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NCBA Group Earnings Update – FY 2025

NCBA Posts 7.0% EPS Jump, 2025 DPS jumps 29.1% to Kes 7.1 as Nedbank Deal Targets 3Q26 Close

NCBA Group released its 2025 results amid an ongoing acquisition by one of Africa's oldest and largest financial services groups, expected to complete in 3Q26. That notwithstanding, the numbers broadly mirror sector trends, with the bank maintaining a cautious lending stance while increasing shareholder returns.

The lender posted a 10.9% y/y increase in Profit Before Tax (PBT) to Kes 27.89Bn (from Kes 25.15Bn in 2024) and a 7.0% rise in Earnings Per Share (EPS) to Kes 14.20 (from Kes 13.70). Strong profitability supported a 29.1% increase in Dividend Per Share (DPS) to Kes 7.10 (from Kes 5.50). This includes an interim dividend of Kes 2.50 and a final dividend of Kes 4.60, payable on 26th May 2026, with books closing on 30th April 2026.

NCBA has significantly outperformed the NASI, delivering a 72.8% y/y gain. However, the sharp price appreciation has reduced upside headroom and introduced signs of valuation fatigue.

That said, we still see a potential arbitrage opportunity linked to the ongoing acquisition. As such, this remains a play for patient capital, where position sizing should be guided by margin discipline.

Recommendation	SPECULATIVE BUY
Share Statistics	
Current Price	90.75
3-Month Av	90.16
6 Month Av	86.11
12 Month Av	72.77
52 Week High - High	98.25
52 Week High - Low	48.80
Issued shares Mn	1.65
Market Cap (KES Mn)	149.51
Market Cap (USD Mn)	1.15
P/E	5.92
PB	0.66
EPS	14.20

Income Statement

Total Income: Total operating income rose by 17.0% y/y to Kes 73.33Bn, from Kes 62.70Bn, underpinned by strong growth in net interest income (NII) and a modest uptick in non-funded income (NFI). NII expanded by 27.7% y/y to Kes 44.08Bn (from Kes 34.52Bn in 2024), driven primarily by a sharp decline in interest expense, which fell by 41.6% y/y to Kes 24.05Bn. This more than offset a 10.0% decline in interest income to Kes 68.13Bn, reflecting the easing interest rate environment.

Interest income dropped by 10.0% to KES 68.13Bn from KES 75.69Bn, on the back of a 14.6% decline interest income from loans and advances to KES 39.69Bn from KES 46.50Bn, coupled with a 2.6% decrease in interest from government securities rose to KES 24.98Bn from KES 25.64Bn, in 2024.

Interest expense similarly fell, driven by a 41.7% decline in interest on deposits to Kes 22.27Bn, from Kes 38.22Bn in 2024.

Non-Funded Income: Non-funded income grew by 3.8% y/y to Kes 29.25Bn, a slower rate compared to NII. The growth in NFI was supported by a 6.7% increase in fees and other commissions. Management noted that a good chunk was a boost from cash management and insurance revenues.

Operating expenses rose by 21.0% y/y to Kes 45.53Bn, largely driven by a 46.3% increase in loan loss provisions (LLP) to Kes 8.02Bn, signaling a more cautious stance on credit risk, as overall non-performing loans declined.

Excluding provisions, operating expenses increased by a more moderate 16.7% y/y, pointing to underlying cost pressures.

Return Performance		
Periods	NCBA	NASI
3mtd PriceΔ(%ge)	8.04%	4.42%
6mtd PriceΔ(%ge)	31.52%	10.23%
YTD Δ(%ge)	8.04%	4.42%
Y/Y Δ(%ge)	72.86%	48.93%

NII	27.7%
Provisions	46.3%
Opex	21.0%
Opex Excl. LLPs	16.7%
PBT	10.9%
PAT	7.0%
Loans	5.0%
Govt. Securities	4.6%
Deposits	5.9%
Shareholders' Funds	16.1%

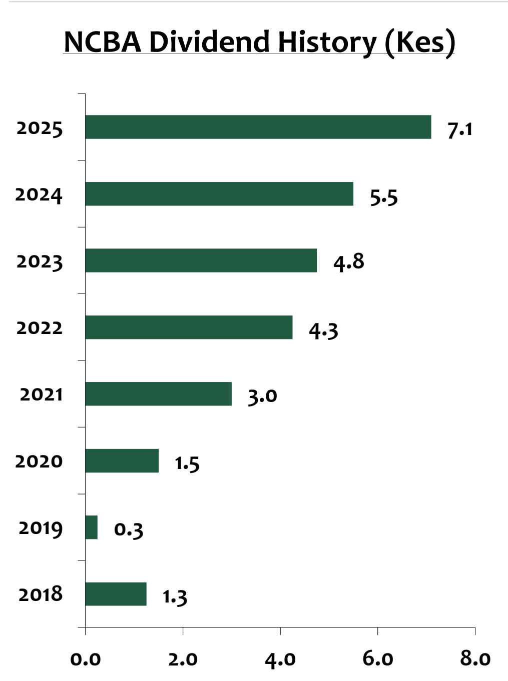
Balance Sheet

Assets: NCBA's assets expanded by 7.5% y/y to Kes 716.05Bn, from Kes 665.94Bn supported by steady growth in both the loan book and investment portfolio. Net loans and advances rose by 5.0% y/y to Kes 317.16Bn, while investments increased by 4.6% y/y to Kes 189.09Bn, from Kes 180.80Bn, in 2024.

Notably, the lender's loan book remains skewed towards the corporate segment, which accounts for 60% of total loans, with 75% of credit denominated in local currency. Sectorally, trade dominates at 24% of the loan book, followed by personal loans at 21% and manufacturing at 20%.

Customer Deposits: Customer deposits grew by 5.9% y/y to Kes 531.87Bn, driving a 5.8% increase in total liabilities to Kes 588.62Bn, from Kes 556.23Bn. Notably, borrowings declined significantly by 25.6% y/y to Kes 7.57Bn, indicating reduced reliance on external funding.

Shareholders' funds rose strongly by 16.1% y/y to Kes 127.43Bn, supported by retained earnings which rose by 15.1% to Kes 89.42Bn, from Kes 77.72Bn.



Key Ratios

- Yield on interest-earning assets declined to 12.5% (from 13.8%), reflecting the lower interest rate environment.
- Cost of funds dropped sharply to 4.5% (from 7.6%), driving a 2.0 ppt expansion in NIM to 8.1%.
- NII contribution to operating income increased to 60.1%, while NFI contribution declined to 39.9%, highlighting the faster growth in NII compared to NFI.
- Cost-to-income ratio (CIR) edged up to 62.1% (from 60.0%), driven by higher provisioning—signalling a conservative approach by management. CIR excluding LLP remained stable at 51.2%.
- Asset quality improved, with the NPL ratio declining to 10.4% from 11.5%, on a faster growth in gross loans compared to gross non-performing loans, which dropped by 5.2% to Kes 35.83Bn, from Kes 37.15Bn—reflecting the dissipating risks.
- Return on average equity (ROaE) softened to 19.7% (from 21.2%), while return on average assets (ROaA) improved to 3.4% (from 3.1%), indicating better asset utilization.
- Loan-to-deposit ratio remained stable at 59.6%, reflecting a balanced funding structure.

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P&L (Kes. Bn) except EPS & DPS	FY2024	FY2025	%Δ Y/Y
Interest Income	75.69	68.13	(10.0%)
Interest Expense	(41.17)	(24.05)	(41.6%)
NII	**34.52**	**44.08**	**27.7%**
NFI	28.18	29.25	3.8%
Total Operating income	**62.70**	**73.33**	**17.0%**
Loan Loss provision (LLP)	(5.48)	(8.02)	46.3%
Total Operating expenses	(37.64)	(45.53)	21.0%
Opex excl Provision	(32.16)	(37.51)	16.7%
PBT	**25.15**	**27.89**	**10.9%**
PAT	**21.87**	**23.39**	**7.0%**
EPS	**13.27**	**14.20**	**7.0%**
DPS	**5.50**	**7.10**	**29.1%**

Balance Sheet (Kes. Bn)	FY2024	FY2025	%Δ Y/Y
Investments	180.84	189.09	4.6%
Net Loans and Advances	302.08	317.16	5.0%
Total Assets	**665.94**	**716.05**	**7.5%**
Customer Deposits	502.02	531.87	5.9%
Borrowing	10.17	7.57	(25.6%)
Total Liabilities	**556.23**	**588.62**	**5.8%**
Shareholders' Funds	**109.71**	**127.43**	**16.1%**

Key Ratios	FY2024	FY2025	%Δ Points Y/Y
Yield from interest-earning assets	13.8%	12.5%	(1.3%)
Cost of funds	**7.6%**	**4.5%**	**(3.1%)**
Net Interest Margin	6.0%	8.1%	2.0%
Net Interest Income as % of operating income	55.1%	60.1%	5.1%
Non-Funded Income as a % of operating income	44.9%	39.9%	(5.1%)
Cost to Income Ratio (CIR)	**60.0%**	**62.1%**	**2.1%**
CIR without LLP	51.3%	51.2%	(0.1%)
Cost to Assets	5.7%	6.4%	0.7%
NPL Ratio	**11.5%**	**10.4%**	(1.0%)
Loan to Deposit Ratio	60.2%	59.6%	(0.5%)
Return on average equity	21.2%	19.7%	(1.5%)
Return on average assets	3.1%	3.4%	0.3%

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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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