

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

Balance Sheet Items	FY'2024	FY'2025	y/y change
Net Loans and Advances	302.1	317.2	5.0%
Government Securities	180.8	189.1	4.6%
Total Assets	665.9	716.0	7.52%
Customer Deposits	502.0	531.9	5.9%
Deposits per Branch	4.3	4.4	1.6%
Total Liabilities	556.2	588.6	5.8%
Shareholders' Funds	109.7	127.5	16.2%

Key Ratios	FY'2024	FY'2025	% points change
Loan to Deposit Ratio	60.2%	59.6%	(0.5%)
Government Securities to Deposit ratio	36.0%	35.6%	(0.5%)
Return on average equity	21.2%	19.7%	(1.5%)
Return on average assets	3.1%	3.4%	0.3%
Dividend Payout Ratio	41.4%	50.0%	8.6%
Dividend Yield	10.4%	8.0%	(2.5%)

Income Statement	FY'2024	FY'2025	y/y change
Net Interest Income	34.5	44.1	27.7%
Net non-Interest Income	28.2	29.3	3.8%
Total Operating income	62.7	73.3	17.0%
Loan Loss provision	5.5	8.0	46.3%
Total Operating expenses	37.6	45.5	21.0%
Profit before tax	25.1	27.9	10.9%
Profit after tax	21.9	23.4	7.0%
Core EPS (Kshs)	13.3	14.2	7.0%
Dividend Per Share (Kshs)	5.50	7.10	29.1%
Dividend payout ratio	41.4%	50.0%	8.6%
Dividend yield	10.4%	8.0%	(2.5%)

Income Statement Ratios	FY'2024	FY'2025	% points change
Yield from interest-earning assets	12.5%	11.7%	(0.8%)
Cost of funding	7.4%	4.5%	(2.9%)
Net Interest Spread	5.1%	7.2%	2.1%
Net Interest Margin	5.7%	7.5%	1.9%
Cost of Risk	8.7%	10.9%	2.2%
Net Interest Income as % of operating income	55.0%	60.1%	5.1%
Non-Funded Income as a % of operating income	45.0%	39.9%	(5.1%)
Cost to Income Ratio	60.0%	62.1%	2.1%
Cost to Income Ratio without LLP	51.3%	51.2%	(0.1%)

Capital Adequacy Ratios	FY'2024	FY'2025	% points change
Core Capital/Total Liabilities	20.3%	20.4%	0.1%
Minimum Statutory ratio	8.0%	8.0%	
Excess	12.3%	12.4%	0.1%
Core Capital/Total Risk Weighted Assets	21.2%	21.9%	0.7%
Minimum Statutory ratio	10.5%	10.5%	
Excess	10.7%	11.4%	0.7%
Total Capital/Total Risk Weighted Assets	21.2%	21.9%	0.7%

Minimum Statutory ratio	14.5%	14.5%	
Excess	6.7%	7.4%	0.7%
Liquidity Ratio	54.1%	60.7%	6.6%
Minimum Statutory ratio	20.0%	20.0%	
Excess	34.1%	40.7%	6.6%

Income Statement

- Core earnings per share increased by 7.0% to Kshs 14.2, from Kshs 13.3 in FY'2024, mainly driven by the 17.0% increase in total operating income to Kshs 73.3 bn, from Kshs 62.7 bn in FY'2024, which was weighed down by the 21.0% increase in total operating expenses to Kshs 45.5 bn, from Kshs 37.6 bn in FY'2024,
- The 17.0% increase in total operating income was mainly driven by the 27.7% increase in Net Interest Income to Kshs 44.1 bn, from Kshs 34.5 bn in FY'2024. Non funded Income (NFI) increased by 3.8% to Kshs 29.3 bn, from Kshs 28.2 bn in FY'2024,
- Interest income declined by 10.0% to Kshs 68.1 bn from Kshs 75.7 bn in FY'2024, mainly driven by a 14.6% decrease in interest income from loans and advances to Kshs 39.7 bn from Kshs 46.5 bn in FY'2024, coupled with a 2.6% decline in interest income from government securities to Kshs 25.0 bn, from Kshs 25.6 bn in FY' 2024. However, this was supported by a 1.5% increase in interest income from deposits and placements to Kshs 3.42 bn from Kshs 3.38 bn in FY' 2024. Consequently, the Yield on Interest-Earning Assets (YIEA) decreased by 0.8% points to 11.7% from 12.5% recorded in FY'2024, mainly attributable to the 10.0% decrease in trailing interest income to Kshs 68.1 bn from Kshs 75.7 bn in FY' 2024 compared to the lower 3.8% decline in average interest earning assets to Kshs 584.5 bn from Kshs 607.8 bn in FY' 2024,
- Interest expenses declined by 41.6% to Kshs 24.1 bn, from Kshs 41.2 bn in FY'2024, driven by 41.7% decrease in interest from customer deposits to Kshs 22.3 bn, from Kshs 38.2 bn in FY'2024. Additionally, other interest expenses decreased by 16.9% to Kshs 0.9 bn in FY'2025, from Kshs 1.1 bn recorded in FY'2024. Interest expense from deposits and placements decreased by 53.5% to Kshs 0.9 bn, from Kshs 1.9 bn in FY'2024. Consequently, Cost of funds (COF) decreased by 2.9% points to 4.5%, from 7.4% recorded in FY'2024, owing to a faster 3.9% decrease in average interest bearing liabilities to Kshs 537.7 bn from Kshs 559.5 bn in FY'2024, compared to the 41.6% decrease in Trailing interest expense to Kshs 24.1 bn, from Kshs 41.2 bn in FY'2024. Net Interest Margin (NIM) increased by 1.9% points to 7.5% from 5.7% in FY'2024, attributable to the 3.8% decrease in average interest earning assets to Kshs 584.5 bn, from Kshs 607.8 bn in FY'2024, coupled with 27.7% increase in trailing net interest income to Kshs 44.1 bn, from Kshs 34.5 bn recorded in FY'2024,
- Non-Funded Income (NFI) increased by 3.8% to Kshs 29.3 bn from Kshs 28.2 bn in FY'2024, mainly driven by a 6.7% increase in the fees and commissions on loans to Kshs 13.1 bn from Kshs 12.3 bn in FY'2024, however this was weighed down by 18.7% decrease in foreign exchange trading income to Kshs 5.1 bn from Kshs 6.2 bn in FY' 2024, highlighting the bank's reduced foreign exchange margins. The revenue mix shifted to 60:40 from 55:45 in FY'2024 for the funded to non-funded income owing to the 27.7% growth in Funded Income, compared to 3.8% g in Non Funded Income,
- Total operating expenses increased by 21.0% to Kshs 45.5 bn from Kshs 37.6 bn in FY'2024, driven by 46.3% increase in loan loss provisions to Kshs 8.0 bn from Kshs 5.5 bn in FY'2024, coupled with the 21.9 % increase in staff costs to Kshs 16.3 bn from Kshs 13.4 bn in FY'2024 and the 12.9% increase in other operating expenses to Kshs 21.2 bn from Kshs 18.8 bn in FY'2024.
- Cost to Income Ratio (CIR) increased by 2.1% points to 62.1% from 60.0% in FY'2024, owing to the 21.0% increase in total operating expenses, which fairly matched by a 17.0% increase in total operating income. CIR without LLP decreased by 0.1% points to 51.2% from 51.3% recorded in FY'2024, and,
- Profit before tax increased by 10.9% to Kshs 27.9 bn from Kshs 25.1 bn in FY'2024, with effective tax rate increasing by 3.1% points to 16.1% from 13.0% in FY' 2024. As such, profit after tax increased by 7.0% to Kshs 23.4 bn, from Kshs 21.9 bn in FY'2024.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 7.5% to Kshs 716.0 bn, from Kshs 665.9 bn in FY'2024, mainly driven by a 5.0% loan book expansion to Kshs 317.2 bn from Kshs 302.1 bn in FY'2024, supported by 4.6% increase in investment in government securities to Kshs 189.1 bn, from Kshs 180.8 bn in FY'2024,
- Total liabilities increased by 5.8% to Kshs 588.6 bn from Kshs 556.2 bn in FY'2024, driven by a 5.9% increase in customer deposits to Kshs 531.9 bn, from Kshs 502.0 bn in FY'2024, despite the decline in placements by 22.9% to Kshs 10.3 bn in FY'2025 from Kshs 13.4 bn in FY'2024, and a 25.6% decrease in borrowings to Kshs 7.6 bn in FY'2025 from Kshs 10.2 bn in FY'2024.
- The 5.9% increase in customer deposits as compared to the lower 5.0% increase in loans led to a 0.5% points decrease in the loan to deposits ratio to 59.6%, from 60.2% in FY'2024,
- The bank's Asset Quality improved, with Gross NPL ratio reduced by 1.0% points to 10.4% in FY' 2025 from 11.5% in FY'2024, attributable to the the 3.6% decrease in gross non-performing loans to Kshs 35.8 bn, from Kshs 37.2 bn in FY'2024, which was outpaced by the 5.8% increase in gross loans to Kshs 342.8 bn, from Kshs 324.1 bn recorded in FY'2024,
- General Provisions (LLP) increased by 23.6% to Kshs 14.0 bn in FY'2025 from Kshs 11.3 bn in FY'2024. The NPL coverage increased by 21.0% points to 71.6% in FY'2025, from 59.2% in FY'2024, attributable to 9.2% increase in interest in suspense to Kshs 11.7 bn in FY'2025 from Kshs 10.7 bn in FY'2024 and 3.6% decrease in gross non-performing loans to Kshs 35.8 bn from Kshs 37.2 bn recorded in FY'2024 coupled with the the 23.6% increase in general provisions to Kshs 14.0 bn, from Kshs 11.3 bn in FY'2024
- Shareholders' funds increased by 16.1% to Kshs 127.4 bn in FY'2025, from Kshs 109.7 bn in FY'2024, supported by a 15.1% increase in retained earnings to Kshs 89.4 bn, from Kshs 77.7 bn in FY' 2024,
- NCBA Bank remained capitalized with a core capital to risk-weighted assets ratio of 21.9%, 11.4% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 21.9% exceeding the statutory requirement of 14.5% by 7.4% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.4%, and a Return on Average Equity (ROaE) of 19.7%.

Key Take-Outs:

1. **Increased earnings** – Core earnings per share increased by 7.0% to Kshs 14.2, from Kshs 13.3 in FY'2024, mainly driven by the 17.0% increase in total operating income to Kshs 73.3 bn, from Kshs 62.7 bn in FY'2024, however, this was weighed down by the 21.0% increase in total operating expenses to Kshs 45.5 bn, from Kshs 37.6 bn in FY'2024
2. **Improved asset quality** – The bank's Asset Quality improved, with Gross NPL ratio reduced by 1.0% points to 10.4% in FY' 2025 from 11.5% in FY'2024, attributable to the the 3.6% decrease in gross non-performing loans to Kshs 35.8 bn, from Kshs 37.2 bn in FY'2024, which was outpaced by the 5.8% increase in gross loans to Kshs 342.8 bn, from Kshs 324.1 bn recorded in FY'2024,
3. **Increased Lending** – The bank's loan book recorded an expansion of 5.0% to Kshs 317.2 bn from Kshs 302.1 bn in FY'2024 attributed to increased credit risk aversion with NPLs decreasing to 10.4% in December 2025, from 11.5% in December 2024.
4. **Expanded Balance sheet**- The balance sheet recorded an expansion as total assets increased by 7.5% to Kshs 716.0 bn, from Kshs 665.9 bn in FY'2024, mainly driven by a 5.0% loan book expansion to Kshs 317.2 bn from Kshs 302.1 bn in FY'2024.
5. **Declaration of dividends** - The Board of Directors recommended a final dividend of Kshs 4.60, which was a 41.5% increase from Kshs 3.25 recommended in FY' 2024. With the interim dividend of Kshs 2.50 per share, this brings the total dividend for the year to Kshs 7.10 per share which was a 29.1% increase from Kshs 5.50 paid in 2024. This translates to a dividend yield of 8.0% and a payout ratio of 50.0%.

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

- **Revenue diversification** - The lender has also capitalized on revenue diversification and increasing the bottom line contribution of all the business lines.

- **Proposed acquisition by Nedbank:** NCBA received an offer from Nedbank to acquire 66.0% of the issued share capital, by way of a partial offer to the existing shareholders. Once approved, NCBA will become a subsidiary of Nedbank, with the remaining 34.0% continuing to be listed on the NSE. This will enable NCBA to have a stronger capital base and have more avenues for regional expansion.

Valuation Summary

- We are of the view that NCBA Group is a “Accumulate” with a target price of Kshs 105.2 representing an upside of 18.5%, inclusive of a dividend yield of 8.0%, from the current price of 88.75 as of 27th March 2026.
- NCBA Group is currently trading at a P/TBV of 1.2x and a P/E of 6.3x vs an industry average of 1.2x and 6.2x respectively.