

KCB Group Plc

Q12025 Earnings Update

KCB Profits Stabilize as Revenues Soar 2.0% up

KCB Group reported KES 21.18Bn profits before tax (PBT) for the first quarter of 2025 (Q1-2025), representing a marginal growth from KES 21.16Bn reported similar period in 2024. The performance was strongly supported by the expanding core revenue lines and a prudent cost management. We view the cost of financing to have been organically driven down by the retained earnings oin the last two to three years. As a result total revenues grew up 2.0% to KES 49.44Bn in Q1-2025 from KES 48.49Bn but strained by drops in the non-funded income lines.

KCB Kenya witnessed a 0.7% drop in PBT to KES 14.52Bn as subsidiaries' recorded a 1.9% uptick in PBT from KES 6.54Bn in Q1-2024 to KES 6.66Bn, to contribute 31.5% of the total PBT from that of 30.9% recorded in Q1-2024. This is as subsidiaries' pick momentum to record a 6.5% growths in interest income compared to the local parent company whose interest income rose by only 0.4%.

The Group's net revenues were up 0.4% to KES 16.54Bn, out of which 33.1% or KES 5.47Bn came from subsidiaries, 3.0% y-y up compared to KES 5.32Bn of Q1-2024.

We retain a BUY recommendation on the Group's share price at the current price of KES 40.80 per share as of 23rd May 2025, with a fair value of KES 54.00 and a dividend projection of above KES 4.50 per share for full year 2025 (FY-2025). This is against an annualized earning per share (EPS) of 80.12 of 92.45 price to book value ratio and a price to earnings ratio of 0.5x and price to book ratio of 0.4x.

Income Statement

Group net interest income (NII) jumped 8.5% up to KES 33.72Bn from KES 31.04Bn supported by low cost of financing the Bank's loan book which we view benefitted from the prior years' retained earnings. This saw NII contribution expanded to 68.2% in Q1-2025 from that of 64.1% in Q1-2024 and 67.0% in Q4-2025 riding on its core interest lines.

Total interest income improved 2.2% year on year (y-y) from KES 49.09Bn in Q1-2024 to KES 50.19Bn mainly benefiting from interest incomes from loans which offset the 7.9% decline in interest from government securities.

Interest from loans and advanced expanded 5.3% y-y from KES 33.63Bn to KES 35.46Bn reaping off from the elevated lending rates, though declining fast, and the marginally enlarging loan book. Consequently, the yield on loans and advances advanced up from 12.7% in Q1-2024 to 14.1% in Q1-2025 benefiting from its digital loans and higher rates. This was however lower in relation to a yield on advances of 14.7% for FY-2024, confirming the shrinking interest rates.

Interest from government papers however, dipped 7.9% y-y from KES 13.32Bn to KES 12.27Bn on a sharp drop in rates on government papers as the government sought faster transmission of the interest rate cut. During the period the Central Bank Monetary Policy Committee (MPC) cut the official base lending rate by 50.obps from 11.25% to 10.75%, being the fourth rate cut from a high of 13.0% witnessed between February and August 2024. This overweighed the 1.3% rise on the bank's government securities asset book.

Leveraging Africa, Investing Globally

Bloomberg Ticker	KNCB KN
Recommendation	BUY
Share Statistics	
Implied Fair Value	54.00
Current Price (KES)	40.80
Upside/Downside	32.4%
1 Month Average	39.88
3 Months Average	41.13
6 Months Average	41.63
12 Months Average	37.96
52 Week High - Low	45.80 - 29.35
Issued shares (Mn)	3,213.46
Market Cap (KES Mn)	131,109.28
Market Cap (USD Mn)	1014.35
PE	0.5
Bvps	92.45
PB	0.4
EPS (Q1-2025)	20.0
EPS (Annualized)	80.12

KCB Group Vs Nasi Price movement		
Period	KCB	NASI
MTD PriceΔ(%ge)	5.8%	6.6%
M/M PriceΔ(%ge)	3.7%	6.1%
3mtd PriceΔ(%ge)	-9.2%	0.5%
6mtd PriceΔ(%ge)	4.5%	18.8%
YTD Δ(%ge)	-3.8%	6.8%
Y/Y Δ(%ge)	16.4%	17.9%



NNI – 8.5% Y-Y

Provisions – 11.3% Y-Y

Opex. + 3.4% Y-Y

Opex. Excl. Provisions + 7.8% Y-Y

PBT + 0.1% Y-Y

PAT + 0.4% Y-Y

Govt. Securities + 1.3% Y-Y

Loans + 0.1% Y-Y

Deposits – 4.9% Y-Y

Shareholder's Funds + 28.4% Y-Y

Total Assets + 1.9% Y-Y

Interest expense dipped 8.6% from KES 18.02Bn to KES 16.47Bn as the bank implemented the above rate cuts to placements from other financial institutions while also leveraging re-investments from prior profits to reduce costs. Expense on customer deposits was contained at a 1.4% rise to KES 12.90Bn while that on banking placements sunk 28.7% from KES 4.85Bn to KES 3.46Bn.

Non-funded income (NFI) thinned 9.8% y-y from KES 17.42Bn to KES 15.72Bn accelerated down by forex trading revenue. Foreign exchange revenue plunged 34.7% from KES 4.80Bn to KES 3.13Bn impacted by a stable Kenya shilling that saw forex margins drop drastically. This is opposed to the exchange movement between 1st January and 31st March 2024 where the exchange was so volatile.

Operating expenses was contained at a 3.4% rise from KES 27.33Bn to KES 28.26Bn largely held down by low loan loss provisions. This was as provisions for bad loans stabilized down 11.3% from KES 6.32Bn to KES 5.60Bn driven down by low loan disbursements.

Staff costs were up 13.3% to KES 10.94Bn propelled by annual increments for inflation and absorbed employees' costs from its growing subsidiaries.

Excluding loan loss provisions, operating costs were up 7.8% from KES 21.01Bn in 2024 to KES 22.66Bn.

Balance Sheet

KCB Group balance sheet hit above KES 2 trillion at KES 2,034.17Bn, a 1.9% rise from that of KES 1,996.20Bn of Q1-2024 largely on marginal loan book and government securities book upticks.

Total loan book attracted only 0.1% or KES 1.15Bn to KES 1,018.57Bn largely slowed down by subsidiary loan book performance which trimmed 19.1% from KES 319.18Bn to KES 258.28Bn. NBK loan book shed 13.6% from KES 80.87Bn in Q1-2024 to KES 70.71Bn on reduced focus at the wake of the ongoing transfer.

Government securities book attracted only 1.3% to KES 398.24Bn while the Bank's local and foreign cash jumped 50.9% from KES 33.63Bn to KES 50.74Bn thus providing more room for lending expansions.

Borrowed funds surged 7.5% from KES 76.09Bn in Q1-2024 to KES 81.65Bn as the bank sought to finance some of its subsidiaries.

Key Ratios

The Bank's net interest margins (NIMs) improved from 6.5% in Q1-2024 to 8.1% elevated by higher interest income and a low cost of funds. Cost of funds was contained at 4.4% in Q1-2025 from 4.2% in Q1-2024 while the total asset yield moved from 10.7% to 12.4% year on year.

Group non-performing loans (NPLs) ratio hit a high of 19.3% in Q1-2025 from 18.2% in Q1-2024 and 19.2% in Q4-2024 against an industry NPL of 17.2% in Feb-2025, 16.4% in Dec-2024 and 15.7% as of March 2024. High NPLs were noted in the building and construction, the real estate, and in agriculture with NPLs of 30.9%, 27.5% and 26.2%

KCB Kenya			
	Q1 2024	Q1 2025	%ΔY-Y
NET Interest Income	20,507	22,448	9.5%
Non-Funded Income	10,244	9,078	-11.4%
PBT	14,620	14,518	-0.7%
PAT	11,169	11,068	-0.9%

Subsidiaries			
Item	Q1 2024	Q1 2025	%Δ y-y
NII	10,558	11,271	6.8%
NFI	7,179	6,645	-7.4%
Total Income	17,737	17,916	1.0%
Expenses	11,199	11,252	0.5%
PBT	6,538	6,664	1.9%
PAT	5,315	5,476	3.0%

NPL Ratios	
Q1-2024	18.20%
Q4-2024	19.20%
Q1-2025	19.30%
Provision Coverage Excluding Collateral provided	
Q1-2024	54.20%
Q4-2024	51.20%
Q1-2025	58.70%

respectively. The three sector contributes 39.6 of the entire non-book of KES 2333.3Bn.

Return on average assets (ROaA) improved from 3.1% in Q1-2024 to 3.4% on a low asset base for Q4-2024 that countered the slow growth in net profits compared to assets. Return on average equity (ROaE) however dropped from 27.9% in Q1-2024 to 24.23.8% affected by a faster rise in the shareholders' fund driven by the rising retained earnings.

Outlook

The bank management alluded to engagements with the government on associated specific high NPL entities for full or partial settlement and write-offs as a measure to cure the high NPL exposures. The measures are expected to drive the NPL down from 19.3% to a range of 14% and 6%.

The declining interest rates are expected to bring down the overall asset yield from the current level of 12.0% to between 10.8% and 11.2%.

We expect the acquisition of the Riverbank Solutions to support the banks digital penetrations especially in agency banking, social and business payment solutions across its seven operating countries.

The sale National Bank of Kenya (NBK) is re-scheduled to end by 30th June as the acquisition of the financial technology firm Riverbank Solutions is expect to close the same period.

P&L (KES Mn)	Q1-2024	FY2024	Q1-2025	Y-Y Δ%
Interest Income	49,087	213,402	50,185	2.2%
Interest Expense	18,022	76,056	16,466	-8.6%
NII	31,065	137,346	33,719	8.5%
NFI	17,423	67,521	15,722	-9.8%
Total Income	48,488	204,867	49,442	2.0%
Loan Loss Provisions	6,318	29,950	5,604	-11.3%
Operating Expense	27,330	122,894	28,260	3.4%
Opex Excl Provisions	21,012	92,944	22,656	7.8%
PBT	21,158	81,973	21,182	0.1%
PAT	16,485	61,774	16,543	0.4%
EPS	20.52	18.70	20.03	-2.4%
Balance Sheet (KES Mn)	Q1-2024	FY2024	Q1-2025	Y-Y Δ%
Investments	393,040	389,548	398,243	1.3%
Loans and Advances	1,017,419	990,413	1,018,574	0.1%
Total Asset	1,996,196	1,962,320	2,034,173	1.9%
Customer Deposit	1,501,007	1,381,976	1,427,807	-4.9%
Shareholders' Fund	231,455	274,890	297,085	28.4%

Ratios	Q1-2024	FY2024	Q1-2025
NII % of Total Income	64.1%	67.0%	68.2%
NFI % of Total Income	35.9%	33.0%	31.8%
CTI	56.4%	60.0%	57.2%
CTI exc ProvisionS	43.3%	45.4%	45.8%
Yield on Advances	12.7%	14.7%	14.1%
Yield on Government Securities	13.5%	12.8%	12.5%
Cost of Funds	4.2%	4.6%	4.4%
Cost of Risk	2.4%	2.9%	2.2%
Net Interest Margins	6.5%	7.5%	8.1%

ROaA	3.1%	2.9%	3.4%
ROaE	27.9%	23.9%	23.8%
Gross NPL to Net Loans	18.2%	19.2%	19.3%
Advance or Loans to Depoits	67.8%	71.7%	71.3%
Investments Securities to Assets	19.7%	19.9%	19.6%
Advances to Assets	51.0%	50.5%	50.1%

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