

Below is a summary of NCBA Group's Q1'2026 performance:

Balance Sheet Items	Q1'2025	Q1'2026	y/y change
Net Loans and Advances	287.0	324.4	13.0%
Government Securities	187.5	216.6	15.6%
Total Assets	656.0	741.1	12.98%
Customer Deposits	495.7	544.4	9.8%
Deposits per Branch	4.3	4.4	3.6%
Total Liabilities	539.7	607.7	12.6%
Shareholders' Funds	116.3	133.4	14.7%

Key Ratios	Q1'2025	Q1'2026	% points change
Loan to Deposit Ratio	57.9%	59.6%	1.7%
Government Securities to Deposit ratio	37.8%	39.8%	2.0%
Return on average equity	20.5%	19.1%	(1.4%)
Return on average assets	3.3%	3.4%	0.2%

Income Statement	Q1'2025	Q1'2026	y/y change
Net Interest Income	10.0	12.2	22.0%
Net non-Interest Income	7.4	7.8	6.3%
Total Operating income	17.3	20.0	15.4%
Loan Loss provision	1.6	2.5	56.2%
Total Operating expenses	10.5	12.2	16.6%
Profit before tax	6.8	7.4	8.8%
Profit after tax	5.5	6.0	8.8%
Core EPS	3.3	3.6	8.8%

Income Statement Ratios	Q1'2025	Q1'2026	% points change
Yield from interest-earning assets	12.8%	11.5%	(1.3%)
Cost of funding	7.0%	4.2%	(2.8%)
Net Interest Spread	5.8%	7.3%	1.5%
Net Interest Margin	6.3%	7.7%	1.5%
Cost of Risk	9.4%	12.7%	3.3%
Net Interest Income as % of operating income	57.5%	60.8%	3.3%
Non-Funded Income as a % of operating income	42.5%	39.2%	(3.3%)
Cost to Income Ratio	60.6%	61.2%	0.7%
Cost to Income Ratio without LLP	51.2%	48.6%	(2.7%)

Capital Adequacy Ratios	Q1'2025	Q1'2026	% points change
Core Capital/Total Liabilities	21.2%	20.9%	(0.3%)
Minimum Statutory ratio	8.0%	8.0%	
Excess	13.2%	12.9%	(0.3%)
Core Capital/Total Risk Weighted Assets	21.5%	21.7%	0.2%
Minimum Statutory ratio	10.5%	10.5%	
Excess	11.0%	11.2%	0.2%
Total Capital/Total Risk Weighted Assets	21.6%	21.8%	0.2%
Minimum Statutory ratio	14.5%	14.5%	
Excess	7.1%	7.3%	0.2%
Liquidity Ratio	55.8%	63.9%	8.2%
Minimum Statutory ratio	20.0%	20.0%	
Excess	35.8%	43.9%	8.2%

Income Statement

- Core earnings per share increased by 8.8% to Kshs 3.6, from Kshs 3.3 in Q1'2025, mainly driven by the 15.4% increase in total operating income to Kshs 20.0 bn, from Kshs 17.3 bn in Q1'2025, which was weighed down by the 16.6% increase in total operating expenses to Kshs 12.2 bn, from Kshs 10.5 bn in Q1'2025,
- The 15.4% increase in total operating income was mainly driven by the 22.0% increase in Net Interest Income to Kshs 12.2 bn, from Kshs 10.0 bn in Q1'2025. Non funded Income (NFI) increased by 6.3% to Kshs 7.8 bn, from Kshs 7.4 bn in Q1'2025,
- Interest income increased by 3.0% to Kshs 17.7 bn from Kshs 17.2 bn in Q1'2025, mainly driven by a 4.2% increase in interest income from Government Securities to Kshs 6.6 bn from Kshs 6.3 bn in Q1'2025, coupled with a 108.8% increase in interest income from deposits and placements to Kshs 1.1 bn, from Kshs 0.5 bn in Q1'2025. However, this was weighed down by a 3.0% decrease in interest income from loans and advances to Kshs 10.0 bn from Kshs 10.3 bn in Q1'2025. Consequently, the Yield on Interest-Earning Assets (YIEA) decreased by 1.3% points to 11.5% from 12.8% recorded in Q1'2025, mainly attributable to the 6.9% decrease in trailing interest income to Kshs 68.7 bn from Kshs 73.8 bn in Q1'2025 despite the 3.4% increase in average interest earning assets to Kshs 598.3 bn from Kshs 578.5 bn in Q1'2025,
- Interest expenses declined by 23.3% to Kshs 5.5 bn, from Kshs 7.2 bn in Q1'2025, driven by 20.2% decrease in interest from customer deposits to Kshs 5.3 bn, from Kshs 6.6 bn in Q1'2025. Additionally, other interest expenses increased by 1.5% to Kshs 0.19 bn in Q1'2026, from Kshs 0.18 bn recorded in Q1'2025. Interest expense from deposits and placements decreased by 80.9% to Kshs 0.08 bn, from Kshs 0.43 bn in Q1'2025. Consequently, Cost of funds (COF) decreased by 2.8% points to 4.2%, from 7.0% recorded in Q1'2025, owing to a faster 0.3% decrease in average interest bearing liabilities to Kshs 535.2 bn from Kshs 536.7 bn in Q1'2025, compared to the 40.4% decrease in Trailing interest expense to Kshs 22.4 bn, from Kshs 37.5 bn in Q1'2025. Net Interest Margin (NIM) increased by 1.5% points to 7.7% from 6.3% in Q1'2025, attributable to the 3.4% increase in average interest earning assets to Kshs 598.3 bn, from Kshs 578.5 bn in Q1'2025, coupled with 27.8% increase in trailing net interest income to Kshs 46.3 bn, from Kshs 36.2 bn recorded in Q1'2025,
- Non-Funded Income (NFI) increased by 6.3% to Kshs 7.8 bn from Kshs 7.4 bn in Q1'2025, mainly driven by a 20.7% increase in the foreign exchange trading income to Kshs 1.4 bn from Kshs 1.2 bn in Q1' 2025 coupled with a 6.0% increase in fees and commissions on loans to Kshs 3.3 bn from Kshs 3.1 bn in Q1'2025. The revenue mix shifted to 61:39 from 58:42 in Q1'2025 for the funded to non-funded income owing to the 22.0% growth in Funded Income, compared to 6.3% growth in Non Funded Income,
- Total operating expenses increased by 16.6% to Kshs 12.2 bn from Kshs 10.5 bn in Q1'2025, driven by 56.2% increase in loan loss provisions to Kshs 2.5 bn from Kshs 1.6 bn in Q1'2025, coupled with the 13.6 % increase in staff costs to Kshs 4.2 bn from Kshs 3.7 bn in Q1'2025 and the 6.4% increase in other operating expenses to Kshs 5.5 bn from Kshs 5.2 bn in Q1'2025.
- Cost to Income Ratio (CIR) increased by 0.7% points to 61.2% from 60.6% in Q1'2025, owing to the 16.6% increase in total operating expenses, which fairly matched by a 15.4% increase in total operating income. CIR without LLP decreased by 2.7% points to 48.6% from 51.2% recorded in Q1'2025, and,
- Profit before tax increased by 8.8% to Kshs 7.4 bn from Kshs 6.8 bn in Q1'2025, with effective tax rate remaining unchanged from the 19.7% recorded in Q1'2025. As such, profit after tax increased by 8.8% to Kshs 6.0 bn, from Kshs 5.5 bn in Q1'2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 13.0% to Kshs 741.1 bn, from Kshs 656.0 bn in Q1'2025, mainly driven by a 13.0% loan book expansion to Kshs 324.4 bn from Kshs 287.0 bn in Q1'2025, supported by 15.6% increase in investment in government securities to Kshs 216.6 bn, from Kshs 187.5 bn in Q1'2025,
- Total liabilities increased by 12.6% to Kshs 607.7 bn from Kshs 539.7 bn in Q1'2025, driven by a 9.8% increase in customer deposits to Kshs 544.4 bn, from Kshs 495.7 bn in Q1'2025, coupled with a increase in placements by

190.8% to Kshs 11.6 bn in Q1'2026 from Kshs 4.0 bn in Q1'2025. However, the increase was weighed down by a 14.5% decrease in borrowings to Kshs 6.7 bn in Q1' 2026 from Kshs 7.9 bn in Q1'2025.

- The 9.8% increase in customer deposits as compared to the 13.0% increase in loans led to a 1.7% points increase in the loan to deposits ratio to 59.6%, from 57.9% in Q1'2025,
- The bank's Asset Quality improved, with Gross NPL ratio reduced by 0.9% points to 11.2% in Q1'2026 from 12.2% in Q1'2025, attributable to the the 3.9% increase in gross non-performing loans to Kshs 39.3 bn, from Kshs 37.8 bn in Q1'2025, which was outpaced by the 12.7% increase in gross loans to Kshs 350.4 bn, from Kshs 310.8 bn recorded in Q1'2025,
- General Provisions (LLP) increased by 1.8% to Kshs 13.8 bn in Q1'2026 from Kshs 13.6 bn in Q1'2025. The NPL coverage increased by 5.1% points to 66.2% in Q1'2026, from 63.0% in Q1'2025, attributable to 19.1% increase in interest in suspense to Kshs 12.2 bn in Q1'2026 from Kshs 10.2 bn in Q1'2025 and 3.9% increase in gross non-performing loans to Kshs 39.3 bn from Kshs 37.8 bn recorded in Q1'2025 coupled with the the 1.8% increase in general provisions to Kshs 13.8 bn, from Kshs 13.6 bn in Q1'2025.
- Shareholders' funds increased by 14.7% to Kshs 133.4 bn in Q1'2026, from Kshs 116.3 bn in Q1'2025, supported by a 14.6% increase in retained earnings to Kshs 95.4 bn, from Kshs 83.2 bn in Q1' 2025,
- NCBA Bank remained capitalized with a core capital to risk-weighted assets ratio of 21.7%, 11.2% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 21.8% exceeding the statutory requirement of 14.5% by 7.3% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.4%, and a Return on Average Equity (ROaE) of 19.1%.

Key Take-Outs:

1. **Increased earnings** – Core earnings per share increased by 8.8% to Kshs 3.6, from Kshs 3.3 in Q1'2025, mainly driven by the 15.4% increase in total operating income to Kshs 20.0 bn, from Kshs 17.3 bn in Q1'2025. The performance was weighed down by the 16.6% increase in total operating expenses to Kshs 12.2 bn, from Kshs 10.5 bn in Q1'2025
2. **Improved asset quality** – The bank's Asset Quality improved, with Gross NPL ratio reduced by 0.9% points to 11.2% in Q1'2026 from 12.2% in Q1'2025, attributable to the the 3.9% increase in gross non-performing loans to Kshs 39.3 bn, from Kshs 37.8 bn in Q1'2025, which was outpaced by the 12.7% increase in gross loans to Kshs 350.4 bn, from Kshs 310.8 bn recorded in Q1'2025
3. **Increased Lending** – The bank's loan book recorded an expansion of 13.0% to Kshs 324.4 bn from Kshs 287.0 bn in Q1'2025 attributed to increased credit risk aversion with NPLs decreasing to 11.2% in March 2026, from 12.2% in March 2025.
4. **Expanded Balance sheet**- The balance sheet recorded an expansion as total assets increased by 13.0% to Kshs 741.1 bn, from Kshs 656.0 bn in Q1'2025, mainly driven by a 13.0% loan book expansion to Kshs 324.4 bn from Kshs 287.0 bn in Q1'2025.

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.
- **Proposed acquisition by Nedbank:** NCBA received an offer from Nedbank to acquire 66.0% of the issued share capital, by way of a partial offer to the existing shareholders. Once approved, NCBA will become a subsidiary of Nedbank, with the remaining 34.0% continuing to be listed on the NSE. This will enable NCBA to have a stronger capital base and have more avenues for regional expansion.

Valuation Summary

- We are of the view that NCBA Group is a "Buy" with a target price of Kshs 103.3 representing an upside of 25.1%, inclusive of a dividend yield of 8.0%, from the current price of 88.25 as of 22nd May 2026.
- NCBA Group is currently trading at a P/TBV of 1.2x and a P/E of 6.2x vs an industry average of 1.1x and 5.7x respectively.