

Below is a summary of KCB Group's FY'2025 performance:

Balance Sheet Items	FY'2024	FY'2025	y/y change
Government Securities	302.8	333.7	10.2%
Net Loans and Advances	990.4	1,151.6	16.3%
Total Assets	1,962.3	2,147.2	9.4%
Customer Deposits	1,382.0	1,592.6	15.2%
Deposits per branch	2.6	3.5	35.5%
Total Liabilities	1,679.3	1,806.7	7.6%
Shareholders' Funds	274.9	331.5	20.6%

Balance Sheet Ratios	FY'2024	FY'2025	% point change
Loan to Deposit Ratio	71.7%	72.3%	0.6%
Government Securities to Deposit Ratio	21.9%	21.0%	(1.0%)
Return on average equity	24.6%	22.5%	(2.0%)
Return on average assets	3.0%	3.3%	0.3%

Income Statement (Kshs Bn)	FY'2024	FY'2025	y/y change
Net Interest Income	137.3	148.0	7.8%
Net non-Interest Income	67.5	65.8	(2.6%)
Total Operating income	204.9	213.8	4.3%
Loan Loss provision	(30.0)	(32.4)	8.2%
Total Operating expenses	(122.89)	(122.87)	(0.02%)
Profit before tax	82.0	90.9	10.9%
Profit after tax	61.8	68.4	10.6%
Core EPS (Kshs)	18.7	20.8	11.2%
Dividend per share (Kshs)	3.0	7.0	133.3%
Dividend Yield	4.6%	8.9%	4.4%
Dividend Payout Ratio	15.6%	32.9%	17.3%

Income Statement Ratios	FY'2024	FY'2025	% points change
Yield from interest-earning assets	12.1%	12.1%	0.0%
Cost of funding	4.6%	3.8%	(0.8%)
Net Interest Spread	7.4%	8.3%	0.9%
Net Interest Margin	7.8%	8.6%	0.8%
Cost of Risk	14.6%	15.2%	0.5%
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%)
Cost to Income Ratio (without LLP)	45.4%	42.3%	(3.1%)

Capital Adequacy Ratios	FY'2024	FY'2025	% points change
Core Capital/Total Liabilities	19.4%	19.9%	0.5%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	11.4%	11.9%	0.5%
Core Capital/Total Risk Weighted Assets	16.8%	18.6%	1.8%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	6.3%	8.1%	1.8%
Total Capital/Total Risk Weighted Assets	19.4%	22.3%	2.9%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	4.9%	7.8%	2.9%
Liquidity Ratio	47.6%	50.8%	3.2%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	27.6%	30.8%	3.2%

Income Statement

- Core earnings per share grew by 11.2% to Kshs 20.8, from Kshs 18.7 in FY'2024, driven by the 4.3% increase in total operating income to Kshs 213.8 bn, from Kshs 204.9 bn in FY'2024, coupled with the 0.02% decrease in total operating expenses to Kshs 122.87 bn from Kshs 122.89 bn in FY'2024,
- The 4.3% increase in total operating income was mainly driven by an 7.8% growth in Net Interest Income (NII) to Kshs 148.0 bn, from Kshs 137.3 bn in FY'2024, it was however weighed down by the 2.6% decrease in Non-Interest Income (NFI) to Kshs 65.8 bn from Kshs 67.5 bn in FY'2024,
- Interest income declined by 1.7% to Kshs 209.7 bn from Kshs 213.4 bn in FY'2024, mainly driven by a 8.4% decrease in interest income from deposits and placements to Kshs 8.8 bn, from Kshs 9.6 bn in FY'2024, as well as a 3.3% decline in interest income from loans and advances to Kshs 148.6 bn, from Kshs 153.6 bn in FY'2024, it was however supported by a 3.8% increase in interest income from government securities to Kshs 52.1 bn, from Kshs 50.2 bn in FY'2024. However, the Yield on Interest-Earning Assets (YIEA) increased by 0.1% points to 12.13% from 12.06% recorded in FY'2024, attributable to the faster 2.3% decline in average interest earning assets to Kshs 1,728.6 bn, from Kshs 1,770.0 bn in FY'2024, compared to the 1.7% decrease in trailing interest income to Kshs 209.7 bn, from Kshs 213.4 bn in FY'2024,
- Interest expenses declined by 18.9% to Kshs 61.7 bn from Kshs 76.1 bn in FY'2024, mainly driven by a 36.5% decrease in interest expense from placements to Kshs 12.9 bn from Kshs 20.3 bn in FY'2024, coupled with a 12.7% decrease in interest expense on customer deposits to Kshs 48.4 bn, from Kshs 55.4 bn recorded in FY'2024. Consequently, Cost of funds (COF) decreased by 0.8% points to 3.8% from 4.6% recorded in FY'2024, owing to the 18.9% decrease in Trailing interest expense to Kshs 61.7 bn from Kshs 76.1 bn recorded in FY'2024, compared to a 2.0% decrease in average interest-bearing liabilities to Kshs 1,610.4 bn from Kshs 1,642.4 bn in FY'2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 0.8% points to 8.6% from 7.8% in FY'2024, attributable to a faster 7.8% increase in trailing net interest income to Kshs 148.0 bn from Kshs 137.3 bn recorded in FY'2024, coupled with the 2.3% decline in average interest earning assets,
- Non-Funded Income (NFI) decreased by 2.6% to Kshs 65.8 bn from Kshs 67.5 bn in FY'2024, mainly driven by a 35.2% decrease in forex trading income to Kshs 11.4 bn, from Kshs 17.5 bn in FY'2024, highlighting the

bank's decreased foreign exchange margins. Total fees and commissions increased by 0.7% to Kshs 42.6 bn from Kshs 42.3 bn in FY'2024. The revenue mix shifted to 69:31, from 67:33 for the funded to Non-funded income owing to the 7.8% growth in Funded Income compared to the 2.6% decrease in the Non-Funded Income,

- Total operating expense decreased by 0.02% to Kshs 122.87 bn in FY'2025, from Kshs 122.89 bn in FY'2024, mainly attributable to 2.3% decrease in staff cost to Kshs 39.0 bn, from Kshs 39.9 bn in FY'2024 coupled with a 3.0% decrease in other operating expenses to 51.5 from 53.1 in FY'2024. This performance outweighed the 8.2% increase in loan loss provisions to 32.4 bn from 30.0 in FY'2024. The increase in provisioning comes despite improved business environment and reduced credit risk as evidenced by the average FY'2025 Purchasing Managers Index (PMI) of 51.0, up from an average of 49.6 in FY'2024,
- Cost to Income Ratio (CIR) decreased by 2.5% points to 57.5% from 60.0% in FY'2024, owing to the faster 4.3% increase in total operating income, compared to the 0.02% decrease in total operating expenses. Notably, CIR without LLP decreased by 3.1% points to 42.3%, from 45.4% recorded in FY'2024,
- Profit before tax increased by 10.9% to Kshs 90.9 bn, from Kshs 82.0 bn recorded in FY'2024, with effective tax rate increasing to 24.8% in FY'2025, from 24.6% in FY'2024, leading to an 10.6% increase in profit after tax to Kshs 68.4 bn in FY'2025, from Kshs 61.8 bn in FY'2024.
- The Board of Directors declared a final dividend of Kshs 3.00 per share in addition to an interim dividend of Kshs 4.00 per share, bringing the total dividend for FY'2025 to Kshs 7.00 per share translating to a dividend yield of 8.9% and a dividend-payout ratio of 32.9%.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 9.4% to Kshs 2,147.2 bn, from Kshs 1,962.3 bn in FY'2024, mainly driven by a 16.3% increase in net loans and advances to Kshs 1,151.6 bn, from 990.4 bn in FY'2024. Government securities increased by 10.2% to Kshs 333.7 bn from Kshs 302.8 bn in FY'2024. Total liabilities increased by 7.6% to Kshs 1,806.7 bn from Kshs 1,679.3 bn in FY'2024, mainly driven by a 15.2% increase in customer deposits to Kshs 1,592.6 bn, from Kshs 1,382.0 bn in FY'2024, coupled with the 30.1% increase in borrowings to Kshs 90.2 bn, from Kshs 69.3 bn in FY'2024. With 456 branches, compared to 536 branches in FY'2024, deposits per branch increased by 35.5% to Kshs 3.5 bn, from Kshs 2.6 bn in FY'2024,
- The 15.2% increase in customer deposits, coupled with the 16.3% increase in net loans led to an increase in the loan to deposits ratio to 72.3%, from 71.7% in FY'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 16.2% in FY'2025, from 19.8% in FY'2024, attributable to a 15.0% increase in gross loans to Kshs 1,308.3 bn, from Kshs 1,137.2 bn recorded in FY'2024 compared to the 6.1% decrease in Gross non-performing loans to Kshs 211.8 bn, from Kshs 225.7 bn in FY'2024,
- General Provisions (LLP) increased by 1.8% to Kshs 118.7 bn in FY'2025 from Kshs 116.5 bn in FY'2024. The NPL coverage increased to 74.0% in FY'2025, from 65.1% in FY'2024, attributable to the 1.8% increase in general provisions coupled with the 25.8% increase in interest in suspense to Kshs 38.1 bn from 30.3 bn in FY'2024 compared to the 6.1% decrease in Gross Non-performing Loans to Kshs 211.8 bn, from Kshs 225.7 bn in FY'2024.
- Shareholders' funds increased by 20.6% to Kshs 331.5 bn in FY'2025, from Kshs 274.9 bn in FY'2024, supported by a 19.2% increase in retained earnings to Kshs 290.2 bn, from Kshs 243.4 bn in FY'2024,

- KCB Group remains capitalized with a core capital to risk-weighted assets ratio of 18.6%, 8.1% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 22.3%, exceeding the statutory requirement of 14.5% by 7.8% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.3%, and a Return on Average Equity (ROaE) of 22.5%.

Key Take-Outs:

- 1. Increased earnings** - Core earnings per share (EPS) grew by 11.2% to Kshs 20.8, from Kshs 18.7 in FY'2024, driven by the 4.3% increase in total operating income to Kshs 213.8 bn, from Kshs 204.9 bn in FY'2024, coupled with the 0.02% decrease in total operating expenses to Kshs 122.87 bn from Kshs 122.89 bn in FY'2024,
- 2. Improved asset quality** –The bank's Asset Quality improved, with Gross NPL ratio decreasing to 16.2% in FY'2025, from 19.8% in FY'2024, attributable to an 15.0% increase in gross loans to Kshs 1,308.3 bn, from Kshs 1,137.2 bn recorded in FY '2024 compared to the 6.1% decrease in Gross non-performing loans to Kshs 211.8 bn, from Kshs 225.7 bn in FY'2024,
- 3. Expanded balanced sheet** - The balance sheet recorded an expansion as total assets increased by 9.4% to Kshs 2,147.2 bn, from Kshs 1,962.3 bn in FY'2024, mainly driven by a 16.3% increase in net loans and advances to Kshs 1,151.6 bn, from 990.4 bn in Q3'2024.

Going forward, the factors that would drive the bank's growth would be:

- **Continued Digitization** - The Group has sustained its focus on digital transformation. As of FY'2025, 99.0% of the transactions by number were done through the non-branch channels mainly driven by rolling out a new unified mobile app featuring easy and fast self-onboarding for account and wallet opening, integrated MMF access, and a mini-app ecosystem. Notably, the Group witnessed 30.0% growth in mobile loans disbursement to Kshs 544.0 bn, equivalent to Kshs 1.5 bn per day.

Valuation Summary

- We are of the view that KCB Group is an “accumulate” with a target price of Kshs 86.9 representing an upside of 18.9%, inclusive of a dividend yield of 8.9% from the current price of 79.3 as of 13th March 2026.
- KCB Group is currently trading at a P/TBV of 0.9x and a P/E of 4.0x vs an industry average of 1.2x and 6.2x respectively.