

KCB Group Records Steady Q3 2025 Earnings as Profit Before Tax Rises 8.1% YoY

KCB Group Plc delivered a steady performance for the nine months to September 2025, posting a 3.42% year-on-year rise in profit after tax to Kes. 47.32Bn, up from Kes. 45.76Bn, supported by resilient core banking operations and improved cost discipline. Profit before tax increased 8.10% to Kes. 62.08Bn, reflecting stronger operating income and a controlled expansion in costs. Net interest income remained the anchor of earnings, continuing its upward trajectory on the back of improved asset yields and sustained loan-book growth.

Despite a softer outturn in non-funded income, the Group maintained solid operational momentum, aided by regional subsidiaries and a balance sheet that crossed the Kes. 2.04Trn mark. Overall, KCB enters the final quarter of the year with firm earnings visibility, enhanced capital buffers, and positive franchise momentum across its markets.

We maintain a **Hold** recommendation on KCB Group. While the bank continues to demonstrate resilient earnings growth, supported by a stronger PBT performance, steady NII expansion, and improving cost discipline, the softer uptick in PAT and pressure on non-funded income temper the near-term upside.

Recommendation:	HOLD
Bloomberg Ticker:	KCB: NAI
Share Stats	
Current Price	65.50
3-Month Av	57.56
6 Month Av	51.65
12 Month Av	46.73
52 Week High	72.50
52 Week Low	15.00
Issued shares (Bn)	3.21
Market Cap (KES Bn)	210.26
Market Cap (USD Mn)	1.63
P/E	3.45
PB	0.54
EPS (Annualized)	18.99

Income Statement

KCB Group delivered a steady performance in Q3 2025, with **total operating income** rising 4.53% to Kes. 149.43Bn, up from Kes. 142.95Bn in Q3 2024. The growth was anchored by stronger net interest earnings despite pressure on non-funded income. **Net interest income (NII)** increased 12.44% to Kes. 104.34Bn from Kes. 92.80Bn, supported by improved asset yields and resilience in loan-book returns. On the other hand, **non-interest income (NFI)** declined 10.08% to Kes. 45.09Bn, reflecting reduced FX trading activity and slower performance from regional subsidiaries following branch rationalisations.

Total interest income increased marginally 1.09% to Kes. 150.66Bn from Kes. 149.03Bn last year, with **interest from loans** remaining steady at Kes. 104.45Bn as lending momentum remained subdued for the second consecutive year. **Interest expense** fell to Kes. 46.32Bn from Kes. 56.24Bn, cushioning the margin and supporting the NII expansion.

Operating expenses remained contained, rising only 2.15% to Kes. 87.35Bn, from Kes. 85.51Bn, enabling the Group to maintain a stronger cost footing. **Loan loss provisions** grew modestly by 2.67% to Kes. 18.26Bn, in line with the cautious credit environment. As a result, **profit before tax** increased 8.09% to Kes. 62.08Bn, while **profit after tax** rose 3.42% to Kes. 47.32Bn, up from Kes. 45.76Bn in Q3 2024, reflecting the impact of higher taxation and slower NFI growth on the bottom line.

Return Performance		
Periods	KCB Group	NAI
3mtd PriceΔ(%ge)	20.18%	13.23%
6mtd PriceΔ(%ge)	53.04%	39.89%
YTD Δ(%ge)	54.48%	50.13%
Y/Y Δ(%ge)	66.88%	65.89%

NII	12.44%
Provisions	2.67%
Opex	2.15%
Opex Excl. LLPs	2.01%
PBT	8.10%
PAT	3.42%
Loans	8.23%
Govt. Securities	14.06%
Shareholders' Funds	23.92%

Balance Sheet

KCB Group’s balance sheet remained resilient in Q3 2025, with **total assets** rising 2.58% to Kes. 2.04Trn from Kes. 1.99Trn in Q3 2024, supported by steady expansion across the loan book and investment portfolios. **Net loans and advances** grew 8.23% to Kes. 1.14Trn (from Kes. 1.05Trn), driven by increased lending to agriculture, manufacturing, construction, energy and water, reflecting the Group’s continued emphasis on real-sector credit growth

Customer deposits were broadly stable, easing slightly by 0.82% to Kes. 1.53Trn, marking a second consecutive year of muted deposit growth but still providing sufficient funding for the expanding asset base. **Shareholders’ equity** registered a robust 23.92% jump to Kes. 308.51Bn, boosted by retained earnings and the strengthening of capital buffers across subsidiaries.

Asset quality improved modestly, with the gross NPL ratio edging down to 17.72% from 16.31%, aided by recoveries, particularly following the NBK sale, though gross NPLs still rose 3.14% to Kes. 222.07Bn, underscoring lingering credit pressures in key segments. Overall, the Group preserved strong capital adequacy and balance-sheet depth, offering a solid platform for year-end performance.

	KCB Bank (K)	Others
NII	69.15%	30.85%
PBT	70.66%	29.34%
PAT	71.41%	28.59%
Deposits	69.66%	30.34%
Loans	74.60%	25.40%
Assets	68.68%	31.32%

Key Ratios

KCB Group’s profitability metrics showed steady improvement in Q3 2025, with **return on average equity (ROaE)** rising to 20.94% from 15.77%, supported by stronger earnings momentum. **Return on average assets (ROaA)** held stable at 2.89%, compared to 1.80% last year, reflecting consistent profitability across the balance sheet. **The net interest margin (NIM)** edged up to 8.53% from 6.97%, driven by firmer interest income and a marginal drop in the cost of funds, which improved to 4.61% from 4.03%.

Operational efficiency strengthened, with the **cost-to-income ratio** improving slightly to 58.45% from 59.82%, signalling tighter expense management. Asset quality trends were encouraging: the **gross NPL ratio** declined to 17.72% from 16.31%, aided by recoveries and the clean-up of legacy exposures.

Overall, the ratio set underscores improving profitability, better funding efficiency, and gradual asset quality recovery, foundations that position the Group favourably heading into Q4.

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Balance Sheet	Q3'2024	H1'2025	Q3'2025	%Δ Q-Q	%Δ Y-Y
Investments	361.11	402.08	411.88	2.44%	14.06%
Loans and Advances	1,053.20	1,095.41	1,139.90	4.06%	8.23%
Total Assets	1,993.06	1,968.97	2,044.48	3.83%	2.58%
Customer Deposits	1,538.43	1,486.08	1,525.83	2.67%	-0.82%
Borrowing	58.32	79.49	82.32	3.55%	41.15%
Total Liabilities	1,736.45	1,653.47	1,727.11	4.45%	-0.54%
Shareholder's Funds	248.95	306.83	308.51	0.55%	23.92%

Income Statement	Q3'2024	H1'2025	Q3'2025	%Δ Q-Q	%Δ Y-Y
Interest Income	149.03	100.49	150.66	49.92%	1.09%
Interest Expense	(56.24)	(31.36)	(46.32)	47.71%	-17.63%
NII	92.80	69.14	104.34	50.92%	12.44%
NFI	50.15	29.53	45.09	52.68%	-10.08%
Total Income	142.95	98.67	149.43	51.45%	4.54%
Loan Loss provision	(17.78)	(12.47)	(18.26)	46.39%	2.67%
Total Operating expenses	(85.51)	(57.84)	(87.35)	51.02%	2.15%
Opex excl Provision	(67.73)	(45.37)	(69.09)	52.30%	2.01%
PBT	57.43	40.83	62.08	52.05%	8.10%
PAT	45.76	32.33	47.32	46.39%	3.42%
EPS	18.99	19.61	19.12	-2.50%	0.68%

Ratios	Q3'2024	H1'2025	Q3'2025	pp. Δ Q-Q	pp. Δ Y-Y
Yield from interest-earning assets	11.31%	12.54%	12.31%	-0.23%	1.00%
Cost of funds	4.61%	4.49%	4.03%	-0.46%	-0.58%
Cost of risk	12.44%	12.64%	12.22%	-0.42%	-0.22%
Net Interest Margin	6.97%	8.41%	8.53%	0.12%	1.55%
Net Interest Income as % of operating income	65.61%	69.48%	70.44%	0.96%	4.84%
Non-Funded Income as a % of operating income	34.39%	30.52%	29.56%	-0.96%	-4.84%
Cost to Income Ratio	59.82%	58.62%	58.45%	-0.16%	-1.37%
CIR without LLP	47.38%	45.98%	46.24%	0.26%	-1.15%
Cost to Assets	3.40%	2.30%	3.38%	1.08%	-0.02%
NPL Ratio	16.31%	18.35%	17.72%	-0.63%	1.41%
Loan to Deposit Ratio	68.46%	73.71%	74.71%	1.00%	6.25%
Return on average equity	15.77%	20.51%	20.94%	0.43%	5.18%
Return on average assets	1.80%	2.85%	2.89%	0.04%	1.09%

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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 total of both capital appreciation and the dividend yield.

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