such, profit after tax increased by 12.5% to Kshs 29.6 bn in H1'2024, from Kshs 26.3 bn in H1'2023.
- Total operating income increased by 17.2% to Kshs 97.1 bn, from Kshs 82.9 bn in H1'2023, mainly driven by a 17.2% growth in Net Interest Income to Kshs 54.4 bn, from Kshs 46.4 bn in H1'2023, coupled with a 17.2% growth in Non funded Income (NFI) to Kshs 42.8 bn, from Kshs 36.5 bn in H1'2023,
- Total operating expenses increased by 25.7% to Kshs 60.0 bn from Kshs 47.7 bn in H1'2023, driven by a 48.3% increase in loan loss provisions to Kshs 10.5 bn from Kshs 7.1 bn recorded in H1'2023, coupled with a 12.5% increase in staff costs to Kshs 16.0 bn from Kshs 14.2 bn in H1'2023
- The balance sheet recorded an expansion as total assets increased by 6.2% to Kshs 1,746.0 bn, from Kshs 1,644.8 bn in H1’2023.
- Gross Non-Performing Loans (NPLs) increased by 23.0% to Kshs 119.9 bn in H1’2024 from Kshs 97.5 bn in H1’2023, while Gross Loans decreased by 1.0% to Kshs 861.6 bn from Kshs 870.3 bn in H1’2023. Consequently, the asset quality deteriorated with the NPL ratio rising to 13.9% in H1’2024 from 11.2% Going forward, we expect the bank’s growth to be driven by:

I. **Geographical Diversification –** The bank has been aggressively expanding into other regions, namely DRC, Rwanda, Tanzania, Uganda and Ethiopia. . Notably, in H1'2024, Profit Before Tax (PBT) of the Equity Group Holdings’ subsidiaries amounted to Kshs. 18.7 bn, representing 55.0% of the Group’s overall profit

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# Financial Statements Extracts

## Equity Group's PAT is expected to grow at a 5-year CAGR of 27.8%

| Income Statement | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|
| Net Interest Income | 68.8 | 86.0 | 104.2 | 172.1 |
| Non Funded Income | 44.6 | 59.9 | 78.31 | 118.3 |
| **Total Operating Income** | 113.4 | 145.9 | 182.5 | 290.4 |
| Loan Loss Provision | (5.1) | (15.4) | (35.3) | (21.7) |
| Other Operating Expenses | (55.7) | (70.7) | (95.4) | (150.6) |
| **Total Operating Expenses** | **(61.5)** | **(86.1)** | **(130.6)** | **(172.3)** |
| Profit Before Tax | 51.9 | 59.8 | 51.9 | 118.1 |
| Profit After tax | 40.1 | 46.1 | 43.7 | 82.6 |
| **% PAT Change YoY** | **99.4%** | **15.1%** | **(5.1%)** | **88.9%** |
| EPS | 10.6 | 12.2 | 11.6 | 21.9 |
| DPS | 3.0 | 4.0 | 4.0 | 5.0 |
| Cost to Income | 54.2% | 59.0% | 71.6% | 59.3% |
| **NIM** | **6.8%** | **7.2%** | **7.4%** | **17.6%** |
| ROaE | 26.6% | 26.7% | 22.8% | 28.0% |
| ROaA | 3.5% | 3.4% | 2.7% | 3.0% |
| **Balance Sheet** | **2021** | **2022** | **2023** | **2024f** |
| Net Loans and Advances | 587.8 | 706.6 | 887.4 | 1921.1 |
| Government Securities | 228.5 | 219.2 | 246.7 | 328.7 |
| Other Assets | 488.7 | 521.2 | 687.4 | 1377.3 |
| **Total Assets** | **1304.9** | **1447.0** | **1821.4** | **3627.1** |
| Customer Deposits | 959.0 | 1052.2 | 1358.2 | 2952.3 |
| Other Liabilities | 169.7 | 212.6 | 241.1 | 281.2 |
| **Total Liabilities** | **1128.7** | **1264.8** | **1603.3** | **3233.5** |
| **Shareholders Equity** | **169.2** | **176.2** | **207.8** | **383.3** |
| **Number of Shares** | **3.8** | **3.8** | **3.8** | **3.8** |
| Book value Per share | 44.8 | 46.7 | 55.1 | 101.57 |
| **% Change in BPS YoY** | **28.0%** | **4.2%** | **17.9%** | **84.5%** |

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# Valuation Summary

## Equity Group is undervalued with a total potential return of 31.1%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM | 90.4 | 40.0% | 36.2 |
| Residual Income | 34.5 | 30.0% | 10.4 |
| PBV Multiple | 40.9 | 15.0% | 6.1 |
| PE Multiple | 46.5 | 15.0% | 7.0 |
| | | | |
| **Fair Value** | | | **59.6** |
| **Current Price** | | | **43.2** |
| Upside/(Downside) | | | 38.0% |
| Dividend Yield | | | 9.2% |
| **Total Potential Return** | | | **47.1%** |

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# II. KCB Group

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# KCB Group Summary of Performance – H1’2024

- Profit before tax increased by 69.7% to Kshs 38.1 bn, from Kshs 22.5 bn recorded in H1’2023, with effective tax rate decreasing to 21.5% in H1’2024 from 28.5% in H1’2023, leading to an 86.4% increase in profit after tax to Kshs 29.9 bn in H1’2024, from Kshs 16.1 bn in H1’2023.
- Total operating income increased by 29.5% to Kshs 48.5 bn, from Kshs 36.9 bn in Q1’2023, mainly driven by a 34.8% growth in Net Interest Income (NII) to Kshs 61.3 bn, from Kshs 45.5 bn in H1’2023, coupled with the 20.8% increase in Non Interest Income (NFI) to Kshs 33.3 bn from Kshs 27.6 bn in H1’2023,
- Total operating expenses increased by 11.7% to Kshs 56.5 bn from Kshs 50.6 bn in H1’2023, driven by a 10.4% increase in staff costs to Kshs 19.3 bn from Kshs 17.5 bn recorded in H1’2023, coupled with a 9.0% increase in other operating expenses to Kshs 25.0 bn, from Kshs 23.0 bn recorded in H1’2023 together with the 19.7% increase in loan loss provisions to Kshs 12.2 bn, from Kshs 10.2 bn recorded in H1’2023,
- The bank’s Asset Quality deteriorated, with Gross NPL ratio increasing to 18.1% in H1’2024, from 16.2% in H1’2023, attributable to a 16.5% increase in Gross non-performing loans to Kshs 212.1 bn, from Kshs 182.0 bn in H1’2023, compared to the 4.2% increase in gross loans to Kshs 1,172.3 bn, from Kshs 1,125.2 bn recorded in H1’2023,
- Going forward, we expect the bank’s growth to be driven by:

i. **Continued Digitization -** The Group has continued to maximize on digital trasformation. As of FY’2023, 99.0% of the transactions by number were done through the non-branch channels. Notably, the Group witnessed 77.0% growth in the value of mobile loans disbursed mainly driven by Fuliza, introduction of term loans on KCB Mobi and new mobile lending products for small businesses.

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# Financial Statements Extracts

## KCB Group's PAT is expected to grow at a 5-year CAGR of 21.2%

| Income Statement | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|
| Net Interest Income | 77.7 | 86.7 | 107.3 | 123.9 |
| Non Funded Income | 30.9 | 43.3 | 57.9 | 72.1 |
| **Total Operating Income** | **108.6** | **129.9** | **165.2** | **196.0** |
| Loan Loss Provision | 13.0 | 13.2 | (33.6) | 43.5 |
| Other Operating Expenses | 47.8 | 59.4 | 150.4 | 86.3 |
| **Total Operating Expenses** | **60.8** | **72.6** | **116.8** | **129.7** |
| Profit Before Tax | 47.8 | 57.3 | 48.5 | 66.3 |
| **% PAT Change YoY** | **74.3%** | **19.5%** | **(8.3%)** | **23.9%** |
| EPS | 10.6 | 12.7 | 11.7 | 14.4 |
| DPS | 3.0 | 2.0 | 0.0 | 2.5 |
| Cost to Income (with LLP) | 56.0% | 55.9% | 70.7% | 66.2% |
| **NIM** | **8.4%** | **7.5%** | **4.3%** | **5.7%** |
| ROE | 21.8% | 22.0% | 17.5% | 17.2% |
| ROA | 3.2% | 3.0% | 2.0% | 1.9% |
| **Balance Sheet** | **2021** | **2022** | **2023** | **2024f** |
| Net Loans and Advances | 675.5 | 863.3 | 1095.9 | 1436.4 |
| Government Securities | 270.8 | 278.0 | 397.2 | 522.4 |
| Other Assets | 193.4 | 412.7 | 677.7 | 738.4 |
| **Total Assets** | **1139.7** | **1554.0** | **2170.9** | **2697.1** |
| Customer Deposits | 837.1 | 1135.4 | 1690.9 | 2121.1 |
| Other Liabilities | 129.0 | 212.3 | 243.6 | 258.6 |
| **Total Liabilities** | **966.2** | **1347.8** | **1934.5** | **2379.7** |
| **Shareholders Equity** | **171.7** | **200.2** | **228.3** | **310.4** |
| **Number of Shares** | **3.2** | **3.2** | **3.2** | **3.2** |
| Book value Per share | 53.4 | 62.3 | 71.1 | 96.6 |
| **% Change in BPS YoY** | **20.6%** | **16.6%** | **14.0%** | **35.9%** |

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# Valuation Summary

## KCB Group is undervalued with a total potential return of 28.7%

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM | 60.9 | 40% | 24.3 |
| Residual Income | 12.3 | 35% | 4.3 |
| PBV Multiple | 58.6 | 15% | 8.8 |
| PE Multiple | 45.5 | 10% | 4.5 |
| **Target Price** | | | **41.7** |
| **Current Price** | | | **32.4** |
| Upside/(Downside) | | | 28.7% |
| Dividend Yield | | | 0.0% |
| **Total Return** | | | **28.7%** |

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# III. Co-operative Bank

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# Cooperative Bank Summary of Performance – H1’2024

- Profit before tax increased by by 10.7% to Kshs 18.2 bn, from Kshs 16.4 bn recorded in H1’2023, with effective tax rate increasing to 29.5% in H1’2024 from 29.0% in H1’2023, leading to a 7.0% increase in profit after tax to Kshs 2.2 bn in H1’2024, from Kshs 2.1 bn in H1’2023.
- Core earnings per share grew by 7.0% to Kshs 2.2, from Kshs 2.1 in H1’2023, driven by the 10.9% increase in total operating income to Kshs 39.2 bn, from Kshs 35.4 bn in H1’2023. However, the performance was weighed down by an 11.1% increase in total operating expenses to Kshs 21.3 bn from Kshs 19.1 bn in H1’2023,
- The 10.9% increase in total operating income was mainly driven by an 11.2% increase in Non Interest Income (NFI) to Kshs 15.4 bn from Kshs 13.8 bn in H1’2023, coupled with the 10.7% growth in Net Interest Income (NII) to Kshs 23.9 bn, from Kshs 21.5 bn in H1’2023,
- The bank’s Asset Quality deteriorated, with Gross NPL ratio increasing to 16.7% in H1’2024, from 14.6% in H1’2023, attributable to a 19.0% increase in Gross non-performing loans to Kshs 69.9 bn, from Kshs 58.4 bn in H1’2023, compared to the 4.0% increase in gross loans to Kshs 417.0 bn, from Kshs 400.9 bn recorded in H1’2023,

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

- **Strong Customer Base –** Cooperative Bank still retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which this half-year expanded by 2.8% to Kshs 375.6 bn from Kshs 365.4 bn in H1’2023.

- **Diversified products –** The bank has in recent days launched a number of products and continues to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance and the Sacco Mco-op cash. This diversification is expected to continue improving the Non-funded Income of the bank which this half-year came in at 15.4 bn, an 11.2% increase from Kshs 19.1 bn in H1’2023,

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# Financial Statements Extracts

## Cooperative Bank's PAT is expected to grow at a 5-year CAGR of 5.3%

| Income Statement | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|---|---|---|---|---|---|---|---|
| Interest Income | 43.0 | 43.6 | 39.6 | 55.6 | 61.7 | 69.1 | 79.0 |
| Interest Expense | (12.2) | (12.3) | (10.9) | (14.6) | (16.2) | (23.8) | (25.4) |
| **Net Interest Income** | 30.8 | 31.3 | 28.7 | 41.0 | 45.5 | 45.2 | 53.6 |
| Non Funded Income | 12.9 | 17.2 | 15.7 | 19.4 | 25.7 | 26.5 | 29.5 |
| **Total Operating Income** | **43.7** | **48.5** | **44.4** | **60.4** | **71.3** | **71.7** | **83.1** |
| Loan Loss Provision | (1.8) | (2.5) | (6.0) | (7.9) | (8.7) | (6.0) | (4.5) |
| Other Operating Expenses | (23.9) | (25.3) | (21.9) | (30.2) | (33.6) | (33.7) | (38.5) |
| **Total Operating Expenses** | **(25.7)** | **(27.8)** | **(28.0)** | **(38.1)** | **(42.2)** | **(39.7)** | **(43.0)** |
| Profit Before Tax | 18.2 | 20.7 | 16.5 | 22.6 | 29.4 | 32.4 | 40.5 |
| Profit After tax | 12.7 | 14.3 | 11.6 | 16.5 | 22.0 | 23.2 | 28.8 |
| **% PAT Change YoY** | **11.6%** | **12.4%** | **-18.8%** | **42.3%** | **33.2%** | **5.2%** | **24.1%** |
| EPS | 1.9 | 2.1 | 1.7 | 2.8 | 3.8 | 4.0 | 4.9 |
| DPS | 1.0 | 1.0 | 0.0 | 1.0 | 1.5 | 1.5 | 2.0 |
| Cost to Income | 58.8% | 57.4% | 63.0% | 63.0% | 59.3% | 55.3% | 51.7% |
| ROE | 18.3% | 19.2% | 14.2% | 17.3% | 21.2% | 21.0% | 23.3% |
| ROA | 3.2% | 3.3% | 2.3% | 3.0% | 3.7% | 3.6% | 4.0% |
| **Balance Sheet** | | | | | | | |
| Net Loans and Advances | 245.4 | 266.7 | 306.3 | 310.2 | 339.4 | 374.2 | 421.6 |
| Government Securities | 80.3 | 117.8 | 193.3 | 184.1 | 173.3 | 189.0 | 209.7 |
| Other Assets | 87.7 | 72.5 | 93.3 | 85.5 | 94.5 | 107.9 | 121.3 |
| **Total Assets** | 413.4 | 457.0 | 592.9 | 579.8 | 607.2 | 671.1 | 752.6 |
| Customer Deposits | 306.1 | 332.8 | 420.4 | 407.7 | 423.8 | 451.6 | 508.8 |
| Other Liabilities | 36.1 | 43.3 | 77.1 | 71.3 | 75.4 | 105.8 | 110.4 |
| **Total Liabilities** | 342.2 | 376.2 | 497.5 | 479.0 | 499.3 | 557.5 | 619.2 |
| **Shareholders Equity** | 69.9 | 79.3 | 95.0 | 100.2 | 107.7 | 113.6 | 133.3 |
| **Number of Shares** | 6.9 | 6.9 | 6.9 | 5.9 | 5.9 | 5.9 | 5.9 |
| Book value Per share | 10.2 | 11.6 | 13.8 | 17.1 | 18.4 | 19.4 | 22.7 |
| **% Change in BPS YoY** | **-14.2%** | **13.6%** | **19.8%** | **23.4%** | **7.4%** | **5.5%** | **17.4%** |

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# Valuation Summary

## Co-operative Bank is undervalued with a total potential return of 38.5%

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM | 13.0 | 40% | 5.2 |
| Residual Income | 10.3 | 35% | 3.6 |
| PBV Multiple | 9.5 | 20% | 1.9 |
| PE Multiple | 13.0 | 5% | 0.7 |
| **Target Price** | | | **13.5** |
| **Current Price** | | | **13.1** |
| Upside/(Downside) | | | 27.4% |
| Dividend Yield | | | 11.1% |
| **Total Return** | | | **38.5%** |

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# IV. NCBA Bank

# NCBA Bank Summary of Performance – H1’2024

- Profit before tax decreased by 1.6% to Kshs 12.2 bn from Kshs 12.4 bn in H1’2023, with effective tax rate decreasing to 19.3% in H1’2024, from 24.4% in H1’2023, leading to a 5.0% increase in profit after tax to Kshs 9.8 bn in H1’2024, from Kshs 9.3 bn in H1’2023.
- Total operating income increased by 1.1% to Kshs 31.4 bn, from Kshs 31.0 bn in H1’2023, driven by 7.9% increase in Non Interest Income (NFI) to Kshs 14.9 bn from Kshs 13.8 bn in H1’2023, which outpaced the 4.4% decline in Net Interest Income (NII) to Kshs 16.5 bn, from Kshs 17.2 bn in H1’2023,
- Total operating expenses increased by 2.8% to Kshs 19.2 bn from Kshs 18.7 bn in H1’2023, driven by 17.7% increase in staff costs to Kshs 6.9 bn from Kshs 5.8 bn recorded in H1’2023, coupled with a 14.0% increase in other operating expenses to Kshs 9.6 bn, from Kshs 8.4 bn recorded in H1’2023, which outpaced the 38.3% decrease in loan loss provisions to Kshs 2.7 bn, from Kshs 4.4 bn recorded in H1’2023
- The balance sheet recorded an expansion with total assets growing by 4.4% to Kshs 689.1 bn, from Kshs 660.3 bn in H1’2024
- The group’s Asset Quality improved, with Gross NPL ratio decreasing to 12.2% in H1’2024, from 13.4% in H1’2023, attributable to the slower 4.1% decrease in Gross non-performing loans to Kshs 40.9 bn, from Kshs 42.6 bn in H1’2023, which outpaced the 5.4% increase in gross loans to Kshs 334.1 bn, from Kshs 317.0 bn recorded in H1’2023,
- Going forward, we expect the bank’s growth to be driven by:

i. **Digital transformation**. The lender has capitalized on digital innovation for service delivery over the past years to improve its operational efficiency, which has been a key factor in its financial performance. In August 2024, the lender disclosed that they had disbursed a total of Kshs 478.0 bn via digital banking avenues, including Fuliza, Mshwari and Loop in H1’2024, remaining a market leader in digital lending.

ii. **Revenue diversification**. The lender has also capitalized on revenue diversification and increasing the top line contribution of all the business lines. Notably, subsidiary contribution to group’s total revenue has increased over the period, contributing 19.0% in H1’2024 from 14.0% in H1’2023. Further, the 100.0% acquisition of AIG Kenya Insurance is set to increase the non-funded revenue base more.

iii. .

# Financial Statements Extracts

## NCBA Group's PAT is expected to grow at a 5-year CAGR of 19.0%

| Income Statement | 2021 | 2022 | 2023 | 2024e |
|---|---|---|---|---|
| Net Interest Income | 27.0 | 30.7 | 34.6 | 41.3 |
| Non Funded Income | 22.1 | 30.3 | 29.1 | 35.4 |
| **Total Operating Income** | **49.2** | **60.9** | **63.7** | **76.6** |
| Loan Loss Provision | (12.7) | (13.1) | (9.2) | (10.8) |
| Other Operating Expenses | (20.7) | (24.9) | (29.1) | (35.0) |
| **Total Operating Expenses** | **(33.4)** | **(37.9)** | **(38.2)** | **(45.8)** |
| Profit Before Tax | 15.0 | 22.5 | 25.5 | 30.8 |
| **Profit After Tax** | 10.2 | 13.8 | 21.5 | 24.5 |
| **% PAT Change YoY** | **70.6%** | **34.8%** | **55.7%** | **14.3%** |
| EPS | 6.2 | 8.4 | 13.0 | 14.9 |
| DPS | 3.0 | 4.3 | 4.8 | 4.8 |
| Cost to Income (with LLP) | 68.1% | 62.2% | 60.0% | 59.8% |
| **NIM** | **5.7%** | **5.9%** | **5.9%** | **5.9%** |
| ROE | 13.6% | 17.2% | 24.0% | 23.4% |
| ROA | 1.8% | 2.3% | 3.2% | 3.1% |
| **Balance Sheet** | **2021e** | **2022f** | **2023F** | **2024F** |
| Net Loans and Advances | 244.0 | 278.9 | 337.0 | 398.8 |
| Government Securities | 196.1 | 205.4 | 203.4 | 255.9 |
| Other Assets | 151.0 | 135.4 | 194.2 | 217.4 |
| **Total Assets** | 591.1 | 619.7 | 734.6 | 872.0 |
| Customer Deposits | 469.9 | 502.7 | 579.4 | 667.8 |
| Other Liabilities | 43.2 | 34.6 | 58.6 | 58.7 |
| **Total Liabilities** | 513.1 | 537.2 | 638.0 | 726.6 |
| **Shareholders Equity** | 77.9 | 82.4 | 96.7 | 113.4 |
| **Number of Shares** | 1.6 | 1.6 | 1.6 | 1.6 |
| Book value Per share | 47.3 | 50.0 | 58.7 | 68.8 |
| **% Change in BPS YoY** | **7.6%** | **5.9%** | **17.3%** | **17.3%** |

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# Valuation Summary

**NCBA Group is undervalued with a total potential return of 44.0%**

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 78.8 | 40% | 31.5 |
| Residual Valuation | 30.7 | 35% | 10.7 |
| PBV Multiple | 38.9 | 20% | 7.8 |
| PE Multiple | 40.8 | 5% | 2.0 |
| **Target Price** | | | **51.1** |
| **Current Price** | | | **40.3** |
| Upside/(Downside) | | | 26.8% |
| Dividend Yield | | | 11.3% |
| **Total Potential Return** | | | **38.2%** |

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# V. Standard Chartered Bank Kenya

# SCBK's Summary of Performance – H1'2024

- Core earnings per share increased by 48.9% to Kshs 27.2, from Kshs 18.3 in H1'2023, mainly driven by the 24.9% increase in total operating income to Kshs 26.1 bn, from Kshs 20.9bn in H1'2023,
- The 24.9% growth in total operating income was mainly driven by a 19.3% growth in Net Interest Income to Kshs 16.5 bn, from Kshs 13.9 bn in H1'2023, coupled with a 36.1% growth in Non funded Income (NFI) to Kshs 9.6 bn, from Kshs 7.0 bn in H1'2023,
- Total operating expenses increased by 3.1% to Kshs 11.6 bn from Kshs 11.2 bn in H1'2023, driven by the 14.8% increase in staff costs to Kshs 4.7 bn from Kshs 4.1 bn in H1'2023, coupled with a 4.3% increase in other operating expenses to Kshs 5.4 bn from Kshs 5.1 bn in H1'2023. The growth in total operating expenses was however weighed down by the 23.3% decrease in loan loss provisions to Kshs 1.6 bn, from Kshs 2.0 bn in H1'2023
- The balance sheet recorded an expansion as total assets grew by 4.3% to Kshs 377.3 bn, from Kshs 361.5 bn in H1'2023,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 8.4% in H1'2024, from 14.4% in H1'2023, attributable to the 42.9% decrease in gross non-performing loans to Kshs 13.6 bn, from Kshs 23.8 bn in H1'2023, relative to the slower 2.3% decrease in gross loans to Kshs 160.9 bn, from Kshs 165.6 bn recorded in H1'2023,
- Going forward, we expect the bank's growth to be driven by:

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

# Financial Statements Extracts

## SCBK's PAT is expected to grow at a 5-year CAGR of 26.3%

| Income Statement | 2019 | 2020 | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|---|---|
| Net Interest Income | 19.5 | 19.1 | 18.8 | 22.2 | 29.3 | 33.9 |
| Non Funded Income | 9.2 | 8.3 | 10.4 | 11.8 | 12.4 | 20.0 |
| **Total Operating Income** | **28.7** | **27.4** | **29.2** | **34.0** | **41.7** | **53.8** |
| Loan Loss Provision | 0.6 | 3.9 | 2.1 | 1.3 | 3.4 | 1.9 |
| Other Operating Expenses | 16.0 | 16.1 | 14.5 | 15.5 | 18.7 | 22.9 |
| **Total Operating Expenses** | **16.5** | **20.0** | **16.6** | **16.9** | **22.1** | **24.8** |
| Profit Before Tax | 12.2 | 7.4 | 12.6 | 17.1 | 19.7 | 29.0 |
| Profit After tax | 8.2 | 5.4 | 9.0 | 12.1 | 13.8 | 20.4 |
| **% PAT Change YoY** | **1.7%** | **-33.9%** | **66.2%** | **33.3%** | **14.7%** | **47.4%** |
| EPS | 21.9 | 14.4 | 24.0 | 32.0 | 36.7 | 54.1 |
| DPS | 20.0 | 10.5 | 14.0 | 22.0 | 29.0 | 30.0 |
| Cost to Income | 57.6% | 73.0% | 56.8% | 49.7% | 52.9% | 46.1% |
| **NIM** | **7.4%** | **6.8%** | **6.4%** | **7.0%** | **8.3%** | **7.8%** |
| ROaE | 17.5% | 11.0% | 17.4% | 22.1% | 23.5% | 26.3% |
| ROaA | 2.8% | 1.7% | 2.7% | 3.4% | 3.4% | 4.1% |

| Balance Sheet | 2019 | 2020 | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|---|---|
| Net Loans and Advances | 128.7 | 121.5 | 126.0 | 139.4 | 163.2 | 211.4 |
| Government Securities | 99.6 | 99.8 | 95.6 | 105.7 | 69.6 | 114.9 |
| Other assets | 73.8 | 104.3 | 113.3 | 136.2 | 196.2 | 247.4 |
| **Total Assets** | **302.1** | **325.6** | **334.9** | **381.3** | **429.0** | **573.7** |
| Customer Deposits | 228.4 | 256.5 | 265.5 | 278.9 | 342.9 | 436.8 |
| Other Liabilities | 25.9 | 18.2 | 16.2 | 46.2 | 24.6 | 43.6 |
| **Total Liabilities** | **254.4** | **274.7** | **281.7** | **325.1** | **367.4** | **480.4** |
| **Shareholders Equity** | **47.8** | **50.9** | **53.2** | **56.1** | **61.5** | **93.3** |
| **Number of shares** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** |
| Book value Per share | 126.7 | 135.0 | 141.2 | 148.9 | 163.2 | 247.5 |
| **% Change in BPS YoY** | **2.4%** | **6.6%** | **4.6%** | **5.5%** | **9.6%** | **51.6%** |

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# Valuation Summary

## SCBK is undervalued with a total potential return of 29.4%

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 408.0 | 40% | 163.2 |
| Residual Income | 160.9 | 10% | 16.1 |
| PBV Multiple | 127.4 | 20% | 25.5 |
| PE Multiple | 125.3 | 30% | 37.6 |
| **Target Price** | | | **242.4** |
| **Current Price** | | | **211.0** |
| Upside/(Downside) | | | 15.6% |
| Dividend Yield | | | 13.7% |
| **Total Return** | | | **29.4%** |

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# VI. Diamond Trust Bank Kenya

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# DTB K Holdings Summary of Performance –H1’2024

- Profit before tax increased by 4.3% to Kshs 6.3 bn, from Kshs 6.0 bn recorded in H1’2023, with effective tax rate decreasing to 22.6% in H1’2024 from 27.6% in H1’2023, leading to an 11.5% increase in profit after tax Kshs 4.9 bn, from Kshs 4.4 bn recorded in H1’2023.
- Core earnings per share grew by 11.5% to Kshs 17.4, from Kshs 15.6 in H1’2023, driven by the 10.3% increase in total operating income to Kshs 20.6 bn, from Kshs 18.7 bn in H1’2023. However, the performance was weighed down by an 12.1% increase in total operating expenses to Kshs 14.2 bn from Kshs 12.7 bn in H1’2023,
- The 10.3% increase in total operating income was mainly driven by a 15.1% growth in Non Interest Income (NFI) to Kshs 6.4 bn, from Kshs 5.5 bn in H1’2023, coupled with the 8.3% increase in Net Interest Income (NII)
- to Kshs 14.2 bn from Kshs 13.1 bn in H1’2023,
- 12.1% to Kshs 14.2 bn from Kshs 12.7 bn in H1’2023, driven by an 11.5% increase in staff costs to Kshs 4.5 bn from Kshs 4.1 bn recorded in H1’2023, coupled with a 13.1% increase in other operating expenses to Kshs 6.1 bn, from Kshs 5.4 bn recorded in H1’2023 together with the 11.1% increase in loan loss provisions to Kshs 3.6 bn, from Kshs 3.3 bn recorded in H1’2023.
- The bank’s Asset Quality deteriorated, with Gross NPL ratio increasing to 13.5% in H1’2024, from 12.3% in H1’2023, attributable to a 5.6% increase in Gross non-performing loans to Kshs 38.6 bn, from Kshs 36.5 bn in H1’2023, compared to the 4.4% decline in gross loans to Kshs 285.0 bn, from Kshs 298.1 bn recorded in H1’2023,

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

- **Revenue Diversification.** The lender has a great opportunity to explore the growh of its non-funded income streams, which grew by 15.1% to Kshs 6.4 bn, from Kshs 5.5 bn in H1’2023. They have, over the years, launched a number of products and continue to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance, and the DTB Weza platform which makes overdrafts much more accessible,

# Financial Statements Extracts

## DTB K Holdings PAT is expected to grow at a 5-year CAGR of 30.3%

| Income Statement | 2017 | 2018f | 2019 | 2020 | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|---|---|---|---|
| Net Interest Income | 19.7 | 20.0 | 18.7 | 18.1 | 20.0 | 22.9 | 27.6 | 28.6 |
| Non Funded Income | 5.3 | 5.4 | 5.8 | 6.1 | 6.3 | 9.1 | 12.2 | 14.1 |
| **Total Operating Income** | **25.0** | **25.5** | **24.5** | **24.2** | **26.3** | **31.9** | **39.7** | **42.8** |
| Loan Loss Provision | 4.3 | 3.0 | 1.3 | 7.3 | 7.6 | 7.1 | 10.3 | 11.5 |
| Other Operating Expenses | 10.6 | 11.5 | 11.9 | 12.3 | 12.3 | 14.9 | 20.5 | 21.1 |
| **Total Operating Expenses** | **14.9** | **14.5** | **13.2** | **19.7** | **19.9** | **22.1** | **30.9** | **32.6** |
| Profit Before Tax | 10.1 | 11.0 | 11.3 | 4.7 | 6.6 | 9.5 | 9.0 | 10.3 |
| Profit After tax | 6.9 | 7.1 | 7.3 | 3.5 | 4.4 | 6.8 | 7.8 | 12.7 |
| **% PAT Change YoY** | **-10.3%** | **2.3%** | **2.6%** | **-51.5%** | **25.1%** | **53.9%** | **14.7%** | **62.7%** |
| EPS | 24.8 | 25.3 | 26.0 | 12.6 | 15.8 | 24.3 | 27.9 | 45.4 |
| DPS | 2.6 | 2.6 | 2.7 | 0.0 | 3.0 | 5.0 | 6.0 | 5.5 |
| Cost to Income | 59.6% | 56.9% | 54.0% | 81.3% | 75.6% | 69.1% | 77.7% | 76.3% |
| **NIM** | **6.5%** | **6.2%** | **5.6%** | **5.0%** | **5.1%** | **5.3%** | **5.5%** | **4.7%** |
| ROE | 14.4% | 13.9% | 12.9% | 5.8% | 6.8% | 10.0% | 10.8% | 14.8% |
| ROA | 2.0% | 1.9% | 1.9% | 0.9% | 1.0% | 1.4% | 1.3% | 1.9% |
| **Balance Sheet** | **2017** | **2018** | **2019** | **2020** | **2021e** | **2022f** | **2023f** | **2024f** |
| Net Loans and Advances | 196.0 | 193.1 | 199.1 | 208.6 | 220.4 | 253.7 | 308.5 | 355.4 |
| Government Securities | 112.5 | 115.0 | 119.3 | 111.1 | 83.3 | 73.5 | 58.5 | 96.6 |
| Other Assets | 54.7 | 69.6 | 67.8 | 105.3 | 153.1 | 199.8 | 268.0 | 268.0 |
| **Total Assets** | **363.3** | **377.7** | **386.2** | **425.1** | **456.8** | **527.0** | **635.0** | **720.0** |
| Customer Deposits | 266.2 | 282.9 | 280.2 | 298.2 | 331.5 | 387.6 | 486.1 | 540.1 |
| Other Liabilities | 43.4 | 35.9 | 41.5 | 58.6 | 50.8 | 61.8 | 62.6 | 71.8 |
| **Total Liabilities** | **309.7** | **318.8** | **321.7** | **356.7** | **382.3** | **449.3** | **548.7** | **611.8** |
| Shareholders Equity | 48.4 | 53.7 | 58.9 | 62.0 | 67.3 | 69.0 | 74.9 | 96.7 |
| Number of Shares | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Book value Per share | 173.0 | 191.9 | 210.5 | 221.6 | 240.7 | 246.6 | 267.8 | 345.7 |
| **% Change in BPS YoY** | **17.9%** | **10.9%** | **9.7%** | **5.3%** | **8.6%** | **2.5%** | **8.6%** | **29.1%** |

# Valuation Summary

## DTB-K Holdings is undervalued with a total potential return of 39.3%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 65.6 | 40% | 26.2 |
| Residual Income | 45.0 | 35% | 18.0 |
| PBV Multiple | 60.8 | 20% | 6.1 |
| PE Multiple | 84.6 | 5% | 8.5 |
| | | | |
| **Target Price** | | | **58.8** |
| **Current Price** | | | **45.6** |
| Upside/(Downside) | | | 28.9% |
| Dividend yield | | | 11.0% |
| **Total return** | | | **39.9%** |

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# VII. ABSA Bank Kenya

# ABSA Bank’s Summary of Performance – H1’2024

- Core earnings per share increased by 28.9% to Kshs 2.0, from Kshs 1.5 in H1’2023, mainly driven by the 16.3% increase in total operating income to Kshs 31.8 bn, from Kshs 27.4 bn in H1’2023 which outpaced the 8.3% increase in total operating expenses to Kshs 16.6 bn, from Kshs 15.3 bn in H1’2023,
- The 16.3% growth in total operating income was mainly driven by a 19.7% growth in Net Interest Income to Kshs 23.0 bn, from Kshs 19.2 bn in H1’2023, coupled with a 8.4% growth in Non funded Income (NFI) to Kshs 8.8 bn, from Kshs 8.1 bn in H1’2023,
- Total operating expenses increased by 8.3% to Kshs 16.6 bn from Kshs 15.3 bn in H1’2023, driven by the 15.1% increase in other operating expenses to Kshs 5.2 bn from Kshs 4.5 bn in H1’2023, coupled with a 10.1% increase in staff costs to Kshs 6.2 bn from Kshs 5.6 bn in H1’2023 as well as the marginal 0.3% increase in loan loss provisions to remain relatively unchanged at Kshs 5.2 bn,
- The balance sheet recorded a contraction as total assets declined by 4.4% to Kshs 481.4 bn, from Kshs 503.7 bn in H1’2023, driven by a 21.0% decrease in investment in government securities to Kshs 63.7 bn from Kshs 80.7 bn in H1’2023. The performance was further weighed down by a 0.5% loan book contraction to Kshs 316.4 bn, from Kshs 317.9 bn in H1’2023,
- The bank’s Asset Quality deteriorated, with Gross NPL ratio increasing to 11.5% in H1’2024, from 9.5% in H1’2023, attributable to the 22.4% increase in gross non-performing loans to Kshs 39.4 bn, from Kshs 32.2 bn in H1’2023, relative to the 0.8% increase in gross loans to Kshs 343.0 bn, from Kshs 340.3 bn recorded in H1’2023,
- Going forward, the factors that would drive the bank’s growth would be:

i. **Continued Digitization -**The bank has continued to leverage digital transformation as a strategy to enhance financial services and customer experience. This expansion in digital distribution has led to an increase in digital loan disbursements and growth in consumer business through the Timiza digital platform, significantly contributing to its financial performance. Additionally, the lender's subsidiary divisions, particularly asset management and insurance, not only diversifys 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 19.2%

| Income Statement | 2019 | 2020 | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|---|---|
| Net Interest Income | 23.2 | 23.4 | 25.3 | 32.3 | 40.0 | 46.9 |
| Non Funded Income | 10.6 | 11.1 | 11.7 | 13.7 | 14.5 | 18.9 |
| **Total Operating Income** | **33.8** | **34.5** | **36.9** | **46.0** | **54.6** | **65.8** |
| Loan Loss Provision | (4.2) | (9.0) | (4.7) | (6.5) | (9.2) | (10.1) |
| Other Operating Expenses | (17.3) | (16.6) | (16.7) | (18.7) | (21.6) | (25.0) |
| **Total Operating Expenses** | **(21.5)** | **(25.7)** | **(21.4)** | **(25.1)** | **(30.9)** | **(35.1)** |
| Profit Before Tax | 10.8 | 5.6 | 15.5 | 20.8 | 23.7 | 30.6 |
| **Profit After tax** | **7.5** | **4.2** | **10.9** | **14.6** | **16.4** | **21.5** |
| **% PAT Change YoY** | **0.5%** | **-44.2%** | **161.2%** | **34.2%** | **12.2%** | **31.2%** |
| EPS | 1.4 | 0.8 | 2.0 | 2.7 | 3.0 | 4.0 |
| DPS | 1.1 | 0.0 | 1.1 | 1.4 | 1.6 | 1.8 |
| Cost to Income | 63.6% | 74.4% | 57.9% | 54.7% | 56.6% | 53.4% |
| **NIM** | **7.7%** | **7.1%** | **7.1%** | **8.2%** | **9.4%** | **10.1%** |
| ROaE | 16.7% | 9.1% | 21.1% | 24.3% | 24.6% | 26.2% |
| ROaA | 2.1% | 1.1% | 2.7% | 3.2% | 3.3% | 4.0% |
| **Balance Sheet** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024f** |
| Net Loans and Advances | 194.9 | 208.9 | 234.2 | 283.6 | 335.7 | 371.8 |
| Government Securities | 123.0 | 126.1 | 132.6 | 133.5 | 95.2 | 110.6 |
| Other Assets | 56.1 | 44.5 | 61.9 | 60.2 | 88.9 | 79.6 |
| **Total Assets** | **374.0** | **379.4** | **428.7** | **477.2** | **519.8** | **562.1** |
| Customer Deposits | 237.7 | 253.6 | 268.7 | 303.8 | 362.7 | 410.0 |
| Other Liabilities | 91.1 | 79.3 | 103.5 | 109.9 | 87.9 | 57.5 |
| **Total Liabilities** | **328.8** | **332.9** | **372.2** | **413.6** | **450.6** | **467.5** |
| **Shareholders Equity** | **45.2** | **46.5** | **56.4** | **63.6** | **69.2** | **94.5** |
| **Number of shares** | **5.4** | **5.4** | **5.4** | **5.4** | **5.4** | **5.4** |
| Book value Per share | 8.3 | 8.6 | 10.4 | 11.7 | 12.7 | 17.4 |
| **% Change in BPS YoY** | **2.2%** | **2.9%** | **21.4%** | **36.8%** | **22.6%** | **36.6%** |

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# Valuation Summary

## Absa Bank is undervalued with a total potential return of 37.4%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| *DDM* | 22.3 | 40% | 8.9 |
| *Residual Income* | 19.7 | 35% | 6.9 |
| *PBV Multiple* | 9.2 | 20% | 1.8 |
| *PE Multiple* | 9.4 | 5% | 0.5 |
| ***Target Price*** | | | **18.1** |
| ***Current Price*** | | | **14.2** |
| Upside/(Downside) | | | 27.6% |
| Dividend Yield | | | 11.2% |
| ***Total Return*** | | | **38.8%** |

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# VIII. Stanbic Holdings

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# Stanbic Holdings' Summary of Performance – H1'2024

- Profit before tax increased by 3.0% to Kshs 10.0 bn in H1'2024, from Kshs 9.7 bn recorded in H1'2024, with effective tax rate decreasing to 28.1% in H1'2024 from 27.6% in H1'2023, leading to a 2.3% increase in profit after tax to Kshs 7.2 bn in H1'2024, from Kshs 7.1 bn in H1'2023.
- Total operating income decreased by 4.0% to Kshs 20.1 bn, from Kshs 20.9 bn in H1'2023, driven by a 15.1% decrease in Non Interest Income (NFI) to Kshs 7.6 bn from Kshs 8.9 bn in H1'2023, which outpaced the 4.2% growth in Net Interest Income (NII) to Kshs 12.6 bn, from Kshs 12.1 bn in H1'2023,
- Total operating expenses decreased by 10.1% to Kshs 10.1 bn from Kshs 11.2 bn in H1'2023, driven by 21.0% decrease in other operating expenses to Kshs 3.9 bn from Kshs 4.9 bn recorded in H1'2023, coupled with a 21.7% decrease in loan loss provisions to Kshs 2.0 bn from Kshs 2.5 bn recorded in H1'2023, which outpaced the 11.4% increase in staff costs to Kshs 4.3 bn from Kshs 3.8 bn recorded in H1'2023
- The balance sheet recorded an expansion as total assets grew by 29.6% to Kshs 497.9 bn, from Kshs 384.3 bn in H1'2024
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 9.5% in H1'2024, from 9.2% in H1'2023, attributable to the 2.5% increase in Gross non-performing loans to Kshs 24.4 bn, from Kshs 23.8 bn in H1'2023, which outpaced the 0.5% decrease in gross loans to Kshs 256.5 bn, from Kshs 257.7 bn recorded in H1'2023,
- Going forward, the factors that would drive the bank's growth would be:

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

# Financial Statements Extracts

## Stanbic Holdings' PAT is expected to grow at a 5-year CAGR of 16.6%

| Income Statement | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|
| Net Interest Income | 12.8 | 14.4 | **18.9** | **21.4** |
| Non Funded Income | 10.4 | 10.6 | **13.1** | **14.2** |
| **Total Operating Income** | **23.2** | **25.0** | **32.1** | **35.6** |
| Loan Loss Provision | (4.9) | (2.5) | (4.9) | (7.4) |
| **Total Operating Expenses** | **(12.1)** | **(12.7)** | **(19.9)** | **(20.5)** |
| Profit Before Tax | 6.2 | 9.8 | 12.2 | 15.1 |
| **% PAT Change YoY** | **(18.6%)** | **38.8%** | **25.7%** | **19.3%** |
| EPS | 13.1 | 18.2 | 22.9 | 27.4 |
| DPS | 3.8 | 9.0 | 12.6 | 12.6 |
| Cost to Income (with LLP) | 52.2% | 61.0% | 62.1 | 57.6<br>57.6% |
| **NIM** | **4.7%** | **5.0%** | **5.7%** | **5.9%** |
| ROaE | 10.3% | 13.3% | 15.3% | 17.2% |
| ROaA | 1.6% | 2.2% | 2.5% | 2.5% |
| **Balance Sheet** | **2021** | **2022** | **2023** | **2024f** |
| Net Loans and Advances | 196.3 | 229.3 | 266.8 | 283.0 |
| Other Assets | 132.3 | 99.6 | 133.0 | 169.9 |
| **Total Assets** | **328.6** | **328.9** | **399.8** | **452.6** |
| Customer Deposits | 260.0 | 254.6 | 304.3 | 336.3 |
| Borrowings | 5.5 | 5.7 | 10.1 | 14.8 |
| Other Liabilities | 11.4 | 12.1 | 23.2 | 40.1 |
| **Total Liabilities** | **276.9** | **272.4** | **337.6** | **391.2** |
| Shareholders Equity | 51.7 | 56.5 | 62.2 | 61.5 |
| No of Ordinary Shares | 0.4 | 0.4 | 0.4 | 0.4 |
| Book value Per share | 130.9 | 142.8 | 157.3 | 170.1 |
| **% Change in BVPS** | **5.5%** | **9.1%** | **2.0%** | **8.1%** |

# Valuation Summary

## Stanbic Holdings is undervalued with a total potential return of 33.9%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 187.4 | 35% | 65.6 |
| Residual Income | 127.6 | 35% | 44.6 |
| PBV Multiple | 97.3 | 20% | 19.5 |
| PE Multiple | 115.3 | 10% | 11.5 |
| **Target Price** | | | **149.4** |
| **Current Price** | | | **120.0** |
| Upside/(Downside) | | | 24.5% |
| Dividend Yield | | | 12.8% |
| **Total return** | | | **33.9%** |

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# IX. I&M Group

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# I&M Group Summary of Performance – H1'2024

- Profit before tax increased by 24.0% to Kshs 8.7 bn from Kshs 7.0 bn in H1'2023, with effective tax rate increasing to 30.2% in H1'2024 from 28.5% in H1'2023. As such, profit after tax increased by 21.1% to Kshs 6.1 bn in H1'2024, from Kshs 5.0 bn in H1'2023
- Total operating income rose by 20.6% to Kshs 11.5 bn in H1'2024 from Kshs 9.6 bn in H1'2023 mainly driven by the 37.7% growth in Net Interest Income to Kshs 8.4 bn, from Kshs 6.1 bn in FY'2022, but was weighed down by a 9.4% decline in Non funded Income (NFI) to Kshs 3.2 bn, from Kshs 3.5 bn in H1'2023
- Total operating expenses increased by 13.9% to Kshs 14.3 bn from Kshs 12.5 bn in H1'2023, driven by a 19.9% increase in staff costs to Kshs 4.2 bn from Kshs 3.5 bn recorded in H1'2023, coupled with an 8.2% increase in Loan Loss Provisions to Kshs 3.5 bn from Kshs 3.2 bn in H1'2023
- The balance sheet recorded an expansion as total assets increased by 12.1% to Kshs 564.4 bn, from Kshs 503.5 bn in H1'2023
- Gross Non-Performing Loans (NPLs) decreased by 5.0% to Kshs 34.8 bn in H1'2024 from Kshs 36.7 bn in H1'2023, while Gross Loans increased by 5.7% to Kshs 304.3 bn from Kshs 288.0 bn in H1'2023. Consequently, the asset quality improved with the NPL ratio declining to 11.4% in H1'2024 from 12.7% in H1'2023
- Going forward, we expect the bank's growth to be driven by:

i. **Scaling New Business -** The bank has devised plans to accelerate growth in priority segments by building relevance in customer segments, i.e retail and Small and Medium Enterprises (SMEs), and developing leadership in commercial and corporate segments.

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# Financial Statements Extracts

## I&M Group's PAT is expected to grow at a 5-year CAGR of 10.8%

| Income Statement | 2021 | 2022 | 2023 | 2024f |
|---|---|---|---|---|
| Net Interest Income | 20.9 | 22.9 | 28.6 | 38.1 |
| Non- Funded Income | 8.7 | 12.7 | 14.1 | 16.2 |
| **Total Operating Income** | **29.6** | **35.7** | **42.7** | **54.3** |
| Loan Loss Provision | (4.2) | (5.2) | (6.9) | (8.3) |
| Other Operating Expenses | (13.5) | (16.1) | (20.3) | (22.5) |
| **Total Operating Expenses** | **(17.7)** | **(21.3)** | **(27.2)** | **(30.7)** |
| Profit Before Tax | 12.4 | 15.0 | 16.7 | 24.8 |
| **% PAT Change YoY** | **2.5%** | **11.6%** | **15.2%** | **29.9%** |
| EPS | 4.9 | 7.0 | 8.1 | 10.5 |
| DPS | 1.5 | 2.3 | 2.6 | 3.0 |
| Cost to Income (with LLP) | 59.9% | 59.8% | 63.7% | 56.6% |
| **NIM** | **6.3%** | **6.3%** | **7.4%** | **7.6%** |
| ROaE | 12.2% | 14.4% | 15.0% | 17.3% |
| ROaA | 2.1% | 2.6% | 2.6% | 2.8% |
| **Balance Sheet** | **2021** | **2022** | **2023** | **2024f** |
| Government securities | 125.5 | 113.1 | 78.1 | 153.2 |
| Net Loans and Advances | 210.6 | 238.6 | 311.3 | 350.1 |
| Other Assets | 79.0 | 84.9 | 190.3 | 191.9 |
| **Total Assets** | **415.2** | **436.6** | **579.7** | **695.2** |
| Customer Deposits | 296.7 | 312.3 | 416.7 | 473.1 |
| Other Liabilities | 44.4 | 42.6 | 67.3 | 93.6 |
| **Total Liabilities** | **341.1** | **355.0** | **484.0** | **566.7** |
| Shareholders Equity | 69.6 | 76.5 | 88.2 | 120.9 |
| Number of Shares | 1.7 | 1.7 | 1.7 | 1.7 |
| Book Value Per Share | 42.1 | 46.3 | 53.3 | 73.12 |
| **% BVPS Change YoY** | **(45.8%)** | **9.9%** | **15.2%** | **37.1%** |

# Valuation Summary

## I&M Group is undervalued with a total potential return of 29.5%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 44.5 | 40.0% | 17.8 |
| Residual income | 10.2 | 40.0% | 4.2 |
| PBV Multiple | 33.6 | 10.0% | 3.4 |
| PE Multiple | 28.8 | 10.0% | 2.9 |
| **Target Price** | | | **27.6** |
| **Current Price** | | | **22.2** |
| Upside/(Downside) | | | 24.1% |
| Dividend yield | | | 11.5% |
| **Total return** | | | **29.5%** |

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# B. Tier II Bank

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# I. HF Group

# HF Group Summary of Performance – H1'2024

- Profit before tax increased by 41.7% to Kshs 0.3 bn from Kshs 0.2 bn in H1'2023, with effective tax rate decreasing to 5.9% from 8.9% in H1'2023. As such, profit after tax increased by 46.3% to Kshs 0.3 bn in H1'2024, from Kshs 0.2 bn in H1'2023.
- Total operating income increased by 12.5% to Kshs 2.0 bn, from Kshs 1.8 bn in H1'2023, mainly driven by a 4.7% growth in Net Interest Income to Kshs 1.33 bn, from Kshs 1.27 bn in H1'2023, coupled with a 30.7% growth in Non funded Income (NFI) to Kshs 0.7 bn, from Kshs 0.5 bn in H1'2023,
- Total operating expenses increased by 8.9% to Kshs 1.8 bn from Kshs 1.6 bn in H1’2023, driven by 5.3% increase in loan loss provisions to Kshs 0.17 bn from Kshs 0.16 bn recorded in H1’2023, coupled with an 18.1% increase in staff costs to Kshs 0.9 bn from Kshs 0.7 bn in H1’2023,
- Gross Non-Performing Loans (NPLs) increased by 6.3% to Kshs 11.2 bn in H1’2024 from Kshs 10.5 bn in H1’2023, while Gross Loans increased by 1.6% to Kshs 46.4 bn from Kshs 45.6 bn in H1’2023. Consequently, the asset quality deteriorated with the NPL ratio rising to 24.2% in H1’2024 from 23.1% in H1’2023.
- We commend HF Group’s turnaround performance, recording an increase in profit after tax of 41.7% to Kshs 0.3 bn in H1'2024, from Kshs 0.2 bn in H1'2023. Despite this, HF Group faces a major downside with its capital adequacy ratios remaining below the minimum statutory requirements set for banks. The group will have to review its business model or merge with a bank with stronger capital ratios so as to overcome its undercapitalization.

# Financial Statements Extracts

## HF's PAT is expected to grow at a 5-year CAGR of 15.0%

| Income Statement | 2021 | 2022 | 2023 | 2024F |
|---|---|---|---|---|
| Net Interest Income | 1.8 | 2.2 | 2.5 | 3.8 |
| Non- Funded Income | 0.5 | 0.9 | 1.2 | 1.7 |
| **Total Operating Income** | 2.4 | 3.0 | **3.8** | **5.5** |
| Loan Loss Provision | (0.3) | (0.2) | (0.3) | (0.3) |
| Other Operating Expenses | **(3.0)** | **(2.6)** | (3.2) | (4.2) |
| **Total Operating Expenses** | (3.3) | (2.8) | **(3.5)** | 3.8 |
| Profit Before Tax | (1.0) | 0.2 | 0.3 | 1.0 |
| **% PAT Change YoY** | **(59.8%)** | **(138.9%)** | **46.2%** | **101.3%** |
| EPS | (1.8) | 0.7 | 1.0 | 2.0 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 |
| Cost to Income | 140.1% | 93.5% | 92.0% | 82.4% |
| **NIM** | **4.2%** | **5.0%** | **5.4%** | 7.3% |
| ROaE | (8.1%) | 3.1% | 4.4% | 8.3% |
| ROaA | (1.3%) | 0.5% | 0.7% | 1.2% |
| **Balance Sheet** | **2021** | **2022** | **2023** | **2024F** |
| Net Loans and Advances | 34.7 | 36.3 | 38.8 | 43.8 |
| Government securities | 6.6 | 8.5 | 9.7 | 10.9 |
| Other Assets | 12.0 | 12.2 | 13.1 | 13.8 |
| **Total Assets** | **53.2** | **57.0** | **61.6** | **68.5** |
| Customer Deposits | 37.7 | 39.8 | 43.8 | 49.5 |
| Other Liabilities | 7.2 | 8.4 | 8.8 | 9.1 |
| **Total Liabilities** | **44.9** | **48.2** | **52.7** | **58.6** |
| Shareholders Equity | 8.3 | 8.8 | 8.9 | 9.9 |
| Number of Shares | 0.4 | 0.4 | 0.4 | 0.4 |
| Book Value Per Share | 21.5 | 22.8 | 23.0 | 25.7 |
| **% BVPS Change YoY** | **(3.3%)** | **6.0%** | **1.1%** | **11.6%** |

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# Valuation Summary

## Housing Finance is undervalued with a total potential return of 4.4%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| *Residual Income* | 3.3 | 60% | 2.0 |
| *PTBV Multiple* | 4.3 | 35% | 1.5 |
| *PE Multiple* | 3.1 | 5% | 0.2 |
| ***Fair Value*** | | | **4.5** |
| ***Current Price*** | | | **4.1** |
| Upside/(Downside) | | | 4.4% |
| Dividend Yield | | | 0.0% |
| ***Total return*** | | | ***4.4%*** |

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# Feedback Summary

## During the preparation of this H1'2024 Banking Sector Report, we shared with the subject companies the operating metrics that were used in the Report for their confirmation and verification

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

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

# 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 | Muungano Microfinance Bank PLC |

*Source : CBK*

# Thank You!

## For More Information

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

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# Q&A / AOB

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