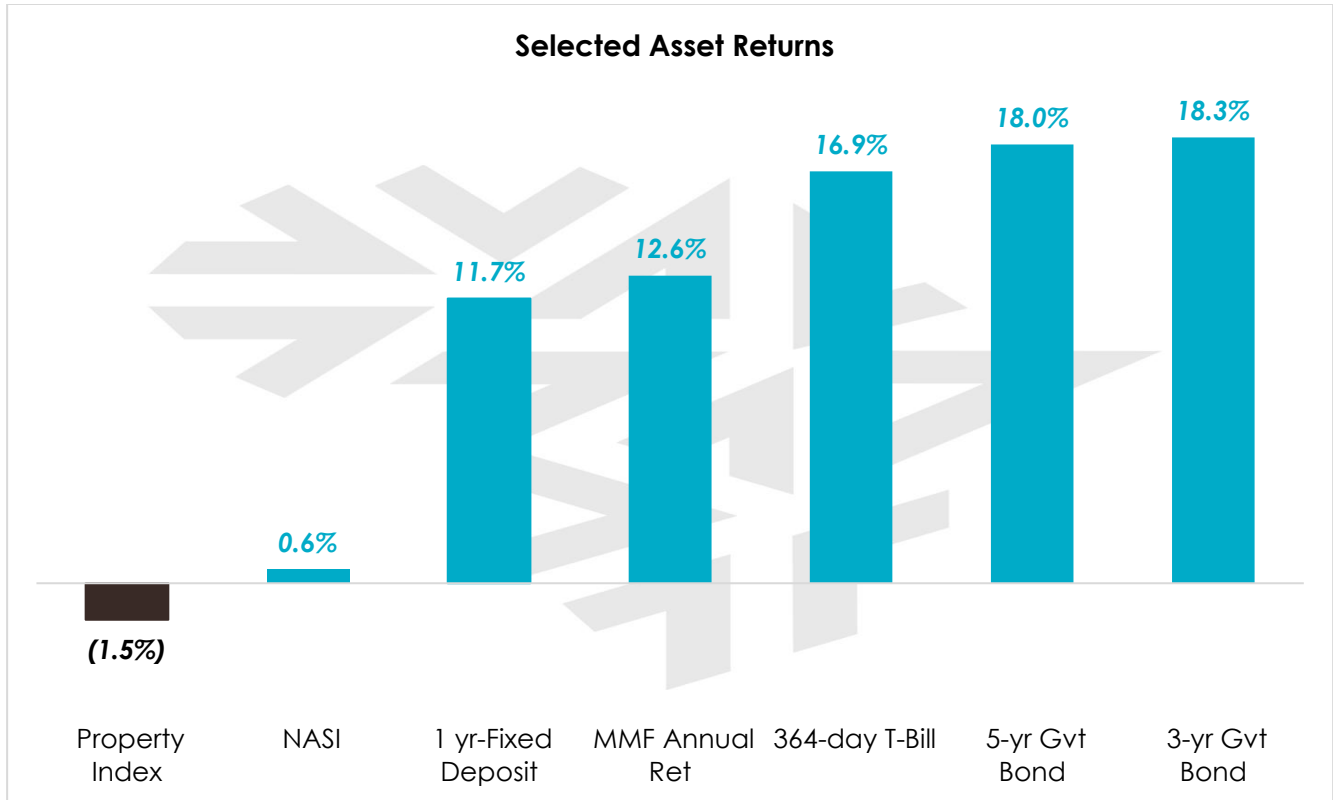


Asset Class Performance



Source: CBK, Hass Consult, NSE, NCBA IB Research

Investment in short term government securities continue to deliver the strongest returns to investors, outperforming both property and listed equities on the Nairobi Securities Exchange.

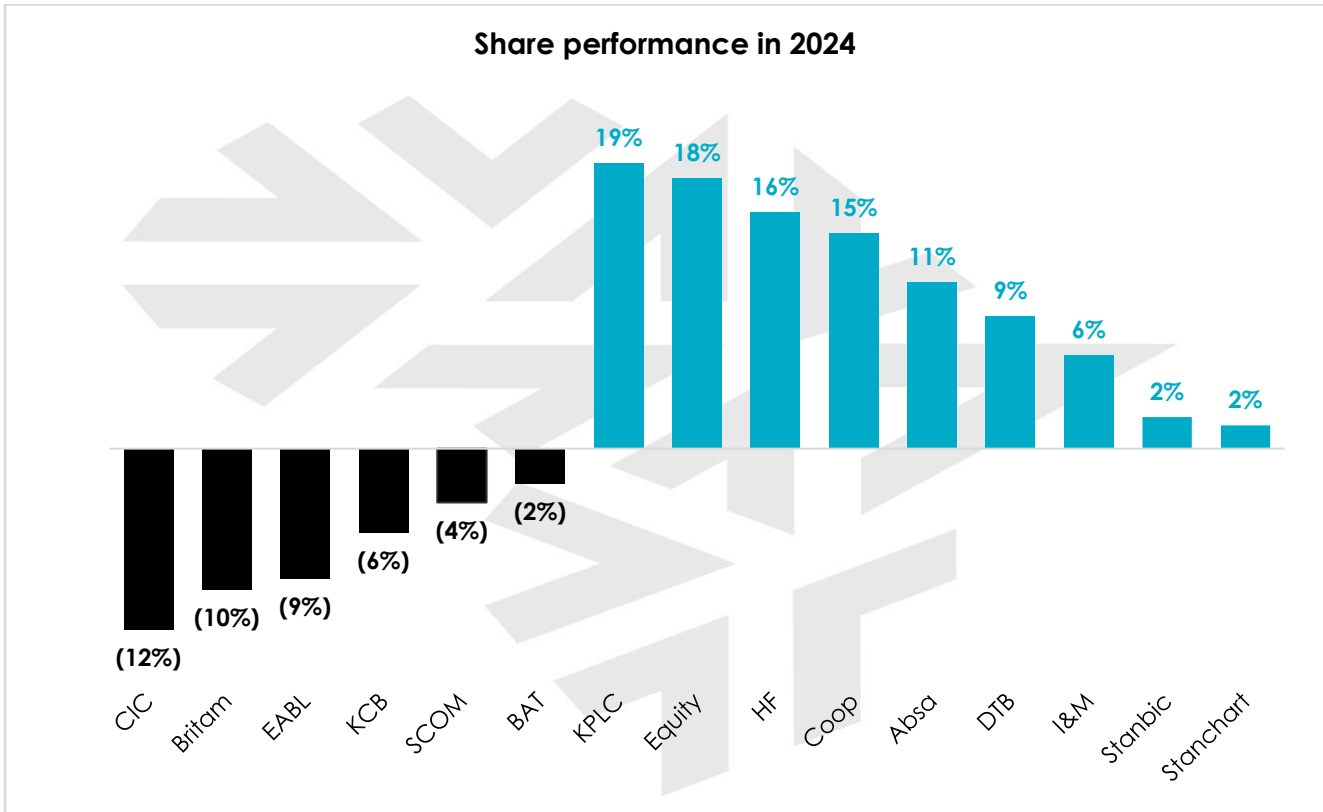
Rising yields, all else equal, reduce the relative attractiveness of equities compared to bonds.

Treasury bonds and bills are currently attractive because yields are at the highest they have been in recent years. There are however, growing concerns about sustainability of government debt.

We expect to see a general decline in corporate earnings in 2024 largely driven by the challenging macroeconomic environment. The confluence of high interest rates, elevated sovereign debt and currency depreciation is stifling growth.

Companies with revenue diversification strategies will reap positively. We believe Safaricom earnings will be boosted by the successful expansion of operations in Ethiopia.

The banking sector continues to remain resilient and earnings are expected to register growth on the back of lending at higher interest rates, risk-based pricing, and revenue diversification efforts.



Source: NSE, NCBA IB Research

Outlook

The equities market presents an investment opportunity. We believe that investors should reposition towards value stocks with strong earnings growth potential and that are trading at discounts to their respective intrinsic values.

Looking ahead, we are cautiously optimistic about the potential return of foreign investors. This would primarily be driven by expected global stability and an improvement in local macro-economic conditions.

Opportunities

- **Re-balancing of portfolios:** A balanced portfolio is the best defense against a bear market. Diversification of a portfolio seeks to curb exposure to risk, prioritizing investment in companies with strong and well-capitalized balance sheets.
- **Dividend stocks:** Dividend-paying stocks are an efficient way to hedge the effects of a bear market while providing a steady stream of income to investors.

Threats

- **Macro-economic environment:** Further deterioration in macroeconomic factors such as overall economic growth, inflation, and interest rates leading to a challenging investment environment.

Global Macro-economic Highlights

Major Central Bank rates

In February, the Bank of England held rates steady at 5.25% but stated that it would not be appropriate to decrease rates until it had "greater confidence" that inflation currently at 3.1% is fast approaching its 2% target. The BOE's next meeting is scheduled in March 2024.

The Fed maintained the rate in the ranges of 5.25%-5.50% and are scheduled to meet on March 2024.

The ECB's next meeting is scheduled in March 2024.

Local Macro-economic Highlights

International debt market opens for Kenya as Eurobond Maturity Draws Closer

Kenya announced a buy-back offer for its USD 2Bn, 6.875% (Coupon Rate) Eurobonds maturing in June 2024 which commenced on 7th Feb 2024 and was open until 14th Feb 2024. The purchase price was set at USD 1,000 per USD 1,000 in principal number of notes accepted, purchase at par plus the accrued interest.

Kenya's Eurobond issue exceeded market expectations, attracting \$5 billion in orders, with the country securing \$1.5 billion at a yield of **10.375%** on seven-year paper. Benin and Ivory Coast joined the market with lower yields, 8.375% for a 14-year bond and 8.5%, respectively, demonstrating the continent's varying fiscal health and investor confidence levels.

The bond will be redeemable in equal installments on February 16, 2029, February 16, 2030, and February 16, 2031, and the bond's weighted average life is 6 years. Kenya's issuance, intended at meeting its immediate financial needs, had a coupon rate of 9.75% with semi-annual payments

FATF financial crime watchdog adds Kenya to its 'grey list'

The Financial Action Task Force (FATF) international crime watchdog on February added Kenya to its 'grey list' of countries that need increased monitoring, due to inadequate curbs against money laundering and terrorism financing. A report from the FATF last year said Kenya faced risks from flows of money linked to terrorism financing from both within and without its borders. , Cryptocurrencies posed further risks.

Placement on the FATF's grey list has a number of ramifications for Kenya's financial stability, economic well-being, and worldwide reputation. Potential challenges include reputational damage more scrutiny, limited access to financial services, and higher borrowing rates, among other concerns.

Currency

The KES has appreciated against the US dollar. It gained an average of 81.72 cents daily in the month of February 2024, compared to an average of 18.76 cents in January 2024 – a trend that signifies a favorable development, suggestive of a tendency towards stability.

During the month, news of Kenya's successful \$1.5 billion Eurobond and the oversubscribed KES 75.00Bn infrastructure bond allayed concerns about a short-term dollar shortage.

The table below highlights the KES movement against the respective foreign currencies:

Currency Performance			
Period	USD/KES	GBP/KES	EURO/KES
Feb-24	143.59	181.88	155.60
Year to date	(8.63%)	(8.65%)	(9.84%)

Source: CBK, NCBA IB Research

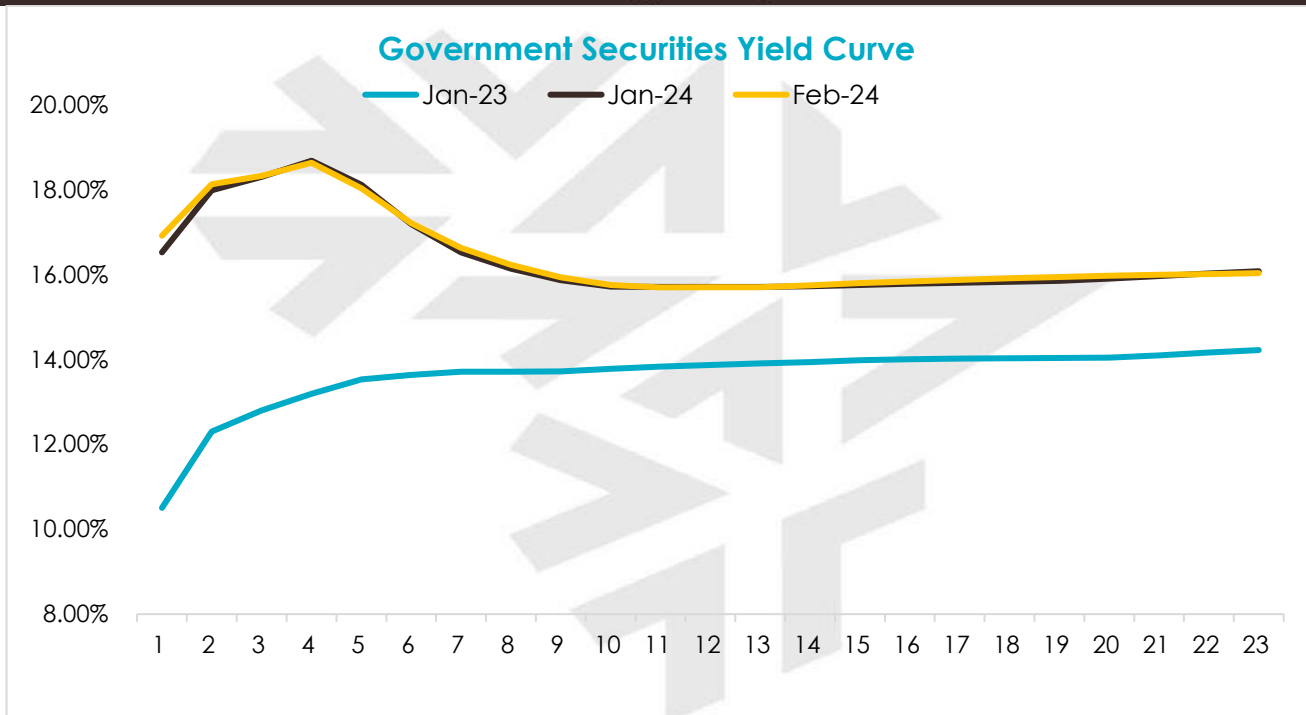
Interest rates

Yields on treasury bills continued to be on an upward trajectory with all tenors now above the 16% mark. High subscription rates were recorded underpinning demand for short term papers. Demand was however concentrated on the 91-day paper as investors looked to mitigate duration risk.

Prevailing rates	Feb-24	Jan-24	W/W change (bps)
91 Day	16.622%	16.375%	24.68
182 Day	16.785%	16.506%	27.89
364 Day	16.972%	16.680%	29.22

Source: CBK, NCBA IB Research

Relatedly, there has been an increased appetite for the domestic debt necessary to meet GOK's target for FY 23/24. We expect the upward pressure on the yield curve to persist for the remainder of the year.



Source: CBK, NCBA IB Research

Liquidity conditions

Liquidity conditions tightened in February. Indicatively, the overnight interbank rate increased by 10bps month on month to close at 13.67%. However, the average daily traded volumes decreased to KES 16.57Bn from KES 19.57Bn recorded in the previous month.

CBK raised borrowing costs to the highest level since 2012. This was occasioned by the fact that risks to inflation remain elevated and a need to support KES. The monetary policy committee raised its benchmark rate to 13% from 12.5%. This was the seventh hike in the current tightening cycle that started in May 2022 and brings the total combined increase to 600 basis points.

The MPC will meet again in April 2024.

Statistic	Feb-24	Jan-24	Change (bps)
Central Bank Rate	13.00%	12.50%	50.00
Average Interbank Rate	13.70%	13.60%	10.00

Source: CBK, KNBS, NCBA IB Research

Inflation

Inflation fell to 6.30% from 6.90% in the previous month. This rate has remained within the Central Bank of Kenya (CBK) band of between 2.5% and 7.5%.

According to the Kenya National Bureau of Statistics (KNBS), the drop-in inflation was as a result of the drop in the cost of essential foods which relieved strain on most low-income households. Energy prices, specifically fuel and electricity recorded an increase.

Statistic	Feb-24	Jan-24	Change (bps)
Inflation	6.30%	6.90%	(60.00)
CPI	138.34	138.15	1,900.00

Source: CBK, KNBS, NCBA IB Research

Kenya International Debt

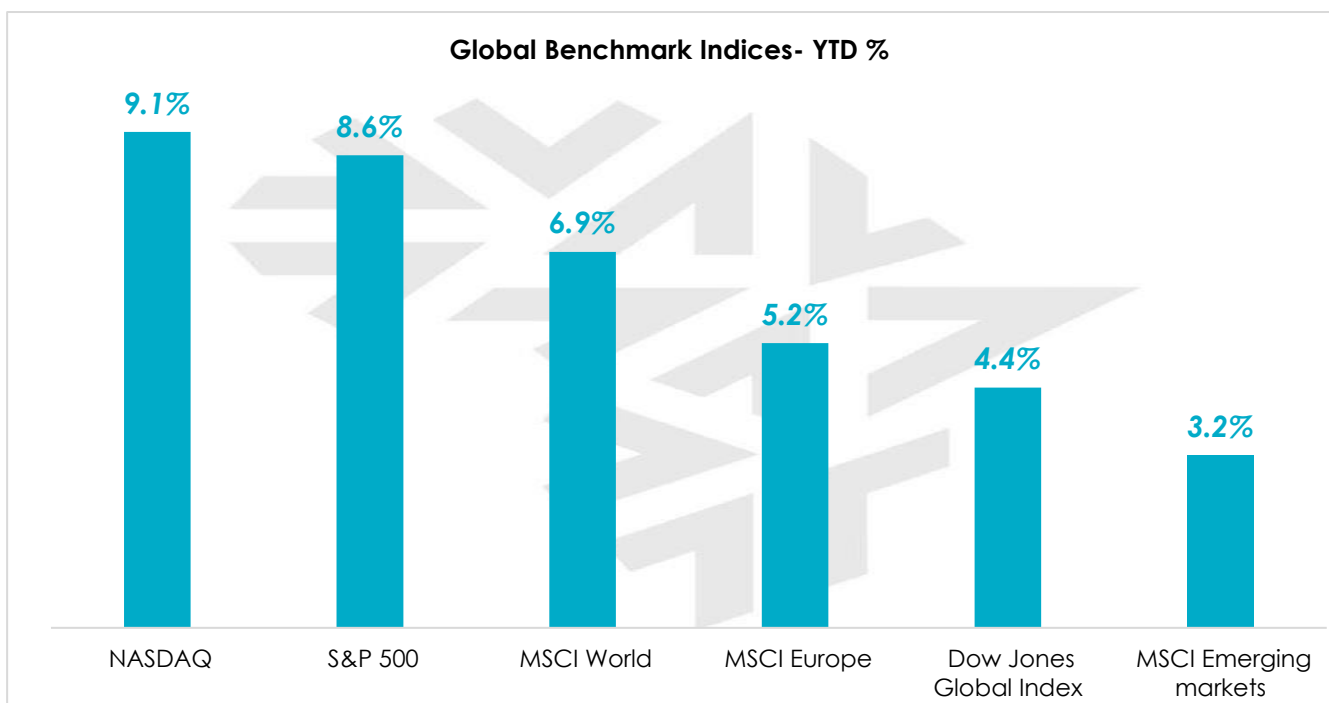
The yields on Kenyan Eurobonds were on a downward trajectory during the month with a 72% (USD1.5Bn) of KENINT 2024 having been repurchased.

Below are the six Kenyan Eurobonds and the respective yields.

	Eurobond	Tenor (Years)	Coupon Rate	Current Yield
1	KENINT 06/24/2024	0.32	6.88%	8.82%
2	KENINT 05/22/2027	3.23	7.00%	8.45%
3	KENINT 02/28/2028	4.01	7.25%	9.40%
4	KENINT 02/16/2031	6.99	9.75%	9.73%
5	KENINT 05/22/2032	8.25	8.00%	9.69%
6	KENINT 01/23/2034	9.93	6.30%	9.65%
7	KENINT 02/28/2048	24.08	8.25%	10.33%

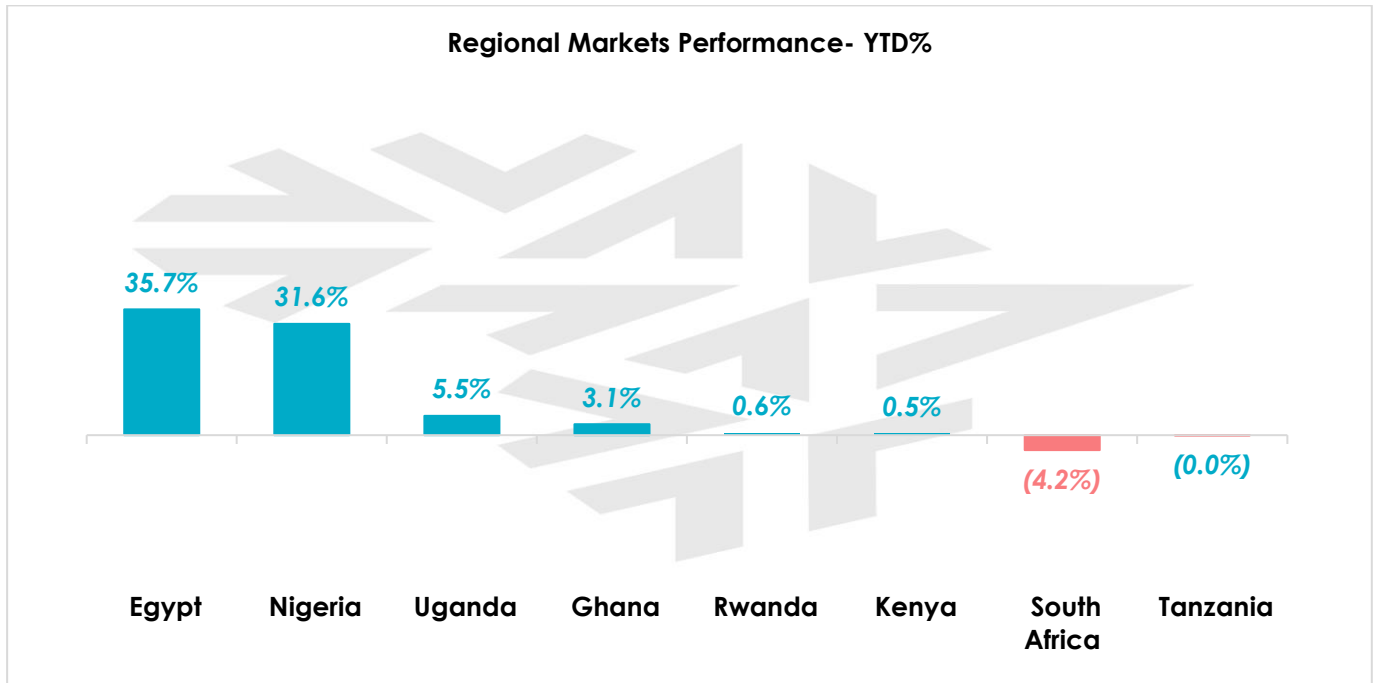
Source: Bloomberg, NCBA IB Research

Global Markets performance



Source: Bloomberg, NCBA IB Research

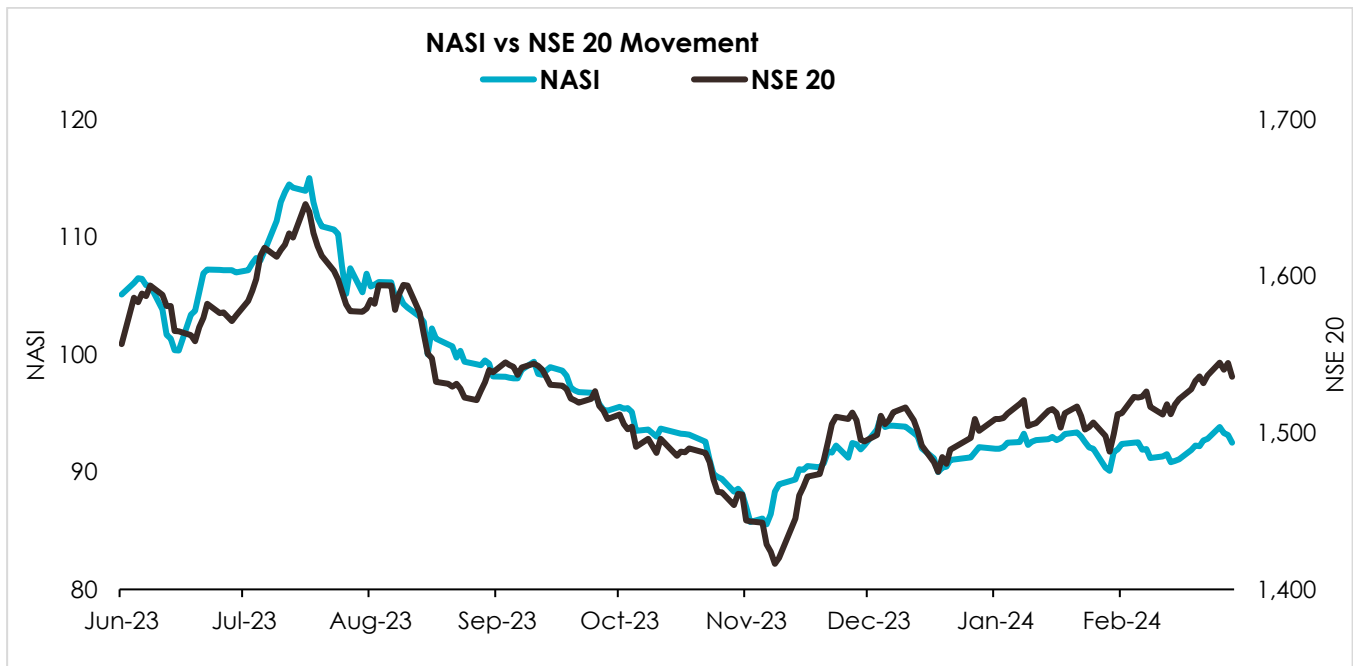
Regional Markets performance



Source: Bloomberg, NCBA IB Research

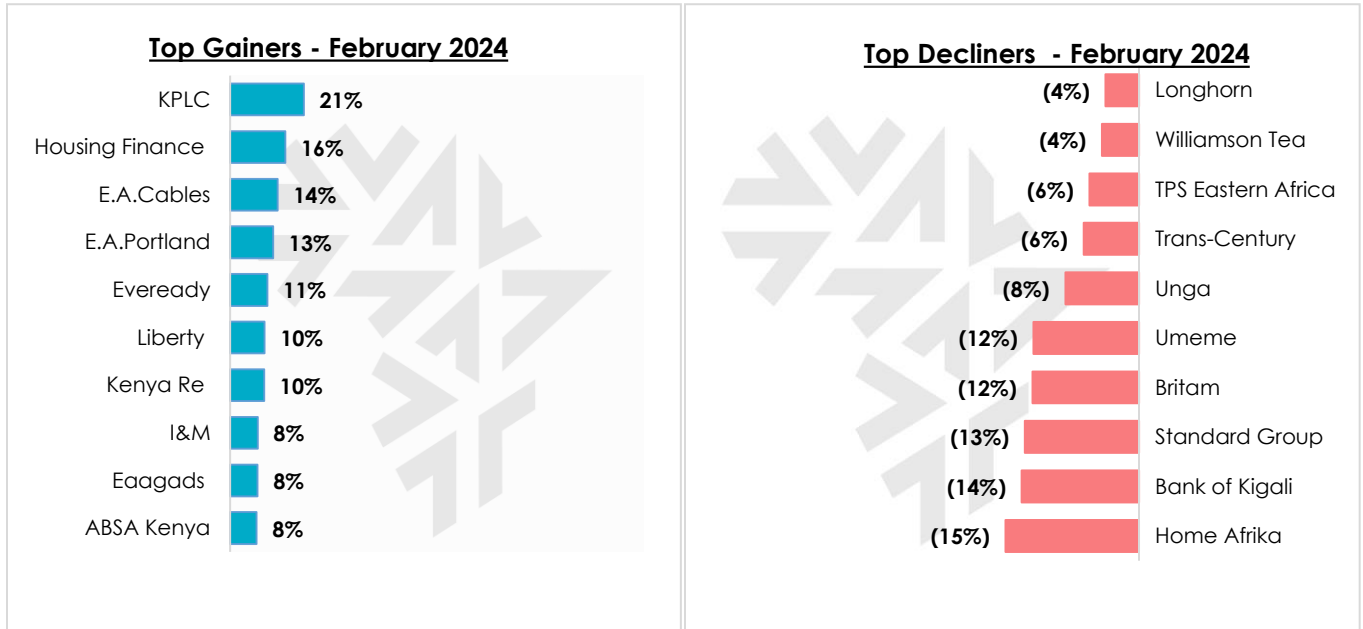
Local Market Performance

The stock market recorded moderate activity, with the all share index up by **0.34%** during the month. NSE-20 and NSE-25 increased by **1.79%** and **2.73%**, respectively. The NSE-10 closed the month at 948.74, a **3.45%** increase M/M.



Source: Bloomberg, NCBA IB Research, NSE

NSE Counter Performance

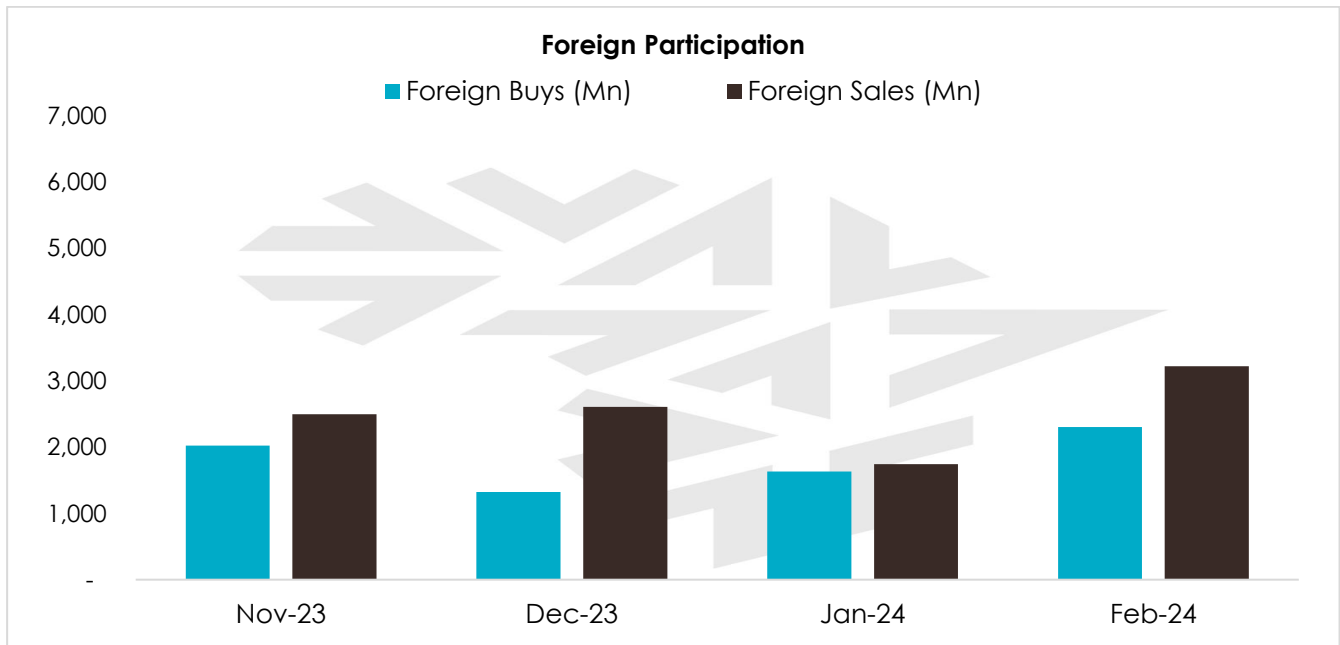


Source: NSE, NCBA IB Research

Foreign Investors Participation

Foreign investors' accounted for **60%** of the market participation and recorded net sales of **KES 0.9Bn** up from **KES 0.1Bn** in **January**.

With interest rates in advanced economies likely to hold up for longer, investors have positioned themselves to take advantage of the comparatively higher returns, staying out of frontier and emerging markets.



Source: NSE, NCBA IB Research

Corporate Actions

Upcoming Dividend payments

Corporate Actions	Dividend	Book Closure	Payment
EABL	KES 1.00	16-Feb-24	26-Apr-24
SASINI	KES 0.50	22-Feb 24	22-Mar-24
BAT	KES 45.00	24-May-24	24-June-24
Safaricom	KES 0.55	15-Mar-24	31-Mar-24

Source: Company financials, NCBA IB Research

March 2024 Stock Picks

Counter	Current Price *29th February 2024	Target price	Upside	Trailing Dividend	Interim dividend	Trailing Div. Yield	Recommendation
<u>Banking</u>							
ABSA	12.85	14.50	12.84%	1.35	0.20	10.51%	ACCUMULATE
COOP	13.00	14.20	9.23%	1.50	-	11.54%	HOLD
DTB	48.75	53.80	10.36%	5.00	-	10.26%	ACCUMULATE
Equity	40.45	47.20	16.69%	4.00	-	9.89%	BUY
HF	4.00	5.05	26.25%	-	-	-	BUY
I&M	18.55	20.90	12.67%	2.25	-	12.13%	ACCUMULATE
KCB	20.70	23.80	14.98%	2.00	-	9.66%	ACCUMULATE
Stanbic	108.25	115.60	6.79%	12.60	1.15	11.64%	HOLD
StanChart	162.75	154.65	(4.98%)	22.00	6.00	13.52%	SELL
<u>Insurance</u>							
CIC	2.01	2.92	45.27%	0.13	-	6.47%	BUY
Jubilee	185.00	257.37	39.12%	12.00	2.00	6.49%	BUY
<u>Telecommunication</u>							
Safaricom	13.25	23.40	76.60%	1.20	-	9.06%	BUY
<u>Manufacturing & Allied</u>							
BAT	415.00	501.25	20.78%	50.00	5.00	12.05%	BUY
EABL	106.00	134.61	26.99%	5.50	1.00	5.19%	BUY
<u>Construction & Allied</u>							
Bamburi	41.00	29.3	(28.54%)	0.75	-	1.83%	SELL

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

***ACCUMULATE** – Total expected 12-month return (incl. dividends) between 10%- 20%

***HOLD** – Total expected 12-month return (incl. dividends) between 0%-10%

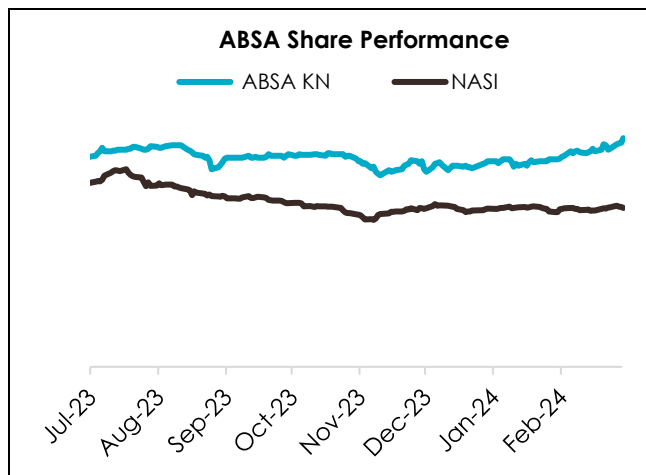
***SELL** – Total expected 12-month return (incl. dividends) less than 0%

INVESTMENT CONSIDERATIONS

ABSA Bank Kenya: ACCUMULATE with a target price of KES 14.50

Share Data	
BIC	ABSA KN
Recommendation	ACCUMULATE
Last Price	12.85
Target Price	14.50
Upside (Excl. Div Yield)	12.84%
Market Cap (KES'Bn)	63.55
52 week high	13.00
52 week low	10.00

Source: Bloomberg, NCBA IB Research, NSE



Q3 2023 Financial Performance

- **Profitability:** ABSA bank's net profit for Q3 grew by **14.9%** to **KES 12.3Bn** as non-interest income increased by 6.4% to KES 10.88Bn and interest income rose by 26.0% to KES 29.3Bn.
- **Gross Non-Performing Loans (NPLs):** The lender's NPL saw an increase of 72.4% to KES 34.54Bn, driven by the effects of strained macro-environment. The NPL ratio increased to 9.5% from 6.5% but remained lower than the industry average of 16% – reflective of effective credit risk management by the lender.
- **Customer Deposits:** Registered an uptick of 26.1% to KES 354.5Bn. Loans and advances saw an increase of 14.3% to KES 330.9Bn, supported by the lender's growing branch and digital footprint and expanded value propositions.

Outlook

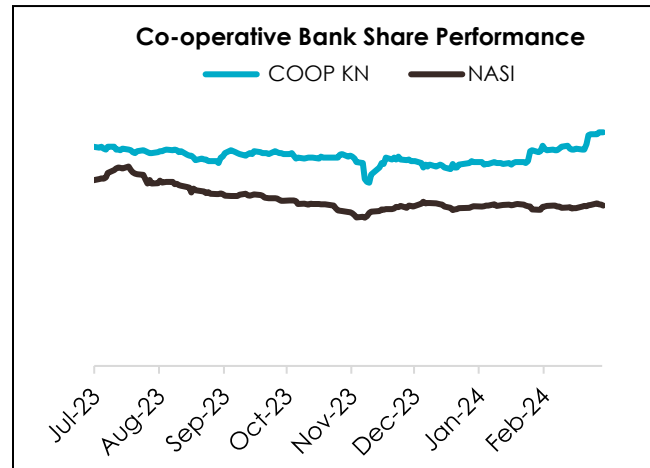
Going forward the bank will leverage on technology to scale up retail business. The lender will continue to focus on executing its strategy to build a consumer banking business that is digitally enabled to drive reach and invest in areas of competitive strength.

Revenue streams such as corporate banking, business banking and digital lending are delivering double-digit growth. New revenue streams including ABSA Asset Management, custody business and bancassurance will further scale the group towards a full financial services entity.

We expect ABSA Bank to deliver long-term profitability based on its focus on digital transformation and strong customer base.

Co-operative Bank of Kenya: HOLD with a target price of KES 14.20

Share Data	
BIC	COOP KN
Recommendation	HOLD
Last Price	13.00
Target Price	14.20
Upside (Excl. Div Yield)	17.36%
Market Cap (KES'Bn)	70.99
52 weeks high	14.00
52 weeks low	10.10



Source: Bloomberg, NCBA IB Research, NSE

Q3 2023 Financial Performance

- **Profitability:** Co-operative Bank's net profit grew by **7.6%** to **KES 18.39Bn** as non-interest income recorded an increase by 2.1% to KES 20.59Bn and interest income rose by 2.5% to KES 32.82Bn as the bank continues to leverage on its solid customer base from Sacco's. On the contrary, FX income dropped by 25.0% to KES 2.46Bn.
- **Gross Non-Performing Loans (NPLs):** Gross NPLs increased by 19.5% to KES 61.9Bn. Loan loss provisions declined by 26.5% to KES 4.20Bn driven by implementation of risk management initiatives. The NPL ratio increased to 14.1% lower than the industry average of 16.0%.
- **Customer Deposits:** Registered an uptick of 0.2% to KES 432.84Bn supported by deposit mobilization through the opening of new branches to scale retail expansion. The lender continues to benefit from agency banking i.e. co-op Kwa jirani which is a catalyst for deposit mobilization which has seen 45.7% growth in deposits.

Outlook

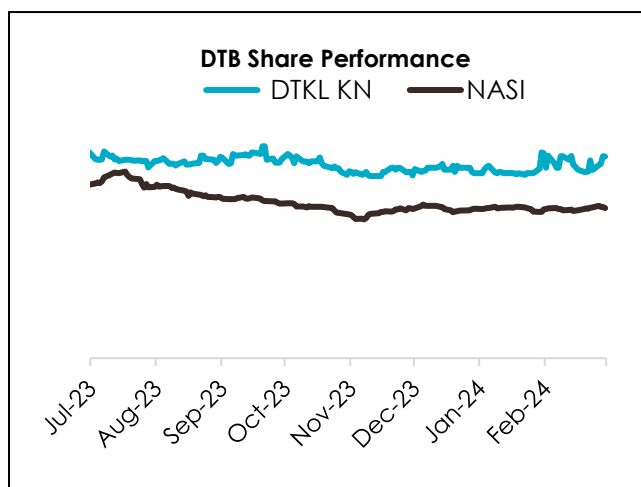
The Bank continues to execute a proactive growth strategy anchored on a strong enterprise risk management framework and deepening of market dominance.

The bank, riding on its unique synergies will continue to pursue strategic initiatives that focus on resilience and growth in the various sectors of the economy.

Partnership with government in the G2G oil importation plan and the coffee exchange settlement platform should boost non-funded income.

Diamond Trust Bank: ACCUMULATE with a target price of KES 53.80

Share Data	
BIC	DTKL KN
Recommendation	ACCUMULATE
Last Price	48.75
Target Price	53.80
Upside (Excl. Div Yield)	10.36%
Market Cap (KES'Bn)	13.84
52 week high	55.50
52 week low	43.05



Source: Bloomberg, NCBA IB Research, NSE

Q3 2023 Financial Performance

- **Profitability:** DTB bank's net profit for Q3 grew by **11.6%** to **KES 4.00Bn** as non-interest income increased by 33.9% to KES 9.2Bn and interest income rose by 19.6% to KES 20.1Bn.
- **Gross Non-Performing Loans (NPLs):** The lender's NPL increased by 17.4% to KES 38.7Bn, driven by the effects of the recent strained macro-environment.
- **Customer Deposits:** Recorded an uptick of 27.3% to KES 457.74Bn. Loans and advances increased by 18.7% to KES 289.13Bn supported by the lender's growth in branch, digital footprint and expanded value propositions.

Outlook

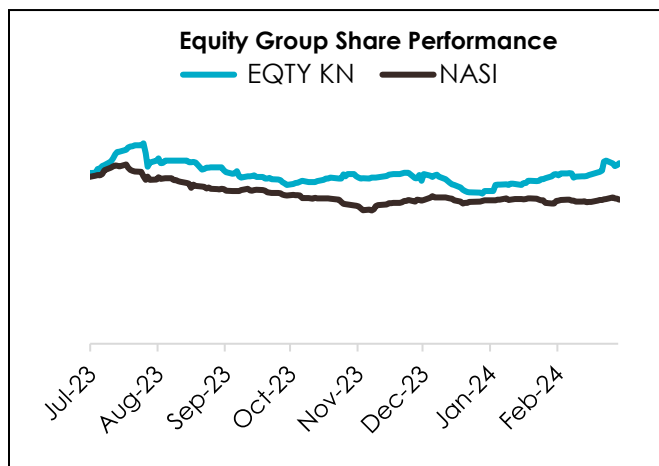
Going forward the bank will continue to leverage on technology with platforms such as 'Astra' and 'Infiniti Pay' which support the small and medium enterprises expected to increase trade flows.

The group scaled up its investment in digital technology to KES 3.5Bn between 2022-2024. This will support diversify revenue streams and scaling business opportunities.

The lender will pursue its business growth strategy of expanding the customer base and adopting an ecosystem approach of servicing customers who operate across East Africa's key economic sectors. When it comes to value propositions, the lender will leverage both traditional channels and digital platforms.

Equity Group: ACCUMULATE with a target price of KES 47.20

Share Data	
BIC	EQTY KN
Recommendation	ACCUMULATE
Last Price	40.45
Target Price	47.20
Upside (Excl. Div Yield)	16.69%
Market Cap (KES'Bn)	143.30
52 week high	50.00
52 week low	35.00



Source: Bloomberg, NCBA IB Research, NSE

Q3 2023 Financial Performance

- **Profitability:** Equity Bank's net profit in Q3 2023 grew by **3.7%** to **KES 34.58Bn** as non-interest income recorded an increase of 36.90% to KES 57.80Bn and interest income rose by 32.0% to KES 111.3Bn as the bank continues to record strong growth across its subsidiaries.
- **Gross Non-Performing Loans (NPLs):** The lender raised its provisioning by 83.5% to KES 124.5Bn as compared to KES 67.86Bn recorded in the same period last year, largely attributable to two large accounts, i.e., TransCentury Ltd and East Africa Cables Ltd coupled with a growth of 25.5% in loan book to KES 845.9Bn as the lender continues to support its customers.
- **Customer Deposits:** Recorded an uptick of 19.9% to KES 1.21Tn driven by increased deposits across the Group's subsidiaries. Loans and advances grew by 25.5% to KES 845.9Bn.

Outlook

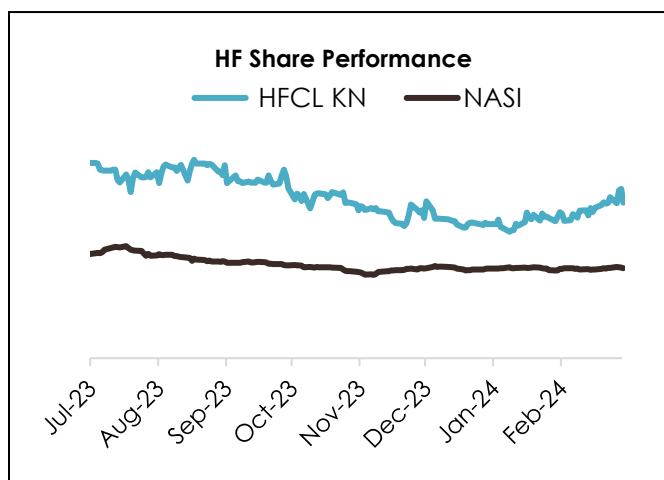
Equity Group has continued to report strong performance FY2023 in spite of a number of macroeconomic headwinds. The lender has become more aggressive in growing its loan book with a substantial KES 24Bn being disbursed on a monthly basis accompanied by an impressive repayment performance rate of 98%. This should continue to support NIMs in the near term. Plans are underway to boost the DRC loan to deposit ratio from the current 56.8%.

We are, however, cautiously watchful of growth in the Congolese unit on a constant currency basis given that the unit primarily operates in US dollars. The Bank also completed the acquisition of Rwanda's major bank Cogebanque holding 99.125% of the issued shares. The acquisition is expected to further strengthen the bank's diversification strategy and support its growth as it aims to consolidate its operations with Equity Group Rwanda Plc.

HF Group: BUY with a target price of KES 5.05

Share Data	
BIC	HFCL KN
Recommendation	BUY
Last Price	4.00
Target Price	5.05
Upside (Excl. Div Yield)	26.25%
Market Cap (KES'Bn)	1.44
52 week high	5.20
52 week low	2.80

Source: Bloomberg, NCBA IB Research, NSE


Q3 2023 Financial Performance

- **Profitability:** HF Group Plc recorded a significant jump in PAT in Q3'23, increasing by 283.9% to KES 0.24Bn on the back of 21.1% growth in operating income to KES 2.82Bn outperforming the 13.6% growth in total operating expense to KES 2.55Bn. Net Interest income also grew by 21.4% attributable to 20.3% growth interest income compared to 19.1% increase in interest expense.
- **Gross Non-Performing Loans (NPLs):** The lender's NPL saw an increase of 24.9% to KES 10.55Bn, driven by the effects of the recent strained macro-environment.
- **Customer Deposits:** Registered an uptick of 12.9% to KES 43.82Bn. Loans and advances saw an increase of 9.3% to KES 35.199Bn, supported by the lender's growing branch and digital footprint and an expanded value proposition.

Outlook

Going forward the bank will leverage on digitization to scale up retail business.

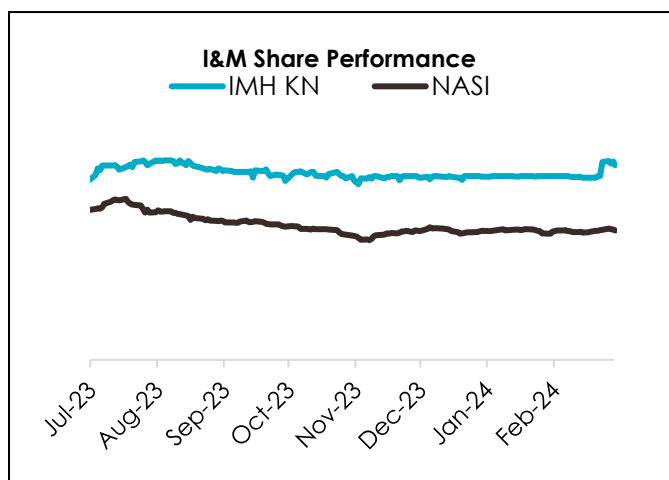
The lender will continue to focus on executing its strategy to build a consumer banking business that is digitally enabled to increase reach and invest in areas of competitive strength.

The stock presents an opportunity for long-term investors to earn **capital gains**.

We expect HF Group to deliver profitability in FY2023 based on its focus on revenue diversification, cost rationalization and digital transformation.

I&M Group: ACCUMULATE with a target price of KES 20.90

Share Data	
BIC	IMH KN
Recommendation	ACCUMULATE
Last Price	18.55
Target Price	20.90
Upside (Excl. Div Yield)	12.67%
Market Cap (KES'Bn)	28.94
52 week high	21.50
52 week low	15.80



Source: Bloomberg, NCBA IB Research, NSE

Q3 2023 Financial Performance

- **Profitability:** I&M Group's net profit for Q3 2023 grew **by 14.1%** to **KES 7.76Bn** as interest income recorded an increase of 27.5% to KES 34.17Bn. Non-interest income rose by 21.2% to KES 10.71Bn. The bank continues to leverage on its voluntary waiver of bank to mobile fees. The lender's Kenyan business contributes 74% to profit after tax.
- **Gross Non-Performing Loans (NPLs):** I&M, however, raised the provisioning for loan defaults by 52.5% to KES 36.19Bn compared to KES 23.68Bn recorded in the same period last year, mirroring the trend observed among its tier I peers, including KCB Group, Equity Group and Stanbic Holdings attributed to continued challenging macro-economic environment.
- **Government securities:** Recorded an increase of 14.6% to KES 84.64Bn. The increase was driven by a high interest rate environment.

Outlook

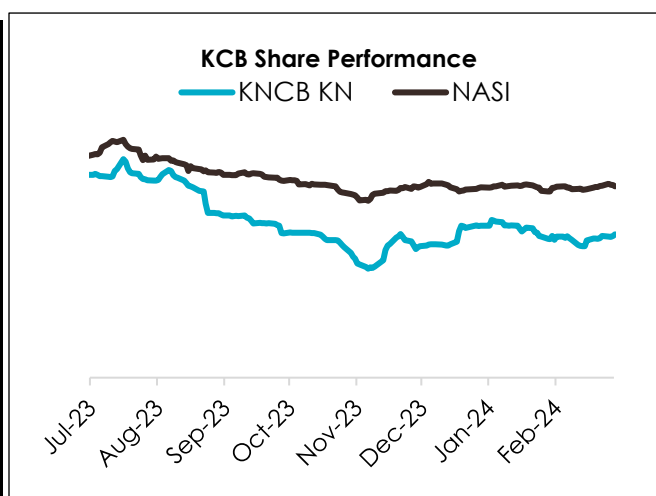
The lender's focus on providing corporate customers with value-add services, maintaining advantage in trade finance, increased leverage in Agriculture, Oil&Gas opportunities position the institution well to unleash its offensive growth strategy.

The lender is widening its reach through ecosystem and value chain partnerships focusing on SMEs lifestyles which has led to a growth in their asset base across corporate as well as business banking.

We also expect that growth in fees from digitization and the wealth management businesses will contribute to NFI FY2023.

KCB Group: ACCUMULATE with a target price of KES 23.80

Share Data	
BIC	KNCB KN
Recommendation	ACCUMULATE
Last Price	20.70
Target Price	23.80
Upside (Excl. Div. Yield)	14.98%
Market Cap (KES'Bn)	64.59
52 week high	43.00
52 week low	15.00



Source: Bloomberg, NCBA IB Research, NSE

Q3 2023 Financial Performance

- **Profitability:** Profit saw an increase by 0.4% to KES 30.7Bn, largely attributable to strong growth in the lender's subsidiaries helping offset the impact of loss at NBK. Subsidiaries outside Kenya saw a threefold growth in net earnings to KES 12.00Bn driven by strong organic growth in Tanzania, Uganda, South Sudan and consolidation of TMB.
- **Customer deposits:** Customer deposits saw an increase of 79.6% to KES 1.65Tr driven by organic growth in demand and term deposits in existing businesses. Net Interest income grew by 21.6% to KES 74.8Bn benefiting from faster growth in the bank's loan book. The lender saw a decline in net interest margin to 3.6% from 4.8% due to increased cost of funds as a result of high interest rate environment. Risk-based pricing will support the funding/lending spread.
- **Growth in Operating expenses:** Opex saw a 57.0% increase to KES 76.6Bn driven by exceptional cost items from the consolidation of TMB, staff rationalization program and provision for NBK's court ruling coupled with investments in technology.

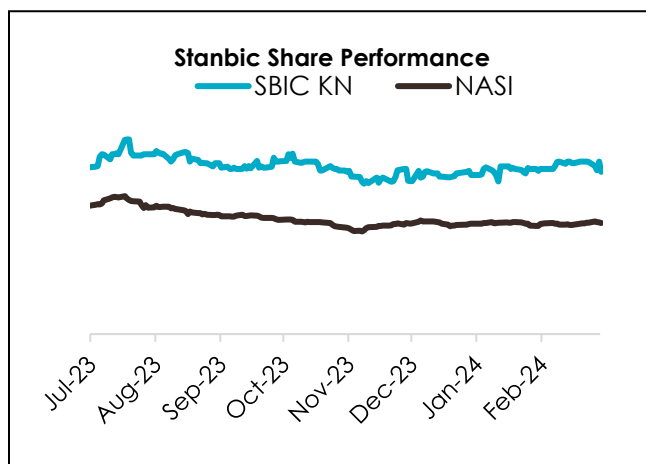
Outlook

KCB'S wide regional footprint along with its well diversified business portfolios and capital buffer, positions the lender to gain significant growth momentum across the subsidiaries.

The lender has recently signed up on the pan-African payment settlement system which should further cement its grip in the region and continent.

Stanbic Bank: HOLD with a target price of KES 115.60

Share Data	
BIC	SBIC KN
Recommendation	HOLD
Current Price	108.25
Target Price	115.60
Upside	6.79%
Market Cap (KES'Bn)	43.49
52 week high	132.00
52 week low	90.00



Source: Bloomberg, NCBA IB Research, NSE

Q3 2023 Financial Performance

- **Profitability:** Stanbic bank's net profit for Q3 grew by **32.7%** to **KES 9.28Bn** as non-interest income recorded an increase of 23.0% to KES 12.7Bn and interest income rose by 48.2% to KES 26.13Bn. Growth in profit was attributable to a 31% growth in Stanbic Bancassurance Intermediary Ltd, and over 100% growth in PAT by SBG Securities.
- **Gross Non-Performing Loans (NPLs):** The lender's NPL saw a marginal decline of 6.2% to KES 24.0Bn, one of the lowest across peers. Foreign currency loans, however, continue to come under pressure.
- **Customer Deposits:** Recorded an uptick of 14.3% to KES 305.6Bn. Loans and advances saw an increase of 5.9% to KES 250.98Bn driven by a rise in digital lending through the Mjeki Platform and the implementation of the risk-based pricing model.

Outlook

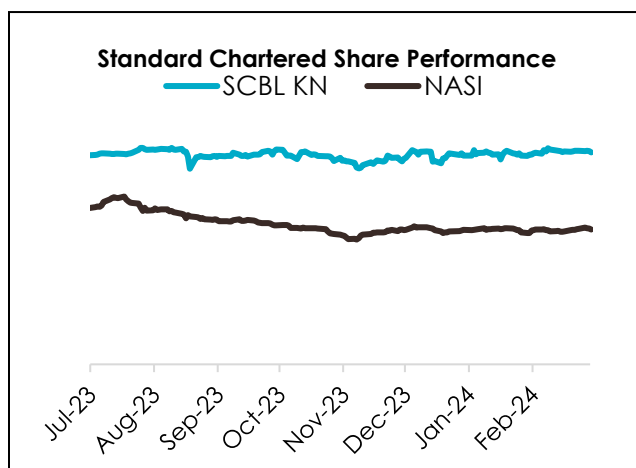
We see this impressive loan book growth enduring and translating into topline growth momentum. Implementation of risk-based pricing models will further scale the aggressive lending strategy.

The lender's non-funded income will continue to be driven by the current dollar situation which continues to present arbitrage opportunities for forex trading since the lender has a significant exposure to trade finance for dollar reliant industries.

Notably, the banks NPL ratio is commendable compared to the industry average of 13.93%. Proactive data driven risk analysis with credit risk pricing models in the mainstream loans will boost credit loss and cost of risk ratios.

Standard Chartered Bank Kenya: SELL at a target price of KES 154.65

Share Data	
BIC	SCBK KN
Recommendation	SELL
Last Price	162.75
Target Price	154.65
Upside	(4.98%)
Market Cap (KES'Bn)	61.31
52 week high	172.50
52 week low	134.00



Source: Bloomberg, NCBA IB Research, NSE

Q3 2023 Financial Performance

- **Profitability:** Standard Chartered Bank's net profit for six months ended September grew by **11.8%** to **KES 9.74Bn** as net interest income saw an increase of 34.5% to KES 21.23Bn. This was largely attributable to a 49.8% growth in foreign exchange trading income and rising interest rates. Non-funded income however fell by 6.6% to KES 8.20Bn.
- **Gross Non-Performing Loans (NPLs):** The lender's NPL ratio saw a marginal drop of 2.0% to KES 23.56Bn reflective of resilience amid tight economic environment. The NPL ratio of 14.1% remains below the industry average of 16.0%, indicative of worsening credit quality owing to tough macro-economic conditions.
- **Customer Deposits:** Deposits from customers increased by **4.5%** to KES 298.9Bn compared to the 5.5% growth in the loan book, driven by new mandates and increased transactional flows from key relationships as well as value driven from the wealth management segment.

Outlook

Going forward the bank will leverage on technology to scale up mass retail business.

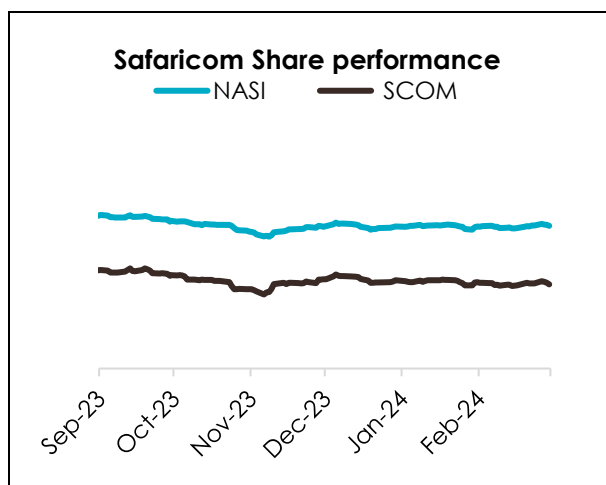
The lender will continue to focus on executing its strategy and invest in areas of competitive strength such as their wealth management unit.

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

Safaricom: BUY with a target price of KES 23.40

Share Data	
BIC	SAFCOM KN
Recommendation	BUY
Last Price	13.25
Target Price	23.40
Upside (Excl. Div Yield)	76.60%
Market Cap (KES'Bn)	544.89
52 week high	29.00
52 week low	11.50

Source: Bloomberg, NCBA IB Research, NSE


H1 2024 Financial Performance

- **M-PESA was the key driver of growth:** grew by 16.5% to KES 66.23Bn supported by increased personal usage and growth of chargeable transactions per one-month active customers. Financial services revenue however, registered a 19% decline y/y to close at KES 4Bn primarily driven by a decline in revenue attributable to Fuliza.
- **Capital expenditure weighs down on the business:** Capex saw an increase of 93.1% to KES 96.1Bn driven by accelerated spending on investment in the new growth region of Ethiopia. Capex in Ethiopia was undertaken to support site, infrastructure costs to increase coverage in the growing market.
- **Profitability:** Net Income grew 10.9% y/y to KES 41.6Bn supported by growth in M-PESA and mobile data revenue in the period. Profit after tax however declined by 10.1% largely attributable to 21.9% increase in operating expenses to KES 37.7Bn.

Outlook

We expect increased revenue from Safaricom Ethiopia, M-Pesa, and mobile data revenue streams.

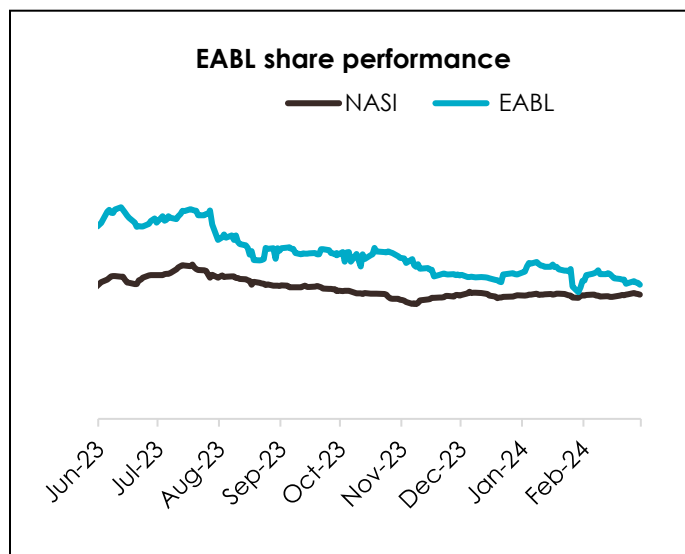
Operations in Ethiopia could help achieve revenue expansion above consensus and entrench the company's presence in the region.

We however maintain a cautiously optimistic stance on this diversification venture.

East African Breweries: BUY with a target price of KES 134.61

Share Data	
BIC	EABL KN
Recommendation	BUY
Last Price	106.00
Target Price	134.61
Upside (Excl. Div Yield)	26.99%
Market Cap (KES'Bn)	83.82
52 week high	190.00
52 week low	100.00

Source: Bloomberg, NCBA IB Research, NSE


HY'2024 Financial Performance

- **Profitability:** Profits declined because revenue gains were offset by increases in cost of sales and net finance costs largely driven by local currency depreciation as well as significant inflationary pressures on the cost of inputs over the period.
- **New product categories boost growth:** Growth in new categories outpaced the growth in beer and mainstream spirits. Net sales from new frontiers rose by 34% y/y while the sales from the beer and spirits category rose by 18% and 11%, respectively.
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Outlook

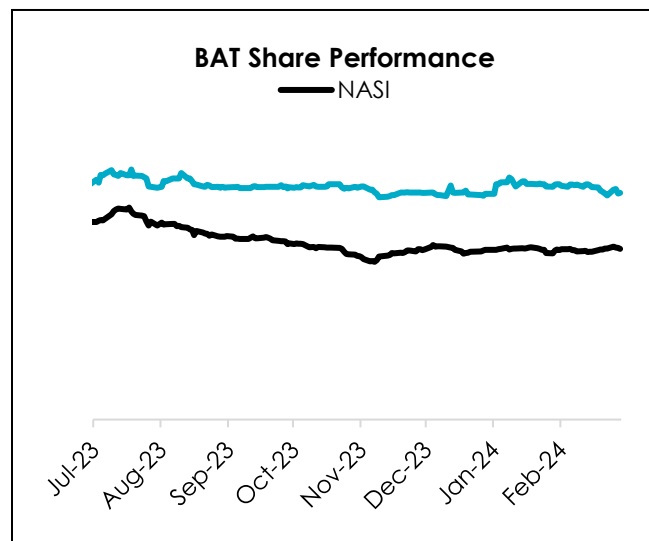
Challenging macro-economic environment continues to weigh heavily on the Brewer. Dollar supply-demand imbalances have further exacerbated the situation. We believe the forex volatility will persist and continue to impact the company. The region's exposure to these macroeconomic risks will negatively impact the company's earnings and our short to medium term financial forecasts.

Relatedly, the company continues to suffer from a punitive tax policy that has impacted their financing costs.

British American Tobacco: BUY with a target price of KES 501.25

Share Data	
BIC	BAT KN
Recommendation	BUY
Last Price	415.00
Target Price	501.25
Upside	20.78%
Market Cap (KES'Bn)	42.50
52 week high	495.00
52 week low	400.00

Source: Bloomberg, NCBA IB Research, NSE


Financial Performance

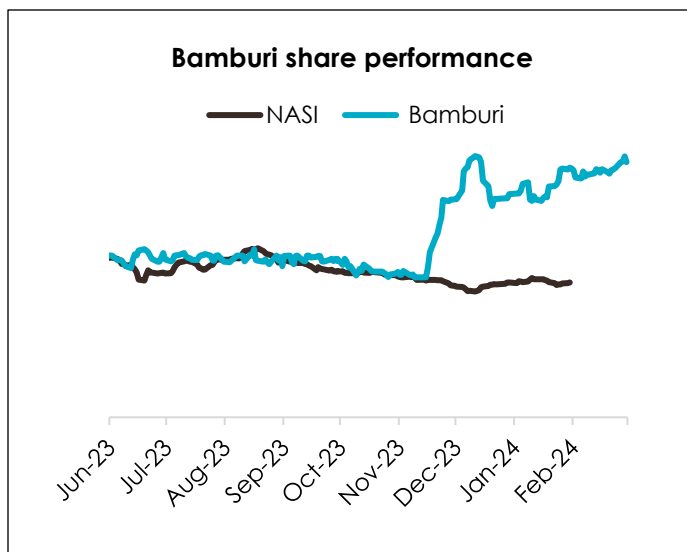
- BAT announced their FY2023 financial results recording a decline in profits by 19.2% to KES 5.57Bn in a period that faced adverse economic conditions across both the domestic and global markets on the back of geopolitical disruptions.
- **Profit** declined mainly on the back of reduced revenue attributable to lower sales and higher taxes coupled with higher duties on inputs reflecting the full year impact.
- **Cost of Operations:** Increased by 0.8% to KES 17.6Bn attributable to higher input costs offset by cost savings from productivity initiatives, as well as lower sales volume.
- **Revenue:** Declined by 6.7% to KES 25.56Bn, primarily driven by lower domestic and cut-rag (semi-processed leaf) sales. This was however offset by pricing and foreign exchange benefits from the export sales.
- **Dividend:** BAT total dividend per share declined by 12.3% to KES 50 (dividend yield of 12%) for FY2023 lower than KES 57 declared in FY2022.
- We expect performance in the regional subsidiaries to support growth and Kenya's aggregate contribution to decline in the long run on the back of a prohibitive tax environment.

Outlook

- Despite prevailing macroeconomic challenges, the company is confident in its ability to capitalize on the market by using its customer-centric brands and a winning culture.
- The cigarette giant started the rollout of a KES 2.5Bn investment in a cutting-edge oral nicotine pouch factory in order to improve the health of its clientele. This significantly strengthens revenues, particularly through exports.

Bamburi Cement: SELL with a target price of KES 29.30

Share Data	
BIC	BAMB
Recommendation	SELL
Last Price	41.00
Target Price	29.30
Upside	(28.54%)
Market Cap (KES'Bn)	14.61
52 week high	37.00
52 week low	21.30



Source: Bloomberg, NCBA IB Research, NSE

Financial Performance

- **Resilient Revenue Growth**- the Group's revenue has been resilient despite declining by 5.8% to KES 39.0Bn in the previous year. We expect sales to register mild growth with a forecast CAGR of 2.7% in the next five years.
- **Strong Asset Base**- Bamburi's assets have grown by 8.4% to KES 56.1Bn with a forecast CAGR of 2.8% in the next 5 years. Property, Plant and Equipment consisting of land and residential buildings, equipment and plant and machinery accounted for more than 70% of assets coming in at KES 39Bn.

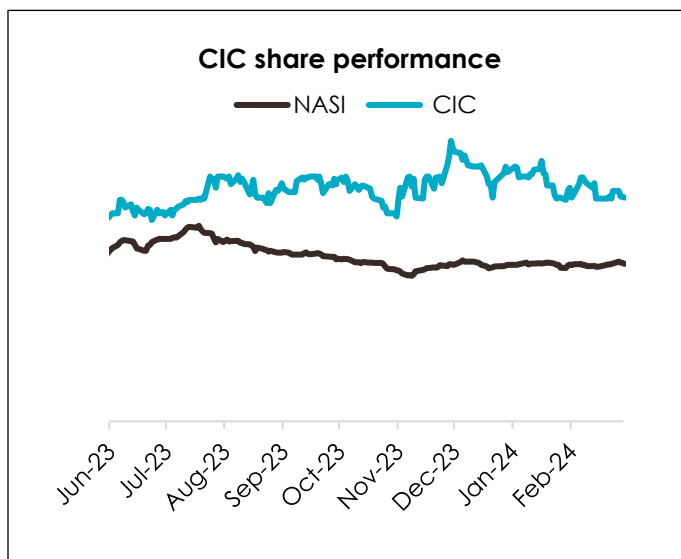
Outlook

We believe Bamburi will deliver a relatively stable performance in the future pegged on;

- **Expected Economic Recovery** – We expect sustained economic recovery both in Kenya and Uganda, as well as in Bamburi's main markets in Rwanda, DRC and South Sudan. Manufacturing growth is expected to accelerate given the global supply chain stabilization and consumer demand surge. We are however cognizant of the fact that global disruptions on the raw material supply chain may persist.
- **Reduced production cost** – The main production cost components for Bamburi Cement i.e., energy, power and raw materials such as clinker, remain high due to supply chain constraints. We believe the logistic constraints will ease hence reducing the cost of major production inputs.

CIC Group: BUY with a target price of KES 2.92

Share Data	
BIC	CIC KN
Recommendation	BUY
Last Price	2.01
Target Price	2.92
Upside	45.27%
Market Cap (KES'Bn)	5.24
52 week high	2.18
52 week low	1.50



Source: Bloomberg, NCBA IB Research, NSE

Financial Performance

- CIC has recorded a steady growth in premiums at a CAGR of 6.0% over the last 5 years, increasing by 16.1% to KES 22.7Bn from KES 19.5Bn in 2021. The strong performance is on the back of continued execution of transformational initiatives focused on customer experience, operational efficiency, performance management, digitization, among others in line with the firm's 2021-2025 strategic plan.
- Net earned premium was the largest revenue contributor for CIC accounting for 78% of total Gross Income in 2022. The key contributors to the premiums are Group life, Medical Insurance and Motor Insurance premiums at 28.95%, 24.46% and 20.29%, respectively

Outlook

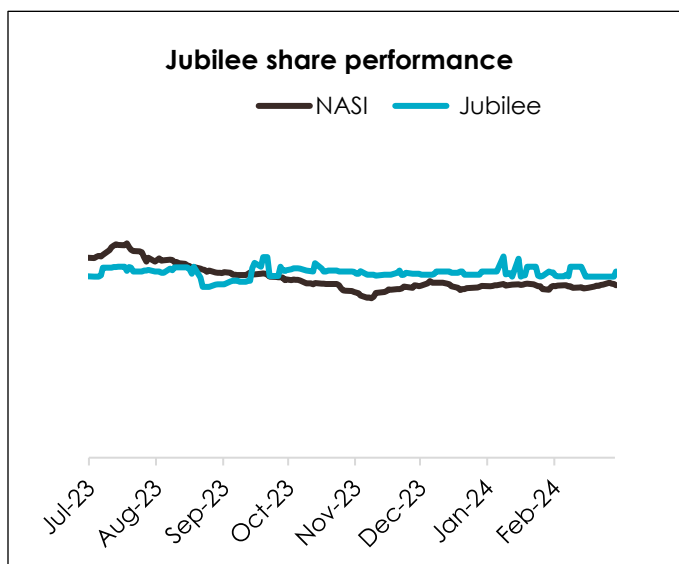
We expect the business to have a positive outlook based on the below factors;

- **Enhanced Digital Transformation**– The Group has embarked on a digital transformation journey whose objective is to provide seamless end-end customer experience supported by emerging technologies. Investing in technology will strengthen and improve performance hence ensuring customer retention and growth in market share.
- **Focus on Micro-insurance business (Co-operative Strategy)** – The Group is focusing on improving its micro-insurance business to anchor growth prospects and cover the uninsured population in the country. The strategy enhances its distribution channel through Sacco-assurance and continued government support through the Ministry of Co-operatives and MSMEs.

Jubilee Holdings: BUY with a target price of KES 257.37

Share Data	
BIC	JBIC KN
Recommendation	BUY
Last Price	185.00
Target Price	257.37
Upside	39.12%
Market Cap (KES'Bn)	13.12
52 week high	255.00
52 week low	142.00

Source: Bloomberg, NCBA IB Research, NSE


Financial Performance

- Jubilee Holdings has recorded a decline in Gross premiums at a CAGR of 0.92% to KES 25.4Bn in 2022 from KES 26.6Bn in 2018 due to the transfer of a major stake of General Business to Allianz in 2022.
- Investment income contributed 38% of the total revenue with the main investment holdings being in government securities (70-75% investments), quoted and unquoted equities, and real estate.
- Medical insurance remains a challenging business despite contributing more than 50% of Gross earned premiums having grown by a CAGR of 5.7% to KES 13.0Bn in 2022 from KES 9.8Bn in 2018. The business heavily relies on corporate clients.

Outlook

Jubilee's future growth will be pegged on the following factors:

- **Digital Transformational Agenda** – Jubilee launched the **Changamk@ project** to transform its services to the current digital age. The project aims to drive innovations and streamline operations consequently enhancing general customer experience.
- **Diversification and strategic partnerships** – Jubilee Holdings Ltd have presence in different countries within Africa and has partnered with several associates such as Allianz to diversify income streams and to bolster against industry risk.
- **Investment Income Growth** – Jubilee's investment income has grown by at a CAGR of 13.5% to KES 16.4Bn in 2022 from KES 8.7Bn in 2018. We expect exponential growth driven by investment income generated through its asset management arm.

About NCBA Investment Bank

NCBA Investment Bank is a subsidiary of NCBA Group. The services offered by the brokerage department include equities trading for listed securities, fixed income trading for both corporate and government bonds, Over the Counter (OTC) equity transactions as well as execution of equities transactions across the East African countries. Additionally, NCBA Investment Bank backs these activities with solid advice from the research team to enable investors meet their return objectives. NCBA Investment Bank deploys simple and convenient client driven technologies, robust risk management, highly competent and experienced staff and has the backing of robust research capabilities to differentiate itself from other players in the market.

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- (i) All of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and companies (y) and
- (ii) No part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

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