KCB Group – Q3'2025

21st November, 2025

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

Balance Sheet Items	Q3'2024	Q3'2025	y/y change
Government Securities	314.7	333.8	6.1%
Net Loans and Advances	1,053.2	1,139.9	8.2%
Total Assets	**1,993.1**	**2,044.5**	**2.6%**
Customer Deposits	1,538.4	1,525.8	(0.8%)
Deposits per branch	2.7	3.4	24.9%
Total Liabilities	1,736.4	1,727.1	(0.5%)
Shareholders' Funds	**249.0**	**308.5**	**23.9%**

Balance Sheet Ratios	Q3'2024	Q3'2025	% y/y change
Loan to Deposit Ratio	68.5%	74.7%	6.2%
Government Securities to Deposit Ratio	20.5%	21.9%	1.4%
Return on average equity	22.4%	22.7%	0.3%
Return on average assets	2.6%	3.1%	0.6%

Income Statement (Kshs Bn)	Q3'2024	Q3'2025	y/y change
Net Interest Income	92.8	104.3	12.4%
Net non-Interest Income	50.1	45.1	(10.1%)
Total Operating income	**142.9**	**149.4**	**4.5%**
Loan Loss provision	(17.8)	(18.3)	2.7%
Total Operating expenses	(85.5)	(87.3)	2.1%
Profit before tax	57.43	62.08	8.1%
Profit after tax	**45.76**	**47.32**	**3.4%**
Core EPS	**19.0**	**19.1**	**0.7%**

Income Statement Ratios	Q3'2024	Q3'2025	y/y change
Yield from interest-earning assets	11.3%	12.2%	0.9%
Cost of funding	4.6%	4.0%	(0.6%)
Net Interest Spread	6.7%	8.1%	1.4%
Net Interest Margin	7.0%	8.4%	1.5%
Cost of Risk	12.4%	12.2%	(0.2%)
Net Interest Income as % of operating income	64.9%	69.8%	4.9%
Non-Funded Income as a % of operating income	35.1%	30.2%	(4.9%)
Cost to Income Ratio	59.8%	58.5%	(1.4%)
Cost to Income Ratio (without LLP)	47.4%	46.2%	(1.1%)

Capital Adequacy Ratios	Q3'2024	Q3'2025	% points change
Core Capital/Total Liabilities	14.5%	18.5%	4.0%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	**6.5%**	**10.5%**	**4.0%**
Core Capital/Total Risk Weighted Assets	16.5%	17.0%	0.5%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	**6.0%**	**6.5%**	**0.5%**
Total Capital/Total Risk Weighted Assets	19.3%	19.6%	0.3%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	**4.8%**	**5.1%**	**0.3%**
Liquidity Ratio	47.2%	46.7%	(0.5%)
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	**27.2%**	**26.7%**	**(0.5%)**

Income Statement

- Core earnings per share grew by 0.7% to Kshs 19.1, from Kshs 19.0 in Q3’2024, driven by the 4.5% increase in total operating income to Kshs 149.4 bn, from Kshs 142.9 bn in Q3’2024, which outpaced the 2.1% increase in total operating expenses to Kshs 87.3 bn from Kshs 85.5 bn in Q3’2024,
- The 4.5% increase in total operating income was mainly driven by an 12.4% growth in Net Interest Income (NII) to Kshs 104.3 bn, from Kshs 92.8 bn in Q3’2024, it was however weighed down by the 10.1% decrease in Non- Interest Income (NFI) to Kshs 45.1 bn from Kshs 50.1 bn in Q3’2024,
- Interest income grew by 1.1% to Kshs 150.7 bn from Kshs 149.0 bn in Q3’2024, mainly driven by a 4.6% growth in interest income from government securities to Kshs 39.6 bn, from Kshs 37.9 bn in Q3’2024, as well as a 0.4% growth in interest income from loans and advances to Kshs 104.5 bn, from Kshs 104.1 bn in Q3’2024, it was however weighed down by a 7.3% decrease in interest income from deposits and placements to Kshs 6.6 bn, from Kshs 7.1 bn in Q3’2024. As such, the Yield on Interest-Earning Assets (YIEA) increased by 0.9% points to 12.2% from 11.3% recorded in Q3’2024, attributable to the 5.8% growth in trailing interest income to Kshs 215.0 bn, from Kshs 203.3 bn in Q3’2024, compared to the a 1.7% decrease in average interest earning assets to Kshs 1,766.6 bn, from Kshs 1,796.6 bn in Q3’2024,
- Interest expenses declined by 17.6% to Kshs 46.3 bn from Kshs 56.2 bn in Q3’2024, mainly driven by a 10.3% decrease in interest expense on customer deposits to Kshs 36.5 bn from Kshs 40.7 bn in Q3’2024, coupled with a 37.8% decrease in interest expense from placements to Kshs 9.4 bn, from Kshs 15.2 bn recorded in Q3’2024. Consequently, Cost of funds (COF) decreased by 0.6% points to 4.0% from 4.6% recorded in Q3’2024, owing to the 15.2% decrease in Trailing interest expense to Kshs 66.1 bn from Kshs 78.0 bn recorded in Q3’2024, compared to a 3.1% decrease in average interest-bearing liabilities to Kshs 1,641.0 bn from Kshs 1,692.9 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 8.4% from 7.0% in Q3’2024, attributable to a faster 18.9% increase in trailing net interest income to Kshs 148.9 bn from Kshs 125.3 bn recorded in Q3’2024, coupled with the 1.7% decline in average interest earning assets,
- Non-Funded Income (NFI) decreased by 10.1% to Kshs 45.1 bn from Kshs 50.1 bn in Q3’2024, mainly driven by a 40.1% decrease in forex trading income to Kshs 8.2 bn, from Kshs 13.8 bn in Q3’2024, highlighting the

bank’s decreased foreign exchange margins. Total fees and commissions decreased by 1.5% to Kshs 30.6 bn from Kshs 31.1 bn in Q3’2024. The revenue mix shifted to 70:30, from 65:35 for the funded to Non-funded income owing to the 12.4% growth in Funded Income compared to the 10.1% decrease in the Non-Funded Income,

- Total operating expense increased by 2.1% to Kshs 87.3 bn in Q3’2025, from Kshs 85.5 bn in Q3’2024, mainly attributable to 7.3% increase in staff cost to Kshs 31.5 bn, from Kshs 29.3 bn in Q3’2024, this was however weighed down by the 2.0% decrease in other operating expenses to 37.6 bn from 38.4 in Q3’2024. Notably, loan loss provisions expense increased by 2.7% to Kshs 18.3 bn, from 17.8 bn in Q3’2024. The increase in provisioning comes despite improved business environment and reduced credit risk as evidenced by the average Q3’2025 Purchasing Managers Index (PMI) of 49.4, up from an average of 46.9 in Q3’2024,
- Cost to Income Ratio (CIR) decreased by 1.4% points to 58.5% from 59.8% in Q3’2024, owing to the faster 4.5% increase in total operating income, which outpaced the 2.1% increase in total operating expenses. Notably, CIR without LLP decreased by 1.1% points to 46.2%, from 47.4% recorded in Q3’2024,
- Profit before tax increased by 8.1% to Kshs 62.1 bn, from Kshs 57.4 bn recorded in Q3’2024, with effective tax rate decreasing to 23.8% in Q3’2025, from 20.3% in Q3’2024, leading to an 3.4% increase in profit after tax to Kshs 47.3 bn in Q3’2025, from Kshs 45.8 bn in Q3’2024.
- The Board of Directors did not recommend an interim dividend for the period consistent with Q3’2024.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 2.6% to Kshs 2,044.5 bn, from Kshs 1,993.1 bn in Q3’2024, mainly driven by a 6.1% increase in investment in government securities to Kshs 333.8 bn, from 314.7 bn in Q3’2024. Additionally, Net loans and advances increased by 8.2% to Kshs 1,139.9 bn from Kshs 1,053.2 bn in Q3’2024. Total liabilities declined by 0.5% to Kshs 1,727.1 bn from Kshs 1,736.4 bn in Q3’2024, mainly driven by a 0.8% decrease in customer deposits to Kshs 1,525.8 bn, from Kshs 1,538.4 bn in Q3’2024, this was however supported by the 41.2% increase in borrowings to Kshs 82.3 bn, from Kshs 58.3 bn in Q3’2024. With 455 branches, compared to 566 branches in Q3’2024, deposits per branch increased by 24.9% to Kshs 3.4 bn, from Kshs 2.7 bn in Q3’2024,
- The 0.8% decline in customer deposits, coupled with the 8.2% increase in net loans led to an increase in the loan to deposits ratio to 74.7%, from 68.5% in Q3’2024,
- The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 17.2% in Q3’2025, from 18.1% in Q3’2024, attributable to a 8.4% increase in gross loans to Kshs 1,290.7 bn, from Kshs 1,190.5 bn recorded in Q3 ‘2024 which outpaced the 3.1% increase in Gross non-performing loans to Kshs 222.1 bn, from Kshs 215.3 bn in Q3’2024,
- General Provisions (LLP) increased by 5.1% to Kshs 115.6 bn in Q3’2025 from Kshs 109.9 bn in Q3’2024. The NPL coverage increased to 67.9% in Q3’2025, from 63.8% in Q3’2024, attributable to the 5.1% increase in general provisions coupled with the 28.7% increase in interest in suspense to Kshs 35.3 bn from 27.4 bn in Q3’2024 which outpaced the 3.1% increase in Gross Non-performing Loans to Kshs 222.1 bn, from Kshs 215.3 bn in Q3’2024.
- Shareholders’ funds increased by 23.9% to Kshs 308.5 bn in Q3’2025, from Kshs 249.0 bn in Q3’2024, supported by a 19.2% increase in retained earnings to Kshs 282.4 bn, from Kshs 236.9 bn in Q3’2024,
- KCB Group remains capitalized with a core capital to risk-weighted assets ratio of 17.0%, 6.5% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 19.6%, exceeding the statutory requirement of 14.5% by 5.1% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.1%, and a Return on Average Equity (ROaE) of

22.7%.

Key Take-Outs:

1. **Increased earnings -** Core earnings per share (EPS) grew by 0.7% to Kshs 19.1, from Kshs 19.0 in Q3’2024, driven by the 4.5% increase in total operating income to Kshs 149.4 bn, from Kshs 142.9 bn in Q3’2024, which outpaced the 2.1% increase in total operating expenses to Kshs 87.3 bn from Kshs 85.5 bn in Q3’2024,
2. **Improved asset quality –**The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 17.2% in Q3’2025, from 18.1% in Q3’2024, attributable to an 8.4% increase in gross loans to Kshs 1,290.7 bn, from Kshs 1,190.5 bn recorded in Q3 ‘2024 which outpaced the 3.1% increase in Gross non-performing loans to Kshs 222.1 bn, from Kshs 215.3 bn in Q3’2024,
3. **Expanded balanced sheet** - The balance sheet recorded an expansion as total assets increased by 2.6% to Kshs 2,044.5 bn, from Kshs 1,993.1 bn in Q3’2024, mainly driven by a 6.1% increase in investment in government securities to Kshs 333.8 bn, from 314.7 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 Q3’2025, 99.0% of the transactions by number were done through the non-branch channels. Notably, the Group witnessed growth in the value of mobile loans disbursed mainly driven by Fuliza, introduction of term loans on KCB Mobi and new mobile lending products for small businesses.

Valuation Summary

- We are of the view that KCB Group is a “buy” with a target price of Kshs 67.4 representing an upside of 4.9%, from the current price of 64.3 as of 21st November 2025.
- KCB Group is currently trading at a P/TBV of 0.7x and a P/E of 3.2x vs an industry average of 1.0x and 4.9x respectively.