Cytonn Annual Markets Review - 2024

Equities

Market Performance

In 2024, the Kenyan equities market was on an upward trajectory with NSE 10 gaining the most by 42.9%, while NSE 25, NASI and NSE 20 gained by 42.5%,34.3% and 33.3%, respectively. Below is a summary of the 2024 annual performance of some of the large-cap stocks in the Kenyan stock market:

Cytonn Report: Kenya Equities Performance - Large Cap Gainers and Losers 2024

No	Company	Share Price Performance 2024
1	KCB Group	89.5%
2	Standard Chartered Bank	74.6%
3	Absa Bank	56.3%
4	Diamond Trust Bank	54.2%
5	Bamburi	52.8%
6	East Africa Breweries	51.0%
7	Co-operative Bank	44.9%
8	Equity Group	41.2%
9	Stanbic	29.2%
10	NCBA	24.1%
11	Safaricom	24.0%
12	BAT	(11.5%)

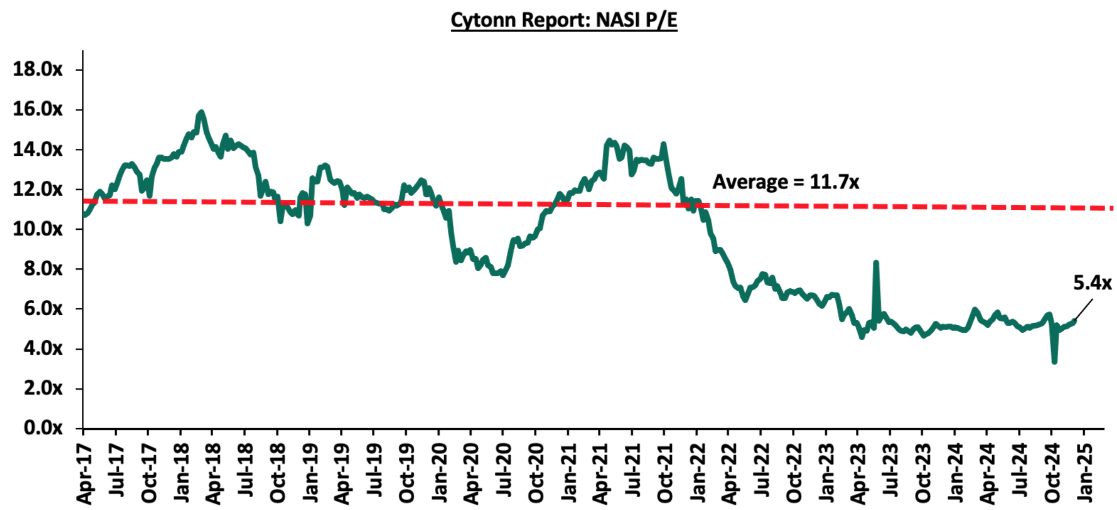
During the week, the equities market was on an upward trajectory, with NSE 20 gaining the most by 5.4% while NSE 10, NSE 25 and NASI gained by 4.7%,4.0% and 3.2%, respectively. The equities market performance was mainly driven by gains recorded by large-cap stocks such as Co-operative Bank, ABSA Bank, and KCB Group of 11.0%, 9.2% and 7.1%, respectively. The performance was however weighed down by losses recorded by large-cap stocks such as Diamond Trust Bank Kenya, BAT and EABL of 1.8%, 1.2%, and 0.6% respectively.

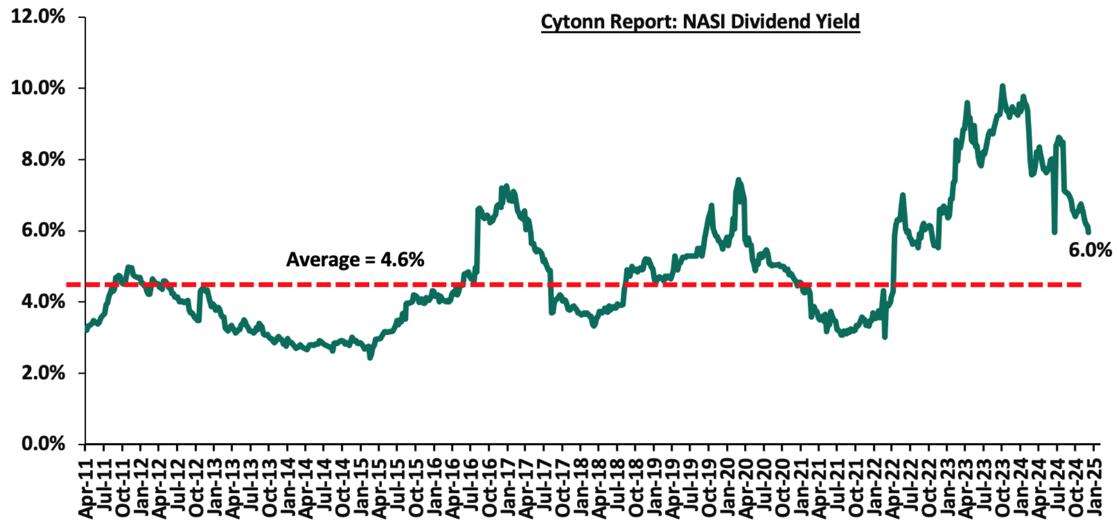
During the year, equities turnover gained by 22.0% to close the year at USD 0.8 bn, from USD 0.6 bn recorded in 2023. Foreign investors remained net sellers, with a net outflow of USD 16.9 mn, compared to net outflows of USD 92.0 mn recorded in 2023. The foreign-investor outflows during the year can be largely attributed to investors fleeing emerging markets such as Kenya, to advanced economies such as United States and United Kingdom following interest rate hikes as well as increased concerns about macroeconomic deterioration in emerging markets.

During the week, equities turnover increased significantly by 97.3% to USD 4.2 mn from USD 2.1 mn recorded the previous week, taking the YTD turnover to USD 2.5 mn. Additionally, foreign investors remained net sellers for the third week, with a net selling position of USD 0.6 mn, from a net selling position of USD 0.9 mn recorded the previous week, taking the YTD net selling position to USD 0.1 mn.

The market is currently trading at a price-to-earnings ratio (P/E) of 5.4x higher than 5.1x recorded at the end of 2023, and is 53.7% below the 15-year historical average of 11.7x. NASI's P/E ratio remained boosted for the majority of the year, mainly attributable to a rise in price of large-cap stocks such as Safaricom whose price rose by 24.0% during the year. Safaricom continues to be a key part of Kenyan equities portfolios, accounting for 39.0% of Nairobi Stock Exchange (NSE's) market capitalization, and has dominated both the market turnover and determines the direction of the market given its weight and liquidity in the Nairobi Securities Exchange. On the other hand, the dividend yield is currently at 6.0%, 1.3% points above the historical average of 4.6%.

Key to note, NASI's PEG ratio currently stands at 0.7 an indication that the market is undervalued relative to its future earnings growth. The charts below indicate the market's historical P/E and dividend yield:





2024 Key Highlights

I. **Banking Sector Earnings**

According to the Q3'2024 banking results core earnings per share (EPS) for the listed banks recorded a weighted growth of 24.6% in Q3'2024, compared to a weighted growth of 11.2% recorded in Q3'2023, an indication of sustained performance supported by improved operating environment experienced in Q3'2024 on the back of easing inflationary pressures and a strengthening Shilling. The table below highlights the performance of the banking sector, showing the performance using several metrics, and the key take-outs of the performance.

Cytonn Report: Kenyan Listed Banks Performance Q3'2024

Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Net Interest Income Growth	Net Interest Margin	Non-Funded Income Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Growth in Government Securities	Loan to Deposit Ratio	Loan Growth	Return on Average Equity	COF	YIEA
HF Group	**104.6%**	23.0%	43.6%	2.6%	(0.3%)	10.9%	33.9%	24.0%	2.7%	45.5%	84.2%	(0.7%)	5.2%	6.8%	11.6%
Standard Chartered Bank	**62.7%**	24.0%	91.7%	17.0%	10.1%	73.5%	36.4%	30.4%	(4.8%)	22.4%	53.2%	5.4%	31.6%	1.7%	11.7%
KCB Group	**49.0%**	30.8%	44.0%	23.9%	7.0%	18.3%	35.1%	10.7%	(7.1%)	(2.1%)	67.8%	0.5%	22.4%	4.6%	11.3%
I&M Group	**21.3%**	43.5%	51.2%	37.4%	8.3%	(11.5%)	26.5%	15.1%	2.8%	13.6%	68.0%	(2.1%)	16.8%	6.6%	15.1%
Absa Bank Kenya	**19.8%**	24.3%	43.8%	17.7%	10.2%	13.0%	26.2%	1.1%	(0.7%)	(8.5%)	88.5%	(5.9%)	26.4%	4.6%	14.3%
Equity Group	**13.1%**	13.3%	17.7%	11.0%	7.7%	5.8%	43.1%	9.5%	9.0%	6.8%	60.8%	(5.4%)	23.7%	4.2%	11.7%
Diamond Trust Bank Kenya	**12.6%**	15.6%	25.9%	6.1%	5.3%	5.7%	31.3%	17.0%	(3.5%)	0.1%	62.2%	(4.9%)	11.8%	6.1%	10.9%
Stanbic Holdings	**9.3%**	48.6%	147.4%	4.8%	6.8%	(17.8%)	35.3%	(3.1%)	7.3%	82.7%	66.7%	(12.8%)	22.2%	6.7%	12.9%
Co-operative Bank of Kenya	**4.4%**	25.2%	50.6%	12.3%	8.0%	8.2%	37.7%	1.7%	18.7%	14.3%	74.2%	0.9%	20.0%	5.9%	13.3%
NCBA Group	**3.1%**	22.3%	53.7%	(3.1%)	5.8%	5.2%	46.5%	6.9%	(6.0%)	(11.1%)	58.9%	(1.7%)	23.3%	7.6%	13.0%
Q3'24 Mkt Weighted Average*	**24.6%**	**25.5%**	**52.9%**	**14.7%**	**7.9%**	**14.5%**	**36.9%**	**10.0%**	**2.3%**	**10.4%**	**66.3%**	**(2.3%)**	**23.5%**	**4.9%**	**12.5%**
Q3'23 Mkt Weighted Average**	**11.2%**	**29.7%**	**47.9%**	**21.3%**	**7.0%**	**17.0%**	**37.7%**	**27.7%**	**24.4%**	**(4.3%)**	**70.6%**	**19.1%**	**21.1%**	**3.7%**	**9.9%**

*Market cap weighted as at 13/12/2024

**Market cap weighted as at 21/09/2023

Key takeaways from the table include:

i. The listed banks recorded an 24.6% growth in core Earnings per Share (EPS) in Q3'2024, compared to the weighted average growth of 11.2% in Q3'2023, an indication of sustained performance supported by improved operating environment experienced in Q3'2024 on the back of easing inflationary pressures and a strengthening Shilling. The performance during the period was mainly supported by a 14.7% weighted average growth in net interest income, coupled with a 14.5% weighted average growth in non-funded income,

ii. Investments in government securities investments by listed banks increased in Q3'2024, having recorded a market-weighted average growth of 10.4%, from the 4.3% decline recorded in Q3'2023, with 7 of the 10 listed banks recording an increase in government securities investments,

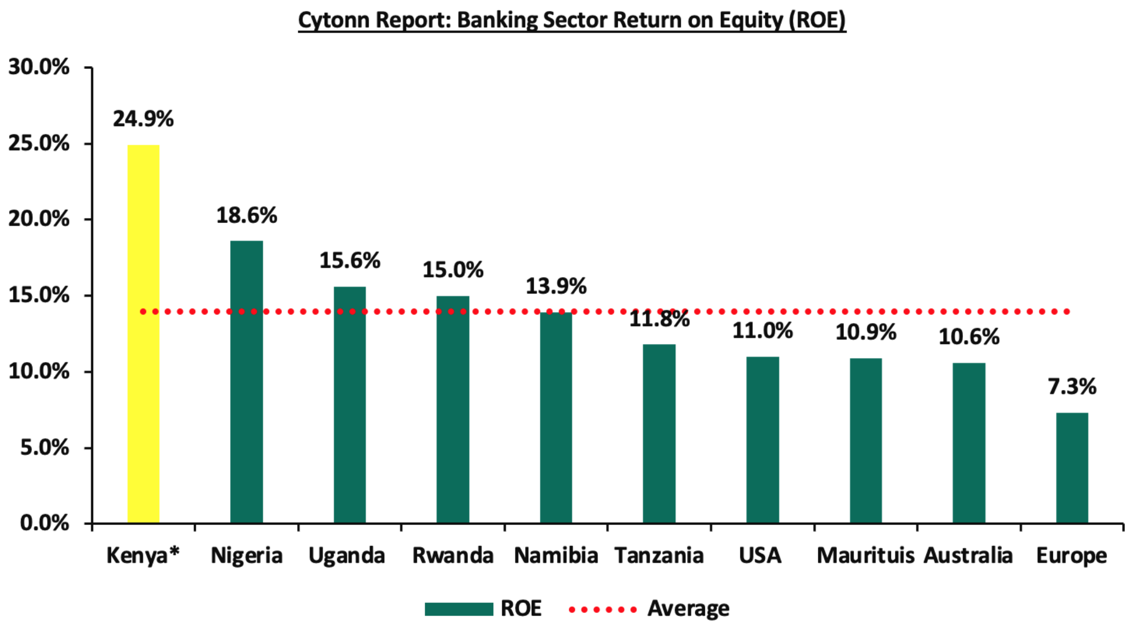
iii. The listed banks' Net loans and advances to customers recorded a weighted average decline of 2.3% in Q3'2024, a significant decline from the 19.1% growth recorded in Q3'2023, an indication of decreased lending attributable to the elevated credit risk following high default rates on the back of high borrowing costs,

iv. Interest income recorded a weighted average growth of 25.5% in Q3'2024, compared to 29.7% in Q3'2023. Similarly, interest expenses recorded a market-weighted average growth of 52.9% in Q3'2024 compared to a growth of 47.9% in Q3'2023. Consequently, net interest income recorded a weighted average growth of 14.7% in Q3'2024, albeit lower than the 21.3% growth recorded in Q3'2023,

v. Notably, non-funded income growth softened during the quarter, as evidenced by non-funded income weighted average growth of 14.5% in Q3'2024 compared to a weighted average growth of 17.0% in Q3'2023. The performance was largely attributable to the decrease in foreign exchange income recorded by the banks during the period as a result of decreased dollar demand in the country following the appreciation of the Shilling. Additionally, listed banks recorded a weighted average growth of 10.0% in total fees and commissions income in Q3'2024 compared to a weighted growth of 27.7% in Q3'2023, and,

vi. The listed banks recorded a 23.5% weighted average return on average equity (ROaE), 2.4%

points above the 21.1% ROaE registered in Q3'2023. Additionally, the entire banking sector's Return On Equity (ROE) stood at 9% as of September 2024, a 1.1% points decrease from the 26.0% recorded in June 2024. On a global level, the Kenyan banking sector continues to record high profitability compared to other economies in the world, as highlighted in the chart below:



For more information, see our Kenya Listed Banks Q3'2023 Report.

II. **Insurance Sector Earnings:**

During the year, Kenya listed insurers released their H1'2024 results, recording a weighted average increase in core earnings per share of 39.6% in H1'2024, significantly higher compared to the weighted decline of 235.5%, in H1'2023. The table below highlights the performance of the listed insurance sector, showing the performance using several metrics, and the key take-outs of the performance;

Cytonn Report: Listed Insurance Companies H1'2024 Earnings and Growth Metrics

Insurance	Core EPS Growth	Net Premium growth	Claims growth	Loss Ratio	Expense Ratio	Combined Ratio	ROaE	ROaA
Liberty	**196.7%**	403.1%	(295.6%)	70.6%	104.4%	175.0%	6.7%	1.4%
Sanlam	**164.1%**	28.4%	15.6%	89.6%	74.3%	163.9%	28.0%	0.8%
Jubilee Insurance	**22.7%**	28.4%	15.6%	89.6%	74.3%	163.9%	4.8%	1.3%
Britam	**22.6%**	7.4%	14.6%	76.2%	69.1%	145.3%	8.0%	2.0%
CIC	**0.6%**	(0.4%)	(6.9%)	81.0%	29.1%	110.1%	7.9%	1.3%
***H1'2024 Weighted Average**	**39.6%**	**51.7%**	**(18.2%)**	**81.1%**	**68.2%**	**149.4%**	**7.3%**	**1.6%**
****H1'2023 Weighted Average**	**(235.5%)**	**6.7%**	**(3.6%)**	**57.8%**	**56.4%**	**114.2%**	**3.2%**	**1.0%**
****Market cap weighted as at 18/10/2024***								
*****Market cap weighted as at 27/10/2023***								

The key take-outs from the above table include;

i. Core EPS growth recorded a weighted growth of 39.6%, significantly higher compared to the weighted decline of 235.5%, in H1'2023. The improved growth in earnings was attributable to increased premiums during the period following continued recovery by the sector from the impacts of the COVID-19 pandemic, coupled with higher yields from government papers,

ii. The premiums grew at a significantly quicker pace of 51.7% in H1'2024, compared to a growth of 6.7% in H1'2023, while claims declined at a higher rate of 18.2% in H1'2024, from the 3.6% decline recorded in H1'2023 on a weighted average basis,
iii. The loss ratio across the sector increased to 81.1% in H1'2024 from 57.8% in H1'2023,
iv. The expense ratio increased to 68.1% in H1'2024, from 56.4% in H1'2023, owing to an increase in net premiums,
v. The insurance core business still remains unprofitable, with a combined ratio of 149.4% as of H1'2024, higher than the 114.2% in H1'2023, and,
vi. On average, the insurance sector delivered a Return on Average Equity (ROaE) of 7.3%, an increase from a weighted Return on Average Equity of 3.2% in H1'2023.

For more information, see our Kenya H1'2023 Listed Insurance Report.

Other Key Results

Safaricom Limited released the H1'2025 results, recording an decrease in core earnings per share of 17.7% to Kshs 0.7 in H1'2025, from Kshs 0.9 in H1'2024. The decrease was largely attributable to a 34.6% increase in operating expenses to Kshs 114.4 bn from Kshs 84.9 bn recorded in H1'2024, which outpaced the 15.1% growth in total revenue to Kshs 189.4 bn in H1'2025, from Kshs 164.6 bn in H1'2024. . The group achieved a 15.1% year-on-year (YoY) growth in total revenue, reaching Kshs 189.4 billion, up from Kshs 164.6 billion recorded in H1'2024 with the profit after tax decreasing by 63.2% to Kshs 10.0 bn in H1'2025, from Kshs 27.2 bn.

During the year, 9 companies issued profit warnings to investors, compared to 15 companies in 2023 and 11 companies in 2022. The decreased in number of companies that issued profit warning in 2024 is an indication of improving economic conditions brought about by the continued appreciation of the Kenyan Shilling against other global currencies and reduced rate of inflation. The situation was however weighed down by the reduction in purchasing power of consumers occasioned by the high cost of living and increased taxes in addition to disruption of the global supply chain due to the challenging geopolitics resulting in high production costs. Companies are required to issue profit warnings if they project a more than 25.0% decline in profits year-on-year. Below is the summary of the said companies:

Cytonn Report: Companies that issued profit warnings

No	2024	2023	2022	2021
1	Express Kenya	Car & General	Bamburi Cement PLC	Centum Plc
2	Kakuzi Plc	Centum Plc	Centum Investments Co Plc	Umeme Limited
3	Total Energies Kenya Plc	Crown Paints Kenya	Crown Paints Kenya PLC	Williamson Tea Kenya PLC
4	WPP Scangroup Plc	Eveready	Flame Tree Group Holdings Ltd	WPP ScanGroup PLC
5	Sasini Plc	Express Kenya	Kakuzi Plc	
6	Eaagads Limited	Kakuzi Plc	Liberty Kenya Holdings Ltd	
7	Bamburi Cement PLC	Kenya Airways	Nairobi Securities Exchange PLC	
8	Umeme Limited	KPLC	Sameer Africa plc	
9	Limuru Tea PLC	Longhorn Publishers Plc	Sanlam Plc	

Cytonn Report: Companies that issued profit warnings

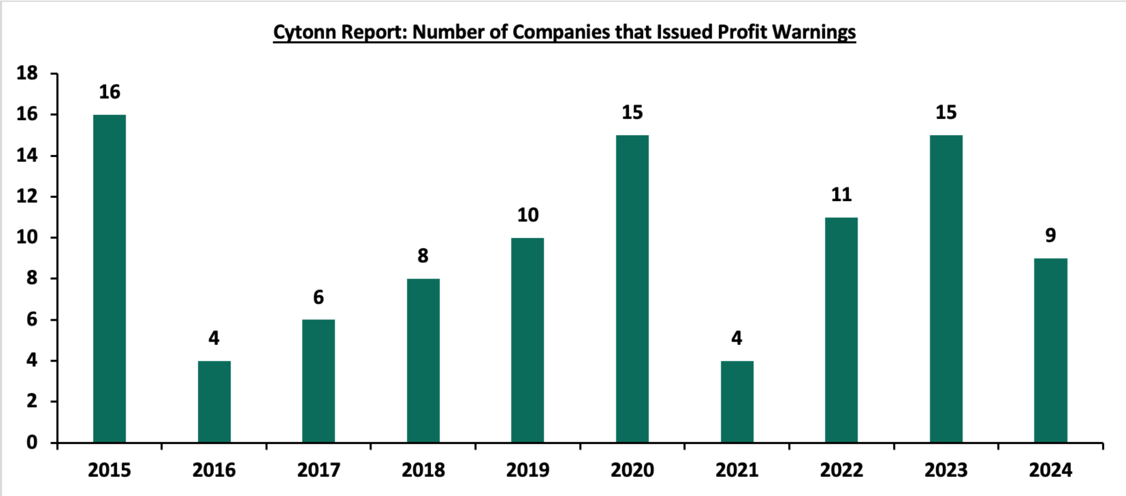
No	2024	2023	2022	2021
10		Nation Media Group	The Limuru Tea Kenya Plc	
11		Sameer Africa Plc		
12		Sanlam Plc		
13		Sasini Plc		
14		Unga Plc		
15		WPP Scan Group		

The key highlights from the tale include:

i. Limuru Tea Plc was the first company in 2024 to issue a profit warning ahead of the release of its financials for the year ended 31st December 2023, indicating that the expected decline in earnings was due to the importation cost of fertilizer which was adversely impacted by the depreciation of the Kenya Shilling against the US Dollar,
ii. Umeme Limited issued a profit in January 2024 ahead of the release of its financials for the year ended 31st December 2023 indicating that the expected decline in its net profits was mainly due to the increased amortisation charge for the year .The Company aligned amortisation of its non-current assets to the shorter of the remaining duration of its Electricity Distribution Concession or the underlying useful life of the assets that generate economic benefits to the Company in order to comply with International Financial Reporting Standards (IFRS),
iii. Eaagads Limited issued a profit warning in March 2024 ahead of the release of its financials for the 11 months ended 29th February 2024 noting that the expected decline in its earnings was mainly due to by decrease in the volume of coffee offered to the market,
iv. Bamburi cement Plc issued a profit warning in April 2024 stating that the expected decline in its full-year profit 2023 was due one-off settlement of outstanding tax liabilities and legal disputes in Hima Cement Limited in Uganda (“Hima Cement”) as part of closure of the sale transaction thereby impacting 2023 results,
v. Sasini Plc issued a profit warning in August 2024 ahead of release of its half-year financials. The decline in its earnings was mainly due to several extenuating circumstances in the global macro environment; the global economic situation and continuing geopolitical disruptions in the business value chain,
vi. WPP ScanGroup Ltd issued a profit warning in November 2024 for the financial year ending 31st December 2024, indicating the expected decline in its earnings is mainly due to foreign exchange losses driven by the significant appreciation of the Kenyan Shilling versus the reported gains in 2023,
vii. Kakuzi Plc also issued a profit warning for the financial year 2024, indicating that the expected decline in earnings is mainly a result of lower turnover from Avocado exports arising from a lower crop and supply chain disruptions due to the prevailing Middle East geopolitical tensions. The Red Sea route to European markets is effectively closed. The longer journey times, around the Cape, has resulted in significant quantities of spoilt fruit with low market returns,
viii. Total Energies Kenya Plc also issued a profit warning in December for the year ending 31st December 2024 indicating that the expected decline in earnings is mainly attributable to the high interest rates leading to increased finance costs, compounded by a challenging and volatile business environment,
ix. Express Kenya Plc also issued a profit warning for the financial year ending 31st December 2024,

indicating that the expected decline in earnings is mainly attributable to the decrease in demand for the warehousing operations and low economic activities occasioned by the tough economic environment during the year,

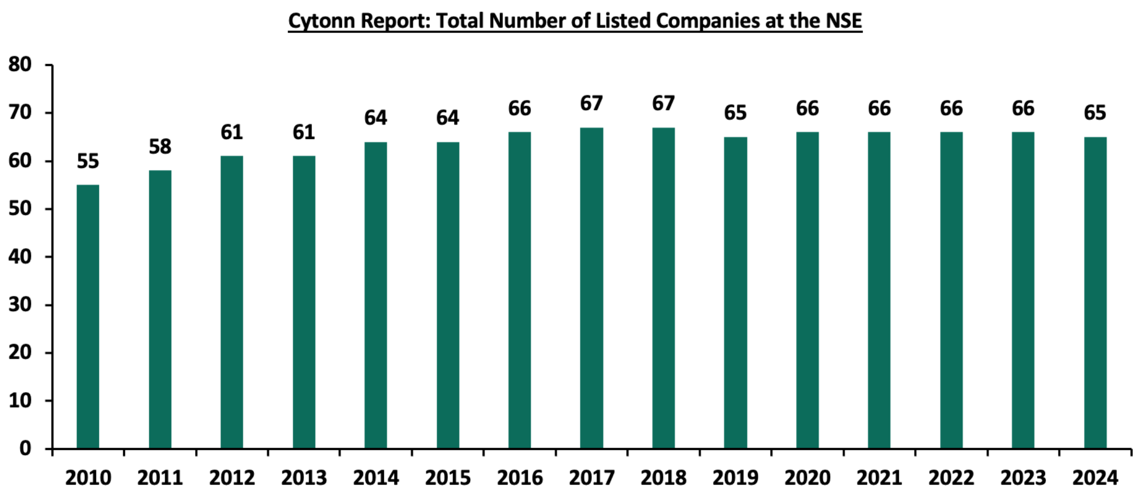
Below is a summary of the number of companies that issued profit warnings over the last 9 years:



Source: Cytonn Research, NSE

III. **Listings and Suspensions**

In May 2024,the Nairobi Securities Exchange admitted the Linzi Sukuk on the NSE Unquoted Securities Platform (USP) making the product the first Shari'ah compliant product to be admitted on the platform. The NSE also delisted Acorn Green Bond from the Nairobi Securities Exchange ,this follows the successful early redemption of the outstanding Kshs 2.7 billion under Acorn Project (Two) Limited Liability Partnership's Medium-Term Note Programme. Additionally, ILAM FAHARI-I REIT received the regulatory approval to delist from the Main Investment Market Segment (MIMS) of the Nairobi Securities Exchange (NSE) and is now listed at the Unquoted Securities Platform (USP) of the Nairobi Securities Exchange (NSE) following a comprehensive restructuring of the REIT. Four companies remained suspended at the Nairobi Securities Exchange, namely, Deacons (East Africa) PLC, ARM Cement PLC, Mumias Sugar Co. Ltd. and Kenya Airways.The chart below shows the number of listed companies in the Nairobi Securities Exchange for the period 2010-2024:



Source: CMA Quarterly Statistical Bulletins

IV. **Liquidations**

i. During the year, just like in 2023, there were no liquidations, announced by the Central Bank. Data from the office of the official receiver, however, shows that 111 insolvencies were filed between January and October this year by debtors and courts. In the insurance sector, the Insurance Regulatory Authority (IRA) placed Xplico Insurance, Invesco Assurance and Resolution Insurance under statutory management and provisional liquidation. The issues stem from prolonged financial difficulties, boardroom conflicts, and eroding market share, particularly in loss-making segments like Public Service Vehicle (PSV) insurance. The collapse of these insurers affects customer trust, disrupts the industry's stability, and forces policyholders to seek alternative coverage. The industry must address governance, risk management, and liquidity issues to restore stability and consumer confidence.

V. **Legislation and other Developments**

During the year, there were legislative changes and other developments that affected the equities market and investor sentiments, namely;

a. **Trading rules for fixed income securities-** In January 2024, the Nairobi Securities Exchange announced amendments to its trading Rules to provide a comprehensive framework for trading fixed income securities on the Nairobi Securities Exchange. These rules are designed to enhance market transparency, efficiency, and integrity by outlining clear procedures for trading, order matching, and settlement. They establish guidelines for market participants, access to the Automated Trading System (ATRS), and the use of dedicated trading boards for unrestricted and restricted securities. Additionally, the rules emphasize strict compliance, supervision, and enforcement mechanisms to maintain a well-regulated and professional trading environment. The key takeaways from this announcement included that:

i. **Trading Hours-**Fixed income securities trading takes place on all official trading days from 9:00 a.m. to 3:00 p.m. The trading hours may be adjusted by the Chief Executive Officer of the NSE in consultation with the Capital Markets Authority (CMA).
ii. **Access to Automated Trading System (ATRS)-**Market participants can access the trading system through Remote Broker Server, allowing brokers to operate outside the NSE premises and designated terminals located on the Trading Floor at the NSE headquarters.
iii. **Conduct and Dress Code-**All personnel operating on the Trading Floor are required to adhere to a formal dress code to maintain professionalism. Distinct jacket colors are used for identification of roles:

- Green jackets for NSE Trading Floor staff.
- Red jackets for Stockbroker ATRS Operators.
- Light blue jackets for Dealer ATRS Operators.

iv. **Fixed Income Securities Quotations Board-**This board is specifically designed to display indicative two-way quotes (bid and ask prices) for selected fixed income instruments. Quotes provided must adhere to a strict maximum spread of 100 basis points between bid and ask prices, ensuring fair and competitive pricing. The prices are benchmarked against the NSE Yield Curve established at the end of the previous trading session.
v. **Fixed Income Securities Board-**The trading platform includes two distinct boards; Unrestricted Board: Open to all classes of investors, allowing for broad participation in the market and Restricted Board: Specifically reserved for sophisticated investors, such as institutional clients or high-net-worth individuals, to trade in specialized instruments. All transactions are settled on a T+3 basis (three business days after the trade date)
vi. **Order Input and Trading-**Orders can be entered for onscreen trading (visible to all participants) and Over-the-Counter (OTC) trading trades must be reported by licensed trading entities to ensure compliance with settlement obligations.
vii. **Order Matching and Trading Sessions-**Continuous trading is facilitated through the ATRS, which uses advanced algorithms to match orders based on price priority (better prices matched first) and time priority (earliest entered orders matched first).

viii. **Trading Halts and Cancellations-**Trading may be halted under specific circumstances, such as significant market disruptions, regulatory announcements, or unforeseen events affecting specific securities.

ix. **Supervision and Compliance-**The Exchange actively monitors trading activities to ensure adherence to rules and regulations. Robust enforcement mechanisms are in place to address violations, ranging from warnings to penalties or suspensions, depending on the severity of the breach.

VI. Share purchase and consolidation

During the year, consolidation activity remained one of the key highlights witnessed in 2023, as players in the sector were either acquired or merged, leading to the formation of relatively larger, well capitalized, and possibly more stable entities. The following were some of the major M&A's activities witnessed during the year.

a. On March 20, 2024 Access Bank Plc announced that it had entered into a share purchase agreement with KCB Group Plc that would allow Access Bank Plc to acquire 100% shareholding in National Bank of Kenya Limited (NBK) from KCB. Access Bank Plc is a wholly owned subsidiary of Access Holdings Plc listed on the Nigerian Exchange as Access Corporation. Notably, KCB Bank had acquired the National Bank of Kenya back in 2019 in a rescue deal that was supervised by the Central Bank of Kenya. The announcement follows the release of the FY'2023 results for the KCB group, which revealed a decline in earnings with its Core earnings per share (EPS) declining by 8.3% to Kshs 11.7, from Kshs 12.7 in FY'2022. The transaction represents an important milestone for Access Bank as it moves closer to the achievement of its five-year strategic plan through increased scale in the Kenyan market. In the signed deal, Access Bank will pay multiples of 1.3x the book value of NBK, which stood at Kshs 10.6 bn as of end December 2023. This values the deal at about Kshs 13.3 bn with the actual figure to be announced when the transaction is completed. For more information, please see our Cytonn Weekly #12/2024,

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

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

Cytonn Report: Banking Sector Deals and Acquisitions

Acquirer	Bank Acquired	Book Value at Acquisition (Kshs bn)	Transaction Stake	Transaction Value (Kshs bn)	P/Bv Multiple	Date
Pioneer General Insurance and four other companies	Sidian Bank	5.0	16.57%	0.8	1.0x	Apr-24
Access Bank PLC (Nigeria)*	National Bank of Kenya	10.6	100.00%	13.3	1.3x	Mar-24*
Pioneer General Insurance and two other companies	Sidian Bank	5.0	38.91%	2.0	1.0x	Oct-23
Equity Group	Cogebanque PLC ltd	5.7	91.13%	6.7	1.3x	Dec-23
Shorecap III	Credit Bank Plc	3.6	20.00%	0.7	1.0x	Jun-23
Premier Bank Limited	First Community Bank	2.8	62.50%	Undisclosed	N/A	Mar-23

Cytonn Report: Banking Sector Deals and Acquisitions

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

I. HF Group Announces Rights Issue Results

In 2024, HF Group released the results of its earlier approved rights issue, announcing that the rights were oversubscribed, with the oversubscription rate coming in at 138.3% having received offers worth Ksh 6.4 bn against the offered Ksh 4.6 bn. Notably, the Group accepted 474,201,310 shares under the entitlement option against the offered 769,228,336 million, translating to an acceptance rate of 61.7%.

The rights issue offered a total of 1,499,995,255 new shares at an offer price of Ksh 4.0 per share, including 769,228,336 entitlement shares, 384,614,168 additional shares, and 346,152,751 Green

Shoe Option shares. The entitlement ratio was two shares for every one ordinary share held, with a minimum success rate of 40.0%. If fully subscribed, the rights issue was expected to raise gross proceeds of Ksh 4.6 bn, increasing to Ksh 6.0 bn with a 100.0% uptake of the Green Shoe Option.

The results revealed that a total of 474,201,310 shares were accepted under entitlement, representing a take-up rate of 61.7%, with a total value of Ksh 1.9 bn. Additionally, 1,121,794,656 shares were applied for under additional shares, valued at KES 4.5 billion. This represents a subscription rate of 291.6% for the 384,614,168 additional shares initially offered. To cater to the oversubscription, the Green Shoe Option, which allows for an additional 346,152,751 shares, was exercised. The additional shares were allocated from a combined pool of 295,027,026 untaken shares, 384,614,168 additional shares, and 346,152,751 Green Shoe Option shares. Combined, the grand total number of new shares applied for under the rights issue stood at 1,595,995,966, valued at Ksh 6.4 bn. The table below summarizes the rights issue results statistics;

Cytonn Report: HF Group Rights Issue Results Summary

Data	**Statistic**
Total number of new shares accepted under entitlement	474,201,310
Total value of new shares accepted under entitlement	Kshs 1,896,805,240
Take up percentage under entitlement	61.7%
Total number of additional new shares applied for under additional shares	1,121,794,646
Total value of additional new shares applied for under additional shares	Kshs 4,487,178,624
Grand total number of new shares applied for under the rights issue (entitlement shares + additional shares)	1,595,995,966
Grand total value of new shares applied for under the rights issue (Entitlement shares + additional shares)	Ksh 6,383,983,864
Overall subscription performance rate	138.3%

Source: HF Group

The proceeds from the rights issue will be directed towards several key areas aligned with HF Group's long-term strategy. Primarily, the Group aims to use this capital to reinforce its investment in HFC Limited's expanded business segments, which cover a wide range of financial services tailored to both retail and corporate clients. Before the rights issue, HF Group's capital adequacy ratios were significantly below the statutory requirements set by the Central Bank of Kenya in Q3'2024, with both Core Capital to Total Liabilities and Core Capital to Total Risk-Weighted Assets ratios in deficit. Post-rights issue, HF Group's capital adequacy position will improve significantly, and will be above the statutory minimums. The table below shows the capital adequacy ratios before and after the rights issue;

Capital Adequacy Ratios	**Before the rights issue**	**After the rights issue**	**Change**
Core Capital/Total Deposit Liabilities	3.7%	20.6%	16.9%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	**(4.3%)**	**12.6%**	**16.9%**
Core Capital/Total Risk Weighted Assets	4.3%	18.0%	13.7%
Minimum Statutory ratio	10.5%	10.5%	0.0%

Capital Adequacy Ratios	Before the rights issue	After the rights issue	Change
Excess	**(6.2%)**	**7.5%**	**13.7%**

Compared to peer banks in Kenya, HF Group will become sufficiently capitalized after accounting for the rights issue. The tables before show HF Group's capital adequacy ratios compared to its peers;

Cytonn Report: Q3'2024 Capital adequacy to Risk Weighted Assets

Bank	Ratio	Minimum statutory ratio	Excess/(Deficit)
Standard Chartered	20.9%	10.5%	**10.4%**
Cooperative Bank	19.1%	10.5%	**8.6%**
DTB-K	18.6%	10.5%	**8.1%**
HF Group*	18.0%	10.5%	**7.5%**
NCBA Group	17.2%	10.5%	**6.7%**
Equity Group	15.9%	10.5%	**5.4%**
Absa Group	15.6%	10.5%	**5.1%**
Stanbic Holdings	14.7%	10.5%	**4.2%**
I&M Group	14.6%	10.5%	**4.1%**
KCB Group	14.5%	10.5%	**4.0%**
HF Group**	4.3%	10.5%	**(6.2%)**

**After the rights issue*

***Before the rights issue*

Cytonn Report: Q3'2024 Capital adequacy to Risk Weighted Liabilities

Bank	Ratio	Minimum statutory ratio	Excess/(Deficit)
HF Group*	20.6%	8.0%	**12.6%**
Standard Chartered	20.2%	8.0%	**12.2%**
DTB-K	19.7%	8.0%	**11.7%**
Absa Group	19.1%	8.0%	**11.1%**

Cytonn Report: Q3'2024 Capital adequacy to Risk Weighted Liabilities

Bank	Ratio	Minimum statutory ratio	Excess/(Deficit)
Cooperative Bank	18.0%	8.0%	**10.0%**
I&M Group	17.4%	8.0%	**9.4%**
Equity Group	16.9%	8.0%	**8.9%**
Stanbic Holdings	16.5%	8.0%	**8.5%**
NCBA Group	15.6%	8.0%	**7.6%**
KCB Group	13.0%	8.0%	**5.0%**
HF Group**	3.7%	8.0%	**(4.3%)**

**After the rights issue*

***Before the rights issue*

Going forward, it is our expectation that HF Group's success will hinge on its ability to effectively deploy the new capital to fuel growth and deliver on its strategic goals. As it strengthens its capital base and enhances digital capabilities, HF Group is positioned to expand its customer base and diversify revenue streams, critical for competing in Kenya's increasingly digitalized financial services sector. Shareholders will be looking for tangible outcomes from these initiatives, particularly in increased profitability and market share.

II. **Bamburi cement share sale**

During the year, On 10th July 2024, Bamburi Cement PLC received a notice of intent from Amsons Industries (K) Limited, a subsidiary of Tanzanian conglomerate Amsons Group, to pursue the acquisition of up to 100.0% of the Company's ordinary shares at an offer price of Kshs 65.0 per share or a total of Kshs 23.5 billion. On 27th August 2024, Savannah Clinker Limited submitted a competing bid to acquire 100.0% of the shares in Bamburi Cement PLC at an offer price of Kshs 70.00. Savannah Clinker's competitive bid prompted Holcim, a Switzerland-based construction company and majority stakeholder in Bamburi PLC with a 58.6% stake, to revoke its binding agreement to sell its shares to Amsons Group. Following this development, Savannah increased its offer to a bid of Kshs 76.55 per share from Kshs 70.00. Savannah Clinker is a private company established in 2019 and primarily engages in mining, processing, and selling cement. This bid reflects Savannah's strategic dedication to increasing Bamburi's value while maintaining its listing on the Nairobi Securities Exchange (NSE).

On 4th December 2024, the Capital Markets Authority (CMA) notified the shareholders of Bamburi Cement PLC and the public that Savannah clinker limited had withdrawn its competing offer for acquisition of Bamburi Cement PLC shares. This is on the back of the arrest of the chairman and the main shareholder of the company, Mr. Benson Ndeta, coupled with the decline by the Capital Markets Authority (CMA) of a request made on 2nd December 2024, to extend the offer period by 60 days to enable the competing offer to respond to any inquiries. Following this development, the only valid offer for Bamburi Cement Plc shares was from Amsons Industries (K) Limited, as approved by CMA without modifications.

Savannah's takeover bid ensures shareholders can continue benefiting from future market opportunities, with a commitment to keeping the cement maker listed on the NSE. The table below shows a comparison of the two offers;

	Item	Savannah Offer	Amsons Offer
1	Price	Kshs 76.55 per Share	Kshs 65.00 Per share
2	Long stop Date for the Completion	28th February 2025	28th November 2025
3	Conditions of the Offers	• Approval of the transfer of mining licenses • Approval by the Competition Authority of Kenya • Subject to acceptances by holders of at least 60.0% of the issued shares of Bamburi	• Approval of the Transfer of mining licenses • Approval by COMESA Competition Authority • Approval by East African Competition Commission (EACC), if required under law • Subject to the delivery of acceptances as set out in the Offer Document
4	Special Dividend in relation to the proceeds received from the completed divestments of Bamburi's shareholding in Hima Cement Limited, Uganda (if any)	Same as in Offer	Paid to existing shareholders
5	2024 Dividend	Same as in Offer	Payable to the shareholders of Bamburi if the Offer does not close by 23.59 hours Nairobi time on 30 June 2025

Bamburi Cement Plc a Kenya-based company specializing in the production and distribution of cement and related products. It has a market cap of 17.1 billion with Holcim being the biggest shareholder with a 58.6% stake. Holcim’s two investments vehicles in Bamburi are Fincem Holdings Limited and Kencem Holdings Limited with 29.3% shareholdings each in Bamburi Cement. The table below shows top shareholders;

Shareholder	No of shares	Percentage of shareholders
Fincem Holding Limited	106,360,798.00	29.30%
Kencem Holding Limited	106,360,797.00	29.30%
Standard Chartered Nominees	56,906,640.00	15.68%
Aksaya Investment Holdings	14,956,990.00	4.12%
Standard Chartered Nominees	6,659,900.00	1.83%
Standard Chartered Kenya Nominees	4,080,337.00	1.12%
Standard Chartered Nom Non-resident	2,768,400.00	0.76%
Standard Chartered Nom	2,607,700.00	0.72%
Standard Chartered Kenya Nominees	2,187,900.00	0.60%
ICEA Lion Life Assurance Company	2,055,663.00	0.57%
Others (4,599 Shareholders)	58,014,150.00	15.98%

Shareholder	No of shares	Percentage of shareholders
Total Shares Issued	362,959,275.00	100.00%

Following this development, the only valid offer for Bamburi Cement Plc shares is from Amsons Industries (K) Limited, as approved by CMA without modifications. The price of Bamburi stock closed at Kshs 56.5 on Thursday ahead of its suspension from trading in NSE in order to facilitate reconciliation and the suspension will be for a period to be determined by CMA and NSE. The current share price represents 10.7% depreciation from the Kshs 62.3 traded the previous week and 56.9% gain on year to date.

Amsons group has been approved for Bamburi takeover by Ministry of Mining, Blue Economy and Maritime Affairs for its proposed acquisition of up to 100.0% shares of Bamburi Cement Plc. This approval follows the prior unconditional clearance from the COMESA Competition Commission. The Ministry of Mining approved the Katani Mining License (Registration Number ML/2017/0011) under the Mining Act, and the COMESA Competition Commission verified that the transaction aligns with regional competition regulations. Amsons is ready to conclude the transaction, ushering in a new era of growth for Bamburi Cement Plc. With the support of KCB Investment Bank, Amsons is dedicated to ensuring a smooth closing process, including timely payments to shareholders who accept the offer, enabling them to realize the value of their investment in Bamburi Cement Plc.

Universe of coverage:

Cytonn Report: Equities Universe of Coverage

Company	Price as at 27/12/2024	Price as at 03/01/2025	w/w change	m/m change	YTD Change 2024	Year Open 2024	Target Price*	Dividend Yield***	Upside/ Downside**	P/TBv Multiple	Recommendation
Jubilee Holdings	171.0	175.3	2.5%	0.9%	(6.2%)	185.0	260.7	8.4%	60.8%	0.3x	Buy
Equity Group	46.2	48.0	4.0%	7.3%	41.2%	34.2	60.2	8.7%	39.1%	0.9x	Buy
CIC Group	2.2	2.2	0.0%	5.4%	(6.1%)	2.3	2.8	6.0%	36.3%	0.7x	Buy
Co-op Bank	15.9	17.7	11.0%	19.2%	44.9%	11.4	18.8	9.4%	27.7%	0.8x	Buy
KCB Group	40.0	42.8	7.1%	8.3%	89.5%	22.0	50.3	0.0%	25.9%	0.7x	Buy
Britam	6.0	5.6	(5.4%)	(3.0%)	12.8%	5.1	7.5	0.0%	25.8%	0.8x	Buy
NCBA	48.0	50.8	5.8%	11.7%	24.1%	38.9	53.2	9.9%	20.9%	0.9x	Buy
ABSA Bank	17.4	19.0	9.2%	20.7%	56.3%	11.6	19.1	8.9%	18.7%	1.5x	Accumulate
Stanbic Holdings	140.0	144.3	3.0%	5.6%	29.5%	106.0	145.3	11.0%	14.8%	1.0x	Accumulate
Standard Chartered Bank	281.3	291.3	3.6%	15.0%	74.6%	160.3	291.2	10.3%	13.8%	1.9x	Accumulate
Diamond Trust Bank	68.3	67.0	(1.8%)	29.0%	54.2%	44.8	71.1	7.3%	11.5%	0.3x	Accumulate
I&M Group	35.9	36.2	0.8%	20.4%	107.7%	17.5	32.3	7.1%	(2.8%)	0.7x	Sell

***Target Price as per Cytonn Analyst estimates**
****Upside/ (Downside) is adjusted for Dividend Yield**
*****Dividend Yield is calculated using FY'2023 Dividends**

We are "Neutral" on the Equities market in the short term due to the current adverse operating environment and huge foreign investor outflows, and, "Bullish" in the long term due to current cheap valuations and expected global and local economic recovery.

With the market currently trading at a discount to its future growth (PEG Ratio at 0.7), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors sell-offs to continue weighing down the economic outlook in the short

term.