Housing Finance Company Bank – H1’2026

21st August, 2026

Below is a summary of HFCB’s H1’2026 performance:

Balance Sheet Items	H1'2025	H1'2026	y/y change
Government Securities	23.9	33.7	41.0%
Net Loans and Advances	38.9	43.4	11.5%
Total Assets	**76.9**	**94.0**	**22.3%**
Customer Deposits	52.5	68.1	29.7%
Deposits/ Branch	2.4	3.1	29.7%
Total Liabilities	60.2	75.8	26.0%
Shareholders’ Funds	**16.8**	**18.2**	**8.9%**

Balance Sheet Ratios	H1'2025	H1'2026	% Points change
Loan to Deposit Ratio	74.2%	63.8%	(10.4%)
Government Securities to Deposit ratio	45.5%	49.5%	4.0%
Return on average equity	6.8%	10.3%	3.5%
Return on average assets	1.3%	2.1%	0.8%

Income Statement	H1'2025	H1'2026	y/y change
Net Interest Income	2.0	2.6	29.4%
Net non-Interest Income	0.8	1.2	37.4%
Total Operating income	**2.9**	**3.8**	**31.7%**
Loan Loss provision	(0.2)	(0.3)	30.0%
Total Operating expenses	**(2.2)**	**(2.6)**	**18.1%**
Profit before tax	0.7	1.2	74.3%
Profit after tax	0.62	1.00	59.9%
Core EPS	**0.3**	**0.5**	**59.9%**

Income Statement Ratios	H1'2025	H1'2026	% points change
Yield from interest-earning assets	12.3%	11.5%	(0.8%)
Cost of funding	6.8%	5.0%	(1.8%)
Net Interest Spread	5.5%	6.6%	1.1%
Net Interest Margin	5.9%	7.0%	1.1%
Cost of Risk	7.3%	6.6%	(0.7%)
Net Interest Income as % of operating income	70.8%	69.5%	(1.3%)
Non-Funded Income as a % of operating income	29.2%	30.5%	1.3%
Cost to Income Ratio (with LLP)	75.7%	67.8%	(7.8%)
Cost to Income Ratio (without LLP)	68.4%	60.6%	(7.7%)

Capital Adequacy Ratios	H1'2025	H1'2026	% Points Change
Core Capital/Total Liabilities	18.1%	15.3%	(2.8%)
Minimum Statutory ratio	8.0%	8.0%	
Excess	**10.1%**	**7.3%**	**(2.8%)**
Core Capital/Total Risk Weighted Assets	21.3%	20.7%	(0.6%)
Minimum Statutory ratio	10.5%	10.5%	
Excess	**10.8%**	**10.2%**	**(0.6%)**
Total Capital/Total Risk Weighted Assets	24.2%	22.2%	(2.0%)
Minimum Statutory ratio	14.5%	14.5%	
Excess	**9.7%**	**7.7%**	**(2.0%)**
Liquidity Ratio	51.4%	51.5%	0.1%
Minimum Statutory ratio	20.0%	20.0%	
Excess	**31.4%**	**31.5%**	**0.1%**

Income Statement

- Core earnings per share (EPS) increased by 59.9% to Kshs 0.5 in H1’2026 from Kshs 0.3 in H1’2025, driven by the 31.7% growth in total operating income to Kshs 3.8 bn from Kshs 2.9 bn in H1’2025, but was however weighed down by the 18.1%% increase in total operating expenses to Kshs 2.6 bn from Kshs 2.2 bn,
- The 31.7% increase in total operating income was mainly driven by a 29.4% increase in Net-Interest Income to Kshs 2.6 bn in H1'2026 from Kshs 2.0 bn in H1'2025, coupled with a 37.4% increase in Non-Interest Income to Kshs 1.2 bn in H1’2026 from Kshs 0.8 bn in H1’2025,
- Interest income increased by 16.9% to Kshs 4.3 bn in H1’2026 from Kshs 3.6 bn in H1’2025, supported by higher income from government securities that grew by 50.3% to Kshs 1.9 bn in H1’2026 from Kshs 1.3 bn in H1’2025. This was however weighed down by the 0.9% decrease in income from loans and advancements to Kshs 2.31 bn in H1’2026 from Kshs 2.33 bn in H1’2025, and an 8.0% decrease in income from deposits and placements to Kshs 0.03 bn in H1’2026 from Kshs 0.04 bn in H1’2025. The yield from interest-earning assets decreased by 0.8% points to 11.5% in H1’2026 from 12.3% in H1’2025, attributable to the 16.1% increase in trailing interest income to Kshs 8.1 bn in H1’2026 from Kshs 7.0 bn in H1’2025 relative to a 23.6% increase in average interest-earning assets to Kshs 70.5 bn in H1’2026 from Kshs 57.1 bn in H1’2025,
- Interest expenses increased by 0.9% to Kshs 1.61 bn in H1’2026 from Kshs 1.59 bn in H1’2025, mainly supported by a 6.3% increase in customer deposits to Kshs 1.5 bn in H1’2026 from Kshs 1.4 bn in H1’2025. This was however weighed down by a 27.0% decline in placements to Kshs 0.03 bn in H1’2026 from Kshs 0.04 bn in H1’2025 coupled with a 38.3% decrease in other interest expenses to Kshs 0.1 bn in H1’2026 from Kshs 0.2 bn in H1’2025. Consequently, the cost of funds decreased by 1.8 % points to 5.0% in H1’2026 from 6.8% in H1’2025, owing to a 12.8% decline in trailing interest expense to Kshs 3.2 bn in H1’2026 from Kshs 3.6 bn in H1’2025, compared to the 18.9% increase in average interest-bearing liabilities to Kshs 63.9 bn in H1’2026 from Kshs 53.7 bn in H1’2025,
- Net Interest Margin (NIM) increased by 1.1% points to 7.0 % in H1’2026 from 5.9 % in H1’2025, attributable to the 47.2 % growth in trailing net interest income to Kshs 5.0 bn in H1’2026 from Kshs 3.4 bn in H1’2025, coupled with the 23.6% increase in average interest-earning assets to Kshs 70.5 bn in H1’2026 from Kshs 57.1 bn in H1’2025,
- Non-Funded Income (NFI) increased by 37.4 % to Kshs 1.2 bn in H1’2026 from Kshs 0.8 bn in H1’2025, mainly driven by a 84.0% increase in other income to Kshs 0.8 bn from Kshs 0.8 bn coupled with a 24.8 % increase in fees and commissions on loans to 0.13 bn in H1’ 2026 from 0.1 bn in H1’2025. This was, however, weighed down by a 16.4%

decrease in forex trading income to Kshs 0.05 bn from Kshs 0.06 bn in H1’2026 coupled with a 25.2% decrease in other fees and commissions to Kshs 0.2 bn in H1’2026 from Kshs 0.3 bn in H1’2025. The revenue mix shifted to 70:30, from 71:29 for the funded to Non-funded income owing to the faster 37.4% growth in Non-funded Income compared to a 29.4 % increase in the Funded Income,

- Total operating expenses increased by 18.1% to Kshs 2.6 bn in H1’2026 from Kshs 2.2 bn, driven by a 30.0 % increase in loan loss provisions to Kshs 0.3 bn from Kshs 0.2 bn and a 29.0 % increase in staff costs to Kshs 1.3 bn from Kshs 1.0 bn in H1’2026,
- The cost-to-income ratio (CIR) decreased by 7.8 % points to 67.8 % from 75.7 %, owing to the 31.7% increase in total operating income, which outpaced the 18.1 % growth in total operating expenses. Notably, CIR without LLP decreased by 7.7 % points to 60.6 %, from 68.4 % recorded in H1’2025,
- Profit before tax increased by 74.3% to Kshs 1.2 bn in H1’2026 from Kshs 0.7 bn in H1’2025, with effective tax rate decreasing to 18.5 % in H1’2026, from 11.1 % in H1’2025, leading to a 59.9% increase in profit after tax to Kshs 1.0 bn in H1’2026, from Kshs 0.6 bn in H1’2025,

Balance Sheet

- The balance sheet recorded an expansion, with total assets increasing by 22.3 % to Kshs 94.0 bn in H1’2026 from Kshs 76.9 bn in H1’2025, driven by a 11.5% increase in net loans to Kshs 43.4 bn, from Kshs 38.9 bn in H1’2025, coupled with a 41.0% increase in Government securities to Kshs 33.7 bn from Kshs 23.9 bn in H1’2025.
- Total liabilities increased by 26.0% to Kshs 75.8 bn in H1’2026 from Kshs 60.2 bn in H1’2025, attributable to a 29.7% increase in customer deposits to Kshs 68.1 bn in H1’2026 from Kshs 52.5 bn in H1’2025. With 22 branches, deposits per branch increased by 29.7% to Kshs 3.1 bn, from Kshs 2.4 bn in H1’2025.
- The 29.7% growth in customer deposits, which outpaced the 11.5 % increase in net loans, led to a 10.4 %-point decrease in the loan-to-deposit ratio to 63.8% in H1’2026 from 74.2 % in H1’2025,
- Asset quality improved, with the gross NPL ratio decreasing by 2.7 % points to 21.4 % in H1’2026 from 24.0% in H1’2025, as gross loans increased by 10.2% to Kshs 52.4 bn in H1’2026 from Kshs 47.6 bn in H1’2025, relative to the 2.1 % decrease in gross non-performing loans to Kshs 11.2 bn in H1’2026 from Kshs 11.4 bn in H1’2025.
- General Provisions (LLP) increased by 11.9% to Kshs 5.9 bn in H1’2026 from Kshs 5.3 bn in H1’2025. The NPL coverage ratio increased by 6.8% points to 80.5% in H1’2026 from 75.4% in H1’2025, attributable to the 11.9% increase in general provisions as compared to the 7.0% decline in interest in suspense to Kshs 3.1 bn in H1’2026 from Kshs 3.3 bn in H1’2025, which outpaced by the 2.1 % decrease in gross non-performing loans to Kshs 11.2 bn from Kshs 11.4 bn,
- Shareholders’ funds increased by 8.9% to Kshs 18.2 bn in H1’2026 from Kshs 16.8 bn in H1’2025. This was however weighed down by a 56.4 % decline in retained earnings to Kshs 1.2 bn in H1’2026 from Kshs 2.7 bn in H1’2025.
- HFCB remains well-capitalized, with the core capital to total risk-weighted assets ratio standing at 20.7% in H1’2026, which is 10.2 % points above the statutory minimum of 10.5%. Additionally, the total capital to total risk-weighted assets ratio came in at 22.2% in H1’2026, exceeding the statutory requirement of 14.5% by 7.7 % points
- The bank currently has a Return on Average Assets (ROaA) of 2.1% in H1’2026 from 1.3% in H1’2025 and a Return on Average Equity (ROaE) of 10.3% in H1’2026 from 6.8% in H1’2025

Key Take-Outs:

1. **Increased earnings -** Core earnings per share (EPS) increased by 59.9% to Kshs 0.5 in H1’2026 from Kshs 0.3 in H1’2025, driven by the 31.7% growth in total operating income to Kshs 3.8 bn from Kshs 2.9 bn in H1’2025, but was however weighed down by the 18.1% increase in total operating expenses to Kshs 2.6 bn from Kshs 2.2 bn.

2. **Improvement in asset quality –** The bank’s asset quality improved, with the gross NPL ratio decreasing by 2.7 % points to 21.4 % in H1’2026 from 24.0% in H1’2025, as gross loans increased by 10.2% to Kshs 52.4 bn in H1’2026 from Kshs 47.6 bn in H1’2025, relative to the 2.1 % decrease in gross non-performing loans to Kshs 11.2 bn in H1’2026 from Kshs 11.4 bn in H1’2025.

3. **Expanded Balanced sheet** - The balance sheet recorded an expansion, with total assets increasing by 22.3 % to Kshs 94.0 bn in H1’2026 from Kshs 76.9 bn in H1’2025, driven by a 11.5% increase in net loans to Kshs 43.4 bn, from Kshs 38.9 bn in H1’2025, coupled with a 41.0% increase in Government securities to Kshs 33.7 bn from Kshs 23.9 bn in H1’2025.

4. **Increased lending**- Customer net loans and advances increased by 11.5 % to Kshs 43.4 bn in H1’2026 from Kshs 38.9 bn in H1’2025, reflecting the bank’s continued appetite to expand customer lending.

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

- **Rebrand and TIER II consolidation as a structural growth platform**: The group completed its unification of HFCK, Housing Finance, HFC, and HF Group under one new corporate identity, HFCB, following a TIER II upgrade in 2025 that consolidated its banking, property, and bancassurance subsidiaries under one roof after a 2024 recapitalization that has since strengthened the group's capital position, with the banking subsidiary now well ahead of the regulatory core capital threshold of Kshs 10.0 bn by 2029. This capital and structural base is effectively what's enabling the balance sheet growth you see in the numbers above.,
- **Product innovation in the property arm; Land Owner Wealth Management**: Beyond diversification in the abstract, HFCB has developed concrete new fee-generating products that lean on its legacy property expertise rather than pure lending, most notably Land Owner Wealth Management from its property subsidiary, alongside an expanding bancassurance product suite, both explicitly flagged by management as key contributors to non-funded income growth.This is a differentiated play rather than a "me-too" banking product: HFCB has been in mortgage and property since 1965, and Land Owner Wealth Management monetizes that incumbent land/property valuation expertise through advisory-style fee income rather than balance-sheet-heavy lending, supporting ROE and capital ratios even as loan book growth moderates. Disclosure on the product remains thin, so it's worth flagging as a driver to watch rather than a fully quantified one.

Valuation Summary

- We are of the view that HFCB is an “accumulate” with a target price of Kshs 14.53 representing an upside of 10.5%, from the current price of Kshs 13.15 as of 28th August 2026.
- HFCB is currently trading at a P/TBV of 1.4x and a P/E of 13.8x vs an industry average of 1.3x and 6.9x respectively.