

# NCBA PLC

Bloomberg: NCBA KN



26th January 2026

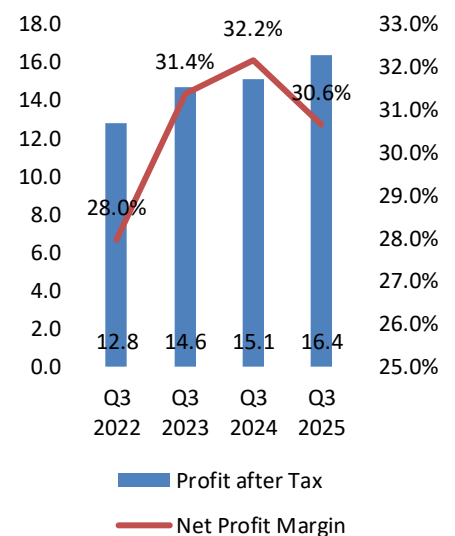
## FY 2025 Performance Overview

- The Group delivered a strong earnings performance in Q3 2025, with profit after tax (PAT) rising 8.5% year-on-year to KES 16.4 billion, up from KES 15.1 billion in Q3 2024.
- Profit before tax (PBT) increased 11.2% y-o-y to KES 20.46 billion, reflecting solid core banking performance and improving contributions from non-banking businesses. The Kenya banking franchise remained the primary earnings driver, contributing 82% of Group PBT, while regional subsidiaries generated KES 2.6 billion, accounting for 13% of Group PBT and 12% of total revenue. Non-banking subsidiaries recorded strong growth, with PBT rising 54% y-o-y to KES 1.2 billion, largely supported by a rebound in investment banking activity.
- Operating income grew 13.8% y-o-y to KES 53.44 billion, driven by robust net interest income and resilient fee generation. Operating expenses increased 15.5% y-o-y to KES 32.99 billion, reflecting inflationary pressures and continued investment in digital and distribution capabilities, resulting in moderate cost absorption.
- Net interest income (NII) surged 27.4% y-o-y to KES 32.4 billion, supported by balance-sheet re-orientation and a lower cost of funds. Non-interest income declined marginally by 1.9% y-o-y to KES 21.4 billion, reflecting softer fee and trading income.
- Interest expense stood at KES 15.9 billion in Q3 2025 down from KES 32.3bn in the same period, reflecting repricing dynamics across funding sources.
- Earnings per share (EPS) increased 8.5% y-o-y to KES 9.94bn, underpinned by improved operating leverage. The Group reported a net profit margin of 36.9%, indicating strong profitability per unit of income, while leverage remains conservative with a debt-to-equity ratio of 6.3%.
- Total assets declined marginally by 2.0% y-o-y to KES 665.3 billion, from KES 678.8 billion in Q3 2024, reflecting deliberate balance-sheet optimization.
- Total liabilities decreased 7% y-o-y to KES 471.5 billion, while shareholders' funds increased 11% to KES 99.8 billion, strengthening capital buffers.
- The balance sheet remains liquid and well-structured, with cash and cash equivalents of KES 68.1 billion. Customer deposits stood at KES 491.3 billion, down 5.3% y-o-y, while net loans closed at KES 292.7 billion a drop from KES 303.5bn in the same period. The Group maintained prudent asset deployment, with a loan-to-asset ratio of 44% and a loan-to-deposit ratio of 60%, both within comfortable regulatory and internal thresholds. The asset-to-equity ratio of 5.5x reflects conservative leverage relative to peers.

## Key data

RECOMMENDATION	HOLD
Market price (KES) - 26/01/26	91.25
No. of shares (mn)	1,647,519.53
Market Cap (KESmn)	151,571.8M
Free float	58.41%
Dividend yield	5.8%
P/E	7.0x
P/B	-
YTD Return	110.8%
Min 52 weeks KES	47.85
Max 52 weeks KES	100.00

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



Source: company financials

## Normalised Share Price Movement of NCBA vs the Market



Source: Bloomberg

- Gross non-performing loans (NPLs) declined 6.0% y-o-y to KES 38.7 billion, from KES 41.2 billion, reflecting improved recoveries across both domestic and regional operations. NPL coverage stood at 68.9%, providing adequate protection against credit losses.
- Digital lending remained a key growth engine, with digital loan disbursements increasing 35% y-o-y to KES 1.01 trillion. Digital PBT reached KES 5.4 billion, contributing 26% of Group PBT, while maintaining a low digital credit cost of 0.3%, underscoring strong underwriting discipline and analytics-driven risk management.
- In sum, the group maintained an attractive shareholder return profile, with a dividend yield of 6.1% and dividend growth of 9.5% y-o-y, signaling management's confidence in earnings sustainability. The stock trades at a price-to-book multiple of 1.2x, reflecting solid profitability, improving asset quality, and a strengthening capital position.

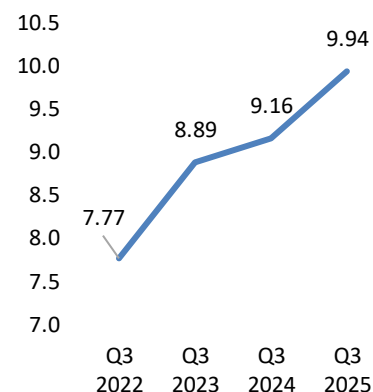
### South Africa's Nedbank group announces proposed acquisition of NCBA Group PLC

On the 22<sup>nd</sup> January 2026 Nedbank announced its intentions to acquire a 66% majority stake in NCBA Group Plc through a partial pro rata offer to acquire approximately 1,097,362,891 NCBA shares. Which upon completion, Nedbank will become the controlling shareholder, while the remaining 34% will continue to be listed on the Nairobi Securities Exchange (NSE). The proposed transaction values NCBA at approximately 1.4x book value and is structured as a combination of equity and cash consideration.

**Small investors whose holdings are not large enough to secure them at least 200 Nedbank shares, that is less than 9,400 NCBA shares ≈ worth KES 850,700 as of 22<sup>nd</sup> January closing price will have no option but for a cash-payout of KES.10,500 for every 100 NCBA shares.** High net worth investors with more than 9400 NCBA shares will get a cash and stock swap deal. In that for every 100 NCBA shares they hold, they will receive 4.02994 newly issued Nedbank ordinary shares that are priced at 250Rand per share ≈ KES.1,928.5 , representing 80% of the consideration which will be actively traded at Johannesburg Stock Exchange(JSE).The remaining 20% of the consideration will go for KES 2,100 for every 100 NCBA shares that will be compensated fully in cash.

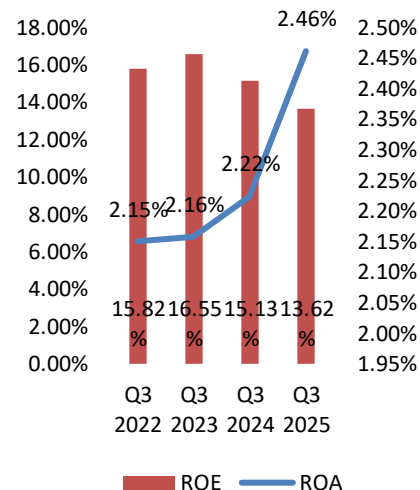
Average compensation per share across the stock swap deal for High net worth Investors is KES.98.75 but they benefit further from buying into Ned shares at a discounted price of KES.77.72 which is a good deal for investors looking for medium term to long term returns in a highly liquid deep market at JSE which offers them portfolio diversification in a larger regional entity like Nedbank. High Net worth Investors who opt for the stock swap component of the buyout will be required to open CDSC Accounts in South Africa. NCBA and Nedbank will help these shareholders go through the process smoothly and get allocation of shares in accordance with the regulations. Repatriating funds from SA for these Investors will be similar to the Kenyan settling component cycle of T+3 ,being foreign investors it might take 3-5 business days due to cross border banking but may face brokerage costs,ZAR-KES conversions and swift bank wire fees afterwards they will have to declare and pay Capital gains tax made from foreign investments to KRA ,SA does not tax non-residents Capital gains tax on foreigners. As a high net worth investor the hurdle will not be on repatriating funds but on FX risk. The transaction is expected to complete within six to nine months, subject to regulatory approvals.

### Earnings Per Share (KES)



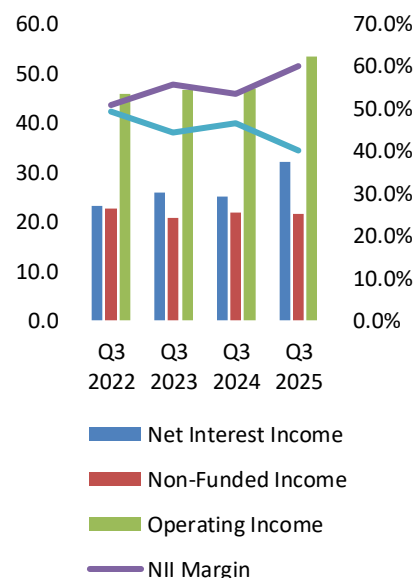
Source: company financials

### Profitability Ratios (%)



Source; company financials

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



Source: company financials

### Outlook

- NCBA enters FY2026 with solid operational momentum, supported by resilient earnings, a diversified business model, and strengthening strategic optionality. FY2025 performance demonstrates the Group's ability to deliver double-digit profit growth while maintaining above-industry returns.
- NCBA being a tier 1 bank is well positioned to sustain earnings growth, enhance shareholder returns, and capitalize on regional banking opportunities. Execution and macroeconomic risks remain, the Group's strong fundamentals, diversified earnings base, and improved strategic positioning support a positive medium-term investment outlook.

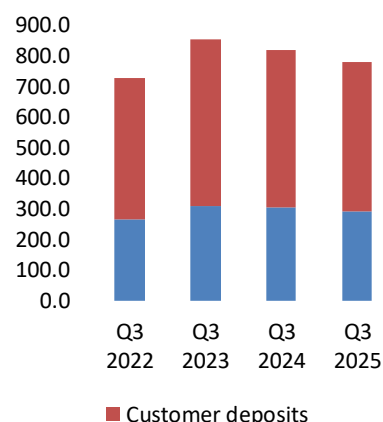
### Notice to Investors

- Dividends at Nedbank are paid semi-annually and settled in foreign currency (typically USD/EUR), introducing currency translation risk when converting to ZAR and subsequently KES, with potential gains or losses depending on FX movements.
- Kenyan corporate investors holding more than 12.5% equity in a dividend paying company are usually exempt from withholding tax . In South Africa, dividends paid to foreign investors are subject to a statutory WHT of between 10-15%, though this is reduced to 10% for Kenyan investors under the Kenya South Africa Double Taxation Agreement which remains double Kenya's domestic dividend WHT of 5%, implying higher tax leakage for Kenyan investors.

**Analyst: Malia Opiyo**

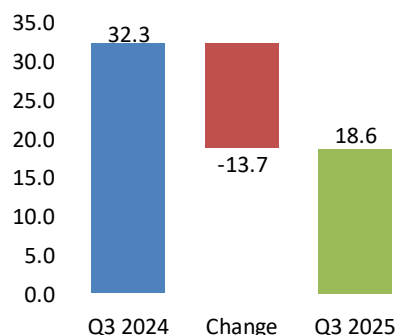
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### Loan book and Customer deposits (KES billions)



Source: company financials

### Decline in interest expense (KES billions)



Source: company financials

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**Glossary of Terms**

**Withholding tax(WHT)**- tax deducted at the source when a company distributes profits to its shareholders.

**Net Interest Margin (NIM)** - Net interest margin is a measure of the difference between interest paid and interest received, adjusted for the total amount of interest-generating assets held by the bank. It is calculated as:  $\text{Net Interest Income} / \text{Average Interest Earning Assets}$

**vNon-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 performance of the loan. The last three i.e. sub-standard, doubtful and loss are referred to as non-performing loans. Under IFRS, these classified as stage 3 loans.

**Non-performing loans (NPL) Ratio** - This is the proportion of NPLs in the loan book. It is calculated as  $\text{Gross NPLs} / \text{Gross Loans}$

**Non-funded/Non-Interest Income**- This represents the income that is not classified as interest income.

**Non-Funded/Non-Interest Income Ratio.** This represents the proportion of total operating income that is not classified as interest income. It is calculated as  $\text{Non-Interest Income} / \text{Total Operating Income}$

**Composite market share (Market share Index)** - This is a weighted composite index comprising of assets, deposits, capital size, number of deposit and loan accounts. The composite market share is used by CBK to classify banks into three groups:

- Tier 1 (Large Size Bank); Composite market share of 5.0% and above
- Tier 2 (Medium Size Bank); Composite market share of between 1.0% and 5.0%
- Tier 3 (Small size Bank); Composite market share of less than 1.0%

**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.



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