

KINGDOM SECURITIES

NCBA Group Posts 8.6% EPS Jump, Loan Book Contracts as Investment Portfolio expands

NCBA Group Holdings reported a profit before tax (PBT) of KES 20.46Bn for Q3 2025, representing an 11.2% y/y increase from KES 18.40Bn in Q3 2024. We notice a decline in the interest income but an even steeper decline in interest expense, as the interest rate environment continues to moderate. This is expected to continue as the banking sector implements the uniform risk-free rate as the common base rate.

Profit after tax (PAT) rose by 8.6% to KES 16.38Bn, up from KES 15.08Bn in Q3 2024. Consequently, earnings per share (EPS) climbed to KES 9.94, from KES 9.15 in Q3 2024.

We recommend a **HOLD**, anchored on solid underlying fundamentals. We also anticipate an improved final dividend payout in line with the company's historical trend. The Group's book value per share (BVPS) stands at KES 72.99, while the annualized EPS is KES 14.06, with the stock beating NASI's year-to-date performance.

Income Statement

NCBA Group's **net interest income (NII)** rose by 27.4% y/y to KES 32.04Bn in the period ending September 2025 from KES 25.15Bn over the same period in 2024, driven by a 42.3% decline in interest expense. This was occasioned by a 42.8% fall in interest expense on customer deposits to KES 17.27Bn from KES 30.19Bn, reflecting the overall decline in interest rates.

Similarly, **total interest income** dropped at a slower pace of 11.8% to KES 50.66Bn from KES 57.43Bn, occasioned by a 15.9% and 3.7% decline in returns from both loans and government securities, to Kes. 29.68Bn and Kes. 18.67Bn, from Kes. 35.28Bn and Kes. 19.39Bn, respectively while **interest expense**

The **contribution of NII** to total income improved to 59.9% from 52.8% in Q3 2024, underscoring the Group's continued reliance on its core banking operations as the main driver of earnings. Meanwhile, non-funded income (NFI) registered a modest 1.9% y/y decrease to KES 21.40Bn from KES 21.82Bn, indicating relatively stable performance in fees, commissions, and trading income streams.

As a result, the average **yield on interest-earning assets** declined to 13.0% from 13.8% in Q3 2024, mirroring the overall drop-in market interest rates during the period. Similarly, the cost of funds declined to 5.3% from 7.6% in Q3 2024.

Operating expenses increased by 15.5% to KES 32.99Bn, from Kes. 28.57Bn in Q3 2024, on a 24.5% rise in loan loss provisions alongside a 17.2% increase in staff costs.

NCBA Group Plc Earnings Update – As of 30th September 2025

Recommendation:	HOLD
Share Stats	
Current Price	83.25
3-Month Av	75.13
6 Month Av	67.61
12 Month Av	58.70
52 Week High - High	96.25
52 Week High - Low	40.45
Issued shares Bn	1.65
Market Cap (KES Bn)	137.16
Market Cap (USD Bn)	1.06
P/E	8.38
PB	0.57
EPS (Annualized)	14.06

Return Performance		
Periods	NCBA Group	NASI
3mtd PriceΔ(%ge)	30.08%	12.23%
6mtd PriceΔ(%ge)	63.24%	40.47%
YTD Δ(%ge)	72.72%	52.46%
Y/Y Δ(%ge)	89.20%	67.03%

NII	27.4%
Provisions	24.5%
Opex	15.5%
Opex Excl. LLPs	14.0%
PBT	11.2%
PAT	8.6%
Loans	(3.5%)
Govt. Securities	3.0%
Deposits	(5.3%)
Shareholders' Funds	20.5%

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Loan loss provisions rose to KES 5.08Bn from KES 4.08Bn, despite a 6.0% decline in gross non-performing loans and an improvement in the general state of the economy.

Excluding loan loss provisions, operating expenses were still on an upward trajectory, rising by 14.0% y/y to KES 27.91Bn from KES 24.49Bn, attributed to higher staff costs and other operating expenses.

Balance Sheet

NCBA Group's **asset base** contracted marginally to KES 665.32Bn from KES 678.73Bn, driven by a 3.5% drop in loans and advances. This was however offset by a 3.0% growth in the investment portfolio to Kes. 183.69Bn, from Kes. 178.42Bn in Q3 2024.

Investment in **government securities** held to maturity dropped marginally by 1.4% to KES 103.60Bn from KES 105.02Bn in Q3 2024, while those available for sale rose by 9.1% to Kes. 80.10, from Kes. 73.40Bn in Q3 2024. This aligns with developments in the secondary bond market, where trading activity has remained robust as investors capitalize on a declining interest rate environment.

The **loan** book stood at KES 292.72Bn a marginal decline compared to KES 303.45Bn recorded in Q3 2024.

Reduced disbursements saw the Group's **borrowings** decline by 35.1% y/y to KES 7.59Bn from KES 11.70Bn as of September 2024. Similarly, **customer deposits** were on a downward trajectory, posting a 5.3% growth over the same period.

Shareholders' funds rose sharply by 20.5% y/y to KES 120.25Bn from KES 99.81Bn, supported by higher retained earnings, which increased by 18.0% to KES 89.99Bn from KES 76.29Bn in Q3 2024.

Key Ratios

The Group's **net interest margin (NIM)** improved to 7.8% in Q3 2025 from 6.2% in Q3 2024, given a faster growth in NII relative to average interest-earning assets.

Return on average equity (ROaE) edged down to 21.1% from 23.2%, while return on average assets (**ROaA**) improved notably to 3.4% from 3.2%, underscoring enhanced asset profitability.

The **cost of risk** eased to 9.5% from 8.7%, on higher loan loss provisions despite the stabilizing macroeconomic environment and a moderation in non-performing loan (NPL) growth. Similarly, gross NPLs increased by 4.1% against a 2.6% contraction in gross loans, resulting in a 0.4 percentage point improvement in the **NPL ratio** to 12.1%, from 12.5% in Q3 2024.

Subsidiary Contribution

Line	Bank	Others
Revenue	88%	12%
PBT	82%	18%
PAT	83%	17%
Deposits	88%	12%
Loan Book	88%	12%
Assets	86%	14%

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P&L (KES Mn)	Q3'2024	H1'2025	Q3'2025	%Δ Q/Q	%Δ Y/Y
Interest Income	57.43	33.97	50.66	49.1%	-11.8%
Interest Expense	32.28	13.13	18.62	41.8%	-42.3%
NII	25.15	20.84	32.04	53.7%	27.4%
NFI	21.82	14.48	21.40	47.8%	-1.9%
Total Income	46.97	35.32	53.44	51.3%	13.8%
Loan Loss Provisions	4.08	3.23	5.08	57.2%	24.5%
Operating Expense	28.57	21.78	32.99	51.4%	15.5%
Opex excl Provision	24.49	18.55	27.91	50.4%	14.0%
PBT	18.40	13.54	20.46	51.1%	11.2%
PAT	15.08	11.04	16.38	48.3%	8.6%
EPS	9.15	6.70	9.94	48.3%	8.6%

Balance Sheet (KES Mn)	Q3'2024	H1'2025	Q3'2025	%Δ Q/Q	%Δ Y/Y
Investments	178.42	180.14	183.69	2.0%	3.0%
Loans and Advances	303.45	288.08	292.72	1.6%	-3.5%
Total Asset	678.83	662.96	665.32	0.4%	-2.0%
Customer Deposit	515.11	496.97	487.96	-1.8%	-5.3%
Borrowing	11.70	8.46	7.59	-10.2%	-35.1%
Total Liabilities	579.02	544.51	545.07	0.1%	-5.9%
Shareholders' Fund	99.81	118.45	120.25	1.5%	20.5%

Ratios	Q3 2024	H1 2025	Q3 2025	y/y change
Yield from interest-earning assets	13.8%	13.2%	13.0%	(0.6%)
Cost of funds	7.6%	6.1%	5.3%	(1.5%)
Cost of risk	8.7%	9.1%	9.5%	0.5%
Net Interest Margin	6.2%	7.2%	7.8%	1.0%
Net Interest Income as % of operating income	52.8%	58.4%	59.9%	5.5%
Non-Funded Income as a % of operating income	47.2%	41.6%	40.1%	(5.5%)
Cost to Income Ratio	60.8%	61.7%	61.7%	0.8%
CIR without LLP	60.8%	61.7%	61.7%	0.8%
Cost to Assets	3.6%	2.8%	4.2%	(0.8%)
NPL Ratio	12.5%	12.2%	12.1%	(0.4%)
Loan to Deposit Ratio	58.9%	58.0%	60.0%	(0.9%)
Return on average equity	23.2%	21.0%	21.1%	(2.2%)
Return on average assets	3.2%	3.4%	3.4%	0.2%

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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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