

KCB Group Posts 64.9% Jump in Profits to KES 61.77Bn

KCB Group plc reported KES 81.97Bn profits before tax (PBT) for the year ending 31st December 2024, 69.2% year on year (y-y) jump from that of KES 48.45Bn announced in full year 2023 (FY2023). The performance was rallied by faster growths in the Bank's core business lines, with interest income going up 26.9% y-y from KES 168.17Bn to KES 213.40Bn. This saw total income up 24.0% y-y from KES 165.24Bn in 2023 to KES 204.87Bn in 2024, further benefitting from prudent cost management of its operating expenses. Overall, profit after tax (PAT) accelerated 64.9% y-y up from KES 37.46Bn to KES 61.77Bn.

The Group's subsidiaries outside Kenya contributed 30.3% or KES 18.72Bn down from a 35.1% or KES 13.15Bn reported on FY2023 on profits. This was as KCB Kenya profits after tax expanded 77.2% y-y from KES 25.41bn in 2023 to KES 45.03bn, benefitting from the elevated lending rates witnessed in the period. KCB Kenya's interest income surged 32.6% higher compared to total subsidiary interest income growths of 16.1% in the year. We attribute this to what the management stated as KES 1 billion daily disbursement on its mobile platform.

The Group announced a final dividend of KES 1.50 per share for 2024, giving a total of KES 3.00 per share, to represent a dividend payout ratio of 16.0% despite the impressive performance. This is as the Bank's earnings per share (EPS) improved by over half from 11.66 to 18.70 while its book value per share gained 20.4% to 85.54.

The Bank's management however, pointed to a possible special dividend considering the excellent results and the anticipated conclusion of the National Bank of Kenya sale. We retain fair valuation of KES 54.85 per share but expect the market sentiment to negatively impact the share value on the low dividend payout.

Income Statement

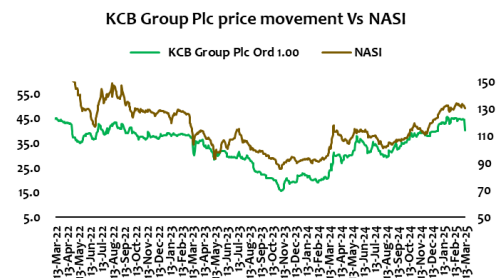
Group net interest income (NII) accelerated up 28.0% up y-y from KES 107.33Bn to KES 137.35Bn driven by a faster growth in interest incomes which outperformed the rise in the interest expenses. Elevated lending rates saw the lender's total interest income up 26.9% y-y from KES 168.17Bn to KES 213.40Bn to outweigh higher cost financing experienced in period.

Consequently, the NII contribution to total income enlarge from 65.0% in FY2023 to 67.0% in Fy2024.

Interest income from loans and advances surged 26.9% from KES 121.6Bn to KES 153.63Bn mainly benefitting from the higher rates whose base touched 17.00% for most banks after Central Bank rate hike that hit a 10-year decade high of 13.0% in 2024. This saw the Bank's yield on loans and advanced move 231.0bps up from 12.4% in FY2023 to 14.7% in FY2024. This was also partly supported by heavy loan turnovers from its enhanced mobile banking platform, which according to the management it disbursed KES 1 billion daily. The total loan book however shrunk 9.6% to KES 990.41Bn in 2024.

Bloomberg Ticker	KNCB KN
Share Statistics	
Implied Fair Value	54.82
Current Price (KES)	40.10
Upside/Downside	36.7%
1 Month Average	44.51
3 Months Average	43.40
6 Months Average	40.30
12 Months Average	35.87
52 Week High - Low	45.80 - 21.95
Issued shares (Mn)	3,213.46
Market Cap (KES Mn)	128,859.86
Market Cap (USD Mn)	995.59
PE	2.1
Bvps	85.54
PB	0.5
EPS	18.7
DPS	3.00
Dividend Payout	16.0%
Div Yield	7.5%

KCB Group Vs Nasi Price movement		
Period	KCB	NASI
MTD PriceΔ(%ge)	-10.1%	-0.7%
M/M PriceΔ(%ge)	-11.3%	-0.7%
3mtd PriceΔ(%ge)	1.5%	9.3%
6mtd PriceΔ(%ge)	23.8%	22.4%
YTD Δ(%ge)	-5.4%	3.0%
Y/Y Δ(%ge)	82.7%	33.4%



- NNI +28.0% Y/Y
- Provisions -11.0% Y/Y
- Opex. +5.2% Y/Y
- Opex. Excl Provisions +11.8% Y/Y
- PBT +69.2% Y/Y
- PAT +64.9% Y/Y
- Govt. Securities -1.9% Y/Y
- Loans -9.6% Y/Y
- Deposits -18.3% Y/Y
- Shareholder's Funds +20.4% Y/Y

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Interest income from government securities surged 17.6% up from KES 42.69Bn in FY2023 to KES 50.21Bn in FY2025 supported by the higher returns witnessed from government papers, which touched a high of 18.46% for an infrastructure bond paper. Yield on government securities however moved up minimally from 12.6% to 12.8% while the book also experienced similar pace at 1.9% to KES 389.55Bn.

Interest expenses escalated 25.0% from KES 60.84Bn to KES 76.06Bn to compensate for rising cost of financing its loan book. The Bank paid KES 55.42Bn to maintain its customer deposits, a 32.5% higher compared to KES 41.82Bn expensed the prior year. This was as clients had options of investing their funds with government papers. Deposits from other banking institutions surged 9.2% up to KES 20.25Bn.

Non funded income (NFI) grew 16.6% up from KES 57.90Bn in FY2023 to KES 67.52Bn mainly elevated by forex trading income on a strengthening local currency. Foreign trading income moved up 61.7% y-y from KES 10.84Bn to KES 17.54Bn.

Operating expenses were contained at a 5.1% growth from KES 116.79Bn in FY2023 to KES 122.89Bn in FY2024. Its loan loss provisions dipped 11.0% to KES 29.95Bn on a shrinking loan book.

Staff costs were curbed at a 4.5% growth rate, from KES 38.14Bn to KES 39.86Bn, supported exit of 364 employees who accepted a voluntary early retirement in early 2024.

Operating expenses excluding loan loss provisions went up 11.8% on pressure from other operating expense, which increased 20.6% from KES 34.59Bn to KES 41.71Bn.

Balance Sheet

The Group's total assets shed 9.6% from KES 2,170.87Bn in FY2023 to KES 1,962.32Bn in FY2024, mainly impacted by the drop on its asset book. The loans and advanced book thinned 9.4% from KES 1,095.93Bn to KES 990.41Bn on low disbursements on high cost of borrowing that saw many businesses and individuals shy from bank financing.

Customer deposits contracted 18.3% y-y from KES 1,690.91Bn in FY2023 to KES 1,381.98Bn on funds diversion to better earning investments, especially government securities. This was mainly supported government securities going digital during the year.

Shareholders' funds rose at a faster rate of 20.4% year on year to KES 274.89Bn in FY2024 from that of KES 228.32Bn in FY2023, riding on the rising retained earnings from the growing profits. Retained earnings soared 27.1% y-y from KES 191.56Bn to 243.69Bn in FY2024.

Key Ratios

The faster rise in profits saw the bank's return on average equity (ROaE) jump up to 23.9% in 2024 from that of 16.9% on a quick rise in net profits in relation to the growth in shareholders' funds. Return on average assets also soared up from 1.9% in 2023 to 2.9% in 2024.

Rising cost of financing saw the cost of funds move up from 4.0% in FY2023 to 4.6% in FY2024. The net interest margins (NIMs) however rose faster from 6.4% in 2023 to 7.5% on a faster rise in the bank's asset yield from 10.3% to 12.1%.

Gross non-performing ratios (NPLs) escalated from 16.7% in FY2023 to 19.7% in FY2024 on account of the shrunk loan book and rise in non-payments. High NPLs were witnessed in the real estate, manufacturing and the building and construction sectors which contributed 22.2%, 20.6% and 13.4% to total NPL, with NPLs of 29.1%, 23.6% and 60.5% respectively.

P&L (KES Mn)	FY2022	FY2023	FY2024	Y-Y Δ%
Interest Income	117,751	168,175	213,402	26.9%
Interest Expense	31,098	60,841	76,056	25.0%
NII	86,653	107,334	137,346	28.0%
NFI	43,252	57,905	67,521	16.6%
Total Income	129,905	165,239	204,867	24.0%
Loan Loss Provisions	13,207	33,636	29,950	-11.0%
Operating Expense	72,573	116,787	122,894	5.2%
Opex Excl Provisions	59,367	83,151	92,944	11.8%
PBT	57,331	48,452	81,973	69.2%
PAT	40,838	37,462	61,774	64.9%
EPS	12.64	11.66	18.70	60.4%
DPS	2.00	-	3.00	

Balance Sheet (KES Mn)	FY2022	FY2023	FY2024	Y-Y Δ%
Investments	278,020	397,202	389,548	-1.9%
Loans and Advances	863,268	1,095,933	990,413	-9.6%
Total Asset	1,554,030	2,170,874	1,962,320	-9.6%
Customer Deposit	1,135,417	1,690,908	1,381,976	-18.3%
Shareholders' Fund	200,200	228,320	274,890	20.4%

Ratios	FY2022	FY2023	FY2024
NII % of Total Income	66.7%	65.0%	67.0%
NFI % of Total Income	33.3%	35.0%	33.0%
CTI	55.9%	70.7%	60.0%
CTI excluding Provisions	45.7%	50.3%	45.4%
Yield on Advances	10.9%	12.4%	14.7%
Yield on Government Securities	12.0%	12.6%	12.8%
Cost of Funds	2.9%	4.0%	4.6%
Cost of Risk	1.7%	3.4%	2.9%
Net Interest Margins	7.3%	6.4%	7.5%
ROaA	3.0%	1.9%	2.9%
ROaE	22.1%	16.9%	23.9%
Gross NPL to Net Loans	16.6%	16.7%	19.7%
AD Ratio	76.0%	64.8%	71.7%
Investments Securities to Assets	17.9%	18.3%	19.9%
Advances to Assets	55.6%	50.5%	50.5%

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- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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