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KCB Group PLC – 9M 2026 Earnings Note

KCB Group 9M 2026 PBT Rises 25.5% as Asset Quality Improves

KCB Group Plc delivered a strong 9M 2026 performance, reinforcing its position as a leading regional banking franchise. PBT increased 25.5% y/y to Kes. 77.90Bn, while PAT rose 23.9% to Kes. 58.63Bn, supported by resilient income growth, higher business volumes and improved operating efficiency. Asset quality also strengthened materially, with the NPL ratio declining to 13.3% from 17.8%.

The Group continued to drive volume growth, with lending supported by increased disbursements across priority sectors, while customer deposits expanded on new-to-bank customers across corporate and retail segments. Importantly, gross NPLs declined 17.1% to Kes. 184.1Bn, supported by recoveries, rehabilitation and settlements, while regional subsidiaries continued to strengthen their contribution to Group earnings.

*Overall, we recommend a **LONG-TERM BUY** on KCB Group Plc, supported by sustained earnings growth, improving asset quality, continued regional diversification and a resilient balance sheet.*

Recommendation:	LONG-TERM BUY
Share Stats	
Current Price	88.50
3-Month Av	90.77
6 Month Av	83.86
12 Month Av	76.35
52 Week High	101.00
52 Week Low	35.00
Issued shares (Bn)	3.21
Market Cap (KES Bn)	284.39
Market Cap (USD Mn)	2.20
P/E	4.97
PB	0.71
EPS	17.80

Income Statement

Total Income: KCB Group recorded a 12.3% y/y increase in total income to Kes. 167.80Bn in 9M 2026, from Kes. 149.43Bn in 9M 2025. Growth was supported by an 8.2% increase in NII to Kes. 112.87Bn and a stronger 21.8% rise in NFI to Kes. 54.93Bn. The Group attributed the strong NFI performance to higher transaction volumes, including 33% growth in lending fees and 65% growth in foreign-exchange income.

Interest income: Total interest income increased by 6.2% y/y to Kes. 159.96Bn from Kes. 150.66Bn, supported by higher lending volumes despite the relatively softer interest-rate environment.

Interest expense: Interest expense increased marginally by 1.7% y/y to Kes. 47.09Bn from Kes. 46.32Bn. The modest increase relative to interest income growth supported the 8.2% expansion in NII, as higher business volumes helped offset pressure from lower asset yields.

Operating expenses: Total operating expenses increased by only 2.9% y/y to Kes. 89.90Bn from Kes. 87.35Bn, significantly below the 12.3% growth in total income and supporting positive operating leverage. **Loan-loss provisions** declined by 9.1% to Kes. 16.59Bn from Kes. 18.26Bn, consistent with the marked improvement in asset quality. Excluding provisions, operating expenses increased by 6.1% to Kes. 73.31Bn from Kes. 69.09Bn, reflecting continued technology investment and variable costs associated with branch and business expansion.

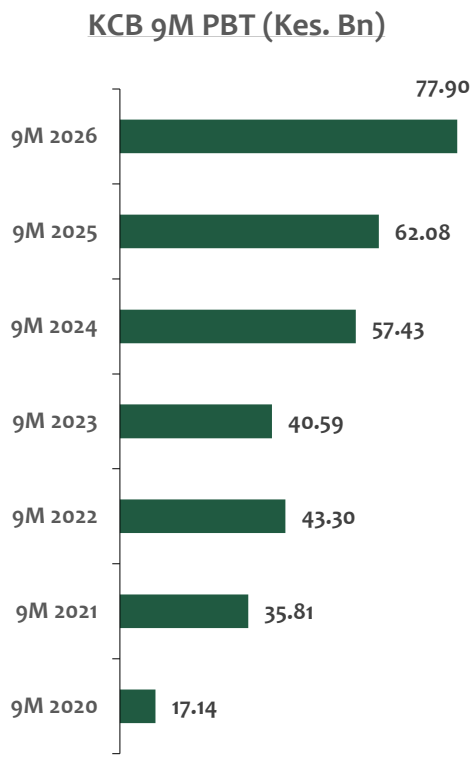
Profitability: Strong income growth, positive cost jaws and lower loan-loss provisions translated into a 25.5% y/y increase in PBT to Kes. 77.90Bn from Kes. 62.08Bn. PAT rose 23.9% to Kes. 58.63Bn from Kes. 47.32Bn, while EPS improved 24.3% to Kes. 17.80 from Kes. 14.32.

Periods	KCB	NASI
3mtd PriceΔ	-1.39%	-0.25%
6mtd PriceΔ	32.58%	17.01%
YTD Δ	34.60%	28.94%
Y/Y Δ	36.15%	28.06%

NII	8.2%
Provisions	-9.1%
Opex	2.9%
Opex Excl. LLPs	6.1%
PBT	25.5%
PAT	23.9%
Loans	15.4%
Govt. Securities	24.7%
Shareholders' Funds	17.3%

Balance Sheet

Total Assets: KCB Group's balance sheet expanded strongly, with total assets increasing by 15.4% y/y to Kes. 2.36Trn from Kes. 2.04Trn. Growth was supported by continued expansion in the loan book and investment portfolio, alongside increased activity across the Group's regional subsidiaries.



Loans and Advances: Net loans and advances increased by 12.9% y/y to Kes. 1.29Trn from Kes. 1.14Trn, supported by increased disbursements to new and existing customers across priority sectors. Management attributed the growth particularly to stronger lending activity in Kenya, DRC and Rwanda.

Investments: Investments increased by 24.7% y/y to Kes. 513.64Bn from Kes. 411.88Bn, reflecting continued deployment into investment assets alongside the expansion in customer lending.

Customer Deposits: Customer deposits increased by 15.0% y/y to Kes. 1.76Trn from Kes. 1.53Trn, supported by new-to-bank customers across corporate and retail segments. Deposit growth continued to provide the primary funding base for the Group's balance-sheet expansion.

Borrowings: Group borrowings increased by 9.2% y/y to Kes. 89.86Bn from Kes. 82.32Bn. Despite the increase, customer deposits remained the dominant source of funding, maintaining the Group's relatively stable funding structure.

Shareholders' Funds: Shareholders' funds expanded by 17.3% y/y to Kes. 361.99Bn from Kes. 308.51Bn, supported by sustained profitability and continued capital accretion.

Asset quality: Asset quality improved significantly, with the NPL ratio declining to 13.3% from 17.8%. Importantly, this reflected an actual reduction in problematic loans, with gross NPLs falling 17.1% y/y to Kes. 184.1Bn from Kes. 222.1Bn. Management attributed the improvement to targeted recoveries, rehabilitation of distressed accounts, full-and-final settlements, government engagement on associated entities and strategic write-offs, which also supported lower provisioning requirements.

Key Ratios

- **Return on average equity (ROaE)** improved to 23.8% from 20.9%, while return on average assets (ROaA) increased to 3.6% from 2.9%, reflecting stronger profitability and improved earnings generation across the Group's expanded balance sheet.
- **Net interest margin (NIM)** moderated slightly to 8.2% from 8.5%, as the yield on interest-earning assets declined to 11.5% from 12.3% amid the softer interest-rate environment. The impact was partly cushioned by the decline in the cost of funds to 3.5% from 4.0%.
- **Revenue** diversification strengthened, with non-funded income increasing its contribution to operating income to 32.6% from 29.6%, while NII contribution eased to 67.4% from 70.4%, supported by strong growth in lending fees and foreign-exchange income.
- **Operational efficiency** improved, with the cost-to-income ratio declining to 53.6% from 58.5%, while CIR excluding loan-loss provisions improved to 43.7% from 46.2%, reflecting positive cost jaws as income growth outpaced operating expenses.
- **Cost of risk** declined to 9.9% from 12.2%, consistent with the reduction in loan-loss provisions and continued improvement in credit quality.
- **Asset quality** improved significantly, with the NPL ratio declining to 13.3% from 17.8% in 9M 2025. Importantly, gross NPLs declined 17.1% y/y to Kes. 184.1Bn from Kes. 222.1Bn, supported by targeted recoveries, rehabilitation of distressed accounts, full-and-final settlements and strategic write-offs, pointing to a genuine improvement in the Group's credit-quality profile.
- The **loan-to-deposit ratio** eased to 73.3% from 74.7%, reflecting deposit growth outpacing expansion in loans and advances, thereby maintaining a comfortable funding position.

Income Statement	Q3'2025	H1 2026	Q3'2026	%Δ Y-Y
Interest Income	150.66	104.47	159.96	6.2%
Interest Expense	(46.32)	(30.46)	(47.09)	1.7%
NII	104.34	74.00	112.87	8.2%
NFI	45.09	34.08	54.93	21.8%
Total Income	**149.43**	**108.09**	**167.80**	**12.3%**
Loan Loss provision	(18.26)	(10.77)	(16.59)	(9.1%)
Staff Costs	(31.49)	(21.82)	(32.88)	4.4%
Total Operating expenses	(87.35)	(58.76)	(89.90)	2.9%
Opex excl Provision	(69.09)	(47.99)	(73.31)	6.1%
PBT	**62.08**	**49.32**	**77.90**	**25.5%**
PAT	**47.32**	**36.87**	**58.63**	**23.9%**
EPS	**14.32**	**11.23**	**17.80**	**24.3%**

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Balance Sheet	Q3'2025	H1 2026	Q3'2026	%Δ Y-Y
Investments	411.88	475.12	513.64	24.70%
Loans and Advances	1,139.90	1,240.74	1,286.83	12.89%
Total Assets	**2,044.48**	**2,299.35**	**2,358.95**	**15.38%**
Customer Deposits	1,525.83	1,710.75	1,755.23	15.03%
Borrowing	82.32	88.88	89.86	9.16%
Total Liabilities	1,727.11	1,932.41	1,992.90	15.39%
Retained Earnings	47.32	27.23	58.63	23.88%
Shareholder's Funds	**308.51**	**356.95**	**361.99**	**17.34%**

Ratios	Q3'2025	H1 2026	Q3'2026	pp. Δ Y-Y
Yield from interest-earning assets	12.3%	11.7%	11.5%	(0.8%)
Cost of funds	4.0%	3.5%	3.5%	(0.5%)
Cost of risk	12.2%	10.0%	9.9%	(2.3%)
Net Interest Margin	8.5%	8.4%	8.2%	(0.3%)
Net Interest Income as % of operating income	70.4%	68.5%	67.4%	(3.0%)
Non-Funded Income as a % of operating income	29.6%	31.5%	32.6%	3.0%
Cost to Income Ratio	58.5%	54.4%	53.6%	(4.9%)
CIR without LLP	46.2%	44.4%	43.7%	(2.5%
Cost to Assets	3.4%	2.1%	3.1%	(0.3%)
NPL Ratio	17.7%	14.5%	12.8%	(4.9%)
Loan to Deposit Ratio	74.7%	72.5%	73.3%	(1.4%)
Return on average equity	20.9%	22.3%	23.8%	2.8%
Return on average assets	2.9%	3.5%	3.6%	0.7%

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- **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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