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NCBA Group Earnings Update – H1 2026

NCBA Posts 12.2% EPS Growth; Nedbank Deal Strengthens Outlook

NCBA Group Plc delivered a strong H1 2026 performance, with PBT, PAT and EPS increasing by 14.4% y/y, 12.2% y/y and 12.2% y/y to KES 15.49Bn, KES 12.39Bn and KES 7.52, respectively. Consequently, the lender declared an interim dividend of KES 3.75 per share, up from KES 2.50 per share previously, representing a 50.0% increase and signaling management's confidence in the bank's earnings and capital position.

Beyond the financial performance, NCBA remains a counter of significant strategic interest following its ongoing acquisition by Nedbank Group. The transaction represents a major strategic development for NCBA, bringing a large pan-African banking group into its shareholder structure and potentially providing access to additional capital, expertise, technology, products and regional networks. The acquisition could also unlock strategic synergies and strengthen NCBA's long-term growth prospects and regional positioning.

That said, we maintain a HOLD recommendation on the counter as we await further clarity on the completion of the acquisition and its implications for NCBA's future strategy, operations and shareholders. While the transaction presents meaningful opportunities for strategic synergies and enhanced growth prospects, we believe investors should adopt a measured approach until the benefits of the acquisition become more visible.

Recommendation	HOLD
Share Statistics	
Current Price	89.50
3-Month Av	88.90
6 Month Av	89.24
12 Month Av	84.07
52 Week High - High	98.25
52 Week High - Low	62.00
Issued shares Mn	1.65
Market Cap (KES Mn)	147.45
Market Cap (USD Mn)	1.14
P/E	11.90
PB	0.68
EPS	7.52

Income Statement

Total Income: Total operating income increased by 15.2% y/y to KES 40.68Bn from KES 35.32Bn, supported by robust growth in net interest income (NII) alongside continued expansion in non-funded income (NFI). NII rose by 20.4% y/y to KES 25.10Bn from KES 20.84Bn in H1 2025, while NFI income increased by 7.6% y/y to KES 15.58Bn from KES 14.48Bn. The strong performance was primarily driven by a significant decline in interest expense, which fell by 12.8% y/y to KES 11.44Bn from KES 13.13Bn. This more than offset the relatively modest 7.6% growth in interest income to KES 36.54Bn from KES 33.97Bn.

Interest income growth was mainly supported by a 12.3% y/y increase in income from government securities to KES 14.15Bn from KES 12.60Bn, while that from loans increased by 2.0% y/y to KES 20.40Bn from KES 20.00Bn, reflecting continued growth in the loan book despite the lower interest rate environment.

On the funding side, the decline in **interest expense** was largely driven by lower deposit costs. Interest expense on customer deposits declined by 11.3% y/y to KES 10.86Bn from KES 12.24Bn, while interest expense on placements fell sharply by 63.5% y/y to KES 0.21Bn from KES 0.57Bn, highlighting the benefits of declining market interest rates and improved funding efficiency.

Operating Expenses: Total operating expenses increased by 13.3% y/y to KES 24.68Bn from KES 21.78Bn, although the growth remained below that of operating income. The increase was primarily driven by a 60.1% surge in loan loss provisions (LLP) to KES 5.17Bn from KES 3.23Bn, reflecting a more conservative provisioning approach. Excluding provisions, operating expenses increased by a relatively modest 5.1% y/y to KES 19.50Bn from KES 18.55Bn, underscoring continued cost discipline.

Staff costs increased by 10.6% y/y to KES 8.56Bn from KES 7.74Bn, reflecting annual salary adjustments, business expansion and continued investment in talent.

Return Performance		
Periods	NCBA	NASI
3mtd PriceΔ	4.61%	14.91%
6mtd PriceΔ	-1.63%	15.74%
YTD Δ	8.04%	25.75%
Y/Y Δ	40.15%	47.34%

NII	20.4%
Provisions	60.1%
Opex	13.3%
Opex Excl. LLPs	5.1%
PBT	14.4%
PAT	12.2%
Loans	20.1%
Govt. Securities	22.5%
Deposits	11.0%
Shareholders' Funds	11.0%

Balance Sheet

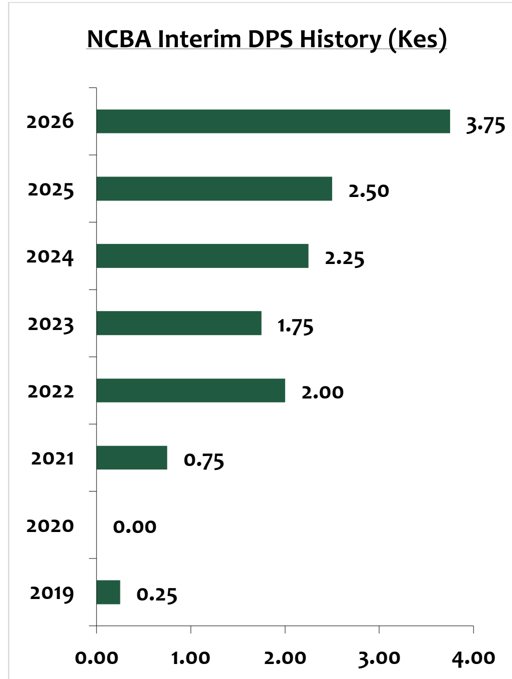
Assets: NCBA's total assets expanded by 11.5% y/y to KES 739.40Bn from KES 662.96Bn, supported by strong growth in both the loan book and investment portfolio.

Net loans and advances increased by 20.1% y/y to KES 345.88Bn from KES 288.08Bn, reflecting sustained credit growth across key sectors of the economy. Meanwhile, investments grew by 22.5% y/y to KES 220.64Bn from KES 180.14Bn, indicating continued allocation towards government securities and other interest-earning assets.

Customer Deposits: Customer deposits increased by 11.0% y/y to KES 551.41Bn from KES 496.97Bn, supporting balance sheet expansion and reinforcing the lender's strong deposit franchise.

Consequently, **total liabilities** rose by 11.6% y/y to KES 607.89Bn from KES 544.51Bn. Meanwhile, borrowings declined by 21.1% y/y to KES 6.68Bn from KES 8.46Bn, signaling reduced reliance on external funding and stronger internal liquidity generation.

Shareholders' funds increased by 11.0% y/y to KES 131.51Bn from KES 118.45Bn, supported by retained earnings from improved profitability.



Key Ratios

- Yield on interest-earning assets declined to 12.4% from 13.2%, reflecting the lower interest rate environment and repricing of earning assets.
- Cost of funds fell sharply to 4.2% from 6.1%, supporting profitability and driving a 1.3 percentage point expansion in net interest margin (NIM) to 8.4% from 7.2%.
- Net interest income contribution to operating income increased to 61.7% from 59.0%, while non-funded income contribution declined to 38.3% from 41.0%, highlighting stronger growth in funded income.
- Cost-to-income ratio (CIR) improved to 60.7% from 61.7%, reflecting stronger revenue growth relative to operating expenses. Excluding loan loss provisions, CIR improved further to 47.9% from 52.5%, demonstrating enhanced operating efficiency.
- Cost of risk increased to 12.7% from 9.1%, reflecting the lender's more conservative provisioning strategy despite improving asset quality.
- Asset quality improved, with the NPL ratio declining to 10.8% from 12.2%, signaling easing credit risk pressures and improved loan performance.
- Loan-to-deposit ratio increased to 62.7% from 58.0%, reflecting stronger loan growth relative to deposit mobilization while remaining within prudent liquidity levels.
- Return on average equity (ROaE) moderated to 19.7% from 21.0%, largely due to stronger growth in shareholders' funds relative to earnings.
- Return on average assets (ROaA) improved marginally to 3.5% from 3.4%, indicating slightly better asset utilization and earnings generation efficiency.

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P&L (Kes. Bn) except EPS & DPS	H1 2025	H1 2026	%Δ Y/Y
Interest Income	33.97	36.54	7.6%
Interest Expense	(13.13)	(11.44)	(12.8%)
NII	**20.84**	**25.10**	**20.4%**
NFI	14.48	15.58	7.6%
Total Operating income	**35.32**	**40.68**	**15.2%**
Loan Loss provision (LLP)	(3.23)	(5.17)	60.1%
Staff Costs	(7.74)	(8.56)	10.6%
Total Operating expenses	(21.78)	(24.68)	13.3%
Opex excl Provision	(18.55)	(19.50)	5.1%
PBT	**13.54**	**15.49**	**14.4%**
PAT	**11.04**	**12.39**	**12.2%**
EPS	**6.70**	**7.52**	**12.2%**

Balance Sheet (Kes. Bn)	H1 2025	H1 2026	%Δ Y/Y
Investments	180.14	220.64	22.5%
Net Loans and Advances	288.08	345.88	20.1%
Total Assets	**662.96**	**739.40**	**11.5%**
Customer Deposits	496.97	551.41	11.0%
Borrowing	8.46	6.68	(21.1%)
Total Liabilities	**544.51**	**607.89**	**11.6%**
Shareholders' Funds	**118.45**	**131.51**	**11.0%**

Key Ratios	H1 2025	H1 2026	%Δ Y/Y
Yield from interest-earning assets	13.2%	12.4%	(0.8%)
Cost of funds	**6.1%**	**4.2%**	**(2.0%)**
Net Interest Margin	7.2%	8.4%	1.3%
Net Interest Income as % of operating income	59.0%	61.7%	2.7%
Non-Funded Income as a % of operating income	41.0%	38.3%	(2.7%)
Cost to Income Ratio (CIR)	**61.7%**	**60.7%**	**(1.0%)**
CIR without LLP	52.5%	47.9%	(4.6%)
Cost of risk	9.1%	12.7%	3.6%
Cost to Assets	3.3%	3.3%	0.1%
NPL Ratio	**12.2%**	**10.8%**	(1.4%)
Loan to Deposit Ratio	58.0%	62.7%	4.8%
Return on average equity	21.0%	19.7%	(1.3%)
Return on average assets	3.4%	3.5%	0.1%

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **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%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **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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