KINGDOM SECURITIES

KCB Group PLC – FY2025 Earnings Note

KCB Delivers Strong FY2025 Results; Dividend Catalyst Culminates a Stellar Rally

KCB Group Plc released their FY2025 results, and we are impressed. First, the company's Earnings Per Share (EPS) rose 11.2% to Kes 20.79 from Kes 18.70, as Profit After Tax (PAT) grew 10.6%. The performance was largely driven by higher total income and flat expenses. Notably, KCB raised loan loss provisions by 8.2%, unlike some of the other players that have released their results.

On profit distribution, KCB declared a final dividend of Kes 2.00 per share and a Kes 1.00 special dividend, bringing total DPS to Kes 7.00, a 133.3% increase from last year's Kes 3.00.

The counter's share price has appreciated significantly, posting a 76.0% y/y gain and 19.0% YTD. Given the rally, our recommendation has been to buy on speculative positions to capitalize on the dividend-driven momentum, rather than initiate long-term positions at current levels. With the dividend catalyst now in play, we recommend profit-taking for portfolios sitting on double-digit gains.

Recommendation:	HOLD
Bloomberg Ticker:	KNCB KN
Share Stats	
Current Price	78.25
3-Month Av	69.09
6 Month Av	64.04
12 Month Av	54.28
52 Week High	80.50
52 Week Low	35.30
Issued shares (Bn)	3.21
Market Cap (KES Bn)	251.18
Market Cap (USD Mn)	1.94
P/E	3.76
PB	0.50
EPS	20.79

Income Statement

Total Income: KCB Group recorded a 4.3% increase in total income to Kes. 213.78Bn, up from Kes. 204.87Bn in 2024. The growth was driven by a 7.8% increase in **Net interest income (NII)** to Kes. 148.02Bn from Kes. 137.35Bn, supported by a faster decline in interest expenses despite a decline in the interest income. On the other hand, **non-interest income (NFI)** declined moderately by 2.6% to Kes. 65.76Bn, from Kes 67.52Bn reflecting reduced FX income on low volumes & thin. Fees and commissions also declined on temporary closure of some branches in Eastern DRC.

Interest income: Total interest income nudged downwards marginally by 1.7% to Kes. 209.73Bn from Kes. 213.40Bn last year, with **interest from loans** dropping by 3.3% to Kes. 148.60Bn while interest from government securities rose by 3.8% to Kes 52.14Bn, from Kes 50.21Bn.

Other income rose by 53.9% supported by a Kes 3.18Bn gain from the sale of National Bank.

Interest expense: Interest expenses fell by 18.9% to Kes. 61.70Bn from Kes. 76.06Bn, on a 12.6% drop in customer deposit expenses. Placements and deposits from banking institutions also dropped, closing the year at Kes 12.86Bn, from Kes 20.25Bn in 2024.

Operating expenses: Expenses remained contained, holding steady at Kes. 122.87Bn, supported by a 2.2% decline in staff costs and other operating expenses. Loan loss provisions, however, rose 8.2% to Kes. 32.42Bn, likely reflecting new loan issuance. As a result, profit before tax increased 10.9% to Kes. 90.90Bn, while profit after tax rose 10.6% to Kes. 68.35Bn, up from Kes. 61.77Bn in 2024.

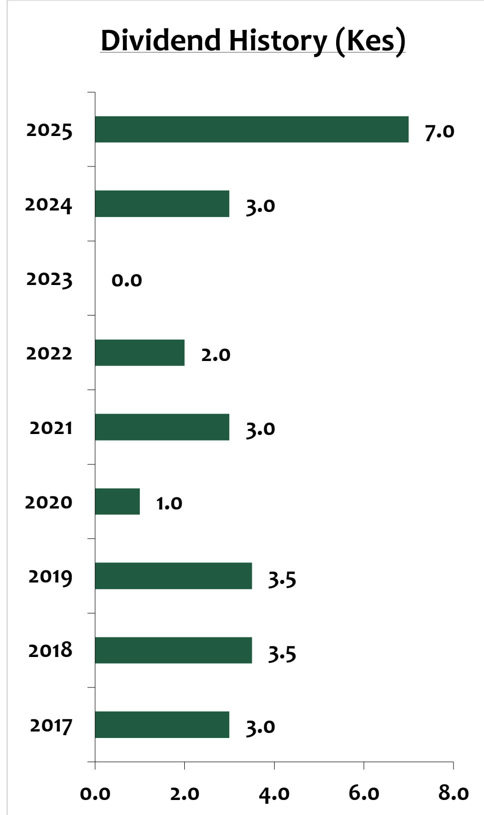
The Group declared a final dividend of Kes. 2.00 and a special dividend of Kes. 1.00.

Periods	KCB Group
3mtd PriceΔ(%ge)	30.96%
6mtd PriceΔ(%ge)	47.64%
YTD Δ(%ge)	19.01%
Y/Y Δ(%ge)	76.04%

NII	7.8%
Provisions	8.2%
Opex	0.0%
Opex Excl. LLPs	-2.7%
PBT	10.9%
PAT	10.6%
Loans	16.3%
Govt. Securities	4.6%
Shareholders' Funds	20.6%

Balance Sheet

Total Assets: KCB Group's balance sheet strengthened in 2025, with **total assets** rising 9.4% to Kes. 2.15Trn from Kes. 1.96Trn in 2024, supported by a jump in the loan book and investment portfolios. **Net loans and advances** grew by 16.3% to Kes. 1,151.58Bn, from Kes. 990.41Bn, supported by new borrowers and more loans in the bank's targeted sectors. Personal loans grew the fastest, followed by the manufacturing, real estate, and trade sectors.



Assets in subsidiaries outside KCB Kenya grew by 20%, led by KCB South Sudan while Trust Merchant Bank (TMB) and Banque Populaire du Rwanda (BPR) grew by 105 and 38%, respectively.

Customer deposits: Deposits also grew, expanding by 15.2% to Kes. 1.59Trn, from Kes 1.38Trn, supported by new to bank customers from the retail and corporate segments. In 2024, deposits contributed 74% to the overall funding. The portion of demand deposits remained stable at 61% while that of term deposits lost 2% to call deposits. Overall, 37% of the bank's deposits are foreign currency while the remaining 63% is in local currency.

Borrowing: The group's debt grew by 30.1% to Kes 90.15Bn, from Kes 69.27Bn, in 2024.

Shareholders' equity: Shareholder funds posted a solid 20.6% jump to Kes. 331.47Bn, boosted by retained earnings and the strengthening of capital buffers across subsidiaries.

Asset quality: The Group's asset quality improved significantly, with the gross NPL ratio declining to 17.0% from 19.8%, with KCB Bank Kenya recording the most notable improvement. We attribute the improvement to recoveries and improved economic conditions. Gross loans grew by 15.0%, while gross NPLs declined marginally by 1.2%.

Overall, the Group maintained strong capital adequacy and balance sheet depth, providing a solid platform for performance going forward.

Key Ratios

- KCB Group's return on average equity (ROaE) stood at 20.94%, down from 22.4%, while return on average assets (ROaA) rose to 3.1% from 2.7% last year, reflecting consistent profitability across the balance sheet.
- The net interest margin (NIM) edged up to 8.7% from 7.8%, supported by stronger interest income and a marginal decline in the cost of funds, which improved to 3.8% from 4.6%.
- Yield from interest earning assets marginally rose to 12.4%, from 12.1%, reflecting the increase in interest from government securities.
- The cost of risk also rose to 15.2%, from 14.6% as growth in loan loss provisions outpaced growth in operating income.
- Operational efficiency strengthened, with the cost-to-income ratio improving to 57.5% from 60.0%, reflecting tighter expense management. Asset quality trends also remained encouraging.

KINGDOM SECURITIES

Balance Sheet	FY'2024	FY'2025	%Δ Y-Y
Investments	389.55	407.40	4.58%
Loans and Advances	990.41	1,151.58	16.27%
Total Assets	**1,962.32**	**2,147.21**	9.42%
Customer Deposits	1,381.98	1,592.61	15.24%
Borrowing	69.27	90.15	30.14%
Total Liabilities	1,679.34	1,806.65	7.58%
Shareholder's Funds	**274.89**	**331.47**	20.58%

Income Statement	FY'2024	FY'2025	%Δ Y-Y
Interest Income	213.40	209.73	-1.7%
Interest Expense	(76.06)	(61.70)	-18.9%
NII	137.35	148.02	7.8%
NFI	67.52	65.76	-2.6%
Total Income	**204.87**	**213.78**	4.3%
Loan Loss provision	(29.95)	(32.42)	8.2%
Total Operating expenses	(122.89)	(122.87)	0.0%
Opex excl Provision	(92.94)	(90.46)	-2.7%
PBT	**81.97**	**90.90**	**10.9%**
PAT	**61.77**	**68.35**	**10.6%**
EPS	**18.70**	**20.79**	**11.2%**

Ratios	FY'2024	FY'2025	pp. Δ Y-Y
Yield from interest-earning assets	12.1%	12.4%	0.2%
Cost of funds	4.6%	3.8%	-0.8%
Cost of risk	14.6%	15.2%	0.5%
Net Interest Margin	7.8%	8.7%	0.9%
Net Interest Income as % of operating income	67.0%	69.2%	2.2%
Non-Funded Income as a % of operating income	33.0%	30.8%	-2.2%
Cost to Income Ratio	60.0%	57.5%	-2.5%
CIR without LLP	45.4%	42.3%	-3.1%
Cost to Assets	4.7%	4.2%	-0.5%
NPL Ratio	19.8%	17.0%	-2.8%
Loan to Deposit Ratio	71.7%	0.0%	-71.7%
Return on average equity	22.4%	20.9%	-1.5%
Return on average assets	2.7%	3.1%	0.4%

KINGDOM SECURITIES

Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of use – Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

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.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049039

Email: kingdomresearch@co-opbank.co.ke

Research Department		Equities Trading	
Stellah Swakei	sswakei@co-opbank.co.ke		
Chrisanthus Lunani	clunani@co-opbank.co.ke	**Asena Moffat**	amoffat@co-opbank.co.ke