



CENTRAL BANK OF KENYA 2020/COVID-19 DECISION TRACKER

Date	Decision/Action	Intended Impact	Observed Impact/ Expectations
29-Apr-20	CBR cut from 7.25% to 7.00%	Encourage private sector lending by signaling banks to lower their lending and deposit rates to support the economy during the COVID-19 crisis. The MPC will reconvene in a month to assess the impact of the measures announced so far.	Too early to assess if banks are actually lending
14-Apr-20	Withdrawal of approvals of unregulated mobile lenders as third party information providers to CRB	Unregulated digital and credit only lenders will no longer submit credit information on their borrowers to CRBs	Negative impact on the business models of unregulated mobile lenders. Given the market size of some unregulated mobile lenders like Tala and Branch, this is potentially positive for regulated mass market providers of credit such as Fuliza, Mshwari and KCB-Mpesa
14-Apr-20	SACCOS regulated by SASRA to become authorized subscribers of credit data by CRBs	SACCOS will now submit borrowers' information to CRBs and also receive credit reports directly from them.	Anecdotal reports suggest that default rates among SACCOs has been quite high in the past so this may help improve asset quality among Saccos.
14-Apr-20	Set a minimum of KES 1,000 for negative information reported to CRBs	A significant number of borrowers who were listed for amounts below 1,000 to be delisted (estimated at 1.0 MN)	Most of the online/mobile lenders will need to rethink their business models.
8-April-20	Suspension for a period of six months, the listing of negative credit information for borrowers whose loans were performing previously but have become non-performing from April 1, 2020	Loans that fall in arrears from April 1 to September 30, 2020, will not lead to the "blacklisting" of the borrower on the CRBs.	Lending will likely slow further. In so far as CRB listings improve collections/recovery, this suspension is negative for most lenders but positive for Fuliza (Safaricom, NCBA, KCB).

Date	Decision/Action	Intended Impact	Observed Impact/ Expectations
25-Mar-20	Suspension of CRB listing by all mobile based lenders that are not regulated	Consumer protection	Positive for Safaricom and Banks with mobile lending platforms
23-Mar-20	CRR cut from 5.25% to 4.25%	Free extra liquidity of KES 35.2 BN to the banks to support lending to entities that have been affected by COVID-19	43.5% of released funds had been utilized by 29-Apr-20 with tourism, real estate, trade and agriculture being the main beneficiaries.
23-Mar-20	CBR cut from 8.25% to 7.25%	Encourage private sector lending by signaling banks to lower their lending and deposit rates ; support the economy during the COVID-19 crisis. The MPC will be meeting on 29th April to assess the early impact of the measures they announced in their March 23rd meeting.	Too early to assess if banks are actually lending
18-Mar-20	Removal of fees on bank to mobile money wallets transfers	Support growth of cashless transactions and hence slow spread of Corona virus	Loss of fee income to banks
18-Mar-20	Removal of money transfer fees for amounts below KES 1,000	Support growth of cashless transactions and hence slow spread of Coronavirus	Loss of fee income to Safaricom.
18-Mar-20	Loan restructuring	Banks will review requests from borrowers for extension of their loan for a period of up to one year. Banks will meet all the costs related to the extension and restructuring of loans. CBK shall provide flexibility to banks with regard to requirements for loan classification and provisioning for loans that were performing on March 2, 2020 and whose repayment period was extended or were restructured due to the pandemic.	A number of banks have announced measures ranging from loan repayment holidays, monthly interest deductions, extension of tenors etc. Loans amounting to KES 81.7 BN had been restructured by 29-Apr-20 these being mainly from tourism and hospitality (31%), real estate (17.2%), building and construction (17.0%) and trade (12.4%) sectors. We expect this to negatively impact the banks' FY20 performance i.e. net interest income, NPLs e.t.c.
18-Mar-20	Extension of maximum REPO tenure from 28 days to 91 days	Support liquidity in the banking sector by enabling banks to access longer term liquidity secured on their holdings of government securities without having to discount them	Liquidity remains high.

Date	Decision/Action	Intended Impact	Observed Impact/ Expectations
3-Mar-20	<p>CBK-USD purchase program</p> <p>CBK would purchase up to USD 100 MN each month from March to June 2020, at the prevailing market rate and at its own discretion.</p>	Support official reserves	Official reserves have declined by 5.9%, KES has depreciated 4.6% against the USD since the announcement, this being a factor of both market sentiment following the announcement and the strengthening of the USD on the global market.
27-Jan-20	CBR cut from 8.5% to 8.25%	Encourage private sector lending by signaling banks to lower their lending and deposit rates	Weak transmission

APPENDIX

COMPANY INVESTMENT RATINGS

Buy: Share price may generate more than 15.0% upside over the next 12 months

Overweight: Share price may generate between 5.0% and 15.0% upside over the next 12 months

Hold: Share price may fall within the range of <+5.0/ -10.0% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels. Company fundamentals however remain strong

Underweight: Share price may generate between 10.0% and 15.0% downside over the next 12 months

Sell: Share price may generate more than 15.0% downside over the next 12 months, significant business and/or financial risks present, industry concerns

Not Rated: Counter is not within regular research coverage

SECTOR INVESTMENT RATINGS

Overweight: Industry performance better than that of the whole market

Equal weight: Industry performance about the same as that of the whole market

Underweight: Industry performance worse than that of the whole market

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