## 1. Market Overview

- Global equity markets recorded broad-based gains during the month, supported by resilient corporate earnings and improving investor sentiment. Emerging markets outperformed developed markets, with MSCI Emerging Markets gaining 3.2% m/m, while the S&P 500 and MSCI World rose 2.6% and 2.5%, respectively. Frontier markets gained 1.3%, although performance remained more selective amid uncertainty around the global interest-rate outlook and the geopolitical concerns.

- African equity markets continued to outperform global peers, supported by improving domestic fundamentals, strong corporate earnings, attractive valuations, and sustained local liquidity. Egypt led the markets under our coverage, gaining 9.2% m/m, while Tanzania, Uganda, and Kenya also recorded strong gains. Ghana and Nigeria moderated following their substantial YTD rallies, reflecting profit-taking, while South Africa remained broadly flat YTD despite a 4.3% m/m recovery.

- The Kenyan equity market maintained its strong upward momentum, with NASI gaining 5.7% m/m to 251.33 and market capitalization rising to KES 4.22Tr. Financial stocks remained the key performance drivers, supported by resilient earnings, improving asset quality, and attractive dividend yields. Britam remained the standout YTD performer, while DTB and I&M led monthly gains among banks. Trading activity also strengthened significantly, with equity turnover rising 71.5% m/m to KES 27.6Bn. However, foreign investors recorded a higher net outflow of KES 4.5Bn, indicating increased profit-taking following the market's strong YTD rally.

- The fixed income market remained stable, supported by strong demand for government securities and improved liquidity conditions. CBK raised approximately KES 334.5Bn through bond reopenings and a bond switch during August, while secondary-market bond turnover increased 69.5% m/m to KES 323.2Bn. The stable shilling, improving external sector fundamentals, and Fitch Ratings' affirmation of Kenya's B- sovereign rating with a Stable Outlook provided additional investor confidence. However, elevated government domestic borrowing requirements remain a key factor to watch for yield movements.

- Corporate activity remained robust, with continued shareholder distributions and capital-market activity. Notable announcements included dividend declarations by EABL, NCBA, KCB, Car & General, Absa, Stanbic, Standard Chartered, and BOC Kenya. The continued strength in dividend payouts reinforces the attractiveness of the local market for income-oriented investors.

- Looking ahead, we expect market performance to become increasingly driven by earnings delivery and company-specific catalysts rather than broad-based valuation rerating. Following the strong YTD gains, particularly across East African markets, profit-taking and valuation risks are likely to increase. We therefore maintain a constructive but selective outlook, favoring companies with strong earnings visibility, improving profitability, robust balance sheets, attractive dividend yields, and reasonable valuations.

- With the CBR maintained at 8.75%, potential easing in funding costs and improving credit demand should remain supportive of banking-sector earnings, while geopolitical tensions, higher inflation, elevated oil prices, global rates, and government borrowing needs remain key risks.

## 2. Global & Regional Markets: August 2026

Regional equity markets continued to outperform global peers in August, supported by resilient domestic liquidity, improving macroeconomic conditions, attractive valuations, and strong corporate earnings. From the indices we track, Egypt emerged as the strongest-performing market M/M, extending its strong YTD performance to 57.2%. The rally was supported by continued economic reforms, improved investor sentiment, and renewed foreign participation.

East African markets also delivered strong gains during the month. The performance was supported by strong banking sector earnings, improving domestic macroeconomic conditions, and sustained institutional investor demand. Tanzania and Uganda remained among the strongest-performing markets YTD, gaining 59.4% and 43.2%, respectively.

Performance across West Africa was more mixed, with Ghana's GGSECI declining 2.3% M/M and Nigeria's NGXINDX falling 0.4%, reflecting profit-taking following their substantial YTD rallies. Despite the monthly declines, both markets retained strong YTD gains of 72.0% and 56.0%, respectively. South Africa gained 4.3% M/M, although its YTD performance remained broadly flat at 0.1%.

Global equity markets also recorded broad-based gains in August, with most major indices outperforming their July performance. The Dow Jones Global Index led developed markets, followed by the S&P 500 and MSCI World. Emerging markets outperformed developed markets, with the MSCI Emerging Markets Index gaining 3.2%, while the MSCI Emerging Frontier Markets Index rose a more modest 1.3%. MSCI Europe lagged, gaining just 0.3% M/M, reflecting continued concerns around the region's softer economic backdrop.

The broad-based gains suggest a more constructive global risk environment, supported by resilient corporate earnings and an improvement in geopolitical sentiment during the month. However, the escalation of tensions in the Middle East and elevated oil prices present a growing risk to the inflation outlook. A sustained increase in energy prices could lead to headline inflation and inflation expectations, potentially limiting the pace of monetary easing and keeping market yields elevated. This could weigh on investor sentiment and increase volatility, particularly if the U.S. Federal Reserve adopts a more hawkish stance or delays rate cuts. Against this backdrop, strong gains across several African markets continue to highlight the attractiveness of markets benefiting from improving domestic fundamentals and relatively compelling valuations, although rising global yields could moderate foreign portfolio flows.

**Outlook**: We maintain a constructive but more cautious outlook on African equities, particularly East Africa, where improving macroeconomic conditions, resilient corporate earnings, and strong local liquidity remain supportive. However, following the significant YTD gains across several markets, selectivity and valuation discipline will become increasingly important. We favor fundamentally strong companies, while remaining mindful of profit-taking risks in markets that have experienced sharp rallies.

Globally, inflation, monetary policy expectations, and corporate earnings will remain the key drivers of market performance. The recent rise in oil prices, driven by heightened Middle East tensions, presents an upside risk to inflation and could complicate the global rate-cutting cycle. Consequently, markets are increasingly pricing a more hawkish monetary policy environment, with the potential for the Fed to maintain higher rates for longer if inflationary pressures persist. Higher-for-longer rates could keep global bond yields elevated, strengthen the dollar, and reduce the relative attractiveness of emerging and frontier market assets. We therefore expect greater market volatility and more selective capital allocation in the near term, with investors likely to favor markets and companies with strong earnings visibility, robust balance sheets, and attractive valuations.

**Regional Market Performance**

| Country | Index | M/M % Δ | YTD % Δ |
|---|---|---|---|
| Kenya | NASI | 5.7% | 34.1% |
| Uganda | USE ALSI | 6.5% | 43.2% |
| Tanzania | DARSDSEI | 6.0% | 59.4% |
| Nigeria | NGXINDX | (0.4%) | 56.0% |
| Ghana | GGSECI | (2.3%) | 72.0% |
| South Africa | JALSH | 4.3% | 0.1% |
| Egypt | EGX100 EWI | 9.2% | 57.2% |

*Source: Bloomberg, KCB IB*

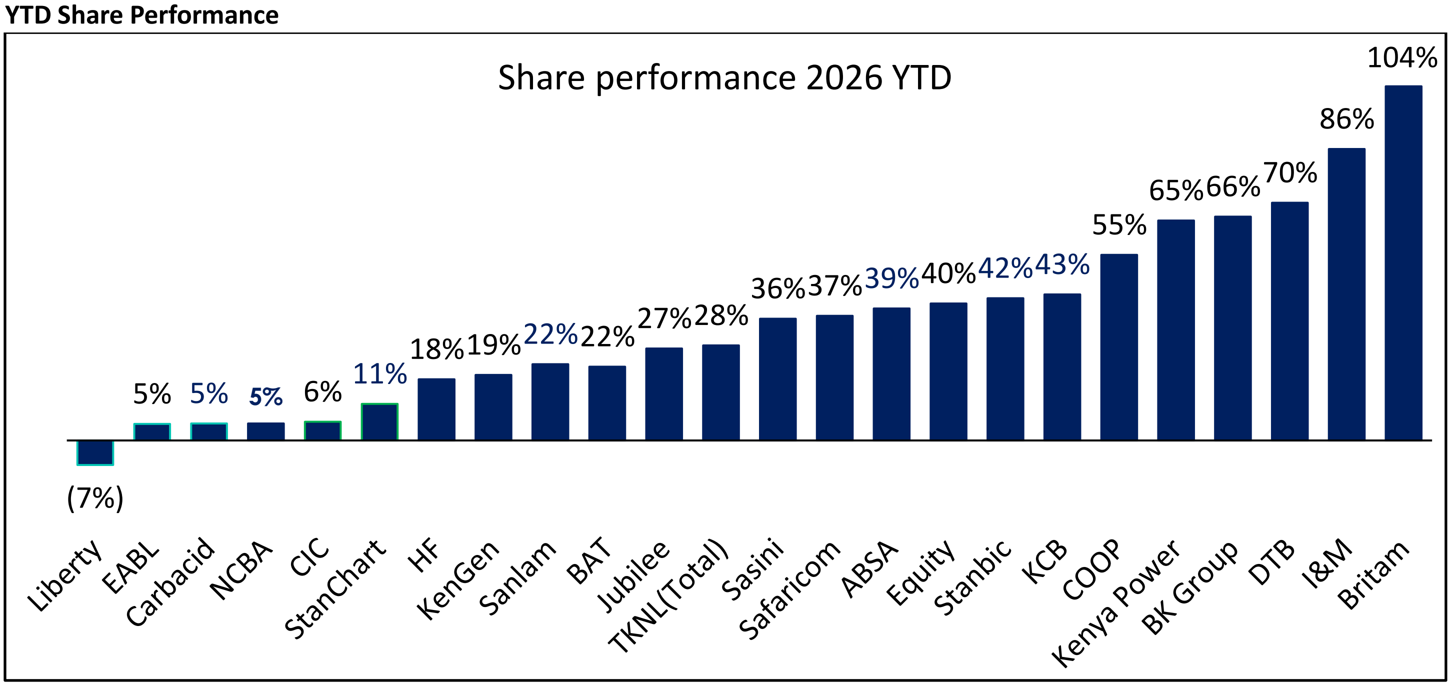
**Global Market Performance**

| Global Index | Index | M/M % Δ | YTD % Δ |
|---|---|---|---|
| S&P 500 | SPX Index | 2.6% | 12.1% |
| MSCI World | MXWO Index | 2.5% | 11.8% |
| Dow Jones Global | W1DOW Index | 2.8% | 12.8% |
| MSCI Emerging Mkts | MXEF Index | 3.2% | 20.3% |
| MSCI Emerging Frontier | MXFEM Index | 1.3% | 14.0% |
| MSCI Europe Index | MXEU Index | 0.3% | 9.3% |

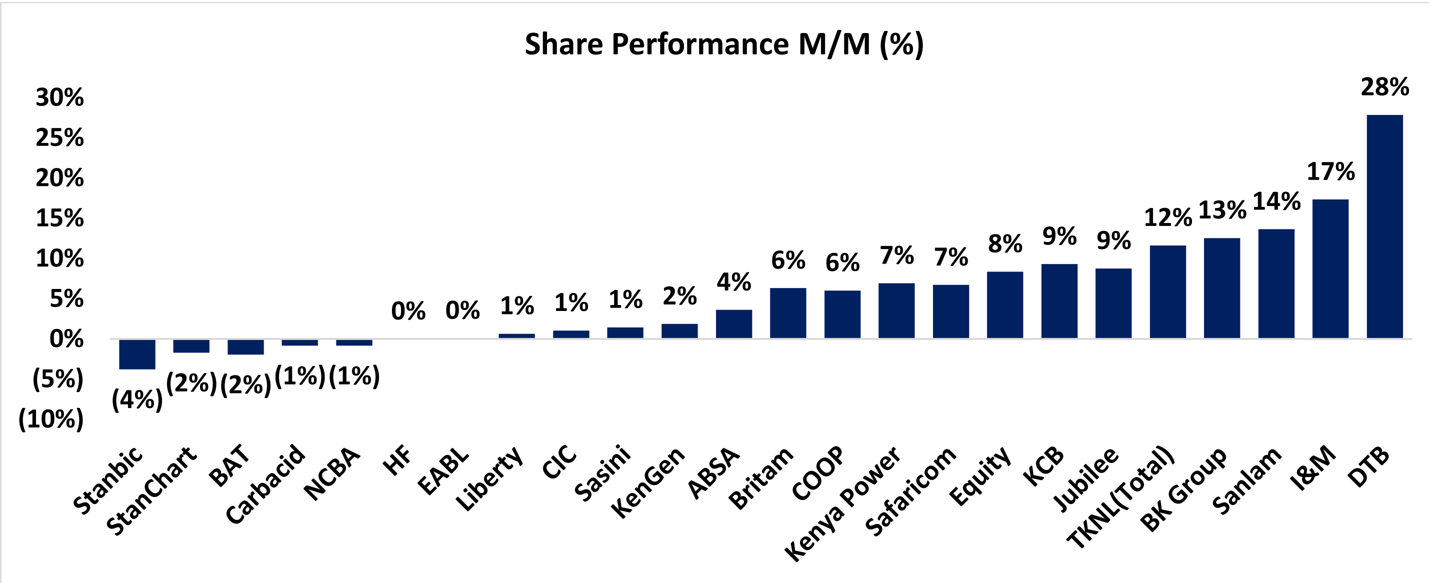
*Source: Bloomberg, KCB IB*

## 3. Local Equities Market

**YTD Share Performance**



*Source: NSE, KCB IB*




*Source: NSE, KCB IB*

- The local equity market extended its upward momentum during the month, supported by reasonable valuations, strong corporate fundamentals, and sustained domestic investor demand, despite continued geopolitical uncertainties globally.

- Financial stocks remained the primary drivers of market performance, underpinned by strong earnings and resilient investor confidence. Britam emerged as the standout performer, gaining approximately 104% YTD. Within the banking sector, DTB and I&M led monthly gains and remained the top gainers on a YTD basis.

- Performance across the broader market was largely positive. However, Stanbic, Standard Chartered, BAT, Carbacid and NCBA moderated during the month, reflecting profit taking and following strong price appreciation.

**Market Performance**

NSE extended its bullish momentum in August 2026, with NASI gaining 5.66% m/m to 251.33. Similarly, the NSE 20 and NSE 25 indices advanced by 5.67% and 5.92%, respectively, reflecting broad-based gains across the market. Consequently, total market capitalization increased by 5.66% to KES 4.22Tr.

**Actively traded**: Equity market activity improved during the month, with equities turnover increasing by 71.5% m/m to KES 27.60Bn, with the number of shares traded increasing 69.88% to 781.5Mn shares, following the exceptionally high trading activity recorded in August. Safaricom remained the most actively traded counter, accounting for 33.92% of total market turnover, followed by Equity (13.46%), KCB Group (10.35%), Coop (6.94%), and Diamond Trust Bank (5.81%).

**Top gainers:** Shri Krishna Overseas emerged as the month's top performer, appreciating 99.07% to KES 21.5. Other notable gainers included Car & General, Africa Mega Agricorp, Unga, and Diamond Trust Bank.

**Top losers:** On the downside, Kapchorua led the decliners with a 9.59% monthly loss. Other notable laggards included Limuru Tea, Eaagads, Williamson Tea, and Umeme.

**Foreign Investor Activity**: Foreign investor activity increased during the month, with foreign purchases increasing by 38.2% to KES 4.9Bn, while foreign sales were up by 78.4% to KES 9.5Bn. Consequently, the market recorded a net foreign outflow of KES 4.5Bn, compared to a net outflow of KES 1.7Bn in July, reflecting strong foreign participation and renewed selling pressure from offshore investors.

**Local Market Performance**

| Indicator | 31-Jul-26 | 31-Aug-26 | % Δ |
|---|---|---|---|
| NASI | 237.86 | 251.33 | 5.66% |
| NSE-20 | 4,093.51 | 4,325.62 | 5.67% |
| NSE-25 | 6,571.20 | 6,960.48 | 5.92% |
| Mkt cap, KES Bn | 3,991.85 | 4,217.91 | 5.66% |
| Shares traded | 460,066,653.00 | 781,547,296.00 | 69.88% |
| Equities TO, KES | 16,091,061,565.00 | 27,595,480,346.00 | 71.50% |
| Foreign buy, KES | 3,567,922,370.00 | 4,929,452,340.00 | 38.16% |
| Foreign sell, KES | 5,313,444,658.00 | 9,476,337,072.00 | 78.35% |
| Net flows, KES | (1,745,522,288.00) | (4,546,884,733.00) | |

*Source: NSE, KCB IB*

**TOP GAINERS**

| Security | 31-Jul-26 | 31-Aug-26 | % Δ |
|---|---|---|---|
| SKL | 10.80 | 21.50 | 99.07% |
| CGEN | 156.50 | 257.50 | 64.54% |
| AMAC | 117.75 | 171.00 | 45.22% |
| UNGA | 32.90 | 42.35 | 28.72% |
| DTK | 152.50 | 195.00 | 27.87% |

*Source: NSE, KCB IB*

**TOP LOOSERS**

| Security | 31-Jul-26 | 31-Aug-26 | % Δ |
|---|---|---|---|
| KAPC | 375.25 | 339.25 | (9.59%) |
| LIMT | 538.00 | 490.00 | (8.92%) |
| EGAD | 28.45 | 26.10 | (8.26%) |
| WTK | 169.75 | 156.25 | (7.95%) |
| UMME | 7.04 | 6.50 | (7.67%) |

*Source: NSE, KCB IB*

**ACTIVELY TRADED**

| Security | 31-Jul-26 | 31-Aug-26 | % Turnover |
|---|---|---|---|
| SCOM | 4,433,731,066 | 7,649,478,425 | 33.92% |
| EQTY | 2,997,133,644 | 2,964,731,424 | 13.46% |
| KCB | 3,170,139,998 | 2,927,836,050 | 10.35% |
| COOP | 391,739,022 | 1,529,023,886 | 6.94% |

| | | | |
|---|---|---|---|
| DTK | 908,176,485 | 1,278,829,890 | 5.81% |

*Source: NSE, KCB IB*

## 4. Key Corporate Actions

**Cooperate Actions**

| Counter | Corporate Action | Amount Declared | Date Announced | Books Closure | Payment Date |
|---|---|---|---|---|---|
| Liberty | Final Div | KES 0.5 | 11-Mar-26 | 15-Jun-26 | 30-Aug-26 |
| Safaricom | Final Div | KES 1.15 | 7-May-26 | 4-Aug-26 | 4-Sep-26 |
| Crown Paints | Final Div | KES 3.00 | 25-May-26 | 26-Jun-26 | 31-Aug-26 |
| BAT Kenya | Interim DIv | KES 10.00 | 23-Jul-26 | 28-Aug-26 | 25-Sep-26 |
| Williamson Tea | Final Div | KES 15.00 | 25-Jun-26 | 31-Jul-26 | 2-Sep-26 |
| Kapchorua Tea | Final Div | KES 30.00 | 25-Jun-26 | 31-Jul-26 | 2-Sep-26 |
| EA Portland | Final Div | KES 1.25 | 22-Jun-26 | TBA | TBA |
| Centum | Fin & Spec Div | KES 0.78 | 31-Jul-26 | TBA | TBA |
| EABL | Final Div | KES 8.70 | 6-Aug-26 | 19-Oct-26 | 31-Oct-26 |
| NCBA | Interim Div | KES 3.70 | 6-Aug-26 | 28-Aug-26 | 8-Sep-26 |
| KCB | Interim Div | KES 3.00 | 13-Aug-26 | 2-Sep-26 | 10-Nov-26 |
| Car & General | Interim Div | KES 1.00 | 13-Aug-26 | 3-Sep-26 | 10-Sep-26 |
| Absa Bank | Interim Div | KES 0.50 | 18-Aug-26 | 18-Sep-26 | 15-Oct-26 |
| Stanbic | Interim Div | KES 1.64 | 6-Aug-26 | 1-Sep-26 | 5-Oct-26 |
| Stanchart | Interim Div | KES 8.50 | 19-Aug-26 | 1-Sep-26 | 24-Sep-26 |
| BOC | Interim Div | KES 4.00 | 21-Aug-26 | 21-Sep-26 | 19-Oct-26 |
| Kengen | Ful Year Div | KES 0.75 | 7-Sep-26 | 29-Oct-26 | 21-Jan-26 |

*Source: NSE, KCB IB*

## 5. Fixed Income Market

**Bonds primary market:** CBK raised approximately KES 334.5Bn through reopened IFB bond auction and bond switch transaction in August 2026, reflecting strong investor demand for government securities. Subscription levels remained robust and CBK maintained a disciplined pricing strategy. Bond switch transactions also continued to support the government's liability management strategy.

Looking ahead, CBK has reopened two bonds, FXD3/2019/15 & SDB1/2011/30, targeting to raise KES 60.0Bn in the September 2026 auction. Additionally, the CBK has announced a KES 10.0Bn Bond Switch offer, allowing holders of FXD1/2013/015, to switch into FXD4/2019/010.

**Secondary Market**: Activity in the secondary bond market increased during the month, with turnover increasing 69.54% m/m to KES 323.2Bn, from KES 190.6Bn recorded in July 2026, reflecting higher trading activity compared to the previous month.

| Indicator | 31-Jul-26 | 31-Aug-26 | % Δ |
|---|---|---|---|
| Bonds FV TO, KES | 190,608,225,332.00 | 323,151,161,119.00 | 69.54% |

*Source: NSE, KCB IB*

**Macros Update**

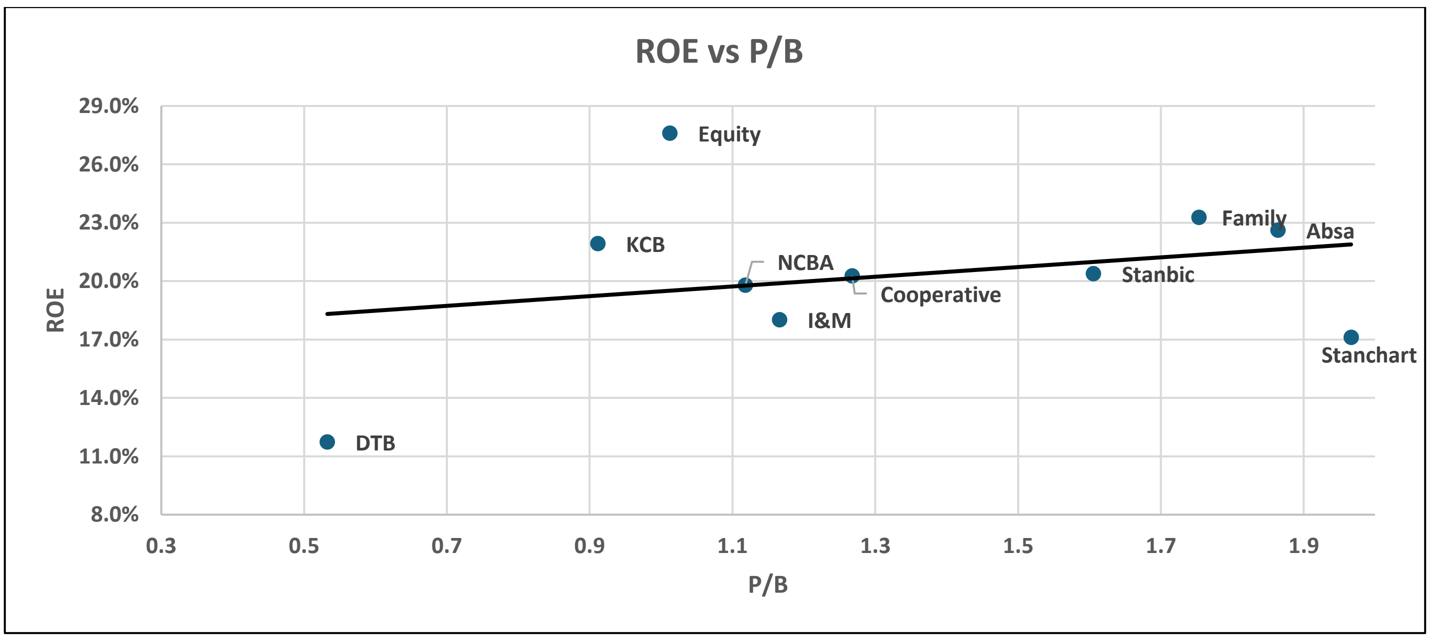
- **Private Sector Activity:** The Stanbic Bank Kenya Purchasing Managers' Index (PMI) fell to 49.7 in August, from 51.3 in July, slipping below the 50.0 threshold for the first time in three months and signaling a contraction in private sector activity. The decline was largely attributed to rising input costs and tighter cash-flow conditions, which weighed on business activity and new orders.

- **Inflation & Sovereign Rating**: Inflation edged up to 6.6% y/y in August, from 6.5% in July, reflecting continued price pressures in the economy. Meanwhile, Fitch Ratings affirmed Kenya's sovereign credit rating at B- with a Stable Outlook, providing some reassurance on the country's creditworthiness despite persistent fiscal and external financing pressures.

**6. Investment View: Stock Recommendations**

The market remains constructive but increasingly selective. While the broad rerating phase has largely played out, opportunities persist in fundamentally sound counters trading at reasonable valuations with clear earnings catalysts.

Valuation opportunities still exist in the banking sector and thus can be best assessed through the relationship between P/B and ROaE, which highlights how efficiently the market prices profitability. The banks are classified into distinct valuation quadrants:




*Source: Comp Financials, KCB IB*

Equity Group and KCB Group emerge as the most compelling investment opportunities, combining industry-leading profitability with relatively modest valuation multiples. Their positions above the valuation trend line suggest that the market has yet to fully reflect their earnings quality and growth potential.

Meanwhile, NCBA Group, Stanbic Bank, I&M & Co-operative Bank trade close to the trend line, indicating that their current valuations are broadly aligned with their profitability and implying balanced risk-return profiles.

Conversely, **Standard Chartered Kenya** trades at the highest P/B multiple despite generating comparatively lower returns on equity, suggesting that its valuation premium may constrain further upside. **DTB** remains the cheapest bank on a P/B basis but also posts the lowest ROE, limiting its near-term appeal unless profitability improves materially.

**Classification:**

**STARS (Profitability not fully priced)**: Attractive opportunities, combining high ROE with relatively low P/B ratios suggesting strong profitability that is not fully priced in. They give the highest return per unit of assets. (KCB Group, Equity Group)

**DIAMONDS (Premium Quality):** Delivers strong profitability (High ROE) supported by a premium valuation. While its high ROE justifies the premium, much of its earnings strength appears to be reflected in the current share price, suggesting limited scope for further valuation re-rating. (Absa Kenya, Family Bank).

**PYRAMIDS (Fairly Valued)**: These banks trade close to the valuation trend line, indicating that their market valuations broadly reflect their profitability. Future upside is therefore likely to be driven by earnings growth rather than multiple expansion (NCBA, Stanbic, Coop, I&M).

**CROSSES (Premium Valuation):** The bank trades at a significant premium relative to its profitability, suggesting that much of its earnings outlook is already priced in. Unless profitability improves materially, further upside may be limited (Stanchart).

**YANKEES (Deep undervaluation)**: These are characterized by low P/B ratios and weak ROE, indicating underperformance and limited attractiveness from a valuation and returns perspective. (DTB)

| Stock | 31st August 2026 | 52-week low | 52-week high | EPS | P/B | P/E | BVPS | ROE | Trailing Div | Dividend Yield | Recommendation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cooperative | 36.95 | 13.80 | 39.95 | 5.04 | 1.27x | 7.33x | 29.15 | **20.27%** | 2.50 | 6.77% | **BUY** |
| Equity | 94.00 | 41.20 | 109.00 | 19.07 | 1.01x | 4.93x | 92.84 | **27.60%** | 5.75 | 6.12% | **BUY** |
| KCB | 94.00 | 35.00 | 101.00 | 20.80 | 0.91x | 4.52x | 103.15 | **21.92%** | 7.00 | 7.45% | **N/A** |
| I&M | 80.00 | 29.50 | 82.50 | 34.70 | 1.17x | 7.41x | 68.62 | **18.02%** | 3.75 | 4.69% | **HOLD** |
| Stanbic | 280.50 | 147.00 | 300.00 | 11.18 | 1.61x | 8.08x | 174.70 | **20.38%** | 22.35 | 7.97% | **HOLD** |
| NCBA | 89.25 | 48.00 | 100.00 | 14.20 | 1.12x | 6.29x | 79.82 | **19.79%** | 7.10 | 7.96% | **BUY** |
| Stanchart | 332.00 | 260.00 | 370.00 | 32.47 | 1.97x | 10.71x | 168.83 | **17.12%** | 31.00 | 9.34% | **ACCUMULATE** |
| Absa | 34.50 | 15.00 | 36.50 | 4.22 | 1.86x | 8.18x | 18.51 | **22.63%** | 2.05 | 5.94% | **HOLD** |
| DTB | 195.00 | 66.00 | 198.50 | 33.65 | 0.53x | 5.79x | 366.18 | **10.43%** | 9.00 | 4.62% | **ACCUMULATE** |
| BAT | 558.00 | 345.00 | 629.00 | 52.46 | | 10.64x | 154.85 | **36.50%** | 70.00 | 12.54% | **HOLD** |
| EABL | 280.00 | 167.00 | 351.00 | 11.97 | | 23.39x | 53.48 | **42.60%** | 12.70 | 4.54% | **HOLD** |
| Safaricom | 38.95 | 17.00 | 37.30 | 2.39 | | 16.30x | 4.44 | **49.70%** | 2.00 | 5.13% | **ACCUMULATE** |

*Source: NSE, KCB IB*

**BUY**: Strong upside potential from current levels supported by earnings growth, valuation rerating, or catalysts. Suitable for aggressive increase of exposure. (Upside>20%)
**ACCUMULATE:** Attractive on a medium- to long-term basis. Gradual buying on price weakness is recommended rather than aggressive entry. (Upside between 10%-20%)
**HOLD:** Fairly valued at current levels. Maintain existing positions for dividend income or stability but limited near-term upside.(Upside, 0%-10%)

**SELL:** Downside risks outweigh the upside potential. Consider reducing exposure and reallocating to better risk-adjusted opportunities.(Upside <0%)

**Stock Guidance**

**Banking Sector Analysis: H12026 Results**

**A. Equity Group-BUY:(TP-KES 125.48, CP- 94, Upside-39.6%)**

- Equity Group delivered a strong H1'2026 performance, reinforcing its position as one of the region's highest-quality banking franchises. The results were underpinned by strong earnings growth, improving asset quality, robust balance sheet expansion, and increasing earnings diversification.

- PAT increased 31.5% y/y to KES 45.5Bn, supported by a 16.8% increase in Net Interest Income (NII) and a 35.9% growth in non-funded income. Operating income rose 24.6% to KES 124.9Bn, highlighting the Group's strong revenue generation and diversified income base.

- Asset quality improved materially, with the gross NPL ratio declining to 9.5% from 13.7%, while gross NPLs fell 22.2% y/y to KES 108.4Bn. The improvement provides greater capacity for balance sheet expansion as credit demand recovers.

- Profitability metrics strengthened, with ROaE improving to 27.6% from 21.7%, while NIM expanded to 7.8% from 7.5%, supported by lower funding costs and improved asset yields. EPS increased 31.5% y/y to KES 11.61, broadly in line with the growth in profitability.

- The Group's diversified regional footprint remains a key earnings strength, with revenue contribution between Equity Bank Kenya and the regional subsidiaries broadly balanced at 50:50. Continued growth across the regional businesses should support further diversification and reduce reliance on the Kenyan market.

- Valuation remains reasonable relative to the Group's growth and profitability profile, with the stock trading at 5.5x P/E and 1.0x P/B. The trailing dividend yield of 6.1% further enhances the income proposition. With a 30%-50% dividend payout policy and approximately 30% payout in 2025, there remains meaningful headroom for dividend growth as subsidiaries mature and increasingly contribute distributable earnings.

- Regional expansion provides an additional long-term growth catalyst, with management targeting a presence across up to 15 countries. The strategy should further broaden the Group's earnings base and create opportunities for sustained growth across high-potential African markets.

- We maintain a positive long-term view on the stock, supported by strong earnings momentum, improving asset quality, high profitability, attractive valuation, and growing earnings diversification. Equity Group remains well suited to investors seeking quality, stability, income, and long-term compounding potential.

**B. Standard Chartered Bank (ACCUMULATE:TP-348.96, CP-332, Upside-14.4%) Dividend Anchor**

- Standard Chartered Kenya delivered a weaker H1'2026 performance, with PAT declining 16.8% y/y to KES 6.7Bn, primarily due to a sharp contraction in Net Interest Income (NII).
- Non-funded income provided some earnings support, increasing 15.9% y/y to KES 7.9Bn, partially offsetting the decline in core interest income and highlighting the bank's ability to diversify.
- Asset quality remained a key strength, with the gross NPL ratio improving to 5.1% from 6.0%, while NPL coverage increased to 84.3%.
- The balance sheet remained resilient, with loans and advances growing 11.1% y/y to KES 169.2Bn, ahead of the 6.4% increase in customer deposits to KES 309.1Bn.
- However, profitability came under pressure, with ROaE declining to 17.1% from 27.8% and NIM narrowing to 10.3% from 13.9%, reflecting lower asset yields.

- The bank maintained its strong shareholder distribution profile, declaring an interim dividend of KES 8.50 per share, up 6.3% y/y. The continued dividend growth provides meaningful income support despite the weaker earnings performance and remains a key component of the investment case.
- At approximately 9.5x P/E and 2.2x P/B, the stock trades at a premium to most local banking peers, limiting near-term valuation upside. However, this premium is partly justified by the bank's strong asset quality and consistent dividend track record.
- We maintain an **ACCUMULATE** recommendation. While near-term earnings remain constrained by pressure on NII and margins, the stock's strong dividend yield, resilient balance sheet, improving asset quality, and defensive earnings profile provide downside support.
- The key catalysts for an earnings recovery will be stabilization of Net Interest Margins, stronger loan growth, improved asset yields, and continued growth in non-funded income. Given its defensive characteristics and attractive income proposition, Standard Chartered remains well suited to income-focused investors seeking a relatively stable banking counter, while investors should remain mindful of the premium valuation.

**C. Co-operative Bank: BUY (TP-42.03, CP-36.95, Upside-20.5%): Defensive Income Play**

- Co-operative Bank delivered a strong H1'2026 performance, with PAT rising 28.0% y/y to KES 18.0Bn, supported by a 13.0% increase in Net Interest Income (NII) to KES 33.2Bn and an 11.6% growth in non-funded income to KES 15.8Bn.
- Operating income increased to 12.5% to KES 48.9Bn, reflecting broad-based growth across the bank's core revenue streams.
- The bank continues to demonstrate resilient fundamentals, supported by its strong domestic franchise, improving asset quality, healthy loan growth, and growing contributions from its banking and non-banking subsidiaries. The improvement in ROaE to 20.3% further underscores the strength of its profitability profile.
- Co-operative Bank's diversified business model provides additional earnings resilience, with continued growth in both interest and non-funded income. Increasing contributions from the Group's subsidiaries should further support revenue diversification and reduce reliance on traditional banking income.
- Valuation remains attractive, with the stock trading at approximately 6.1x P/E and 1.0x P/B, which we view as reasonable given its strong profitability, earnings growth, and improving fundamentals. The 6.8% trailing dividend yield further enhances the investment case, particularly following the introduction of an interim dividend in 2025.
- We issue a BUY recommendation, supported by strong earnings momentum, improving asset quality, resilient loan growth, attractive valuation, and a consistent dividend profile. The combination of 20.3% ROaE, 1.0x P/B and a 6.8% dividend yield offers an attractive risk-reward profile relative to the bank's growth prospects.

**D. Stanbic Bank – HOLD (TP-281.5, CP-280.5, Upside:8.3%): Offer income & Stability**

- Stanbic Holdings delivered a resilient H1'2026 performance, with PAT increasing marginally by 1.0% y/y to KES 6.6Bn, supported by 4.1% growth in Net Interest Income (NII), although this was largely offset by a 0.1% decline in non-funded income.
- Operating income rose 2.5% to KES 19.2Bn, while operating expenses increased 5.3% to KES 9.9Bn, reflecting continued investment in the Group's operations.
- The balance sheet recorded strong expansion, with loans and advances growing 16.7% y/y to KES 360.2Bn, while customer deposits increased by a robust 33.4% to KES 467.5Bn. The strong deposit growth provides a solid funding base for continued credit expansion and positions the bank to benefit from an improvement in credit demand.
- Asset quality remained sound, with the NPL ratio broadly stable at 7.3%, comparing favorably with the wider banking sector. Loan loss provisions also declined by 45.6% y/y, providing support to earnings and reflecting improved credit risk conditions.
- Shareholder returns were weaker, with the Board declaring an interim dividend of KES 1.64 per share, down 56.8% from KES 3.80 in H1'2025. The reduction tempers the bank's near-term income appeal, despite its historically strong dividend track record.

- Profitability remained relatively strong, with ROE at 18.2%, although the limited growth in earnings highlights the near-term challenge of converting strong balance-sheet expansion into higher profitability.
- At 1.4x P/B, the stock trades at a modest premium to the sector, which we believe is justified by its strong franchise, balance sheet, and asset quality, but leaves limited room for near-term valuation expansion.
- We maintain a HOLD recommendation. Stanbic offers a combination of strong balance-sheet growth, sound asset quality, resilient profitability, and a well-established dividend track record. However, the muted earnings growth, higher operating costs, and significant decline in the interim dividend limit near-term upside.

**E. NCBA Group – BUY (TP-107.1, CP-89.3, Upside: 28.0%)**

- NCBA Group recorded a strong H1'2026 performance, with PAT increasing 12.2% y/y to KES 12.4Bn, supported by a 20.4% increase in Net Interest Income (NII) and 7.6% growth in non-funded income.
- Operating efficiency and asset quality continued to improve, with the cost-to-income ratio declining to 47.9% from 52.5%, while the NPL ratio improved to 10.8%. ROaE remained strong at 19.8%, underscoring the Group's ability to generate attractive returns despite the challenging operating environment.
- Shareholder returns strengthened materially, with the Group increasing its interim dividend by 50.0% y/y to KES 3.75 per share, from KES 2.50 previously. The higher interim payout, alongside a trailing 12-month DPS of KES 7.10, translates to an attractive dividend yield of approximately 7.7% and provides scope for further income growth.
- Valuation remains attractive relative to the Group's profitability and growth profile, with the stock trading at approximately 6.9x P/E and 1.3x P/B. The combination of strong returns, improving efficiency, earnings resilience, and a high dividend yield provides an attractive risk-reward profile.
- The Group also offers additional long-term growth potential through its diversified regional and non-banking businesses. Continued loan growth, lower funding costs, improving asset quality, and stronger subsidiary contributions should support earnings expansion. The proposed acquisition of a 66% controlling stake by Nedbank also introduces a strategic partner with the potential to strengthen NCBA's regional footprint, capabilities, and long-term growth prospects.
- We maintain a BUY recommendation on NCBA Group, with 19.3% upside. The investment case is supported by resilient earnings growth, improving asset quality, stronger operating efficiency, reasonable valuation, and a growing dividend proposition. With multiple earnings and strategic catalysts ahead, we view NCBA as a fundamentally strong counter offering both capital appreciation and attractive income potential.

**F. I&M Holdings – HOLD (TP-79.0, CP-80.0, Upside: 3.4%)**

- I&M Holdings delivered a strong H1'2026 performance, with PAT rising 22.4% y/y to KES 10.2Bn, supported by broad-based growth in both funded and non-funded income. NII increased 22.5% to KES 25.0Bn, while non-funded income grew 24.5% to KES 8.7Bn.
- Subsidiaries remain an important earnings driver, contributing approximately 33% of Group PBT, with continued growth across the regional and non-banking businesses supporting earnings diversification.
- Fundamentals remain positive, with improving asset quality, healthy deposit mobilization and strong earnings momentum. ROaE stood at 18.0%, broadly in line with peers, while continued earnings growth should support further improvement in dividend payouts.
- At 6.3x P/E and 1.0x P/B, the stock is trading close to our fair value following its recent rally. With only 2.7% upside to our target price plus dividend yield, we see limited scope for near-term re-rating despite the strong underlying performance.
- We maintain a **HOLD** recommendation. I&M remains fundamentally sound, but the current valuation largely reflects its improved earnings outlook. Further upside will depend on sustained earnings growth, stronger subsidiary contributions and continued improvement in asset quality, while cost growth and the pace of credit expansion remain key risks to monitor.

**G. Absa Bank Kenya – HOLD (TP-33.9, CP-34.5, Upside-4.3%): Strong ROE, Premium trading)**

- Absa Bank Kenya delivered a weaker H1'2026 performance, with PAT declining 9.8% y/y to KES 10.5Bn, as NII fell 5.4% to KES 21.1Bn and non-funded income declined 10.2% to KES 8.2Bn. Operating income consequently fell 6.8% to KES 29.3Bn.
- Lower funding costs provided some support, with total interest expense declining 17.7% y/y to KES 6.2Bn, driven by a 19.8% reduction in interest expense on customer deposits. However, this was insufficient to offset pressure on asset yields, with NIM declining to 9.5% from 11.0%.
- The balance sheet remains resilient, with loans growing 8.2%, while asset quality continued to improve. The bank's diversified non-banking businesses, including Bancassurance, Asset Management and Custody, provide additional earnings diversification and offer potential for a recovery in non-funded income.
- Shareholder returns remain attractive, with the interim dividend increasing 150%, supporting a trailing dividend yield of approximately 6.0%. However, ROaE has weakened alongside the decline in earnings.
- At approximately 8.1x P/E and 1.9x P/B, the stock trades at a premium valuation relative to its current earnings trajectory. With only 4.3% upside potential, we see limited scope for near-term re-rating.
- We maintain a **HOLD** recommendation. The attractive dividend and resilient balance sheet provide downside support, but weak core income growth, margin compression and elevated valuation constrain the near-term investment case. A stronger recovery in loan growth, stabilization of NIM and renewed growth in non-funded income would be key catalysts for a more positive view.

**H. DTB –ACCUMULATE (TP-213.75, CP-195, Upside-14.2%)**

- DTB delivered a strong H1'2026 performance, with PAT rising 35.8% y/y to KES 7.3Bn, supported by a 26.4% increase in NII to KES 20.0Bn and 6.6% growth in non-funded income to KES 6.5Bn.
- Lower funding costs further supported earnings, with interest expense declining 9.5% to KES 12.2Bn, while the 13.7% growth in loans and improvement in NIM to 7.4% demonstrates strong operating momentum and improving balance-sheet utilization
- Asset quality also strengthened, with NPL coverage improving to 58.2% from 44.8%, providing a stronger buffer against potential credit losses. ROaE improved to 11.7% from 10.1%, with further upside expected as profitability and capital efficiency improve.
- Valuation remains the key attraction, with DTB trading at approximately 5.1x P/E and 0.5x P/B, despite its improving earnings and return profile. The 26.7% payout ratio also provides significant headroom for future dividend growth as profitability strengthens.
- The bank is well positioned to benefit from lower funding costs, improving credit demand and the easing interest-rate environment, while its relatively low P/B valuation provides scope for a re-rating as returns improve.
- We maintain an **ACCUMULATE** recommendation, with 14.2% upside to our target price. The combination of strong earnings momentum, improving asset quality, deep-value valuation and significant balance-sheet capacity for growth offers an attractive risk-reward profile. Continued improvement in ROaE and profitability provides a clear pathway for further value creation and potential re-rating.

**Non-Banking Sector:**

**1. BAT Kenya – HOLD (Premium Yield, Fully Valued)**

- BAT reported a 5% y/y increase in revenue to KES 12.3Bn in HY26 driven by higher export sales and modern nicotine pouch.
- Strong cost discipline & stronger export sales supported a 3.0% rise in PAT to KES 3.1Bn. The proposed interim dividend of KES 10 per share reinforces its positioning as a high-yield defensive counter.
- However, the performance was weighed down by continued pressure from the illicit cigarette trade and high input costs but remains focused on export growth, operational efficiency, and its smoke-free product strategy to support long-term profitability.
- BAT remains a high-quality income generator with higher dividend payout, but valuation is stretched.

Recommendation: **HOLD**.

- Overall, the stock remains a high-yield defensive counter, well suited for long-term investors seeking stable dividend income with modest capital preservation characteristics. At current levels, upside is limited, and we maintain a **HOLD** stance pending a more attractive entry point or new earnings catalysts.

**2. EABL – HOLD**

- EABL delivered an impressive FY2026 performance, with PAT surging 49.4% y/y to KES 18.2Bn, supported by double-digit revenue growth, improved operating margins, and lower finance costs.
- Net revenue grew 13.3% y/y to KES 146.0Bn, reflecting strong volume growth, strong portfolio and successful product innovations across the region.
- EBIT increased 27.4% to KES 32.1Bn, driven by improved operating efficiency as operating costs declined 1.2% despite a higher revenue base.
- Finance costs fell 24.7% to KES 4.4Bn, boosting PBT by 43.2% to KES 27.7Bn.
- The Board proposed a total dividend of KES 12.70 per share (Interim=KES 4, Final=KES 8.7), up 58.8% y/y, reflecting confidence in the Group's strong cash generation and earnings outlook.
- ROE improved to 36.0% from 28.8%, while ROA increased to 13.5% and EBIT margin expanded to 21.1% from 19.8%, highlighting enhanced operational efficiency.
- The stock currently trades at a P/E of 15.3x, with a dividend yield of 4.54% at a price per share of KES 280.
- Management attributed strong performance to disciplined execution, portfolio optimization, innovation-led growth, and prudent cost management, while remaining optimistic on long-term growth supported by consumer demand and the proposed acquisition by Diageo.

Recommendation: **HOLD**.

**3. Safaricom – Accumulate (CP-38.95, High-Quality Strategic Compounder)**

- Safaricom Group delivered a strong FY26 performance, with PAT surging 61.0% y/y to KES 73.7Bn, supported by resilient service revenue growth, stable cost pressures, and lower drag from Ethiopia operations.
- **Service revenue-** Up 11.5% y/y to KES 414.1Bn, driving total revenue 10.0% higher to KES 427.6Bn, underpinned by continued momentum in M-PESA, mobile data, and Ethiopia.
- **Cost management**- Remained impressive, with direct costs rising at a slower 3.3% y/y while other operating expenses declined 5.2% y/y, supporting notable margin expansion.
- **Margin Expansion-**EBITDA went up 28.0% y/y to KES 220.3Bn, while EBIT rose 40.6% y/y to KES 146.3Bn, reflecting improved operational leverage across the business.
- PBT grew 36.1% y/y to KES 126.8Bn, aided by lower finance costs and narrowing Ethiopia losses.
- **Enhanced Shareholder Returns**- EPS rose 37.4% y/y to KES 2.39, while the Board increased the total FY26 dividend by 66.7% to KES 2.00 per share (Interim: KES 0.85; Final: KES 1.15), implying a modest 5.5% trailing dividend yield.

Recommendation: **Accumulate**.

- **Ethiopia Business Improving**: Safaricom Ethiopia is moving beyond its investment phase, with narrowing losses and a clear path to breakeven, positioning it as a key medium-term earnings driver.
- **Structural Fintech Growth**: Continued expansion of M-PESA, particularly in Ethiopia's underbanked market, provides a significant long-term growth runway beyond traditional telecom services.
- **Strong Cash Flows & Dividends**: Robust cash generation supports future investments, offering investors an attractive combination of income and capital growth.
- **Market Leadership:** Safaricom's dominant market position, diversified revenue streams, and resilient balance sheet continue to support sustainable long-term value creation.
- We thus maintain **ACCUMULATE** recommendation on Safaricom. The improving outlook for Ethiopia, sustained growth in digital financial services, strong cash generation, and a stable dividend profile make the stock well-positioned for long-term investors. We recommend gradually building positions, particularly during periods of market weakness.

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