Kenya Listed Commercial Banks Review

Cytonn H1’2026 Banking Sector Report

Digital Momentum and Improving Asset Quality

Cytonn

20th September, 2026

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I. Introduction to Cytonn

About Us

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

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

A unique franchise differentiated by:

Independence & Investor Focus

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

Alternative Investments

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

Strong Alignment

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

Committed Partners

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

Why We Exist

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

WE SERVE THREE MAIN CLIENT SEGMENTS:

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

WE INVEST OUR CLIENT FUNDS IN:

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

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

Our Business Structure

Cytonn Investments Management Plc

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

II. Kenya Economic Review and Outlook

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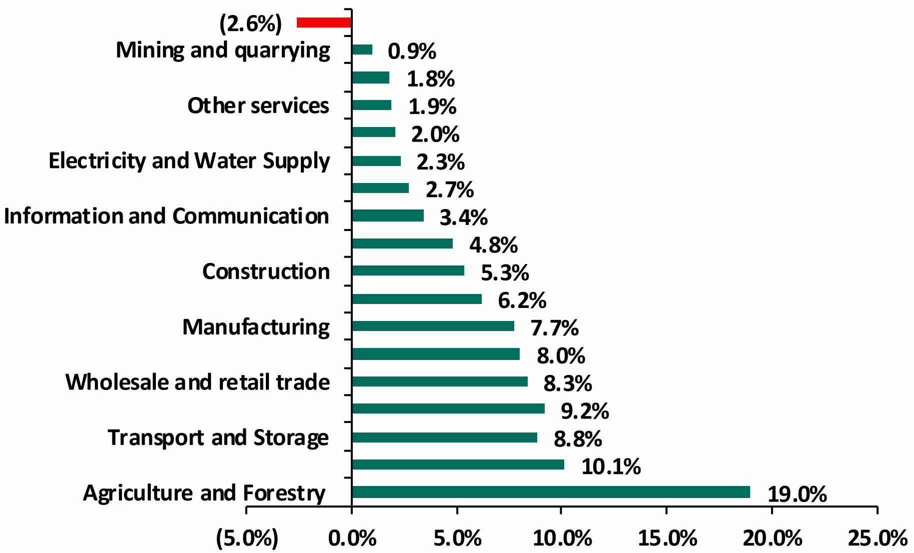
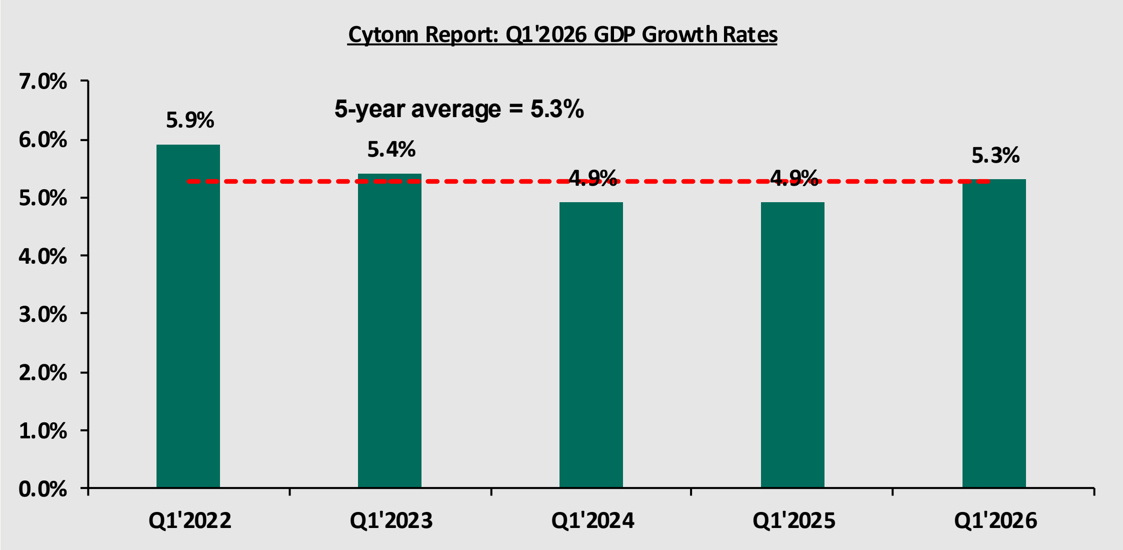
Economic Growth

The Kenyan economy grew by 5.3% in Q1’2026, higher than the 4.9% growth recorded in Q1’2025

Cytonn Report: Q1'2026 GDP Contribution by sector





**Source: KNBS*

- The Kenyan economy recorded a 5.3% in Q1’2026, higher than the 4.9% growth recorded in Q1’2025. The main contributor to Kenyan GDP remains to be the Agriculture, forestry and fishing sector whose contribution stood at 19.0% in Q1’2026, marginally lower than the 19.1% recorded in Q1’2025. Majority of the sectors in Q1’2026 recorded positive growths, with varying magnitudes across activities.
- We expect the economy’s growth will largely depend on the pace at which inflationary pressures stabilize and the sustainability of the Kenyan Shilling’s strength. However, elevated global oil prices driven by the ongoing Iran war are expected to keep production and transport costs high, which may sustain upward pressure on food prices.

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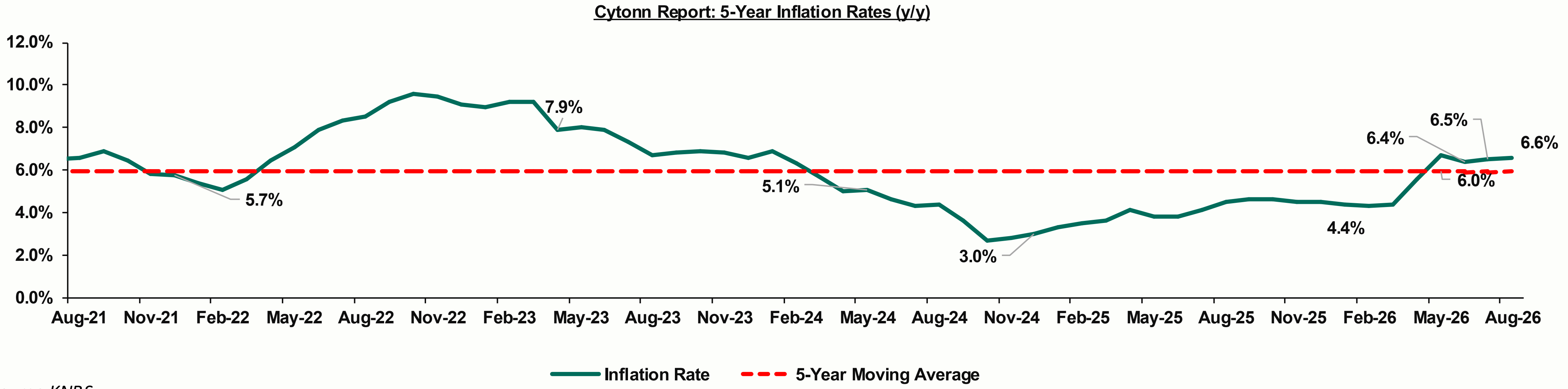
Inflation

The average inflation rate increased to 6.2% in Q2'2026, compared to 3.9% in Q2'2025



**Source KNBS*

- The average inflation rate increased to 6.2% in Q2'2026, compared to 3.9% in Q2'2025, attributable to higher fuel prices.
- The inflation in August 2026 increased by 0.1% points to 6.6% from the 6.5% recorded in July 2026, driven by a rise in prices of items in the Food and Non-Alcoholic Beverages 9.0 % Transport 15.7%, and Housing, Water, Electricity, Gas and other fuels 3.6% over the one-year period.
- Going forward, we expect the inflationary pressures to remain within the CBK's preferred target range of 2.5%-7.5%, but above the midpoint in the short to medium term, due to renewed pressure as a result of higher fuel prices.

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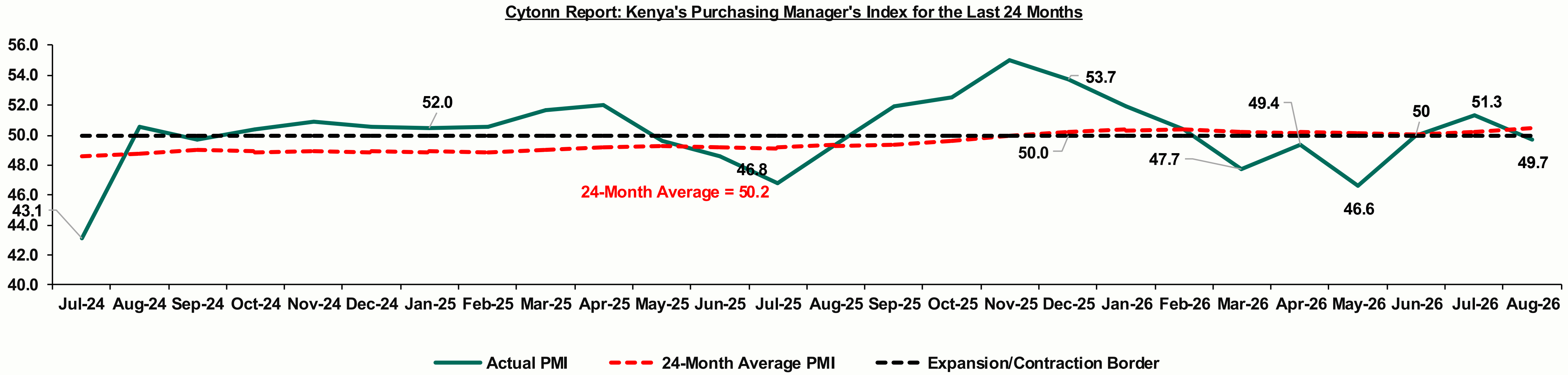
Stanbic PMI Index

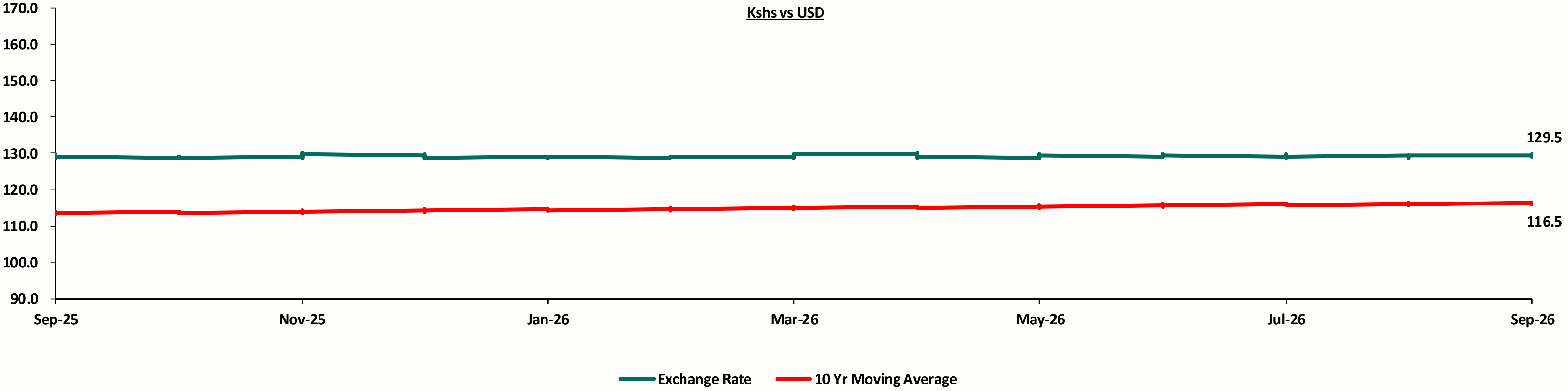
The PMI averaged at 48.7 in Q2’2026, compared to 50.1 in Q2’2025



- Kenya’s general business environment marginally declined in Q2’2026, with the average Purchasing Manager’s Index coming in at 48.7, compared to 50.1 recorded in Q2’2025. The decline was largely driven by higher input costs linked to the Middle East conflict and its impact on shipping costs, squeezed household budgets, and subdued demand conditions, as firms opted against passing on costs to consumers in an already weak demand environment. The business environment showed further weakness in August 2026, with the PMI declining to 49.7 from 51.3 in July 2026.
- Going forward, the business environment is expected to remain challenging in the near term, with the contraction in the PMI to 49.7 in August 2026 reflecting the mounting pressures of elevated input costs, tax burdens, and weakened consumer demand. While the CBK's accommodative stance, with the benchmark rate held at 8.75% offers some relief, a meaningful recovery in business conditions will remain contingent on stabilization of fuel prices, easing of cost pressures, and a sustained improvement in household purchasing power.

Currency

The Kenyan Shilling depreciated by 36.4 bps in H1'2026 to close the quarter at Kshs 129.5



- The Kenyan Shilling remained relatively stable during the first half of 2026, however, depreciating against the US Dollar by 36.4 bps in H1'2026 to close at Kshs 129.5, from Kshs 129.0 as at the beginning of the year, mainly attributable to increased global uncertainties following geopolitical tensions between US and Iran.
- In our view, the shilling will be supported by diaspora remittances standing at a cumulative USD 5,012.7 mn in the twelve months to August 2026, slightly lower than the USD 5,078.8 mn recorded over the same period in 2025. These have continued to cushion the shilling against further depreciation. We however expect the shilling to remain under pressure as a result of an ever-present current account deficit which widened to 3.0% of GDP in the 12 months to June 2026 compared to 1.9% of GDP in a similar period in 2025, and, as well as the need for government debt servicing.

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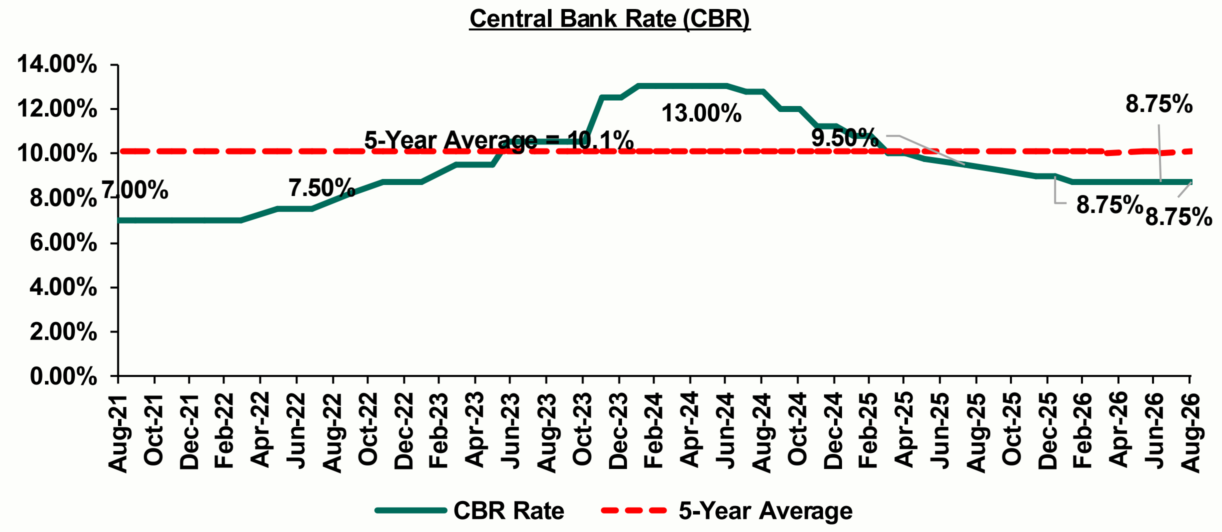
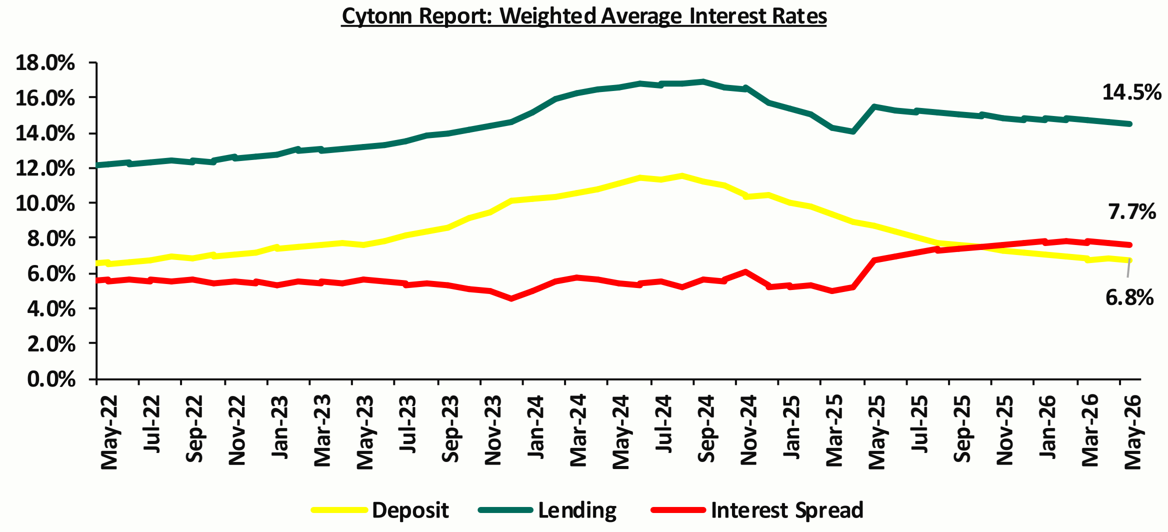
Interest Rates and Monetary Policy

The MPC maintained the CBR rate at 8.75% in August 2026





- The Monetary Policy Committee (MPC) met thrice in H1'2026, where the Central Bank Rate was cut once by 25 bps to 8.75% from the 9.0% and holding it for the remaining two meetings, as sustained global uncertainty, particularly the escalation of the Middle East conflict and its impact on oil prices, prompted a more cautious stance after an extended easing cycle. In August 2026, the MPC decided to maintain the Central Bank Rate (CBR) at 8.75%, unchanged from the June 2026 meeting to keep inflationary pressures in check while allowing previous rate cuts to continue supporting economic growth and private-sector credit.
- In our view, we expect the MPC to adopt a more cautious approach to rate adjustments in the coming meetings in a bid to continue supporting the private sector, while closely monitoring the impact on inflation and the exchange rate, as a result of the ongoing Middle East war. The next MPC meeting is scheduled for October 2026.

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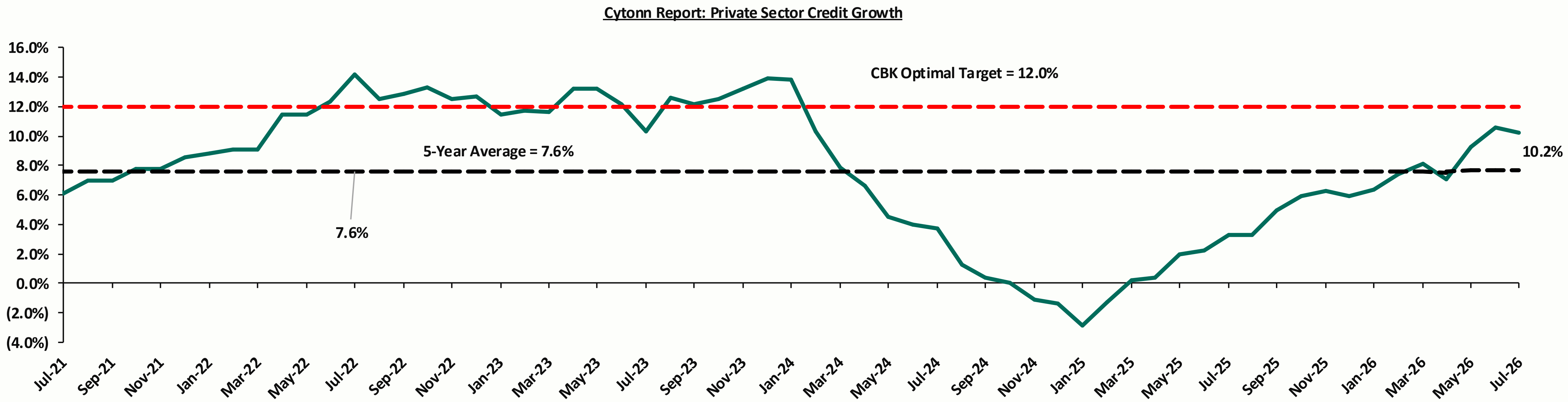
Private Sector Credit growth



**Source: KNBS*

- Growth in private sector credit grew by 10.6% in June 2026 from 2.2% in June 2025, mainly attributed to the sustained decline in commercial bank lending rates by 0.9% to 14.4% in June 2026 from 15.3% in June 2025, driven by the CBK's easing cycle, as well as the full implementation of the Risk-Based Credit Pricing Model which enhanced monetary policy transmission. Additionally, the number of loan applications and approvals remained strong, reflecting resilience in economic activities and renewed appetite for working capital across key sectors.
- In July 2026, private sector credit grew by 10.2% from 3.3% in July 2025, supported by continued transmission of lower lending rates and robust demand for credit across trade, manufacturing, and household segments.

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III. Banking Sector Overview

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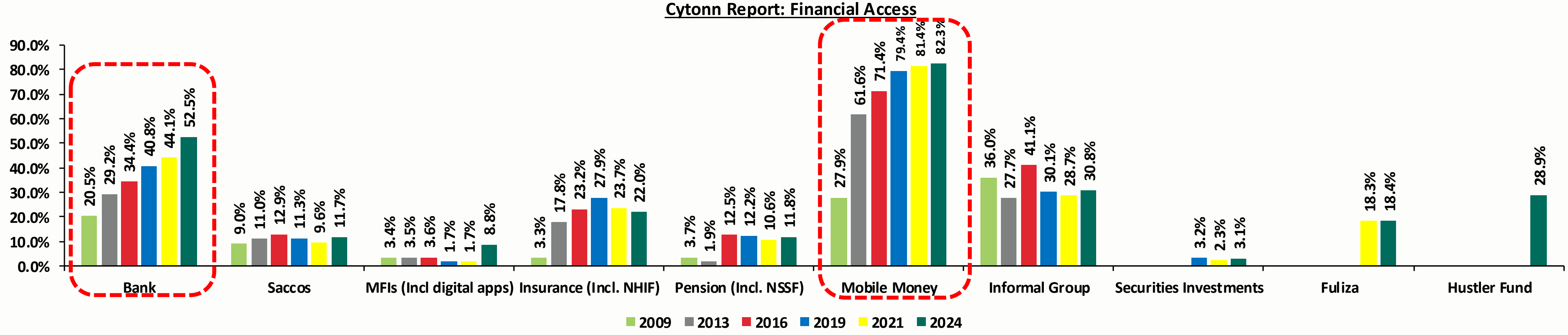
Kenyan Banking Sector Overview

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

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



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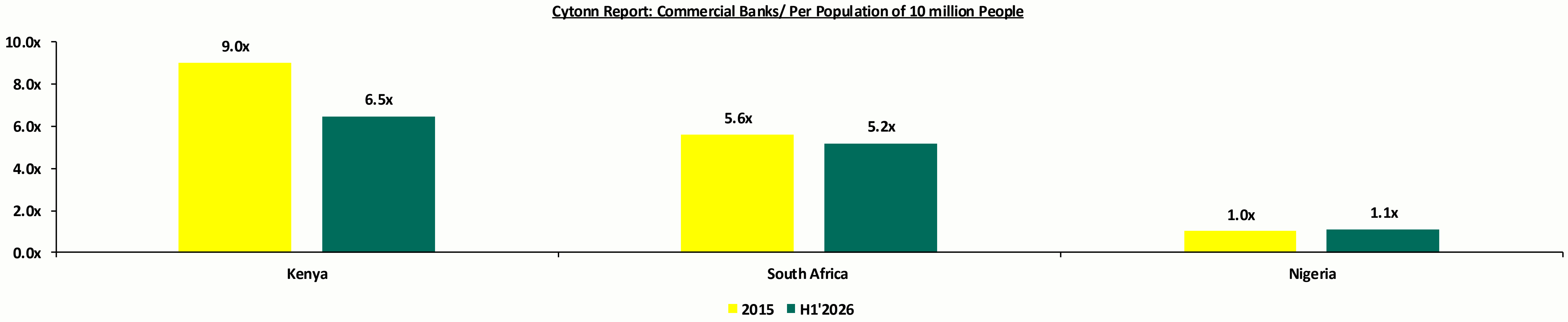
Source: Central Bank of Kenya, FinAccess report

Kenyan Banking Sector Overview

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



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

- The number of commercial banks in Kenya currently stands at 38 (including 1 mortgage finance company), the same as in H1’2025 but lower than the 43 licensed banks in FY’2015.
- The ratio of the number of banks per 10 million population in Kenya now stands at 6.5x, which is a reduction from 9.0x in FY’2015, demonstrating continued consolidation in the banking sector. However, despite the ratio improving, Kenya still remains overbanked as the number of banks remains relatively high compared to the African major economies

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Recent Developments in the Kenyan Banking Sector

1. Regulation:

- **Review of Banking Fees:** The Central Bank of Kenya (CBK) introduced the Banking (Fees) Regulations, 2026, through Legal Notice No. 81 of 2026, on 8th May 2026, replacing the Banking (Fees) Regulations of 1994. The new framework represents a shift from the previous branch-based fee structure to a revenue-based model, with the annual fee for institutions licensed under the Banking Act calculated as a percentage of gross annual revenue. Under the new framework, the annual fee is set at 0.13% of gross annual revenue in 2026, increasing to 0.14% in 2027 and 0.15% from 2028 onwards. Gross annual revenue includes income from loans and advances, government securities and placements, fees and commissions on loans and advances, dividend income, foreign-exchange trading income and other income. Newly licensed institutions are required to pay the annual fee based on their average projected gross annual revenue for their first three years of operation, while an institution applying for a banking licence is required to pay a Kshs 5,000.0 application fee. The review is significant given that the previous framework had remained in place since 1994 and was largely based on fixed fees linked to factors such as the number of branches. The revised revenue-based approach seeks to better align supervisory fees with the size, complexity and risk profile of individual institutions, as well as the resources required for effective domestic and cross-border supervision. The review also recognises the transformation of the banking sector, including the increasing use of digital and alternative distribution channels. CBK's Regulatory Impact Assessment noted that banking-sector assets had increased from Kshs 202.0 bn in 1994 to Kshs 8.4 tn by December 2025, underscoring the need to modernise the fee framework

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Recent Developments in the Kenyan Banking Sector

- **Higher capital requirements:** Following the enactment of the Business Laws (Amendment) Act, 2024, the Central Bank of Kenya (CBK) increased the minimum core capital requirement for commercial banks to Kshs 10.0 bn from the previous Kshs 1.0 bn, which had been in effect since 2012. The new framework requires lenders to comply gradually, Kshs 5.0 bn by 2026, Kshs 6.0 bn by 2027, Kshs 8.0 bn by 2028, and full compliance at Kshs 10.0 bn by 2029. However, Following the 2026/27 Budget Statement, the Government proposed amendments to the minimum core capital transition requirements for commercial banks. The Finance Act, 2026 subsequently extended the deadline for banks to meet the Kshs 10.0 bn minimum core capital requirement from December 2029 to December 2032 and removed the interim annual capital milestones, giving banks until 31st December 2032 to achieve the full requirement. This legislative relaxation provides critical immediate relief to the sector, significantly reducing near-term recapitalization stress for smaller tier-3 lenders.

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

Recent Developments in the Kenyan Banking Sector

- **Strengthening of Financial Consumer Protection**: During H1'2026, Kenya advanced efforts to establish a harmonised financial consumer protection framework across the financial sector. In April 2026, the Consumer Protection Framework Technical Working Group, comprising the Central Bank of Kenya (CBK), Capital Markets Authority (CMA), Insurance Regulatory Authority (IRA), Retirement Benefits Authority (RBA), Sacco Societies Regulatory Authority (SASRA), Communications Authority of Kenya (CA), Competition Authority of Kenya (CAK), and the National Treasury, invited public comments on the draft Financial Consumer Protection Framework for Kenya. The framework seeks to establish common standards for fair treatment, transparency, product suitability, protection of consumer assets, complaints handling and data privacy, while strengthening coordination among financial-sector regulators. The consultation closed on 28 April 2026, with the framework remaining subject to the regulatory process before full implementation.

- **Risk-based Lending:** Following the CBK's rollout of the revised Risk-Based Credit Pricing Model (RBCPM), the sector reached its full implementation milestone by the February 28, 2026, deadline for existing variable-rate loans. However, the framework's flexibility led to a clear structural split in reference rate selection. While the CBK introduced the Kenya Shilling Overnight Interbank Average (KESONIA) as a dynamic, transaction-based market index, it preserved the Central Bank Rate (CBR) as an allowable alternative base rate. Co-operative Bank of Kenya fully embraced KESONIA, linking its facilities directly to daily market liquidity conditions. While, tier-1 peers like KCB Bank, Equity Bank, and DTB legally opted to anchor their formulas to the CBR plus a customer risk premium. This market fragmentation means that while the core goal of risk-based transparency has been met, monetary policy transmission velocity varies widely across the banking system depending on whether a borrower's facility is policy-tied or market-tied.

Recent Developments in the Kenyan Banking Sector

2. **Digitization:** In H1'2026, digitization continued to reshape Kenya's banking sector, with increasing adoption of mobile, internet, agency and other alternative channels reducing reliance on physical branches for routine banking transactions. The trend was evident among listed banks, with Equity Group reporting that 89.7% of transactions were processed through digital platforms, while 98.3% of transactions occurred outside physical branches during H1'2026. Similarly, KCB Group reported that 98.0% of transactions by number were performed outside branches, supported by continued growth in the use of mobile and internet banking channels. The digitization of payments was further supported by developments in PesaLink, Kenya's instant account-to-account payment infrastructure. In February 2026, PesaLink partnered with the Pan-African Payment and Settlement System (PAPSS) to facilitate instant, 24/7 cross-border payments in local currencies, with more than 80 PesaLink network participants linked to over 160 PAPSS participating banks. The development is expected to enhance the efficiency of cross-border payments by reducing reliance on correspondent banking arrangements and foreign reserve currencies. On 27th April 2026, DTB introduced a Kshs 20 flat fee for PesaLink transfers above Kshs 1,000.0, while transfers of up to Kshs 1,000.0 were made free. KCB subsequently adopted the same pricing structure on 20th May 2026, with other participating banks also implementing the revised tariff during H1'2026,

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Recent Developments in the Kenyan Banking Sector…..

3. **Interest Rates:** Interest rates were on a downward trajectory during the period under review. Notably, the yields on Kenyan government securities declined during the period under review, with the yield on the 91-day paper averaging 7.9% during the period, 0.9% points lower than the average of 8.8% in H1'2025. Despite the marginal declines in rates in H1'2026 the listed bank's interest income grew, with a weighted average increase of 5.0% in H1'2026, from a weighted average decline of 2.0% in H1'2025. Additionally, the lower interest rate environment led to a marginal reduction in interest expense which declined by a weighted average of 5.6% in H1'2026, albeit higher than the 20.7% decline in H1'2025. This decline in funding cost helped support overall profitability contributing to a 10.9% growth in net interest income in H1'2026,
4. **Structural Consolidation:** The banking sector witnessed notable structural consolidation activity in H1'2026, highlighted by Absa Group's tender offer to increase its ownership in Absa Bank Kenya. On 19th June 2026, Absa Group announced an offer to acquire up to 896.0 mn shares at Kshs 34.5 per share, representing a maximum consideration of approximately Kshs 30.9 bn and potentially increasing its stake from 68.5% to 85.0%. The offer opened on 30th June 2026 and closed on 11th August 2026. It was ultimately undersubscribed, with a 21.1% subscription rate, as Absa Group received valid tenders for 190.0 mn shares and accepted 189.4 mn shares. Consequently, Absa Group's stake increased by approximately 3.5% points to 72.0%, below the targeted 85.0% ownership level, reflecting limited uptake by minority shareholders as Absa Bank Kenya's share price moved closer to the Kshs 34.5 offer price during the offer period.

Recent Developments in the Kenyan Banking Sector…..

5. Regional Expansion through Mergers and Acquisitions:

Kenyan banks continued to deepen their regional footprint in H1’2026, with regional subsidiaries remaining an important contributor to Group performance and cross-border mergers and acquisitions supporting further expansion. Equity Group reported that its regional subsidiaries contributed 42.0% of Group banking profitability and 52.0% of Group banking assets. Similarly, KCB Group’s operations outside KCB Bank Kenya contributed 27.7% of Group Profit Before Tax (PBT) and accounted for 31.1% of the Group’s total balance sheet during the period, highlighting the growing importance of regional operations to the performance of Kenya’s leading banking groups. On the expansion front, KCB Group is targeting entry into Ethiopia before end of 2026, having narrowed down to a target entity it believes offers the right cultural and strategic fit, with the acquisition expected to be partly financed from proceeds of the National Bank of Kenya sale, while Equity Group targets entry into eight additional African markets by 2030 through acquisitions.

a) On February 19, 2026, the Capital Markets Authority (CMA) granted Nedbank an exemption from the mandatory offer requirement, allowing it to proceed with its proposed acquisition of approximately 66.0% of NCBA Group. The tender offer opened on 28th May 2026 and closed on 10 July 2026, attracting valid tenders equivalent to 79.9% of NCBA’s issued shares, representing a 121.0% oversubscription relative to Nedbank’s targeted 66.0% stake. The Central Bank of Kenya subsequently approved the acquisition on 28th August 2026, with completion expected in Q3’2026, subject to the remaining regulatory approvals and transaction conditions

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Recent Developments in the Kenyan Banking Sector…..

5. Regional Expansion through Mergers and Acquisitions Cont:

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

c) On November 4, 2025 KCB Group Plc revealed its acquisition of an undisclosed minority stake in Pesapal Limited, one of the region's leading digital payment providers, as part of its strategic initiative to bolster digital capabilities and reinforce its footprint in banking, agency solutions, and business services across Kenya, Uganda, and Rwanda. This move proves to be strategic as KCB strives to capture the biggest market share of the fast-growing fintech market

Recent Developments in the Kenyan Banking Sector…..

5. Regional Expansion through Mergers and Acquisitions Cont:

d) On March 24, 2025, KCB Group Plc disclosed its acquisition of a 75.0% controlling interest in Riverbank Solutions Limited, a fintech entity focused on payment systems, as part of its strategic initiative to bolster digital capabilities and reinforce its footprint in banking, agency solutions, and business services across Kenya, Uganda, and Rwanda. Riverbank, a collaborator with KCB since 2013 in agency banking, brings expertise in digital payments, payroll management, and financial reporting, which KCB aims to harness to enhance its offerings tailored for small and medium enterprises (SMEs) and micro, small, and medium enterprises (MSMEs). The integration of Riverbank's capabilities is expected to facilitate the unification of KCB's agent banking channels into a single platform, optimizing operational efficiency.On November 4, 2025 KCB Group Plc revealed its acquisition of an undisclosed minority stake in Pesapal Limited, one of the region's leading digital payment providers, as part of its strategic initiative to bolster digital capabilities and reinforce its footprint in banking, agency solutions, and business services across Kenya, Uganda, and Rwanda. This move proves to be strategic as KCB strives to capture the biggest market share of the fast-growing fintech market

Recent Developments in the Kenyan Banking Sector…..

5. Regional Expansion through Mergers and Acquisitions Cont:

e) On April 14, 2025, the Central Bank of Kenya announced the acquisition of 100.0% shareholding of National Bank of Kenya Limited (NBK) by Access Bank Plc from KCB Group Plc, following CBK's approval on April 4, 2025 under Section 13 (4) of the Banking Act, and approval by the Cabinet Secretary for the National Treasury and Economic Planning on April 10, 2025, pursuant to Section 9 of the Banking Act. As part of the transaction, CBK, on April 4, 2025, further approved the transfer of certain assets and liabilities of National Bank of Kenya Limited to KCB Bank Kenya Limited pursuant to Section 9 of the Banking Act. The acquisition and completion of the transaction was finalised on 30th May 2025 in accordance with the terms of the Agreement between the parties

The following are Mergers and Acquisitions that were completed in 2024:

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

Recent Developments in the Kenyan Banking Sector….

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

Cytonn Report: Banking Sector Deals and Acquisitions						
Acquirer	Bank Acquired	Book Value at Acquisition (Kshs bn)	Transaction Stake	Transaction Value (Kshs bn)	P/Bv Multiple	Date
Zenith Bank	Paramount Bank	Unknown	100.0%	Undisclosed	N/A	Apr-26
Nedbank	NCBA	6.0	66.0%	5.4	1.4x	Jan-26
KCB	Pesapal	Unknown	Undisclosed	Undisclosed	N/A	Nov-25
KCB	Riverbank	Unknown	75.0%	2.0	N/A	Mar-25
Access Bank PLC (Nigeria)	National Bank of Kenya	10.6	100.00%	13.3	1.3x	Apr-25
Pioneer General Insurance and four other companies	Sidian Bank	5.0	16.57%	0.8	1.0x	Apr-24
Pioneer General Insurance and two other companies	Sidian Bank	5.0	38.91%	2.0	1.0x	Oct-23
Equity Group	Cogebanque PLC ltd	5.7	91.13%	6.7	1.3x	Dec-23
Shorecap III	Credit Bank Plc	3.6	20.00%	0.7	1.0x	Jun-23
Premier Bank Limited	First Community Bank	2.8	62.50%	Undisclosed	N/A	Mar-23
KCB Group PLC	Trust Merchant Bank (TMB)	12.4	85.00%	15.7	1.5x	Dec-22
Equity Group	Spire Bank	Unknown	Undisclosed	Undisclosed	N/A	Sep-22*
Access Bank PLC (Nigeria)*	Sidian Bank	4.9	83.40%	4.3	1.1x	June-22*
KCB Group	Banque Populaire du Rwanda	5.3	100.00%	5.6	1.1x	Aug-21
I&M Holdings PLC	Orient Bank Limited Uganda	3.3	90.00%	3.6	1.1x	Apr-21
KCB Group**	ABC Tanzania	Unknown	100.00%	0.8	0.4x	Nov-20*
Co-operative Bank	Jamii Bora Bank	3.4	90.00%	1	0.3x	Aug-20
Commercial International Bank	Mayfair Bank Limited	1.0	51.00%	Undisclosed	N/A	May-20*
Access Bank PLC (Nigeria)	Transnational Bank PLC.	1.9	100.00%	1.4	0.7x	Feb-20*
Equity Group **	Banque Commerciale Du Congo	8.9	66.50%	10.3	1.2x	Nov-19*
KCB Group	National Bank of Kenya	7.0	100.00%	6.6	0.9x	Sep-19
CBA Group	NIC Group	33.5	53%.47%	23	0.7x	Sep-19
Oiko Credit**	Credit Bank	3.0	22.80%	1	1.5x	Aug-19
CBA Group**	Jamii Bora Bank	3.4	100.00%	1.4	0.4x	Jan-19
AfricInvest Azure	Prime Bank	21.2	24.20%	5.1	1.0x	Jan-18
KCB Group	Imperial Bank	Unknown	Undisclosed	Undisclosed	N/A	Dec-18
SBM Bank Kenya	Chase Bank Ltd	Unknown	75.00%	Undisclosed	N/A	Aug-18
DTBK	Habib Bank Kenya	2.4	100.00%	1.8	0.8x	Mar-17
SBM Holdings	Fidelity Commercial Bank	1.8	100.00%	2.8	1.6x	Nov-16
M Bank	Oriental Commercial Bank	1.8	51.00%	1.3	1.4x	Jun-16
I&M Holdings	Giro Commercial Bank	3.0	100.00%	5	1.7x	Jun-16
Mwalimu SACCO	Equatorial Commercial Bank	1.2	75.00%	2.6	2.3x	Mar-15
Centum	K-Rep Bank	2.1	66.00%	2.5	1.8x	Jul-14
GT Bank	Fina Bank Group	3.9	70.00%	8.6	3.2x	Nov-13
Average			**74.5%**		**1.3x**	
Average: 2013 to 2018			**73.5%**		**1.7x**	
Average: 2019 to 2026			**73.2%**		**1.0x**	

*** Announcement Date**

**** Deals that were dropped**

Recent Developments in the Kenyan Banking Sector….

6. Asset Quality:

- Asset quality for listed banks improved in H1’2026, with the weighted average Gross Non-Performing Loan ratio (NPL) decreasing by 2.7% points to 11.1%, from 13.8% recorded in H1’2025. The performance was 0.4% points below the ten-year average of 11.5%. Notably, all 11 listed banks except Family Bank recorded a decline in their NPL ratios, pointing to an improvement in asset quality, although credit risk remains a key concern as banks continue to manage elevated levels of non-performing loans. The improvement occurred amid a relatively stable monetary policy and improving lending conditions, which may support further asset quality recovery. The overall gross non-performing loans (NPL) ratio in the banking industry also decreased by 0.8% points, to 14.8% in June 2026 from 15.6% in March 2026 as a result of a 1.3% decrease in gross NPLs coupled with the 4.3% increase in gross loans during the period under review.

- Additionally, Equity Group’s NPL ratio declined the most by 5.0% points to 10.2%, from 15.3% in H1’2025, while KCB Group’s NPL ratio decreased by 3.3% points to 14.5%, from 17.9% in H1’2025. Equity’s asset quality improved due to a 22.2% decrease in Gross non-performing loans to Kshs 108.4 bn, from Kshs 139.4 bn in H1’2025, as compared to the 16.1% increase in gross loans to Kshs 1,058.6 bn, from Kshs 912.0 bn recorded in H1’2025. Similarly, KCB Group’s asset quality improved due to a 13.2% increase in gross loans to Kshs 1,401.3 bn, from Kshs 1,237.6 bn recorded in H1’2025 and the 7.8% decrease in Gross non-performing loans to Kshs 203.8 bn, from Kshs 221.1 bn in H1’2025, and,

Recent Developments in the Kenyan Banking Sector….

6. Asset Quality Cont:

- The Monetary Policy Committee had adopted an accommodative monetary policy stance, maintaining the Central Bank Rate (CBR) at 8.75% in June 2026 compared to 9.75% in June 2025. With commercial banks required to reflect these lower rates in their loan pricing, the banks weighted average lending rates therefore declined by 0.9% points to 14.4% in June 2026 from 15.3% in June 2025. As a result of the low interest rates, the private sector credit growth improved recording expansions of 10.6% in June 2026 and to 10.2% in July 2026, up from an expansion of 2.2% in June 2025.

Banking Sector Growth Drivers

- **Growth in Interest income:** Going forward, interest income growth is expected to remain an important driver of banking sector performance, supported by continued expansion in loan books as lower borrowing costs encourage credit uptake. Following the cumulative easing of monetary policy, which reduced the Central Bank Rate (CBR) to 8.75% in February 2026, the Monetary Policy Committee (MPC) subsequently maintained the rate at 8.75% in its April, June and August 2026 meetings. While the pause in rate cuts is likely to limit further declines in lending rates, the continued transmission of earlier easing should support credit demand and loan growth. In addition, risk-based lending models should enable banks to better align lending rates with borrower risk, supporting the sustainability of interest income.,

- **Revenue Diversification:** Non-funded income (NFI) recorded a 14.6% weighted average growth in H1'2026, compared to a 5.8% decline in H1'2025, supported by a 14.3% increase in fees and commissions income. Although the weighted average contribution of NFI to total operating income declined slightly to 33.7% from 33.9% in H1'2025, the strong growth in absolute NFI highlights the continued potential for banks to diversify their revenue streams through transaction-based services, digital channels and other non-interest income opportunities

Banking Sector Growth Drivers

- **Growth in Loans and Advances:** All 11 listed banks recorded growth in loans and advances to customers, resulting in a 15.8% weighted average increase in H1’2026, compared to 1.5% in H1’2025. Credit growth is expected to remain supported by improved affordability, declining lending rates and stronger private sector demand, although the pace of growth may moderate following the MPC’s decision to pause further CBR reductions. Banks can support sustained loan growth through improved customer segmentation, risk-based lending and greater access to underserved sectors, particularly small and medium-sized enterprises and retail borrowers.

- **Regional Expansion and Further Consolidation:** Regional expansion and consolidation are expected to remain key themes, as well-capitalized banks seek to diversify earnings and strengthen their competitive positions. Equity Group and KCB Group continue to derive a significant share of Group performance from their regional operations, while both institutions are pursuing further expansion across Africa. At the same time, higher capital requirements are likely to encourage consolidation as smaller institutions face greater pressure to strengthen their capital positions. We therefore expect continued opportunities for stronger banks to expand through acquisitions and increase scale, both domestically and across the region.

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Banking Sector Growth Drivers

- **Geopolitical Tensions**: Persistent geopolitical tensions in the Middle East and the fragility of ceasefire arrangements could continue to pose risks to the banking sector through higher oil prices and broader external shocks. A sustained increase in energy costs could reignite inflationary pressures, weaken household and corporate disposable incomes, increase debt-servicing burdens and consequently elevate credit risk. Prolonged geopolitical uncertainty could also weigh on economic activity and investor sentiment, resulting in more cautious lending and slower credit growth. In addition, renewed pressure on the Kenya Shilling could increase the cost of servicing foreign currency liabilities and heighten foreign exchange-related risks for unhedged borrowers, potentially slowing the improvement in asset quality.

- **Regulation:** Regulatory developments will remain an important consideration for the banking sector, particularly following the Central Bank of Kenya's release of draft revised Prudential Guidelines, Risk Management Guidelines, Guidance Notes and the Domestic Systemically Important Banks (D-SIBs) Framework in September 2026. The proposed frameworks seek to strengthen the resilience of the banking sector and align Kenya's supervisory framework with international standards and emerging risks. The D-SIB framework would introduce enhanced regulatory oversight and higher loss-absorbing capacity requirements for banks designated as systemically important. We expect the proposed reforms to have implications for banks' capital planning, risk management and compliance requirements, while potentially supporting further consolidation as smaller institutions seek to strengthen their capital positions.

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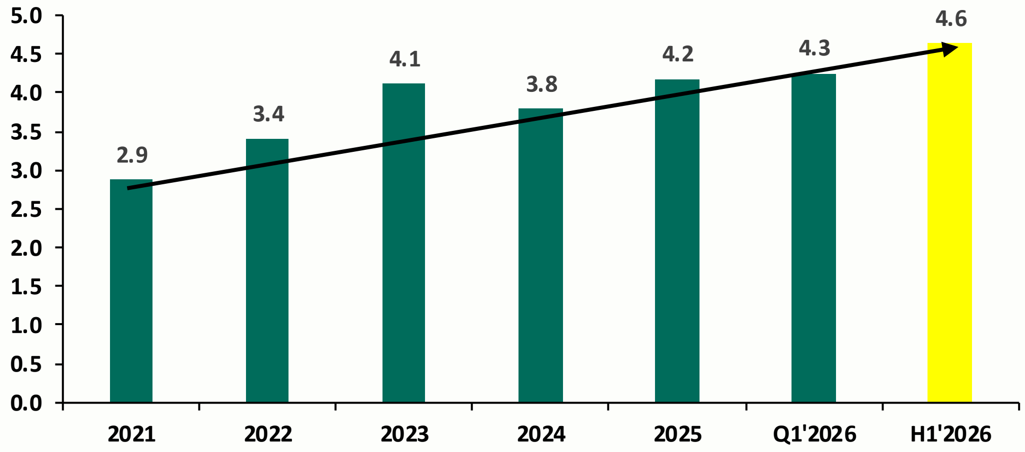
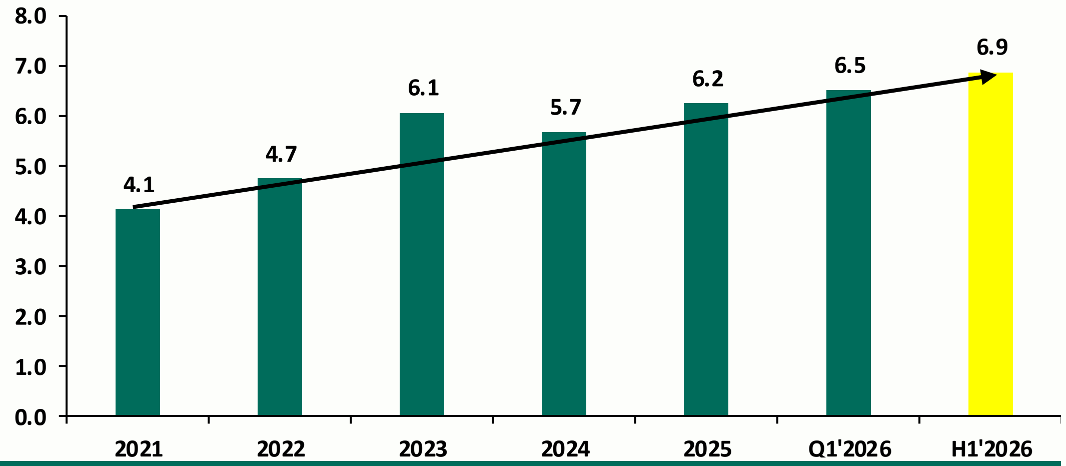
IV. Listed Banking Sector Metrics

Listed Banking Sector Metrics

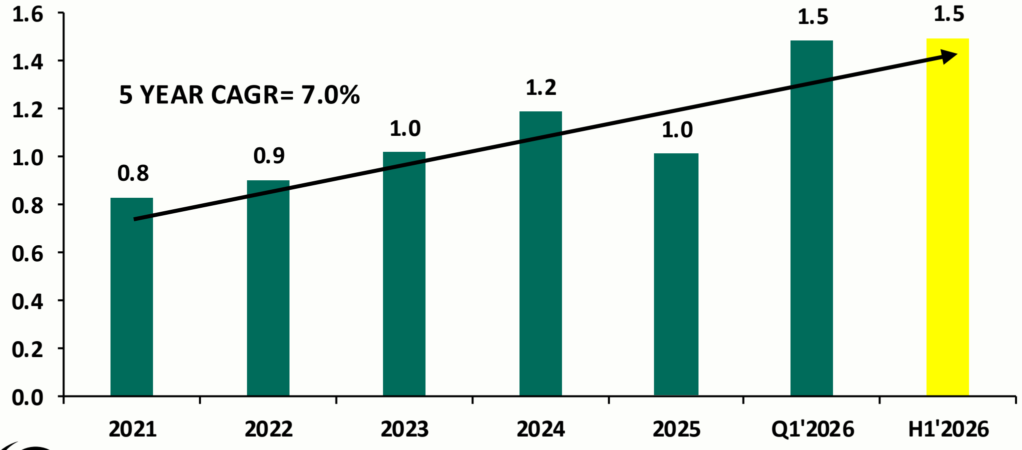
Loans and Advances (Kshs tn)



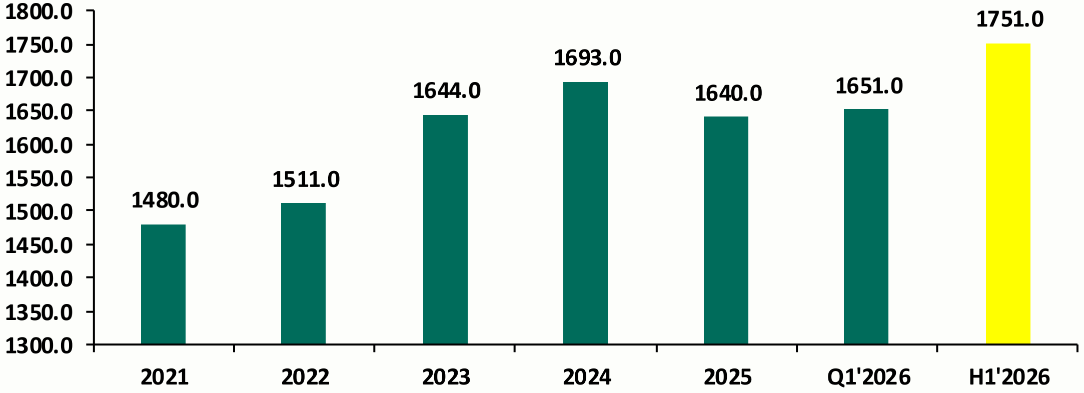
Deposits (Kshs tn)



Shareholders Equity (Kshs tn)



Bank Branches



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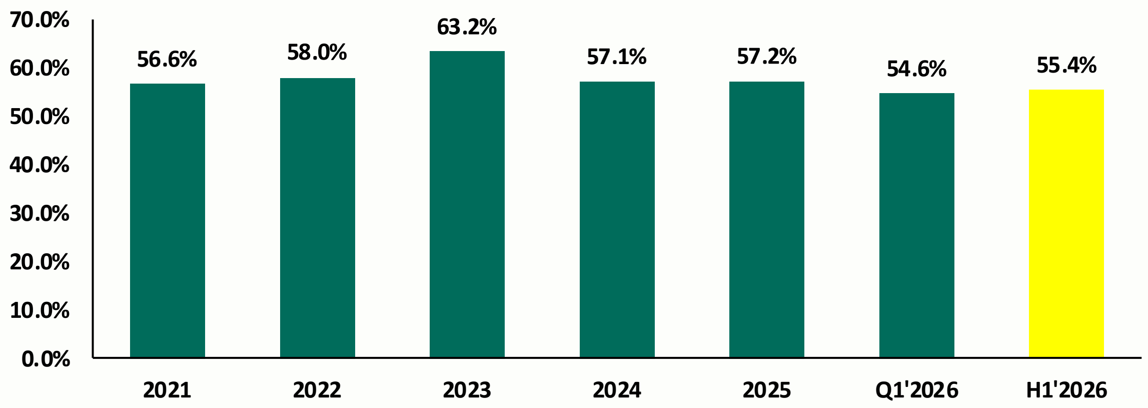
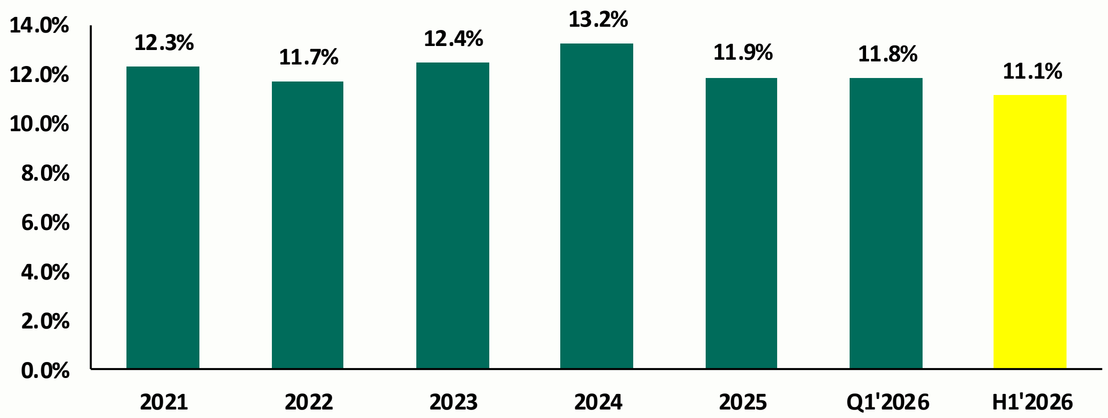
Listed Banking Sector Metrics

Banks’ asset quality improved in H1’2026, with the NPL ratio decreasing to 11.1% from 13.8% in H1’2025

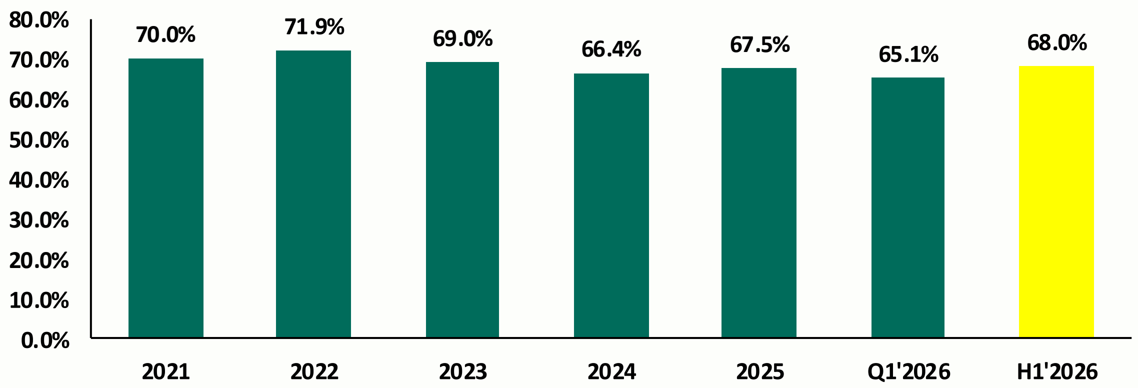
Cost to Income Ratio



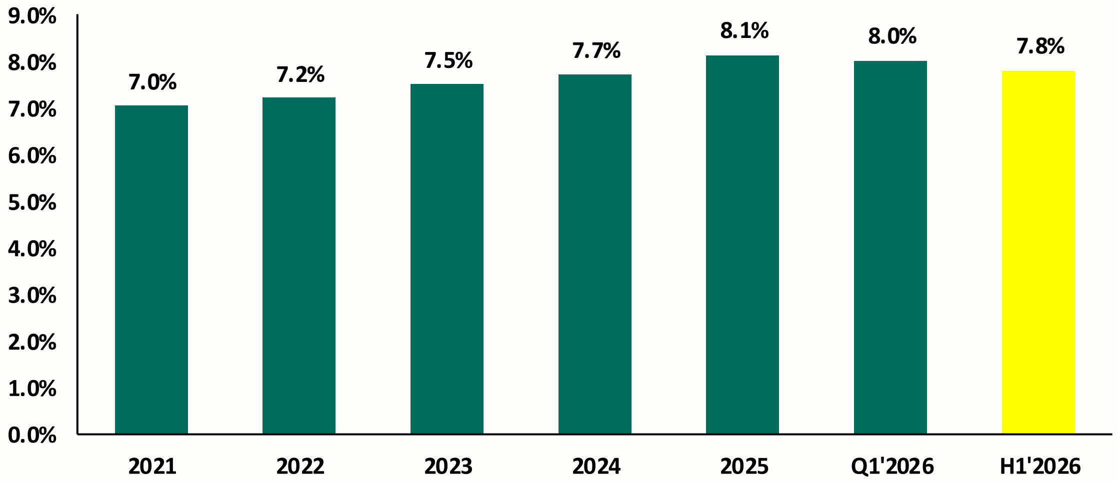
NPL Ratio



Loan to Deposit Ratio



Net Interest Margin



Listed Banking Earnings and Growth Metrics

Kenya’s listed banks weighted average core EPS grew by 16.3% in H1’2026, compared to 8.4% growth in H1’2025

Cytonn Report: Kenyan Listed Banks Performance Q1’2026															
Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Net Interest Income Growth	Net Interest Margin	Non-Funded Income Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Growth in Government Securities	Loan to Deposit Ratio	Loan Growth	Return on Average Equity	COF	YIEA
HFCB Group	59.9%	16.9%	0.9%	29.4%	7.0%	37.4%	30.5%	(10.4%)	29.7%	41.0%	63.8%	11.5%	10.3%	5.0%	11.5%
Diamond Trust Bank	35.8%	9.9%	(9.5%)	26.4%	7.1%	6.6%	24.4%	2.8%	10.6%	14.1%	61.4%	13.7%	13.1%	4.8%	11.6%
Equity Group	31.5%	8.2%	(12.2%)	16.8%	6.7%	35.9%	44.5%	29.7%	21.4%	6.7%	61.7%	18.9%	29.1%	2.8%	10.3%
Co-operative Bank	28.0%	6.3%	(6.5%)	13.0%	9.0%	11.6%	32.2%	10.9%	13.4%	7.0%	74.4%	18.1%	20.6%	4.5%	12.9%
Family Bank	27.0%	25.9%	2.6%	40.7%	9.7%	(14.2%)	19.0%	0.4%	20.3%	55.3%	61.6%	10.1%	23.3%	4.5%	14.4%
I&M Group	22.4%	18.9%	12.5%	22.5%	8.7%	24.5%	25.7%	(1.0%)	17.7%	53.4%	66.1%	15.0%	18.0%	4.6%	13.0%
KCB Group	14.5%	4.0%	(2.9%)	7.0%	8.2%	15.4%	31.5%	17.7%	15.1%	31.5%	72.5%	13.27%	22.0%	3.5%	11.5%
NCBA Group	12.2%	7.6%	(12.8%)	20.4%	7.9%	7.6%	38%	9.1%	11.0%	22.5%	62.7%	20.1%	19.8%	4.2%	11.6%
Stanbic Group	1.3%	5.9%	6.6%	5.5%	6.2%	(9.0%)	23.8%	1.9%	23.0%	57.0%	68.1%	24.7%	20.7%	2.0%	11.1%
Absa Bank Kenya	(9.8%)	(8.5%)	(17.7%)	(5.4%)	8.4%	(10.2%)	27.9%	9.4%	6.8%	(3.2%)	86.7%	8.2%	23.3%	3.1%	11.0%
Standard Chartered Bank	(16.8%)	(17.5%)	0.7%	(19.8%)	7.4%	15.9%	39.1%	23.1%	6.4%	(19.9%)	54.7%	11.1%	17.1%	1.3%	8.7%
H1'2026 Mkt Weighted Average*	**16.3%**	**5.0%**	**(5.6%)**	**10.8%**	**7.8%**	**14.6%**	**33.7%**	**14.4%**	**15.4%**	**18.6%**	**68.0%**	**15.8%**	**22.2%**	**3.4%**	**11.3%**
H1'2025 Mkt Weighted Average*	**8.4%**	**(2.0%)**	**(20.7%)**	**10.4%**	**8.0%**	**(5.8%)**	**33.9%**	**4.2%**	**1.7%**	**28.3%**	**67.2%**	**1.5%**	**22.3%**	**4.6%**	**12.3%**
*Market cap weighted as at 18/09/2026															
**Market cap weighted as at 16/09/2025															

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Takeout from Key Operating Metrics

The listed banks recorded a 22.2% weighted average growth on return on average equity (RoaE), 0.1% points lower than the 22.3% growth registered in H1'2025.

- The listed banks recorded a 16.3% growth in core Earnings per Share (EPS) in H1'2026, compared to the weighted average increase of 8.4% in H1'2025, an indication of a strong performance on the back of a 14.6% growth in non-funded income in H1'2026, compared to a decline of 5.8% in H1'2025. This was majorly attributable to an increase in the fees and commissions income which increased by 10.2% points to 14.4% in H1'2026 from 4.2% in H1'2025. The performance during the period highlights banks' reduced reliance on interest income as reflected in the faster increase in the non-funded income weighted average growth to 14.6% from a decline of 5.8% in H1'2025 compared to a marginal increase in net interest income weighted average growth to 10.8% from 10.4% in H1'2025 that resulted in a recovery in earnings growth,
- Investments in government securities by listed banks continued to increase in H1'2026, although the pace of growth moderated, with the market-weighted average growth slowing down to 18.6% from 28.3% in H1'2025. All listed banks except Absa Bank Kenya and Standard Chartered Bank recorded increases in government securities investments, with Family Bank and I&M Group recording the largest growth of 55.3% and 53.4%, respectively. The moderation in growth was partly attributable to the decline in yields on government securities during the period, which reduced the incremental returns available from additional investments, particularly in short-term Treasury bills. Nevertheless, government securities remained attractive for liquidity management and their relatively low credit risk, while the decline in yields supported valuation gains on existing bond holdings.
- Interest income recorded a weighted average increase of 5.0% in H1'2026, compared to a decline of 2.0% in H1'2025. Similarly, interest expenses recorded a market-weighted average decline of 5.6% in H1'2026 compared to a decline of 20.7% in H1'2025. Consequently, net interest income recorded a weighted average growth of 10.8% in H1'2026, slightly higher than the 10.4% growth recorded in H1'2025, on the back of accommodative monetary policy leading to lower lending and deposit rates,
- The listed banks recorded a 22.2% weighted average growth on return on average equity (RoaE), 0.1% points lower than the 22.3% growth registered in H1'2025

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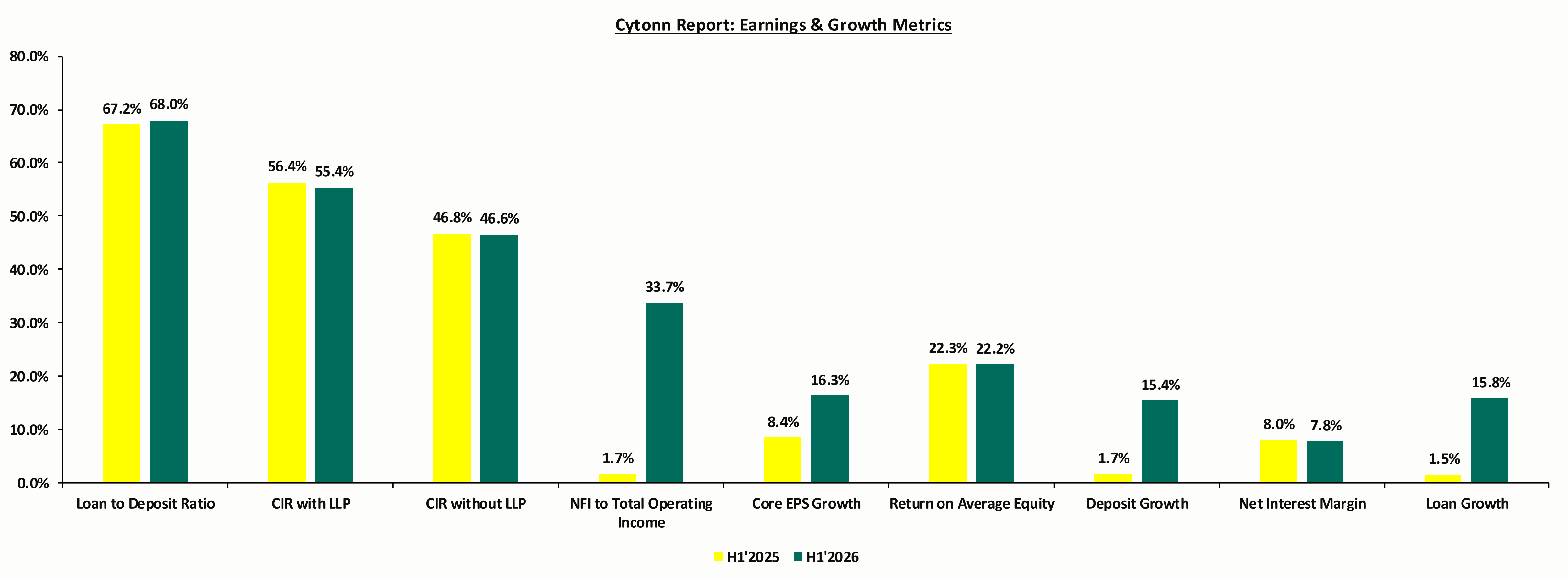
Listed Banks Earnings and Growth Metrics Cont…

The banking sector has witnessed increased customer loans registering a growth rate of 15.8% in H1'2026, 14.3% points higher than the 1.5% growth in H1'2025



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Listed Banks Operating Metrics

Asset quality for the listed banks improved in H1’2026, with market weighted average NPL decreasing by 2.7% points to 11.1% from 13.8% in H1’2025

Cytonn Report: Listed Banks Asset Quality						
Bank	H1'2026 NPL Ratio*	H1'2025 NPL Ratio**	% point change in NPL Ratio	H1'2026 NPL Coverage*	H1'2025 NPL Coverage**	% point change in NPL Coverage
Equity Group	10.2%	15.3%	(5.0%)	71.6%	62.4%	9.2%
KCB Group	14.5%	17.9%	(3.3%)	78.8%	64.3%	14.4%
Co-operative Bank	14.2%	17.3%	(3.1%)	68.9%	65.8%	3.1%
Absa Bank Kenya	10.2%	13.2%	(3.0%)	69.1%	66.6%	2.5%
HFCB Group	21.4%	24.0%	(2.7%)	80.5%	75.4%	5.1%
I&M Group	8.4%	11.0%	(2.5%)	74.8%	65.4%	9.4%
Stanbic Holdings	7.3%	9.5%	(2.1%)	86.6%	82.7%	3.9%
NCBA Group	10.8%	12.2%	(1.4%)	67.4%	65.5%	1.8%
Standard Chartered Bank	5.1%	6.0%	(0.9%)	84.3%	81.4%	2.9%
Diamond Trust Bank	12.2%	12.9%	(0.7%)	58.2%	45.9%	12.2%
Family Bank	14.7%	13.5%	1.2%	124.0%	77.4%	46.6%
Mkt Weighted Average*	**11.1%**	**13.8%**	**(2.7%)**	**75.3%**	**67.8%**	**7.5%**
*Market cap weighted as at 18/09/2026						
**Market cap weighted as at 16/09/2025						

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Listed Banks Trading Metrics

The listed banking sector has continued to trade at cheaper prices compared to historical averages, currently trading at an average P/TBV of 1.3x and average P/E of 6.0x

Bank	No. of shares (bn)	Market Cap (Kshs bn)	P/E	Price*	P/TBV
NCBA Group	1.6	142.1	5.7x	86.3	1.1x
Absa Bank	5.4	168.9	7.8x	31.1	1.8x
Stanbic Bank	0.4	109.9	8.0x	278.0	1.6x
Equity Bank	3.8	371.7	4.3x	98.5	1.2x
SCBK	0.4	125.0	11.3x	330.8	2.2x
DTBK	0.3	50.2	4.0x	179.5	0.5x
Coop Bank	5.9	204.2	6.1x	34.8	1.2x
KCB Group	3.2	279.6	3.8x	87.0	0.8x
I&M Holdings	1.7	139.6	6.4x	80.3	1.2x
HFCB Group	1.9	21.5	12.0x	11.4	1.2x
Family Bank	1.7	46.5	6.8x	28.0	1.4x
Weighted Average H1'2026*			**6.0x**		**1.3x**

Prices as at 18th September 2026

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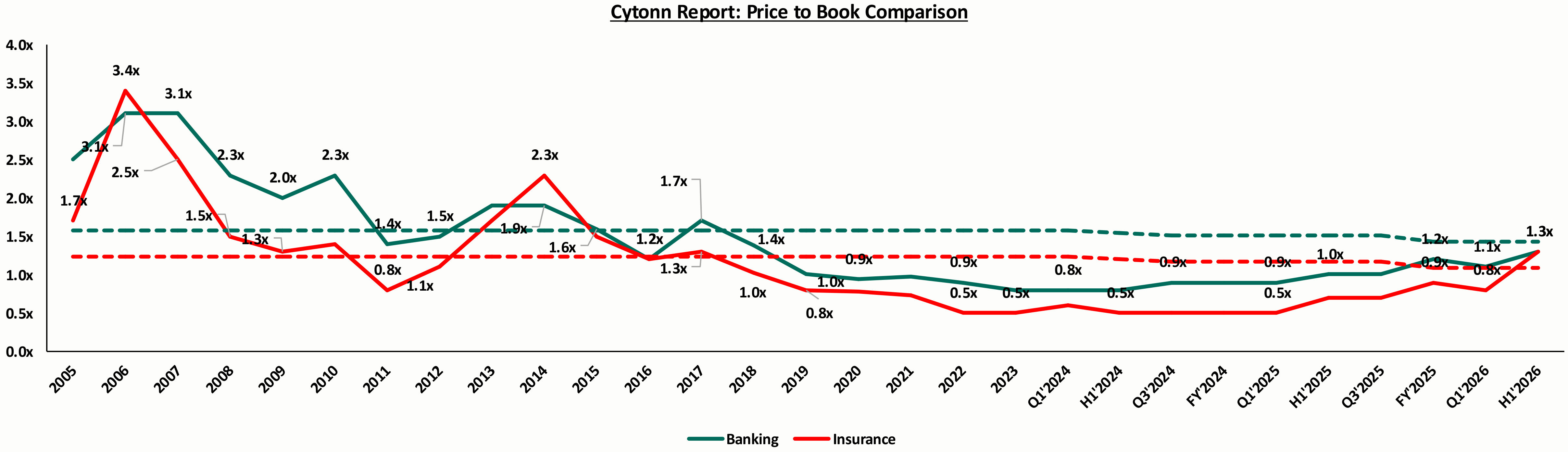
Listed Banks & Insurance Trading Metrics

Listed banks are trading at an average P/B of 1.3x, similar to the insurance sector, which is priced at 1.3x. Banking sector is trading below it's 21-year averages of 1.4x while insurance sector is trading above it's 21-Year averages of 1.1x

18 year Price to Book Value: Banking and Insurance



On a price to book valuation, listed banks are currently priced at a P/BV of 1.3x, similar to listed insurance companies at 1.3x, with banking sector being lower than their historical averages of 1.6x and insurance sector being above the 1.2x historical average

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V. Banks Valuation Reports

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Ranking by Franchise Value

Equity Bank emerged top in the franchise ranking having had the highest Return on Equity ratio of 29.1% against a weighted market average of 22.2% for the listed banks

Bank	LDR	CIR	ROACE	NIM	PEG ratio	PTBV	Deposits/ Branch	Gross NPL Ratio	NPL Coverage	Tangible Common Ratio	Non Interest Income/ Revenue	Camel Rating	Total	Rank
Equity Bank	8	5	1	10	2	4	6	4	7	8	1	5	61	1
KCB Group	3	6	4	5	1	2	7	9	5	7	5	8	62	2
Coop Bank	2	4	6	2	4	6	10	8	9	1	4	7	63	3
Absa Bank	1	1	11	4	6	10	4	5	8	3	7	4	64	4
NCBA Group	7	7	7	6	5	3	3	6	10	4	3	6	67	5
SCBK	11	2	9	7	10	11	1	1	3	9	2	2	68	6
I&M Holdings	5	8	8	3	7	7	5	3	6	5	8	3	68	7
Stanbic Bank	4	3	5	11	9	9	2	2	2	11	10	9	77	8
Family Bank	9	9	2	1	8	8	11	10	1	10	11	1	81	9
HFCB Group	6	11	2	9	11	5	9	11	4	2	6	11	87	10
DTBK	10	10	10	8	3	1	8	7	11	6	9	10	93	11

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Valuation Summary of Listed Banks

KCB Group presents the highest return with a total potential return of 38.4%

(all values in Kshs)

Bank	Current Price	Target Price	Upside/(Downside)	DPS	Dividend Yield	Total Potential Return	H1'2026 Ranking
KCB Group	87.00	113.40	30.3%	7.00	8.0%	38.4%	1
Coop Bank	34.80	43.80	25.9%	2.50	7.2%	33.0%	2
Family Bank	27.95	35.00	25.2%	1.20	4.3%	29.5%	3
HFCB Group	11.40	14.75	29.4%	0.00	0.0%	29.4%	4
DTBK	179.50	220.50	22.8%	9.00	5.0%	27.9%	5
Absa Bank	31.10	36.84	18.5%	2.05	6.6%	25.1%	6
NCBA Group Plc	86.25	98.40	14.1%	7.10	8.2%	22.3%	7
Equity Bank	98.50	113.50	15.2%	5.75	5.8%	21.1%	8
I&M Holdings	80.25	90.40	12.6%	3.75	4.7%	17.3%	9
Stanbic Holdings	278.00	301.20	8.3%	22.35	8.0%	16.4%	10
SCBK	330.75	353.20	6.8%	31.00	9.4%	16.2%	11
DPS is for FY'2025							

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Cytonn Banking Report - Comprehensive Ranking

KCB Group emerged top of the ranking in terms of comprehensive ranking

Cytonn Report: Listed Banks H1’2026 Rankings					
Bank	Franchise Value Rank	Intrinsic Value Rank	Weighted Rank Score	H1'2025 Rank	H1'2026 Rank
KCB Group	2	1	1.6	3	1
Coop Bank	3	2	2.6	6	2
Equity Bank	1	8	3.8	9	3
Absa Bank	4	6	4.8	2	4
NCBA Group	5	7	5.8	5	5
Family Bank	9	3	6.6	-	6
I&M Holdings	6	9	7.2	4	7
HFCB Group	10	4	7.6	10	8
SCBK	6	11	8.0	1	9
DTBK	11	5	8.6	6	10
Stanbic Bank	8	10	8.8	8	11

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VI. Appendix

A. Tier I Banks

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I. Equity Group Holdings

Equity Group Summary of Performance – H1’2026

- Profit before tax increased by 39.0% to Kshs 57.8 bn, from Kshs 41.5 bn recorded in H1’2025, with effective tax rate increasing to 21.2% in H1’2026, from 16.6% in H1’2025, leading to a 31.5% increase in profit after tax to Kshs 45.5 bn in H1’2026, from Kshs 34.6 bn in H1’2025
- The 24.6% increase in total operating income was mainly driven by a 35.9% increase in Non-Interest Income to Kshs 55.6 bn in H1’2026, from Kshs 40.9 bn in H1’2025, coupled with a 16.8% increase in Net-Interest Income to Kshs 69.3 bn in H1’2026, from Kshs 59.3 bn in H1’2025
- Total operating expense increased by 14.4% to Kshs 67.1 bn in H1’2026, from Kshs 58.7 bn in H1’2025, mainly attributable to 35.1% increase in staff cost to Kshs 23.8 bn from Kshs 17.6 bn in H1’2025. Notably, loan loss provision expense decreased by 6.1% to Kshs 6.5 bn, from Kshs 6.9 bn in H1’2025.
- The balance sheet registered an expansion as total assets increased by 19.8% to Kshs 2,155.5 bn in H1’2026, from Kshs 1,798.9 bn in H1’2025, mainly attributable to the 18.9% increase in net loans and advances to Kshs 981.0 bn, from Kshs 825.1 bn in H1’2025, coupled with a 6.7% increase in government securities to Kshs 342.7 bn, from Kshs 321.2 bn in H1’2025.
- Gross Non-Performing Loans (NPLs) decreased by 22.2% to Kshs 108.4 bn, from Kshs 139.4bn in H1’2026, while Gross Loans increased by 16.1% to Kshs 1,058.6 bn, from Kshs 912 bn recorded in H1’2025. Consequently, the asset quality improved, with Gross NPL ratio decreasing to 10.2% in H1’2026, from 15.3% in H1’2025.

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

I. **Regional Expansion & Ecosystem Development** Equity Bank Tanzania sustained strong business momentum in H1'2026, with profit after tax growing by 82.0% y/y, reflecting strengthening customer confidence in the market and reinforcing the Bank's role in supporting individuals, entrepreneurs, SMEs, corporates, and public-sector customers with practical financial solutions for payments, savings, lending, and day-to-day money management.

Financial Statements Extracts

Equity Group's PAT is expected to grow at a 5-year CAGR of 8.7%

Income Statement	2021	2022	2023	2024	2025	2026f
Net Interest Income	68.8	86.0	104.8	108.7	126.9	197.3
Non Funded Income	44.6	59.9	76.9	85.1	90.8	107.4
Total Operating Income	113.4	145.9	181.7	193.8	217.7	304.8
Loan Loss Provision	(5.8)	(15.4)	(35.6)	(20.2)	(14.5)	(16.6)
Other Operating Expenses	(55.7)	(70.7)	(94.2)	(112.9)	(111.1)	(143.3)
Total Operating Expenses	**(61.5)**	**(86.1)**	**(129.8)**	**(133.0)**	**(125.6)**	**(160.0)**
Profit Before Tax	51.9	59.8	51.9	60.7	92.1	144.8
Profit After tax	40.1	46.1	43.7	48.8	75.5	97.2
% PAT Change YoY	**99.4%**	**15.1%**	**(5.1%)**	**11.6%**	**54.7%**	**28.6%**
EPS	10.6	12.2	11.6	12.9	20.0	25.8
DPS	3.0	4.0	4.0	4.3	5.8	6.0
Cost to Income	54.2%	59.0%	71.4%	68.7%	57.7%	52.5%
NIM	**6.8%**	**7.2%**	**7.4%**	**7.0%**	**7.8%**	**9.6%**
ROaE	26.6%	26.7%	22.8%	22.1%	27.8%	19.1%
ROaA	3.5%	3.4%	2.7%	2.7%	4.0%	3.2%
Balance Sheet	**2021e**	**2022**	**2023**	**2024**	**2025f**	**2026f**
Net Loans and Advances	587.8	706.6	887.4	819.2	882.5	1071.6
Government Securities	228.5	219.2	246.7	300.9	335.3	718.7
Other Assets	488.7	521.2	687.4	684.5	753.2	680.5
Total Assets	**1304.9**	**1447.0**	**1821.4**	**1804.6**	**1971.0**	**2470.9**
Customer Deposits	959.0	1052.2	1358.2	1399.6	1455.1	1810.1
Other Liabilities	169.7	212.6	245.1	158.1	189.7	215.8
Total Liabilities	**1128.7**	**1264.8**	**1603.3**	**1557.8**	**1644.9**	**2025.8**
Shareholders Equity	**169.2**	**176.2**	**207.8**	**234.0**	**309.5**	**426.7**
Number of Shares	**3.8**	**3.8**	**3.8**	**3.8**	**4.8**	**5.8**
Book value Per share	44.8	46.7	55.1	62.0	82.0	113.1
% Change in BPS YoY	**28.0%**	**4.2%**	**17.9%**	**12.6%**	**32.2%**	**37.9%**

Cytonn

Valuation Summary

Equity Group is undervalued with a total potential return of 12.7%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	122.3	40.0%	48.9
Residual Income	102.7	30.0%	30.8
PBV Multiple	118.2	15.0%	17.7
PE Multiple	107.9	15.0%	16.2
Fair Value			**113.7**
Current Price			**106.0**
Upside/(Downside)			7.2%
Dividend Yield			5.4%
Total Potential Return			**12.7%**

Cytonn

II. KCB Group

KCB Group Summary of Performance – H1’2026

- Profit before tax increased by 20.8% to Kshs 49.3 bn, from Kshs 40.8 bn recorded in H1’2025, with effective tax rate increasing to 25.3% in H1’2026, from 20.8% in H1’2025, leading to an 14.0% increase in profit after tax to Kshs 36.9 bn in H1’2026, from Kshs 32.3 bn in H1’2025.
- Total operating income increased by 9.5% to Kshs 108.1 bn, from Kshs 98.7 bn in H1’2025, mainly driven by an an 15.4% growth in Non-Funded Income (NFI) to Kshs 36.1 bn, from Kshs 29.5 bn in H1’2025, coupled with an 7.0% increase in Net Interest Income (NII) to Kshs 74.0 bn from Kshs 69.1 bn in H1’2025,
- Total operating expense increased by 1.6% to Kshs 58.8 bn in H1’2026, from Kshs 57.8 bn in H1’2025, despite the 13.6% decrease in loan loss provisions to Kshs 10.8 bn from Kshs 12.5 bn in H1’2025. Notably, staff costs increased by 4.7% to Kshs 21.8 bn, from 20.8 bn in H1’2025.
- The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 14.5% in H1’2026, from 17.9% in H1’2025, attributable to a 13.2% increase in gross loans to Kshs 1,401.3 bn, from Kshs 1,237.6 bn recorded in H1’2025 compared to the 7.8% decrease in Gross non-performing loans to Kshs 203.8 bn, from Kshs 221.1 bn in H1’2025.
- Going forward, we expect the bank’s growth to be driven by:

i. **Continued Digitization -** The Group has sustained its focus on digital transformation. As of H1’2026, transactions done through the non-branch channels mainly driven by rolling out a new unified mobile app featuring easy and fast self-onboarding for account in Tanzania, integrated MMF in Kenya and pay to Paybill or Till. Notably, the Group witnessed 25.0% growth in mobile loans disbursement to Kshs 314.0 bn in H1’2026, equivalent to Kshs 1.7 bn per day.

Financial Statements Extracts

KCB Group's PAT is expected to grow at a 5-year CAGR of 9.6%

Income Statement	2021	2022	2023	2024	2025	2026f
Net Interest Income	77.7	86.7	107.3	137.3	148.0	197.6
Non Funded Income	30.9	43.3	57.9	67.5	65.8	74.9
Total Operating Income	**108.6**	**129.9**	**165.2**	**204.9**	**213.8**	**272.5**
Loan Loss Provision	13.0	13.2	(33.6)	30.0	32.4	37.6
Other Operating Expenses	47.8	59.4	150.4	92.9	90.5	110.4
Total Operating Expenses	**60.8**	**72.6**	**116.8**	**122.9**	**122.9**	**148.0**
Profit Before Tax	47.8	57.3	48.5	82.0	90.9	124.5
% PAT Change YoY	**74.3%**	**19.5%**	**(8.3%)**	**64.9%**	**10.6%**	**37.0%**
EPS	10.6	12.7	11.7	19.2	21.3	29.1
DPS	3.0	2.0	0.0	3.0	7.0	5.0
Cost to Income (with LLP)	56.0%	55.9%	70.7%	60.0%	57.5%	54.3%
NIM	**8.4%**	**7.5%**	**4.3%**	**7.8%**	**8.6%**	**10.0%**
ROE	21.8%	22.0%	17.5%	24.6%	22.5%	22.5%
ROA	3.2%	3.0%	2.0%	3.0%	3.3%	4.0%
Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025**	**2026f**
Net Loans and Advances	675.5	863.3	1095.9	990.4	1151.6	1331.9
Government Securities	270.8	278.0	397.2	302.8	333.7	390.6
Other Assets	193.4	412.7	677.7	669.2	661.9	812.6
Total Assets	**1139.7**	**1554.0**	**2170.9**	**1962.3**	**2147.2**	**2535.1**
Customer Deposits	837.1	1135.4	1690.9	1382.0	1592.6	1835.4
Other Liabilities	129.0	212.3	243.6	297.4	214.0	190.4
Total Liabilities	**966.2**	**1347.8**	**1934.5**	**1679.3**	**1806.7**	**2025.8**
Shareholders Equity	**171.7**	**200.2**	**228.3**	**274.9**	**331.5**	**499.4**
Number of Shares	**3.2**	**3.2**	**3.2**	**3.2**	**3.2**	**3.2**
Book value Per share	53.4	62.3	70.8	85.5	103.1	155.4
% Change in BPS YoY	**20.6%**	**16.6%**	**13.6%**	**20.8%**	**20.6%**	**50.7%**

Cytonn

Valuation Summary

KCB Group is undervalued with a total potential return of 38.4%

Valuation Summary	Implied Price	Weighting	Weighted Value
Residual Income	45.1	25%	11.3
PBV Multiple	164.8	35%	57.7
PE Multiple	174.7	10%	17.5
DDM	89.9	30%	27.0
Target Price			**113.4**
Current Price			**87.0**
Upside/(Downside)			30.3%
Dividend Yield			8.0%
Total Return			**38.4%**

Cytonn

III. Co-operative Bank

Cytonn

Cooperative Bank Summary of Performance – H1’2026

- Profit before tax increased by 17.3% to Kshs 23.1 bn, from Kshs 19.7 bn recorded in H1’2025, with effective tax rate decreasing to 22.9% in H1’2026, from 29.3% in H1’2025, leading to a 28.0% increase in profit after tax to Kshs 18.0 bn in H1’2026, from Kshs 14.1 bn in H1’2025
- Core earnings per share grew by 28.0% to Kshs 3.1, from Kshs 2.4 in H1’2025, driven by the 12.5% increase in total operating income to Kshs 48.9 bn, from Kshs 43.5 bn in H1’2025. However, the performance was weighed down by an 9.2% increase in total operating expenses to Kshs 26.3 bn from Kshs 24.0 bn in H1’2025.
- The 12.5% increase in total operating income was mainly driven by a 13.0% growth in Net-Interest Income (NII) to Kshs 33.2 bn, from Kshs 29.4 bn in H1’2025 and a 11.6% increase in Non-Interest income (NFI) to Kshs 15.8 bn in H1’2026, from Kshs 14.1 bn in H1’2025.
- The bank’s Asset Quality improved slightly, with Gross NPL ratio decreasing by 3.1% to 14.2% in H1’2026, from 17.3% in H1’2025, attributable to a 4.9% decrease in Gross non-performing loans to Kshs 72.6 bn, from Kshs 76.3 bn in H1’2025, relative to the 16.0% increase in gross loans to Kshs 512.2 bn, from Kshs 441.5 bn recorded in H1’2025.

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

- **Strong Customer Base** – Cooperative Bank still retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which expanded by 18.1% to Kshs 462.2 bn from Kshs 391.3 bn in H1’2025.

- **Product innovation and diversification**– The bank continues to expand its product offering, with recent initiatives targeting emerging customer segments, including the youth, alongside established solutions for diaspora customers, micro and small enterprises, and cooperative societies. The bank has also continued to broaden its insurance and bancassurance offerings, providing additional avenues for fee generation and customer engagement. This diversification is expected to continue improving the Non-funded Income of the bank which came in at 15.8 bn, a 11.6% increase from Kshs 14.1 bn in H1’2025

Financial Statements Extracts

Cooperative Bank's PAT is expected to grow at a 5-year CAGR of 17.9%

Income Statement	2021	2022	2023	2024	2025	2026F
Interest Income	55.6	61.7	69.1	86.2	93.1	103.6
Interest Expense	(14.6)	(16.2)	(23.8)	(34.7)	(30.3)	(28.8)
Net Interest Income	41.0	45.5	45.2	51.5	62.9	74.8
Non Funded Income	19.4	25.7	26.5	29.1	29.0	36.6
Total Operating Income	**60.4**	**71.3**	**71.7**	**80.6**	**91.9**	**111.4**
Loan Loss Provision	(7.9)	(8.7)	(6.0)	(8.7)	(9.5)	(9.7)
Other Operating Expenses	(30.2)	(33.6)	(33.7)	(38.0)	(42.5)	(48.6)
Total Operating Expenses	**(38.1)**	**(42.2)**	**(39.7)**	**(46.7)**	**(52.0)**	**(58.3)**
Profit Before Tax	22.6	29.4	32.4	34.8	40.3	53.5
Profit After tax	16.5	22.0	23.2	25.5	29.8	37.7
% PAT Change YoY	**42.3%**	**33.2%**	**5.2%**	**9.8%**	**16.9%**	**26.6%**
EPS	2.8	3.8	4.0	4.3	5.1	6.4
DPS	1.0	1.5	1.5	1.5	2.5	3.5
Cost to Income	63.0%	59.3%	55.3%	57.9%	56.6%	52.4%
ROE	17.3%	21.2%	21.0%	19.7%	19.1%	20.2%
ROA	3.0%	3.7%	3.6%	3.6%	3.8%	4.3%
Balance Sheet						
Net Loans and Advances	310.2	339.4	374.2	373.7	421.0	490.8
Government Securities	184.1	173.3	189.0	217.6	244.9	269.6
Other Assets	85.5	94.5	107.9	151.9	161.4	178.8
Total Assets	579.8	607.2	671.1	743.2	827.4	939.2
Customer Deposits	407.7	423.8	451.6	506.1	574.2	651.3
Other Liabilities	71.3	75.4	105.8	91.5	87.1	80.9
Total Liabilities	479.0	499.3	557.5	597.6	661.3	732.2
Shareholders Equity	100.2	107.7	113.6	145.4	165.5	206.8
Number of Shares	5.9	5.9	5.9	5.9	5.9	5.9
Book value Per share	17.1	18.4	19.4	24.8	28.2	35.2
% Change in BPS YoY	**23.4%**	**7.4%**	**5.5%**	**28.0%**	**13.8%**	**25.0%**

Cytonn

Valuation Summary

Co-operative Bank is undervalued with a total potential return of 25.9%

Valuation Summary:	Implied Price	Weighting	Weighted Value
Common Ratio	42.2	40%	16.9
Residual income	30.7	10%	3.1
PBV Multiple	48.5	35%	17.0
PE Multiple	45.7	15%	6.9
Target Price			**43.8**
Current Price			**34.8**
Upside/(Downside)			25.9%
Dividend Yield			0.0%
Total Return			**25.9%**

Cytonn

IV. NCBA Bank

NCBA Bank Summary of Performance – H1’2026

- Profit before tax increased by 14.3% to Kshs 15.5 bn from Kshs 13.6 bn in H1’2025, with effective tax rate also increasing by 1.5% points to 20.0% in H1’2026 from 18.5% in H1’2025. As such, profit after tax increased by 12.2% to Kshs 12.4 bn, from Kshs 11.0 bn in Q1’2025.
- Core earnings per share increased by 12.2% to Kshs 7.5, from Kshs 6.7 in H1’2025, mainly driven by the 15.1% increase in total operating income to Kshs 40.7 bn, from Kshs 35.3 bn in H1’2025, which was weighed down by the 13.3% increase in total operating expenses to Kshs 24.7 bn, from Kshs 21.8 bn in H1’2025.
- The 15.1% increase in total operating income was mainly driven by the 20.4% increase in Net Interest Income to Kshs 25.1 bn, from Kshs 20.8 bn in H1’2025. Non funded Income (NFI) increased by 7.6% to Kshs 15.6 bn, from Kshs 14.5 bn in H1’2025.
- Total operating expenses increased by 13.3% to Kshs 24.7 bn from Kshs 21.8 bn in H1’2025, driven by 60.3% increase in loan loss provisions to Kshs 5.2 bn from Kshs 3.2 bn in H1’2025, coupled with the 10.7 % increase in staff costs to Kshs 8.6 bn from Kshs 7.7 bn in H1’2025 and the 1.2% increase in other operating expenses to Kshs 10.9 bn from Kshs 10.8 bn in H1’2025.
- The balance sheet recorded an expansion as total assets increased by 11.5% to Kshs 739.4 bn, from Kshs 663.0 bn in H1’2025, mainly driven by a 20.1% loan book expansion to Kshs 345.9 bn from Kshs 288.1 bn in H1’2025, supported by 22.5% increase in investment in government securities to Kshs 220.6 bn, from Kshs 180.1 bn in H1’2025.
- The bank’s Asset Quality improved, with Gross NPL ratio reduced by 1.4% points to 10.8% in H1’2026 from 12.2% in H1’2025, attributable to the the 5.7% increase in gross non-performing loans to Kshs 40.3 bn, from Kshs 38.1 bn in H1’2025, which was outpaced by the 19.1% increase in gross loans to Kshs 373.0 bn, from Kshs 313.1 bn recorded in H1’2025.
- Going forward, we expect the bank’s growth to be driven by:

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

ii. **Acquisition by Nedbank:** The Nedbank acquisition is expected to support NCBA’s long-term growth by providing access to greater capital, expertise and capabilities in corporate banking, infrastructure finance, wealth management and technology. This could help NCBA pursue larger financing opportunities, deepen regional operations and accelerate digital and wealth-management growth, strengthening its competitive position across East Africa

Financial Statements Extracts

NCBA Group's PAT is projected to grow at a 5-year CAGR of 26.3%

Income Statement	2021	2022	2023	2024	2025	2026F
Net Interest Income	44.2	46.5	52.4	65.2	68.1	68.6
Non Funded Income	(18.8)	(19.5)	(21.7)	(30.6)	(24.1)	(37.4)
Total Operating Income	**46.4**	**49.2**	**60.9**	**63.7**	**73.3**	**60.0**
Loan Loss Provision	(20.4)	(12.7)	(13.1)	(9.2)	(8.0)	(8.2)
Other Operating Expenses	(19.6)	(20.7)	(24.9)	(29.1)	(37.5)	(30.7)
Total Operating Expenses	**(40.0)**	**(33.4)**	**(37.9)**	**(38.2)**	**(45.5)**	**(38.9)**
Profit Before Tax	6.4	15.0	22.5	25.5	27.9	21.2
Profit After tax	6.0	10.2	13.8	21.5	23.4	19.2
% PAT Change YoY	**(23.6%)**	**70.6%**	**34.8%**	**55.7%**	**9.0%**	**(17.8%)**
EPS	3.6	6.2	8.4	13.0	14.2	11.7
DPS	1.5	3.0	4.3	4.8	4.6	5.0
Cost to Income	86.2%	68.1%	62.2%	60.0%	62.1%	64.9%
NIM	5.9%	5.7%	5.9%	5.9%	7.5%	5.3%
ROE	8.6%	13.6%	17.2%	24.0%	19.7%	14.5%
ROA	1.2%	1.8%	2.3%	3.2%	3.4%	2.7%
Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
Net Loans and Advances	248.5	244.0	278.9	337.0	317.2	317.3
Government Securities	148.3	196.1	205.4	203.4	189.1	177.8
Other Assets	131.1	151.0	135.4	194.2	209.8	200.5
Total Assets	528.0	591.1	619.7	734.6	716.0	695.6
Customer Deposits	421.5	469.9	502.7	579.4	531.9	500.2
Other Liabilities	33.9	43.2	34.6	58.6	56.8	56.9
Total Liabilities	455.4	513.1	537.2	638.0	588.6	557.2
Shareholders Equity	72.3	77.9	82.4	96.7	127.5	138.5
Number of Shares	1.6	1.6	1.6	1.6	1.6	1.6
Book value Per share	43.9	47.3	50.0	58.7	77.4	84.0
% Change in BPS YoY	**(1.8%)**	**7.6%**	**5.9%**	**17.3%**	**31.9%**	**8.6%**

Cytonn

Valuation Summary

NCBA Group is undervalued with a total potential return of 22.3%

	Implied Price	Weighting	Weighted Value
DDM Integrated	95.0	40%	38.0
Residual Valuation	106.4	35%	37.2
PBV Multiple	98.4	20%	19.7
PE Multiple	73.1	5%	3.7
Target Price			**98.4**
Current Price			**86.3**
Upside/(Downside)			14.1%
Dividend Yield			8.2%
Total Potential Return			**22.3%**

Cytonn

V. Standard Chartered Bank Kenya

Cytonn

SCBK's Summary of Performance – H1'2026

- Core earnings per share decreased by 16.8%% to Kshs 17.8 in H1'2026, from Kshs 21.4 in H1'2025, driven by the 8.8% decrease in Total Operating income to Kshs 20.1 bn in H1'2026, from Kshs22.1 bn in H1'2025 which outpaced the 5.6% decrease in total operating expense to Kshs 10.6 bn in H1'2026 from Kshs 11.2 bn in H1'2025,
- The 8.8% decline in total operating income was mainly driven by a 19.8% decrease in Net Interest Income to Kshs 12.3 bn in H1'2026, from Kshs 15.3 bn in H1'2025. However, Non-Funded Income (NFI) increased by 15.9% to Kshs 7.9 bn in H1'2026 from Kshs 6.8 bn in H1'2025,
- Total operating expenses decreased by 5.6% to Kshs 10.6 bn in H1'2026 from Kshs 11.2 bn in H1'2025, mainly driven by the 56.9% decrease in loan loss provision to Kshs 0.5 bn in H1'2026 from Kshs 1.2bn in H1'2025, The decrease in provisioning comes as a result of the 6.5% decrease in gross non-performing loans to Kshs 9.0 bn in H1'2026, from Kshs 9.6 bn in H1'2025. Staff costs however increased by 9.7% to Kshs 4.8 bn in H1'2026 from Kshs 4.4 bn in H1'2025.
- The balance sheet recorded an expansion as total assets increased by 12.4% to Kshs 418.1 bn, from Kshs 372.1 bn in H1'2026, driven by an 11.1% increase in net loans to Kshs 169.2 bn in H1'2026 from Kshs 137.9 bn in H1'2025, compared to a 19.9% decrease in Government securities to Kshs 82.6 bn in H1'2026 from Kshs 103.1 bn in H1'2025.
- Going forward, we expect the bank's growth to be driven by:

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

Financial Statements Extracts

SCBK's PAT is expected to decline at a 5-year CAGR of 7.6%

Income Statement	2021	2022	2023	2024	2025	2026f
Net Interest Income	18.8	22.2	29.3	33.9	44.6	35.1
Non Funded Income	10.4	11.8	12.4	17.4	13.4	25.2
Total Operating Income	**29.2**	**34.0**	**41.7**	**51.3**	**58.0**	**60.3**
Loan Loss Provision	2.1	1.3	3.4	2.4	2.0	0.7
Other Operating Expenses	14.5	15.5	18.7	20.1	20.5	21.8
Total Operating Expenses	**16.6**	**16.9**	**22.1**	**22.5**	**22.5**	**22.5**
Profit Before Tax	12.6	17.1	19.7	28.2	16.8	32.6
Profit After tax	9.0	12.1	13.8	20.1	12.4	22.7
% PAT Change YoY	**66.2%**	**33.3%**	**14.7%**	**45.0%**	**-38.0%**	**82.4%**
EPS	24.0	32.0	36.7	53.2	33.0	60.2
DPS	14.0	22.0	29.0	45.0	31.0	40.0
Cost to Income	56.8%	49.7%	52.9%	44.3%	60.2%	46.0%
NIM	**6.4%**	**7.0%**	**8.3%**	**9.5%**	**9.5%**	**9.5%**
ROaE	17.4%	22.1%	23.5%	30.1%	18.0%	29.3%
ROaA	2.7%	3.4%	3.4%	4.9%	3.3%	5.6%
Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025**	**2026f**
Net Loans and Advances	126.0	139.4	163.2	151.6	154.3	171.1
Government Securities	95.6	105.7	69.6	93.7	104.7	101.9
Other assets	113.3	136.2	196.2	139.2	125.5	111.6
Total Assets	**334.9**	**381.3**	**429.0**	**384.6**	**384.6**	**384.6**
Customer Deposits	265.5	278.9	342.9	295.7	283.5	321.6
Other Liabilities	16.2	46.2	24.6	17.1	29.3	-8.8
Total Liabilities	**281.7**	**325.1**	**367.4**	**312.8**	**312.8**	**312.8**
Shareholders Equity	**53.2**	**56.1**	**61.5**	**71.8**	**66.3**	**83.1**
Number of shares	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Book value Per share	141.2	148.9	163.2	190.4	175.9	220.4
% Change in BPS YoY	**4.6%**	**5.5%**	**9.6%**	**16.6%**	**-7.6%**	**25.3%**

Cytonn

Valuation Summary

SCBK is overvalued with a total potential return of 3.9%

Valuation Summary	Implied Price	Weighting	Weighted Value
DDM Integrated	530.6	40%	212.2
Residual Income	263.3	30%	79.0
PBV Multiple	222.5	15%	33.4
PE Multiple	191.2	15%	28.7
Target Price			**353.3**
Current Price			**349.3**
Upside/(Downside)			1.2%
Dividend Yield			2.7%
Total Return			**3.9%**

Cytonn

VI. Diamond Trust Bank Kenya

DTB-K Holdings Summary of Performance – H1'2026

- Profit before tax increased by 37.0% to Kshs 9.8 bn in H1'2026 from Kshs 7.2 bn in H1'2025, with effective tax rate increasing to 25.8% in H1'2026, from 25.2% in H1'2025, leading to a 35.8% increase in profit after tax to Kshs 7.3 bn in H1'2026, from Kshs 5.4 bn in H1'2025.
- Core earnings per share (EPS) increased by 35.8% to Kshs 26.1 in H1'2026 from Kshs 19.2 in H1'2025, driven by the 20.9% growth in total operating income to Kshs 26.5 bn from Kshs 21.9 bn in H1'2025, but was however weighed down by the 12.6% increase in total operating expenses to Kshs 16.6 bn from Kshs 14.8 bn.
- The 20.9% increase in total operating income was mainly driven by a 26.4% growth in Net Interest Income (NII) to Kshs 20.0 bn, from Kshs 15.9 bn in H1'2025, coupled with a 6.6% increase in Non-Funded Income (NFI) to Kshs 6.5 bn, from Kshs 6.1 bn in H1'2025.
- Total operating expenses increased by 12.6% to Kshs 16.6 bn in H1'2026 from Kshs 14.8 bn, driven by an 36.5% increase in loan loss provisions to Kshs 4.4 bn from Kshs 3.2 bn and a 10.4% increase in staff costs to Kshs 5.7 bn from Kshs 5.2 bn in H1'2026.
- The bank's Asset Quality improved, with the gross NPL ratio declining by 0.7% points to 12.2% in H1'2026 from 12.9% in H1'2025, as gross loans increased by 15.1% to Kshs 353.0 bn in H1'2026 from Kshs 306.7 bn in H1'2025, outpacing the 8.7% increase in gross non-performing loans to Kshs 43.1 bn in H1'2026 from Kshs 39.6 bn in H1'2025.

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

- **Revenue Diversification**: The lender has an opportunity to grow its non-funded income streams, which increased by 6.6% to Kshs 6.5 bn in H1'2026 from Kshs 6.1 bn in H1'2025. DTB has continued to broaden its product offering across diaspora banking, micro and small enterprises, bancassurance, insurance and digital financial services. Its diaspora proposition provides customers with accounts in multiple currencies and access to digital banking services, while products such as DTB Weza provide instant short-term digital credit,
- **Digital Transformation**: Continued investment in digital banking infrastructure provides DTB with an opportunity to deepen customer engagement, improve operational efficiency and expand its market reach. The bank currently offers mobile banking through its m24/7 app and USSD, internet banking and API banking, while DTB Weza enables customers to access short-term digital credit directly through digital channels

Financial Statements Extracts

DTB K Holdings PAT is expected to grow at a 5-year CAGR of 24.4%

Income Statement	2021	2022	2023	2024	2025	2026f
Net Interest Income	20.0	22.9	27.6	28.1	34.9	39.5
Non Funded Income	6.3	9.1	12.2	13.0	11.8	11.8
Total Operating Income	**26.3**	**31.9**	**39.7**	**41.1**	**46.7**	**51.3**
Loan Loss Provision	7.6	7.1	10.3	8.7	10.0	10.7
Other Operating Expenses	12.3	14.9	20.5	21.2	22.8	25.3
Total Operating Expenses	**19.9**	**22.1**	**30.9**	**29.9**	**32.7**	**35.9**
Profit Before Tax	6.6	9.5	9.0	11.1	13.4	17.8
Profit After tax	4.4	6.8	7.8	8.8	10.7	13.1
% PAT Change YoY	**25.1%**	**53.9%**	**14.7%**	**13.1%**	**21.4%**	**22.6%**
EPS	15.8	24.3	24.6	27.3	38.3	47.0
DPS	3.0	5.0	6.0	7.0	9.0	11.0
Cost to Income	75.6%	69.1%	77.7%	72.8%	70.1%	70.1%
NIM	**5.1%**	**5.3%**	**5.5%**	**5.4%**	**6.7%**	**6.9%**
ROE	6.8%	10.0%	10.8%	11.3%	11.7%	12.0%
ROA	1.0%	1.4%	1.3%	1.5%	1.7%	1.9%
Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025**	**2026f**
Net Loans and Advances	220.4	253.7	308.5	285.3	324.2	364.3
Government Securities	83.3	73.5	58.5	44.5	24.5	27.3
Other Assets	153.1	199.8	268.0	244.1	310.5	345.1
Total Assets	**456.8**	**527.0**	**635.0**	**573.9**	**659.1**	**736.7**
Customer Deposits	331.5	387.6	486.1	447.2	509.1	569.6
Other Liabilities	50.8	61.8	62.6	34.3	36.9	36.7
Total Liabilities	**382.3**	**449.3**	**548.7**	**481.5**	**546.1**	**606.3**
Shareholders Equity	67.3	69.0	74.9	81.8	101.1	117.9
Number of Shares	0.3	0.3	0.3	0.3	0.3	0.3
Book value Per share	240.7	246.6	267.8	292.5	361.6	421.8
% Change in BPS YoY	**8.6%**	**2.5%**	**8.6%**	**9.2%**	**23.6%**	**16.6%**

Cytonn

Valuation Summary

DTB-K Holdings is undervalued with a total potential return of 22.8%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	140.1	40.0%	56.1
Residual Income	211.1	30.0%	63.3
PBV Multiple	368.8	15.0%	55.3
PE Multiple	305.1	15.0%	45.8
Target Price			**220.5**
Current Price			**179.5**
Upside/(Downside)			22.8%
Dividend yield			0.0%
Total return			**22.8%**

Cytonn

VII. ABSA Bank Kenya

ABSA Bank's Summary of Performance – H1'2026

- Core earnings per share declined by 9.8% to Kshs 1.9, from Kshs 2.2 in H1'2026, driven by the 6.8% decrease in total operating income to Kshs 29.3 bn, from Kshs 31.5 bn in H1'2025, coupled with 3.5% increase in total operating expense to Kshs 15.2 bn from Kshs 14.7 bn in H1'2025.
- The 6.8% decrease in total operating income was mainly driven by a 10.2% decline in net non-interest income to Kshs 8.2 bn, from Kshs 9.1 bn in H1'2025, coupled with 5.4% decrease in net interest income to Kshs 21.3 bn in H1'2026, from Kshs 22.3 bn in H1'2025.
- The balance sheet recorded expansion as total assets increased by 5.0% to Kshs 558.1 bn, from Kshs 531.6 bn in H1'2026, mainly driven by 8.2% increase Net loans and advances to Kshs 329.9 bn, from 304.9 bn in H1'2025.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 10.2% in H1'2026, from 13.2% in H1'2025, attributable to a 17.8% decrease in Gross non-performing loans to Kshs 36.4 bn, from Kshs 44.2 bn in H1'2025, compared to the 6.2% increase in gross loans to Kshs 355.0 bn, from Kshs 334.4 bn recorded in H1'2025,
- Going forward, the factors that would drive the bank's growth would be:

i. **Strong Customer Base** Absa Bank retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which this year increased by 8.2% to Kshs 329.9 bn from Kshs 304.9 bn in H1'2025.

ii. Diversified products– The bank has continued to leverage digital transformation as a strategy to enhance financial services and customer experience. This expansion in digital distribution has led to an increase in digital loan disbursements and growth in consumer business through the Timiza digital platform, significantly contributing to its financial performance. Additionally, the lender's subsidiary divisions, particularly asset management and insurance, not only diversifys the bank's revenue streams but also provide additional value- added services to customers, enhancing overall client retention and satisfaction.

Financial Statements Extracts

Absa Bank's PAT is expected to grow at a 5-year CAGR of 17.6%

Income Statement	2021	2022	2023	2024	2025	2026f
Net Interest Income	25.3	32.3	40.0	46.2	43.3	70.3
Non Funded Income	11.7	13.7	14.5	16.1	18.1	22.2
Total Operating Income	**36.9**	**46.0**	**54.6**	**62.3**	**61.4**	**92.5**
Loan Loss Provision	(4.7)	(6.5)	(9.2)	(9.1)	(6.2)	(1.5)
Other Operating Expenses	(16.7)	(18.7)	(21.6)	(10.5)	(0.8)	(27.1)
Total Operating Expenses	**(21.4)**	**(25.1)**	**(30.9)**	**(30.9)**	**(7.0)**	**(28.6)**
Profit Before Tax	15.5	20.8	23.7	29.7	54.4	63.9
Profit After tax	**10.9**	**14.6**	**16.4**	**20.9**	**44.5**	**47.7**
% PAT Change YoY	**161.2%**	**34.2%**	**12.2%**	**27.5%**	**113.4%**	**108.2%**
EPS	2.0	2.7	3.0	3.8	8.2	8.8
DPS	1.1	1.4	1.6	1.8	2.1	0.0
Cost to Income	57.9%	54.7%	56.6%	52.3%	11.4%	30.9%
NIM	**7.1%**	**8.2%**	**9.1%**	**10.1%**	**9.1%**	**14.1%**
ROaE	21.1%	24.3%	24.6%	27.0%	49.8%	34.2%
ROaA	2.7%	3.2%	3.3%	4.1%	8.7%	8.1%
Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025**	**2026f**
Net Loans and Advances	234.2	283.6	335.7	309.1	312.2	320.0
Government Securities	132.6	133.5	95.2	130.6	157.7	161.6
Other Assets	61.9	60.2	88.9	66.8	50.4	153.7
Total Assets	**428.7**	**477.2**	**519.8**	**506.5**	**520.2**	**635.4**
Customer Deposits	268.7	303.8	362.7	367.1	376.4	385.9
Other Liabilities	103.5	109.9	87.9	54.2	51.3	71.3
Total Liabilities	**372.2**	**413.6**	**450.6**	**421.3**	**427.7**	**457.1**
Shareholders Equity	**56.4**	**63.6**	**69.2**	**85.2**	**93.5**	**178.3**
Number of shares	**5.4**	**5.4**	**5.4**	**5.4**	**6.4**	**7.4**
Book value Per share	10.4	11.7	12.7	15.7	17.2	32.8
% Change in BPS YoY	**21.4%**	**36.8%**	**22.6%**	**23.1%**	**35.2%**	**109.2%**

Cytonn

Valuation Summary

Absa Bank is undervalued with a total potential return of 14.4%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	46.8	40%	18.7
Residual Income	32.8	35%	11.5
PBV Multiple	26.4	20%	5.3
PE Multiple	26.9	5%	1.3
Target Price			**36.8**
Current Price			**34.0**
Upside/(Downside)			8.3%
Dividend Yield			6.1%
Total Return			**14.4%**

Cytonn

VIII. Stanbic Holdings

Stanbic Holdings' Summary of Performance – H1'2026

- Core earnings per share increased by 1.3% to Kshs 16.4 from Kshs 16.2 recorded in in H1'2025, mainly driven by 3.5% decrease in total operating expense to Kshs 10.3 bn, from Kshs 10.7 bn in H1'2025, supported by the 1.6% increase in total operating income to Kshs 19.4 bn, from Kshs 19.1 bn in H1'2025 .
- The 1.6% increase in Total Operating Income was driven by a 5.5% increase in Net Interest Income to Kshs 14.8 bn in H1'2026, from Kshs 14.0 bn in H1'2025. The performance was however, weighed down by the 9.0% decrease in Non-Interest Income to Kshs 4.6 bn in H1'2026, from Kshs 5.1 bn in H1'2025.
- Total operating expense decreased by 3.5% to Kshs 10.3 bn in H1'2026, from Kshs 10.7 bn in H1'2025, mainly attributable to 45.6% decrease in loan loss provision to Kshs 0.9 bn, from Kshs 1.6 bn in H1'2025. This was weighed down by the 18.3% increase in staff costs to Kshs 2.5 bn from Kshs 2.1 bn in H1'2025 and 4.0% increase in other operating expenses to Kshs 9.4 bn from Kshs 9.1 bn in H1'2025.
- The balance sheet recorded an expansion as total assets increased by 27.5% to Kshs 592.4 bn, from Kshs 464.8 bn in H1'2025, mainly driven by a 24.7% increase in net loans and advances to customers to Kshs 290.6 bn, from 233.0 bn in H1'2025. Government securities increased by 57.0% to Kshs 83.6 bn, from Kshs 53.3 bn in H1'2025. Total liabilities increased by 30.7% to Kshs 523.3 bn from Kshs 400.5 bn in H1'2025, mainly driven by a 23.0% increase in customer deposits to Kshs 426.7 bn, from Kshs 346.9 bn in H1'2025, outpacing a 1.8% decrease in borrowings to Kshs 18.6 bn, from Kshs 19.0 bn in H1'2025. With 30 branches similar to H1'2025, deposits per branch increased 23.0% to Kshs 14.2 bn, from Kshs 11.6 bn in H1'2025.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing by 2.1% points to 7.3% in H1'2026, from 9.5% in H1'2025, attributable to an 5.1% decrease in Gross non-performing loans to Kshs 22.7 bn, from Kshs 23.9 bn in H1'2025, relative to the 22.7% increase in gross loans to Kshs 310.3 bn, from Kshs 252.8 bn recorded in H1'2025.
- Going forward, the factors that would drive the bank's growth would be:

i. **Loan book expansion.** Continued growth in customer lending is expected to remain a key driver of the bank's earnings. Customer net loans increased by 24.7% to Kshs 290.6 bn, from Kshs 233.0 bn in H1'2025 as the lender increased lending. The strong loan growth provides room for further expansion in interest income, particularly if the bank maintains prudent pricing and credit underwriting standards. Going forward, the bank's ability to sustain loan growth while maintaining asset quality and an optimal risk-adjusted return will be critical to supporting growth in net interest income.

Financial Statements Extracts

Stanbic Holdings' PAT is expected to grow at a 5-year CAGR of 25.7%

Income Statement	2021	2022	2023	2024	2025	2026F
Net Interest Income	14.4	18.9	25.6	24.3	24.1	38.4
Non Funded Income	10.6	13.1	15.7	15.4	14.4	17.3
Total Operating Income	**25.0**	**32.1**	**41.3**	**39.7**	**38.5**	**55.7**
Loan Loss Provision	(2.5)	(4.9)	(6.2)	(3.1)	(1.6)	1.9
Total Operating Expenses	**(12.7)**	**(19.9)**	**(24.2)**	**(20.8)**	**(19.6)**	**(24.0)**
Profit Before Tax	9.8	12.2	17.1	19.0	18.9	31.7
Profit after Tax	7.2	9.1	12.2	13.7	13.7	22.6
% PAT Change YoY	**38.8%**	**25.7%**	**68.7%**	**51.4%**	**12.8%**	**64.9%**
EPS	18.2	22.9	30.8	34.7	34.7	57.2
DPS	9.0	12.6	14.2	20.7	22.4	20.0
Cost to Income (with LLP)	0.6	62.1	0.6	0.5	0.5	0.4
NIM	**5.0%**	**5.7%**	**6.9%**	**5.9%**	**5.6%**	**8.0%**
ROaE	13.3%	15.3%	18.6%	19.1%	17.6%	25.1%
ROaA	2.2%	2.5%	2.8%	3.0%	2.8%	3.8%
Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025f**	**2026F**
Net Loans and Advances	229.3	266.8	260.5	230.3	270.0	328.7
Other Assets	99.6	133	198.8	224.5	271.2	332.6
Total Assets	**328.9**	**399.8**	**459.3**	**454.8**	**541.3**	**661.3**
Customer Deposits	254.6	304.3	330.9	321.6	384.2	467.7
Borrowings	5.7	10.1	12.7	10.5	13.0	18.6
Other Liabilities	12.1	23.2	47.1	47.4	63.9	75.0
Total Liabilities	**272.4**	**337.6**	**390.7**	**379.4**	**461.1**	**561.3**
Shareholders Equity	56.5	62.2	68.6	75.4	80.1	100.0
No of Ordinary Shares	0.4	0.4	0.4	0.4	0.4	0.4
Book value Per share	142.8	157.3	171.4	188.5	200.4	250.0
% Change in BVPS	**9.1%**	**2.0%**	**9.0%**	**10.0%**	**6.3%**	**24.8%**

Valuation Summary

Stanbic Holdings is undervalued with a total potential return of 16.3%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	382.8	40%	153.1
Residual Income	267.9	35%	93.8
PBV Multiple	212.2	15%	31.8
PE Multiple	224.6	10%	22.5
Target Price			**301.2**
Current Price			**278.0**
Upside/(Downside)			8.3%
Dividend Yield			8.0%
Total return			**16.3%**

Cytonn

IX. I&M Group

I&M Group Summary of Performance – H1'2026

- Profit before tax increased by 15.0% to Kshs 13.5 bn, from Kshs 11.7 bn recorded in H1'2025, with effective tax rate decreasing by 4.5% points to 24.5% from the 29.0% recorded in H1'2025, leading to a 22.4% increase in profit after tax to Kshs 10.2 bn in H1'2026, from Kshs 8.3 bn in H1'2025.
- The 23.0% increase in total operating income was mainly driven by a 24.5% growth in Non-Interest Income (NFI) to Kshs 8.7 bn, from Kshs 7.0 bn in H1'2025, coupled with a 22.5% increase in Net-Interest Income (NII) to Kshs 25.0 bn, from Kshs 20.4 bn in H1'2025.
- Total operating expense increased by 27.8% to Kshs 20.6 bn in H1'2026, from Kshs 16.1 bn in H1'2025, mainly attributable to 37.7% increase in loan loss provisions to Kshs 5.6 bn, from Kshs 4.1 bn in H1'2025. Notably, staff cost expense increased by 23.8% to Kshs 5.9 bn, from 4.8 bn in H1'2025,
- The balance sheet registered an expansion as total assets increased by 26.7% to Kshs 746.3 bn in H1'2026, from Kshs 588.9 bn in H1'2025, mainly attributable to the 53.4% increase in government securities to Kshs 204.4 bn, from Kshs 133.2 bn in H1'2025 coupled with a 15.0% increase in net loans to Kshs 333.8 bn in H1'2026 from Kshs 290.3 bn in H1'2025.
- Gross Non-Performing Loans (NPLs) decreased by 12.4% Kshs 30.1 bn, from Kshs 34.4 bn in H1'2025, while Gross Loans increased by 13.9% to Kshs 356.3 bn, from Kshs 312.7 bn recorded in H1'2025. Consequently, the asset quality improved, with Gross NPL ratio decreasing to 8.4% in H1'2026, from 11.0% in H1'2025.

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

i. **Regional Expansion** - I&M Group's long-term growth trajectory remains firmly on course, anchored by the continued execution of its iMara 3.0 strategy. The Group has grown its Kenyan branch network to 65 outlets from 52 outlets across 27 counties, with 15 more branches planned for 2026 under the "Mahali Uko, Tuko" campaign, targeting 80 branches and a presence across all 47 counties by year end.

ii. **Retail Ecosystem Credit Monetization** - The front-end Backbase partnership powering the I&M On-The-Go (OTG) platform has transformed from a customer acquisition tool into a primary earnings engine. By lowering customer acquisition costs on the app by 44.0%, the bank successfully dispersed Kshs 15.7 bn in financing through digital channels in H1'2026.

Financial Statements Extracts

I&M Group's PAT is expected to grow at a 5-year CAGR of 20.1%

Income Statement	2021	2022	2023	2024	2025	2026F
Net Interest Income	20.9	22.9	28.6	39.6	46.0	59.8
Non- Funded Income	8.7	12.7	14.1	11.0	14.4	19.6
Total Operating Income	**29.6**	**35.7**	**42.7**	**50.6**	**60.3**	**79.5**
Loan Loss Provision	(4.2)	(5.2)	(6.9)	(7.8)	(8.7)	(11.1)
Other Operating Expenses	(13.5)	(16.1)	(20.3)	(23.9)	(28.2)	(36.0)
Total Operating Expenses	**(17.7)**	**(21.3)**	**(27.2)**	**(31.7)**	**(36.9)**	**(47.1)**
Profit Before Tax	12.4	15.0	16.7	19.8	24.2	32.7
Profit After Tax	8.6	11.6	13.3	15.9	19.8	23.5
% PAT Change YoY	**2.5%**	**34.3%**	**15.2%**	**19.4%**	**24.5%**	**18.4%**
EPS	5.2	7.0	7.6	8.9	10.8	14.2
DPS	1.5	2.3	2.6	3.0	3.9	5.0
Cost to Income	59.9%	59.8%	63.7%	62.7%	61.2%	59.3%
NIM	6.3%	6.7%	7.0%	8.1%	8.5%	10.7%
ROaE	12.2%	14.4%	15.0%	16.2%	17.8%	17.1%
ROaA	2.1%	2.6%	2.6%	2.7%	3.2%	3.1%
Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
Government securities	125.5	68.1	78.1	102.5	159.4	192.7
Net Loans and Advances	210.6	238.6	311.3	287.5	306.3	408.1
Other Assets	79.0	130.6	190.3	190.9	203.2	259.6
Total Assets	**415.2**	**437.3**	**579.7**	**580.9**	**668.9**	**860.5**
Customer Deposits	296.7	312.3	416.7	412.2	483.9	585.2
Other Liabilities	44.4	43.4	67.3	67.8	63.0	108.6
Total Liabilities	**341.1**	**355.7**	**484.0**	**480.0**	**546.9**	**693.8**
Shareholders Equity	69.6	76.5	88.2	93.8	115.2	159.0
Number of Shares	1.7	1.7	1.7	1.7	1.7	1.7
Book Value Per Share	42.1	46.3	53.3	56.7	69.6	96.1
% BVPS Change YoY	**(45.8%)**	**9.9%**	**15.2%**	**6.4%**	**22.8%**	**38.1%**

Valuation Summary

I&M Group is undervalued with a total potential return of 10.8%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	139.1	40.0%	55.6
Residual income	40.6	40.0%	16.2
PBV Multiple	92.8	10.0%	9.3
PE Multiple	93.9	10.0%	9.4
Target Price			**90.6**
Current Price			**81.8**
Upside/(Downside)			10.8%
Dividend yield			0.0%
Total return			**10.8%**

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X. Family Bank

Family Bank Summary of Performance – H1’2026

- Profit before tax increased by 59.3% to Kshs 4.7 bn in H1’2026 from Kshs 2.9 bn in H1’2025, with effective tax rate decreasing to 30.0% in H1’2026, from 30.5% in H1’2025, leading to a 61.8% increase in profit after tax to Kshs 3.7 bn in H1’2026, from Kshs 2.3 bn in H1’2025.
- Total operating expenses increased by 10.7% to Kshs 7.4 bn in H1’2026 from Kshs 6.7 bn, driven by a 50.4% increase in loan loss provisions to Kshs 1.0 bn from Kshs 0.7 bn and a 43.7% increase in staff costs to Kshs 3.1 bn from Kshs 2.2 bn in H1’2026
- The balance sheet recorded an expansion, with total assets increasing by 23.9% to Kshs 238.9 bn in H1’2026 from Kshs 192.9 bn in H1’2025, driven by a 10.1% increase in net loans and advances to Kshs 111.1 bn in H1’2026 from Kshs 100.9 bn in H1’2025, coupled with a 55.3% growth in government securities holdings to Kshs 94.1 bn in H1’2026 from Kshs 60.6 bn in H1’2025.
- The banks asset quality declined, with the gross NPL ratio increasing by 1.2% points to 14.7% in H1’2026 from 13.5% in H1’2025, as gross loans increased by 9.2% to Kshs 123.1 bn in H1’2026 from Kshs 112.7 bn in H1’2025, which was outpaced by the 19.2% increase in gross non-performing loans to Kshs 18.1 bn in H1’2026 from Kshs 15.2 bn in H1’2025
- Going forward, we expect the bank’s growth to be driven by:

i. **NSE listing momentum and capital markets access:** Family Bank began trading on the NSE from 23rd June 2026 through a listing by introduction, ending a five-year push to go public. While no new capital was raised in the listing itself, the earlier Kshs 8.0 bn private placement in 2025, which surpassed its initial Kshs 6.1 bn target by 31.0%, has strengthened the bank's balance sheet and funded its 2025–2029 strategic plan. Being listed also improves share liquidity and gives the bank a market-priced currency for future capital raises, supporting continued balance sheet expansion,

ii. **Continued MSME and retail lending focus:** Management has been explicit that the bank is anchored on being "The Preferred Bank for Biashara" under its 2025–2029 strategic plan. This is reinforced by dedicated funding lines: a USD 20.0 mn facility from British International Investment and a EUR 50.0 mn facility from the European Investment Bank, specifically targeting MSMEs, women-led enterprises, and youth. Given MSME loans are short-tenor and high-velocity (as the CFO noted, most repay within three months), this segment should keep generating strong disbursement volumes and fee/interest turnover even if it doesn't show up fully in period-end loan book growth

Financial Statements Extracts

Family Bank's PAT is expected to grow at a 5-year CAGR of 21.1%

Income Statement	2021	2022	2023	2024	2025	2026F
Interest Income	10.8	13.1	15.8	20.3	24.5	26.0
Interest Expense	(3.0)	(4.5)	(6.4)	(9.6)	(8.8)	(9.7)
Net Interest Income	7.8	8.6	9.4	10.7	15.6	16.2
Non Funded Income	3.0	3.4	4.0	4.4	4.6	6.2
Total Operating Income	**10.8**	**11.9**	**13.4**	**15.1**	**20.2**	**22.4**
Loan Loss Provision	(0.8)	(0.5)	(1.4)	(0.7)	(2.0)	(1.0)
Other Operating Expenses	(6.7)	(7.7)	(8.8)	(10.4)	(11.9)	(13.4)
Total Operating Expenses	**(7.5)**	**(8.2)**	**(10.2)**	**(11.1)**	**(13.9)**	**(14.3)**
Profit Before Tax	3.3	3.7	3.2	3.9	6.3	8.1
Profit After tax	2.3	2.2	2.5	3.5	5.4	6.0
% PAT Change YoY	**25.3%**	**(4.1%)**	**13.3%**	**38.0%**	**55.4%**	**11.7%**
EPS	1.8	1.7	1.9	2.7	3.2	3.6
DPS	0.8	0.6	0.6	0.9	1.2	5.0
Cost to Income	69.1%	68.7%	76.1%	74.0%	68.6%	63.9%
ROE	15.9%	14.0%	15.2%	17.6%	19.6%	17.7%
ROA	2.3%	1.8%	1.8%	2.2%	2.8%	2.7%
Balance Sheet						
Net Loans and Advances	66.9	81.4	86.9	92.9	105.9	136.1
Government Securities	24.7	25.8	34.8	51.0	74.0	52.0
Other Assets	20.5	21.7	20.7	25.1	28.8	54.0
Total Assets	112.1	128.8	142.4	169.0	208.7	242.1
Customer Deposits	81.9	88.9	102.6	126.5	151.9	180.8
Other Liabilities	14.2	23.5	22.9	19.6	24.2	26.1
Total Liabilities	96.1	112.4	125.5	146.1	176.1	206.9
Shareholders Equity	15.6	16.1	16.9	22.4	32.6	35.2
Number of Shares	1.3	1.3	1.3	1.3	1.7	1.7
Book value Per share	12.1	12.5	13.1	17.2	19.6	21.2
% Change in BPS YoY	**2.6%**	**3.3%**	**4.7%**	**30.9%**	**14.4%**	**7.8%**

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Valuation Summary

Family Bank is undervalued with a total potential return of 19.8%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM Integrated	40.8	40.0%	16.3
Residual income	34.2	30.0%	10.3
PBV Multiple	20.4	10.0%	2.0
PE Multiple	24.3	20.0%	4.9
Target Price			**33.5**
Current Price			**28.0**
Upside/(Downside)			19.8%
Dividend yield			0.0%
Total return			**19.8%**

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B. Tier II Bank

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I. HFCB

HFCB Summary of Performance – H1’2026

- Profit before tax increased by 74.3% to Kshs 1.2 bn in H1’2026 from Kshs 0.7 bn in H1’2025, with effective tax rate decreasing to 18.5 % in H1’2026, from 11.1 % in H1’2025, leading to a 59.9% increase in profit after tax to Kshs 1.0 bn in H1’2026, from Kshs 0.6 bn in H1’2025.
- The total operating income increased by 31.7% to Kshs 3.8 bn from Kshs 2.9 bn in H1’2025, mainly driven by a 29.4% increase in Net-Interest Income to Kshs 2.6 bn in H1'2026 from Kshs 2.0 bn in H1'2025, coupled with a 37.4% increase in Non-Interest Income to Kshs 1.2 bn in H1’2026 from Kshs 0.8 bn in H1’2025.
- Total operating expenses increased by 18.1% to Kshs 2.6 bn in H1’2026 from Kshs 2.2 bn, driven by a 30.0 % increase in loan loss provisions to Kshs 0.3 bn from Kshs 0.2 bn and a 29.0 % increase in staff costs to Kshs 1.3 bn from Kshs 1.0 bn in H1’2026
- The balance sheet recorded an expansion, with total assets increasing by 22.3 % to Kshs 94.0 bn in H1’2026 from Kshs 76.9 bn in H1’2025, driven by a 11.5% increase in net loans to Kshs 43.4 bn, from Kshs 38.9 bn in H1’2025, coupled with a 41.0% increase in Government securities to Kshs 33.7 bn from Kshs 23.9 bn in H1’2025,
- The bank’s asset quality improved, with the gross NPL ratio decreasing by 2.7 % points to 21.4 % in H1’2026 from 24.0% in H1’2025, as gross loans increased by 10.2% to Kshs 52.4 bn in H1’2026 from Kshs 47.6 bn in H1’2025, relative to the 2.1 % decrease in gross non-performing loans to Kshs 11.2 bn in H1’2026 from Kshs 11.4 bn in H1’2025.

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

i. **Rebrand and TIER II consolidation as a structural growth platform:** The group completed its unification of HFCK, Housing Finance, HFC, and HF Group under one new corporate identity, HFCB, following a TIER II upgrade in 2025 that consolidated its banking, property, and bancassurance subsidiaries under one roof after a 2024 recapitalization that has since strengthened the group's capital position, with the banking subsidiary now well ahead of the regulatory core capital threshold of Kshs 10.0 bn by 2029. This capital and structural base is effectively what's enabling the balance sheet growth you see in the numbers above.

Financial Statements Extracts

HFCB's PAT is expected to grow at a 5-year CAGR of 48.8%

Income Statement	2018	2019	2020	2021	2022	2023	2024	2025	2026f
Interest Income	6.0	5.1	4.3	3.9	4.3	5.2	6.4	7.5	7.9
Interest Expense	(3.8)	(3.1)	(2.4)	(2.1)	(2.1)	(2.7)	(3.7)	(3.2)	(3.2)
Net Interest Income	2.3	2.0	1.9	1.8	2.2	2.5	2.7	4.4	4.7
Non Funded Income	1.3	1.4	0.5	0.5	0.9	1.2	1.5	1.8	0.4
Total Operating Income	**3.6**	**3.4**	**2.4**	**2.4**	**3.0**	**3.8**	**4.2**	**6.2**	**5.1**
Loan Loss Provision	(0.4)	(0.4)	(0.4)	(0.3)	(0.2)	(0.3)	(0.4)	(0.4)	(0.1)
Other Operating Expenses	(3.9)	(3.2)	(3.7)	(3.0)	(2.6)	(3.2)	(3.4)	(4.3)	(2.4)
Total Operating Expenses	**(4.2)**	**(3.5)**	**(4.1)**	**(3.3)**	**(2.8)**	**(3.5)**	**(3.7)**	**(4.7)**	**(2.5)**
Profit Before Tax	(0.6)	(0.1)	(1.8)	(1.0)	0.2	0.3	0.5	1.6	2.6
Profit After tax	(0.6)	(0.1)	(1.7)	(0.7)	0.3	0.4	0.5	1.4	1.8
% PAT Change YoY	**(573.9%)**	**(81.6%)**	**1443.7%**	**(59.8%)**	**(138.9%)**	**46.2%**	**35.2%**	**171.1%**	**29.8%**
EPS	(1.6)	(0.3)	(4.4)	(1.8)	0.7	1.0	0.3	0.8	1.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cost to Income	118.2%	104.2%	170.1%	140.1%	93.5%	92.0%	89.5%	75.9%	48.8%
NIM	4.4%	4.3%	4.2%	4.2%	5.0%	5.4%	5.0%	6.9%	7.3%
ROE	(5.5%)	(7.4%)	(6.5%)	(3.3%)	(1.1%)	0.5%	(3.0%)	(7.6%)	(18.1%)
ROA	(0.9%)	(1.3%)	(1.1%)	(0.6%)	(0.2%)	0.1%	(0.5%)	(1.3%)	(3.0%)

Balance Sheet	2018	2019	2020	2021	2022	2023	2024	2025	2026f
Net Loans and Advances	43.4	38.6	37.0	34.7	36.3	38.8	38.9	41.1	49.0
Government Securities	3.2	4.6	7.1	6.6	8.5	9.7	17.0	28.3	22.8
Other Assets	13.9	13.3	11.3	12.0	12.2	13.1	14.3	13.0	13.2
Total Assets	**60.5**	**56.5**	**55.4**	**53.2**	**57.0**	**61.6**	**70.1**	**82.4**	**84.9**
Customer Deposits	34.7	37.4	39.9	37.7	39.8	43.8	47.5	55.9	55.3
Other Liabilities	15.5	8.8	6.9	7.2	8.4	8.8	7.0	8.9	10.0
Total Liabilities	**50.2**	**46.2**	**46.9**	**44.9**	**48.2**	**52.7**	**54.5**	**64.7**	**65.3**
Shareholders Equity	10.4	10.2	8.6	8.3	8.8	8.9	15.7	17.7	19.5
Number of Shares	0.4	0.4	0.4	0.4	0.4	0.4	1.9	1.9	1.9
Book value Per share	27.0	26.6	22.3	21.5	22.8	23.0	8.3	9.4	10.4
% Change in BPS YoY	**(17.0%)**	**(1.5%)**	**(16.2%)**	**(3.3%)**	**6.0%**	**1.1%**	**(63.9%)**	**12.7%**	**10.4%**

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Valuation Summary

HFCB is undervalued with a total potential return of 26.9%

Valuation Summary:	Implied Price	Weighting	Weighted Value
Residual income	18.7	60.0%	11.2
PBV Multiple	8.0	20.0%	1.6
PE Multiple	8.2	20.0%	1.6
Target Price			**14.5**
Current Price			**11.4**
Upside/(Downside)			26.9%
Dividend yield			0.0%
Total return			**26.9%**

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Feedback Summary

During the preparation of this H1'2026 Banking Sector Report, we shared with the subject companies the operating metrics that were used in the Report for their confirmation and verification

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

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

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Licensed Financial Institutions

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I. Banks and Mortgage Finance Institutions

Licensed Banks in Kenya

#	Bank	#	Bank
1	ABSA Bank Kenya	20	Gulf African Bank Limited
2	Access Bank Kenya	21	Habib Bank A.G Zurich
3	African Banking Corporation Limited	22	I&M Bank Limited
4	Bank of Africa Kenya Limited	23	Kingdom Bank Kenya Limited
5	Bank of Baroda (Kenya) Limited	24	KCB Bank Kenya Limited
6	Bank of India	25	Mayfair CIB Bank Limited
7	Citibank N.A Kenya	26	Middle East Bank (K) Limited
8	Consolidated Bank of Kenya Limited	27	M-Oriental Bank Limited
9	Co-operative Bank of Kenya Limited	28	National Bank of Kenya Limited
10	Credit Bank Limited	29	NCBA Bank Kenya PLC
11	Development Bank of Kenya Limited	30	Paramount Bank Limited
12	Diamond Trust Bank Kenya Limited	31	HF Group Limited
13	DIB Bank Kenya Limited	32	Prime Bank Limited
14	Ecobank Kenya Limited	33	SBM Bank Kenya Limited
15	Equity Bank Kenya Limited	34	Sidian Bank Limited
16	Family Bank Limited	35	Stanbic Bank Kenya Limited
17	First Community Bank Limited	36	Standard Chartered Bank Kenya Limited
18	Guaranty Trust Bank (K) Ltd	37	UBA Kenya Bank Limited
19	Guardian Bank Limited	38	Victoria Commercial Bank Limited

Licensed Banks in Kenya

Licensed Mortgage Finance Institution

1. HFC Limited

Authorized Non-operating Bank Holding Companies

1. Bakki Holdco Limited
2. Equity Group Holdings Limited
3. HF Group Limited
4. I&M Group
5. KCB Group
6. M Holdings Limited
7. NCBA Group
8. Stanbic Group Holdings

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II. Micro-Finance Institutions

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Licensed Microfinance Banks in Kenya

#	Microfinance Bank	#	Microfinance Bank
1	Caritas Microfinance Bank Limited	8	Lolc Microfinance Bank Limited
2	Branch Microfinance Bank Limited	9	SMEP Microfinance Bank Limited
3	Choice Microfinance Bank Limited	10	Sumac Microfinance Bank Limited
4	Daraja Microfinance Bank Limited	11	U & I Microfinance Bank Limited
5	Faulu Microfinance Bank Limited	12	Salaam Microfinance Bank Ltd
6	Kenya Women Microfinance Bank Limited	13	Maisha Microfinance Bank Limited
7	Rafiki Microfinance Bank Limited	14	Muungano Microfinance Bank PLC

Source : CBK

Thank You!

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

Q&A / AOB

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