

The Week in Review | Week 34

EQUITIES

Local Market Performance

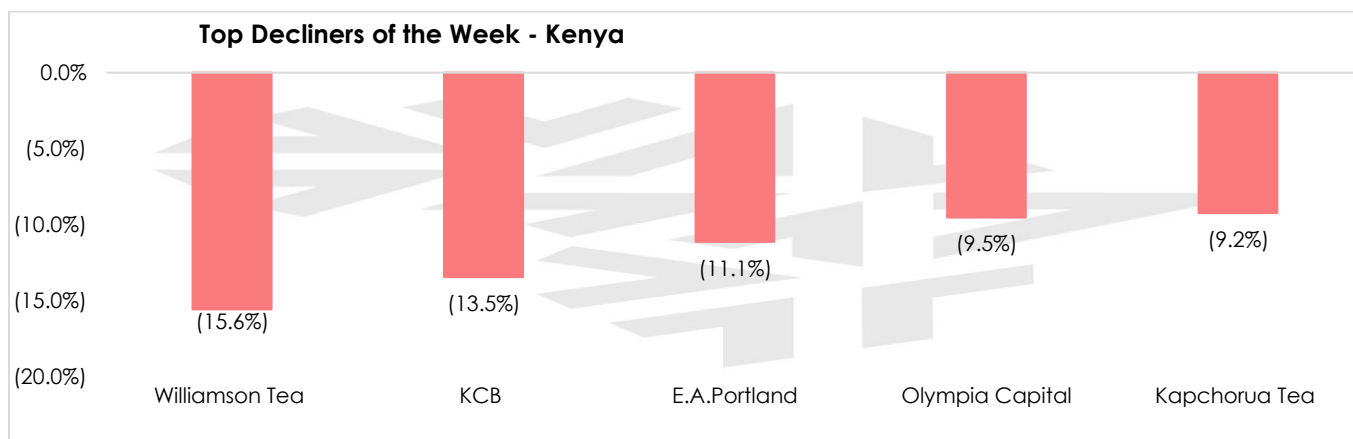
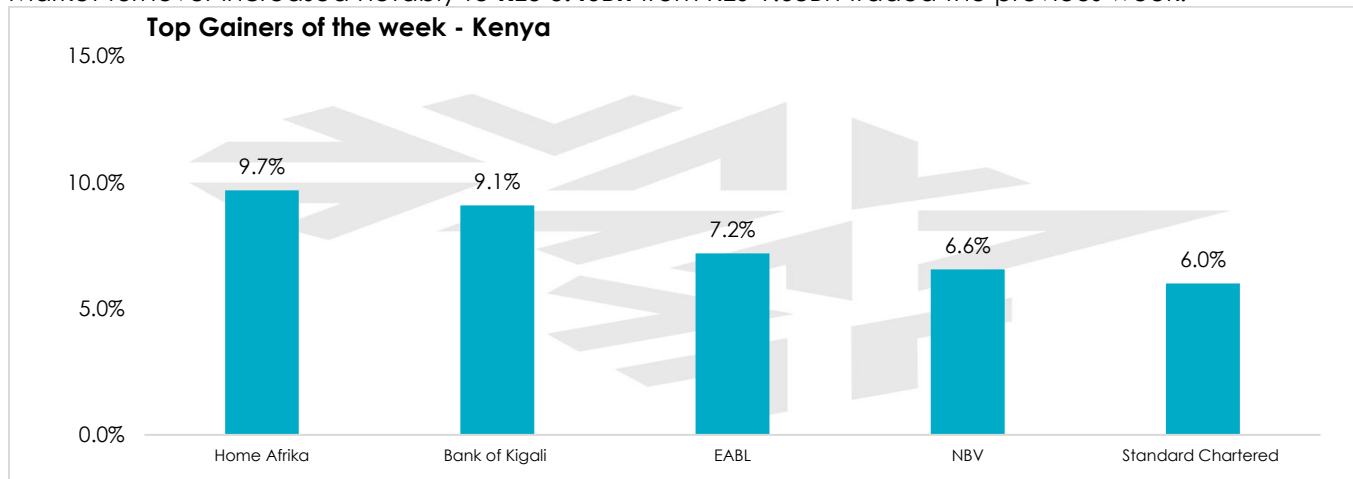
The market was down 1.85% week on week, with all share index (NASI) closing the week at **100.32**, an **21.22%** decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,528.30**, an **8.78%** decline year to date and **2,589.99**, a **17.47%** decline year to date, respectively.

Trading activity was concentrated on Equity, Safaricom, KCB, EABL and Bamburi accounting for **79.80%** of the total turnover at **KES0.367Bn**





Foreign investors accounted for **54.24%** of the total turnover and they were net buyers with net foreign inflows of KES 0.155Bn last week. Foreign investors were mostly active on Equity, Safaricom, KCB, EABL and Bamburi in that order.

Market turnover increased notably to **KES 0.46Bn** from KES 1.68Bn traded the previous week.



Source: NSE, NCBA IB Research

Upcoming Dividend payments

Counter	Dividend	Book Closure	Payment
	0.60	Subject to Approval	Subject to Approval
	1.75	15-Sep-23	27-Oct-23
	1.15	04-Sep-23	27-Sep-23
	1.75	14-Sep-23	24-Sep-23

Source: Company Financials, NSE, NCBA IB Research

Corporate Announcements.

DTB Bank H1'2023 Financial Results

DTBK LTD	Key Metrics Y/Y
Loans and Advances	Up 20.4% to KES 281.2Bn
Customer Deposits	Up 20.6% to KES 417.9Bn
Government Securities	Up 5.5% to KES 136.1Bn
Net Interest Income	Up 17.8% to KES 13.1Bn
Non-Funded Income	Up 42.2% to KES 5.54Bn
Forex trading income	Up 43.9% to KES 2.8Bn
Loan Loss Provisions	Up 26.7% to KES 15.61Bn
PBT	Up 7.1% to KES 6.02Bn
PAT	Up 11.6% to KES 4.00Bn
EPS	Up 11.6% to KES 14.31

Source: Company financials, NCBA IB Research

DTBK LTD	Key Ratios Y/Y
Loan Deposit ratio	Down to 67.3% from 67.4%
Net Interest Margin	Constant at 2.3%
Cost to Income	Up to 68.1% from 62.3%
NPL Ratio	Down to 11.5% from 12.0%
Cost of Risk	up to 5.6% from 5.3%
ROE	Up to 5.7% from 5.1%
Current Market Price	KES 49.00
P/E	3.4x
P/B	0.2x
Dividend Type	No dividend Announced

DTB bank reported a net profit of **KES 6.02Bn** for the six months ending June 2023. Total assets grew by 19.4% to **KES 579.2Bn from KES 485.04Bn**, supported by a 20.4% growth in customer loans to close **KES 281.1Bn** from KES 233.6Bn in H1'2022. Customer deposits grew by 20.6% to **KES 417.9Bn** from KES 346.4Bn in H1'2022.

The lender's non-performing loans stood at **15.0%** to close at **KES 36.54Bn**, the same is attributed to a tough operating environment.

The lender is set to open 24 more branches in Kenya before the end of 2023 signaling a sizeable expansion in its branch network as part of the bank's plan to deepen its market presence and Strong performance of regional subsidiaries will continue to anchor the Group's performance.

I&M Bank H1'2023 Financial Results

I&M Group	Key Metrics Y/Y	I&M Group	Key Ratios Y/Y
Loans and Advances	Up 16.7% to KES 269.7Bn	Loan Deposit ratio	Up to 75.6% from 73.8%
Customer Deposits	Up 13.9% to KES 356.8Bn	Net Interest Margin	Maintained at 2.4%
Government Securities	Down 7.6% to KES 75.9Bn	Cost to Income	Up to 65.6% from 55.2%
Net Interest Income	Up 22.1% to KES 21.31Bn	NPL Ratio	Up to 12.0% from 9.2%
Non-Funded Income	Up 36.7% to KES 6.9Bn	Cost of Risk	Down to 5.3% from 6.0%
Forex trading income	Up 52.9% to KES 2.9Bn	ROE	Up to 6.6% from 6.5%
Loan Loss Provisions	Up 3.9% to KES 14.3Bn	Current Market Price	KES 18.15
PBT	Down 5.7% to KES 6.5Bn	P/E (Annualised)	6.3x
PAT	Up 2.0% to KES 4.8Bn	P/B	0.4x
EPS	Up 2.1% to KES 2.89	Dividend Type	No dividend Announced

Source: Company financials, NCBA IB Research

I&M Group's net profit for six months ended June grew **2.1%** to **Kes 2.89Bn** as interest income saw an increase by 22.1% to Kes 21.31Bn.

Non-interest income rose by 36.7% to Kes 6.9Bn as the bank continues to leverage on waiver of bank to mobile fees permanently.

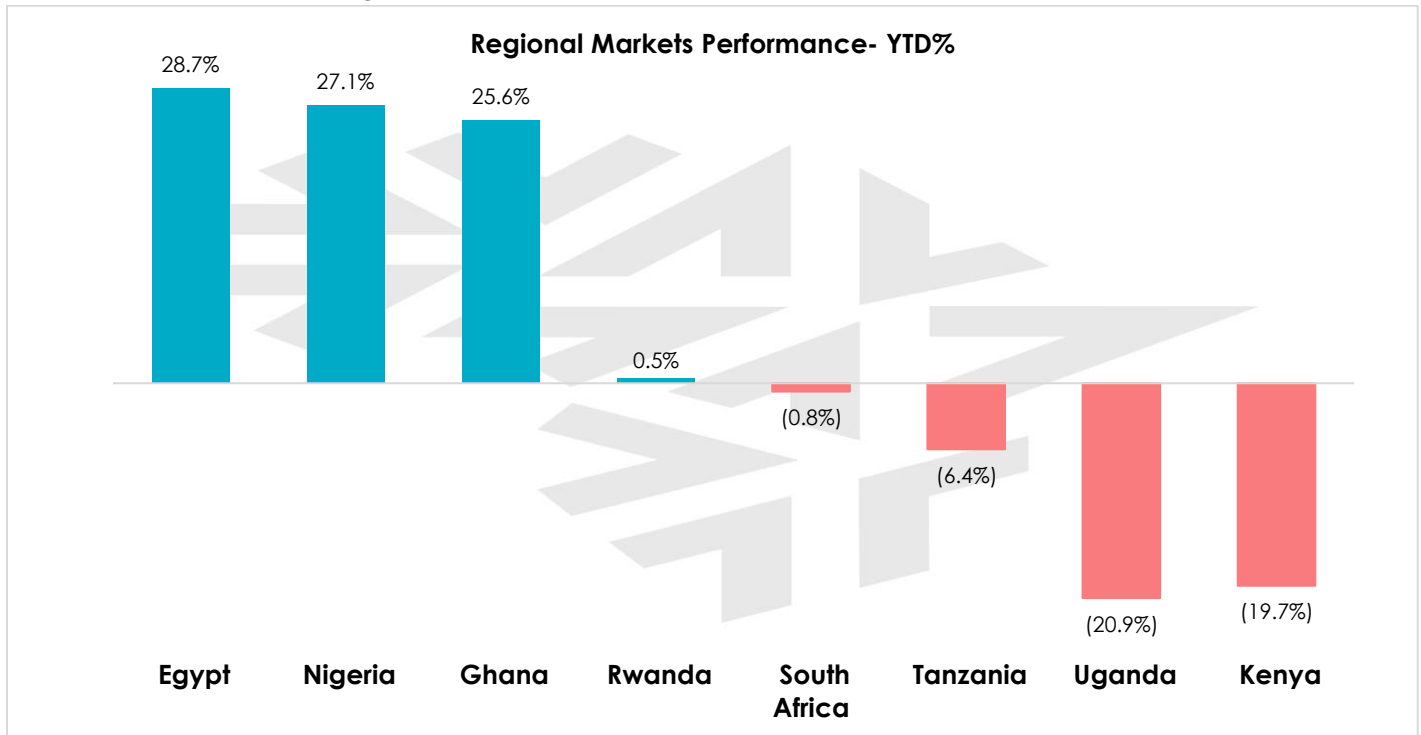
I&M, however, raised the provisioning for loan defaults by 3.9% to Kes 14.3Bn, mirroring the trend that has been seen among its tier I peers, including KCB Group, Equity Group and Stanbic Holdings.

The bank will continue to drive transformation in its subsidiaries, which will support growth in the bottom-line. The non-banking subsidiaries – I&M Burbidge, I&M Capital, and I&M Bancassurance Intermediaries Ltd all ended the year 2022 on a high note, significantly increasing their revenues and profitability.

The lender's Focus on providing Corporate Customers with value-add services, maintaining advantage in trade finance, increased leverage in Agriculture, Oil&Gas opportunities position the institution well to unleash its offensive growth strategy.

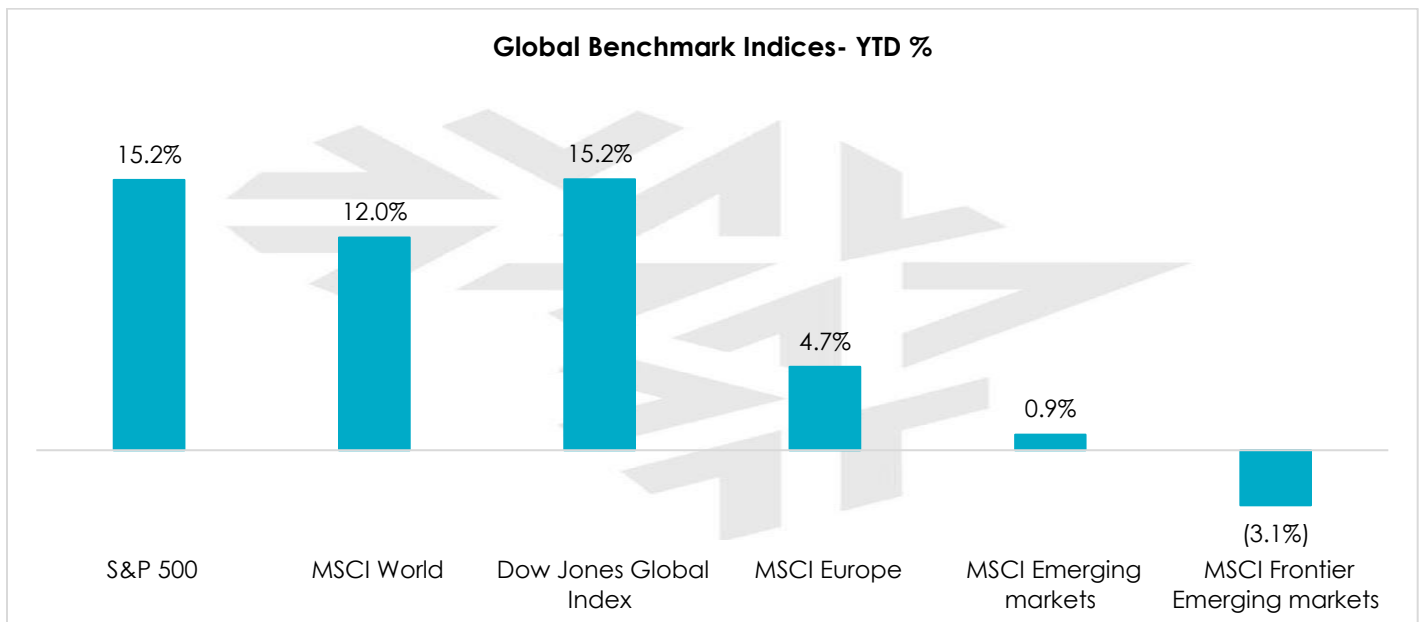
Regional Markets YTD% Performance

NSE recorded the worst performance compared to benchmark markets in Sub-Saharan Africa which is largely attributable to exits by foreign investors.



Source; Bloomberg, NCBA IB Research

Global Benchmark Indices YTD % performance



Source; Bloomberg, NCBA IB Research

FIXED INCOME

Primary Market

Treasury bills were undersubscribed during week, with a subscription rate of **95.8%** (down from 186.2% the previous week) and an acceptance rate of **88.7%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 455.4% as investors look to mitigate for duration risk.

KES 20.39Bn was accepted at 13.733% (up 25.78bps), 13.491% (down 21.53bps) and 14.014% (up bps) for the 91, 182 and 364-day papers, respectively

Treasury bill results

Subscription	Amount offered KES Bn	Bids received week 34	Bids received week 33
91 day	4.00	18.22	38.23
182 day	10.00	2.58	3.86
364 day	10.00	2.20	2.59
Total	24.00	22.99	44.68

Prevailing rates	Week 34	Week 33	W/W change (bps)
91 Day	13.733%	13.475%	25.78
182 Day	13.491%	13.276%	21.53
364 Day	14.014%	13.746%	26.81

Source: CBK, NCBA IB Research

Tap Sale Results: FXD1/2023/002 and Re-opened FXD1/2023/005

The Central Bank of Kenya received a total of KES 23.60Bn (112.38% Subscription rate), out of which it accepted KES 23.50Bn (99.56% Acceptance rate).

See below a summary of the treasury bond auction results;

Issue	FXD1/2023/002	FXD1/2023/005
Tenor to Maturity	2 yrs	4.9 yrs
Offered Amount (KES Mn)	21,000.00	
Bids Received (KES Mn)	17,375.70	6,225.05
Amount Accepted (KES Mn)	17,373.51	6,123.42
Market Weighted Average Rate (%)	17.55%	18.16%
Weighted Average Rate of Accepted Bids (%)	16.972%	17.954%
Adjusted Average Price (Per KES 100)	100.31	98.37
Coupon Rate (%)	16.972%	16.884%

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** declined to **KES 8.18Bn** from KES 13.86Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **95.30** from 94.91 in the previous week.

The S&P Kenya Sovereign Bond Index tracks the performance of local currency denominated public government debt and has an inverse relationship to yield curve.

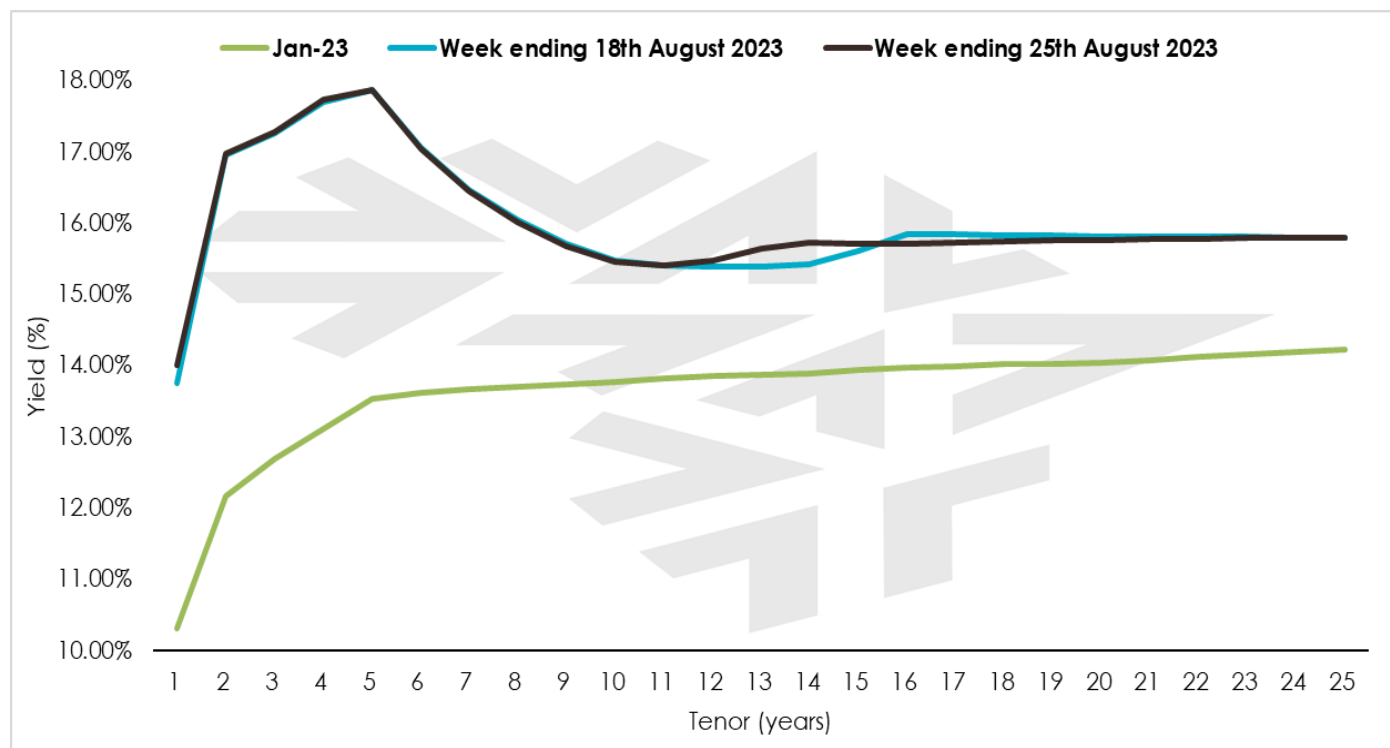
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
FXD1/2022/15Yr	13.66	13.94%	15.71%	2,535.00	12
FXD1/2016/10Yr	2.99	15.04%	16.66%	1,033.10	17
FXD1/2020/15Yr	11.49	12.76%	16.51%	910.00	6
FXD1/2019/20Yr	15.62	12.87%	15.82%	491.00	13
FXD 1/2023/5Yr	4.89	16.84%	16.75%	490.75	32

Source: NSE, NCBAIB Research

Government Securities Yield Curve:

The yield on government securities has been on an **upward trajectory** with investors demanding higher returns to cushion against duration and interest rate risks.

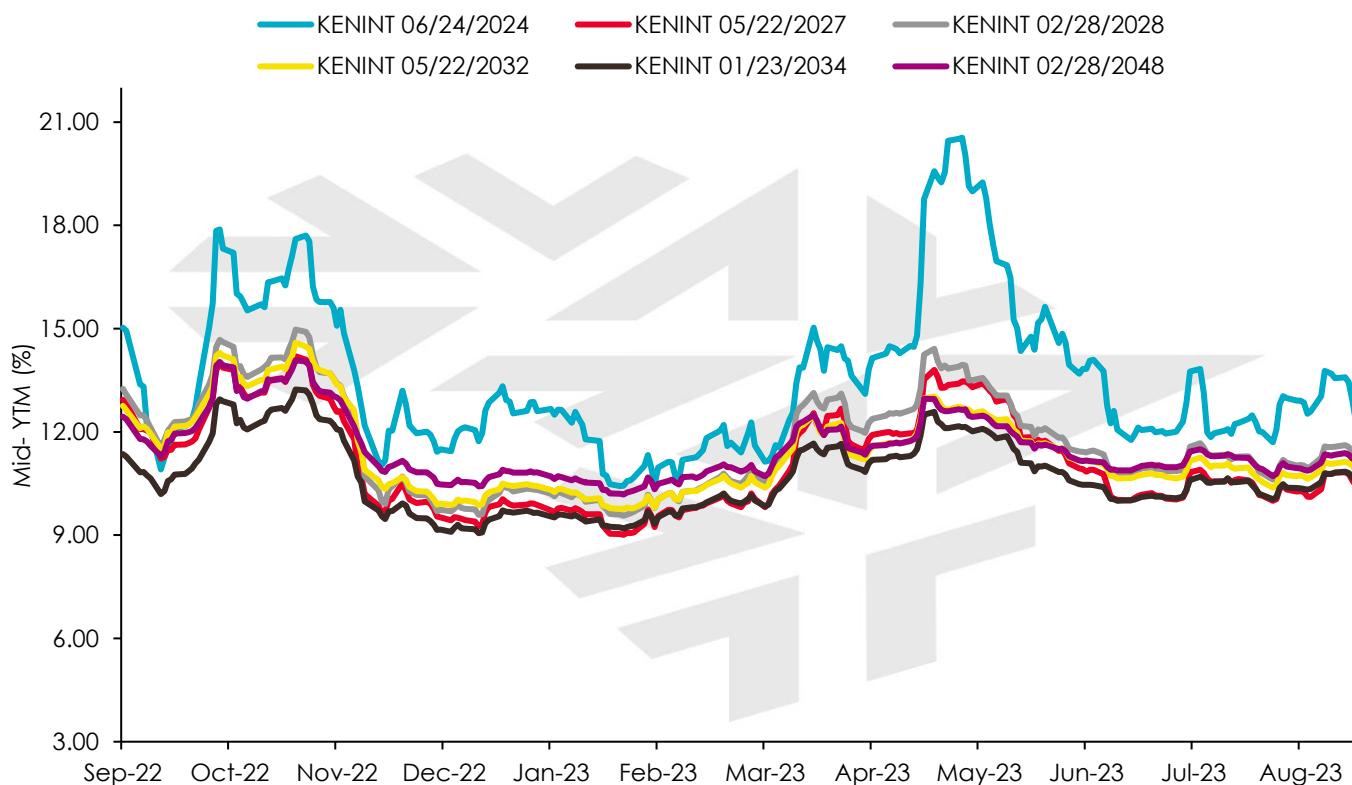


Source: NSE, NCBAIB Research

Kenya International Debt Yield Curves:

Kenyan Eurobonds' yields recorded mixed trends in the international debt market. **KENINT 2024**, whose principal amounts to **USD 2.0Bn** matures in **June 2024** and is currently trading at **12.59%**.

Yield on the 10-year 2024 eased slightly to 14.17% from 14.26%. Similarly, the 7-year paper yield decreased to 11.84% from 12.25%. Meanwhile the yield on the other four papers marginally increased.



Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** increased by 7.7 bps week on week to close at **11.97%**.

The average daily traded volumes increased to **KES 29.13Bn** from KES 22.39Bn observed in the previous week.

Statistic	Current	Previous	change (bps)
CBR	10.50%	9.50%	100.0
Inflation	7.30%	7.90%	(60.0)
Average Interbank Rate	11.97%	11.90%	7.7

Source: CBK, NCBA/IB Research

Fiscal Tracker-July 2023

For the first month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 284.46Bn** which represents a **6.88%** achievement against the full year target of **KES 4,132.74Bn**.

Net **domestic borrowing** stood at **KES 83.57Bn** reflecting a performance rate of **12%** compared to **2%** in the same period in FY'2022/2023. The performance in domestic borrowing comes as the government shifts its focus on domestic debt from the issuance of long-term instruments to more **short-term** bonds to align with investor appetite and realize the borrowing target.

The **total expenditure** increased by **KES 100.31Bn** to **KES 279.64Bn** compared to **KES 179.33Bn** in the same period in 2022/2023 fiscal year. This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 98.47Bn** to **KES 188.0Bn** and county government expenditure by **KES 9.77Bn** to **KES 32.76Bn**.

The increase in public **expenditure** continues to hamper government's efforts of achieving a **fiscal deficit** to GDP of **4.4%** projection for FY'23/2024 through fiscal consolidation measures.

	23/24 FY Budget	Jul-22	Jul-23	Variance (YoY)	Variance FY Budget	Variance FY Budget
INCOME(KES Bn)						
Total Tax Income	2,495.83	130.60	155.07	24.46	(2,340.76)	(93.79%)
Total Non-Tax Income	75.33	1.95	1.87	(0.08)	(73.46)	(97.52%)
Net Domestic Borrowing	688.21	15.61	83.57	67.97	(604.64)	(87.86%)
External Loans and Grants	870.18	27.85	43.07	15.22	(827.11)	(95.05%)
Other Domestic Financing	3.19	2.77	0.88	(1.89)	(2.31)	(72.43%)
Total Revenue	4,132.74	178.78	284.46	105.68	(3,848.28)	(93.12%)

EXPENDITURE(KES Bn)						
Recurrent	1,302.80	66.80	56.99	(9.81)	(1,245.82)	(95.63%)
CFS	1,963.70	89.53	188.00	98.47	(1,775.69)	(90.43%)
Development	480.82	-	1.89	1.89	(478.93)	(99.61%)
County Gvt	385.42	22.99	32.76	9.77	(352.66)	(91.50%)
Total Expenditure	4,132.74	179.33	279.64	100.31	(3,853.10)	(93.23%)

Balances at end month		0.71	7.44	6.73		
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Source: National Treasury, NCBA IB Research

Currency

On the FX front, the shilling continues to depreciate the greenback, closing at **144.77/144.97** on Friday. With the average estimated **daily loss** now at **13.89 cents**, we anticipate the shilling will break the 150 –mark by end of year.

Year to date, the Kenya shilling has depreciated by **14.81% y/y** against the dollar. Continued intervention by the central bank through activity in the interbank foreign exchange market and expected foreign currency inflows from the IMF will alleviate the downward pressure on the shilling.

Foreign exchange reserves decreased by **1.9%** week on week to close at **US \$7,153Mn**, the reserves represent **3.91 months** of import cover which meets CBK’s statutory requirement of at least 4 months of import cover.

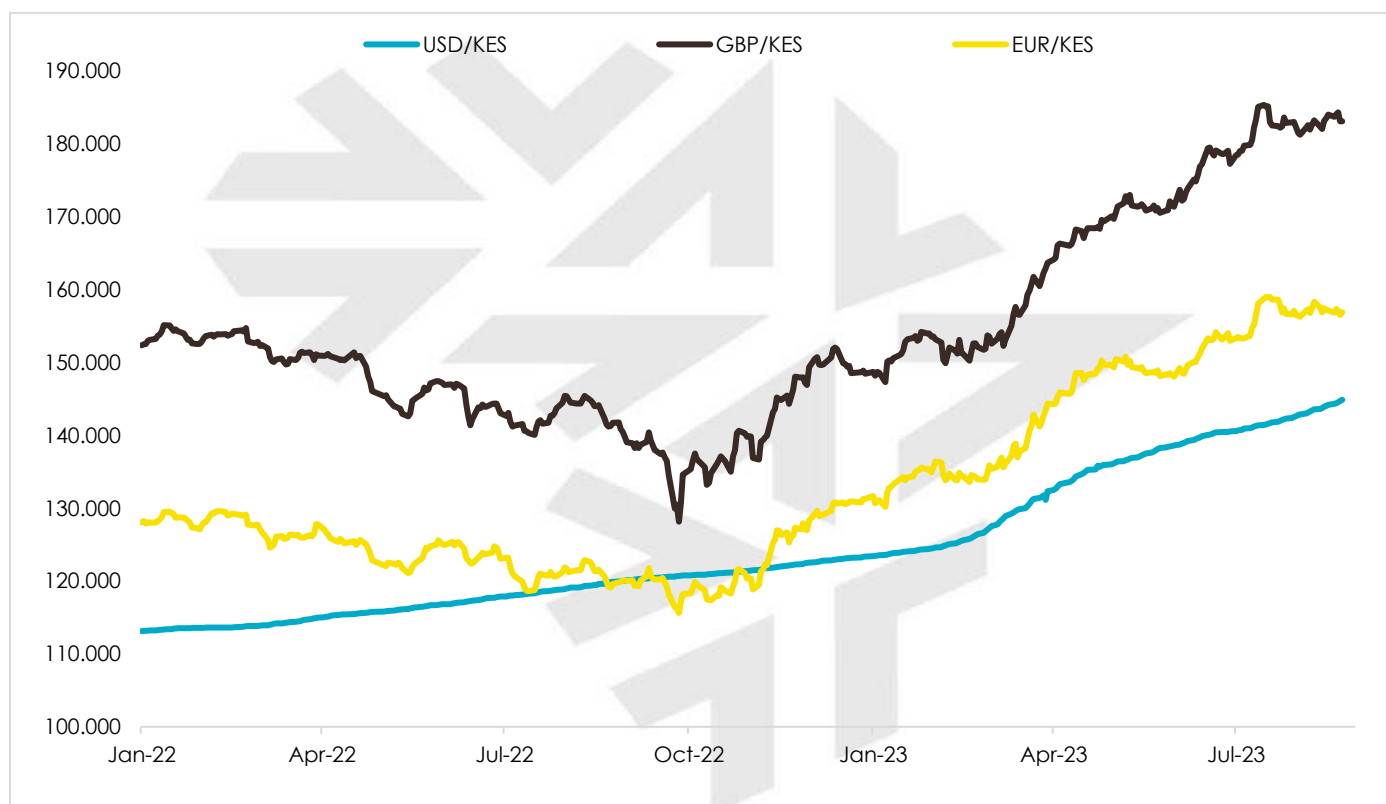
The **DXY** increased to close at **104.19** from 102.85 in the previous week.

The U.S. Dollar Index (DXY) indicates the general international value of the USD. The DXY does this by averaging the exchange rates between the US Dollar and major world currencies.

Currency	Week 35	Week 34	W/W change (%)
US Dollar	144.87	144.32	(0.4%)
STG Pound	183.10	183.73	0.3%
Euro	156.88	156.83	(0.0%)
Forex reserves	7153.00	7290.00	(1.9%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research

Kenya Government Debt Maturities Schedule – August 2023:

The government has total domestic debt maturities of **KES 183.46Bn** in the month of August 2023 compared to **KES 180.96Bn** in July 2023.

We expect robust government activity in the local market attributable to elevated debt obligations which will consequently lead to an upsurge in yields.

Coupon payments						
Issue No.	Coupon Payment Date	Tenor to Maturity	Outstanding Amount KES 'Mn	Fixed Coupon Rate	Coupon payment (KES 'Mn)	Implied Yield To Maturity
FXD1/2013/015	Aug 14, 2023	4.55	82,473.25	11.25%	4,639.12	16.40000%
FXD3/2019/010	Aug 14, 2023	6.05	68,743.45	11.52%	3,958.59	15.9473%
FXD1/2023/010	Aug 14, 2023	9.55	12,886.51	14.15%	911.79	15.4485%
SDB1/2011/030	Aug 14, 2023	17.55	28,144.70	12.00%	1,688.68	15.44228%
FXD1/2021/020	Aug 14, 2023	18.05	75,984.00	13.44%	5,107.64	15.4185%
FXD1/2019/005	Aug 21, 2023	0.57	65,359.50	11.30%	3,694.12	13.3748%
FXD1/2016/010	Aug 21, 2023	3.07	34,046.92	15.04%	2,560.16	17.3651%
FXD1/2018/010	Aug 21, 2023	5.07	40,584.60	12.69%	2,574.28	16.2125%
FXD1/2019/010	Aug 21, 2023	5.57	67,524.85	12.44%	4,199.37	16.0655%
FXD1/2020/015	Aug 21, 2023	11.57	73,156.30	12.76%	4,665.91	15.3700%
IFB1/2017/012	Aug 21, 2023	5.57	11,402.85	12.50%	712.68	12.8525%
IFB1/2020/011	Aug 21, 2023	8.07	80,249.60	10.90%	4,373.60	14.5250%
IFB1/2022/019	Aug 21, 2023	17.57	98,377.55	12.97%	6,377.32	14.1953%
Total					45,463.27	

Treasury Bills	
Payment Date	Amount KES 'Mn
August 7, 2023	27,789.73
August 14, 2023	45,203.13
August 21, 2023	42,748.23
August 28, 2023	22,031.10
Total	137,772.19

Source: CBK, NCBA IB Research

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