

## **Kenya's Listed Banks FY'2024 Report, & Cytonn Weekly #16/2025**

### **Executive Summary:**

**Fixed Income:** During the week, T-bills were oversubscribed for the third consecutive week, with the overall subscription rate coming in at 160.1%, albeit lower than the subscription rate of 224.0% recorded the previous week. Investors' preference for the shorter 91-day paper waned, with the paper receiving bids worth Kshs 2.1 bn against the offered Kshs 4.0 bn, translating to an undersubscription rate of 52.2%, significantly lower than the oversubscription rate of 435.4%, recorded the previous week. The subscription rates for the 182-day paper decreased to 88.0% from the 110.7% recorded the previous week while the 364-day paper increased to 275.3% from the 252.7% recorded the previous week. The government accepted a total of Kshs 36.4 bn worth of bids out of Kshs 38.4 bn bids received, translating to an acceptance rate of 94.6%. The yields on the government papers were on a downward trajectory with the yields on the 364-day paper decreasing the most by 16.1 bps to 10.1% from 10.2% recorded the previous week. The yields on the 182-day paper decreased by 13.6 bps to 8.8% from the 8.9% recorded the previous week, while the 91-day paper decreased by 3.1 bps to remain relatively unchanged from the 8.5% recorded the previous week;

In the primary bond market, the government is looking to raise Kshs 80.0 bn through the reopened bonds; FXD1/2022/015, FXD1/2022/025 and FXD1/2012/020 with fixed coupon rates of 13.9%, 14.2% and 12.0% respectively and tenors to maturity of 12.0 years, 22.5 years and 7.6 years respectively. The period of sale for the three bonds opened on Thursday, 17<sup>th</sup> April 2025 and will close on 30<sup>th</sup> April 2025 for FXD1/2022/015 and FXD1/2022/025, while for FXD1/2012/020, it will close on 7<sup>th</sup> May 2025. Our bidding range for FXD1/2022/015, FXD1/2022/025 and FXD1/2012/020 is 12.35%-12.75%, 12.75%-13.00% and 12.15%-12.50% respectively;

During the week, the National Treasury [gazetted](#) the revenue and net expenditures for the ninth month of FY'2024/2025, ending 31<sup>st</sup> March 2025, highlighting that the total revenue collected as at the end of March 2025 amounted to Kshs 1,702.9 bn, equivalent to 66.0% of the revised estimates of Kshs 2,580.9 bn for FY'2024/2025 and is 88.0% of the prorated estimates of Kshs 1,935.7 bn;

During the week, The Energy and Petroleum Regulatory Authority (EPRA) [released](#) their monthly statement on the maximum retail fuel prices in Kenya, effective from 15<sup>th</sup> April 2025 to 14<sup>th</sup> May 2025. Notably, the maximum allowed price for Super Petrol, Diesel and Kerosene decreased by Kshs 2.0, Kshs 2.2 and Kshs 2.4 respectively. Consequently, Super Petrol, Diesel and Kerosene will now retail at Kshs 174.6, Kshs 164.9 and Kshs 150.0 per litre respectively, from Kshs 176.6, Kshs. 167.1 and Kshs 151.4 per litre respectively, representing decreases of 1.1%, 1.3% and 1.6% for Super Petrol, Diesel and Kerosene respectively;

**Equities:** During the week, the equities market was on a downward trajectory, with NSE 10 declining the most by 1.2% while NASI, NSE 25 and NSE 20 lost by 1.1%, 0.9% and 0.7% respectively, taking the YTD performance to gains of 4.5% for NSE 20, and losses of 3.9%, 2.0% and 0.01% for NSE 10, NSE 25 and NASI respectively. The equities market performance was driven by losses recorded by large-cap stocks such as East African Breweries Limited (EABL), Safaricom and Cooperative Bank of 5.7%, 2.0%, and 0.3%, respectively. The performance was however supported by gains recorded by large cap stocks such as Diamond Trust Bank (DTB-K), Stanbic and Absa Bank of 4.6, 4.5% and 1.5% respectively;

During the week, Bamburi Cement Plc released their FY' 2024 results, reporting a loss for the year of Kshs 0.9 bn, a significant 126.8% increase from the Kshs 0.4 bn loss recorded in FY'2023.

**Real Estate:** During the week, Kenya's proposed [amendments](#) to the Land Act 2012 seek to shorten the period within which affordable housing loan defaulters must regularize their payments before lenders can initiate foreclosure. The changes would reduce the default notice window from 90 to 45 days and the foreclosure notice from 40 to 20 days. This move is intended to make affordable housing lending more attractive to financial institutions by reducing the time and risk associated with recovering defaulted loans.

During the week, the Kenya's Affordable Housing Programme (AHP) board [announced](#) a plan to have the AHP to undergo an independent economic impact audit following underperformance in meeting its objectives. Launched to address the country's [2.0 mn-unit](#) housing deficit and create one million jobs annually, the programme has struggled significantly. As of the 2023/24 financial year, only 40,000 housing units were delivered—[16.0%](#) of the annual target of 250,000—while job creation stood at just 120,000.

During the week, President William Ruto's [initiative](#) to establish County Aggregation and Industrial Parks (CAIPs) across Kenya is faced significant challenges due to funding shortfalls. Initially, the national government pledged to fund half of the Kshs 500.0 mn cost for each CAIP, aiming to implement them in all counties within two years from July 2023. However, only Kshs 3.3 bn of the planned Kshs 9.0 bn has been allocated, leading to a reduction in the number of counties expected to have operational CAIPs by June 2025—from all 47 to just 18.

On the [Unquoted Securities Platform](#), Acorn D-REIT and I-REIT traded at Kshs 26.7 and Kshs 22.9 per unit, respectively, as per the last updated data on 17<sup>th</sup> April 2025. The performance represented a 33.5% and 14.5% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 17<sup>th</sup> April 2025, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 138,600 shares for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015;

**Focus of the Week:** Following the release of the FY'2024 results by Kenyan listed banks, the Cytonn Financial Services Research Team undertook an analysis on the financial performance of the listed banks and identified the key factors that shaped the performance of the sector;

#### Investment Updates:

- Weekly Rates: Cytonn Money Market Fund closed the week at a yield of 14.89 % p.a. To invest, dial \*809# or download the Cytonn App from Google Play store [here](#) or from the Appstore [here](#);
- We continue to offer Wealth Management Training every Tuesday, from 7:00 pm to 8:00 pm. The training aims to grow financial literacy among the general public. To register for any of our Wealth Management Trainings, click [here](#);
- If interested in our Private Wealth Management Training for your employees or investment group, please get in touch with us through [wmt@cytonn.com](mailto:wmt@cytonn.com);
- Cytonn Insurance Agency acts as an intermediary for those looking to secure their assets and loved ones' future through insurance namely; Motor, Medical, Life, Property, WIBA, Credit and Fire and Burglary insurance covers. For assistance, get in touch with us through [insuranceagency@cytonn.com](mailto:insuranceagency@cytonn.com);
- Cytonn Asset Managers Limited (CAML) continues to offer pension products to meet the needs of both individual clients who want to save for their retirement during their working years and Institutional clients that want to contribute on behalf of their employees to help them build their retirement pot. To more about our pension schemes, kindly get in touch with us through [pensions@cytonn.com](mailto:pensions@cytonn.com);

#### Hospitality Updates:

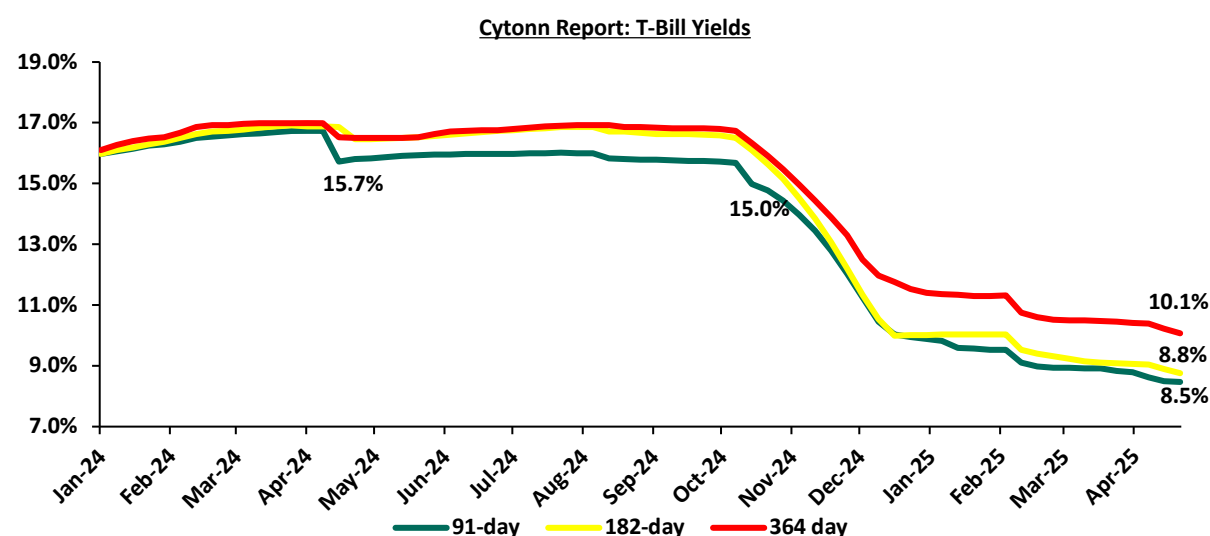
- We currently have promotions for Staycations. Visit [cysuites.com/offers](https://cysuites.com/offers) for details or email us at [sales@cysuites.com](mailto:sales@cysuites.com);

#### Fixed Income

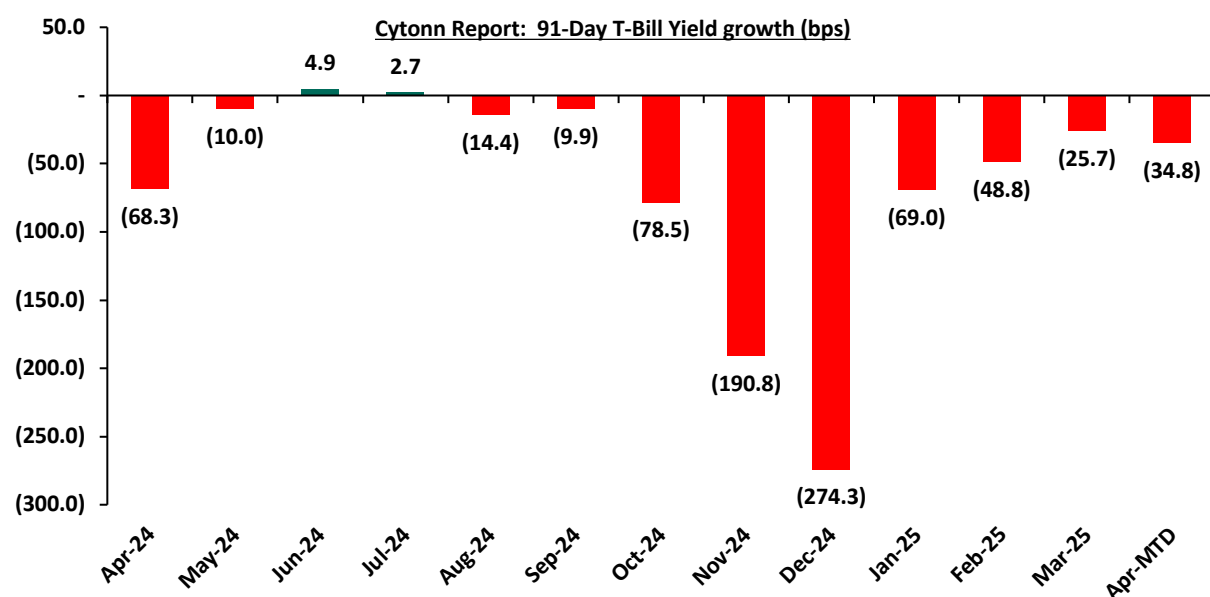
During the week, T-bills were oversubscribed for the third consecutive week, with the overall subscription rate coming in at 160.1%, albeit lower than the subscription rate of 224.0% recorded the previous week.

Investors' preference for the shorter 91-day paper waned, with the paper receiving bids worth Kshs 2.1 bn against the offered Kshs 4.0 bn, translating to an undersubscription rate of 52.2%, significantly lower than the oversubscription rate of 435.4%, recorded the previous week. The subscription rates for the 182-day paper decreased to 88.0% from the 110.7% recorded the previous week while the 364-day paper increased to 275.3% from the 252.7% recorded the previous week. The government accepted a total of Kshs 36.4 bn worth of bids out of Kshs 38.4 bn bids received, translating to an acceptance rate of 94.6%. The yields on the government papers were on a downward trajectory with the yields on the 364-day paper decreasing the most by 16.1 bps to 10.1% from 10.2% recorded the previous week. The yields on the 182-day paper decreased by 13.6 bps to 8.8% from the 8.9% recorded the previous week while the 91-day paper decreased by 3.1 bps to remain relatively unchanged from the 8.5% recorded the previous week.

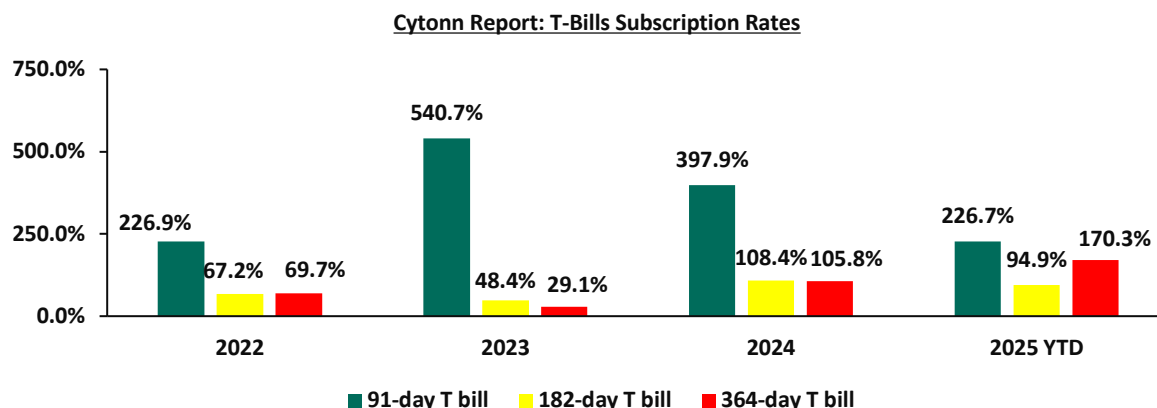
The chart below shows the yield performance of the 91-day, 182-day and 364-day papers from January 2024 to April 2025:



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



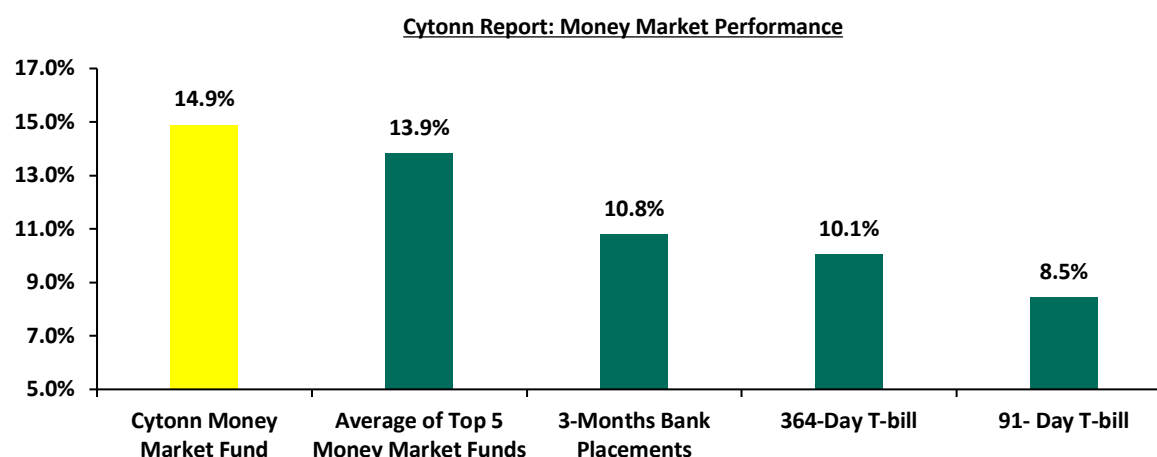
The chart below compares the overall average T-bill subscription rates obtained in 2022, 2023, 2024 and 2025 Year-to-date (YTD):



In the primary bond market, the government is looking to raise Kshs 80.0 bn through the reopened bonds; FXD1/2022/015, FXD1/2022/025 and FXD1/2012/020 with fixed coupon rates of 13.9%, 14.2% and 12.0% respectively and tenors to maturity of 12.0 years, 22.5 years and 7.6 years respectively. The period of sale for the three bonds opened on Thursday, 17<sup>th</sup> April 2025 and will close on 30<sup>th</sup> April 2025 for FXD1/2022/015 and FXD1/2022/025, while for FXD1/2012/020, it will close on 7<sup>th</sup> May 2025. Our bidding range for FXD1/2022/015, FXD1/2022/025 and FXD1/2012/020 is 12.35%-12.75%, 12.75%-13.00% and 12.15%-12.50% respectively.

#### Money Market Performance:

In the money markets, 3-month bank placements ended the week at 10.8% (based on what we have been offered by various banks) and the yields on the government papers were on a downward trajectory with the yields on the 364-day paper decreasing by 16.1 bps to 10.1% from the 10.2% recorded the previous week, while the 91-day paper decreased by 3.1 bps to remain relatively unchanged from the 8.5% recorded the previous week. The yield on the Cytonn Money Market Fund decreased by 13.0 bps to 14.9% from the 15.0% recorded the previous week, while the average yields on the Top 5 Money Market Funds decreased by 59.6 bps to close the week at 13.9%, from the 14.4% recorded the previous week.



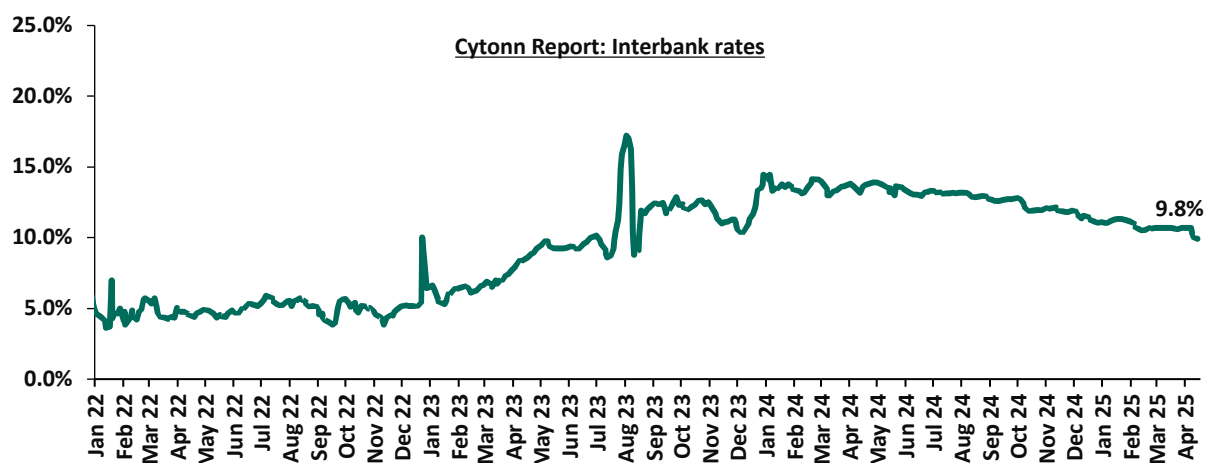
The table below shows the Money Market Fund Yields for Kenyan Fund Managers as published on 18<sup>th</sup> April 2025:

Cytonn Report: Money Market Fund Yield for Fund Managers as published on 18 <sup>th</sup> April 2025		
Rank	Fund Manager	Effective Annual Rate
1	Cytonn Money Market Fund (Dial *809# or download the Cytonn app)	14.89%
2	Gulfcap Money Market Fund	13.87%
3	Kuza Money Market fund	13.82%
4	Orient Kasha Money Market Fund	13.44%
5	Lofty-Corban Money Market Fund	13.24%
6	Etica Money Market Fund	13.16%
7	GenAfrica Money Market Fund	13.06%
8	Ndovu Money Market Fund	13.06%
9	Nabo Africa Money Market Fund	12.69%
10	Enwealth Money Market Fund	12.64%
11	British-American Money Market Fund	12.43%
12	Old Mutual Money Market Fund	12.32%
13	Arvocap Money Market Fund	12.16%
14	Madison Money Market Fund	11.85%
15	Sanlam Money Market Fund	11.78%
16	Jubilee Money Market Fund	11.74%
17	Apollo Money Market Fund	11.61%
18	Dry Associates Money Market Fund	11.52%
19	Faulu Money Market Fund	11.47%
20	Absa Shilling Money Market Fund	11.08%
21	CIC Money Market Fund	10.85%
22	KCB Money Market Fund	10.80%
23	Co-op Money Market Fund	10.56%
24	ICEA Lion Money Market Fund	10.44%
25	Genghis Money Market Fund	10.15%
26	Mali Money Market Fund	9.98%
27	Mayfair Money Market Fund	9.66%
28	AA Kenya Shillings Fund	9.64%
29	Stanbic Money Market Fund	7.58%
30	Ziidi Money Market Fund	7.36%
31	Equity Money Market Fund	5.68%

Source: Business Daily

### Liquidity:

During the week, liquidity in the money markets eased, with the average interbank rate decreasing by 50.5 bps, to 9.9% from the 10.4% recorded the previous week, partly attributable to tax remittances that were offset by government payments. The average interbank volumes traded decreased by 64.8% to Kshs 7.0 bn from Kshs 19.8 bn recorded the previous week. The chart below shows the interbank rates in the market over the years:



### Kenya Eurobonds:

During the week, the yields on Kenya's Eurobonds recorded a mixed trajectory with the yield on the 7-year Eurobond issued in 2019 increasing by 4.9 bps to 9.3% from the 9.2% recorded the previous week while the 13-year Eurobond issued in 2021 decreased the most by 51.8 bps to 11.3% from the 11.8% recorded the previous week. The table below shows the summary performance of the Kenyan Eurobonds as of 16<sup>th</sup> April 2025;

Cytonn Report: Kenya Eurobonds Performance							
	2018		2019		2021	2024	2025
Tenor	10-year issue	30-year issue	7-year issue	12-year issue	13-year issue	7-year issue	11-year issue
Amount Issued (USD)	1.0 bn	1.0 bn	0.3 bn	1.2 bn	1.0 bn	1.5 bn	1.5 bn
Years to Maturity	2.9	22.9	2.1	7.1	9.2	5.8	11.0
Yields at Issue	7.3%	8.3%	7.0%	7.9%	6.2%	10.4%	9.9%
02-Jan-25	9.1%	10.3%	8.5%	10.1%	10.1%	10.1%	
01-Apr-25	8.8%	10.8%	7.5%	10.4%	10.4%	10.4%	
10-Apr-25	11.2%	12.1%	9.2%	12.1%	11.8%	12.2%	
11-Apr-25	11.5%	12.2%	9.6%	12.4%	12.1%	12.6%	
14-Apr-25	10.9%	11.8%	9.1%	11.8%	11.5%	12.0%	
15-Apr-25	10.8%	11.6%	9.0%	11.6%	11.3%	11.9%	
16-Apr-25	10.8%	11.6%	9.3%	11.6%	11.3%	11.9%	
<b>Weekly Change</b>	<b>(0.4%)</b>	<b>(0.4%)</b>	<b>0.0%</b>	<b>(0.4%)</b>	<b>(0.5%)</b>	<b>(0.3%)</b>	-
<b>MTD Change</b>	<b>2.0%</b>	<b>0.9%</b>	<b>1.8%</b>	<b>1.3%</b>	<b>0.9%</b>	<b>1.5%</b>	-
<b>YTD Change</b>	<b>1.8%</b>	<b>1.4%</b>	<b>0.8%</b>	<b>1.6%</b>	<b>1.2%</b>	<b>1.8%</b>	-

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

### Kenya Shilling:

During the week, the Kenyan Shilling depreciated against the US Dollar by 6.2 bps, to Kshs 129.8 from the Kshs 129.7 recorded the previous week. On a year-to-date basis, the shilling has depreciated by 37.5 bps against the dollar, compared to the 17.4% appreciation recorded in 2024.

We expect the shilling to be supported by:

- i. Diaspora remittances standing at a cumulative USD 4,972.0 mn in the twelve months to March 2025, 13.5% higher than the USD 4,380.0 mn recorded over the same period in 2024. These has continued to cushion the shilling against further depreciation. In the March 2025 diaspora remittances figures, North America remained the largest source of remittances to Kenya accounting for 53.0% in the period,

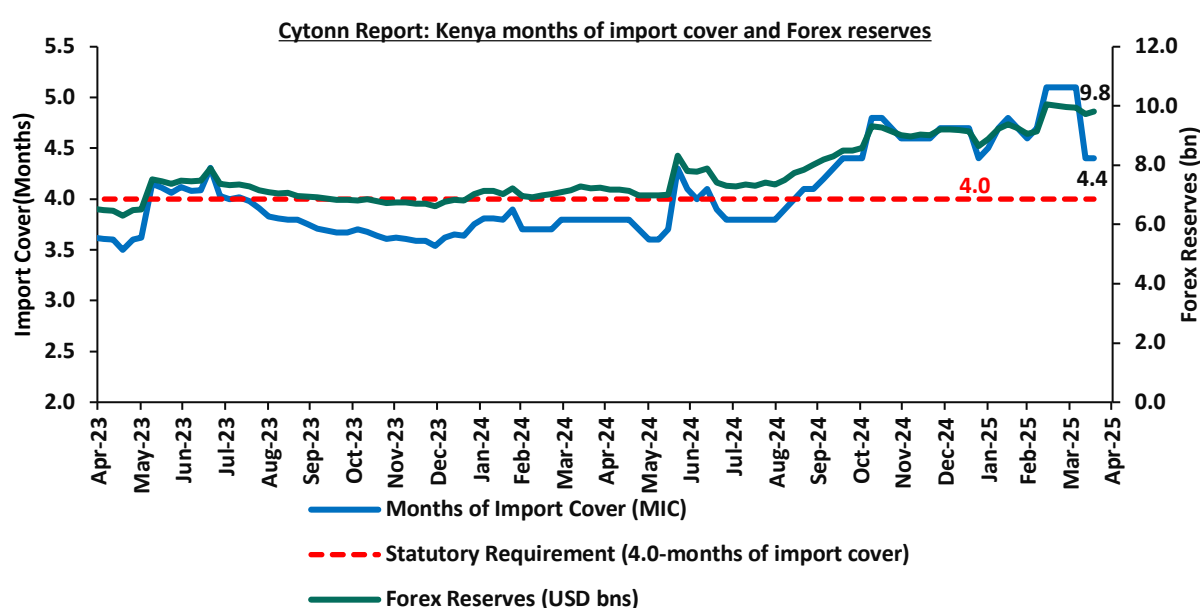
- ii. The tourism inflow receipts which came in at Kshs 452.2 bn in 2024, a 19.8% increase from Kshs 377.5 bn inflow receipts recorded in 2023, and owing to tourist arrivals that improved by 14.6% to 2,394,376 in 2024 from 2,089,259 in 2023, and,
- iii. Improved forex reserves currently at USD 9.8 bn (equivalent to 4.4-months of import cover), which is above the statutory requirement of maintaining at least 4.0-months of import cover, and below the EAC region's convergence criteria of 4.5-months of import cover.

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

- i. An ever-present current account deficit which came at 3.1% of GDP in the twelve months to February 2025, and,
- ii. The need for government debt servicing, continues to put pressure on forex reserves given that 62.1% of Kenya's external debt is US Dollar-denominated as of September 2024.

Key to note, Kenya's forex reserves increased by 0.8% during the week, to USD 9.8 bn from the USD 9.7 bn recorded in the previous week, equivalent to 4.4 months of import cover (based on updated import data), to remain relatively unchanged from the months of import cover recorded last week, and above the statutory requirement of maintaining at least 4.0-months of import cover.

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



## Weekly Highlights

### I. Exchequer Highlight March 2025 Release

The National Treasury [gazetted](#) the revenue and net expenditures for the ninth month of FY'2024/2025, ending 31<sup>st</sup> March 2025. Below is a summary of the performance:

FY'2024/2025 Budget Outturn - As at 31 <sup>st</sup> March 2025							
Amounts in Kshs Billions unless stated otherwise							
Item	12-months Original Estimates	Revised Estimates I	Revised Estimates II	Actual Receipts/Release	Percentage Achieved of the	Prorated	% achieved

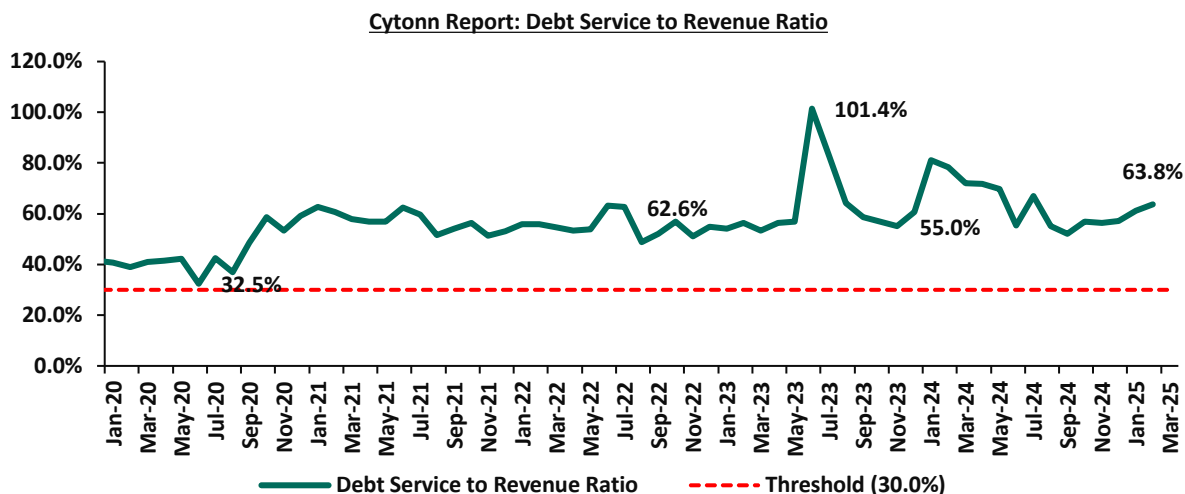
					Revised Estimates II		of the Prorated
Opening Balance				1.2			
Tax Revenue	2,745.2	2,475.1	2,400.7	1,579.4	65.8%	1,800.5	87.7%
Non-Tax Revenue	172.0	156.4	180.2	122.3	67.9%	135.2	90.5%
<b>Total Revenue</b>	<b>2,917.2</b>	<b>2,631.4</b>	<b>2,580.9</b>	<b>1,702.9</b>	<b>66.0%</b>	<b>1,935.7</b>	<b>88.0%</b>
External Loans & Grants	571.2	593.5	718.4	314.1	43.7%	538.8	58.3%
Domestic Borrowings	828.4	978.3	1,167.0	731.6	62.7%	875.3	83.6%
Other Domestic Financing	4.7	4.7	8.5	4.4	52.1%	6.4	69.5%
<b>Total Financing</b>	<b>1,404.3</b>	<b>1,576.5</b>	<b>1,894.0</b>	<b>1,050.1</b>	<b>55.4%</b>	<b>1,420.5</b>	<b>73.9%</b>
Recurrent Exchequer issues	1,348.4	1,307.9	1,412.7	991.8	70.2%	1,059.5	93.6%
CFS Exchequer Issues	2,114.1	2,137.8	2,289.0	1,223.3	53.4%	1,716.8	71.3%
Development Expenditure & Net Lending	458.9	351.3	354.9	170.8	48.1%	266.2	64.2%
County Governments + Contingencies	400.1	410.8	418.3	255.5	61.1%	313.7	81.5%
<b>Total Expenditure</b>	<b>4,321.5</b>	<b>4,207.9</b>	<b>4,474.9</b>	<b>2,641.4</b>	<b>59.0%</b>	<b>3,356.2</b>	<b>78.7%</b>
<b>Fiscal Deficit excluding Grants</b>	<b>1,404.3</b>	<b>1,576.5</b>	<b>1,894.0</b>	<b>938.5</b>	<b>49.6%</b>	<b>1,420.5</b>	<b>66.1%</b>
<b>Total Borrowing</b>	<b>1,399.6</b>	<b>1,571.8</b>	<b>1,885.4</b>	<b>1,045.7</b>	<b>55.5%</b>	<b>1,414.1</b>	<b>73.9%</b>

*Amounts in Kshs bn unless stated otherwise*

The Key take-outs from the release include;

- Total revenue collected as at the end of March 2025 amounted to Kshs 1,702.9 bn, equivalent to 66.0% of the revised estimates of Kshs 2,580.9 bn for FY'2024/2025 and is 88.0% of the prorated estimates of Kshs 1,935.7 bn. Cumulatively, tax revenues amounted to Kshs 1,579.4 bn, equivalent to 65.8% of the revised estimates of Kshs 2,400.7 bn and 87.7% of the prorated estimates of Kshs 1,800.5 bn,
- Total financing amounted to Kshs 1,050.1 bn, equivalent to 55.4% of the revised estimates of Kshs 1,894.0 bn and is equivalent to 73.9% of the prorated estimates of Kshs 1,420.5 bn. Additionally, domestic borrowing amounted to Kshs 731.6 bn, equivalent to 62.7% of the revised estimates of Kshs 1,167.0 bn and is 83.6% of the prorated estimates of Kshs 875.3 bn,
- The total expenditure amounted to Kshs 2,641.4 bn, equivalent to 59.0% of the revised estimates of Kshs 4,474.9 bn, and is 78.7% of the prorated target expenditure estimates of Kshs 3,356.2 bn. Additionally, the net disbursements to recurrent expenditures came in at Kshs 991.8 bn, equivalent to 70.2% of the revised estimates of Kshs 1,412.7 and are equivalent to 93.6% of the prorated estimates of Kshs 1,059.5 bn,
- Consolidated Fund Services (CFS) Exchequer issues came in at Kshs 1,223.3 bn, equivalent to 53.4% of the revised estimates of Kshs 2,289.0 bn, and are 71.3% of the prorated amount of Kshs 1,716.8 bn. The cumulative public debt servicing cost amounted to Kshs 1,085.8 bn which is 53.2% of the revised estimates of Kshs 2,042.1 bn, and is 70.9% of the prorated estimates of Kshs 1,531.4 bn. Additionally, the Kshs 1,085.8 bn debt servicing cost is equivalent to 63.8% of the actual cumulative revenues collected as at the end of March 2025. The chart below shows the debt servicing cost to revenue ratio over the period;





- e. Total Borrowings as at the end of March 2025 amounted to Kshs 1,045.7 bn, equivalent to 55.5% of the revised estimates of Kshs 1,885.4 bn for FY'2024/2025 and are 73.9% of the prorated estimates of Kshs 1,414.1 bn. The cumulative domestic borrowing of Kshs 1,167.0 bn comprises of Net Domestic Borrowing Kshs 597.2 bn and Internal Debt Redemptions (Rollovers) Kshs 569.9 bn.

The government missed its prorated revenue targets for the ninth consecutive month in FY'2024/2025, achieving only 88.0% of the revenue targets in March 2025. This shortfall is largely due to the challenging business environment experienced in previous months, exacerbated by high taxes and an elevated cost of living. Despite an improvement in the business climate, inflationary pressures persist, albeit mild, with year-on-year inflation for March 2025 rising by 0.1% to 3.6%, up from 3.5% in February 2025. However, the cost of credit has declined, providing some relief to businesses and households. The improved business environment is reflected in the Purchasing Managers' Index (PMI), which increased marginally to 51.7 in March from 50.6 in February 2025. While efforts to enhance revenue collection, such as broadening the tax base, curbing tax evasion, and suspending tax relief payments, are yet to yield full benefits, future revenue performance will depend on how quickly private sector activity gains momentum. This is expected to be supported by a stable Shilling, lower borrowing costs, and continued efforts to enhance economic growth. The reduction in the Central Bank Rate (CBR) by 75 basis points to 10.00% from 10.75%, following the Monetary Policy Committee's (MPC) meeting on April 8<sup>th</sup>, 2025, is expected to further ease credit conditions and support private sector expansion.

## II. Fuel Highlight, April 15<sup>th</sup>- May 14<sup>th</sup> 2025

During the week, The Energy and Petroleum Regulatory Authority (EPRA) [released](#) their monthly statement on the maximum retail fuel prices in Kenya, effective from 15<sup>th</sup> April 2025 to 14<sup>th</sup> May 2025. Notably, the maximum allowed price for Super Petrol, Diesel and Kerosene decreased by Kshs 2.0, Kshs 2.2 and Kshs 2.4 respectively. Consequently, Super Petrol, Diesel and Kerosene will now retail at Kshs 174.6, Kshs 164.9 and Kshs 150.0 per litre respectively, from Kshs 176.6, Kshs. 167.1 and Kshs 151.4 per litre respectively, representing decreases of 1.1%,1.3% and 1.6% for Super Petrol, Diesel and Kerosene respectively.

Other key take-outs from the performance include;

- I. The average landing costs per cubic meter for Kerosene, Diesel and Super Petrol decreased by 6.5%, 6.5% and 4.9% to USD 628.2, USD 636.8 and USD 606.1 respectively from the USD 672.1, USD 680.6 and USD 637.2 respectively recorded in February.

- II. The Kenyan Shilling remained stable against the US Dollar, depreciating slightly by 22.0 bps to Kshs 129.8 from Kshs 129.5 recorded in March.

We note that fuel prices in the country have stabilized in recent months largely due to the government's efforts to stabilize pump prices through the [petroleum pump price stabilization mechanism](#) which expended Kshs 9.9 bn in the FY'2023/24 to cushion the increases applied to the petroleum pump prices, coupled with the appreciation of the Kenyan Shilling against the dollar and other major currencies, as well as a decrease in international fuel prices. However, the government has reduced spending through the price stabilization mechanism in April, subsidizing Kshs 4.7, Kshs 6.1 and Kshs 6.2 per litre for Petrol, Diesel and Kerosene respectively, compared to Kshs 7.0, Kshs 10.0 and Kshs 10.4 per litre for Petrol, Diesel and Kerosene in February. Going forward, we expect stable fuel prices in the coming months as a result of the government's efforts to mitigate the cost of petroleum through the pump price stabilization mechanism and a stable exchange rate. As such, we expect the business environment in the country to improve as fuel is a major input cost, as well as continued stability in inflationary pressures, with the inflation rate expected to remain within the CBK's preferred target range of 2.5%-7.5% in the short to medium-term.

***Rates in the Fixed Income market have been on a downward trend due to high liquidity in the money market which allowed the government to front load most of its borrowing. The government is 74.4% ahead of its prorated net domestic borrowing target of Kshs 482.3 bn, and 40.9% ahead of the total FY'2024/25 net domestic borrowing target of Kshs 597.2 bn, having a net borrowing position of Kshs 841.3 bn (inclusive of T-bills). However, we expect a continued downward readjustment of the yield curve in the short and medium term, with the government looking to increase its external borrowing to maintain the fiscal surplus, hence alleviating pressure in the domestic market. As such, we expect the yield curve to stabilize in the short to medium-term and hence investors are expected to shift towards the long-term papers to lock in the high returns***

## **Equities**

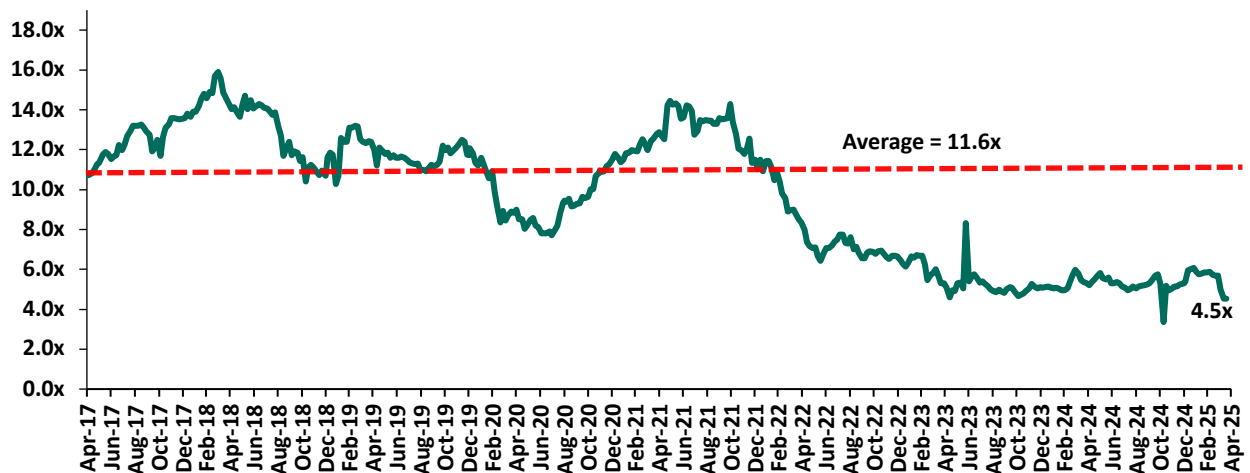
### **Market Performance**

During the week, the equities market was on a downward trajectory, with NSE 10 declining the most by 1.2% while NASI, NSE 25 and NSE 20 lost by 1.1%, 0.9% and 0.7% respectively, taking the YTD performance to gains of 4.5% for NSE 20, and losses of 3.9%, 2.0% and 0.01% for NSE 10 NSE 25 and NASI respectively. The equities market performance was driven by losses recorded by large-cap stocks such as East African Breweries Limited (EABL), Safaricom and Cooperative Bank of 5.7%, 2.0%, and 0.3%, respectively. The performance was however supported by gains recorded by large cap stocks such as Diamond Trust Bank (DTB-K), Stanbic and Absa Bank of 4.6, 4.5% and 1.5% respectively.

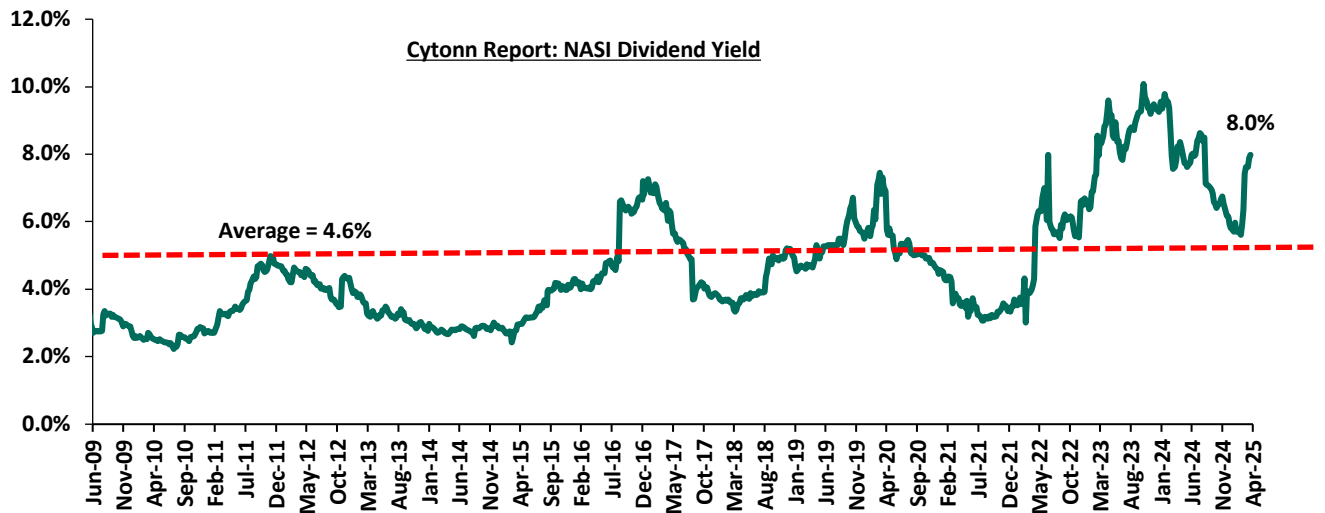
During the week, equities turnover decreased by 40.7% to USD 7.4 mn, from USD 12.5 mn recorded the previous week, taking the YTD total turnover to USD 234.0 mn. Foreign investors remained net sellers for the second consecutive week, with a net selling position of USD 1.7 mn, from a net selling position of USD 3.8 mn recorded the previous week, taking the YTD foreign net selling position to USD 29.7 mn, compared to a net selling position of USD 16.9 mn in 2024.

The market is currently trading at a price-to-earnings ratio (P/E) of 4.5x, 60.8% below the historical average of 11.6x. The dividend yield stands at 8.0%, 3.3% points above the historical average of 4.6%. Key to note, NASI's PEG ratio currently stands at 0.6x, an indication that the market is undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market is overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued. The charts below indicate the historical P/E and dividend yields of the market;

**Cytonn Report: NASI P/E**



**Cytonn Report: NASI Dividend Yield**



**Universe of Coverage:**

**Cytonn Report: Equities Universe of Coverage**

Company	Price as at 11/04/2025	Price as at 17/04/2025	w/w change	YTD Change	Year Open 2025	Target Price*	Dividend Yield***	Upside/Downside**	P/TBv Multiple	Recommendation
KCB Group	38.3	38.3	(0.1%)	(9.8%)	42.4	50.5	7.8%	39.9%	0.4x	Buy
Jubilee Holdings	203.3	200.0	(1.6%)	14.4%	174.8	260.7	6.8%	37.1%	0.3x	Buy
I&M Group	32.3	30.0	(7.1%)	(16.8%)	36.0	36.8	10.0%	32.9%	0.5x	Buy
ABSA Bank	17.1	17.3	1.5%	(8.2%)	18.9	21.0	10.1%	31.5%	1.2x	Buy
Diamond Trust Bank	70.3	73.5	4.6%	10.1%	66.8	87.8	9.5%	29.0%	0.3x	Buy
Equity Group	44.6	44.6	0.0%	(7.1%)	48.0	52.7	9.5%	27.7%	0.9x	Buy
Co-op Bank	16.0	16.0	(0.3%)	(8.6%)	17.5	18.8	9.4%	27.3%	0.7x	Buy
Standard Chartered Bank	299.0	300.3	0.4%	5.3%	285.3	328.5	15.0%	24.4%	1.8x	Buy
NCBA	53.8	54.0	0.5%	5.9%	51.0	60.2	10.2%	21.7%	1.0x	Buy

Stanbic Holdings	165.8	173.3	4.5%	24.0%	139.8	185.3	12.0%	18.9%	0.9x	Accumulate
Britam	6.8	6.8	0.0%	16.8%	5.8	7.5	0.0%	10.3%	1.0x	Accumulate
CIC Group	3.0	3.0	1.4%	39.7%	2.1	3.1	4.3%	8.0%	0.9x	Hold
*Target Price as per Cytonn Analyst estimates **Upside/ (Downside) is adjusted for Dividend Yield ***Dividend Yield is calculated using FY'2024 Dividends										

## Weekly Highlights

### I. Bamburi Cement Plc's FY'2024 Results

Cytonn Report: Bamburi Cement Plc FY'2024 Income Statement			
Income Statement	FY'2023 Kshs (bn)	FY'2024 Kshs (bn)	% Change
Turnover	22.0	21.9	(0.5%)
Total Operating costs	(20.8)	(19.8)	(5.0%)
<b>Operating Profit</b>	<b>1.0</b>	<b>0.7</b>	<b>(31.5%)</b>
Finance Income & costs (Net)	0.04	0.27	613.2%
<b>Profit/(Loss) Before Tax</b>	<b>1.1</b>	<b>1.0</b>	<b>(8.4%)</b>
Income Tax	(0.4)	(0.9)	130.0%
<b>Profit(loss) from continuing operations</b>	<b>0.7</b>	<b>0.07</b>	<b>(89.0%)</b>
<b>Loss from discontinued operations</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>(8.4%)</b>
<b>Profit/(Loss) After Tax</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>126.8%</b>
<b>Earnings Per Share (EPS)</b>	<b>(0.2)</b>	<b>(2.8)</b>	<b>1228.6%</b>
<b>Dividend Per Share</b>	<b>5.5</b>	<b>18.3</b>	<b>233.6%</b>
<b>Dividend Yield</b>	<b>11.7%</b>	<b>32.3%</b>	<b>20.6%</b>

Cytonn Report: Bamburi Cement Plc FY'2024 Balance Sheet			
Balance Sheet	FY'2023 Kshs (bn)	FY'2024 Kshs (bn)	% Change
Non-Current Assets	23.6	23.4	(1.0%)
Current Assets	21.0	5.0	(76.4%)
<b>Total Assets</b>	<b>44.6</b>	<b>28.3</b>	<b>(36.5%)</b>
Non-Current Liabilities	4.9	(1.5)	(131.5%)
Current Liabilities	3.5	4.7	32.8%
<b>Total Liabilities</b>	<b>8.4</b>	<b>3.1</b>	<b>(62.7%)</b>
<b>Total Equity</b>	<b>36.2</b>	<b>25.2</b>	<b>(30.4%)</b>

During the week, Bamburi Cement Plc released their FY' 2024 results, reporting a loss for the year of Kshs 0.9 bn, a significant 126.8% increase from the Kshs 0.4 bn loss recorded in FY'2023. Profit from continued operations, decreased by 89.0% to Kshs 0.1 bn from Kshs 0.7 bn recorded in FY'2023. Turnover decreased by 0.5% to Kshs 21.9 bn from Kshs 22.0 bn in FY'2023, while total operating costs decreased by 5.0% to Kshs 19.8 bn from Kshs 20.8 bn recorded in FY'2023. Additionally, the company's profit before tax decreased by 8.4% to Kshs 1.0 bn from Kshs 1.1 bn in FY'2023

Key take outs from the results:

1. Core Earnings Per share decreased by 1,228.6% to Kshs (2.8) from Kshs (0.2) in FY'2022, driven by the 89.0% decrease in profits from continuing operations to Kshs 0.1 bn from Kshs 0.7 bn in FY'2023. The performance was however supported by the 8.4% decline in losses from discontinued operations to Kshs 1.0 bn from Kshs 1.1 bn in FY'2023.
2. The company's turnover decreased by 0.5% to Kshs 21.9 bn from Kshs 22.0 bn recorded in FY'2023. Meanwhile, total operating cost decreased by 5.0% to Kshs 19.8 bn from Kshs 20.8 bn recorded in FY'2023, resulting in a 31.5% decrease in operating profit to Kshs 0.7 bn from Kshs 1.0 bn recorded in FY'2023.
3. The balance sheet recorded a contraction as total assets decreased by 36.5% to Kshs 28.3 bn in FY'2024 from Kshs 44.6 bn in FY'2023 mainly driven by 76.4% decrease in current assets to Kshs 5.0 bn from Kshs 21.0 bn in FY'2023 coupled with the 1.0% decrease in non-current assets to Kshs 23.4 bn from Kshs 23.6 bn in FY.2023.

Other highlights from the release include:

1. **Declaration of dividends** – Bamburi Cement Plc's Board of Directors did not recommend a final dividend for FY'2024 compared to the first and final dividend of Kshs 5.47 paid in FY'2023. However, Bamburi Cement paid a special dividend of Kshs 18.25 per share, totalling to Kshs 6.6 bn in relation to the Hima Cement disposal during the year.

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

- **Bamburi Cement Acquisition by Amsons Group** – The acquisition by Amsons Group is set to drive Bamburi Cement's growth through a significant capital injection of Kshs 51.7 bn aimed at modernizing operations and expanding production capacity, including a new clinker plant in Kwale. By leveraging Amson's regional presence and strategic vision, Bamburi is well-positioned to scale its market share and enhance competitiveness across East Africa's booming construction sector.

*We are "Bullish" on the Equities markets in the short term due to current cheap valuations, lower yields on short-term government papers and expected global and local economic recovery, and, "Neutral" in the long term due to persistent foreign investor outflows. With the market currently trading at a discount to its future growth (PEG Ratio at 0.6x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors sell-offs to continue weighing down the economic outlook in the short term.*

## Real Estate

### **I. Residential Sector**

#### **a) Bill gives cheap homes loans defaulters a shorter window**

During the week, Kenya's proposed [amendments](#) to the Land Act 2012 seek to shorten the period within which affordable housing loan defaulters must regularize their payments before lenders can initiate foreclosure. The changes would reduce the default notice window from 90 to 45 days and the foreclosure notice from 40 to 20 days. This move is intended to make affordable housing lending more attractive to financial institutions by reducing the time and risk associated with recovering defaulted loans.

The anticipated benefits include improved lender confidence, encouraging more banks and Saccos to finance affordable housing. A quicker foreclosure process may also enable lenders to recover and recycle capital faster, supporting continued investment in housing developments. This could stimulate

construction activity, create employment, and inject momentum into a real estate sector. A more disciplined borrower culture might also emerge, as tighter timelines could encourage timely repayments.

However, the proposed law presents serious risks, especially for low-income and informal workers who make up the majority of Kenya's labor force. With irregular earnings and limited financial buffers, many may find it difficult to comply with the new repayment timelines. As a result, foreclosures could increase, leading to displacement and undermining the goals of the government's Affordable Housing Programme.

If large numbers of borrowers default under the shorter timelines, a wave of repossessed homes could hit the market. This could depress property values in areas where affordable housing is concentrated and reduce investor interest, similar to what has occurred in some oversupplied mid- and high-end segments of Nairobi. Moreover, the changes may deter new buyers from engaging with the government's housing schemes, especially given ongoing skepticism around their implementation and accessibility.

We expect that the amendment may improve the business case for affordable housing finance, it does not address the root problem of low affordability. Without complementary interventions such as subsidies, interest rate reductions, or income support, the new measures may simply hasten defaults rather than prevent them. The success of the policy depends not only on protecting lender interests but also on addressing the economic realities faced by potential homeowners. Without a balanced approach, the effort to expand homeownership could falter, limiting the broader benefits to Kenya's real estate market.

#### **b) Affordable housing scheme set for impact audit amid missed targets**

During the week, the Kenya's Affordable Housing Programme (AHP) board [announced](#) a plan to have the AHP to undergo an independent economic impact audit following underperformance in meeting its objectives. Launched to address the country's [2.0 mn-unit](#) housing deficit and create one million jobs annually, the programme has struggled significantly. As of the 2023/24 financial year, only 40,000 housing units were delivered—[16.0%](#) of the annual target of 250,000—while job creation stood at just 120,000. Moreover, project delays and budget shortfalls have hindered progress, with the government's [2024/25](#) housing budget of Kshs 92.5 bn still falling short of what's needed.

Public trust has also waned due to low uptake on the Boma Yangu platform, legal disputes over the mandatory Housing Levy, and concerns that the programme disproportionately benefits high-income earners. The audit aims to assess the AHP's actual economic contributions—such as job creation and GDP impact—while identifying inefficiencies in fund usage and project delivery. If successful, it could improve implementation, attract private developers, and restore confidence among savers, lenders, and homebuyers. However, short-term uncertainty and potential findings of mismanagement may stall investment and erode further public support.

We expect that the audit's effectiveness will hinge on whether it leads to structural reforms. Without addressing deeper issues like affordability for informal workers and income disparities, the audit risks becoming a superficial review rather than a transformative solution. For Kenya's real estate market to benefit meaningfully, audit outcomes must go beyond diagnostics and trigger actionable policies—such as deeper subsidies, inclusive mortgage schemes, and transparent fund allocation—that align both economic and social goals.

### **I. Industrial Sector**

During the week, President William Ruto's [initiative](#) to establish County Aggregation and Industrial Parks (CAIPs) across Kenya is faced significant challenges due to funding shortfalls. Initially, the national government pledged to fund half of the Kshs 500.0 mn cost for each CAIP, aiming to implement them in all counties within two years from July 2023. However, only KshS 3.3 bn of the planned Kshs 9.0 bn has been

allocated, leading to a reduction in the number of counties expected to have operational CAIPs by June 2025, from all 47 to just 18.

The Treasury's failure to release sufficient funds has stalled many projects, with only Kshs 1.1 bn of the Kshs 4.5 bn [allocated](#) for the 2023/24 financial year being disbursed. This has prompted Members of Parliament to suggest that counties, possibly in partnership with the private sector, take over the funding and management of these industrial parks. The funding delays are likely to hinder the government's Bottom-Up Economic Transformation Agenda (BETA), which aims to spur productivity in agriculture and manufacturing sectors. The CAIPs were envisioned to enhance value addition, reduce post-harvest losses, and create up to 200,000 jobs. Stalling these projects could slow economic growth, particularly in rural areas where such industrial parks were expected to stimulate local economies.

We expect that the slowdown in CAIP implementation may affect the real estate sector. Industrial parks often drive demand for housing, commercial spaces, and infrastructure development in surrounding areas. Delays could lead to reduced investment in these sectors, impacting job creation and economic activity in the construction and real estate industries.

## **II. Real Estate Investments Trusts (REITs) Performance**

On the [Unquoted Securities Platform](#), Acorn D-REIT and I-REIT traded at Kshs 26.7 and Kshs 22.9 per unit, respectively, as per the last updated data on 17<sup>th</sup> April 2025. The performance represented a 33.5% and 14.5% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. The volumes traded for the D-REIT and I-REIT came in at Kshs 12.8 mn and Kshs 36.1 mn shares, respectively, with a turnover of Kshs 323.5 mn and Kshs 791.5 mn, respectively, since inception in February 2021. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 17<sup>th</sup> April 2025, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 138,600 shares for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015.

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

- i. Insufficient understanding of the investment instrument among investors leading to a slower uptake of REIT products,
- ii. Lengthy approval processes for REIT creation,
- iii. High minimum capital requirements of Kshs 100.0 mn for REIT trustees compared to Kshs 10.0 mn for pension funds Trustees, essentially limiting the licensed REIT Trustee to banks only
- iv. The rigidity of choice between either a D-REIT or and I-REIT forces managers to form two REITs, rather than having one Hybrid REIT that can allocate between development and income earning properties
- v. Limiting the type of legal entity that can form a REIT to only a trust company, as opposed to allowing other entities such as partnerships, and companies,
- vi. We need to give time before REITS are required to list – they would be allowed to stay private for a few years before the requirement to list given that not all companies maybe comfortable with listing on day one, and,
- vii. Minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for restricted I-REITs. The significant capital requirements still make REITs relatively inaccessible to smaller retail investors compared to other investment vehicles like unit trusts or government bonds, all of which continue to limit the performance of Kenyan REITs.

***We expect Kenya's Real Estate sector to remain on a growth trend, supported by: i) demand for housing sustained by positive demographics, such as urbanization and population growth rates of [3.8% p.a](#) and***



*2.0% p.a, respectively, against the global average of 1.7% p.a and 0.9% p.a, respectively, as at 2023,, ii) activities by the government under the Affordable Housing Program (AHP) iii) heightened activities by private players in the residential sector iv) increased investment by local and international investors in the retail sector. However, challenges such as rising construction costs, strain on infrastructure development (including drainage systems), high capital requirements for REITs, and existing oversupply in select Real Estate sectors will continue to hinder the sector's optimal performance by limiting developments and investments.*

### **Focus of the Week: Kenya Listed Banks FY'2024 Report**

Following the release of the FY'2024 results by Kenyan listed banks, the Cytonn Financial Services Research Team undertook an analysis on the financial performance of the listed banks and identified the key factors that shaped the performance of the sector. For the earnings notes of the various banks, click the links below:

- i. [Equity Group FY'2024 Earnings Note](#)
- ii. [KCB Group FY'2024 Earnings Note](#)
- iii. [Standard Chartered Bank Kenya FY'2024 Earnings Note](#)
- iv. [ABSA Bank Kenya FY'2024 Earnings Note](#)
- v. [NCBA Group FY'2024 Earnings Note](#)
- vi. [Co-operative Bank FY'2024 Earnings Note](#)
- vii. [Stanbic Holdings FY'2024 Earnings Note](#)
- viii. [I&M Group Holdings FY'2024 Earnings Note](#)
- ix. [Diamond Trust Bank Kenya FY'2024 Earnings Note](#)
- x. [HF Group FY'2024 Earnings Note](#)

The core earnings per share (EPS) for the listed banks recorded a weighted growth of 25.7% in FY'2024, compared to a weighted growth of 11.4% recorded in FY'2023, an indication of sustained performance supported by improved operating environment experienced in FY'2024 on the back of easing inflationary pressures and a strengthening Shilling. Notably, the inflation rate in FY'2024 averaged 4.5%, 3.2% points lower than the 7.7% average in FY'2023, with the Kenyan Shilling having appreciated by 17.4% against the USD in FY'2024, compared to a 26.8% depreciation in FY'2023. The performance in FY'2024 was supported by a 16.6% growth in net interest income coupled with a 12.2% growth in non-funded income, however lower than the 20.6% and 16.4% growth in net interest income and in non-funded income respectively in FY'2023, attributable to the increased interest rates that dampened borrowing and transaction activity. However, credit risk increased with the asset quality of listed banks deteriorating in FY'2024, with the weighted average Gross Non-Performing Loan ratio (NPL) increasing by 0.6% points to 13.2%, from 12.6% recorded in FY'2023. The performance remained 2.1% points above the ten-year average of 11.1%.

The report is themed “**Banks Recalibrating for Growth Amid Macroeconomic Shifts**” where we assess the key factors that influenced the performance of the banking sector in FY'2024, the key trends, the challenges banks faced, and areas that will be crucial for growth and stability of the banking sector going forward. As such, we shall address the following:

- i. Key Themes that Shaped the Banking Sector Performance in FY'2024,
- ii. Summary of the Performance of the Listed Banking Sector in FY'2024,
- iii. The Focus Areas of the Banking Sector Players Going Forward, and,
- iv. Brief Summary and Ranking of the Listed Banks based on the outcome of our analysis

### **Section I: Key Themes That Shaped the Banking Sector Performance in FY'2024**

In this section, we will highlight the main factors influencing the banking sector in FY'2024. These include regulation, digitization, interest rates, regional expansion through mergers and acquisitions, and asset quality:



## 1. Regulation:

- a) **Higher capital requirements:** 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. 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. In December, HF Group raised Kshs 6.0 bn through a rights issue to help boost its capital levels, as it was among the 12 banks with core capital below Kshs 3.0 billion required by end of 2025. Other banks in this category included Access Bank Kenya, Consolidated Bank of Kenya, UBA Kenya, Middle East Bank of Kenya, Development Bank of Kenya, Credit Bank, Paramount Bank, M-Oriental Bank Kenya, Commercial International Bank (CIB), Premier Bank Kenya, and Habib Bank AG Zurich. 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.
- b) **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.
- c) **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,

2. **Digitization:** In FY'2024, 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 FY'2024,

3. **Interest Rates:** Interest rates soared to historical highs in 2024 compared to 2023. Notably, the yields on Kenyan government securities were on an upward trajectory during the period under review, with the yield on the 91-day paper averaging 15.2% during the year, 3.0% points higher than the average of 12.2% in FY'2023, peaking at 16.7% for in month of April 2024. However, yields on the Kenyan government securities were on a downward trajectory in the second half of FY'2024, with the yield on the 91-day paper averaging 14.3% during the second half of the year and closing the year at 9.9% from 15.9% recorded at the close of 2023. The significant declines in rates towards the year end, especially in Q4'2024 led to a decrease in the listed bank's interest income growth, softening to a weighted average growth of 21.1% in FY'2024, from a weighted average growth of 30.5% in FY'2023. Additionally, interest expense grew by a weighted average of 43.6% in FY'2024, down from 52.4% in FY'2023,
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 FY'2024, 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 FY'2024. 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. The acquisition and transfer shall take effect upon completion of the transaction in accordance with the terms of the Agreement between the parties.
  - b) On March 20, 2024 Access Bank Plc [announced](#) that it had entered into a share purchase agreement with KCB Group Plc that would allow Access Bank Plc to acquire 100% shareholding in National Bank of Kenya Limited (NBK) from KCB. Access Bank Plc is a wholly owned subsidiary of Access Holdings Plc listed on the Nigerian Exchange as Access Corporation. Notably, KCB Bank had acquired the National Bank of Kenya back in 2019 in a rescue deal that was supervised by the Central Bank of Kenya. The announcement followed the release of the FY'2023 results for the KCB group, which revealed a decline in earnings with its Core earnings per share (EPS) declining by 8.3% to Kshs 11.7, from Kshs 12.7 in FY'2022. The transaction represents an important milestone for Access Bank as it moves closer to the achievement of its five-year strategic plan through increased scale in the Kenyan market. In the signed deal, Access Bank will pay multiples of 1.3x the book value of NBK, which stood at Kshs 10.6 bn as of end December 2023. This values the deal at about Kshs 13.3 bn with the actual figure to be announced when the transaction is completed.
  - c) In April 2024, Sidian Bank [disclosed](#) that the founders of the bank and other nine individual shareholders relinquished a combined stake of 728,525 shares representing 16.6% stake to Pioneer General Insurance Limited, pioneer Life Investments Limited, Wizro Enterprises Limited, Afrah Limited, and Telesec Africa Limited. The transaction amounted to Kshs 0.8 bn translating to a price to book multiple (p/bv) of 1.0x. This follows an [earlier transaction](#) executed on October 2023 when Pioneer General Insurance, Wizpro Enterprise and Afram Limited bought 38.9% stake in the lender following a shareholders' resolution passed on 20<sup>th</sup> September 2023 approving the sale.

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

- a) On January 30, 2023, the Central Bank of Kenya (CBK) [announced](#) that Commercial International Bank (Egypt) S.A.E (CIB) had completed the acquisition of an additional 49.0% shareholding of Mayfair CIB Bank Limited (MBL) at Kshs 5.0 bn following the earlier acquisition of 51.0% stake in MBL [announced](#) in April 2020. Consequently, MBL is now a fully owned subsidiary of CIB,
- b) On January 30, 2023, Equity Group Holdings Plc., through Equity Bank Kenya Limited (EBKL) announced that it had completed the acquisition of certain assets and liabilities of the local Bank,

Spire Bank Limited after obtaining all the required regulatory approvals. The completion of the acquisition followed the Assets and Liabilities Purchase Agreement, which was [announced](#) in September 2022, as highlighted in our [Cytonn Weekly #37/2022](#). As such, Equity Bank Kenya Limited took over Spire Bank's 12 branches as well as all existing depositors in Spire Bank, other than remaining deposits from its largest shareholder, Mwalimu Sacco. For more information, please see our [Cytonn Monthly-January 2023](#),

- d) On March 17, 2023, the Central Bank of Kenya (CBK) [announced](#) that Premier Bank Limited Somalia (PBLs) had completed the acquisition of 62.5% shareholding of First Community Bank Limited (FCB) effective 27 March 2023. This came after receiving regulatory approvals from the CBK and the Cabinet Secretary for the National Treasury. FCB, which has been in operation since June 2008, is classified as a tier 3 bank in Kenya with 18 branches and a market share of 0.3% as at December 2022. The acquisition by Premier Bank Limited Somalia (PBLs), came at a time when FCB has been struggling to meet regulatory Capital adequacy requirements. For more information, please see our [Cytonn Weekly #11/2023](#),
- e) On May 22, 2023, the Central Bank of Kenya (CBK) announced that Shorecap III, LP, a Private Equity fund governed by the laws of Mauritius, had acquired a 20.0% stake in Credit Bank Plc. The fund is managed by Equator Capital Partners LLC, and the acquisition took effect from June 15, 2023. While the CBK initially did not reveal the value of the deal, it has since been disclosed that Shorecap III, LP paid Ksh 0.7 billion for the 20.0% stake, valuing the bank at Ksh 3.64 bn. Shorecap III, LP assumed control of 7,289,928 ordinary shares, which make up 20.0% of the Bank's ordinary shares. The funds helped lift Credit Bank from a regulatory capital breach. For additional details, refer to our [Cytonn Weekly #21/2023](#),
- f) On December 1, 2023 Equity Group Holdings Plc (EGH) [announced](#) that it had successfully completed the acquisition of its Rwandan Subsidiary, Compagnie Générale de Banque (Cogebanque) Plc, marking a significant milestone in its regional expansion strategy. Equity Group now holds 198,250 shares representing 99.1% of the issued share capital of COGEBANQUE, following receipt of all regulatory and corporate approvals, officially making COGEBANQUE its subsidiary. EGH made the announcement it had entered into a binding agreement with the Government of Rwanda, Rwanda Social Security Board, and other investors of Compagnie Generale De Banque (Cogebanque) Plc Limited to acquire a 91.9% stake in the Rwanda based lender on June 14, 2023. Notably, EGH signed a share purchase agreement with the Sellers on July 28, 2023, committing to buy 183,854 shares at a rate of 297,406 Rwandan Francs per share upon [completion](#) on December 1, 2023, giving EGH ownership of 99.1% of the issued share capital. Concurrently, EGH proposed to purchase all outstanding shares from the other shareholders of Cogebanque, aiming to own up to 100% of Cogebanque's issued shares,

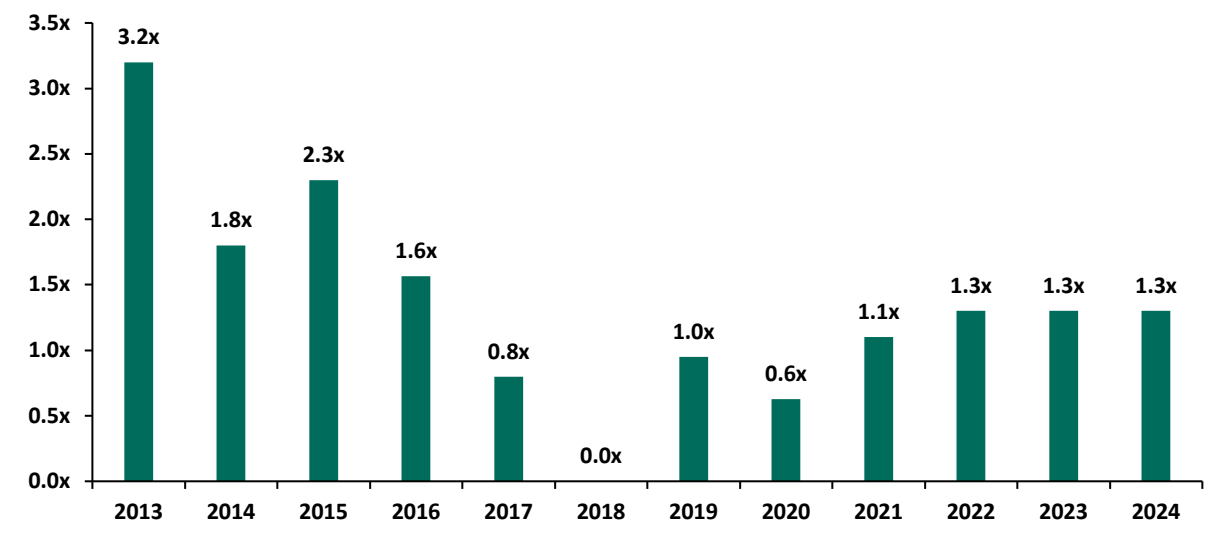
Below is a summary of the deals in the last 10 years that have either happened, been announced or expected to be concluded:

Cytonn Report: Banking Sector Deals and Acquisitions						
Acquirer	Bank Acquired	Book Value at 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
<b>Average</b>			<b>73.3%</b>		<b>1.3x</b>	
<b>Average: 2013 to 2018</b>			<b>73.5%</b>		<b>1.7x</b>	
<b>Average: 2019 to 2024</b>			<b>73.2%</b>		<b>1.0x</b>	
* Announcement Date						
** Deals that were dropped						

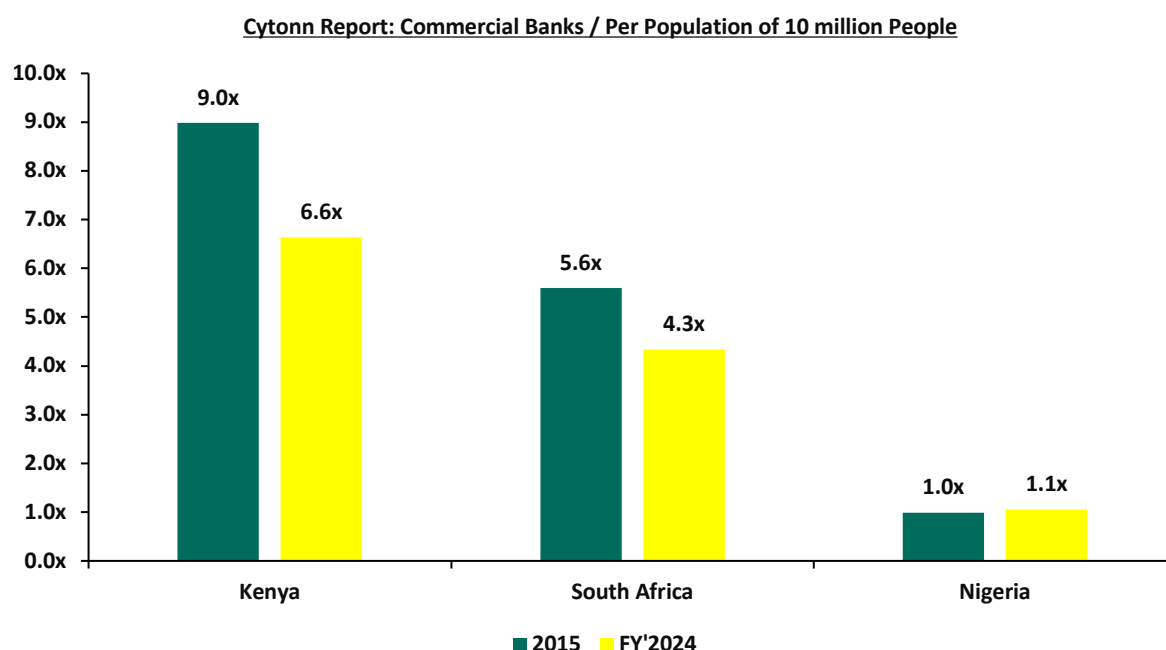
In 2024, the average acquisition valuations for banks have remained unchanged at 1.3x, similar to what was recorded in 2023. As such, the valuations still remain low compared to historical prices paid, as highlighted in the chart below;

**Kenya Banking Sector: Yearly Average Price to Book Acquisition Multiple**



As at the end of FY'2024, the number of commercial banks in Kenya stood at 38, same as in FY'2023, but lower than the 43 licensed banks in FY'2015. The ratio of the number of banks per 10 million population in Kenya now stands at 6.6x, which is a reduction from 9.0x in FY'2015, demonstrating continued consolidation in the banking sector. However, despite the ratio improving, Kenya still remains overbanked as the number of banks remains relatively high compared to the African major economies. To bring the ratio to 5.6x, we ought to reduce the number of banks from the current 38 banks to about 30 banks. This ongoing trend is expected to accelerate following the [enactment](#) of The Business Laws (Amendment) Act

2024 that mandated a significant increase in the minimum core capital for banks to Kshs 10.0 bn from the previous Kshs 1.0 bn that had been in effect since 2012. To facilitate compliance, lenders below this threshold were directed to incrementally grow the figure over a 5-year period, required to close 2025 with a minimum core capital of Kshs 3.0 bn, rising to Kshs 5.0 bn by the end of 2026, and full compliance at Kshs 10.0 bn by the end of 2029. The new capital requirement is likely to trigger further mergers and acquisitions (M&As), especially for smaller lenders that may struggle to meet the threshold, potentially reducing the number of banks even further. The chart below shows the commercial bank ratio per 10 million people across select African nations in comparison to Kenya;

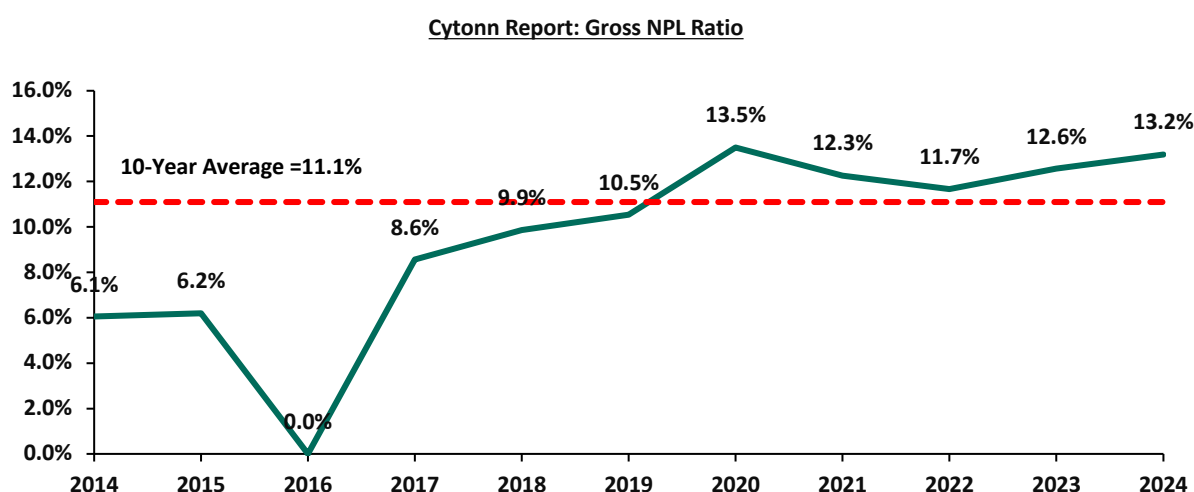


Source: World Bank, Central Bank of Kenya, South Africa Reserve Bank, Central Bank of Nigeria

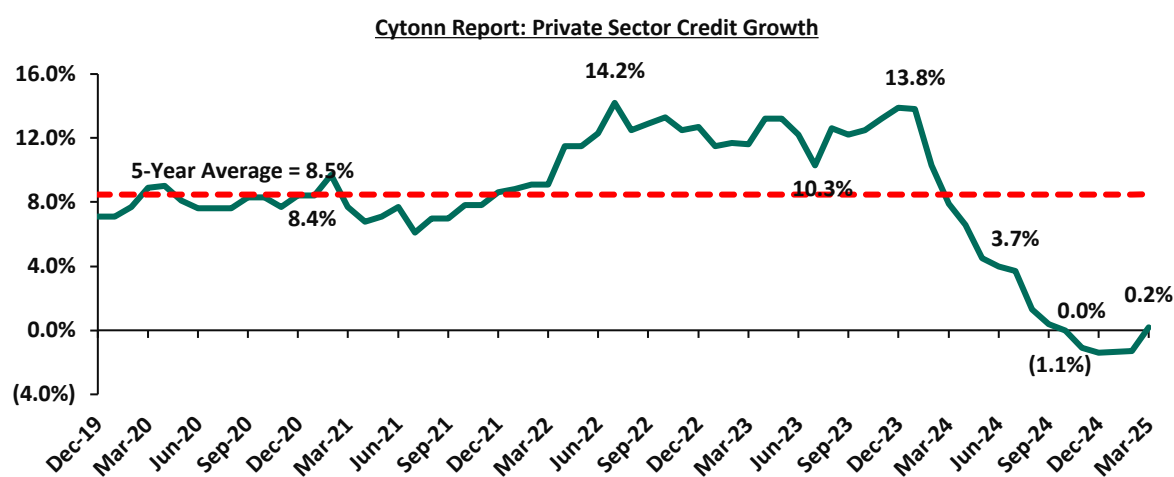
Additionally, on April 16, 2024, the Central Bank of Kenya (CBK), [announced](#) that with effect from July 1, 2025, it will lift the [moratorium](#) on licensing of new commercial banks that had been in place since November 2015. The moratorium was introduced in response to governance, risk management, and operational issues within the banking sector, aiming to create room for reforms. Since then, Kenya's banking sector has seen notable progress, including stronger legal and regulatory frameworks, increased mergers and acquisitions, and the entry of new local and international strategic investors. With the moratorium now lifted, new entrants into Kenya's banking sector must prove their ability to meet the revised minimum core capital requirement of Kshs 10.0 bn. This move opens the door for investors to apply for greenfield licenses, unlike the previous arrangement where entry was heavily reliant on mergers and acquisitions. Over the past decade, the moratorium contributed to a reduction in the number of banks in Kenya, to 38 currently from 43 in 2015.

**5. Asset Quality:** Asset quality for listed banks deteriorated in FY'2024, with the weighted average Gross Non-Performing Loan ratio (NPL) increasing by 0.6% points to 13.2%, from 12.6% recorded in FY'2023. The performance remained 2.1% points above the ten-year average of 11.1%. Notably, 6 out of the 10 listed banks recorded an increase in the NPL ratio, mainly driven by increased borrowing costs, and a decline in lending due to elevated credit risk. As such, non-performing loans in the banking industry [increased](#) by 8.3% to Kshs 672.6 bn in December 2024 from Kshs 621.3 bn in December 2023, with the industry's gross NPL ratio increasing by 1.6% points to 16.4% in December 2024 from 14.8% in December 2023. Additionally, KCB Group's NPL ratio rose the most by 2.9% points to 19.8%, from 17.0% in FY'2023, while Absa Group's NPL ratio increased by 2.7% points to 12.6%, from 9.9% in FY'2023. KCB Group's asset quality worsened due to an 8.4% rise in Gross Non-Performing Loans to Kshs 225.7 bn in FY'2024 from Kshs 208.3 bn in FY'2023, compared to a 7.2% decline in gross loans to

Kshs 1,137.2 bn from Kshs 1,226.1 bn in FY'2023. The chart below highlights the asset quality trend for the listed banks:



However, the deterioration in listed banks' asset quality was mitigated by an improvement in Standard Chartered Bank's asset quality, with the Gross NPL ratio decreasing by 2.3% points to 7.4% in FY'2024 from 9.7% in FY'2023. This was attributable to the 30.2% decrease in gross non-performing loans to Kshs 12.0 bn from Kshs 17.2 bn in FY'2023, outpacing the 8.9% decrease in gross loans to Kshs 161.5 bn from Kshs 177.2 bn in FY'2023. A total of six out of the ten listed Kenyan banks recorded a deterioration in asset quality, driven by the elevated borrowing costs, and a decline in lending due to elevated credit risk. In a bid to curb inflation and support the Shilling the Monetary Policy Committee (MPC) had adopted a tight monetary policy stance, raising the Central Bank Rate (CBR) to 13.00% in February 2024 and maintaining it at that rate for its two subsequent sittings up to July 2024. As a result of the high interest rates, the private sector credit growth was severely constrained recording contractions of 1.1% and 1.4% in the months of November and December 2024 respectively. The chart below shows the private sector credit growth:



However, the Central Bank of Kenya lowered the Central Bank Rate (CBR) by a cumulative 175 basis points to 11.25% in December 2024 from 13.00% in July 2024 in the year, and further by 125 bps to 10.00% in March 2025, signalling a gradual easing of monetary policy, noting that its previous measures had stabilized the currency and anchored inflation. This reduction in CBR is expected to support credit growth and ease financial pressures on borrowers. Hence, going forward, we expect credit risk to decline gradually but remain at relatively elevated levels compared to previous years, owing to the improved business environment, eased inflationary pressures, and the appreciation of the Kenya shilling.



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

Cyttonn Report: Listed Banks Asset Quality						
	FY'2024 NPL Ratio*	FY'2023 NPL Ratio**	% point change in NPL Ratio	FY'2024 NPL Coverage*	FY'2023 NPL Coverage**	% point change in NPL Coverage
KCB Group	19.8%	17.0%	2.9%	65.1%	62.5%	2.6%
Absa Bank Kenya	12.6%	9.9%	2.7%	66.0%	65.6%	0.4%
HF Group	25.3%	23.1%	2.2%	70.3%	74.9%	(4.6%)
Equity Group	13.6%	12.1%	1.5%	63.7%	52.4%	11.3%
I&M Group	11.5%	10.7%	0.8%	62.3%	55.8%	6.5%
Co-operative Bank of Kenya	17.0%	16.2%	0.7%	63.9%	57.2%	6.8%
Stanbic Holdings	9.1%	9.5%	(0.4%)	78.4%	70.4%	8.0%
Diamond Trust Bank	12.6%	13.4%	(0.8%)	39.9%	41.4%	(1.6%)
NCBA	11.5%	12.3%	(0.9%)	59.2%	55.2%	4.0%
Standard Chartered Bank	7.4%	9.7%	(2.3%)	81.8%	81.6%	0.3%
<b>Mkt Weighted Average*</b>	<b>13.2%</b>	<b>12.6%</b>	<b>0.7%</b>	<b>66.8%</b>	<b>60.7%</b>	<b>6.1%</b>
*Market cap weighted as at 17/04/2025						
**Market cap weighted as at 18/04/2024						

Key take-outs from the table include;

- Asset quality for the listed banks deteriorated in FY'2024, with market weighted average NPL increasing by 0.6% points to 13.2% from a 12.6% in FY'2023. The worsening of asset quality was mainly driven by a deterioration in KCB Group, Absa Group, HF Group, Equity Group, I&M Group and Coop Bank's asset quality with their NPL ratio increasing by 2.9%, 2.7%, 2.2%, 1.5%, 0.8% and 0.7% points respectively,
- KCB Group and Absa Group had the highest NPL ratio jumps by 2.9% and 2.7% points respectively to 19.8% and 12.6%, from 9.9% and 17.0% respectively in FY'2023. KCB Group's asset quality worsened due to a 8.4% rise in Gross Non-Performing Loans to Kshs 225.7 bn in FY'2024 from Kshs 208.3 bn in FY'2023, outpacing a 7.2% decline in gross loans to Kshs 1,137.2 bn from Kshs 1,226.1 bn in FY'2023. Similarly, Absa Group's asset quality worsened due to a 20.1% rise in Gross non-performing loans to Kshs 42.5 bn in FY'2024 from Kshs 35.4 bn in FY'2023, outpacing a 6.1% decline in gross loans to Kshs 337.1 bn from Kshs 358.9 bn in FY'2023, and,
- Market weighted average NPL Coverage for the listed banks increased by 6.1% points to 66.8% in FY'2024, from 60.7% recorded in FY'2023, majorly on the back of increased NPL coverage recorded by Equity Group, Stanbic Holdings, Co-op Bank, I&M Group, NCBA Bank, KCB Group, Absa Group and Standard Chartered Bank by 11.3%, 8.0%, 6.8%, 6.5%, 4.0%, 2.6%, 0.4% and 0.3% points respectively in FY'2024. However, the NPL coverage ratio of HF Group and Diamond Trust Bank Kenya decreased by 4.6% and 1.6% points respectively in FY'2024.

## Section II: Summary of the Performance of the Listed Banking Sector in FY'2024:

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

Cyttonn Report: Kenyan Listed Banks Performance FY'2024															
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
KCB Group	64.9%	26.9%	25.0%	28.0%	7.8%	16.6%	33.0%	10.1%	(18.3%)	(43.6%)	71.7%	(9.6%)	24.6%	4.6%	12.4%

Standard Chartered Bank	45.0%	20.0%	83.4%	13.4%	9.5%	40.4%	34.4%	11.9%	(13.8%)	34.7%	51.3%	(7.1%)	30.1%	1.7%	11.1%
Diamond Trust Bank Kenya	28.2%	12.0%	21.6%	3.0%	5.5%	7.3%	31.5%	15.8%	(8.0%)	5.5%	63.8%	(7.5%)	11.3%	6.3%	11.5%
Absa Bank Kenya	27.5%	19.3%	30.1%	15.4%	10.1%	10.8%	25.8%	1.7%	1.2%	37.2%	84.2%	(7.9%)	27.0%	4.5%	14.2%
I&M Group	21.9%	35.0%	39.9%	31.2%	7.7%	(2.8%)	26.7%	15.6%	(1.1%)	31.0%	69.6%	(7.8%)	16.9%	6.7%	15.4%
Stanbic Holdings	12.8%	37.8%	105.7%	(5.1%)	5.9%	(1.7%)	38.8%	(13.1%)	(2.8%)	67.9%	71.6%	(11.6%)	19.1%	7.1%	12.6%
Equity Group	11.0%	9.2%	20.3%	3.7%	7.0%	10.7%	43.9%	12.9%	3.1%	22.0%	58.5%	(7.7%)	22.1%	4.1%	10.9%
Co-operative Bank of Kenya	9.8%	24.9%	45.7%	13.9%	8.3%	10.1%	36.1%	3.2%	12.1%	15.1%	73.8%	(0.1%)	19.7%	6.4%	13.9%
NCBA Group	1.9%	16.0%	34.5%	(0.3%)	5.7%	(3.1%)	45.0%	5.5%	(13.4%)	(11.1%)	60.2%	(10.4%)	21.2%	7.4%	12.5%
HF Group	(10.8%)	23.1%	41.0%	4.4%	5.0%	21.2%	36.1%	36.1%	8.3%	75.3%	81.9%	0.2%	4.3%	7.5%	12.0%
FY'24 Mkt Weighted Average*	25.7%	21.1%	43.6%	11.7%	7.7%	12.2%	36.3%	7.3%	(4.4%)	15.4%	66.3%	(7.7%)	22.9%	5.0%	12.5%
FY'23 Mkt Weighted Average**	11.4%	30.5%	52.4%	20.6%	7.5%	16.4%	37.0%	18.4%	25.0%	2.2%	69.0%	9.5%	21.2%	4.0%	11.2%

\*Market cap weighted as at 17/04/2025

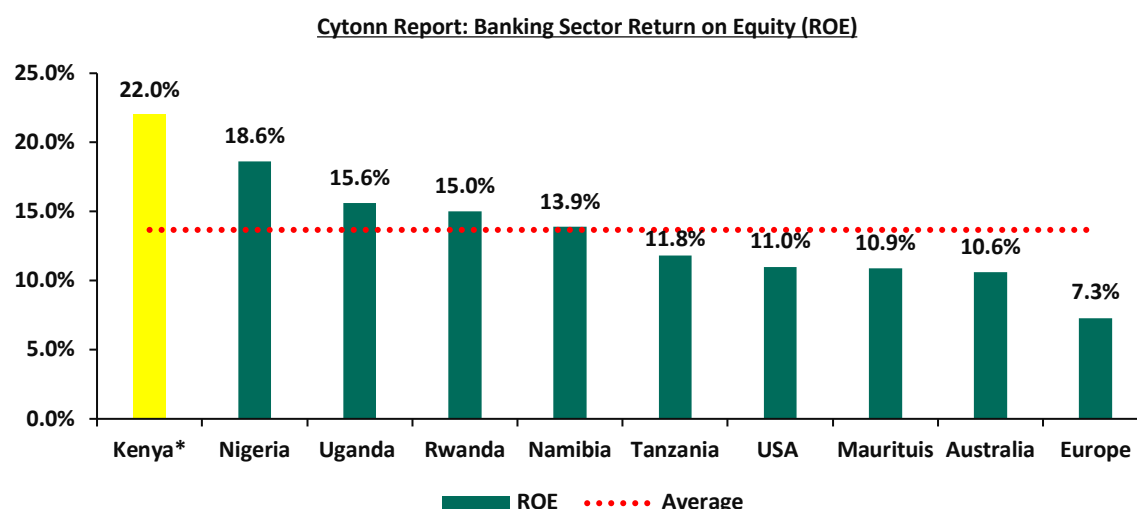
\*\*Market cap weighted as at 18/04/2024

#### Key takeaways from the table include:

- The listed banks recorded an 25.7% growth in core Earnings per Share (EPS) in FY'2024, compared to the weighted average growth of 11.4% in FY'2023, an indication of sustained performance supported by improved operating environment experienced in FY'2024 on the back of easing inflationary pressures and a strengthening Shilling. The performance during the period was mainly supported by a 11.7% weighted average growth in net interest income, coupled with a 12.2% weighted average growth in non-funded income,
- Investments in government securities investments by listed banks increased significantly in FY'2024, having recorded a market-weighted average growth of 15.4%, from the 2.2% increase recorded in FY'2023, with 8 of the 10 listed banks recording increases in government securities investments. HF Group and Stanbic Holdings recorded the largest increases of 75.3% and 67.9% respectively. However, 2 of the 10 listed banks recorded decreases in government securities investments of 43.6% and 11.1% for KCB Group and NCBA Group respectively,
- The listed banks' Net loans and advances to customers recorded a weighted average decline of 7.7% in FY'2024, a significant decline from the 9.5% growth recorded in FY'2023, an indication of decreased lending attributable to the elevated credit risk due to high borrowing costs witnessed during the period,
- Interest income recorded a weighted average growth of 21.1% in FY'2024, compared to 30.5% in FY'2023. Similarly, interest expenses recorded a market-weighted average growth of 43.6% in FY'2024 compared to a growth of 52.4% in FY'2023. Consequently, net interest income recorded a weighted average growth of 11.7% in FY'2024, albeit lower than the 20.6% growth recorded in FY'2023,
- Notably, non-funded income growth softened during the year, as evidenced by non-funded income weighted average growth of 12.2% in FY'2024 compared to a weighted average growth of 16.4% in FY'2023. The performance was largely attributable to the decrease in foreign exchange income recorded by the banks during the period as a result of decreased dollar demand in the country. Additionally, listed banks recorded a weighted average growth of 7.3% in total fees and commissions income in FY'2024 compared to a weighted growth of 18.4% in FY'2023, and,
- The listed banks recorded a 22.9% weighted average growth on return on average equity (Roae), 1.7% points lower than the 21.2% growth registered in FY'2023. Additionally, the entire banking sector's Return On Equity (ROE) stood at 22.0% as of December 2024, a 2.9% points decrease from the 24.9%



recorded in September 2024. On a global level, the Kenyan banking sector continues to record high profitability compared to other economies in the world, as highlighted in the chart below:



Source: Cytonn research

\* Figure as of December 2024

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

The banking sector continues to remain resilient as evidenced by the increase in their profitability, with the Core Earnings Per Share (EPS) growing by 25.7%, as banks continued to implement their revenue diversification strategies. Notably, all the 10 listed banks recorded a growth in their Non-funded income in FY'2024. Additionally, we believe that the possibly improved business environment occasioned by ease in inflationary pressures, an ease in the monetary policy following a decrease in the CBR and a stronger Shilling, will see banks start to decrease their provisioning to cushion themselves from credit risk. To note, growth in general provisions for the listed banks recorded a reduced weighted growth of 3.2% in FY'2024, compared to a growth of 20.3% in FY'2023. Based on the current operating environment, we believe the future performance of the banking sector will be shaped by the following key factors:

- I. **Growth in Interest income:** Going forward, we expect interest income growth to remain a key driver in the banking industry, evidenced by the 21.1% growth recorded in FY'2024, albeit lower than the 30.5% growth recorded in FY'2023, partly on the back of high borrowing costs experienced during the year. However, the recent easing of monetary policy by the Central Bank of Kenya, which lowered the Central Bank Rate (CBR) by 75 basis points to 10.00% in April 2025, signals a gradual reduction in borrowing costs. This is likely to support an increase in credit uptake, expanding banks' loan books and consequently boosting interest income. Additionally, the continued use of banks' risk-based lending models will enable banks to effectively price their risk, further contributing to the growth of interest income.,
- II. **Revenue Diversification:** In FY'2024, non-funded income (NFI) recorded a 12.2% weighted average growth, slower than the 16.4% weighted growth in FY'2023, 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 despite all the 10 listed Banks recording an increase in their non-funded income. As a result of the slower growth in non-funded income (NFI) the weighted average contribution of NFI to total operating income came in at 36.3% in FY'2024, 0.7% points lower than the 37.0% weighted average growth contribution recorded in FY'2023 and as such, there still exists an opportunity for the sector to further increase NFI contributions to revenue given the continuous adoption of digitization,
- III. **Growth in Loans and Advances:** While 1 of the listed banks, HF Group, experienced positive loan growth of 0.2%, 9 out of the 10 listed banks recorded negative growth in loans and advances to

customers, majorly due to increased credit risk and the elevated borrowing costs. 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,

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

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

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

Cytonn Report: Listed Banks Earnings, Growth and Operating Metrics FY'2024								
Bank	Loan to Deposit Ratio	Cost to Income (With LLP)	Return on Average Capital Employed	Deposits/ Branch (bn)	Gross NPL Ratio	NPL Coverage	Tangible Common Ratio	Non Funded Income/Revenue
Absa Bank	84.2%	52.3%	27.0%	4.3	12.6%	66.0%	16.6%	25.8%
HF Group	81.9%	89.5%	4.3%	2.2	25.3%	70.3%	22.0%	36.1%
Coop Bank	73.8%	57.9%	19.7%	2.4	17.0%	63.9%	19.0%	36.1%
KCB Group	71.7%	60.0%	24.6%	2.6	19.8%	65.1%	13.3%	33.0%
Stanbic Bank	71.6%	52.3%	19.1%	10.7	9.1%	78.4%	16.4%	38.8%
I&M Holdings	69.6%	61.2%	16.9%	3.9	11.5%	62.3%	15.2%	26.7%
DTBK	63.8%	72.8%	11.3%	2.8	12.6%	39.9%	13.9%	31.5%
NCBA Group	60.2%	60.0%	21.2%	4.2	11.5%	59.2%	15.5%	45.0%
Equity Bank	58.5%	68.7%	22.1%	3.5	13.6%	63.7%	12.2%	43.9%
SCBK	51.3%	44.3%	30.1%	12.9	7.4%	81.8%	17.5%	34.4%
<b>Weighted Average FY'2024</b>	<b>66.3%</b>	<b>58.3%</b>	<b>22.9%</b>	<b>5.3</b>	<b>13.2%</b>	<b>66.8%</b>	<b>15.3%</b>	<b>36.3%</b>
Market cap weighted as at 17/04/2025								

The overall ranking was based on a weighted average ranking of Franchise value (accounting for 60.0%) and intrinsic value (accounting for 40.0%). The Intrinsic Valuation is computed through a combination of valuation techniques, with a weighting of 40.0% on Discounted Cash-flow Methods, 35.0% on Residual Income, and 25.0% on Relative Valuation, while the Franchise ranking is based on a bank's operating metrics, meant to assess efficiency, asset quality, diversification, and profitability, among other metrics. The overall FY'2024 ranking is as shown in the table below:

Cytonn Report: Listed Banks FY'2024 Rankings					
Bank	Franchise Value Rank	Intrinsic Value Rank	Weighted Rank Score	FY'2023 Rank	FY'2024 Rank
Absa Bank	2	3	2.4	1	1

KCB Group	5	1	3.4	9	2
SCBK	1	7	3.4	5	3
I&M Holdings	6	2	4.4	5	4
Coop Bank	4	6	4.8	2	5
Stanbic Bank	3	10	5.8	3	6
Equity Bank	8	5	6.8	4	7
NCBA Group	6	8	6.8	8	7
DTBK	10	4	7.6	7	9
HF Group	9	9	9.0	10	10

**Major Take-outs from the FY'2024 Ranking are:**

1. ABSA Bank retained to position 1 in FY'2024, similar to FY'2023, mainly supported by strong franchise value score, attributable to improvement in the bank's management quality and earning quality, with the cost-to-income ratio with LLPs declining by 4.3% points to 52.3% in FY'2024, from 56.6% in FY'2023, and cost-to-income without LLPs declined by 2.0% points to 37.7% in FY'2024, from 39.7% in FY'2023. Notably, the bank's Net Interest Margin increased by 1.0% points to 10.1% in FY'2024 from 9.1% in FY'2023,
2. KCB Group climbed up 7 places to rank at position 2 in FY'2024, up from position 9 in FY'2023 supported by significant improvement in intrinsic value score. Its performance was driven by 10.7% points decline in cost-to-income ratio with LLPs to 60.0% in FY'2024, from 70.7% in FY'2023, while cost-to-income ratio without LLPs declined by 5.0% points to 45.4% in FY'2024, from 50.3% in FY'2023. Notably, the bank's Net Interest Margin increased by 1.2% points to 7.8% in FY'2024 from 6.6% in FY'2023,
3. Equity Group slid 3 places to rank at position 7 in FY'2024, down from position 4 in FY'2023, attributable a decline in franchise value score mainly on the back of 6.4% points increase Cost of income without LLPs to 58.2% in FY'2024 from the 51.9% recorded in FY'2023, coupled with the 0.5% points decline in the net interest margin to 7.0% in FY'2024, from 7.4% in FY'2023. The bank's performance was however supported by 2.8% points decline in cost-to-income ratio with LLPs to 68.7% in FY'2024, from 71.4% in FY'2023.

For more information, see our **Cytonn FY'2024 Listed Banking Sector Review** full report.

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