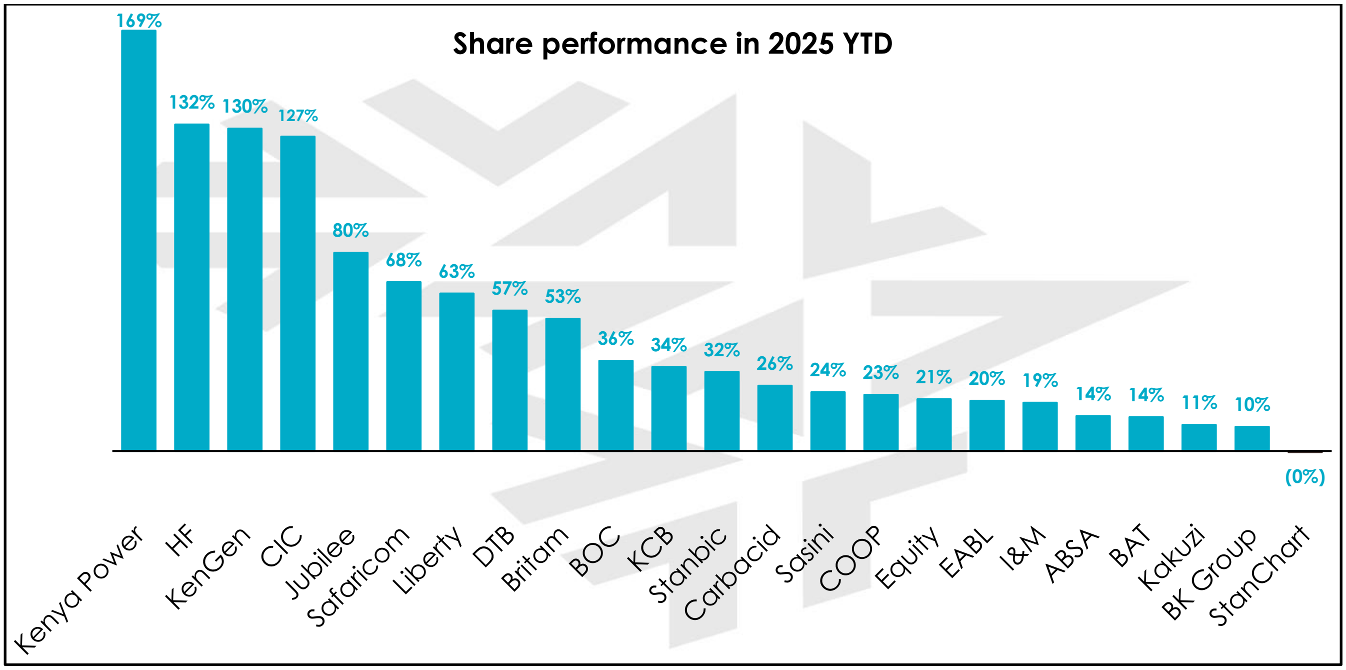
## Stock Market Summary




***Source; NSE, NCBA IB Research***

• **Banks Lead Market Momentum, But Gains Are Broadening** | Equities have extended their rally in 2025, with the NASI up **38% YTD** and **8% m/m**, supported by resilient earnings and stable macro fundamentals. Banking stocks remained the key driver, with Kenya's 11 listed lenders posting a combined **KES 135Bn PAT** in H1. **Equity (KES 33Bn)** narrowly regained top spot ahead of **KCB (KES 32Bn)**. Profit growth was strongest at **HF Group (+134.5%)** and **I&M (+38.0%)**, while **Absa** and **BK Group** stood out for efficiency metrics.

• **Energy Stocks Spark Investor Interest** | The sector continued to draw attention with **Kenya Power** and **KenGen** delivering stellar gains. Optimism centers on operational turnaround and recovering demand, even as elevated cost pressures remain a headwind.

**Our View:** With banking, insurance, and energy delivering above-trend earnings momentum, market leadership is broadening beyond traditional large-cap banks.

We expect continued investor rotation into undervalued counters, particularly in insurance and select energy plays. Stable macro fundamentals and a supportive earnings outlook should sustain positive sentiment into year-end, though cost pressures and policy risks remain watchpoints.

## Outlook

Both globally and locally, equity markets are on a recovery path, aided by the pause in interest rate hikes. We expect equities to sustain positive momentum in 2025, underpinned by stronger investor sentiment and a more stable macroeconomic backdrop.

That said, **geopolitical risks** and **tariff uncertainties** remain key headwinds and could trigger intermittent volatility.

**Our View:** We maintain a constructive stance on equities and favor fundamentally strong companies trading below intrinsic value. We see **compelling opportunities in the banking sector**, supported by robust earnings and efficiency gains, alongside select opportunities in insurance and energy counters where structural improvements are driving performance.

## Opportunities

- **Re-balancing of portfolios:** Diversification of a portfolio seeks to mitigate concentration risk, prioritizing investment in companies with strong and well-capitalized balance sheets.
- **Dividend stocks:** Dividend stocks provide a steady income stream and can serve as a defensive hedge during periods of market volatility. They are particularly attractive in a recovering but uncertain environment, offering both yield and capital appreciation potential.

## Threat

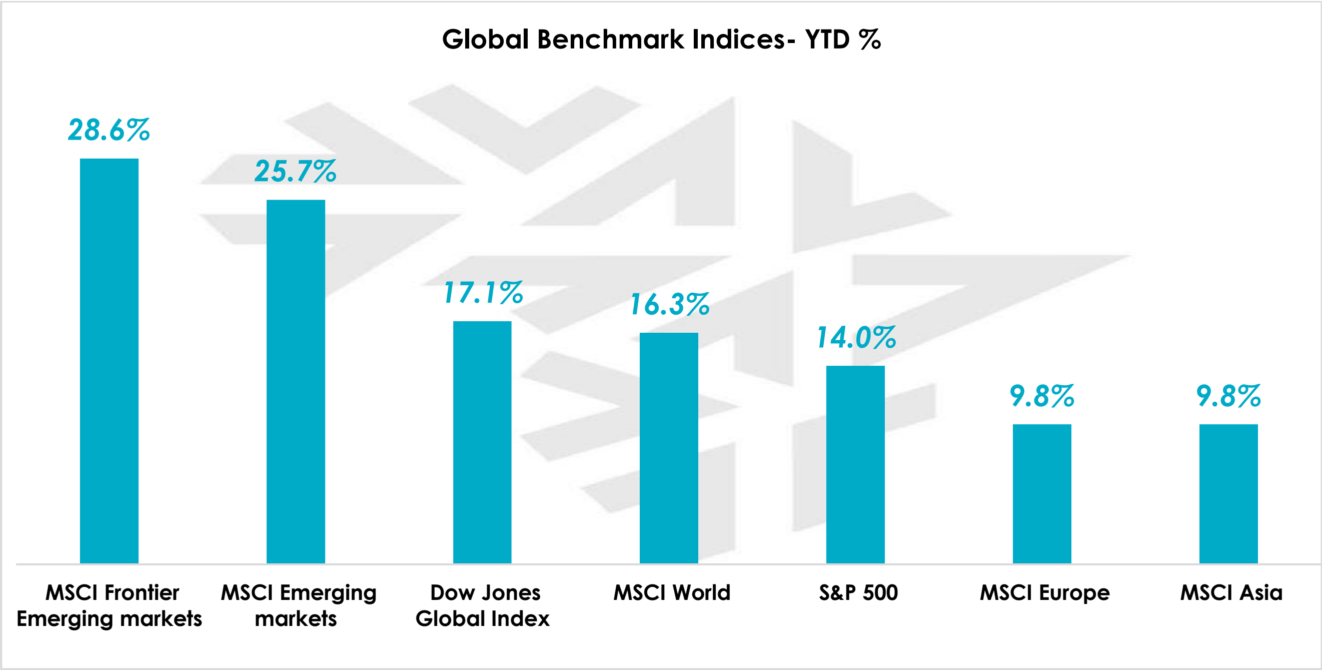
- **Macro-economic environment:** This has been characterized by slow growth because of high interest rates and significantly reduced disposable income, impacting consumption.

**Global Equities – Rotation Toward Undervalued Markets**

Emerging and frontier markets are leading global performance YTD, with the MSCI Frontier Emerging Markets Index up 27% and the MSCI Emerging Markets Index up 18%. The rally highlights renewed investor demand for high-growth, undervalued regions amid a wider rotation into risk assets.

Developed markets have delivered only modest gains, weighed down by elevated valuations, particularly in U.S. tech—and ongoing geopolitical risks. This shift toward higher-yielding, undervalued markets could benefit countries such as Kenya, provided macroeconomic stability holds and corporate earnings continue to strengthen.

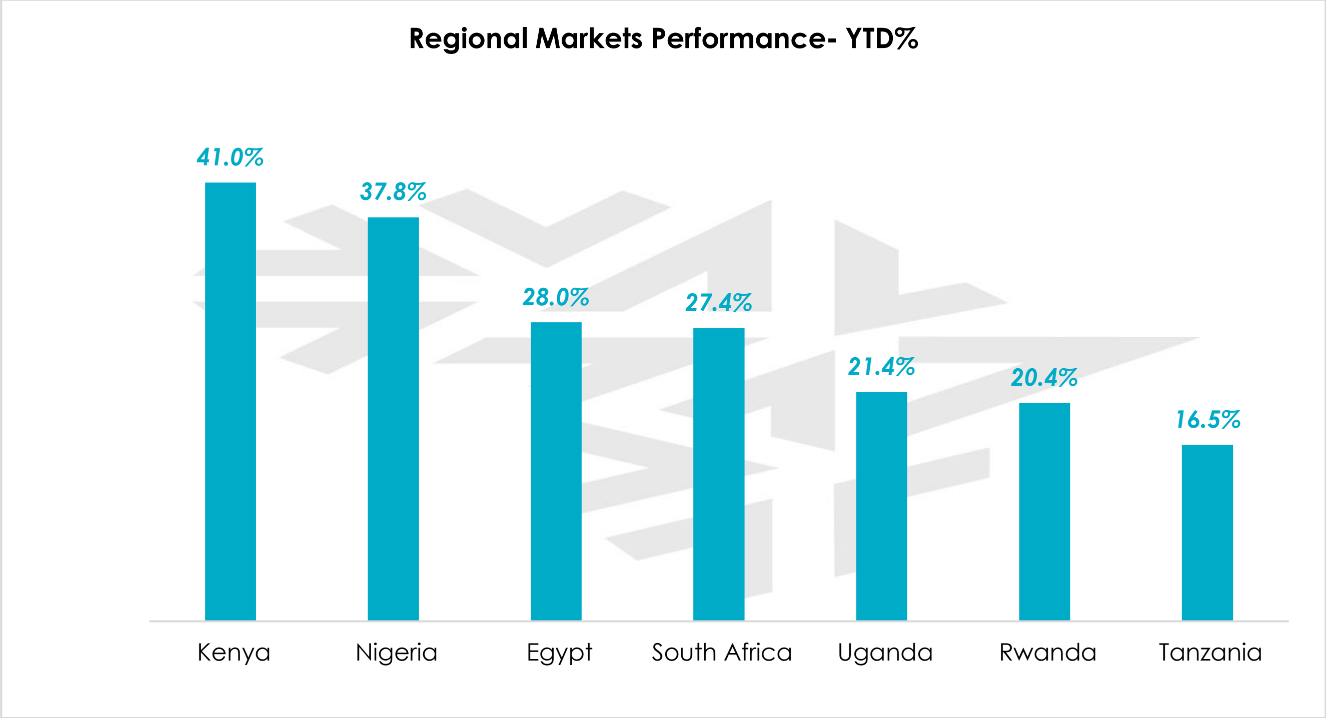
Global trade tensions have also moderated after the U.S. reached preliminary agreements with key allies. While uncertainties remain in China, India, and Brazil, easing frictions are broadly supportive of investor sentiment and capital flows into risk assets.




***Source: Bloomberg, NCBA IB Research***

## Regional Markets Performance

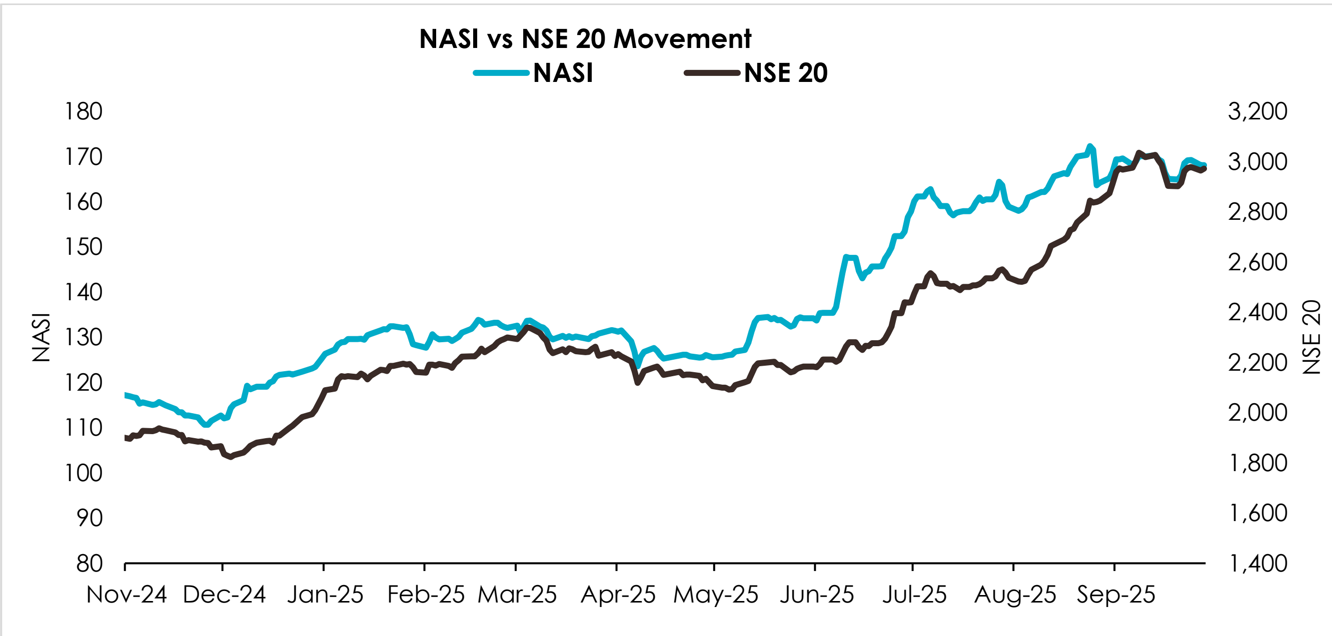
The regional indices recorded positive performance with the Kenyan Market recording the highest YTD gain. This is on the back of capital flows to the undervalued markets.




***Source: Bloomberg, NCBA IB Research***

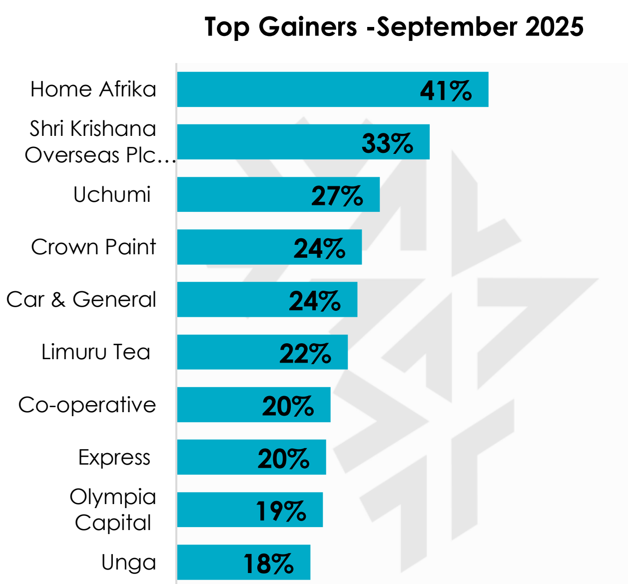
## Local Market Performance

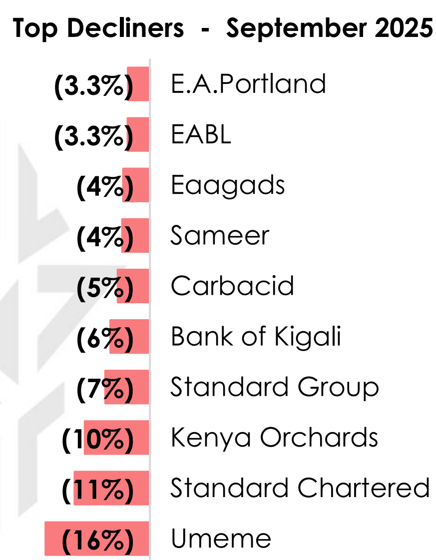
The local stock market maintained upward momentum with a decent number of counters posting positive price appreciation. However, risks persist emanating from global uncertainty amidst tariff tensions.




*Source; Bloomberg, NCBA IB Research*

## NSE Stock Performance



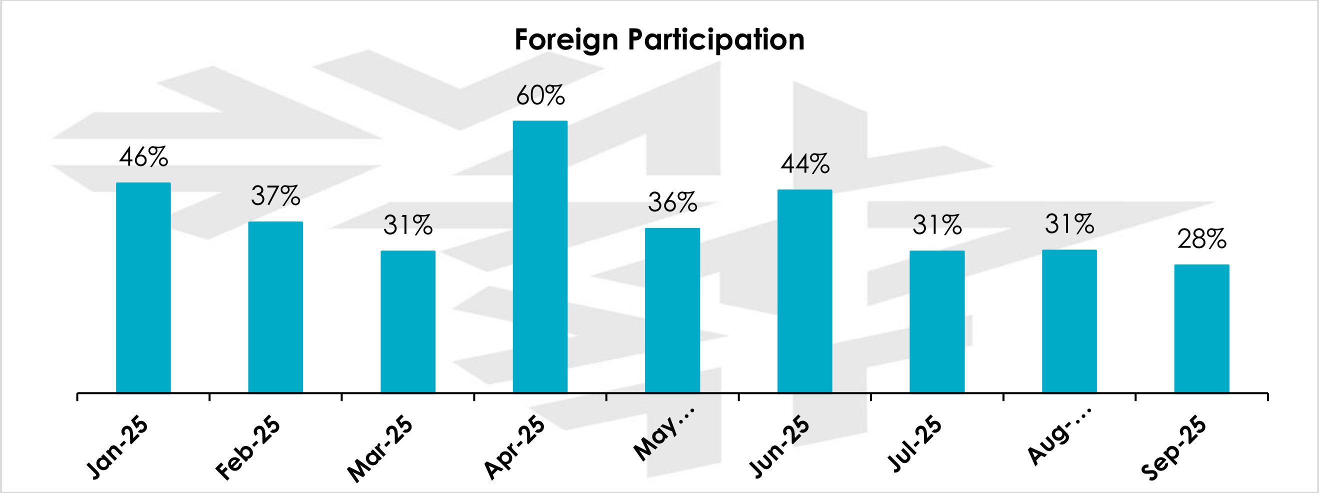




*Source; NSE, NCBA IB Research*

## Foreign Investors Participation

Foreign investors sharply increased their selling at the NSE in September, with net outflows of KES 4.96Bn. This wiped-out August's **KES 1.65Bn billion inflows**, the strongest in four years, and marked the heaviest foreign exit since July 2023 (excluding the one-off Bamburi divestment in December 2024). The bulk of the sell-off was concentrated in **Safaricom**, which accounted for more than half of the exits, alongside heavy activity in bank counters such as **Equity, KCB, and DTB**.

Despite the offshore profit-taking, local investors have sustained strong buying momentum, driving the market to historic heights. The **NSE 20 Share Index is up 41% YTD**, making 2025 the index's best year since 2003, when it surged by 101.5%.




***Source; NSE, NCBA IB Research***

## Macros in a Snippet

- **European Central Bank-** The European Central Bank held its key interest rates steady at its September 2025 meeting, keeping the deposit rate at 2%. Having already delivered multiple cuts earlier in the year, the bank is now taking a wait-and-see stance as inflation has returned close to its 2% goal. Policymakers stress decisions will continue to be data-driven.

- **Fed Meeting**- The Federal Reserve trimmed rates by 25 basis points in September 2025, setting the federal funds target at 4–4.25%. The move was aimed at cushioning a cooling labor market and guarding against downside risks. While one policymaker pushed for a larger cut, the Fed kept the door open for more easing if economic data justify it.

- **Bank of England**- The Bank of England has gradually lowered its policy rate throughout 2025, bringing it down to 4% by August. At the September meeting, it chose to pause, highlighting the need to keep policy tight enough to anchor inflation expectations. While some members favored further easing, the bank signaled caution amid weak productivity and external risks.

## Currency

The Kenyan Shilling has remained stable against the US Dollar in 2025, with a marginal YTD appreciation of 0.05%. This stability is expected to be sustained by the Central Bank of Kenya's interventions through Open Market Operations, along with support from diaspora remittances, tourism inflows, and funding from multilateral lenders.

| Currency Performance | | | |
|---|---|---|---|
| **Period** | **USD/KES** | **GBP/KES** | **EURO/KES** |
| Sep-25 | 129.25 | 173.13 | 151.12 |
| Year to date | (0.05%) | 6.74% | 12.17% |

***Source: CBK, NCBA IB Research***

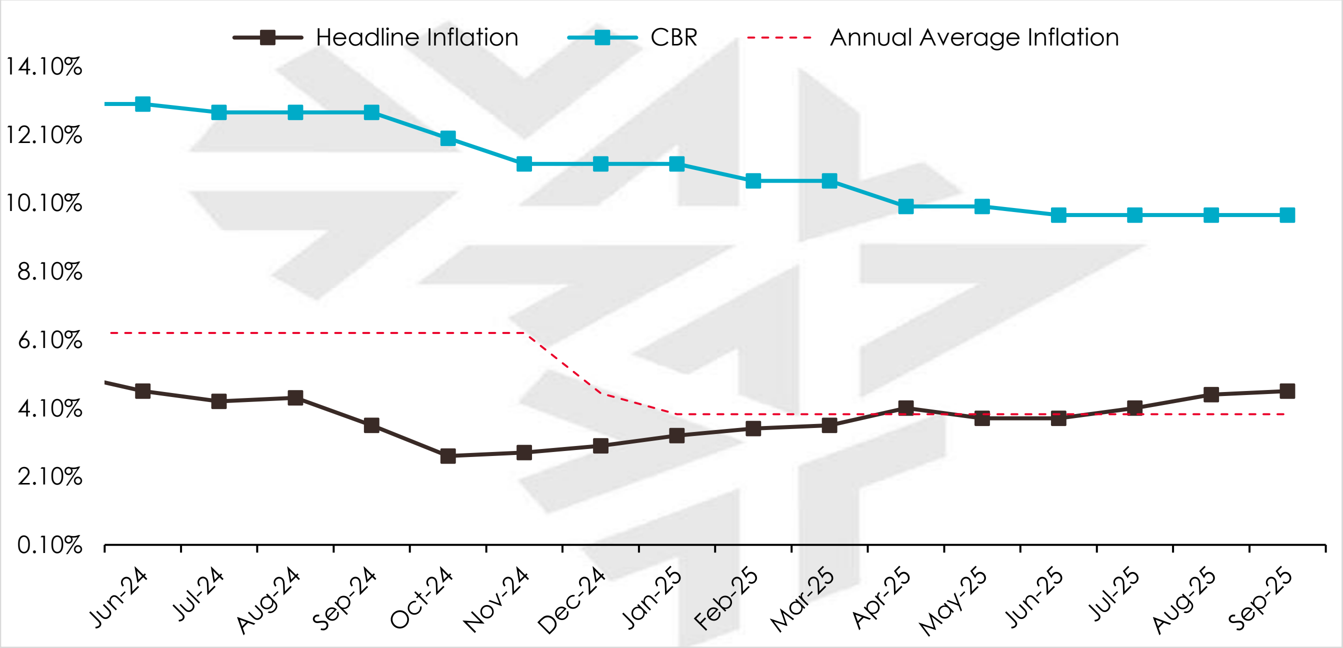
## Inflation

Annual headline inflation rose by 10-basis points from 4.5% to **4.6%** in September 2025. Month on month, the increase was chiefly driven by a rise in prices of food and non-alcoholic drinks, transport, and housing, water, electricity, gas and other fuels

Looking ahead into Q3, inflation is projected to remain around the 5% mark, supported by domestic policy measures such as the maize subsidy program. However, the long-term viability of these interventions remains uncertain, particularly against the backdrop of a widening fiscal deficit and mounting pressure on public finances.

| Statistic | Current | Previous | Change (bps) |
|---|---|---|---|
| CBR | 9.75% | 9.75% | - |
| Inflation | 4.50% | 4.10% | 40.00 |

***Source: CBK, NCBA IB Research***




***Source: CBK, KNBS, NCBA IB Research***

## Liquidity conditions

Liquidity conditions eased during the month. Indicatively, the overnight interbank rate declined by 14bps month on month to close at 9.48%

The average daily traded volumes decreased to KES11.77Bn from KES15.00Bn recorded the previous month.

| Statistic | Sep-25 | Aug-25 | Change (bps) |
|---|---|---|---|
| Average Kesonia Rate | 9.48% | 9.62% | (14.00) |
| Average Lessonia Volume | 11.77 | 15.00 | (4.23) |

***Source: CBK, KNBS, NCBA IB Research***

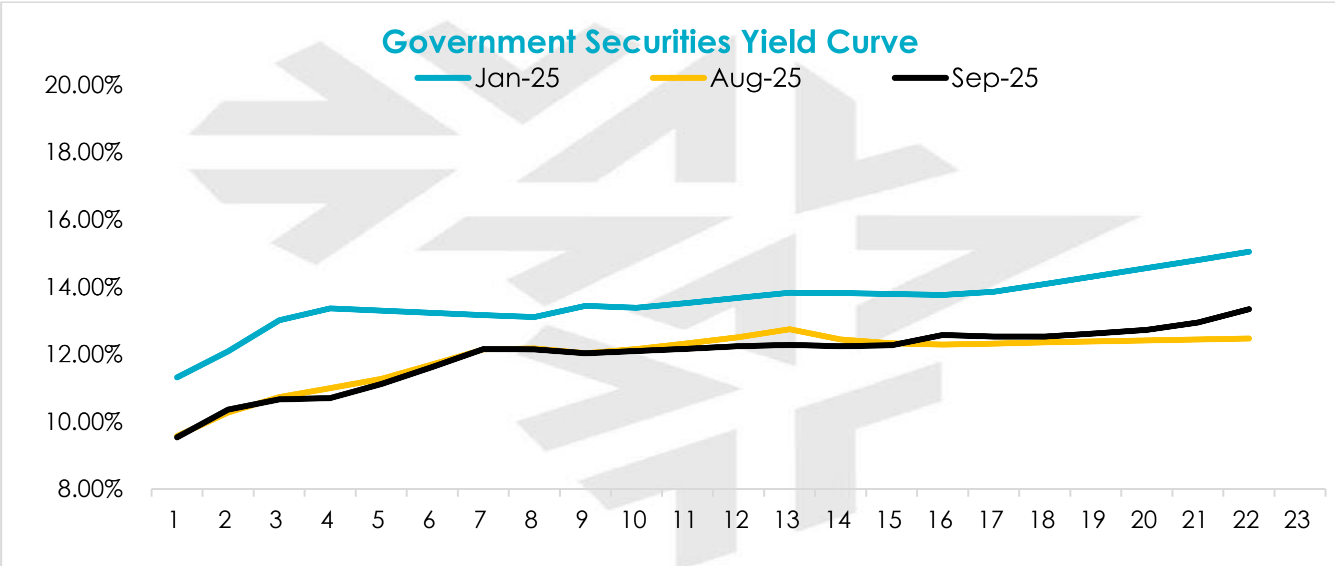
## Interest rates

The downward trend in short-term Treasury bill yields has persisted into 2025, with the 91-day, 182-day 364-day papers declining m/m. However, the pace of decline is expected to be more gradual compared to the aggressive easing observed earlier.

| Prevailing rates | Sep-25 | Aug-25 | M/M change (bps) |
|---|---|---|---|
| 91 Day | 7.92% | 8.00% | (7.61) |
| 182 Day | 7.98% | 8.07% | (8.51) |
| 364 Day | 9.54% | 9.57% | (2.94) |

***Source: CBK, NCBA IB Research***

Yields on government securities are on a downward trajectory. Overall, we anticipate a continued downward trend in the yield curve, albeit at a slower pace. However, we expect the curve to tick upwards in the medium term given the fiscal pressure to cover the budget deficit.




***Source: CBK, NCBA IB Research***

## October 2025 Stock Picks

| Counter | Current Price *30th September 2025 | Target price | Upside | Trailing Dividend | Trailing Div. Yield | Recommendation |
|---|---|---|---|---|---|---|
| ***Banking*** | | | | | | |
| ABSA | 21.50 | 23.62 | 9.86% | 1.75 | 8.14% | NEUTRAL |
| BK Group | 38.40 | 46.80 | 21.88% | 3.02 | 7.86% | BUY |
| COOP | 21.40 | 19.76 | -7.66% | 1.50 | 7.01% | SELL |
| DTB | 104.50 | 90.67 | (13.23%) | 7.00 | 6.70% | SELL |
| Equity | 58.00 | 61.94 | 6.79% | 4.25 | 7.33% | NEUTRAL |
| I&M | 43.00 | 39.61 | (7.88%) | 3.00 | 6.98% | SELL |
| KCB | 56.75 | 67.62 | 19.15% | 3.00 | 5.29% | NEUTRAL |
| Stanbic | 184.25 | 181.59 | (1.44%) | 20.74 | 11.26% | SELL |
| StanChart | 284.00 | 312.00 | 9.86% | 45.00 | 15.85% | NEUTRAL |
| ***Telecommunication*** | | | | | | |
| Safaricom | 28.90 | 27.63 | (4.41%) | 1.20 | 4.15% | SELL |
| ***Manufacturing & Allied*** | | | | | | |
| BAT Kenya | 427.50 | 493.57 | 15.45% | 50.00 | 11.70% | NEUTRAL |
| BOC Kenya | 121.00 | 110.81 | (8.42%) | 6.15 | 5.08% | SELL |
| Carbacid | 25.70 | 25.53 | (0.66%) | 1.70 | 6.61% | SELL |
| EABL | 211.00 | 200.00 | (5.21%) | 8.00 | 3.79% | SELL |
| ***Agricultural*** | | | | | | |
| Kakuzi | 413.50 | 438.41 | 6.02% | 8.00 | 1.93% | NEUTRAL |
| Sasini | 18.55 | 18.10 | (2.43%) | 1.50 | 8.09% | SELL |

***BUY –** Total expected 12-month return (incl. dividends) greater than 20%

***NEUTRAL –** Total expected 12-month return (incl. dividends) between 0%- 20%

***SELL –** Total expected 12-month return (incl. dividends) less than 0%

***Our target prices are anchored on fundamental analysis. While the current market rally has lifted many counters closer to their fair value,much of the momentum appears sentiment-driven rather than based on underlying earnings growth.***

***For stocks rated Neutral, we recommend that investors consult with their financial advisors to evaluate their individual investment goals. Depending on their risk appetite and return expectations, clients may consider holding their positions or realizing gains where appropriate.***

## Coverage Snapshot

The banking sector remains a cornerstone for investors seeking a balance of capital preservation and income, underpinned by strong dividend yields and improved earnings momentum. However, despite sound fundamentals, most counters are rated **SELL**. This is largely due to a recent market rally that has pushed many share prices to or beyond their fair values, limiting additional upside in the near term.

**BAT Kenya:** BAT Kenya continues to offer a compelling total return with an upside of **15%** and a leading trailing dividend yield of **11.70%**. Supported by robust cash flows and pricing resilience, the counter's recommendation remains **NEUTRAL**.

Safaricom, the benchmark counter in telecommunications, presents a mixed story. While it has strong fundamentals and plays a key role in defensive positioning, a downside of **4%** leads to a **SELL** recommendation at current market levels. It does, however, offer a trailing dividend yield of **4.20%.**

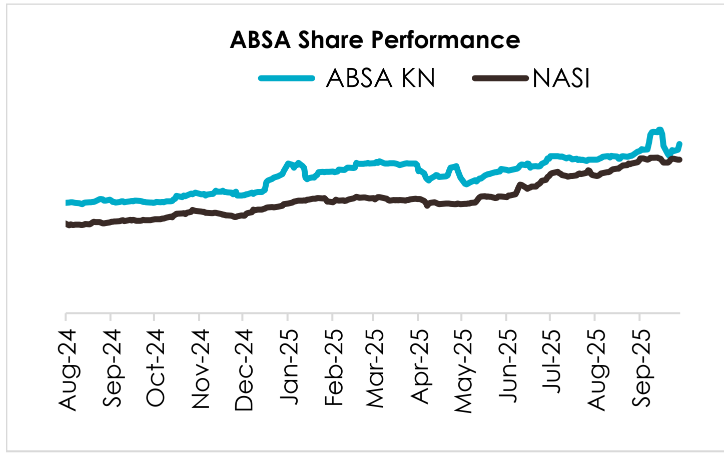
A key driver for the recent market activity is the declining interest rates, which are making fixed-income investments less attractive and encouraging a shift of capital to the Nairobi Securities Exchange. This has contributed to a market rally that has been largely sentiment-driven, with prices running ahead of earnings revisions. As a result, many of our recommendations are **NEUTRAL**, and several are rated **SELL**, signaling that while fundamentals remain intact, entry points are less attractive at current levels. Investors are advised to focus on dividend strength, earnings resilience, and stock-specific catalysts to navigate the next phase of the market.

## INVESTMENT CONSIDERATION

### ABSA Bank Kenya: NEUTRAL with a Target Price of KES 23.62

| Share Data | |
|---|---|
| BIC | **ABSA KN** |
| **Recommendation** | **NEUTRAL** |
| Last Price | 21.50 |
| **Target Price** | **23.62** |
| Upside (Excl. Div Yield) | 10.00% |
| Market Cap (KES'Bn) | 105.91 |
| 52- week high | 20.00 |
| 52- week low | 10.00 |

**Source: Bloomberg, NCBA IB Research, NSE**




### HY25 Earnings Update.

- **Profitability:** ABSA Bank Kenya reported a 9.1% y/y growth in profit after tax to KES 11.68Bn, driven by improved efficiency from lower loan loss provisions and an 11.5% decline in operating expenses. This translated to a 9.1% rise in earnings per share (EPS) to KES 2.15
- **Earnings:** Net interest income declined by **9.4%** to **KES 22.34Bn**, on the back of an 8.3% decline in gross interest income, primarily fueled by an 18.2% ease in loan income. On the other hand, **non-interest income** rose by **3.3%** to **KES 9.12Bn**, supported by a diversified mix of traditional revenue streams and strong growth in emerging segments
- **Loan book:** Loans and advances fell by 3.6% to KES 304.94Bn, even as total assets grew by **10.4%** to KES 531.58Bn. The loan-to-deposit ratio eased to 84.39% from 89.54%, reflecting modest deposit growth (+2.3%) alongside the contraction in loans.
- **Customer Deposits**: Customer deposits rose 2.3% to KES 361.34Bn, outpacing the decline in loans. This was driven by strong deposit mobilization initiatives and an expanded retail footprint, supported by a wider agency network, enhanced digital banking solutions, and robust customer acquisition efforts.

### Outlook

Going forward the bank is poised for steady growth supported by diversified revenue streams such as corporate banking, digital lending, and new ventures like asset management and bancassurance.

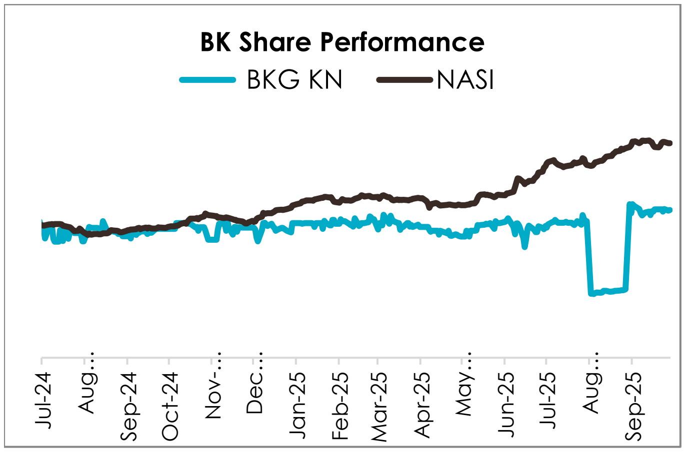
Its KES 3Bn investment in digital transformation has enhanced operational efficiency, with over 93% of transactions now digital and a 21% increase in Timiza loan disbursements.

The bank remains focused on cost optimization, targeting a cost-to-income ratio in the low 40s. Additionally, ABSA's proactive risk management and a below-industry NPL ratio of 12.1% position it well to navigate credit challenges while sustaining growth.

## BK Group: BUY with a target price of KES 46.80

| Share Data | |
|---|---|
| BIC | **BKG KN** |
| **Recommendation** | **BUY** |
| Last Price | 38.40 |
| **Target Price** | **46.80** |
| Upside (Excl. Div Yield) | 22% |
| Market Cap (KES'Bn) | 31.83 |
| 52 weeks high | 38.00 |
| 52 weeks low | 26.50 |

**Source: Bloomberg, NCBA IB Research, NSE**




## FY 2024 Financial Performance

- **Profitability:** Net Income of RWF 91.0Bn (KES 8.5Bn), an increase of 21.7% y-o-y on the back of substantial growth across all its subsidiaries. This performance strengthens BK Group's position as a resilient and leading player across diverse sectors in the Rwanda market.

- **Balance Sheet Growth:** Total assets increased by 19.2% y-o-y to RWF 2.5Tn (KES 303.8Bn). Net loans & advances increased by 16.8% y-o-y to RWF 1.5Tn, (KES 135.6Bn) while deposits increased by 19.5% to RWF 1.6Tn (KES 153.1Bn).

- **Sustained Growth and Shareholder Returns:** The Group delivered solid returns for its shareholders, posting a Return on Average Assets (ROAA) of 3.9% and a Return on Average Equity (ROAE) of 22.6%. Basic earnings per share stood at RWF 97.8, while book value per share increased to RWF 471.3, reflecting the Group's consistent value creation and capital strength.

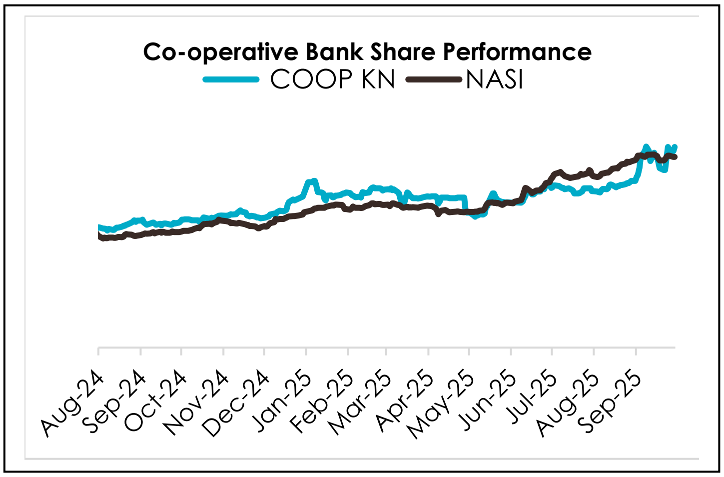
## Outlook

BK Group has put in strategies to improve its loan book by expanding the customer base. It is also offering a comprehensive approach that prioritizes the growth and diversification of its business operations. The Group continues to optimize its digitalization process to streamline operations and enhance customer experience.

## Co-operative Bank of Kenya: SELL with a target price of KES 19.76

| Share Data | |
|---|---|
| BIC | **COOP KN** |
| **Recommendation** | **Sell** |
| Last Price | 21.40 |
| **Target Price** | **19.76** |
| Upside (Excl. Div Yield) | (7%) |
| Market Cap (KES'Bn) | 99.74 |
| 52 weeks high | 18.35 |
| 52 weeks low | 10.10 |

**Source: Bloomberg, NCBA IB Research, NSE**




### HY25 Earnings Update.

- **Profitability:** Co-operative Bank released HY25 financial results posting an **8.3%** surge in PAT to KES 19.7Bn, attributable to a 23% increase in net interest income to KES 29.38Bn, which offset an 8% decline in non-funded income on lower forex trading revenues. **Earnings per share** increased to KES 2.41 from KES 2.21 recorded in the previous period.

- **Balance Sheet Growth: :** Loans and advances grew by 4.2% to KES 391Bn, slower than a 7.9% rise in deposits driven by increased lending to the SME and MSME market segments.

- **Asset Quality:** NPL ratio was up to **16.32%** from 15.62%, below the industry average of **17.0%.** The lender continues to implement multiple resolution strategies, including enhanced recovery, loan rehabilitation, full and final settlements

- **Earnings:** Operating income grew by 10.8% to **KES 43.5Bn** mainly driven by net-interest income which grew by 23% to KES 29Bn. Earnings from foreign exchange decreased by 42% to KES 1.5Bn driven by stable currency and thinner margins

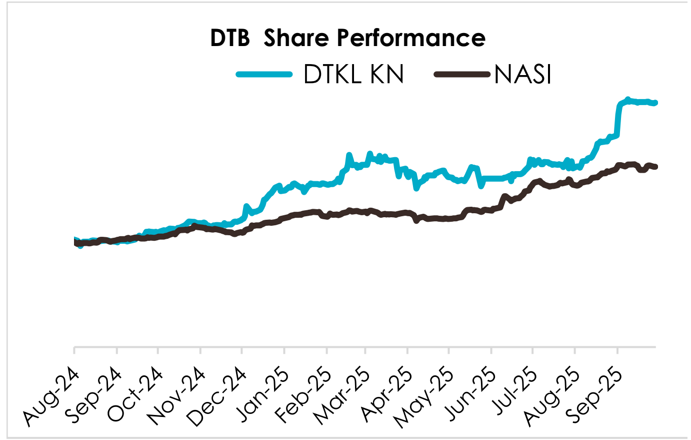
## Outlook

The Bank continues to execute a proactive growth strategy anchored on a robust enterprise risk management framework and deepening of market dominance.

Riding on its unique synergies, it is expected to continue in its pursuit of strategic initiatives that focus on resilience and sectoral growth. The strong performance aligns with the Group's strategic focus on sustainable growth, resilience, and agility under the 'Soaring Eagle' Transformation Agenda.

## Diamond Trust Bank: SELL with a target price of KES 90.67

| Share Data | |
|---|---|
| BIC | **DTKL KN** |
| **Recommendation** | **NEUTRAL** |
| Last Price | 104.50 |
| **Target Price** | **90.67** |
| Upside (Excl. Div Yield) | (13%) |
| Market Cap (KES'Bn) | 21.60 |
| 52- week high | 85.00 |
| 52- week low | 43.05 |




**Source: Bloomberg, NCBA IB Research, NSE**

## HY25 Financial Performance

- **Profitability:** reported an **11%** increase in PAT to KES 5Bn driven by 11.7% increase in net interest income to KES 16Bn, supported by increased lending activities.

- **Balance Sheet Growth:** Deposits from customers increased by **12%** to KES 483Bn, as the customer base grew by 120% from KES1.9Bn to 4.1Mn across East Africa as the bank continues to leverage digital proposition and expansion of their branch network. The bank's loans and advances grew by **8% y/y** to KES 288Bn impacting overall assets, which increased by 5% to KES 611Bn. The expansion in the loan book is notable, particularly in a market where peers have posted marginal increases.

- **Asset Quality:** Non-performing loans increased by **5%** to **KES40Bn**, the lender continues to implement multiple resolution strategies, including enhanced recoveries, loan rehabilitation. The NPL ratio improved marginally to **112.34%**, lower than the industry average of 17.04%.

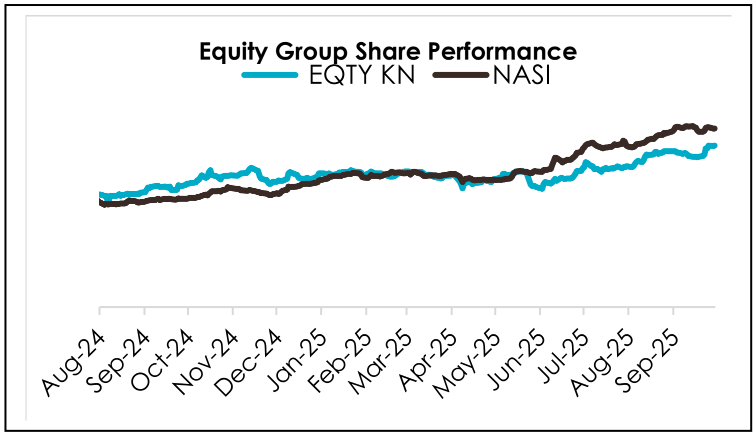
- **Earnings:** operating income grew by 7% to KES 22Bn to KES6Bn, FX income dropped by 41% to KES 1Bn due to stable local currency and thinner margins. income from government securities fell to KES 12Bn, down from KES13Bn, as the lender and peers continue to navigate a lower rate regime.

## Outlook

Going forward the bank will continue to expand regionally with strategy hinged on hinged on a two-Looking ahead, growth is expected to be driven by the lender leveraging position as a leading SME bank along with focus on new sectors such as education, agriculture, public sector and technology. Consolidation of new ecosystems will add impetus to customer and Balance Sheet Growth

## Equity Group: Neutral with a target price of KES 61.94

| Share Data | |
|---|---|
| BIC | **EQTY KN** |
| **Recommendation** | **Neutral** |
| Last Price | 58.00 |
| **Target Price** | 61.94 |
| Upside (Excl. Div Yield) | 7.00% |
| Market Cap (KES'Bn) | 190.57 |
| 52- week high | 52.50 |
| 52- week low | 33.70 |




**Source: Bloomberg, NCBA IB Research, NSE**

### HY25 Financial Performance

- **Profitability:** Equity Group Holdings reported a 16.7% y/y growth in PAT to KES 33.31Bn, driven by a 9.1% increase in net interest income, partly offset by a 4.4% decline in non-interest income.

- **Balance Sheet Growth:** Loans and advances improved by **4.3%** to KES 825.10Bn, with total assets also increasing by **3.0%** to KES 1.80Tn. Customer deposits rose **1.6%** to KES 1.32Tn, supported by deposit mobilization as the Group expanded its network and client base. Growth, however, remained below the **7.5%–12.5%** target range, reflecting modest traction during the period

- **Asset Quality:** Gross NPLs increased 16.2% to KES 139.36Bn, raising the NPL ratio to 13.7% from 12.9%, highlighting credit stress from macroeconomic pressures and broader industry trends. The Group's NPL ratio remains below the industry average of 17.6%, underscoring relatively stronger risk management.

- **Earnings:** Net interest income grew by **9.1%** to KES 59.30Bn, driven by 8.9% increase in government securities income and majorly supported by a significant 18.0% decline in total interest expense to KES 24.97Bn given the falling interest rate environment with interest expense on customer deposit easing by 7.2%. However, growth was dampened by a **7.2%** decline in interest income from loans given the eased lending rates in the market.

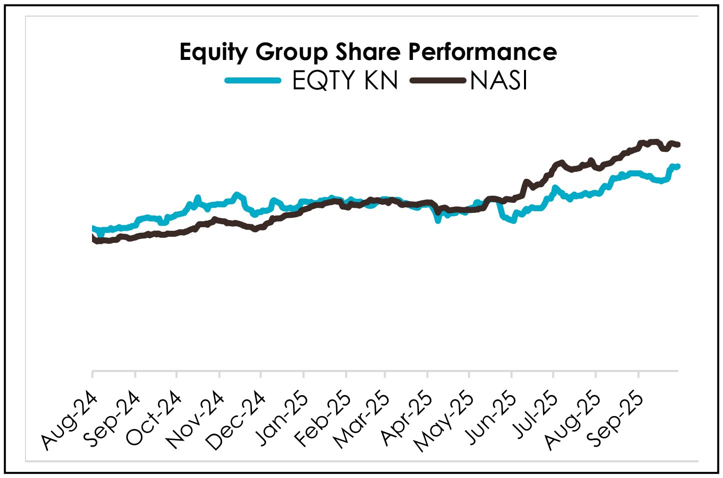
## Outlook

The Group's growth momentum, high buffer in provisions and capital, position the institution well to unleash its offensive growth strategy. This could either be pursued opportunistically through mergers and acquisitions or via organic growth fueled by its strong brand and digital capabilities.

Through **regional expansion, digital transformation, and disciplined risk management**, Equity Group remains well-positioned for **long-term growth and resilience** in an evolving financial landscape.

## I&M Group: SELL with a target price of KES 39.61

| Share Data | |
|---|---|
| BIC | **IMH KN** |
| **Recommendation** | **SELL** |
| Last Price | 43.00 |
| **Target Price** | **39.61** |
| Upside (Excl. Div Yield) | (8.00%) |
| Market Cap (KES'Bn) | 60.61 |
| 52- week high | 39.00 |
| 52- week low | 15.80 |




**Source: Bloomberg, NCBA IB Research, NSE**

## HY25 Financial Performance

- **Profitability:** I&M Group Kenya released HY25 results posting a 36% increase in PAT to KES 8Bn attributable to a 24% increase in net interest income and 13% increase in non-interest income to KES 20.4Bn and KES 7.00Bn respectively. Earnings Per Share rose to KES 4.51 from KES 3.27 in the previous financial year.

- **Balance Sheet Growth:** The bank's loans and advances increased marginally by **2% y/y** to KES 290Bn with mixed performance across the subsidiaries mainly driven by growth in retail and business banking loan portfolio in local currency across the subsidiaries.

- **Asset Quality:** Non-performing loans decreased marginally by **1.4%** to **KES34Bn** primarily driven by prudence on asset quality. The NPL ratio improved marginally to **10.59%** lower than the industry average of 17.6%. – reflective of deteriorating asset quality.

- **Customer Deposits:** Customer deposits closed the half year at KES 429Bn, representing a marginal 2% growth compared to KES419Bn in the previous year. Deposits from customers in Kenya increased marginally by 0.4% to KES 315Bn because of the tough macro-economic environment with competitive rates across the industry.

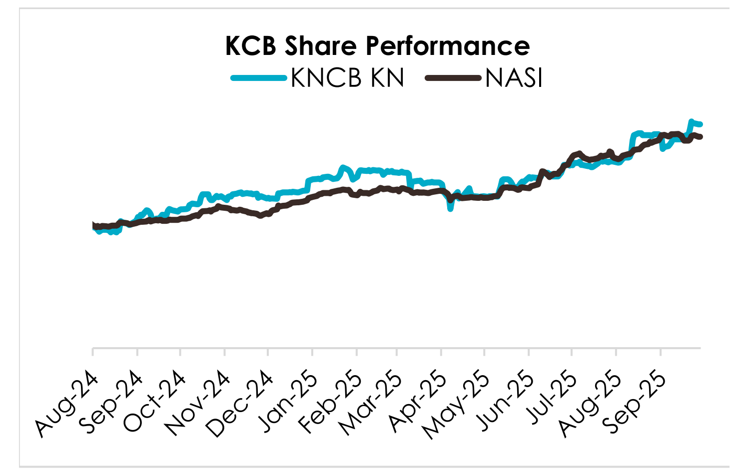
## Outlook

I&M Group, under its Imara 3.0 (2024–2026) strategy, is driving growth through digital transformation, regional expansion, and stronger SME and retail penetration.

Backed by a robust risk management framework and strong capitalization (CAR 18.3%), the Group is well-positioned for sustainable growth. Subsidiaries contributed 29% of PBT, highlighting diversification, while digital channels now account for 73% of transactions, enhancing efficiency.

## KCB Group: BUY with a target price of KES 67.62

| Share Data | |
|---|---|
| BIC | KNCB KN |
| **Recommendation** | **BUY** |
| Last Price | 56.75 |
| **Target Price** | **67.62** |
| Upside (Excl. Div. Yield) | 19% |
| Market Cap (KES'Bn) | 152.32 |
| 52- week high | 48.00 |
| 52- week low | 15.00 |




**Source: Bloomberg, NCBA IB Research, NSE**

### HY25 Financial Performance

- **Profitability:** KCB Group released its HY2025 financial results, posting **8% growth in profit after tax** to KES 32.3Bn, attributable to a 12.7% increase in net interest income to KES 69.13Bn, which offset an 11.3% decline in non-funded income on lower forex trading revenues.

- **Balance Sheet Growth:** Deposits from customers dropped marginally by 0.3% to KES 1.48Tr, as deposit mobilization during the period netted off the impact of the sale of NBK and the impact of Uganda transitioning to its own Government to Government oil importation Programme. The stable deposit book highlighted the growing customer confidence in the brand.

- **Asset Quality:** NPL ratio improved by 1.5% to **16.79%** from 17.04% but remained high. The lender continues to implement multiple resolution strategies, including enhanced recoveries, loan rehabilitation, full and final settlements, engagement with the government for associated entities, and targeted write-offs. The non-performing loan book remains fully covered by a combination of cash provisions and collateral.

- As a result, the Board of Directors has recommended an **interim dividend** of KES 2.00 per share for the 2025 period and a further **special dividend** of KES 2.00 per share (in relation to the sale of National Bank of Kenya), amounting to a total shareholder payout of KES 13Bn, the largest interim payment and first ever special dividend in the Bank's history.

### Outlook

KCB'S wide regional footprint along with its well diversified portfolios of business and capital buffers position the lender to gain significant momentum in balance sheet growth across all its subsidiaries.

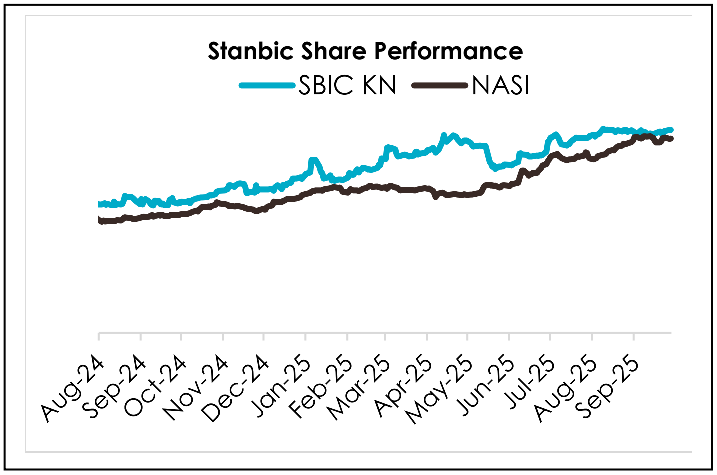
With a robust balance sheet and a strong focus on execution, KCB is poised to maintain a strong foothold in East Africa's banking sector, driving innovation, growth, and sustainability.

We expect the bank to continue generating long-term profitability supported by an aggressive lending strategy, growing subsidiaries' performance, and regional diversification.

## Stanbic Bank: SELL with a target price of KES 181.59

| Share Data | |
|---|---|
| BIC | **SBIC KN** |
| **Recommendation** | **SELL** |
| Current Price | 184.25 |
| **Target Price** | **181.59** |
| Upside | (1.44%) |
| Market Cap (KES'Bn) | 70.07 |
| 52 week high | 180.00 |
| 52 week low | 90.00 |

**Source: Bloomberg, NCBA IB Research, NSE**




## HY25 Financial Performance

- **Profitability:** Stanbic Bank Kenya reported a **10% decline** in Profit after Tax for HY25. Net income fell 9% to KES 6.54Bn, largely attributed to a 6% drop in net interest income to KES 12Bn, as earnings from loans declined due to lower lending rates.

- **Balance Sheet Growth:** Deposits from customers declined by 10% to KES 350Bn driven by a challenging business environment. The bank's loans and advances dropped by **2%** to KES 234Bn as pressures on credit uptake persist as evidenced by sluggish private sector credit. As a result, total assets reduced by 5% to KES 474Bn from KES 498Bn recorded in the previous year. However, business and commercial banking continued to support various economic players disbursing KES 17Bn in loans to SMEs across various sectors.

- **Asset Quality:** The lender's credit impairment charges dopped significantly by 27% to KES 1.45Bn. on lower exposures and focus on recoveries. As a result, non-performing loans (NPLs) improved by 1.6% to **9.50%**, well below the industry average of **17.6%.** The lender continues to focus on customer discussions to support and resolve distressed exposures.

- **Stable Balance Sheet:** Despite a 5% decline in total assets to KES 474Bn, Stanbic's balance sheet remained stable. It also maintained a strong capital position, with total equity rising 7% Y/Y to KES 74.3Bn, supporting a healthy total capital ratio of 18.37%.

## Outlook

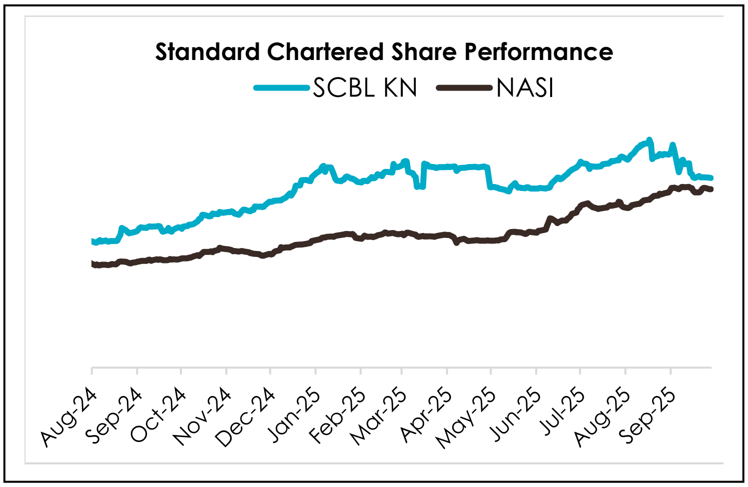
The Group remains anchored on solid fundamentals, with the increased interim dividend underscoring management's confidence in sustaining earnings stability and capital adequacy. Despite balance sheet contraction and income headwinds, the Group is expected to leverage its core strengths to navigate prevailing challenges while positioning for long-term value creation.

Revenue diversification from regional subsidiaries such as South Sudan will continue to anchor the bank's profitability. Relatedly, Group synergies that enhance its forex offering together with continued digitization initiatives will support growth in non-interest income.

## Standard Chartered Bank Kenya: NEUTRAL at a target price of KES 312.00

| Share Data | |
|---|---|
| BIC | **SCBK KN** |
| **Recommendation** | **NEUTRAL** |
| Last Price | 284.00N |
| **Target Price** | **312.00** |
| Upside | 10.00% |
| Market Cap (KES'Bn) | 113.26 |
| 52 week high | 315.0 |
| 52 week low | 134.00 |

**Source: Bloomberg, NCBA IB Research, NSE**




## HY25 Financial Performance

- **Profitability:** Standard Chartered bank Kenya released HY25 results posting a **21%** decrease in PAT to KES 8Bn partly attributable to a 7% and 29% dip in net interest income and non-interest income, respectively.

- **Balance Sheet Growth:** Deposits from customers increased by 5% to KES 291Bn. Funding quality remains high with CASA accounts making up to 97% of total customer deposits. The bank's loans and advances grew by **2% y/y** to KES 152Bn. Impairment losses on loans and advances reduced 25% from recoveries, prudent oversight of the loan book and a continued focus on asset quality.

- **Asset Quality:** Non-performing loans reduced by **1.8%** to **KES23Bn** primarily driven by recoveries and robust management of the loan book. The NPL ratio improved to **5.93%** lower than the industry average of 17%, indicative of prudent oversight of the loan book.

## Outlook

Going forward the bank will leverage technology to scale up mass retail business. The lender will continue to focus on executing its strategy and investing in areas of competitive strength such as their wealth management unit.

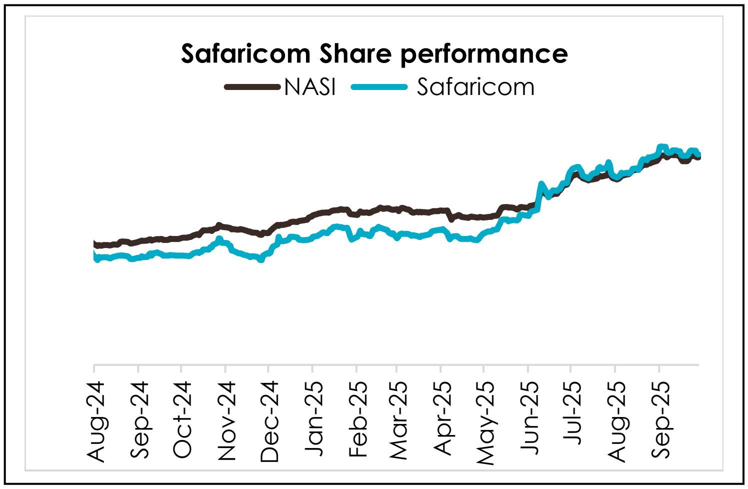
Standard Chartered aims to strengthen its cross-border capabilities and personalized wealth solutions with a continued focus on sustainability. The bank is committed to enhancing its digital proposition through end-to-end self-serve capabilities while investing in the upskills of its workforce. Additionally, it seeks to capitalize on growing interest from the Middle East, leveraging its strong network presence to drive expansion.

We expect the bank to register long-term profitability based on revenue diversification and steady topline growth.

## Safaricom: SELL with a target price of KES 27.63

| Share Data | |
|---|---|
| BIC | **SAFCOM KN** |
| **Recommendation** | **SELL** |
| Last Price | 28.90 |
| **Target Price** | **27.63** |
| Upside (Excl. Div Yield) | (4%) |
| Market Cap (KES'Bn) | 1,053.72 |
| 52 week high | 27.50 |
| 52 week low | 11.50 |

**Source: Bloomberg, NCBA IB Research, NSE**




## FY 2025 Financial Performance

- **Profitability:** Safaricom Group posted a 7.3% year-on-year growth in Profit After Tax (PAT) to KES 45.76Bn in FY2025, primarily driven by an 11.2% increase in total revenue to KES 388.69Bn. The topline expansion was supported by double-digit growth in M-PESA (▲15.2%), mobile data (▲16.5%), and voice revenues (▲1.6%), affirming the Group's resilient revenue engine.

- **Capital expenditure weighs down on the business:** Safaricom's FY2025 CapEx rose 20.3% y/y to KES 96.1Bn, with Ethiopia accounting for 51% of the total spend. Kenya's CapEx remained steady at KES 47.17Bn, focused on 4G and fiber expansion. Elevated CapEx reflects strategic investment in Ethiopia's rollout, expected to taper from FY2026.

- **Kenya operations:** Kenya operations remained the anchor of Group profitability, with net income growing 12.7% y/y to KES 95.5Bn, benefiting from robust service line performance across voice, data, and fintech. Conversely, the Ethiopia unit continued to drag Group earnings, posting a net loss of KES 25.7Bn, consistent with early-stage operational pressures and currency volatility.

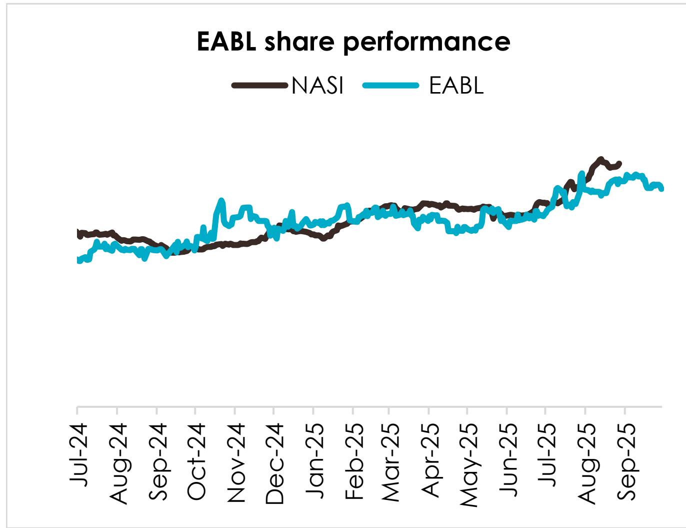
## Outlook

Despite short-term cost headwinds, the overall profitability trajectory remains positive, underpinned by Kenya's strong fundamentals and the gradual monetization of digital services and infrastructure investments.

Our positive outlook is anchored on Safaricom's continued focus on digital transformation, its dominant market position, and revenue diversification efforts across mobile data, M-PESA, and regional expansion. These pillars position the company for sustainable long-term profitability.

## East African Breweries: SELL with a target price of KES 200.00

| Share Data | |
|---|---|
| BIC | **EABL KN** |
| **Recommendation** | **SELL** |
| Last Price | 211.00 |
| **Target Price** | **200.00** |
| Upside (Excl. Div Yield) | (5%) |
| Market Cap (KES'Bn) | 166.66 |
| 52 week high | 244.00 |
| 52 week low | 100.00 |




**Source: Bloomberg, NCBA IB Research, NSE**

### FY 2025 Financial Performance

- **Profitability:** PAT increased by 12.2%, rebounding from the previous period's decline, driven by top-line growth, currency stability and lower finance costs arising from debt reduction and reduced interest rates in the market. However, the performance was weighed down by 17.7% hike in operating costs to KES 29.2Bn attributable to KES 3.4Bn one-off costs mainly on tax issues.

- **Revenue:** Net sales increased by 3.8% to KES 128.8Bn, driven by 10% overall organic growth, excluding currency fluctuations with sales volume growing by 2%. The performance was supported by strategic pricing, an improved product mix, a strong portfolio, and innovation launches like *New Frontiers*. Beer grew by 4% while premium products grew by 10%. However, spirits performance was down 6% mainly on the back of illicit trade and squeezed disposable income among the consumers.

- **Regional subsidiaries support growth**: In Tanzania, organic sales grew by 20%, driven primarily by Serengeti Breweries' numerous innovations. In Uganda, sales increased by 8%, supported by demand for mainstream spirits and beer.

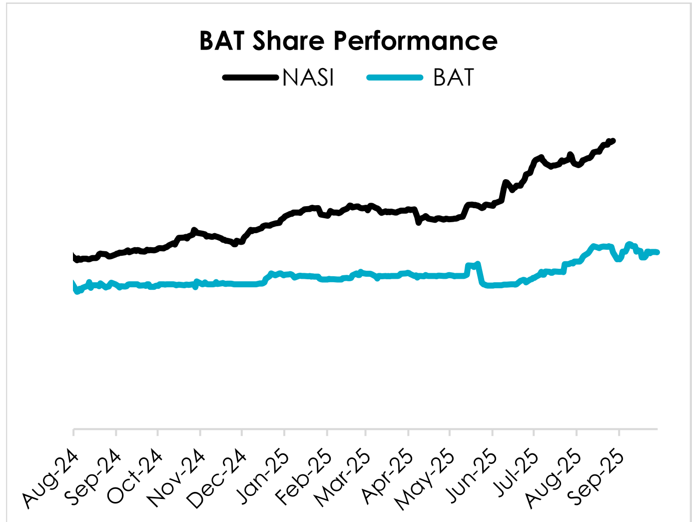
  In Kenya, sales registered a modest 4% growth, supported by a stable regulatory environment and favorable excise tax conditions. The country remains EABL's largest revenue contributor, accounting for over 60% of total revenue, with Uganda and Tanzania contributing the balance.

### Outlook

Looking ahead, the company's growth will be driven primarily by innovation, with emerging brands expanding market reach and attracting new customers. However, beer brands and mainstream spirits remain the dominant revenue contributors.

## British American Tobacco: NEUTRAL with a target price of KES 493.57

| Share Data | |
|---|---|
| BIC | **BAT KN** |
| **Recommendation** | **NEUTRAL** |
| Last Price | 427.50 |
| **Target Price** | **493.57** |
| Upside | 15.45% |
| Market Cap (KES'Bn) | 40.03 |
| 52 week high | 495.00 |
| 52 week low | 325.00 |




**Source: Bloomberg, NCBA IB Research, NSE**

## HY 2025 Financial Performance

- **Profitability:** PAT increased by 39.65% to KES 2.98Bn, primarily driven by lower finance costs and improved operational efficiency.

- **Net Revenue**: Remained stable, increasing by 0.14% to KES 11.73Bn supported by strategic pricing in the domestic market. This was partially offset by the impact of a weaker transactional exchange rate on export revenues**.**

- **Interest income** amounted to KES 0.1Bn, up 114% compared to KES 0.07Bn in the previous period, driven by the relative stability of the Kenyan Shilling against the US Dollar

- **Dividend:** In line with its focus on shareholder returns and strong performance, BAT Kenya declared a 100% increase in interim dividend to KES 10.00 per share, up from KES 5.00 in H1 2024

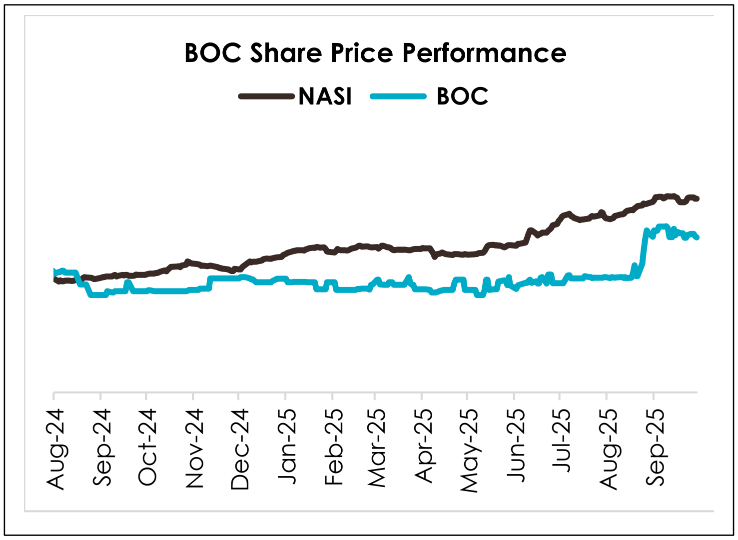
## Outlook

The company remains focused on reducing the negative health impacts of its business by offering alternative innovative products, including tobacco-free oral nicotine pouches.

Its commitment to sustainably deliver shareholder value is expected to be delivered through geographical diversity, prudent execution of strategies, investment in world class human capital as well as incorporating effective business partners.

## B.O.C Kenya: SELL with a target price of KES 110.81

| Share Data | |
|---|---|
| BIC | **BOCK KN** |
| **Recommendation** | **SELL** |
| Last Price | 121.00 |
| **Target Price** | **110.81** |
| Upside | (8.42%) |
| Market Cap (KES'Bn) | 1.76 |
| 52- week high | 95.00 |
| 52-week low | 65.00 |




**Source: Bloomberg, NCBA IB Research, NSE**

### HY25 Financial Performance

- BOC Kenya Plc profit after tax rose 170% to KES 167Mn in the first half of 2025, compared to KES 62Mn in the same period last year, driven by growing demand for industrial and medical gases.
- Revenue rose 38.5% year-on-year to KES 725Mn, supported by higher volumes across core products and customer engineering projects.
- Operating cash flows turned positive at KES 168Mn from a KES 73Mn outflow in 2024, while closing cash reserves rose 52% to KES 863Mn.
- The board has declared an interim dividend of KES 2.50 per share, unchanged from last year, payable on 14 October 2025 to shareholders on record as of 20 September

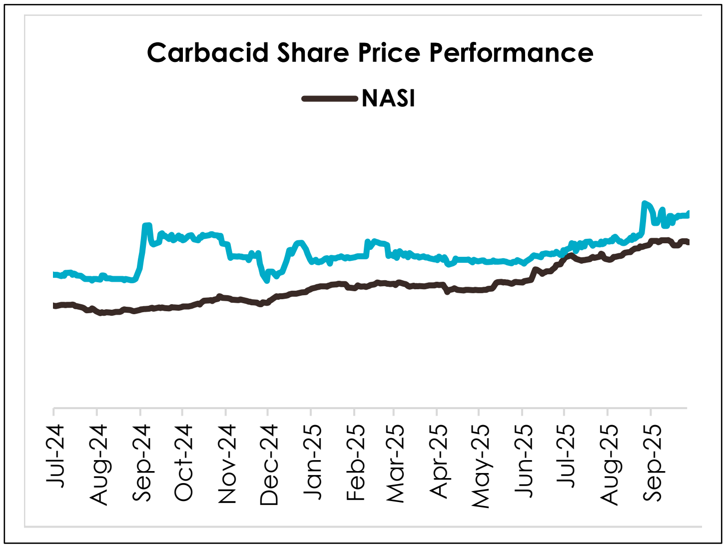
### Outlook

Going forward, **BOC** is also focusing on growing its industrial gases footprint by engaging the manufacturing sector, agricultural and fabrication industries as well partnering with the key stakeholders.

BOC Kenya enters the second half of 2025 with momentum, but management has guided for a flat performance in the remainder of the year as several customer engineering projects near completion.

## Carbacid Investments Plc: SELL with a target price of KES 25.53

| Share Data | |
|---|---|
| BIC | **CBIL KN** |
| **Recommendation** | **SELL** |
| Last Price | 25.70 |
| **Target Price** | **25.53** |
| Upside | (0.66%) |
| Market Cap (KES'Bn) | 5.53 |
| 52- week high | 23.90 |
| 52- week low | 11.00 |




**Source: Bloomberg, NCBA IB Research, NSE**

## HY 2025 Financial Performance.

Carbacid PLC announced their HY25 financial results recording a 13% decrease in profit after tax, largely attributed to a stronger shilling versus the US dollar and softer demand for carbon dioxide in various exports markets.

- **Turnover:** The company recorded a turnover of KES 940.6Mn, down from KES 1.08Bn, reflecting an 12% decrease primarily driven by a stronger shilling versus the US Dollar, given that major part of its business is in export markets. The decrease is also attributable to softer demand in various markets.

- **Profitability:** Profit after tax decreased by 10.35% to KES 434Mn from KES 485Mn recorded in 2024. Despite rising costs across the entire supply chain, gross margin improved due to reduced input costs, savings from solar installation and cost management initiatives.

- **Government securities:** The investment portfolio comprising government bonds, deposits, and shares in various listed entities, continued to grow and generate returns in line with coupons and market rates. As a result, Equity Investments were up 8.85% to KES 439.1Mn. There were gains in the revaluation of equity investments due to the recovery of the NSE market leading to better valuations.

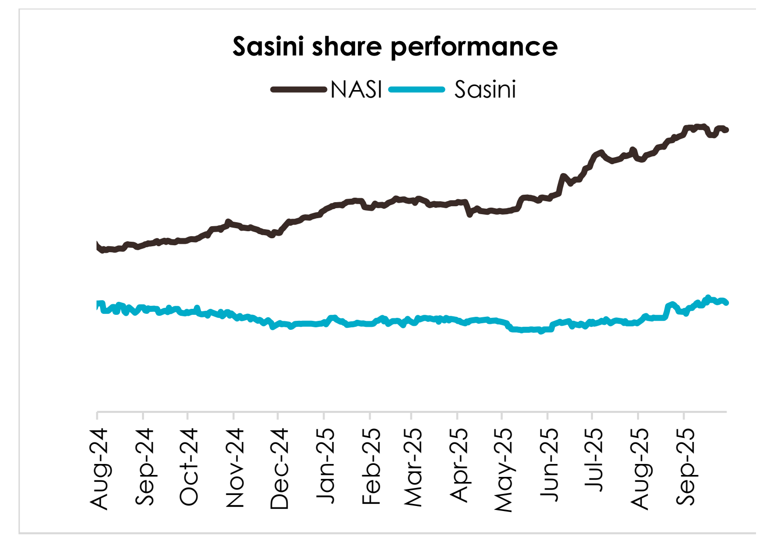
## Outlook

Carbacid continues to focus on maintaining a flexible and adaptive business strategy, investing in innovation and technology, diversifying its customer base and geographic presence, and enhancing resilience in its supply chain and operations.

Additionally, staying abreast of regulatory developments and market trends will be crucial for anticipating and responding to changes in the business environment.

## Sasini Plc: SELL with a target price of KES 18.10

| Share Data | |
|---|---|
| BIC | **STCL KN** |
| **Recommendation** | **SELL** |
| Last Price | 18.55 |
| **Target Price** | **18.10** |
| Upside | (2.43%) |
| Market Cap (KES'Bn) | 3.51 |
| 52- week high | 32.60 |
| 52- week low | 16.50 |




**Source: Bloomberg, NCBA IB Research, NSE**

## HY 2024 Financial Performance

- **Revenue:** Revenue rose by 32.07% to KES 3.0Bn driven by increased production volumes, global coffee and tea prices supplemented by foreign exchange volatility.
- **Operating costs:** The cost of sales increased by 54.1% on account of volume and cost increases. The rising costs, particularly in coffee and green leaf purchases pose a risk to maintaining profit margins.
- **PAT:** Consequently, the Group reported a **loss** after tax for the period of KES 37.6Mn.

## Outlook

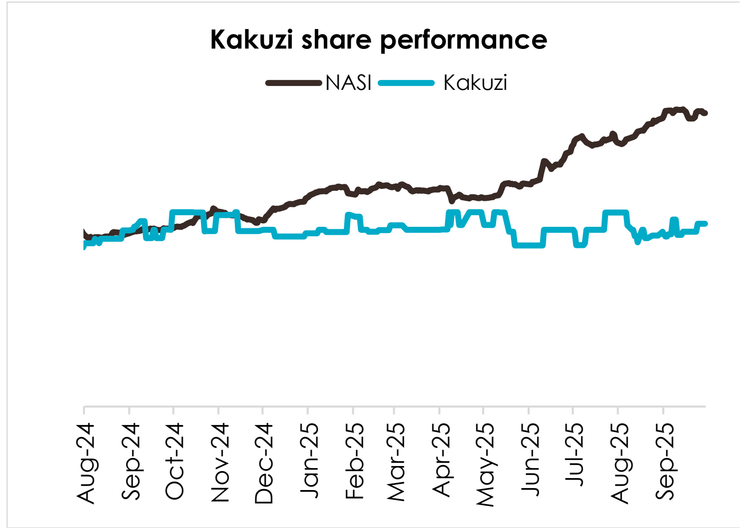
Sasini's diversified revenue streams have positioned the company for growth in the medium to long-term. We expect Sasini to deliver profitability based on its strategic focus on revenue diversification in high-margin segments such as avocado and macadamia.

Efforts in cost management, evidenced by the significant reduction in general charges and other operating expenses, alongside prudent financial management, indicate a promising outlook.

Challenges remain in fluctuations in revenue from key segments, i.e. tea and coffee which are impacted by weather conditions affecting production volumes. Global prices also portend risk due to periodic fluctuations.

## Kakuzi Plc: NEUTRAL with a target price of KES 438.41

| Share Data | |
|---|---|
| BIC | **KKNZ** |
| **Recommendation** | **NEUTRAL** |
| Last Price | 413.50 |
| **Target Price** | **438.41** |
| Upside | 6.02% |
| Market Cap (KES'Bn) | 3.49 |
| 52- week high | 440.00 |
| 52- week low | 240.00 |




**Source: Bloomberg, NCBA IB Research, NSE**

### HY25 Financial Performance.

Kakuzi Plc has posted a KES 296Mn net profit in its half-year trading results.
Within the period under review, Kakuzi's total revenue grew to KES 1.5Bn, up from KES 1.2Bn billion realized within the same period last year.

Year to date, Kakuzi's two core crops, avocados and macadamia, are in line with expectations. While the avocado division experienced a profit decline due to market factors, Macadamia and blueberry ventures show strong growth, with Macadamia's profits increasing significantly and blueberry production becoming profitable for the first time.

| Division | HY25 | HY24 | Key Performance Notes |
|---|---|---|---|
| Avocado | KES 395 MN | KES 951 MN | Reason for Decline: Oversupplied international market led to lower prices. Exported 165 containers to European markets. Shipping routes are stabilizing. |
| Macadamia | KES 319 MN | KES 32 MN | Significant Increase: Global market showed further gains. |
| Blueberry | KES 13 MN | -KES 17 MN (Loss) | Now Profitable: Business venture recorded a profit compared to a loss in the previous year. |

Kakuzi is set to deliver strong performance by expanding into high-margin products like macadamia oil, enhancing its domestic and international market reach. With strategic moves into India and Malaysia, and the successful launch of value-added offerings, Kakuzi is poised for resilient growth.

A focus on sustainability and local supplier integration further strengthens its competitive edge. Anticipated future cash flows from Kakuzi's development projects such as Macadamia nut production and commercial blueberry will boost its revenue levels.

Kakuzi continues to reduce dependency on European markets, as it explored high value new markets. While China and India hold potential, their current demand is still relatively low compared to Europe's. The North America region, as the largest consumer of avocados globally, must be considered a future target for Kenya's exports.

Kakuzi is an ideal stock for investors with long-term investment horizons. Profits are expected to fluctuate causing some volatility in the stock price since the industry is cyclical in nature.

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