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# KCB Group PLC – H1 2026 Earnings Note

## Building Scale while Cleaning House: KCB Delivers 14.5% y/y EPS Growth, Interim DPS Up 50%

*KCB Group Plc delivered a strong H1 2026 performance, reinforcing its position as a leading tier-one lender with sustained earnings momentum. Earnings Per Share (EPS) rose 14.5% to Kes. 11.23 from Kes. 9.80, while Profit After Tax (PAT) increased by 14.0% to Kes. 36.87Bn, supported by resilient income growth, lower funding costs and disciplined cost management.*

*The Group has continued to focus on growing volumes, with loans and advances increasing by 13.3% and customer deposits by 15.1%, helping offset the impact of the lower interest rate environment on asset yields. The Group declared an interim dividend of Kes. 3.00 per share, representing a 50.0% increase from Kes. 2.00 in H1 2025, payable on 10th November 2026 to shareholders on the register as at 2nd September 2026. This is particularly encouraging as management reiterated its commitment to maintaining a dividend payout of at least 35% in line with its dividend policy.*

*Overall, we recommend a HOLD on KCB given its strong earnings momentum, improving asset quality, growing volumes and commitment to shareholder returns.*

| Recommendation: | HOLD |
|---|---|
| **Share Stats** | |
| Current Price | 86.00 |
| 3-Month Av | 75.88 |
| 6 Month Av | 74.12 |
| 12 Month Av | 67.11 |
| 52 Week High | 86.00 |
| 52 Week Low | 48.50 |
| Issued shares (Bn) | 3.21 |
| Market Cap (KES Bn) | 276.36 |
| Market Cap (USD Mn) | 2.14 |
| P/E | 7.66 |
| PB | 0.71 |
| EPS | 11.23 |

## Income Statement

**Total Income:** KCB Group recorded a 9.5% y/y increase in total income to Kes. 108.09Bn in H1 2026, from Kes. 98.67Bn in H1 2025. The growth was supported by a 7.0% increase in net interest income (NII) to Kes. 74.00Bn from Kes. 69.14Bn, alongside a stronger 15.4% increase in non-funded income (NFI) to Kes. 34.08Bn from Kes. 29.53Bn. The Group attributed the growth in NFI to a 30% increase in lending fees, driven by higher loan volumes, and a 22% increase in foreign exchange income, supported by higher transaction volumes.

| Periods | KCB | NASI |
|---|---|---|
| **3mtd PriceΔ** | 28.84% | 13.21% |
| **6mtd PriceΔ** | 17.01% | 11.27% |
| **YTD Δ** | 30.80% | 27.03% |
| **Y/Y Δ** | 77.32% | 46.11% |

**Interest income**: Total interest income increased by 4.0% y/y to Kes. 104.47Bn from Kes. 100.49Bn, primarily supported by higher interest income from loans, which increased by 4.3% to Kes. 73.57Bn from Kes. 70.57Bn, and government securities, which rose by 4.6% to Kes. 25.10Bn from Kes. 24.01Bn.

**Interest expense:** Interest expense declined by 2.9% to Kes. 30.46Bn from Kes. 31.36Bn, primarily due to a 4.6% reduction in interest expense on deposits to Kes. 23.58Bn from Kes. 24.72Bn.

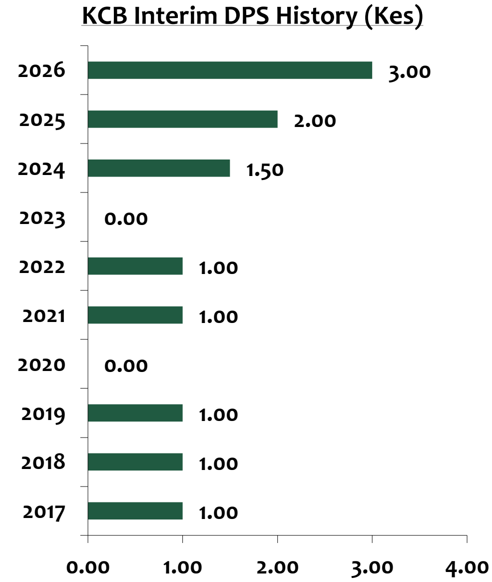
**Operating expenses:** Total operating expenses increased by only 1.6% to Kes. 58.76Bn from Kes. 57.84Bn. This was supported by a 13.6% decline in loan loss provisions (LLP) to Kes. 10.77Bn from Kes. 12.47Bn, while staff costs increased by 4.7% to Kes. 21.82Bn from Kes. 20.84Bn.

Excluding provisions, operating expenses increased by 5.8% to Kes. 47.99Bn from Kes. 45.37Bn, reflecting continued investment in technology and variable costs associated with branch and business expansion.

| | |
|---|---|
| NII | 7.0% |
| Provisions | -13.6% |
| Opex | 1.6% |
| Opex Excl. LLPs | 5.8% |
| PBT | 20.8% |
| PAT | 14.0% |
| Loans | 16.8% |
| Govt. Securities | 18.2% |
| Shareholders' Funds | 16.3% |

## Balance Sheet

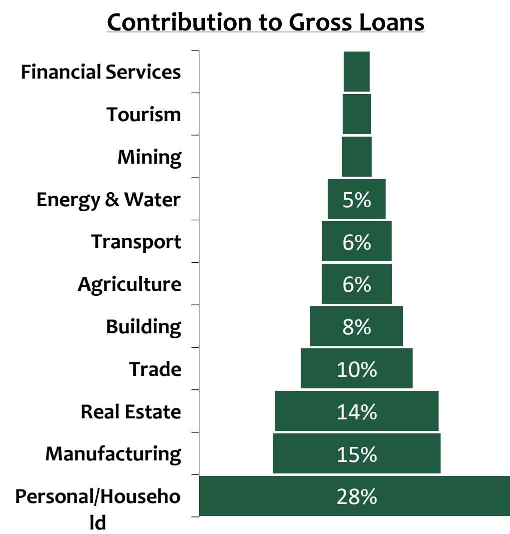
**Total Assets:** KCB Group's balance sheet expanded strongly, with total assets increasing by 16.8% y/y to Kes. 2.30Trn from Kes. 1.97Trn. The growth was supported by expansion in both the loan book and investment portfolio, with management noting that the balance sheet growth was driven by new-to-bank customers and customer value propositions across key segments. Assets held by subsidiaries outside KCB Bank Kenya also increased by 21%, with all subsidiaries recording double-digit growth.




**Loans and Advances:** Loans and advances increased by 13.3% to Kes. 1.24Trn from Kes. 1.10Trn. Growth was broad-based across key sectors, with personal and household lending remaining the largest component of the loan book, alongside agriculture, energy and water, building and construction, real estate, trade and manufacturing.

**Investments:** Investments increased by 18.2% to Kes. 475.12Bn from Kes. 402.08Bn. Government and other securities accounted for 22.5% of total assets, compared with 21.6% in H1 2025.

**Customer Deposits:** Customer deposits increased by 15.1% to Kes. 1.71Trn from Kes. 1.49Trn, driven by new-to-bank customers across the corporate and retail segments. Deposits accounted for approximately 74% of total funding. The deposit mix remained relatively favorable, with demand deposits accounting for 64%, while term, call and savings deposits accounted for 16%, 14% and 6%, respectively. Local currency deposits accounted for 67% of the deposit base, with foreign currency deposits contributing 33%.




**Borrowings:** The Group's borrowings increased by 11.8% to Kes. 88.88Bn from Kes. 79.49Bn. Despite the increase, customer deposits continued to provide the bulk of the Group's funding base.

**Shareholders' funds:** Equity increased by 16.3% to Kes. 356.95Bn from Kes. 306.83Bn, supported by retained earnings, which increased by 18.6% to Kes. 320.98Bn from Kes. 270.65Bn. The Group noted that strong profitability and prudent profit allocation supported capital accretion, with all subsidiaries remaining capital compliant.

**Asset quality**: Asset quality improved significantly, with the Group's NPL ratio declining to 14.5% from 18.4%. The improvement was supported by continued NPL resolution efforts and lower provisioning requirements, with the cost of risk declining to 10.0% from 12.6%. At KCB Bank Kenya, the NPL stock declined by 9% y/y, equivalent to Kes. 17.7Bn, as recoveries, upgrades, write-offs and other NPL resolution strategies continued to deliver results. The ratio of NPLs for loans booked over the past year stood at only 2.0%, reflecting tighter credit underwriting and closer monitoring of the loan book.

## Key Ratios

- Return on average equity (ROaE) improved to 22.3% from 20.5%, supported by stronger earnings growth. Management noted that strong organic capital generation moderated returns at some subsidiaries but positioned the businesses for further growth, with returns across the majority of subsidiaries remaining above 20%.
- Return on average assets (ROaA) improved to 3.5% from 2.8%, indicating stronger earnings generation from the expanded asset base.
- Net interest margin (NIM) remained broadly stable at 8.4%, compared with 8.4% in H1 2025. The stable margin was supported by the reduction in funding costs, which helped cushion the decline in asset yields.
- Cost of funds declined to 3.5% from 4.5%, supported by the strategic repricing of high-cost deposits.
- Yield on interest-earning assets moderated to 11.7% from 12.5%, reflecting the softer interest rate environment.

| Balance Sheet | H1 2025 | H1 2026 | %Δ Y-Y |
|---|---|---|---|
| Investments | 402.08 | 475.12 | 18.17% |
| Loans and Advances | 1,095.41 | 1,240.74 | 13.27% |
| **Total Assets** | **1,968.97** | **2,299.35** | 16.78% |
| Customer Deposits | 1,486.08 | 1,710.75 | 15.12% |
| Borrowing | 79.49 | 88.88 | 11.80% |
| Total Liabilities | 1,653.47 | 1,932.41 | 16.87% |
| Retained Earnings | 270.65 | 320.98 | 18.59% |
| **Shareholder's Funds** | **306.83** | **356.95** | 16.34% |

| ***Interest Income*** | **H1 2025** | **H1 2026** | *Change* |
|---|---|---|---|
| *Loans* | 70.57 | 73.57 | 4.3% |
| *Government securities* | 24.01 | 25.10 | 4.6% |
| *Placements* | 5.92 | 5.79 | -2.1% |
| ***Total*** | **100.49** | **104.47** | 4.0% |
| | | | |
| ***Interest Expense*** | **H1'2025** | **H1 2026** | |
| *Deposits* | 24.72 | 23.58 | -4.6% |
| *Placements* | 6.42 | 6.63 | 3.3% |
| *Other Expenses* | 0.22 | 0.25 | 12.0% |
| ***Total*** | **31.36** | **30.46** | -2.9% |

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| **Income Statement** | **H1'2025** | **H1 2026** | **%Δ Y-Y** |
|---|---|---|---|
| Interest Income | 100.49 | 104.47 | 4.0% |
| Interest Expense | (31.36) | (30.46) | -2.9% |
| NII | 69.14 | 74.00 | 7.0% |
| NFI | 29.53 | 34.08 | 15.4% |
| **Total Income** | **98.67** | **108.09** | 9.5% |
| Loan Loss provision | (12.47) | (10.77) | -13.6% |
| Staff Costs | (20.84) | (21.82) | 4.7% |
| Total Operating expenses | (57.84) | (58.76) | 1.6% |
| Opex excl Provision | (45.37) | (47.99) | 5.8% |
| **PBT** | **40.83** | **49.32** | **20.8%** |
| **PAT** | **32.33** | **36.87** | **14.0%** |
| **EPS** | **9.80** | **11.23** | **14.5%** |
| **Interim DPS** | **2.00** | **3.00** | **50.0%** |

| **Ratios** | **H1'2025** | **H1 2026** | **pp. Δ Y-Y** |
|---|---|---|---|
| Yield from interest-earning assets | 12.5% | 11.7% | -0.9% |
| Cost of funds | 4.5% | 3.5% | -1.0% |
| **Cost of risk** | **12.6%** | **10.0%** | **-2.7%** |
| Net Interest Margin | 8.4% | 8.4% | -0.1% |
| Net Interest Income as % of operating income | 69.5% | 68.5% | -1.0% |
| Non-Funded Income as a % of operating income | 30.5% | 31.5% | 1.0% |
| **Cost to Income Ratio** | **58.6%** | **54.4%** | **-4.2%** |
| CIR without LLP | 46.0% | 44.4% | -1.6% |
| Cost to Assets | 2.3% | 2.1% | -0.2% |
| **NPL Ratio** | **18.4%** | **14.5%** | **-3.8%** |
| Loan to Deposit Ratio | 73.7% | 72.5% | -1.2% |
| Return on average equity | 20.5% | 22.3% | 1.8% |
| Return on average assets | 2.8% | 3.5% | 0.6% |

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- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
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- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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