DYER & BLAIR INVESTMENT BANK
EARNINGS UPDATE

Founder Member of the Nairobi Securities Exchange

24TH APRIL 2024

DYER & BLAIR INVESTMENT BANK

WE KNOW. YOU KNOW.

KENYA: LISTED BANKS FY24 BY THE NUMBERS:

Dear All,

Following the release of the listed banks' FY24 results, we explore the financial performance of the banks from an individual and sector wide perspective to garner insights on the industry.

Below please find key highlights:

Rising profitability: In FY24, all of the listed banks recorded an improvement in profitability on a year on year basis. The rise in profitability was generally attributable to higher total operating income during the period and lower bad debt charge during the year. Robust profitability growth was witnessed in banks like KCB Group (64.9%), StanChart (45.0%) and HF Group (35.2%).

Increase in NPLs: Elevated interest rates led to a majority of the listed banks (6 out of 10) reporting an increase in their gross non-performing loans. This also subsequently led to majority of the banks recording an increase in their NPL Ratio. The listed banks average NPL Ratio increased by 62 bps y-o-y to 13.3%. The banks with the highest NPL ratio were HF Group (23.5%) followed by KCB Group (18.6%) and Co-operative Bank (16.0%).

Increased loan loss provisions: Despite the general reduction in cost of risk majority of listed banks reported increased loan loss provisions year on year. This is mainly attributed to the general reduction in asset quality.

Macroeconomic headwinds: Without a doubt, the volatile foreign exchange rates, effects of elevated interest rates and subsequent decline in interest rates witnessed in FY24 have been reflected in the listed banks' performance. Banks recorded an increase in interest income which was curtailed by a surge in cost of funds leading to higher interest expense. The elevated interest rates experienced for majority for the year has also led to higher provisioning and higher non-performing loans in the banking sector.

PAT (KES BN)	FY24	FY23
KCB	61.8	37.5
EQTY	48.8	43.7
COOP	25.5	23.2
NCBA	21.9	21.5
ABSA	20.9	16.4
SBCK	20.1	13.8
I&M	16.7	13.3
SBIC	13.6	11.9
DTB	8.8	7.8
HF	0.5	0.4

(Source: Company, DBIB Research)
PAT= profit after tax

PAT Growth	Y/Y(%)
KCB Group	64.9
StanChart	45.0
HF Group	35.2
ABSA Bank	27.5
I&M Group	24.8
Stanbic Holdings	14.5
DTB Kenya	13.1
Equity Group	11.6
Co-operative Bank	9.8
NCBA Group	1.9

(Source: Company, DBIB Research)

PPOP (KES BN)	FY24	FY23
KCB	111.9	82.1
EQTY	80.9	87.1
COOP	42.6	38.0
ABSA	38.8	32.9
SBCK	30.6	23.0
NCBA	30.5	34.6
I&M	27.7	22.3
SBIC	22.3	24.0
DTB	20.0	19.2
HF	0.8	0.6

(Source: Company, DBIB Research)
PPOP= pre provisions operating earnings

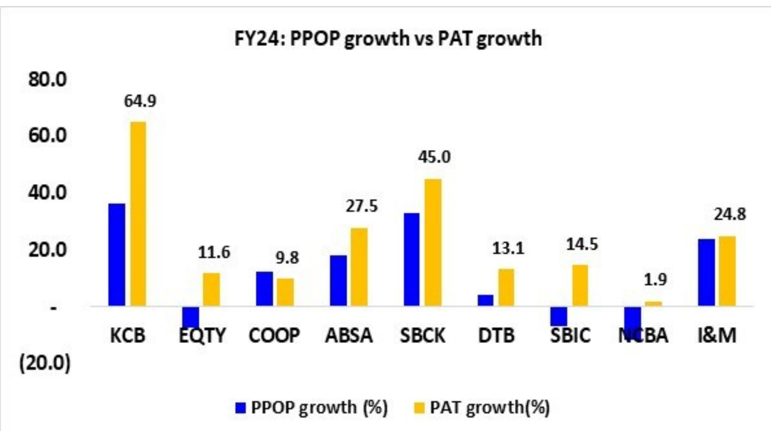
Sylvester Otieno

Email: sotieno@dyerandblair.com

Tel: +254 709 930 127

Introduction

In FY24, all listed banks recorded an improvement in profitability on a year on year basis. Across the listed banks, the rise in profitability was generally attributable to higher total operating income and lower bad debt charge during the period. Robust profitability growth was witnessed in banks like KCB Group (64.9%), StanChart (45.0%), HF Group (35.2%) and Absa (27.5%). Notably, NCBA Group recorded the lowest growth in PAT (1.9% y-o-y) which was mainly attributed to a marginal decline in total operating income (-1.5% y-o-y).



Source: Company, DBIB Research

Looking at pre-provision operating profit (PPOP), we notice that majority of the banks registered growth apart from NCBA Group, Equity Group and Stanbic. NCBA Group recorded a 11.7% decrease in PPOP mainly due to a higher growth in operating expenses(+10.6% y-o-y) and a marginal decline in total income(-1.5% y-o-y). The strongest growth in PPOP was generally witnessed in KCB Group, StanChart and I&M. Generally, PAT growth was higher than PPOP growth. This was largely attributed to a general reduction in bad debt charge for the year.

In FY24 most banks decreased their bad debt charge (7 out of 10) indicating a lower cost of risk in comparison to FY23. Co-operative Bank, HF Group and I&M Group are the only banks that recorded y-o-y growth in bad debt charge with 44.2%, 17.8% and 13.8% respectively. The lower cost of risk was for the most part occasioned by a declining interest rate environment in the latter half of the year. Despite the decrease in the cost of risk majority of the listed banks (6 out of 10) reported a decline in asset quality attributed to macroeconomic headwinds and high interest rates experienced for the better part of FY24.

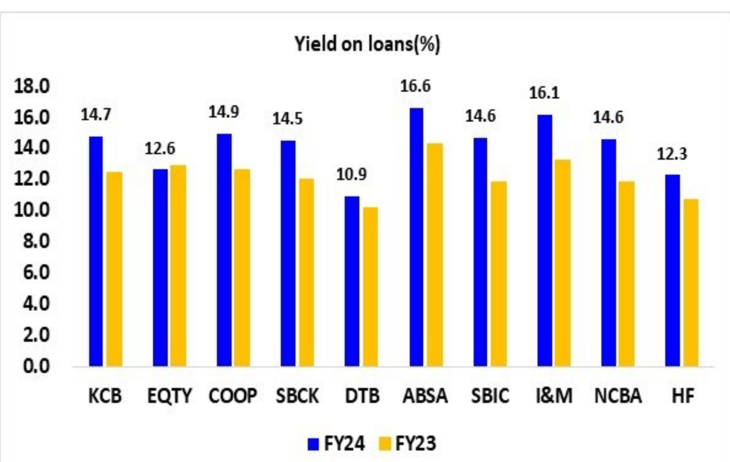
Without a doubt, the effects of the macroeconomic headwinds witnessed in FY24 have definitely been reflected in the listed banks' performances. Majority of the banks recorded growth in interest income which was curtailed by a higher growth in interest expense. Most banks (9 out of 10) recorded an increase in net interest income. NCBA Group went against the grain to report a marginal drop in net interest income (-0.3% y-o-y). Majority of listed banks (6 out of 10) also reported a declined in asset quality with the listed banks average NPL Ratio increasing by 62 bps y-o-y to 13.3%. The banks with the highest NPL ratio were HF Group (23.5%) followed by KCB Group (18.6%) and Co-operative Bank (16.0%).

FY25 presents its own unique set of challenges (monetary easing, USAID shut down and uncertainty brought about by US tariffs) that may affect banks' profitability and asset quality. We believe banks with well-diversified books will be better equipped to handle uncertainty in US trade policies as well as combatting declining yields in government securities.

Loan book and yield on loans

There was a rise in the yield on loans across the listed banks apart from Equity Group which registered a drop in its yield on loans (-21 bps). **The higher loan yields were mostly influenced by the elevated interest rates and lending based on the risk based pricing models.** Despite the growth in yield on loans most listed banks (9 out of 10) registered a decline in their loan books. This was attributed to the appreciation of the Kenya Shilling witnessed in 2024 and channeling of funds into government securities. HF Group was the only group to register a marginal growth in its loan book (0.2% y-o-y) with only 5.0% if its loan book being dominated in foreign currency.

The CBK had approved the risk-based pricing models of all banks by end of September 2024 with most listed banks having began implementing them in 2023. We observe that all listed banks have been in agreement that their risk-based pricing models need a review. This is because of slow monetary transmission, with the banks being "reluctant" and "sluggish" in cutting interest rates once the CBK embarked on its monetary easing cycle in August 2024.



Source: Company, DBIB Research

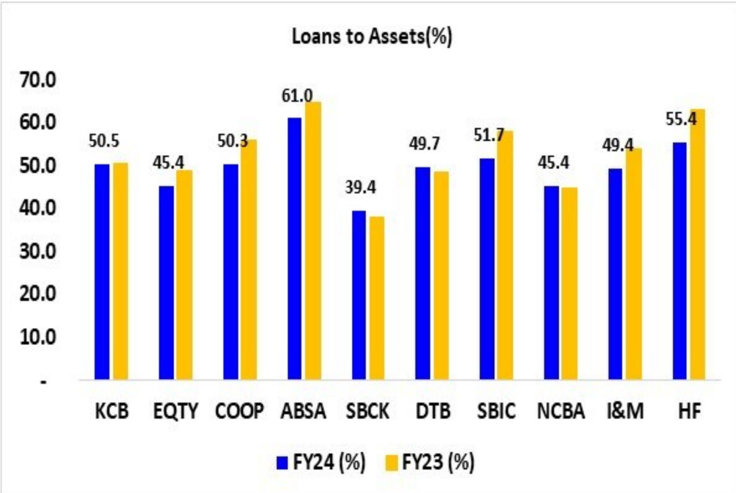
The CBK had also noted that banks were cutting their loans rates moderately and not as aggressively as the regulatory bank had hoped for.

The CBK Governor, Dr. Kamau Thugge, has stated in the recent April 2025 MPC press briefing that by the next MPC meeting in June 2025, the CBK shall hopefully have had a full review of the risk-based pricing models and have found a solution to the slow monetary policy transmission.

The Kenya Bankers Association (KBA) has submitted a proposal on pegging consumer borrowing costs on the average two-month interbank rate. The KBA also wants a complete overhaul of the risk-based pricing models where currently each bank has its own individual base rate. The CBK has also recently put forward its proposal to use the Central Bank Rate (CBR) as the reference rate for determining lending rates by banks.

We expect more clarity on the risk-based pricing models by the CBK after the next MPC meeting In June 2025. This will come after the CBK and banks have fully agreed on a way forward regarding the matter.

Going forward, as monetary easing continues, we expect to see yield on loans reduce. Private sector credit growth contracted to a low of -2.9% y-o-y in January 2025. We foresee the CBK continuing its monetary easing stance in order to stimulate more lending to the private sector which has begun its turn around. Private sector credit growth grew marginally by 0.2% y-o-y in March 2025.



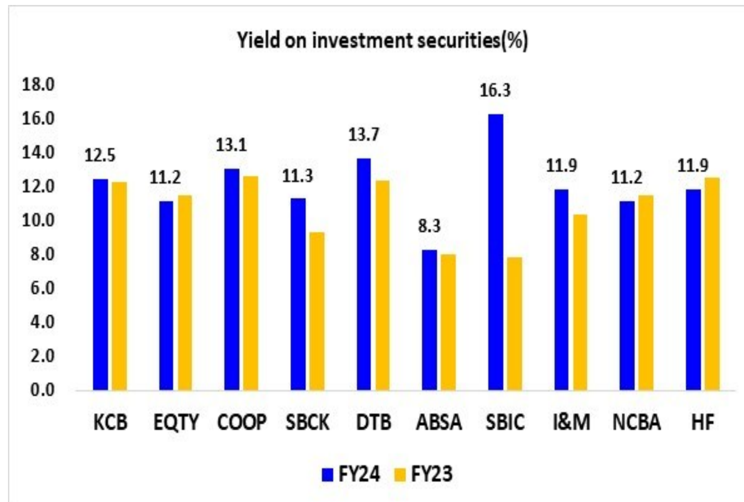
Source: Company, DBIB Research

With regard to the loan to asset ratios (which provides an indication of a bank's balance sheet agility and future lending/earning potential) we see that across the listed banks Equity Group, StanChart, NCBA Group, DTB and I&M have loan to asset ratios which are below the industry average as at FY24 indicative of their conservative lending approach.

Despite having the lowest loan to asset ratio, StanChart recorded the highest growth in the said ratio due to a faster decline in its total assets (-10.3% y-o-y) compared to the decline witnesses in its customer loans and advances (-7.1% y-o-y). HF Group had the highest decline in the loan to asset ratio on a y-o-y basis occasioned by a greater growth in it's total assets (+14.0% y-o-y) compared to the growth of its loan book (+0.2% y-o-y).

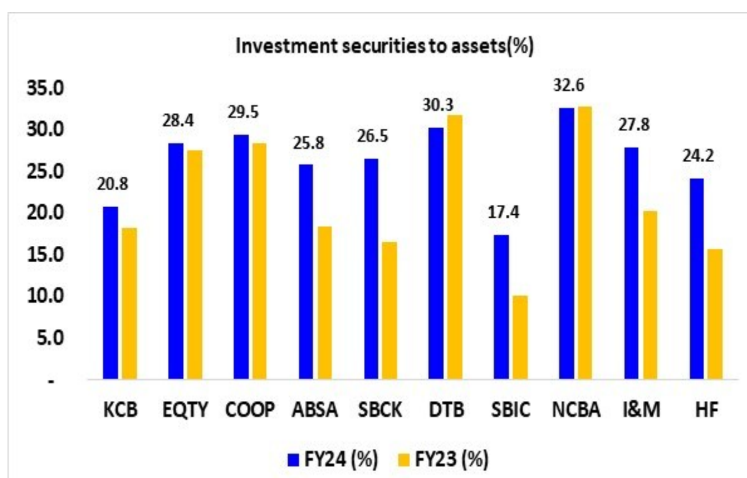
Investment securities and yields on investment securities

Yields on investment securities generally adopted an upward bias in FY24. With the exception of Equity Group, NCBA Group and HF Group all other listed banks recorded higher yields on investment securities. The overall rise in yields on investment securities corresponded with elevated interest rates experienced for the majority of the year.



Source: Company, DBIB Research

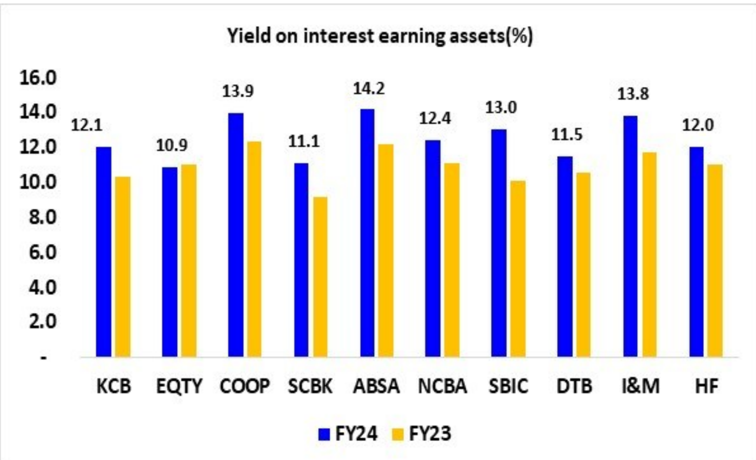
We see yield on investment securities edging lower as monetary easing continues. This will also translate into banks lending to customers more rather than investing in government securities.



Source: Company, DBIB Research

Interest earning assets and yields on interest earning assets

Across the listed banks, the yield on interest earning assets increased on a y-o-y basis largely driven by higher yields on loans and higher yields from investment securities. Equity Group was the only listed bank whose yield on interest earning assets recorded a decline.



Source: Company, DBIB Research

We also note that for most listed banks, the increased yields on interest earning assets was mostly on the back of higher growth in the yield on loans in comparison to the increase realized in the yield on investment securities. KCB Group's yield on investment securities edged up 13 bps y-o-y against a 231 bps y-o-y rise in the yield on loans. I&M's 287 bps y-o-y growth in the yield on loans towered the 150 bps y-o-y rise seen in the yield on investment securities.

Evaluating the funded income generating potential (interest earning assets/total assets), we observe that Stanbic, Absa, Co-operative bank and StanChart maintain their lead over their peers while NCBA Group, Equity Group, I&M, DTB, KCB Group and HF Group posted below industry average numbers.

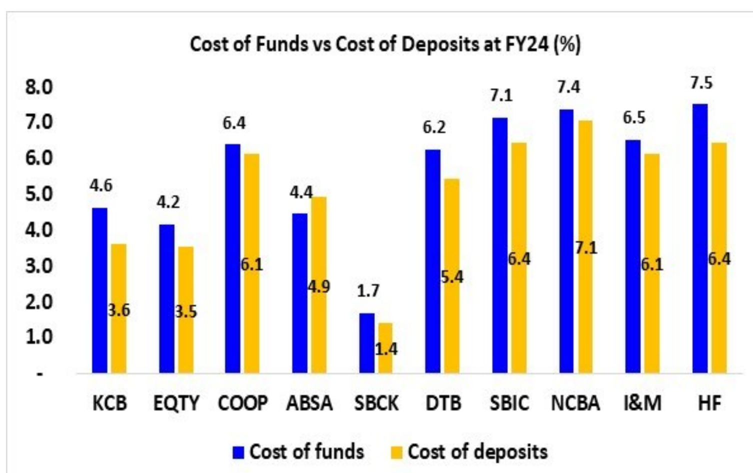
The outlook for yields on interest earning assets remains largely damp: with interest rates continue to decline due to monetary easing. Lower interest rates will lead to lower yields on investment securities and lower yield on loans driving the yields of interest earning assets lower.

Cost of funds and cost of deposits

All of the listed banks registered a surge in cost of funds in FY24 mainly driven by an increase in cost of customer deposits. Stanbic recorded the highest increase in cost of funds (+355 bps to 7.1%) while Equity Group recorded the lowest increase in cost of funds (+29 bps to 4.2%).

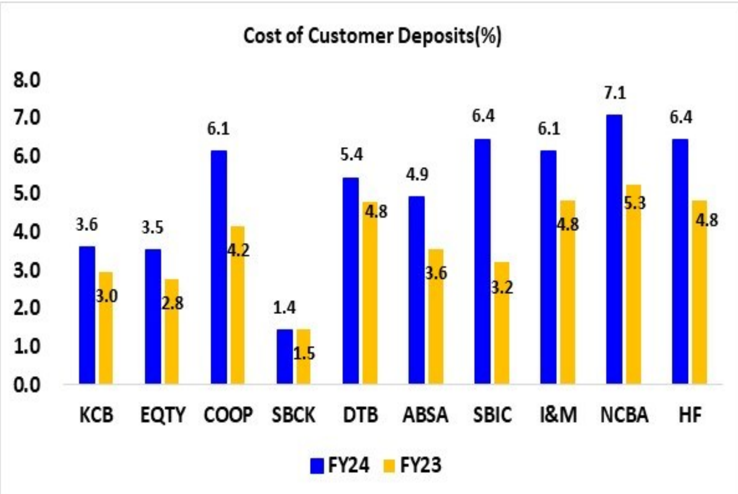
Cost of customer deposits surged due to elevated interest rates witnessed throughout majority of the year. Stanbic recorded the highest increase in cost of customer deposits (+324 bps y-o-y to 6.4%))

On the flip side, StanChart posted a 4 bps y-o-y marginal decline in cost of customer deposits to 1.4% in FY24. We believe that StanChart's high liquidity ratio continues to place it at an advantage compared to its peers as the high liquidity provides it with leverage to reject expensive deposits. Stanchart recorded a liquidity ratio of 67.6% in FY24, which was the highest among all listed banks.



Source: Company, DBIB Research

We expect cost of funds and cost of customer deposits to come down in FY25 due to falling interest rates brought about by continued monetary easing.



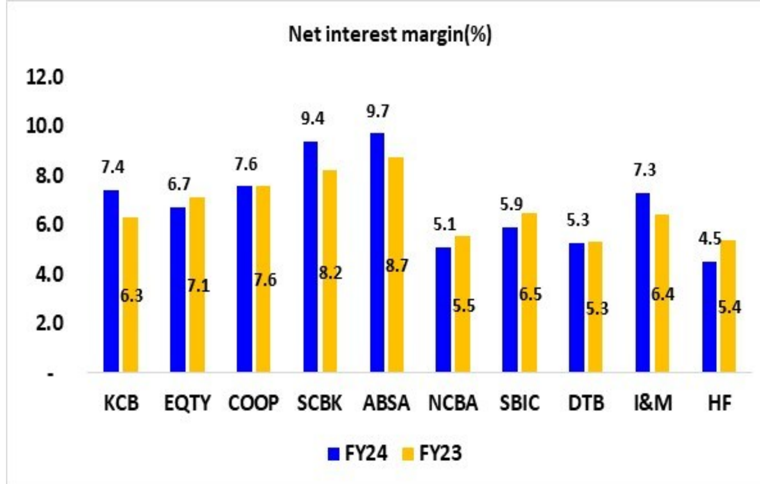
Source: Company, DBIB Research

Net interest margins

Owing to the upswing in yields on interest earning assets coupled with increased cost of funds, net interest margins (NIMs) amongst majority of the listed banks declined marginally. StanChart, KCB Group, Absa and I&M were the only banks that saw their NIMs improve.

NCBA Group and Co-operative banks's net interest margins were impacted by the higher cost of funds, while Equity Groups's was influenced by both the lower yield on interest earning assets and higher cost of funds.

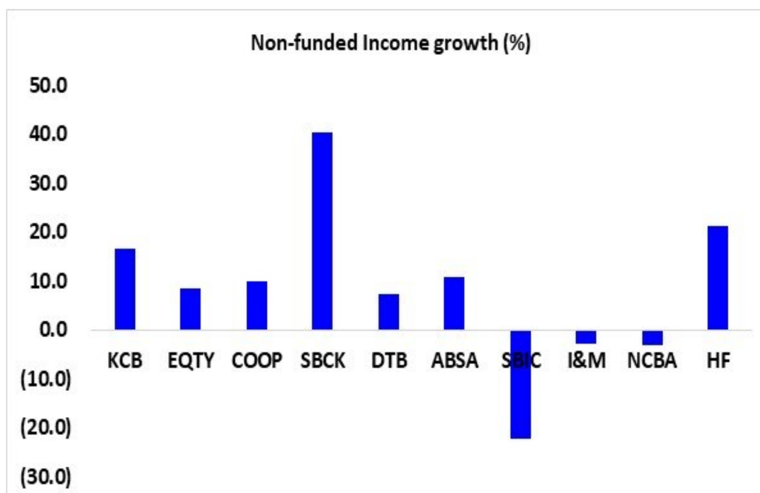
Moving forward, we believe that NIMs will continue to edge lower in FY25 as a result of yields on interest earning assets declining faster that cost of funds. This will be mainly caused by continued monetary easing.



Source: Company, DBIB Research

Non-funded income

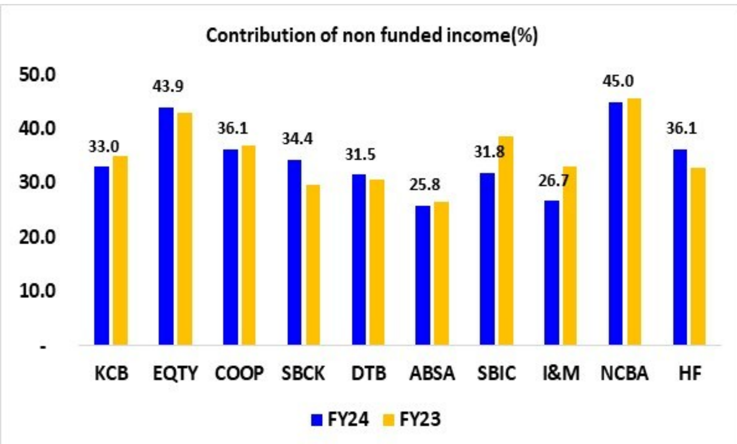
With the exception of NCBA Group, I&M and Stanbic, all other listed banks reported a y-o-y increase in non-funded income in FY24. Taking a cumulative view of the listed banks' non-funded income growth, we note that the main drivers of non-funded income growth were other fees and commissions and fees and commissions on loans.



Source: Company, DBIB Research

Interestingly, we observe that for KCB Group, Co-operative bank and HF Group, non-funded income growth was principally buoyed by growth in forex trading income despite the drop in forex margins during the year. All other listed banks recorded a decrease in their forex trading income.

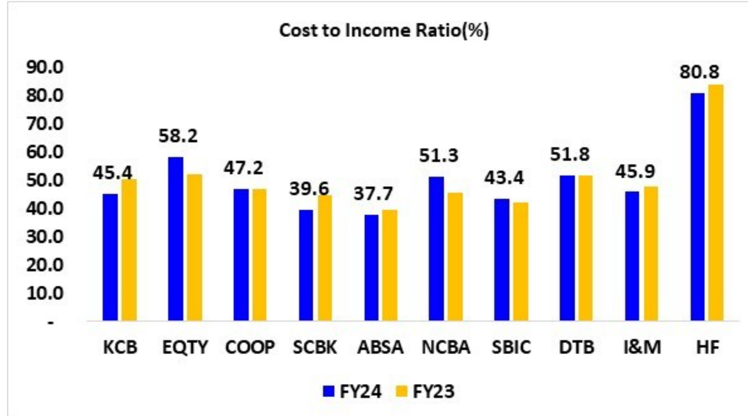
In terms of the contribution of non-funded income to total operating income, the listed banks industry average recorded a 76 bps y-o-y decrease to 34.4% (FY23: 35.2%). StanChart recorded the highest jump (463 bps y-o-y) followed by HF Group (337 bps y-o-y), Equity Group (99 bps y-o-y) and DTB (88 bps y-o-y). We note positively on the progress made by HF Group and DTB.



Source: Company, DBIB Research

Going forward, we anticipate to see non-funded income growth propelled by total fees & commissions for mass market banks and forex trading income for foreign owned banks as has been the case. For the mass market banks (KCB Group and Equity Group), we believe their efforts to grow their products while leveraging on their digital platforms will continue to buoy growth in total fees & commissions. We also expect an improvement in forex trading income especially among banks that recorded declines in forex trading incomes. We attribute this due to continued stability of the Kenyan shilling and expected consistent margins in FY25.

Efficiency



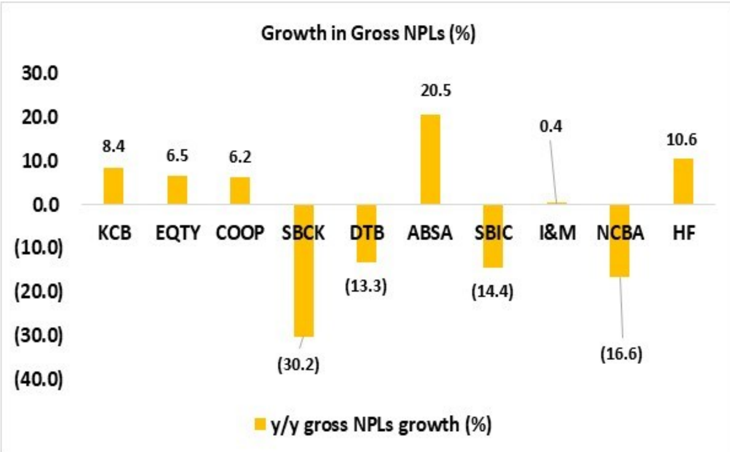
Source: Company, DBIB Research

Half of the listed banks recorded an increase in their cost to income ratios in FY24 indicating decreased operational efficiency. KCB Group, StanChart, Absa, I&M and HF Group recorded improved operational efficiency. Absa emerged as the most operationally efficient bank with the lowest cost-to-income ratio of 37.7% in FY24. We note that the deterioration in efficiency was powered by a slower growth observed in total operating income against a higher growth seen in operating expenses (sans provisions) at industry level.

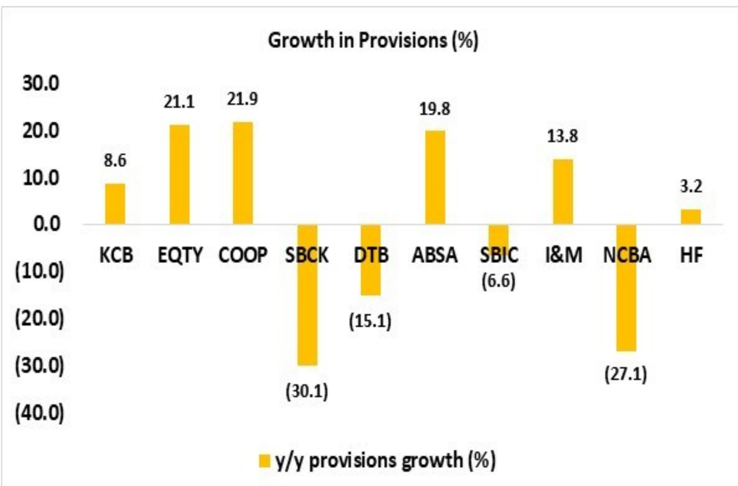
We believe that the decline in efficiency was mainly due to the challenging macro environment in FY24 comprising of elevated interest rates and inflationary effects which contributed in raising operation costs. Staff costs, on the other hand, increased across all listed banks. I&M Group reported the highest staff costs growth (+21.3% y-o-y) mainly attributed to its expansion drive through opening new branches.

For KCB Group, StanChart, Absa, I&M and HF Group, the lower cost-to-income ratios (excluding provisions) were realized on the back of a slower growth in operating expenses (sans provisions) compared to the faster growth realized in the top-line.

Asset Quality

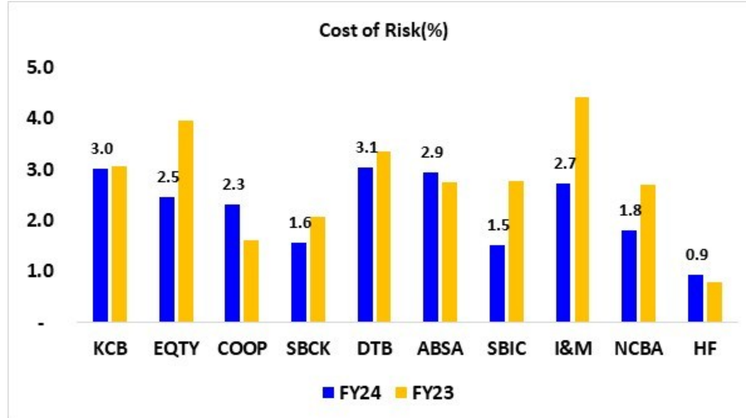


Source: Company, DBIB Research



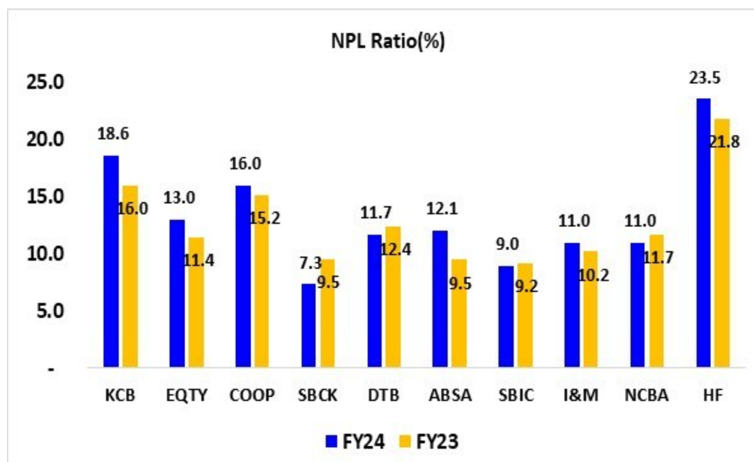
Source: Company, DBIB Research

Looking at the listed banks asset quality performance in FY24, we observe that there was a general increase in gross NPLs on a y-o-y basis. The increase was mainly due to macroeconomic headwinds and elevated interest rates experienced for the majority of the year. StanChart, DTB, Stanbic and NCBA Group reported contractions in gross non-performing loans on a y-o-y basis.



Source: Company, DBIB Research

On average across the listed banks, in FY24 we noted an increase in the NPL ratio (commensurate with the banking industry trend); the average NPL ratio of the listed banks in FY24 was 13.3%, up from 12.7% in FY23. Out of the 10 listed banks, StanChart, DTB, Stanbic and NCBA Group recorded notable improvement in their NPL ratios, while the rest reported significant deterioration.



Source: Company, DBIB Research

In terms of ranking StanChart, Stanbic, NCBA, I&M, DTB, Absa, I&M and Equity Group recorded below average (listed banks) NPL ratios.

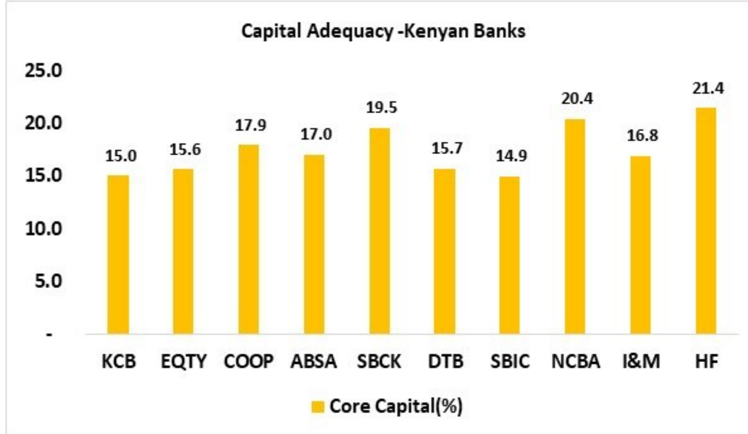
In FY24, credit risk remained elevated owing to challenges prevalent in the operating environment. Continued inflationary pressures had affected consumer demand, leading to loan servicing challenges among various businesses. Going forward, we see the aforementioned challenges having less impact on banks with inflation having been tamed. We opine this to the CBK continuing its monetary easing stance in FY25 in order to increase lending especially to the private sector.

That said, we see a significant potential of banks decreasing their cost of risk in FY25 with continued monetary easing.

Capital Adequacy

Taking a closer look at core capital adequacy ratios for the listed banks at the bank level, we note that all of the banks have stable ratios. We also note that HF Group is now adequately capitalized with core capital in FY24 standing at 21.4% compared to 5.3% in FY23 which was below the statutory level of 10.5%. This comes after HF successfully completed an oversubscribed rights issue in 4Q24.

KCB group and the bank have also recorded improvement in their core capital ratios, with the bank's core capital ratio Improving by 320 bps y-o-y to 15.0% while that of the group increased by 460 bps y-o-y to 16.8%. KCB Group did not pay any dividends in FY23 with the group retaining the capital leading to the great improvement in its capital ratios.



Source: Company, DBIB Research

Dividend Payment

All listed banks, apart from HF Group, paid dividends in FY24. HF Group management had stated that the Group will not pay any dividend until its recovered all of its accumulated losses on its balance sheet.

The banks with the highest Dividend Payout Ratio were StanChart (84.8%) followed by Stanbic (59.8%) and Absa (45.5%). KCB Group recorded the lowest payout ratio of 16.0% despite resuming dividend payments in FY24 after paying no dividends in FY23.

OPERATING EFFICIENCY

FY24	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets (%)	12.1	10.9	13.9	11.1	14.2	12.4	13.0	11.5	13.8	12.0
Cost of funds (%)	4.6	4.2	6.4	1.7	4.4	7.4	7.1	6.2	6.5	7.5
Net Interest Margin (%)	7.4	6.7	7.6	9.4	9.7	5.1	5.9	5.3	7.3	4.5
Yield on loans (%)	14.7	12.6	14.9	14.5	16.6	14.6	14.6	10.9	16.1	12.3
Loan-to-Deposits ratio (%)	70.5	58.5	73.4	51.2	82.6	58.6	68.6	61.4	64.2	81.2
Loan-to-Dep.& Borr Funds ratio (%)	67.2	55.7	66.2	49.9	77.3	57.5	65.9	61.0	62.2	76.8
Funded Income Generating Pot. (%)	82.4	85.8	86.8	86.7	89.8	85.9	89.8	85.4	85.6	81.4
Funded Income Reliance (%)	67.0	56.1	63.9	65.6	74.2	55.0	68.2	68.5	73.3	63.9
Contribution of NFI (%)	33.0	43.9	36.1	34.4	25.8	45.0	31.8	31.5	26.7	36.1
Cost to income ratio (%)	45.4	58.2	47.2	39.6	37.7	51.3	43.4	51.8	45.9	80.8
Cost to assets ratio(%)	4.7	6.3	5.1	5.2	4.6	4.8	3.8	3.7	4.0	4.8
Pre-tax margin (%)	40.0	31.3	43.1	55.7	47.7	40.1	47.8	27.0	40.6	11.0
PAT margin (%)	30.2	25.2	31.6	39.6	33.5	34.9	34.7	21.3	32.5	12.6
NFI to OPEX ratio (%)	72.6	75.4	76.6	86.7	68.5	87.6	73.4	60.8	58.1	44.7

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

FY24	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	15.0	15.6	17.9	19.5	17.0	20.4	14.9	15.7	16.8	21.4
Min. Statutory Ratio (%)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Total capital/TRWA (%)	18.4	17.6	20.9	19.6	20.7	20.4	18.4	17.3	20.2	24.6
Min. Statutory Ratio (%)	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Liquidity Ratio (%)	42.4	79.7	56.1	67.6	42.5	56.0	50.5	49.9	51.6	41.8
Min. Statutory Ratio (%)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Leverage Ratio (%)	14.4	13.7	19.6	18.7	16.8	16.5	14.7	16.1	17.5	22.4
EQTY-to-Loans Ratio (%)	28.6	30.1	39.0	47.3	27.6	36.3	28.4	32.4	35.4	40.4
Cost of risk (%)	3.0	2.5	2.3	1.6	2.9	1.8	1.5	3.1	2.7	0.9
NPL Ratio (%)	18.6	13.0	16.0	7.3	12.1	11.0	9.0	11.7	11.0	23.5
NPL Coverage Ratio (%)	59.6	53.8	61.2	71.1	59.0	42.8	70.8	39.6	56.8	59.2
L/ T Debt to Liabilities and EQTY (%)	3.5	3.9	7.5	2.1	4.4	1.5	3.1	0.6	2.4	3.9
NTA/share (KES)	80.9	59.2	23.8	192.9	15.5	62.1	163.0	283.9	51.9	8.2
Book value/share (KES)	85.5	63.2	24.8	208.9	15.7	66.6	165.5	292.5	55.9	8.3
Payout ratio (%)	16.0	34.4	34.6	85.5	45.5	41.4	54.5	25.6	32.3	-

(Source: Company, DBIB Research)

INVESTMENT RETURN

FY24	KCB	EQTY	COOP	SBCK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)	3.1	2.7	3.4	5.2	4.1	3.3	3.1	1.5	2.9	0.7
ROaA(%)	3.0	2.7	3.6	4.9	4.1	3.1	3.1	1.5	2.9	0.8
ROIC (%)	3.5	2.8	3.6	5.3	4.3	3.4	3.3	1.6	3.0	0.8
ROE (%)	21.9	19.9	17.5	27.9	24.5	19.9	20.9	9.3	16.3	3.3
ROaE(%)	23.8	21.0	19.6	30.1	27.0	21.2	22.1	9.9	16.9	4.3

(Source: Company, DBIB Research)

OPERATING EFFICIENCY

FY23	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Yield on interest earning assets (%)	10.3	11.0	12.4	9.1	12.2	11.1	10.1	10.6	11.7	11.0
Cost of funds (%)	4.0	3.9	4.8	0.9	3.4	5.5	3.6	5.3	5.3	5.7
Net Interest Margin (%)	6.3	7.1	7.6	8.2	8.7	5.5	6.5	5.3	6.4	5.4
Yield on loans (%)	12.4	12.8	12.6	12.0	14.3	11.8	11.9	10.2	13.3	10.7
Loan-to-Deposits ratio (%)	63.7	65.3	82.0	47.0	86.6	57.4	74.7	60.3	68.2	85.5
Loan-to-Dep.& Borr. Funds ratio (%)	60.5	59.8	71.5	45.7	78.5	56.8	71.9	57.6	65.6	78.9
Funded Income Generating Pot. (%)	88.6	86.6	88.3	85.5	88.5	87.8	89.3	86.2	84.2	80.2
Funded Income Reliance (%)	65.0	57.1	63.1	70.3	73.4	54.3	61.4	69.4	67.1	67.2
Contribution of NFI (%)	35.0	42.9	36.9	29.7	26.6	45.7	38.6	30.6	32.9	32.8
Cost to income ratio (%)	50.3	52.3	47.0	44.8	39.7	45.7	42.4	51.7	47.6	83.9
Cost to assets ratio(%)	3.8	5.2	5.0	4.4	4.2	4.3	3.9	3.2	3.5	10.3
Pre-tax margin (%)	29.3	28.4	45.1	47.1	43.4	40.0	40.2	22.7	39.1	8.8
PAT margin (%)	22.7	24.0	32.3	33.2	30.0	33.7	28.6	19.6	31.3	10.2

(Source: Company, DBIB Research)

CAPITAL ADEQUACY, LIQUIDITY & ASSET QUALITY

FY23	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
Core capital/TRWA (%)	11.8	14.2	17.8	17.8	13.6	17.5	13.0	16.3	14.5	5.3
Min. Statutory Ratio (%)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Total capital/TRWA (%)	15.8	18.8	22.2	17.8	18.1	17.5	16.6	17.0	18.9	9.0
Min. Statutory Ratio (%)	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Liquidity Ratio (%)	46.2	67.4	52.1	66.3	31.1	52.3	40.3	48.6	44.7	24.5
Min. Statutory Ratio (%)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Leverage Ratio (%)	10.9	12.0	16.9	14.3	13.3	13.2	13.0	13.6	16.5	14.4
EQTY-to-Loans Ratio (%)	21.6	24.6	30.4	37.7	20.6	32.9	22.4	28.0	30.7	22.9
Cost of risk (%)	3.1	4.0	1.6	2.1	2.8	2.7	2.8	3.3	4.4	0.8
NPL Ratio (%)	16.0	11.4	15.2	9.5	9.5	11.7	9.2	12.4	10.2	21.8
NPL Coverage Ratio (%)	57.9	43.9	53.6	70.8	59.0	43.8	61.9	40.7	49.7	64.8
L/T Debt to Liabilities and EQTY (%)	4.1	7.0	10.0	2.3	7.8	1.7	3.0	3.8	3.2	6.2
NTA/share (KES)	65.0	51.9	18.3	164.5	12.6	54.0	145.8	262.0	48.8	22.33
Book value/share (KES)	71.1	56.1	19.4	179.1	12.7	58.7	147.6	267.8	53.3	23.05
Payout ratio (%)	-	36.0	38.3	80.2	51.4	36.5	46.2	24.4	33.4	-

(Source: Company, DBIB Research)

INVESTMENT RETURN

FY23	KCB	EQTY	COOP	SCBK	ABSA	NCBA	SBIC	DTB	I&M	HF
ROA (%)	1.7	2.4	3.5	3.2	3.1	2.9	2.7	1.2	2.3	0.6
ROaA(%)	2.0	3.0	3.6	3.2	3.3	2.9	2.7	1.2	2.3	0.6
ROIC (%)	1.8	2.6	3.6	3.3	3.3	3.1	2.8	1.3	2.3	0.7
ROE (%)	15.8	20.2	20.4	22.5	23.7	22.2	20.4	9.2	14.3	4.4
ROaE(%)	27.9	21.8	20.9	23.5	24.6	24.0	21.5	9.5	15.0	4.4

(Source: Company, DBIB Research)

Appendix

Company Investment ratings

Buy: Share price may generate more than 15.0% upside over the next 12 months

Overweight: Share price may generate between 5.0% and 15.0% upside over the next 12 months

Hold: Share price may fall within the range of <+5.0/ -10.0% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels. Company fundamentals however remain strong

Underweight: Share price may generate between 10.0% and 15.0% downside over the next 12 months

Sell: Share price may generate more than 15.0% downside over the next 12 months, significant business and/or financial risks present, industry concerns

Not Rated: Counter is not within regular research coverage

Sector Investment Ratings

Overweight： Industry performance better than that of the whole market

Equal weight： Industry performance about the same as that of the whole market

Underweight： Industry performance worse than that of the whole market

Disclaimer

While every care has been taken in preparing this report and it has been prepared from sources believed to be reliable, no representation, warranty, or undertaking (express or implied) is given and no responsibility is accepted by Dyer and Blair Investment Bank Limited, its related companies, subsidiaries, affiliates, its employees and agents, as to the accuracy and completeness of the information contained herein or in respect of any reliance on or use thereof. This report is solely intended for distribution to clients of Dyer and Blair Investment Bank Limited. Any information may be changed after distribution at any time without any notice.