KCB Group – Q3'2026

20th November, 2026

Below is a summary of KCB Group's Q3'2026 performance:

Balance Sheet Items	Q3'2025 (Kshs bn)	Q3'2026 (Kshs bn)	y/y change
Government Securities	333.8	410.3	22.9%
Net Loans and Advances	1,139.9	1,286.8	12.9%
Total Assets	**2,044.5**	**2,359.0**	**15.4%**
Customer Deposits	1,525.8	1,755.2	15.0%
Total Liabilities	1,727.1	1,992.9	15.4%
Shareholders' Funds	**308.5**	**362.0**	**17.3%**

Balance Sheet Ratios	Q3'2025	Q3'2026	% point change
Loan to Deposit Ratio	74.7%	73.3%	(1.4%)
Government Securities to Deposit Ratio	21.9%	23.4%	1.5%
Return on average equity	22.7%	23.8%	1.0%
Return on average assets	3.1%	3.6%	0.5%

Income Statement (Kshs Bn)	Q3'2025 (Kshs bn)	Q3'2026 (Kshs bn)	y/y change
Net Interest Income	104.3	112.9	8.2%
Net non-Interest Income	45.1	54.9	21.8%
Total Operating income	149.4	167.8	12.3%
Loan Loss provision	18.3	16.6	(9.1%)
Staff Costs	30.9	32.9	6.6%
Other Operating expenses	38.2	40.4	5.7%
Total Operating expenses	**87.4**	**89.9**	**2.9%**
Profit before tax	**62.1**	**77.9**	**25.5%**
Profit after tax	**47.3**	**58.6**	**23.9%**
Core EPS	**14.7**	**18.3**	**23.9%**

Income Statement Ratios	Q3'2025	Q3'2026	% points change
Yield from interest-earning assets	12.2%	11.3%	(0.9%)
Cost of funding	4.0%	3.5%	(0.5%)
Net Interest Spread	8.1%	7.8%	(0.3%)
Net Interest Margin	8.4%	8.1%	(0.4%)
Cost of Risk	12.2%	9.9%	(2.3%)
Net Interest Income as % of operating income	69.8%	67.3%	(2.6%)
Non-Funded Income as a % of operating income	30.2%	32.7%	2.6%
Cost to Income Ratio	58.5%	53.6%	(4.9%)
Cost to Income Ratio (without LLP)	46.2%	43.7%	(2.5%)

Capital Adequacy Ratios	Q3'2025	Q3'2026	% points change
Core Capital/Total Liabilities	18.5%	19.0%	0.5%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	**10.5%**	**11.0%**	**0.5%**
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	19.6%	21.1%	1.5%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	**5.1%**	**6.6%**	**1.5%**
Liquidity Ratio	46.7%	49.7%	3.0%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	**26.7%**	**29.7%**	**3.0%**

Income Statement

- Core earnings per share grew by 23.9% to Kshs 18.3, from Kshs 14.7 in Q3'2025, driven by the 12.3% increase in total operating income to Kshs 167.8 bn, from Kshs 149.4 bn in Q3'2025, it was however weighed down by the 2.9% increase in total operating expenses to Kshs 89.9 bn, from Kshs 87.4 bn in Q3'2025,
- The 12.3% increase in total operating income was mainly driven by a 21.8% growth in Non-Funded Income (NFI) to Kshs 54.9 bn, from Kshs 45.1 bn in Q3'2025, coupled with an 8.2% increase in Net Interest Income (NII) to Kshs 112.9 bn from Kshs 104.3 bn in Q3'2025,
- Interest income grew by 6.2% to Kshs 160.0 bn from Kshs 150.7 bn in Q3'2025, mainly driven by a 60.8% increase in interest income from deposits and placements to Kshs 10.6 bn, from Kshs 6.6 bn in Q3'2025, as well as a 5.4% increase in interest income from loans and advances to Kshs 110.1 bn, from Kshs 104.5 bn in Q3'2025, which outweighed the 0.9% decrease in interest income from government securities to Kshs 39.3 bn, from Kshs 39.6 bn in Q3'2025. However, the Yield on Interest-Earning Assets (YIEA) decreased by 0.9% points to 11.3% from 12.2% recorded in Q3'2025, attributable to the slower 1.9% increase in trailing interest income to Kshs 219.0 bn, from Kshs 215.0 bn in Q3'2025, compared to the 9.8% increase in average interest earning assets to Kshs 1,939.5 bn, from Kshs 1,766.6 bn in Q3'2025,
- Interest expenses increased by 1.7% to Kshs 47.1 bn from Kshs 46.3 bn in Q3'2025, mainly driven by an 8.6% increase in interest expense on placements to Kshs 10.3 bn, from Kshs 9.4 bn recorded in Q3'2025. However, this was partly offset by a 0.3% decrease in interest expense from customer deposits to Kshs 36.4 bn from Kshs 36.5 bn in Q3'2025. Consequently, Cost of funds (COF) decreased by 0.5% points to 3.5% from 4.0% recorded in Q3'2025, owing to the 5.5% decrease in Trailing interest expense to Kshs 62.5 bn from Kshs 66.1 bn recorded in Q3'2025, compared to a 9.1% increase in average interest-bearing liabilities to Kshs 1,789.5 bn from Kshs 1,641.0 bn in Q3'2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 0.4% points to 8.1% from 8.4% in Q3'2025, owing to the faster 9.8% increase in average interest earning assets to Kshs 1,939.5 bn from 1,766.6 bn recorded in Q3'2025, compared to the 5.1% increase in trailing net interest income to Kshs 156.6 bn from Kshs 148.9 bn recorded in Q3'2025.

- Non-Funded Income (NFI) increased by 21.8% to Kshs 54.9 bn from Kshs 45.1 bn in Q3'2025, mainly driven by a 65.1% increase in foreign exchange income to Kshs 13.6 bn from Kshs 8.2 bn in Q3'2025, as well as a 17.4% increase in fees and commissions to Kshs 36.0 bn, from Kshs 30.6 bn in Q3'2025, highlighting the bank's increased fees and commissions margins. The revenue mix shifted to 67:33 from 70:30 for the funded to Non-funded income owing to the 21.8% growth in Non-Funded Income which outpaced the 8.2% increase in the Funded Income,
- Total operating expense increased by 2.9% to Kshs 89.9 bn in Q3'2026, from Kshs 87.4 bn in Q3'2025, despite the 9.1% decrease in loan loss provisions to Kshs 16.6 bn from Kshs 18.3 bn in Q3'2025. Notably, staff costs increased by 6.6% to Kshs 32.9 bn, from Kshs 30.9 bn in Q3'2025,
- Cost to Income Ratio (CIR) decreased by 4.9% points to 53.6% from 58.5% in Q3'2025, owing to the faster 12.3% increase in total operating income, which outpaced the 2.9% increase in total operating expenses. Notably, CIR without LLP decreased by 2.5% points to 43.7%, from 46.2% recorded in Q3'2025,
- Profit before tax increased by 25.5% to Kshs 77.9 bn, from Kshs 62.1 bn recorded in Q3'2025, with effective tax rate increasing to 24.7% in Q3'2026, from 23.8% in Q3'2025, leading to a 23.9% increase in profit after tax to Kshs 58.6 bn in Q3'2026, from Kshs 47.3 bn in Q3'2025.
- The Board of Directors did not recommend an interim dividend in Q3'2026, consistent with Q3'2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 15.4% to Kshs 2,359.0 bn, from Kshs 2,044.5 bn in Q3'2025, mainly driven by a 12.9% increase in Net loans and advances to Kshs 1,286.8 bn from Kshs 1,139.9 bn, coupled with 22.9% increase in government securities to Kshs 410.3 bn, from Kshs 333.8 bn in Q3'2025. Total liabilities increased by 15.4% to Kshs 1,992.9 bn from Kshs 1,727.1 bn in Q3'2025, mainly driven by a 15.0% increase in customer deposits to Kshs 1,755.2 bn, from Kshs 1,525.8 bn in Q3'2025, coupled with the 9.2% increase in borrowings to Kshs 89.9 bn, from Kshs 82.3 bn in Q3'2025,
- The 15.0% increase in customer deposits, which outpaced the 12.9% increase in net loans, led to 1.4% points decrease in the loan to deposits ratio to 73.3% from 74.7% in Q3'2025,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 12.8% in Q3'2026, from 17.2% in Q3'2025, attributable to an 11.1% increase in gross loans to Kshs 1,433.7 bn, from Kshs 1,290.7 bn recorded in Q3'2025 coupled with the 17.1% decrease in Gross non-performing loans to Kshs 184.1 bn, from Kshs 222.1 bn in Q3'2025,
- General Provisions (LLP) decreased by 6.6% to Kshs 108.0 bn in Q3'2026 from Kshs 115.6 bn in Q3'2025. The NPL coverage increased to 79.8% in Q3'2026, from 67.9% in Q3'2025, attributable to the 17.1% decrease in Gross Non-performing Loans to Kshs 184.1 bn, from Kshs 222.1 bn in Q3'2025, coupled with the 10.2% increase in interest in suspense to Kshs 38.9 bn from Kshs 35.3 bn in Q3'2025, which outweighed the 6.6% decrease in general provisions.
- Shareholders' funds increased by 17.3% to Kshs 362.0 bn in Q3'2026, from Kshs 308.5 bn in Q3'2025, supported by an 18.0% increase in retained earnings to Kshs 333.4 bn, from Kshs 282.4 bn in Q3'2025,
- KCB Group remains well-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 21.1%, exceeding the statutory requirement of 14.5% by 6.6% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.6%, and a Return on Average Equity (ROaE) of 23.8%.

Key Take-Outs:

1. **Increased earnings -** Core earnings per share grew by 23.9% to Kshs 18.3, from Kshs 14.7 in Q3'2025, driven by the 12.3% increase in total operating income to Kshs 167.8 bn, from Kshs 149.4 bn in Q3'2025, it was however weighed down by the 2.9% increase in total operating expenses to Kshs 89.9 bn, from Kshs 87.4 bn in Q3'2025,
2. **2. Improved asset quality –** The bank's Asset Quality improved, with Gross NPL ratio decreasing to 12.8% in Q3'2026, from 17.2% in Q3'2025, attributable to an 11.1% increase in gross loans to Kshs 1,433.7 bn, from Kshs 1,290.7 bn recorded in Q3'2025 and the 17.1% decrease in Gross non-performing loans to Kshs 184.1 bn, from Kshs 222.1 bn in Q3'2025, **Expanded balance sheet** - The balance sheet recorded an expansion as total assets increased by 15.4% to Kshs 2,359.0 bn, from Kshs 2,044.5 bn in Q3'2025, mainly driven by a 12.9% increase in Net loans and advances to Kshs 1,286.8 bn from Kshs 1,139.9 bn, coupled with 22.9% increase in government securities to Kshs 410.3 bn, from Kshs 333.8 bn in Q3'2025.

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 Q3'2026, 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 26.0% growth in mobile loans disbursement to Kshs 492.0 bn in Q3'2026, equivalent to Kshs 1.8 bn per day.

Valuation Summary

- We are of the view that KCB Group is an "Accumulate" with a target price of Kshs 98.4 representing an upside of 18.8%, from the current price of Kshs 85.8 as of 20th November 2026.
- KCB Group is currently trading at a P/TBV of 0.9x and a P/E of 4.0x vs an industry average of 1.2x and 6.4x respectively.