KCBIB Monthly Stock Picks: June 2026

1. Market Overview

- The Kenyan equity market remained resilient in May 2026, navigating a volatile global backdrop characterized by shifting geopolitical dynamics, evolving interest rate expectations, and elevated investor caution. While global markets benefited from improving risk sentiment, strong corporate earnings, and continued enthusiasm around artificial intelligence-driven growth, local investors remained focused on fundamentals, valuations, and earnings delivery.
- The Nairobi Securities Exchange posted modest gains during the month, with NASI advancing 0.2% m/m and foreign investors returning as net buyers. Market activity remained concentrated in large-cap counters, particularly within the banking sector, where strong Q1 2026 earnings reinforced confidence in the sector's outlook. Banks continued to benefit from healthy balance sheet growth, resilient profitability, improving asset quality, and attractive dividend yields, cementing their position as the market's primary earnings engine.
- The fixed income market remained active as the Government intensified domestic borrowing through bond re-openings and liability management operations. While primary market demand remained relatively strong, yields edged higher amid increased issuance, reflecting investor demand for higher risk premiums. Secondary market activity moderated during the month.
- Corporate activity also remained robust, highlighted by Nedbank's proposed acquisition of a controlling stake in NCBA Group, one of the most significant transactions in the regional banking sector in recent years. Meanwhile, investors continued to benefit from strong dividend declarations across listed counters, reinforcing the attractiveness of Kenyan equities as an income-generating asset class.
- Looking ahead, we believe the broad market rerating witnessed in 2025 has largely played out, shifting the investment landscape from a momentum-driven market to a fundamentally driven one. As a result, stock selection will be increasingly important. We remain constructive on high-quality companies with strong earnings visibility, sustainable dividend profiles, robust balance sheets, and attractive valuations. Within our coverage universe, we continue to favour select banking stocks, Safaricom, and other fundamentally sound counters that offer an attractive balance of income generation and capital appreciation potential.
- Investment Theme for June 2026: Focus on Quality, Income and Valuation Discipline. The market remains supportive, but future returns are likely to be driven by company-specific fundamentals rather than broad-based market expansion.

2. Global & Regional Markets: May 2026

Global equities recorded positive performance in May 2026, supported by improving investor sentiment, resilient corporate earnings, and sustained optimism around artificial intelligence (AI)-driven growth. Performance was broad-based across both developed and emerging markets, underscoring a synchronized global risk-on environment.

Emerging Markets outperformed, with the MSCI EM Index gaining 9.5% m/m and 22.6% YTD, driven by strong inflows into Asian technology and semiconductor stocks that continue to benefit from rising AI infrastructure demand. Developed markets also posted solid gains, with the S&P 500 advancing 5.1% and global benchmarks rising over 4%, reflecting continued confidence in corporate earnings and economic resilience.

Market sentiment was further supported by signs of easing geopolitical tensions in the Middle East, which helped alleviate concerns over potential energy supply disruptions and improved global risk appetite. However, the conflict remains unresolved, and uncertainty persists regarding the possibility of a lasting ceasefire.

Despite the positive performance, investors remain cautious over persistent inflation risks, the prospect of higher-for-longer interest rates, and evolving geopolitical developments, which could contribute to increased market volatility in the coming months.

Key Theme: Global equities remained well supported by AI-driven growth, resilient earnings, and improving geopolitical sentiment, with Emerging Markets leading returns amid renewed investor appetite for risk assets.

Regional Market Performance

Country	Index	M/M % Δ	YTD % Δ
Kenya	NASI	0.2%	9.8%
Uganda	USE ALSI	0.2%	19.8%
Tanzania	DARSDSEI	0.4%	41.3%
Nigeria	NGXINDX	3.3%	60.0%
Ghana	GGSECI	(4.6%)	64.0%
South Africa	JALSH	(0.5%)	(1.3%)
Egypt	EGX100 EWI	6.7%	20.5%

Source: Bloomberg, KCB IB

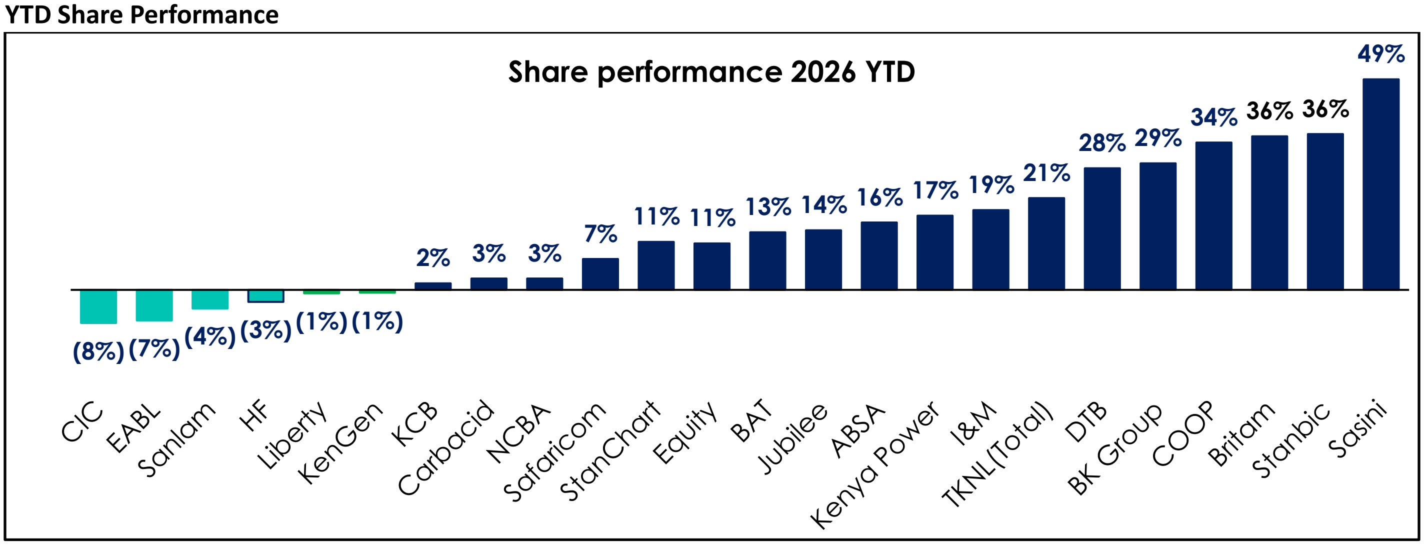
Global Market Performance

Global Index	Index	M/M % Δ	YTD % Δ
S&P 500	SPX Index	5.1%	10.5%
MSCI World	MXWO Index	4.4%	9.4%
Dow Jones Global	W1DOW Index	4.8%	11.0%
MSCI Emerging Mkts	MXEF Index	9.5%	22.6%
MSCI Emerging Frontier	MXFEM Index	1.3%	8.4%
MSCI Europe Index	MXEU Index	2.6%	5.0%

Source: Bloomberg, KCB IB

3. Local Equities Market

YTD Share Performance



Source: NSE, KCB IB

- The market maintained upward momentum during the month, after recovering from the earlier weakness triggered by heightened Middle East geopolitical tensions as investor sentiment improved.
- Within the banking sector, Stanbic and Co-operative Bank remained the top performers, extending their rally on the back of strong earnings momentum, attractive valuations, and sustained investor confidence. In contrast, KCB and Equity posted relatively modest gains, reflecting continued foreign investor outflows and heightened sensitivity to market uncertainty given their larger foreign shareholding base.
- Outside the banking sector, Sasini was the top performer YTD, supported by expectations of a potential KES 7.9Bn land sale. However, the transaction did not materialize, and the company subsequently reported additional half-year losses, dampening investor sentiment. Consequently, the stock has lost part of its gains as the market reassessed its near-term outlook.

Market Performance

Equity market activity was up in May 2026, with NASI increasing marginally by 0.2% on a m/m basis. However, NSE 20, and NSE 25 were down by 1.0% and 0.2%, respectively. Large-cap counters, particularly Equity and KCB, remained dominant, accounting for 26.26% and 21.41% of total market turnover, respectively

Actively traded: Equities turnover increased by 4.9% m/m to KES 15.98Bn. Foreign investors remained active and recorded a net inflow of KES 286.8Mn, highlighting improved sentiments during the month.

Market movers: The bourse saw Equity Group record a turnover of KES 3.92Bn, representing 26.26% of May's total turnover. Other actively traded shares include KCB (21.41%) and Safaricom at 16.42% of turnover, underscoring continued concentration in large-cap counters.

Top gainers: BOC was the month's top gainer, having appreciated 15.4% to close at KES 174.25. Other top gainers include KAPC, SKL, Car & General and HFCK, posting price gains of 12.72%, 10.73%, 8.56% and 8.00% respectively.

Top losers: Uchumi was the worst performer, declining by 18.62% m/m to KES 1.53. Other laggards included KQ, HAFR, SMER and LKL.

Local Market Performance

Indicator	30-Apr-2026	29-May-2026	% Δ
NASI	205.34	205.69	0.2%
NSE-20	3547.53	3513.12	(1.0%)
NSE-25	5667.98	5659.05	(0.2%)
Mkt cap, KES Bn	3,405,290.00	3,411,281.00	0.2%
Shares traded	653,588,681.00	386,110,012.00	(40.9%)
Equities TO, KES	15,237,495,460.00	15,979,559,461.00	4.9%
Foreign buy, KES	4,479,969,107.00	5,769,152,685.00	28.8%
Foreign sell, KES	6,455,831,101.00	5,482,353,555.00	(15.1%)
Net flows, KES	(1,975,861,994.00)	286,799,130.00	(114.5%)

Source: NSE, KCB IB

TOP GAINERS

Security	30-Apr-2026	29-May-2026	% Δ

BOC	151.00	174.25	15.40%
KAPC	241.75	272.50	12.72%
SKL	8.76	9.70	10.73%
CGEN	73.00	79.25	8.56%
HFCK	9.00	9.72	8.00%

Source: NSE, KCB IB

TOP LOOSERS

Security	30-Apr-2026	29-May-2026	% Δ
UCHM	1.88	1.53	(18.62%)
KQ	6.50	5.78	(11.08%)
HAFR	1.42	1.27	(10.56%)
SMER	16.80	15.05	(10.42%)
LKL	2.96	2.66	(10.14%)

Source: NSE, KCB IB

4. Corporate Actions

Nedbank–NCBA Transaction Explained

Nedbank has announced a voluntary partial offer to acquire up to 66% of minority shareholders' holdings in NCBA Group at KES 105 per share, equivalent to approximately 1.4x book value. Shareholders may either accept or reject the offer.

Shareholders who reject the offer will retain 100% of their NCBA shares, which will continue trading on the NSE. Those who accept will sell 66% of their NCBA shares to Nedbank and retain the remaining 34%, which will also continue trading on the NSE.

The consideration depends on the size of the shareholding:

- **Less than 7,519 shares:** 100% cash at KES 105 per share for the 66% acquired by Nedbank.
- **7,519 shares or more:** 20% cash at KES 105 per share and 80% in Nedbank shares listed on the Johannesburg Stock Exchange (JSE).

To receive Nedbank shares directly, eligible shareholders must submit a Form of Instruction (FOI) and open a South African CSDP account through Nedbank Private Wealth Stockbrokers. Otherwise, the Nedbank shares will be held in an omnibus nominee account in South Africa, limiting direct trading and administration.

Key Takeaways

- Offer price: KES 105 per share (1.4x book value).
- Participation is voluntary.
- Nedbank will acquire 66% of participating shareholders' holdings.
- Non-participating shareholders retain 100% ownership of their NCBA shares.
- Shareholders with fewer than 7,519 shares receive cash only.
- Shareholders with 7,519 shares or more receive a mix of 20% cash and 80% Nedbank shares.
- Participating shareholders retain 34% of their NCBA shareholding.

Illustration: A shareholder with 10,000 NCBA shares who accepts the offer will sell 6,600 shares to Nedbank and retain 3,400 shares. The consideration for the acquired shares will be paid as 20% cash and 80% in Nedbank shares, subject to completion of the required documentation.

Timetable of Key Events

Event	Date
CMA approval of the Offer Document	13-Apr-26
Offer document posted to shareholders	24-Apr-26
Circulation of offer document by NCBA	4-May-26
Offer opens for acceptance	28-May-26
Offer closes for acceptance	10-Jul-26
Announcement of offer results	By 21 July 2026
Settlement date	Upon the offer becoming unconditional
Transfer of NCBA shares to Nedbank and payment of consideration (cash/Nedbank shares)	From the 10th trading day after the Settlement Date
Publication of final offer results	10th trading day after the Settlement Date

Source: Offer Doc, KCB IB

Corporate Actions

Counter	Corporate Action	Amount Declared	Date Announced	Books Closure	Payment Date
BAT	Final Div	KES 60.00	27-Feb-26	8-May-26	12-Jun-26
Stanbic	Final Div	KES 18.55	11-Mar-26	15-May-26	4-Jun-26
Liberty	Final Div	KES 0.5	11-Mar-26	15-Jun-26	30-Aug-26
Equity	Final Div	KES 5.75	18-Mar-26	22-May-26	30-Jun-26
DTB	Final Div	KES 9.00	24-Mar-26	22-May-26	26-Jun-26
Kakuzi	Final Div	KES 16.00	25-Mar-26	29-May-26	15-Jun-26
Kenya Re	Final Div	KES 0.15	27-Mar-26	19-Jun-26	31-Jul-26
NSE	Final Div	KES 1,00	27-Mar-26	21-May-26	31-Jul-26
Cooperative	Final Div	KES 1.50	19-Mar-26	30-Apr-26	5-Jun-26
BK Group	Final Div	RWF 53.04	30-Mar-26	15-May-26	19-Jun-26
Jubilee	Final Div	KES 13.00	9-Apr-26	11-Jun-26	24-Jul-26
BOC	Final Div	KES 10.35	16-Apr-26	31-May-26	21-Jul-26
CIC	Final Div	KES 0.13	31-Mar-26	23-Apr-26	9-Jun-26
TPS EA	Final Div	KES 0.35	30-Apr-26	26-Jun-26	30-Jul-26
Total	Final Div	KES 3.45	30-Apr-26	24-Jun-26	31-Jul-26
Car & General	Final Div	KES 3.12	30-Apr-26	24-Jun-26	30-Jun-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

Source: NSE, KCB IB

5. Q12026 Banking Sector Earnings Summary:

Kenyan Banking Sector Q12026 Summary									
Bank	PAT (KES Bn)	Y/Y Growth	Net Interest Income Growth (%)	Non-Funded Income Growth	Operating Income Growth	Loan Book Growth	Deposit Growth	Gross NPL ratio	NPL coverage
Absa	5.30	(13.9%)	(7.9%)	(5.2%)	(7.1%)	(1.5%)	7.5%	11.5%	66.2%
Coop	8.40	21.3%	12.2%	16.3%	13.6%	13.6%	16.6%	14.7%	67.7%
DTB	3.50	7.7%	30.5%	(3.2%)	21.2%	13.8%	10.4%	11.8%	56.1%
Equity	18.30	23.8%	15.6%	13.7%	14.8%	8.6%	12.6%	11.5%	68.5%
HFCB	0.48	45.0%	27.9%	33.9%	29.7%	7.4%	30.7%	21.7%	80.6%
I&M	4.70	20.3%	31.1%	7.1%	24.5%	10.0%	25.8%	9.1%	73.4%
KCB	17.8	10.7%	8.6%	8.3%	8.5%	18.6%	15.7%	15.9%	75.7%
NCBA	6.00	8.8%	22.0%	6.3%	15.4%	13.0%	9.8%	11.2%	66.2%
Stanbic	3.50	5.5%	11.7%	(13.7%)	4.3%	5.8%	21.7%	8.4%	85.4%
StanChart	3.60	(26.3%)	(23.3%)	10.3%	(13.5%)	20.0%	12.6%	5.2%	85.5%

Source: Comp Financials, KCB IB

Kenyan Banking Sector Q1 2026 Summary

- **Earnings Growth Remained Resilient:** The sector delivered strong profitability growth despite a lower interest rate environment. Large lenders, particularly Equity and KCB, continued to dominate earnings generation, while banks such as Co-op, I&M and HFCB recorded the strongest growth momentum.

- **Performance Divergence Across Banks:** Locally focused banks generally outperformed, benefiting from stronger loan growth, improved efficiencies and diversified revenue streams. In contrast, multinational lenders such as Standard Chartered and Absa experienced earnings pressure, largely driven by weaker funded income and slower revenue growth.

- **Net Interest Income Supported Earnings:** Most banks recorded positive NII growth, reflecting the lagged benefits of loan repricing and balance sheet expansion. I&M, DTB and HFCB were the strongest performers, highlighting the continued importance of funded income as the primary earnings driver.

- **Cautious Balance Sheet Expansion:** Deposit growth remained robust across the sector and generally outpaced loan growth, reflecting a conservative liquidity management strategy. While customer deposits continued to expand, banks maintained a selective lending approach amid economic uncertainty and evolving credit risks.

- **Revenue Diversification Remained Key:** Strong growth in non-funded income at institutions such as Co-op, Equity and HFCB helped cushion earnings and reduced reliance on interest income, demonstrating the importance of transaction banking, digital channels and fee-based revenues.

- **Asset Quality Showing Gradual Improvement:** Although NPL ratios remain elevated for some lenders, particularly HFCB, KCB and Co-op, most banks maintained strong provisioning buffers and coverage ratios. This reflects a prudent risk management approach and enhances resilience against potential credit losses.

- **Key Takeaway:** The banking sector remains fundamentally strong, supported by resilient earnings growth, healthy balance sheet expansion and adequate capital buffers. However, the operating environment continues to require careful management of credit risk and margin pressures as interest rates moderate.

6. Fixed Income Market

Bond Primary Market Update: The Central Bank of Kenya (CBK) intensified domestic borrowing in May 2026, offering a cumulative KES 140.0Bn and raising KES 135.1Bn through bond re-openings and debt management operations, marking the largest monthly issuance programme in FY2025/26 as the National Treasury sought to bridge its domestic financing requirements.

The month commenced with an KES 80.0Bn triple-tranche re-opening, which attracted strong investor interest, resulting in KES 94.0Bn in accepted bids. The offer comprised FXD1/2012/020 (6.6 years to maturity, 12.00% coupon), FXD1/2019/020 (13.0 years to maturity, 12.873% coupon), and FXD1/2021/025 (20.0 years to maturity, 13.924% coupon), reflecting continued demand across the medium- to long-term segment of the yield curve.

As part of its liability management strategy, CBK also conducted its sixth switch auction of the fiscal year, converting the maturing FXD1/2017/010 into the longer-dated FXD1/2021/020. The switch bond cleared at an average yield of 13.40%, supporting the government's objective of smoothing the maturity profile and reducing near-term refinancing pressures.

In the latter part of the month, CBK re-opened FXD3/2019/015 and FXD1/2021/020 under a KES 50.0Bn dual-tranche offer. Investor appetite moderated, with subscriptions amounting to KES 47.2Bn and accepted bids of KES 36.6Bn, marking bond auction undersubscription. The weaker demand reflected tightening market liquidity following the heavy issuance pipeline witnessed throughout the month.

Primary market yields edged higher during the period, with the re-opened FXD1/2021/020 clearing at approximately 13.74%, above its coupon rate of 13.44%, signaling increased investor demand for higher risk premiums amid elevated government borrowing requirements and sustained supply pressure.

Looking ahead, CBK announced the June 2026 benchmark bond issue comprising FXD1/2020/015 and FXD1/2018/025.

Bonds secondary market: Activity in the secondary bond market moderated, with turnover declining by 40.4% m/m to KES 129.96Bn from KES 217.90Bn in April, reflecting reduced trading momentum.

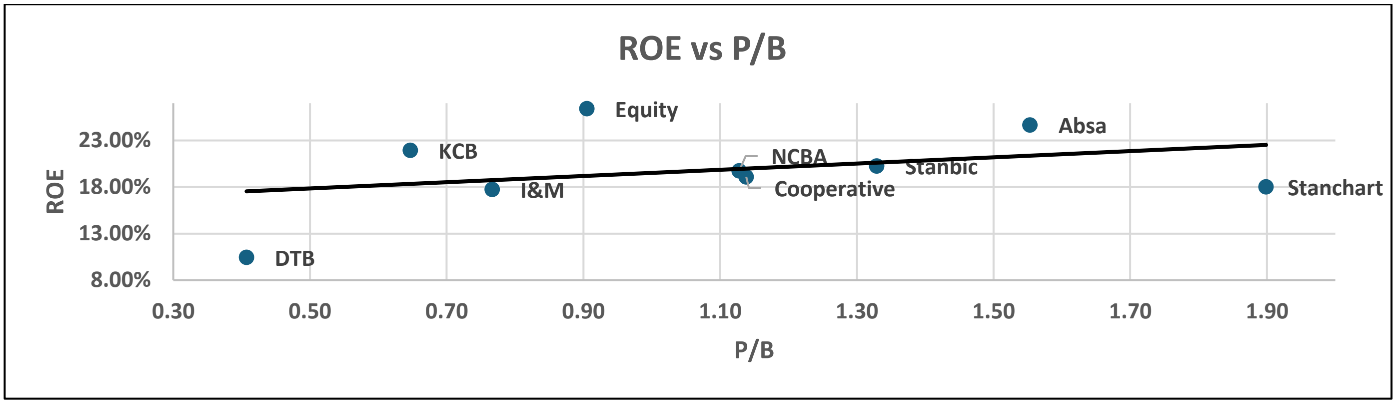
Indicator	30-Apr-2026	29-May-2026	% Δ
Bonds FV TO, KES	217,903,650,000.00	129,959,046,870.00	(40.4%)

Source: NSE, KCB IB

7. 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 five distinct valuation quadrants:



Source: Comp Financials, KCB IB

STARS – Attractive opportunities, combining high ROE with relatively low P/B ratios suggesting strong profitability that is not fully priced in. (KCB Group, Equity Group & I&M)

DIAMONDS – Deliver strong ROE but are trading at fair or slightly elavated P/B levels, implying limited upside potential. (NCBA)

PYRAMIDS – These are positioned close to the trendline, indicating a balance between valuation and returns. They are fairly valued relative to the market. (Co-operative Bank and Stanbic)

CROSSES – These banks exhibit relatively high ROE but also high P/B ratios, suggesting that returns may not justify current valuations, potentially limiting price appreciation. (Absa and Standard Chartered)

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

Stock	29th May 2026	52-week low	52-week high	EPS	P/B	P/E	BVPS	ROE	Trailing Div	Dividend Yield	Recommendation
Cooperative	32.10	15.00	33.00	5.04	1.14x	6.37x	28.20	**19.10%**	2.50	7.79%	**ACCUMULATE**
Equity	74.25	41.20	80.00	19.07	0.91x	3.89x	82.02	**26.40%**	5.75	7.74%	**BUY**
KCB	66.75	35.00	80.50	20.80	0.65x	3.21x	103.15	**21.92%**	7.00	10.49%	**N/A**
I&M	50.75	29.50	52.00	34.70	0.77x	4.70x	66.18	**17.74%**	3.75	7.39%	**ACCUMULATE**
Stanbic	269.50	147.00	300.00	11.18	1.33x	7.77x	202.75	**20.23%**	22.35	8.29%	**HOLD**
NCBA	87.25	48.00	100.00	14.20	1.13x	6.14x	77.36	**19.73%**	7.10	8.14%	**ACCUMULATE**
Stanchart	333.25	260.00	370.00	32.47	1.90x	10.75x	175.51	**18.01%**	31.00	9.30%	**HOLD**
Absa	28.75	15.00	33.00	4.22	1.55x	6.81x	18.51	**24.67%**	2.05	7.13%	**ACCUMULATE**
DTB	147.25	66.00	170.00	33.65	0.41x	4.38x	361.60	**10.43%**	9.00	6.11%	**BUY**
BAT	520.00	345.00	629.00	52.46	3.36x	9.91x	154.85	**36.50%**	70.00	13.46%	**HOLD**
EABL	248.00	167.00	351.00	11.97	4.64x	20.72x	53.48	**42.60%**	8.00	3.23%	**ACCUMULATE**
Safaricom	30.55	17.00	34.10	2.39	6.89x	12.78x	4.44	**49.70%**	2.00	6.55%	**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.
ACCUMULATE: Attractive on a medium- to long-term basis. Gradual buying on price weakness is recommended rather than aggressive entry
HOLD: Fairly valued at current levels. Maintain existing positions for dividend income or stability but limited near-term upside.
SELL: Downside risks outweigh the upside potential. Consider reducing exposure and reallocating to better risk-adjusted opportunities.

Stock Guidance

Banking Sector Analysis: Q12026 Results

A. Equity Group-BUY:(TP-KES 99.14, CP- 74.25, Upside-33.5%)

- Equity Group delivered a strong Q1’2026 performance, reaffirming its position as one of the highest-quality franchises in the region. The results reinforce our positive long-term buy view on the stock, supported by a compelling combination of strong earnings momentum, improving asset quality, and attractive valuation.
- The Group reported a 23.8% y/y increase in PAT to KES 18.3Bn, driven by strong interest income growth, easing funding costs, and continued balance sheet expansion. Net Interest Income grew 15.6% y/y to KES 33.0Bn, supported by lower interest expenses.
- Non-funded income remained a key pillar of earnings, rising 13.7% y/y to KES 22.3Bn, underpinned by growth in fees and commissions from loans and transactional activity, alongside strong FX-related income.
- Subsidiaries remained a key growth engine, now contributing 50% of Group banking profitability and 52% of total assets, reinforcing Equity’s evolution into a pan-African financial services franchise.
- The performance was robust, driven by consistent revenue growth, improved margins & lower operating and credit costs. The stock is currently trading at 0.9x P/B and 3.9x P/E, supported by strong ROaE of 26.4% indicating value relative to earnings strength and sector peers.
- Improving asset quality, expanding margins, and disciplined cost control position the bank well for sustained profitability.
- The stock is best suited for investors seeking quality, stability, and steady compounding and remains a long-term strong buy play.

B. Standard Chartered Bank (HOLD:TP-348.96, CP-333.25, Upside-4.7%) Dividend Anchor

- StanChart Kenya delivered a weaker Q1’2026 performance, reflecting pressure on funded income amid the prevailing lower interest rate environment despite continued balance sheet growth and improving asset quality. Nonetheless, the Group maintained strong operational efficiency and solid credit quality metrics.
- The lender reported a 26.3% y/y decline in PAT to KES 3.6Bn, largely driven by weaker Net Interest Income, which fell 23.3% y/y to KES 6.3Bn following lower interest income generation amid compressed yields and moderated lending margins. Consequently, operating income declined by 13.5% y/y to KES 10.0Bn.
- Non-funded income, however, remained resilient, rising 10.3% y/y to KES 3.7Bn, supported by growth in transaction-related income, trade finance activities, and foreign exchange business.
- Despite the slowing performance, Standard Chartered remains a high-yield, defensive play, supported by a consistent dividend profile. However, earnings growth is constrained by its mature business model, while valuation remains elevated with P/E of 10.75x & P/B of 1.9x.
- Investors may continue to hold the stock, supported by its strong dividend yield and defensive income profile, but upside remains limited at current valuations. Profit-taking is advisable for investors already in the money, with scope to re-enter at more attractive levels post books closure.
- Stanchart remains the market’s highest dividend payer, offering unmatched income appeal despite elevated valuation.

C. Co-operative Bank: ACCUMULATE (TP-34.9, CP-32.1, Upside-8.8%): Defensive Income Play

- Co-operative Bank delivered a strong Q1'2026 performance, reinforcing our positive outlook on the lender and setting the pace for sustained earnings growth in FY2026.
- The bank continues to demonstrate resilient fundamentals supported by its strong domestic franchise, improving asset quality, regional diversification, and increasing contribution from subsidiaries.
- The lender reported a 21.3% y/y increase in PAT to KES 8.4Bn, supported by strong interest income growth, lower funding costs, and resilient balance sheet expansion. Net Interest Income grew 12.2% y/y to KES 16.0Bn, driven by lower interest expenses despite moderated loan pricing during the period.
- Non-funded income also remained supportive, rising 16.3% y/y to KES 8.1Bn, largely driven by strong growth in fees and commissions, particularly from loans and advances as well as other transactional income streams. This was achieved despite a 2.2% decline in forex trading income during the quarter.
- Co-op Bank continues to offer stable and predictable returns, underpinned by its strong domestic franchise. The stock trades at 1.1x P/B, broadly in line with fair value, supported by a solid ROaE of 19.1%.
- The improved dividend yield enhances its attractiveness for income-focused investors, while the introduction of an interim dividend in 2025 signals confidence in sustained earnings and future payout growth.
- We recommend **ACCUMULATE**. The counter remains well suited for investors seeking stability and income, with room for upside, particularly on price easing and attractive entry points.

D. Stanbic Bank – HOLD (TP-281.5, CP-269.5, Upside:4.4%): Offer income & Stability

- Stanbic Holdings reported a 5.5% y/y increase in PAT to KES 3.5Bn, primarily supported by an 11.7% growth in Net Interest Income to KES 7.6Bn, aided by lower interest expenses despite softer interest income from loans and advances amid slow credit growth.
- However, overall earnings momentum remained moderated following a 13.7% decline in Non-Funded Income, largely driven by weaker forex trading income and reduced fees from loans and advances.
- Asset quality remained heathy with NPL ratio being relatively stable at 8.4% and continued to compare favorably against the broader banking sector average.
- Loan loss provisions declined 59.1% y/y, supporting earnings resilience during the quarter.
- The stock trades at 1.3x P/B, a modest premium to the sector, supported by a stable ROE of 18%.
- Stanbic remains attractive for income-focused investors, with a strong dividend track record. However, limited near-term valuation upside suggests a hold stance. The bank remains one of the top dividend payers in the banking sector, supporting its appeal to yield-focused investors.

E. NCBA Group – ACCUMULATE (TP-94.27, CP-87.25, Upside: 8.0%)

- NCBA Group reported an 8.8% y/y increase in PAT to KES 6.0Bn, primarily driven by strong growth in Net Interest Income, which rose 22.0% y/y to KES 20.2Bn, supported by significantly lower funding costs as interest expense declined by 23.3% y/y. Performance was further supported by a 6.3% y/y increase in Non-Funded Income to KES 7.8Bn.
- The Group's ROaE of 20% supports the investment case, while valuations of 6.1x P/E and 1.1x P/B reflect fair trading and normalized profitability, limiting near-term upside. Nonetheless, the dividend yield remains attractive, providing solid income support.
- Strategically, Nedbank's proposed acquisition of a 66% controlling stake in NCBA through a partial pro-rata offer introduces a new ownership dynamic. The offer is structured as 80% Nedbank shares and 20% cash (cash only for ineligible offshore holders and small allocations). Upon completion, Nedbank would become the controlling shareholder, while NCBA would remain listed with a 34% public free float.
- Given current valuations and the recent ease of prices, the stock appears to be trading around fair value, supporting an **accumulating** stance

F. I&M Holdings – ACCUMULATE (TP-55.0, CP-50.75, Upside:8.4%)

- I&M Group delivered a resilient Q1'2026 performance, supported by strong balance sheet expansion, robust funded income growth, and improving asset quality.
- The Group reported a 20.3% y/y increase in PAT to KES 4.7Bn, driven primarily by strong growth in Net Interest Income, which rose 31.1% y/y to KES 12.3Bn, supported by solid loan growth and improved asset yields. Operating income expanded by 24.5% y/y to KES 16.2Bn, reflecting sustained business momentum across core banking operations.
- Non-funded income grew moderately by 7.1% y/y to KES 3.8Bn, supported by transaction volumes and trade-related activities.
- I&M continues to offer stable returns, supported by its growth and expansion strategy. ROaE of 18% is in line with peers, while valuations of 4.7x P/E and 0.8x P/B remain attractive, indicating a discount to intrinsic value.
- We expect continued improvement in dividend payouts, supported by sustained earnings growth. The dividend yield provides solid income support.
- At current valuations, the counter remains undervalued relative to its fundamentals. With consistent earnings growth, improving asset quality, and reliable dividends, I&M presents a compelling **ACCUMULATE** opportunity, particularly for income-focused investors with potential for capital appreciation.

G. Absa Bank Kenya – ACCUMULATE (TP-32.9, CP-28.75, Upside-14.3%): Strong ROE, slightly overvalued)

- Absa Kenya delivered a weaker Q1'2026 performance, reflecting pressure on funded income amid the prevailing lower interest rate environment despite continued balance sheet expansion and improving asset quality metrics. Nonetheless, the bank maintained resilient liquidity levels and a stable funding base.
- The lender reported a 13.9% y/y decline in PAT to KES 5.3Bn, largely driven by weaker Net Interest Income, which declined 7.9% y/y to KES 10.4Bn following lower interest income generation amid compressed lending yields and subdued margin expansion. Consequently, operating income declined by 7.1% y/y to KES 14.7Bn.
- Non-funded income also softened, declining 5.2% y/y to KES 4.3Bn amid reduced transactional activity and lower contribution from non-interest revenue lines. Meanwhile, operating expenses increased by 2.4% y/y to KES 7.2Bn, resulting in a deterioration in the cost/income ratio to 48.9% from 44.3%.
- Overall, Absa Kenya's Q1'2026 performance reflects earnings pressure arising from a lower interest rate environment and softer revenue generation. However, the bank continues to demonstrate resilience through strong deposit mobilization, balance sheet growth, and improving asset quality metrics, positioning it relatively well for medium-term recovery.
- Absa trades at 1.6x P/B, a modest premium to the sector, supported by a strong ROE of 22.8%, reflecting solid profitability and operational efficiency.
- Although not cheap, the valuation remains justified given consistent earnings delivery, balance sheet strength, and dependable dividend payouts.
- The counter remains suitable for investors prioritizing quality, stability, and income, with potential scope for near-term expansion at current levels. This positions the stock as **ACCUMULATE** for investors prioritizing balance sheet quality, consistent performance and dividend payouts.

H. DTB – Speculative Buy (TP-213.75, CP-149, Upside-43.5%)

- Diamond Trust Bank Kenya Limited delivered a relatively resilient Q1'2026 performance, supported by strong funded income growth, improving asset quality, and continued balance sheet expansion despite softer non-funded income and higher provisioning costs.
- The lender reported a 7.7% y/y increase in PAT to KES 3.5Bn, primarily supported by strong growth in interest income and lower funding costs. Net Interest Income increased significantly by 30.9% y/y to KES 10.0Bn, driven by a 12.2% decline in interest expenses despite moderated loan pricing during the period.
- However, earnings momentum was partly weighed down by a 3.2% decline in Non-Funded Income to KES 2.9Bn, largely due to lower forex trading income alongside weaker fees and commissions.
- The NPL ratio improved to 11.8% from 13.2%, reflecting continued recovery in asset quality and enhanced credit risk management.
- The stock trades at a deep discount (P/B: 0.4x), presenting a clear value opportunity. However, this is

tempered by subdued returns (ROE: 10.4%), which remain below peer averages and reflect underlying structural constraints.

Recommendation: Speculative Buy

- The stock presents a compelling deep value opportunity, supported by its low valuation multiples, improving earnings trajectory, and resilient dividend profile.
- However, subdued ROE continues to constrain near-term conviction, making the investment case more dependent on execution and a sustained recovery in profitability. As such, this is best viewed as a **speculative buy**, where upside is contingent on a successful turnaround that could unlock meaningful re-rating overtime, but with elevated risk relative to core holdings.

Non-Banking Sector:

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

- BAT reported a 12.5% y/y decline in revenue to KES 35.95Bn in FY25 due to domestic volume pressure. However, strong cost discipline supported a 17.0% rise in PAT to KES 5.25Bn. The proposed dividend of KES 70 per share (up 40% y/y) reinforces its positioning as a high-yield defensive counter and offers a yield of 12.4%, which is one of the best in the market.
- BAT remains a high-quality income generator with higher dividend payout, but valuation is stretched.
- ROE of 36.5% supports premium pricing.

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. However, following the recent rally, much of the 40% dividend increase appears priced in. At current levels, upside is limited, and we maintain a **HOLD** stance pending a more attractive entry point or new earnings catalysts.

2. EABL – ACCUMULATE

- HY2026 results recorded an 11.1% net revenue growth driven by 8% volume growth, a resilient brand portfolio, and strong innovation and pricing strategy. PAT surged 37.7% to KES 11.2Bn, supported by revenue growth, operating leverage, efficiency gains, and lower financing costs. Due to the positive performance, the counter declared an interim dividend of KES 4.0 per share, 60% y/y increase.
- However, trading at 21x P/E, the stock is priced higher hence target the right entry price for a buy.
- Trailing dividend yield of 3.2% offers limited support but we anticipate improved dividend payout based on the half year results with an announcement of interim dividend per share of KES 4.0.

Recommendation: **ACCUMULATE**.

3. Safaricom – BUY (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 improving contribution 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.
- **EBITDA & EBIT-**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. EPS came in at KES 2.39, up 37.4% y/y.
- The company increased its full year dividend payment by 66.7% to KES 2.0 per share (Interim-KES 0.85 DPS, Final- KES 1.15 DPS). Trailing dividend yield remains modest at 6.6%.

Recommendation: **ACCUMULATE**.

- Safaricom remains a long-term compounder. The major drag that mutes the performance is the Ethiopian business which is yet to break even and should achieve that by 2027-2028.
- It remains best suited for long-term investors, not tactical or momentum buyers.

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