# Kenya Listed Commercial Banks Review

# Cytonn Q1'2025 Banking Sector Report

## "Subdued Growth As Profit Margins Tighten"

Cytonn

14th June, 2025

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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 ownerin 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

# 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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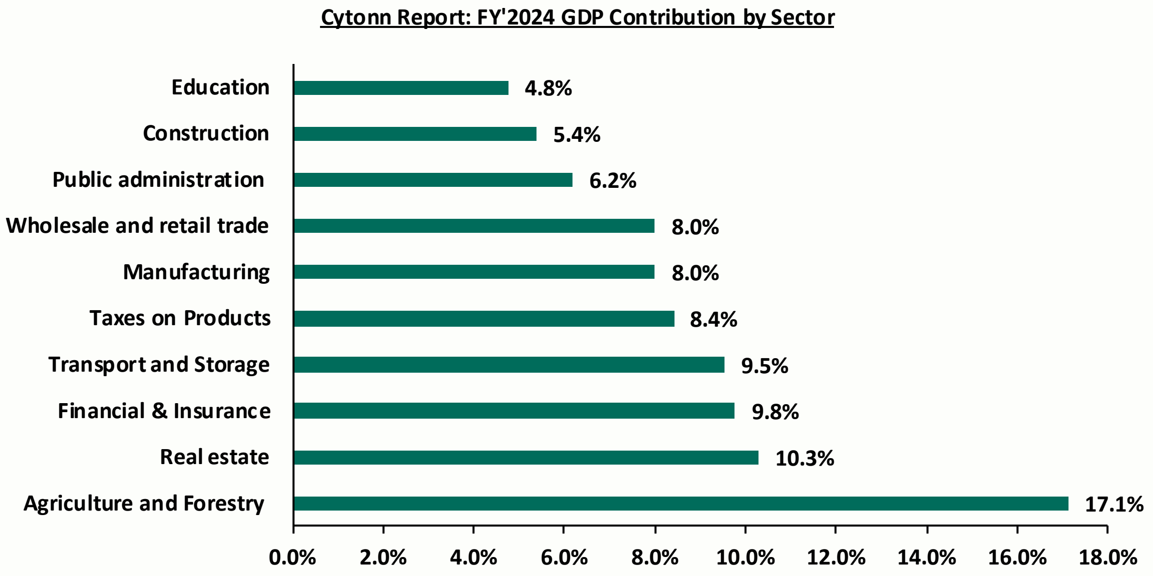
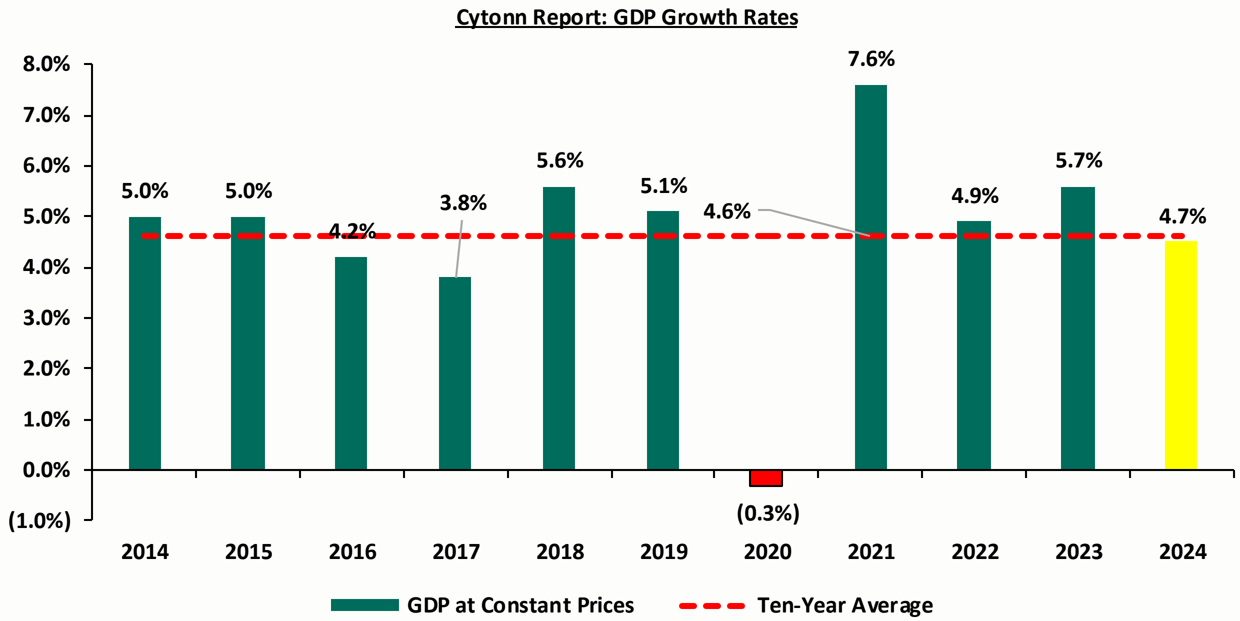
# Economic Growth

## The Kenyan economy grew by 4.7% in FY'2024, slower than the 5.7% growth in FY'2023




*Source: KNBS*

- The Kenyan economy recorded an average growth of 4.7% in FY'2024, slower than the growth rate of 5.7% recorded in FY'2023.
- The main contributor to Kenyan GDP remains to be the Agriculture, fishing and forestry sector which grew by 4.6% in FY'2024, lower than the 6.6% expansion recorded in FY'2023.
- Most sectors recorded declining growth rates compared to FY'2023 with Mining & Quarrying and Construction Sectors recording the highest declines of 9.2% and 0.7% points, respectively.

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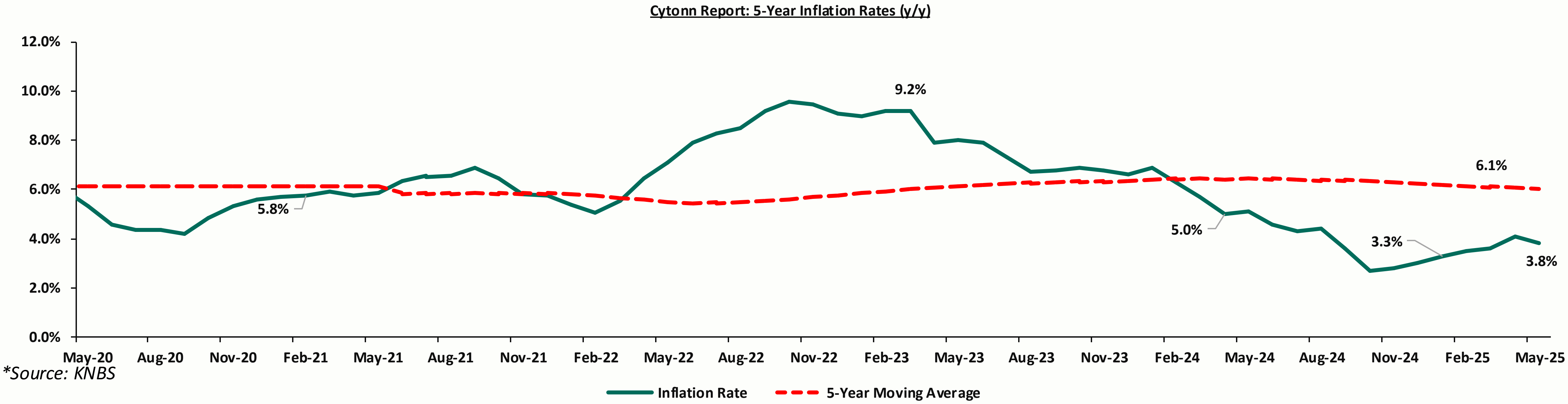
# Inflation

**The y/y inflation in Q1'2025 decreased by 2.8% points to 3.5%, from the 6.3% recorded in Q1'2024.**




**Source: KNBS*

- The average inflation rate decreased to 3.5% in Q1'2025, compared to 6.3% in Q1'2024. Notably, the y/y inflation in May 2025 decreased slightly by 0.3% points to 3.8%, from the 4.1% recorded in April 2025.
- The decrease in headline inflation in May 2025 comes amid the maximum allowed price for Super Petrol and Diesel remaining unchanged at Kshs 174.6 and Kshs 164.9 respectively. Despite fuel prices remaining unchanged, prices are still high, resulting in high production costs and high costs of goods and services.

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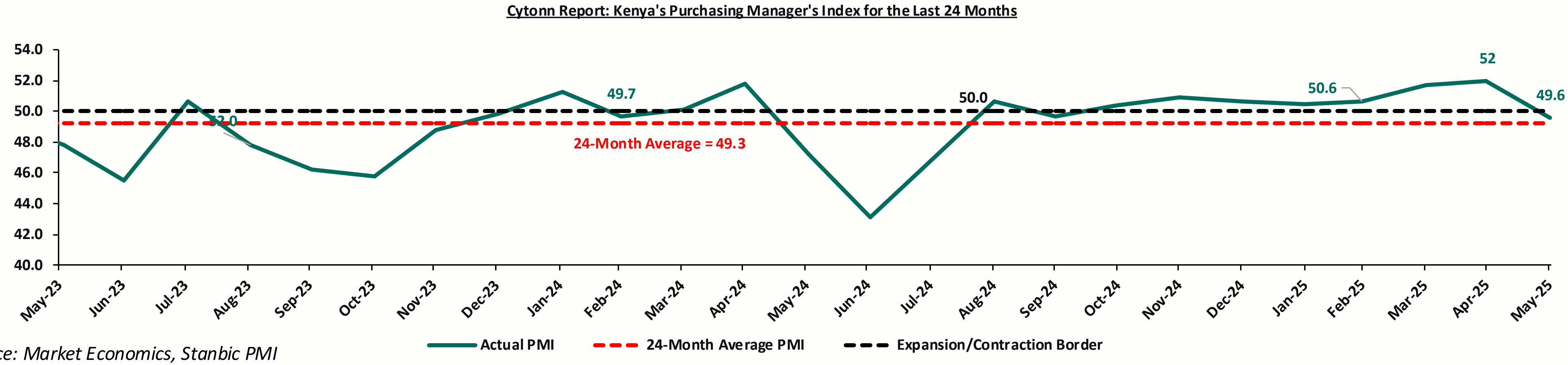
# Stanbic PMI Index

## The PMI averaged at 50.9 in Q1’2025, compared to 50.3 in Q1’2024

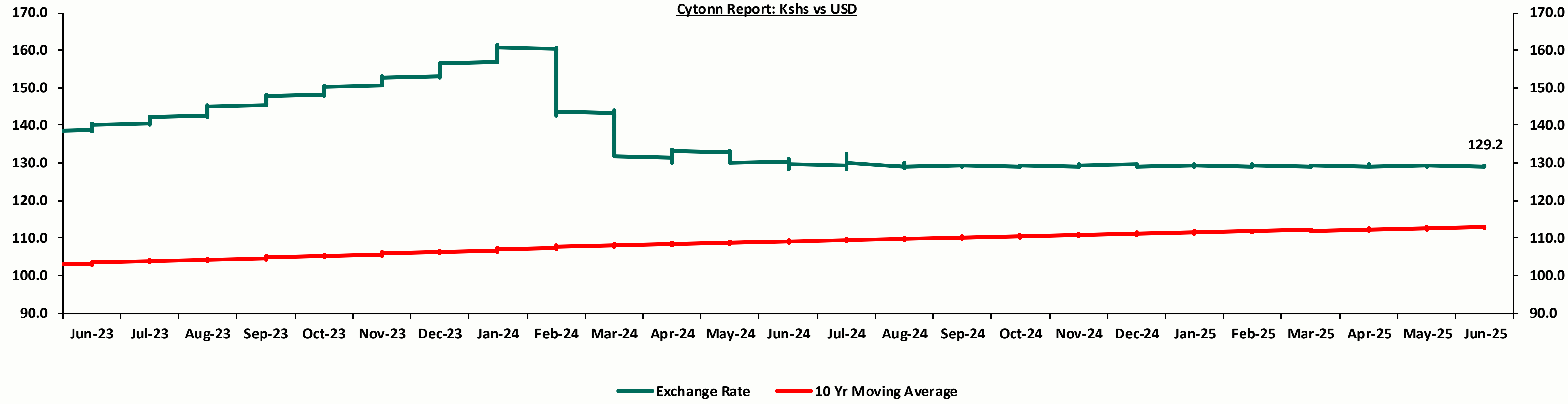



**Source: Market Economics, Stanbic PMI*

- The Stanbic Purchasing Managers Index (PMI) for Q1’2025 improved, coming in at 50.9, up from 50.3 in Q1’2024, signaling a modest improvement in operating conditions across Kenya. Key to note, a PMI reading of above 50 indicates improvements in the business environment, while a reading below 50 indicates a worsening outlook.
- The Stanbic Purchasing Managers Index (PMI) for the month of May 2025 deteriorated to negative territory, coming in at 49.6, down from 52.0 in March 2025, signaling worsening in business conditions, mainly attributable to decreased output and new orders.
- Going forward, we project that the business environment will improve in the short to medium term on the back of reduced food and fuel prices, as well as the eased inflationary pressures with the current inflation standing at 3.8%.

# Currency

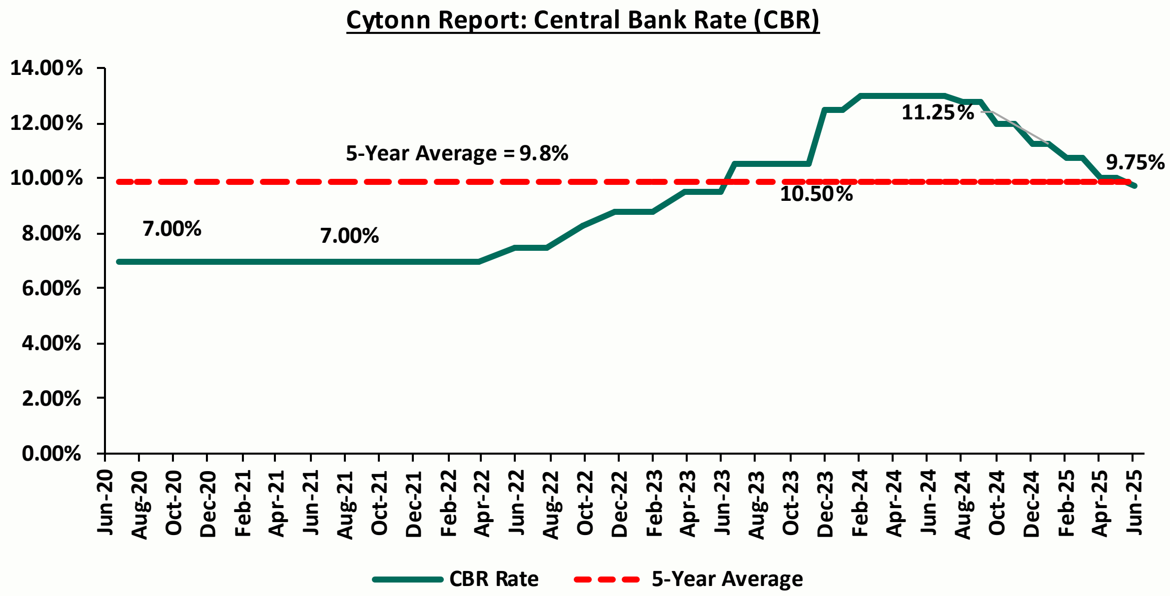
**The Kenya Shilling depreciated by 1.8 bps against the US Dollar in Q1'2025 a contrast to the 16.0% appreciation recorded in Q1'2024.**



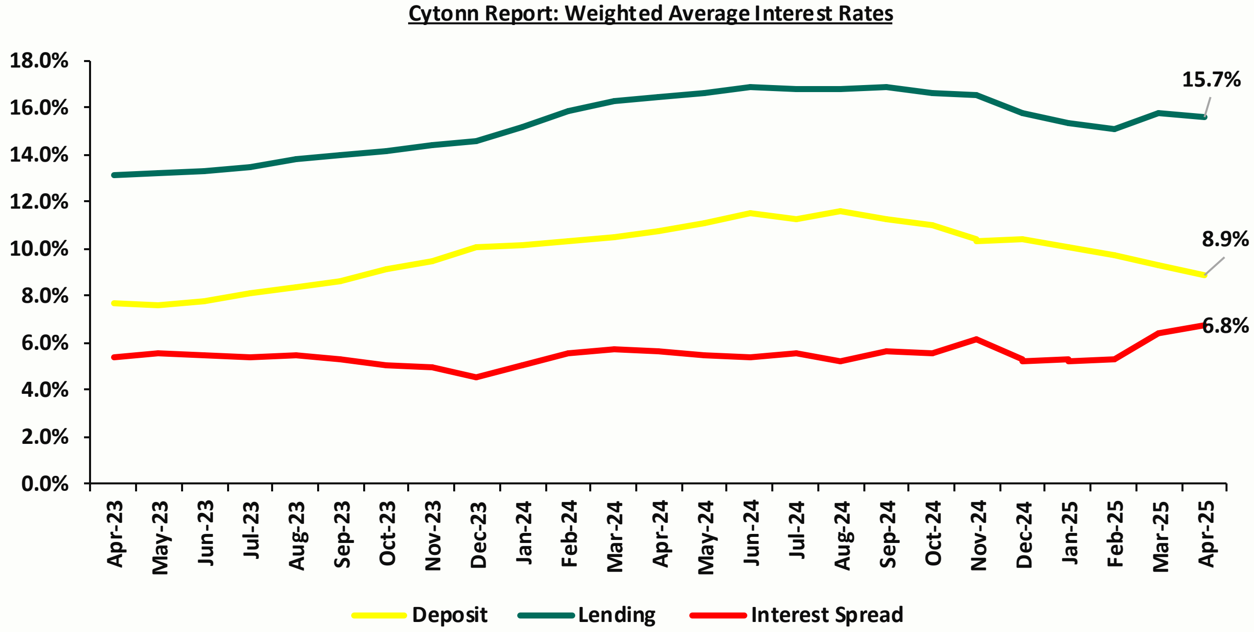

**Source: Central Bank of Kenya*

- The Kenya Shilling depreciated by 1.8 bps against the US Dollar in Q1'2025 a contrast to the 16.0% appreciation recorded in Q1'2024.On a year to date basis, the shilling has appreciated by 5.1 bps against the US Dollar as of 13th June 2025, a contrast to the 17.4% appreciation recorded in 2024. We note that the shilling has being supported by diaspora remittances standing at a cumulative USD 4,997.2 mn in the twelve months to April 2025, 12.1% higher than the USD 4,457.5 mn recorded over the same period in 2024, which has continued to cushion the shilling against depreciation.
- However, we expect the shilling to remain under pressure in 2025 as a result of an ever-present current account deficit and the need for government debt servicing which continues to put pressure on the forex reserves given that 62.0% of Kenya's external debt is US Dollar-denominated as of December 2024

# Interest Rates and Monetary Policy




*Source: CBK




- The Monetary Policy Committee (MPC) has met thrice during 2025, to review the outcome of its previous policy decisions. The MPC decided to ease the CBR rate by 25.0 bps points to 9.75% from 10.00% in June, after decreasing it by 75.00 bps to 10.00% from 10.75% in April 2025.
- The decision was on the back of a stable exchange rate, anchored inflationary pressures, some major economies starting to cut on their interest rates and the need to support the economy by adopting a more accommodative interest rate policy.
- The committee noted that there was scope for gradual easing of the monetary policy stance, while ensuring a stable exchange rate.

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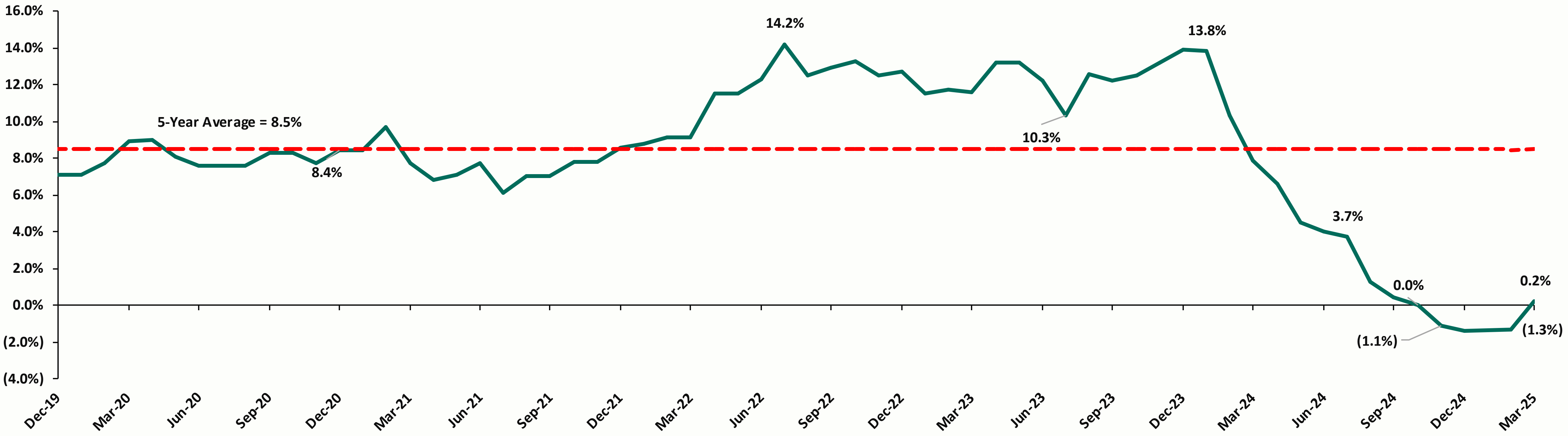
# Private Sector Credit growth

Cytonn Report: Private Sector Credit Growth




**Source: KNBS*

- Growth in private sector grew by modest 0.2% in March 2025 compared to contraction of 1.3% in February 2025, mainly attributed to the dissipation of exchange rate valuation effects on foreign currency-denominated loans due to the appreciation of the Shilling and increased demand attributable to declining lending interest rates. Additionally, the number of loan applications and approvals remained strong, reflecting resilience in economic activities.

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# III. Banking Sector Overview

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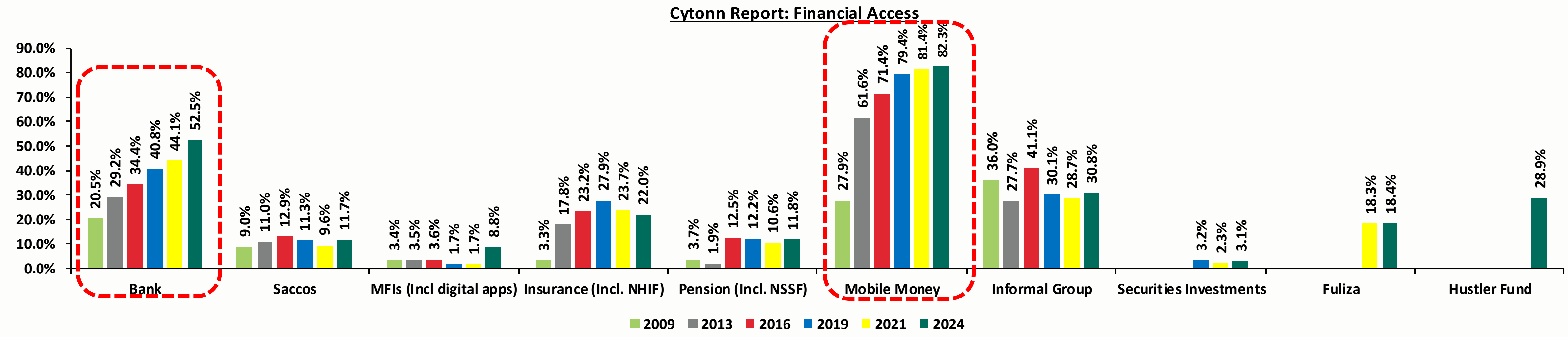
# Kenyan Banking Sector Overview

## 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, 10 representative offices of foreign banks, 84 foreign exchange bureaus, 28 money remittance providers and 3 credit reference bureaus
- Financial inclusion in Kenya has continued to rise, with 84.8% of the adult population able to access formal financial services. This has largely been driven by digitization, with Mobile Financial Services (MFS), transfer and lending, rising to be the preferred method to access financial services. According to the 2024 FinAccess Household Report, the banking services including mobile banking stood at 52.5% as of 2024 from 44.1% in 2021 despite the decreased usage of mobile banking accounts; whose proportion declined to 32.6% in 2024 from 34.4% in 2021

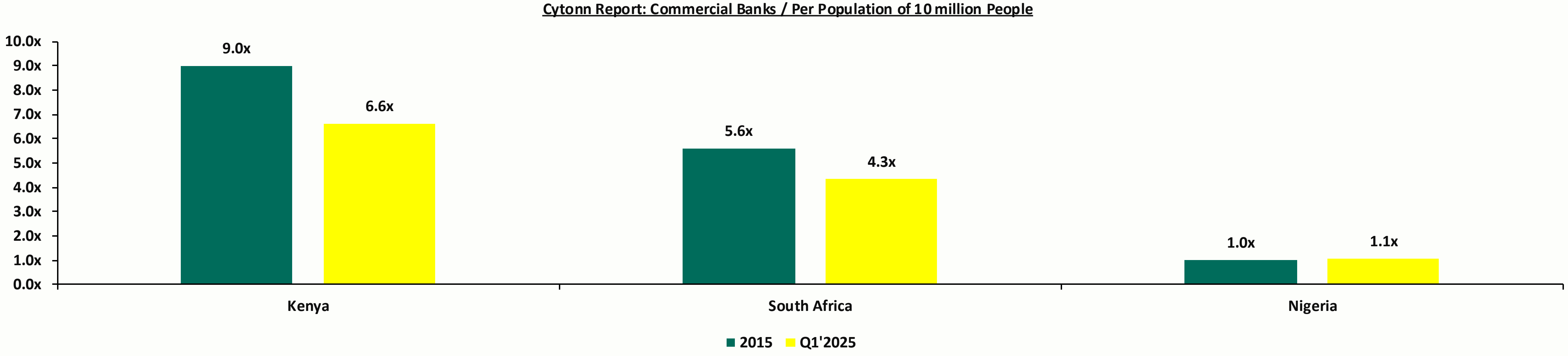





*Source: Central Bank of Kenya, FinAccess report*

# Kenyan Banking Sector Overview

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




*Source: World Bank, Central Bank of Kenya, South Africa Reserve Bank, Central Bank of Nigeria; * Data as of June 2025*

- The number of commercial banks in Kenya currently stands at 38 (including 1 mortgage finance company), the same as in Q1’2024 but lower than the 43 licensed banks in FY’2015.
- The ratio of the number of banks per 10 million population in Kenya now stands at 6.6x, which is a reduction from 9.0x in FY’2015, demonstrating continued consolidation in the banking sector. However, despite the ratio improving, Kenya still remains overbanked as the number of banks remains relatively high compared to the African major economies

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# Recent Developments in the Kenyan Banking Sector

**1. Regulation:**

- **Risk-based Lending:**Over the years, the government has used various policy tools to curb the increasing interest rates and promote access to credit by the private sector. As such, after the repeal of the Interest Cap Law in 2019, the Central Bank of Kenya (CBK) intervened administratively by halting banks from repricing their loans. Instead, banks were required to develop and submit new risk-based lending formulas for approval. The model's primary purpose is to instil fairness and transparency in the credit pricing decisions as it allows Banks to price based on a customer’s risk profile. This represents a shift from the traditional practice of rejecting loan applicants solely based on their credit scores. The new credit scoring system primarily targets borrowers with higher risks, many of whom are micro, small, and medium-sized enterprises facing challenges in accessing traditional credit. As of September 2024, all 38 banks in the country had their models approved by the CBK, with Equity Bank being the first commercial bank to implement risk-based lending. However, the approval process of the models has been gradual in a bid to avoid causing distress to customers through high interest rates. Further, the full deployment has been slowed due to inadequate data to analyse the client's risk profile.

- **Higher capital requirements and reopening of new banks licensing:** Following the enactment of The Business Laws (Amendment) Act 2024 the Central Bank of Kenya increased the minimum core capital requirement for commercial banks to Kshs 10.0 bn from the previous Kshs 1.0 bn that had been in effect since 2012.

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# Recent Developments in the Kenyan Banking Sector

**1. Regulation Continuation:**

- To facilitate compliance, lenders below this threshold were directed to incrementally grow the figure over a 5-year period, required to close 2025 with a minimum core capital of Kshs 3.0 bn, rising to Kshs 5.0 bn by the end of 2026, Kshs 7.0 bn by the end of 2027, Kshs 8.0 bn by the end of 2028 and full compliance at Kshs 10.0 bn by the end of 2029. This substantial increase aims to enhance the financial resilience of banks and ensure that new entrants are well-capitalized to support Kenya's economic development. Consequently, banks have been asked to submit their plans for meeting the Kshs 10.0 bn core capital requirement, not just the first year. To meet the new core capital requirements, these banks may pursue rights issues, equity sales, mergers, or acquisitions.

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

# Recent Developments in the Kenyan Banking Sector…..

**2. Digitization:** In Q1'2025, digitization continued to be a transformative force in the banking sector, significantly improving how banks operate and deliver services. There has been a significant increase in the adoption of mobile and online banking platforms as customers now prefer to perform banking transactions from the comfort of their homes, leading to a decline in the use of physical branches. For instance, most of the listed banks disclosed that the majority of transactions were conducted through alternative channels, with Equity Group and KCB Group reporting that 85.9% and 99.0% of their transactions, respectively, were done through non-branch channels as of end of Q1'2025,

**3. Interest Rates:** Interest rates were on a downward trajectory during the period under review. Notably, the yields on Kenyan government securities declined during the period under review, with the yield on the 91-day paper averaging 9.2% during the quarter, 7.3% points lower than the average of 16.4% in Q1'2024. The significant declines in rates in Q1'2025 led to a decrease in the listed bank's interest income growth, softening to a weighted average drop of 1.5% in Q1'2025, from a weighted average growth of 35.3% in Q1'2024. Additionally, interest expense declined by a weighted average of 14.4% in Q1'2025, down from 64.7% in Q1'2024,

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# Recent Developments in the Kenyan Banking Sector…..

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

Kenyan banks are increasingly expanding their regional footprint, with subsidiaries contributing significantly to overall profitability. For instance, Equity Group reported that, regional subsidiaries contributed 51.0% of the Group's Profit Before Tax (PBT) in Q1'2025, up from 50.0% in the same period last year, demonstrating the growing importance of these subsidiaries to the group's earnings. Additionally, KCB Group's subsidiaries contributed 36.6% of the group's PBT in Q1'2025. In 2024, there was one acquisition agreement announcement between Access Bank plc and KCB Group.

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

# Recent Developments in the Kenyan Banking Sector…..

**4. Regional Expansion through Mergers and Acquisitions Cont:**

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

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

# Recent Developments in the Kenyan Banking Sector…..

**4. Regional Expansion through Mergers and Acquisitions Cont:**

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

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

# Recent Developments in the Kenyan Banking Sector…..

**4. Regional Expansion through Mergers and Acquisitions Cont:**

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

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

# Recent Developments in the Kenyan Banking Sector….

## The average acquisition valuations for banks remained unchanged at 1.3x in Q1’2025, similar to what was recorded in 2023

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

* Announcement Date
** Deals that were dropped

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# Recent Developments in the Kenyan Banking Sector….

**3. Asset Quality:**

- Asset quality for listed banks deteriorated in Q1’2025, with the weighted average Gross Non-Performing Loan ratio (NPL) increasing by 0.5% points to 14.0%, from 13.5% recorded in Q1’2024. The performance remained 2.9% points above the ten-year average of 11.1%. Notably, 7 out of the 10 listed banks recorded an increase in the NPL ratio on the back of elevated credit risk.
- However, the deterioration in listed banks' asset quality was mitigated by an improvement in Diamond Trust Bank Kenya’s asset quality, with the Gross NPL ratio decreasing by 1.7% points to 13.2% in Q1’2025 from 14.9% in Q1’2024. This was attributable to the 4.2% increase in gross loans to Kshs 300.1 bn from Kshs 287.9 bn in Q1’2024, outpacing the 7.7% decrease in gross non-performing loans to Kshs 39.7 bn from Kshs 43.0 bn in Q1’2024. Standard Chartered Bank Kenya’s asset quality improved with the Gross NPL ratio decreasing by 1.6% points to 8.3% in Q1’2025 from 9.9% in Q1’2024. This was attributable to the 26.1% decrease in gross non-performing loans to Kshs 12.2 bn from Kshs 16.5 bn in Q1’2024, outpacing the 11.9% decrease in gross loans to Kshs 147.5 bn from Kshs 167.4 bn in Q1’2024. A total of seven out of the ten listed Kenyan banks recorded a deterioration in asset quality, driven by a decline in lending due to elevated credit risk as the recent Central Bank Rate (CBR) cuts translate into the economy following past credit challenges in 2024.

# Banking Sector Growth Drivers

- **Growth in Interest income:** Going forward, we expect interest income growth to remain a key driver in the banking industry. With the recent easing of monetary policy by the Central Bank of Kenya, which lowered the Central Bank Rate (CBR) by 25 basis points to 9.75% in June 2025, signals a gradual reduction in borrowing costs. This is likely to support an increase in credit uptake, expanding banks' loan books and consequently boosting interest income. Additionally, the continued use of banks' risk-based lending models will enable banks to effectively price their risk, further contributing to the growth of interest income.,
- **Revenue Diversification:** In Q1'2025, non-funded income (NFI) recorded a 11.2% weighted average decline, slower than the 10.9% weighted growth in Q1'2024, majorly attributable to a decline in foreign exchange income resulting from reduced demand for the USD following the appreciation and the relative stability of the currency. Notably, this deceleration occurred with 8 of the 10 listed Banks recording a decrease in their non-funded income. As a result of the decline in non-funded income (NFI) the weighted average contribution of NFI to total operating income came in at 33.6% in Q1'2025, 5.0% points lower than the 38.6% weighted average growth contribution recorded in Q1'2024 and as such, there still exists an opportunity for the sector to further increase NFI contributions to revenue given the continuous adoption of digitization,

# Banking Sector Growth Drivers

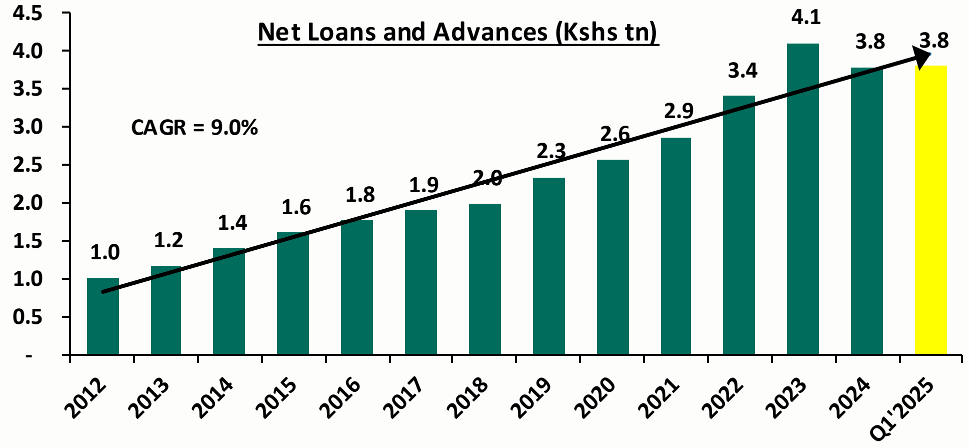
- **Growth in Loans and Advances:** While 6 of the listed banks experienced positive loan growth of 4 out of the 10 listed banks recorded larger negative growth in loans and advances to customers, resulting in a weighted average decline in loans of 2.3% during the period. However, with the consistent ease in the Central Bank Rate (CBR) recently, borrowing costs are expected to decline. This reduction is anticipated to support credit growth by encouraging increased borrowing by the private sector and easing financial pressures on borrowers. To drive further loan growth, banks must leverage opportunities such as risk-based lending models, improved customer segmentation, and expanding access to credit in underserved sectors, and,

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

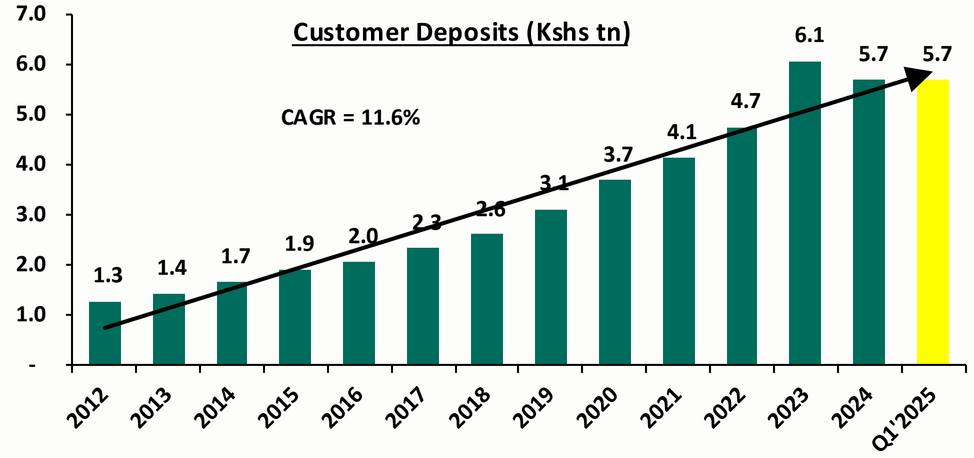
# IV. Listed Banking Sector Metrics

# Listed Banking Sector Metrics

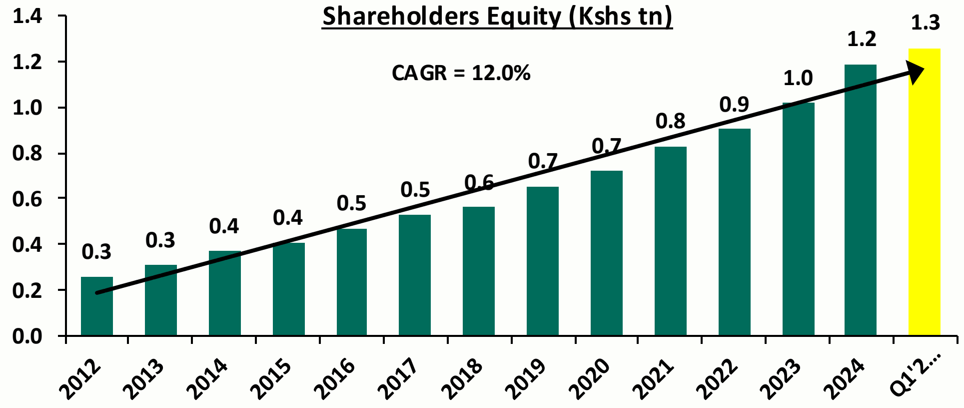
## Loans and Advances (Kshs tn)



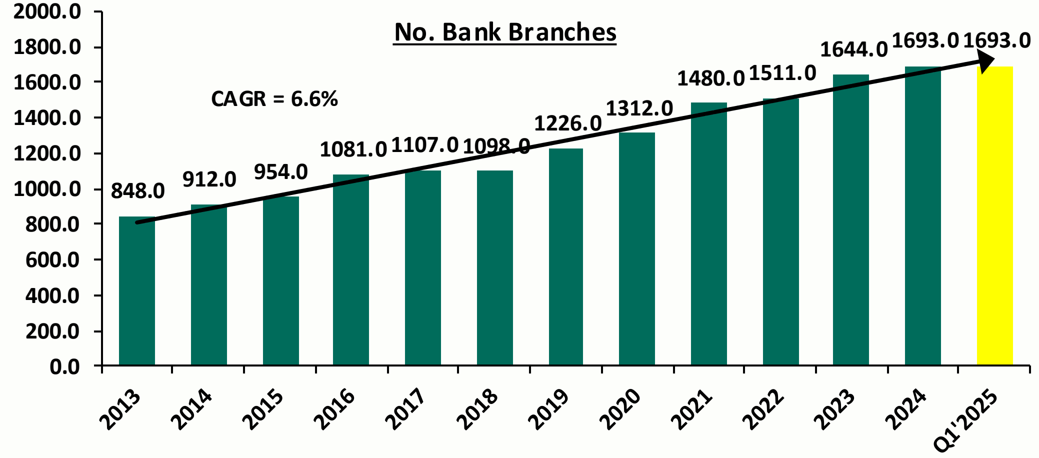

## Deposits (Kshs tn)




## Shareholders Equity (Kshs tn)




## Bank Branches

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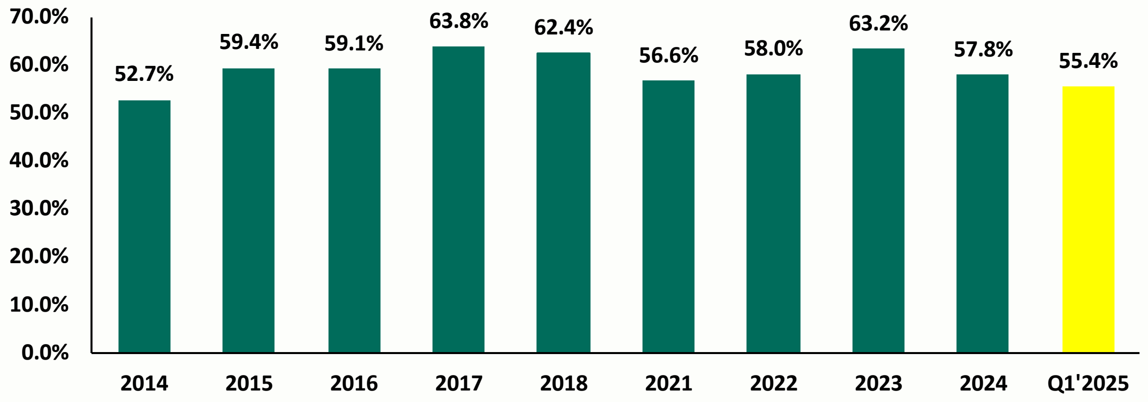
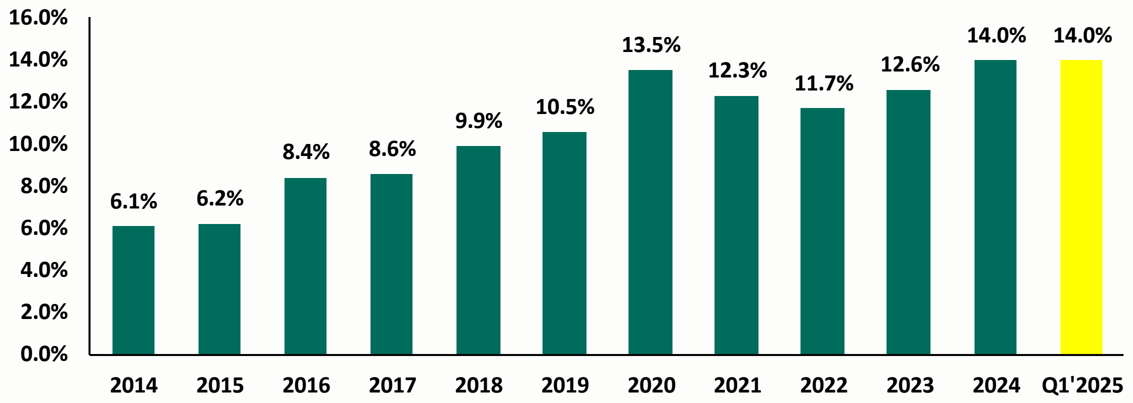
# Listed Banking Sector Metrics

## Banks’ asset quality deteriorated in Q1’2025, with the NPL ratio increasing to 14.0% from 13.5% in Q1’2024

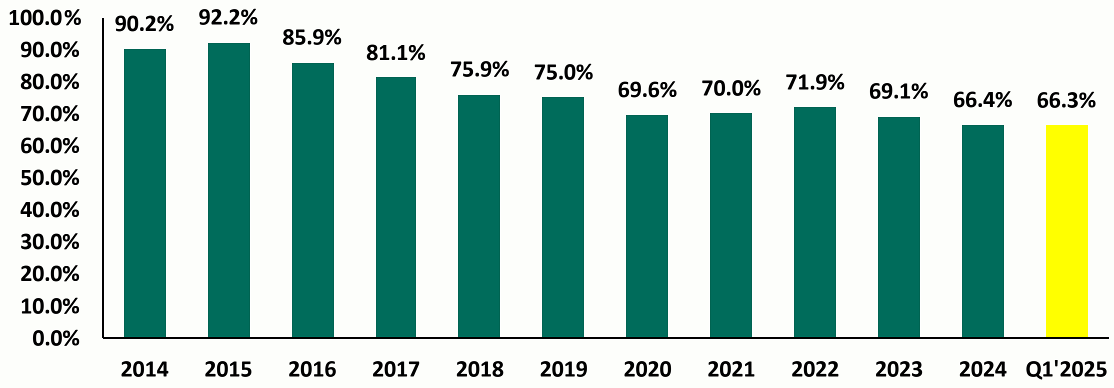
### Cost to Income Ratio



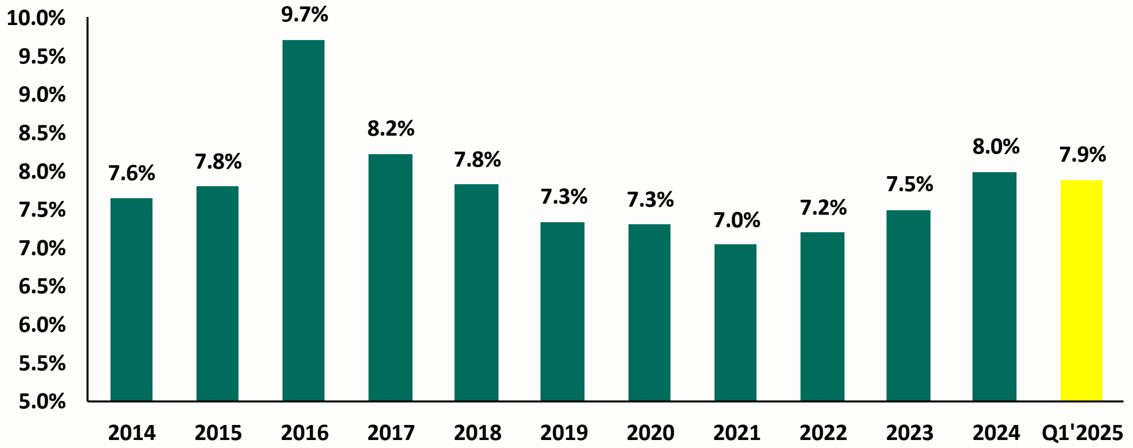

### NPL Ratio




### Loan to Deposit Ratio




### Net Interest Margin

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# Listed Banking Earnings and Growth Metrics

## Kenya’s listed banks weighted average core EPS declined by 0.7% in Q1’2025, compared to 29.8% growth in Q1’2024

| Cytonn Report: Kenyan Listed Banks Performance Q1’2025 | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank | Core EPS Growth | Interest Income Growth | Interest Expense Growth | Net Interest Income Growth | Net Interest Margin | Non-Funded Income Growth | NFI to Total Operating Income | Growth in Total Fees & Commissions | Deposit Growth | Growth in Government Securities | Loan to Deposit Ratio | Loan Growth | Return on Average Equity | COF | YIEA |
| Diamond Trust Bank Kenya | **23.0%** | 0.1% | (7.2%) | 8.0% | 5.8% | **(18.5%)** | 28.3% | 3.4% | 9.0% | 18.6% | 61.3% | 5.7% | 11.5% | 6.5% | 12.0% |
| I&M Group | **17.9%** | (0.6%) | (15.1%) | 11.8% | 8.2% | 13.7% | 27.7% | 4.5% | 6.0% | 40.5% | 72.1% | 0.7% | 18.5% | 6.8% | 14.4% |
| Co-operative Bank of Kenya | **5.3%** | 14.4% | 3.3% | 21.7% | 8.3% | (1.9%) | 32.8% | 6.7% | 9.0% | 20.9% | 73.2% | 1.7% | 18.2% | 6.1% | 13.7% |
| Absa Bank Kenya | **3.7%** | (7.4%) | (21.9%) | (1.1%) | 10.1% | (11.1%) | 28.6% | 4.1% | 4.6% | 68.0% | 83.1% | (5.6%) | 25.2% | 4.4% | 13.9% |
| NCBA Group | **3.4%** | (10.1%) | (33.5%) | 20.6% | 6.3% | (4.5%) | 42.5% | (2.8%) | (9.6%) | 5.3% | 57.9% | (10.4%) | 20.5% | 7.0% | 12.8% |
| KCB Group | **0.4%** | 2.2% | (8.6%) | 8.5% | 8.2% | (9.8%) | 31.8% | 0.4% | (4.9%) | (12.1%) | 71.3% | 0.11% | 23.4% | 4.7% | 12.6% |
| Equity Group | **(3.9%)** | (2.7%) | (12.4%) | 2.6% | 7.4% | (11.8%) | 40.7% | (1.4%) | 7.0% | 31.2% | 60.8% | 3.3% | 20.8% | 4.3% | 11.5% |
| Standard Chartered Bank | **(13.5%)** | (2.4%) | (13.1%) | (0.8%) | 9.6% | (29.3%) | 29.2% | (3.1%) | (6.8%) | 38.8% | 48.3% | (10.2%) | 26.8% | 1.8% | 11.2% |
| Stanbic Holdings | **(16.6%)** | (8.9%) | (24.6%) | 4.6% | 5.9% | (27.2%) | 28.9% | 1.2% | (5.0%) | 89.6% | 72.3% | (4.6%) | 20.0% | 6.3% | 12.3% |
| HF Group | **(89.3%)** | 18.6% | (3.7%) | 46.1% | 5.4% | 9.9% | 30.0% | 20.1% | 14.5% | 102.2% | 77.6% | 2.0% | 5.6% | 7.1% | 12.2% |
| **Q1'25 Mkt Weighted Average*** | **(0.7%)** | **(1.4%)** | **(14.4%)** | **7.9%** | **8.0%** | **(11.2%)** | **33.6%** | **0.9%** | **0.6%** | **30.2%** | **66.5%** | **(2.3%)** | **21.7%** | **5.0%** | **12.6%** |
| **Q1'24 Mkt Weighted Average**** | **29.8%** | **35.3%** | **64.7%** | **22.8%** | **8.0%** | **10.9%** | **38.6%** | **10.7%** | **14.1%** | **3.1%** | **68.4%** | **7.5%** | **21.9%** | **4.5%** | **12.2%** |
| *Market cap weighted as at 13/06/2025 | | | | | | | | | | | | | | | |
| **Market cap weighted as at 13/06/2024 | | | | | | | | | | | | | | | |

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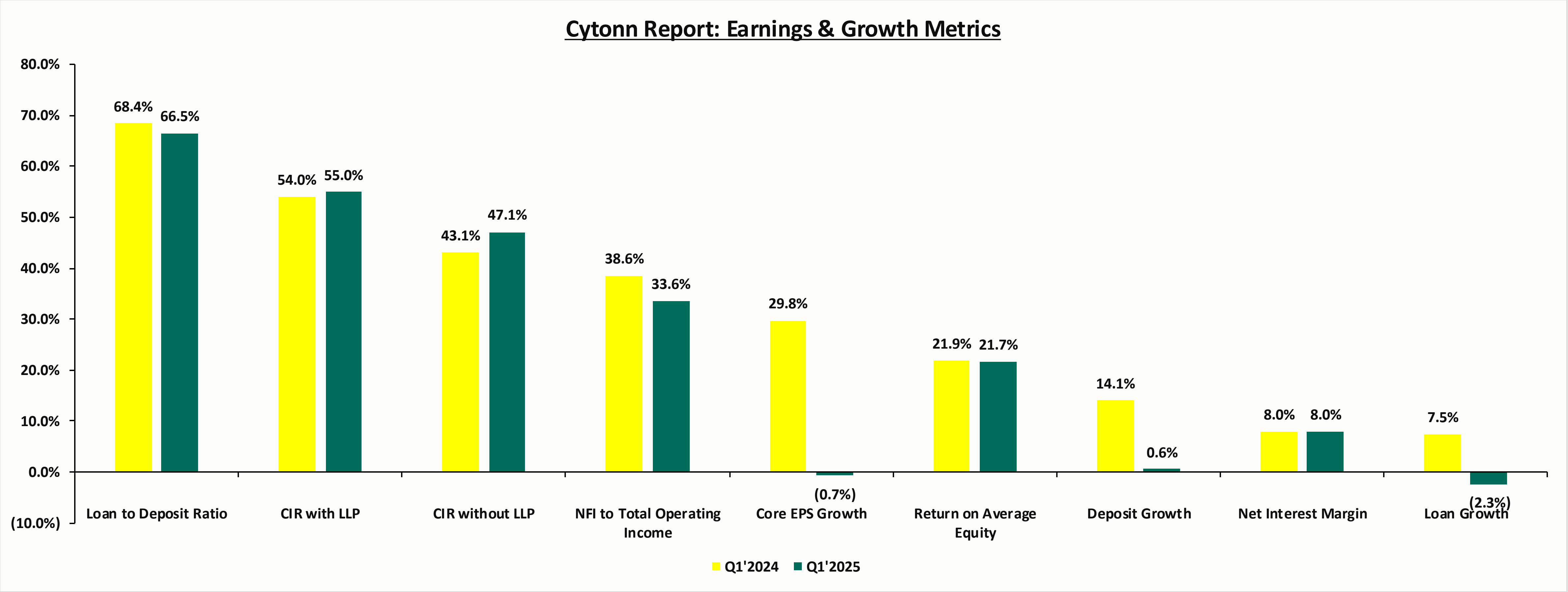
# Takeout from Key Operating Metrics

## The listed banks recorded a 21.7% weighted average growth on return on average equity (RoaE), 0.2% points lower than the 21.9% growth registered in Q1'2024.

- The listed banks recorded a 0.7% decline in core Earnings per Share (EPS) in Q1'2025, compared to the weighted average growth of 29.8% in Q1'2024, an an indication of deteriorated performance on the back of a 11.2% decline in non-funded income in Q1'2025, compared to a growth of 10.9% in Q1'2024.This was majorly attributable to a decline in foreign exchange income due to reduced dollar demand and lower transaction volumes weighing down on fees and commissions income.
- Investments in government securities investments by listed banks increased significantly in Q1'2025, having recorded a market-weighted average growth of 30.2%, from the 3.1% increase recorded in Q1'2024, with 9 of the 10 listed banks recording increases in government securities investments. HF Group and Stanbic Holdings recorded the largest increases of 102.2% and 89.6% respectively. KCB Group however recorded a decrease in government securities investments of 12.1%,
- Interest income recorded a weighted average decline of 1.4% in Q1'2025, compared to 35.3% in Q1'2024. Similarly, interest expenses recorded a market-weighted average decline of 14.4% in Q1'2025 compared to a growth of 64.7% in Q1'2024. Consequently, net interest income recorded a weighted average growth of 7.9% in Q1'2025, albeit lower than the 22.8% growth recorded in Q1'2024, on the back of easing monetary policy leading to lower lending and deposit rates,
- The listed banks recorded a 21.7% weighted average growth on return on average equity (RoaE), 0.2% points lower than the 21.9% growth registered in Q1'2024.

# Listed Banks Earnings and Growth Metrics Cont...

## The banking sector has witnessed decreased customer loans registering a decline rate of 0.7% in Q1’2025, 7.9% points lower than the 7.1% growth in Q1’2024

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# Listed Banks Operating Metrics

## Asset quality for the listed banks deteriorated during the period, with the market-weighted average NPL ratio increasing by 0.5% points to 14.0% from a 13.5% in Q1'2024

| Cytonn Report: Listed Banks Asset Quality | | | | | | |
|---|---|---|---|---|---|---|
| | Q1'2025 NPL Ratio* | Q1'2024 NPL Ratio** | % point change in NPL Ratio | Q1'2025 NPL Coverage* | Q1'2024 NPL Coverage** | % point change in NPL Coverage |
| Absa Bank Kenya | 13.1% | 11.1% | 2.0% | 65.2% | 62.3% | 2.9% |
| KCB Group | 19.9% | 17.9% | 1.9% | 67.0% | 62.0% | 4.9% |
| Co-operative Bank of Kenya | 17.1% | 15.9% | 1.2% | 64.2% | 58.6% | 5.6% |
| HF Group | 25.2% | 24.1% | 1.1% | 72.1% | 74.4% | (2.3%) |
| Equity Group | 15.0% | 14.2% | 0.8% | 60.5% | 58.3% | 2.2% |
| NCBA | 12.2% | 11.7% | 0.4% | 63.0% | 55.7% | 7.2% |
| I&M Group | 10.9% | 10.8% | 0.1% | 63.6% | 58.3% | 5.3% |
| Stanbic Holdings | 8.7% | 8.9% | (0.1%) | 80.8% | 72.3% | 8.5% |
| Standard Chartered Bank | 8.3% | 9.9% | (1.6%) | 78.7% | 83.7% | (5.0%) |
| Diamond Trust Bank | 13.2% | 14.9% | (1.7%) | 39.9% | 44.0% | (4.1%) |
| **Mkt Weighted Average*** | **14.0%** | **13.5%** | **0.5%** | **66.3%** | **62.7%** | **3.6%** |

*Market cap weighted as at 13/06/2024... 

# Listed Banks Trading Metrics

## The listed banking sector has continued to trade at cheaper prices compared to historical averages, currently trading at an average P/TBV of 0.8x and average P/E of 3.7x

| Bank | No. of shares (bn) | Market Cap (Kshs bn) | P/E | Price* | P/TBV |
|---|---|---|---|---|---|
| NCBA Group | 1.6 | 92.3 | 2.5x | 56.0 | 0.8x |
| Absa Bank | 5.4 | 102.7 | 4.9x | 18.9 | 1.1x |
| Stanbic Bank | 0.4 | 63.9 | 4.9x | 161.8 | 0.9x |
| Equity Bank | 3.8 | 171.1 | 3.6x | 45.4 | 0.7x |
| SCBK | 0.4 | 104.2 | 5.4x | 275.8 | 1.5x |
| DTBK | 0.3 | 20.3 | 2.2x | 72.5 | 0.2x |
| Coop Bank | 5.9 | 98.0 | 3.8x | 16.7 | 0.7x |
| KCB Group | 3.2 | 143.2 | 2.3x | 44.6 | 0.5x |
| I&M Holdings | 1.7 | 56.2 | 3.3x | 34.0 | 0.6x |
| HF Group | 0.4 | 2.6 | 3.7x | 6.7 | 0.2x |
| **Weighted Average Q1'2025*** | | | **3.7x** | | **0.8x** |

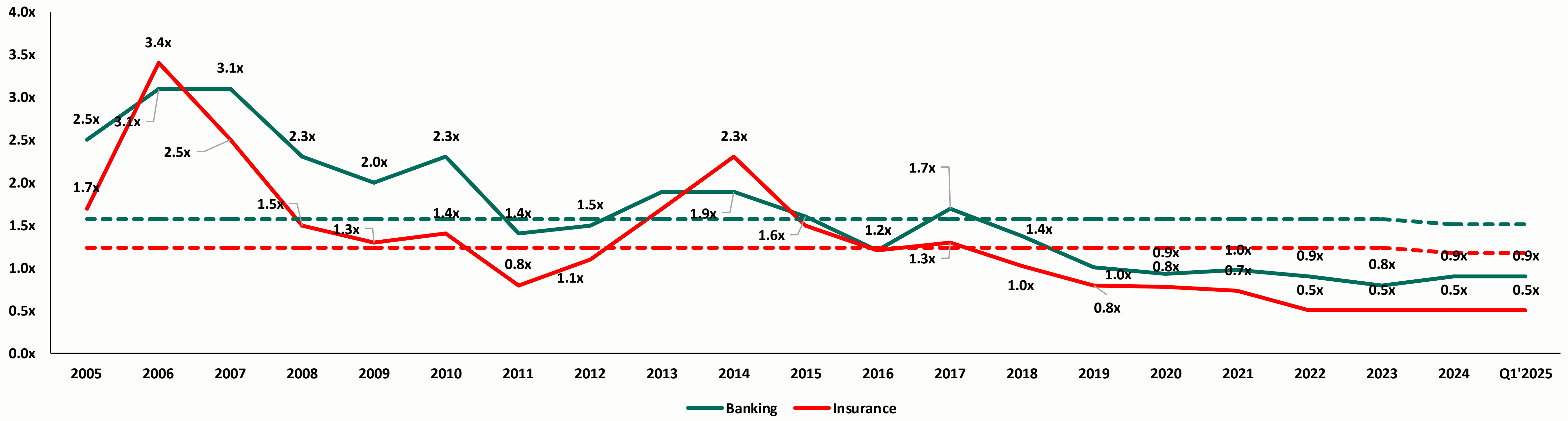
**Prices as at 13th June 2025**

# Listed Banks & Insurance Trading Metrics

## Listed banks are trading at an average P/B of 0.9x, higher than the insurance sector, which is priced at 0.5x. Both sectors are trading below their 18-year averages of 1.5x and 1.2x, respectively

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

Cytonn Report: Price to Book Comparison




**On a price to book valuation, listed banks are currently priced at a P/BV of 0.9x, higher than listed insurance companies at 0.5x, with both lower than their historical averages of 1.5x for the banking sector and 1.2x for the insurance sector**

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# V. Banks Valuation Reports

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# Ranking by Franchise Value

## Standard Chartered Bank emerged top in the franchise ranking having had the lowest cost to income ratio of 42.7% against a weighted market average of 55.0% for the listed banks

| Bank | LDR | CIR | ROACE | NIM | PEG ratio | PTBV | Deposits/ Branch | Gross NPL Ratio | NPL Coverage | Tangible Common Ratio | Non Interest Income/ Revenue | Camel Rating | Total | Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SCBK | 10 | 1 | 1 | 2 | 10 | 10 | 1 | 1 | 2 | 3 | 6 | 1 | 48 | **1** |
| Absa Bank | 1 | 2 | 2 | 1 | 7 | 9 | 3 | 5 | 5 | 4 | 8 | 2 | 49 | **2** |
| Coop Bank | 3 | 3 | 8 | 3 | 6 | 5 | 9 | 8 | 6 | 2 | 3 | 5 | 61 | **3** |
| KCB Group | 6 | 5 | 3 | 4 | 1 | 3 | 8 | 9 | 4 | 9 | 4 | 8 | 64 | **4** |
| NCBA Group | 9 | 7 | 5 | 7 | 3 | 7 | 4 | 4 | 8 | 5 | 1 | 4 | 64 | **4** |
| I&M Holdings | 5 | 4 | 7 | 5 | 5 | 4 | 5 | 3 | 7 | 6 | 10 | 3 | 64 | **4** |
| Stanbic Bank | 4 | 6 | 6 | 8 | 8 | 8 | 2 | 2 | 1 | 7 | 7 | 7 | 66 | **7** |
| Equity Bank | 8 | 8 | 4 | 6 | 4 | 6 | 6 | 7 | 9 | 10 | 2 | 6 | 76 | **8** |
| HF Group | 2 | 10 | 10 | 10 | 9 | 1 | 10 | 10 | 3 | 1 | 5 | 10 | 81 | **9** |
| DTBK | 7 | 9 | 9 | 9 | 2 | 2 | 7 | 6 | 10 | 8 | 9 | 9 | 87 | **10** |

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# Valuation Summary of Listed Banks

## Equity Bank presents the highest return with a total potential return of 37.3%

*(all values in Kshs )*

| Bank | Current Price | Target Price | Upside/(Downside) | DPS | Dividend Yield | Total Potential Return | Q1'2025 Ranking |
|---|---|---|---|---|---|---|---|
| Equity Bank | 45.35 | 58.00 | 27.9% | 4.25 | 9.4% | 37.3% | 1 |
| SCBK | 275.75 | 328.80 | 19.2% | 45.00 | 16.3% | 35.6% | 2 |
| DTBK | 72.50 | 90.37 | 24.6% | 7.00 | 9.7% | 34.3% | 3 |
| Stanbic Holdings | 161.75 | 185.80 | 14.9% | 20.74 | 12.8% | 27.7% | 4 |
| KCB Group | 44.55 | 53.70 | 20.5% | 3.00 | 6.7% | 27.3% | 5 |
| I&M Holdings | 34.00 | 39.00 | 14.7% | 3.00 | 8.8% | 23.5% | 6 |
| Coop Bank | 16.70 | 18.93 | 13.4% | 1.50 | 9.0% | 22.3% | 7 |
| Absa Bank | 18.90 | 21.00 | 11.1% | 1.75 | 9.3% | 20.4% | 8 |
| NCBA Group Plc | 56.00 | 60.15 | 7.4% | 5.50 | 9.8% | 17.2% | 9 |
| HF Group | 6.72 | 7.70 | 14.6% | 0.00 | 0.0% | 14.6% | 10 |

***DPS is for FY'2024***

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# Cytonn Banking Report - Comprehensive Ranking

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

| Cytonn Report: Listed Banks Q1'2025 Rankings | | | | | |
|---|---|---|---|---|---|
| Bank | Franchise Value Rank | Intrinsic Value Rank | Weighted Rank Score | Q1'2024 Rank | Q1'2025 Rank |
| SCBK | 1 | 2 | 1.4 | 3 | 1 |
| Absa Bank | 2 | 8 | 4.4 | 1 | 2 |
| KCB Group | 4 | 5 | 4.4 | 9 | 3 |
| Coop Bank | 3 | 7 | 4.6 | 5 | 4 |
| I&M Holdings | 4 | 6 | 4.8 | 6 | 5 |
| Equity Bank | 8 | 1 | 5.2 | 4 | 6 |
| Stanbic Bank | 7 | 4 | 5.8 | 2 | 7 |
| NCBA Group | 4 | 9 | 6.0 | 8 | 8 |
| DTBK | 10 | 3 | 7.2 | 7 | 9 |
| HF Group | 9 | 10 | 9.4 | 10 | 10 |

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# VI. Appendix

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# A. Tier I Banks

# I. Equity Group Holdings

# Equity Group Summary of Performance – Q1'2025

- Profit before tax decreased by 8.5% to Kshs 18.7 bn, from Kshs 20.4 bn recorded in Q1'2024, with effective tax rate decreasing to 17.8% in Q1'2025, from 21.5% in Q1'2024. As such, profit after tax decreased by 4.2% to Kshs 15.3 bn in Q1'2025, from Kshs 16.0 bn in Q1'2024.
- Total operating income decreased by 3.8% to Kshs 48.2 bn, from Kshs 50.1 bn in Q1'2024, mainly driven by a 11.8% decrease in Non- Interest Income (NFI) to Kshs 19.6 bn from Kshs 22.2 bn in Q1'2024, however supported by a 2.6% growth in Net Interest Income (NII) to Kshs 28.6 bn, from Kshs 27.8 bn in Q1'2024.
- Total operating expense decreased by 0.6% to Kshs 29.5 bn in Q1'2025, from Kshs 29.7 bn in Q1'2024, mainly attributable to the 44.4% decrease in loan loss provisions expense to 3.4 bn from 6.1 in Q1'2024.
- The balance sheet recorded an expansion as total assets increased by 3.8% to Kshs 1,749.2 bn, from Kshs 1,685.9 bn in Q1'2024, mainly driven by a 31.2% increase in government securities holdings to Kshs 329.0 bn, from 250.9 bn in Q1'2024, coupled with a 3.3% increase in net loans and advances to Kshs 804.7 bn, from Kshs 779.2 bn in Q1'2024.
- Gross Non-Performing Loans (NPLs) increased by 10.3% to Kshs 132.8 bn, from Kshs 120.4 bn in Q1'2024, while Gross Loans increased by 4.2% to Kshs 885.1 bn, from Kshs 849.4 bn recorded in Q1'2024. Consequently, the asset quality deteriorated with the NPL Gross NPL ratio rising to 15.0% in Q1'2025, from 14.2% in Q1'2024.
- Going forward, we expect the bank's growth to be driven by:

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

# Financial Statements Extracts

## Equity Group's PAT is expected to grow at a 5-year CAGR of 8.4%

| Income Statement | 2022 | 2023 | 2024 | 2025f |
|---|---|---|---|---|
| Net Interest Income | 86.0 | 104.8 | 108.7 | 111.4 |
| Non Funded Income | 59.9 | 76.9 | 85.1 | 96.3 |
| **Total Operating Income** | 145.9 | 181.7 | 193.8 | **207.7** |
| Loan Loss Provision | (15.4) | (35.6) | (20.2) | (26.1) |
| Other Operating Expenses | (70.7) | (94.2) | (112.9) | (106.8) |
| **Total Operating Expenses** | **(86.1)** | **(129.8)** | **(133.0)** | **(132.9)** |
| Profit Before Tax | 59.8 | 51.9 | 60.7 | 74.8 |
| Profit After tax | 46.1 | 43.7 | 48.8 | 52.0 |
| **% PAT Change YoY** | **15.1%** | **(5.1%)** | **(11.6%)** | **6.5%** |
| EPS | 12.2 | 11.1 | 12.3 | 13.8 |
| DPS | 4.0 | 4.0 | 4.3 | 5.3 |
| Cost to Income | 59.0% | 71.4% | 68.7% | 64.0% |
| **NIM** | **7.2%** | **7.4%** | **7.0%** | **6.9%** |
| ROaE | 26.7% | 22.8% | 22.1% | 17.7% |
| ROaA | 3.4% | 2.7% | 2.7% | 2.7% |
| **Balance Sheet** | **2022** | **2023** | **2024** | **2025f** |
| Net Loans and Advances | 706.6 | 887.4 | 819.2 | 855.8 |
| Government Securities | 219.2 | 246.7 | 300.9 | 339.6 |
| Other Assets | 521.2 | 687.4 | 684.5 | 893.4 |
| **Total Assets** | **1447.0** | **1821.4** | **1804.6** | **2,088.8** |
| Customer Deposits | 1052.2 | 1358.2 | 1399.6 | 1,560.5 |
| Other Liabilities | 212.6 | 241.1 | 154.6 | 162.0 |
| **Total Liabilities** | **1264.8** | **1603.3** | **1557.8** | **1,722.5** |
| **Shareholders Equity** | **176.2** | **207.8** | **234.0** | 353.0 |
| **Number of Shares** | **3.8** | **3.8** | **3.8** | **3.8** |
| Book value Per share | 46.7 | 55.1 | 62.0 | 89.6 |
| **% Change in BPS YoY** | **4.2%** | **17.9%** | **12.6%** | **54.3%** |

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# Valuation Summary

## Equity Group is undervalued with a total potential return of 37.3%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM | 60.8 | 40.0% | 24.3 |
| Residual Income | 38.2 | 30.0% | 11.5 |
| PBV Multiple | 61.7 | 15.0% | 9.3 |
| PE Multiple | 86.5 | 15.0% | 13.0 |
| **Fair Value** | | | **58.0** |
| **Current Price** | | | **45.4** |
| Upside/(Downside) | | | 27.9% |
| Dividend Yield | | | 9.4% |
| **Total Potential Return** | | | **37.3%** |

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# II. KCB Group

# KCB Group Summary of Performance – Q1'2025

- Profit before tax increased by 0.1% to Kshs 21.18 bn, from Kshs 21.16 bn recorded in Q1'2024, with effective tax rate increasing to 21.9% in Q1'2025 from 22.9% in Q1'2024, leading to an 0.4% increase in profit after tax to Kshs 16.54 bn in Q1'2025, from Kshs 16.48 bn in Q1'2024.
- Total operating income increased by 2.0% to Kshs 49.4 bn, from Kshs 48.5 bn in Q1'2024, mainly driven by a 8.5% growth in Net Interest Income (NII) to Kshs 33.7 bn, from Kshs 31.1 bn in Q1'2024, it was however weighed down by the 9.8% decrease in Non Interest Income (NFI) to Kshs 15.7 bn from Kshs 17.4 bn in Q1'2024,
- Total operating expenses increased by 3.4% to Kshs 28.3 bn from Kshs 27.3 bn in Q1'2024, driven by a 13.3% increase in staff cost expenses to Kshs 10.9 bn from Kshs 9.7 bn recorded in Q1'2024,,
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 19.9% in Q1'2025, from 17.9% in Q1'2024, attributable to a 13.6% increase in Gross non-performing loans to Kshs 233.3 bn, from Kshs 205.3 bn in Q1'2024, compared to the 2.6% increase in gross loans to Kshs 1,174.8 bn, from Kshs 1,144.8 bn recorded in Q1'2024,
- Going forward, we expect the bank's growth to be driven by:

i. **Continued Digitization -** The Group has sustained its focus on digital transformation. As of Q1'2025, 99.0% of the transactions by number were done through the non-branch channels. Notably, the Group witnessed growth in the value of mobile loans disbursed mainly driven by Fuliza, introduction of term loans on KCB Mobi and new mobile lending products for small businesses. The group also disclosed its acquisition of a 75.0% controlling interest in Riverbank Solutions Limited, a fintech entity focused on payment systems, as part of its strategic initiative to bolster digital capabilities and reinforce its footprint in banking, agency solutions, and business services across Kenya, Uganda, and Rwanda.

# Financial Statements Extracts

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

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

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# Valuation Summary

## KCB Group is undervalued with a total potential return of 27.3%

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| Residual Income | 31.1 | 35% | 10.9 |
| PBV Multiple | 99.5 | 15% | 14.9 |
| PE Multiple | 81.5 | 10% | 8.1 |
| DDM | 49.4 | 40% | 19.8 |
| **Target Price** | | | **53.7** |
| **Current Price** | | | **44.6** |
| Upside/(Downside) | | | 20.5% |
| Dividend Yield | | | 6.7% |
| **Total Return** | | | **27.3%** |

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# III. Co-operative Bank

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# Cooperative Bank Summary of Performance – Q1'2025

- Profit before tax increased by 6.8% to Kshs 9.6 bn, from Kshs 9.0 bn recorded in Q1'2024, with effective tax rate increasing to 29.0% in Q1'2025 from 27.6% in Q1'2024, leading to a 5.3% increase in profit after tax to Kshs 6.9 bn in Q1'2025, from Kshs 6.6 bn in Q1'2024.
- Core earnings per share grew by 5.3% to Kshs 1.2, from Kshs 1.1 in Q1'2024, driven by the 12.8% increase in total operating income to Kshs 21.2 bn, from Kshs 18.8 bn in Q1'2024. However, the performance was weighed down by an 19.1% increase in total operating expenses to Kshs 6.9 bn from Kshs 7.1 bn in Q1' 2024,
- The 12.8% increase in total operating income was mainly driven by an 21.7% increase in Net Interest Income (NII) to Kshs 14.2 bn from Kshs 11.7 bn in Q1'2024, which was however weighed down by the 1.9% decrease in Net Non Interest Income (NFI) to Kshs 6.9 bn, from Kshs 7.1 bn in Q1'2024,
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 17.1% in Q1'2025, from 15.9% in Q1'2024, attributable to a 11.4% increase in Gross non-performing loans to Kshs 74.1 bn, from Kshs 66.5 bn in Q1'2024, compared to the 3.6% increase in gross loans to Kshs 432.1 bn, from Kshs 417.1 bn recorded in Q1'2024,

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

- **Strong Customer Base –** Cooperative Bank still retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which this year expanded by 1.7% to Kshs 384.5 bn from Kshs 378.21bn in Q1'2024.
- **Diversified products –** The bank has in recent days launched a number of products and continues to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance and the Sacco Mco-op cash. This diversification is expected to continue improving the Non-funded Income of the bank which came in at 6.9 bn, a 1.9% decrease from Kshs 7.1 bn in Q1'2024,

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# Financial Statements Extracts

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

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

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# Valuation Summary

## Co-operative Bank is undervalued with a total potential return of 22.3%

| | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| Common Ratio | 20.1 | 40% | 18.93 |
| Residual income | 9.6 | 30% | 2.9 |
| PBV Multiple | 31.0 | 20% | 6.2 |
| PE Multiple | 17.9 | 10% | 1.8 |
| ***Target Price*** | | | **18.9** |
| ***Current Price*** | | | **15.5** |
| Upside/(Downside) | | | 13.4% |
| Dividend Yield | | | 9.0% |
| **Total Return** | | | **22.3%** |

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# IV. NCBA Bank

# NCBA Bank Summary of Performance – Q1’2025

- Profit before tax increased by 4.5% to Kshs 6.8 bn from Kshs 6.5 bn in Q1’2024, with effective tax rate increasing to 19.7% in Q1’2025 from 18.9% in Q1’2024. As such, profit after tax increased by 3.4% to Kshs 5.5 bn, from Kshs 5.3 bn in Q1’2024.
- Core earnings per share increased by 3.4% to Kshs 3.3, from Kshs 3.2 in Q1’2024, driven by the 8.5% increase in total operating income to Kshs 17.3 bn, from Kshs 16.0 bn in Q1’2024, which outpaced the 11.3% increase in total operating expenses to Kshs 10.5 bn, from Kshs 9.4 bn in Q1’2024,
- The 8.5% increase in total operating income was mainly driven by the 20.6% increase in Net Interest Income to Kshs 10.0 bn, from Kshs 8.3 bn in Q1’2024. Additionally,Non funded Income (NFI) declined by 4.5% to Kshs 7.4 bn, from Kshs 7.7 bn in Q1’2024,
- Total operating expenses increased by 11.3% to Kshs 10.5 bn from Kshs 9.4 bn in Q1’2024, driven by 20.3% increase in loan loss provisions to Kshs 1.6 bn from Kshs 1.4 bn in Q1’2024, coupled with the 13.4% increase in staff costs to Kshs 3.7 bn from Kshs 3.3 bn in Q1’2024 .
- The balance sheet recorded a contraction as total assets declined by 5.6% to Kshs 656.0 bn, from Kshs 694.9 bn in Q1’2024, mainly driven by a 10.4% loan book contraction to Kshs 287.0 bn from Kshs 320.5 bn in Q1’2024,however supported by a 5.3% increase in investment in government securities to Kshs 187.5 bn, from Kshs 178.0 bn in Q1’2024,
- The bank’s Asset Quality deteriorated, with Gross NPL ratio increasing to 12.2% in Q1’2025, from 11.7% in Q1’2024, attributable to the 9.4% decrease in gross loans to Kshs 310.8 bn, from Kshs 342.9 bn recorded in Q1’2024, which outpaced the 5.9% decrease in gross non-performing loans to Kshs 37.8 bn, from Kshs 40.2 bn in Q1’2024,
- Going forward, we expect the bank’s growth to be driven by:

i. **Revenue diversification**. The lender has also capitalized on revenue diversification and increasing the bottom line contribution of all the business lines. Notably, the group acquired AIG Kenya in July 2024 with the company being rebranded as NCBA-IG on March 2025 joining NCBA’s six other subsidiaries, reinforcing the group’s commitment to its footprints in the financial services landscape

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# Financial Statements Extracts

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

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

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# Valuation Summary

**NCBA Group is undervalued with a total potential return of 17.2%**

| | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 64.5 | 40% | 25.8 |
| Residual Valuation | 28.0 | 35% | 9.8 |
| PBV Multiple | 60.9 | 20% | 12.2 |
| PE Multiple | 60.7 | 5% | 3.0 |
| **Target Price** | | | **60.2** |
| **Current Price** | | | **56.0** |
| Upside/(Downside) | | | 7.4% |
| Dividend Yield | | | 9.8% |
| **Total Potential Return** | | | **17.2%** |

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# V. Standard Chartered Bank Kenya

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# SCBK's Summary of Performance – Q1'2025

- Core earnings per share decreased by 13.5% to Kshs 12.9, from Kshs 14.9 in Q1'2024, mainly driven by the 11.2% decrease in total operating income to Kshs 11.6 bn, from Kshs 13.1 bn in Q1'2024 which outpaced the 8.7% decrease in total operating expenses to Kshs 5.0 bn, from Kshs 5.4 bn in Q1'2024,
- The 11.2% decline in total operating income was mainly driven by a 29.3% decrease in Non Interest Income to Kshs 3.4 bn, from Kshs 4.8 bn in Q1'2024, coupled with a 0.8% decrease in Net Interest Income (NII) to Kshs 8.2 bn, from Kshs 8.3 bn in Q1'2024,
- Total operating expenses decreased by 8.7% to Kshs 5.0 bn from Kshs 5.4 bn in Q1'2024, driven by the 24.7% decrease in loan loss provisions to Kshs 0.4 bn from Kshs 0.5 bn in Q1'2024, coupled with a 7.6% decrease in staff costs to Kshs 2.2 bn from Kshs 2.4 bn in Q1'2024.
- The balance sheet recorded a contraction as total assets declined by 2.3% to Kshs 382.3 bn, from Kshs 391.3 bn in Q1'2024, driven by a 10.2% decrease in net loans and advances to Kshs 137.9 bn from Kshs 153.6 bn in Q1'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 8.3% in Q1'2025, from 9.9% in Q1'2024, attributable to the 26.1% decrease in gross non-performing loans to Kshs 12.2 bn, from Kshs 16.5 bn in Q1'2024, relative to the slower 11.9% decrease in gross loans to Kshs 147.5 bn, from Kshs 167.4 bn recorded in Q1'2024,
- 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.

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# Financial Statements Extracts

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

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

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# Valuation Summary

**SCBK is undervalued with a total potential return of 35.6%**

| Valuation Summary | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 210.6 | 40% | 84.3 |
| Residual Income | 165.5 | 10% | 16.6 |
| PBV Multiple | 147.5 | 20% | 29.5 |
| PE Multiple | 125.3 | 30% | 37.6 |
| **Target Price** | | | **328.8** |
| **Current Price** | | | **275.8** |
| Upside/(Downside) | | | 19.2% |
| Dividend Yield | | | 16.3% |
| **Total Return** | | | **35.6%** |

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# VI. Diamond Trust Bank Kenya

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# DTB K Holdings Summary of Performance –Q1'2025

- Profit before tax increased by 1.7% to Kshs 4.1 bn, from Kshs 4.0 bn recorded in Q1'2024, with effective tax rate decreasing to 20.3% in Q1'2025 from 26.2% in Q1'2024, leading to an 9.9% increase in profit after tax Kshs 8.8 bn, from Kshs 7.8 bn recorded in Q1'2024.
- Core earnings per share grew by 23.0% to Kshs 11.5, from Kshs 9.4 in Q1'2024, driven by the 2.9% decrease in total operating expenses to Kshs 6.6 bn, from Kshs 6.8 bn in Q1'2024 which outpaced the 1.1% decrease in total operating income to Kshs 10.7 bn from Kshs 10.8 bn in Q1'2024,
- The 1.1% decrease in total operating income was mainly driven by a 18.5% decline in Non Interest Income (NFI) to Kshs 3.0 bn, from Kshs 3.7 bn in Q1'2024, which was however supported by 8.0% increase in Net Interest Income (NII) to Kshs 7.7 bn from Kshs 7.1 bn in Q1'2024,
- Total operating expenses decreased by 2.9% to Kshs 6.6 bn from Kshs 30.9 bn in Q1’2025, driven by a 42.6% decrease in loan loss provisions to Kshs 0.9 bn from Kshs 1.5 bn recorded in Q1'2024, the decline in total operating expenses was however weighed down by a 20.2% increase in staff cost to Kshs 2.7 bn from Kshs 2.3 bn in Q1’2024.
- The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 13.2% in Q1'2025, from 14.9% in Q1'2024, attributable to a 7.7% decrease in Gross non-performing loans to Kshs 39.7 bn, from Kshs 43.0 bn in Q1'2024, coupled with the 4.2% increase in gross loans to Kshs 300.1 bn, from Kshs 387.9 bn recorded in Q1'2024,

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

- **Revenue Diversification.** The lender has a great opportunity to explore the growh of its non-funded income streams, which declined by 18.5% to Kshs 3.0 bn, from Kshs 3.7 bn in Q1'2024. They have, over the years, launched a number of products and continue to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance, and the DTB Weza platform which makes overdrafts much more accessible,
- **Digital Transformation**: The bank has devised digital transformation initiatives, including the development of a digital credit platform to streamline and enhance consumer lending processes. Additionally, the launch of a comprehensive digital banking platform with advanced mobile and online banking capabilities would improve customer convenience, attract tech-savvy clients, and boost customer retention.

# Financial Statements Extracts

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

| Income Statement | 2017 | 2018f | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025f |
|---|---|---|---|---|---|---|---|---|---|
| Net Interest Income | 19.7 | 20.0 | 18.7 | 18.1 | 20.0 | 22.9 | 27.6 | 28.4 | 33.3 |
| Non Funded Income | 5.3 | 5.4 | 5.8 | 6.1 | 6.3 | 9.1 | 12.2 | 13.0 | 13.5 |
| **Total Operating Income** | **25.0** | **25.5** | **24.5** | **24.2** | **26.3** | **31.9** | **39.7** | **41.4** | **46.7** |
| Loan Loss Provision | 4.3 | 3.0 | 1.3 | 7.3 | 7.6 | 7.1 | 10.3 | 8.7 | 8.5 |
| Other Operating Expenses | 10.6 | 11.5 | 11.9 | 12.3 | 12.3 | 14.9 | 20.5 | 11.6 | 26.2 |
| **Total Operating Expenses** | **14.9** | **14.5** | **13.2** | **19.7** | **19.9** | **22.1** | **30.9** | **30.2** | **34.7** |
| Profit Before Tax | 10.1 | 11.0 | 11.3 | 4.7 | 6.6 | 9.5 | 9.0 | 11.2 | 12.0 |
| Profit After tax | 6.9 | 7.1 | 7.3 | 3.5 | 4.4 | 6.8 | 7.8 | 8.8 | 10.1 |
| % PAT Change YoY | -10.3% | 2.3% | 2.6% | -51.5% | 25.1% | 53.9% | 14.7% | 13.1% | 14.4% |
| EPS | 24.8 | 25.3 | 26.0 | 12.6 | 15.8 | 24.3 | 27.9 | 31.5 | 36.1 |
| DPS | 2.6 | 2.6 | 2.7 | 0.0 | 3.0 | 5.0 | 6.0 | 7.0 | 6.0 |
| Cost to Income | 59.6% | 56.9% | 54.0% | 81.3% | 75.6% | 69.1% | 77.7% | 72.8% | 74.2% |
| NIM | 6.5% | 6.2% | 5.6% | 5.0% | 5.1% | 5.3% | 5.5% | 5.5% | 6.5% |
| ROE | 14.4% | 13.9% | 12.9% | 5.8% | 6.8% | 10.0% | 10.8% | 11.3% | 11.0% |
| ROA | 2.0% | 1.9% | 1.9% | 0.9% | 1.0% | 1.4% | 1.3% | 1.5% | 1.8% |
| **Balance Sheet** | **2017** | **2018** | **2019** | **2020** | **2021e** | **2022f** | **2023f** | **2024f** | |
| Net Loans and Advances | 196.0 | 193.1 | 199.1 | 208.6 | 220.4 | 253.7 | 308.5 | 285.3 | 271.3 |
| Government Securities | 112.5 | 115.0 | 119.3 | 111.1 | 83.3 | 73.5 | 58.5 | 126.8 | 160.1 |
| Other Assets | 54.7 | 69.6 | 67.8 | 105.3 | 153.1 | 199.8 | 268.0 | 268.0 | 119.9 |
| **Total Assets** | **363.3** | **377.7** | **386.2** | **425.1** | **456.8** | **527.0** | **635.0** | **573.9** | **551.3** |
| Customer Deposits | 266.2 | 282.9 | 280.2 | 298.2 | 331.5 | 387.6 | 486.1 | 447.2 | 411.5 |
| Other Liabilities | 43.4 | 35.9 | 41.5 | 58.6 | 50.8 | 61.8 | 62.6 | 71.8 | 32.9 |
| **Total Liabilities** | **309.7** | **318.8** | **321.7** | **356.7** | **382.3** | **449.3** | **548.7** | **481.5** | **444.4** |
| Shareholders Equity | 48.4 | 53.7 | 58.9 | 62.0 | 67.3 | 69.0 | 74.9 | 81.8 | 96.35 |
| Number of Shares | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Book value Per share | 173.0 | 191.9 | 210.5 | 221.6 | 240.7 | 246.6 | 267.8 | 292.5 | 344.6 |
| % Change in BPS YoY | 17.9% | 10.9% | 9.7% | 5.3% | 8.6% | 2.5% | 8.6% | 29.1% | 17.8% |

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# Valuation Summary

**DTB-K Holdings is undervalued with a total potential return of 34.3%**

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 4.3 | 40.0% | 1.7 |
| Residual Income | 189.9 | 40.0% | 76.0 |
| PBV Multiple | 6.1 | 10.0% | 0.6 |
| PE Multiple | 120.7 | 10.0% | 12.1 |
| **Target Price** | | | **90.4** |
| **Current Price** | | | **72.5** |
| Upside/(Downside) | | | 24.6% |
| Dividend yield | | | 9.7% |
| **Total return** | | | **34.3%** |

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# VII. ABSA Bank Kenya

# ABSA Bank's Summary of Performance – Q1'2025

- Core earnings per share increased by 3.7% to Kshs 1.14, from Kshs 1.09 in Q1'2024, mainly driven by the 12.5% decrease in total operating expenses to Kshs 7.0 bn, from Kshs 8.0 bn in Q1'2024 which outpaced the 4.2% decrease in total operating income to Kshs 15.8 bn, from Kshs 16.5 bn in Q1'2024,
- The 4.2% decline in total operating income was mainly driven by a 11.1% decrease in Non funded Income (NFI) to Kshs 4.5 bn, from Kshs 5.1 bn in Q1'2024, coupled with a 1.1% decline in Net Interest Income to Kshs 11.3 bn, from Kshs 11.4 bn in Q1'2024,
- Total operating expenses decreased by 12.5% to Kshs 7.0 bn from Kshs 8.0 bn in Q1'2024, driven by a 39.0% decrease in loan loss provisions to Kshs 1.5 bn from Kshs 2.4 bn in Q1'2024 coupled with the 2.6% decrease in staff costs to Kshs 2.9 bn from Kshs 3.0 bn in Q1'2024
- The balance sheet recorded an expansion as total assets grew by 4.5% to Kshs 520.2 bn, from Kshs 497.7 bn in Q1'2024, driven by a 68.0% increase in investment in government securities to Kshs 144.0 bn, from Kshs 85.7 bn in Q1'2024. The performance was however weighed down by a 5.6% loan book contraction to Kshs 308.4 bn from Kshs 326.8 bn in Q1'2024
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 13.1% in Q1'2025, from 11.1% in Q1'2024, attributable to the 13.4% increase in gross non-performing loans to Kshs 44.0 bn, from Kshs 38.8 bn in Q1'2024, relative to the 4.0% decrease in gross loans to Kshs 337.1 bn, from Kshs 351.0 bn recorded in Q1'2024,
- Going forward, the factors that would drive the bank's growth would be:

i. **Continued Digitization -**The bank has continued to leverage digital transformation as a strategy to enhance financial services and customer experience. 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 23.3%

| Income Statement | 2020 | 2021 | 2022 | 2023 | 2024 | 2025f |
|---|---|---|---|---|---|---|
| Net Interest Income | 23.4 | 25.3 | 32.3 | 40.0 | 46.2 | 39.4 |
| Non Funded Income | 11.1 | 11.7 | 13.7 | 14.5 | 16.1 | 25.1 |
| **Total Operating Income** | **34.5** | **36.9** | **46.0** | **54.6** | **62.3** | **64.5** |
| Loan Loss Provision | (9.0) | (4.7) | (6.5) | (9.2) | (9.1) | (3.9) |
| Other Operating Expenses | (16.6) | (16.7) | (18.7) | (21.6) | (23.5) | (24.5) |
| **Total Operating Expenses** | **(25.7)** | **(21.4)** | **(25.1)** | **(30.9)** | **(32.6)** | **(28.4)** |
| Profit Before Tax | 5.6 | 15.5 | 20.8 | 23.7 | 29.7 | 36.1 |
| **Profit After tax** | **4.2** | **10.9** | **14.6** | **16.4** | **20.9** | **25.7** |
| **% PAT Change YoY** | **-44.2%** | **161.2%** | **34.2%** | **12.2%** | **27.5%** | **23.3%** |
| EPS | 0.8 | 2.0 | 2.7 | 3.0 | 3.8 | 4.7 |
| DPS | 0.0 | 1.1 | 1.4 | 1.6 | 1.8 | 3.0 |
| Cost to Income | 74.4% | 57.9% | 54.7% | 56.6% | 52.3% | 44.0% |
| **NIM** | **7.1%** | **7.1%** | **8.2%** | **9.4%** | **10.1%** | **7.3%** |
| ROaE | 9.1% | 21.1% | 24.3% | 24.6% | 27.0% | 5.1% |
| ROaA | 1.1% | 2.7% | 3.2% | 3.3% | 4.1% | 0.9% |
| **Balance Sheet** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025f** |
| Net Loans and Advances | 208.9 | 234.2 | 283.6 | 335.7 | 309.1 | 313.7 |
| Government Securities | 126.1 | 132.6 | 133.5 | 95.2 | 130.6 | 132.2 |
| Other Assets | 44.5 | 61.9 | 60.2 | 88.9 | 66.8 | 89.4 |
| **Total Assets** | **379.4** | **428.7** | **477.2** | **519.8** | **506.5** | **535.3** |
| Customer Deposits | 253.6 | 268.7 | 303.8 | 362.7 | 367.1 | 371.5 |
| Other Liabilities | 79.3 | 103.5 | 109.9 | 87.9 | 54.2 | 54.5 |
| **Total Liabilities** | **332.9** | **372.2** | **413.6** | **450.6** | **421.3** | **426.0** |
| **Shareholders Equity** | **46.5** | **56.4** | **63.6** | **69.2** | **85.2** | **109.3** |
| **Number of shares** | **5.4** | **5.4** | **5.4** | **5.4** | **5.4** | **6.4** |
| Book value Per share | 8.6 | 10.4 | 11.7 | 12.7 | 15.7 | 20.1 |
| **% Change in BPS YoY** | **2.9%** | **21.4%** | **36.8%** | **22.6%** | **23.1%** | **57.9%** |

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# Valuation Summary

## Absa Bank is undervalued with a total potential return of 20.4%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| *DDM* | 16.5 | 40% | 6.6 |
| *Residual Income* | 23.3 | 35% | 8.1 |
| *PBV Multiple* | 11.0 | 20% | 2.2 |
| *PE Multiple* | 10.9 | 5% | 0.5 |
| ***Target Price*** | | | **21.0** |
| ***Current Price*** | | | **18.9** |
| Upside/(Downside) | | | 11.1% |
| Dividend Yield | | | 9.3% |
| ***Total Return*** | | | **20.4%** |

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# VIII. Stanbic Holdings

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# Stanbic Holdings’ Summary of Performance – Q1’2025

- Profit before tax decreased by 25.3% to Kshs 4.1 bn from Kshs 5.5 bn in Q1’2024, with effective tax rate decreasing to 18.4% in Q1’2025, from 26.9% in Q1’2024. As such, profit after tax decreased by 16.6% to Kshs 3.3 bn in Q1’2025, from Kshs 4.0 bn in Q1’2024.
- Total operating income declined by 7.1% to Kshs 9.5 bn in Q1’2025 from Kshs 10.3 bn in Q1’2024,driven by a 27.2% decline in Non funded Income (NFI) to Kshs 2.8 bn, from Kshs 3.8 bn in Q1’2024, which was however supported by 4.6% increase in Net Interest Income to Kshs 6.8 bn, from Kshs 6.5 bn in Q1’2024,
- Total operating expenses increased by 13.6% to Kshs 5.5 bn from Kshs 4.8 bn in Q1’2024, driven by a 9.1% increase in other staff costs to Kshs 2.1 bn from Kshs 1.9 bn recorded in Q1’2024. The decrease in provisioning is attributable to the decreased credit risk as a result of improving economic environment as evidenced by the average Q1’2025 Purchasing Managers Index (PMI) of 50.9, up from an average of 50.3 in Q1’2024,
- The balance sheet recorded a contraction as total assets decreased by 8.4% to Kshs 450.1 bn, from Kshs 491.5 bn in Q1’2024, mainly attributable to the 4.6% decline in customer net loans and advances to Kshs 244.0 bn in Q1’2025, from Kshs 255.8 bn in Q1’2024
- The bank’s Asset Quality deteriorated, with Gross NPL ratio decreasing to 9.1% in FY’2024, from 9.5% in FY’2023, attributable to 14.4% decrease in Gross non-performing loans to Kshs 22.6 bn, from Kshs 26.5 bn in FY’2023, which outpaced the 11.1% decrease in gross loans to Kshs 248.1 bn, from Kshs 279.1 bn recorded in FY’2023,
- Going forward, the factors that would drive the bank’s growth would be:

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

# Financial Statements Extracts

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

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

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# Valuation Summary

## Stanbic Holdings is undervalued with a total potential return of 27.7%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| DDM Integrated | 249.1 | 40% | 99.6 |
| Residual Income | 134.7 | 35% | 47.1 |
| PBV Multiple | 142.8 | 15% | 21.4 |
| PE Multiple | 175.7 | 10% | 17.6 |
| **Target Price** | | | **185.8** |
| **Current Price** | | | **161.8** |
| Upside/(Downside) | | | 14.9% |
| Dividend Yield | | | 12.8% |
| **Total return** | | | **27.7%** |

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# IX. I&M Group

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# I&M Group Summary of Performance – Q1’2025

- Profit before tax increased by 15.5% to Kshs 5.9 bn, from Kshs 5.1 bn recorded in Q1’2024, with effective tax rate decreasing by 1.0% points to 28.4% from the 29.5% recorded in Q1’2024. As such, profit after tax increased by 17.3% to Kshs 4.2 bn in Q1’2025, from Kshs 3.6 bn in Q1’2024.
- Total operating income increased by 12.3% to Kshs 13.0 bn, from Kshs 11.5 bn in Q1’2024, mainly driven by a 13.7% growth in Non-Interest Income (NFI) to Kshs 3.6 bn, from Kshs 3.2 bn in Q1’2024, coupled with a 11.8% increase in Net Interest Income (NII) to Kshs 9.4 bn from Kshs 8.4 bn in Q1’2024.
- Total operating expense increased by 9.8% to Kshs 7.3 bn in Q1’2024, from Kshs 6.6 bn in Q1’2024, mainly attributable to 20.6% increase in staff cost to Kshs 2.4 bn, from Kshs 2.0 bn in Q1’2024, coupled with the 5.8% increase in other operating expenses to 3.3 bn from 3.1 in Q1’2024. Notably, loan loss provisions expense increased by 4.0% to Kshs 1.6 bn, from 1.5 bn in Q1’2024.
- The balance sheet recorded an expansion as total assets increased by 6.7% to Kshs 568.4 bn, from Kshs 533.0 bn in Q1’2024, mainly driven by a 40.5% increase in governments securities holdings to Kshs 103.1 bn, from 73.3 bn in Q1’2024.
- Gross Non-Performing Loans (NPLs) increased by 2.2% to Kshs 34.5 bn, from Kshs 33.7 bn in Q1’2024, while Gross Loans increased by 0.7% to Kshs 293.7 bn, from Kshs 291.5 bn in Q1’2024. Consequently, the asset quality deteriorated with Gross NPL ratio increasing to 10.9% in Q1’2025, from 10.8% in Q1’2024.
- Going forward, we expect the bank’s growth to be driven by:

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

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

# Financial Statements Extracts

## I&M Group's PAT is expected to grow at a 5-year CAGR of 6.3%

| Income Statement | 2022 | 2023 | 2024 | 2025f |
|---|---|---|---|---|
| Net Interest Income | 22.9 | 28.6 | 37.6 | 40.0 |
| Non- Funded Income | 12.7 | 14.1 | 13.7 | 15.0 |
| **Total Operating Income** | **35.7** | **42.7** | **51.2** | **55.1** |
| Loan Loss Provision | (5.2) | (6.9) | (7.8) | (8.1) |
| Other Operating Expenses | (16.1) | (20.3) | (23.5) | (25.1) |
| **Total Operating Expenses** | **(21.3)** | **(27.2)** | **(31.3)** | **(33.2)** |
| Profit Before Tax | 15.0 | 16.7 | 20.8 | 22.7 |
| Profit After Tax | 11.6 | 13.3 | 16.7 | 15.9 |
| **% PAT Change YoY** | **11.6%** | **15.2%** | **24.8%** | **(4.4%)** |
| EPS | 7.0 | 7.6 | 9.3 | 9.6 |
| DPS | 2.3 | 2.6 | 3.0 | 3.5 |
| Cost to Income (with LLP) | 59.8% | 63.7% | 61.2% | 60.3% |
| **NIM** | **6.7%** | **7.0%** | **7.7%** | **11.4%** |
| ROaE | 14.4% | 15.0% | 16.9% | 14.4% |
| ROaA | 2.6% | 2.6% | 2.9% | 2.5% |
| **Balance Sheet** | **2022** | **2023** | **2024** | **2025f** |
| Government securities | 113.1 | 78.1 | 102.3 | 118.8 |
| Net Loans and Advances | 238.6 | 311.3 | 287.1 | 333.5 |
| Other Assets | 84.9 | 190.3 | 191.9 | 246.0 |
| **Total Assets** | **436.6** | **579.7** | **581.3** | **698.3** |
| Customer Deposits | 312.3 | 416.7 | 412.2 | 478.8 |
| Other Liabilities | 42.6 | 67.3 | 67.5 | 85.1 |
| **Total Liabilities** | **355.0** | **484.0** | **479.6** | **563.9** |
| Shareholders Equity | 76.5 | 88.2 | 94.5 | 127.3 |
| Number of Shares | 1.7 | 1.7 | 1.7 | 1.6 |
| Book Value Per Share | 46.3 | 53.3 | 57.1 | 72.8 |
| **% BVPS Change YoY** | **9.9%** | **15.2%** | **7.1%** | **37.5%** |

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# Valuation Summary

**I&M Group is undervalued with a total potential return of 23.5%**

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| *DDM Integrated* | 36.9 | 40.0% | 14.7 |
| *Residual income* | 17.9 | 40.0% | 7.2 |
| *PBV Multiple* | 49.3 | 10.0% | 4.9 |
| *PE Multiple* | 122.1 | 10.0% | 12.2 |
| ***Target Price*** | | | ***39.0*** |
| ***Current Price*** | | | **34.0** |
| Upside/(Downside) | | | 14.7% |
| Dividend yield | | | 8.8% |
| **Total return** | | | **23.5%** |

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# B. Tier II Bank

# I. HF Group

# HF Group Summary of Performance – Q1'2025

- Profit before tax increased by 112.1% to Kshs 0.3 bn, from Kshs 0.2 bn recorded in Q1'2024, with effective tax rate decreasing to 2.5% in Q1'2025, from 5.2% in Q1'2024, leading to a 118.1% increase in profit after tax to Kshs 0.3 bn in Q1'2025, from Kshs 0.2 bn in Q1'2024.
- The total operating income increased by 33.0% to Kshs 1.4 bn from Kshs 1.1 bn in Q1'2024, mainly driven by a 46.1% growth in Net Interest Income (NII) to Kshs 1.0 bn, from Kshs 0.7 bn in Q1'2024, coupled with the 9.9% increase in Non- Interest Income (NFI) to Kshs 0.42 bn from Kshs 0.39 bn in Q1'2024.
- Total operating expense increased by 19.1% to Kshs 1.1 bn in Q1'2025, from Kshs 0.9 bn in Q1'2024, mainly attributable to 16.9% increase in staff cost to Kshs 0.5 bn, from Kshs 0.4 bn in Q1'2024. Notably, loan loss provisions expense decreased by 7.9% to remain relatively unchanged from the 0.1 bn recorded in Q1'2024.
- The balance sheet recorded an expansion as total assets increased by 17.9% to Kshs 73.4 bn, from Kshs 62.3 bn in Q1'2024.
- Gross Non-Performing Loans (NPLs) increased by 6.8% to Kshs 12.0 bn, from Kshs 11.2 bn in Q1'2024, while Gross Loans decreased by 2.2% to Kshs 47.5 bn, from Kshs 46.5 bn recorded in Q1'2024. Consequently, the asset quality deteriorated with with NPL ratio rising 25.2% in Q1'2024, from 24.1% in Q1'2024.
- Going forward, we expect the bank's growth to be driven by:

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

# Financial Statements Extracts

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

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

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# Valuation Summary

## Housing Finance is undervalued with a total potential return of 14.6%

| Valuation Summary: | Implied Price | Weighting | Weighted Value |
|---|---|---|---|
| *Residual Income* | 9.9 | 60% | 5.9 |
| *PTBV Multiple* | 4.4 | 35% | 1.5 |
| *PE Multiple* | 4.4 | 5% | 0.2 |
| ***Fair Value*** | | | **7.7** |
| ***Current Price*** | | | **6.7** |
| Upside/(Downside) | | | 14.6% |
| Dividend Yield | | | 0.0% |
| ***Total return*** | | | ***14.6%*** |

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# Feedback Summary

## During the preparation of this Q1'2025 Banking Sector Report, we shared with the subject companies the operating metrics that were used in the Report for their confirmation and verification

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

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

# Licensed Financial Institutions

# I. Banks and Mortgage Finance Institutions

# Licensed Banks in Kenya

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

# Licensed Banks in Kenya

**Licensed Mortgage Finance Institution**

1. HFC Limited

**Authorized Non-operating Bank Holding Companies**

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

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# II. Micro-Finance Institutions

# Licensed Microfinance Banks in Kenya

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

*Source : CBK*

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# Thank You!

## For More Information

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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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