

KCB GROUP Q325 EARNINGS UPDATE

KCB Group released its Q325 financial results, posting **3% growth in profit after tax** to KES 47Bn, attributable to a 12% increase in net interest income to KES 104Bn, which offset a 10% decline in non-funded income on lower forex trading revenues. The earnings per share rose to **KES 19.12** from KES 18.99 in the previous year.

Subsidiaries outside KCB Bank Kenya sustained strong momentum, contributing 35% of Group profit before tax and 31% of total assets. **Non-banking units**, KCB Investment Bank, KCB Asset Management, and KCB Bancassurance grew their PBT share by 90%, 71% and 16% respectively to KES 239Mn, KES 118Mn and KES 230Mn.

At the current market value of **KES 65.50** the stock is trading within its fair value range. However, given its consistent dividend payouts, KCB presents an attractive long-term investment opportunity.

We maintain a **Neutral** stance on the stock with an upside potential of **5%** at a target price of **KES 68.48**.

PERFORMANCE HIGHLIGHTS

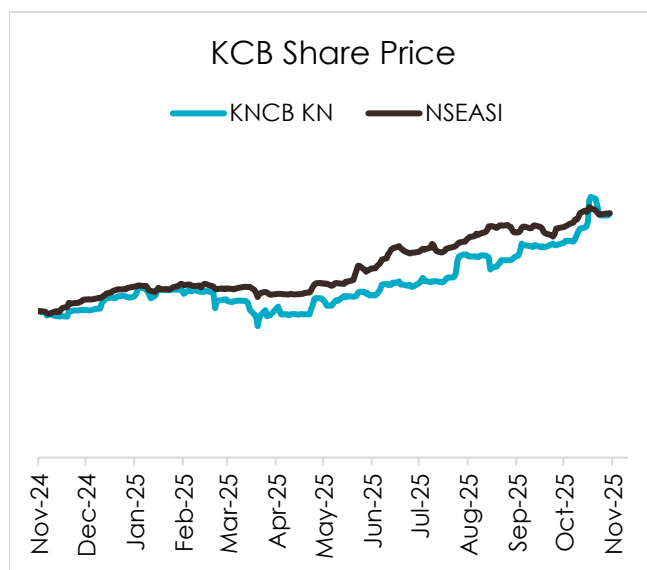
- **Earnings:** Net interest income grew by 12% to KES 104Bn mainly driven by higher earnings from increased lending. Non-interest income rose marginally by 1% to KES 151Bn, buoyed by a 40% drop in FX income and a 6% rise in fee income.

Total revenue grew 5% to KES 149Bn, while the cost of funds remained flat and is expected to ease as interest rates trend down across most markets.

- **Loan book:** The Group's loan portfolio stood at KES 1.2Tr, representing an 8% growth supported by disbursements in priority segments in Kenya, Uganda, Tanzania and Burundi. The lender Issued **Ksh 40.5B** green loans in Q3 2025 in Kenya and Tanzania

Share Data	KCB Group
Ticker	KNCB KN
Recommendation	Neutral
Current Price (KES)	65.50
Target Price (KES)	69.48
52WK High (KES)	72.50
52WK Low (KES)	15.00
Market Cap (KES Bn)	210.48
P/E	3.43x
P/B	0.68x

Current Price = as of 19th Nov 2025



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- **Customer deposits:** Deposits from customers dropped marginally by 0.1% to KES 1.5Tr, occasioned by strategic rebalancing of G2G market share & impact of divestiture from NBK, which marginally offset organic growth. The stable deposit book highlighted the growing customer confidence in the brand.
- **Efficiency:** The Group maintained its prudent cost management approach, with costs growing by 2% driven by variable costs and investments for future growth. Total expenses closed the period at KES 87Bn, with the cost-to-income ratio dropping to 46%.
- **Asset Quality:** NPL Ratio stood at 17.8% down from 19% helped by recovery actions coupled with sale of NBK.

The lender continues to implement multiple resolution strategies, including enhanced recoveries, loan rehabilitation, full and final settlements, engagement with the government for associated entities, and targeted write-offs. The non-performing loan book remains fully covered by a combination of cash provisions and collateral. The lender continues to focus on customer discussions to support and resolve distressed exposures

- As at Q3 2025, **KCB Bank Kenya's** stock of gross loans and advances rose 7% to KES 1.24Tr with deliberate focus on key economic drivers such as building and construction, agriculture, manufacturing, energy and water.
- In terms of **total NPL stock**, Real Estate (20.9%), Manufacturing (19.2%), and Personal/Household (15.9%) dominate, reflecting the combined impact of portfolio size and sector-specific credit quality.
- **Stable Balance Sheet:** The balance sheet expanded by 2.6% to KES 2 Tr, despite the sale of National Bank of Kenya (NBK) in May 2025. On a like for like basis, the balance sheet grew by 10.9% demonstrating the Group's strong bandwidth to support customers across the seven countries where KCB operates.

Key Financial Metrics.

Q3 25 KCB Group PLC	Key Metrics Y/Y	KCB group PLC	Key Ratios Y/Y
Loans and Advances	Up 8% to KES 1.1Tr	Loan Deposit ratio	Up to 74% from 69%
Customer Deposits	Down 1% to 1.5Tr	Net Interest Margin	Up to 7% from 6%
Government Securities	Up 24% to KES 453Bn	Cost to Income	Down to 46% from 47%
Net Interest Income	Up 12% to KES 104Bn	NPL Ratio	Up to 18.7% from 18.5%
Non-Funded Income	Down 10% to KES 45Bn	Cost of Risk	Stable at 2.2%
Forex trading income	Down 40% to KES 8Bn	Current Market Price as at 18/11/25	KES 65.50
Loan Loss Provisions	Up 3% to KES 18Bn	P/E	3.43x
PBT	Up 8% to KES 62Bn	P/B	0.68x
PAT	Up 3% to KES 47Bn	Dividend (Q3)	None
EPS	Up to KES 19.12	Source: Company financials, NCBA IB Research	

OUTLOOK

We expect KCB to record steady growth, boosted by:

- 1. Expanding its Regional Footprint:** The strategic use of the NBK sale proceeds to bolster KCB Tanzania is a clear signal of this intent. KCB plans to continue its focus on growing its presence and market share in key East and Central African markets. This strategy is driven by the potential for higher growth rates in these emerging economies.
- 2. Subsidiaries performance and contribution:** Subsidiaries outside KCB Bank Kenya contributed 33.4% of Group earnings and accounted for 31.4% of the balance sheet. Profit before tax from non-banking entities—KCB Investment Bank, KCB Asset Management, and KCB Bancassurance Intermediary Limited—rose to 2.1% from 1.8% in the same period last year.
- 3. Enhancing Digital Capabilities:** Enhancing Digital Capabilities: KCB is intensifying its investment in technology to drive efficiency, improve customer experience, and expand fee-based income. With 99% of transactions by number now conducted through non-branch channels, the Group continues to strengthen its digital footprint. On August 11, 2025, KCB launched a unified mobile app for all Kenyan customers, introducing instant self-onboarding, AI-driven personalization, advanced data analytics, and a mini-app ecosystem. This scalable, agile, and inclusive platform is designed to capture the growing mobile-first customer base while deepening financial inclusion.

With these growth levers in place, the group is well-positioned for steady, long-term expansion.

Investment recommendation:

KCB'S wide regional footprint along with its well diversified portfolios of business and capital buffers position the lender to gain significant momentum in balance sheet growth across all subsidiaries driven by increased lending on the back of continued recovery in economic activities in the regions that it operates in.

We expect the bank to continue generating long-term profitability supported by an aggressive lending strategy, subsidiaries' performance, and regional diversification.

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