

The Week in Review | Week 10

EQUITIES

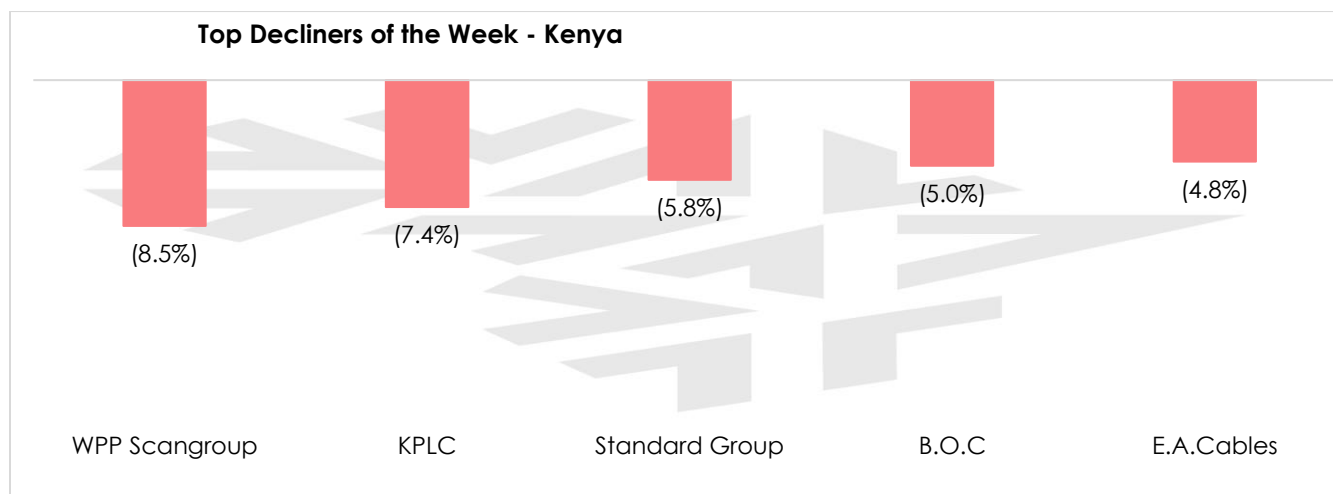
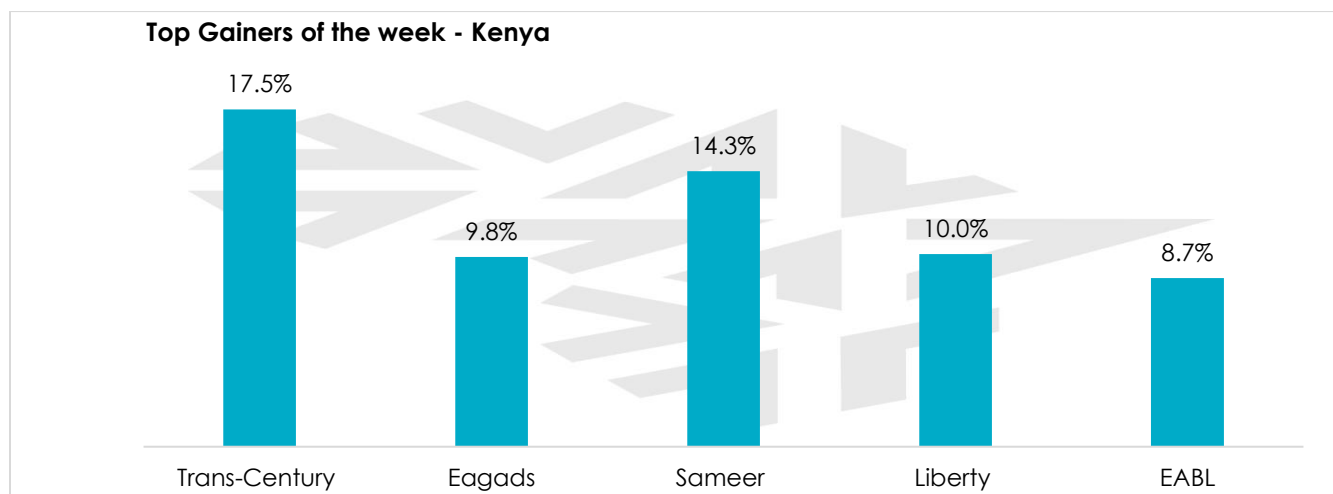
Local Market Performance

The market was up 1.8% week on week, with all share index (NASI) closing the week at **94.90**, a 3.2% increase year to date. The NSE-10, NSE-20 and NSE-25 indices closed the week at **965.82** a **5.9%** increase year to date, **1,556.10** a **3.1%** increase year to date and **2,525.06**, a **5.8%** increase year to date, respectively.

Foreign investors accounted for **47%** of the total turnover and they were net sellers with net foreign outflows of KES 493.03Mn last week. Foreign investors were mostly active on Safaricom, Equity, KCB, EABL and Kengen in that order.

Market turnover declined to KES **0.77Bn** from KES 1.53Bn traded the previous week.

NSE Counter Performance



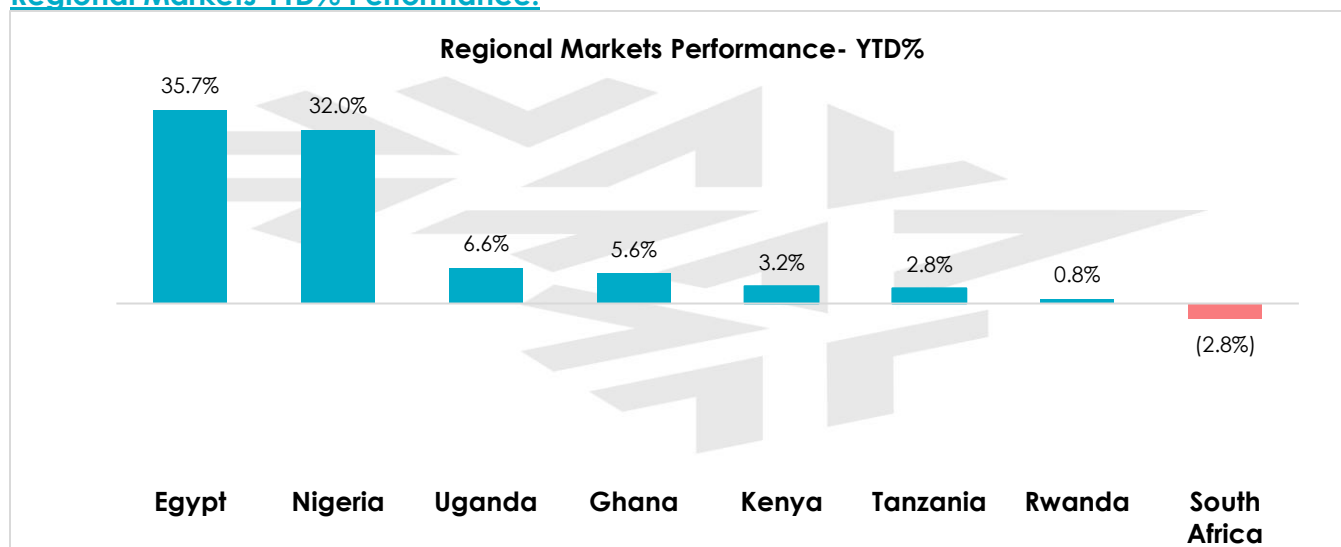
Source: NSE, NCBA IB Research

Upcoming Dividend payments

| Corporate Actions | Dividend | Book Closure | Payment |
|-------------------|-----------|--------------|---------------------|
| EABL | KES 1.00 | 16-Feb-24 | 26-April-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 |
| Stanbic | KES 14.20 | 17-May-24 | Subject to Approval |

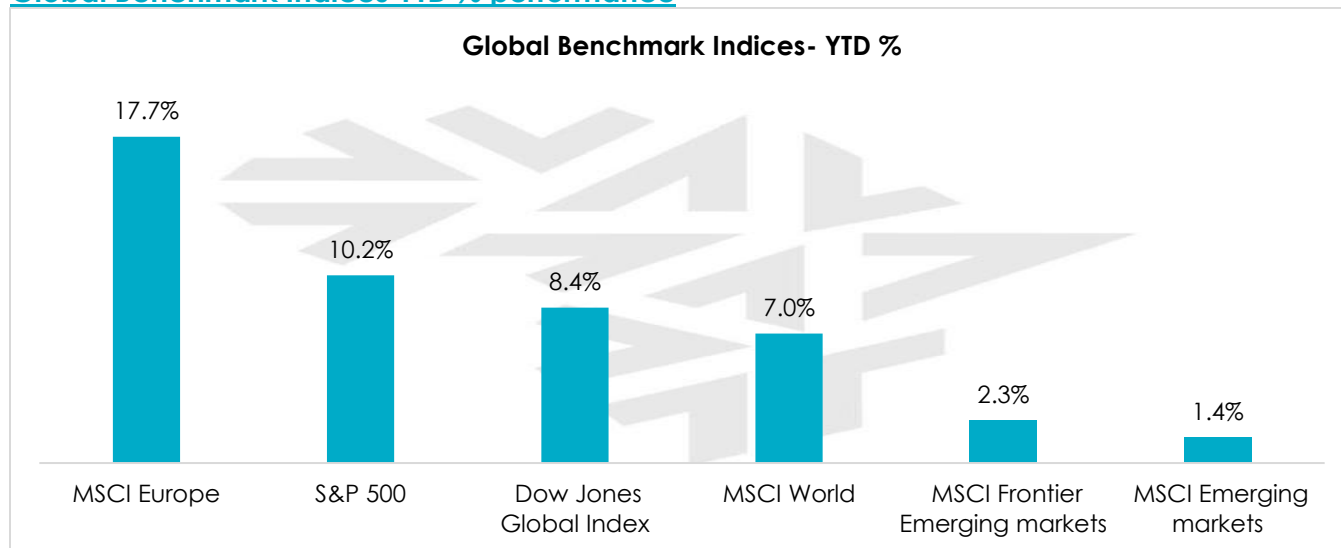
Source: Company Financials, NSE, NCBA IB Research

Regional Markets YTD% Performance.



Source: Bloomberg, NCBA IB Research

Global Benchmark Indices YTD % performance



Source: Bloomberg, NCBA IB Research

Earnings: Stanbic holdings

Stanbic Holdings released its financial results posting a **34%** increase in **profit after tax** largely attributable to 35% increase in net income and 19% increase in non-interest income. The Return on Equity increased to 18.3% while **Earnings per Share** rose to **KES 30.75** from KES 22.92 in the previous financial year.

The Board of directors recommended payment of a **KES 15.35** total **dividend** per share, translating to 13.3% dividend yield.

Following the **FY2023 earnings release**, and given some of the key business announcements by the company since our last publication, we have reviewed our forecasts and subsequently our **valuation** of the stock.

From our estimates and assumptions, we see a significant upside potential and maintain our **HOLD** recommendation with a target price of **KES 123.52**. The target price implies an upside of 7.4% to the current trading price of KES 115.00 as of 5th February 2024 exclusive of the dividend yield.

FY2023 Performance – Stanbic Kenya (% = y/y performance)

| Stanbic Holdings | Key Metrics Y/Y |
|----------------------------|------------------------------|
| Loans and Advances | Up 33% to KES 356.2Bn |
| Deposits | Up 14% to KES 347.2Bn |
| Financial investments | Down 46% to KES 45.3Bn |
| Net Interest Income | Up 35% to KES 25.76Bn |
| Non-Interest Income | Up 19% to KES 15.67Bn |
| Credit impairment | Up 26% to KES 6.2Bn |
| Profit Before Tax | Up 40% to KES 17.1Bn |
| Profit After Tax | Up 34% to KES 12.2Bn |
| Earnings Per Share | Up 34% to KES 30.75 |
| Dividend Per Share | Up 40% to KES 15.35 |

| Stanbic Holdings | Key Ratios Y/Y |
|----------------------------|--------------------------------|
| Loan Deposit ratio | Up to 103% from 88% |
| Net Interest Margin | Up to 5.97% from 5.20% |
| Cost to Income | Down to 43.5% from 46.7% |
| NPL Ratio | Down to 9.5% from 10.3% |
| Credit loss ratio | Up to 2.35% from 2% |
| Return On Equity | Up to 18.3% from 13.3% |
| Dividend Payout | Down to 50% from 55% |
| P/B | 0.7x |
| P/E | 3.7x |
| Dividend Yield | 13.3% |

FIXED INCOME

Primary Market

Treasury bills were oversubscribed during the week, with a subscription rate of **174.24%** (up from 154.05% the previous week) and an acceptance rate of **96.32% (KES 40.28Bn)**. Majority of the bids geared towards the 91-day paper as investors look to mitigate for duration risk.

| Subscription | Amount offered KES Bn | Bids received week 10 | Bids received week 9 |
|--------------|-----------------------|-----------------------|----------------------|
| 91 day | 4.00 | 20.62 | 12.26 |
| 182 day | 10.00 | 10.06 | 2.88 |
| 364 day | 10.00 | 11.13 | 9.58 |
| Total | 24.00 | 41.82 | 24.72 |

Source: CBK, NCBA IB Research

| Prevailing rates | Week 10 | Week 9 | W/W change (bps) |
|------------------|---------|--------|------------------|
| 91 Day | 16.66% | 16.62% | 3.79 |
| 182 Day | 16.85% | 16.79% | 6.28 |
| 364 Day | 16.98% | 16.97% | 1.23 |

Source: CBK, NCBA IB Research

March 2024 Bond Offer

The Central Bank of Kenya, in its capacity as a fiscal agent for the Republic of Kenya is offering an opportunity to invest in three papers **FXD1/2023/05(Re-opened)** and **FXD1/2024/10(New)** seeking to raise KES 40.00 Bn for budgetary support for FY 2023/2024 budget estimates.

See below the summary of the bond offer:

| Issue | FXD1/2023/05 (Re-opened) | FXD1/2024/10 (New) |
|-------------------------|----------------------------|----------------------------|
| Tenor to Maturity | 2.87 Yrs | 10.00 Yrs |
| Offered Amount (KES Bn) | 40.00 | |
| Value Date | 25-Mar-24 | 25-Mar-24 |
| Period of Sale | 27th Feb 24 to 20th Mar 24 | 27th Feb 24 to 20th Mar 24 |
| Redemption Date | 10 Jul 28 | 13 Mar 24 |
| Coupon Rate (%) | 16.844% | 16.000% |
| Taxation | 15.00% | 10.00% |
| Minimum Amount | 50,000.00 | 50,000.00 |

Source: NSE, NCBA/IB Research

Bond auction results | FXD1/2024/03

The Central Bank of Kenya received a total of **KES 43.07Bn** (107.69% Subscription rate), out of which it accepted **KES 34.27Bn** (79.56% Acceptance rate).

See below a summary of the Treasury bond auction results:

| Issue | FXD1/2024/03 |
|---|----------------|
| Tenor to Maturity | 2.9 |
| Offered Amount (KES Bn) | 40.00 |
| Bids Received (KES Bn) | 43.07 |
| Amount Accepted (KES Bn) | 34.27 |
| Market Weighted Average Rate (%) | 18.516% |
| Weighted Average Rate of Accepted Bids (%) | 18.422% |
| Adjusted Average Price(Per KES 100) | 102.664 |
| Coupon Rate (%) | 18.385% |

Source: NSE, NCBAIB Research

Secondary Market

In the secondary bonds market, **total turnover** declined to **KES 36.24Bn** from KES 52.36Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **91.18** from 92.14 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.

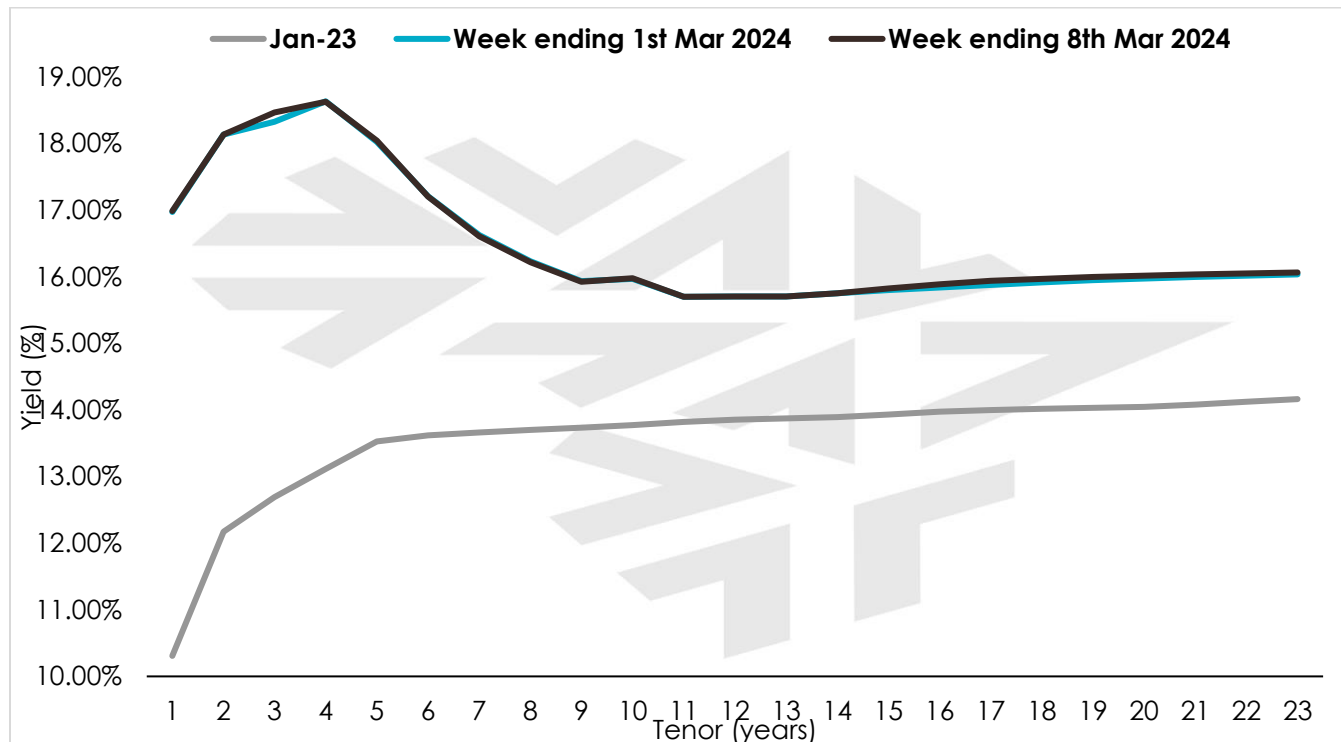
See the top moving bonds below:

| Bond Identifier | Years to Maturity | Coupon | Average Yield | Total Value (KES Mn) | Number of Trades |
|-----------------|-------------------|--------|---------------|----------------------|------------------|
| IFB1/2024/8.5Yr | 8.45 | 18.46% | 17.30% | 23,126.00 | 580 |
| FXD1/2020/5Yr | 1.16 | 11.67% | 17.75% | 2,206.50 | 6 |
| FXD1/2012/20Yr | 8.68 | 12.00% | 16.75% | 2,100.20 | 25 |
| FXD1/2010/25Yr | 11.26 | 11.25% | 16.94% | 1,950.00 | 6 |
| IFB1/2020/6Yr | 2.22 | 10.20% | 15.86% | 1,560.90 | 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 with **KENINT 2034** increasing the highest by to trade at 9.84% from 9.76% last week.

| Eurobond | Tenor (Years) | Coupon Rate | Previous Yield | Current Yield |
|-------------|---------------|-------------|----------------|---------------|
| KENINT 2027 | 3.39 | 7.00% | 9.89% | 9.57% |
| KENINT 2028 | 4.17 | 7.25% | 9.39% | 9.56% |
| KENINT 2031 | 7.0 | 9.75% | 9.79% | 9.83% |
| KENINT 2032 | 8.41 | 8.00% | 9.92% | 9.95% |
| KENINT 2034 | 10.09 | 6.30% | 9.76% | 9.84% |
| KENINT 2048 | 24.24 | 8.25% | 10.33% | 10.39% |

Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** declined by 65 bps week on week to close at **13.49%**. The average daily traded volumes increased to **KES 19.22Bn** from KES 16.57Bn observed in the previous week.

The inflation for the month of February 2024 eased to 6.3% from 6.9% in the month of January 2024, being the lowest since March 2022. The decline was on the back of fall of basic food prices and water, housing, electricity, gas and other fuel index.

| Statistic | Current | Previous | Change (bps) |
|------------------------|---------|----------|--------------|
| Central Bank Rate | 13.00% | 12.50% | 50.0 |
| Inflation | 6.30% | 6.90% | (60.0) |
| Average Interbank Rate | 13.49% | 14.14% | 65 |

Source: CBK, NCBA/IB Research

Currency

On the FX front, the shilling appreciated against the greenback, closing at **142.80**.

Continued intervention by the central bank through activity in the interbank foreign exchange market and expected foreign currency inflows from diaspora remittances, tourism and IMF will alleviate the pressure on the shilling.

Foreign exchange reserves declined by **0.62%** week on week to close at **US \$6,919Mn**, the reserves represent **3.7 months** of import cover which is below the CBK's statutory requirement of at least 4 months of import cover.

The **DXY** increased to close at **102.55** from 103.96 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 10 | Week 9 | W/W change (%) |
|----------------|----------|----------|----------------|
| US Dollar | 142.80 | 143.52 | (0.5%) |
| STG Pound | 182.21 | 181.75 | 0.25% |
| Euro | 155.67 | 155.65 | 0.01% |
| Forex reserves | 6,919.00 | 6,962.00 | (0.62%) |

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research

Fiscal Tracker-January 2023

For the seventh month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 1,808.79Bn** which represents a **43.77%** achievement against the revised full year target of **KES 4,281.61Bn**.

Net **domestic borrowing** stood at **KES 305.25Bn** reflecting a performance rate of **44.35%** compared to **32.30%** in December FY'2023/2024. 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 188.84Bn** to **KES 1,695.16Bn** compared to **KES 1,506.31Bn** in December FY'2023/2024 This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 163.82Bn** to **KES 831.77Bn** from **KES 667.9Bn** in the previous month, However, the development expenditure decreased by **KES 66.78Bn** to **KES 107.55Bn**.

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

| Jan-24 | | | | | |
|------------------------------|-------------------|-----------------|-----------------|-------------------|-----------------------|
| | 23/24 FYBudget | Dec-23 | Jan-24 | Variance (MoM) | Variance FY Budget |
| INCOME(KES Bn) | | | | | |
| Total Tax Income | 2,495.83 | 1,050.85 | 1,216.42 | 165.57 | 48.74% |
| Total Non-Tax Income | 75.33 | 38.67 | 41.93 | 3.26 | 55.66% |
| Net Domestic Borrowing | 688.21 | 269.71 | 305.25 | 35.54 | 44.35% |
| External Loans and Grants | 870.18 | 78.53 | 241.65 | 163.12 | 27.77% |
| Other Domestic Financing | 3.19 | 3.54 | 3.54 | 0.00 | 111.08% |
| Total Revenue | 4,132.74 | 1,441.29 | 1,808.79 | 367.50 | 43.77% |
| EXPENDITURE(KES Bn) | | | | | |
| Recurrent | 1,302.80 | 560.99 | 700.16 | 139.18 | 53.74% |
| CFS | 1,963.70 | 667.95 | 831.77 | 163.82 | 42.36% |
| Development | 480.82 | 103.05 | 55.68 | (47.37) | 11.58% |
| County Gvt | 385.42 | 174.33 | 107.55 | (66.78) | 27.90% |
| Total Expenditure | 4,132.74 | 1,506.31 | 1,695.16 | 188.84 | 0.41 |
| Balances at end month | | 2.10 | 2.10 | (0.00) | |

Source: National Treasury, NCBA IB Research

Kenya Government Debt Maturities Schedule – March 2024:

The government has total domestic debt maturities of **KES 128.59Bn** in the month of February 2024 compared to **KES 273.21Bn** in March 2024. We expect **robust government activity** in the local market.

| Treasury Bills | |
|----------------|------------------|
| Payment Date | Amount KES 'Mn |
| March 4, 2024 | 23,704.37 |
| March 11, 2024 | 38,188.44 |
| March 18, 2024 | 18,668.67 |
| March 25, 2024 | 19,019.41 |
| Total | 99,580.89 |

Source: CBK, NCBA IB Research

| Coupon payments | | | | | |
|-----------------|--------------------------|-------------------|----------------------------|-------------------|------------------------|
| Issue No. | Next Coupon Payment Date | Tenor to Maturity | Outstanding Amount KES 'Mn | Fixed Coupon Rate | Coupon payment KES 'Mn |
| FXD1/2010/015 | March 11, 2024 | 1.03 | 27,693.90 | 10.25% | 1,419.31 |
| FXD1/2012/015 | March 11, 2024 | 3.53 | 90,939.90 | 11.00% | 5,001.69 |
| IFB1/2021/021 | March 11, 2024 | 18.53 | 106,742.20 | 12.74% | 6,797.88 |
| IFB1/2023/017 | March 11, 2024 | 16.03 | 68,196.50 | 14.40% | 4,909.81 |
| FXD1/2016/020 | March 18, 2024 | 12.55 | 12,761.20 | 14.00% | 893.28 |
| FXD1/2018/020 | March 18, 2024 | 14.05 | 94,515.60 | 13.20% | 6,238.03 |
| IFB1/2013/012 | March 18, 2024 | 1.55 | 16,060.21 | 11.00% | 883.31 |
| IFB1/2015/012 | March 18, 2024 | 3.05 | 33,486.55 | 11.00% | 1,841.76 |
| IFB1/2019/025 | March 18, 2024 | 20.05 | 16,828.65 | 12.20% | 1,026.55 |
| Total | | | | | 29,011.62 |

Source: CBK, NCBA IB Research

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