KCBIB Monthly Stock Picks: March 2026

Market Update & Macro Overview

Equities Market Updates: Earnings & Profit Warnings

- The equity rally that defined 2025 has extended into early 2026. NASI rose 10.6% m/m, pushing total market capitalization to KES 3.4Tr, a clear sign that participation remains broad.
- Falling interest rates globally and domestically continue to support equities. As bond yields ease, investors are gradually rotating into stocks in search of better returns.
- However, a reality check is necessary. Many stocks now trade near cycle highs following the sharp rerating in 2025. This is no longer a “buy everything” market. It is now a market for selective opportunity, where valuation discipline matters.
- The focus must shift toward: Companies with clear earnings visibility, strong balance sheets, sustainable dividend profiles & reasonable valuations relative to returns.

Corporate Earnings: Mixed but Fundamentally Stable

- Recent corporate earnings releases reflect a mixed performance across sectors:
    - **BAT Kenya (FY2025)** reported a 12.5% y/y decline in revenue to KES 35.95Bn due to domestic volume pressure. However, strong cost discipline supported a 17.0% rise in PAT to KES 5.25Bn (EPS: KES 52.46). The proposed dividend of KES 70 per share (+40% y/y) reinforces its positioning as a high-yield defensive counter.
    - **Longhorn Publishers (HY to Dec 2025)** delivered an 88% surge in revenue to KES 524Mn, with gross margins improving to 45%. Losses narrowed significantly to KES 11Mn, signaling operational recovery.
    - **Unga Group (HY to Dec 2025)** recorded 12% revenue growth to KES 14.48Bn, while PAT rose sharply to KES 523Mn, supported by margin expansion and lower finance costs. No interim dividend was declared as the Board prioritizes balance sheet strengthening.
    - **Carbacid Investments (H12026)** posted 4% revenue growth to KES 976Mn, with PAT increasing 7% to KES 465Mn, supported by investment gains. No interim dividend was declared.
- On the downside, CIC Insurance Group issued a profit warning, projecting FY2025 earnings to decline by at least 25% y/y due to the absence of a one-off property revaluation gain recorded in FY2024 and elevated claims.
- Limuru Tea also announced a profit warning, citing high labor costs and weaker tea auction prices.

Fixed Income & Macroeconomic Developments

- Macroeconomic conditions remain broadly stable. The shilling is steady, inflation is contained, and monetary policy remains accommodative. Improving PMI readings suggest renewed private sector confidence.
- **Eurobond Update:** The Government of Kenya successfully raised USD 2.25bn through a dual-tranche Eurobond maturing in 2034 (USD 900mn) and 2039 (USD 1.35bn). The strong investor uptake signals improved external confidence. Proceeds were primarily for refinancing existing Eurobonds (2028 and 2032 maturities), easing near-term redemption pressure and smoothing the public debt maturity profile.
- **MPC Meeting:** In the February meeting, the Monetary Policy Committee reduced the CBR by 25bps to 8.75%, reinforcing its accommodative stance. The rate cut is expected to support private sector credit growth, improve liquidity conditions, and sustain macroeconomic stability through stable inflation and exchange rate expectations.

- **On sovereign risk**, Fitch affirmed Kenya at B- (Stable). Moody's upgraded to B3 (Stable). While external liquidity risks have improved, debt sustainability remains a medium-term concern.

Corporate Actions & Tentative Earnings Calendar

Corporate Actions

Counter	Corporate Action	Amount Declared	Date Announced	Books Closure	Payment Date
EABL	Interim Div	KES 4.00	1/30/2026	2/20/2026	4/30/2026
KPLC	Interim Div	KES 0.30	2/3/2026	2/23/2026	3/27/2026
Safaricom	Interim Div	KES 0.85	2/4/2026	2/25/2026	3/31/2026

Source: NSE, KCB IB

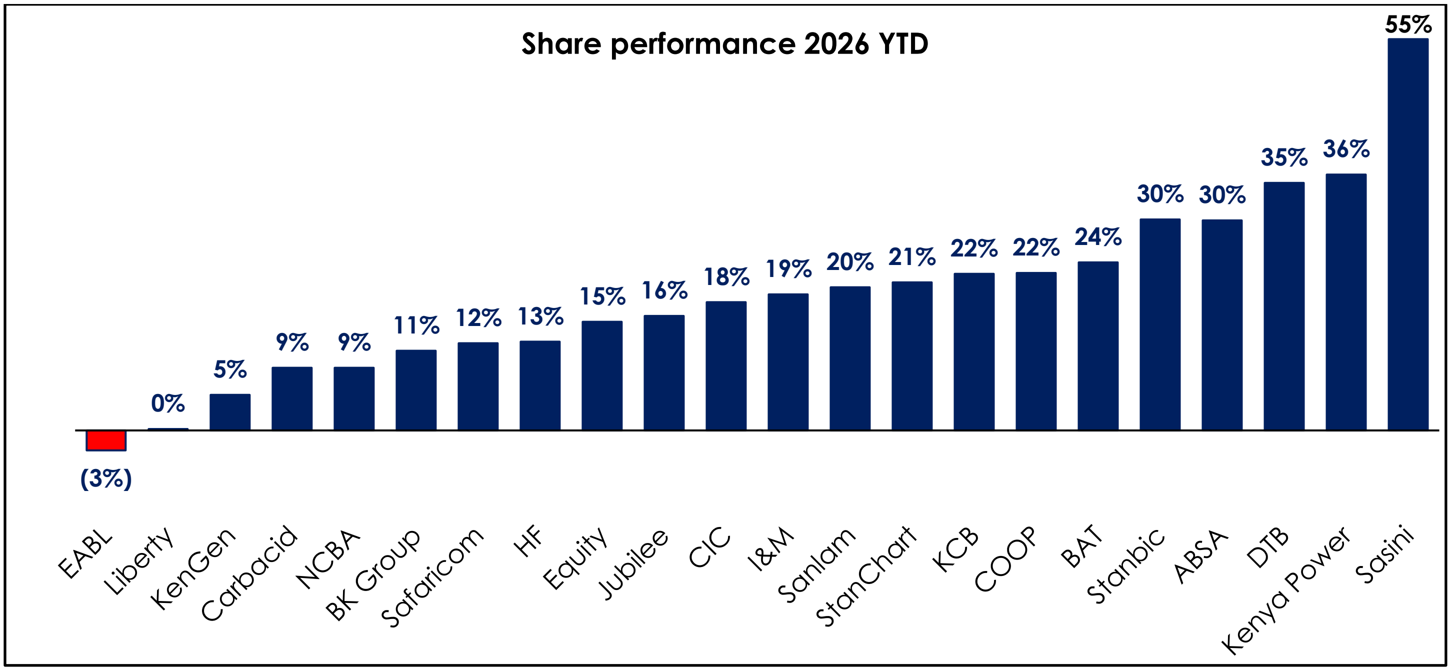
- The upcoming reporting season is heavily skewed toward the banking sector. The reporting cycle will be critical in validating earnings momentum following the strong market rerating witnessed in 2025.

Earnings calendar Tentative Dates

Date	Company	Action
Wednesday, March 3, 2026	**Absa Bank Kenya**	**FY2025 results**
Wednesday, March 4, 2026	Sasini	FY2025 results
Tuesday, March 10, 2026	**KCB Group**	**FY2025 results**
Wednesday, March 11, 2026	Liberty Kenya Holdings	FY2025 results
Tuesday, March 17, 2026	**Equity Group Holdings**	**FY2025 results**
Wednesday, March 18, 2026	**Standard Chartered Bank Kenya**	**FY2025 results**
Monday, March 23, 2026	**HF Group (Housing Finance)**	**FY2025 results**
Wednesday, March 25, 2026	Kakuzi	FY2025 results
Thursday, March 26, 2026	**NCBA Group**	**FY2025 results**
Friday, March 27, 2026	Britam Holdings / NSE / SKL	FY2025 results
Monday, March 30, 2026	**DTB (Diamond Trust Bank)**	**FY2025 results**
Thursday, April 2, 2026	**BK Group**	**FY2025 results**

Source: NSE, KCB IB

YTD Share Performance



Source: NSE, KCB IB

- Equity performance remains broadly strong across sectors, underpinned by improving fundamentals and resolution of key overhangs.
- Within banking, **DTB** has recorded a notable rally, reflecting renewed recognition of its growth prospects and valuation re-rating.
- **NCBA** has seen moderate price action, suggesting the market has largely priced in the Nedbank acquisition narrative.
- Outside banking, **Sasini** rallied strongly following the KES 7.9Bn land sale, which improved liquidity expectations and strengthened the long-term growth narrative.
- Overall, sector-wide performance has been supported by earnings recovery, corporate action catalysts, and improving investor sentiment.

Market Performance

Local Market Performance

Indicator	30-Jan-26	27-Feb-26	% Δ
NASI	195.36	216.08	10.6%
NSE-20	3299.28	3750.45	13.7%
NSE-25	5321.96	5948.29	11.8%
Mkt cap, KES Bn	3,083.07	3,410.07	10.6%
Shares traded	410,039,584.00	820,180,014.00	100.0%
Equities TO, KES	12,995,554,363.00	24,280,287,856.00	86.8%
Foreign buy, KES	4,201,976,282.00	5,646,855,700.00	34.4%
Foreign sell, KES	5,287,062,834.00	9,068,524,013.00	71.5%
Net flows, KES	(1,085,086,652.00)	(3,421,668,313.00)	215.3%

Source: NSE, KCB IB

KCB Investment Bank

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Regional Market Performance

Country	Index	M/M % Δ	YTD % Δ
Kenya	NASI	10.6%	15.3%
Uganda	USE ALSI	13.9%	18.3%
Tanzania	DARSDSEI	21.2%	41.8%
Nigeria	NGXINDX	16.6%	23.2%
Ghana	GGSECI	42.4%	46.3%
South Africa	JALSH	7.0%	10.6%
Egypt	EGX100 EWI	1.5%	-1.4%

Source: Bloomberg, KCB IB

Global Market Performance

Global Index	Index	M/M % Δ	YTD % Δ
S&P 500	SPX Index	-0.9%	0.3%
MSCI World	MXWO Index	0.6%	2.5%
Dow Jones Global	W1DOW Index	1.5%	4.2%
MSCI Emerging Mkts	MXEF Index	5.4%	12.7%
MSCI Emerging Frontier	MXFEM Index	2.8%	11.2%
MSCI Europe Index	MXEU Index	-3.8%	2.4%

Source: Bloomberg, KCB IB

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.
- The banking sector continues to present the most compelling valuation dislocations within our coverage universe.
- **Key Takeaway:** High-ROE banks trading below book value offer an attractive risk-adjusted entry point, supported by resilient earnings, strong capital buffers, and scope for multiple re-rating as macro conditions stabilize.

Stock	Price(27th Feb)	Trailing Dividend	Div Yield	Interim Dividend	P/E	P/B	ROE	Recommendation
Banking Sector								
Cooperative	29.2	1.50	5.14%	1.00	6.06	1.04	18.8%	HOLD
Equity	77.25	4.25	5.50%	0.00	5.47	0.96	23.5%	ACCUMULATE
KCB	80.25	3.00	3.74%	4.00	4.06	0.81	22.1%	NA
I&M	51	3.00	5.88%	1.50	4.79	0.81	18.2%	ACCUMULATE
Stanbic	256.5	20.74	8.09%	3.80	7.79	1.37	18.2%	HOLD
NCBA	92.5	5.50	5.95%	2.50	6.89	1.27	21.0%	HOLD
Stanchart	362.25	45.00	12.42%	8.00	9.52	2.15	21.6%	HOLD
Absa	32.2	1.75	5.43%	0.20	7.49	1.85	26.8%	HOLD
DTB	154.75	7.00	4.52%	0.00	5.13	0.44	9.9%	ACCUMULATE
Manufacturing								
BAT	567	70.00	12.35%	10.00	10.87	3.86	36.5%	HOLD
EABL	259.5	8.00	3.08%	0.00	16.97	6.55	42.6%	HOLD
Telecommunication								
Safaricom	32	1.20	3.75%	0.85	15.02	6.89	49.7%	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

1. **Equity Group-ACCUMULATE: Highly quality growth**

- Equity remains the highest-quality lender in the banking sector, supported by strong regional diversification and superior profitability.
- ROE of 23.5% remains among the strongest in the sector, reflecting efficient capital deployment.
- Trading at 5.47x P/E and 0.96x P/B, valuation is relatively at a discount relative to returns, leaving a margin for an upside potential upon near-term rerating.
- Dividend yield of 5.50% continues to support total returns though there remains high potential for increased dividend payout.
- The stock is best suited for investors seeking quality, stability, and steady compounding. We recommend gradual accumulation, with patience for a more attractive entry point before an outright **Buy** call. Upside potential is expected to improve as valuations re-rate, supported by a new earnings catalyst with FY25 results and dividend declaration expected in March.

2. **Standard Chartered Bank-HOLD: Remains a Dividend Anchor**

- In its Q3'25 results, the lender reported a sharp slowdown, with PAT declining 38.2% Y/Y. The performance was weighed down by a 10.3% drop in net interest income and 28.6% drop in non-funded income, resulting in a 17.0% decline in operating income.
- Stanchart remains the market's highest dividend payer, offering unmatched income appeal despite elevated valuation.
- Dividend yield of 12.42% is the highest among banks, providing strong downside support.
- ROE of 21.6% remains solid, but valuation at 9.52x P/E and 2.15x P/B reflects premium pricing though upside will still depend on FY25 performance and dividend declaration taking in mind the profit warning.
- FY25 Earnings growth will be constrained by pension case and mature business profile as reflected in the profit warning announcement.

Recommendation: **HOLD**.

- Attractive for income-focused investors, but upside is capped by valuation.

3. **Co-operative Bank – HOLD (Defensive Income Play)**

- Co-op Bank continues to deliver stable, predictable returns, supported by a strong domestic franchise.
- 18.8% ROE is solid and within tier-one peers range.
- The valuation of 6.06x P/E and 1.02x P/B is fair relative to profitability.
- The counter offers trailing dividend yield of 5.14% supporting income-oriented portfolios and it declared for the first time an interim dividend indicating an expectation of higher payouts going forward.

Recommendation: **HOLD**.

- A defensive name with reduced upside potential given the price rally and the valuations.

4. Stanbic Bank – HOLD (Income + Stability)

- The bank delivered a muted performance in Q3'25, with PAT declining 7.5% Y/Y to KES 9.5Bn. The slowdown was largely driven by a 24.5% drop in non-funded income, weighed down by soft forex trading activity. We expect muted performance in full year results.
- Despite the soft performance, the bank remains resilient, supported by a stable balance sheet, improving asset quality, and a consistent dividend track record.
- Stanbic remains a low-risk, steady performer, but valuation limits upside.
- ROE of 18.2% is respectable but not sector leading.
- Trading at 7.79x P/E and 1.37x P/B, valuation is a little bit premium but still has potential for growth.
- The counter is the second-best dividend payer after Stanchart. Its trailing dividend yield of 8.09% offers strong income support. We expect final dividend per share of about KES 19.0-19.30.
- Overall, Stanbic remains fundamentally stable despite short-term revenue pressures and leans towards a **hold**.

Recommendation: **HOLD**.

- Best for investors prioritizing income and balance sheet strength.

5. NCBA Group – HOLD (Earnings Normalization Story)

- Operationally, Q32025's performance was solid, with PAT rising 8.5% Y/Y to KES 16.4Bn. Earnings growth was driven by a 27.4% increase in Net Interest Income, supported by a 42.8% decline in interest expense on customer deposits, reflecting improved funding costs and balance sheet efficiency. This performance was weighed down by a 1.9% decline in non-interest income, indicating continued pressure on fee-based revenue streams.
- The group's ROE of 21.0% supports the investment case. The stock is trading at 6.89x P/E and 1.27x P/B, levels that reflect normalized profitability and limit near-term valuation upside. That said, the dividend yield of 6.0% remains attractive, providing income support for total return to investors. The counter paid interim dividend, and we expect increased final payment.
- Strategically, Nedbank's announcement to acquire a 66% controlling stake in NCBA Group Plc through a partial pro-rata offer introduces a new ownership dynamic. The offer implies a valuation of KES 210Bn (1.4x P/B), with consideration 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 remains listed with a 34% public free float. The transaction is strategic rather than distressed, supports sector sentiment, and aligns with Nedbank's capital-light East African expansion strategy across banking, digital finance, payments, and cross-border platforms.

Recommendation: **HOLD**.

- Given current valuations, the stock already reflects much of the recovery story. Considering the Nedbank transaction, investors are advised to maintain positions, await FY2025 results, and closely monitor developments around regulatory approvals.

6. I&M Holdings – ACCUMULATE (Yield-Supported and potential upside)

- I&M delivered a strong Q3'25 performance, with PAT up 27.4% Y/Y to KES 12.7Bn, supported by robust income growth across both funded and non-funded streams.
- I&M offers stable returns and is on a growth and expansion journey.
- ROE of 18.2% is within peers' range and the trading valuations of 4.8x P/E and 0.81x P/B, are reasonable and offer a discount in trading.

- We expect dividend payout to improve with the expected increased performance. The dividend yield of 6.0% provides income support.

Recommendation: **ACCUMULATE**.

- At the stated valuations, the counter remains discounted relative to its fundamentals. With consistent earnings growth, improving asset quality, and reliable dividend payouts, I&M offers a compelling opportunity for investors to accumulate at value levels.
- Suitable for income-focused investors with potential capital gains.

7. Absa Bank Kenya – HOLD (Strong ROE, Expensive Book)

- Absa Bank delivered a strong Q32025 performance, posting PAT of KES 16.9Bn (+14.7% Y/Y). Growth was supported by an 11.2% rise in non-interest income and a 39.6% drop in loan-loss provisions, offsetting a 4.6% decline in Net Interest Income.
- Absa stands out on profitability, but valuation remains demanding.
- ROE of 26.8% is among the highest in the sector.
- However, valuation at 6.59x P/E and 1.61x P/B limits re-rating upside.
- Dividend yield of 7.2% supports the stock.

Recommendation: **HOLD**.

- Strong fundamentals, with pricing already reflecting strength.
- While the counter isn't cheap, the valuation remains reasonable for a bank sustaining double-digit growth. This positions the stock as **HOLD** for investors prioritizing balance sheet quality, consistent performance and dividend payouts while waiting for the appropriate entry price.

8. DTB – ACCUMULATE

- DTB Kenya's Q325 results reflect a strengthening balance sheet, improved asset quality, and solid earnings momentum, despite softer non-funded income. PAT grew by 14.8% supported by 17.9% growth in interest income. The combination of healthier credit performance, expanding deposits, and improving Net Interest Margin (NIM) positions the bank for continued profitability heading into FY2025.
- DTB trades at a steep discount (P/B of 0.44x) offering an opportunity for growth. Despite cheap headline valuation, DTB has subdued ROE of 9.9%, significantly below sector average and raises concerns. However, it screams potential value if the limiting growth factors are sorted.
- Dividend yield stands at 5.0%, moderated by the recent price rally. While supportive, it is not sufficiently compelling to justify an aggressive **BUY** stance at current levels.

Recommendation: **ACCUMULATE**.

- Accumulate cautiously given the low returns. However, the improved performance offers high prospects for increased returns.

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 (+40% y/y) reinforces its positioning as a high-yield defensive counter and offers a yield of 12.35%, 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 – HOLD (Great Business, Stretched valuation)

- 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 15.9x P/E and 6.13x P/B, the stock is priced higher hence target the right entry price for a buy.
- Trailing dividend yield of 3.0% 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: **HOLD**.

- Hold as you wait for a meaningful correction before re-entry.

3. Safaricom – ACCUMULATE (Strategic Compounder)

- 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.
- The company increased its interim dividend payment to KES 0.85 per share hence expected increased payout in full year results. Trailing dividend yield remains modest at 3.75% compared to other counters.
- Valuation at 14.22x P/E and 6.63x P/B reflects fair trading status.

Recommendation: **ACCUMULATE**.

- Best suited for long-term investors, not tactical buyers.

Market Positioning

- The market has transitioned from a strong rally to a consolidation phase, with valuation discipline becoming increasingly important.
    - High-ROE stocks trading at fair valuations are **HOLDs**, not aggressive buys.
    - Selective accumulation is warranted in deeply discounted, high-ROE names.
    - Profit-taking remains prudent in expensive, fully valued counters.

Strategy:

- Given current equity market conditions, investors should focus on ROE versus valuation mismatches, where strong returns are not yet fully priced in. Priority should be placed on income generation and capital preservation, while remaining selective on new positions. After the strong rally in 2025, patience is key, as better entry points are likely to emerge as the market consolidates.

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