Kenya Listed Commercial Banks Review

Cytonn H1'2025 Banking Sector Report

""Profitability Under Pressure Amid Weak Interest Income""

21st September, 2025

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I. Introduction to Cytonn

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

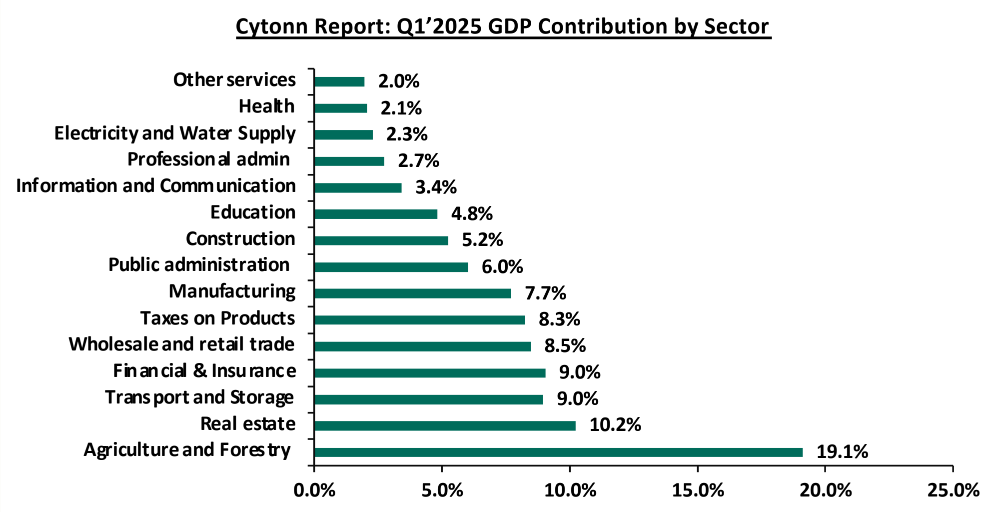
Cytonn Investments Management Plc

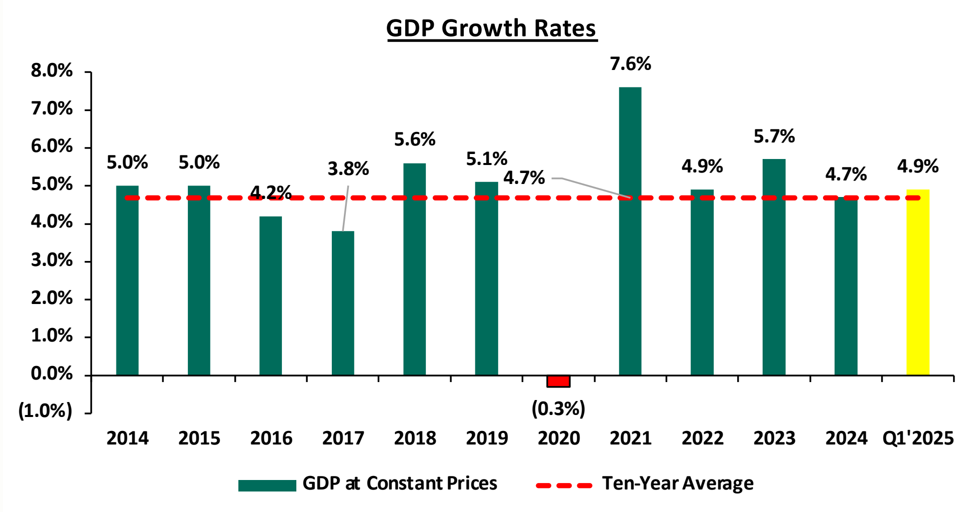
- **Cytonn Capital Partners** (Private Markets)
  - Private Offers and Real Estate Investments
  - Cytonn Hospitality
  - Superior Homes Kenya
- **Cytonn Asset Managers** (Regulated by CMA & RBA)
  - Unit Trust Funds
  - Pension Fund Management
  - Cytonn Advisory
  - Cytonn Africa Financial Fund
- **Cytonn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

II. Kenya Economic Review and Outlook

Economic Growth

The Kenyan economy grew by 4.9% in Q1'2025, similar to the growth recorded in Q1'2024





**Source: KNBS*

- The Kenyan economy recorded a 4.9% growth in Q1'2025, similar to the growth recorded in Q1'2024. The growth was mainly supported by a rebound in Agricultural activities, which grew by 6.0% in Q1'2025 compared to a growth of 5.6% in Q1'2024. All sectors in Q1'2025 recorded positive growth, with varying magnitudes across activities.
- We expect the reduced borrowing costs and the stronger Shilling to continue reducing production costs, leading to lower food prices in the country. However, growth is likely to be weighed down by increased taxation by the government thereby decreasing the purchasing power of consumers, coupled with increasing fuel prices.

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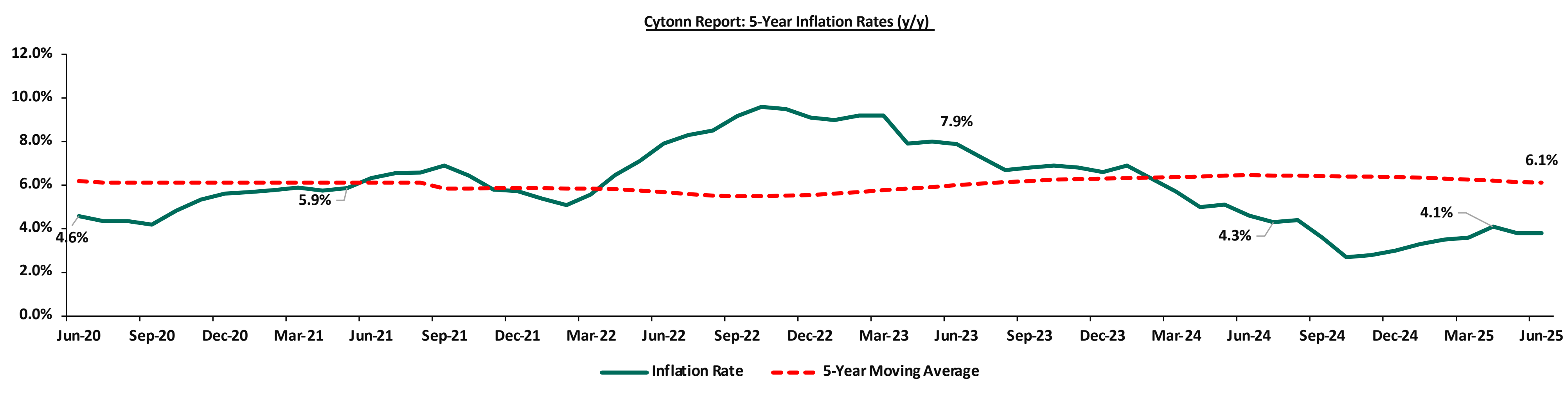
Inflation

The y/y inflation in H1'2025 decreased by 1.9% points to 3.7%, from the 5.6% recorded in H1'2024.



- The average inflation rate decreased to 3.7% in H1'2025, compared to 5.6% in H1'2024, attributable to a stronger and stable Shilling, and lower fuel prices.
- The inflation August 2025 rose slightly to 4.5%, up from 4.1% recorded in July 2025. The headline inflation was primarily driven by price increases in the following categories: Food & Non-Alcoholic Beverages at 8.3%, Transport at 4.4%, and Housing, Water, Electricity, Gas and Other Fuels at 0.8%.
- Going forward, we expect the inflationary pressures to remain within the CBK's preferred target, mainly on the back of a stable shilling. However, the loosening monetary policy, high fuel prices, and the increasing electricity prices remain a risk for the inflation rate.

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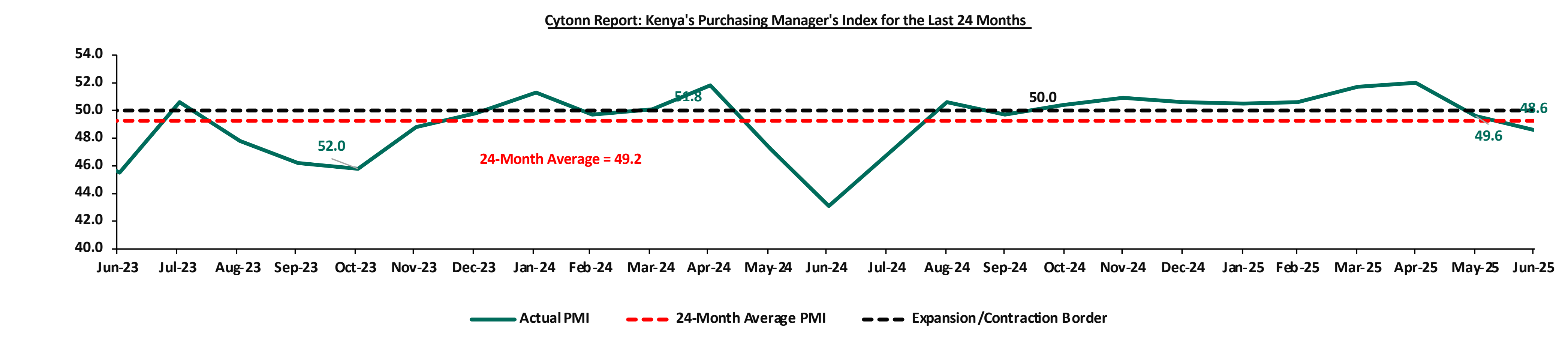
Stanbic PMI Index

The PMI averaged at 50.5 in H1'2025, compared to 50.0 in H1'2024



**Source: Market Economics, Stanbic PMI*

- The Stanbic Purchasing Managers Index (PMI) for H1'2025 slightly improved, coming in at 50.5, up from 50.0 in H1'2024, 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 Stanbic Purchasing Managers Index (PMI) for the month of August 2025 improved slightly though still at negative territory, coming in at 49.4, up from 46.8 in July 2025, signaling improvement in business conditions.
- Going forward, we expect the business environment to remain under pressure in the short to medium term, weighed down by creeping inflationary pressures, elevated fuel costs, and higher taxation, all of which continue to raise input costs and suppress consumer demand.

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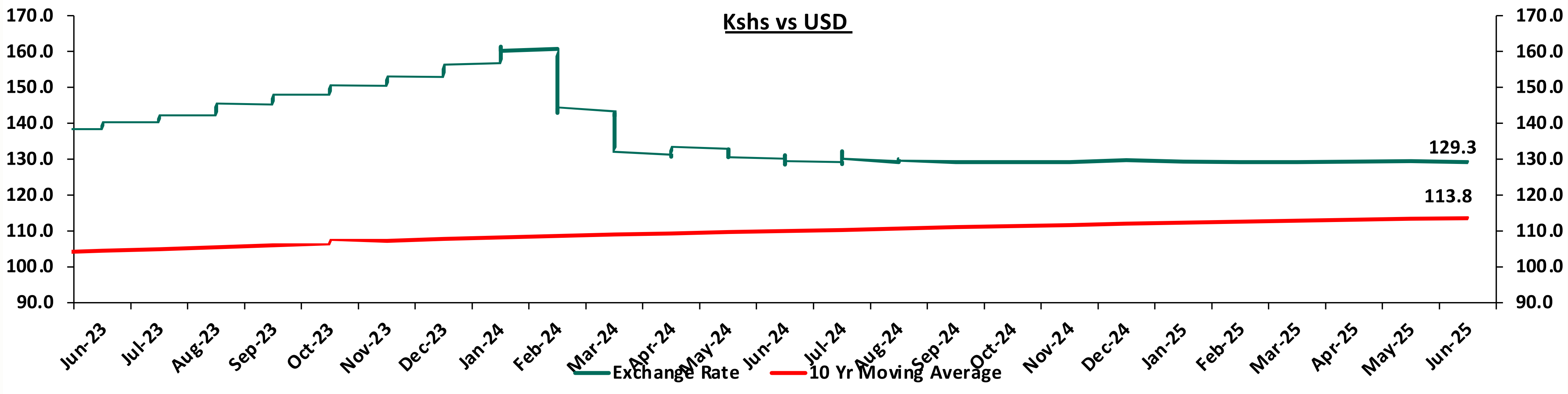
Currency

The Kenya Shilling appreciated slightly by 5.5 bps against the US Dollar in H1'2025 compared to the 17.2% appreciation recorded in H1'2024.



**Source: Central Bank of Kenya*

- The Kenyan Shilling remained stable during the quarter, appreciating slightly against the US Dollar by 5.5 bps in H1'2025, to close at Kshs 129.2, from Kshs 129.3 as at the beginning of the year, attributable to stable and adequate foreign inflows during the period.
- In our view, the shilling will be supported by diaspora remittances standing at a cumulative USD 5,078.8 mn in the twelve months to August 2025, 9.4% higher than the USD 4,644.5 mn recorded over the same period in 2024. These has continued to cushion the shilling against further depreciation.
- We however expect the shilling to remain under pressure as a result of an ever- present current account deficit which came in at 1.6% of GDP in the twelve months to June 2025, as well as the need for government debt servicing.

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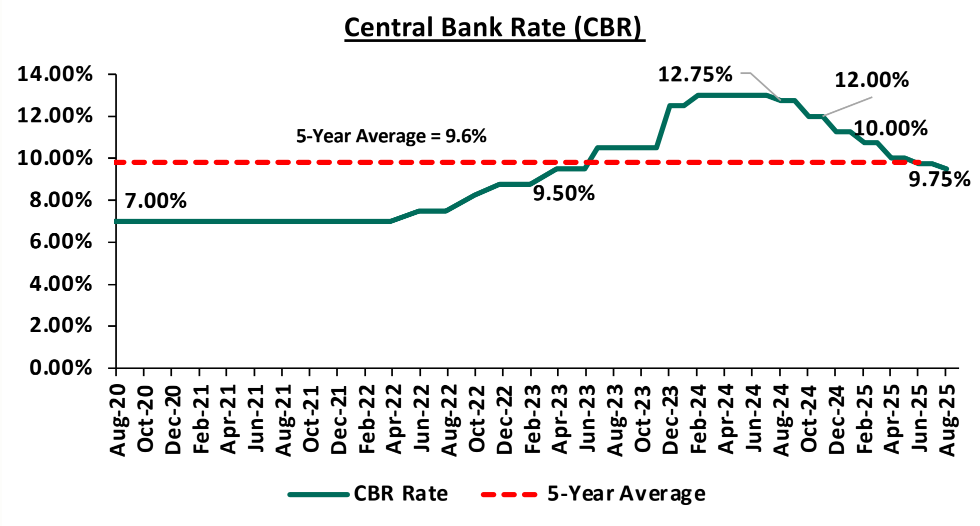
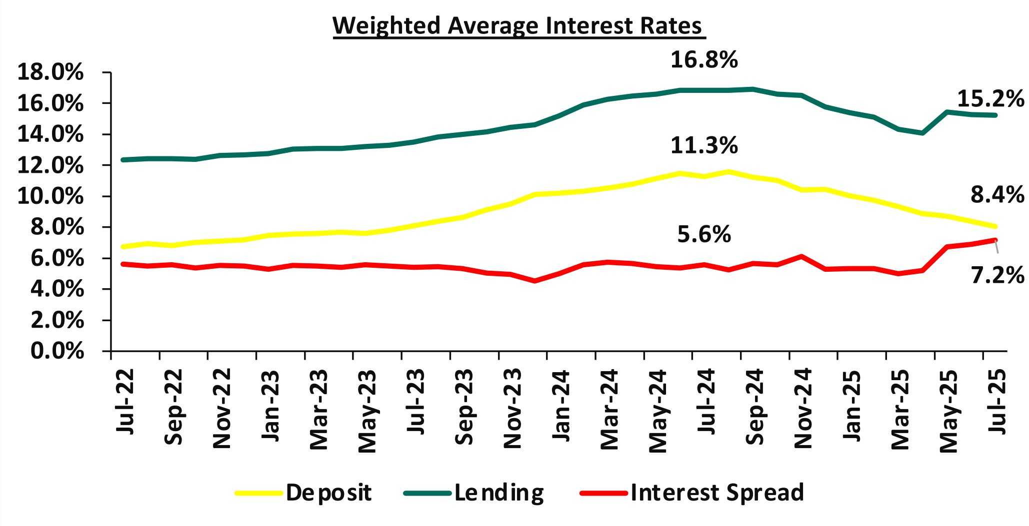
Interest Rates and Monetary Policy





**Source: CBK*

- The Monetary Policy Committee (MPC) has met four times during 2025, to review the outcome of its previous policy decisions. The MPC decided to ease the CBR rate by 25.0 bps points to 9.50% from 9.75% in August, after decreasing it by 25.00 bps to 9.75% from 10.00% in June 2025.
- The decision was on the back of a stable exchange rate, anchored inflationary pressures, some major economies starting to cut on their interest rates and the need to support the economy by adopting a more accommodative interest rate policy.
- The committee noted that there was scope for gradual easing of the monetary policy stance, while ensuring a stable exchange rate.

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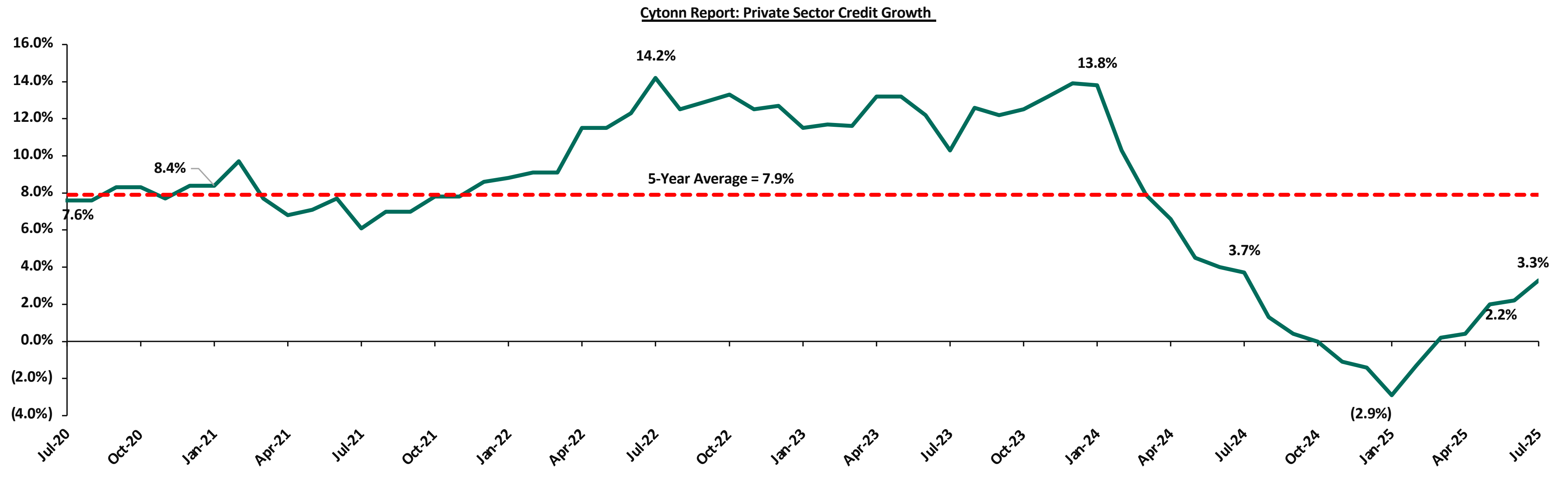
Private Sector Credit growth



Source: KNBS

- Growth in private sector grew by 3.3% in July 2025 compared to growth 2.2% in June 2025, mainly attributed to the dissipation of exchange rate valuation effects on foreign currency-denominated loans due to the appreciation of the Shilling and increased demand attributable to declining lending interest rates. Additionally, the number of loan applications and approvals remained strong, reflecting resilience in economic activities.

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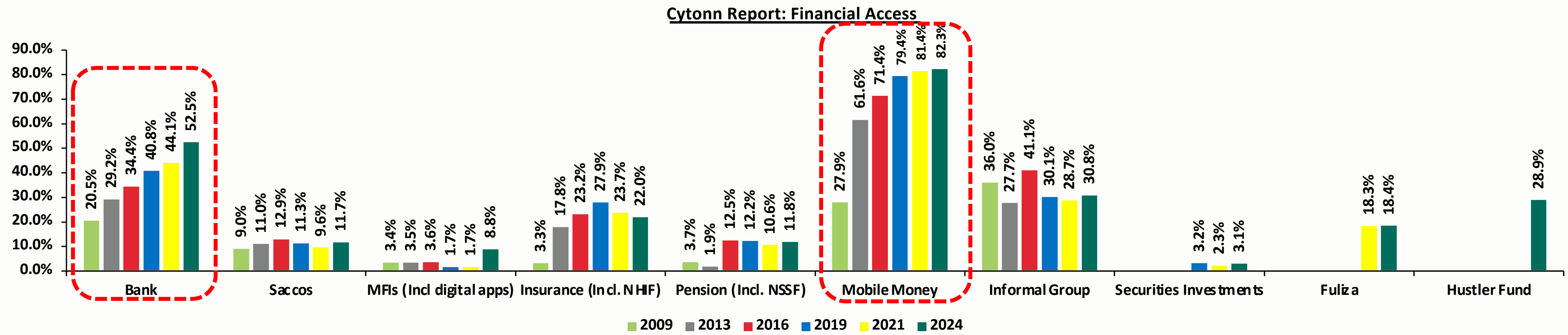
III. Banking Sector Overview

Kenyan Banking Sector Overview

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

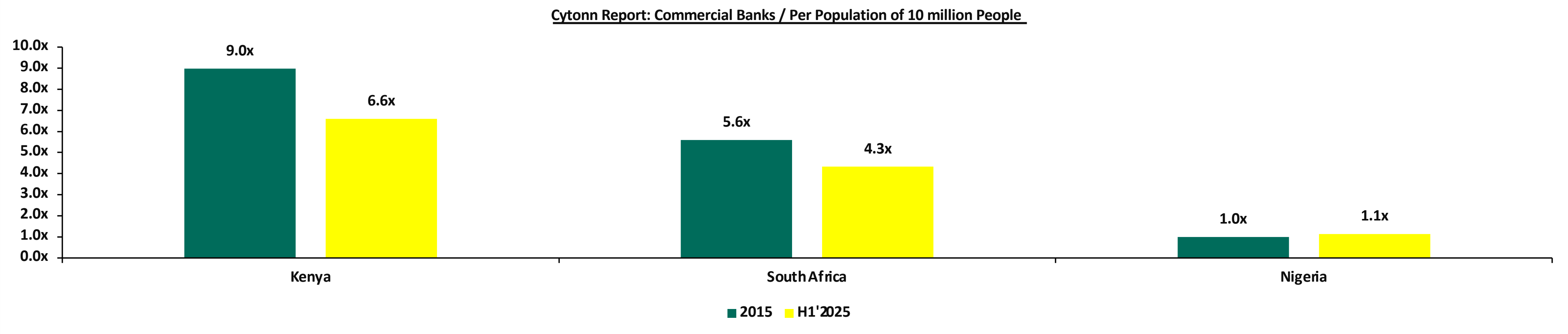
- In Kenya there are a total of 37 commercial banks, 1 mortgage finance company, 14 microfinance banks, 9 representative offices of foreign banks, 83 foreign exchange bureaus, 29 money remittance providers and 3 credit reference bureaus
- Financial inclusion in Kenya has continued to rise, with 84.8% of the adult population able to access formal financial services. This has largely been driven by digitization, with Mobile Financial Services (MFS), transfer and lending, rising to be the preferred method to access financial services. According to the 2024 FinAccess Household Report, the banking services including mobile banking stood at 52.5% as of 2024 from 44.1% in 2021 despite the decreased usage of mobile banking accounts; whose proportion declined to 32.6% in 2024 from 34.4% in 2021



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 June 2025*

- The number of commercial banks in Kenya currently stands at 38 (including 1 mortgage finance company), the same as in H1’2024 but lower than the 43 licensed banks in FY’2015.
- The ratio of the number of banks per 10 million population in Kenya now stands at 6.6x, which is a reduction from 9.0x in FY’2015, demonstrating continued consolidation in the banking sector. However, despite the ratio improving, Kenya still remains overbanked as the number of banks remains relatively high compared to the African major economies

Recent Developments in the Kenyan Banking Sector

1. Regulation:

- **Risk-based Lending:** Over the years, the government has used various policy tools to rein in interest rates and improve private sector access to credit. After the repeal of the Interest Rate Cap Law in 2019, the Central Bank of Kenya (CBK) required banks to adopt risk-based lending formulas that price loans according to a borrower's risk profile, a move aimed at enhancing fairness and transparency, especially for MSMEs. In August 2025, CBK introduced a revised framework anchored on the Kenya Shilling Overnight Interbank Average (KESONIA), a benchmark derived from actual overnight interbank lending transactions, replacing the Central Bank Rate for shilling-denominated variable loans. Under the model, lending rates are calculated as KESONIA plus a premium that reflects the bank's cost of funds, return on equity and borrower-specific risk, with additional fees disclosed to capture the total cost of credit. By basing loan pricing on the interbank rate, the framework strengthens monetary policy transmission, aligns Kenya with global benchmarks such as SOFR and SONIA, and enhances transparency by requiring banks to publish lending rates, premiums, and fees on both their websites and the Total Cost of Credit platform. While the approach promises lower costs for borrowers with strong credit profiles, higher-risk clients may face elevated charges, and overall lending rates will now be more responsive, but also more volatile given their closer link to interbank market conditions.

Recent Developments in the Kenyan Banking Sector

- **Higher capital requirements and reopening of new banks licensing:** Following the enactment of the Business Laws (Amendment) Act, 2024, the Central Bank of Kenya (CBK) increased the minimum core capital requirement for commercial banks to Kshs 10.0 bn from the previous Kshs 1.0 bn, which had been in effect since 2012. The new framework requires lenders to comply gradually, starting with a minimum of Kshs 3.0 bn by the end of 2025, Kshs 5.0 bn by 2026, Kshs 6.0 bn by 2027, Kshs 8.0 bn by 2028, and full compliance at Kshs 10.0 bn by the end of 2029. The objective of this substantial increase is to enhance the resilience of the banking sector and ensure that institutions are well-capitalized to support economic development. However, CBK disclosures show that as of June 2025, 11 banks were still below the Kshs 3.0 bn threshold, requiring an additional Kshs 14.7 bn to meet the December 2025 deadline. These include Paramount Bank, M-Oriental, ABC Bank Kenya, Premier Bank, CIB International Bank, Middle East Bank Kenya, Development Bank of Kenya, UBA Kenya Bank, Credit Bank Plc, Access Bank Kenya and the Consolidated Bank of Kenya. To bridge the shortfall, banks are undertaking various strategies.

- **Lifting of moratorium on licensing of new commercial banks:** On April 16, 2025, the Central Bank of Kenya (CBK), lifted the moratorium on licensing of new commercial banks that had been in place since November 2015, effective form July 1, 2025. With the moratorium now lifted, investors seeking to establish new banks must demonstrate the capacity to meet the revised minimum core capital requirement of Kshs 10.0 bn. This policy change reopens the door for greenfield licensing, marking a departure from the previous era where market entry was largely dependent on mergers and acquisitions.

Recent Developments in the Kenyan Banking Sector…..

2. Digitization: In H1'2025, digitization continued to be a transformative force in the banking sector, significantly improving how banks operate and deliver services. There has been a significant increase in the adoption of mobile and online banking platforms as customers now prefer to perform banking transactions from the comfort of their homes, leading to a decline in the use of physical branches. For instance, most of the listed banks disclosed that the majority of transactions were conducted through alternative channels, with Equity Group and KCB Group reporting that 87.4% and 99.0% of their transactions, respectively, were done through non-branch channels as of end of H1'2025.

3. Interest Rates: Interest rates were on a downward trajectory during the period under review. Notably, the yields on Kenyan government securities declined during the period under review, with the yield on the 91-day paper averaging 8.8% during the period, 7.4% points lower than the average of 16.2% in H1'2024. The significant declines in rates in H1'2025 led to a decrease in the listed bank's interest income growth, softening to a weighted average drop of 1.9% in H1'2025, from a weighted average growth of 29.7% in H1'2024. However, the lower interest rate environment led to a substantial reduction in interest expense which declined by a weighted average of 20.6% in H1'2025, compared to the 58.6% growth in H1'2024 this decline in funding cost helped support overall profitability contributing to a 10.4% growth in net interest income in H1'2025.

Recent Developments in the Kenyan Banking Sector…..

4. Regional Expansion through Mergers and Acquisitions:

Kenyan banks are increasingly expanding their regional footprint, with subsidiaries contributing significantly to overall profitability. For instance, Equity Group reported that, regional subsidiaries contributed 46.0% of the Group's Profit Before Tax (PBT) in H1'2025, down from 55.0% in the same period last year, demonstrating the continued importance of these subsidiaries to the group's earnings. Additionally, KCB Group's subsidiaries contributed 32.0% of the group's PBT in H1'2025. In 2024, there was one acquisition agreement announcement between Access Bank plc and KCB Group

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

Recent Developments in the Kenyan Banking Sector…..

4. Regional Expansion through Mergers and Acquisitions Cont:

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

c) 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…..

4. Regional Expansion through Mergers and Acquisitions Cont:

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

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

Recent Developments in the Kenyan Banking Sector…..

4. Regional Expansion through Mergers and Acquisitions Cont:

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

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

Recent Developments in the Kenyan Banking Sector….

The average acquisition valuations for banks remained unchanged at 1.3x in H1'2025, similar to what was recorded in 2024

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

*** Announcement Date**

**** Deals that were dropped**

Recent Developments in the Kenyan Banking Sector….

3. Asset Quality:

- Asset quality for listed banks deteriorated in H1’2025, with the weighted average Gross Non-Performing Loan ratio (NPL) increasing by 0.2% points to 13.6%, from 13.4% recorded in H1’2024. The performance remained 2.0% points above the ten-year average of 11.6%. Notably, 6 out of the 10 listed banks recorded a decrease in their NPL ratios, signalling an improvement in asset quality even as credit risk remains elevated, albeit showing signs of moderation following recent monetary policy easing and improving lending conditions. However, most banks experienced a faster growth in gross non-performing loans compared to the growth in gross loans. As a result, the overall gross non-performing loans (NPL) ratio in the banking industry increased by 1.3 percentage points, rising to 17.6% in June 2025 from 16.3% in June 2024.
- However, the deterioration in listed banks' asset quality was mitigated by an improvement in Standard Chartered Bank’s asset quality, with the Gross NPL ratio decreasing by 2.4% points to 6.0% in H1’2025 from 8.4% in H1’2024. This was attributable to the 29.4% decrease in gross non-performing loans to Kshs 9.6 bn from Kshs 13.6 bn in H1’2024, which outpaced the 0.5% decrease in gross loans to Kshs 160.0 bn from Kshs 160.9 bn in H1’2024.
- A total of seven out of the ten listed Kenyan banks recorded an improvement in asset quality, supported by enhanced credit risk management and early signs of economic recovery as the recent Central Bank Rate (CBR) cuts begin to filter through the economy, following the credit challenges experienced in 2024, despite an overall increase in lending during the period.

Banking Sector Growth Drivers

- **Growth in Interest income:** Going forward, we expect interest income growth to remain a key driver in the banking industry. With the recent easing of monetary policy by the Central Bank of Kenya, which lowered the Central Bank Rate (CBR) by 25 basis points to 9.50% in August 2025, signals a gradual reduction in borrowing costs. This is likely to support an increase in credit uptake, expanding banks' loan books and consequently boosting interest income. Additionally, the continued use of banks' risk-based lending models will enable banks to effectively price their risk, further contributing to the growth of interest income.

- **Revenue Diversification:** In H1'2025, non-funded income (NFI) recorded a 5.9% weighted average decline, a reversal from the 13.6% weighted growth in H1'2024, majorly attributable to a decline in foreign exchange income resulting from reduced demand for the USD following the appreciation and the relative stability of the currency. In addition, the slowdown in fees and commissions income, one of the key components of NFI, also contributed to the weaker performance, with growth moderating to 4.2% in H1'2025 from 10.8% in H1'2024, reflecting softer transactional volumes and a potential tapering in digital revenue momentum. Notably, this deceleration occurred with 6 of the 10 listed Banks recording a decrease in their non-funded income. As a result of the decline in non-funded income (NFI) the weighted average contribution of NFI to total operating income came in at 33.9% in H1'2025,4.1% points lower than the 38.0% weighted average growth contribution recorded in H1'2024 and as such, there still exists an opportunity for the sector to further increase NFI contributions to revenue given the continuous adoption of digitization,

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Banking Sector Growth Drivers

- **Growth in Loans and Advances:** While 7 of the listed banks experienced modest positive loan growth, 3 out of the 10 listed banks recorded larger negative growth in loans and advances to customers, resulting in a weighted average growth in loans of 1.6% relative to the 0.4% loan growth recorded in a similar period in 2024. However, with the consistent ease in the Central Bank Rate (CBR) recently, borrowing costs are expected to decline. This reduction is anticipated to support credit growth by encouraging increased borrowing by the private sector and easing financial pressures on borrowers. To drive further loan growth, banks must leverage opportunities such as risk-based lending models, improved customer segmentation, and expanding access to credit in underserved sectors, and,

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

IV. Listed Banking Sector Metrics

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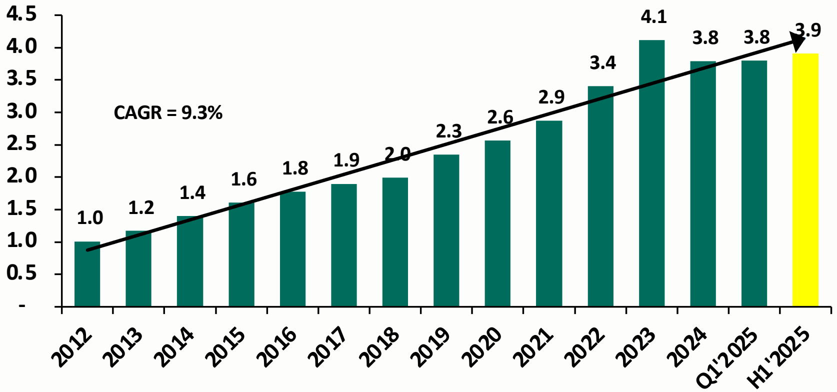
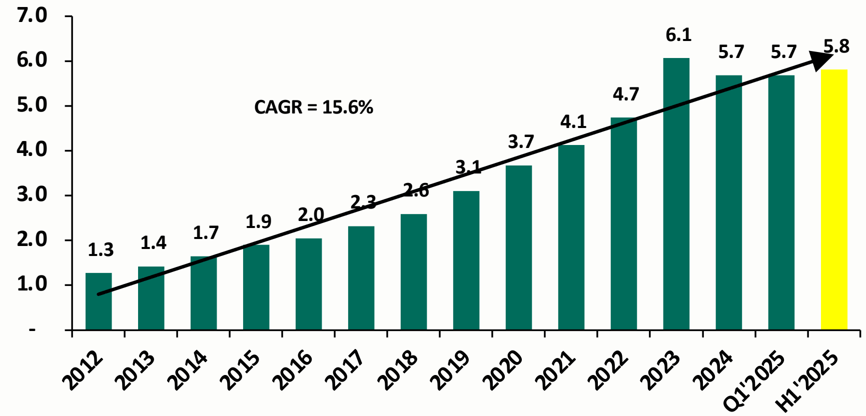
Listed Banking Sector Metrics

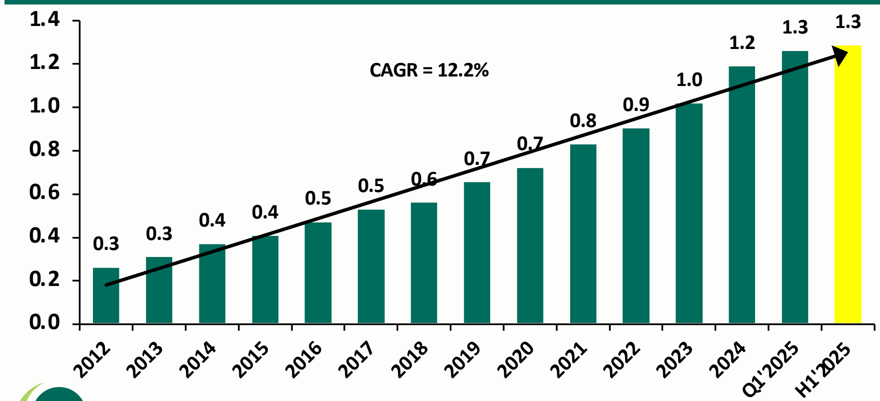
Loans and Advances (Kshs tn)



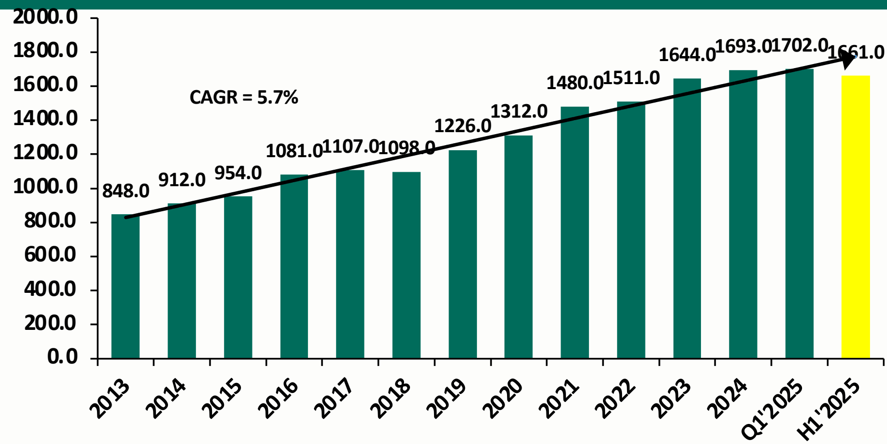
Deposits (Kshs tn)



Shareholders Equity (Kshs tn)



Bank Branches



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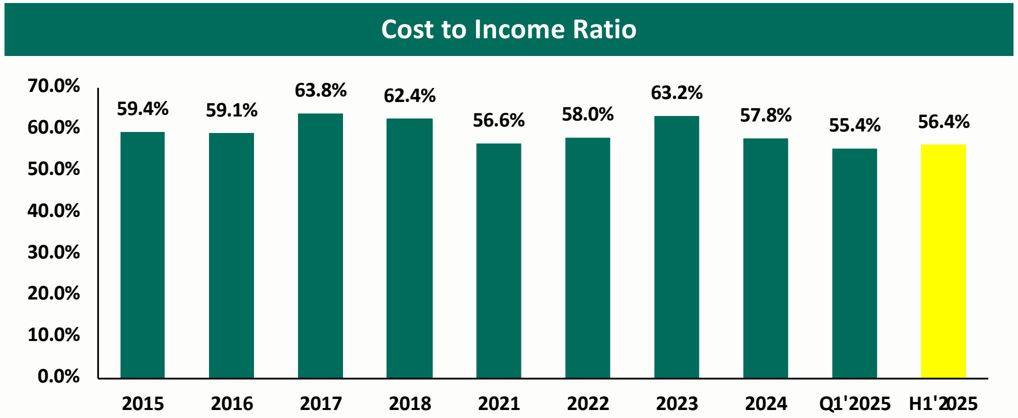
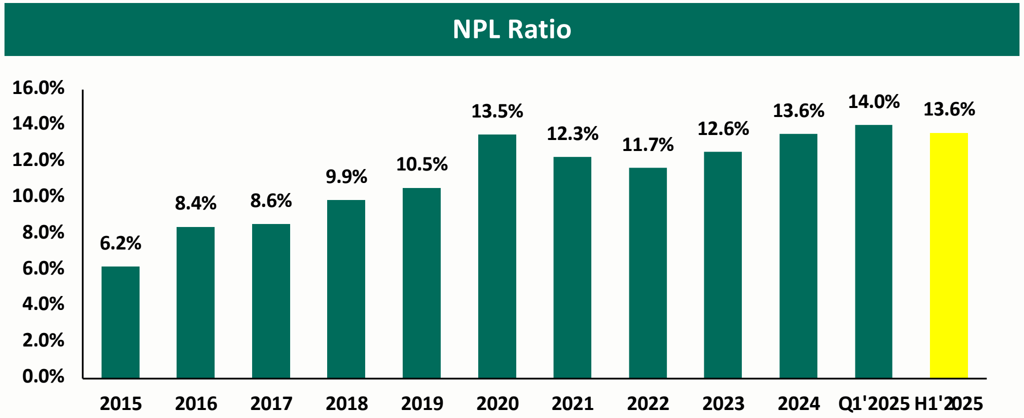
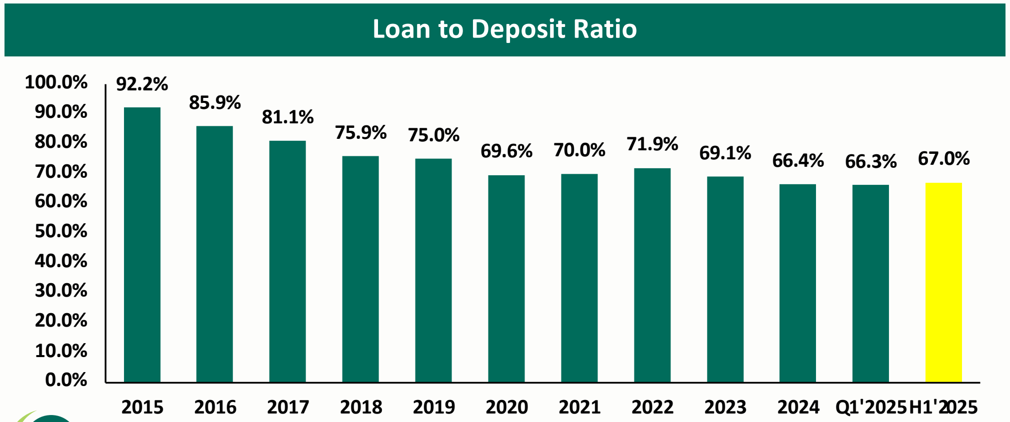
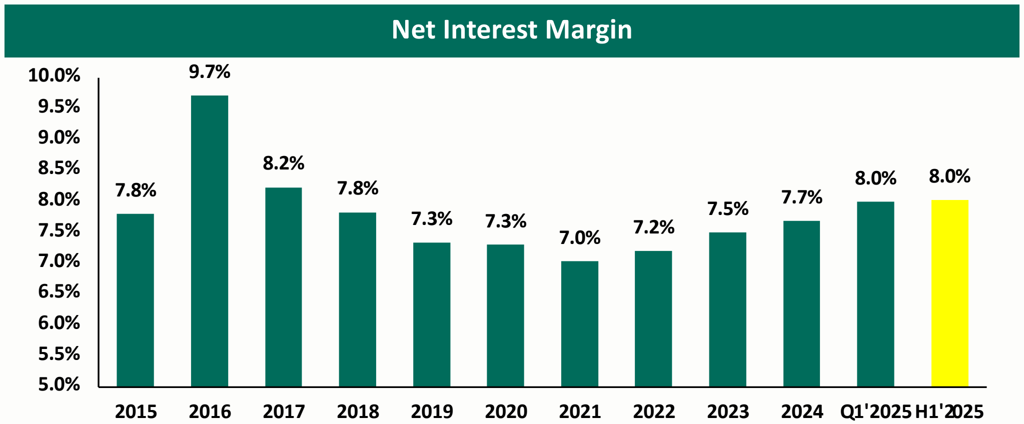
Listed Banking Sector Metrics

Banks' asset quality deteriorated in H1'2025, with the NPL ratio increasing to 13.6% from 13.4% in H1'2024









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Listed Banking Earnings and Growth Metrics

Kenya's listed banks weighted average core EPS grew by 8.4% in H1'2025, compared to 28.9% growth in H1'2024

Cytonn Report: Kenyan Listed Banks Performance H1'2025															
Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Net Interest Income Growth	Net Interest Margin	Non-Funded Income Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Growth in Government Securities	Loan to Deposit Ratio	Loan Growth	Return on Average Equity	COF	YIEA
I&M Group	37.9%	3.1%	(20.3%)	23.7%	8.4%	12.9%	25.4%	14.8%	2.4%	47.8%	67.6%	2.1%	19.6%	6.0%	14.0%
Diamond Trust Bank	23.6%	0.1%	(10.8%)	11.7%	6.0%	(5.0%)	27.7%	8.9%	11.9%	17.1%	59.7%	7.7%	11.3%	6.1%	11.8%
Equity Group	16.8%	(0.6%)	(18.0%)	9.1%	7.5%	(4.4%)	40.8%	3.1%	1.6%	21.6%	62.5%	4.3%	22.8%	3.9%	11.1%
NCBA Group	12.6%	(10.7%)	(39.3%)	26.7%	6.7%	(2.9%)	41.0%	(0.3%)	(6.0%)	(1.3%)	58.0%	(7.0%)	21.0%	6.1%	12.4%
Absa Bank Kenya	9.1%	(8.3%)	(21.3%)	(2.9%)	9.8%	3.3%	29.0%	13.8%	2.3%	70.3%	84.4%	(3.6%)	27.0%	4.1%	13.4%
Co-operative Bank	8.4%	12.6%	(3.3%)	23.1%	8.6%	(8.2%)	32.5%	(3.4%)	7.9%	25.5%	71.4%	4.2%	18.8%	5.7%	13.7%
KCB Group	8.0%	3.2%	(13.1%)	12.7%	8.4%	(11.3%)	29.9%	1.8%	(0.3%)	(2.7%)	73.7%	6.1%	23.4%	4.5%	12.5%
Stanbic Group	(9.3%)	(10.5%)	(35.3%)	(5.8%)	5.4%	0.8%	39.2%	12.7%	(2.5%)	47.1%	67.2%	(2.2%)	18.2%	5.5%	11.4%
Standard Chartered Bank	(21.4%)	(10.5%)	(29.4%)	(7.4%)	9.4%	(29.1%)	30.7%	(2.0%)	5.1%	51.1%	52.4%	1.9%	27.5%	1.7%	10.8%
HF Group	(52.2%)	19.6%	(6.7%)	53.3%	5.9%	17.9%	29.2%	19.6%	16.6%	96.0%	74.2%	2.7%	6.8%	6.8%	12.3%
H1'2025 Mkt Weighted Average*	**8.4%**	**(1.9%)**	**(20.6%)**	**10.4%**	**8.0%**	**(5.9%)**	**33.9%**	**4.2%**	**1.7%**	**27.9%**	**67.0%**	**1.6%**	**22.3%**	**4.6%**	**12.3%**
H1'2024 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%**
*Market cap weighted as at 19/09/2025															
**Market cap weighted as at 13/09/2024															

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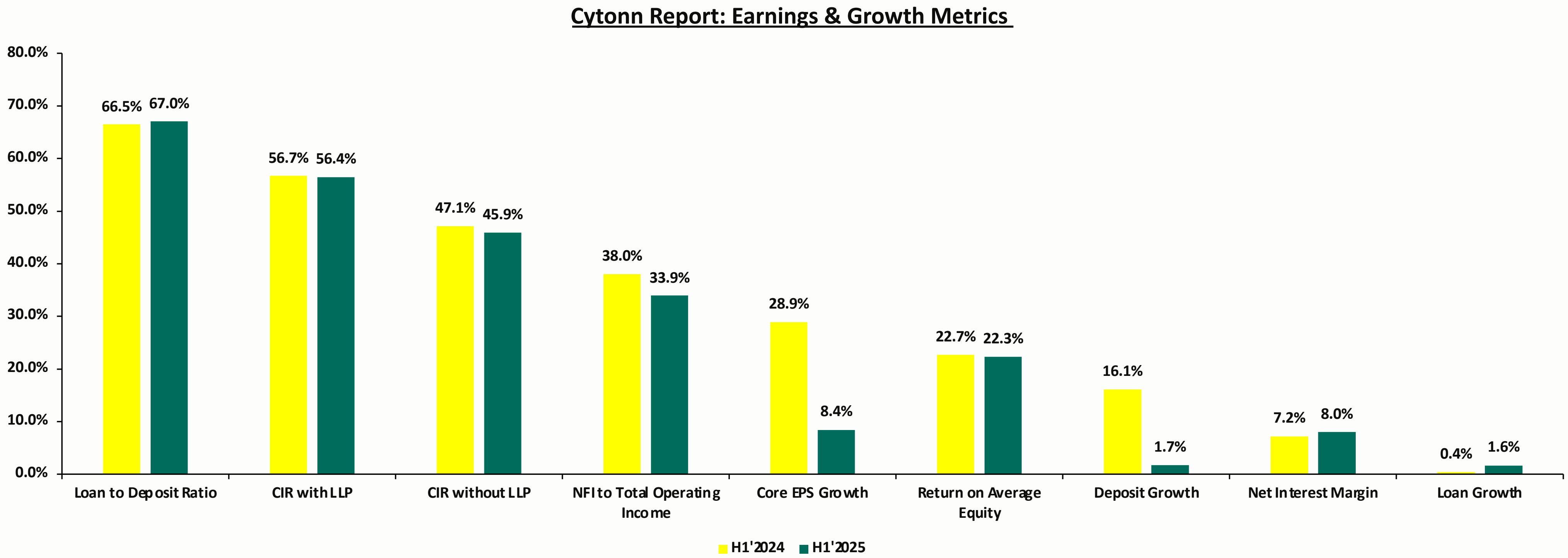
Takeout from Key Operating Metrics

The listed banks recorded a 22.3% weighted average growth on return on average equity (RoaE), 0.4% points lower than the 22.7% growth registered in H1'2024.

- The listed banks recorded a 8.4% growth in core Earnings per Share (EPS) in H1'2025, compared to the weighted average growth of 28.9% in H1'2024, an an indication of weaker performance on the back of a 5.9% decline in non-funded income in H1'2025, compared to a growth of 13.6% in H1'2024.This was majorly attributable to a decline in foreign exchange income due to reduced dollar demand and lower transaction volumes weighing down on fees and commissions income.
- Investments in government securities investments by listed banks increased significantly in H1'2025, having recorded a market-weighted average growth of 27.9%, from the 9.3% decrease recorded in H1'2024, with 8 of the 10 listed banks recording increases in government securities investments. HF Group and Absa Bank Kenya recorded the largest increases of 96.0% and 70.3% respectively. KCB Group and NCBA Group however recorded decreases in government securities investments of 2.7% and 1.3% respectively.
- Interest income recorded a weighted average decline of 1.9% in H1'2025, compared to 29.7% in H1'2024. However, interest expenses recorded a market-weighted average decline of 20.7% in H1'2025 compared to a growth of 58.6% in H1'2024. Consequently, net interest income recorded a weighted average growth of 10.4% in H1'2025, albeit lower than the 17.6% growth recorded in H1'2024, on the back of easing monetary policy leading to lower lending and deposit rates,
- The listed banks recorded a 22.3% weighted average growth on return on average equity (RoaE), 0.4% points lower than the 22.7% growth registered in H1'2024

Listed Banks Earnings and Growth Metrics Cont...

The banking sector has witnessed increased customer loans registering a growth rate of 1.6% in H1'2025, 1.2% points higher than the 0.4% growth in H1'2024



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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 0.2% points to 13.6% from a 13.4% in H1'2024

Cytonn Report: Listed Banks Asset Quality						
	H1'2025 NPL Ratio*	H1'2024 NPL Ratio**	% point change in NPL Ratio	H1'2025 NPL Coverage*	H1'2024 NPL Coverage**	% point change in NPL Coverage
Absa Bank Kenya	13.2%	11.5%	1.7%	66.6%	62.3%	4.3%
Equity Group	15.3%	13.9%	1.4%	62.4%	58.8%	3.6%
Cooperative Bank	17.3%	16.7%	0.6%	65.8%	59.5%	6.3%
Stanbic Holdings	9.5%	9.5%	(0.0%)	82.7%	75.0%	7.7%
NCBA Bank	12.2%	12.2%	(0.1%)	65.5%	59.8%	5.7%
HF Group	24.0%	24.2%	(0.1%)	75.4%	75.6%	(0.2%)
KCB Group	17.9%	18.1%	(0.2%)	64.3%	59.5%	4.8%
I&M Group	11.0%	11.4%	(0.5%)	65.4%	57.9%	7.5%
Diamond Trust Bank	12.9%	13.5%	(0.6%)	45.9%	44.4%	1.5%
Standard Chartered Bank	6.0%	8.4%	(2.5%)	81.4%	85.1%	(3.7%)
Mkt Weighted Average*	**13.6%**	**13.4%**	**0.2%**	**67.2%**	**63.1%**	**4.1%**
*Market cap weighted as at 19/09/2025						
**Market cap weighted as at 13/09/2024						

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Listed Banks Trading Metrics

The listed banking sector has continued to trade at cheaper prices compared to historical averages, currently trading at an average P/TBV of 0.9x and average P/E of 4.3x

Bank	No. of shares (bn)	Market Cap (Kshs bn)	P/E	Price*	P/TBV
NCBA Group	1.6	112.9	4.9x	68.5	1.0x
Absa Bank	5.4	115.4	5.3x	21.3	1.3x
Stanbic Bank	0.4	71.7	5.5x	181.3	1.0x
Equity Bank	3.8	203.8	3.8x	54.0	0.8x
SCBK	0.4	107.3	6.0x	284.0	1.8x
DTBK	0.3	29.3	3.1x	104.8	0.3x
Coop Bank	5.9	112.4	4.2x	19.2	0.7x
KCB Group	3.2	172.7	2.7x	53.8	0.6x
I&M Holdings	1.7	71.1	3.8x	43.0	0.7x
HF Group	0.4	3.9	4.4x	10.1	0.2x
Weighted Average H1'2025*			**4.3x**		**0.9x**

Prices as at 19th September 2025

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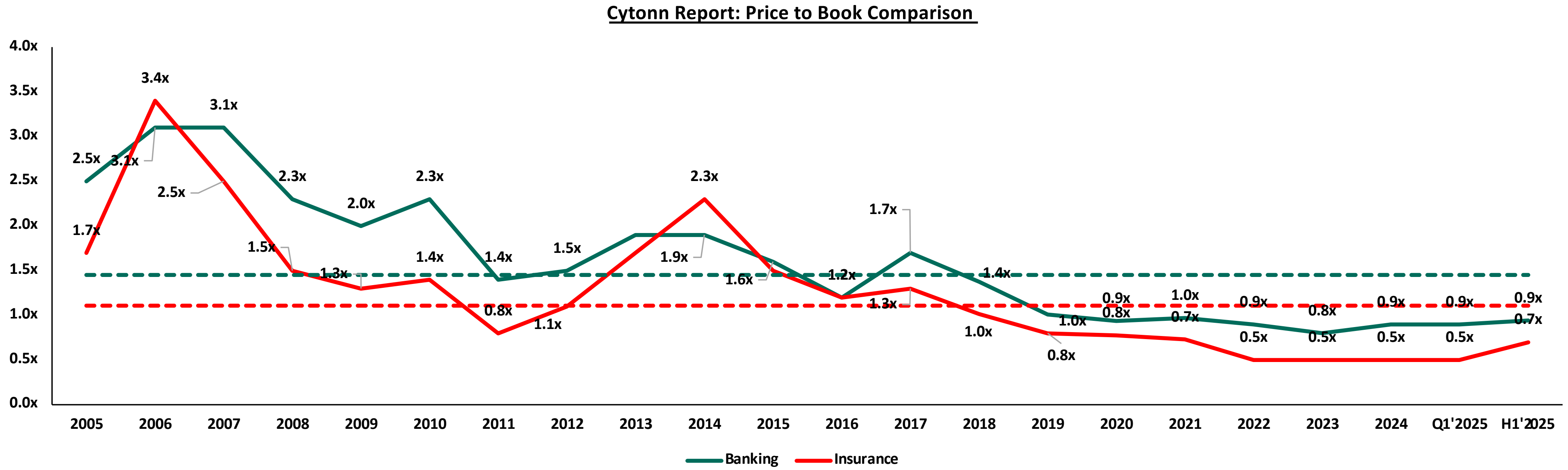
Listed Banks & Insurance Trading Metrics

Listed banks are trading at an average P/B of 0.9x, higher than the insurance sector, which is priced at 0.7x. Both sectors are trading below their 18-year averages of 1.5x and 1.1x, respectively

18 year Price to Book Value: Banking and Insurance



On a price to book valuation, listed banks are currently priced at a P/BV of 0.9x, higher than listed insurance companies at 0.7x, with both lower than their historical averages of 1.5x for the banking sector and 1.1x for the insurance sector

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V. Banks Valuation Reports

Ranking by Franchise Value

Absa Bank emerged top in the franchise ranking having had the lowest cost to income ratio of 36.4% against a weighted market average of 46.9% for the listed banks

Bank	LDR	CIR	ROACE	NIM	PEG ratio	PTBV	Deposits/ Branch	Gross NPL Ratio	NPL Coverage	Tangible Common Ratio	Non Interest Income/ Revenue	Camel Rating	Total	Rank
Absa Bank	1	1	2	1	6	9	3	6	4	5	8	2	48	**1**
SCBK	10	2	1	2	9	10	1	1	2	6	5	3	52	**2**
I&M Holdings	5	7	6	4	4	4	4	3	7	3	10	1	58	**3**
Coop Bank	4	3	7	3	5	5	9	8	5	2	4	5	60	**4**
KCB Group	3	6	3	5	1	3	5	9	8	8	6	6	63	**5**
Stanbic Bank	6	4	8	10	8	7	2	2	1	7	3	7	65	**6**
NCBA Group	9	8	5	7	7	8	7	4	6	4	1	4	70	**7**
Equity Bank	7	5	4	6	2	6	6	7	9	10	2	8	72	**8**
HF Group	2	10	10	9	10	1	10	10	3	1	7	10	83	**9**
DTBK	8	9	9	8	3	2	8	5	10	9	9	9	89	**10**

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Valuation Summary of Listed Banks

DTBK Bank presents the highest return with a total potential return of 29.1%

(all values in Kshs)

Bank	Current Price	Target Price	Upside/(Downside)	DPS	Dividend Yield	Total Potential Return	H1'2025 Ranking
DTBK	104.75	128.25	22.4%	7.00	6.7%	29.1%	1
SCBK	284.00	314.07	10.6%	45.00	15.8%	26.4%	2
KCB Group	53.75	63.60	18.3%	3.00	5.6%	23.9%	3
NCBA Group Plc	68.50	78.96	15.3%	5.50	8.0%	23.3%	4
Absa Bank	21.25	24.08	13.3%	1.75	8.2%	21.6%	5
Equity Bank	54.00	61.18	13.3%	4.25	7.9%	21.2%	6
I&M Holdings	43.00	48.23	12.2%	3.00	7.0%	19.1%	7
Stanbic Holdings	181.25	194.82	7.5%	20.74	11.4%	18.9%	8
HF Group	10.10	12.00	18.8%	0.00	0.0%	18.8%	9
Coop Bank	19.15	21.14	10.4%	1.50	7.8%	18.2%	10

DPS is for FY'2024

Cytonn Banking Report - Comprehensive Ranking

Standard Chartered Bank Kenya emerged top of the ranking in terms of comprehensive ranking

Cytonn Report: Listed Banks H1'2025 Rankings					
Bank	Franchise Value Rank	Intrinsic Value Rank	Weighted Rank Score	H1'2024 Rank	H1'2025 Rank
SCBK	2	2	2.0	3	1
Absa Bank	1	5	2.6	1	2
KCB Group	5	3	4.2	9	3
I&M Holdings	3	7	4.6	8	4
NCBA Group	7	4	5.8	5	5
DTBK	10	1	6.4	7	6
Coop Bank	4	10	6.4	4	6
Stanbic Bank	6	8	6.8	2	8
Equity Bank	8	6	7.2	6	9
HF Group	9	9	9.0	10	10

VI. Appendix

A. Tier I Banks

I. Equity Group Holdings

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Equity Group Summary of Performance – H1’2025

- Profit before tax increased by 11.8% to Kshs 41.5 bn, from Kshs 37.2 bn recorded in H1’2024, with effective tax rate decreasing to 16.6% in H1’2025, from 21.5% in Q1’2024, leading to a 16.9% increase in profit after tax to Kshs 34.6 bn in H1’2025, from Kshs 20.3 bn in H1’2024.
- Total operating income increased by 3.8% to Kshs 100.2 bn, from Kshs 97.1 bn in H1’2024, mainly driven by a a 9.1% increase in Net Interest Income (NII) to Kshs 59.3 bn from Kshs 54.4 bn in H1’2024, however weighed down by a 4.4% decline in Non-Interest Income (NFI) to Kshs 40.9 bn, from Kshs 42.8 bn in H1’2024.
- Total operating expense decreased by 2.2% to Kshs 58.7 bn from Kshs 60.0 bn in H1’2024, mainly attributable to the 34.5% decrease in loan loss provisions expense to 6.9 bn from 10.5 in H1’2024.
- The balance sheet recorded an expansion as total assets increased by 3.0% to Kshs 1,798.9 bn, from Kshs 1,746.0 bn in H1’2024, mainly driven by a 21.6% increase in government securities holdings to Kshs 321.2 bn, from 264.3 bn in H1’2024, coupled with a 4.3% increase in net loans and advances to Kshs 825.1 bn, from Kshs 791.1 bn in H1’2024.
- Gross Non-Performing Loans (NPLs) increased by 16.2% to Kshs 139.4 bn, from Kshs 119.9 bn in H1’2024, while Gross Loans increased by 5.9% to to Kshs 912.0 bn, from Kshs 861.6 bn recorded in H1’2024. Consequently, the asset quality deteriorated with the NPL Gross NPL ratio rising to 15.3% in H1’2025, from 13.9% in H1’2024.
- Going forward, we expect the bank’s growth to be driven by:

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

Financial Statements Extracts

Equity Group's PAT is expected to grow at a 5-year CAGR of 7.8%

Income Statement	2022	2023	2024	2025f
Net Interest Income	86.0	104.8	108.7	113.7
Non Funded Income	59.9	76.9	85.1	96.3
Total Operating Income	145.9	181.7	193.8	**210.0**
Loan Loss Provision	(15.4)	(35.6)	(20.2)	(27.1)
Other Operating Expenses	(70.7)	(94.2)	(112.9)	(107.6)
Total Operating Expenses	**(86.1)**	**(129.8)**	**(133.0)**	**(134.7)**
Profit Before Tax	59.8	51.9	60.7	75.4
Profit After tax	46.1	43.7	48.8	52.5
% PAT Change YoY	**15.1%**	**(5.1%)**	**(11.6%)**	**7.5%**
EPS	12.2	11.1	12.3	13.9
DPS	4.0	4.0	4.3	5.0
Cost to Income	59.0%	71.4%	68.7%	64.1%
NIM	**7.2%**	**7.4%**	**7.0%**	**6.8%**
ROaE	26.7%	22.8%	22.1%	19.0%
ROaA	3.4%	2.7%	2.7%	2.6%
Balance Sheet	**2022**	**2023**	**2024**	**2025f**
Net Loans and Advances	706.6	887.4	819.2	921.2
Government Securities	219.2	246.7	300.9	343.6
Other Assets	521.2	687.4	684.5	961.4
Total Assets	**1447.0**	**1821.4**	**1804.6**	**2,224.2**
Customer Deposits	1052.2	1358.2	1399.6	1,679.7
Other Liabilities	212.6	241.1	154.6	212.6
Total Liabilities	**1264.8**	**1603.3**	**1557.8**	**1,829.3**
Shareholders Equity	**176.2**	**207.8**	**234.0**	317.8
Number of Shares	**3.8**	**3.8**	**3.8**	**3.8**
Book value Per share	46.7	55.1	58.1	80.3
% Change in BPS YoY	**4.2%**	**17.9%**	**14.0%**	**38.2%**

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Valuation Summary

Equity Group is undervalued with a total potential return of 21.2%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	66.8	40.0%	26.7
Residual Income	47.5	30.0%	14.3
PBV Multiple	73.7	15.0%	11.1
PE Multiple	61.3	15.0%	9.2
Fair Value			**61.2**
Current Price			**54.0**
Upside/(Downside)			13.3%
Dividend Yield			7.9%
Total Potential Return			**21.2%**

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II. KCB Group

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KCB Group Summary of Performance – H1'2025

- Profit before tax increased by 7.1% to Kshs 40.8 bn, from Kshs 38.1 bn recorded in H1'2024, with effective tax rate decreasing to 20.8% in H1'2025 from 21.5% in H1'2024, leading to an 8.0% increase in profit after tax to Kshs 32.3 bn in H1'2025, from Kshs 29.9 bn in H1'2024.
- Total operating income increased by 4.3% to Kshs 98.7 bn, from Kshs 94.6 bn in H1'2024, mainly driven by a 12.7% growth in Net Interest Income (NII) to Kshs 69.1 bn, from Kshs 61.3 bn in H1'2024, it was however weighed down by the 11.3% decrease in Non Interest Income (NFI) to Kshs 29.5 bn from Kshs 33.3 bn in H1'2024,
- Total operating expenses increased by 2.4% to Kshs 57.8 bn from Kshs 56.3 bn in H1'2024, driven by a 8.1% increase in staff cost expenses to Kshs 20.8 bn from Kshs 19.3 bn recorded in H1'2024,,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 17.9% in H1'2025, from 18.1% in H1'2024, attributable to a 5.6% increase in Gross loans to Kshs 1,237.6 bn, from Kshs 1,171.9 bn in H1'2024, which outpaced the 4.2% increase in Gross non-performing loans to Kshs 221.1 bn, from Kshs 212.1 bn in H1'2024
- Going forward, we expect the bank's growth to be driven by:

i. **Continued Digitization -** The Group has sustained its focus on digital transformation. As of H1'2025, 99.0% of the transactions by number were done through the non-branch channels. Notably, the Group witnessed 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. The group also disclosed its acquisition of a 75.0% controlling interest in Riverbank Solutions Limited, a fintech entity focused on payment systems, as part of its strategic initiative to bolster digital capabilities and reinforce its footprint in banking, agency solutions, and business services across Kenya, Uganda, and Rwanda.

Financial Statements Extracts

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

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

Cytonn

Valuation Summary

KCB Group is undervalued with a total potential return of 23.9%

Valuation Summary	Implied Price	Weighting	Weighted Value
Residual Income	36.2	35%	12.7
PBV Multiple	117.7	15%	17.7
PE Multiple	96.6	10%	9.7
DDM	48.8	40%	19.5
Target Price			**63.6**
Current Price			**53.8**
Upside/(Downside)			18.3%
Dividend Yield			5.6%
Total Return			**23.9%**

Cytonn

III. Co-operative Bank

Cytonn

Cooperative Bank Summary of Performance – H1'2025

- Profit before tax increased by 8.3% to Kshs 19.7 bn, from Kshs 18.2 bn recorded in H1'2024, with effective tax rate decreasing to 29.3% in H1'2025 from 29.5% in H1'2024, leading to a 8.4% increase in profit after tax to Kshs 14.1 bn in H1'2025, from Kshs 13.0 bn in H1'2024.
- Core earnings per share grew by 8.4% to Kshs 2.4, from Kshs 2.2 in H1'2024, driven by the 10.8% increase in total operating income to Kshs 43.5 bn, from Kshs 39.2 bn in H1'2024. However, the performance was weighed down by an 13.0% increase in total operating expenses to Kshs 24.0 bn from Kshs 21.3 bn in H1' 2024,
- The 10.8% increase in total operating income was mainly driven by an 23.1% increase in Net Interest Income (NII) to Kshs 29.4 bn from Kshs 23.9 bn in H1'2024, which was however weighed down by the 8.2% decrease in Net Non Interest Income (NFI) to Kshs 14.1 bn, from Kshs 15.4 bn in H1'2024,
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 17.3% in H1'2025, from 16.7% in H1'2024, attributable to a 9.7% increase in Gross non-performing loans to Kshs 76.3 bn, from Kshs 69.6 bn in H1'2024, compared to the 5.9% increase in gross loans to Kshs 441.5 bn, from Kshs 417.0 bn recorded in H1'2024,

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

- **Strong Customer Base –** Cooperative Bank still retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which this year expanded by 4.2% to Kshs 391.3 bn from Kshs 375.6bn in H1'2024.

- **Diversified products –** The bank has in recent days launched a number of products and continues to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance and the Sacco Mco-op cash. This diversification is expected to continue improving the Non-funded Income of the bank which came in at 14.1 bn, a 8.2% decrease from Kshs 15.4 bn in H1'2024,

Cytonn

Financial Statements Extracts

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

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

Cytonn

Valuation Summary

Co-operative Bank is undervalued with a total potential return of 18.2%

	Implied Price	Weighting	Weighted Value
Common Ratio	23.0	40%	9.2
Residual income	21.6	30%	6.5
PBV Multiple	35.1	20%	7.0
PE Multiple	20.2	10%	2.0
Target Price			**21.1**
Current Price			**19.2**
Upside/(Downside)			10.4%
Dividend Yield			7.8%
Total Return			**18.2%**

Cytonn

IV. NCBA Bank

NCBA Bank Summary of Performance – H1’2025

- Profit before tax increased by 11.4% to Kshs 13.6 bn from Kshs 12.2 bn in H1’2024, with effective tax rate decreasing to 18.5% in H1’2025 from 19.3% in H1’2024. As such, profit after tax increased by 12.6% to Kshs 11.0 bn, from Kshs 9.8 bn in H1’2024.
- Core earnings per share increased by 12.6% to Kshs 6.7, from Kshs 6.0 in H1’2024, mainly driven by the 12.7% increase in total operating income to Kshs 35.3 bn, from Kshs 31.4 bn in H1’2024, which outpaced the 13.5% increase in total operating expenses to Kshs 21.8 bn, from Kshs 19.2 bn in H1’2024,
- The 12.7% increase in total operating income was mainly driven by the 26.7% increase in Net Interest Income to Kshs 20.8 bn, from Kshs 16.5 bn in H1’2024. Additionally,Non funded Income (NFI) declined by 2.9% to Kshs 14.5 bn, from Kshs 14.9 bn in H1’2024,
- Total operating expenses increased by 13.5% to Kshs 21.8 bn from Kshs 19.2 bn in H1’2024, driven by 19.1% increase in loan loss provisions to Kshs 3.2 bn from Kshs 2.7 bn in H1’2024, coupled with the 12.8 % increase in staff costs to Kshs 7.7 bn from Kshs 6.9 bn in H1’2024 and the 12.3% increase in other operating expenses to Kshs 10.8 bn from Kshs 9.6 bn in H1’2024.
- The balance sheet recorded a contraction as total assets declined by 3.8% to Kshs 663.0 bn, from Kshs 689.1 bn in H1’2024, mainly driven by a 7.0% loan book contraction to Kshs 288.1 bn from Kshs 309.7 bn in H1’2024 and a 1.3% decrease in investment in government securities to Kshs 180.1 bn, from Kshs 182.6 bn in H1’2024,
- The bank’s Asset Quality improved, with Gross NPL ratio reduced by 0.1% points to 12.18% in H1’ 2025 from 12.24% in H1’ 2024, attributable to the 6.3% decrease in gross loans to Kshs 313.1 bn, from Kshs 334.1 bn recorded in H1’2024, which outpaced the 6.8% decrease in gross non-performing loans to Kshs 38.1 bn, from Kshs 40.9 bn in H1’2024,
- Going forward, we expect the bank’s growth to be driven by:

i. **Revenue diversification**. The lender has also capitalized on revenue diversification and increasing the bottom line contribution of all the business lines.

Financial Statements Extracts

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

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

Valuation Summary

NCBA Group is undervalued with a total potential return of 23.3%

	Implied Price	Weighting	Weighted Value
DDM Integrated	99.8	40%	39.9
Residual Valuation	48.7	35%	17.0
PBV Multiple	86.8	20%	17.4
PE Multiple	63.4	5%	3.2
Target Price			**79.0**
Current Price			**68.5**
Upside/(Downside)			15.3%
Dividend Yield			8.0%
Total Potential Return			**23.3%**

Cytonn

V. Standard Chartered Bank Kenya

Cytonn

SCBK's Summary of Performance – H1'2025

- Core earnings per share decreased by 21.4% to Kshs 21.4 in H1' 2025, from Kshs 27.2 in H1'2024, mainly driven by the 15.3% decrease in total operating income to Kshs 22.1 bn in H1' 2025 , from Kshs 26.1 bn in H1'2024. The performance was however supported by the 3.4% decrease in total operating expenses to Kshs 11.2 bn in H1'2025, from Kshs 11.6 bn in H1'2024,
- The 15.3% decline in total operating income was mainly driven by a 29.1% decrease in Non Interest Income to Kshs 6.8 bn in H1' 2025, from Kshs 9.6 bn in H1'2024, coupled with a 7.4% decrease in Net Interest Income (NII) to Kshs 15.3 bn in H1'2025, from Kshs 16.5 bn in H1'2024,
- Total operating expenses decreased by 3.4% to Kshs 11.2 bn in H1' 2025 from Kshs 11.6 bn in H1'2024, driven by the 24.6% decrease in loan loss provisions to Kshs 1.2 bn in H1' 2025 from Kshs 1.6 bn in H1'2024, coupled with a 5.2% decrease in staff costs to Kshs 4.4 bn in H1' 2025 from Kshs 4.7 bn in H1'2024. The decrease in provisioning comes as a result of the 29.4% decrease in gross non-performing loans to Kshs 9.6 bn in H1' 2025,
- The balance sheet recorded a contraction as total assets declined by 1.4% to Kshs 372.1 bn, from Kshs 377.3 bn in H1'2024, driven by a 36.2% decrease in placements to Kshs 75.1 bn in H1' 2025 from Kshs 117.8 bn in H1'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 6.0% in H1'2025, from 8.4% in H1'2024, attributable to the 29.4% decrease in gross non-performing loans to Kshs 9.6 bn, from Kshs 13.6 bn in H1'2024, relative to the slower 0.5% decrease in gross loans to Kshs 160.0 bn
- Going forward, we expect the bank's growth to be driven by:

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

Financial Statements Extracts

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

Income Statement	2020	2021	2022	2023	2024	2025f
Net Interest Income	19.1	18.8	22.2	29.3	33.3	37.9
Non Funded Income	8.3	10.4	11.8	12.4	17.4	19.1
Total Operating Income	**27.4**	**29.2**	**34.0**	**41.7**	**50.7**	**57.0**
Loan Loss Provision	3.9	2.1	1.3	3.4	2.4	2.8
Other Operating Expenses	16.1	14.5	15.5	18.7	20.1	21.3
Total Operating Expenses	**20.0**	**16.6**	**16.9**	**22.1**	**22.5**	**24.1**
Profit Before Tax	7.4	12.6	17.1	19.7	28.2	32.9
Profit After tax	5.4	9.0	12.1	13.8	20.1	22.6
% PAT Change YoY	**-33.9%**	**66.2%**	**33.3%**	**14.7%**	**45.0%**	**12.7%**
EPS	14.4	24.0	32.0	36.7	53.2	60.0
DPS	10.5	14.0	22.0	29.0	45.0	38.0
Cost to Income	73.0%	56.8%	49.7%	52.9%	44.3%	42.2%
NIM	**6.8%**	**6.4%**	**7.0%**	**8.3%**	**9.5%**	**9.3%**
ROaE	11.0%	17.4%	22.1%	23.5%	30.1%	29.3%
ROaA	1.7%	2.7%	3.4%	3.4%	4.9%	5.7%
Balance Sheet	**2020**	**2021**	**2022**	**2023**	**2024**	**2025f**
Net Loans and Advances	121.5	126.0	139.4	163.2	151.6	214.0
Government Securities	99.8	95.6	105.7	69.6	93.7	97.7
Other assets	104.3	113.3	136.2	196.2	139.2	96.9
Total Assets	**325.6**	**334.9**	**381.3**	**429.0**	**384.6**	**408.7**
Customer Deposits	256.5	265.5	278.9	342.9	295.7	308.9
Other Liabilities	18.2	16.2	46.2	24.6	17.1	17.1
Total Liabilities	**274.7**	**281.7**	**325.1**	**367.4**	**312.8**	**326.0**
Shareholders Equity	**50.9**	**53.2**	**56.1**	**61.5**	**71.8**	**82.7**
Number of shares	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Book value Per share	135.0	141.2	148.9	163.2	190.4	219.3
% Change in BPS YoY	**6.6%**	**4.6%**	**5.5%**	**9.6%**	**16.6%**	**15.2%**

Cytonn

Valuation Summary

SCBK is undervalued with a total potential return of 26.4%

Valuation Summary	Implied Price	Weighting	Weighted Value
DDM Integrated	421.8	40%	228.7
Residual Income	311.2	10%	127.3
PBV Multiple	147.3	20%	20.4
PE Multiple	200.1	30%	23.3
Target Price			**314.1**
Current Price			**284.0**
Upside/(Downside)			10.6%
Dividend Yield			15.8%
Total Return			**26.4%**

Cytonn

VI. Diamond Trust Bank Kenya

Cytonn

DTB K Holdings Summary of Performance –H1'2025

- Profit before tax increased by 14.5% to Kshs 7.2 bn, from Kshs 6.3 bn recorded in H1'2024, with tax expense rising by 28.1% to Kshs 1.8 bn, from Kshs 1.4 bn in H1'2024, as the effective tax rate increased to 25.2% in H1'2025, from 22.6% in H1'2024. This resulted in a 10.5% growth in profit after tax to Kshs 5.4 bn in H1'2025, from Kshs 4.9 bn in H1'2024.
- Core earnings per share grew by 23.6% to Kshs 19.2, from Kshs 15.5 in H1'2024 driven by the 3.7% increase in total operating expenses to Kshs 14.8 bn, from Kshs 14.2 bn in H1'2024 which was outpaced by the 6.6% growth in total operating income to Kshs 21.9 bn from Kshs 20.6 bn in H1'2024
- The 6.6% increase in total operating income was mainly driven by an 11.7% growth in Net Interest Income (NII) to Kshs 15.9 bn, from Kshs 14.2 bn in H1'2024. This growth was however weighed down by a 5.0% decline in Non-Interest Income (NFI) to Kshs 6.1 bn, from Kshs 6.4 bn in H1'2024,
- Total operating expenses increased by 3.7% to Kshs 14.8 bn in H1'2025, from Kshs 14.2 bn in H1'2024, mainly attributable to a 14.1% rise in staff costs to Kshs 5.2 bn, from Kshs 4.5 bn in H1'2024. The growth in costs was, however, partly offset by a 10.4% decline in loan loss provision expenses to Kshs 3.2 bn, from Kshs 3.6 bn in H1'2024, reflecting improved credit risk conditions and a relatively stable operating environment.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 12.9% in H1'2025, from 13.5% in H1'2024, as the 7.6% growth in gross loans to Kshs 306.7 bn, from Kshs 285.0 bn in H1'2024, outpaced the 2.7% increase in Gross Non-Performing Loans to Kshs 39.6 bn, from Kshs 38.6 bn in H1'2024.
- Going forward, we expect the bank's growth to be driven by:
- **Revenue Diversification.** The lender has a great opportunity to explore the growth of its non-funded income streams, which declined by 5.0% to Kshs 6.1 bn, from Kshs 6.4 bn in H1'2024. They have, over the years, launched a number of products and continue to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance, and the DTB Weza platform which makes overdrafts much more accessible,
- **Digital Transformation**: The bank has devised digital transformation initiatives, including the development of a digital credit platform to streamline and enhance consumer lending processes. Additionally, the launch of a comprehensive digital banking platform with advanced mobile and online banking capabilities would improve customer convenience, attract tech-savvy clients, and boost customer retention.

Financial Statements Extracts

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

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

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

Cytonn

Valuation Summary

DTB-K Holdings is undervalued with a total potential return of 29.1%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	89.7	40.0%	35.9
Residual Income	204.1	40.0%	81.6
PBV Multiple	130.5	10.0%	13.1
PE Multiple	139.9	10.0%	14.0
Target Price			**128.3**
Current Price			**104.8**
Upside/(Downside)			22.4%
Dividend yield			6.7%
Total return			**29.1%**

Cytonn

VII. ABSA Bank Kenya

Cytonn

ABSA Bank's Summary of Performance – H1'2025

- Core earnings per share increased by 9.1% to Kshs 2.2, from Kshs 2.0 in H1'2024, mainly driven by the 11.5% decrease in total operating expenses to Kshs 14.7 bn, from Kshs 16.6 bn in H1'2024 which outpaced the 1.2% decrease in total operating income to Kshs 31.5 bn, from Kshs 31.8 bn in H1'2024,
- The 1.2% decline in total operating income was mainly driven by a 2.9% decrease in Net Interest Income (NII) to Kshs 22.3 bn, from Kshs 23.0 bn in H1'2024, but however supported by the 3.3% increase in Non funded Income (NFI) to Kshs 9.1 bn, from Kshs 8.8 bn in H1'2024
- Total operating expenses decreased by 11.5% to Kshs 14.7 bn from Kshs 16.6 bn in H1'2024, driven by a 37.9% decrease in loan loss provisions to Kshs 3.2 bn from Kshs 5.2 bn in H1'2024, but however weighed down by the 1.6% increase in staff costs to Kshs 6.3 bn from Kshs 6.2 bn in H1'2024
- The balance sheet recorded an expansion as total assets grew by 10.4% to Kshs 531.6 bn, from Kshs 481.4 bn in H1'2024, driven by a 70.3% increase in investment in government securities to Kshs 162.4 bn, from Kshs 95.3 bn in H1'2024. The performance was however weighed down by a 3.6% loan book contraction to Kshs 304.9 bn from Kshs 316.4 bn in H1'2024
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 13.2% in H1'2025, from 11.5% in H1'2024, attributable to the 12.3% increase in gross non-performing loans to Kshs 44.2 bn, from Kshs 39.4 bn in H1'2024, relative to the 2.5% decrease in gross loans to Kshs 334.4 bn, from Kshs 343.0 bn recorded in H1'2024
- 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, with digitization level increasing to 71% in H1'2025, from 65% in H1'2024. This expansion in digital distribution has led to an increase in digital loan disbursements and growth in consumer business through the Timiza digital platform, significantly contributing to its financial performance. Additionally, the lender's subsidiary divisions, particularly asset management and insurance, not only diversifies the bank's revenue streams but also provide additional value- added services to customers, enhancing overall client retention and satisfaction.

Financial Statements Extracts

Absa Bank's PAT is expected to grow at a 5-year CAGR of 25.6%

Income Statement	2020	2021	2022	2023	2024	2025f
Net Interest Income	23.4	25.3	32.3	40.0	46.2	51.6
Non-Funded Income	11.1	11.7	13.7	14.5	16.1	23.5
Total Operating Income	**34.5**	**36.9**	**46.0**	**54.6**	**62.3**	**75.1**
Loan Loss Provision	(9.0)	(4.7)	(6.5)	(9.2)	(9.1)	(3.5)
Other Operating Expenses	(16.6)	(16.7)	(18.7)	(21.6)	(23.5)	(25.5)
Total Operating Expenses	**(25.7)**	**(21.4)**	**(25.1)**	**(30.9)**	**(32.6)**	**(29.0)**
Profit Before Tax	5.6	15.5	20.8	23.7	29.7	46.2
Profit After tax	**4.2**	**10.9**	**14.6**	**16.4**	**20.9**	**32.5**
% PAT Change YoY	**-44.2%**	**161.2%**	**34.2%**	**12.2%**	**27.5%**	**55.6%**
EPS	0.8	2.0	2.7	3.0	3.8	6.0
DPS	0.0	1.1	1.4	1.6	1.8	3.0
Cost to Income	74.4%	57.9%	54.7%	56.6%	52.3%	38.6%
NIM	**7.1%**	**7.1%**	**8.2%**	**9.1%**	**10.1%**	**9.1%**
ROaE	9.1%	21.1%	24.3%	24.6%	27.0%	11.7%
ROaA	1.1%	2.7%	3.2%	3.3%	4.1%	2.0%
Balance Sheet	**2020**	**2021**	**2022**	**2023**	**2024f**	**2025f**
Net Loans and Advances	208.9	234.2	283.6	335.7	309.1	370.8
Government Securities	126.1	132.6	133.5	95.2	130.6	156.0
Other Assets	44.5	61.9	60.2	88.9	66.8	117.1
Total Assets	**379.4**	**428.7**	**477.2**	**519.8**	**506.5**	**643.9**
Customer Deposits	253.6	268.7	303.8	362.7	367.1	438.4
Other Liabilities	79.3	103.5	109.9	87.9	54.2	92.3
Total Liabilities	**332.9**	**372.2**	**413.6**	**450.6**	**421.3**	**530.8**
Shareholders Equity	**46.5**	**56.4**	**63.6**	**69.2**	**85.2**	**113.1**
Number of shares	**5.4**	**5.4**	**5.4**	**5.4**	**5.4**	**6.4**
Book value Per share	8.6	10.4	11.7	12.7	15.7	20.8
% Change in BPS YoY	**2.9%**	**21.4%**	**36.8%**	**22.6%**	**23.1%**	**63.5%**

Cytonn

Valuation Summary

Absa Bank is undervalued with a total potential return of 21.6%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	29.3	40%	11.7
Residual Income	26.9	35%	9.4
PBV Multiple	12.2	20%	2.4
PE Multiple	11.0	5%	0.6
Target Price			**24.1**
Current Price			**21.3**
Upside/(Downside)			13.3%
Dividend Yield			8.2%
Total Return			**21.6%**

Cytonn

VIII. Stanbic Holdings

Cytonn

Stanbic Holdings’ Summary of Performance – H1’2025

- Profit before tax for the group decreased by 14.2% to Kshs 8.6 bn from Kshs 10.0 bn in H1’2024, with effective tax rate decreasing to 24.0% in H1’2025, from 28.1% in H1’2024. As such, profit after tax decreased by 9.3% to Kshs 6.5 bn in H1’2025, from Kshs 7.2 bn in H1’2024.
- The 3.3% decline in total operating income was driven by a 5.8% decline in Net Interest Income to Kshs 11.8 bn, from Kshs 12.6 bn in H1’2024, which outpaced 0.8% growth in Non funded Income (NFI) to Kshs 7.62 bn, from Kshs 7.56 bn in H1’2024,
- Total operating expenses increased by 7.5% to Kshs 10.8 bn from Kshs 10.1 bn in H1’2024, attributable to 15.5% increase in other operating expenses to Kshs 9.4 bn, from Kshs 8.1 bn in H1’2024, which outpaced the 25.6% decrease in loan loss provision to Kshs 1.5 bn , from Kshs 2.0 bn in H1’2024.
- The balance sheet recorded a contraction as total assets decreased by 4.9% to Kshs 473.7 bn, from Kshs 497.9 bn in H1’2024, mainly attributable to the 47.1% decline in placements to Kshs 73.1 bn from Kshs 138.3 bn in H1’2024 , coupled with 2.2% decline in customer net loans and advances to Kshs 233.0 bn in H1’2025, from Kshs 238.2 bn in H1’2024, which outpaced the 47.1% increase in government securities to Kshs 93.3 bn, from Kshs 63.4 bn recorded in H1’2024,
- The bank’s Asset Quality remained stable, with Gross NPL ratio remaining unchanged from the 9.5% recorded in H1’2024, attributable to the 1.4% decrease in gross loans to Kshs 252.8 bn, from Kshs 256.5 bn recorded in H1’2024, which outpaced 1.8% decrease in Gross non-performing loans to Kshs 23.9 bn, from Kshs 24.4 bn in H1’2024,
- 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 to improve its operational efficiency, which has been a key factor in its financial performance. The lender upgraded their T24 core banking system to improve client’s experiences. Additionally,the lender is adopting use of Artificial Intelligence in its operations and it rolled out Intelligence Automation framework with 17 bots successfully deployed across multiple business functions.

Financial Statements Extracts

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

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

Valuation Summary

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

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	249.1	40%	99.6
Residual Income	134.7	35%	47.1
PBV Multiple	161.3	15%	24.2
PE Multiple	201.4	10%	20.1
Target Price			**194.2**
Current Price			**181.3**
Upside/(Downside)			7.5%
Dividend Yield			11.4%
Total return			**18.9%**

Cytonn

IX. I&M Group

I&M Group Summary of Performance – H1’2025

- Profit before tax increased by 34.1% to Kshs11.7 bn, from Kshs 8.7 bn recorded in H1’2024, with effective tax rate decreasing by 1.2% points to 29.0% from the 30.2% recorded in H1’2024. As such, profit after tax increased by 36.3% to Kshs 8.3 bn in H1’2025, from Kshs 6.1 bn in H1’2024.
- Total operating income increased by 20.8% to Kshs 27.4 bn, from Kshs 22.7 bn in H1’2024, mainly driven by a 23.7% growth in Net Interest Income (NII) to Kshs 20.4 bn, from Kshs 16.5 bn in H1’2024, coupled with a 12.9% increase in Non-Interest Income (NFI) to Kshs 7.0 bn, from Kshs 6.2 bn in H1’2024.
- Total operating expense increased by 12.6% to Kshs 16.1 bn in H1’2024, from Kshs 14.3 bn in H1’2024, mainly attributable to 18.5% increase in staff cost to Kshs 5.0 bn, from Kshs 4.2 bn in H1’2024, coupled with the 6.4% increase in other operating expenses to 7.1 bn from 6.6 in H1’2024. Notably, loan loss provisions expense increased by 17.4% to Kshs 4.1 bn, from 3.5 bn in H1’2024.
- The balance sheet recorded an expansion as total assets increased by 4.3% to Kshs 588.9 bn, from Kshs 564.4 bn in H1’2024, mainly driven by a 47.8% increase in governments securities holdings to Kshs 133.2 bn, from 90.1 bn in H1’2024, coupled with a 2.1% increase in net loans to Kshs 290.3 bn, from Kshs 284.2 bn in H1’2024.
- Gross Non-Performing Loans (NPLs) decreased by 1.4% to Kshs 34.4 bn, from Kshs 34.8 bn in H1’2024, while Gross Loans increased by 2.8% to Kshs 312.7 bn, from Kshs 304.3 bn recorded in H1’2024. Consequently, the asset quality improved with Gross NPL ratio decreasing to 11.0% in H1’2025, from 11.4% in H1’2024.
- Going forward, we expect the bank’s growth to be driven by:

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

ii. **Digital Innovation** – The group introduced innovative solutions such as digital banking platforms and free transaction rates from the bank to M-Pesa. By investing in digital banking platforms and automations, the bank aims to streamline services, reduce operational costs, and improve financial inclusion. Mobile and internet banking will enable I&M to expand its customer base and remain competitive in Kenya’s rapidly evolving banking sector. The free transaction rates to M-Pesa particularly attract the young customer base.

Financial Statements Extracts

I&M Group's PAT is expected to grow at a 5-year CAGR of 12.8%

Income Statement	2022	2023	2024	2025f
Net Interest Income	22.9	28.6	37.6	48.3
Non- Funded Income	12.7	14.1	13.7	15.0
Total Operating Income	**35.7**	**42.7**	**51.2**	**63.4**
Loan Loss Provision	(5.2)	(6.9)	(7.8)	(8.1)
Other Operating Expenses	(16.1)	(20.3)	(23.5)	(27.3)
Total Operating Expenses	**(21.3)**	**(27.2)**	**(31.3)**	**(35.4)**
Profit Before Tax	15.0	16.7	20.8	28.8
Profit After Tax	11.6	13.3	16.7	20.2
% PAT Change YoY	**11.6%**	**15.2%**	**24.8%**	**21.2%**
EPS	7.0	7.6	9.3	12.2
DPS	2.3	2.6	3.0	4.0
Cost to Income (with LLP)	59.8%	63.7%	61.2%	55.9%
NIM	**6.7%**	**7.0%**	**7.7%**	**13.0%**
ROaE	14.4%	15.0%	16.9%	18.3%
ROaA	2.6%	2.6%	2.9%	3.2%
Balance Sheet	**2022**	**2023**	**2024**	**2025f**
Government securities	113.1	78.1	102.3	118.9
Net Loans and Advances	238.6	311.3	287.1	333.5
Other Assets	84.9	190.3	191.9	241.4
Total Assets	**436.6**	**579.7**	**581.3**	**693.7**
Customer Deposits	312.3	416.7	412.2	478.8
Other Liabilities	42.6	67.3	67.5	81.2
Total Liabilities	**355.0**	**484.0**	**479.6**	**560.0**
Shareholders Equity	76.5	88.2	94.5	126.6
Number of Shares	1.7	1.7	1.7	1.7
Book Value Per Share	46.3	53.3	53.0	72.4
% BVPS Change YoY	**9.9%**	**15.2%**	**8.2%**	**36.7%**

Cytonn

Valuation Summary

I&M Group is undervalued with a total potential return of 19.1%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	56.0	40.0%	22.4
Residual income	35.7	40.0%	14.3
PBV Multiple	57.2	10.0%	6.0
PE Multiple	51.2	10.0%	5.3
Target Price			**48.2**
Current Price			**43.0**
Upside/(Downside)			12.2%
Dividend yield			7.0%
Total return			**19.1%**

Cytonn

B. Tier II Bank

Cytonn

I. HF Group

HF Group Summary of Performance – H1'2025

- Profit before tax increased by 148.3% to Kshs 0.7 bn, from Kshs 0.3 bn recorded in H1'2024, and despite effective tax rate increasing to 11.1% in H1'2025, from 5.9% in H1'2024, the profit after tax grew by 134.5% to Kshs 0.6 bn in H1'2025, from Kshs 0.3 bn in H1'2024.
- The total operating income increased by 40.9% to Kshs 2.9 bn from Kshs 2.0 bn in H1'2024, mainly driven by a 53.3% growth in Net Interest Income (NII) to Kshs 2.0 bn, from Kshs 1.3 bn in H1'2024, coupled with the 17.9% increase in Non- Interest Income (NFI) to Kshs 0.8 bn from Kshs 0.7 bn in H1'2024,
- Total operating expense increased by 23.7% to Kshs 2.2 bn in H1'2025, from Kshs 1.8 bn in H1'2024, mainly attributable to 19.3% increase in staff cost to Kshs 1.0 bn, from Kshs 0.9 bn in H1'2024. Notably, loan loss provisions expense increased by 25.9% to Kshs 0.21 bn, from Kshs 0.17 bn recorded in H1'2024,
- The balance sheet recorded an expansion as total assets increased by 20.7% to Kshs 76.9 bn, from Kshs 63.7 bn in H1'2024,
- The bank's asset quality improved marginally, as the Gross NPL ratio declined to 24.0% in H1'2025 from 24.2% in H1'2024. This was supported by a 2.5% growth in gross loans to Kshs 47.6 bn from Kshs 46.4 bn in H1'2024, which outpaced the 2.0% increase in gross non-performing loans to Kshs 11.4 bn from Kshs 11.2 bn in H1'2024.Going forward, we expect the bank's growth to be driven by:

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

Financial Statements Extracts

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

Income Statement	2022	2023	2024	2025f
Net Interest Income	2.2	2.5	2.7	4.1
Non- Funded Income	0.9	1.2	1.5	2.1
Total Operating Income	**3.0**	**3.8**	**4.2**	**6.2**
Loan Loss Provision	(0.2)	(0.3)	(0.4)	(0.3)
Other Operating Expenses	(2.6)	(3.2)	(3.4)	(4.1)
Total Operating Expenses	**(2.8)**	**(3.5)**	**(3.7)**	**(4.4)**
Profit Before Tax	0.2	0.3	0.5	1.7
Profit After Tax	0.1	0.2	0.3	1.3
% PAT Change YoY	**(138.9%)**	**46.2%**	**35.2%**	**146.8%**
EPS	0.7	1.0	0.9	0.7
DPS	0.0	0.0	0.0	-
Cost to Income	93.5%	92.0%	89.5%	72.2%
NIM	**5.0%**	**5.4%**	**5.0%**	**6.9%**
ROaE	3.1%	4.4%	4.3%	8.0%
ROaA	0.5%	0.7%	0.8%	1.8%
Balance Sheet	**2022**	**2023**	**2024**	**2025f**
Net Loans and Advances	36.3	38.8	38.9	40.2
Government securities	8.5	9.7	17.0	18.5
Other Assets	12.2	13.1	14.3	18.6
Total Assets	**57.0**	**61.6**	**70.1**	**77.3**
Customer Deposits	39.8	43.8	47.5	51.8
Other Liabilities	8.4	8.8	7.0	7.9
Total Liabilities	**48.2**	**52.7**	**54.5**	**59.8**
Shareholders Equity	8.8	8.9	15.7	16.7
Number of Shares	0.4	0.4	1.9	1.9
Book Value Per Share	22.8	23.0	8.1	8.7
% BVPS Change YoY	**6.0%**	**0.9%**	**(64.6%)**	**6.8%**

Cytonn

Valuation Summary

Housing Finance is undervalued with a total potential return of 18.8%

Valuation Summary:	Implied Price	Weighting	Weighted Value
Residual Income	0.2	60%	0.1
PTBV Multiple	6.0	35%	2.1
PE Multiple	6.3	5%	0.3
Fair Value			**12.0**
Current Price			**10.1**
Upside/(Downside)			18.8%
Dividend Yield			0.0%
Total return			***18.8%***

Cytonn

Feedback Summary

During the preparation of this H1’2025 Banking Sector Report, we shared with the subject companies the operating metrics that were used in the Report for their confirmation and verification

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

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

Licensed Financial Institutions

Cytonn

I. Banks and Mortgage Finance Institutions

Cytonn

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

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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!

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

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