

KCB Group Plc posted a Kes. 40.83Bn profit before tax (PBT) in their earnings update for the first half of 2025. This is a 7.14% increase in PBT from Kes. 38.11Bn that was posted in the first half of 2024. The group saw an 8.05% jump in profit after tax (PAT) from Kes. 29.92Bn in H1 2024 to Kes. 32.33Bn in H1 of 2025. The performance was supported by a 12% growth in the loan book and effective cost control. There was a 1.99% growth in net interest income from Kes. 69.14Bn in 2024 to Kes. 70.57Bn largely driven by a loan book expansion to Kes. 1.10Tn. Despite posting a high performance, the lender's non-interest income declined by 11.40% from Kes. 33.29Bn in H1 2024 to Kes. 29.53Bn in H1 2025. The decline was attributed to the bank's reduced charges on transactions and softer trading income.

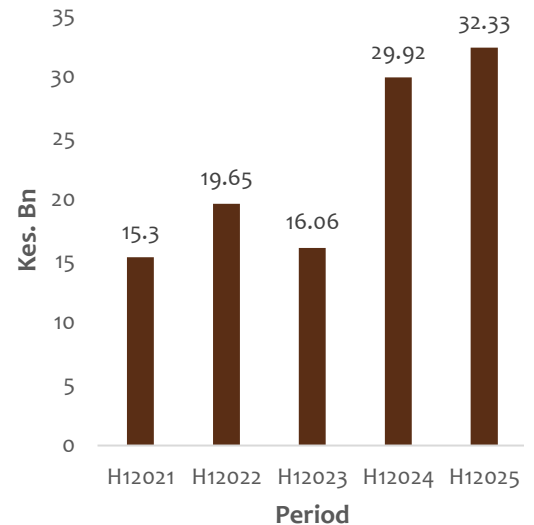
The half-year operating expenses for the group jumped by 2.35% to Kes. 57.84Bn due to recent and ongoing investments in technology, inflationary pressures, and increased staff costs. However, the group managed to raise a 4.28% growth in the total operating income from Kes. 94.62Bn in H1 2024 to Kes. 98.67Bn in H1 2025.

The group's balance sheet shows a 0.40% Y-Y decrease in its total assets from Kes. 1.98Tn in H1 2024 to Kes. 1.967Tn in H1 2025. There was also a 0.34% drop in customer deposits to Kes. 1.49Tn giving a reflection of a tightening liquidity in the market.

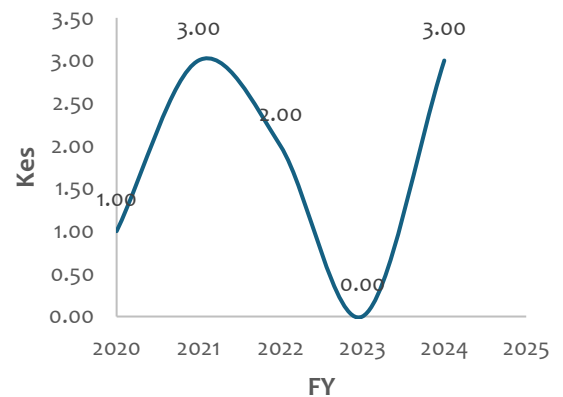
The lender's pain point during H1 2025 was a 4.24% increase in the gross non-performing loans to Kes. 221.07Bn pressured by certain SME and corporate sectors. However, the bank has managed to operate within a desirable NPL ratio due to effective recovery initiatives.

KCB Group Plc has subsidiaries that operate in 7 countries, Kenya, Uganda, Tanzania, Burundi, Rwanda, Congo, and South Sudan. The subsidiaries that are outside Kenya posted a 33.40% contribution to the group's overall earnings. The group's non-banking entities that include Bancassurance intermediary, Asset management, and Investment posted a 2.10% PBT contribution to the overall group earnings.

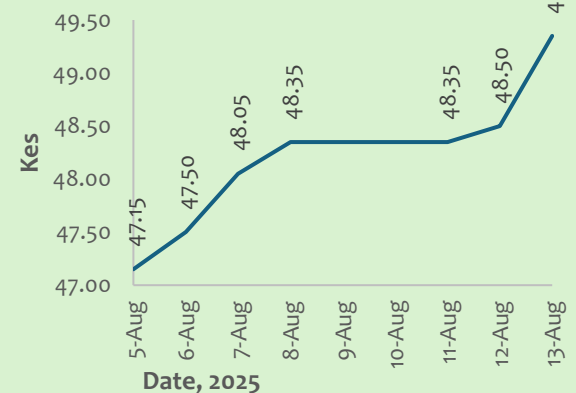
KCB Grp Plc H1 PAT



KCB Plc 5-yr DPS



7-day KCB Share Price Movement



NBK Sale

KCB Goup Plc completed the sale of one of its subsidiaries, National Bank of Kenya, to Access Bank Plc on 30th May 2025 after a regulatory approval. According to the group's CEO, this transaction marked a significant milestone for the bank in its efforts to create and deliver value for the shareholders as well as unlocking new opportunities. Following this sale and based on the Group's H1 2025 financial performance, the board of directors declared a Kes. 12.85Bn dividend payout to its shareholders for H1 2025. Half of the dividend payout is a special dividend from the proceeds of NBK sale to Access Bank Plc in May 2025.

Outlook

The group's board of directors declared Kes. 4.00 mid-year dividend per share comprising of Kes. 2.00 interim dividend and Kes. 2.00 special dividend. It is worth noting that this is the largest mid-year dividend payout in the lender's history. The gains from the sale of NBK enabled the group to declare a special dividend payout and raise capital specifically for strengthening its subsidiary in Tanzania. The company has experienced consistent growth and stable performance for the past five years both in revenue generation and cost management. Interim dividend payouts of Kes. 1.50 per share in H1 2024 and Kes. 2.00 (interim) and Kes. 2.00(special) per share in H1 2025 are promising and a clear indicator that the group is on a growth trajectory. We therefore recommend a BUY for dividend prospects.

Income Statement (Kes. Mn)			
	H1 2024	H1 2025	% Change
Interest income	97416	100495	3.16%
Interest expense	36089	31359	-13.11%
Net interest income	61327	69136	12.73%
Other operating income	33294	29534	-11.29%
Total income	94621	98670	4.28%
Operating expenses	56509	57838	2.35%
PBT	38112	40832	7.14%
Current tax	10258	13194	28.62%
Deferred tax	2069	4689	126.63%
PAT	29923	32327	8.03%
EPS	18.15	19.61	8.04%
DPS	1.5	4	166.67%

Balance Sheet (Mn)			
	H1 2024	H1 2025	% Change
Total assets	1976856	1968975	-0.40%
Loans to customers	1032170	1095406	6.13%
Customer deposits	1490592	1486080	-0.30%
Total liabilities	1728603	1653472	-4.35%
Shareholders funds	241007	306830	27.31%
Liabilities+shareholders funds	1976856	1968975	-0.40%

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
 - **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 of both capital appreciation and the dividend yield

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