FitchRatings

Banks
Bank Holding Companies
Kenya

NCBA Group PLC/NCBA Bank Kenya Plc

Update

Key Rating Drivers

NCBA Group PLC's and NCBA Bank Kenya Plc's Long-Term Issuer Default Ratings (IDRs) are driven by their standalone creditworthiness, as expressed by their Viability Ratings (VRs) of 'b-'. The VRs reflect the concentration of the group's operations within Kenya and high sovereign exposure relative to capital. NCBA Bank's Long-Term IDR is also underpinned by a limited probability of government support, as reflected in its Government Support Rating (GSR) of 'b-'. The Stable Outlooks on both entities' IDRs mirror the Outlook on the sovereign.

NCBA Group's and NCBA Bank's National Long-Term Ratings of 'AA(ken)' are in line with those of their peers, KCB Group PLC and KCB Bank Kenya Limited, and two notches below that of Stanbic Bank Kenya Limited (AAA(ken)/Stable), which benefits from shareholder support.

VRs Equalised with Group VR: The VRs of NCBA Group, a non-operating bank holding company (BHC), and NCBA Bank, its main operating bank, are the same as the group VR, based on the consolidated assessment of NCBA Group. NCBA Bank represents the majority (end-2024: 88%) of NCBA Group's consolidated assets. NCBA Group's VR also reflects moderate double leverage at the BHC (end-2024: 110%), and high capital and liquidity fungibility within the group.

Tier 1 Bank in Kenya: NCBA Group is the fourth-largest banking group in Kenya, with an 8% market share in system total assets and a 9% share in deposits through NCBA Bank. The group has subsidiaries in three other east African countries.

High Concentrations: The group's investments in Kenya's government securities accounted for a high 177% of its Fitch Core Capital at end-2024. Single-obligor and industry concentrations are also high, reflecting the size and structure of the domestic economy.

Weak Loan Quality: NCBA Group's impaired loans accounted for 11.5% of gross loans at end-2024 (end-2023: 10.3%) and were 59% covered by total loan loss allowances, reflecting moderate reliance on collateral. Fitch Ratings expects impaired loans to remain high in the near term due to high debt-servicing costs and the accumulation of public-sector arrears.

Good Profitability Metrics: NCBA Group's operating profit/risk-weighted assets ratio was 5.2% in 2024 (2023: 5.4%), supported by adequate net interest margins, strong non-interest income and good operating efficiency. Cost of risk was only moderate (2024: 1.6% of average loans) in light of strong pre-impairment profit (2024: 9.1% of average loans).

Reasonable Capital Buffers: Strong earnings retention has supported NCBA Group's sound Fitch Core Capital ratio (end-2024: 21.1%; end-2023: 18.4%). NCBA Group's regulatory core and total capital ratios are well above their regulatory minimums.

Deposit-Funded: The group's funding profile is dominated by customer accounts (95.5% of total funding at end-2024) and is moderately reliant on price-sensitive term deposits. Liquidity is healthy, as underlined by a reasonable loans/deposits ratio of 65% at end-2024.

Government Support: NCBA Bank's GSR of 'b-' considers the authorities' strong propensity to provide support to the bank given its systemic importance, but also Kenya's limited financial flexibility, as captured in the sovereign rating. NCBA Group's GSR of 'no support' reflects Fitch's view that government support is unlikely to extend to a non-operating BHC given its low systemic importance and a liability structure that may be politically acceptable to be bailed in.

Ratings

NCBA Group PLC
Foreign Currency

Long-Term IDR	B-
Short-Term IDR	B
Viability Rating	b-
Government Support Rating	ns

National Ratings

National Long-Term Rating	AA(ken)
National Short-Term Rating	F1+(ken)

NCBA Bank Kenya Plc
Foreign Currency

Long-Term IDR	B-
Short-Term IDR	B
Viability Rating	b-
Government Support Rating	b-

National Ratings

National Long-Term Rating	AA(ken)
National Short-Term Rating	F1+(ken)

Sovereign Risk (Kenya)

Long-Term Foreign-Currency IDR	B-
Long-Term Local-Currency IDR	B-
Country Ceiling	B

Outlooks

Long-Term Foreign-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

National Scale Rating Criteria (December 2020)

Related Research

Fitch Affirms NCBA Group PLC at 'B-', Outlook Stable (November 2024)

Fitch Affirms Kenya at 'B-'; Outlook Stable (January 2025)

New Core Capital Requirement to Accelerate Kenyan Banking Sector Consolidation (February 2025)

Kenyan Banks' Strong Pre-Impairment Profits to Further Mitigate High NPL Risks (March 2025)

African Banks' 2025 Outlook Neutral on Challenging Operating Conditions (December 2024)

Analysts

Konstantin Alekseenko
+44 20 3530 1165
konstantin.alekseenko@fitchratings.com

Eric Dupont
+33 1 44 29 91 31
eric.dupont@fitchratings.com

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of NCBA Group's IDR would result from a downgrade of its VR. A downgrade of NCBA Bank's IDR would result from a downgrade of both its VR and GSR.

A sovereign downgrade could result in downgrades of the VRs of NCBA Group and NCBA Bank. Without a sovereign downgrade, VR downgrades could result from greater-than-expected asset-quality pressure if this leads to a marked weakening in profitability and to regulatory capital ratios falling below their minimum requirements. Funding instability and drainage of liquidity could also lead to downgrades of the VRs.

A downgrade of NCBA Bank's GSR would result from a downgrade of Kenya's Long-Term IDRs, or if NCBA Bank's domestic deposit franchise weakens materially.

A rise in double leverage above 120% on a sustained basis or regulatory restrictions on NCBA Bank channelling dividends or other cashflows to its BHC would pressure the BHC's VR.

A downgrade of both entities' National Ratings would result from a weakening of their creditworthiness relative to that of other Kenyan issuers.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Upgrades of the Long-Term IDRs and VRs would require a sovereign upgrade, with the entities maintaining stable financial metrics.

An upgrade of NCBA Bank's GSR would require an upgrade of Kenya's Long-Term IDRs.

An upgrade of both entities' National Ratings would result from a strengthening of their creditworthiness relative to that of other Kenyan issuers.

Significant Changes from Last Review

Kenya's Sovereign Ratings Constrained by High Debt Servicing Costs

Fitch's January 2025 affirmation of Kenya's Long-Term IDRs at 'B-' reflects strong medium-term growth prospects, a diversified economy and recent strengthening of the monetary policy framework. However, the ratings are constrained by weak governance, high debt servicing costs, a significant level of informality constraining government revenue and high external indebtedness underpinned by challenges to fiscal consolidation, despite increased efforts to narrow the budget deficit.

The Stable Outlook on the sovereign IDRs reflects Fitch's expectation that continued strong official creditor support will help alleviate near-term external liquidity pressures, although the sovereign's funding needs will remain large and are likely to rise. These pressures have eased following the February 2024 Eurobond issuance and buyback of USD1.44 billion of a USD2 billion Eurobond that was set to mature in June 2024.

Additionally, strong official disbursements and remittances have contributed to recent currency appreciation (22% against the US dollar in 2024), moderating the external debt-servicing burden, as around 55% of the government's debt is denominated in foreign currency.

Increased Core Capital Requirement

Kenya enacted new absolute capital rules in December 2024 under which the minimum core capital will increase in annual increments to KES3 billion at end-2025, and eventually to KES10 billion (USD77 million) at end-2029, from the current KES1 billion. Fourteen of the largest banks had over KES10 billion core capital at end-3Q24, including NCBA Bank. We believe another seven banks, mostly second-tier, will reach compliance by end-2029 through earnings retention.

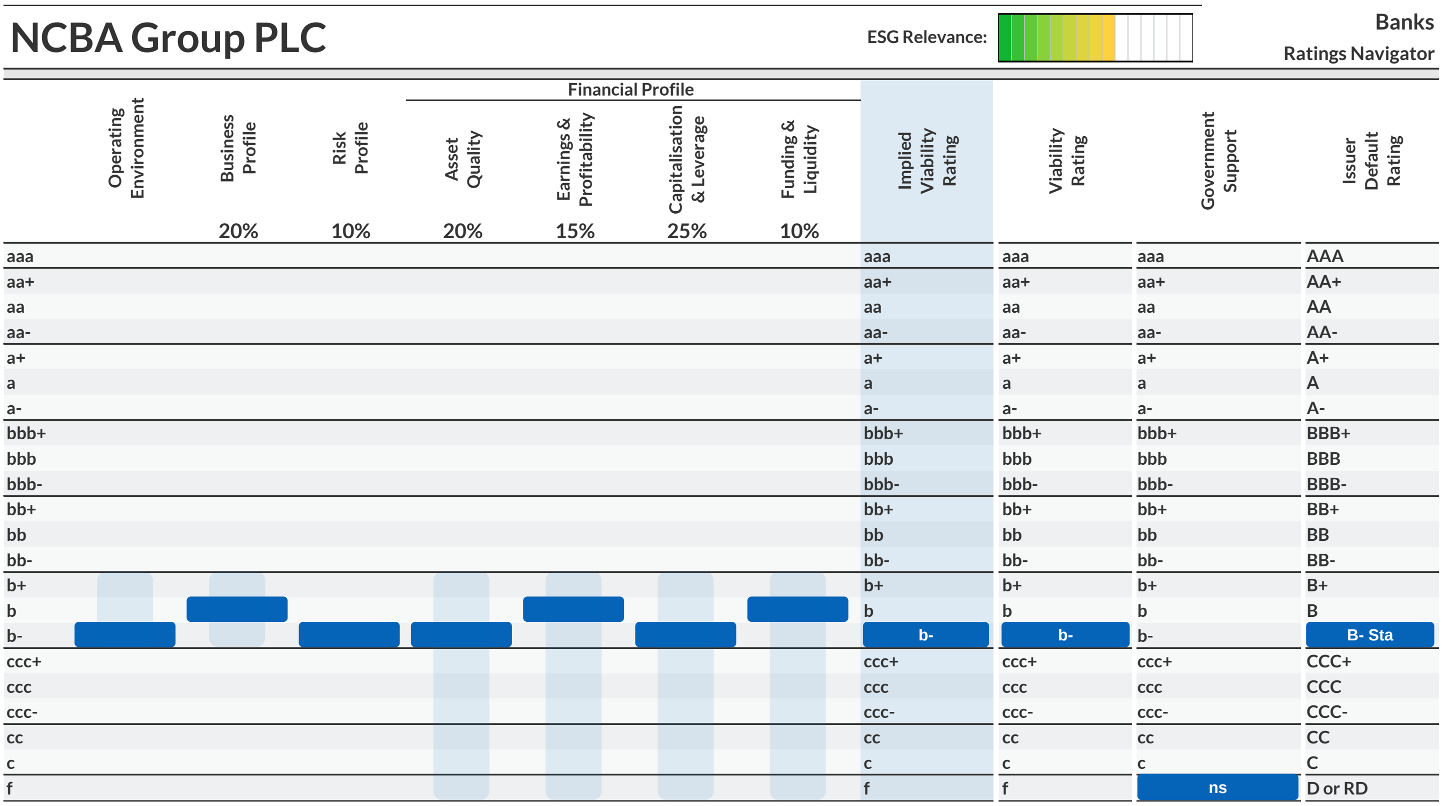
The remaining 17 smaller banks, which together account for just 7% of sector assets, are unlikely to be able to comply through earnings retention alone due to their large capital shortfalls and weak profitability. We believe that foreign-owned banks will receive capital injections from their parents, as many view Kenya as an important market. However, small domestic banks may choose to merge, or they may be acquired by second-tier or foreign banks looking to strengthen their franchises or enter the Kenyan market.

Easing Monetary Policy

The Central Bank of Kenya (CBK) began easing monetary policy in August 2024, cutting the central bank rate by a cumulative 300bp to 10% by April 2025. This followed inflation having been well within the CBK's target range of 5% +/- 2.5% since 4Q23 (March 2025: 3.6%) and the stabilisation of the shilling exchange rate.

The currency recovered in March 2024 following the refinancing and partial repayment of the sovereign Eurobond in February 2024, which increased investor confidence and reduced speculative foreign-exchange demand. The exchange rate has been at around USD1/KES130 since 2Q24, supported by continuing foreign-currency inflows, mainly from commodity exports and remittances. Exchange rate stability has also supported an increase of the CBK's international reserves to USD9.9 billion at end-March 2025, with import coverage of 4.4 months.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	12 months	12 months	12 months	12 months	12 months
	(USDm)	(KESm)	(KESm)	(KESm)	(KESm)
	Audited – unqualified	Audited – unqualified	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	267	34,515	35,533	28,750	25,055
Net fees and commissions	143	18,441	16,837	18,085	16,956
Other operating income	76	9,829	9,241	13,228	5,722
Total operating income	486	62,785	61,611	60,063	47,733
Operating costs	249	32,164	28,696	25,120	21,535
Pre-impairment operating profit	237	30,621	32,915	34,943	26,198
Loan and other impairment charges	42	5,480	7,441	12,466	11,165
Operating profit	194	25,141	25,473	22,477	15,033
Other non-operating items (net)	–	–	9	15	2
Tax	25	3,275	4,025	8,714	4,811
Net income	169	21,866	21,457	13,778	10,224
Other comprehensive income	-1	-165	-625	-2,186	-1,078
Fitch comprehensive income	168	21,701	20,832	11,592	9,146
Summary balance sheet					
Assets					
Gross loans	2,507	324,082	350,902	297,180	272,271
– Of which impaired	287	37,152	36,253	32,869	35,650
Loan loss allowances	170	22,004	20,688	21,147	30,807
Net loans	2,336	302,078	330,214	276,033	241,464
Interbank	410	52,956	28,245	9,748	9,870
Derivatives	–	–	8	17	97
Other securities and earning assets	1,705	220,482	250,770	236,689	226,252
Total earning assets	4,451	575,516	609,238	522,487	477,682
Cash and due from banks	338	43,679	81,832	54,571	78,404
Other assets	362	46,749	43,552	42,603	35,002
Total assets	5,151	665,944	734,621	619,662	591,088
Liabilities					
Customer deposits	3,883	502,017	579,402	502,676	469,890
Interbank and other short-term funding	104	13,408	26,681	5,914	14,775
Other long-term funding	79	10,172	6,412	4,207	6,097
Total funding and derivatives	4,065	525,596	612,495	512,797	490,762
Other liabilities	237	30,633	25,464	24,443	22,339
Total equity	849	109,715	96,663	82,422	77,987
Total liabilities and equity	5,151	665,944	734,621	619,662	591,088
Exchange rate		USD1 = KES129.2927	USD1 = KES156.4618	USD1 = KES123.373529	USD1 = KES113.141177

Source: Fitch Ratings, Fitch Solutions, NCBA Group PLC

Key Ratios

(%)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	5.2	5.4	5.6	3.9
Net interest income/average earning assets	5.8	6.2	5.6	5.3
Non-interest expense/gross revenue	51.3	46.6	42.0	45.2
Net income/average equity	21.6	24.2	17.1	13.7
Asset quality				
Impaired loans ratio	11.5	10.3	11.1	13.1
Growth in gross loans	-7.6	18.1	9.2	-2.2
Loan loss allowances/impaired loans	59.2	57.1	64.3	86.4
Loan impairment charges/average gross loans	1.6	2.3	4.4	4.0
Capitalisation				
Fitch Core Capital ratio	21.1	18.4	18.3	17.9
Tangible common equity/tangible assets	15.5	11.9	12.1	11.9
Net impaired loans/Fitch Core Capital	14.8	18.1	15.9	7.0
Funding and liquidity				
Gross loans/customer deposits	64.6	60.6	59.1	57.9
Customer deposits/total non-equity funding	95.5	94.6	98.0	95.8

Source: Fitch Ratings, Fitch Solutions, NCBA Group PLC

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	b-
Actual jurisdiction D-SIB GSR	b-
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	B-/ Stable
Size of banking system	Neutral
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Negative
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

NCBA Group's GSR of 'no support' (ns) reflects Fitch's view that government support is unlikely to extend to a non-operating holding company given its low systemic importance and a liability structure that may be more politically acceptable to be bailed in.

NCBA Bank's GSR of 'b-' is in line with Kenya's domestic systemically important bank (D-SIB) GSR of 'b-' and considers the authorities' high propensity to provide support to the bank given its high systemic importance. We also believe that the Kenyan authorities have a moderate propensity to support the broader banking system to maintain financial stability and to preserve Kenya's position as a regional financial hub.

However, the authorities' ability to support banks is constrained by Kenya's limited financial flexibility, as captured by its Long-Term IDR of 'B-'. This is despite the banking system's small size, a fragmented market structure, high foreign ownership and only-moderate foreign-currency external funding.

Environmental, Social and Governance Considerations

FitchRatings **NCBA Group PLC**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

NCBA Group PLC has 5 ESG potential rating drivers
- NCBA Group PLC has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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