

## **REITs H1'2025 performance report, & Cytonn Weekly #34/2025**

### **Executive Summary:**

**Fixed Income:** This week, T-bills were oversubscribed for the first time in four weeks, with the overall subscription rate coming in at 113.5%, higher than the subscription rate of 96.6% recorded the previous week. Investors' preference for the shorter 91-day paper persisted, with the paper receiving bids worth Kshs 7.8 bn against the offered Kshs 4.0 bn, translating to a subscription rate of 194.3%, higher than the subscription rate of 123.2%, recorded the previous week. The subscription rates for the 182-day paper increased to 120.8% from the 74.6 % recorded the previous week, while that of the 364-day paper decreased to 73.9% from the 108.0% recorded the previous week. The government accepted a total of Kshs 24.3 bn worth of bids out of Kshs 27.2 bn bids received, translating to an acceptance rate of 89.1%. The yields on the government papers were on a downward trajectory with the yields on the 182-day paper decreasing the most by 4.9 bps to 8.07% from the 8.12% recorded the previous week. The yields on the 91-day paper and 364-day paper decreased by 1.2 bps and 0.9 bps to 8.00% and 9.57% respectively, from the 8.01% and 9.58% respectively recorded the previous week

The Central Bank of Kenya released the auction results for the IFB1/2018/015 and IFB1/2022/019 tap sale with tenors to maturities of 7.4 years and 15.4 years respectively and fixed coupon rates of 12.5% and 13.0% respectively. The bonds were oversubscribed, with the overall subscription rate coming in at 414.9%, receiving bids worth Kshs 207.5 bn against the offered Kshs 50.0 bn. The government accepted bids worth Kshs 179.8 bn, translating to an acceptance rate of 86.7%. The allocated average yield for the accepted bids for the IFB1/2018/015 and IFB1/2022/019 was at 13.0% and 14.0% respectively. Given the bonds are tax free, compared to 10.0% withholding tax for other long-term bonds, the effective tax yield is 14.4% and 15.6% for the IFB1/2018/015 and IFB1/2022/019 respectively. With the Inflation rate at 4.1% as of July 2025, the real returns of the IFB1/2018/015 and IFB1/2022/019 are 8.9% and 9.9%;

We are projecting the y/y inflation rate for July 2025 to increase marginally to within the range of **3.9% - 4.4%** mainly on the back of rising fuel prices in June and the decrease in the Central Bank Rate (CBR) by 25.0 bps to 9.50% from 9.75%.

During the week, the global ratings agency, Moody's [announced](#) its revision of Kenya's credit outlook to positive from negative, while maintaining the credit rating at Caa1, on the back of a likelihood of an ease in liquidity risks and improved debt affordability;

**Equities:** During the week, the equities market was on an upward trajectory, with NSE 20 gaining the most by 3.3%, while NASI, NSE 10 and NSE 25 gained by 2.6%, 2.5% and 1.9% respectively, taking the YTD performance to gains of 35.7%, 34.0%, 27.0% and 26.7% for NASI, NSE 20, NSE 10 and NSE 25 respectively. The equities market performance was driven by gains recorded by large-cap stocks such as DTB, EABL and Safaricom of 7.7%, 5.3% and 5.0% respectively. The performance was, however, weighed down by losses recorded by large cap stocks such as Standard Chartered, NCBA and BAT of 6.0%, 3.9% and 0.2% respectively.

Additionally, in the regional equities market, the East African Exchanges 20 (EAE 20) share index gained by 4.0 bps, attributable to gains recorded by large cap stocks such as NMB Bank, Tanzania Breweries Limited and Tanga Cement Limited of 5.9%, 3.8% and 3.6% respectively;

During the week, Standard Chartered released its H1'2025 financial results, with its Core Earnings per Share (EPS) decreasing by 21.4% to Kshs 21.4, from Kshs 27.2 in H1'2024;

During the week, Diamond Trust Bank, released its H1' 2025 financial results with its Core earnings per share increasing to Kshs 19.2 from Kshs 15.5 in H1' 2024;

I&M Group released their H1' 2025 results with its core Earnings per share reducing by 37.9% to Kshs 4.5 from Kshs 3.3 in H1' 2024;

During the week, Sanlam Kenya Holdings released their H1'2025 results, recording an 89.0% decrease in Profit After Tax to Kshs 0.03 bn, from the Kshs 0.3 bn recorded in H1'2024. The performance was mainly driven by a 51.3% increase Net expenses from reinsurance contracts held, to Kshs 0.4 bn from Kshs 0.3 bn in H1'2024, but supported by a 34.0% increase in insurance investment revenue to Kshs 3.1 bn in H1'2025, from Kshs 2.3 bn in H1'2024;

During the week, Liberty Kenya Holdings released their H1' 2025 results, with Profit After Tax decreasing by 29.8% to Kshs 0.4 bn, from the Kshs 0.6 bn recorded in H1'2024. The performance was mainly driven by 61.0% decrease in net insurance service revenue to Kshs 0.2 bn in H1'2025, from Kshs 0.6 bn in H1'2024, coupled with 4.7% decrease in net investment revenue to Kshs 0.8 bn, from Kshs 0.9 bn in H1'2024;

**Real Estate:** During the week, the National Social Security Fund (NSSF) [sought](#) to secure a Kshs 1.6 bn loan from a local bank to kickstart the first phase of its ambitious Kisumu Lakeview Estate project—a major real estate venture designed to deliver over 1,300 homes and commercial amenities in Kisumu. This marks one of the fund's largest investments outside Nairobi in more than ten years, reflecting its growing focus on regional development and real estate as a source of long-term returns for pensioners

During the week, state-backed mortgage lender, Kenya Mortgage Refinance Company (KMRC) released its [H1 2025](#) financial results, which reported a 18.6% decrease in Profit After Tax (PAT) to Kshs 927.2 mn from Kshs 956.2 mn recorded in H1'2024 attributable to 24.5% increase in interest expense to Kshs 649.8 mn in H1'2025 from 521.7 mn in H1'2024.

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 15<sup>th</sup> August 2025. The performance represented a 37.0% and 16.0% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 15<sup>th</sup> August 2025, representing a 45.0% loss from the Kshs 20.0 inception price.

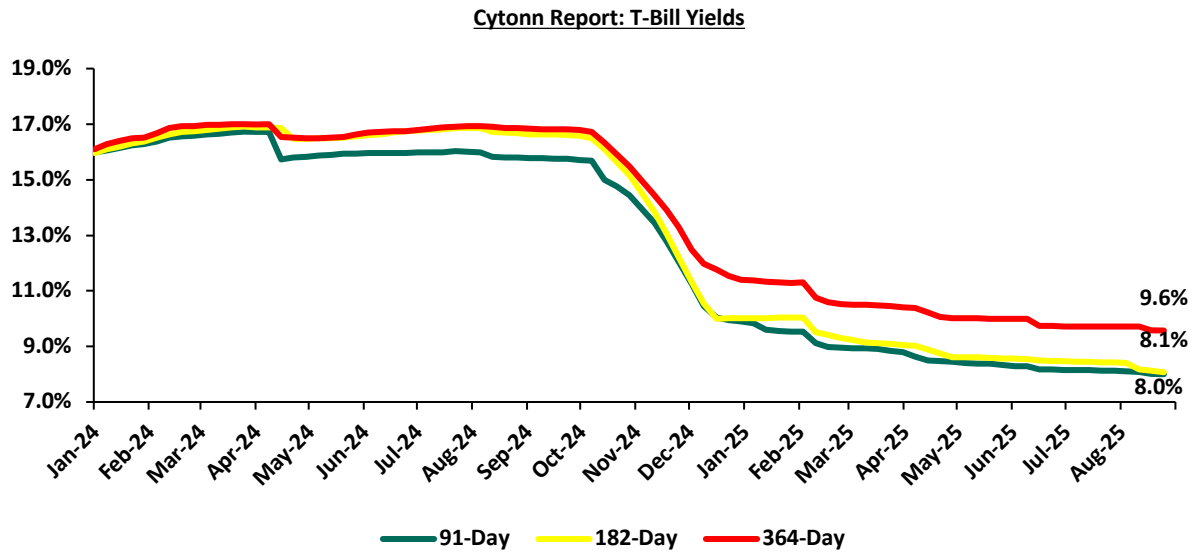
**Focus of the Week:** Following the release of the H1'2025 results by all four authorized Real Estate Investment Trusts (REITs) in Kenya, Cytonn Real Estate Research Team undertook an analysis of the financial performance of the REITs and identified the key factors that shaped the performance of the sector, discussing the background and structure of REITs in Kenya, and assess the financial performance of the current REITs in the market during H1'2025 in terms of operational metrics, profitability metrics, leverage ratios, liquidity ratios and valuation metrics;

## **Fixed Income**

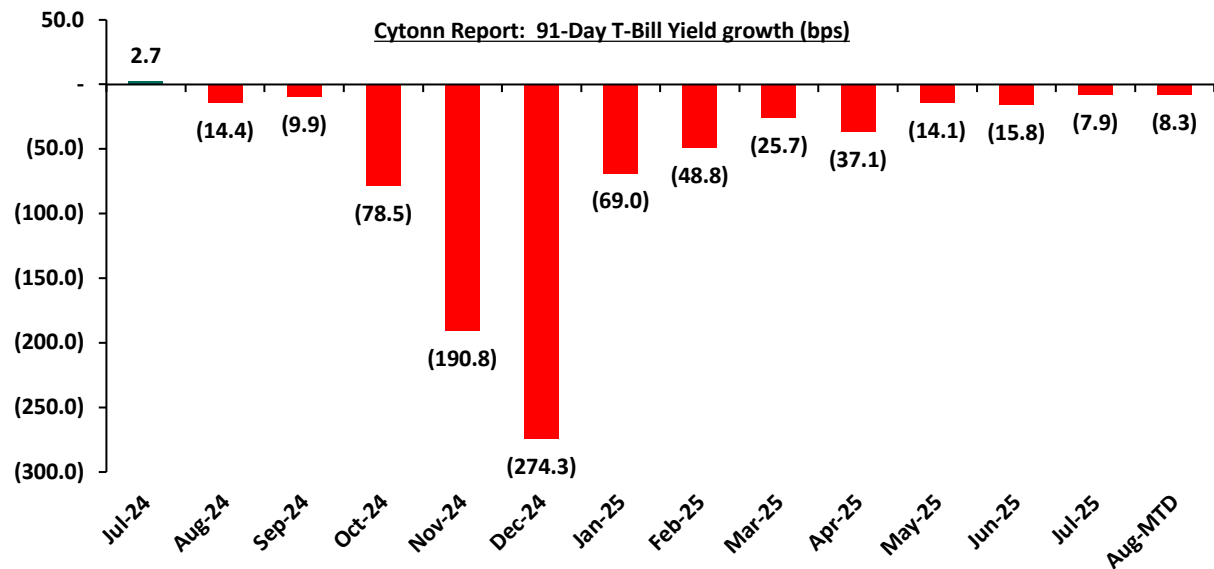
### **Money Markets, T-Bills and T-Bonds Primary Auction:**

This week, T-bills were oversubscribed for the first time in four weeks, with the overall subscription rate coming in at 113.5%, higher than the subscription rate of 96.6% recorded the previous week. Investors' preference for the shorter 91-day paper persisted, with the paper receiving bids worth Kshs 7.8 bn against the offered Kshs 4.0 bn, translating to a subscription rate of 194.3%, higher than the subscription rate of 123.2%, recorded the previous week. The subscription rates for the 182-day paper increased to 120.8% from the 74.6 % recorded the previous week, while that of the 364-day paper decreased to 73.9% from the 108.0% recorded the previous week. The government accepted a total of Kshs 24.3 bn worth of bids out of Kshs 27.2 bn bids received, translating to an acceptance rate of 89.1%. The yields on the government papers were on a downward trajectory with the yields on the 182-day paper decreasing the most by 4.9 bps to 8.07% from the 8.12% recorded the previous week. The yields on the 91-day paper and 364-day paper decreased by 1.2 bps and 0.9 bps to 8.00% and 9.57% respectively, from the 8.01% and 9.58% respectively recorded the previous week;

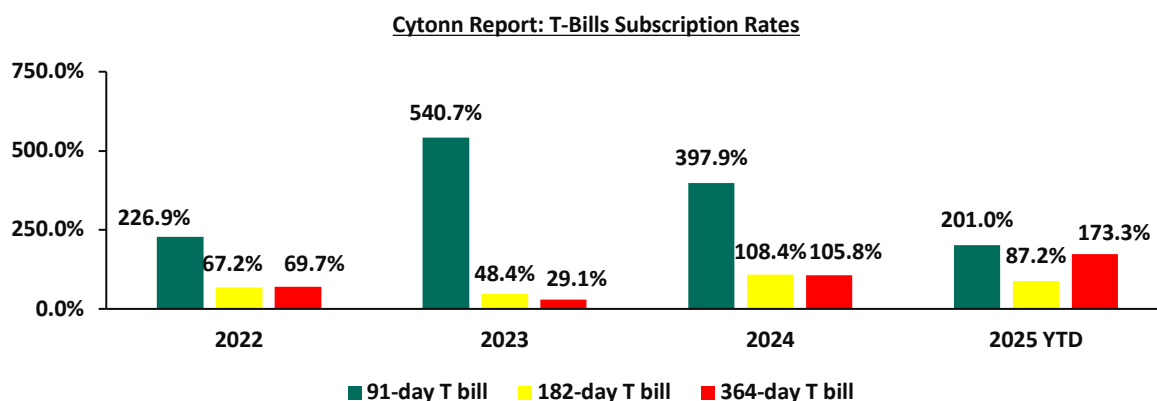
The chart below shows the yield performance of the 91-day, 182-day and 364-day papers over the period;



The chart below shows the yield growth for the 91-day T-bill:



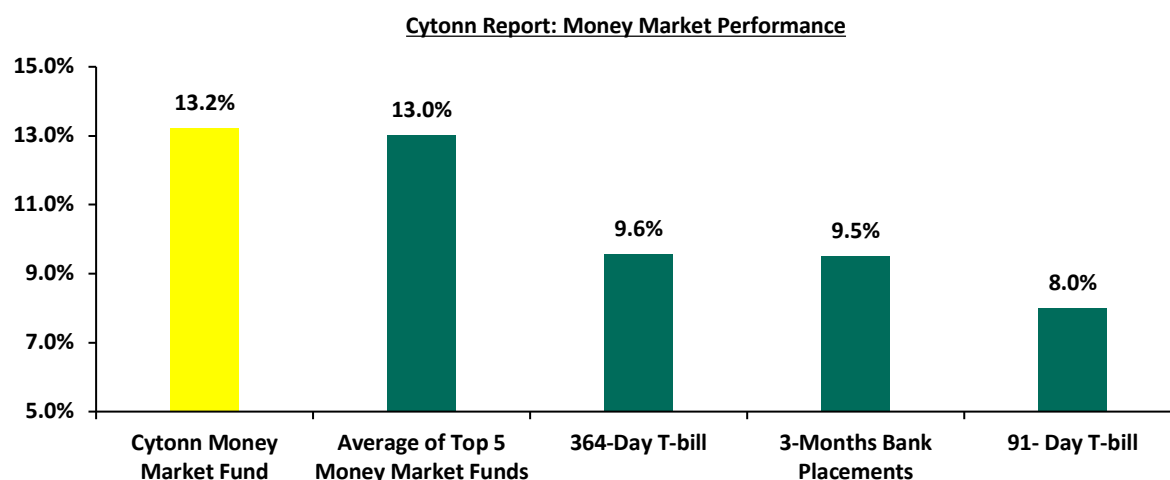
The chart below compares the overall average T-bill subscription rates obtained in 2022, 2023, 2024 and 2025 Year-to-date (YTD):



During the week, the Central Bank of Kenya released the auction results for the IFB1/2018/015 and IFB1/2022/019 tap sale with tenors to maturities of 7.4 years and 15.4 years respectively and fixed coupon rates of 12.5% and 13.0% respectively. The bonds were oversubscribed, with the overall subscription rate coming in at 414.9%, receiving bids worth Kshs 207.5 bn against the offered Kshs 50.0 bn. The government accepted bids worth Kshs 179.8 bn, translating to an acceptance rate of 86.7%. The allocated average yield for the accepted bids for the IFB1/2018/015 and IFB1/2022/019 was at 13.0% and 14.0% respectively. Given the bonds are tax free, compared to 10.0% withholding tax for other long-term bonds, the effective tax yield is 14.4% and 15.6% for the IFB1/2018/015 and IFB1/2022/019 respectively. With the Inflation rate at 4.1% as of July 2025, the real returns of the IFB1/2018/015 and IFB1/2022/019 are 8.9% and 9.9%;

#### Money Market Performance:

In the money markets, 3-month bank placements ended the week at 9.5% (based on what we have been offered by various banks) and the yields on the government papers were on a downward trajectory with the yields on 91-day papers and 364-day papers decreasing by 1.2 bps and 0.9 bps respectively to 8.00% and 9.57% from the 8.01% and 9.58% respectively recorded the previous week. The yield on the Cytonn Money Market Fund remained unchanged from the 13.2% recorded the previous week, while the average yields on the Top 5 Money Market Funds increased marginally by 1.6 bps to remain relatively unchanged from the 13.0% recorded the previous week.



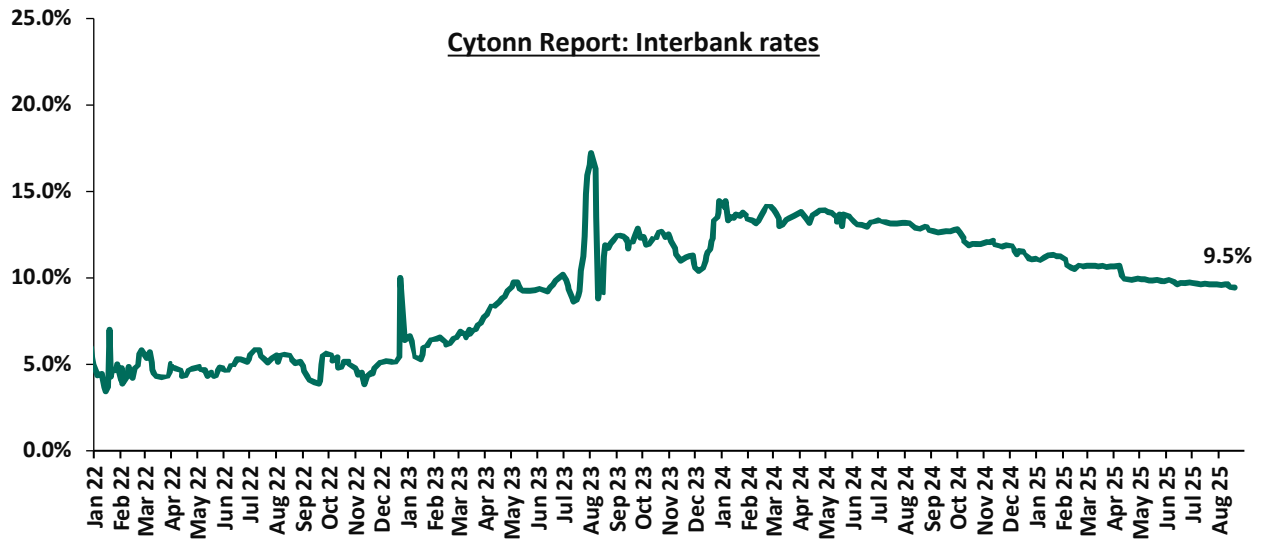
The table below shows the Money Market Fund Yields for Kenyan Fund Managers as published on 22<sup>nd</sup> August 2025:

Money Market Fund Yield for Fund Managers as published on 22nd August 2025		
Rank	Fund Manager	Effective Annual Rate
1	Cytonn Money Market Fund (Dial *809# or download Cytonn App)	13.2%
2	Gulfcap Money Market Fund	13.1%
3	Ndovu Money Market Fund	13.1%
4	Nabo Africa Money Market Fund	13.0%
5	Lofty-Corban Money Market Fund	12.6%
6	Orient Kasha Money Market Fund	12.3%
7	Etica Money Market Fund	12.1%
8	Kuza Money Market fund	12.0%
9	Arvocap Money Market Fund	11.9%
10	Enwealth Money Market Fund	11.1%
11	GenAfrica Money Market Fund	11.1%
12	Old Mutual Money Market Fund	11.0%
13	Jubilee Money Market Fund	10.8%
14	British-American Money Market Fund	10.7%
15	Madison Money Market Fund	10.4%
16	Faulu Money Market Fund	10.3%
17	Dry Associates Money Market Fund	10.2%
18	Sanlam Money Market Fund	10.1%
19	Apollo Money Market Fund	10.0%
20	KCB Money Market Fund	9.7%
21	Mali Money Market Fund	9.3%
22	Co-op Money Market Fund	9.3%
23	ICEA Lion Money Market Fund	9.3%
24	Absa Shilling Money Market Fund	9.1%
25	Genghis Money Market Fund	8.6%
26	CIC Money Market Fund	8.5%
27	Mayfair Money Market Fund	8.5%
28	AA Kenya Shillings Fund	7.7%
29	CPF Money Market Fund	7.6%
30	Ziidi Money Market Fund	6.8%
31	Stanbic Money Market Fund	6.6%
32	Equity Money Market Fund	5.1%

Source: Business Daily

#### Liquidity:

During the week, liquidity in the money markets marginally eased, with the average interbank rate decreasing by 8.6 bps, to 9.4% from the 9.5% recorded the previous week, partly attributable to tax remittances that were offset by government payments. The average interbank volumes traded decreased by 36.7% to Kshs 6.2 bn from Kshs 9.8 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 Kenya's Eurobonds were on an upward trajectory with the yield on the 13-year Eurobond issued in 2021 increasing the most by 13.4 bps to 9.5% from the 9.4% recorded the previous week. The table below shows the summary performance of the Kenyan Eurobonds as of 21<sup>st</sup> August 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	2.7	22.7	1.9	6.9	9.0	5.7	10.7
Yields at Issue	7.3%	8.3%	7.0%	7.9%	6.2%	10.4%	9.9%
02-Jan-25	9.1%	10.3%	8.5%	10.1%	10.1%	10.1%	
01-Aug-25	7.8%	10.3%	-	9.3%	9.8%	9.2%	
14-Aug-25	7.4%	10.0%	-	8.9%	9.4%	8.7%	
15-Aug-25	7.4%	10.0%	-	8.9%	9.4%	8.8%	
18-Aug-25	7.4%	10.1%	-	9.0%	9.5%	8.9%	
19-Aug-25	7.5%	10.1%	-	9.1%	9.5%	8.9%	
20-Aug-25	7.6%	10.2%	-	9.1%	9.6%	8.8%	
21-Aug-25	7.4%	10.1%	-	9.0%	9.5%	8.8%	
<b>Weekly Change</b>	<b>0.0%</b>	<b>0.1%</b>	<b>-</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>-</b>
<b>MTD Change</b>	<b>(0.4%)</b>	<b>(0.2%)</b>	<b>-</b>	<b>(0.3%)</b>	<b>(0.2%)</b>	<b>(0.4%)</b>	<b>-</b>
<b>YTD Change</b>	<b>(1.6%)</b>	<b>(0.2%)</b>	<b>-</b>	<b>(1.0%)</b>	<b>(0.5%)</b>	<b>(1.3%)</b>	<b>-</b>

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

#### Kenya Shilling:

During the week, the Kenyan Shilling appreciated marginally against the US Dollar by 0.1 bps, to remain relatively unchanged from the Kshs 129.2 recorded the previous week. On a year-to-date basis, the shilling has appreciated by 5.2 bps against the dollar, compared to the 17.6% appreciation recorded in 2024.

We expect the shilling to be supported by:

- i. Diaspora remittances standing at a cumulative USD 5,084.0 mn in the twelve months to June 2025, 12.1% higher than the USD 4,535.0 mn recorded over the same period in 2024. These has continued to cushion the shilling against further depreciation. In the June 2025 diaspora

remittances figures, North America remained the largest source of remittances to Kenya accounting for 57.9% in the period,

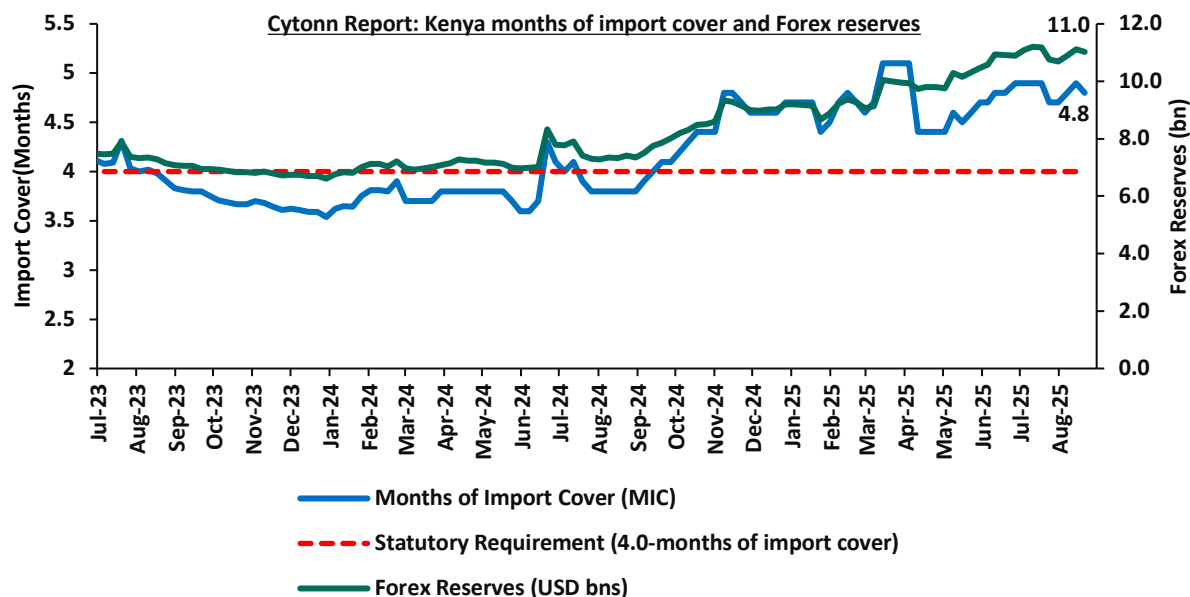
- ii. The tourism inflow receipts which came in at Kshs 452.2 bn in 2024, a 19.8% increase from Kshs 377.5 bn inflow receipts recorded in 2023, and owing to tourist arrivals that improved by 8.0% to 2,303,028 in the 12 months to February 2025 from 2,133,612 in the 12 months to February 2024 and,
- iii. Improved forex reserves currently at USD 11.0 bn (equivalent to 4.8-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 1.6% of GDP in the twelve months to June 2025, and,
- ii. The need for government debt servicing, continues to put pressure on forex reserves given that 62.0% of Kenya's external debt is US Dollar-denominated as of December 2024.

Key to note, Kenya's forex reserves decreased marginally by 0.7% during the week, to USD 11.0 bn from the USD 11.1 bn recorded in the previous week, (equivalent to 4.8 months of import cover), and 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 chart below summarizes the evolution of Kenya's months of import cover over the years:



## Weekly highlights

### I. August 2025 Inflation Projection Highlight

We are projecting the y/y inflation rate for August 2025 to remain stable within the range of **3.9% – 4.4%**, mainly on the back of:

- i. **The decrease in the Central Bank Rate (CBR) by 25.0 bps to 9.50% from 9.75%** – In 2025, the CBK Monetary Policy Committee has continued adopting an accommodative monetary policy stance,

reducing the Central Bank Rate (CBR) by a cumulative 175.0 bps from 11.25% at the beginning of the year. Notably, the MPC cut the Central Bank Rate (CBR) by 25.0 bps in August 2025, lowering it to 9.50% from 9.75% in June 2025. This reduction in the CBR is likely to increase the money supply through lower borrowing costs, which may cause a slight rise in inflation rates as the effects of the CBR continue to gradually take hold in the broader economy.

- ii. **Depreciation of the Kenya Shilling against the US Dollar** – The Kenya Shilling has recorded a slight 0.1 bps month-to-date depreciation as of 22<sup>nd</sup> August 2025 to Kshs 129.2 relatively unchanged from the beginning of the month. This depreciation in the exchange rate, albeit slight, could induce inflationary pressures making imported goods more expensive.

We, however, expect that inflation rate will, however, be supported by:

- i. **Decreasing Fuel Prices in August 2025**– In their last fuel prices release, EPRA [announced](#) that the maximum retail fuel prices in Kenya, effective from 15<sup>th</sup> August 2025 to 14<sup>th</sup> September 2025. The price for Super Petrol and Kerosene decreased by Kshs 1.0 each respectively, while the price for Diesel remained unchanged. Consequently, Super Petrol and Kerosene will now retail at Kshs 185.3 and Kshs 155.6 per litre respectively, from Kshs 186.3 and Kshs 156.6 per litre respectively while Diesel will now retail at Kshs 171.6 per litre. This notable decrease in fuel prices may alleviate upward pressure on inflation, given fuel's significant role in transportation and production costs across the economy.
- ii. **Reduced electricity prices** – In August 2025, electricity prices [decreased](#) marginally on the back of a decrease in fuel cost charges and the forex adjustment charges. EPRA set the fuel cost charge and forex adjustment charge at Kshs 2.99 and Kshs 1.2 respectively, down from Kshs 3.02 and Kshs 1.7 respectively in July 2025. With electricity being one the major inputs of inflation, this decrease is expected to decrease production costs for businesses as well as decrease electricity costs for households and thus easing inflation.

Going forward, we expect inflationary pressures to remain anchored in the short term, remaining within the CBK's target range of 2.5%-7.5% aided by reduced electricity prices. However, risks remain, particularly from the potential for increased demand-driven inflation due to accommodative monetary policy. The decision to lower the CBR to 9.50% during the latest MPC meeting will likely increase money supply, in turn increasing inflation, especially with further cuts expected in the coming meetings. The CBK's ability to balance growth and inflation through close monitoring of both inflation and exchange rate stability will be key to maintaining inflation within the target range.

## II. Kenya's Credit Rating Upgrade by S&P Global Ratings

On 22<sup>nd</sup> August 2025, S&P Global Ratings [raised](#) Kenya's long-term sovereign credit rating to 'B' from 'B-', with a stable outlook, while affirming the short-term sovereign credit rating at 'B'. At the same time, the agency revised Kenya's transfer and convertibility assessment upward to 'B+' from 'B', reflecting the country's improved external liquidity buffers and relatively resilient economic fundamentals compared to peers. This development marks a notable turnaround in Kenya's sovereign risk profile, coming only a year after the same agency downgraded the country in August 2024 in the wake of fiscal setbacks following the repeal of the Finance Bill 2024.

The upgrade was driven primarily by an easing of external liquidity risks, strong balance of payments support, and resilience in economic activity. Kenya's current account deficit narrowed sharply to 1.3% of GDP in 2024, down from 2.5% in 2023, as well declining to 1.6% of GDP in the twelve months to June 2025 compared to 1.8% in a similar period in 2024. This improvement was anchored by strong performances in key foreign exchange-earning sectors, particularly coffee and horticulture exports, tourism receipts, and diaspora remittances. In addition, Kenya benefited from revisions to its external sector data, which incorporated oil re-exports and updated travel receipts, providing a more comprehensive picture of the country's inflows. These developments saw foreign exchange reserves climb to a record-high USD 11.2 bn



by July 2025, up significantly from USD 6.6 bn at the end of 2023, offering an important cushion against external financing pressures.

Debt management operations also played a critical role in boosting market confidence. In February 2025, the government successfully issued a USD 1.5 bn Eurobond and simultaneously conducted a buy-back operation on part of its outstanding 2027 Eurobond. This exercise lowered near-term Eurobond principal repayments to about USD 108.0 mn annually over 2025 - 2027, down from USD 300.0 mn previously. Although participation in the tender stood at 64.0%, below initial targets, the operation smoothed Kenya's external maturity profile and helped lower refinancing risk over the medium term.

Domestic financial conditions have also improved on the back of a sustained monetary easing cycle. Since August 2024, the Central Bank of Kenya (CBK) has reduced its policy rate by a cumulative 350 basis points to 9.5% as of August 2025 from 13.0% in July 2024. The policy easing, underpinned by contained inflation, which stood at 4.1% in July 2025 and stable exchange rate dynamics, has contributed to a significant decline in borrowing costs. Yields on the 91-day Treasury bill fell to 8.0% on 21<sup>st</sup> August 2025 declining by 8.3 bps on a month to date basis, from a peak of 16.0% in July 2024. Although commercial bank lending rates have been slower to adjust, private sector credit growth has begun to recover with a modest 3.3% growth in July 2025, supported further by the government's clearance of domestic arrears. This easing of financing conditions has provided the government with more favorable access to domestic funding, even as external concessional funding has slowed.

Despite these gains, fiscal and debt vulnerabilities remain a key constraint on Kenya's sovereign creditworthiness. Interest payments are projected to remain extremely high, averaging around 33.0% of government revenue between 2025 and 2028, one of the highest levels among rated sovereigns globally. This reflects the government's continued reliance on expensive domestic borrowing and non-concessional external financing. For instance, in May 2025, Kenya secured a USD 500.0 million multi-tranche loan from the United Arab Emirates priced at 8.25%, a costlier substitute for concessional financing that had been withheld by multilateral institutions. The International Monetary Fund (IMF), in March 2025, chose not to disburse the final tranche of its Extended Credit Facility/Extended Fund Facility, worth USD 850.0 mn, citing insufficient progress on fiscal and debt targets. This was compounded by delays in securing USD 750.0 mn in expected World Bank support, further tightening access to concessional credit. The table below shows the latest S&P long-term foreign-currency Sovereign Credit Ratings for selected African countries;

Cytonn Report: S&P Long-Term Foreign-Currency Sovereign Credit Ratings for Selected African Countries				
Country	IDR Credit Rating	Outlook	Last Rating Date	Meaning
Ivory Coast	BB	Stable	Oct-24	Some risk; less vulnerable than lower ratings
Benin	B+	Positive	Feb-25	Vulnerable; but capacity to repay exists
Kenya	B	Stable	Aug-25	High risk; meets obligations for now
Senegal	B-	Negative	Jul-25	Very high risk; may struggle in tough conditions
Cameroon	B-	Stable	Mar-25	Very high risk; still meeting obligations
South Africa	BB-	Positive	May-25	Moderate risk; signs of improvement
Nigeria	B-	Stable	May-25	Very high risk; vulnerable to shocks

Source: S&P Ratings

At the same time, Kenya's fiscal consolidation efforts remain slow, even though the budget deficit is expected to narrow to 4.7% of GDP in fiscal year 2026, from an estimated 5.1% in fiscal 2025. S&P projects the deficit will average 5.2% of GDP over the 2026–2028 period, constrained by persistent revenue underperformance, elevated spending pressures, and political resistance to new tax measures. While the

government has shifted its focus to broadening the tax base, progress has been undermined by widespread public resistance. The repeal of the Finance Bill 2024, following youth-led protests, underscored the difficulty of implementing politically sensitive revenue measures. With elections approaching in 2027, the government faces limited political space for aggressive fiscal adjustments, suggesting that consolidation will remain gradual at best.

The upgrade by S&P is a significant development for Kenya, especially given the downgrades by all three major rating agencies in 2024. It underscores the government's ability to manage near-term liquidity risks and reflects the broader resilience of Kenya's economy. However, it also highlights the dual challenge Kenya faces; balancing short-term liquidity improvements with the longer-term need for fiscal consolidation. The table below provides a summary of Kenya's latest sovereign credit rating actions by the three major global rating agencies

Cytonn Report: Kenya's Credit Ratings						
Rating Agency	Previous Rating	Previous Outlook	Current Rating	Current Outlook	Meaning	Date Released
Moody's Rating	Caa1	Negative	Caa1	Positive	Substantial credit risks	24 <sup>th</sup> January, 2025
Fitch Ratings	B	Stable	B-	Stable	Highly Speculative	25 <sup>th</sup> July 2025
S&P Global	B-	Stable	B	Stable	Extremely high risk, very vulnerable to default	22 <sup>rd</sup> August 2025

Source: Fitch Ratings, S&P Global, Moody's

Moving forward, Kenya's credit trajectory will largely depend on the government's ability to sustain macroeconomic stability while addressing its structural fiscal weaknesses. The build-up of foreign exchange reserves and successful debt management operations have bought the country valuable time, but without deeper fiscal consolidation, the risk of slipping back into liquidity pressures remains elevated. Strengthening revenue mobilization, enhancing expenditure efficiency, and reducing reliance on costly non-concessional borrowing will be critical in placing debt on a sustainable path. At the same time, maintaining political and social stability, especially ahead of the 2027 elections, will be essential in sustaining investor confidence and safeguarding the hard-won gains in creditworthiness.

***Rates in the Fixed Income market have been on a downward trend due to high liquidity in the money market which has lowered the cost of borrowing. The government is 247.0% ahead of its prorated net domestic borrowing target of Kshs 95.9, having a net borrowing position of Kshs 332.8 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**

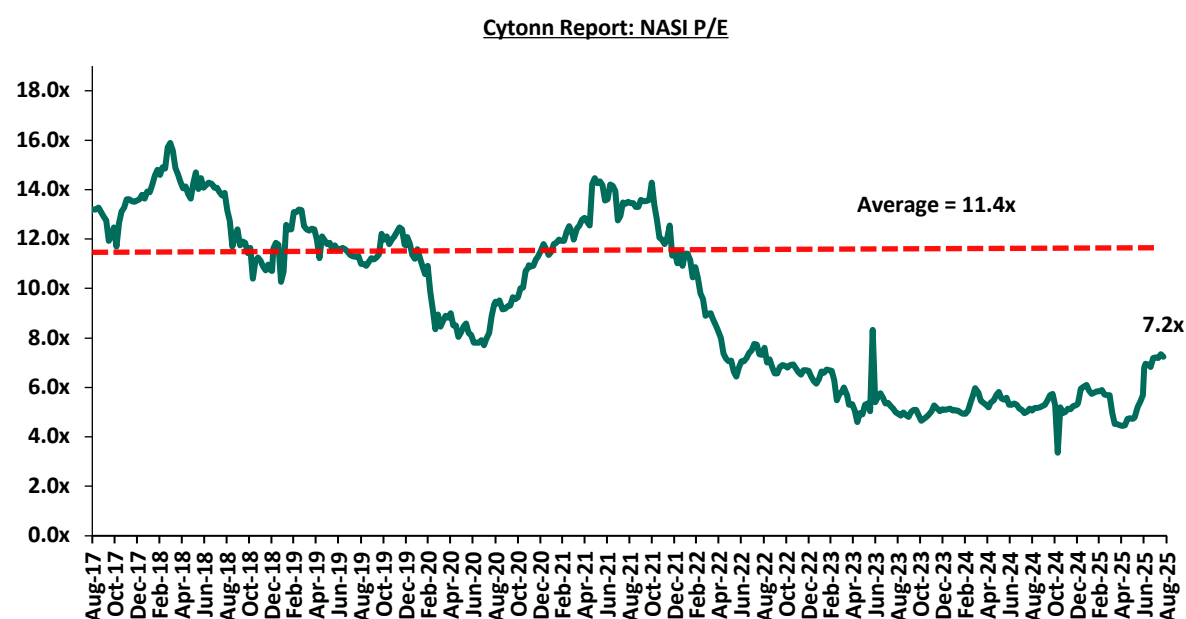
During the week, the equities market was on an upward trajectory, with NSE 20 gaining the most by 3.3%, while NASI, NSE 10 and NSE 25 gained by 2.6%, 2.5% and 1.9% respectively, taking the YTD performance to

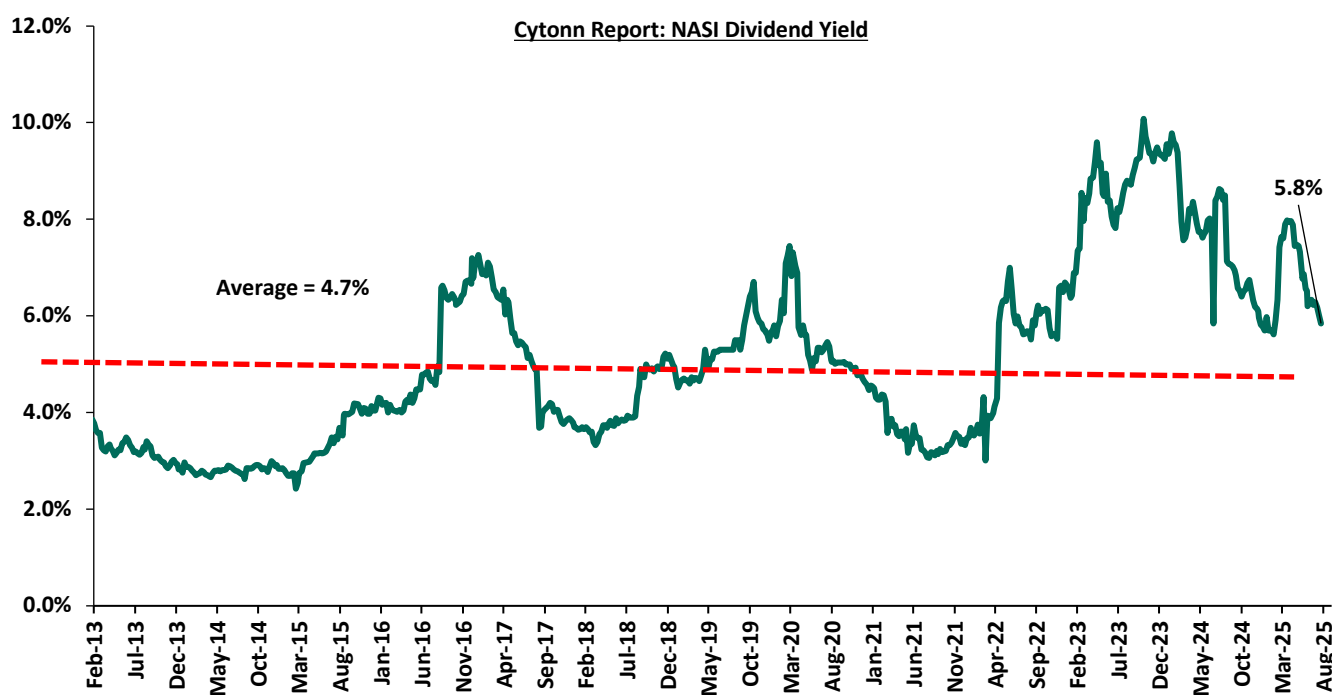
gains of 35.7%, 34.0%, 27.0% and 26.7% for NASI, NSE 20, NSE 10 and NSE 25 respectively. The equities market performance was driven by gains recorded by large-cap stocks such as DTB, EABL and Safaricom of 7.7%, 5.3% and 5.0% respectively. The performance was, however, weighed down by losses recorded by large cap stocks such as Standard Chartered, NCBA of 6.0%, 3.9% and 0.2% respectively.

Additionally, in the regional equities market, the East African Exchanges 20 (EAE 20) share index gained by 4.0 bps, attributable to gains recorded by large cap stocks such as NMB Bank, Tanzania Breweries Limited and Tanga Cement Limited of 5.9%, 3.8% and 3.6% respectively.

During the week, equities turnover increased by 24.6% to USD 22.8 mn, from USD 18.3 mn recorded the previous week, taking the YTD total turnover to USD 579.7 mn. Foreign investors remained net buyers for the fourth consecutive week, with a net buying position of USD 2.1 mn, from a net buying position of USD 2.5 mn recorded the previous week, taking the YTD foreign net selling position to USD 22.4 mn, compared to a net selling position of USD 16.9 mn in 2024.

The market is currently trading at a price-to-earnings ratio (P/E) of 7.2x, 36.7% below the historical average of 11.4x. The dividend yield stands at 5.8%, 1.2% 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 undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market is 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: Equities Universe of Coverage										
Company	Price as at 15/08/2025	Price as at 22/08/2025	w/w change	YTD Change	Year Open 2025	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Standard Chartered Bank	335.3	315.3	(6.0%)	10.5%	285.3	393.4	14.3%	39.1%	1.8x	Buy
Co-op Bank	17.4	17.4	0.0%	(0.6%)	17.5	21.6	8.6%	33.0%	0.6x	Buy
ABSA Bank	20.0	20.0	0.0%	5.8%	18.9	23.5	8.8%	26.6%	1.3x	Buy
Equity Group	54.5	55.0	0.9%	14.6%	48.0	61.7	7.7%	19.9%	0.9x	Accumulate
Stanbic Holdings	184.3	183.8	(0.3%)	31.5%	139.8	193.4	11.3%	16.5%	1.1x	Accumulate
I&M Group	37.6	38.2	1.7%	6.1%	36.0	41.2	7.9%	15.7%	0.7x	Accumulate
KCB Group	54.0	54.0	0.0%	27.4%	42.4	56.1	5.6%	9.4%	0.7x	Hold
Britam	8.3	8.8	5.8%	50.9%	5.8	9.5	0.0%	8.4%	0.8x	Hold

Diamond Trust Bank	81.5	87.8	7.7%	31.5%	66.8	87.1	8.0%	7.2%	0.3x	Hold
NCBA	64.8	62.3	(3.9%)	22.1%	51.0	60.2	8.8%	5.5%	1.0x	Hold
Jubilee Holdings	286.3	288.8	0.9%	65.2%	174.8	260.4	4.7%	(5.1%)	0.4x	Sell
CIC Group	4.0	4.7	17.9%	118.7%	2.1	4.0	2.8%	(11.1%)	1.3x	Sell
*Target Price as per Cytonn Analyst estimates										
**Upside/ (Downside) is adjusted for Dividend Yield										
***Dividend Yield is calculated using FY'2024 Dividends										

## Weekly Highlights

### I. Standard Chartered H1' 2025 Financial Results

Below is a summary of Standard Chartered Bank Ltd H1'2025 performance:

Balance Sheet Items	H1'2024	H1'2025	y/y change
Net loans	149.3	152.2	1.9%
Government Securities	71.6	108.2	51.1%
<b>Total Assets</b>	<b>377.3</b>	<b>372.1</b>	<b>(1.4%)</b>
Customer Deposits	276.4	290.6	5.1%
Deposits per Branch	7.7	9.1	18.3%
<b>Total Liabilities</b>	<b>313.2</b>	<b>306.5</b>	<b>(2.1%)</b>
<b>Shareholder's Funds</b>	<b>64.1</b>	<b>65.6</b>	<b>2.3%</b>

Balance Sheet Ratios	H1'2024	H1'2025	% points change
Loan to deposit ratio	54.0%	52.4%	(1.6%)
Government securities to deposit ratio	25.9%	37.2%	11.3%
Return on Average Equity	28.4%	27.5%	(0.9%)
Return on Average Assets	4.7%	4.8%	0.1%

Income Statement	H1'2024	H1'2025	y/y change
Net Interest Income	16.5	15.3	(7.4%)
Net non-Interest Income	9.6	6.8	(29.1%)
<b>Total Operating income</b>	<b>26.1</b>	<b>22.1</b>	<b>(15.3%)</b>
Loan Loss provision	1.6	1.2	(24.6%)
<b>Total Operating expenses</b>	<b>11.6</b>	<b>11.2</b>	<b>(3.4%)</b>
Profit before tax	14.5	10.9	(24.8%)
<b>Profit after tax</b>	<b>10.3</b>	<b>8.1</b>	<b>(21.4%)</b>
<b>Core EPS</b>	<b>27.2</b>	<b>21.4</b>	<b>(21.4%)</b>
<b>Dividend per share</b>	<b>8.0</b>	<b>8.0</b>	<b>0.0%</b>
<b>Dividend Yield</b>	<b>22.6%</b>	<b>16.8%</b>	<b>(25.6%)</b>

<b>Dividend Payout Ratio</b>	<b>29.4%</b>	<b>37.4%</b>	<b>27.2%</b>
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<b>Income Statement Ratios</b>	<b>H1'2024</b>	<b>H1'2025</b>	<b>% points change</b>
Yield from interest-earning assets	10.8%	10.8%	0.1%
Cost of funding	1.5%	1.7%	0.2%
Net Interest Spread	9.3%	9.2%	(0.1%)
Net Interest Margin	9.5%	9.4%	(0.1%)
Cost of Risk	6.0%	5.3%	(0.7%)
Net Interest Income as % of operating income	63.3%	69.3%	5.9%
Non-Funded Income as a % of operating income	36.7%	30.7%	(5.9%)
Cost to Income Ratio	44.4%	50.6%	6.2%
Cost to Income Ratio without LLP	38.4%	45.3%	6.9%

<b>Capital Adequacy Ratios</b>	<b>H1'2024</b>	<b>H1'2025</b>	<b>% points change</b>
Core Capital/Total Liabilities	19.7%	19.4%	(0.4%)
Minimum Statutory ratio	8.0%	8.0%	0.0%
<b>Excess</b>	<b>11.7%</b>	<b>11.4%</b>	<b>(0.4%)</b>
Core Capital/Total Risk Weighted Assets	18.8%	19.5%	0.7%
Minimum Statutory ratio	10.5%	10.5%	0.0%
<b>Excess</b>	<b>8.3%</b>	<b>9.0%</b>	<b>0.7%</b>
Total Capital/Total Risk Weighted Assets	18.9%	19.7%	0.8%
Minimum Statutory ratio	14.5%	14.5%	0.0%
<b>Excess</b>	<b>4.4%</b>	<b>5.2%</b>	<b>0.8%</b>
Liquidity Ratio	63.2%	64.5%	1.3%
Minimum Statutory ratio	20.0%	20.0%	0.0%
<b>Excess</b>	<b>43.2%</b>	<b>44.5%</b>	<b>1.3%</b>

### **Key takeouts**

- **Declined earnings growth** - 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
- **Improved asset quality** – 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, from Kshs 160.9 bn recorded in H1'2024, and,
- **Increased Lending** – The bank's loan book increased by 1.9% to Kshs 152.2 bn from Kshs 149.3 bn in H1'2024, and,

- **Declaration of dividends-** The board of directors declared and interim dividend of Kshs 8.0 per share for the period consistent with H1'2024. This translates to an annualized dividend yield of 16.8% and a dividend payout ratio of 37.4%

For more detailed analysis, please see [Standard Chartered H1' 2025 Earnings Note](#)

## II. DTB H1' 2025 Financial Results

Below is a summary of DTB-K Bank's H1'2025 performance:

Balance Sheet Items	H1'2024	H1'2025	y/y change
Government Securities	124.3	145.5	17.1%
Net Loans and Advances	267.9	288.5	7.7%
<b>Total Assets</b>	<b>585.4</b>	<b>611.5</b>	<b>4.5%</b>
Customer Deposits	431.9	483.2	11.9%
Deposits/ Branch	2.8	3.1	7.6%
Total Liabilities	501.1	510.7	1.9%
<b>Shareholders' Funds</b>	<b>74.6</b>	<b>90.3</b>	<b>21.0%</b>

Balance Sheet Ratios	H1'2024	H1'2025	y/y change
Loan to Deposit Ratio	62.0%	59.7%	(2.3%)
Government Securities to Deposit ratio	28.8%	30.1%	1.3%
Return on average equity	11.3%	11.3%	0.0%
Return on average assets	1.4%	1.6%	0.1%

Income Statement	H1'2024	H1'2025	y/y change
Net Interest Income	14.2	15.9	11.7%
Net non-Interest Income	6.4	6.1	(5.0%)
<b>Total Operating income</b>	<b>20.6</b>	<b>21.9</b>	<b>6.6%</b>
Loan Loss provision	3.6	3.2	(10.4%)
Other Operating expenses	6.1	6.3	4.2%
<b>Total Operating expenses</b>	<b>14.2</b>	<b>14.8</b>	<b>3.7%</b>
<b>Profit before tax</b>	<b>6.3</b>	<b>7.2</b>	<b>14.5%</b>
<b>Profit after tax</b>	<b>4.9</b>	<b>5.4</b>	<b>10.5%</b>
<b>Core EPS</b>	<b>15.5</b>	<b>19.2</b>	<b>23.6%</b>

Income Statement Ratios	H1'2024	H1'2025	% points change
Yield from interest-earning assets	8.8%	11.8%	3.0%
Cost of funding	4.3%	6.1%	1.8%
Net Interest Spread	4.5%	5.7%	1.2%
Net Interest Income as % of operating income	69.0%	72.3%	3.4%
Non-Funded Income as a % of operating income	31.0%	27.7%	(3.4%)
Cost to Income Ratio (CIR)	69.2%	67.3%	(1.9%)
CIR without provisions	51.6%	52.5%	0.92%
Cost to Assets	4.1%	5.1%	1.1%
Net Interest Margin	5.7%	6.0%	0.3%

Capital Adequacy Ratios	H1'2024	H1'2025	% Points Change
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Core Capital/Total Liabilities	18.2%	16.3%	(1.9%)
Minimum Statutory ratio	8.0%	8.0%	
<b>Excess</b>	<b>10.2%</b>	<b>8.3%</b>	<b>(1.9%)</b>
Core Capital/Total Risk Weighted Assets	17.6%	15.8%	(1.8%)
Minimum Statutory ratio	10.5%	10.5%	
<b>Excess</b>	<b>7.1%</b>	<b>5.3%</b>	<b>(1.8%)</b>
Total Capital/Total Risk Weighted Assets	19.1%	17.3%	(1.8%)
Minimum Statutory ratio	14.5%	14.5%	
<b>Excess</b>	<b>4.6%</b>	<b>2.8%</b>	<b>(1.8%)</b>
Liquidity Ratio	52.6%	154.6%	102.0%
Minimum Statutory ratio	20.0%	20.0%	
<b>Excess</b>	<b>32.6%</b>	<b>134.6%</b>	<b>102.0%</b>

### Key Takeouts

- **Increased earnings** - Core earnings per share (EPS) grew by 23.6% to Kshs 19.2, from Kshs 15.5 in H1'2024, driven by the 6.6% growth in total operating income to Kshs 21.9 bn, from Kshs 20.6 bn in H1'2024, which outpaced the 3.7% increase in total operating expenses to Kshs 14.8 bn, from Kshs 14.2 bn in H1'2024.
- **Improved asset quality** – 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.
- **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 4.5% to Kshs 611.5 bn, from Kshs 585.4 bn in H1'2024, driven by a 7.7% increase in net loans and advances to Kshs 288.5 bn, from Kshs 267.9 bn in H1'2024.
- **Increased lending**- Customer net loans and advances increased by 7.7% to Kshs 288.5 bn in H1'2025, from Kshs 267.9 bn in H1'2024, despite the elevated credit risk in the industry, with the lender preferring to expand customer lending.

For more detailed analysis, please see **DTB H1'2025 Earnings Note**

### III. I&M H1'2025 Financial Results

Below is a summary of I&M Group's H1'2025 performance:

Balance Sheet Items	H1'2024	H1'2025	y/y change
Government Securities	90.1	133.2	47.8%
Net Loans and Advances	284.2	290.3	2.1%
<b>Total Assets</b>	<b>564.4</b>	<b>588.9</b>	<b>4.3%</b>
Customer Deposits	419.4	429.4	2.4%
Deposits/Branch	4.3	3.9	(9.7%)
Total Liabilities	471.6	475.3	0.8%
<b>Shareholders' Funds</b>	<b>86.4</b>	<b>106.5</b>	<b>23.3%</b>

Balance Sheet Ratios	H1'2024	H1'2025	% points change
Loan to Deposit Ratio	67.8%	67.6%	(0.2%)
Government Securities to Deposit Ratio	21.5%	31.0%	9.5%
Return on average equity	14.3%	19.6%	5.3%
Return on average assets	2.4%	3.3%	0.9%



Income Statement (Kshs Bn)	H1'2024	H1'2025	y/y change
Net Interest Income	16.5	20.4	23.7%
Net non-Interest Income	6.2	7.0	12.9%
<b>Total Operating income</b>	<b>22.7</b>	<b>27.4</b>	<b>20.8%</b>
Loan Loss provision	(3.5)	(4.1)	17.4%
Total Operating expenses	<b>(14.3)</b>	<b>(16.1)</b>	<b>12.6%</b>
Profit before tax	8.7	11.7	34.1%
<b>Profit after tax</b>	<b>6.1</b>	<b>8.3</b>	<b>36.3%</b>
<b>Core EPS</b>	<b>3.3</b>	<b>4.5</b>	<b>37.9%</b>

Income Statement Ratios	H1'2024	H1'2025	% points change
Yield from interest-earning assets	12.9%	14.0%	1.0%
Cost of funding	6.3%	6.0%	(0.3%)
Net Interest Margin	7.1%	8.4%	1.3%
Net Interest Income as % of operating income	72.8%	74.6%	1.8%
Non-Funded Income as a % of operating income	27.2%	25.4%	(1.8%)
Cost to Income Ratio	63.0%	58.7%	(4.3%)
Cost to Income Ratio without LLP	47.7%	43.9%	(3.8%)
Cost to Assets	1.9%	2.0%	0.1%

Capital Adequacy Ratios	H1'2024	H1'2025	% points change
Core Capital/Total Liabilities	17.7%	21.4%	3.7%
Minimum Statutory ratio	8.0%	8.0%	0.0%
<b>Excess</b>	<b>9.7%</b>	<b>13.4%</b>	<b>3.7%</b>
Core Capital/Total Risk Weighted Assets	14.8%	17.2%	2.4%
Minimum Statutory ratio	10.5%	10.5%	0.0%
<b>Excess</b>	<b>4.3%</b>	<b>6.7%</b>	<b>2.4%</b>
Total Capital/Total Risk Weighted Assets	18.1%	19.8%	1.6%
Minimum Statutory ratio	14.5%	14.5%	0.0%
<b>Excess</b>	<b>3.6%</b>	<b>5.3%</b>	<b>1.6%</b>
Liquidity Ratio	50.8%	54.0%	3.2%
Minimum Statutory ratio	20.0%	20.0%	0.0%
<b>Excess</b>	<b>30.8%</b>	<b>34.0%</b>	<b>3.2%</b>

#### Key Take-Outs:

- **Increased earnings** - Core earnings per share (EPS) grew by 37.9% to Kshs 4.5, from Kshs 3.3 in H1'2024, driven by the 20.8% increase in total operating income to Kshs 27.4 bn, from Kshs 22.7 bn in H1'2024, which outpaced the 12.6% increase in total operating expenses to Kshs 16.1 bn from Kshs 14.3 bn in H1'2024,
- **Improved asset quality** –The bank's Asset Quality improved, with Gross NPL decreasing to 11.0% in H1'2025, from 11.4% in H1'2024, attributable to a 1.4% decrease in Gross non-performing loans to Kshs 34.4 bn, from Kshs 34.8 bn in H1'2024, compared to the 2.8% increase in gross loans to Kshs 312.7 bn, from Kshs 304.3 bn recorded in H1'2024,
- **Expanded Balanced sheet** - 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 and advances to Kshs 290.3 bn, from Kshs 284.2 bn in H1'2024,

- **Increased lending-** Customer net loans and advances increased by 2.1% to Kshs 290.3 bn, from Kshs 284.2 bn in H1'2024.

For more detailed analysis, please see [I&M H1' 2025 Earnings Note](#)

### Asset Quality

The table below shows the asset quality of listed banks that have released their H1'2025 results using several metrics:

	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%
Stanbic Holdings	9.5%	8.9%	0.6%	82.7%	75.0%	7.7%
Cooperative Bank	17.3%	16.7%	0.6%	65.8%	67.7%	(1.9%)
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%	(2.4%)	81.4%	85.1%	(3.7%)
<b>Mkt Weighted Average*</b>	<b>13.7%</b>	<b>13.4%</b>	<b>0.3%</b>	<b>67.7%</b>	<b>57.5%</b>	<b>10.2%</b>
*Market Cap weighted as at 22/08/2025						
**Market Cap weighted as at 13/06/2024						

Key take-outs from the table include:

- Asset quality for the listed banks that have released results deteriorated during H1'2025, with market-weighted average NPL ratio increasing by 0.3% points to 13.7% from 13.4% in H1'2024 largely due to KCB Group's numbers, and,
- Market-weighted average NPL Coverage for the listed banks increased by 10.2% points to 67.7% in H1'2025 from 57.5% recorded in H1'2024. The decrease was attributable to Stanbic Bank's coverage ratio increasing by 7.7% points to 82.7% from 75.0% in H1'2024, coupled with I&M Group's NPL coverage ratio increasing by 7.5% points to 65.4% from 57.9% in H1'2024.

### Summary Performance

The table below shows the performance of listed banks that have released their H1'2025 results using several metrics:

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
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%
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%
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%
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%

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%
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%
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%
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%
<b>H1'2025 Mkt Weighted Average*</b>	<b>7.4%</b>	<b>(1.2%)</b>	<b>(18.7%)</b>	<b>7.6%</b>	<b>8.2%</b>	<b>(7.0%)</b>	<b>33.2%</b>	<b>4.5%</b>	<b>2.5%</b>	<b>31.2%</b>	<b>67.8%</b>	<b>2.7%</b>	<b>22.7%</b>
<b>H1'2024 Mkt Weighted Average**</b>	<b>28.9%</b>	<b>29.7%</b>	<b>58.6%</b>	<b>17.6%</b>	<b>7.2%</b>	<b>13.6%</b>	<b>38.0%</b>	<b>10.8%</b>	<b>16.1%</b>	<b>(9.3%)</b>	<b>66.5%</b>	<b>0.4%</b>	<b>22.7%</b>
*Market cap weighted as at 22/08/2025													
**Market cap weighted as at 13/06/2024													

Key take-outs from the table include:

- The listed banks that have released their H1'2025 results recorded a 7.4% increase in core Earnings per Share (EPS) in H1'2025, compared to the weighted average growth of 28.9% in H1'2024, an indication of declined performance attributable to the declined operating environment experienced during H1'2025,
- Interest income recorded a weighted average decline of 1.2% in H1'2025, compared to 29.7% in H1'2024. Similarly, interest expenses recorded a market-weighted average decline of 18.7% in H1'2025 compared to a growth of 58.6% in H1'2024,
- The Banks' net interest income recorded a weighted average growth of 7.6% in H1'2025, a decline from the 17.6% growth recorded over a similar period in 2024, while the non-funded income declined by 7.0% in H1'2025 compared to the 13.6% growth recorded in H1'2024 despite the revenue diversification strategies implemented by most banks, and,
- The Banks recorded a weighted average deposit growth of 2.5%, compared to the market-weighted average deposit growth of 16.1% in H1'2024.

#### IV. Sanlam H1' 2025 Financial Results

Below is a summary of Sanlam's H1'2025 Financial Results;

Cytonn Report: Sanlam Kenya Plc's Income Statement			
Income Statement (Kshs bn)	H1'2024	H1'2025	y/y change
Insurance Revenue	3.5	3.7	6.1%
Insurance Service Expense	(3.2)	(3.3)	5.3%
Net Expense from reinsurance contracts held	(0.3)	(0.4)	51.3%
<b>Insurance Service Result</b>	<b>0.1</b>	<b>(0.01)</b>	<b>(111.7%)</b>
Insurance Investment Revenue	2.3	3.1	34.0%
Net Insurance Finance expenses	(0.4)	(0.2)	(38.3%)
<b>Profit before tax</b>	<b>0.5</b>	<b>0.05</b>	<b>(89.9%)</b>
Income tax expense	(0.2)	(0.02)	(91.1%)
<b>Profit after tax</b>	<b>0.3</b>	<b>0.03</b>	<b>(89.0%)</b>
<b>Core EPS</b>	<b>1.9</b>	<b>0.1</b>	<b>(94.7%)</b>

Cytonn Report: Sanlam Kenya Plc's Balance Sheet			
Balance Sheet items	H1'2024	H1'2025	y/y change
Financial Investments	29.7	32.9	10.7%

Insurance and Reinsurance contract assets	1.3	0.4	(68.6%)
Other assets	6.4	8.1	27.2%
<b>Total assets</b>	<b>37.3</b>	<b>41.3</b>	<b>10.8%</b>
Insurance contract liabilities	29.4	30.2	2.7%
Payables and Other liabilities	6.7	7.2	6.1%
<b>Total liabilities</b>	<b>36.2</b>	<b>37.4</b>	<b>3.4%</b>
<b>Shareholder funds</b>	<b>1.1</b>	<b>3.9</b>	<b>255.8%</b>

Key take outs from the results:

1. Core Earnings Per share decreased by 94.7% to Kshs 0.1 from Kshs 1.9 per share in H1'2024, driven by a 51.3% increase Net expenses from reinsurance contracts held, to Kshs 0.4 bn from Kshs 0.3 bn in H1'2024, and outstanding share increase following rights issue.
2. Net Investment revenue increased by 34.0% to Kshs 3.1 bn in H1'2025, from Kshs 2.3 bn in H1'2024. This was majorly attributable to a 68.2% increase in other investment revenue to Kshs. 1.5 bn from the Kshs 0.9 bn recorded in H1'2024 coupled with a 31.9% increase in other interest revenue to Kshs. 1.5 bn from the Kshs 1.1 bn recorded in H1'2024.
3. Insurance revenue increased by 6.1% to Kshs 3.7 bn in H1'2025 from Kshs 3.5 bn in H1'2024, while insurance service expenses increased by 5.3% to Kshs 3.3 bn from Kshs 3.2 bn in H1'2024. In addition, there was a 51.3% increase in net expenses from reinsurance contracts held to Kshs 0.4 bn from Kshs 0.3 bn registered in H1'2024. This translated to a significant Net insurance service result decrease of 111.7% to Kshs 0.01 bn from Kshs 0.1 bn in H1'2024,
4. The balance sheet recorded an expansion as total assets of 10.8% to Kshs 41.3 bn in H1'2025 from Kshs 37.3 bn in H1'2024 mainly driven by 10.7% increase in financial investments to Kshs 32.9 bn from Kshs 29.7 bn in H1'2024, coupled with a 27.2% increase in other assets to Kshs 8.1 bn from Kshs 6.4 bn in H1'2024.
5. Total liabilities increased by 3.4% to Kshs 37.4 bn from Kshs 36.2 bn in H1'2024, majorly on the back of the 6.1% increase in payables and other liabilities to Kshs 7.2 bn from Kshs 6.7 bn in H1'2024.

Other highlights from the release include:

1. **Non-declaration of dividends** – The directors of Sanlam Kenya Plc have not recommended a dividend payment for H1'2025.

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

- **Capital preservation** – The directors have implemented strategies to return to profitability through sustainable business growth, effective controls, product innovation and effective investment strategies. The Board of Directors has not proposed payment of dividends in the period ending 30<sup>th</sup> June 2024. This is to enable the business to preserve capital and continue to service its operational and finance costs. Consequently, the Group's performance is expected to improve into the foreseeable future, with the Group maintaining profitability since 2024.
- **Capital injection through rights issue** – The rights issue by the Group in April 2025 successfully raised Kshs 2.0 bn, accepting 402.6 million shares with the remaining 92.3 million shares being subscribed by the underwriter. This capital-raising initiative aims at lowering the company's outstanding long-term debt and to offer management operational and financial flexibility to support the company's growth and return to profitability. This stronger capital position enhances the firm's growth potential, investor confidence, and capacity to pursue expansion opportunities across key markets.

### Valuation Summary:

- We are of the view that Sanlam Kenya Plc is an “Buy” with a target price of Kshs 9.5 representing an upside of 22.7%, from the current price of 7.7 as of 22nd August 2025.

### V. Liberty Kenya Holdings Plc’s H1’2025 Results

Below is a summary of Liberty Kenya H1’2025 financial results;

Cytonn Report: Liberty Kenya Holdings Income Statement			
Item (All figures in Bns)	H1’2024	H1’2025	y/y change
Net Insurance Service Revenue	0.6	0.2	(61.0%)
Net Investment Revenue	0.9	0.8	(4.7%)
<b>Total Insurance and Investment Result</b>	<b>1.4</b>	<b>1.0</b>	<b>(27.3%)</b>
Other Operating Result	(0.5)	(0.4)	(27.1%)
<b>Profit Before Tax</b>	<b>1.0</b>	<b>0.7</b>	<b>(27.4%)</b>
<b>Profit after tax</b>	<b>0.6</b>	<b>0.4</b>	<b>(29.8%)</b>
<b>Core EPS</b>	<b>1.1</b>	<b>0.8</b>	<b>(29.8%)</b>

Cytonn Report: Liberty Kenya Holdings Balance Sheet			
Item (All figures in Bns)	H1’2024	H1’2025	y/y change
Financial Investments	26.7	29.7	11.2%
Re-insurance contract assets	1.3	1.5	19.3%
<b>Total Assets</b>	<b>45.2</b>	<b>45.3</b>	<b>0.3%</b>
Insurance contract Liabilities	17.6	20.7	17.4%
Shareholders’ Funds	9.8	9.9	0.5%
<b>Total Liabilities</b>	<b>35.4</b>	<b>35.5</b>	<b>0.2%</b>

### Key take outs from the results:

1. Core Earnings Per share decreased by 29.8% to Kshs 0.8, from Kshs 1.1 in H1’2024, driven by the 61.0% decrease in net insurance service revenue to Kshs 0.2 bn in H1’2025, from Kshs 0.6 bn in H1’2024, coupled with 4.7% decrease in net investment revenue to Kshs 0.8 bn, from Kshs 0.9 bn in H1’2024,
2. Net insurance revenue before reinsurance contracts held decreased by 37.4% to Kshs 0.9 bn in H1’2025 from of Kshs 1.4 bn in H1’2024, while net expense from reinsurance contracts held decreased by 20.0% to Kshs 0.6 bn from Kshs 0.8 bn in H1’2024, this translated to an insurance service result decrease of 61.0% to Kshs 0.2 bn from Kshs 0.6 bn in H1’2024,
3. Net Investment Income decreased by 4.7% to Kshs 0.8 bn, from Kshs 0.9 bn in H1’2024. This was majorly attributable to 11.8% increase in net insurance finance expenses to Kshs 1.3 bn, from Kshs 1.1 bn in H1’2024, which outpaced 4.6% increase in investment income to Kshs. 2.1 bn from Kshs 2.0 bn in H1’2024,
4. The balance sheet recorded an expansion as total assets increased by 0.3% to Kshs 45.3 bn in H1’2025, from Kshs 45.2 bn in H1’2024 mainly driven by 11.2% increase in financial investments to Kshs 29.7 bn, from Kshs 26.7 bn in H1’2024, coupled with 19.3% increase in reinsurance contract assets to Kshs 1.5 bn, from Kshs 1.3 bn in H1’2024,
5. Total liabilities increased by 0.2% to Kshs 35.5 bn, from Kshs 35.4 bn in H1’2024, majorly on the back of the 17.4% increase in insurance contract liabilities to Kshs 20.7 bn, from Kshs 17.6 bn in H1’2024, coupled with 12.3% increase in financial liabilities under investment contracts to Kshs 11.5 bn, from Kshs 10.3 bn in H1’2024,
6. The Board of Directors did not recommend interim dividend for the period, like in H1’2024.

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

- **Technology Architecture** – The company seeks to leverage technology to unify policy administration system for Liberty Life, enhance actuarial modelling, upgrade medical business systems, and API/digital readiness.

#### **Valuation Summary:**

- We are of the view that Liberty Kenya Holdings Plc is an “Buy” with a target price of Kshs 12.3 representing an upside of 11.3%, from the current price of 11.1 as of 22<sup>nd</sup> August 2025
- Liberty Kenya Holdings Plc is currently trading at a P/TBV of 0.7x and a P/E of 23.1x vs an industry average of 0.6x and 12.5x respectively.

Key to note, the Group completed the sale of Heritage Insurance Tanzania (HIT) on 4 April 2025, leading to its deconsolidation. At the date of sale, HIT's IFRS Net Asset Value stood at Kshs 520.0 mn, while total proceeds after legal fees and capital gains tax amounted to Kshs 492.0 mn, resulting in a commercial deficit of Kshs 28.0 mn. The statement of comprehensive income also reflects a Kshs 217.0 mn accounting loss from discontinued operations, arising from cumulative translation differences in the Foreign Currency Translation Reserve (FCTR) that IFRS requires to be recycled upon deconsolidation. This accounting loss does not represent an additional cash outflow, as it had already been recognized in the Group's net asset value. Comparative results for June 2024 have been restated to classify HIT's performance under discontinued operations.

***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. Residential Sector**

##### **a) NSSF seeks 1.6 bn loan to kickstart the first phase of Kisumu project**

During the week, The National Social Security Fund (NSSF) is [sought](#) to secure a Kshs1.6 bn loan from a local bank to kickstart the first phase of its ambitious Kisumu Lakeview Estate project—a major real estate venture designed to deliver over 1,300 homes and commercial amenities in Kisumu. This marks one of the fund's largest investments outside Nairobi in more than ten years, reflecting its growing focus on regional development and real estate as a source of long-term returns for pensioners.

NSSF intends to use debt financing rather than tapping into its cash reserves, aiming to maintain liquidity to meet increasing pension payouts. The full development, estimated to cost around Kshs 8 bn, will be executed in phases, with the initial stage featuring 500 residential units—comprising apartments and townhouses—alongside schools, clinics, retail spaces, and recreational areas.

The fund's management believes the project will support the government's affordable housing agenda while generating solid returns for its contributors. This approach aligns with NSSF's broader strategy of expanding its investment footprint through real estate, even amid concerns over delays and budget overruns in past developments.

Experts interpret this move as a signal of the fund's increasing willingness to engage in leveraged property investments, buoyed by rising demand for housing in Kisumu. The city's growing appeal is driven by enhanced infrastructure, the development of an inland port, and a rising expatriate community.

The Kisumu Lakeview Estate will be developed by NSSF's investment arm, NSSF Investments Ltd, with construction expected to begin later this year, pending the finalization of the loan. If approved, this loan will add to the fund's existing debt portfolio, which includes similar housing initiatives in Embakasi, Mavoko, and Nakuru.

We expect that this development will affect the residential sector by improving housing conditions.

#### **b) Kenya Mortgage Refinance Company (KMRC) financial performance H1 2025**

During the week, state-backed mortgage lender, Kenya Mortgage Refinance Company (KMRC) released its H1'2025 financial results, which reported a 18.6% decrease in Profit After Tax (PAT) to Kshs 544.3 mn from Kshs 669.0 mn recorded in H1' 2024 attributable to 24.5% increase in interest expense to Kshs 649.8 mn in H1'2025 from 521.7 mn in H1'2024.

The table below shows a summary of KMRC's income statement for H1'2024 and H1'2025.

*Figures in Kshs mn Unless Stated Otherwise*

<b>Cytonn Report: Summary of KMRC Statement of Comprehensive Income</b>			
	<b>H1'2024</b>	<b>H1'2025</b>	<b>y/y Change</b>
<b>REVENUE</b>			
Interest Income	1,477.9	1,576.9	6.7%
Interest expense	(521.7)	(649.8)	24.5%
<b>Net interest income</b>	<b>956.2</b>	<b>927.2</b>	<b>(3.0%)</b>
<b>EXPENSES</b>			
Operating and administration expenses	(138.9)	(148.9)	7.1%
Depreciation and amortisation expenses	(16.7)	(2.5)	(85.1%)
<b>Total Expenses</b>	<b>(155.6)</b>	<b>(151.3)</b>	<b>(2.7%)</b>
<b>Net profit before income tax</b>	<b>800.6</b>	<b>777.6</b>	<b>(2.9%)</b>
Income tax expense	(131.6)	(233.3)	77.3%
<b>PROFIT AFTER TAX</b>	<b>669.0</b>	<b>544.3</b>	<b>(18.6%)</b>

Source: KMRC

The table below shows a summary of KMRC's balance sheet for H1'2024 and H1'2025.

*Figures in Kshs mn Unless Stated Otherwise*

<b>Cytonn Report: Summary of KMRC Statement of Financial Position</b>			
	<b>H1'2024</b>	<b>H1'2025</b>	<b>y/y Change</b>
<b>Assets</b>			
Loan and Advances	8,763.1	18,154.7	107.2%
Cash and Cash equivalents	14,365.6	16,154.7	12.5%
Other Assets	5,625.5	6,643.1	18.1%
<b>Total Assets</b>	<b>28,754.2</b>	<b>40,952.6</b>	<b>42.4%</b>
<b>Liabilities</b>			
Borrowings	22,941.9	33,960.3	48.0%
Debt securities in issue	1,185.4	938.7	(20.8%)
Lease Liabilities	24.2	14.7	(39.4%)
Other Liabilities	414.2	422.9	2.1%
<b>Total Liabilities</b>	<b>24,565.7</b>	<b>35,336.6</b>	<b>43.8%</b>



Capital Resources			
Share Capital	1,808.4	1,808.4	0.0%
Revenue reserves	2,293.2	3,689.6	60.9%
Other Revenues		0.1	0.0%
Statutory Reserve	86.9	117.9	35.7%
<b>Total Capital</b>	<b>4,188.5</b>	<b>5,616.0</b>	<b>34.1%</b>
<b>Total Liabilities and Equity</b>	<b>28,754.2</b>	<b>40,952.6</b>	<b>42.4%</b>

Source: KMRC

The key take-outs include:

- The profit after tax decreased by 18.6% to Kshs 544.3 mn in H1'2025, from Kshs 669.0 mn in H1'2024 majorly attributable to a 24.5% increase in interest expense to Kshs 649.8 mn in H1'2025 from 521.7 mn in H1'2024. This was driven by an increase in borrowing activities with borrowings reaching Kshs 34.0 bn in H1'2025 compared to Kshs 22.9 bn in H1'2024,
- The total expenses decreased by 2.7% to Kshs 151.3 mn in H1'2025 from Kshs 155.6 mn recorded in H1'2024 mainly attributable to an 85.1% decrease in depreciation and ammortisation expense to Kshs 2.5 mn in H1'2024 from Kshs 16.7 mn in H1' 2024.
- Total assets increased by 42.4% to Kshs 41.0 bn in H1' 2025 from Kshs 28.8 bn in H1' 2024 mainly attributable to 107.2% increase in loans and advances to Kshs 18.2 bn in H1' 2025 from Kshs 8.8 bn in H1' 2024. Additionally, Cash and Cash equivalents increased by 12.5% to Kshs 16.2 bn in H1' 2025 from Kshs 14.4 bn in H1'2024.
- The company borrowings increased by 48.0% to Kshs 34.0 bn in H1'2025 from Kshs 22.9 bn in H1'2024 as the lender aimed to improve its capacity to support higher lending, initially at Kshs 8.0mn to [Ksh 10.5 mn](#) a move that was effective February 2024 to boost mortgage uptake.

## II. Real Estate Investments Trusts (REITs)

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 15<sup>th</sup> August 2025. The performance represented a 37.0% and 16.0% 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 Kshs 12.8 mn and Kshs 39.2 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 15<sup>th</sup> August 2025, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 1,235,285 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:

- Insufficient understanding of the investment instrument among investors leading to a slower uptake of REIT products,
- Lengthy approval processes for REIT creation,
- 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
- 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 may be 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 Kenya's Real Estate sector to remain resilient, supported by: i) improved housing conditions in the residential sector, as seen in NSSF's plan to undertake a mega housing project in Kisumu, ii) increased funding from KMRC as seen in the 107.2% increase in loan and advances in H1 2025 compared to H1 2024, iii) continued public and private sector investment in housing and infrastructure under initiatives such as the Affordable Housing Programme, However, challenges including high capital requirements and regulatory constraints for REITs, rising construction costs, strain on infrastructure, and oversupply in select market segments will continue to limit optimal performance by constraining development pipelines and deterring some investor participation.***

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

### **Focus of the Week: Kenya's Real Estate Investment Trusts (REITs) H1'2025 Report**

Following the release of the H1'2025 results by all four authorized Real Estate Investment Trusts (REITs) in Kenya, the Cytonn Real Estate Research Team undertook an analysis of the financial performance of the REITs and identified the key factors that shaped the performance of the sector. For the earnings notes of the various REITs, click the links below:

- i. [ILAM Fahari I-REIT H1'2025 Earnings Note](#)
- ii. [LapTrust Imara I-REIT H1'2025 Earnings Note](#)
- iii. [Acorn I-REIT H1'2025 Earnings Note](#)
- iv. [Acorn D-REIT H1'2025 Earnings Note](#)

In the report we will assess the financial performance of the current REITs in the market during H1'2025 in terms of operational metrics, profitability metrics, leverage ratios, liquidity ratios, and valuation metrics. In addition, we highlight the outlook regarding our expectations for the REITs sector going forward. This we will cover as follows;

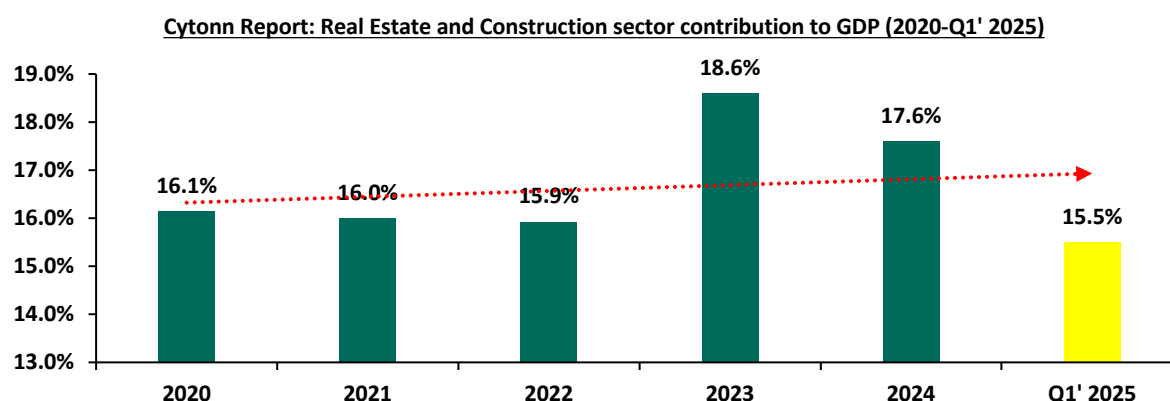
- I. Overview of the REITs Sector in Kenya,
- II. Themes that shaped the Real Estate Sector in H1'2025,

- III. Summary Performance of the REITS in H1'2025, and,
- IV. Conclusion and Outlook for the REITs sector.

## Section I: Overview of the REITs Sector in Kenya

In H1'2025, the general Real Estate sector continued to witness considerable growth in activity in terms of property transactions and development activities. Consequently, the sector's activity contribution to Gross Domestic Product (GDP) [grew](#) by 5.3 % to Kshs 358.4 bn in Q1'2025, from Kshs 334.1 bn recorded during the same period in 2024. In addition, the sector contributed 8.1% to the country's GDP, 0.1% points increase from 8.0% recorded in Q4'2024. Cumulatively, the Real Estate and construction sectors contributed 15.5% to GDP, 2.1% points decrease from 17.6% in Q4'2024, attributable to decline in construction contribution to GDP by 0.2% points, to 5.2% in Q1'2025, from 7.1% recorded in Q1'2024.

The graph below highlights the Real Estate and Construction sectors' contribution to GDP from 2020 to Q1'2025;



Source: Kenya National Bureau of Statistics (KNBS)

As the REITs continue to gain popularity in Kenya, we set to explore and review the REITs environment in 2025 building to the previous reports we did, which include: [Kenya's REITs FY'2024 Real Estate Investment Trusts \(REITs\) progress in Kenya](#), [Kenya's REITs H1'2024](#), [Review of Real Estate Investments Trusts in Kenya 2024](#)

## Section I: Overview of the REITs Sector in Kenya

Real Estate Investment Trusts are crucial to the development given the limited funding available to the developers. Real Estate Investment Trusts (REITs) represent an innovative financing avenue for real estate development in Kenya. REITs provide a structured mechanism for pooling resources from multiple investors to finance or acquire income-generating real estate assets. The Capital Markets Authority (CMA) regulates REITs in Kenya, ensuring transparency and investor protection. Despite being relatively new in the Kenyan financial market, REITs have shown potential as a transformative tool for real estate financing.

In Kenya, REITs are classified into two main types:

1. **Development REITs (D-REITs):** These focus on financing the construction of new real estate projects. Developers utilize D-REITs to raise capital for large-scale projects, such as residential complexes, commercial buildings, or mixed-use developments. Investors in D-REITs anticipate returns from the eventual sale or lease of the completed properties. Example of this REIT include Acorn D-REIT.

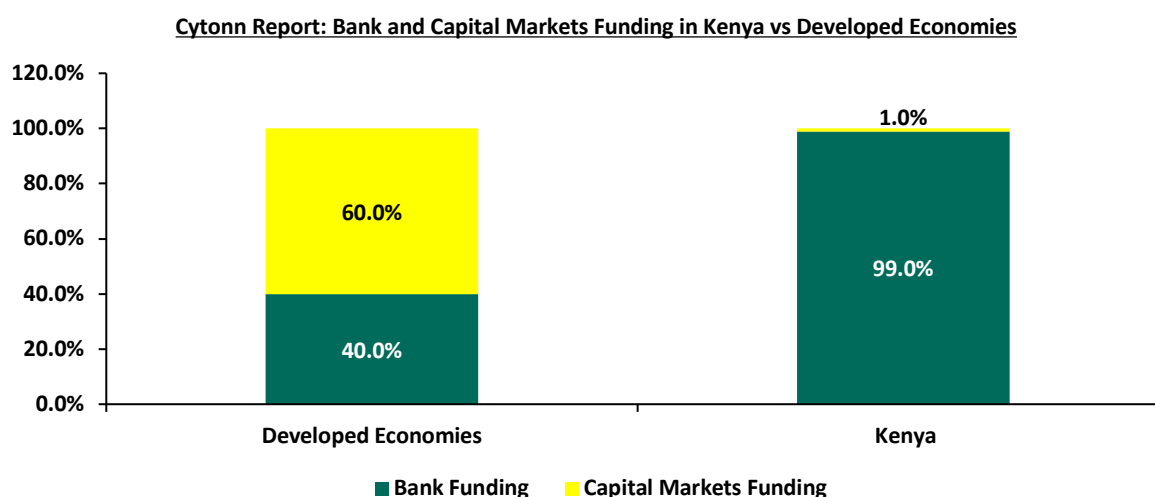
2. **Income REITs (I-REITs):** These are designed for properties that generate consistent rental income. I-REITs appeal to investors seeking steady cash flow from established properties such as office buildings, shopping malls, or industrial parks. In Kenya examples of I-REITs include Acorn I-REIT and Stanbic Fahari I-REITs.

REITs in Kenya are governed by strict regulations aimed at safeguarding investors. They operate collective investment schemes where a REIT manager oversees the fund's operations. Investors purchase units of the REIT, similar to shares in a company, granting them proportional ownership of the underlying real estate assets. These units are typically traded on the Nairobi Securities Exchange (NSE), providing liquidity and enabling investors to buy or sell their stakes easily.

REITs must allocate a significant portion of their income, often up to 90.0% to investors as dividends, making them attractive to those seeking regular income. Additionally, REITs benefit from tax incentives, such as exemptions on corporate tax, which enhance their appeal to both developers and investors.

In 2013, the Capital Markets Authority (CMA) introduced a detailed framework and regulations for REITs, enabling developers to secure capital through this investment avenue.

Kenya's Real Estate sector has been expanding due to ongoing construction activities driven by strong demand for real estate developments. The residential market is significantly under-supplied, with an [80.0%](#) housing deficit; only 50,000 units are delivered annually against an estimated need for 250,000 units per year. Additionally, the formal retail market in Kenya is still in its nascent stages, with a penetration rate of approximately 30.0%, as reported by the [world bank](#). Despite the high demand, developers in Kenya encounter limited financing options, with local banks providing nearly 99.0% of [construction](#) financing, in stark contrast to the 40.0% typically seen in developed countries. The graph below illustrates the comparison of construction financing in Kenya versus developed economies;

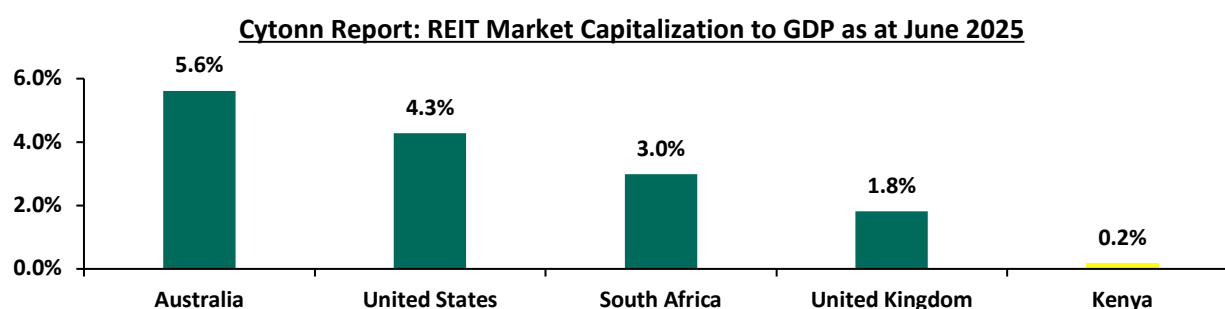


Source: World Bank

To bridge the funding gap, developers are increasingly turning to alternative financing methods. In 2013, the Capital Markets Authority (CMA) introduced a regulatory framework for Real Estate Investment Trusts (REITs) in Kenya. REITs are collective investment vehicles that pool funds from investors, who then acquire rights or interests in a trust divided into units. Investors benefit from profits or income generated by the real estate assets held within the trust. To ensure transparency, accountability, and the protection of investors' interests, four essential entities play key roles in the REIT structure in Kenya. Click [here](#) to read more on the key entities and how the REIT structure operates

Since its introduction in 2013, the REIT market in Kenya has faced several hurdles that have hindered its growth. Key challenges include the hefty capital requirement of Kshs 100.0 mn for trustees, limiting this role largely to banks, and a protracted approval process for setting up REITs. Additionally, the high minimum investment threshold of Kshs 5.0 mn discourages potential investors, while a lack of sufficient investor education and awareness further impedes market expansion. As a result, the REIT market capitalization in Kenya remains significantly lower compared to other regions

The underdeveloped capital markets in Kenya has continually failed to provide alternative means of financing Real Estate developments. Due to this, most property developers rely on conventional sources of funding such as banks, compared to other developed countries. As a result, Kenya's REIT Market Capitalization to GDP has remained significantly low at 0.2%, compared to other countries such as South Africa with 3.0%, as shown below;



Source: European Public Real Estate Association (EPRA), World Bank, Cytonn Research

Most property developers in Kenya continue to rely on traditional funding sources, such as banks, unlike in more developed markets. Since the establishment of REIT regulations, four REITs have been approved in Kenya, all structured as closed-ended funds with a fixed number of shares. However, none of these REITs are actively trading on the Main Investment Market Segment of the Nairobi Securities Exchange (NSE). Following the recent delisting of ILAM Fahari I-REIT, LAPTrust Imara I-REIT is the only listed REIT in the country, quoted on the [restricted market sub-segment](#) of the NSE's Main Investment Market. It is important to note that Imara did not raise funds upon listing. The ILAM Fahari I-REIT, Acorn I-REIT and D-REIT are not listed but trade on the Unquoted Securities Platform (USP), an over-the-counter market segment of the NSE. The table below outlines all REITs authorized by the Capital Markets Authority (CMA) in Kenya

Cytonn Report: Authorized REITs in Kenya						
#	Issuer	Name	Type of REIT	Listing Date	Market Segment	Status
1	ICEA Lion Asset Management (ILAM)	Fahari	I-REIT	July 2024	Unquoted Securities Platform (USP)	Trading
2	Acorn Holdings Limited	Acorn Student Accommodation (ASA) – Acorn ASA	I-REIT	February 2021	Unquoted Securities Platform (USP)	Trading
3	Acorn Holdings Limited	Acorn Student Accommodation (ASA) – Acorn ASA	D-REIT	February 2021	Unquoted Securities Platform (USP)	Trading

4	Local Authorities Pension Trust (LAPTrust)	Imara	I-REIT	March 2023	Restricted Market Sub-Segment of the Main Investment Market	Restricted
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Source: Nairobi Securities Exchange, CMA

## Section II: Themes that Shaped the REIT Sector in H1'2025

In our report on review of the REITs sector, we explored how evolving regulations, strategic acquisitions, and capital-raising initiatives have influenced the REIT industry's trajectory. Additionally, we provide insights into the broader factors that have impacted the sector's performance and overall direction during this period. For more information on themes that continue to shape the REIT sector, please visit our report [Review of Real Estate Investments Trusts in Kenya 2024](#)

## Section III: Summary Performance of the REITs in H1'2025

The tables below highlight the performance of the Kenyan REITs sector, showing the performance using several National Association of Real Estate Investments Trusts (NAREIT) approved metrics, and the key take-outs include;

Cytonn Report: Summary Performance Kenya REITs in H1'2025															
	Imara I-REIT			ILAM Fahari I-REIT			Acorn I-REIT			Acorn D-REIT			H1'2024	H1'2025	Y/Y change
Metric	H1'2024	H1'2025	y/y Change	H1'2024	H1'2025	y/y Change	H1'2024	H1'2025	y/y Change	H1'2024	H1'2025	y/y Change			
Operating Metrics															
Net Operating Income (NOI)	199.3	103.9	(47.9%)	53.8	64.3	19.5%	309.9	293.0	(5.5%)	260.2	566.8	117.9%	823.2	1028.0	24.9%
Profitability Metrics															
Funds from Operations	162.4	80.9	(50.2%)	53.8	64.3	19.5%	359.0	444.7	23.9%	260.2	566.8	117.9%	835.3	1156.8	38.5%
Adjusted FFO	162.4	80.9	(50.2%)	55.1	61.2	11.1%	359.0	444.7	23.9%	260.2	566.8	117.9%	836.6	1153.6	37.9%
Cash Available for Distribution (CAD)	129.9	80.9	(37.7%)	53.8	70.6	31.2%	104.0	99.9	(3.9%)	123.6	293.2	137.2%	411.3	544.6	32.4%
Cash Amounts Distributed (CAD)	162.4	80.9	(50.2%)	0.0	0.0		32.7	102.6	213.6%	181.4	205.0	13.0%	376.5	388.5	3.2%
Valuation Metrics															
Net Asset Value (NAV)	6,948.6	6,379.7	(8.2%)	3,233.6	3567.0	10.3%	7,435.4	8,617.8	15.9%	6,749.5	7,716.3	14.3%	6,091.8	6,570.2	7.9%

Source: Cytonn Research

Key takeaways from the table include:

- The combined Net Operating Income (NOI) of Kenyan REITs saw a 24.9 % increase, reaching Kshs 1028.0 mn in H1'2025, up from Kshs 823.2 mn in H1'2024. This growth was largely driven by a 117.9% rise in the net operating income of Acorn D-REIT, which increased to Kshs 566.8 mn from Kshs 260.2 mn in H1'2024. Additionally, ILAM Fahari I-REIT reported a notable NOI growth of 19.5%, reaching Kshs 64.3 mn from Kshs 53.8 mn in similar period in 2023, further contributing to the overall positive performance. Imara I-REIT's NOI saw the largest drop, falling by 47.9% to Kshs 103.9 mn from Kshs 199.3 mn in H1'2024, followed by Acorn I-REIT which fell by 5.5% to 293.0 mn in H1'2025 from 309.9 mn in H1'2024,
- Combined Funds from Operations (FFO) of Kenyan REITs increased by 38.5% in H1'2025, increasing to Kshs 1,156.8 mn from Kshs 835.3 mn in H1'2024. Similarly, Adjusted FFOs for Kenyan REITs increased by 37.9%, reaching Kshs 1,153.6 mn in H1'2025 from Kshs 836.6 mn in H1'2024. This

increase was largely due to significant increases in NOIs except for Imara I-REIT which recorded a decrease of 47.9% during the period,

- iii. The REITs combined Cash amounts available for paying dividends to REIT investors which we measured using the Cash Available for Distribution (CAD) metric increased by 32.4% in H1'2025 to Kshs 544.6 mn from Kshs 411.3 mn in H1'2024. The performance was propelled by Acorn D-REIT's distributable earnings which increased by 137.2% to come in at Kshs 293.2 mn from Kshs 123.6 mn during the same period last year. Additionally, ILAM Fahari I-REIT distributed earnings stood at Kshs 70.6 mn which was an improvement from the Kshs 53.8 mn earnings recorded in H1'2024 which was a 31.2% improvement.
- iv. Notably, the REIT managers of the REITs recommended provisional dividends except for Fahari I-REIT. For Laptrust Imara I-REIT, the REIT Manager suggested a dividend distribution of Kshs 80.9 mn, amounting to Kshs 0.23 per unit, which was approved by the Trustee for the H1'2025, Acorn I-REIT increased its total distribution for the half year to Kshs 102.6 mn, translating to Kshs 0.3 per unit, marking a 213.6% rise from the Kshs 32.7 mn distributed in H1'2024. Acorn D-REIT recommended a distribution of Kshs 205.0 mn, equivalent to Kshs 1.04 per unit, which was an improvement from the 0.7 per unit distribution in H1'2024, and,
- v. The combined Net Asset Values (NAV) for Kenyan REITs increased by 7.9% to reach Kshs 26,280.8 mn in H1'2025, from Kshs 24,367.1 mn in H1'2024. This increase was driven by an increase in all REITs increase in net asset value except for Imara I-Reit which decreased by 8.2% to 6,379.7 mn in H1'2025 from 6,948.6 Mn in 2024 similar period. All other REITS recorded an increase in NAV by 10.3%, 15.9% and 14.3% for ILAM Fahari I-REIT, Acorn I-REIT and D-REIT respectively.

The table below makes a comparison of the leverage and liquidity ratios of all four Kenyan REITs during H1'2024 and H1'2025;

Cytonn Report: Summary Performance Kenya REITs in H1'2025															
	Imara I-REIT			ILAM Fahari I-REIT			Acorn I-REIT			Acorn D-REIT					
Metric	H1'2024	H1'2025	y/y Change	H1'2024	H1'2025	y/y Change	H1'2024	H1'2025	y/y Change	H1'2024	H1'2025	y/y Change	H1'2024	H1'2025	Y/Y change
<b>Leverage Ratios</b>															
Debt to Equity Ratios	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	27.1%	60.6%	33.5%	7.8%	17.7%	9.8%
Debt to Total Market Cap Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	28.0%	64.9%	36.9%	8.1%	18.9%	10.8%
Debt to Gross Book Value Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.6%	29.0%	14.4%	4.2%	8.5%	4.3%
Debt to EBITDA Multiple	0.0%	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00	0.00	7.04	8.25	17.2%	202.9%	240.4%	18.5%
<b>Liquidity Ratio</b>															
Debt Service Coverage Ratio	0.0%	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.00	0.00	14.2%	12.1%	(2.1%)	4.1%	3.5%	(0.6%)
Implied Capitalization Rate	2.9%	1.4%	(1.5%)	3.3%	3.8%	0.5%	6.2%	5.8%	(0.4%)	4.8%	8.0%	3.2%	4.3%	4.8%	0.4%

Source: Cytonn Research

Key takeaways from the table include;

- i. Majority of the REITs remained ungeared during H1'2025, with their leverage ratios remaining at zero except Acorn D-REIT. Acorn D-REIT debt ratios increased in H1'2025 on account of a 155.4% increase in its long-term borrowings to Kshs 4.8 bn from Kshs 1.8 bn in H1'2024,

- ii. Notably, Acorn D-REIT's Debt to EBITDA Multiple increased by 17.2% to 8.3x in H1'2025, from 7.0x recorded in H1'2024. This was on the back of a faster rise in REIT's long-term borrowings which outpaced the EBITDA's incline. Acorn D-REIT EBITDA in H1'2025 increased by 117.9% to Kshs 566.8 mn from Kshs 260.2 mn in H1'2024, compared to a 155.4% decrease in the REIT's long-term debt, and,
- iii. Acorn D-REIT traded at the highest implied capitalization rate of 8.0%, signifying a higher return on investment compared to other REITs. In contrast, Imara I-REIT had the lowest implied capitalization rate of 1.4%.

The table below presents a summary of key valuation metrics of Kenyan REITs in H1'2025;

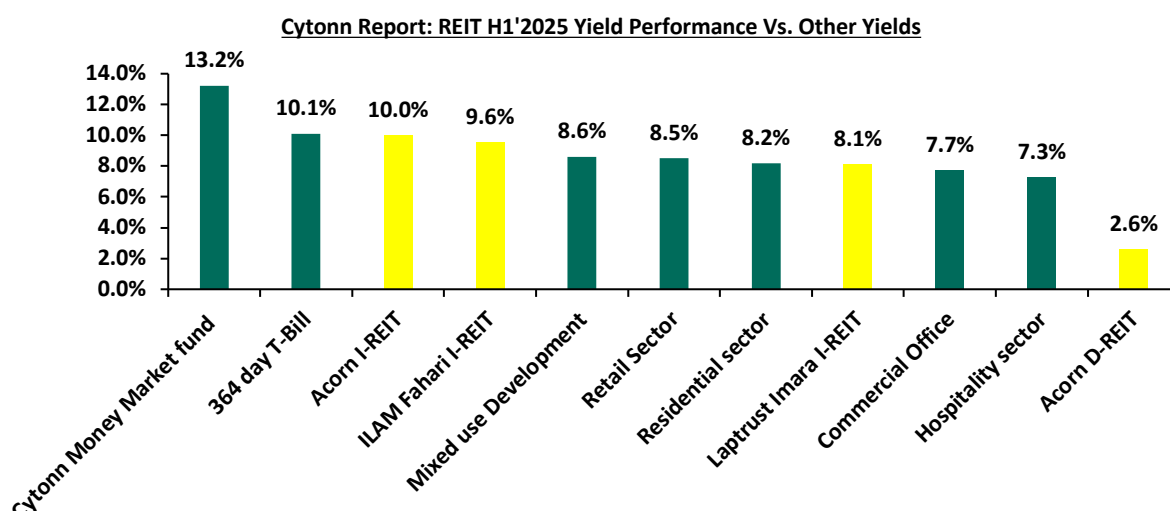
Cytonn Report: Summary Performance Kenya REITs in H1'2025															
Metric	Imara I-REIT			ILAM Fahari I-REIT			Acorn I-REIT			Acorn D-REIT			H1'2024	H1'2025	Y/Y change
	H1'2024	H1'2025	Y/Y Change	H1'2024	H1'2025	Y/Y Change	H1'2024	H1'2025	Y/Y Change	H1'2024	H1'2025	Y/Y Change	H1'2024	H1'2025	Y/Y change
Valuation Metrics															
Price/FFO per share	42.6	89.9	110.7%	37.0	33.7	(8.7%)	20.3	18.2	(10%)	25.1	12.7	(49.4%)	31.3	38.6	23.6%
Dividend Yield	1.9%	1.1%	(0.8%)	0.0	0.0%	0.0%	0.4%	1.3%	0.8%	1.9%	4.1%	2.2%	1.1%	1.6%	0.6%
Dividend Coverage/Payout Ratio	65.2%	77.9%	12.7%	0.0	0.0%	0.0%	10.6%	35.0%	24.5%	69.7%	36.2%	(33.6%)	36.4%	37.3%	0.9%
Net Asset Value	6948.6	6379.7	(8.2%)	3233.6	3567.0	10.3%	7435.4	8617.8	0.2	6,749.5	7,716.3	14.3%	6091.8	6570.2	7.9%
Net Asset Value per share	20.1	18.4	(8.2%)	17.9	19.7	10.3%	22.5	23.5	0.0	25.4	27.4	7.9%	21.4	22.3	3.7%
Implied Capitalization Rate	2.9%	1.4%	(1.5%)	0.0	3.8%	13.6%	6.2%	5.8%	(0.4%)	4.8%	8.0%	3.2%	4.3%	4.8%	0.4%
Annualized Dividend Yield	3.8%	2.2%	(1.5%)	0.0	0.0%	0.0%	0.9%	2.6%	(67.8%)	3.8%	4.1%	0.3%	2.1%	2.2%	0.1%

source: Cytonn Research

- i. Imara I-REIT units are trading at a premium relative to its peers, with a Price to FFO per share multiple of Kshs 89.9, and this was an increase of 110.7% from Kshs 42.6 price per FFO per share multiple,
- ii. Acorn I-REIT's and D-REIT boasted the highest annualized dividend yield in H1'2025 at 4.1% and 2.6% respectively, surpassing Imara I-REIT's 2.2% and ILAM Fahari I-REIT 0.0%. On the payout side, Imara I-REIT, Acorn I-REIT and ILAM Fahari I-REIT had payouts of 77.9%, 19.0% and 47.8%, respectively. All REITs dividend payout did not adhere to Kenya's REIT regulations that mandate distributing at least 80.0% of net profits after tax as dividends,
- iii. Acorn D-REIT recorded the highest NAV per share at Kshs 27.4, a 7.9% increase from H1'2024's NAV per share of Kshs 25.4. This is on the back of an increase in the number of shares, which increased by 5.9% to 282.0 mn from Kshs 266.2 mn in H1'2024; and a 14.3% growth in the Net Asset Value (NAV) to Kshs 6.5 bn from Kshs 6.1 mn in H1'2024. Imara I-REIT had the lowest NAV per share at Kshs 18.4, a 8.2% decline from 20.1 recorded in H1'2024. This is attributable to a 5.3 % decrease in total assets to Kshs 6.9 bn from Kshs 7.3 bn in H1'2024.

The REITs registered positive annualized rental returns of 10.0%, 9.6%, 8.1% and 2.6% for Acorn I-REIT, Fahari I-REIT, Laptrust Amara IREIT and Acorn D-REIT respectfully. On average, REITS yields came in at 7.6% showing relatively lower returns as compared to other assets. The chart below shows the comparison of REITs yield performance versus other assets.





Source: Cytonn Research

#### Section IV: Conclusion, Recommendations, and Outlook for the REITs Sector

Kenya's REITs market has seen moderate performance, shaped by various factors. Despite challenges, there are encouraging trends, such as growth in net operating incomes, indicating improved financial performance. Additionally, leverage ratios for most REITs have remained low, with many REITs being ungeared and relying on short-term debt for their operations to avoid overexposure to the high interest rates. This trend is expected to continue as REITs seek to maintain financial sustainability.

##### Recommendations to Enhance the REITs Sector:

- I. **Stakeholder education:** There is a pressing need to educate all key stakeholders on the REIT structure. Implementing comprehensive investor education and awareness campaigns is essential to inform potential investors about both the benefits and inherent risks of REIT investments. By enhancing investor knowledge and understanding, a larger pool of individuals can be encouraged to participate in the REIT market, ultimately driving its growth and fostering sustainable development.
- II. **Expanding legal entities:** In South Africa, the REIT framework allows for a variety of legal entities to form REITs, unlike in Kenya where the structure is predominantly limited to trusts. In countries like Belgium and the United States, REITs can be established using diverse legal structures such as public limited companies, limited liability companies, cooperatives, or trusts. This flexibility accommodates different investor preferences and business models. To strengthen the Kenyan REIT market, it is advisable to broaden the range of permissible structures beyond traditional trust models to include corporations, partnerships, and limited liability companies. Such diversification would better cater to various investor needs and lower the barriers to market entry, ultimately promoting a more robust and dynamic REIT sector.
- III. **Streamlined approval process:** To enhance the efficiency of REIT approvals, consolidating the current dual-agency process—managed by the Capital Markets Authority (CMA) and the Kenya Revenue Authority (KRA)—into a single regulatory body is recommended. By centralizing the approval process, REIT managers and potential issuers would no longer need to navigate two separate regulatory frameworks. This consolidation is expected to streamline the process, reduce associated costs, and improve overall transparency and accountability.
- IV. **Introduce hybrid REIT vehicles:** At present, investors are often required to subscribe to separate REIT classes, which leads to duplicate costs and complicates the investment process. Introducing a hybrid



REIT structure would integrate the high returns associated with development-focused assets with the stable income streams characteristic of income-oriented REITs. Such a unified vehicle would simplify the investment process by eliminating redundant costs and offering investors a balanced risk-reward profile, thereby enhancing overall market appeal.

- V. **Flexibility in listing:** Given the apprehensions of many companies regarding an immediate shift to public listing, a phased approach is recommended. Providing REITs with an initial period of private operation before mandating public listing could ensure a smoother transition and align with corporate comfort levels. For example, Belgium's model—requiring 30% public shareholding—strikes a balance between public participation and promoter flexibility. Kenya could adopt a similar strategy, or even consider offering REITs the choice between public and private listings, which would foster inclusivity and better accommodate diverse investor preferences while bolstering market liquidity.
- VI. **Lower capital requirement for trustees:** Currently, the minimum capital requirement for REIT trustees is set at Kshs 100.0 mn, a threshold that effectively restricts trusteeship primarily to major banking institutions. With only a handful of banks registered as REIT trustees—such as Kenya Commercial Bank (KCB), Co-operative Bank, Housing Finance Bank, and NCBA Bank Kenya—it is recommended that this minimum be reduced to Kshs 10.0 mn. This adjustment, aligning with the minimum standards set for Pension Fund Trustees, would expand the pool of potential trustees and encourage more competitive, innovative service provision for REIT managers.
- VII. **Introduce tokenization of REITs:** Embracing the concept of tokenization presents an innovative avenue to broaden market participation. By digitizing REIT units into smaller denominations—potentially allowing investments as low as Kshs 100.0—it becomes possible to lower entry barriers, enhance liquidity, and attract a broader range of investors, including those with limited capital.
- VIII. **Diminishing Entry Barriers:** Revisiting the current minimum investment requirement of Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for the restricted I-REIT, is essential to eliminate barriers that restrict individual participation. Notably, given that D-REITs are riskier compared to I-REITs, it makes no sense having I-REITs with higher minimum investment requirements compared to D-REITs. Lowering this threshold to Kshs 50,000 for I-REITs would foster a more inclusive investment environment, allowing a wider array of investors to access and benefit from the REIT market, ultimately bolstering overall market vibrancy and liquidity.

The outlook for Kenya's REITs sector remains cautiously optimistic. While challenges such as high construction costs and market saturation in certain areas persist, the continued government support through infrastructure development and affordable housing initiatives provides a positive backdrop. Investors are expected to remain focused on income-generating REITs, particularly those tied to resilient sectors like retail and commercial properties. The sector's growth will likely hinge on increased investor awareness and the broadening of investment options within the REITs market.

In 2025, we expect REITs to gain popularity as developers such as Future Construct being licenced as REIT managers by the Capital Market Authority. Centum Real Estate are looking forward to launch a dollar based Income REIT and we expect that the dollar based I-REIT will: i) increase foreign investments by boosting investors' confidence against local currency uncertainties, ii) dollar-denominated REITs provide an alternative for investors seeking more liquid and globally recognized investment options, iii) the dollar based move is likely to set a precedent for other players in the market, encouraging the development of more innovative and investor-centric financial products, and, iv) the fund could force policy regulatory framework improvement to ensure transparency and investments protection.

In addition, we expect the sector will continue to lag behind in comparison to other African countries such as South Africa, attributable to several challenges facing the sector such as; i) lack of sufficient investor awareness regarding the potential of REITs as an investment tool, ii) lengthy approval procedures for establishing REITs have hindered their formation and deployment in the market, iii) high minimum capital requirement 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, and, iv) steep minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for restricted I-REITs.

However, we also expect the trend of strategic acquisitions to persist, with REITs actively seeking opportunities to broaden and diversify their portfolios, cater to evolving market demands and set standards in promoting environmental sustainability such as execution of green bonds by Acorn holding. While there are supportive factors for the growth of REITs in Kenya, such as urbanization and government infrastructure projects, challenges like high interest rates and regulatory constraints may tamper performance. Stakeholders in the REIT sector are advised to monitor these dynamics closely and engage in strategic planning to navigate the evolving market landscape effectively.

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