KCB Group – H1’2026

14th August, 2026

Below is a summary of KCB Group’s H1’2026 performance:

Balance Sheet Items	H1'2025	H1'2026	y/y change
Government Securities	305.1	401.3	31.5%
Net Loans and Advances	1,095.4	1,240.7	13.3%
Total Assets	**1,969.0**	**2,299.4**	**16.8%**
Customer Deposits	1,486.1	1,710.8	15.1%
Total Liabilities	1,653.5	1,932.4	16.9%
Shareholders’ Funds	**306.8**	**357.0**	**16.3%**
Deposits per branch	3.3	3.7	13.9%

Balance Sheet Ratios	H1'2025	H1'2026	% point change
Loan to Deposit Ratio	73.7%	72.5%	(1.2%)
Government Securities to Deposit Ratio	20.5%	23.5%	2.9%
Return on average equity	23.4%	22.0%	(1.5%)
Return on average assets	3.3%	3.4%	0.2%

Income Statement (Kshs Bn)	H1'2025	H1'2026	y/y change
Net Interest Income	69.1	74.0	7.0%
Net non-Interest Income	29.5	34.1	15.4%
Total Operating income	**98.7**	**108.1**	**9.5%**
Loan Loss provision	(12.5)	(10.8)	(13.6%)
Total Operating expenses	(57.8)	(58.8)	1.60%
Profit before tax	40.8	49.3	20.8%
Profit after tax	**32.3**	**36.9**	**14.0%**
Core EPS	**19.6**	**22.5**	**14.5%**
Dividend Per Share	**4.0**	**3.0**	**(25.0%)**
Dividend Yield (Annualized)	**15.2%**	**6.9%**	**(8.3%)**
Payout Ratio	**39.8%**	**26.1%**	**(13.6%)**

Income Statement Ratios	H1'2025	H1'2026	% points change
Yield from interest-earning assets	12.5%	11.5%	(1.0%)
Cost of funding	4.5%	3.5%	(1.0%)
Net Interest Spread	8.0%	8.0%	0.0%
Net Interest Margin	8.4%	8.2%	(0.1%)
Cost of Risk	12.6%	10.0%	(2.7%)
Net Interest Income as % of operating income	70.1%	68.5%	(1.6%)
Non-Funded Income as a % of operating income	29.9%	31.5%	1.6%
Cost to Income Ratio	58.6%	54.4%	(4.2%)
Cost to Income Ratio (without LLP)	46.0%	44.4%	(1.6%)

Capital Adequacy Ratios	H1'2025	H1'2026	% points change
Core Capital/Total Liabilities	18.7%	19.4%	0.7%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	**10.7%**	**11.4%**	**0.7%**
Core Capital/Total Risk Weighted Assets	17.0%	18.0%	1.0%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	**6.5%**	**7.5%**	**1.0%**
Total Capital/Total Risk Weighted Assets	19.7%	21.0%	1.3%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	**5.2%**	**6.5%**	**1.3%**
Liquidity Ratio	47.2%	49.9%	2.7%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	**27.2%**	**29.9%**	**2.7%**

Income Statement

- Core earnings per share grew by 14.5% to Kshs 22.5, from Kshs 19.6 in H1’2025, driven by the 9.5% increase in total operating income to Kshs 108.1 bn, from Kshs 98.7 bn in H1’2025, it was however weighed down by the 1.6% increase in total operating expenses to Kshs 58.8 bn, from Kshs 57.5 bn in H1’2025,
- The 9.5% increase in total operating income was mainly driven by an 15.4% growth in Non-Funded Income (NFI) to Kshs 36.1 bn, from Kshs 29.5 bn in H1’2025, coupled with an 7.0% increase in Net Interest Income (NII) to Kshs 74.0 bn from Kshs 69.1 bn in H1’2025,
- Interest income grew by 4.0% to Kshs 104.5 bn from Kshs 100.5 bn in H1’2025, mainly driven by a 4.6% increase in government securities to Kshs 25.1 bn, from Kshs 24.0 bn in H1’2025, as well as a 4.3% increase in interest income from loans and advances to Kshs 73.6 bn, from Kshs 70.6 bn in H1’2025. However, the Yield on Interest-Earning Assets (YIEA) decreased by 1.0% points to 11.5% from 12.5% recorded in H1’2025, attributable to the 1.3% decrease in trailing interest income to Kshs 213.7 bn, from Kshs 216.5 bn in H1’2025, compared to the 7.2% increase in average interest earning assets to Kshs 1,862.4 bn, from Kshs 1,738.0 bn in H1’2025,
- Interest expenses declined by 2.9% to Kshs 30.5 bn from Kshs 31.4 bn in H1’2025, mainly driven by a 4.6% decrease in interest expense from customer deposits to Kshs 23.6 bn from Kshs 24.7 bn in H1’2025. However, it was supported by a 3.3% increase in interest expense on placements to Kshs 6.6 bn, from Kshs 6.4 bn recorded in H1’2025. Consequently, Cost of funds (COF) decreased by 1.0% points to 3.5% from 4.5% recorded in H1’2025, owing to the 14.7% decrease in Trailing interest expense to Kshs 60.8 bn from Kshs 71.3 bn recorded in H1’2025, compared to a 9.1% increase in average interest-bearing liabilities to Kshs 1,734.1 bn from Kshs 1,588.8 bn in H1’2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 0.1% points to 8.2% from 8.4% in H1’2025, despite the faster 7.2% increase in average interest earning assets to Kshs 1,862.4 bn from 1,738.0 bn recorded in H1’2025 coupled with the 5.3% increase in trailing net interest income to Kshs 152.9 bn from Kshs 145.2 bn recorded in H1’2025.

- Non-Funded Income (NFI) increased by 15.4% to Kshs 34.1 bn from Kshs 29.5 bn in H1’2025, mainly driven by a 29.7% increase in fees and commissions to Kshs 8.0 bn, from Kshs 6.1 bn in H1’2025, highlighting the bank’s increased fees and commissions margins. Foreign exchange income increased by 21.8% to Kshs 6.3 bn from Kshs 5.2 bn in H1’2025. The revenue mix shifted to 68:32 from 70:30 for the funded to Non-funded income owing to the 15.4% growth in Non-Funded Income which outpaced the 7.0% increase in the Funded Income,
- Total operating expense increased by 1.6% to Kshs 58.8 bn in H1’2026, from Kshs 57.8 bn in H1’2025, despite the 13.6% decrease in loan loss provisions to Kshs 10.8 bn from Kshs 12.5 bn in H1’2025. Notably, staff costs increased by 4.7% to Kshs 21.8 bn, from 20.8 bn in H1’2025,
- Cost to Income Ratio (CIR) decreased by 4.2% points to 54.4% from 58.6% in H1’2025, owing to the faster 9.5% increase in total operating income, which outpaced the 1.6% increase in total operating expenses. Notably, CIR without LLP decreased by 1.6% points to 44.4%, from 46.0% recorded in H1’2025,
- Profit before tax increased by 20.8% to Kshs 49.3 bn, from Kshs 40.8 bn recorded in H1’2025, with effective tax rate increasing to 25.3% in H1’2026, from 20.8% in H1’2025, leading to an 14.0% increase in profit after tax to Kshs 36.9 bn in H1’2026, from Kshs 32.3 bn in H1’2025.
- The Board of Directors recommended an interim dividend of Kshs 3.0 per share translating to an annualized dividend yield of 6.9% and dividend payout ratio of 26.1% in H1’2026 from an annualized dividend yield of 15.2% and a dividend payout ratio of 39.8% in H1’2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 16.8% to Kshs 2,299.4 bn, from Kshs 1,969.2 bn in H1’2025, mainly driven by a 31.5% increase in government securities to Kshs 401.3 bn, from 305.1 bn in H1’2025. Net loans and advances increased by 13.3% to Kshs 1,240.7 bn from Kshs 1,095.4 bn in H1’2025. Total liabilities increased by 16.9% to Kshs 1,932.4 bn from Kshs 1,653.5 bn in H1’2025, mainly driven by a 15.1% increase in customer deposits to Kshs 1,710.8 bn, from Kshs 1,486.1 bn in H1’2025, coupled with the 11.8% increase in borrowings to Kshs 88.9 bn, from Kshs 79.5 bn in H1’2025. With 460 branches, compared to 455 branches in H1’2025, deposits per branch increased by 13.9% to Kshs 3.7 bn, from Kshs 3.3 bn in H1’2025,
- The 15.1% increase in customer deposits, coupled with the 13.3% increase in net loans however, led to a decrease in the loan to deposits ratio to 72.5%, from 73.7% in H1’2025,
- The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 14.5% in H1’2026, from 17.9% in H1’2025, attributable to a 13.2% increase in gross loans to Kshs 1,401.3 bn, from Kshs 1,237.6 bn recorded in H1’2025 compared to the 7.8% decrease in Gross non-performing loans to Kshs 203.8 bn, from Kshs 221.1 bn in H1’2025,
- General Provisions (LLP) increased by 8.9% to Kshs 120.1 bn in H1’2026 from Kshs 110.3 bn in H1’2025. The NPL coverage increased to 78.8% in H1’2026, from 64.3% in H1’2025, attributable to the 8.9% increase in general provisions coupled with the 26.4% increase in interest in suspense to Kshs 40.4 bn from 32.0 bn in H1’2025 compared to the 7.8% decrease in Gross Non-performing Loans to Kshs 203.8 bn, from Kshs 221.1 bn in H1’2025.
- Shareholders’ funds increased by 16.3% to Kshs 357.0 bn in H1’2026, from Kshs 306.8 bn in H1’2025, supported by a 18.6% increase in retained earnings to Kshs 321.0 bn, from Kshs 270.7 bn in H1’2025,
- KCB Group remains capitalized with a core capital to risk-weighted assets ratio of 18.0%, 7.5% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 21.0%, exceeding the statutory requirement of 14.5% by 6.5% points, and,

- The bank currently has a Return on Average Assets (ROaA) of 3.4%, and a Return on Average Equity (ROaE) of 22.0%.

Key Take-Outs:

1. **Increased earnings -** Core earnings per share grew by 14.5% to Kshs 22.5, from Kshs 19.6 in H1'2025, driven by the 9.5% increase in total operating income to Kshs 108.1 bn, from Kshs 98.7 bn in H1'2025, it was however weighed down by the 1.6% increase in total operating expenses to Kshs 58.8 bn, from Kshs 57.5 bn in H1'2025,
2. **Improved asset quality –** The bank's Asset Quality improved, with Gross NPL ratio decreasing to 14.5% in H1'2026, from 17.9% in H1'2025, attributable to a 13.2% increase in gross loans to Kshs 1,401.3 bn, from Kshs 1,237.6 bn recorded in H1'2025 and the 7.8% decrease in Gross non-performing loans to Kshs 203.8 bn, from Kshs 221.1 bn in H1'2025,
3. **Expanded balanced sheet** - The balance sheet recorded an expansion as total assets increased by 16.8% to Kshs 2,299.4 bn, from Kshs 1,969.2 bn in H1'2025, mainly driven by a 31.5% increase in government securities to Kshs 401.3 bn, from 305.1 bn in H1'2025.

Going forward, the factors that would drive the bank's growth would be:

- **Continued Digitization** - The Group has sustained its focus on digital transformation. As of H1'2026, transactions done through the non-branch channels mainly driven by rolling out a new unified mobile app featuring easy and fast self-onboarding for account in Tanzania, integrated MMF in Kenya and pay to Paybill or Till. Notably, the Group witnessed 25.0% growth in mobile loans disbursement to Kshs 314.0 bn in H1'2026, equivalent to Kshs 1.7 bn per day.

Valuation Summary

- We are of the view that KCB Group is an "Buy" with a target price of Kshs 104.4 representing an upside of 19.7%, inclusive of an annualized dividend yield of 6.9% from the current price of 87.3 as of 14th August 2026.
- KCB Group is currently trading at a P/TBV of 0.8x and a P/E of 3.8x vs an industry average of 1.2x and 6.5x respectively.