

Kenya's Listed Banks Q3'2025 Report, & Cytonn Weekly #50.2025

Executive Summary:

Fixed Income: During the week, T-bills were oversubscribed for the tenth consecutive week, with the overall subscription rate coming in at 135.7%, lower than the subscription rate of 220.2% recorded the previous week. Investors' preference for the shorter 91-day paper waned, with the paper receiving bids worth Kshs 7.5 bn against the offered Kshs 4.0 bn, translating to a subscription rate of 187.7%, lower than the subscription rate of 212.2%, recorded the previous week. The subscription rates for the 182-day paper decreased to 22.4% from 140.0% recorded the previous week, while that of the 364-day papers decreased to 228.3% from 303.7% recorded the previous week. The government accepted a total of Kshs 31.7 bn worth of bids out of Kshs 32.6 bn bids received, translating to an acceptance rate of 97.2%. The yields on the government papers were on a downward trajectory with the yields on the 364-day paper decreasing the most by 13.3 bps to 9.2% from the 9.4% recorded the previous week, with yields on the 182-day and 91-day papers decreasing by 0.4 bps and 0.04 bps respectively to remain relatively unchanged from the 7.80% and 7.78% respectively recorded the previous week;

During the week, The Central Bank of Kenya issued a prospectus inviting eligible investors holding the FXD1/2016/010 Treasury bond to voluntarily switch part or all of their unencumbered holdings into the reopened FXD1/2022/015 bond. The switch auction runs from December 9, 2025 to January 19, 2026, with bids due by 10:00 a.m. on January 19, and settlement on January 21, 2026. The destination bond carries a 13.9% coupon, matures in April 2037, and will be allocated through a multi-price auction based on quoted yields. Investors may submit competitive bids starting from Kshs 2.0 mn per CSD account or non-competitive bids between Kshs 50,000 and Kshs 50.0 mn, subject to eligibility rules including cancellation of any pledges five days before settlement. Successful allocations will be posted on the DhowCSD portal, and any residual cash below Kshs 50,000 will be refunded. The bond qualifies for statutory liquidity requirements and may be rediscounted as a last resort at 3.0% above market yield or coupon rate;

The monetary policy committee [met](#) on December 9th, 2025, to review the outcome of its previous policy decisions against a backdrop of elevated uncertainties to the global outlook for growth, lower sticky growth in advanced economies heightened trade tensions as well as persistent geopolitical tensions. The MPC decided to [lower](#) the CBR rate by 25.0 bps to 9.0%, from 9.25% in October 2025;

During the week, Safaricom PLC announced the results of the first tranche of its Medium-Term Note Programme which they were looking to raise Kshs 40.0 bn for the whole bond. The company received applications totaling approximately Kshs 41.4 bn against the initial KES 15.0 bn target, reflecting an oversubscription rate of 275.7%. Due to this strong demand, Safaricom exercised the Kshs 5.0 bn greenshoe option, raising the total allotment for Tranche 1 to Kshs 20.0 bn. The five year notes were issued at a 10.4% annual coupon, have a five-year tenor maturing on 11 December 2030. Notifications of allotments have begun, while refunds will be processed on the Issue Date, with the notes expected to be uploaded to CDSC accounts on 15th December 2025 and listed on 16th December 2025;

Equities: During the week, the equities market showed mixed performance, with NSE 25 gaining by 0.1% while NASI, NSE 20 and NSE 10 declined by 1.1%, 0.9%, and 0.5% respectively, taking the YTD performance to gains of 43.5%, 41.7%, 38.1% and 37.6% of NSE 20, NASI, NSE 25 and NSE 10 respectively. The equities market performance was mainly driven by gains recorded by large cap stocks such as KCB, DTBK and NCBA of 6.2%, 4.5% and 3.6% respectively. The performance was, however, weighed down by losses recorded by large-cap stocks such as Cooperative Bank, Safaricom and Stanbic, of 4.4%, 3.3% and 1.1% respectively;

Also, during the week, the banking sector index increased by 0.5% to 190.1 from 189.1 recorded the previous week. This is attributable to gains recorded by stocks such as KCB, DTBK and NCBA of 6.2%, 4.5% and 3.6% respectively. The performance was, however, weighed down by losses recorded by stocks such as Cooperative Bank, Stanbic and Equity of 4.4%, 1.1% and 0.8% respectively;

Real Estate: During the week, the government of Kenya [announced](#) its plans to develop high-end hotels and generate revenue from carbon credits at the new Tsavo West Rhino Sanctuary in Ngulia, Taita-Taveta County. According to them, the expansion which covers more than 3200 Square Kilometers will prove beneficial to addressing congestion that has threatened the Black Rhino species, with [over](#) 80.0% living in overcrowded sanctuaries which reduces breeding potential and increasing risks of territorial conflict. The revenue generated will be used to enhance wildlife protection and develop infrastructure such as wildlife corridors and dams which will help animals during drought;

During the week, the Standard Investment Bank has [revealed](#) its plans to invest Kshs 3.0 bn in a new headquarters in Westlands, Nairobi to support its growth in Kenya's financial sector. The headquarters will serve as a hub for the firm's growing operations, housing trading desks, advisory teams and wealth management experts. The proposed 32-floor SIB International Centre will provide a modern, sustainable workspace to enhance operational efficiency and accommodate the bank's growing needs;

During the week, Centum Investment Company announced that they [expect](#) to issue a dollar denominated Income Real Estate Investment Trust (I-REIT) at its Two Rivers Special Economic zone in Nairobi in January 2026. Centum is eyeing Kshs 4.8 bn from the proposed I-REIT, which is pending regulatory approval, with the proceeds budgeted for the construction of green commercial property in the Two Rivers International Finance and Innovation Centre (TRIFIC);

On the [Unquoted Securities Platform](#), Acorn D-REIT and I-REIT traded at Kshs 27.4 and Kshs 23.2 per unit, respectively, as per the last updated data on 5th December 2025. The performance represented a 33.4% and 14.5% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. The volumes traded for the D-REIT and I-REIT came in at 12.8 mn and 40.6 mn shares, respectively, with a turnover of Kshs 323.5 mn and Kshs 791.5 mn, respectively, since inception in February 2021. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 5th December 2025, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 1.2 mn shares for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015;

Focus of the Week: Following the release of the Q3'2025 results by Kenyan listed banks, the Cytonn Financial Services Research Team undertook an analysis on the financial performance of the listed banks and identified the key factors that shaped the performance of the sector.

Investment Updates:

- Weekly Rates:
 - Cytonn Money Market Fund closed the week at a yield of 11.9% p.a. To invest, dial *809# or download the Cytonn App from Google Play store [here](#) or from the Appstore [here](#);
- We continue to offer Wealth Management Training every Tuesday, from 7:00 pm to 8:00 pm. The training aims to grow financial literacy among the general public. To register for any of our Wealth Management Trainings, click [here](#);
- If interested in our Private Wealth Management Training for your employees or investment group, please get in touch with us through wmt@cytonn.com;
- Cytonn Insurance Agency acts as an intermediary for those looking to secure their assets and loved ones' future through insurance namely; Motor, Medical, Life, Property, WIBA, Credit and Fire and Burglary insurance covers. For assistance, get in touch with us through insuranceagency@cytonn.com;
- Cytonn Asset Managers Limited (CAML) continues to offer pension products to meet the needs of both individual clients who want to save for their retirement during their working years and Institutional clients that want to contribute on behalf of their employees to help them build their retirement pot. To more about our pension schemes, kindly get in touch with us through pensions@cytonn.com;

Hospitality Updates:

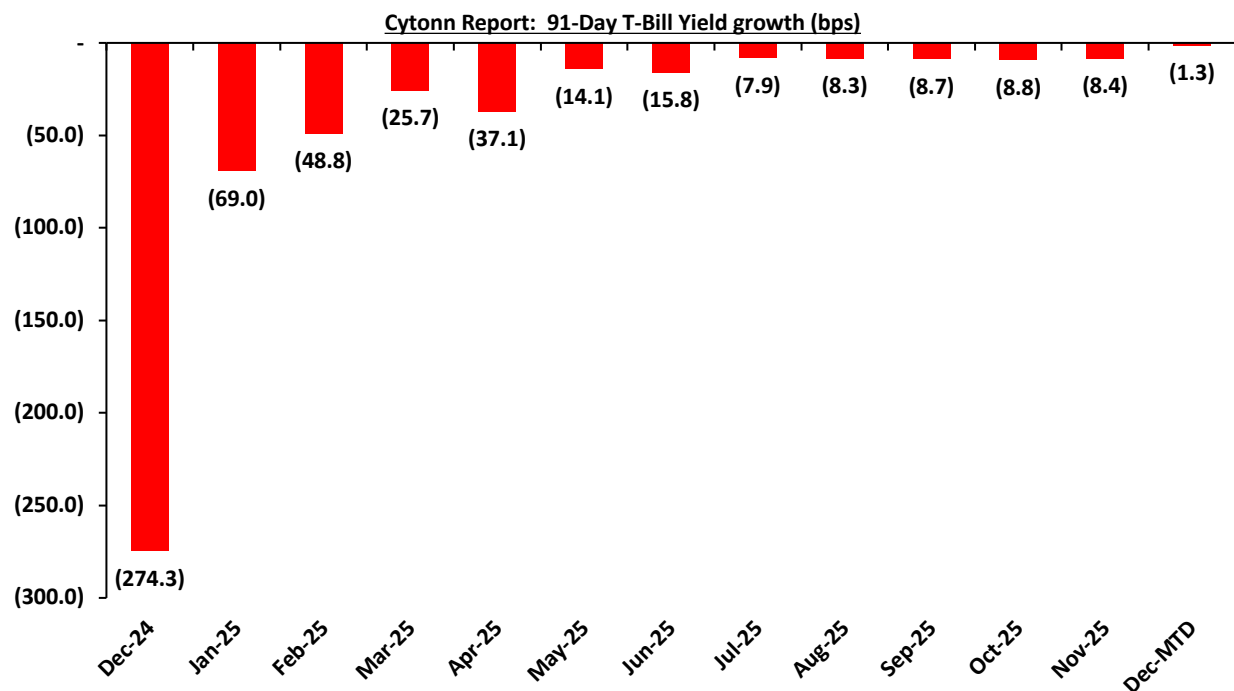
- We currently have promotions for Staycations. Visit cysuities.com/offers for details or email us at sales@cysuities.com;

Fixed Income

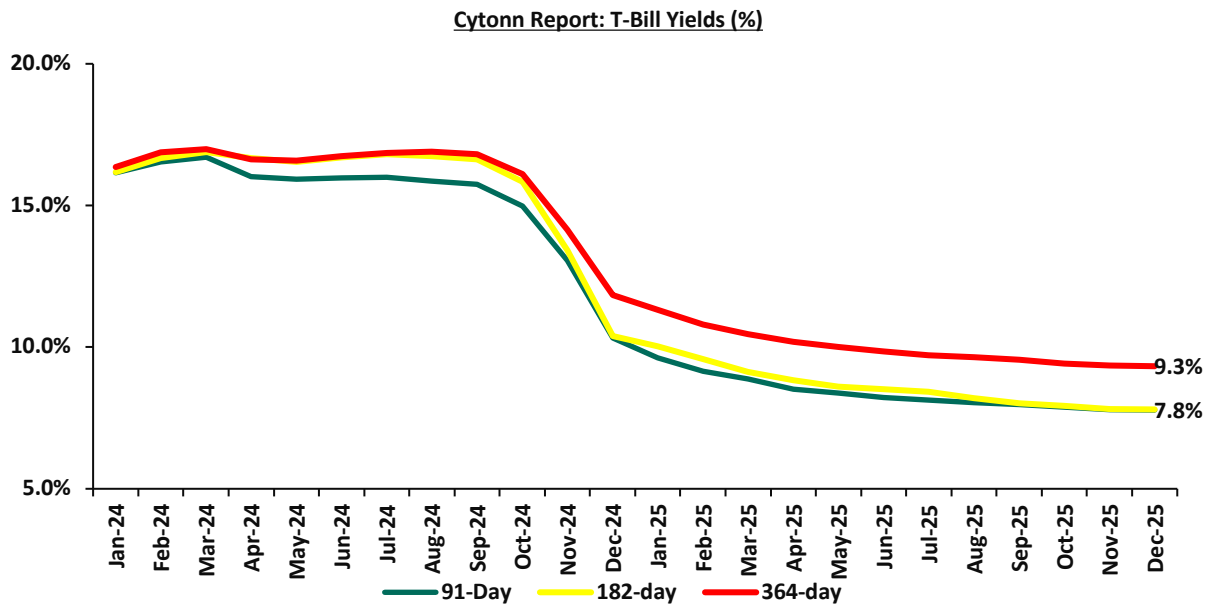
Money Markets, T-Bills Primary Auction:

This week, T-bills were oversubscribed for the tenth consecutive week, with the overall subscription rate coming in at 135.7%, lower than the subscription rate of 220.2% recorded the previous week. Investors' preference for the shorter 91-day paper waned, with the paper receiving bids worth Kshs 7.5 bn against the offered Kshs 4.0 bn, translating to a subscription rate of 187.7%, lower than the subscription rate of 212.2%, recorded the previous week. The subscription rates for the 182-day paper decreased to 22.4% from 140.0% recorded the previous week, while that of the 364-day papers decreased to 228.3% from 303.7% recorded the previous week. The government accepted a total of Kshs 31.7 bn worth of bids out of Kshs 32.6 bn bids received, translating to an acceptance rate of 97.2%. The yields on the government papers were on a downward trajectory with the yields on the 364-day paper decreasing the most by 13.3 bps to 9.2% from the 9.4% recorded the previous week, with yields on the 182-day and 91-day papers decreasing by 0.4 bps and 0.04 bps respectively to remain relatively unchanged from the 7.80% and 7.78% respectively recorded the previous week.

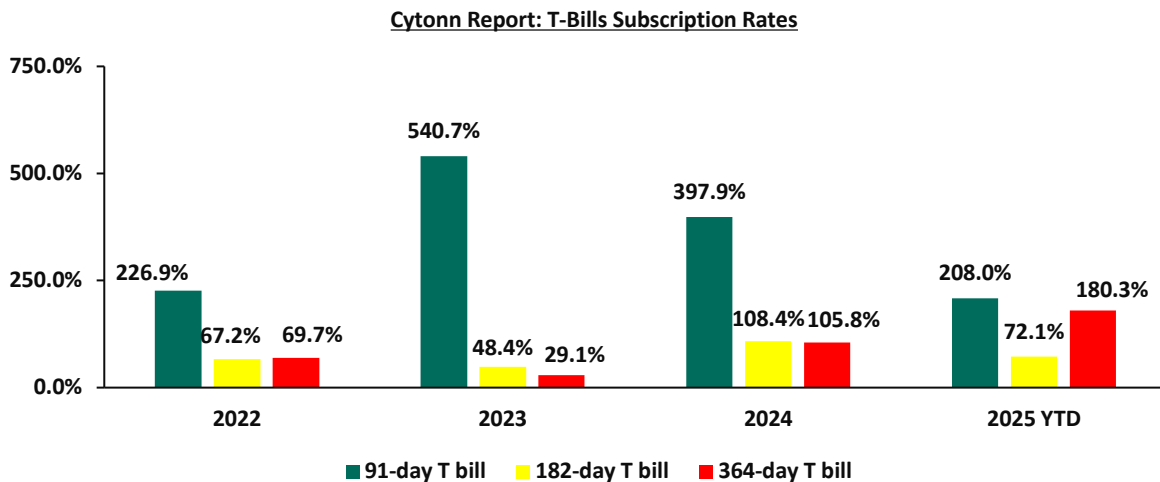
The chart below shows the yield growth rate for the 91-day paper from December 2024 to December month-to-date:



The charts below show the performance of the 91-day, 182-day and 364-day papers from January 2024 to December 2025:



The chart below compares the overall average T-bill subscription rates obtained in 2022, 2023, 2024 and 2025 Year-to-date (YTD):



The Central Bank of Kenya issued a prospectus inviting eligible investors holding the FXD1/2016/010 Treasury bond to voluntarily switch part or all of their unencumbered holdings into the reopened FXD1/2022/015 bond. The switch auction runs from December 9, 2025 to January 19, 2026, with bids due by 10:00 a.m. on January 19, and settlement on January 21, 2026. The destination bond carries a 13.9% coupon, matures in April 2037, and will be allocated through a multi-price auction based on quoted yields. Investors may submit competitive bids starting from Kshs 2.0 mn per CSD account or non-competitive bids between Kshs 50,000 and Kshs 50.0 mn, subject to eligibility rules including cancellation of any pledges five days before settlement. Successful allocations will be posted on the DhowCSD portal, and any residual cash below Kshs 50,000 will be refunded. The bond qualifies for statutory liquidity requirements and may be rediscounted as a last resort at 3.0% above market yield or coupon rate.

Money Market Performance:

In the money markets, 3-month bank placements ended the week at 9.2% (based on what we have been offered by various banks). The yields on the 91-day paper decreased marginally by 0.04 bps to remain relatively unchanged from 7.78% recorded the previous week with yields on the 364-day paper decreasing by 13.3 bps to 9.2% from the 9.4% recorded the previous week. The yield on the Cytonn Money Market Fund decreased by 4.0 bps to remain relatively unchanged from the 11.9% recorded in the previous week, while the average yields on the Top 5 Money Market Funds increased by 12.4 bps to 11.6% from 11.5% recorded the previous week.

The table below shows the Money Market Fund Yields for Kenyan Fund Managers as published on 12th December 2025:

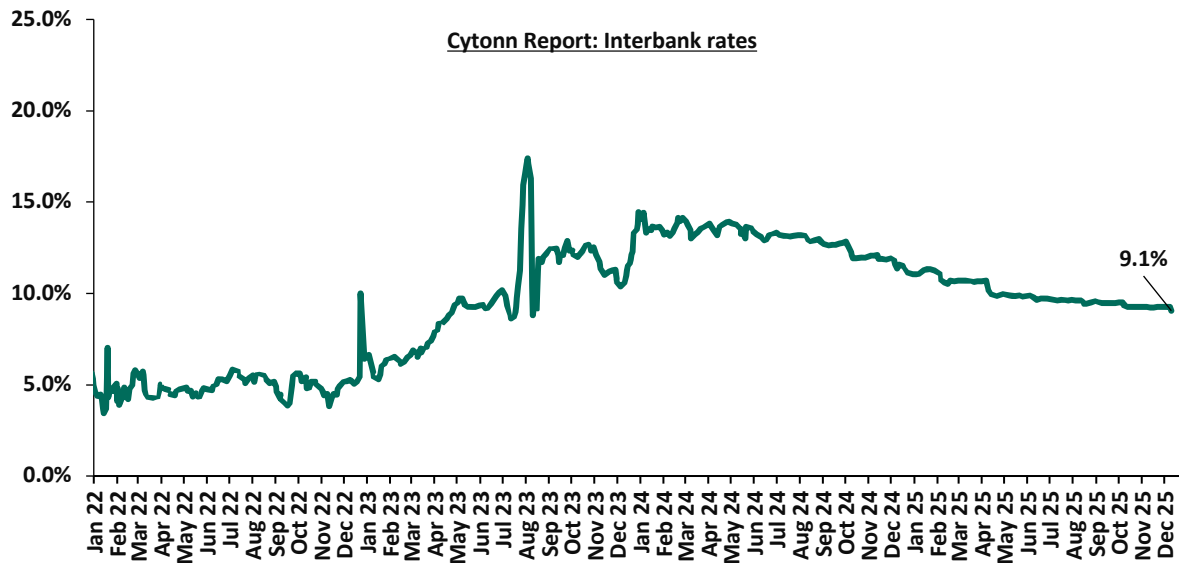
Money Market Fund Yield for Fund Managers as published on 12 th December 2025		
Rank	Fund Manager	Effective Annual Rate
1	Arvocap Money Market Fund	12.0%
2	Cytonn Money Market Fund (Dial *809# or download Cytonn App)	11.9%
3	Nabo Africa Money Market Fund	11.6%
4	Etica Money Market Fund	11.6%
5	Enwealth Money Market Fund	11.1%
6	Lofty-Corban Money Market Fund	11.1%
7	Ndovu Money Market Fund	11.1%
8	Gulfcap Money Market Fund	10.8%
9	Kuza Money Market fund	10.7%
10	Orient Kasha Money Market Fund	10.7%
11	Jubilee Money Market Fund	10.7%
12	Old Mutual Money Market Fund	10.6%
13	British-American Money Market Fund	10.4%
14	Madison Money Market Fund	10.0%
15	Dry Associates Money Market Fund	9.8%
16	Apollo Money Market Fund	9.5%
17	GenAfrica Money Market Fund	9.5%
18	SanlamAllianz Money Market Fund	9.4%
19	Faulu Money Market Fund	9.4%
20	KCB Money Market Fund	9.0%
21	ICEA Lion Money Market Fund	8.6%
22	CIC Money Market Fund	8.5%
23	Genghis Money Market Fund	8.5%
24	CPF Money Market Fund	8.5%
25	Mali Money Market Fund	8.2%
26	Co-op Money Market Fund	8.1%
27	Mayfair Money Market Fund	7.7%
28	Absa Shilling Money Market Fund	7.7%
29	AA Kenya Shillings Fund	6.6%
30	Ziidi Money Market Fund	6.4%
31	Stanbic Money Market Fund	6.1%
32	Equity Money Market Fund	5.0%

Source: Business Daily

Liquidity:

During the week, liquidity in the money markets eased with the average interbank rate decreasing by 4.6 bps to remain unchanged from 9.2% recorded the previous week, partly attributable to government payments that offset tax remittances. The average interbank volumes traded increased by 8.9% to Kshs

12.9 bn from Kshs 11.9 bn recorded the previous week. The chart below shows the interbank rates in the market over the years:



Kenya Eurobonds:

During the week, the yields on the Eurobonds were on an upward trajectory with the yield on the 10-year Eurobond issued in 2018 increasing the most by 17.6 bps to 6.3% from 6.1% recorded the previous week. The table below shows the summary performance of the Kenya Eurobonds as of 10th December 2025;

Cytonn Report: Kenya Eurobond Performance							
	2018		2019		2021	2024	2025
Tenor	10-year issue	30-year issue	7-year issue	12-year issue	13-year issue	7-year issue	11-year issue
Amount Issued (USD)	1.0 bn	1.0 bn	0.9 bn	1.2 bn	1.0 bn	1.5 bn	1.5 bn
Years to Maturity	2.5	22.5	1.7	6.7	8.8	5.5	10.5
Yields at Issue	7.3%	8.3%	7.0%	7.9%	6.2%	10.4%	9.9%
2-Jan-25	9.1%	10.3%	8.5%	10.1%	10.1%	10.1%	
28-Nov-25	6.2%	9.1%	-	8.1%	8.6%	7.9%	
4-Dec-25	6.1%	8.9%	-	7.7%	8.3%	7.8%	
5-Dec-25	6.1%	9.2%	-	8.2%	8.7%	8.0%	
8-Dec-25	6.3%	9.0%	-	7.8%	8.3%	7.8%	
9-Dec-25	6.3%	9.1%	-	7.9%	8.4%	7.8%	10.0%
10-Dec-25	6.3%	9.1%		7.8%	8.4%	7.8%	
Weekly Change	0.2%	0.1%	-	0.1%	0.1%	0.0%	0.0%
MTD Change	0.1%	(0.1%)	-	(0.3%)	(0.2%)	(0.1%)	0.0%
YTD Change	(2.7%)	(1.2%)	-	(2.2%)	(1.7%)	(2.3%)	0.0%

Source: Central Bank of Kenya (CBK) and [National Treasury](#)

Kenya Shilling:

During the week, the Kenya Shilling appreciated against the US Dollar by 11.3 bps, to close the week at Kshs 129.2, from Kshs 129.3 recorded the previous week. On a year-to-date basis, the shilling has appreciated by 11.1 bps against the dollar, lower than the 17.6% appreciation recorded in 2024.

We expect the shilling to be supported by:

- i. Diaspora remittances standing at a cumulative USD 5,081.6 mn in the twelve months to October 2025, 5.8% higher than the USD 4,804.1 mn recorded over the same period in 2024. This has continued to cushion the shilling against further depreciation. In the October 2025 diaspora

remittances figures, North America remained the largest source of remittances to Kenya accounting for 59.9% in the period,

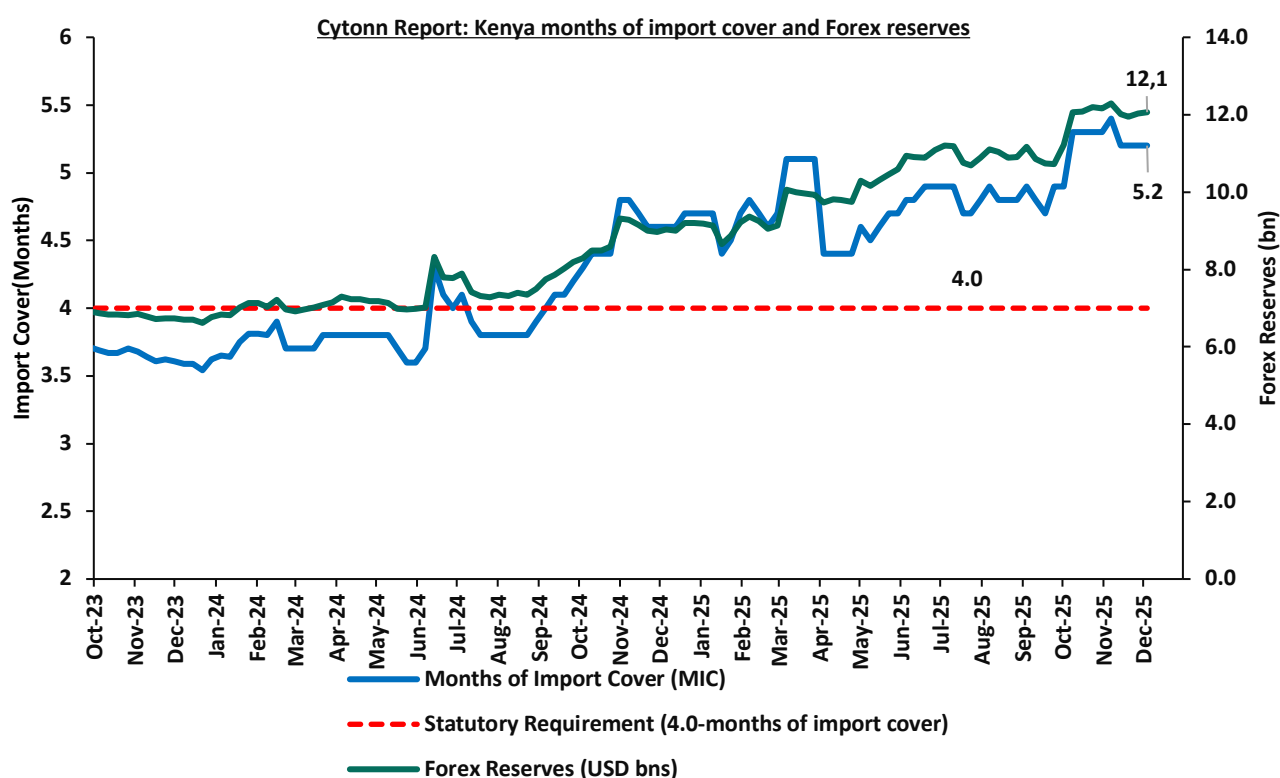
- ii. The tourism inflow receipts which are projected to reach KSh 560.0 bn in 2025 up from KSh 452.2 bn in 2024 a 23.9% increase, and owing to tourist arrivals that improved by 9.9% to 2,424,382 in the 12 months to June 2025 from 2,206,469 in the 12 months to June 2024, and,
- iii. Improved forex reserves currently at USD 12.1 bn (equivalent to 5.2-months of import cover), which is above the statutory requirement of maintaining at least 4.0-months of import cover and above the EAC region's convergence criteria of 4.5-months of import cover.

The shilling is however expected to remain under pressure in 2025 as a result of:

- i. An ever-present current account deficit which came at 2.2% of GDP in the twelve months to October 2025, and,
- ii. The need for government debt servicing, continues to put pressure on forex reserves given that 59.7% of Kenya's external debt is US Dollar-denominated as of June 2025.

Kenya's forex reserves increased by 0.3% during the week to USD 12.1 bn from the USD 12.0 bn recorded the previous week, equivalent to 5.2 months of import cover, and above the statutory requirement of maintaining at least 4.0-months of import cover.

The chart below summarizes the evolution of Kenya's months of import cover over the years:



Weekly Highlights

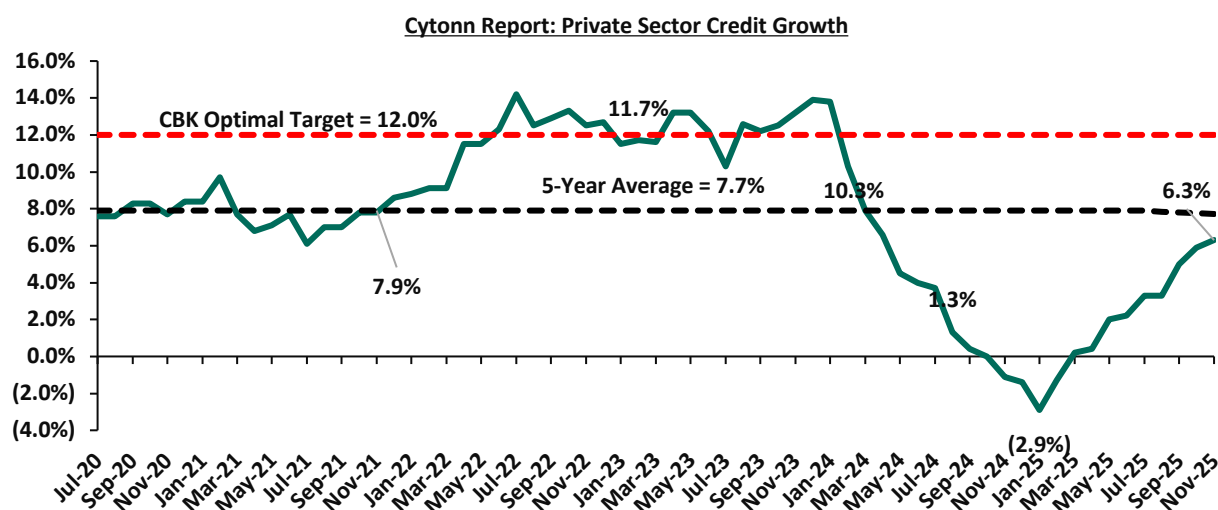
- i. **Monetary Policy Committee (MPC) December Meeting**

The monetary policy committee [met](#) on December 9th, 2025, to review the outcome of its previous policy decisions against a backdrop of elevated uncertainties to the global outlook for growth, lower sticky growth in advanced economies heightened trade tensions as well as persistent geopolitical tensions. The MPC decided to [lower](#) the CBR rate by 25.0 bps to 9.0%, from 9.25% in October 2025. Notably, inflation rates remain anchored and remained within the CBK preferred range of 2.5%-7.5% for the twenty ninth consecutive month, with a decrease of 0.1% points to 4.5% in November 2025, from 4.6% in October 2025. Key to note, the MPC had cut the CBR rate to 9.25% in the previous meeting in October from 9.50% in August 2025. Below are some of the key highlights from the December meeting:

- I. The overall inflation decreased by 0.1% points to 4.5% in November 2025, from 4.6% in October 2025, remaining below the mid-point of the preferred CBK range of 2.5%-7.5%. Core inflation decreased to 2.3% in November 2025, from 2.7% in October due to lower prices of processed food items, particularly maize flour and sugar. Additionally, non-core inflation rose to 10.1% in November 2025, from 9.9 % in October, driven by higher prices of vegetables, particularly tomatoes, onions and cabbages. Overall inflation is expected to remain below the midpoint of the target range in the near term, supported by lower prices of processed food items, stable energy prices, and continued exchange rate stability.
- II. The performance of the Kenyan economy remained resilient in the first half of 2025, with real GDP growth averaging 4.9%, supported by a rebound in activity in the industrial sector, stable growth of the agriculture sector, and resilience of the service sectors. Leading indicators of economic activity point to improved performance in the third quarter of 2025. The growth of the economy is projected to pick up to 5.2% in 2025 and 5.5% in 2026, supported by continued resilience of key service sectors among them agriculture, and the continued recovery of the industry sector. This outlook is subject to risks, including adverse weather conditions, elevated trade policy uncertainties, and geopolitical tensions.
- III. The current account deficit stood at 2.2% of GDP in the 12 months to October 2025 compared to 1.5% of GDP in a similar period in 2024, mainly reflecting higher imports of intermediate and capital goods. Goods exports increased by 6.7%, driven by horticulture, coffee, manufactured goods, and apparel. Goods imports rose by 9.6%, reflecting increases in intermediate and capital goods imports. Services receipts increased by 4.8%, mainly supported by increased receipts from travel services, while diaspora remittances increased by 5.8%. The current account deficit is projected to remain stable at 2.3% of GDP in 2025 and 2026, and is expected to be more than fully financed by financial account inflows. This will result in an overall balance of payments surplus of USD 1,938.0 mn in 2025, and USD 681.0 mn in 2026. Currently, the CBK foreign exchange reserves stand at USD 12,092 mn (5.3 months of import cover), and continue to provide adequate cover and a buffer against short-term domestic and external shocks.
- IV. The banking sector remains stable and resilient, with strong liquidity and capital adequacy ratios. The ratio of gross non-performing loans (NPLs) to gross loans was 16.5% in November 2025, down from 16.7% in October and 17.6% in August. Decreases in NPLs were noted in the mining and quarrying, energy and water, personal/household, and transport and communication sectors. Banks have continued to make adequate provisions for the NPLs.
- V. The CEOs Survey and Market Perceptions Survey conducted in November 2025 revealed sustained optimism about business activity and economic growth prospects for the next 12 months. The optimism was attributed to resilient agricultural production supported by favourable weather conditions, the stable macroeconomic environment with low inflation and stable exchange rate, declining interest rates, and improved private sector credit growth. Some respondents expressed concerns about subdued consumer demand, the high cost of doing business, and increased global uncertainties attributed to higher tariffs and geopolitical tensions.
- VI. Respondents to the November 2025 Agriculture Sector Survey expect improved food supply following recent harvests particularly of maize, stable pump prices and exchange rate stability to support a stable inflation rate in the near term. Nevertheless, a majority of respondents expect

seasonal factors associated with the festivities in December, and higher prices of some food items, particularly vegetables, to exert moderate upward pressure on overall inflation.

- VII. Global growth has remained resilient and is projected at 3.2% in 2025, supported by improved financial conditions, and strong consumer and business spending, particularly in the United States. Nevertheless, global growth is projected to slow down to 3.1% in 2026, mainly due to higher tariff rates on trade. Weak global demand, elevated trade policy uncertainty, and heightened geopolitical tensions in the Middle East and the Russia-Ukraine conflict, remain key risks to growth
- VIII. Inflation in some major economies has eased modestly in recent months, but is still above target mainly reflecting the stickiness in core inflation. Global inflation is projected to decline in 2025 and 2026, mainly driven by lower energy prices, and reduced global demand. Central banks in the major economies have continued to ease monetary policy, but at a cautious and uneven pace depending on their inflation and growth outlooks. International oil prices have moderated owing to increased production and subdued global demand, but have remained volatile due to elevated global uncertainties. Food inflation has declined, mainly driven by lower inflation rates for cereals, sugar and edible oils prices.
- IX. The MPC noted that the revised banking sector Risk-Based Credit Pricing Model (RBCPM), which will be fully operational by March 2026, will improve the transmission of monetary policy decisions to commercial banks' lending interest rates, and enhance transparency in the pricing of loans by banks.
- X. Growth in commercial banks' lending to the private sector continued to improve and stood at 6.3% in November 2025 compared to 5.9% in October and -2.9% in January. Growth in credit to key sectors of the economy, particularly manufacturing, building and construction, trade and consumer durables, remained strong in November. This mainly reflects improved demand for credit in line with the declining lending interest rates. Average commercial banks' lending rates declined to 14.9% in November 2025 from 15.0% in October, and 17.2% in November 2024.



- XI. The Committee noted the Government's planned fiscal consolidation strategy to reduce debt vulnerabilities over the medium term.

The MPC noted that overall inflation is expected to remain below the midpoint of the 2.5%-5.0% target range in the near term, supported by low food prices, stable energy prices, and exchange rate stability. Additionally, central banks in major economies have continued to lower interest rates at a cautious pace. The Committee also noted that the recent economic developments, created room for further easing of monetary policy to support economic activity while maintaining exchange rate stability. The MPC noted that it will continue to monitor the effects of these policy measures, as well as global and domestic

economic developments, and will remain ready to take additional action if necessary. Going forward, we expect the MPC to adopt a more cautious approach to rate adjustments in the coming meetings in a bid to continue supporting the private sector, while also keeping an eye on the effect on the inflation and exchange rate. The next MPC meeting is scheduled for February 2026.

ii. **Safaricom Medium Term Note Tranche 1 Results**

During the week, Safaricom PLC announced the results of the first tranche of its Medium-Term Note Programme which they were looking to raise Kshs 40.0 bn for the whole bond. The company received applications totaling approximately Kshs 41.4 bn against the initial KES 15.0 bn target, reflecting an oversubscription rate of 275.7%. Due to this strong demand, Safaricom exercised the Kshs 5.0 bn greenshoe option, raising the total allotment for Tranche 1 to Kshs 20.0 bn. The five-year notes were issued at a 10.4% annual coupon, have a five-year tenor maturing on 11 December 2030. Notifications of allotments have begun, while refunds will be processed on the Issue Date, with the notes expected to be uploaded to CDSC accounts on 15th December 2025 and listed on 16th December 2025. Below is a summary of the results

Cytonn Report: Safaricom Medium Term Note Tranche One Results		
No.	Item	Description
1	Programme Amount	Kshs 40.0 bn
2	Tranche number	1
3	Total amount offered in Tranche 1	Kshs 15.0 bn
4	Total bids received in Tranche 1	Kshs 41.4 bn
5	Subscription rate	275.7%
6	Amount accepted (after exercising Kshs 5.0 bn green shoe option)	Kshs 20.0 bn
7	Acceptance rate	48.3%
8	Coupon rate	10.4% p.a
9	Issue price	Par
10	Minimum denomination	Kshs 50,0000
11	Issue date	11th December 2025
12	Tenor	5 years
13	Maturity date	11th December 2030
14	Coupon payment dates	11th December and 11 June

Safaricom's heavily oversubscribed medium-term note has a positive and stabilizing impact on Kenya's fixed income market by signaling strong investor confidence, deep liquidity, and a growing appetite for high-quality corporate debt. The robust demand, nearly triple the targets, strengthens Safaricom's position as a benchmark issuer, helping to shape pricing expectations for future corporate bonds and encouraging other firms to tap the capital markets. It also diversifies the market away from its heavy dependence on government securities, broadening investment options and supporting market depth. Overall, the successful uptake of the note enhances credibility in the corporate bond segment and contributes to a more balanced and vibrant fixed income ecosystem.

Rates in the Fixed Income market have been on a downward trend due to high liquidity in the money market which allowed the government to front load most of its borrowing. The government is 126.4% ahead of its prorated net domestic borrowing target of Kshs 291.2 bn, having a net borrowing position of Kshs 659.4 bn (inclusive of T-bills). However, we expect a stabilization of the yield curve in the short and medium term, with the government looking to increase its external borrowing to maintain the fiscal surplus, hence alleviating pressure in the domestic market. As such, we expect the yield curve to stabilize in the short to medium-term and hence investors are expected to shift towards the long-term papers to lock in the high returns

Equities

Market Performance

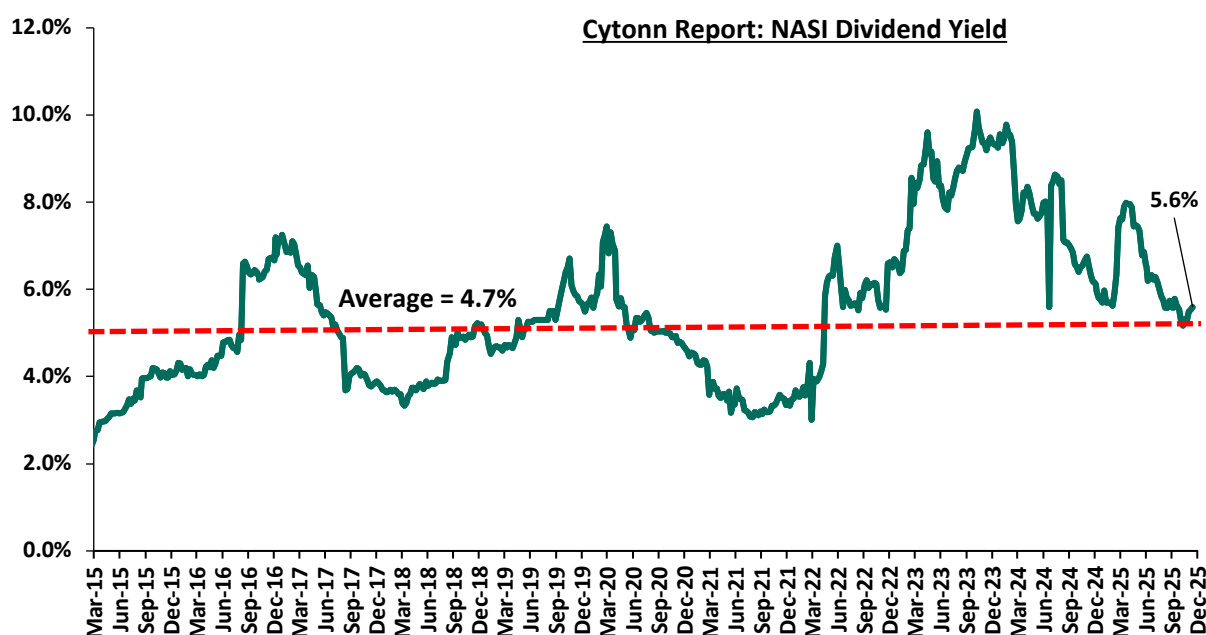
During the week, the equities market showed mixed performance, with NSE 25 gaining by 0.1% while NASI, NSE 20 and NSE 10 declined by 1.1%, 0.9%, and 0.5% respectively, taking the YTD performance to gains of 43.5%, 41.7%, 38.1% and 37.6% of NSE 20, NASI, NSE 25 and NSE 10 respectively. The equities market performance was mainly driven by gains recorded by large cap stocks such as KCB, DTBK and NCBA of 6.2%, 4.5% and 3.6% respectively. The performance was, however, weighed down by losses recorded by large-cap stocks such as Cooperative Bank, Safaricom and Stanbic, of 4.4%, 3.3% and 1.1% respectively;

Also, during the week, the banking sector index increased by 0.5% to 190.1 from 189.1 recorded the previous week. This is attributable to gains recorded by stocks such as KCB, DTBK and NCBA of 6.2%, 4.5% and 3.6% respectively. The performance was, however, weighed down by losses recorded by stocks such as Cooperative Bank, Stanbic and Equity of 4.4%, 1.1% and 0.8% respectively.

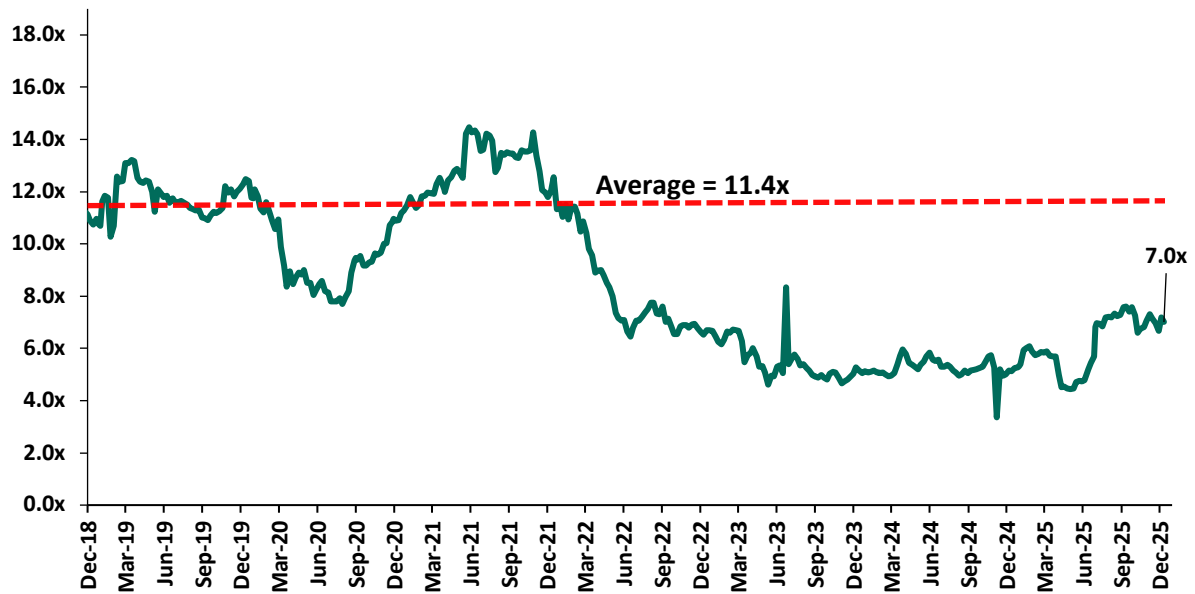
During the week, equities turnover increased by 59.5% to USD 32.2 mn from USD 20.2 mn recorded the previous week, taking the YTD total turnover to USD 1,034.0 mn. Foreign investors became net buyers for the first time in ten weeks with a net buying position of USD 2.7 mn, from a net selling position of USD 3.2 mn recorded the previous week, taking the YTD foreign net selling position to USD 93.5 mn, compared to a net selling position of USD 13.7 mn recorded in 2024.

The market is currently trading at a price to earnings ratio (P/E) of 7.0x, 38.3% below the historical average of 11.4x, and a dividend yield of 5.6%, 0.9% points above the historical average of 4.7%. Key to note, NASI's PEG ratio currently stands at 0.9x, an indication that the market is slightly undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market may be overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued.

The charts below indicate the historical P/E and dividend yields of the market;



Cytonn Report: NASI P/E



Universe of Coverage:

Cytonn Report: Equities Universe of Coverage										
Company	Price as at 05/12/2025	Price as at 11/12/2025	w/w change	YTD Change	Year Open 2025	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Co-op Bank	22.8	21.8	(4.4%)	24.9%	17.5	30.0	6.9%	44.5%	0.8x	Buy
ABSA Bank	22.1	22.0	(0.2%)	16.7%	18.9	28.3	8.0%	36.6%	1.4x	Buy
NCBA	76.5	79.3	3.6%	55.4%	51.0	101.3	6.9%	34.8%	1.3x	Buy
Equity Group	61.0	60.5	(0.8%)	26.0%	48.0	75.2	7.0%	31.3%	1.0x	Buy
I&M Group	45.2	45.2	(0.1%)	25.4%	36.0	53.1	6.6%	24.3%	0.8x	Buy
Standard Chartered Bank	287.0	287.0	0.0%	0.6%	285.3	307.9	15.7%	23.0%	1.6x	Buy
Diamond Trust Bank	110.0	115.0	4.5%	72.3%	66.8	129.4	6.1%	18.6%	0.4x	Accumulate
Stanbic Holdings	196.0	193.8	(1.1%)	38.6%	139.8	205.5	10.7%	16.8%	1.2x	Accumulate
KCB Group	56.3	59.8	6.2%	40.9%	42.4	65.8	5.0%	15.1%	0.7x	Accumulate
Britam	8.7	8.8	0.9%	50.5%	5.8	9.5	0.0%	8.7%	0.8x	Hold
Jubilee Holdings	305.3	326.8	7.0%	87.0%	174.8	312.9	4.1%	(0.1%)	0.5x	Sell
CIC Group	4.4	4.5	1.4%	109.8%	2.1	4.0	2.9%	(7.3%)	1.2x	Sell

*Target Price as per Cytonn Analyst estimates
 **Upside/ (Downside) is adjusted for Dividend Yield
 ***Dividend Yield is calculated using FY'2024 Dividends

We are “Bullish” on the Equities markets in the short term due to current cheap valuations, lower yields on short-term government papers and expected global and local economic recovery, and, “Neutral” in the long term due to persistent foreign investor outflows. With the market currently trading at a discount to its future growth (PEG Ratio at 0.9x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors sell-offs to continue weighing down the economic outlook in the short term.

Real Estate

I. Hospitality Sector

a) Launch of new Tsavo West Rhino Sanctuary

During the week, the government of Kenya [announced](#) its plans to develop high-end hotels and generate revenue from carbon credits at the new Tsavo West Rhino Sanctuary in Ngulia, Taita-Taveta County. According to them, the expansion which covers more than 3200 Square Kilometers will prove beneficial to addressing congestion that has threatened the Black Rhino species, with [over](#) 80.0% living in overcrowded sanctuaries which reduces breeding potential and increases risks of territorial conflict. The revenue generated will be used to enhance wildlife protection and develop infrastructure such as wildlife corridors and dams which will help animals during drought.

This will positively impact Kenya’s hospitality sector through boosting high-value tourism revenue. With the sanctuary targeting high-class tourists, this will lead to an increase in total foreign exchange earnings from wildlife tourism, which is a major part of Kenya’s tourism sector, (ii) There will be increased job opportunities, where the sanctuary expansion is projected to [create](#) over 18,000 jobs by 2030 across areas such as construction and hospitality services, (iii) There will also be an uplift in Kenya’s global tourism brand, where Kenya will now offer diverse luxury experiences beyond the Maasai Mara, attracting repeat visitors.

The luxury hotel initiative is a strategic push to grow Kenya’s high-end tourism revenue, create jobs, and elevate the country’s hospitality profile globally. If well implemented, it will benefit Kenya’s tourism economy while supporting conservation and community development.

II. Commercial Office Sector

a) Standard Investment Bank (SIB) to open new Nairobi headquarters

During the week, the Standard Investment Bank [revealed](#) its plans to invest Kshs 3.0 bn in a new headquarters in Westlands, Nairobi to support its growth in Kenya’s financial sector. The headquarters will serve as a hub for the firm’s growing operations, housing trading desks, advisory teams and wealth management experts. The proposed 32-floor SIB International Centre will provide a modern, sustainable workspace to enhance operational efficiency and accommodate the bank’s growing needs. Although the exact square footage of the offices has not been disclosed, this will continue to cater strong [demand](#) on Grade A offices particularly for buildings with advanced infrastructure

This will positively impact the office sector in Kenya through contributing to office space supply, where this proposed centre will add high quality rentable office space which will eventually attract major corporates, (ii) There will be increased demand for quality space. The focus on modern, efficient, and sustainable office buildings supports a trend where tenants prefer high-spec, flexible, and ESG-aligned offices. Eventually, developers may be encouraged to invest more in upgrading or repositioning older buildings, (iii) It will also signal confidence in Nairobi’s long-term office demand, which will attract more institutional investors to commercial real estate.

SIB's expansion reflects its goal of making advanced financial services more accessible, especially to underserved clients such as diaspora investors and fast-growing emerging markets. The new headquarters is part of its broader plan to support and tap into rising demand within Kenya's financial sector.

III. Real Estate Investments Trusts

a) Centum plans to issue dollar Real Estate income Fund

During the week, Centum Investment Company announced that they [expect](#) to issue a dollar denominated Income Real Estate Investment Trust (I-REIT) at its Two Rivers Special Economic zone in Nairobi in January 2026. Centum is eyeing Kshs 4.8 bn from the proposed I-REIT, which is pending regulatory approval, with the proceeds budgeted for the construction of green commercial property in the Two Rivers International Finance and Innovation Centre (TRIFIC).

An I-REIT (Income Real Estate Investment Trust) is a regulated investment vehicle that pools investor funds to buy and manage completed, income-generating properties such as offices, malls, residential units, and warehouses. Because it invests in existing assets rather than development projects, it offers lower risk and focuses on earning stable rental income, which is then distributed to investors as regular dividends.

The expansion of I-REITs will stabilize and strengthen the REITs industry in Kenya by shifting attention toward predictable, income-generating Real Estate. Since I-REITs invest in completed properties, they deliver steady dividend income, which helps build investor confidence in a market that has previously struggled with low uptake. Their lower risk profile attracts institutional investors, pension funds, and conservative retail investors, broadening the investor base for REITs overall. Increased activity in I-REITs also improves market liquidity, encourages better property management standards, and pushes REIT managers to diversify into sectors like student housing, logistics, and residential rentals. Over time, strong I-REIT performance is likely to unlock more listings, reduce reliance on traditional bank financing, and position REITs as a key alternative investment class in Kenya's capital markets.

b) REITS Weekly Performance

On the [Unquoted Securities Platform](#), Acorn D-REIT and I-REIT traded at Kshs 27.4 and Kshs 23.2 per unit, respectively, as per the last updated data on 5th December 2025. The performance represented a 33.4% and 14.5% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. The volumes traded for the D-REIT and I-REIT came in at 12.8 mn and 40.6 mn shares, respectively, with a turnover of Kshs 323.5 mn and Kshs 791.5 mn, respectively, since inception in February 2021. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 5th December 2025, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 1.2 mn shares for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015.

REITs offer various benefits, such as tax exemptions, diversified portfolios, and stable long-term profits. However, the ongoing decline in the performance of Kenyan REITs and the restructuring of their business portfolios are hindering significant previous investments. Additional general challenges include:

- i. Insufficient understanding of the investment instrument among investors leading to a slower uptake of REIT products,
- ii. Lengthy approval processes for REIT creation,
- iii. High minimum capital requirements of Kshs 100.0 mn for REIT trustees compared to Kshs 10.0 mn for pension funds Trustees, essentially limiting the licensed REIT Trustee to banks only
- iv. The rigidity of choice between either a D-REIT or and I-REIT forces managers to form two REITs, rather than having one Hybrid REIT that can allocate between development and income earning properties

- v. Limiting the type of legal entity that can form a REIT to only a trust company, as opposed to allowing other entities such as partnerships, and companies,
- vi. We need to give time before REITS are required to list – they would be allowed to stay private for a few years before the requirement to list given that not all companies maybe comfortable with listing on day one, and,
- vii. Minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for restricted I-REITs. The significant capital requirements still make REITs relatively inaccessible to smaller retail investors compared to other investment vehicles like unit trusts or government bonds, all of which continue to limit the performance of Kenyan REITs.

We expect the performance of Kenya's Real Estate sector to remain resilient, supported by several factors: i) improvement in the hospitality sector with the launch of the Tsavo West Rhino Sanctuary, (ii) Improvement in the office sector with SIB planning to establish their headquarters in Nairobi, (iii) There is also an improvement in the REITs market with Centum planning to issue dollar real estate income fund in January 2026. However, challenges such as weak investor appetite in listed REITs like ILAM Fahari I-REIT and high capital requirements will continue to constrain the sector's optimal performance.

Focus of the Week: Kenya Listed Banks Q3'2025 Report

Following the release of the Q3'2025 results by Kenyan listed banks, the Cytonn Financial Services Research Team undertook an analysis on the financial performance of the listed banks and identified the key factors that shaped the performance of the sector. For the earnings notes of the various banks, click the links below:

- i. [Equity Group Q3'2025 Earnings Note](#)
- ii. [KCB Group Q3'2025 Earnings Note](#)
- iii. [Standard Chartered Bank Kenya Q3'2025 Earnings Note](#)
- iv. [ABSA Bank Kenya Q3'2025 Earnings Note](#)
- v. [NCBA Group Q3'2025 Earnings Note](#)
- vi. [Co-operative Bank Q3'2025 Earnings Note](#)
- vii. [Stanbic Holdings Q3'2025 Earnings Note](#)
- viii. [I&M Group Holdings Q3'2025 Earnings Note](#)
- ix. [Diamond Trust Bank Kenya Q3'2025 Earnings Note](#)
- x. [HF Group Q3'2025 Earnings Note](#)

The core earnings per share (EPS) for the listed banks recorded a weighted growth of 7.6% in Q3'2025, compared to a weighted growth of 24.6% recorded in Q3'2024, an indication of deteriorated performance mainly on the back of a 3.3% decline in non-funded income in Q3'2025, compared to a growth of 5.4% in Q3'2024, despite an improvement in loan book expansion. The decline in non-funded income was majorly attributable to a decline in foreign exchange income due to reduced dollar demand coupled with lower transaction volumes which weighing down on fees and commissions income. Notably, the inflation rate in Q3'2025 averaged 4.4%, 0.3% points higher than the 4.1% average in Q3'2024, with the Kenyan Shilling remaining stable against the US Dollar, gaining slightly by 0.2 bps in Q3'2025, to remain relatively unchanged at the Kshs 129.2 recorded at the beginning of the quarter. The performance was however supported by a 13.4% growth in net interest income, higher than the 12.5% growth in Q3'2024. Similarly, credit risk decreased with the asset quality of listed banks improving slightly in Q3'2025, with the weighted average Gross Non-Performing Loan ratio (NPL) decreasing by 0.3% points to 13.2%, from 13.5% recorded in Q3'2024. The NPL performance remained 1.3% points above the ten-year average of 11.9%.

The report is themed **“Earnings resilience tested as interest income softens”** where we assess the key factors that influenced the performance of the banking sector in Q3'2025, the key trends, the challenges banks faced, and areas that will be crucial for growth and stability of the banking sector going forward. As such, we shall address the following:

- i. Key Themes that Shaped the Banking Sector Performance in Q3'2025,
- ii. Summary of the Performance of the Listed Banking Sector in Q3'2025,
- iii. The Focus Areas of the Banking Sector Players Going Forward, and,
- iv. Brief Summary and Ranking of the Listed Banks based on the outcome of our analysis

Section I: Key Themes That Shaped the Banking Sector Performance in Q3'2025

In this section, we will highlight the main factors influencing the banking sector in Q3'2025. These include regulation, digitization, interest rates, regional expansion through mergers and acquisitions, and asset quality:

1. Regulation:

- a) **Risk-based Lending:** Over the years, the government has deployed various policy tools to manage interest rates and improve private sector access to credit. Following the repeal of the Interest Rate Cap Law in 2019, the Central Bank of Kenya (CBK) directed banks to adopt risk-based lending models that price loans according to borrower risk profiles, improving fairness and transparency for MSMEs. Although the CBK [introduced](#) a revised pricing framework in August 2025 anchored on the Kenya Shilling Overnight Interbank Average (KESONIA), a benchmark derived from actual overnight interbank transactions meant to replace the Central Bank Rate (CBR) for shilling-denominated variable loans, most commercial banks have opted to continue using the CBR as their reference rate under the new model. Institutions such as KCB, Equity, Absa, NCBA, and DTB have issued public notices indicating that, from December 1, 2025, they are applying CBR plus a customer-specific risk premium, despite having previously rejected CBR as a benchmark and championed the creation of KESONIA. Banks cite ongoing systems testing and the need for operational readiness as the reason for delaying adoption of KESONIA, whose higher volatility would also require more frequent lending-rate adjustments and additional regulatory approvals. Only Co-operative Bank and Kingdom Bank have so far committed to using the interbank-based rate. While CBK continues publishing KESONIA, currently higher than the 9.0% CBR, to prepare the market for eventual transition, banks are expected to migrate all pre-December 1 loan facilities to the new risk-based model by February 28, 2026. Overall, although the revised framework is intended to strengthen monetary policy transmission, align Kenya with global benchmarks such as SOFR and SONIA, and enhance transparency through mandatory disclosure of lending rates, premiums, and fees, its impact will vary: borrowers with strong credit profiles may benefit from more competitive pricing, while higher-risk customers could face steeper charges, and lending rates are likely to become more responsive, but also more volatile, once full adoption of KESONIA eventually takes effect.
- b) **Higher capital requirements:** Following the [enactment](#) of the Business Laws (Amendment) Act, 2024, the Central Bank of Kenya (CBK) increased the minimum core capital requirement for commercial banks to Kshs 10.0 bn from the previous Kshs 1.0 bn, which had been in effect since 2012. The new framework requires lenders to comply gradually, Kshs 3.0 bn by end-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 2029. As of September, 2025, 10 banks were below the Kshs 3.0 bn threshold and needed a combined Kshs 14.4 bn to meet the December 2025 deadline. The table below shows the core capital requirement gap of the ten banks as of September 2025;

Cytonn Report: Selected Banks Core Capital Requirement Gap			
No	Bank	Core Capital (Kshs Bn)	Gap (Kshs Bn)
1	Acess Bank Kenya Plc	(0.8)	3.8
2	Consolidated Bank of Kenya	(0.7)	3.7
3	Credit Bank Plc	1.2	1.8
4	UBA Kenya Bank	1.5	1.5

5	Development Bank of Kenya	2.1	0.9
6	Middle East Bank Kenya	2.1	0.9
7	Premier Bank Limited	2.2	0.8
8	M-Oriental	2.5	0.5
9	ABC Bank Kenya	2.6	0.4
10	CIB International Bank	2.8	0.2
Total			14.4

Source: Company Financials

Several banks have since made progress: Paramount Bank [raised](#) Kshs 332.0 mn through a rights issue, pushing its core capital to Kshs 3.1 bn and achieving compliance even as it remains linked to a potential takeover by Nigeria's Zenith Bank. ABC Bank has also [launched](#) a rights issue targeting at least Kshs 0.4 bn to bridge its shortfall from the June core capital level of Kshs 2.6 bn. Credit Bank is [seeking](#) Kshs 4.5 bn through a private placement and has already secured commitments of Kshs 2.0 bn from key shareholders, ShoreCap III LP and Sansora Group, sufficient to meet the December Kshs 3.0 bn requirement, with an additional convertible note planned for supplementary capital. Other lenders are pursuing similar measures; M-Oriental Bank is seeking to waive pre-emptive rights to bring in new investors beyond its current Kshs 2.5 bn core, while foreign-owned banks including Access Bank Kenya, UBA Kenya Bank, CIB International Bank, which recently received a Kshs 1.0 bn capital injection from its Egyptian parent, and Ecobank Kenya are relying on support from their parent institutions. Consolidated Bank remains the most distressed, with a negative core capital of approximately Kshs 701.0–731.0 mn, requiring over Kshs 3.7 bn to meet the 2025 minimum amid ongoing plans for a rights issue and long-delayed government support. A recent CBK stress [test](#) warned that under a severe scenario where the non-performing loans (NPL) ratio rises to 27.4%, up to 12 banks, mainly Tier III, could be undercapitalized, requiring a combined Kshs 19.8 bn by December 2025, highlighting limited capacity to rely solely on retained earnings for recapitalization. To address these gaps, the regulator outlined options including downgrading chronically non-compliant lenders to microfinance status, extending the 2025 deadline, or adopting tiered capital requirements as used in other markets. Earlier in the year, CBK requested 24 banks whose capital remains below the ultimate Kshs 10.0 bn target to submit capital-raising plans, with 22 already presenting strategies that include capital injections, rights issues, strategic partnerships, mergers, and organic growth. Although the Kenya Bankers Association (KBA) does not [expect](#) significant merger and acquisition activity in 2025, arguing that most banks can meet the Kshs 3.0 bn threshold individually, it anticipates heightened consolidation pressure from 2026 onward as capital requirements rise to Kshs 5.0 bn and beyond. CBK is currently reviewing the submitted capital plans and monitoring ongoing efforts as banks race to achieve compliance ahead of the phased deadlines.

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

3. **Digitization:** In Q3'2025, 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 [98.0%](#) and [99.0%](#) of their transactions, respectively, were done through non-branch channels as of end of Q3'2025,
4. **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 8.0% during the period, 7.8% points lower than the average of 15.9% in Q3'2024. The significant declines in rates in Q3'2025 led to a decrease in the listed bank's interest income growth, softening to a weighted average drop of 2.6% in Q3'2025, from a weighted average growth of 25.5% in Q3'2024. However, the lower interest rate environment led to a substantial reduction in interest expense which declined by a weighted average of 21.7% in Q3'2025, compared to the 52.9% growth in Q3'2024 this decline in funding cost helped support overall profitability contributing to a 13.4% growth in net interest income in Q3'2025,
5. **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 45.0% of the Group's Profit Before Tax (PBT) in Q3'2025, down from 53.0% in the same period last year, demonstrating the continued importance of these subsidiaries to the Group's earnings. Additionally, KCB Group's subsidiaries contributed 32.4% of the Group's Profit After Tax (PAT) in Q3'2025. In terms of consolidation activity, 2024 saw one confirmed acquisition agreement between Access Bank Plc and KCB Group for the acquisition of National Bank of Kenya. More recently, there have been reports of ongoing talks between Standard Bank Group's Kenyan subsidiary, Stanbic Holdings Plc, and NCBA Group Plc regarding a potential acquisition. If concluded, the transaction would create Kenya's third-largest bank by assets, underscoring the likelihood of further consolidation in the sector following higher minimum capital requirements and renewed regulatory support for stronger, well-capitalized institutions.
 - 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. The acquisition and completion of the transaction was finalised on 30th May 2025 in accordance with the terms of the Agreement between the parties.
 - 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. Access Bank Plc is a wholly owned subsidiary of Access Holdings Plc listed on the Nigerian Exchange as Access Corporation. Notably, KCB Bank had acquired the National Bank of Kenya back in 2019 in a rescue deal that was supervised by the Central Bank of Kenya. The announcement followed the release of the Q1'2024 results for the KCB group, which revealed a decline in earnings with its Core earnings per share (EPS) declining by 8.3% to Kshs 11.7, from Kshs 12.7 in FY'2022. The transaction represents an important milestone for Access Bank as it moves closer to the achievement of its five-year strategic plan through increased scale in the Kenyan market. In the signed deal, Access Bank will pay multiples of 1.3x the book value of NBK, which stood at Kshs 10.6 bn as of end December 2023. This values the deal at about Kshs 13.3 bn with the actual figure to be announced when the transaction is completed.
 - 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.

The following are Mergers and Acquisitions that were completed in 2023:

- a) On January 30, 2023, the Central Bank of Kenya (CBK) [announced](#) that Commercial International Bank (Egypt) S.A.E (CIB) had completed the acquisition of an 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 Bank'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](#),
- d) On March 17, 2023, the Central Bank of Kenya (CBK) [announced](#) that Premier Bank Limited Somalia (PBLs) had completed the 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](#),
- e) 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 billion 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](#),
- 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. Notably, EGH signed a share purchase agreement with the Sellers on July 28, 2023, committing to buy 183,854 shares at a rate of 297,406 Rwandan Francs per share upon [completion](#) on December 1, 2023, giving EGH ownership of 99.1% of the issued share capital. Concurrently, EGH proposed to purchase all outstanding shares from the other shareholders of Cogebanque, aiming to own up to 100% of Cogebanque's issued shares,

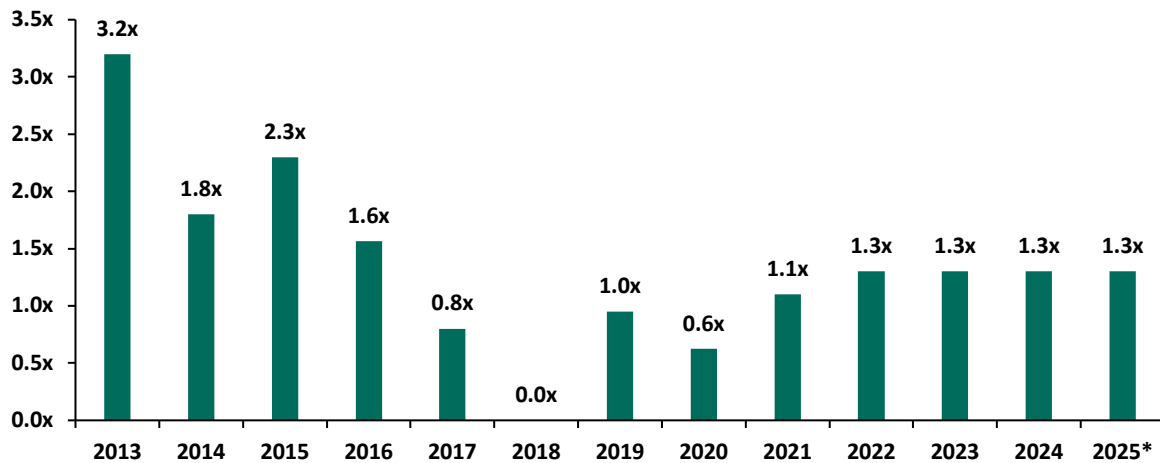
Below is a summary of the deals in the last 10 years that have either happened, been announced or expected to be concluded:

Cytonn Report: Banking Sector Deals and Acquisitions						
Acquirer	Bank Acquired	Book Value at	Transaction Stake	Transaction Value (Kshs bn)	P/Bv Multiple	Date

		Acquisition (Kshs bn)				
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						

In Q3'2025, the average acquisition valuations for banks have remained unchanged at 1.3x, similar to what was recorded in a similar period in 2024. As such, the valuations still remain low compared to historical prices paid, as highlighted in the chart below;

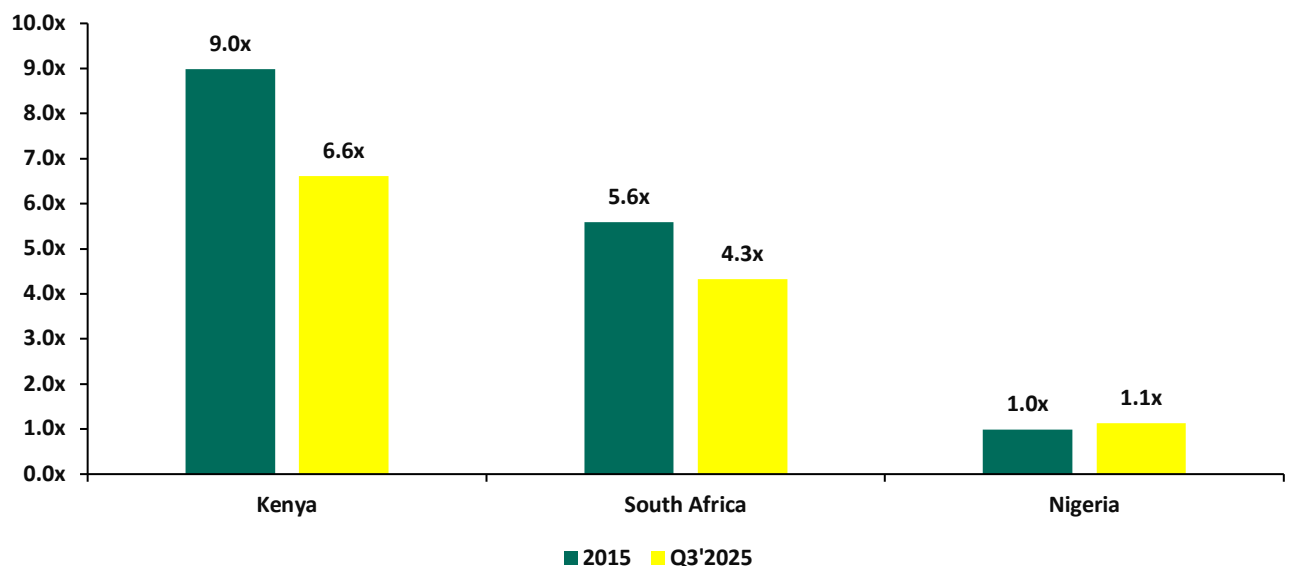
Kenya Banking Sector: Yearly Average Price to Book Acquisition Multiple



2025* data as of end of Q3'2025

As at the end of Q3'2025, the number of commercial banks in Kenya stood at 38, same as in Q3'2024, 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. To bring the ratio to 5.6x, we ought to reduce the number of banks from the current 38 banks to about 30 banks. This is partly expected to be supported by the [enactment](#) of The Business Laws (Amendment) Act 2024 that mandated a significant increase in the minimum core capital for banks to Kshs 10.0 bn from the previous Kshs 1.0 bn that had been in effect since 2012. To facilitate compliance, lenders below this threshold were directed to incrementally grow the figure over a 5-year period, required to close 2025 with a minimum core capital of Kshs 3.0 bn, rising to Kshs 5.0 bn by the end of 2026, and full compliance at Kshs 10.0 bn by the end of 2029. The new capital requirement is likely to trigger further mergers and acquisitions (M&As), especially for smaller lenders that may struggle to meet the threshold, potentially reducing the number of banks even further. However, the effect could be muted by the lifting of the moratorium which ended on 1st July 2025. The chart below shows the commercial bank ratio per 10 million people across select African nations in comparison to Kenya;

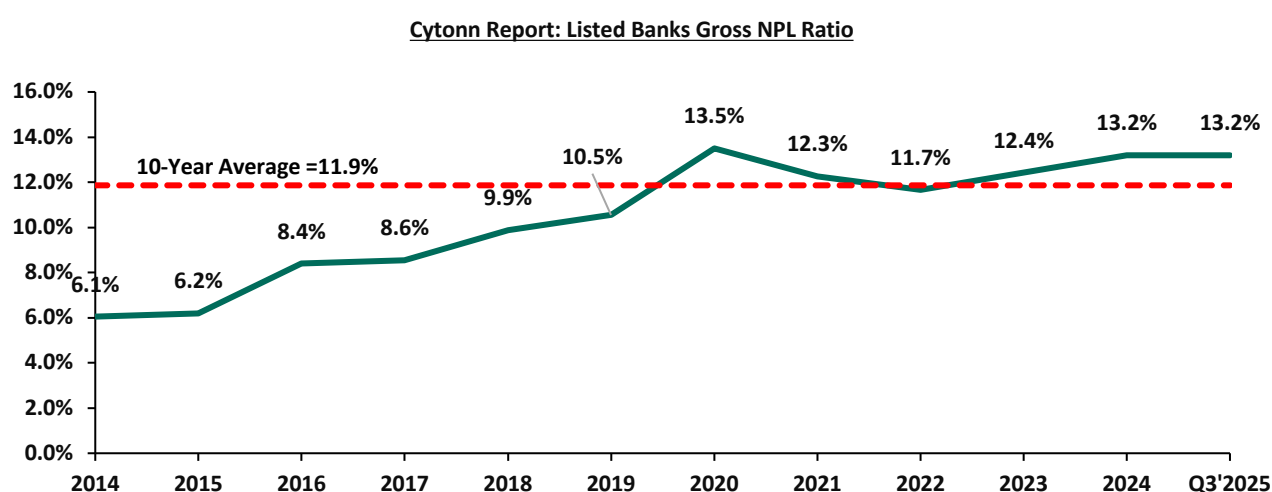
Cytonn Report: Commercial Banks / Per Population of 10 million People



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

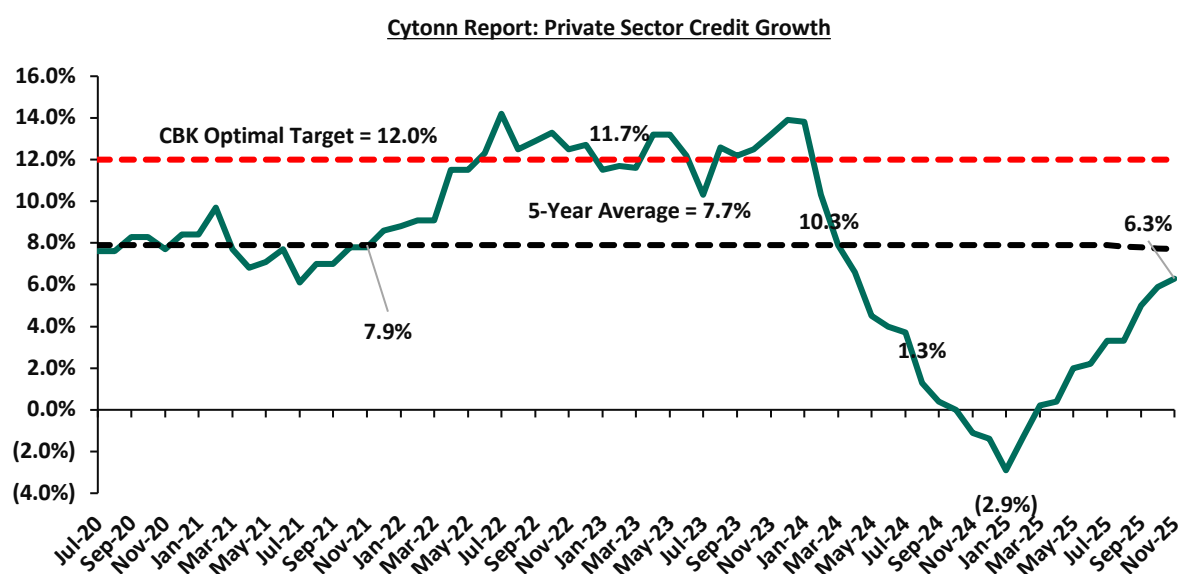
Additionally, on April 16, 2025, the Central Bank of Kenya (CBK), [announced](#) that with effect from July 1, 2025, it will lift the [moratorium](#) on licensing of new commercial banks that had been in place since November 2015. The moratorium was introduced in response to governance, risk management, and operational issues within the banking sector, aiming to create room for reforms. Since then, Kenya's banking sector has seen notable progress, including stronger legal and regulatory frameworks, increased mergers and acquisitions, and the entry of new local and international strategic investors. With the moratorium now lifted, new entrants into Kenya's banking sector must prove their ability to meet the revised minimum core capital requirement of Kshs 10.0 bn. This move opens the door for investors to apply for greenfield licenses, unlike the previous arrangement where entry was heavily reliant on mergers and acquisitions. Over the past decade, the moratorium contributed to a reduction in the number of banks in Kenya, to 38 currently from 43 in 2015.

6. Asset Quality: Asset quality for listed banks improved in Q3'2025, with the weighted average Gross Non-Performing Loan ratio (NPL) decreasing by 0.3% points to 13.2%, from 13.5% recorded in Q3'2024. The performance remained 1.3 points above the ten-year average of 11.9%. Notably, 8 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. Similarly, most banks experienced a decline in gross non-performing loans coupled with growth in gross loans. As a result, the overall gross non-performing loans (NPL) ratio in the banking industry [decreased](#) by 1.3 percentage points, falling to 16.9% in September 2025 from 17.6% in June 2025. Additionally, Stanbic's NPL ratio declined the most by 2.1% points to 8.4%, from 10.4% in Q3'2024, while Standard Chartered bank's NPL ratio decreased by 1.6% points to 5.9%, from 7.5% in Q3'2024. Stanbic's asset quality improved due to an 8.3% decrease in Gross Non-Performing Loans to Kshs 22.8 bn in Q3'2025 from Kshs 24.8 bn in Q3'2024, relative to the 17.5% increase in gross loans to Kshs 279.4 bn from Kshs 237.7 bn in Q3'2024. Similarly, Standard Chartered bank's asset quality improved due to a 24.8% decrease in Gross Non-Performing Loans to Kshs 9.1 bn in Q3'2025 from Kshs 12.1 bn in Q3'2024, which outpaced the 4.6% decrease in gross loans to Kshs 154.2 bn from Kshs 161.6 bn in Q3'2024. The chart below highlights the asset quality trend for the listed banks:



However, the improvement in listed banks' asset quality was weighed down by a deterioration in Co-operative Bank's asset quality, with the Gross NPL ratio increasing by 0.8% points to 17.3% in Q3'2025 from 16.5% in Q3'2024. This was attributable to the 12.7% increase in gross non-performing loans to Kshs 78.9 bn from Kshs 70.0 bn in Q3'2024, which outpaced the 7.8% increase in gross loans to Kshs 456.8 bn from Kshs 423.7 bn in Q3'2024. Absa bank's asset quality deteriorated with the Gross NPL ratio increasing by

0.5% points to 13.0% in Q3'2025 from 12.6% in Q3'2024. This was attributable to a 3.6% increase in Gross non-performing loans to Kshs 44.2 bn, from Kshs 42.7 bn in Q3'2024, relative to the 0.01% increase in gross loans to Kshs 339.4 bn, from Kshs 339.3 bn recorded in Q3'2024. A total of eight 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. In a bid to curb inflation and support the Shilling the Monetary Policy Committee (MPC) had adopted a tight monetary policy stance, raising the Central Bank Rate (CBR) to 13.00% in February 2024 and maintaining it at that rate for its two subsequent sittings up to July 2024. As a result of the high interest rates, the private sector credit growth was severely constrained recording contractions of 1.1% and 1.4% in the months of November and December 2024 respectively. The chart below shows the private sector credit growth:



However, the Central Bank of Kenya has lowered the Central Bank Rate (CBR) by a cumulative 400 basis points, from 13.0% in July 2024 to 9.0% in December 2025, signalling a gradual easing of monetary policy following the successful stabilization of the currency and anchoring of inflation. This reduction in CBR is expected to continue to support credit growth and ease financial pressures on borrowers. Notably, growth in private sector credit grew by 6.3% in November 2025 from 5.9% in October 2025 and a contraction of 2.9% in January 2025, reflecting improved demand for credit in line with the declining lending interest rates. Going forward, we expect credit risk to decline gradually but remain at relatively elevated levels compared to previous years, owing to the improving business environment and a stronger and stable Shilling.

The table below highlights the asset quality for the listed banking sector:

Cytonn Report: Listed Banks Asset Quality						
	Q3'2025 NPL Ratio*	Q3'2024 NPL Ratio**	% point change in NPL Ratio	Q3'2025 NPL Coverage*	Q3'2024 NPL Coverage**	% point change in NPL Coverage
Cooperative Bank	17.3%	16.5%	0.8%	63.7%	60.5%	3.2%
Absa Bank Kenya	13.0%	12.6%	0.5%	67.1%	65.3%	1.8%
NCBA Bank	12.1%	12.5%	(0.4%)	68.9%	59.7%	9.2%
Equity Group	13.6%	14.4%	(0.8%)	71.1%	56.8%	14.4%
HF Group	23.3%	24.1%	(0.8%)	74.3%	74.4%	(0.2%)
KCB Group	17.2%	18.1%	(0.9%)	67.9%	63.8%	4.1%
Diamond Trust Bank	12.4%	13.5%	(1.0%)	52.1%	39.1%	13.0%
I&M Group	10.2%	11.8%	(1.6%)	69.5%	61.3%	8.2%
Standard Chartered Bank	5.9%	7.5%	(1.6%)	85.1%	85.3%	(0.1%)

Stanbic Holdings	8.4%	10.4%	(2.1%)	83.2%	76.5%	6.7%
Mkt Weighted Average*	13.2%	13.5%	(0.4%)	70.6%	64.5%	6.2%
*Market cap weighted as at 11/12/2025						
**Market cap weighted as at 11/12/2024						

Key take-outs from the table include;

- i. Asset quality for the listed banks improved in Q3'2025, with market weighted average NPL decreasing by 0.4% points to 13.2% from a 13.5% in Q3'2024. The improvement in the asset quality was mainly driven by an Improvement in Stanbic bank, Standard Chartered, I&M Group, DTB-K, KCB group, Equity group, HF group and NCBA bank's asset quality with their NPL ratio decreasing by 2.1%, 1.6%, 1.6%, 1.0%, 0.9%, 0.8%, 0.8% and 0.4% points respectively,
- ii. Co-operative bank and Absa group had the highest NPL ratio jumps by 0.8% and 0.5% points respectively to 17.3% and 13.0%, from 16.5% and 12.6% respectively in Q3'2024. Co-operative bank's asset quality worsened due to a 12.7% rise in Gross Non-Performing Loans to Kshs 78.9 bn in Q3'2025 from Kshs 70.0 bn in Q3'2024, relative to the 7.8% increase in gross loans to Kshs 456.8 bn from Kshs 423.7 bn in Q3'2024. Similarly, Absa bank's asset quality worsened due to a 3.6% increase in Gross non-performing loans to Kshs 44.2 bn, from Kshs 42.7 bn in Q3'2024, relative to the 0.01% increase in gross loans to Kshs 339.4 bn, from Kshs 339.3 bn recorded in Q3'2024, and,
- iii. Market weighted average NPL Coverage for the listed banks increased by 6.2% points to 70.6% in Q3'2025, from 64.5% recorded in Q3'2024, majorly on the back of increased NPL coverage recorded by Equity Group, Diamond Trust Bank Kenya, NCBA Bank, I&M Group, Stanbic Bank, KCB Group, Co-operative Bank and Absa Group by 14.4%, 13.0%, 9.2%, 8.2%, 6.7%, 4.1%, 3.2% and 1.8% points respectively in Q3'2025. However, the NPL coverage ratio of HF Group and Standard Chartered Bank Kenya decreased by 0.2% and 0.1% points respectively in Q3'2025.

Section II: Summary of the Performance of the Listed Banking Sector in Q3'2025:

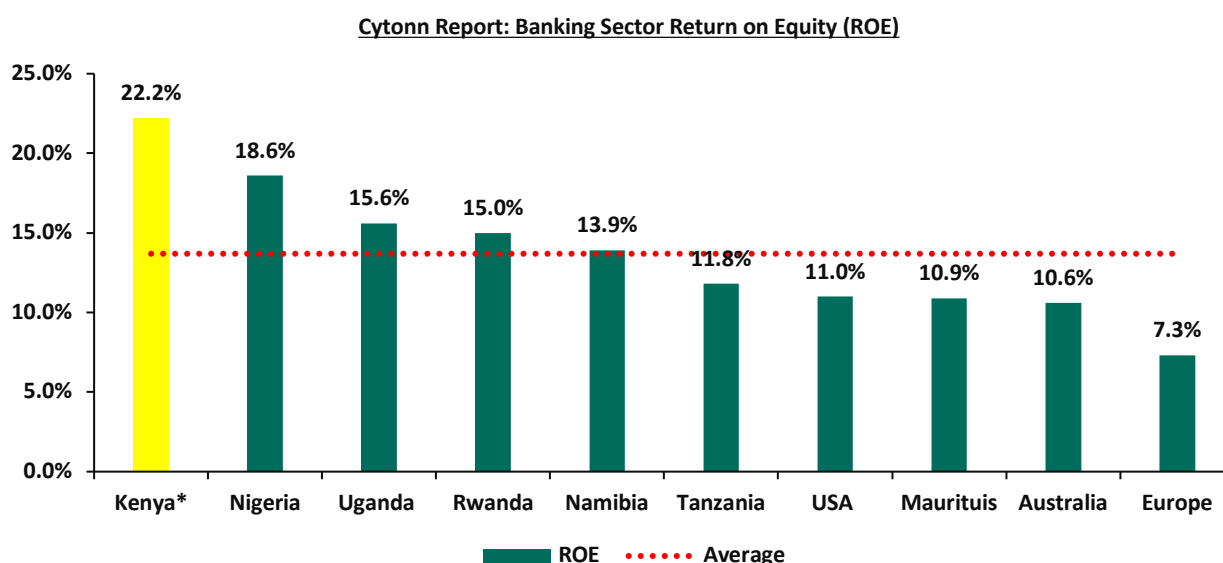
The table below highlights the performance of the banking sector, showing the performance using several metrics, and the key take-outs of the performance;

Cytonn Report: Kenyan Listed Banks Performance Q3'2025															
Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Net Interest Income Growth	Net Interest Margin	Non-Funded Income Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Growth in Government Securities	Loan to Deposit Ratio	Loan Growth	Return on Average Equity	COF	YIEA
Equity Group	32.7%	2.9%	(20.7%)	16.1%	7.9%	2.5%	40.1%	7.6%	2.2%	19.9%	63.9%	7.5%	24.5%	3.7%	11.3%
I&M Group	24.2%	0.6%	(23.1%)	21.1%	8.3%	17.9%	26.0%	15.7%	10.2%	65.2%	66.2%	7.3%	19.2%	5.3%	13.1%
Absa Bank Kenya	14.7%	(9.6%)	(21.9%)	(4.6%)	9.6%	11.2%	29.2%	16.3%	9.2%	71.1%	80.6%	(0.6%)	26.8%	3.8%	12.9%
Diamond Trust Bank	12.3%	0.9%	(14.6%)	17.9%	6.2%	(5.8%)	26.7%	10.7%	15.5%	22.9%	58.1%	7.8%	11.2%	5.5%	11.7%
Co-operative Bank	12.3%	10.0%	(9.0%)	22.8%	8.7%	(0.8%)	32.8%	1.6%	6.7%	20.7%	74.1%	6.6%	18.8%	5.4%	13.4%
NCBA Group	8.5%	(11.8%)	(42.3%)	27.4%	7.3%	(1.9%)	40.0%	2.5%	(5.3%)	3.0%	60.0%	(3.5%)	21.0%	5.3%	12.1%
KCB Group	0.7%	1.1%	(17.6%)	12.4%	8.4%	(10.1%)	30.2%	(1.5%)	(0.8%)	6.1%	74.7%	8.2%	22.7%	4.0%	12.2%
Stanbic Group	(7.7%)	(17.2%)	(41.4%)	8.0%	6.3%	(24.5%)	27.6%	1.1%	4.9%	32.8%	73.6%	15.7%	18.5%	4.5%	11.1%
Standard Chartered Bank	(38.2%)	(13.5%)	(9.2%)	(10.3%)	9.3%	(28.6%)	31.3%	(6.9%)	(0.3%)	55.9%	51.7%	(3.2%)	21.5%	1.5%	10.6%
HF Group	(58.3%)	19.4%	(12.4%)	63.3%	6.6%	28.6%	28.8%	(10.1%)	21.6%	94.3%	71.7%	2.8%	7.7%	6.1%	12.3%
Q3'2025 Mkt Weighted Average*	7.6%	(2.6%)	(21.7%)	13.4%	8.2%	(3.3%)	33.1%	4.1%	3.2%	29.9%	67.9%	4.8%	21.7%	4.2%	12.0%

Q3'2024 Mkt Weighted Average**	24.6%	25.5%	52.9%	14.7%	7.9%	14.5%	36.9%	10.0%	2.3%	10.4%	66.3%	(2.3%)	23.5%	4.9%	12.5%
*Market cap weighted as at 11/12/2025															
**Market cap weighted as at 11/12/2024															

Key takeaways from the table include:

- i. The listed banks recorded a 7.6% growth in core Earnings per Share (EPS) in Q3'2025, compared to the weighted average growth of 24.6% in Q3'2024, an indication of weaker performance on the back of a 3.3% decline in non-funded income in Q3'2025, compared to a growth of 14.5% in Q3'2024. This was majorly attributable to a decline in foreign exchange income due to reduced dollar demand and lower transaction volumes weighing down on fees and commissions income growth which declined by 5.9% points to 4.1% in Q3'2025 from 10.0% in Q3'2024. The performance during the period was mainly weighed down by a 3.3% weighted average decline in non-funded income, but however supported by a 13.4% weighted average growth in net interest income,
- ii. Investments in government securities investments by listed banks increased significantly in Q3'2025, having recorded a market-weighted average growth of 29.9%, from the 10.4% growth recorded in Q3'2024, with all of the listed banks recording increases in government securities investments. HF Group and Absa Bank Kenya recorded the largest increases of 94.3% and 71.1% respectively.
- iii. The listed banks' Net loans and advances to customers recorded a weighted average growth of 4.8% in Q3'2025, an increase from the 2.3% decline recorded in Q3'2024, an indicating increased lending activity supported by easing borrowing costs, as a result of declining lending interest rates.
- iv. Interest income recorded a weighted average decline of 2.6% in Q3'2025, compared to a growth of 25.5% in Q3'2024. Similarly, interest expenses recorded a market-weighted average decline of 21.7% in Q3'2025 compared to a growth of 52.9% in Q3'2024. Consequently, net interest income recorded a weighted average growth of 13.4% in Q3'2025, slightly lower than the 14.7% growth recorded in Q3'2024, on the back of easing monetary policy leading to lower lending and deposit rates,
- v. Notably, non-funded income growth softened during the year, as evidenced by non-funded income weighted average decline of 3.3% in Q3'2025 compared to a weighted average growth of 14.5% in Q3'2024. The performance was largely attributable to the decrease in foreign exchange income recorded by the banks during the period as a result of decreased dollar demand in the country. Additionally, listed banks recorded a weighted average growth of 4.1% in total fees and commissions income in Q3'2025 compared to a weighted growth of 10.0% in Q3'2024, and,
- vi. The listed banks recorded a 21.7% weighted average growth on return on average equity (Roae), 1.8% points lower than the 23.5% growth registered in Q3'2024. Similarly, the entire banking sector's Return On Equity (ROE) stood at [22.2%](#) as of September 2025, a 0.8% points decrease from the 23.0% recorded in June 2025 and a 2.7% points decrease from the 24.9% recorded in September 2024 . On a global level, the Kenyan banking sector continues to record high profitability compared to other economies in the world, as highlighted in the chart below:



Source: Cytonn research

* Figure as of September 2025

Section III: The Focus Areas of the Banking Sector Players Going Forward:

The banking sector witnessed a slowdown in profitability during the period under review, with the Core Earnings Per Share (EPS) increasing by 7.6% compared to the 24.6% growth registered last year in a similar period, this is primarily due to a 3.3% decline in non-funded income in Q3'2025, compared to a growth of 14.5% in Q3'2024. 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. Notably, all six of the ten listed banks recorded a decline in non-funded income in Q3'2025, highlighting the sector's continued reliance on Interest income. This concentration has exposed banks to earnings pressure in an increasingly interest-rate-sensitive environment. While there were expectations of an improved operating environment following continued monetary policy easing, evidenced by a lower Central Bank Rate (CBR) of 9.0% as of December 2025 and a relatively stable Shilling, the broader economic performance has yet to translate into meaningful revenue diversification or asset quality improvement. Consequently, profitability remains constrained, and it is uncertain whether banks will reduce provisioning levels in the near term. Any moderation in provisioning will largely depend on sustained economic recovery and a material easing of credit risk. Notably, general provisions among listed banks recorded a higher weighted growth of 12.1% in Q3'2025, compared to 7.0% in Q3'2024, underscoring persistent asset quality concerns despite the more accommodative monetary policy stance. Based on the current operating environment, we believe the future performance of the banking sector will be shaped by the following key factors:

- I. **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 9.0% in December 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.,
- II. **Revenue Diversification:** In Q3'2025, non-funded income (NFI) recorded a 3.3% weighted average decline, a reversal from the 14.5% weighted growth in Q3'2024. This contraction was largely driven by lower foreign exchange income, reflecting subdued FX trading volumes and reduced transactional activity as exchange rate volatility remained relatively muted, limiting trading and revaluation gains despite the broadly stable Shilling. In addition, the slowdown in fees and commissions income, one of the key components of NFI, also contributed to the weaker performance, with growth moderating to 4.1% in Q3'2025 from 10.0% in Q3'2024, 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 33.1% in Q3'2025, 3.8% points lower than the 36.9% weighted average contribution recorded in Q3'2024 and as such, there still exists an opportunity for the sector to further increase NFI contributions to revenue given the continuous adoption of digitization,

- III. Growth in Loans and Advances:** While 7 of the listed banks experienced modest positive loan growth, 3 out of the 10 listed banks recorded negative growth in loans and advances to customers, resulting in a weighted average growth in loans of 4.8% relative to the 2.3% decline recorded in a similar period in 2024. With the consistent ease in the Central Bank Rate (CBR) recently, borrowing costs are expected to decline. 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,
- IV. Regional Expansion and Further Consolidation:** Consolidation remains a key theme going forward with the current environment offering opportunities for larger banks with a sufficient capital base to expand and take advantage of the market's low valuations, as well as further consolidate out smaller and weaker banks. Notably, the majority of the bigger banks have continued to cushion over unsystematic risks specific to the local market by expanding their operations into other African nations. Banks such as KCB and Equity Group have been leveraging on expansion and consolidation, which has largely contributed to their increased asset base as well as earnings growth. Additionally, we expect the increased capital requirements imposed on banks to further accelerate consolidation, as only well-capitalized banks are able to meet these thresholds while pursuing expansion opportunities. As such, we expect to see a continued expansion trend aimed at revenue optimization.

Section IV: Brief Summary and Ranking of the Listed Banks:

As per our analysis of the banking sector from a franchise value and a future growth opportunity perspective, we carried out a comprehensive ranking of the listed banks. For the franchise value ranking, we included the earnings and growth metrics as well as the operating metrics shown in the table below in order to carry out a comprehensive review of the banks:

Cyttonn Report: Listed Banks Earnings, Growth and Operating Metrics Q3'2025								
Bank	Loan to Deposit Ratio	Cost to Income (With LLP)	Return on Average Capital Employed	Deposits/ Branch (bn)	Gross NPL Ratio	NPL Coverage	Tangible Common Ratio	Non-Funded Income/Revenue
Absa Bank	80.6%	48.0%	26.8%	4.6	13.0%	67.1%	16.8%	29.2%
KCB Group	74.7%	58.5%	22.7%	11.6	17.2%	67.9%	14.5%	30.2%
Coop Bank	74.1%	56.0%	18.8%	3.3	17.3%	63.7%	19.6%	32.8%
Stanbic Bank	73.6%	54.5%	18.5%	3.1	8.1%	83.2%	13.7%	27.6%
HF Group	71.7%	74.7%	7.7%	13.2	23.3%	74.3%	21.4%	28.8%
I&M Holdings	66.2%	60.1%	19.2%	3.1	10.2%	69.5%	16.8%	26.0%
Equity Bank	63.9%	58.0%	24.5%	2.6	13.6%	71.1%	15.2%	40.1%
NCBA Group	60.0%	61.7%	21.0%	2.4	12.1%	68.9%	17.2%	40.0%
DTBK	58.1%	67.3%	11.2%	3.3	12.4%	52.1%	15.2%	26.7%
SCBK	51.7%	59.3%	21.5%	3.9	5.9%	85.1%	15.4%	31.3%
Weighted Average Q3'2025	67.9%	57.8%	21.7%	5.0	13.2%	70.6%	16.1%	33.1%
Market cap weighted as at 10/12/2025								

The overall ranking was based on a weighted average ranking of Franchise value (accounting for 60.0%) and intrinsic value (accounting for 40.0%). The Intrinsic Valuation is computed through a combination of

valuation techniques, with a weighting of 40.0% on Discounted Cash-flow Methods, 35.0% on Residual Income, and 25.0% on Relative Valuation, while the Franchise ranking is based on a bank's operating metrics, meant to assess efficiency, asset quality, diversification, and profitability, among other metrics. The overall Q3'2025 ranking is as shown in the table below:

Cytonn Report: Listed Banks Q3'2025 Rankings					
Bank	Franchise Value Rank	Intrinsic Value Rank	Weighted Rank Score	Q3'2024 Rank	Q3'2025 Rank
Absa Bank	1	3	1.8	1	1
Equity Bank	3	4	3.4	6	2
Coop Bank	6	1	4.0	2	3
SCBK	2	8	4.4	3	4
NCBA Group	7	2	5.0	5	5
I&M Holdings	4	7	5.2	6	6
KCB Group	5	10	7.0	8	7
DTBK	9	6	7.8	9	8
HF Group	10	5	8.0	10	9
Stanbic Bank	8	9	8.4	4	10

Major Take-outs from the Q3'2025 Ranking are:

1. Absa Bank maintained position 1 in Q3'2025, mainly supported by strong franchise value score and intrinsic value score, attributable to decrease in the cost to income ratio by 7.0% points to 48.0% in Q3'2025, from 55.0% in Q3'2024 coupled with an increase in the bank's return on average equity ratio by 0.5% points to 26.8% in Q3'2025 from 26.4% in Q3'2024,
2. Equity Bank climbed up 4 places to rank at position 2 in Q3'2025, up from position 6 in Q3'2024 supported by significant improvement in its intrinsic value score. Its performance attributable to the decrease in its cost to income ratio by 6.0% points to 58.0% in Q3'2025 from 64.0% in Q3'2024. Notably, the bank's Net Interest Margin increased by 0.2% points to 7.9% in Q3'2025 from 7.7% in Q3'2024,
3. Stanbic slid 6 places to rank at position 10 in Q3'2025, down from position 4 in Q3'2024, attributable a decline in intrinsic value score and the franchise value score mainly on the back of 0.3% points decline in Return on average equity to 18.5% in Q3'2025 from the 22.2% recorded in Q3'2024, coupled with the 2.7% points increase in its cost to income without LLPs to 45.6% in Q3'2025, from 42.9% in Q3'2024.

For more information, see our **Cytonn Q3'2025 Listed Banking Sector Review** full report.

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