



NCBA Group Q3 2025 Earnings Highlights

Analyst:

Catherine Muriuki
catherine.muriuki@fib.co.ke

Team Email:

research@fib.co.ke

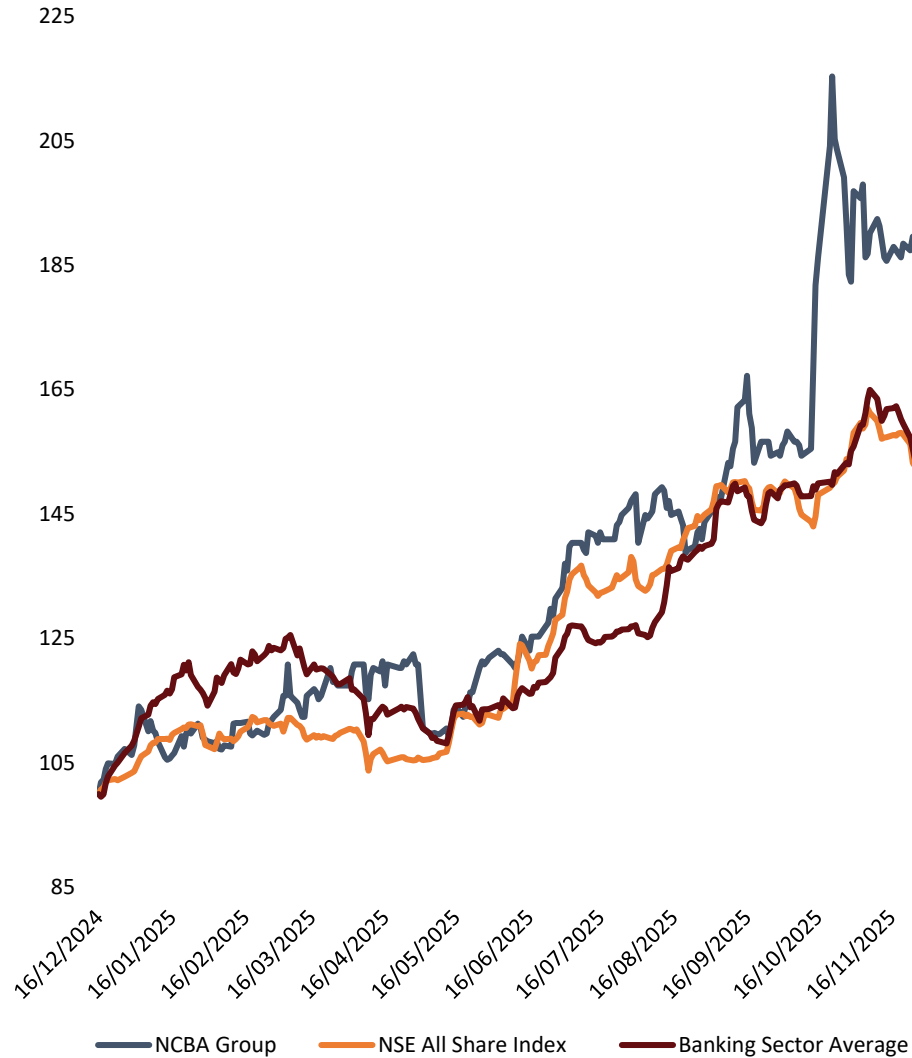
Crawford Business Park
Ground Floor
State House Road

Tel: 0207606026-37
P.O. Box 45236-00100 Nairobi
Website: www.fib.co.ke



Summary

Normalised share price movement of NCBA Bank vs bank peers and the market



Source: Bloomberg

Last Price – 15 th December 2025 in KES	79.75
Valuation Estimate in KES :	84.00
Upside	5.3%
Recommendation	HOLD
52-Week High	100.00
52-Week Low	45.00
52-Week Price Return	97.1%
Year-to-Date Price Return	82.8%
Price to Earnings Ratio (P/E)	8.02
Price to Book Ratio (P/B)	0.72

Source: Bloomberg and Faida Analysis

We recommend a **HOLD** on NCBA with a fair value of KES 84.00, representing an **upside of 5.3%** on 15th December 2025 closing price of KES 79.75.

The recommendation is underpinned by NCBA's strong earnings momentum and improving asset quality. The Group's diversified business model, sustained investment in technology, and disciplined NPL management enhance its resilience amid a challenging macroeconomic environment. Overall, NCBA remains well-positioned to deliver steady earnings growth and continue enhancing shareholder value.

Interest Income

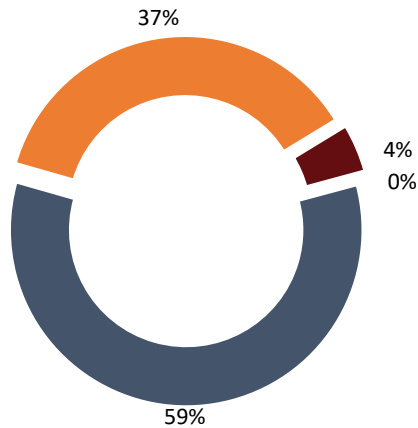
Interest income declined by 11.8% to KES 50.7 billion in Q3 2025 from KES 57.4 billion in Q3 2024. This was primarily driven by a significant 15.9% decrease in loans and advances to KES 29.7 billion from KES 35.3 billion, reflecting a drop of KES 5.6 billion.

Income from government securities edged down by 3.7% to KES 18.7 billion Q3 2025 from KES 19.4 billion in Q3 2024.

Deposits and placements within banking institutions contracted by 12.9% to KES 2.3 billion in Q3 2025 from KES 2.6 billion in Q3 2024.

Other income dropped by 82.5% to KES 23.2 million in Q3 2025 from KES 132.7 million Q3 2024.

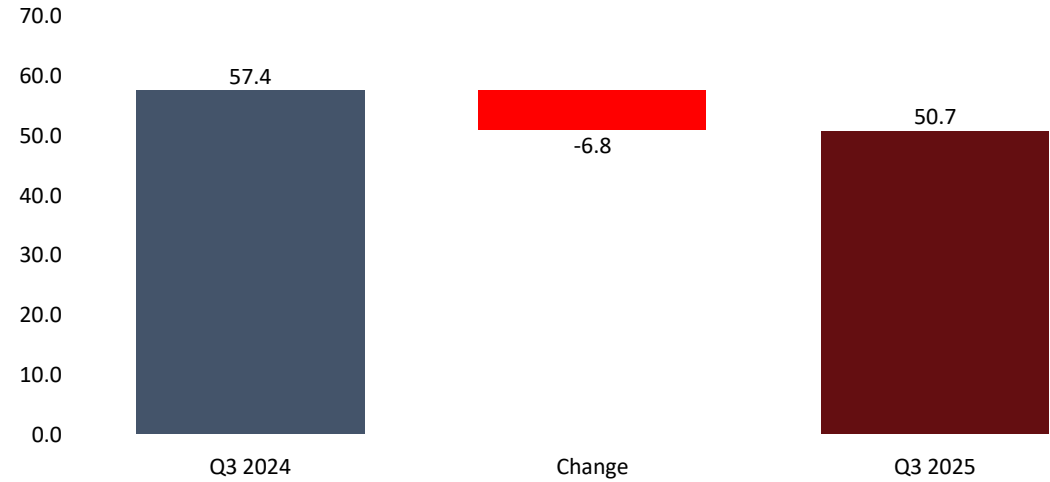
Interest income composition



■ Loans and advances ■ Government securities ■ Deposits and placements ■ Other interest income

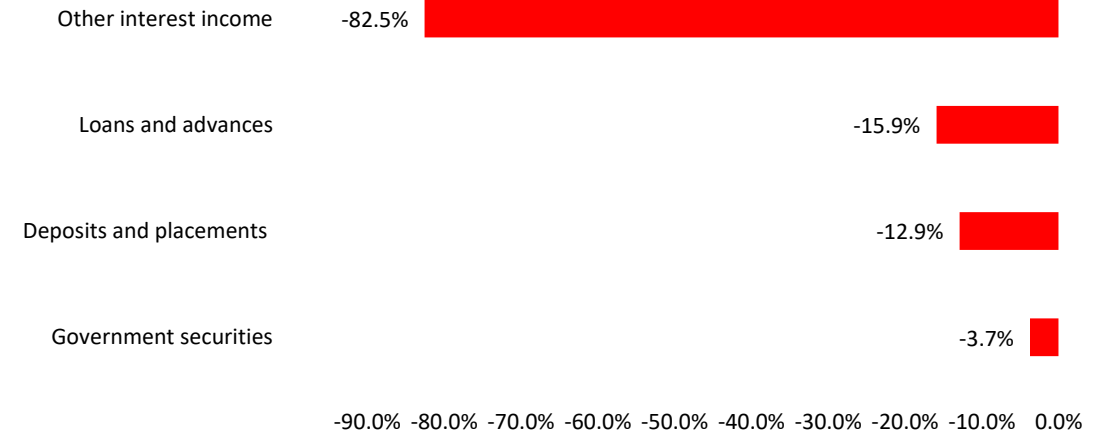
Source: Company Financials

Decline in interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

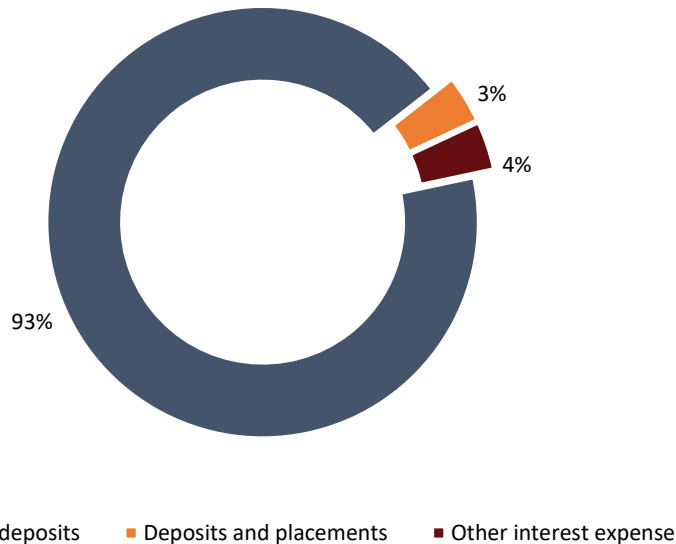
Interest Expense

Total interest expense saw a significant decline of 42.3% to KES 18.6 billion in Q3 2025 from KES 32.3 billion in Q3 2024. This was largely driven by a significant 42.8% drop in interest on customer deposits to KES 17.3 billion from KES 30.2 billion in Q3 2024, reflecting a decrease of KES 12.9 billion.

Interest on deposits and placements with banking institutions contracted by 52.0% to KES 665.8 million from KES 1.4 billion.

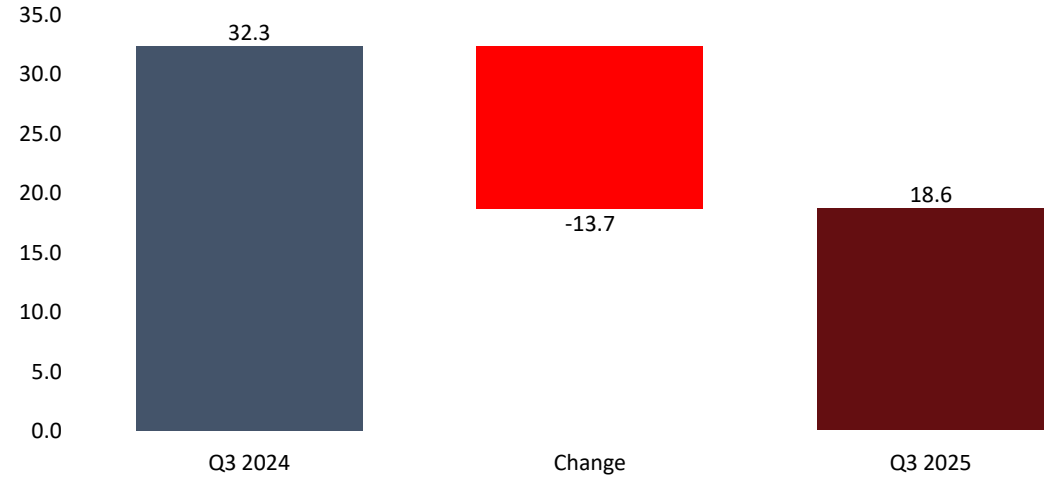
Other interest expenses edged down by 4.3% to KES 678.6 million from KES 709.3 million.

Interest expense composition



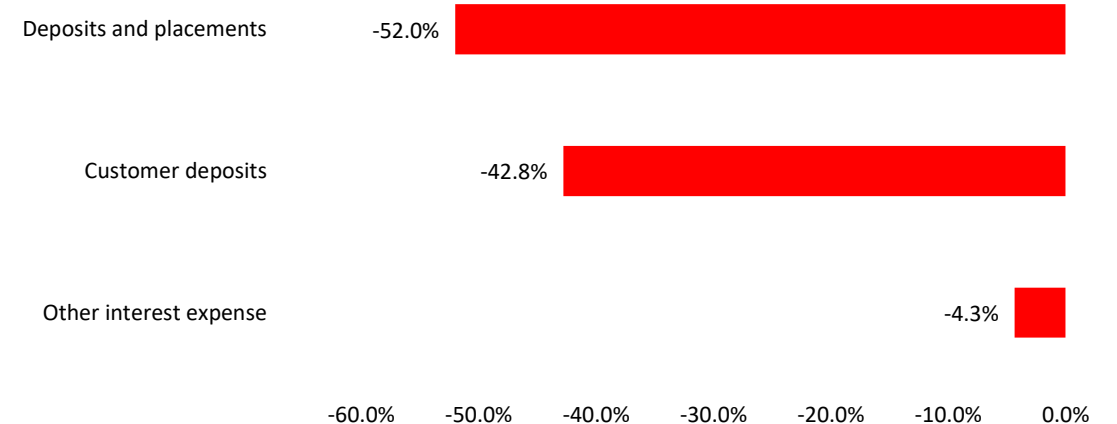
Source: Company Financials

Decline in interest expense (KES billions)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

Net Interest Income & Non-funded income

Net interest income (NII) rose 27.4% to KES 32.0 billion in Q3 2025 from KES 25.1 billion in Q3 2024.

Non-funded income contracted by 1.9% to KES 21.4 billion in Q3 2025 from KES 21.8 billion. This was primarily driven by a significant 27.2% decline in foreign exchange trading income which fell to KES 3.7 billion from KES 5.1 billion, a reduction of KES 1.4 billion.

Fees and commissions income on loans and advances edged up 5.2% to KES 9.7 billion from KES 9.2 billion.

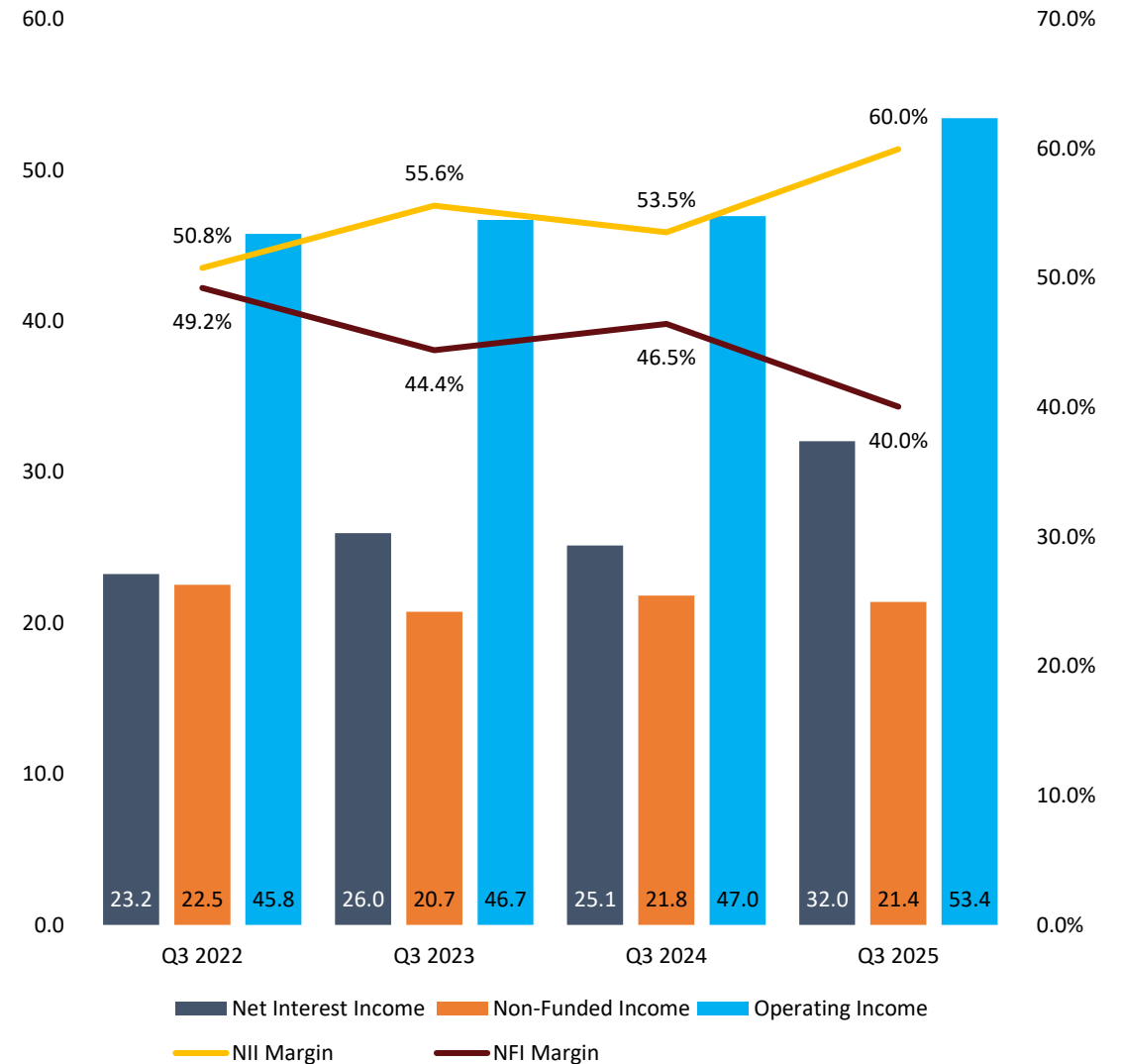
Other fees and commissions declined by 2.9% to KES 4.4 billion, a decrease of KES 131.3 million.

Other income surged 21.1% to KES 3.6 billion in Q3 2025 from KES 3.0 billion in Q3 2024.

As a result, total operating income increased by 13.8% to KES 53.4 billion from KES 47.0 billion in Q3 2024.

The Net Interest Income (NII) Margin rose by 6.4 percentage points to 60.0% from 53.5%, reflecting higher interest earnings. In contrast, the Non-Funded Income (NFI) Margin eased to 40.0% from 46.5% in Q3 2024.

Net Interest Income, Non-funded Income & Operating Income (KES billions)



Operating expenses

Total operating expenses rose by 15.5% to KES 33.0 billion in Q3 2025 from KES 28.6 billion in Q3 2024, reflecting an increase of KES 4.4 billion. This was largely driven by significant 17.2% increase in staff costs which surged to KES 11.9 billion from KES 10.1 billion, an uptick of KES 1.7 billion.

Loan loss provisions increased by 24.5% to KES 5.1 billion in Q3 2025 from KES 4.1 billion in Q3 2024.

Director emoluments declined by 2.3% to KES 210.5 million from KES 215.5 million.

Rental charges edged up 3.9% to KES 786.2 million from KES 756.8 million.

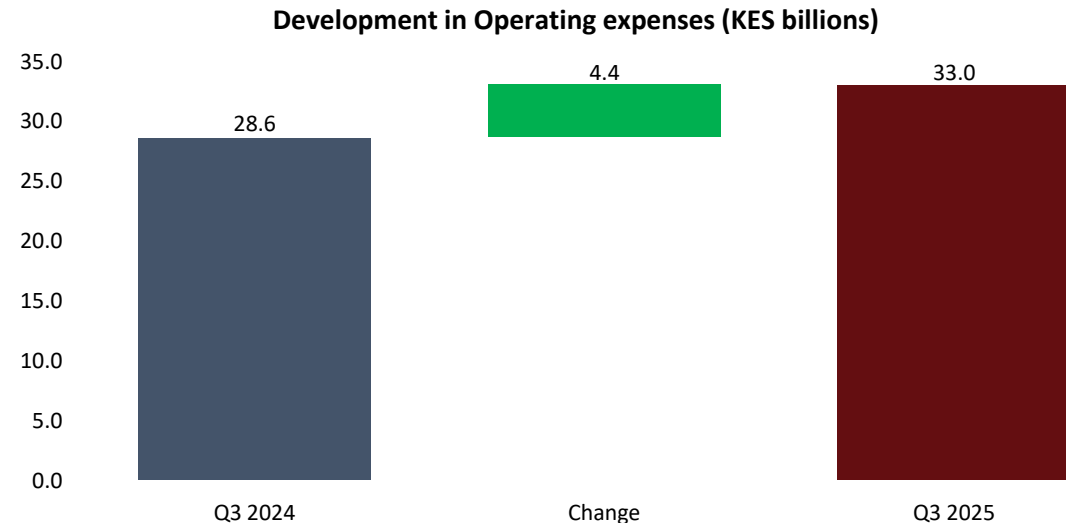
Depreciation on property and equipment expanded by 42.3% to KES 1.1 billion from KES 772.1 million.

Amortization charges contracted by 18.7% reaching KES 754.3 million from KES 927.9 million.

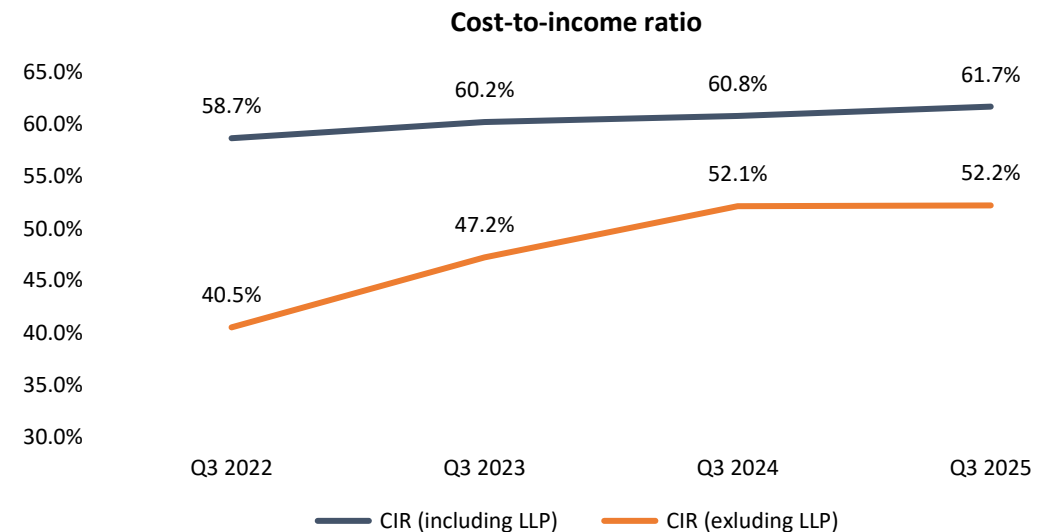
Other operating expenses climbed 12.8% to KES 13.1 billion from KES 11.7 billion.

The cost-to-income ratio (including loan loss provisions) edged up to 61.7% in Q3 2025 from 60.8% in Q3 2024. Excluding provisions, the ratio recorded a marginal increase to 52.2% from 52.1%.

**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*



Source: Company Financials



Source: Company Financials

Profitability

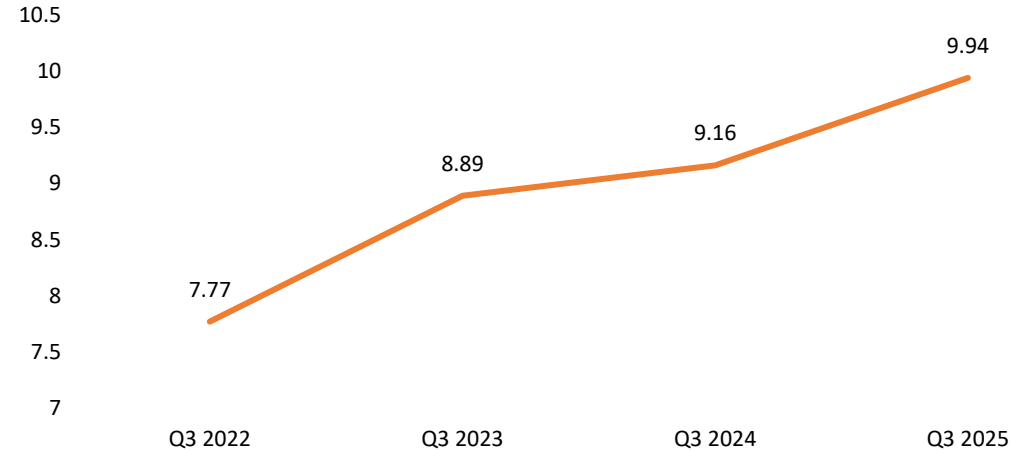
Profit before tax rose by 11.1% to KES 20.5 billion in Q3 2025 from KES 18.4 billion in Q3 2024.

Profit after tax increased by 8.5% to KES 16.4 billion from KES 15.1 billion, reflecting a rise of KES 1.3 billion.

Total comprehensive income expanded by 69.6% to KES 20.0 billion from KES 11.8 billion.

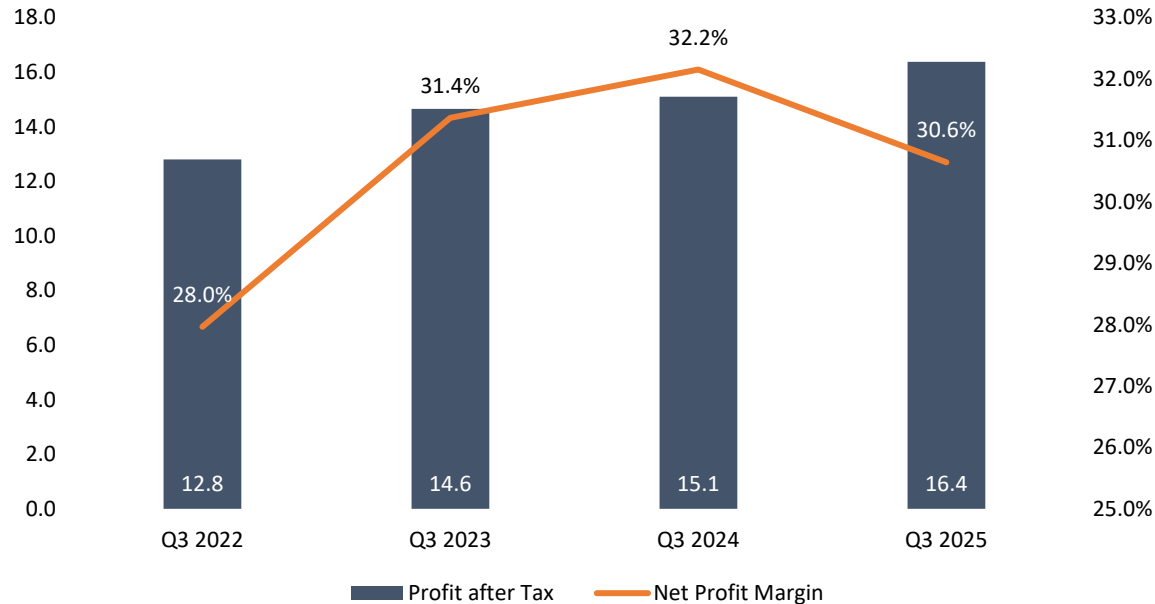
Basic earnings per share improved by 8.5% to KES 9.94 from KES 9.16, reflecting enhanced shareholder returns.

Earnings Per Share (KES)



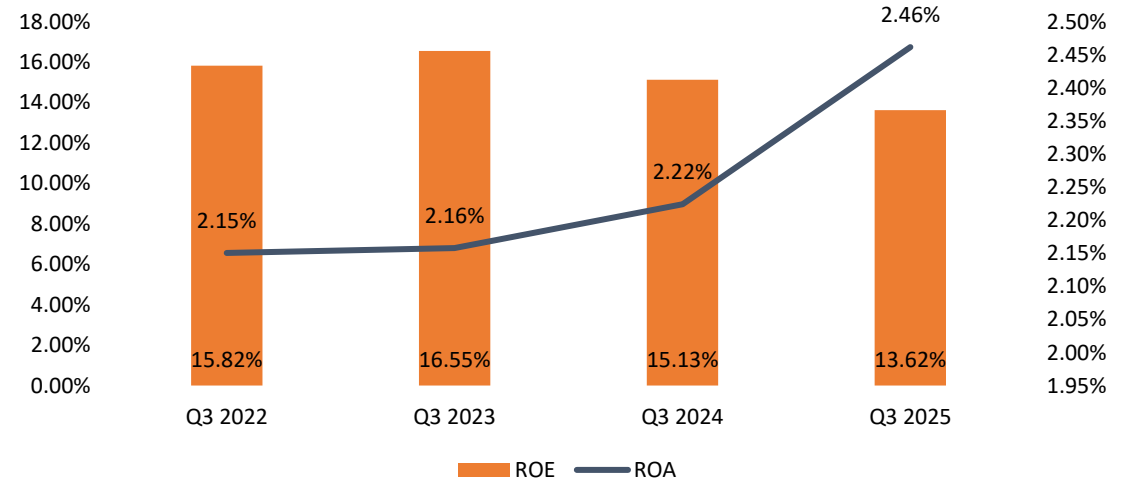
Source: Company Financials

Profit after tax (KES billions) and Net profit margin (%)



Source: Company Financials

Profitability Ratios (%)



Source: Company Financials

Balance Sheet Rundown

Total assets declined by 2.0% to KES 665.3 billion in Q3 2025 from KES 678.8 billion in Q3 2024, reflecting a decrease of KES 13.5 billion. This was largely driven by a significant 3.5% drop in loans and advances which fell to KES 292.7 billion from KES 303.5 billion, reflecting a reduction of KES 10.7 billion.

Deposits and balances due from local banking institutions declined by 1.4% to KES 103.6 billion from KES 105.0 billion.

Contrary, balances due from foreign banking institutions climbed 9.1% to KES 80.1 billion from KES 73.4 billion, an increase of KES 6.7 billion.

Other assets dropped by 7.7% to KES 22.6 billion from KES 24.5 billion.

Customer deposits contracted by 5.3% to KES 488.0 billion in Q3 2025 from KES 515.1 billion in Q3 2024, representing a significant drop of KES 27.1 billion.

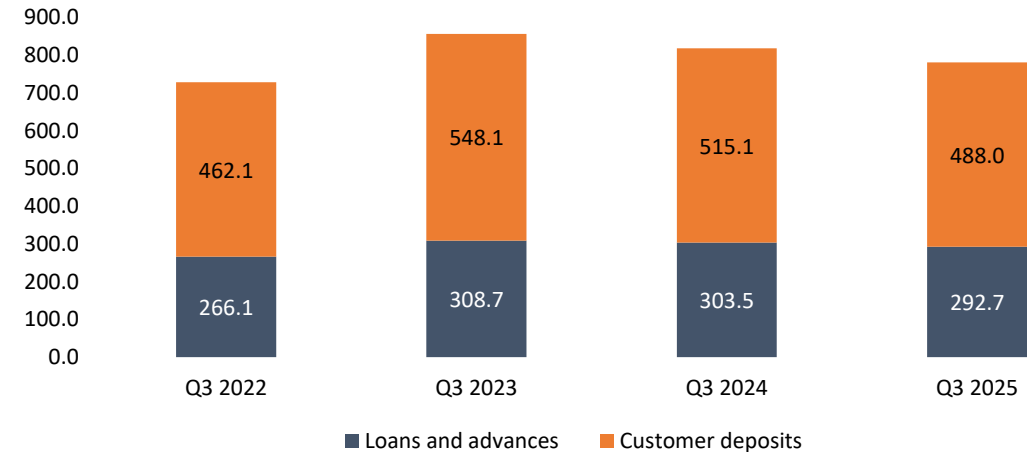
Total liabilities edged down by 5.9% to KES 545.1 billion from KES 579.0 billion while other liabilities recorded a 31.8% increase to KES 44.2 billion from KES 33.5 billion.

As a result, the loan –to-deposit ratio edged up to 60.0% from 58.9% in Q3 2024 while loan-to-asset ratio declined to 44.0% from 44.7% indicating that customer deposits have been growing at a faster pace than loan disbursements.

Total shareholders’ funds advanced by 20.5% to KES 120.2 billion from KES 99.8 billion in Q3 2024. This was driven by a significant 18.0% increase in retained earnings to KES 90.0 billion from KES 76.3 billion.

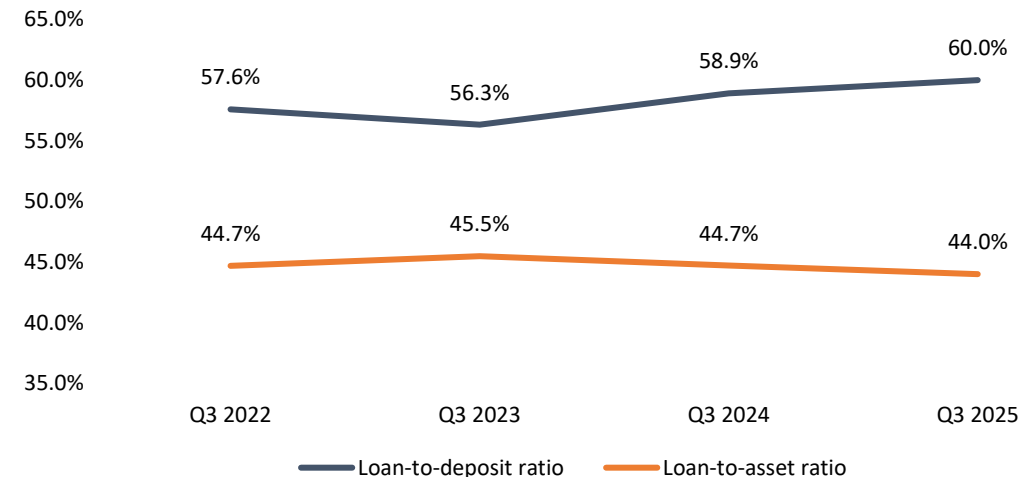
Notably, Other Reserves improved by 91.6%, narrowing from a deficit of KES 6.1 billion in Q3 2024 to KES 519.0 million in Q3 2025.

Loan book and Customer deposits (KES billions)



Source: Company Financials

Loan-to-deposit & Loan-to-asset ratio



Source: Company Financials

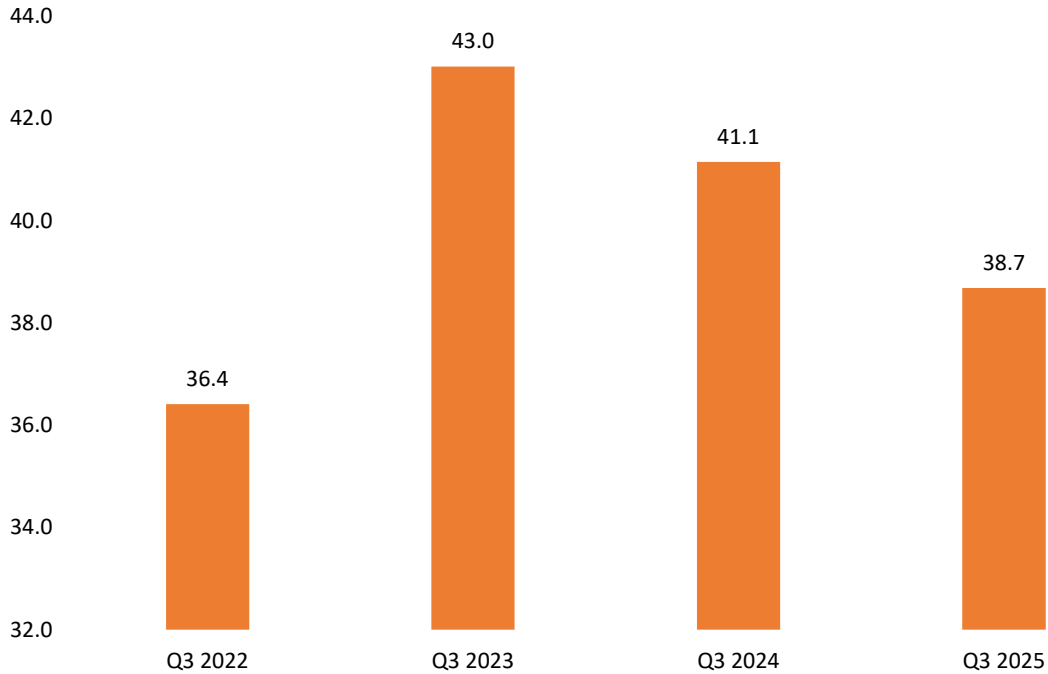
Asset Quality

Gross non-performing loans (NPLs) declined by 6.0% to KES 38.7 billion in Q3 2025 from KES 41.1 billion in Q3 2024, reflecting a decrease of KES 2.5 billion.

Asset quality improved, with the NPL ratio easing to 12.1% in Q3 2025 from 12.5% in Q3 2024, remaining well below the industry average of 16.5%.

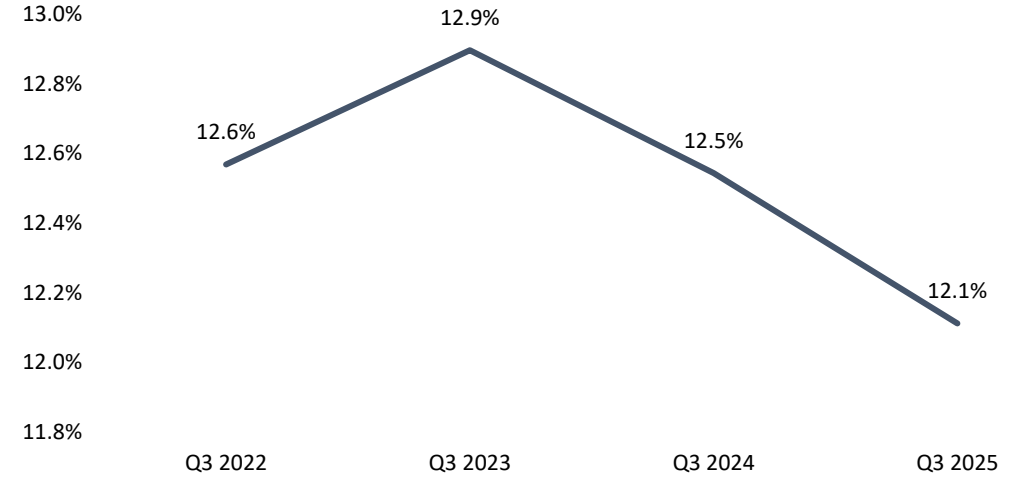
The NPL coverage ratio increased to 68.9% from 59.7%, showing that the bank is strengthening its buffer against potential loan losses.

Gross Non-performing loans (KES billions)



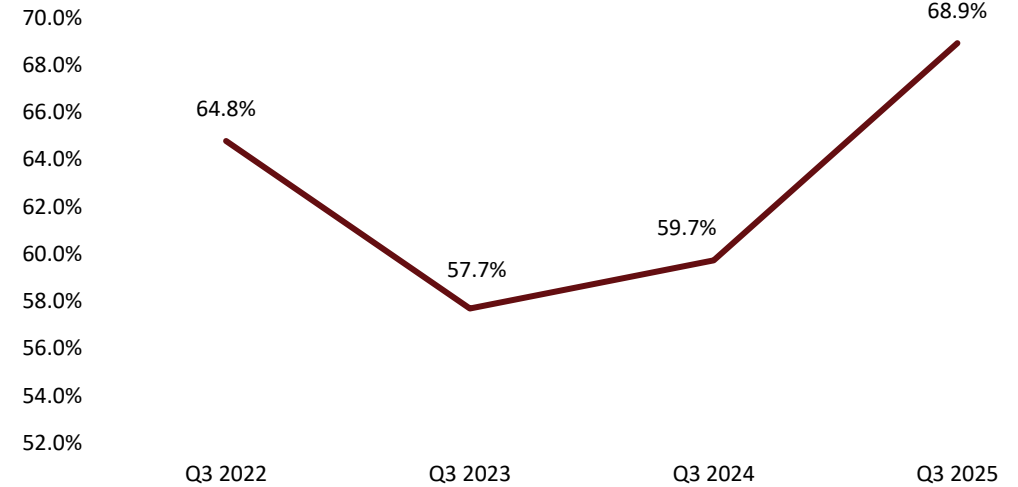
Source: Company Financials

Gross NPL Ratio (%)



Source: Company Financials

NPL Coverage Ratio (%)



Source: Company Financials

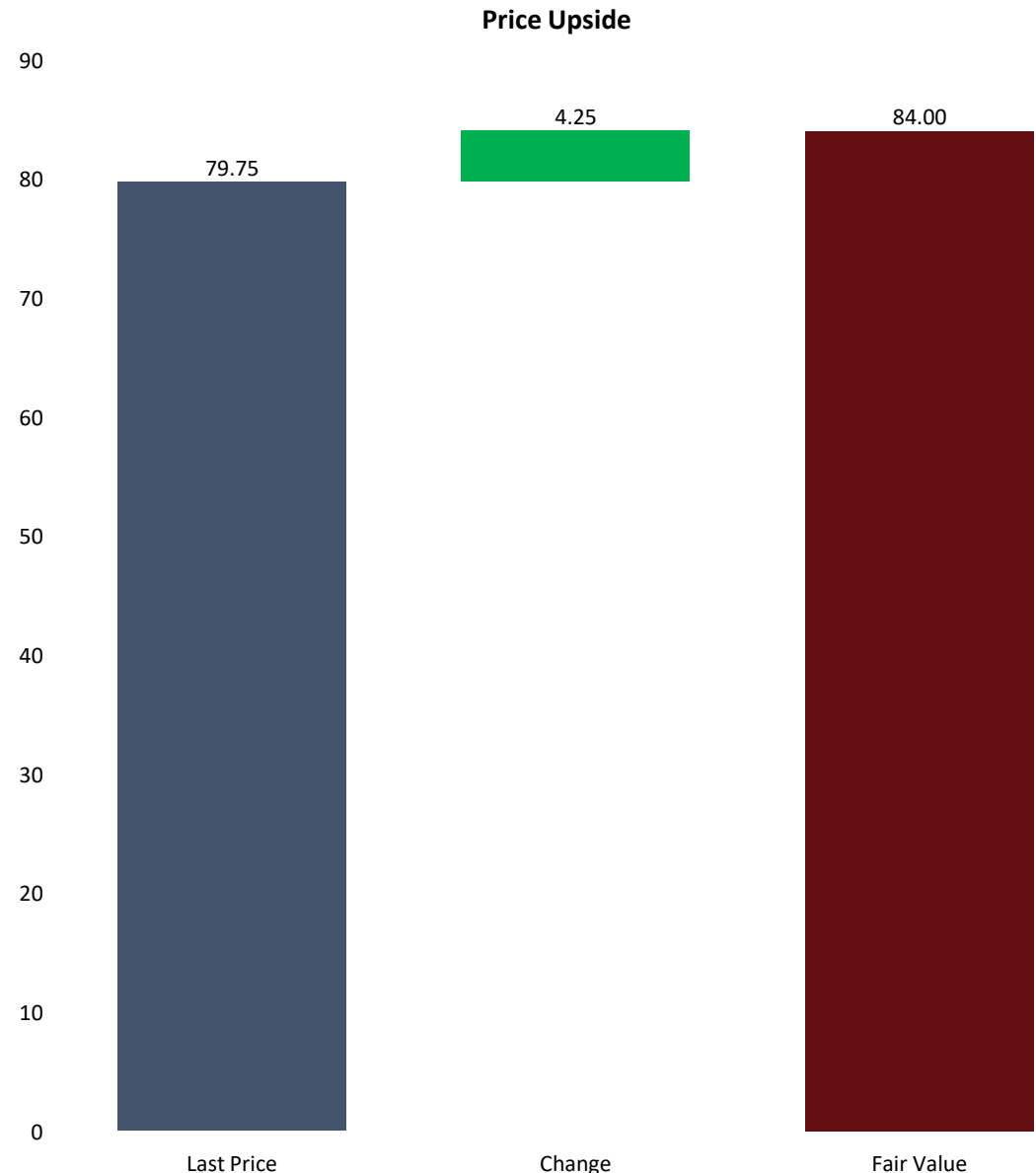
Outlook and Recommendation

NCBA's outlook remains positive, supported by improving asset quality and resilient earnings growth. Profitability strengthened, with profit after tax increasing by 8.5% to KES 16.4 billion, underpinned by solid core income growth and controlled credit costs. Earnings per share improved to KES 9.94, highlighting enhanced shareholder returns. However, cost pressures persisted, with the cost-to-income ratio (including provisions) rising to 61.7% from 60.8%, and the ratio excluding provisions edging up to 52.2% from 52.1%. This reflects elevated operating expenses and continued investment in technology and growth initiatives, partially offsetting income gains.

Asset quality improved, with the NPL ratio easing to 12.1% in Q3 2025 from 12.5% in Q3 2024, remaining well below the industry average of 16.5%. This reflects effective credit risk management and improved loan performance.

NCBA Kenya Bank remained the primary profit engine for the Group, contributing 82% of Group PBT, while regional subsidiaries delivered KES 2.6 billion, accounting for 12.5% of total PBT. Non-banking subsidiaries, including the Investment Bank, Bancassurance, Leasing, and NCBA Insurance recorded strong momentum, with combined PBT rising 48% to KES 1.2 billion, representing a 5.5% contribution to Group PBT. NCBA Kenya continued to promote affordable borrowing by implementing its **fifth base lending rate cut of the year to 13.27% per annum**. In addition, the ongoing waiver of monthly account maintenance fees supported customers in Kenya and Rwanda in navigating the challenging macroeconomic environment.

Looking ahead, the Group's retail network expansion to 122 branches, alongside targeted product campaigns and enhanced customer engagement initiatives, is expected to underpin continued customer acquisition. Core retail banking growth is being driven by segmented thought leadership forums, diaspora banking activations in Australia and the Middle East, card loyalty promotions, and ongoing digital account onboarding innovations, positioning NCBA for sustained growth across its core and non-core business lines.



INFORMATION AND RESERVATIONS REGARDING THE NATURE OF RECOMMENDATION AND LIABILITY FOR ITS DRAFTING, CONTENTS, AND DISTRIBUTION

The perspective expressed in the Recommendation reflects the opinion of the Analyst(s) of Faida Investment Bank regarding the analyzed company and the financial instruments issued by it. Opinions contained in this Recommendation should not be treated as authorized or approved by the Issuer.

The Recommendation has been prepared subject to due diligence and reliability, based on facts and information generally considered credible (including, in particular, financial statements and current reports of the company) and management meetings; nevertheless, Faida Investment Bank does not guarantee their absolute precision or completeness. The basis for preparing the Recommendation comprises information on the company which was publicly available by the day of its drafting. The forecasts presented are based solely on the analysis conducted by Faida Investment Bank and on several assumptions that may prove correct or incorrect in the future. Faida Investment Bank does not grant any assurance that the forecast presented will be proven right. Faida Investment Bank is not liable for any losses incurred as a result of decisions made based on information contained in this Recommendation. Faida Investment Bank will bear no liability for the Recommendation which has been prepared with due diligence and thoroughness. Faida Investment Bank will not be held liable for any potential defects of the recommendation, in particular for its incompleteness or imprecision, if said defects could not be avoided or foreseen at the moment of undertaking standard actions in drafting the Recommendation. In the future, Faida Investment Bank may issue other recommendations, presenting other conclusions that are consistent with those contained in this Recommendation. Such recommendations reflect various assumptions, points of view, and, analytical methods adopted by the analysts preparing them. Faida Investment Bank hereby announces that the accuracy of earlier recommendations is no guarantee of their accuracy in the future.

Faida Investment Bank hereby announces that investing money in financial instruments is connected with the risk of losing a part of or all the invested funds. Faida Investment Bank notes that the price of financial instruments is influenced by many different factors which are or may be independent of the Issuer or the results of the Issuer's operations. These can include, among other things, changing economic, legal, political, and fiscal conditions. A decision on purchasing any financial instruments should be made solely based on the prospectus, offer, or other generally available documents and materials published by the binding provisions of Kenyan law. Except for the remuneration paid by Faida Investment Bank, Analysts do not receive any other consideration from the Issuer or other third parties for drafting recommendations.

Glossary of Terms

Target Price – Analyst estimate of the fair value or intrinsic value of the company.

Cost of Funds - This is the effective average interest rate paid on interest-earning liabilities. It is calculated as Total Interest Expense/Average Interest Earning Liabilities.

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as Interest on Loans and Advances/Average Loans and Advances.

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as Net Impairment Provisions/Average Gross Loans in the period.

Non-Performing Loans -These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful, and Loss depending on the performance of the loan. The last three i.e. sub-standard, doubtful, and loss are referred to as non-performing loans. Under IFRS, these are classified as stage 3 loans.

Non-Performing Loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as Gross NPLs/Gross Loans.

Non-Funded/Non-Interest Income– This represents income that is not classified as interest income.

Recommendation

BUY – Minimal risks to catalysts.

SELL- Risks outweigh the catalysts.

NEUTRAL – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term