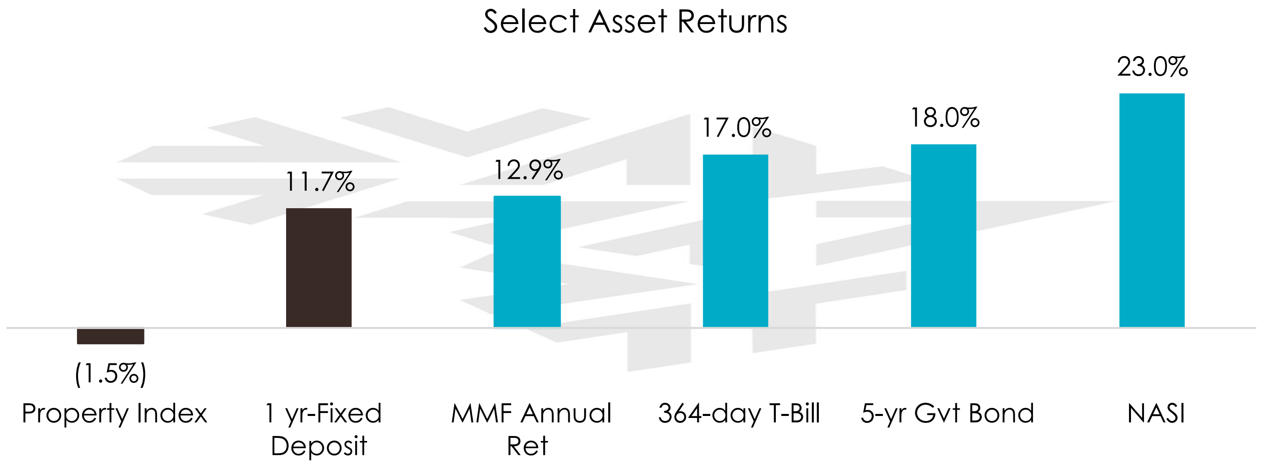
Asset Class Performance



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

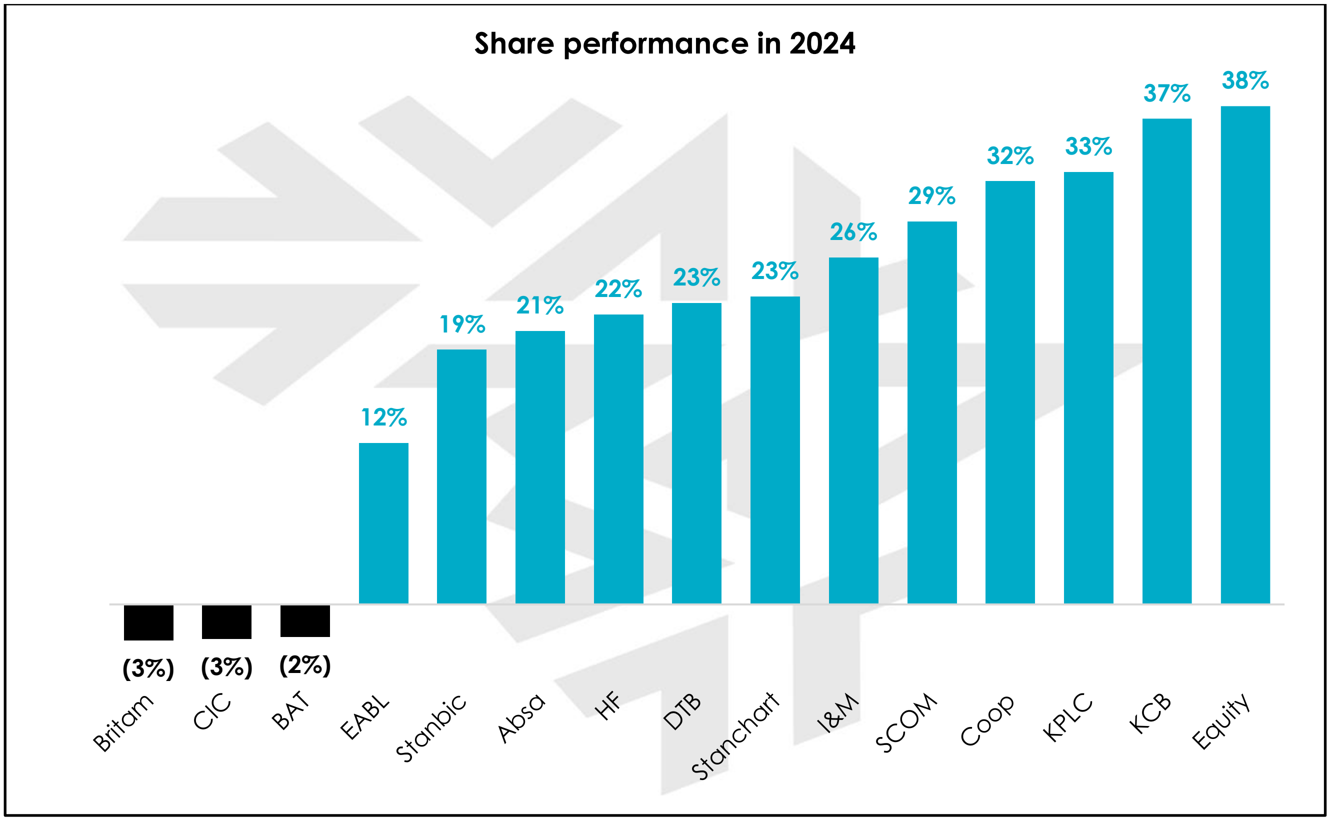
Investment in listed equities delivered the strongest returns on the back of banking sector FY2023 results release.

Treasury bonds and bills remained attractive because yields are at the highest they have been in recent years.

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 and elevated sovereign debt is stifling growth. KES has however shown improvement against the dollar and inflation is well within the target range.

Companies with a well-diversified revenue strategy are expected to have better performance in 2024. We believe Safaricom earnings will be boosted by the successful expansion of operations in Ethiopia.

The banking sector remained resilient registering strong earnings 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 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.

Macro-economic Highlights

Currency

The KES has appreciated against the US dollar. It gained an average of 58.94 cents daily in the month of March 2024, compared to an average of 81.72 cents in February 2024 – a trend that signifies a favorable development, suggestive of potential stability.

The shilling appreciation was driven by significant dollar inflows in the last infrastructure bond issue (February 2024) as well as positive sentiment emanating from GOK's successful Eurobond refinancing. The currency stability will be supported by the continued intervention by CBK via interbank acitivity as well as expected diaspora remittances, dollar inflows from tourism and IMF support.

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

Currency Performance			
Period	**USD/KES**	**GBP/KES**	**EURO/KES**
Mar-24	131.80	166.55	142.67
Year to date	(16.24%)	(16.03%)	(17.08%)

Source: CBK, NCBA IB Research

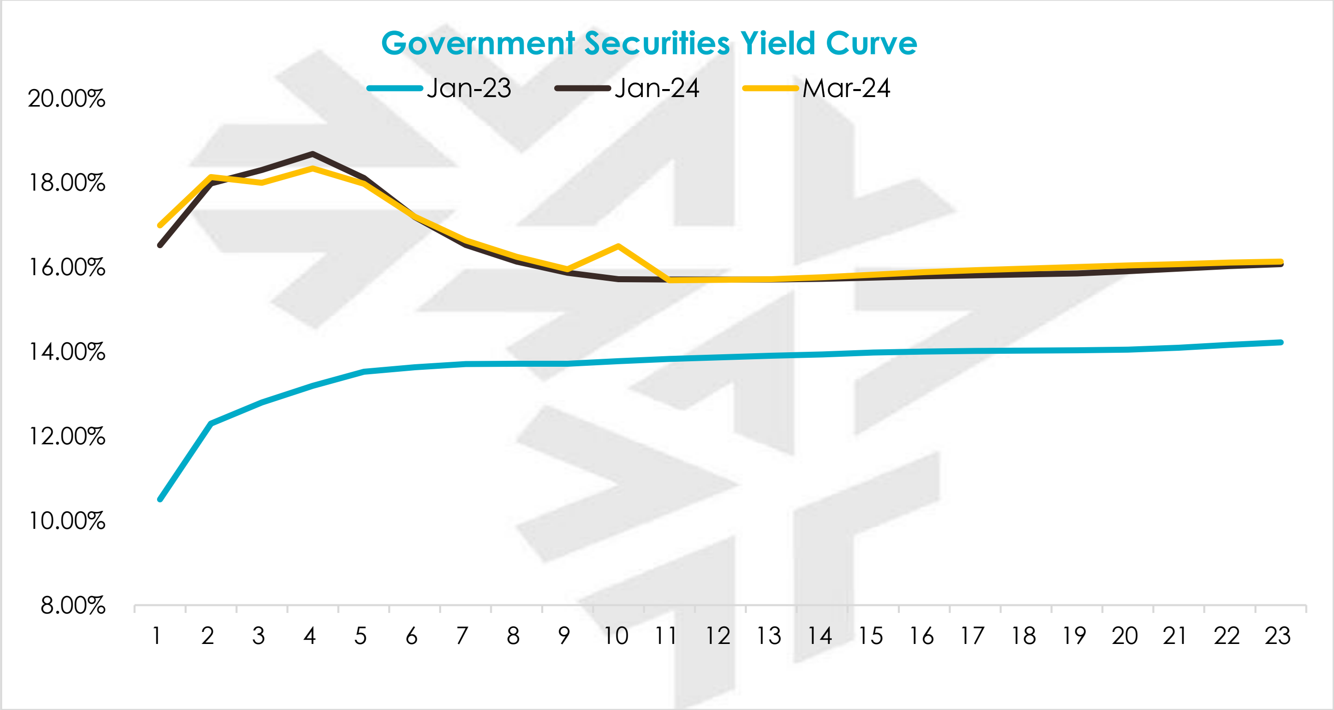
Interest rates

Yields on treasury bills continued to be on an upward trajectory with all tenors remaining 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	Mar-24	Feb-24	W/W change (bps)
91 Day	16.729%	16.622%	10.72
182 Day	16.888%	16.785%	10.28
364 Day	16.990%	16.972%	1.77

Source: CBK, NCBA IB Research

Relatedly, there has been an increased appetite for domestic debt as a result of the need to meet GOK's FY23/24 target. target for FY 23/24. We expect the upward pressure on the yield curve to persist but plateau for the remainder of the year.



Source: CBK, NCBA IB Research

Liquidity conditions

Liquidity conditions eased in March. Indicatively, the overnight interbank rate declined by 18.95bps month on month to close at 13.48%. The average daily traded volumes however increased to KES 26.64Bn from KES 26.00Bn recorded in the previous month.

The MPC maintained the policy rate at 13%. This was advised by; improvement in macros, inflation being within the target range and the strengthening of KES against the $.

Statistic	March-24	Feb-24	Change (bps)
Central Bank Rate	13.00%	12.50%	50.00
Average Interbank Rate	13.48%	13.67%	18.95

Source: CBK, KNBS, NCBA IB Research

Inflation

Inflation in March eased to 5.7% from 6.3% in the previous month remaining within the Central Bank of Kenya (CBK) band of 2.5% to 7.5%. The decline was on the back of lower food and fuel prices. Notably, improved food prices are partly attributable to favorable weather conditions while the reduced fuel prices emanated from appreciation of the shilling against the dollar.

Statistic	Mar-24	Feb-24	Change (bps)
Inflation	5.70%	6.30%	(60.00)
CPI	138.66	138.34	23.13

Source: CBK, KNBS, NCBA IB Research

Kenya International Debt

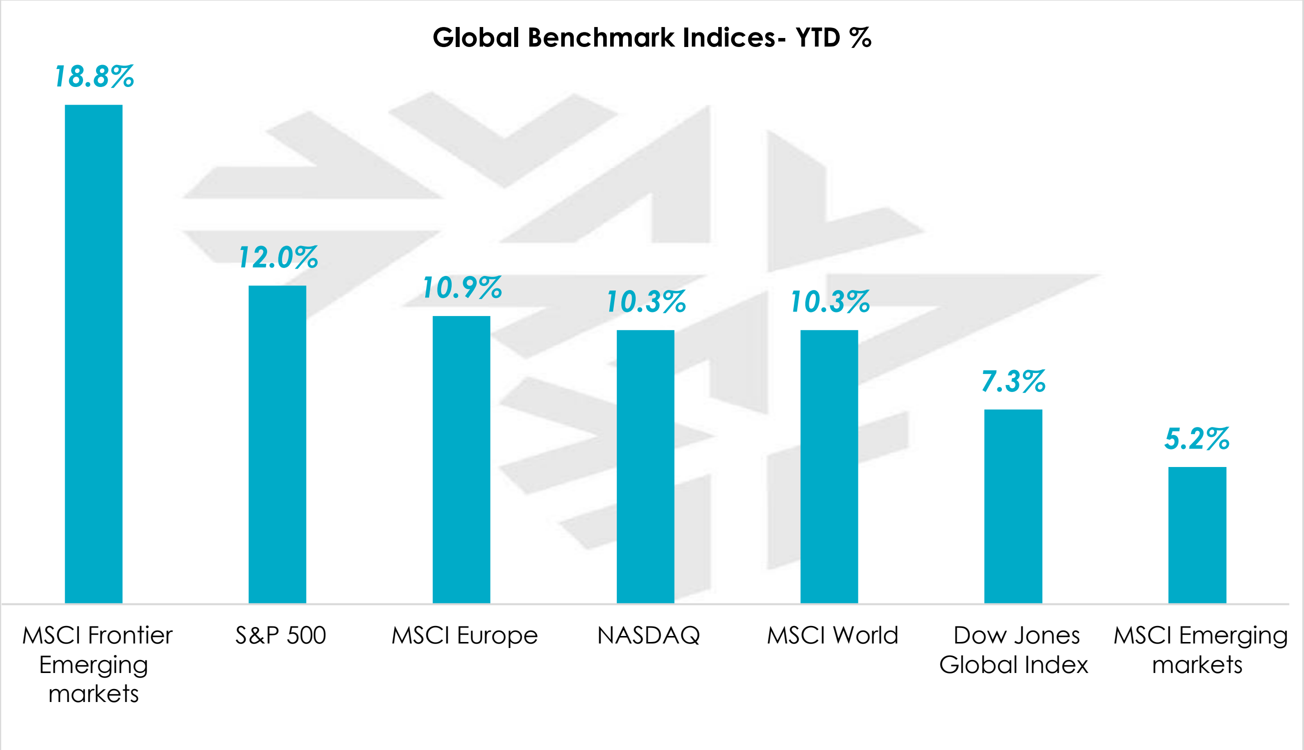
The yields on Kenyan Eurobonds were on a downward trajectory during the month following the successful Eurobond buyback.

Below are the seven Kenyan Eurobonds and the respective yields.

	Eurobond	Tenor (Years)	Coupon Rate	Previous Yield	Current Yield
1	KENINT 06/24/2024	0.32	6.88%	8.82%	7.17%
2	KENINT 05/22/2027	3.23	7.00%	8.45%	7.82%
3	KENINT 02/28/2028	4.01	7.25%	9.40%	8.59%
4	KENINT 02/16/2031	6.99	9.75%	9.67%	9.23%
5	KENINT 05/22/2032	8.25	8.00%	9.69%	9.09%
6	KENINT 01/23/2034	9.93	6.30%	9.65%	9.12%
7	KENINT 02/28/2048	24.08	8.25%	10.33%	9.75%

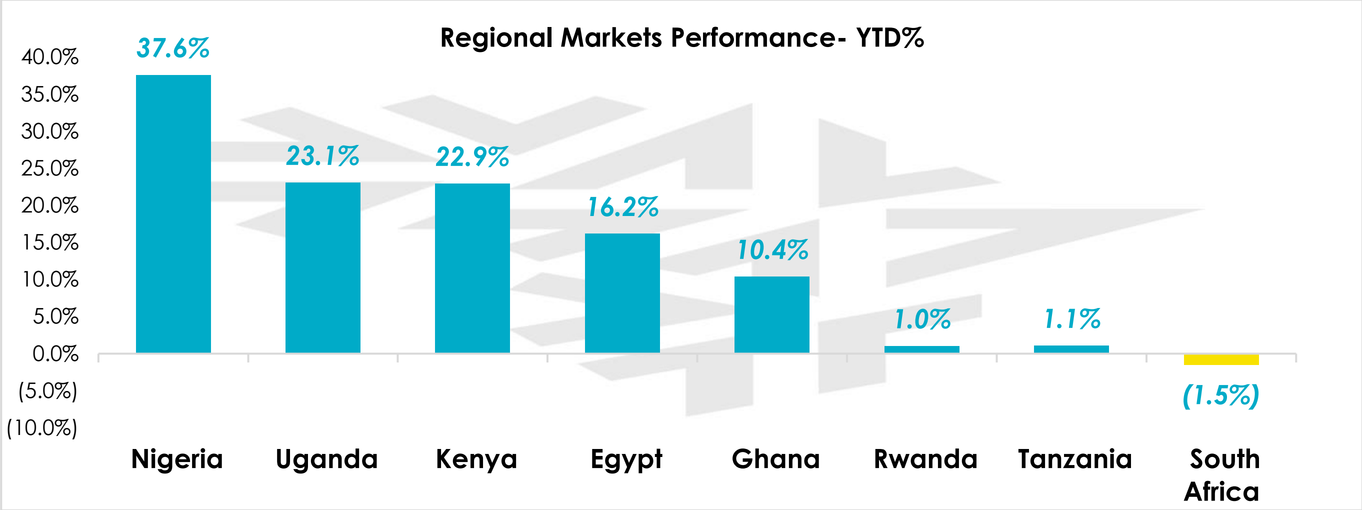
Source: Bloomberg, NCBA IB Research

Global Markets performance



Source: Bloomberg, NCBA IB Research

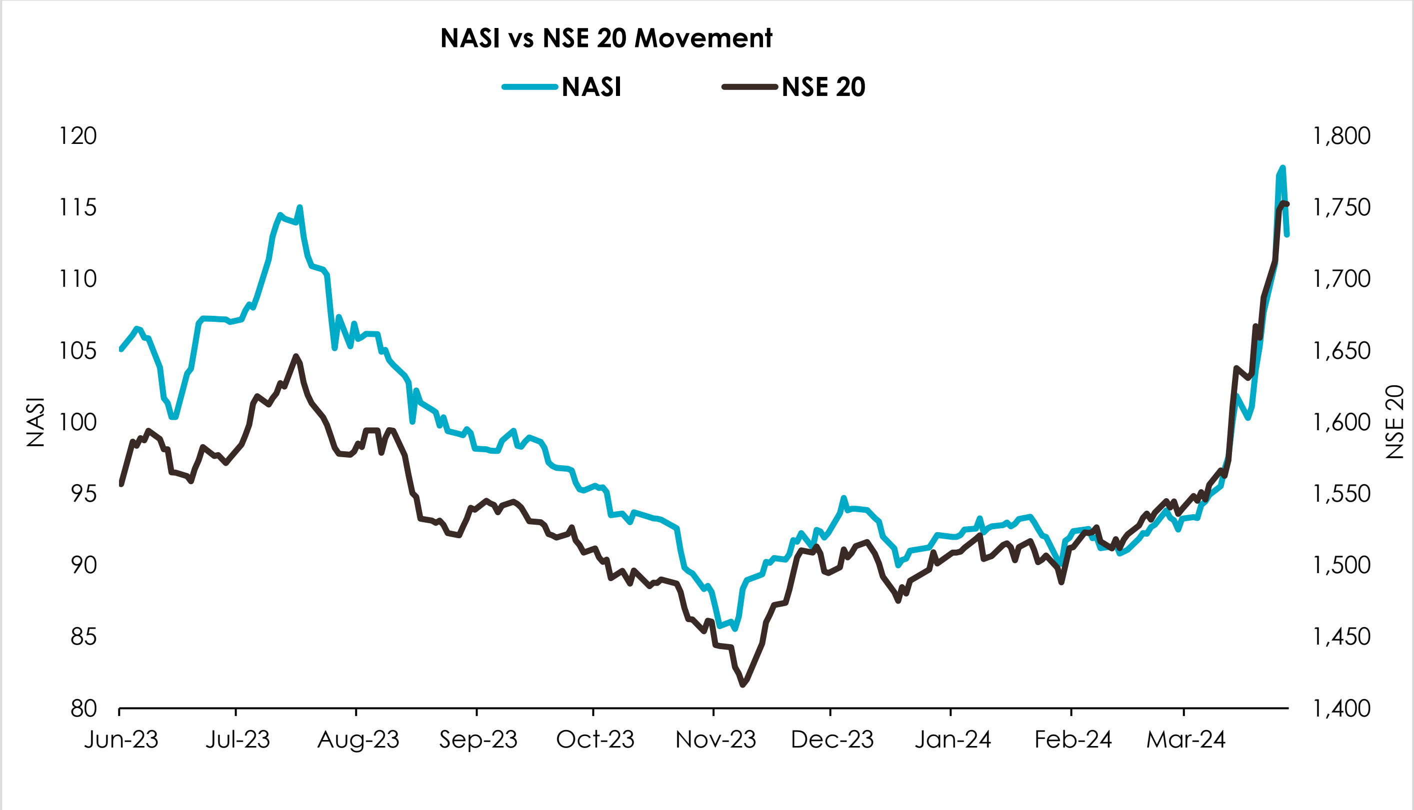
Regional Markets performance



Source: Bloomberg, NCBA IB Research

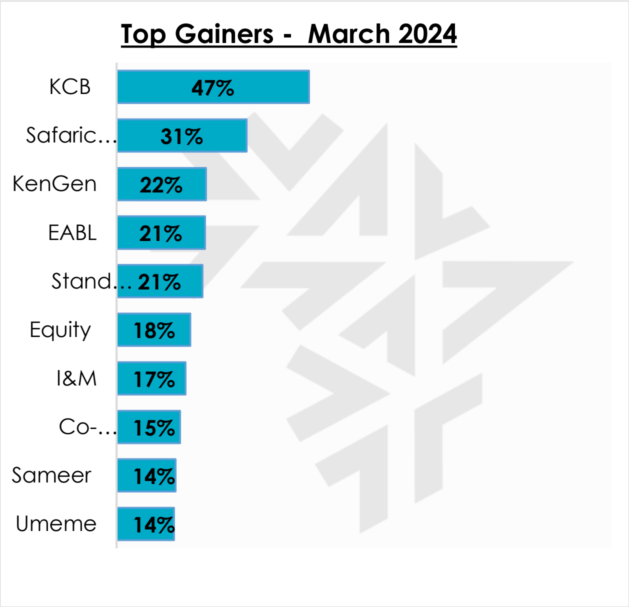
Local Market Performance

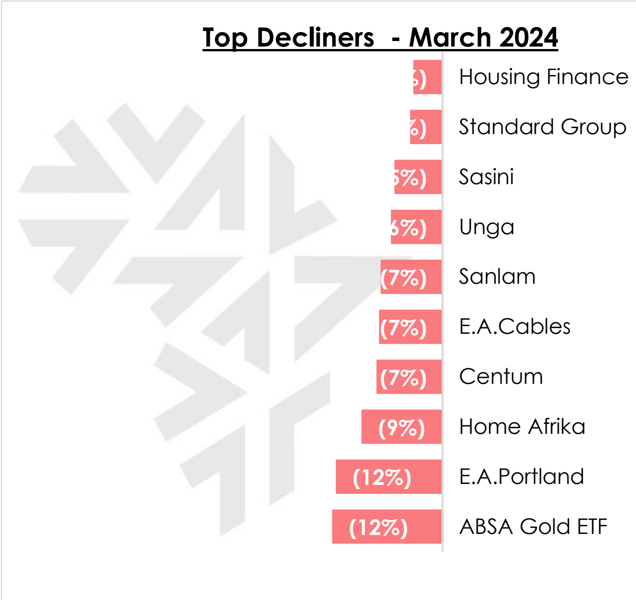
The stock market recorded improved activity, with the all share index up by **22.27%** during the month. NSE-20 and NSE-25 increased by **14.10%** and **20.22%,** respectively. The NSE-10 closed the month at 1,155.41, a **21.78%** increase M/M.



Source; Bloomberg, NCBA IB Research, NSE

NSE Counter Performance



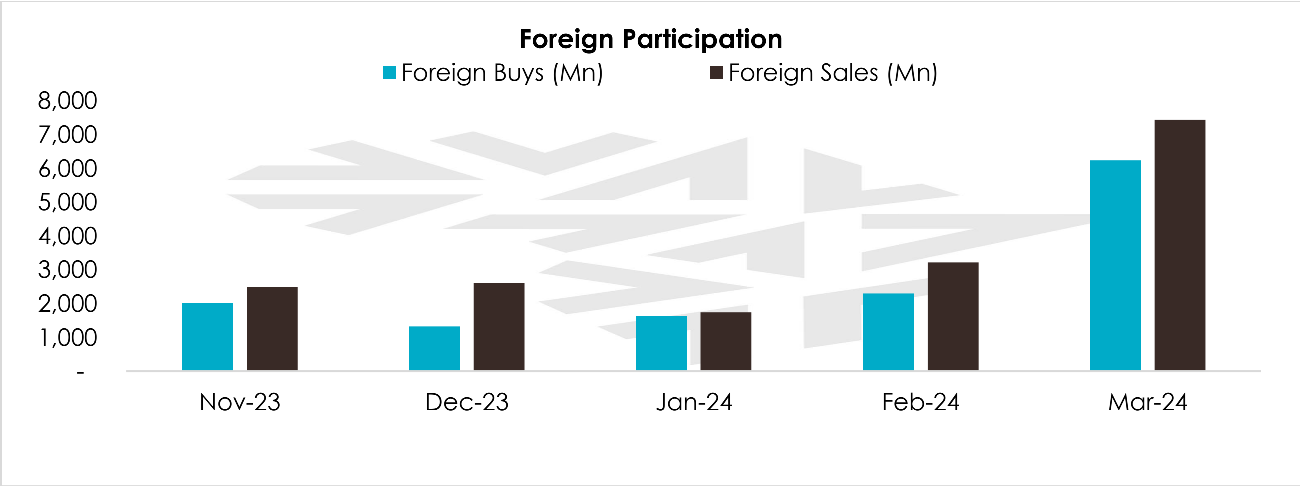


Source: NSE, NCBA IB Research

Foreign Investors Participation

Foreign investors' accounted for **58.12%** of the market participation and recorded net sales of **KES 1.2Bn** up from **KES 0.9Bn** in **February**.

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
BAT	KES 45.00	24-May-24	24-June-24
Umeme	UGX 54.20	28-Jun-2024	19-Jul-2024
Limuru Tea	KES 1.00	13-Apr-2024	30-Jun-2024
Kakuzi	KES 24.00	31-May-2024	15-Jun-2024
ABSA Bank	KES 1.35	30-Apr-2024	23-May-2024
Co-operative Bank	KES 1.50	29-Apr-2024	10-Jun-2024
Diamond Trust Bank	KES 6.00	24-May-2024	28-Jun-2024
Equity Group Holdings	KES 4.00	24-May-2024	28-Jun-2024
I&M Group	KES 2.55	18-Apr-2024	25-May-2024
NCBA Group	KES 3.00	30-Apr-2024	29-May-2024
Stanbic Holdings	KES 14.20	17-May-2024	Subject to Approval
Standard Chartered	KES 23.00	19-Apr-2024	30-May-2024

Source: Company financials, NCBA IB Research

April 2024 Stock Picks

Counter	Current Price *28th March 2024	Target price	Upside	Trailing Dividend	Interim dividend	Trailing Div. Yield	Recommendation
Banking							
ABSA	13.95	14.83	6.31%	1.55	0.20	11.11%	HOLD
COOP	15.00	14.91	-0.60%	1.50	-	10.00%	SELL
DTB	55.00	57.30	4.18%	6.00	-	10.91%	HOLD
Equity	47.15	55.21	17.09%	4.00	-	8.48%	ACCUMULATE
HF	4.21	5.19	23.28%	-	-	-	BUY
I&M	22.05	22.02	-0.14%	2.55	-	11.56%	SELL
KCB	30.05	21.05	-29.95%	-	-	-	SELL
Stanbic	126.50	132.13	4.45%	15.35	1.15	12.13%	HOLD
StanChart	197.75	158.69	(19.75%)	29.00	6.00	14.66%	SELL
Insurance							
CIC	2.23	2.92	30.94%	0.13	-	5.83%	BUY
Jubilee	197.50	257.37	30.31%	12.00	2.00	6.08%	BUY
Telecommunication							
Safaricom	17.75	23.40	31.83%	1.20		6.76%	BUY
Manufacturing & Allied							
BAT	414.50	501.25	20.93%	50.00	5.00	12.06%	BUY
EABL	130.50	134.61	3.15%	5.50	1.00	4.21%	HOLD
Construction & Allied							
Bamburi	46.95	29.3	(37.59%)	0.75	-	1.60%	SELL

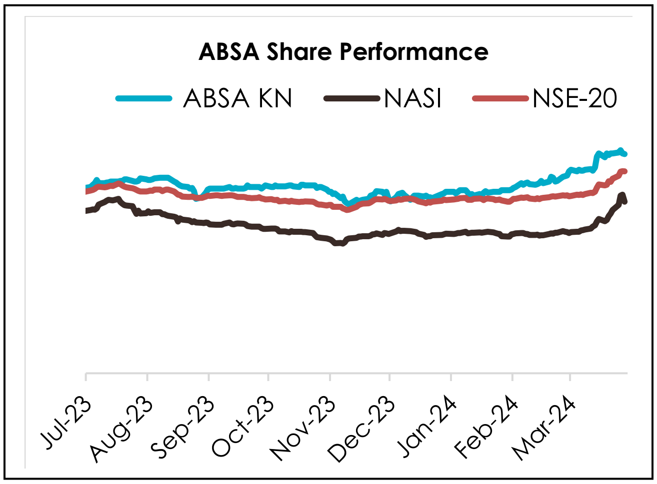
Source: Company financials, NSE, NCBA IB Research

*__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 CONSIDERATION

ABSA Bank Kenya: HOLD with a target price of KES 14.83

Share Data	
BIC	**ABSA KN**
Recommendation	**HOLD**
Last Price	13.95
Target Price	**14.83**
Upside (Excl. Div Yield)	6.31%
Market Cap (KES'Bn)	75.75
52 week high	14.35
52 week low	10.00



Source: Bloomberg, NCBA IB Research, NSE

FY 2023 Financial Performance

- **Profitability:** ABSA bank's net profit grew by **12%** largely attributable to **24%** growth in net interest income and a 6% rise in non-interest income. This was largely attributable to rising interest rates.

- **Balance Sheet Growth:** The bank's loans and advances to customers grew by **18%** to **KES 335.7Bn** boosting overall assets, which grew by **9%** to **KES 519.8Bn** attributable to the banks' aggressive lending strategy. Customer deposits grew by **19%** to **KES 362.8Bn** faster than the growth in loans indicating the bank leveraged more on deposits to fund its loan book. The cost of funds rose to 4% as interest expense shot up by 67% KES 14.2Bn reflective of the expensive deposits.

- **Asset Quality:** The NPL ratio rose to 10% from 7% in FY2022. Loan loss provisions increased by 43% to KES 9.2Bn from KES 6.5Bn in FY2022 to cover the increased credit risk. The NPL ratio remained lower than the industry average of 15% – reflective of effective credit risk management by the lender.

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.

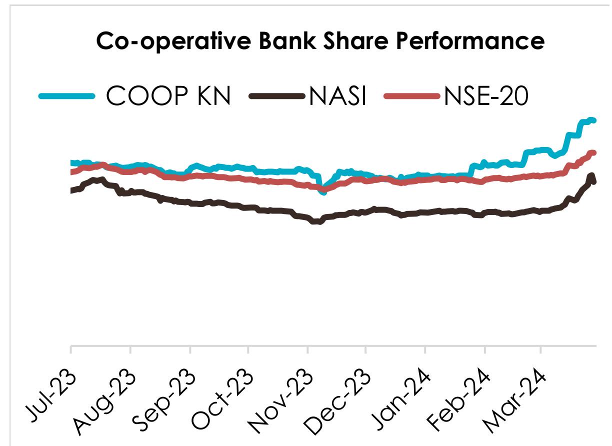
Revenue streams such as corporate banking, business banking and digital lending are delivering double-digit growth. New revenue streams including ABSA Asset Management, custody business and bancassurance will further scale the group towards a full financial services entity.

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: SELL with a target price of KES 14.90

Share Data	
BIC	**COOP KN**
Recommendation	**SELL**
Last Price	15.00
Target Price	**14.90**
Downside (Excl. Div Yield)	0.16%
Market Cap (KES'Bn)	80.00
52 weeks high	15.20
52 weeks low	10.10

Source: Bloomberg, NCBA IB Research, NSE



FY 2023 Financial Performance

- **Profitability:** Co-operative Bank's net profit grew by **5.2%** partly attributable to 11.9% growth in interest income and a 2.8% rise in non-interest income. Net interest income declined by 0.6% on the back of a 46.9% hike in interest expenses compared to the 11.9% increase in interest income.

- **Balance Sheet Growth:** The bank's loans and advances to customers grew by 10.3% to KES 374.2Bn boosting overall assets, which grew by 10.5% to KES 671.1Bn attributable to the banks' aggressive lending strategy. The loan to deposit ratio rose to 82.9% from 80.1% in FY2022 indicating that the bank leveraged more on deposits to fund its loan book. Customer deposits grew by 6.6% to KES 451.6Bn supported by deposit mobilization through the opening of new branches to 194 outlets, 4 being in South Sudan to scale retail expansion.

- **Asset Quality:** The NPL ratio increased to 15.2% from 13.4% in FY2022 falling just within the industry average of 15%. Loan loss provisions declined by 30.8% to KES 6.0Bn from KES 8.7Bn in FY2022 driven by implementation of risk management initiatives.

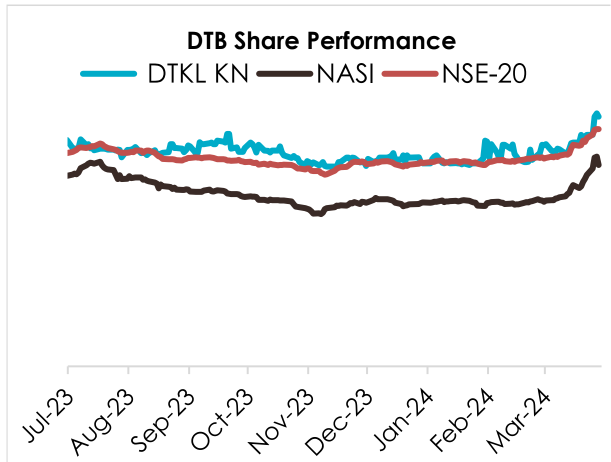
Outlook

The Bank continues to execute a proactive growth strategy anchored on a strong enterprise risk management framework and deepening of market dominance. The bank is also expected to open up more branches for improved service delivery and expanding customer base.

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.

Diamond Trust Bank: HOLD with a target price of KES 57.30

Share Data	
BIC	**DTKL KN**
Recommendation	**ACCUMULATE**
Last Price	55.00
Target Price	**57.30**
Upside (Excl. Div Yield)	4.18%
Market Cap (KES'Bn)	15.38
52 week high	56.00
52 week low	43.05



Source: Bloomberg, NCBA IB Research, NSE

FY 2023 Financial Performance

- **Profitability:** DTB bank's net profit grew by **13.5%** to **KES 6.9Bn** partly attributable to a 20.5% growth in Net interest and a 34.3% surge in non-interest income. Relatedly, fees and commission income grew by 19.4% to KES 2.0Bn and foreign exchange trading income improved by 29.8% to KES 5.6Bn.

- **Balance Sheet Growth:** The bank's loans and advances to customers grew by 21.6% to KES 308.5Bn boosting overall assets, which grew by 20.5% to KES 635.0Bn attributable to the banks' aggressive lending strategy. The loan to deposit ratio however declined to 63.5% from 65.5% in FY2022 attributable to faster growth in customer deposits. Customer deposits grew by 25.4% to KES 486.1Bn supported by the lender's growth in branch, digital footprint and expanded value propositions.

- **Asset Quality:** The NPL ratio increased to 12.4% from 11.3% in FY2022 but still below the industry average of 15%. Loan loss provisions also increased by 44.5% to KES 10.3Bn from KES 7.1Bn in FY2022 driven by the effects of the recent strained macro-environment.

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.

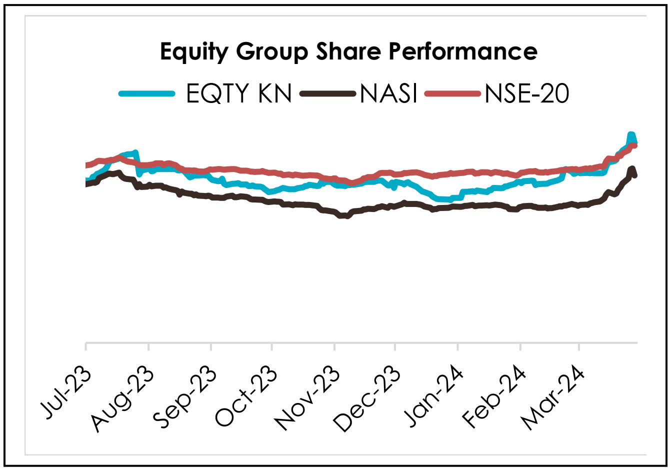
The group scaled up its investment in digital technology to KES 3.5Bn 2022-2024. This will support diversify revenue streams and scaling business opportunities.

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 55.21

Share Data	
BIC	**EQTY KN**
Recommendation	**ACCUMULATE**
Last Price	47.15
Target Price	**55.21**
Upside (Excl. Div Yield)	17.09%
Market Cap (KES'Bn)	177.93
52 week high	51.00
52 week low	33.70

Source: Bloomberg, NCBA IB Research, NSE



FY 2023 Financial Performance

- **Profitability:** Equity Bank's net profit declined by 6.5% to KES 42.0Bn attributable to a 51.7% increase in operating expenses mainly driven by 128.7% y/y increase in loan loss provisions. Operating income grew by 25.1% to KES 182.5Bn on the back of a 21.2% & 30.7% increase in net interest and non-interest income respectively.

- **Balance Sheet Growth:** Loans and advances grew by 25.6% to KES 887.4Bn boosting overall assets, which grew by 25.9% to KES 1,821.4Bn. The loan to deposit ratio however declined to 65.3% from 67.2% in FY2022 attributable to faster growth in customer deposits. Customer deposits grew by 29.1% to KES 1.4Tn driven by regional subsidiaries

- **Asset Quality:** The NPL ratio increased to 11.4% from 8.2% in FY2022 but remains below the industry average of 15%. Loan loss provisions also increased significantly by 128.7% to KES 35.3Bn indicating existing credit risk given the high interest rate environment.

Outlook

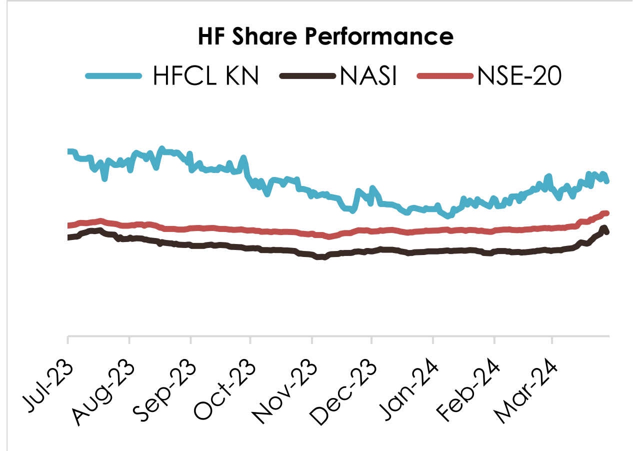
Equity Group has continued to report strong performance supported by growth across its regional subsidiaries. The Group's diversification strategy continues to deliver massively on contribution to the balance sheet.

Going forward the bank will leverage on digitization to scale up retail business and to pursue strategic initiatives that focus on resilience and growth in the various regional subsidiaries.

We believe that the company's current price properly captures the company's expansion strategies in the near term and are of the opinion the counter has potential for a modest upside.

HF Group: BUY with a target price of KES 5.19

Share Data	
BIC	**HFCL KN**
Recommendation	**BUY**
Last Price	4.21
Target Price	**5.19**
Upside (Excl. Div Yield)	**23.28%**
Market Cap (KES'Bn)	**1.62**
52 week high	5.20
52 week low	2.80



Source: Bloomberg, NCBA IB Research, NSE

FY 2023 Financial Performance

- **Profitability:** HF Group's net profit recorded a 46.2% jump to KES 388.2Mn attributable to 18.1% rise in net interest income to KES 2.5Bn and a 41.3% surge in non-funded income to KES 1.2Bn. Relatedly, forex income grew by 27.9% to 174.4Mn while fees and commission increased by 29.9% to KES 222.2Mn.

- **Balance Sheet Growth:** The bank's loans and advances to customers grew by 6.9% to KES 38.9Bn slower than the 10.2% growth in deposits to KES 43.8Bn. The loan to deposit ratio declined to 88.5% from 91.2% in previous financial period. Customer deposits increased by 10.2% to KES 43.8Bn supported by growth in the various business segments and deposit mobilization through its internet and mobile banking channels.

- **Asset Quality:** The lender's NPL ratio increased to 21.8% from 18.9% in FY2022, driven by the effects of the recent strained macro-environment. This is way above the industry average of 15%. Gross NPLs increased by 27.5% to KES 10.8Bn while loan loss provisions increased by 59.3% to KES 309.3Mn.

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.

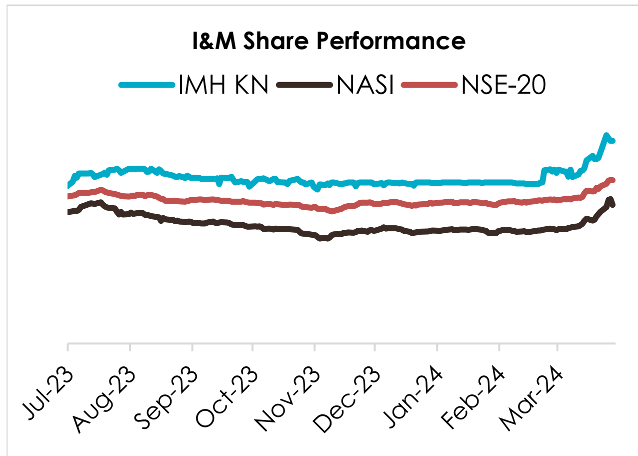
The stock presents an opportunity for long-term investors to earn **capital gains**.

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

I&M Group: SELL with a target price of KES 22.02

Share Data	
BIC	**IMH KN**
Recommendation	**HOLD**
Last Price	22.05
Target Price	**22.02**
Upside (Excl. Div Yield)	(0.14%)
Market Cap (KES'Bn)	36.46
52 week high	24.50
52 week low	15.80

Source: Bloomberg, NCBA IB Research, NSE



FY 2023 Financial Performance

- **Profitability:** I&M Group's net profit grew **by 12.7%** KES 12.6Bn attributable to 24.8% in net interest income and 10.4% growth in non-interest income. Fees and commission income grew by 25.8% to KES 2.7Bn and foreign exchange trading income improved by 8.8% to KES 5.5Bn.

- **Balance Sheet Growth:** The bank's loans and advances grew by 30.5% to KES 311.3Bn boosting overall assets, which grew by 32.6% to KES 579.7Bn attributable to the banks' aggressive lending strategy. The loan to deposit ratio however declined to 74.7% from 76.4% in FY2022 attributable to faster growth in deposits. Customer deposits grew by 33.4% to KES 416.7Bn supported by deposit mobilization as a result of optimal segmentation and digitalization. The bank also opened 8 new branches to improve service delivery and enhance deposit growth.

- **Asset Quality:** The NPL ratio increased to 10.2% from 9.5% in FY2022 but still below the industry average of 15%. Loan loss provisions also increased by 31.0% to KES 6.9Bn from KES 5.2Bn in FY2022 indicating existing credit risk given the high interest rate environment.

Outlook

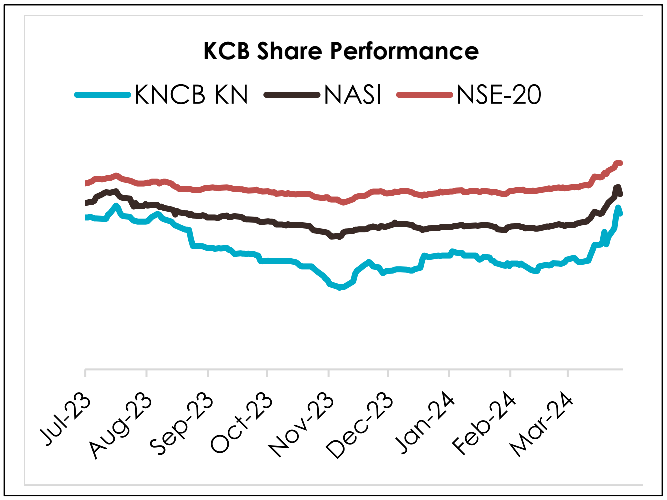
The lender's focus on providing corporate customers with value-add services, maintaining advantage in trade finance, increased leverage in Agriculture, Oil&Gas opportunities position the institution well to unleash its offensive growth strategy.

The lender is widening it 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 expect I&M Group to deliver profitability based on its focus on revenue diversification, prudent cost optimization and digital transformation.

KCB Group: SELL with a target price of KES 21.05

Share Data	
BIC	**KNCB KN**
Recommendation	**SELL**
Last Price	30.05
Target Price	**21.05**
Downside (Excl. Div. Yield)	29.95%
Market Cap (KES'Bn)	96.56
52 week high	39.50
52 week low	15.00



Source: Bloomberg, NCBA IB Research, NSE

FY 2023 Financial Performance

- **Profitability:** KCB's net profit saw an 8% decline to KES 37.5Bn attributable to the increase in operating expenses largely driven by155% increase in loan loss provisions. Interest income rose by 43% to KES 168.1Bn while non-interest income grew by 34% to KES 57.9Bn driven by strong growth in the lender's regional subsidiaries.

- **Balance Sheet Growth:** The bank's loans and advances to customers grew by 27% to KES 1.1Tn boosting overall assets, which grew by 40% to KES 2.2Tn attributable to the banks' aggressive lending as well as inorganic growth from the subsidiaries. The growth was largely driven by lending in consumer and SME sectors. Customer deposits grew by 49% to KES 1.7Tn faster than the growth in loans indicating the bank leveraged more on deposits to fund its loan book. Consequently, the loan to deposit ratio declined to 65% from 76% recorded in the previous financial year.

- **Asset Quality:** The NPL ratio rose to 17% from 15% in FY2022. Gross NPL's rose by 29% to KES 208.3Bn as the challenging macroeconomic environment impacted the lender. Loan loss provisions rose by 155% to KES 33.6Bn from KES 13.2Bn in FY2022 to cover the increased credit risk.

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.

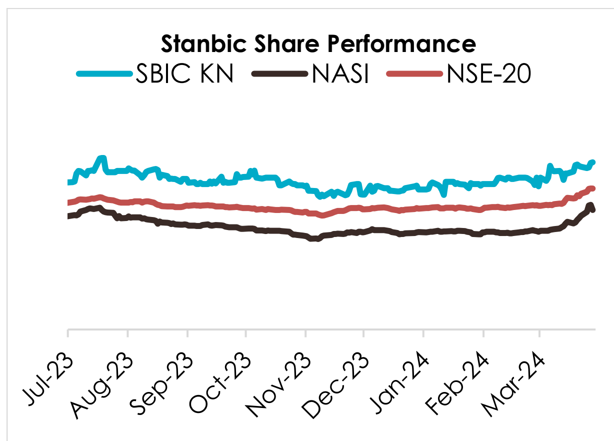
We expect the bank to register long-term profitability based on its revenue diversification and maintain a cautiously optimistic stance on the NBK divestiture.

At the current market price, we believe the stock is within its fair value but presents a value pick for long-term investors owing to its growth prospects.

Stanbic Bank: HOLD with a target price of KES 132.13

Share Data	
BIC	**SBIC KN**
Recommendation	**SELL**
Current Price	126.50
Target Price	**132.13**
Upside	4.45%
Market Cap (KES'Bn)	50.00
52 week high	132.00
52 week low	90.00

Source: Bloomberg, NCBA IB Research, NSE



FY 2023 Financial Performance

- **Profitability:** Stanbic bank's net profit grew by **34%** to **KES 12.2Bn** largely attributable to 35% increase in net interest income KES 25.76Bn and 19% growth in non-interest income KES 15.67Bn. This was largely attributable to rising interest rates and increased foreign exchange trading income.

- **Balance Sheet Growth:** The bank's loans and advances to customers grew by 33% to KES 356.2Bn boosting overall assets, which grew by 15% to KES 459.3Bn attributable to the banks' aggressive lending strategy. Consequently, the loan to deposit ratio rose to 103% from 88% in FY2022. Customer deposits rose by 14% to KES 347.2Bn following deposit mobilization supported by branch expansion.

- **Gross Non-Performing Loans (NPLs):** The NPL ratio declined to 9.47% from 10.25% in FY2022. This was commendable performance when compared to the industry average of 15%. Credit impairment charges increased by 26% to KES 6.2Bn from KES 4.9Bn in FY2022 to cover the increased credit risk.

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 arbitrage opportunities for forex trading since the lender has significant forex exposure.

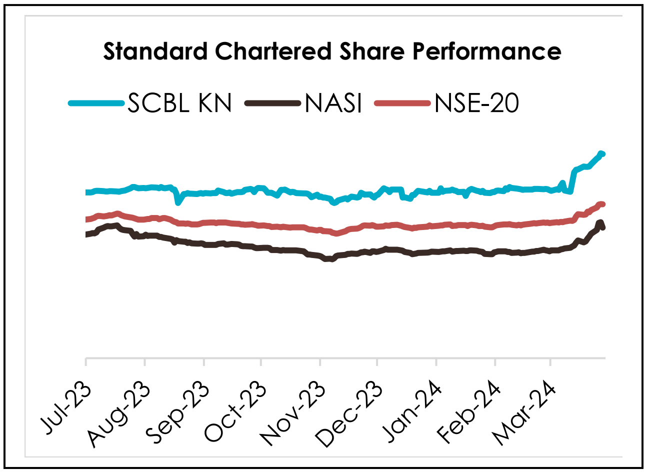
Notably, the banks NPL ratio is commendable compared to the industry average. Proactive data driven risk analysis with credit risk pricing models in the mainstream loans will boost credit loss and cost of risk ratios.

At the current market price, the stock is trading within its fair value but presents a value pick for long-term investors owing to its reliable dividend payout.

Standard Chartered Bank Kenya: SELL at a target price of KES 158.69

Share Data	
BIC	**SCBK KN**
Recommendation	**SELL**
Last Price	197.75
Target Price	**158.69**
Downside	19.75%
Market Cap (KES'Bn)	74.72
52 week high	200.00
52 week low	134.00

Source: Bloomberg, NCBA IB Research, NSE



FY 2023 Financial Performance

- **Profitability:** Standard Chartered Bank's net profit grew by 15% largely attributable to a 32% growth in net interest income to KES 29.33Bn and a 6% rise in non-interest income to KES 12.40Bn. This was largely attributable to a 41.4% in foreign exchange trading income and rising interest rates.

- **Balance Sheet Growth:** The bank's loans and advances grew by 17.0% to KES 163.1Bn driven by major pipeline deals and higher utilization of limits by clients. The loan book benefitted from a high value loan given to a telecommunication giant for a private sector operation in Ethiopia. The loan to deposit ratio rose to 50.0% from 47.6% in FY2022. Customer deposits increased by 22.9% to KES 342.9Bn faster than the 17.0% growth in the loan book, driven by new mandates and increased transactional flows from key relationships and value driven from the wealth management segment.

- **Asset Quality:** The lender's NPL ratio of 9.5% remains below the industry average of 15% indicative of prudent credit risk management. Gross NPLs decreased by 23.7% to KES 17.21Bn while loan provisions increased significantly by 154.4% to KES 3.38Bn amidst a challenging macro-economic environment.

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.

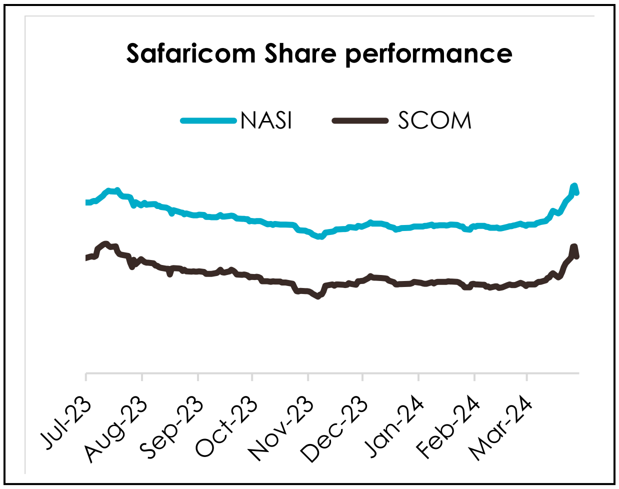
The bank, accelerating their Sustainable Finance offering to clients through product innovation and enabling transition to a low carbon future will further scale the aggressive lending strategy.

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	17.75
Target Price	**23.40**
Upside (Excl. Div Yield)	31.83%
Market Cap (KES'Bn)	711.16
52 week high	24.95
52 week low	11.50

Source: Bloomberg, NCBA IB Research, NSE



HY'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

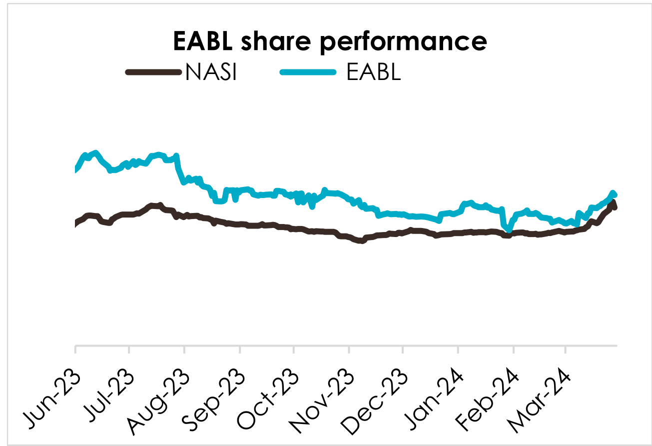
We expect increased revenue from Safaricom Ethiopia, M-Pesa, and mobile data revenue streams.

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: HOLD with a target price of KES 134.61

Share Data	
BIC	**EABL KN**
Recommendation	**HOLD**
Last Price	130.50
Target Price	**134.61**
Upside (Excl. Div Yield)	3.41%
Market Cap (KES'Bn)	103.20
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

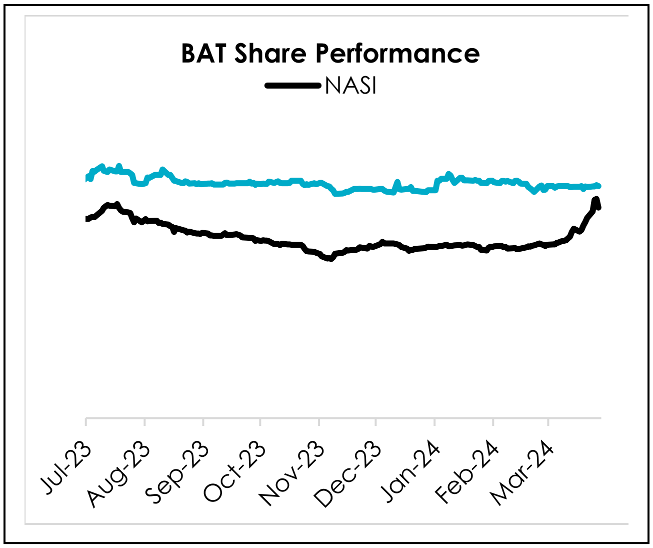
Challenging macro-economic environment continues to weigh heavily on the Brewer. Dollar supply-demand imbalances have further exacerbated the situation.

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	414.50
Target Price	**501.25**
Upside	20.93%
Market Cap (KES'Bn)	41.45
52 week high	495.00
52 week low	400.00



Source: Bloomberg, NCBA IB Research, NSE

Financial Performance

- **Profitability:** BAT recorded a decline in net 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.
- 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.

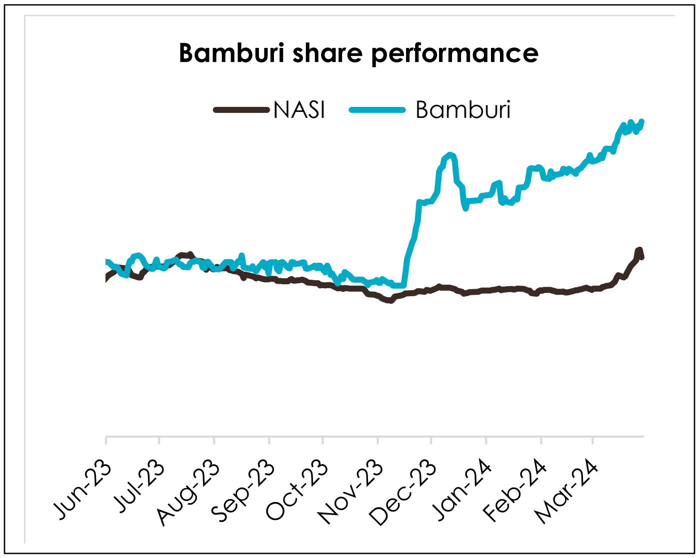
Outlook

- 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	46.95
Target Price	**29.30**
Downside	37.59%
Market Cap (KES'Bn)	14.61
52 week high	48.00
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

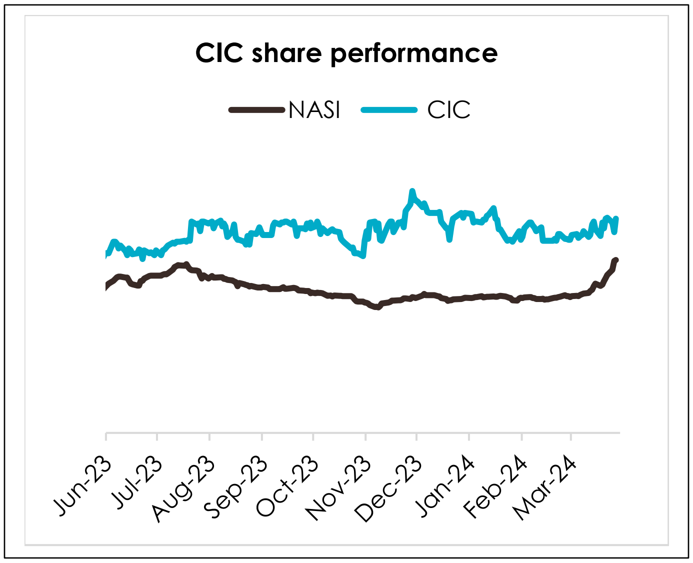
We believe Bamburi will deliver a relatively stable performance in the future pegged on;

- **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	2.23
Target Price	**2.92**
Upside	30.94%
Market Cap (KES'Bn)	5.283
52 week high	2.53
52 week low	1.60



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

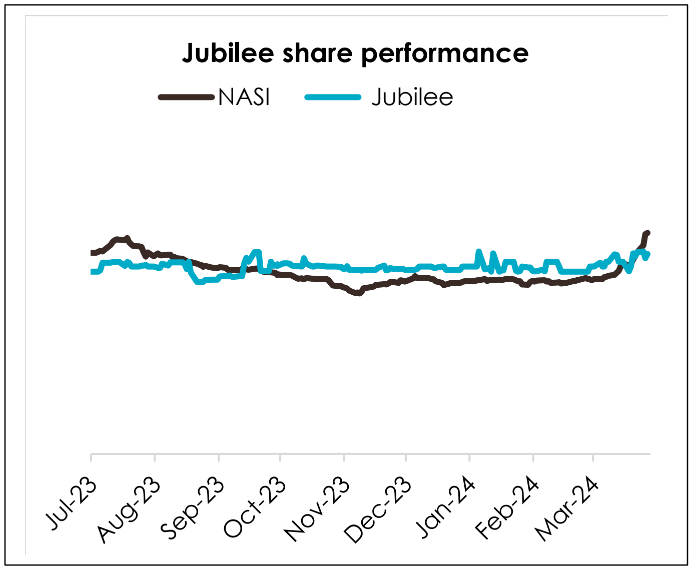
We expect the business to have a positive outlook based on the below factors;

- **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	197.50
Target Price	**257.37**
Upside	30.31%
Market Cap (KES'Bn)	14.31
52 week high	208.00
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

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