Kenya Listed Commercial Banks Review
Cytonn Q3'2020 Banking Sector Report

"Erosion of the Banking Sector's Asset Quality amid the COVID-19 Operating Environment"

Cytonn

11th December, 2020

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I. Introduction to Cytonn

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	**7**	Seven offices across 2 continents	**500**	Over 500 staff members, including Cytonn Distribution	**10**	10 investment ready projects in real estate

A unique franchise differentiated by:

Independence & Investor Focus

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

Alternative Investments

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

Strong Alignment

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

Committed Partners

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

Why We Exist

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

WE SERVE THREE MAIN CLIENT SEGMENTS:

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

WE INVEST OUR CLIENT FUNDS IN:

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

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

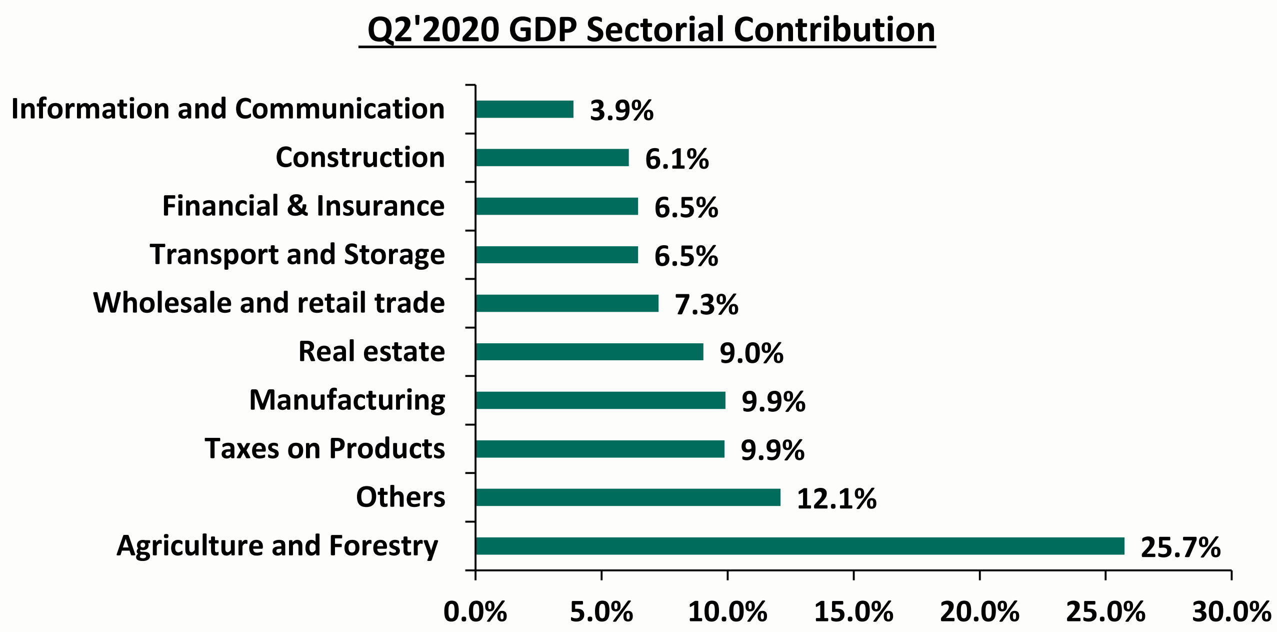
Our Business Structure

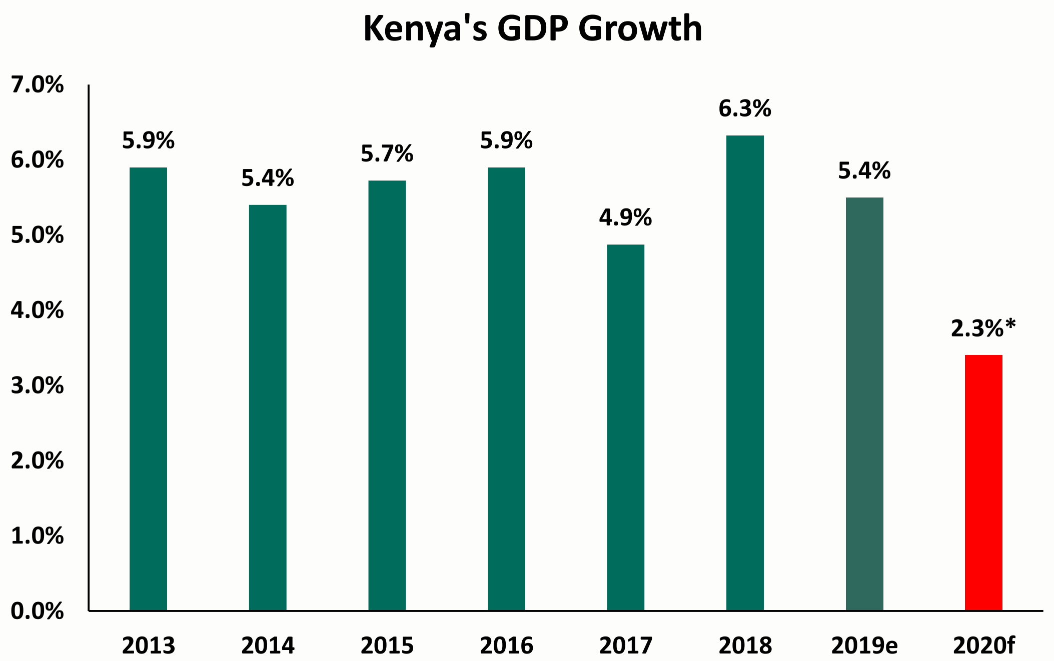
Cytonn Investments Management Plc

- **Cytonn Capital Partners** (Private Markets)
  - Private Offers and Real Estate Investments
  - Cytonn Hospitality
  - Superior Homes Kenya
- **Cytonn Asset Managers** (Regulated by CMA & RBA)
  - Unit Trust Funds
  - Cytonn Africa Financial Fund
  - Cytonn Advisory
  - Pension Fund Management
- **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

The economic growth expected to slow down in 2020





- According to Kenya National Bureau of Statistics (KNBS), the Kenyan economy recorded a 5.7% contraction in Q2'2020 down from a growth of 5.3% recorded in a similar period in 2019. This is the first contraction since the third quarter of 2001 when the country recorded a 2.5% contraction
- We expect slight recovery in the subsequent quarters given the continued partial reopening of the economy. However, given the uncertainty of the tenor and the severity of the pandemic we maintain our expectations of a best case scenario of a 1.4% economic growth for 2020

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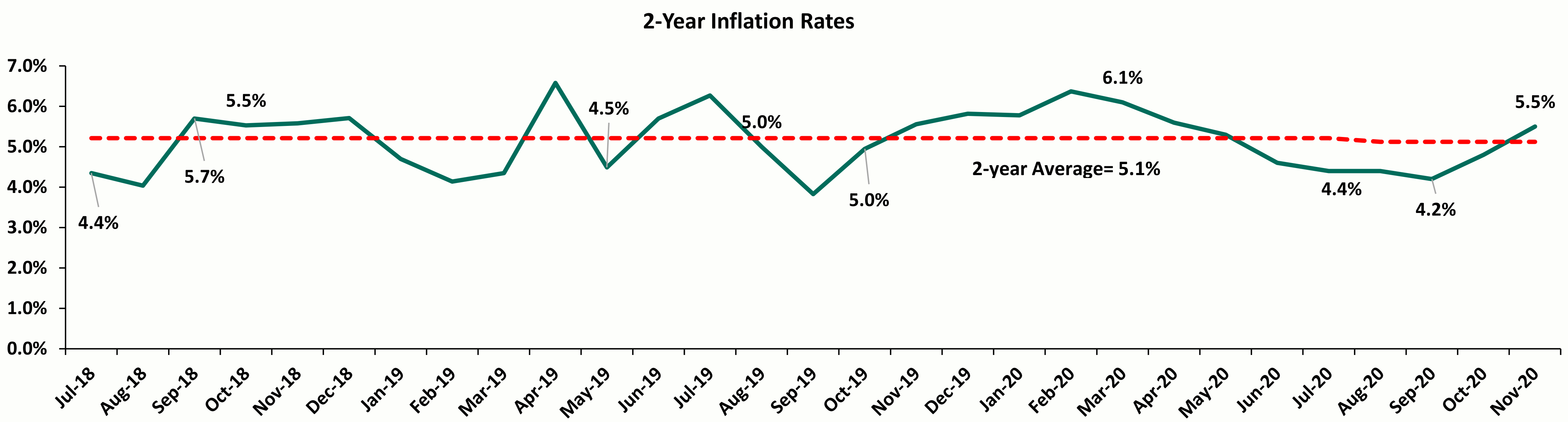
Inflation

Inflation averaged 4.3% in Q3’2020 down from 5.2% in Q2’2020



**Source: KNBS*

- inflation has averaged 5.5% for the 11 months to November 2020, lower than the 5.6% seen a similar period last year and within the governments target range of 2.5% - 7.5%
- We expect inflation to remain stable despite supply-side disruption due to COVID-19 mainly supported by stable food prices as a result of the current favorable weather conditions. The recent reopening of a majority of the global markets will also address supply chain issues causing import prices to stabilize.

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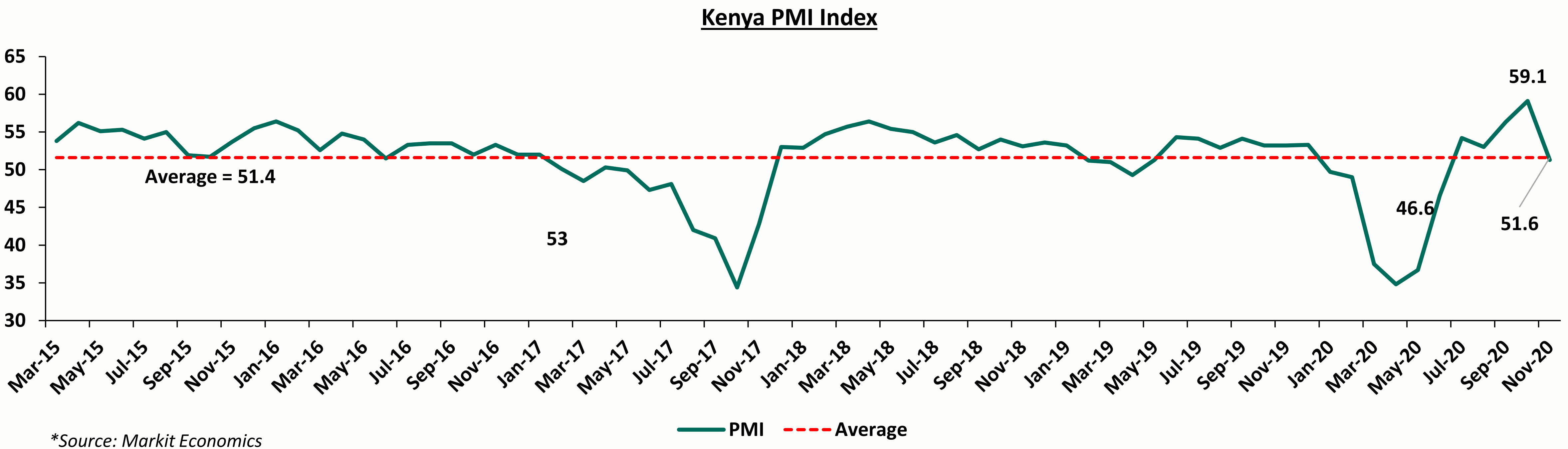
Stanbic PMI Index



**Source: Markit Economics*

- In Q3'2020, the economic prospects of the country improved, with the Stanbic PMI index averaging 54.5, an improvement from the 39.4 recorded in Q2'2020. The improvement follows the relaxation of Coronavirus restrictions seen during the period.
- Key to note, a PMI reading of above 50 indicates improvements in the business environment, while a reading below 50 indicates a worsening outlook. Despite the stronger growth seen in the period under review, the level of sentiments was weak, as firms were concerned that the economy could face a setback from the pandemic

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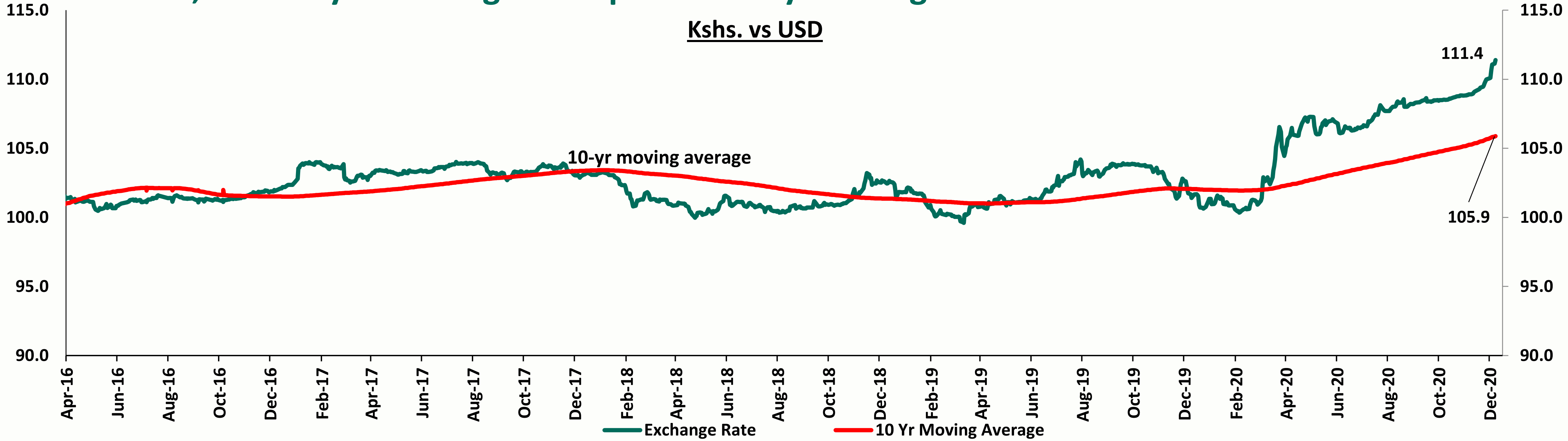
Currency

Year-to-date, the Kenyan shilling has depreciated by 9.9% against the US Dollar



**Source: Central Bank of Kenya*

- In Q3'2020, the Kenya shilling depreciated by 1.9% mainly attributable to the uncertainty in the global economy and also the decline in dollar inflows as trade is impacted. On a YTD basis, the shilling has depreciated by 9.9%, in comparison to the 0.5% appreciation in 2019.
- In our view, the shilling will come under pressure due to continued uncertainty globally making people prefer holding dollars and other hard currencies

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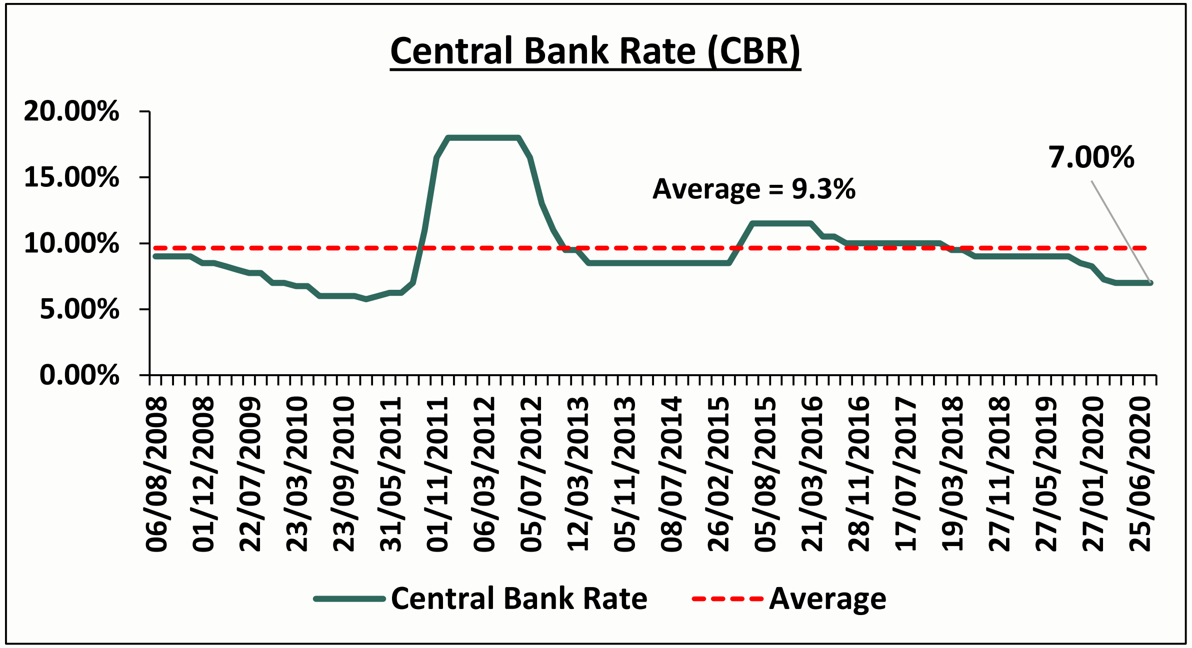
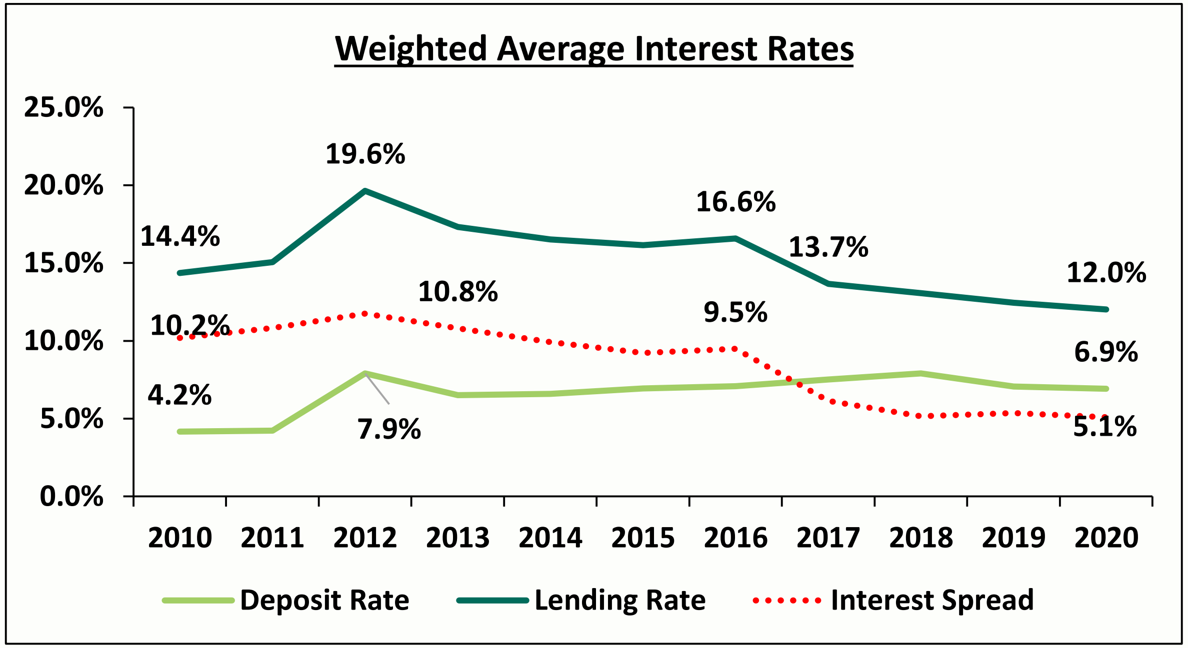
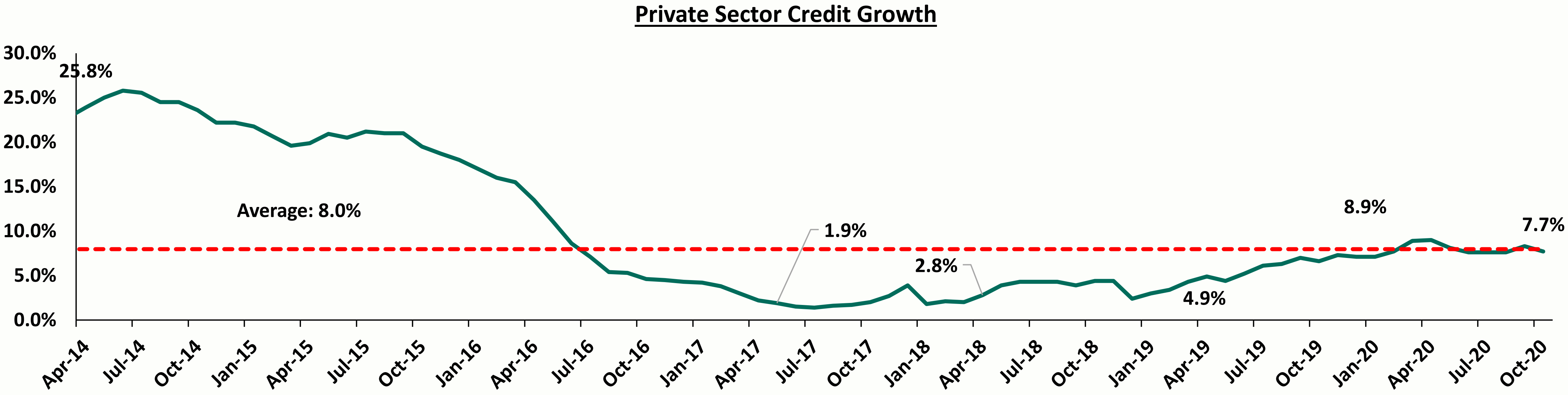
Interest Rates and Monetary Policy





- During Q3'2020, the Monetary Policy Committee met twice and in both instances, held the both the Central Bank Rate stable at 7.0% and the Cash Reserve ratio remained unchanged at 4.25%
- 2020 has so far seen the MPC cut the CBR by 150 bps in the 3 meetings held in 2020 to 7.00% in order to support economic growth, stabilize the financial markets and mitigate the economic and financial disruptions brought about by the Coronavirus pandemic. As a result of the adoption of the accommodative policy in 2020, commercial banks' lending rates declined to 12.0% in September 2020 from 12.3% seen in December 2019.

Private Sector Credit growth



**Source: KNBS*

- In the 12 months to October 2020, growth in private sector credit stood at 7.7% supported by recovery in demand with the improved economic activity following the easing of COVID-19 containment measures, and the accommodative monetary policy
- We expect to see increased caution on lending especially to businesses that rely on imports hence inhibiting private credit sector growth due to the high risk of credit default, with the possibility of heightened Non Performing Loans if the pandemic is to continue

III. Banking Sector Overview

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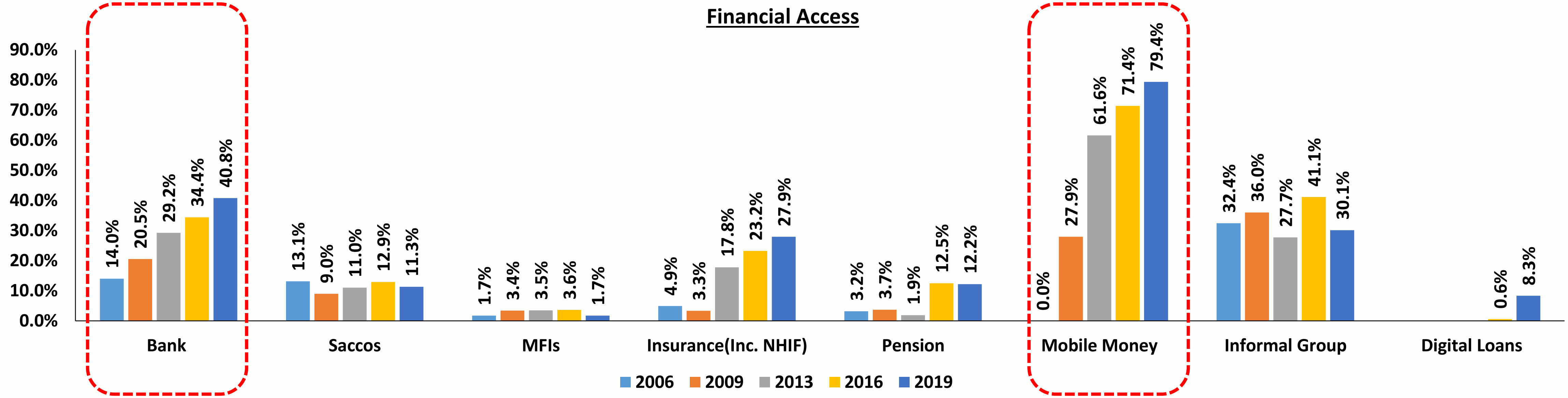
Kenyan Banking Sector Overview

Financial Inclusion in Kenya continues to rise, mainly driven by proliferation of mobile and digital channels

- In Kenya there are a total of 38 commercial banks, 1 mortgage finance company, 13 microfinance banks, 9 representative offices of foreign banks, 74 foreign exchange bureaus, 18 money remittance providers and 3 credit reference bureaus
- Financial inclusion in Kenya has continued to rise, with 82.9% 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 in 2019, with 79.4% of the adult population using the channel



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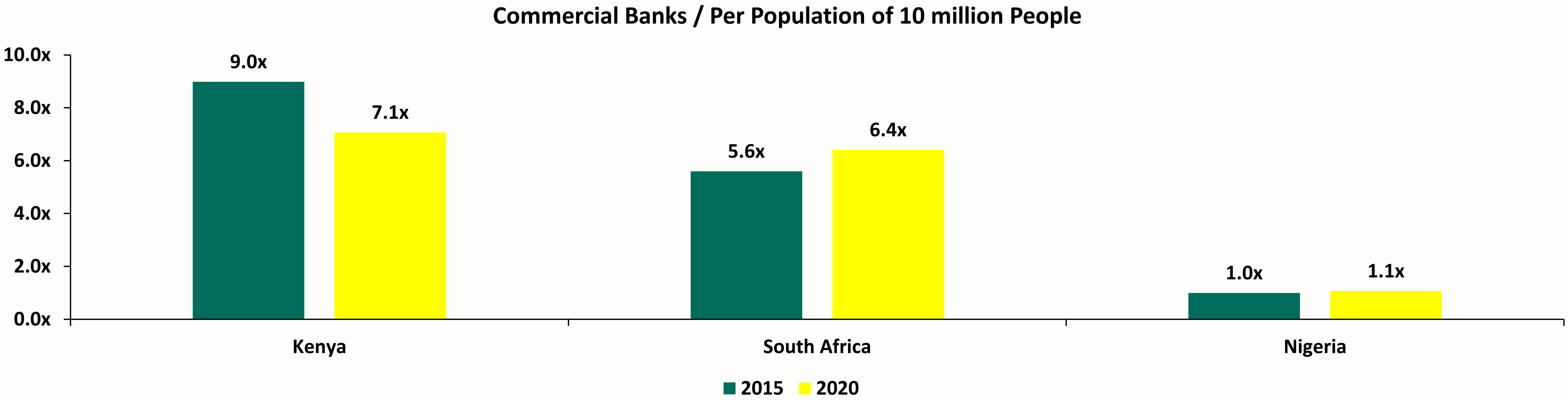
Source: Central Bank of Kenya, FinAccess report

Kenyan Banking Sector Overview

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



- Despite the number of commercial banks in Kenya reducing to 38, compared to 43 banks 5-years ago. The ratio of the number of banks per 10 million population in Kenya now stands at 7.1x, which is a reduction from 9.0x 5-years ago, demonstrating continued consolidation of the banking sector. However, despite the ratio improving, Kenya still remains overbanked as the number of banks remains relatively high compared to the population.

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Recent Developments in the Kenyan Banking Sector

1. Regulation:

i. **Guidance on Loan Restructuring-** On March 27th 2020, the Central Bank of Kenya provided commercial banks and mortgage finance companies with guidelines on loan reclassification, and provisioning of extended and restructured loans as per the Banking Circular No 3 of 2020. The loan restructuring involves placing moratoriums on both interest and principal payments for three months, in effect giving reprieve to borrowers who found it difficult to repay their loans due to the impact caused by the pandemic. The table below highlights some of the major banks that have disclosed the amount of loans they have restructured;

No.	Bank	Amount Restructured (Kshs bn)	% of restructured loans to total loans	Q3'2020 y/y Change in Loan loss provision
1	Kenya Commercial Bank	105.0	18.2%	242.5%
2	Equity Group Holdings	92.0	20.2%	686.1%
3	Diamond Trust Bank	64.0	31.1%	232.1%
4	NCBA Group	58.0	23.2%	210.6%
5	Absa Bank Kenya	63.0	30.1%	146.7%
6	Co-operative Bank of Kenya	39.2	13..8%	89.4%
7	Standard Chartered Bank of Kenya	22.0	16.7%	274.2%
	Total	**443.2**	**23.3%**	**268.8%**

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Recent Developments in the Kenyan Banking Sector

2. Consolidation:

Kenya's banking sector has witnessed heightened M&A activity over the last 5 years, leading to formation of relatively larger, well capitalized and possibly more stable entities.

The following were the major M&A's activities witnessed during the third quarter of 2020:

i. On 25th August 2020, Co-operative Bank Kenya completed the 90.0% acquisition of Jamii Bora Bank and rebranded it to Kingdom Bank Limited,

ii. On 11th August 2020, Equity Group Holdings completed the 66.5% stake acquisition of the Banque Commerciale Du Congo (BCDC) at a cost of USD 95.0 mn (Kshs 10.3 bn), and,

iii. On 20th July 2020, I&M Holdings plc issued a cautionary statement to its shareholders on its intention to acquire 90.0% of the share capital of Orient Bank Limited Uganda (OBL).

Other mergers and acquisitions activities announced after Q3'2020 include;

i. On 25th November 2020, KCB Group disclosed that it had entered into an agreement with Atlas Mara Limited (ATMA) to acquire 62.1% stake in Banque De Populaire du Rwanda (BPR) in Rwanda and 100.0% stake in African Banking Corporation Ltd Tanzania (ABC Tanzania).

Recent Developments in the Kenyan Banking Sector

Consolidation continues in the banking sector, with the most recent being that of KCB Group and Atlas Mara

Acquirer	Bank Acquired	Book Value at Acquisition (Kshs. Bns)	Transaction Stake	Transaction Value	P/Bv Multiple	Date
KCB Group	Banque Commerciale Du Congo	5.2	62.1%	5.7	1.1x	Nov-20*
KCB Group	ABC Tanzania	Unknown	100.0%	Undisclosed	0.4x	Nov-20*
Co-operative Bank	Jamii Bora Bank	3.4	90.0%	1	0.3x	Aug-20
Commercial International Bank	Mayfair Bank Limited	1	51.0%	Undisclosed	N/D	May-20*
Access Bank PLC (Nigeria)	Transnational Bank PLC.	1.9	100.0%	1.4	0.7x	Feb-20*
Equity Group **	Banque Commerciale Du Congo	8.9	66.5%	10.3	1.2x	Nov-19*
KCB Group	National Bank of Kenya	7	100.0%	6.6	0.9x	Sep-19
CBA Group	NIC Group	33.5	53%:47%	23	0.7x	Sep-19
Oiko Credit	Credit Bank	3	22.8%	1	1.5x	Aug-19
CBA Group**	Jamii Bora Bank	3.4	100.0%	1.4	0.4x	Jan-19
AfricInvest Azure	Prime Bank	21.2	24.2%	5.1	1.0x	Jan-18
KCB Group	Imperial Bank	Unknown	Undisclosed	Undisclosed	N/A	Dec-18
SBM Bank Kenya	Chase Bank Ltd	Unknown	75.0%	Undisclosed	N/A	Aug-18
DTBK	Habib Bank Kenya	2.4	100.0%	1.8	0.8x	Mar-17
SBM Holdings	Fidelity Commercial Bank	1.8	100.0%	2.8	1.6x	Nov-16
M Bank	Oriental Commercial Bank	1.8	51.0%	1.3	1.4x	Jun-16
I&M Holdings	Giro Commercial Bank	3	100.0%	5	1.7x	Jun-16
Mwalimu SACCO	Equatorial Commercial Bank	1.2	75.0%	2.6	2.3x	Mar-15
Centum	K-Rep Bank	2.1	66.0%	2.5	1.8x	Jul-14
GT Bank	Fina Bank Group	3.9	70.0%	8.6	3.2x	Nov-13
Average			**74.7%**		**1.2x**	

*** Announcement Date**
**** Deals that were dropped**

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Recent Developments in the Kenyan Banking Sector

3. **Deteriorating Asset Quality:** Asset quality for listed banks deteriorated in Q3'2020 with the Gross NPL ratio rising by 2.6% points to 12.4% from 9.8% in Q3'2019. This was high compared to the 5-year average of 8.5%. The deterioration in asset quality was as a result of the coronavirus-induced downturn in the economy which led to an uptick in the non-performing loans. The NPL coverage has risen to 59.2% in Q3'2020 from 57.8% recorded in Q3'2019. In accordance with IFRS 9, banks are expected to provide both for the incurred and expected credit losses. We expect higher provisional requirements to subdue profitability during the year across the banking sector on account of the tough business environment, and,

4. **Capital Conservation/Dividends Deferment:** The Central Bank of Kenya on 14th August 2020, directed that Banks will have to get approval before declaring dividends for the current financial year, in a bid to ensure that the banks have enough capital that will enable them to respond appropriately to the COVID-19 pandemic. The Central Bank gave guidance to lenders asking them to revise their ICAAP (Internal Capital Adequacy Assessment Process) based on the pandemic. Subject to the submission of the revised Internal Capital Adequacy Assessment Process, (ICAAP), CBK will determine if it will endorse the board's decision to pay out dividends. A similar trend has been mirrored globally by both financial and non-financial businesses frantically seeking ways to save money with several regulators encouraging companies to cease the discretionary payments of dividends to shareholders. Following the release of the Q3'2020 results, as expected, most banks did not declare any interim dividends for Q3'2020 in a bid to preserve their capital amid the subdued environment.

Banking Sector Growth Drivers

1. **Increased Liquidity due to lower Cash Reserve Ratio (CRR) -** The Cash Reserve Ratios was reduced to 4.25% from 5.25% injecting additional liquidity of approximately at Kshs. 35.0 bn, to commercial banks for onward lending to distressed borrowers. Additionally, given that a low CRR translates to a low amount held in the CBK at no interest, we expect this to lead to a decline in the interest rates charged on loans by the sector,

2. **Lower Profitability-** With the large amount of restructuring and reclassification of loans witnessed in Q3'2020, we expect the bank's core source of revenue which is interest income, to be negatively affected in the short term. Given the relaxation of the loan interest payments and the borrowers preference to long term tenor extensions on their loan holiday to between 9-12 months, the banks interest income is set to drop. Banks are also not lending aggressively due to higher credit risk. We foresee a slower growth in loans in FY'2020 and thereafter if the pandemic is to persist further with banks turning to less risky investments such as government securities which rose by 47.4% faster than the 15.0% rise in loans in Q3'2020,

Banking Sector Growth Drivers

Bank earnings to be affected by increased provisioning given that most of the sectors affected by the pandemic are not expected to fully recover by the end of FY'2020

3. **Lower Net Interest Margins (NIM):** The increased investments by banks in government securities as opposed to lending, coupled with the increased liquidity in the money market has seen the yield curve readjust downwards. As such, we foresee the sector's Yield on Interest Earning Assets (YIEA) continue to decline in tandem with the decline in the yields on government securities. Additionally, we foresee a continued decline in the sector's NIMs in the FY'2020, most especially for banks reducing their lending rates for customers in line with the CBR cuts

4. **High Loan Provisioning-** The risk of loan defaults remains elevated despite an improvement in the operating environment in line with the relaxation of Coronavirus measures. We foresee increased provisioning in the sector as compared to FY'2019, given the lagged recovery process from the pandemic. Additionally, we expect the higher provisioning requirements as per the IFRS guidelines to further subdue the profitability of the banking sector during the year

Banking Sector Growth Drivers

Regional Expansion and further consolidation to lead banks growth in future

5. **Cost Rationalization:** Given the expected low revenues and increased automation, banks are expected to continue pursuing their cost rationalization strategies. A majority of banks have been riding on the digital revolution wave to improve their operational efficiency. Increased adoption of alternative channels of transactions such as mobile, internet, and agency banking, has led to increased transactions carried out via alternative channels and out of bank branches, which have been reduced to handling high-value transactions and other services such as advisory. Banks reduced front-office operations, thereby cutting the number of staff required and by extension, reducing operating expenses and hence, improving operational efficiency,

6. **Expansion and Further Consolidation -** With the Microfinance-Bill 2019 of increasing the minimum on core capital requirements still in its pilot stage more mergers and acquisitions would enable the unprofitable and/or smaller banks to manage the requirement and be able to increase profitability through cost efficiency and deposits growth.

7. **Lower Non-Funded Income-** With the new regulations put in place by the Central bank to cushion citizens against the effects of the COVID-19 pandemic, banks' non-interest income was depressed during Q3'2020, growing at a weighted average growth of 2.1%, slower than 15.8% growth recorded in Q3'2019. As such, we foresee the sectors NFI growth to be muted in FY'2020 and to be outperformed by the interest income growth in the short term.

IV. Listed Banking Sector Metrics

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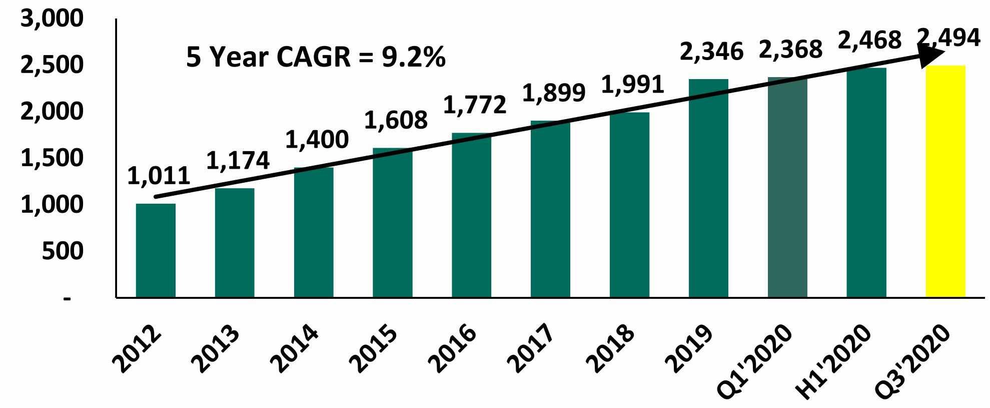
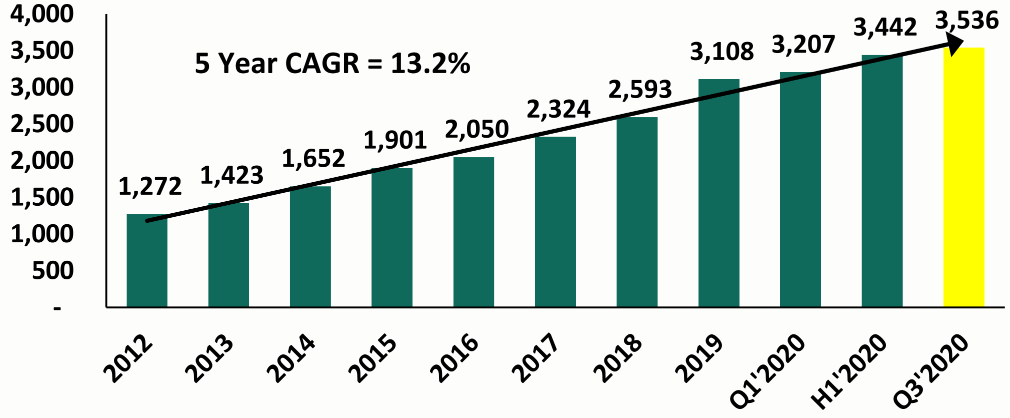
Listed Banking Sector Metrics

Q3’2020 deposit witnessed a faster 23.1% growth as compared to the 15.0% growth in loans

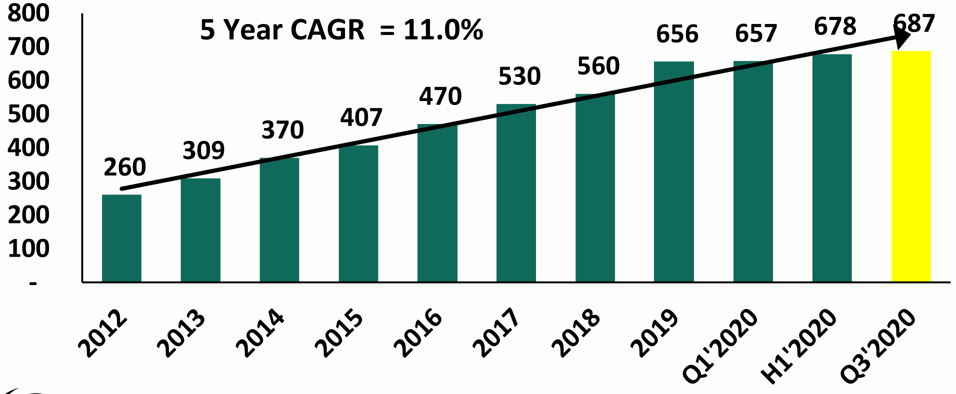
Loans and Advances (Kshs Bn)



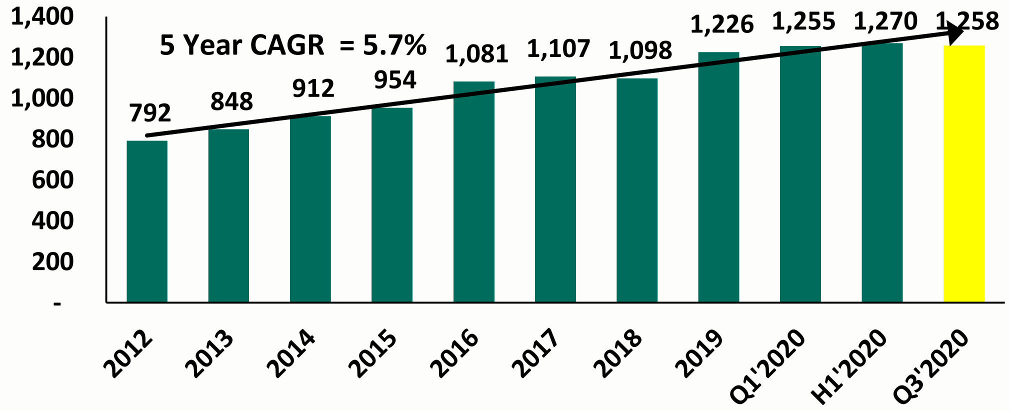
Deposits (Kshs Bn)



Shareholders Equity (Kshs Bn)



Bank Branches



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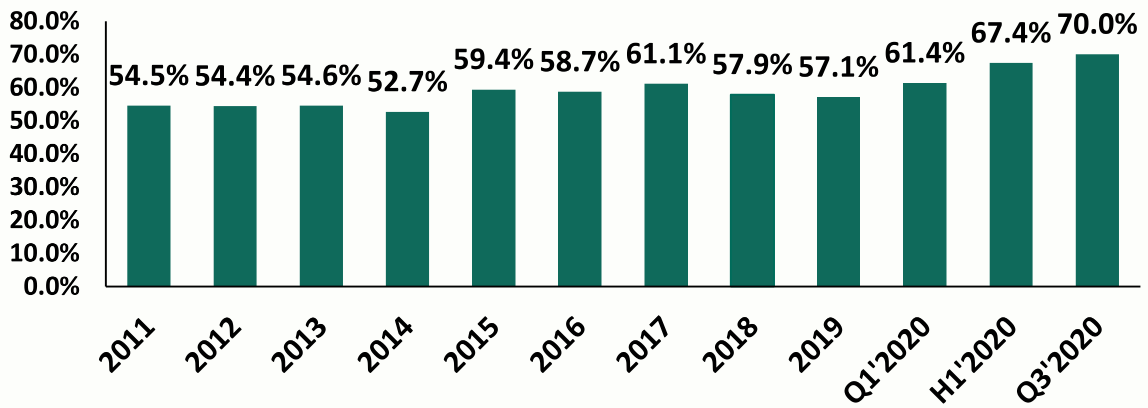
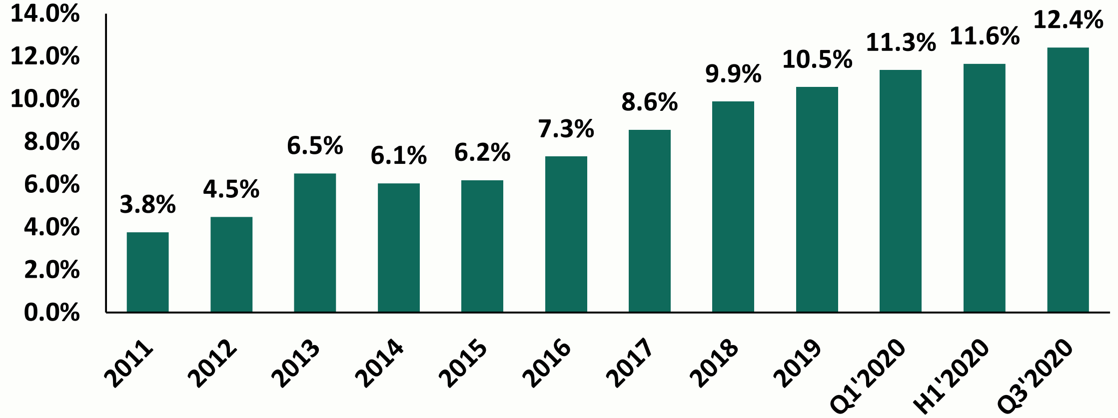
Listed Banking Sector Metrics

Banks asset quality and profitability were negatively impacted by the tough COVID-19 Operating Environment

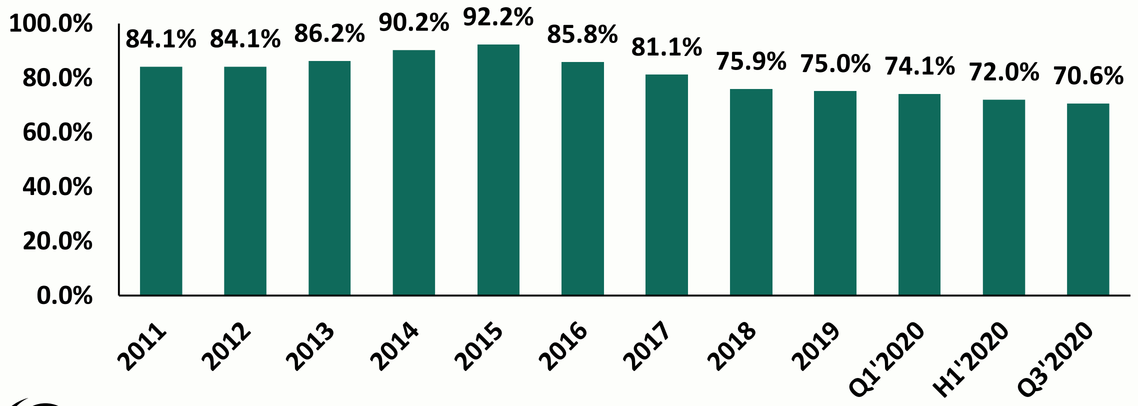
Cost to Income Ratio



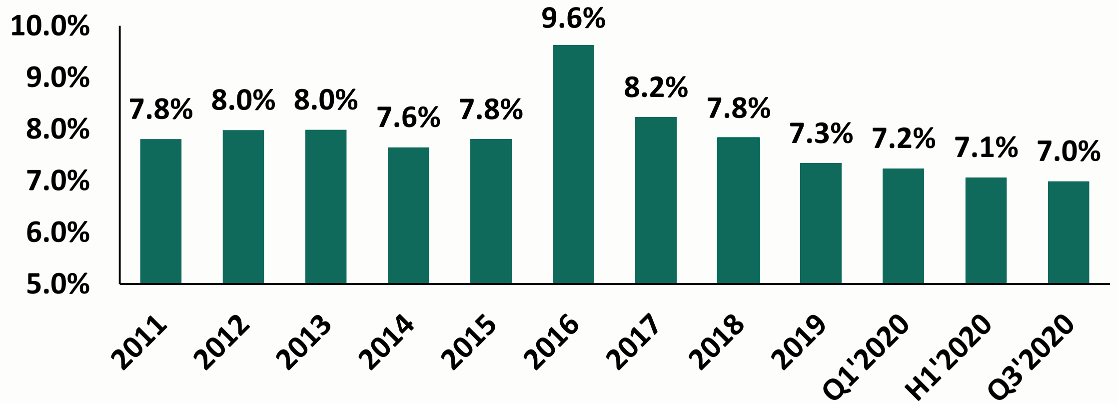
NPL Ratio



Loan to Deposit Ratio



Net Interest Margin



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Listed Banking Earnings and Growth Metrics

Kenya's listed banking sector Q3'2020 core EPS declined by a 32.4% compared to growth of 8.7% in Q3'2019

Bank	Core EPS Growth	Net Interest Margin	NFI to Total Operating Income	Deposit Growth	Growth In Govt Securities	Loan Growth	LDR	Cost to Income	Return on Average Equity
I&M Holdings	(30.8%)	5.3%	38.1%	7.0%	70.9%	6.7%	73.4%	57.9%	14.5%
Absa Bank	(65.4%)	7.1%	32.7%	4.7%	13.1%	7.8%	84.9%	79.0%	15.2%
Equity Bank	(13.9%)	7.6%	38.7%	44.5%	37.2%	30.1%	65.7%	70.6%	16.9%
Coop Bank	(10.2%)	8.0%	36.5%	16.4%	50.5%	5.7%	75.7%	63.0%	16.4%
KCB Group	(43.2%)	7.8%	30.8%	31.7%	83.9%	18.7%	74.7%	75.2%	13.1%
SCBK	(30.4%)	7.0%	30.7%	8.0%	7.6%	11.1%	54.2%	68.2%	12.9%
Stanbic Bank	(30.1%)	5.9%	44.5%	18.2%	103.8%	(1.8%)	70.3%	48.1%	12.0%
DTBK	(27.8%)	5.5%	26.6%	1.8%	5.1%	7.1%	71.4%	65.2%	9.2%
NCBA Group	(67.3%)	3.2%	48.7%	8.1%	12.5%	0.4%	63.0%	86.5%	3.9%
HF Group	N/A	4.2%	20.0%	9.9%	65.6%	(4.1%)	98.8%	133.2%	(7.6%)
Q3'2020 Weighted Average	**(32.4%)**	**7.0%**	**35.9%**	**23.1%**	**47.5%**	**15.0%**	**70.6%**	**70.1%**	**13.9%**
Q3'2019 Weighted Average	**8.7%**	**7.7%**	**37.9%**	**11.0%**	**3.3%**	**11.6%**	**75.7%**	**56.6%**	**19.3%**

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Takeout from Key Operating Metrics

Listed banks recorded a 32.4% decrease in core operating earnings, the depressed earnings recorded in the listed banking sector is partly attributed to the tough operating environment

1. For the third quarter of 2020, core Earnings Per Share (EPS) recorded a weighted (32.4%) decline, compared to a weighted growth of 8.7% in Q3’2019,
2. The sector recorded a weighted average deposit growth of 23.1%, faster than the 11.0% growth recorded in Q3’2019,
3. Interest income rose by 10.8%, compared to a growth of 4.5% recorded in Q3’2019. Despite the rise in interest income, the Yield on Interest Earning Assets (YIEA) declined to 9.5% from the 10.3% recorded in Q3’2019, an indication of the increased allocation to lower-yielding government securities by the sector. The decline in the YIEA can also be attributed to the reduced lending rates for customers by the sector, in line with the Central Bank Rate cuts. Consequently, the Net Interest Margin (NIM) now stands at 7.0%, 0.7% points lower than the 7.7% recorded in Q3’2019 for the whole listed banking sector,

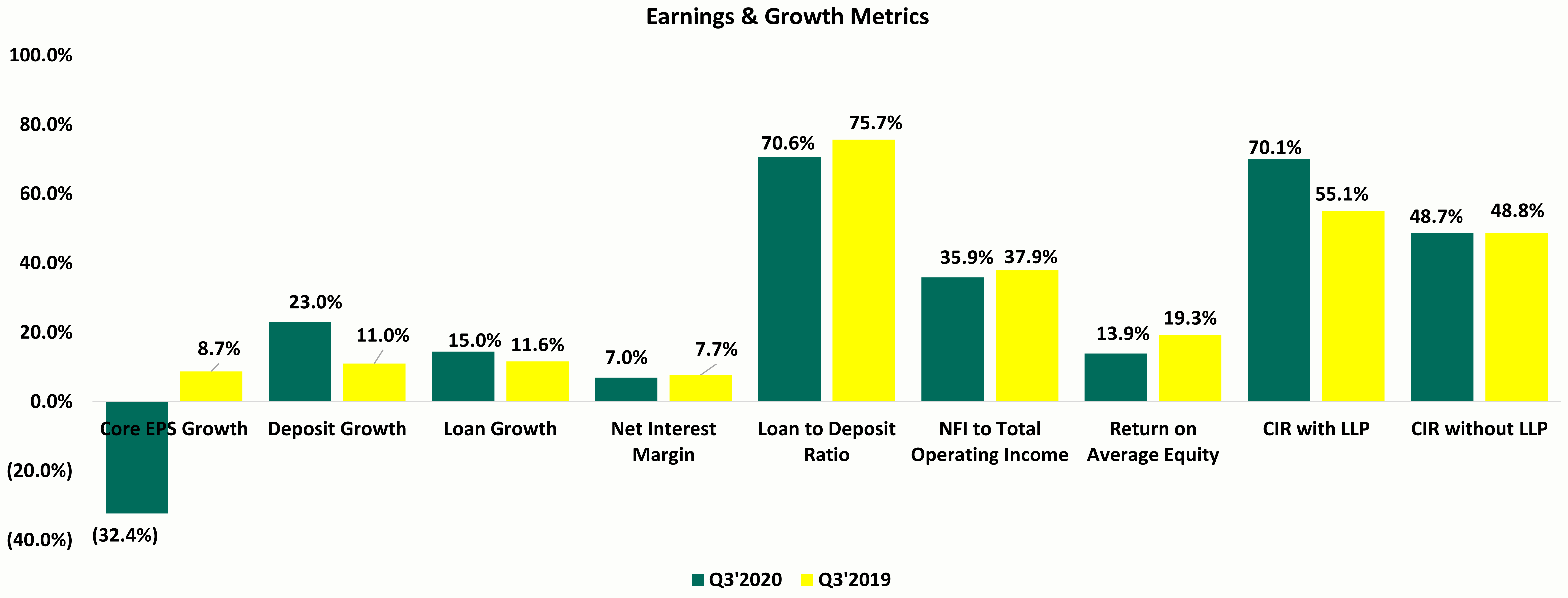
Takeout from Key Operating Metrics

Listed banks recorded a 2.1% y/y decline in the Non Funded Income slower than 15.8% growth recorded in Q3'2019

4. Interest expense, on the other hand, grew faster by 8.2%, compared to 4.3% in Q3'2019. Cost of funds, however, declined, coming in at a weighted average of 2.9% in Q3'2020, from 3.1% in Q3'2019, owing to the faster growth in average interest-bearing liabilities, an indication that the listed banks were able to mobilize cheaper deposits,
5. Average loan growth came in at 15.0%, faster than the 11.6% recorded in Q3'2019, but slower than the 47.4% growth in government securities, an indication of the banks preference of investing in Government securities as opposed to lending due to the elevated credit risk occasioned by the pandemic, and,
6. Non-Funded Income grew by 2.1% y/y, slower than 15.8% growth recorded in Q3'2019. The performance in NFI was on the back of declined growth in fees and commission of (7.9%), which was slower than the 22.6% growth recorded in Q3'2019. The poor performance of the growth in fees and commission can be attributed to the waiver on fees on mobile transactions below Kshs 1,000 and the free bank-mobile money transfer. Banks with a large customer base who rely heavily on mobile money transactions are likely to take the biggest hit.

Listed Banks Earnings and Growth Metrics Cont…

The banking sector showed subdued performance as evidenced by the decline in the core-earnings per share by 32.4%, as compared to a growth of 8.7% in Q3’2019



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Listed Banks Operating Metrics

The sectors asset quality continues to deteriorate as evidenced by the high NPL ratio of 12.4%, from 9.8% recorded in Q3’2019

Bank	Deposit/Branch (bn)	Gross NPL Ratio	NPL Coverage	Tangible Common Ratio	Non Funded Income/Revenue
NCBA Group	5.9	14.1%	58.3%	12.6%	48.7%
Stanbic Bank	8.7	12.3%	61.8%	12.5%	44.5%
HF Group	1.8	25.4%	58.2%	16.2%	20.0%
Equity Bank	2.3	10.8%	52.0%	13.1%	38.7%
Coop Bank	2.4	13.2%	50.1%	15.5%	36.5%
I&M Holdings	3.8	11.2%	66.8%	16.2%	38.1%
KCB Group	2.1	15.3%	58.5%	13.4%	30.8%
SCBK	6.7	14.8%	78.2%	15.1%	30.7%
Absa Bank	2.9	7.6%	64.9%	11.4%	32.7%
DTBK	2.0	7.8%	54.7%	15.8%	26.6%
Weighted AverageQ3'2020*	**3.4**	**12.4%**	**59.0%**	**13.7%**	**35.9%**
Weighted Average Q3'2019	**2.9**	**9.8%**	**57.8%**	**14.8%**	**34.5%**

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Listed Banks Trading Metrics

The listed banking sector has continued to trade at cheaper prices compared to historical averages, as it is currently trading at an average P/TBV of 0.9x and average P/E of 7.4x

Bank	No. of shares (bn)	Market Cap (bn)	P/E	Price*	P/TBV
HF Group	0.4	1.2	0.8x	3.1	0.1x
NCBA Group	1.5	34.7	13.1x	23.2	0.5x
DTBK	0.3	18.6	3.2x	66.5	0.3x
Coop Bank	5.9	67.8	5.1x	11.6	0.9x
I&M Holdings	0.8	38.0	4.5x	46.0	0.7x
KCB Group	3.2	118.7	7.0x	37.0	0.9x
Stanbic Bank	0.4	29.6	6.3x	75.0	0.7x
Absa Bank	5.4	52.7	13.8x	9.7	1.2x
SCBK	0.3	50.3	7.9x	146.5	1.1x
Equity Bank	3.8	130.9	6.5x	34.7	1.1x
Weighted Average Q3'2020			**7.4x**		**0.9x**
Weighted Average Q3'2019**			**6.0x**		**1.2x**

P/E calculation for HF used normalized earnings over a period of 5 years

**Prices as at 9th December 2020*

*** Prices as at 15th November 2019*

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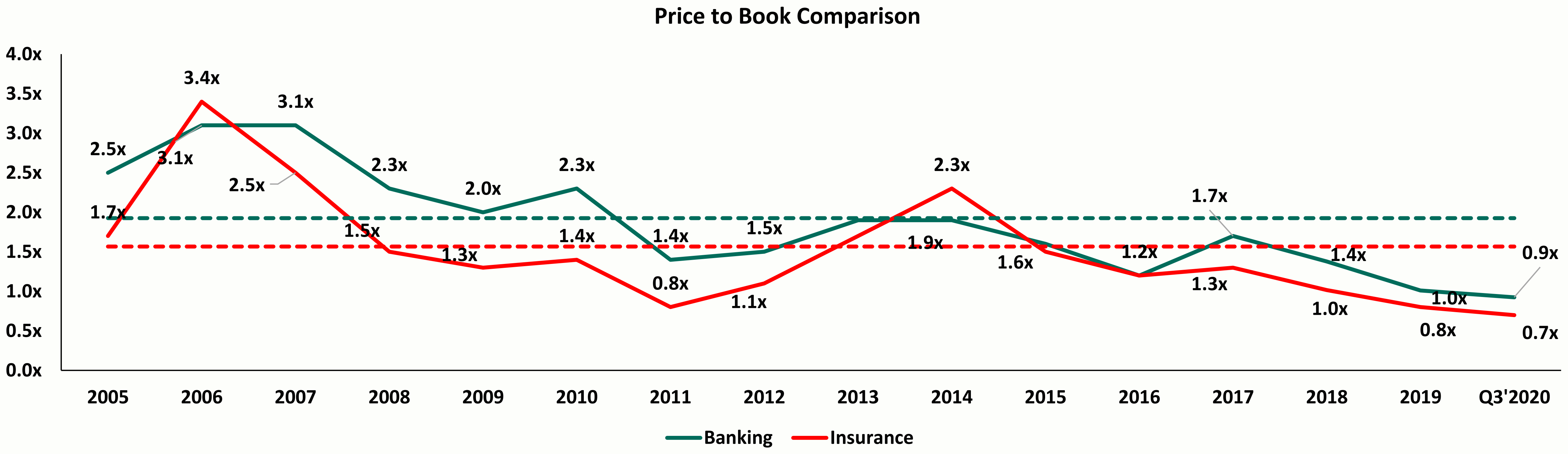
Listed Banks & Insurance Trading Metrics

Listed banks trade at an average P/B of 0.9x, higher than the insurance sector, which is priced at 0.7x. Both sectors are trading below their 14-year averages of 1.9x and 1.6x, respectively

15 year Price to Book Value: Banking and Insurance



On a price to book valuation, listed banks are currently priced at a PBV of 0.9x, higher than listed insurance companies at 0.7x, with both lower than their historical averages of 1.9x for the banking sector and 1.6x for the insurance sector

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V. Banks Valuation Reports

Ranking by Franchise Value

I&M Holdings emerged top in the franchise ranking due to high efficiency levels as evidenced by a low Cost to Income ratio which came in at 57.9% vs an industry average of 70.1%

Rank	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
1	I&M Holdings	4	2	4	8	5	4	4	4	2	1	4	7	49
2	Coop Bank	2	3	2	1	3	6	6	6	10	4	5	5	53
3	Absa Bank	1	8	3	4	9	10	5	1	3	10	6	1	61
4	DTBK	5	4	8	7	2	2	9	2	8	3	9	4	63
5	Equity Bank	8	6	1	3	6	8	7	3	9	7	3	2	63
6	Stanbic Bank	7	1	7	6	7	5	1	5	4	9	2	9	63
7	KCB Group	3	7	5	2	4	7	8	9	5	6	7	3	66
8	SCBK	10	5	6	5	8	9	2	8	1	5	8	6	73
9	NCBA Group	9	9	9	10	10	3	3	7	6	8	1	8	83
10	HF Group	6	10	10	9	1	1	10	10	7	2	10	10	86

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Valuation Summary of Listed Banks

Diamond Trust Bank Kenya presents the highest upside with an expected total return of 58.0%

(all values in Kshs)

Bank	Current Price	Target Price	Upside/(Downside)	Dividend Yield	Total Potential Return
DTBK	66.5	105.1	58.0%	0.0%	58.0%
I&M Holdings	46.0	60.1	30.7%	0.0%	30.7%
KCB Group	37.0	46.0	24.5%	2.7%	27.2%
Equity Bank	34.7	43.0	23.9%	2.9%	26.8%
Coop Bank	11.6	14.5	25.5%	0.0%	25.5%
Stanbic Holdings	75.0	84.9	13.2%	9.4%	22.6%
NCBA Group Plc	23.2	25.4	9.7%	0.0%	9.7%
Absa Bank	9.7	10.5	8.2%	0.0%	8.2%
SCBK	146.5	153.2	4.6%	3.4%	8.0%
HF Group	3.1	3.0	(2.6%)	0.0%	(2.6%)

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Cytonn Banking Report - Comprehensive Ranking

I&M emerged top of the ranking in terms of comprehensive ranking

(all values in Kshs unless stated otherwise)

Bank	Franchise Value Score	Intrinsic Value Score	Weighted Score	Q3'2020 Rank
I&M Holdings	1	2	1.6	1
DTBK	4	1	2.2	2
Co-operative Bank of Kenya Ltd	2	5	3.8	3
Equity Group Holdings Ltd	4	4	4.0	4
KCB Group Plc	7	3	4.6	5
Stanbic Bank/Holdings	4	6	5.2	6
ABSA	3	8	6.0	7
NCBA Group Plc	9	7	7.8	8
SCBK	8	9	8.6	9
HF Group Plc	10	10	10.0	10

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VI. Appendix

A. Tier I Banks

I. Equity Group Holdings

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Equity Group Summary of Performance – Q3'2020

- Profit before tax declined by 20.3% to Kshs 19.8 bn, down from Kshs 24.8 bn in Q3'2019. Profit after tax recorded a 13.9% decline to Kshs 15.0 bn, from Kshs 17.5 bn, with the effective tax rate declining to 23.9% from 29.5% in Q3'2019,
- Total operating income rose by 17.0% to Kshs 64.1 bn, from Kshs 54.8 bn in Q3'2019. This was driven by a 21.8% rise in Net Interest Income (NII) to Kshs 39.3 bn, from Kshs 32.3 bn in Q3'2019, coupled with a 10.1% growth in Non-Funded Income to Kshs 24.8 bn from Kshs 22.5 bn in Q3'2019,
- Total operating expenses rose by 50.7% to Kshs 45.3 bn, from Kshs 30.0 bn in Q3'2019, largely driven by a 686.1% increase in Loan Loss Provisions (LLP) to Kshs 14.8 bn, from Kshs 1.9 bn in Q3'2019, on the back of the subdued business environment, coupled with a 16.2% rise in staff costs to Kshs 10.8 bn, from Kshs 9.3 bn in Q3'2019,
- The balance sheet recorded an expansion as total assets increased by 37.9% to Kshs 933.9 bn, from Kshs 677.1 bn in Q3'2019, and,
- The bank's asset quality deteriorated, as evidenced by the rise in the NPL ratio to 10.8% in Q3'2020, from 8.4% in Q3'2019. The main sectors that contributed to the deterioration in asset quality were large enterprises and SMEs sectors, which contributed the largest portion of the Non-Performing loans with NPL Ratios of 11.1% and 12.4%, respectively.
- Going forward, we expect the bank's growth to be driven by:

i. **Channeled diversification** is likely to further improve on efficiency with emphasis on alternative channels of transactions, as the bank rides on the digital revolution wave, thereby further improving the cost to income ratio by cost rationalization and revenue expansion. This will likely propel the bank's prospects of achieving sustainable growth, as it replicates its successful business model across its various regional subsidiaries,

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Financial Statements Extracts

Equity Group's PAT is expected to grow at a 5-year CAGR of 16.1%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	41.4	45.0	52.5	69.4
Non Funded Income	25.9	30.8	34.2	41.6
Total Operating Income	67.3	75.8	86.7	110.9
Loan Loss Provision	(3.7)	(5.3)	(18.7)	(21.2)
Other Operating Expenses	(35.1)	(39.0)	(44.0)	(58.0)
Total Operating Expenses	**(38.8)**	**(44.3)**	**(62.6)**	**(79.2)**
Profit Before Tax	28.5	31.5	24.9	32.6
% PAT Change YoY	**4.8%**	**13.8%**	**(22.6%)**	**30.7%**
EPS	5.3	6.0	4.6	6.0
DPS	2.0	-	1.0	2.0
Cost to Income	57.7%	58.5%	72.3%	71.4%
NIM	**8.5%**	**8.4%**	**7.6%**	**7.9%**
ROaE	21.2%	22.0%	14.5%	16.6%
ROaA	3.6%	3.6%	2.2%	2.3%
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Net Loans and Advances	297.2	366.4	463.3	596.7
Government Securities	130.4	138.6	196.9	238.0
Other Assets	145.7	168.7	283.1	208.0
Total Assets	**573.4**	**673.7**	**943.3**	**1042.7**
Customer Deposits	422.8	482.8	701.4	785.6
Other Liabilities	55.7	79.2	105.3	105.4
Total Liabilities	**478.4**	**561.9**	**806.7**	**890.9**
Shareholders Equity	**94.1**	**110.7**	**129.6**	**144.9**
Number of Shares	**3.8**	**3.8**	**3.8**	**3.8**
Book value Per share	24.9	29.3	34.4	38.4
% Change in BPS YoY	**1.0%**	**17.7%**	**17.1%**	**11.8%**

Valuation Summary

Equity Group is undervalued with a total potential return of 26.8%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	47.3	40.0%	18.9
Residual Income	43.2	35.0%	15.1
PBV Multiple	33.3	20.0%	6.7
PE Multiple	46.2	5.0%	2.3
Target Price			**43.0**
Current Price			**34.7**
Upside/(Downside)			23.9%
Dividend Yield			2.9%
Total Potential Return			**26.8%**

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II. KCB Group

KCB Group Summary of Performance – Q3'2020

- Profit before tax declined by 36.9% to Kshs 17.1 bn, down from Kshs 272 bn in Q3'2019 owing to the 2425% rise in Loan Loss Provisions (LLP) to Kshs 20.0 bn from Kshs 5.8 bn given the poor operating environment due to COVID-19. Profit after tax declined by 43.2% to Kshs 3.4 bn in Q3'2020, from Kshs 6.0 bn in Q3'2019 with the effective tax rate increasing to 36.5% from 29.5% in Q3'2019,
- Total operating income rose by 15.9% to Kshs 69.1 bn, from Kshs 59.7 bn in Q3'2019. This was driven by a 23.7% rise in Net Interest Income (NII) to Kshs 47.9 bn, from Kshs 38.7 bn in Q3'2019, coupled with a 1.5% rise in Non-Funded Income (NFI) to Kshs 21.3 bn, from Kshs 21.0 bn in Q3'2019,
- Total operating expenses grew by 60.1% to Kshs 52.0 bn, from Kshs 32.5 bn, largely driven by a 242.5% spike in Loan Loss Provisions (LLP) to Kshs 20.0 bn in Q3'2020, from Kshs 5.8 bn in Q3'2019,
- The balance sheet recorded an expansion as total assets grew by 27.2% to Kshs 972.0 bn, from Kshs 764.3 bn in Q3'2019,
- The group's asset quality remains under threat as seen in the increase of the group's Non- Performing Loans (NPL) ratio to 15.3% from 8.3% in Q3'2019. Given the effects emanating from the pandemic, the rise in non-performing loans was also driven by the poor performance from the Corporate Segment, MSMEs segment, Mortgage segment and Check-off Loans recording NPL Ratios of 16.9%, 13.5%, 8.7% and 2.9%, respectively
- Going forward, we expect the bank's growth to be driven by:

i. **Increased channeled diversification**, which is likely to help the bank to continue improving its operational efficiency. The benefits of this are already being felt, as the bank aligned its staff head count to its operational needs. Continued emphasis on these alternative channels of transactions, as the bank rides on the digital revolution wave, will likely lead to further cost to income ratio improvements by cost rationalization and NFI expansion.

Financial Statements Extracts

KCB Group's PAT is expected to grow at a 5-year CAGR of 12.5%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	48.8	56.1	73.9	78.4
Non Funded Income	23.0	28.2	22.7	27.3
Total Operating Income	**71.8**	**84.3**	**96.6**	**105.7**
Loan Loss Provision	2.9	8.9	28.3	25.8
Other Operating Expenses	35.0	38.5	45.0	46.6
Total Operating Expenses	**37.9**	**47.4**	**73.3**	**72.4**
Profit Before Tax	33.9	36.9	23.3	33.3
% PAT Change YoY	**21.8%**	**4.9%**	**(35.2%)**	**42.9%**
EPS	7.9	7.8	5.1	7.3
DPS	3.0	3.5	1.0	3.5
Cost to Income	52.8%	56.2%	75.9%	68.5%
NIM	**8.2%**	**8.2%**	**8.9%**	**8.0%**
ROE	21.9%	20.7%	12.4%	16.7%
ROA	3.5%	3.1%	1.7%	2.2%
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Net Loans and Advances	455.9	535.4	597.1	693.9
Government Securities	120.1	169.2	260.2	285.4
Other Assets	138.4	194.0	156.1	174.7
Total Assets	**714.3**	**898.6**	**1013.5**	**1153.9**
Customer Deposits	537.5	686.6	811.3	892.4
Other Liabilities	63.2	82.2	68.4	115.7
Total Liabilities	**600.7**	**768.8**	**879.7**	**1008.1**
Shareholders Equity	**113.7**	**129.7**	**133.8**	**145.9**
Number of Shares	**3.0**	**3.2**	**3.2**	**3.2**
Book value Per share	37.6	40.4	41.6	45.4
% Change in BPS YoY	**7.3%**	**7.5%**	**3.1%**	**9.0%**

Valuation Summary

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

Valuation Summary	Implied Price	Weighting	Weighted Value
DDM	43.5	40.0%	15.2
Residual Income	42.8	35.0%	8.6
PBV Multiple	44.9	20.0%	2.2
PE Multiple	49.9	5.0%	20.0
Target Price			**46.0**
Current Price			**37.0**
Upside/(Downside)			24.5%
Dividend Yield			2.7%
Total Return			**27.3%**

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III. Co-operative Bank

Co-operative Bank Summary of Performance – Q3’2020

- The bank registered a 10.2% decline in profit after tax to Kshs 9.8 bn in Q3’2020 from Kshs 10.9 bn in Q3’2019. Profit before tax and exceptional items declined by 10.5% to Kshs 13.8 bn from Kshs 15.5 bn in Q3’2019, with the effective tax rate declining to 24.8% in Q3’2020 from 29.6% seen in Q3’2019,
- Total operating income rose by 5.6% to Kshs 37.2 bn in Q3’2020, from Kshs 35.2 bn in Q3’2019. This was mainly due to an 11.7% increase in Net Interest Income (NII) to Kshs 23.6 bn from Kshs 21.2 bn in Q3’2019, which was weighed down by the 3.5% decline in Non-Funded Income (NFI) to Kshs 13.6 bn from Kshs 14.1 bn in Q3’2019,
- Total operating expenses rose by 18.3% to Kshs 23.5 bn in Q3’2020, from Kshs 19.8 bn in Q3’2019, largely driven by the 89.4% rise in Loan Loss Provisions (LLP) to Kshs 4.0 bn from Kshs 1.2 bn in Q3’2019, coupled with a 6.3% rise in staff costs to Kshs 9.7 bn in Q3’2020 from Kshs 9.1 bn in Q3’2019,
- The balance sheet recorded an expansion as total assets grew by 15.9% to Kshs 510.9 bn in Q3’2020 from Kshs 440.8 bn in Q3’2019,
- The bank’s asset quality deteriorated, with the NPL ratio coming in at 13.2% in Q3’2020, from 10.5% in Q3’2019, owing to slower growth in gross loans by 6.6% compared to the 33.6% growth in gross non-performing loans. Generally, banks have had to go back to the drawing board to come up with new strategies to manage the worsening asset quality in the wake of the ongoing global pandemic.
- Going forward, we expect the bank’s growth to be driven by:

i. **Lending to SMEs:** Putting into consideration the current state of affairs in the banking sector, it is evident that the risk factor when lending to businesses has increased significantly. It is, however, key to note that through loan restructurings and increasing their loan book exposure to MSMEs will help support the bank during this period of uncertainty

Financial Statements Extracts

Co-operative Bank's PAT is expected to grow at a 5-year CAGR of 8.3%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	30.8	31.3	33.0	39.6
Non Funded Income	12.9	17.2	15.8	18.2
Total Operating Income	**43.7**	**48.5**	**48.7**	**57.9**
Loan Loss Provision	(1.8)	(2.5)	(4.4)	(4.7)
Other Operating Expenses	(23.9)	(25.3)	(25.6)	(29.2)
Total Operating Expenses	**(25.7)**	**(27.8)**	**(29.9)**	**(33.8)**
Profit Before Tax	18.2	20.7	18.8	24.1
% PAT Change YoY	**11.6%**	**12.4%**	**(7.9%)**	**28.0%**
EPS	1.9	2.1	1.9	2.9
DPS	1.0	1.0	0.0	1.0
Cost to Income	58.8%	57.4%	61.5%	58.4%
NIM	**9.1%**	**8.5%**	**7.6%**	**8.5%**
ROE	18.3%	19.2%	15.6%	18.3%
ROA	3.2%	3.3%	2.7%	3.1%
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Net Loans and Advances	245.4	266.7	285.5	303.7
Government Securities	80.3	117.8	146.3	154.8
Other Assets	87.7	72.5	95.1	104.2
Total Assets	413.4	457.0	527.0	562.7
Customer Deposits	306.1	332.8	387.4	410.4
Other Liabilities	36.1	43.3	51.5	52.8
Total Liabilities	342.2	376.2	438.9	463.2
Shareholders Equity	69.9	79.3	86.5	97.9
Number of Shares	6.9	6.9	6.9	5.9
Book value Per share	10.2	11.6	12.6	16.7
% Change in BPS YoY	**(14.2%)**	**13.6%**	**9.0%**	**32.4%**

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Valuation Summary

Co-operative Bank is undervalued with a total potential return of 25.2%

Valuation Summary	Implied Price	Weighting	Weighted Value
DDM	14.7	40.0%	5.9
Residual income	13.3	35.0%	4.6
PBV Multiple	14.3	20.0%	2.9
PE Multiple	21.6	5.0%	1.1
Target Price			**14.5**
Current Price			**11.6**
Upside/(Downside)			25.2%
Dividend Yield			0.0%
Total Return			**25.2%**

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IV. NCBA Bank

NCBA Bank Summary of Performance – Q3’2020

- Profit before tax declined by 65.3% to Kshs 3.8 bn from Kshs 10.9 bn in Q3’2019. Profit after tax declined by 67.3% to Kshs 2.5 bn in Q3’2020 from Kshs 7.7 bn in Q3’2019. The effective tax rate decreased to 33.5% from 29.3% recorded in Q3’2019,
- Total operating income rose by 8.4% to Kshs 33.1 bn in Q3’2020 from Kshs 30.5 bn in Q3’2019. This was due to an 11.8% increase in Non-Funded Income (NFI) to Kshs 16.1 bn in Q3’2020, from Kshs 14.4 bn recorded the previous year, coupled with a 5.3% increase in Net Interest Income (NII) to Kshs 17.0 bn from the Kshs 16.1 bn recorded in Q3’2019,
- Total operating expenses rose by 51.2% to Kshs 28.6 bn, from Kshs 18.9 bn in Q3’2019, largely driven by the 210.6% increase in loan loss provision to Kshs 13.4 bn in Q3’2020 from Kshs 4.3 bn in Q3’2019, coupled with other operating expenses which increased by 18.4% to Kshs 10.0 bn in Q3’2020 from Kshs 8.4 bn in Q3’2019. The high increase in Loan loss provision was driven by the expectations of a significant increase in NPLs due to the economic fallouts of the Coronavirus. Staff costs, on the other hand, declined by 14.7% to Kshs 5.3 bn, from Kshs 6.2 bn recorded in Q3’2019,
- The balance sheet recorded an expansion with a total assets growth of 6.4% to Kshs 519.2 bn from Kshs 487.9 bn in Q3’2019,
- The bank’s asset quality deteriorated, with NPL ratio deteriorating to 14.1% in Q3’2020 from 12.4% in Q3’2019, attributable to the faster 15.3% increase in NPLs that outpaced the 1.2% increase in gross loans.
- Going forward, we expect the bank’s growth to be driven by:

i. The Bank is expected to continue increasing it synergy by capitalizing on the strengths of the previous entities where the use of their LOOP digital platform will allow the bank diversify its revenue streams and support the bank’s operation given the current situation surrounding the spread of the Novel Coronavirus

Financial Statements Extracts

NCBA Group's PAT is expected to grow at a 5-year CAGR of 5.7%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	20.3	13.3	14.2	17.2
Non Funded Income	16.1	20.3	16.0	17.5
Total Operating Income	**36.4**	**33.7**	**30.2**	**34.7**
Loan Loss Provision	(6.1)	(6.3)	(12.1)	(12.3)
Other Operating Expenses	(18.1)	(14.1)	(14.0)	(15.6)
Total Operating Expenses	**(24.1)**	**(20.4)**	**(26.1)**	**(27.9)**
Profit Before Tax	12.3	11.3	4.1	6.8
% PAT Change YoY	**9.3%**	**(12.4%)**	**(60.5%)**	**54.4%**
EPS	12.7	11.1	2.1	3.2
DPS	0.0	0.3	0.0	0.3
Cost to Income	66.3%	60.5%	86.3%	80.3%
NIM	5.2%	3.3%	4.6%	6.8%
ROE	13.7%	11.8%	0.6%	0.9%
ROA	2.0%	1.7%	14.2	17.2
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Net Loans and Advances	239.6	249.4	248.5	258.0
Government Securities	129.7	145.0	161.5	164.4
Other Assets	84.3	100.5	114.6	113.7
Total Assets	453.6	494.8	524.6	536.1
Customer Deposits	341.0	378.2	408.9	416.1
Other Liabilities	46.2	49.3	47.0	47.9
Total Liabilities	387.2	427.6	456.0	464.0
Shareholders Equity	66.0	67.0	68.4	71.9
Number of Shares	0.7	0.7	1.5	1.5
Book value Per share	93.8	95.2	45.7	48.0
% Change in BPS YoY	**2.5%**	**1.5%**	**-52.0%**	**5.1%**

Cytonn

Valuation Summary

NCBA Group is undervalued with a total potential return of 9.7%

Valuation Summary	Implied Price	Weighting	Weighted Value
DDM	21.5	40.0%	8.6
Residual Valuation	22.4	35.0%	7.8
PBV Multiple	39.9	20.0%	8.0
PE Multiple	19.8	5.0%	1.0
Target Price			**25.4**
Current Price			**23.2**
Upside/(Downside)			9.7%
Dividend Yield			0.0%
Total Potential Return			**9.7%**

Cytonn

V. Standard Chartered Bank Kenya

Cytonn

SCBK’s Summary of Performance – Q3’2020

- Profit before tax declined by 28.2% to Kshs 6.6 bn, from Kshs 12.2 bn in Q3’2019. Profit after tax declined by 30.4% to Kshs 4.3 bn in Q3’2020, from Kshs 6.2 bn in Q3’2019 with the effective tax rate increasing to 36.7% from 32.0% in Q3’2019,
- Total operating income declined by 4.5% to Kshs 20.7 bn, from Kshs 21.6 bn in Q3’2019. This was driven by an 8.8% decline in Non-Funded Income (NFI) to Kshs 6.3 bn, from Kshs 7.0 bn in Q3’2019, coupled with a 2.4% decline in Net Interest Income (NII) to Kshs 14.3 bn, from Kshs 14.7 bn in Q3’2019,
- Total operating expenses grew by 12.9% to Kshs 14.1 bn, from Kshs 12.5 bn, largely driven by 274.2% rise in Loan Loss Provisions (LLP) to Kshs 2.7 bn in Q3’2020, from Kshs 0.7 bn in Q3’2019 on account of the poor operating environment brought about by COVID-19 which has which has adversely affected individuals and businesses ability to repay loans. Staff costs, on the other hand, recorded a 2.5% decline to Kshs 5.4 bn from Kshs 5.6 bn in Q3’2019,
- The balance sheet recorded an expansion as total assets grew by 8.2% to Kshs 314.4 bn, from Kshs 290.6 bn in Q3’2019,
- The bank’s asset quality improved marginally owing to the decline in NPL ratio to 14.8% in Q3’2020, from 14.9% recorded in Q3’2019. The improvement of the NPL depicts the bank’s conservative lending strategies as well as the faster 11.2% growth in loans, which outpaced the 10.3% growth in Gross Non-Performing Loans (NPLs).
- Going forward, we expect the bank’s growth to be driven by:

i. Continued focus on promoting the usage of the bank’s alternative channels is likely to continue boosting the company’s Non-Funded Income as well as aiding in improving operational efficiency levels, which deteriorated in Q3’2020 as evidenced by the worsening of the cost to income ratio to 68.2% from 57.7% in Q3’2019. Revenue expansion coupled with cost containment will be key in boosting the bank’s bottom line.

Cytonn

Financial Statements Extracts

SCBK's PAT is expected to grow at a 5-year CAGR of 9.2%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	19.4	19.5	20.2	21.8
Non Funded Income	9.2	9.2	8.6	9.7
Total Operating Income	**28.6**	**28.7**	**28.8**	**31.5**
Loan Loss Provision	1.9	0.6	4.1	3.0
Other Operating Expenses	14.8	16.0	15.6	16.8
Total Operating Expenses	**16.8**	**16.5**	**19.7**	**19.8**
Profit Before Tax	11.8	12.2	9.1	11.7
% PAT Change YoY	**17.1%**	**1.7%**	**(26.8%)**	**36.0%**
EPS	23.6	24.0	16.0	21.7
DPS	19.0	20.0	5.0	20.0
Cost to Income	58.6%	57.6%	68.3%	62.8%
NIM	**7.5%**	**7.4%**	**7.0%**	**7.1%**
ROaE	17.5%	17.5%	11.9%	14.8%
ROaA	2.8%	2.8%	1.9%	2.4%

Balance Sheet	2018	2019	2020e	2021f
Net Loans and Advances	118.7	128.7	143.0	139.3
Government Securities	98.7	99.6	113.6	117.6
Other assets	68.0	73.8	76.8	89.5
Total Assets	**285.4**	**302.1**	**333.4**	**346.5**
Customer Deposits	224.3	228.4	252.5	261.3
Other Liabilities	14.5	25.9	27.5	27.7
Total Liabilities	**238.8**	**254.4**	**280.0**	**289.0**
Shareholders Equity	**46.6**	**47.8**	**53.3**	**57.4**
Number of shares	**0.3**	**0.3**	**0.3**	**0.3**
Book value Per share	135.8	139.0	141.5	152.4
% Change in BPS YoY	**2.1%**	**2.4%**	**11.7%**	**7.7%**

Valuation Summary

SCBK is undervalued with a total potential return of 8.0%

Valuation Summary	Implied Price	Weighting	Weighted Value
DDM	178.2	40.0%	71.3
Residual Income	155.9	35.0%	54.6
PBV Multiple	107.0	20.0%	21.4
PE Multiple	120.4	5.0%	6.0
Target Price			**153.2**
Current Price			**146.5**
Upside/(Downside)			4.6%
Dividend Yield			3.4%
Total Return			**8.0%**

Cytonn

VI. Diamond Trust Bank Kenya

DTBK’s Summary of Performance – Q3’2020

- Profit before tax fell by 24.0% to Kshs 6.6 bn, from Kshs 8.7 bn in Q3’2019. Profit after tax declined by 27.8% to Kshs 4.3 bn in Q3’2020, from Kshs 6.0 bn in Q3’2019, with the effective tax rate increasing to 34.5% from 31.0% in Q3’2019,
- Total operating income rose by 4.4% to Kshs 18.9 bn from Kshs 18.2 bn in Q3’2019. This was mainly driven by a 15.3% increase in Non-Funded Income (NFI) to Kshs 5.0 bn, from Kshs 4.4 bn in Q3’2019, coupled with a 0.9% increase in Net Interest Income (NII) to Kshs 13.9 bn, from Kshs 13.8 bn in Q3’2019,
- Total operating expenses rose by 30.4% to Kshs 12.4 bn, from Kshs 9.5 bn in Q3’2019, largely driven by the 232.1% increase in Loan Loss Provisions (LLP) to Kshs 2.9 bn from Kshs 0.9 bn in Q3’2019. Other expenses rose by 12.6%, to Kshs 5.9 bn from Kshs 5.2 bn in Q3’2019, and staff costs which increased by 5.9% to Kshs 3.6 bn, from Kshs 3.4 bn,
- The balance sheet recorded an expansion as total assets increased by 3.0% to Kshs 394.0 bn from Kshs 382.5 bn in Q3’2019,
- The bank’s asset quality deteriorated, with the NPL ratio increasing to 10.5% in Q3’2020, from 8.9% in Q3’2019, due to the faster 25.0% growth in gross NPLs, which outpaced the 11.2% growth in gross loans. Borrowings increased by 60.8% to Kshs 20.2 bn from Kshs 12.6 bn in Q3’2019.
- Going forward, we expect the bank’s growth to be driven by:

i. **Digital platform** - The bank intends to capitalize on its digital platform to support their business model which will enhance convenience for customers, having considered the current status quo since the advent of the coronavirus

Cytonn

Financial Statements Extracts

DTBK's PAT is expected to grow at a 5-year CAGR of 6.1%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	20.0	18.7	16.0	21.1
Non Funded Income	5.4	5.8	5.8	6.0
Total Operating Income	**25.5**	**24.5**	**21.8**	**27.1**
Loan Loss Provision	3.0	1.3	4.5	2.1
Other Operating Expenses	11.5	11.9	10.3	12.3
Total Operating Expenses	**14.5**	**13.2**	**14.8**	**14.4**
Profit Before Tax	11.0	11.3	7.0	12.8
% PAT Change YoY	**2.3%**	**2.6%**	**(36.6%)**	**81.6%**
EPS	25.3	26.0	16.5	29.9
DPS	2.6	2.7	0.0	1.4
Cost to Income	56.9%	54.0%	67.8%	53.0%
NIM	**6.2%**	**5.6%**	**4.6%**	**5.9%**
ROE	13.9%	12.9%	7.6%	12.6%
ROA	1.9%	1.9%	1.2%	2.1%
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Net Loans and Advances	193.1	199.1	203.7	209.0
Government Securities	115.0	130.3	121.5	123.9
Other Assets	69.6	56.8	65.3	76.3
Total Assets	**377.7**	**386.2**	**390.5**	**409.2**
Customer Deposits	282.9	280.2	285.2	290.9
Other Liabilities	35.9	41.5	36.6	42.1
Total Liabilities	**318.8**	**321.7**	**321.8**	**333.0**
Shareholders Equity	53.7	58.9	62.4	69.9
Number of Shares	0.3	0.3	0.3	0.3
Book value Per share	191.9	210.5	223.3	250.1
% Change in BPS YoY	**10.9%**	**9.7%**	**6.1%**	**12.0%**

Cytonn

Valuation Summary

DTBK is undervalued with a total potential return of 58.0%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	85.4	40.0%	34.2
Residual Income	48.9	35.0%	17.1
PBV Multiple	225.4	20.0%	45.1
PE Multiple	175.0	5.0%	8.8
Target Price			**105.1**
Current Price			**66.5**
Upside/(Downside)			58.0%
Dividend yield			0.0%
Total return			**58.0%**

Cytonn

VII. Absa Bank Kenya

Absa Bank’s Summary of Performance – Q3’2020

- Profit before tax declined by 58.6% to Kshs 3.4 bn, from Kshs 8.2 bn in Q3’2019. Profit after tax before exceptional items declined by 40.2% to Kshs 3.9 bn in Q3’2020, from Kshs 6.5 bn in Q3’2019. Profit after tax and exceptional items declined by 65.4% to Kshs 1.9 bn in Q3’2020, from Kshs 5.6 bn in Q3’2019, attributable to the costs incurred as part of the brand transition to ABSA. The effective tax rate declined to 27.5% from 28.9% in Q3’2019,
- Total operating income rose by 2.5% to Kshs 25.4 bn, from Kshs 24.8 bn in Q3’2019. This was supported by a 4.5% rise in Non-Funded Income (NFI) to Kshs 8.3 bn, from Kshs 8.0 bn in Q3’2019, coupled with a 1.6% rise in Net Interest Income (NII) to Kshs 17.1 bn, from Kshs 16.8 bn in Q3’2019,,
- Total operating expenses rose by 27.9% to Kshs 20.1 bn, from Kshs 15.7 bn in Q3’2019, largely driven by a 146.7% increase in Loan Loss Provisions (LLP) to Kshs 7.6 bn in Q3’2020, from Kshs 3.1 bn in Q3’2019, coupled with a 1.9% increase in staff costs to Kshs 7.5 bn in Q3’2020, from Kshs 7.3 bn in Q3’2019.,
- The balance sheet recorded an expansion as total assets rose by 7.8% to Kshs 387.9 bn, from Kshs 359.8 bn in Q3’2019,
- The bank’s asset quality deteriorated, with the NPL ratio increasing to 7.6% in Q3’2020, from 6.8% in Q3’2019, owing to the faster 20.8% growth in gross NPLs, which outpaced the 7.3% growth in gross loans (after adding back interest suspense),
- Going forward, we expect the bank’s growth to be driven by:

i. **Increased Channel diversification**, which is likely to help the bank to continue improving its operational efficiency. The benefits of this are already being felt with “Timiza” already recording accelerated growth, and consequently higher Non-Interest Revenue. This coupled with the expansion of its agent-banking network and product offerings such as bancassurance and fixed income trading will see the bank expand its top-line revenue, going forward.

Financial Statements Extracts

Absa Bank's PAT is expected to grow at a 5-year CAGR of 15.4%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	22.0	23.2	24.3	27.2
Non Funded Income	9.7	10.6	11.3	11.8
Total Operating Income	**31.7**	**33.8**	**35.6**	**39.0**
Loan Loss Provision	(3.9)	(4.2)	(10.4)	(8.5)
Other Operating Expenses	17.2)	(17.3)	(15.3)	(17.3)
Total Operating Expenses	**(21.0)**	**(21.5)**	**(25.7)**	**(25.7)**
Profit Before Tax	10.6	10.8	8.0	11.3
% PAT Change YoY	**7.1%**	**0.5%**	**(22.6%)**	**37.1%**
EPS	1.4	1.4	1.1	1.5
DPS	1.1	1.1	0.0	0.5
Cost to Income	66.4%	63.6%	72.1%	66.0%
NIM	**8.6%**	**7.7%**	**7.3%**	**7.5%**
ROaE	16.8%	16.7%	12.1%	14.7%
ROaA	2.7%	2.1%	1.5%	2.0%
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Net Loans and Advances	177.4	194.9	204.9	219.7
Government Securities	92.9	123.0	137.0	145.2
Other Assets	54.5	56.1	49.1	51.2
Total Assets	**324.8**	**374.0**	**391.0**	**416.1**
Customer Deposits	207.4	237.7	249.0	266.4
Other Liabilities	73.2	91.1	91.8	92.4
Total Liabilities	**280.6**	**328.8**	**340.9**	**358.9**
Shareholders Equity	**44.2**	**45.2**	**50.1**	**57.3**
Number of shares	**5.4**	**5.4**	**5.4**	**5.4**
Book value Per share	8.1	8.3	9.2	10.5
% Change in BPS YoY	**0.2%**	**2.2%**	**10.9%**	**14.2%**

Valuation Summary

Absa Bank is undervalued with a total potential return of 8.4%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	12.3	40.0%	4.9
Residual Income	11.4	35.0%	4.0
PBV Multiple	7.0	20.0%	1.4
PE Multiple	4.3	5.0%	0.2
Target Price			**10.5**
Current Price			**9.7**
Upside/(Downside)			8.4%
Dividend Yield			0.0%
Total Return			**8.4%**

VIII. Stanbic Holdings

Stanbic Bank’s Summary of Performance – Q3’2020

- Profit after tax declined by 30.1% to Kshs 3.6 bn in Q3’2020, from Kshs 5.1 bn in Q3’2019. The performance was driven by a 12.5% decline in total operating income from Kshs 16.1 bn, from Kshs 18.4 bn in Q3’2019. The decline was however mitigated by the 3.4% decline in the interest expense to Kshs 5.6 bn from Kshs 5.8 bn in Q3’2019,
- Total operating income declined by 12.5% to Kshs 16.1 bn, from Kshs 18.4 bn in Q3’2019, driven by a 7.3% decline in Net Interest Income to Kshs 8.9 bn in Q3’2020, from Kshs 9.6 bn in Q3' 2019, coupled with a 18.1% decline in Non-Funded Income to Kshs 7.2 bn, from Kshs 8.8 bn in Q3’2019,
- Total operating expenses declined by 8.5% to Kshs 10.7 bn in Q3’2020 from Kshs 11.7 bn in Q3’2019, largely driven by a 7.0% decline in the staff costs to Kshs 4.0 bn from Kshs 4.3 bn in Q3’2019. Depreciation on property and equipment, however rose by 8.6% to Kshs 0.62 bn from Kshs 0.58 bn in Q3’2019,
- The balance sheet recorded an expansion as total assets rose by 8.0% to Kshs 317.8 bn from Kshs 294.3 bn in Q3’2019,
- The bank’s asset quality deteriorated, with the NPL ratio increasing to 12.3% in Q3’2020, from 10.9% in Q3’2019, due to the faster growth in non-performing loans that outpaced growth in the net loans,
- Going forward, we expect the bank’s growth to be driven by:

i. The bank has put in place plans to promote digitization on the bank’s functions which we believe will improve efficiencies in the bank's activities in a cost-effective manner. They also intend to use the digital platforms to push their ecosystem and help increase adoption in their customer base,

Financial Statements Extracts

Stanbic Holdings' PAT is expected to grow at a 5-year CAGR of 7.2%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	12.1	13.3	16.0	16.0
Non Funded Income	10.0	11.4	11.1	14.7
Loan Loss Provision	(1.7)	(2.6)	(5.5)	(5.6)
Total Operating Expenses	**(11.1)**	**(13.9)**	**(19.0)**	**(21.6)**
Profit Before Tax	8.9	7.7	8.1	9.1
Profit After tax	6.3	6.4	5.7	6.4
% PAT Change YoY	**45.7%**	**1.6%**	**(11.3%)**	**12.7%**
EPS	15.9	16.1	14.3	16.1
DPS	5.8	7.1	6.8	6.3
Cost to Income	42.3%	45.6%	50.0%	52.0%
NIM	**5.0%**	**5.2%**	**5.4%**	**4.7%**
ROaE	14.3%	13.6%	11.5%	12.5%
ROaA	2.3%	2.1%	1.7%	1.7%
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Net Loans and Advances	175.0	191.2	240.9	250.4
Other Assets	115.6	112.4	127.7	133.9
Total Assets	**290.6**	**303.6**	**368.6**	**384.2**
Customer Deposits	219.5	224.7	294.2	306.0
Borrowings	7.1	9.1	5.4	5.4
Other Liabilities	19.4	20.8	19.7	19.7
Total Liabilities	**245.9**	**254.6**	**319.3**	**331.1**
Shareholders Equity	44.6	49.0	49.3	53.1
No of Ordinary Shares				
Book value Per share	112.9	124.0	124.6	134.4
% Change in BVPS	**3.9%**	**9.9%**	**0.4%**	**7.9%**

Cytonn

Valuation Summary

Stanbic Holdings is undervalued with a total potential return of 22.3%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	104.9	40.0%	42.0
Residual income	66.6	35.0%	23.3
PBV Multiple	81.9	20.0%	16.4
PE Multiple	65.2	5.0%	3.3
Target Price			**84.9**
Current Price			**75.5**
Upside/(Downside)			13.2%
Dividend Yield			9.1%
Total return			22.3%

Cytonn

IX. I&M Holdings

I&M Holdings' Summary of Performance – Q3'2020

- Profit before tax declined by 30.2% to Kshs 6.5 bn, down from Kshs 9.3 bn in Q3'2019. Profit after tax declined by 30.8% to Kshs 4.6 bn in Q3'2020 from Kshs 6.6 bn in Q3'2019, with the effective tax rate increasing to 29.4%, from 28.7% in Q3'2019,
- Total operating income declined by 0.7% to Kshs 16.8 bn, from Kshs 16.9 bn in Q3'2019. This was driven by a 1.7% decline in Net Interest Income (NII) to Kshs 10.4 bn, from Kshs 10.6 bn in Q3'2019. The decline was however mitigated by a 1.1% increase in Non-Funded Income (NFI) to Kshs 6.4 bn, from Kshs 6.3 bn in Q3'2019,
- Total operating expenses rose by 18.4% to Kshs 9.7 bn from Kshs 8.2 bn in Q3'2019, largely driven by a 65.4% increase in Loan Loss Provisions (LLP) to Kshs 2.1 bn, from Kshs 1.3 bn in Q3'2019, coupled with a 20.6% growth in other operating expenses to Kshs 4.1 bn from Kshs 3.4 bn in Q3'2019. Staff costs on the other hand, declined marginally by 0.2% to Kshs 3.51 bn in Q3'2020, from Kshs 3.52 bn in Q3'2019,
- The balance sheet recorded an expansion as total assets grew by 6.3% to Kshs 344.7 bn, from Kshs 324.3 bn in Q3'2019,
- The bank's asset quality improved, with the NPL ratio improving to 11.2%, from 12.7% in Q3'2019. NPL coverage also improved to 66.8% in Q3'2020 from 62.5% in Q3'2019, as general Loan Loss Provisions increased by 27.6% to Kshs 10.5 bn from Kshs 8.3 bn in Q3'2019, despite a 6.2% decline in gross non-performing loansGoing forward, we expect the bank's growth to be driven by:

i. **Geographical Diversification** – The bank has been aggressively expanding into other regions, namely Tanzania, Rwanda, and Uganda. On this front, the bank is set to acquire 90.0% of the share capital of Orient Bank Limited Uganda (OBL). This will see the bank expand its operations in the Ugandan Market thus reducing its reliance on the Kenyan Market. This is also expected to drive growth in the near future.

Cytonn

Financial Statements Extracts

I&M Holdings' PAT is expected to grow at a 5-year CAGR of 8.8%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	15.6	15.5	16.3	20.0
Non- Funded Income	7.6	8.3	8.4	9.6
Total Operating Income	**23.2**	**23.8**	**24.7**	**29.6**
Loan Loss Provision	(3.8)	(0.6)	(2.8)	(2.0)
Other Operating Expenses	(8.5)	(9.5)	(9.7)	(10.2)
Total Operating Expenses	**(12.3)**	**(10.1)**	**(12.4)**	**(12.2)**
Profit Before Tax	11.5	14.6	11.7	16.8
% PAT Change YoY	**17.1%**	**26.6%**	**(24.1%)**	**43.5%**
EPS	20.6	13.0	9.9	14.2
DPS	3.9	2.6	0.0	2.6
Cost to Income	53.0%	42.4%	50.3%	41.3%
NIM	6.7%	5.9%	5.4%	6.1%
ROaE	17.2%	19.5%	13.5%	17.8%
ROaA	3.0%	3.4%	2.3%	3.2%
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Government securities	52.2	53.9	99.0	106.9
Net Loans and Advances	166.7	175.3	183.9	211.7
Other Assets	69.6	86.0	70.9	69.3
Total Assets	**288.5**	**315.3**	**353.8**	**387.9**
Customer Deposits	213.1	229.7	260.4	281.2
Other Liabilities	24.5	24.7	29.0	32.7
Total Liabilities	**237.6**	**254.4**	**289.4**	**313.9**
Shareholders Equity	47.9	57.7	61.0	70.6
Number of Shares	0.4	0.8	0.8	0.8
Book Value Per Share	115.8	69.8	73.8	85.4
% BVPS Change YoY	**8.0%**	**(39.7%)**	**5.6%**	**15.8%**

Cytonn

Valuation Summary

I&M Holdings is undervalued with a total potential return of 30.7%

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	62.3	40.0%	24.9
Residual income	62.2	35.0%	21.8
PBV Multiple	42.7	20.0%	8.5
PE Multiple	98.2	5.0%	4.9
Target Price			**60.1**
Current Price			**46.0**
Upside/(Downside)			30.7%
Dividend yield			0.0%
Total return			**30.7%**

Cytonn

B. Tier II Bank

I. HF Group

HF Group Summary of Performance – Q3’2020

- HF Group recorded a loss before tax of Kshs 728.0 mn, an increase from a loss before tax of Kshs 81.4 mn in Q3’2019. The Group’s Loss after Tax declined to Kshs 730.2 mn in Q3’2020, from the Kshs 84.6 mn loss recorded in Q3’2019,
- Total Operating Income declined by 27.3% to Kshs 2.0 bn in Q3’2020 from Kshs 2.8 bn in Q3’2019, this can be attributed to the 62.2% decline in Non-Funded Income (NFI) to Kshs 0.4 bn from Kshs 1.1 bn recorded in Q3’2019, coupled with the 5.6% dip in Net Interest Income (NII) to Kshs 1.6 bn from Kshs 1.7 bn recorded in Q3’2019,
- Total Operating Expenses declined by 6.0% to Kshs 2.7 bn from Kshs 2.9 bn seen in Q3’2019. This is attributable to a 6.2% drop in Other Operating Expenses to Kshs 1.4 bn from Kshs 1.5 bn in Q3’2019, coupled with a 24.9% decline in Loan Loss Provisions to Kshs 0.4 bn from Kshs 0.6 bn in Q3’2019. Staff costs recorded an 8.8% increase to Kshs 839.5 mn from Kshs 771.9 mn recorded in Q3’2019,
- The company’s balance sheet recorded a contraction as total assets declined by 4.0% to Kshs 55.1 bn from Kshs 57.4 bn in Q3’2019,
- The bank experienced an improvement in asset quality asNon-performing Loans (NPLs) improved by 11.3% to Kshs 11.2 bn from Kshs 12.6 bn recorded in Q3’2019. Consequently, the NPL ratio improved to 25.4% from the 28.2% following the faster 11.3% decline in NPLs that outpaced the 1.6% decline in gross loans which came in at Kshs 44.1 bn in Q3’2020, from Kshs 44.8 bn recorded in Q3’2019.. Putting into consideration the current state of affairs regarding the COVID-19 pandemic, there is a lot more to be done to mitigate the effects experienced in the economy.
- Going forward, we expect the bank’s growth to be driven by:

i. We maintain our view that HF Group as a conventional bank has a long way to go. They will ultimately have to adjust their business model, or couple up with a strong bank with a sizeable asset base, and a strong deposit gathering capability, in an effort to capitalize on HF’s strength in mortgages and real estate development.

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Financial Statements Extracts

HF's PAT is expected to grow at a 5-year CAGR of 4.2%

Income Statement	2018	2019	2020e	2021f
Net Interest Income	2.3	2.0	1.7	1.3
Non- Funded Income	1.3	1.4	1.4	1.6
Total Operating Income	**3.6**	**3.4**	**3.1**	**2.9**
Loan Loss Provision	(0.4)	(0.4)	(0.4)	(0.2)
Other Operating Expenses	(3.9)	(3.2)	(3.3)	(3.0)
Total Operating Expenses	**(4.2)**	**(3.5)**	**(3.8)**	**(3.2)**
Profit Before Tax	(0.6)	(0.1)	(0.7)	(0.3)
% PAT Change YoY	**(573.9%)**	**(81.6%)**	**369.3%**	**(55.3%)**
EPS	(1.6)	(0.3)	(1.3)	(0.6)
DPS	0.0	0.0	0.0	0.0
Cost to Income	118.2%	104.2%	122.3%	111.4%
NIM	**4.4%**	**4.3%**	**3.8%**	**3.0%**
ROaE	(5.5%)	(1.1%)	(5.5%)	(2.7%)
ROaA	(0.9%)	(0.2%)	(0.9%)	(0.4%)
Balance Sheet	**2018**	**2019**	**2020e**	**2021f**
Government securities	43.4	38.6	38.8	38.6
Net Loans and Advances	3.2	4.6	4.5	4.7
Other Assets	13.9	13.3	12.4	15.4
Total Assets	**60.5**	**56.5**	**55.7**	**58.6**
Customer Deposits	34.7	37.4	39.2	42.3
Other Liabilities	15.5	8.8	7.8	7.9
Total Liabilities	**50.2**	**46.2**	**47.0**	**50.2**
Shareholders Equity	10.4	10.2	8.6	8.4
Number of Shares	0.4	0.4	0.4	0.4
Book Value Per Share	27.0	26.6	22.5	21.9
% BVPS Change YoY	**(17.0%)**	**(1.5%)**	**(15.3%)**	**(2.7%)**

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Valuation Summary

Housing Finance is overvalued with a total potential return of (1.0%)

Valuation Summary:	Implied Price	Weighting	Weighted Value
DDM	4.3	40.0%	1.8
Residual income	0.3	35.0%	0.1
PBV Multiple	5.3	20.0%	1.1
PE Multiple	2.2	5.0%	0.1
Target Price			**3.0**
Current Price			**3.1**
Upside/(Downside)			(1.0%)
Dividend yield			0.0%
Total return			**(1.0%)**

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Feedback Summary

During the preparation of this Q3'2020 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
Diamond Trust Bank	Yes	Yes
I&M Holdings	Yes	Yes
Co-operative Bank of Kenya	Yes	Yes
KCB Group	Yes	Unresponsive
Standard Chartered Bank Kenya	Yes	Unresponsive
NCBA Group	Yes	Unresponsive
Housing Finance Group	Yes	Unresponsive
Stanbic Holdings	Yes	Unresponsive
Equity Group Holdings	Yes	Unresponsive
Absa Bank Kenya	Yes	Unresponsive

Licensed Financial Institutions

I. Banks and Mortgage Finance Institutions

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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	Jamii Bora Bank 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	Prime Bank Limited
13	DIB Bank Kenya Limited	32	SBM Bank Kenya Limited
14	Ecobank Kenya Limited	33	Sidian Bank Limited
15	Equity Bank Kenya Limited	34	Spire Bank Ltd
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 Holdings
5. KCB Group
6. M Holdings Limited
7. NCBA Group
8. Stanbic Group Holdings

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II. Micro-Finance Institutions

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Licensed Microfinance Banks in Kenya

#	Microfinance Bank	#	Microfinance Bank
1	Caritas Microfinance Bank Limited	8	Remu Microfinance Bank Limited
2	Century 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	Uwezo Microfinance Bank Ltd
6	Kenya Women Microfinance Bank Limited	13	Maisha Microfinance Bank Limited
7	Rafiki Microfinance Bank Limited		

Source : CBK

Thank You!

For More Information

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

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Q&A / AOB

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