



**NCBA**

**NCBA Group  
FY'24 Earnings  
Note**



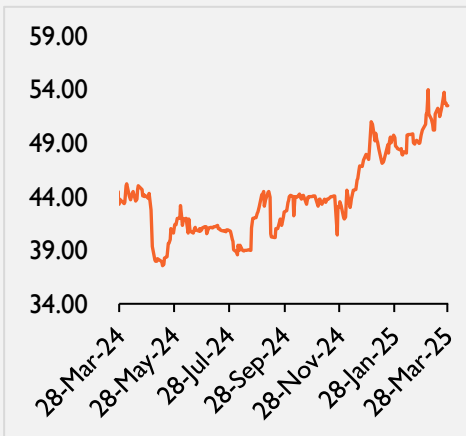
## NCBA Group FY'24 Earnings Note

April 1<sup>st</sup>, 2025

### Ticker Information

<b>NSE Code:</b>	NCBA
<b>Issued Shares (Bn):</b>	1.65
<b>52-week high:</b>	KES 56.25
<b>52-week low:</b>	KES 28.50

Chart 1: Price Trend (Last 12 Months)



Source: NSE, AIB-AXYS Research

### Historical Share Performance

Last	1M	3M	6M	12M
Change	4.5%	9.5%	23.2%	19.9%

Source: NSE, AIB-AXYS Research

### Recommendation

**BUY**

### Current Price

**KES 52.75**

### Target Price

**KES 58.97**

### Summary

- **NCBA Group delivered modest performance in FY'24, with net earnings rising 1.9% y/y to KES 21.87 Bn from KES 21.46 Bn in FY'23.** However, the lender faced headwinds as Net Interest Income (NII) dipped 0.3%/y to KES 34.51 Bn, while Non-Funded Income (NFI) declined 3.1% y/y to KES 28.18 Bn. **Despite the subdued operational performance, the Board declared a final dividend of KES 3.25, bringing the total dividend payout to KES 5.50, including a KES 2.25 interim dividend. This marks a 15.8% y/y increase in Dividend Per Share (DPS) versus FY'23's KES 4.75.**

### Key Highlights

- **Subdued margins:** Core lending activities faced pressure, with Net Interest Income (NII) contracting by 0.3% y/y to KES 34.51 Bn, primarily due to rising funding costs. Customer deposit expenses surged 34.5% y/y to KES 38.22 Bn in FY'2024 from KES 28.41 Bn in FY'23, reflecting elevated interest rates throughout the year. Non-Funded Income remained subdued, declining 3.1% y/y to KES 28.18 Bn in FY'24 from KES 29.08 Bn in FY'23. The downturn was largely driven by a 25.4% y/y drop in Foreign Exchange Income to KES 6.25 Bn from KES 8.38 Bn, as declining FX market volatility weighed on performance.
- **Strengthened Asset Quality:** NCBA's asset quality strengthened, defying the broader market trend where major banks reported deteriorating asset quality. During the period under review, Gross Non-Performing Loans (NPLs) declined by 16.6% to KES 37.2 Bn from KES 44.6 Bn, while the Gross NPL Ratio improved by 0.8% points to 11.9%, from 12.6% in FY'23 signaling proactive portfolio monitoring and disciplined credit underwriting. NPL coverage strengthened by 4.0% points to 59.2% from 55.2%, reflecting enhanced risk resilience.

## Balance Sheet Dynamics

Total assets declined by 9.3% y/y to KES 665.94 Bn in FY' 24 from KES 734.62 Bn in FY'23. Customer deposits fell 13.4% y/y to KES 502.02 Bn in FY'2024 from KES 579.40 Bn in FY'2023, as clients strategically pivoted deposit allocation toward higher-margin wealth management products, capitalizing on elevated interest rate opportunities. Gross loans contracted 10.4% y/y to KES 302.08 Bn in FY'24 from KES 337.02 Bn in FY'23, signaling cautious credit expansion in a high-interest rate environment. Additionally, digital loans surged 23.0% y/y, surpassing the KES 1.0 Tn milestone, a signaling the bank's successful tech-driven retail strategy.

## Declining Efficiency

Operational Efficiency remained subdued as the Cost to Income ratio (Less Loan Loss Provisions) increased by 5.6% points to 51.3% in FY'2024 from 45.7% in FY'23. This performance is attributable to 10.7% y/y and 10.5% y/y increase in staff costs and other operating expenses in respectively. Further, the Cost of Assets (Less Loan Loss Provisions) increased by 0.9% points to 4.8% from 4.0% in FY' 23.

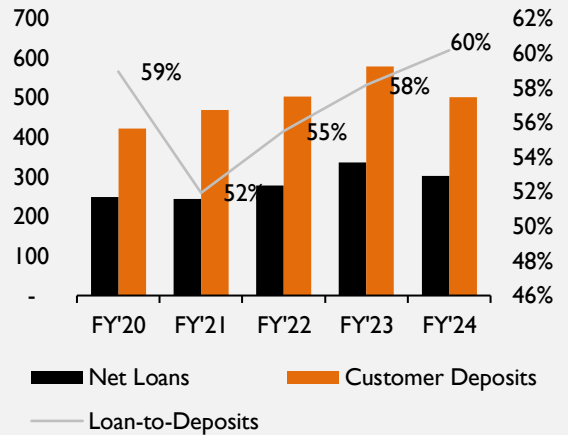
## Outlook

We expect NCBA's growth trajectory to continue, driven by its sustained focus on digital adoption and regional expansion. Notably, the bank's total branch network has now reached 119 across the region, with profitability from regional subsidiaries contributing KES 3.2Bn during the period under review. Additionally, we anticipate the lender's growth will be further bolstered by its Asset Finance segment, supported by key product innovations and strategic partnership agreements with major players such as Isuzu, CFAO, Simba, and Inchcape.

## Recommendation

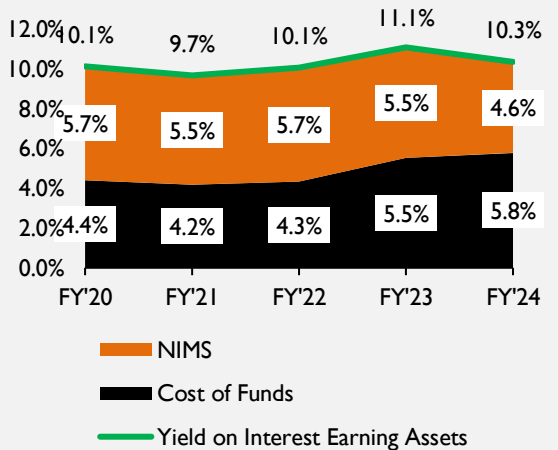
- **We maintain our BUY recommendation on NCBA Group supported by the promising growth potential.** At the current market price, the stock is trading at P/E ratio of 3.6x and a P/B ratio of 0.8x. Our one-year target price for NCBA Group currently stands at KES 58.97- representing a c.11.8% upside potential from current levels.

Chart 2: Contracting Deposits



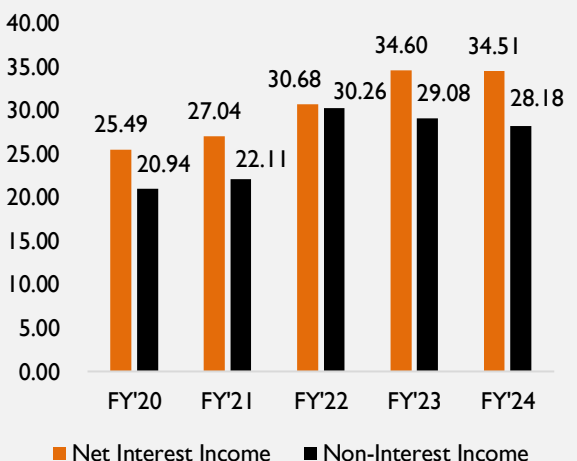
Source: Company filings, AIB-AXYS Research.

Chart 3: Narrowing NIMS



Source: Company filings, AIB-AXYS Research.

Chart 4: Subdued Net Interest Interest



Source: Company filings, AIB-AXYS Research.

Income Statement (KES Bn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y Change
Net Interest Income	25.49	27.04	30.68	34.60	34.51	▼ (0.3%)
Non-Interest Income	20.94	22.11	30.26	29.08	28.18	▼ (3.1%)
<b>Total Operating income</b>	<b>46.44</b>	<b>49.15</b>	<b>60.94</b>	<b>63.68</b>	<b>62.70</b>	<b>▼ (1.5%)</b>
Provision for Impairment	(20.44)	(12.72)	(13.06)	(9.16)	(5.48)	▼ (40.1%)
Total Operating expenses	(40.03)	(33.45)	(37.92)	(38.24)	(37.64)	▼ (1.6%)
<b>Profit before tax</b>	<b>4.98</b>	<b>15.03</b>	<b>22.49</b>	<b>25.48</b>	<b>25.14</b>	<b>▼ (1.3%)</b>
<b>Profit after tax</b>	<b>4.57</b>	<b>10.22</b>	<b>13.78</b>	<b>21.46</b>	<b>21.87</b>	<b>▲ 1.9%</b>
Core EPS Annualized	2.77	6.21	8.36	13.02	13.27	▲ 1.9%
DPS	1.50	3.00	4.25	4.75	5.50	▲ 15.8%

Balance Sheet (KES Bn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y Change
Government Securities	329.71	429.51	461.43	239.78	216.99	▼ (9.5%)
Loans and Advances	248.50	244.04	278.92	337.02	302.08	▼ (10.4%)
<b>Total Assets</b>	<b>527.95</b>	<b>591.09</b>	<b>619.66</b>	<b>734.62</b>	<b>665.94</b>	<b>▼ (9.3%)</b>
Customer Deposits	421.50	469.89	502.68	579.40	502.02	▼ (13.4%)
Total Liabilities	455.41	513.10	537.24	637.96	556.23	▼ (12.8%)
<b>Shareholder's Funds</b>	<b>72.35</b>	<b>77.86</b>	<b>82.42</b>	<b>96.66</b>	<b>109.73</b>	<b>▲ 13.5%</b>

Ratio Analysis	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y Change
<b>Spreads Analysis</b>						
Yield on Assets	10.1%	9.7%	10.1%	11.1%	10.3%	▼ (0.7%)
Cost of Funds	4.4%	4.2%	4.3%	5.5%	5.8%	▲ 0.2%
Net Interest Margin	5.7%	5.5%	5.7%	5.5%	4.6%	▼ (1.0%)
ROaE	6.6%	13.6%	17.2%	24.0%	21.2%	▼ (2.8%)
ROaA	0.9%	1.8%	2.3%	3.2%	3.1%	▼ (0.0%)
Profit Margin	9.8%	20.8%	22.6%	33.7%	34.9%	▲ 1.2%

Asset Quality	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y Change
Gross NPL Ratio	15.0%	16.5%	13.3%	12.6%	11.9%	▼ (0.8%)
NPL Coverage	60.9%	73.6%	58.5%	55.2%	59.2%	▲ 4.0%
Cost of Risk	8.2%	5.2%	4.7%	2.7%	1.8%	▼ (0.9%)

Capital Adequacy	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y Change
Core Capital/TRWA	17.3%	19.0%	18.4%	18.0%	21.2%	▲ 3.2%
Total Capital /TRWA	17.5%	19.1%	18.4%	18.0%	21.2%	▲ 3.2%
Liquidity	55.1%	61.7%	55.1%	52.9%	54.1%	▲ 1.2%

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