Below is a summary of NCBA Group's Q3'2025 performance:

Balance Sheet Items	Q3'2024	Q3'2025	y/y change
Net Loans and Advances	303.5	292.7	(3.5%)
Government Securities	178.4	183.7	3.0%
Total Assets	**678.8**	**665.3**	**(2.0%)**
Customer Deposits	515.1	488.0	(5.3%)
Deposits per Branch	4.4	4.1	(7.7%)
Total Liabilities	579.0	545.1	(5.9%)
Shareholders' Funds	**99.8**	**120.3**	**20.5%**

Key Ratios	Q3'2024	Q3'2025	% points change
Loan to Deposit Ratio	58.9%	60.0%	1.1%
Government Securities to Deposit ratio	34.6%	37.6%	3.0%
Return on average equity	23.3%	21.0%	(2.2%)
Return on average assets	3.2%	3.4%	0.2%

Income Statement	Q3'2024	Q3'2025	y/y change
Net Interest Income	25.1	32.0	27.4%
Net non-Interest Income	21.8	21.4	(1.9%)
Total Operating income	**47.0**	**53.4**	**13.8%**
Loan Loss provision	4.1	5.1	24.5%
Total Operating expenses	**28.6**	**33.0**	**15.5%**
Profit before tax	18.4	20.5	11.1%
Profit after tax	**15.1**	**16.4**	**8.5%**
Core EPS	**9.2**	**9.9**	**8.5%**
Dividend Per Share	**0.00**	**0.00**	**0.0%**
Dividend payout ratio	**0.0%**	**0.0%**	**0.0%**

Income Statement Ratios	Q3'2024	Q3'2025	% points change
Yield from interest-earning assets	13.0%	12.1%	(0.8%)
Cost of funding	7.6%	7.6%	0.0%
Net Interest Spread	5.4%	4.6%	(0.8%)
Net Interest Margin	5.8%	7.3%	1.5%
Cost of Risk	8.7%	9.5%	0.8%
Net Interest Income as % of operating income	53.5%	60.0%	6.4%
Non-Funded Income as a % of operating income	46.5%	40.0%	(6.4%)
Cost to Income Ratio	60.8%	61.7%	0.9%
Cost to Income Ratio without LLP	52.1%	52.2%	0.1%

Capital Adequacy Ratios	Q3'2024	Q3'2025	% points change
Core Capital/Total Liabilities	18.5%	22.0%	3.5%
Minimum Statutory ratio	8.0%	8.0%	
Excess	**10.5%**	**14.0%**	**3.5%**
Core Capital/Total Risk Weighted Assets	19.6%	21.9%	2.3%
Minimum Statutory ratio	10.5%	10.5%	
Excess	**9.1%**	**11.4%**	**2.3%**
Total Capital/Total Risk Weighted Assets	19.7%	22.0%	2.3%
Minimum Statutory ratio	14.5%	14.5%	
Excess	**5.2%**	**7.5%**	**2.3%**
Liquidity Ratio	53.7%	55.1%	1.4%
Minimum Statutory ratio	20.0%	20.0%	

Excess	**33.7%**	**35.1%**	**1.4%**

Income Statement

- Core earnings per share increased by 8.5% to Kshs 9.9, from Kshs 9.2 in Q3’2024, mainly driven by the 13.8% increase in total operating income to Kshs 53.4 bn, from Kshs 47.0 bn in Q3’2024, which was weighed down by the 15.5% increase in total operating expenses to Kshs 33.0 bn, from Kshs 28.6 bn in Q3’2024,
- The 13.8% increase in total operating income was mainly driven by the 27.4% increase in Net Interest Income to Kshs 32.0 bn, from Kshs 25.1 bn in Q3’2024. Non funded Income (NFI) declined by 1.9% to Kshs 21.4 bn, from Kshs 21.8 bn in Q3’2024,
- Interest income declined by 11.8% to Kshs 50.7 bn from Kshs 57.4 bn in Q3’ 2024, mainly driven by a 15.9% decrease in interest income from loans and advances to Kshs 29.7 bn from Kshs 35.3 bn in Q3’2024, coupled with a 12.9% decline in interest income from deposits and placements to Kshs 2.3 bn, from Kshs 2.6 bn in Q3’ 2024, coupled with the 3.7% decrease in income from government securities to Kshs 18.7 bn in Q3’2025 from Kshs 19.4 bn in Q3’2024 . Consequently, the Yield on Interest-Earning Assets (YIEA) decreased by 0.8% points to 12.1% from 13.0% recorded in Q3’2024, mainly attributable to the 8.9% decrease in trailing interest income to Kshs 68.9 bn from Kshs 75.7 bn in Q3’ 2024 compared to the lower 2.6% decline in average interest earning assets to Kshs 568.2 bn from Kshs 583.5 bn in Q3’ 2024,
- Interest expenses declined by 42.3% to Kshs 18.6 bn, from Kshs 32.3 bn in Q3’2024, driven by 42.8% decrease in interest from customer deposits to Kshs 17.3 bn, from Kshs 30.2 bn in Q3’2024. Additionally, other interest expenses decreased by 4.3% to Kshs 0.68 bn in Q3’2025, from Kshs 0.71 bn recorded in Q3’2024.Interest expense from deposits and placements decreased by 52.0% to Kshs 0.7 bn, from Kshs 1.4 bn in Q3’2024. Consequently, Cost of funds (COF) decreased by 2.3% points to 5.3%, from 7.6% recorded in Q3’2024, owing to a faster 5.8% decrease in average interest bearing liabilities to Kshs 521.7 bn from Kshs 554.0 bn in Q3’2024, compared to the 34.3% decrease in Trailing interest expense to Kshs 27.5 bn, from Kshs 41.9 bn in Q3’2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 1.5% points to 7.3% from 5.8% in Q3’2024, attributable to the 2.6% decrease in average interest earning assets to Kshs 568.2 bn, from Kshs 583.5 bn in Q3’2024,coupled with 22.6% increase in trailing net interest income to Kshs 41.4 bn, from Kshs 33.8 bn recorded in Q3’2024,
- Non-Funded Income (NFI) decreased by 1.9% to Kshs 21.4 bn from Kshs 21.8 bn in Q3’2024, mainly driven by a 27.2% decrease in the foreign exchange trading income to Kshs 3.7 bn from Kshs 5.1 bn in Q3’2024, highlighting the bank’s reduced foreign exchange margins, however this was supported by 5.2% increase in fees and commissions on loans to Kshs 9.7 bn from Kshs 9.2 bn in Q3’ 2024. The revenue mix shifted to 60:40 from 54:46 in Q3’2024 for the funded to non-funded income owing to the 27.4% growth in Funded Income, compared to 1.9% decline in Non Funded Income,
- Total operating expenses increased by 15.5% to Kshs 33.0 bn from Kshs 28.6 bn in Q3’2024, driven by 24.5% increase in loan loss provisions to Kshs 5.1 bn from Kshs 4.1 bn in Q3’2024, coupled with the 17.2 % increase in staff costs to Kshs 11.9 bn from Kshs 10.1 bn in Q3’2024 and the 11.7% increase in other operating expenses to Kshs 16.0 bn from Kshs 14.3 bn in Q3’2024.
- Cost to Income Ratio (CIR) increased by 0.9% points to 61.7% from 60.8% in Q3’2024, owing to the 15.5% increase in total operating expenses,which fairly matched by a 13.8% increase in total operating income. CIR without LLP increased by 0.1% points to 52.2% from 52.1% recorded in Q3’2024, and,
- Profit before tax increased by 11.1% to Kshs 20.5 bn from Kshs 18.4 bn in Q3’2024, with effective tax rate remaining unchanged from the 18.0% recorded in Q3 2024. As such, profit after tax increased by 8.5% to Kshs 16.4 bn, from Kshs 15.1 bn in Q3’2024.

Balance Sheet

- The balance sheet recorded a contraction as total assets declined by 2.0% to Kshs 665.3 bn, from Kshs 678.8 bn in Q3’2024, mainly driven by a 3.5% loan book contraction to Kshs 292.7 bn from Kshs 303.5 bn in Q3’2024, however this was supported by 3.0% increase in investment in government securities to Kshs 183.7 bn, from Kshs 178.4 bn in Q3'2024,

- Total liabilities declined by 5.9% to Kshs 545.1 bn from Kshs 579.0 bn in Q3'2024, driven by a 5.3% decrease in customer deposits to Kshs 488.0 bn, from Kshs 515.1 bn in Q3'2024, coupled with the 81.5% decrease in placements to Kshs 3.3 bn in Q3'2025 from Kshs 17.8 bn in Q3'2024, and a 35.1% decrease in borrowings to Kshs 7.6 bn in Q3'2025 from Kshs 11.7 bn in Q3'2024.
- The 5.3% decrease in customer deposits as compared to the lower 3.5% decline in loans led to a 1.1% points increase in the loan to deposits ratio to 60.0%, from 58.9% in Q3'2024,
- The bank's Asset Quality improved, with Gross NPL ratio reduced by 0.4% points to 12.1% in Q3' 2025 from 12.5% in Q3'2024, attributable to the the 6.0% decrease in gross non-performing loans to Kshs 38.7 bn, from Kshs 41.1 bn in Q3'2024, which outpaced the 2.6% decrease in gross loans to Kshs 319.4 bn, from Kshs 328.0 bn recorded in Q3'2024,
- General Provisions (LLP) increased by 16.8% to Kshs 14.8 bn in Q3'2025 from Kshs 12.7 bn in Q3'2024. The NPL coverage increased by 15.4% points to 68.9% in Q3'2025, from 59.7% in Q3'2024, attributable to 0.4% decrease in interest in suspense to Kshs 11.87 bn in Q3'2025 from Kshs 11.91 bn in Q3'2024 and 6.0% decline in gross non-performing loans to Kshs 38.7 bn from Kshs 41.1 bn recorded in Q3'2024 coupled with the the 16.8% increase in general provisions to Kshs 14.8 bn, from Kshs 12.7 bn in Q3'2024
- Shareholders' funds increased by 20.5% to Kshs 120.2 bn in Q3'2025, from Kshs 99.8 bn in Q3'2024, supported by a 18.0% increase in retained earnings to Kshs 90.0 bn, from Kshs 76.3 bn in Q3' 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 22.0% exceeding the statutory requirement of 14.5% by 7.5% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.4%, and a Return on Average Equity (ROaE) of 21.0%.

Key Take-Outs:

1. **Increased earnings –** Core earnings per share increased by 8.5% to Kshs 9.9, from Kshs 9.2 in Q3'2024, mainly driven by the 13.8% increase in total operating income to Kshs 53.4 bn, from Kshs 47.0 bn in Q3'2024, however, this was weighed down by the 15.5% increase in total operating expenses to Kshs 33.0 bn, from Kshs 28.6 bn in Q3'2024
2. **Improved asset quality –** The bank's Asset Quality improved, with Gross NPL ratio reduced by 0.4% points to 12.1% in Q3' 2025 from 12.5% in Q3'2024, attributable to the the 6.0% decrease in gross non-performing loans to Kshs 38.7 bn, from Kshs 41.1 bn in Q3'2024, which outpaced the 2.6% decrease in gross loans to Kshs 319.4 bn, from Kshs 328.0 bn recorded in Q3'2024,
3. **Decreased Lending –** The bank's loan book recorded a contraction of 2.6% to Kshs 319.4 bn from Kshs 328.0 bn in Q3'2024 attributed to increased credit risk aversion with NPLs decreasing to 12.1% in September 2025, from 12.5% in September 2024.
4. **Contracted Balance sheet-** The balance sheet recorded a contraction as total assets declined by 2.0% to Kshs 665.3 bn, from Kshs 678.8 bn in Q3'2024, mainly driven by a 3.5% loan book contraction to Kshs 292.7 bn from Kshs 303.5 bn in Q3'2024.

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.

Valuation Summary

- We are of the view that NCBA Group is a "lighten" with a target price of Kshs 79.0 representing an downside of 6.5%, from the current price of 84.3 as of 21st November 2025.
- NCBA Group is currently trading at a P/TBV of 1.3x and a P/E of 6.0x vs an industry average of 1.0x and 4.9x respectively