Below is a summary of NCBA Group's H1'2026 performance:

Balance Sheet Items	H1'2025	H1'2026	y/y change
Net Loans and Advances	288.1	345.9	20.1%
Government Securities	180.1	220.6	22.5%
Total Assets	**663.0**	**739.4**	**11.5%**
Customer Deposits	497.0	551.4	11.0%
Deposits per Branch	4.3	4.5	4.6%
Total Liabilities	544.5	607.9	11.6%
Shareholders' Funds	**118.5**	**131.5**	**11.0%**

Key Ratios	H1'2025	H1'2026	% points change
Loan to Deposit Ratio	58.0%	62.7%	4.8%
Government Securities to Deposit ratio	36.2%	40.0%	3.8%
Return on average equity	21.0%	19.8%	(1.2%)
Return on average assets	3.4%	3.5%	0.1%
Dividend Payout Ratio	37.3%	49.9%	12.6%
Dividend Yield	5.4%	6.5%	1.0%

Income Statement	H1'2025	H1'2026	y/y change
Net Interest Income	20.8	25.1	20.4%
Net non-Interest Income	14.5	15.6	7.6%
Total Operating income	**35.3**	**40.7**	**15.1%**
Loan Loss provision	3.2	5.2	60.3%
Total Operating expenses	**21.8**	**24.7**	**13.3%**
Profit before tax	13.6	15.5	14.3%
Profit after tax	**11.0**	**12.4**	**12.2%**
Core EPS	**6.7**	**7.5**	**12.2%**
Dividend Per Share	**2.50**	**3.75**	**50.0%**
Dividend payout ratio	**37.3%**	**49.9%**	**12.6%**
Dividend Yield (Annualized)	**5.4%**	**6.5%**	**1.04%**

Income Statement Ratios	H1'2025	H1'2026	% points change
Yield from interest-earning assets	12.4%	11.6%	(0.8%)
Cost of funding	6.1%	4.2%	(2.0%)
Net Interest Spread	6.3%	7.4%	1.2%
Net Interest Margin	6.7%	7.9%	1.2%
Cost of Risk	9.1%	12.7%	3.6%
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	61.6%	60.7%	(1.0%)
Cost to Income Ratio without LLP	52.5%	47.9%	(4.6%)

Capital Adequacy Ratios	H1'2025	H1'2026	% points change
Core Capital/Total Liabilities	21.7%	20.7%	(1.0%)
Minimum Statutory ratio	8.0%	8.0%	
Excess	**13.7%**	**12.7%**	**(1.0%)**
Core Capital/Total Risk Weighted Assets	22.3%	21.6%	(0.7%)
Minimum Statutory ratio	10.5%	10.5%	
Excess	**11.8%**	**11.1%**	**(0.7%)**
Total Capital/Total Risk Weighted Assets	22.4%	21.7%	(0.7%)

Minimum Statutory ratio	14.5%	14.5%	
Excess	**7.9%**	**7.2%**	**(0.7%)**
Liquidity Ratio	57.1%	59.3%	2.2%
Minimum Statutory ratio	20.0%	20.0%	
Excess	**37.1%**	**39.3%**	**2.2%**

Income Statement

- Core earnings per share increased by 12.2% to Kshs 7.5, from Kshs 6.7 in H1’2025, mainly driven by the 15.1% increase in total operating income to Kshs 40.7 bn, from Kshs 35.3 bn in H1’2025, which was weighed down by the 13.3% increase in total operating expenses to Kshs 24.7 bn, from Kshs 21.8 bn in H1’2025,
- The 15.1% increase in total operating income was mainly driven by the 20.4% increase in Net Interest Income to Kshs 25.1 bn, from Kshs 20.8 bn in H1’2025. Non funded Income (NFI) increased by 7.6% to Kshs 15.6 bn, from Kshs 14.5 bn in H1’2025,
- Interest income increased by 7.6% to Kshs 36.5 bn from Kshs 34.0 bn in H1’2025, mainly driven by a 12.3% increase in interest income from Government Securities to Kshs 14.2 bn from Kshs 12.6 bn in H1’2025, coupled with a 44.8% increase in interest income from deposits and placements to Kshs 1.9 bn, from Kshs 1.3 bn in H1’2025, and a 2.0% increase in interest income from loans and advances to Kshs 20.4 bn from Kshs 20.0 bn in H1’2025. Consequently, the Yield on Interest-Earning Assets (YIEA) decreased by 0.8% points to 11.6% from 12.4% recorded in H1’2025, mainly attributable to the 1.3% decrease in trailing interest income to Kshs 70.7 bn from Kshs 71.6 bn in H1’2025 despite the 5.3% increase in average interest earning assets to Kshs 609.6 bn from Kshs 579.1 bn in H1’2025,
- Interest expenses declined by 12.8% to Kshs 11.4 bn, from Kshs 13.1 bn in H1’2025, driven by 11.3% decrease in interest from customer deposits to Kshs 10.9 bn, from Kshs 12.2 bn in H1’2025, coupled with a 63.5% decrease in interest expense from deposits and placements to Kshs 0.2 bn from Kshs 0.6 bn in H1’2025. However, other interest expenses increased by 20.4% to Kshs 0.4 bn in H1’2026, from Kshs 0.3 bn recorded in H1’2025. Consequently, Cost of funds (COF) decreased by 2.0% points to 4.2%, from 6.1% recorded in H1’2025, owing to a faster 0.6% increase in average interest bearing liabilities to Kshs 538.1 bn from Kshs 534.9 bn in H1’2025, compared to the 31.6% decrease in Trailing interest expense to Kshs 22.4 bn, from Kshs 32.7 bn in H1’2025. Net Interest Margin (NIM) increased by 1.2% points to 7.9% from 6.7% in H1’2025, attributable to the 5.3% increase in average interest earning assets to Kshs 609.6 bn, from Kshs 579.1 bn in H1’2025, coupled with 24.2% increase in trailing net interest income to Kshs 48.3 bn, from Kshs 38.9 bn recorded in H1’2025,
- Non-Funded Income (NFI) increased by 7.6% to Kshs 15.6 bn from Kshs 14.5 bn in H1’2025, mainly driven by a 9.5% increase in fees and commissions on loans to Kshs 6.8 bn from Kshs 6.3 bn in H1’2025 coupled with an 8.4% increase in the foreign exchange trading income to Kshs 2.6 bn from Kshs 2.4 bn in H1’ 2025 and a 8.3% in other fees and commissions to Kshs 3.2 bn from Kshs 3.0 bn in H1’2025. The revenue mix shifted to 62:38 from 59:41 in H1’2025 for the funded to non-funded income owing to the 20.4% growth in Funded Income to 25.1 bn in H1’2026 from 20.8 bn in H1’2025, compared to 7.6% growth in Non Funded Income to 15.6 bn from 14.5 bn in H1’2025.
- Total operating expenses increased by 13.3% to Kshs 24.7 bn from Kshs 21.8 bn in H1’2025, driven by 60.3% increase in loan loss provisions to Kshs 5.2 bn from Kshs 3.2 bn in H1’2025, coupled with the 10.7 % increase in staff costs to Kshs 8.6 bn from Kshs 7.7 bn in H1’2025 and the 1.2% increase in other operating expenses to Kshs 10.9 bn from Kshs 10.8 bn in H1’2025.
- Cost to Income Ratio (CIR) decreased by 1.0% points to 60.7% from 61.7% in H1’2025, owing to the 13.3% increase in total operating expenses,which fairly matched by a 15.1% increase in total operating income. CIR without LLP decreased by 4.6% points to 47.9% from 52.5% recorded in H1’2025, and,
- Profit before tax increased by 14.3% to Kshs 15.5 bn from Kshs 13.6 bn in H1’2025, with effective tax rate increasing by 1.5% to 20.0% in H1’2026 from 18.5% in H1’2025. As such, profit after tax increased by 12.2% to Kshs 12.4 bn, from Kshs 11.0 bn in H1’2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 11.5% to Kshs 739.4 bn, from Kshs 663.0 bn in H1’2025, mainly driven by a 20.1% loan book expansion to Kshs 345.9 bn from Kshs 288.1 bn in H1’2025, supported by 22.5% increase in investment in government securities to Kshs 220.6 bn, from Kshs 180.1 bn in H1’2025,
- Total liabilities increased by 11.6% to Kshs 607.9 bn from Kshs 544.5 bn in H1’2025, driven by a 11.0% increase in customer deposits to Kshs 551.4 bn, from Kshs 497.0 bn in H1’2025, coupled with a increase in placements by 18.0% to Kshs 6.9 bn in H1’2026 from Kshs 5.8 bn in H1’2025. However, the increase was weighed down by a 21.0% decrease in borrowings to Kshs 6.7 bn in H1’ 2026 from Kshs 8.5 bn in H1’2025.
- The 11.0% increase in customer deposits as compared to the 20.1% increase in loans led to a 4.8% points increase in the loan to deposits ratio to 62.7%, from 58.0% in H1’2025,
- The bank’s Asset Quality improved, with Gross NPL ratio reduced by 1.4% points to 10.8% in H1’2026 from 12.2% in H1’2025, attributable to the the 5.7% increase in gross non-performing loans to Kshs 40.3 bn, from Kshs 38.1 bn in H1’2025, which was outpaced by the 19.1% increase in gross loans to Kshs 373.0 bn, from Kshs 313.1 bn recorded in H1’2025,
- General Provisions (LLP) increased by 0.6% to remain relatively unchanged from Kshs 13.8 bn in H1’2025. The NPL coverage increased by 2.8% points to 67.4% in H1’2026, from 65.5% in H1’2025, attributable to 18.5% increase in interest in suspense to Kshs 13.3 bn in H1’2026 from Kshs 11.2 bn in H1’2025 and 5.7% increase in gross non-performing loans to Kshs 40.3 bn from Kshs 38.1 bn recorded in H1’2025..
- Shareholders’ funds increased by 11.0% to Kshs 131.5 bn in H1’2026, from Kshs 118.5 bn in H1’2025, supported by a 14.7% increase in retained earnings to Kshs 101.8 bn, from Kshs 88.8 bn in H1’ 2025,
- NCBA Bank remained capitalized with a core capital to risk-weighted assets ratio of 21.6%, 11.1% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 21.7% exceeding the statutory requirement of 14.5% by 7.2% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.5%, and a Return on Average Equity (ROaE) of 19.8%.

Key Take-Outs:

1. **Increased earnings –** Core earnings per share increased by 12.2% to Kshs 7.5, from Kshs 6.7 in H1’2025, mainly driven by the 15.1% increase in total operating income to Kshs 40.7 bn, from Kshs 35.3 bn in H1’2025, which outpaced the 13.3% increase in total operating expenses to Kshs 24.7 bn, from Kshs 21.8 bn in H1’2025
2. **Improved asset quality –** The bank’s Asset Quality improved, with Gross NPL ratio reducing by 1.4% points to 10.8% in H1’2026 from 12.2% in H1’2025, attributable to the the 5.7% increase in gross non-performing loans to Kshs 40.3 bn, from Kshs 38.1 bn in H1’2025, which was outpaced by the 19.1% increase in gross loans to Kshs 373.0 bn, from Kshs 313.1 bn recorded in H1’2025
3. **Increased Lending –** The bank’s loan book recorded an expansion of 20.1% to Kshs 345.9 bn from Kshs 288.1 bn in H1’2025.
4. **Expanded Balance sheet-** The balance sheet recorded an expansion as total assets increased by 11.5% to Kshs 739.4 bn, from Kshs 663.0 bn in H1’2025, mainly driven by a 20.1% loan book expansion to Kshs 345.9 bn from Kshs 288.1 bn in H1’2025, supported by 22.5% increase in investment in government securities to Kshs 220.6 bn, from Kshs 180.1 bn in H1’2025.
5. **Dividend declaration** - The Board of Directors recommended an interim dividend of Kshs 3.75 per share translating to an annualized dividend yield of 6.5% and dividend payout ratio of 49.9% in H1’2026 from an annualized dividend yield of 5.4% and a dividend payout ratio of 37.3% in H1’2025

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

- **Revenue diversification -** The lender has also capitalized on revenue diversification and increasing the bottom line contribution of all the business lines.
- **Acquisition by Nedbank:** The Nedbank acquisition is expected to support NCBA's long-term growth by providing access to greater capital, expertise and capabilities in corporate banking, infrastructure finance, wealth management and technology. This could help NCBA pursue larger financing opportunities, deepen regional operations and accelerate digital and wealth-management growth, strengthening its competitive position across East Africa.

Valuation Summary

- We are of the view that NCBA Group is a "Buy" with a target price of Kshs 108.9 representing an upside of 26.1%, inclusive of a dividend yield of 7.7%, from the current price of 92.0 as of 7th August 2026.
- NCBA Group is currently trading at a P/TBV of 1.2x and a P/E of 6.1x vs an industry average of 1.2x and 6.3x respectively.