

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 137.80	1.9%	3.3%	USD Mn – 19,357 KES Bn – 2,001
	NSE 20 Share Index – 3,244.72	3.1%	1.8%	USD Mn – 16,755 KES Bn – 1,732
	NSE 25 Share Index – 3,636.73	1.8%	3.0%	USD Mn – 18,088 KES Bn – 1,870
UGANDA	UGSINDX – 1,566.66	-0.4%	6.0%	USD Mn – 5,894 UGS Bn – 21,433
TANZANIA	DSEI – 2,331.95	0.2%	6.1%	USD Mn – 9,102 TZS Bn – 20,286
RWANDA	RSEASI – 127.63	0.0%	0.3%	USD Mn – 3,392 RWF Bn – 2,808

Source: NSE, UGSE, RSE, DSE

KEY ECONOMIC INDICATORS

COUNTRY	EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KENYA	KES/USD – 103.38	-0.2%	-0.9%	11.5%(04/2017)	5.8%(FY2016)
UGANDA	UGS/USD – 3,636.25	-0.2%	-0.7%	6.8%(04/2016)	0.8%(2Q16/17)
TANZANIA	TZS/USD – 2,228.69	-0.1%	-2.6%	6.4%(04/2016)	6.2%(3Q2016)
RWANDA	RWF/USD – 827.67	0.0%	-1.0%	6.7%(04/2016)	5.2%(3Q2016)

Source: CBK, BOT, NBR, BOU, KNBS, UBOS, NISR, NBS

Safaricom Posts a 27.1% Growth in Net Income to KES 48.4 billion for FY2017

Safaricom's net income grew by 27.1% y/y to KES 48.4 billion for FY2017 compared to KES 38.1 billion registered in FY2016. Total revenues grew by 8.8% y/y to KES 212.9 billion (FY2016: KES 195.7 billion) driven by positive growths in most of the revenue lines. MPESA revenues grew by 32.7% y/y to KES 55.1 billion as

MPESA customers (active in the last 30 days) rose by 14.6% y/y to 19.0 million. Mobile data revenues edged up by 38.5% y/y to KES 29.3 billion on the back of an 18.1% y/y increase in mobile data customers active in the last 30 days) to 16.6 million. Voice service (incoming and outgoing) revenues registered slower growth at 2.9% y/y to KES 93.5 billion while messaging revenues dipped by 3.7% y/y to KES 16.7 billion. EBITDA margin grew to 48.7% from 42.4% in FY2016. We expect continued innovation focusing on MPESA and the firm's foray into home internet to boost revenues.

KCB Group Records a 1.9% Decline in After Tax Profits for 1Q2017

KCB Group posted a 1.9% y/y decline in after tax profits for 1Q2017 to KES 4.5 billion (1Q2016: KES 4.6 billion). This was attributable to a 4.7% y/y decrease in net interest income to KES 10.3 billion and a 5.0% rise in total operating expenses to KES 9.3 billion. Interest income eased by 12.0% y/y to KES 14.1 billion weighed down by an 11.1% y/y contraction in interest income from loans to KES 11.3 billion, as the yield on loans reduced to 3.1% (1Q2016: 4.0%). The loan book, however, recorded a 14.3% y/y growth to KES 395.5 billion. Interest expenses reduced by 27.3% y/y to KES 3.8 billion on the back of a 33.2% y/y decline in interest expenses from customer deposits to KES 3.2 billion driven a reduction in the cost of customer deposits to 0.7% (1Q2016: 1.2%). Customer deposits rose by 7.9% y/y to KES 456.8 billion. Non-funded income grew by 20.3% y/y to KES 5.6 billion boosted by forex trading income which recorded a 72.1% y/y growth to KES 1.3 billion. Operating expenses rose by 11.4% y/y to KES 8.4 billion resulting in a C/I ratio of 52.5% (1Q2016: 48.4%). Loan loss provisions dipped by 30.0% y/y to KES 958.1 million despite a 5.6% y/y rise in gross non-performing loans to KES 32.2 billion. We expect the Group to focus on growing non-funded income to lift the top line and to improve efficiencies in order to minimize operational costs.

Kenya Stock Market Performance and Outlook

The overall market sustained the uptrend gaining 1.9% w/w to close the week at 137.80 characterized by a w/w increase in both trading volumes and turnover. We attribute the gain in the overall market index mainly to price gains on Safaricom, KCB and CO-OP. Centum posted the biggest w/w gain as investor took positions ahead of the release of its FY2017 results. There was also price stability on majority of the counters with relatively higher local investor participation. We expect the gains made on some of the counters to induce some profit taking (at a mild rate). We therefore expect the uptrend in the overall market index to slightly decelerate in the coming week.

Equity Market Summary

Banking Sector	Price (KES)	YTD change	% w-o-w Change	Volume Traded	C/I Ratio	P/E (X)	Dividend Yield	P/B (X)	ROE
KCB	35.00	-11.5%	6.1%	30,363,100	52.6%	5.42	8.6%	1.11	22.2%
Equity Bank	32.75	9.2%	-5.1%	9,835,300	50.7%	7.48	6.1%	1.51	21.5%
NIC Bank	27.00	3.8%	-0.9%	717,300	38.7%	4.17	4.6%	0.57	15.3%
Stanbic	64.00	-9.2%	3.2%	32,200	57.9%	5.72	8.2%	0.63	11.3%
National Bank	7.00	-2.8%	10.2%	106,700	73.9%	14.00	0.0%	0.19	1.5%
Barclays Bank	8.05	-11.5%	-0.6%	2,723,200	53.4%	6.15	12.4%	1.03	18.0%
Housing Finance	10.00	-28.6%	-1.5%	440,100	56.3%	3.86	5.0%	0.31	8.3%
Co-operative Bank	16.65	26.1%	16.4%	8,663,800	52.1%	7.50	4.8%	1.33	22.9%
Diamond Trust Bank	126.00	6.8%	1.6%	523,700	37.6%	5.45	2.1%	0.73	17.0%
Standard Chartered	197.00	4.2%	2.6%	278,200	44.7%	7.62	10.2%	1.52	21.1%
I&M	91.00	1.1%	0.0%	53,200	34.7%	4.90	3.8%	0.90	19.9%
Sector Average					50.2%	6.57	6.0%	0.89	16.3%

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	6.80	16.2%	7.1%	2,858,100	-0.39	0.0%	-17.53	-25.2%
Nation Media Group	103.00	10.8%	2.0%	295,700	11.57	9.7%	8.9	30.7%
WPP Scangroup	18.60	2.5%	0.0%	7,500	16.61	2.7%	1.12	10.6%
Uchumi Supermarket	2.50	-36.7%	-5.7%	182,100	-0.32	0.0%	-7.77	N/M
Atlas Development	1.05	0.0%	0.0%	-	-0.29	0.0%	-3.58	-7.5%
Longhorn Publishers	4.40	-8.3%	2.3%	18,900	6.67	8.0%	0.66	13.1%
Sector Average					-1.51	3.4%		4.3%

*N/M - Not Meaningful

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	20.00	-21.6%	0.25%	156,400	-6.06	0.0%	-21.9%	-12.5%
Bamburi Cement	159.00	-0.6%	-0.62%	163,200	11.01	7.5%	15.5%	19.8%
E.A. Portland Cement	23.50	0.0%	2.17%	1,600	0.51	0.0%	19.3%	25.0%
Sector Average					14.23	2.5%		10.7%

*NPM - Net Profit Margin

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
KenGen	6.65	14.7%	0.76%	742,000	6.16	0.00%	1.08	3.70%
KenolKobil	12.40	-16.8%	0.00%	17,011,200	7.56	3.63%	1.64	26.20%
Kenya Power	6.55	-19.6%	0.77%	1,662,800	1.69	7.63%	3.87	12.10%
Sector Average					5.25	3.75%		14.00%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio	ROE
CIC Insurance	3.70	-2.6%	13.85%	1.29	52.86	64.49%	64.65%	2.46%
Britam	10.10	1.0%	0.50%	1.10	7.71	28.75%	106.73%	13.95%
Jubilee	452.00	-7.8%	-2.80%	1.39	9.04	79.43%	122.70%	17.59%
Kenya Re	18.80	-16.4%	4.16%	0.55	4.00	52.66%	101.00%	14.27%
Sanlam Kenya	25.00	-9.1%	1.01%	0.92	7.61	92.68%	48.80%	1.83%
Liberty	8.90	-32.3%	-16.82%	0.71	39.68	70.91%	74.12%	9.67%
Sector Average				0.99	8.04	64.82%	86.33%	9.96%

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	43.75	18.2%	20.69%	1,021,400	3.72	0.67	48	11.75	20.60%
Home Afrika Ltd	0.75	-37.5%	-11.76%	377,900	-1.92	(7.29)	0.85	-0.39	2.57%
Kurwitu Ventures Ltd	1500.00	0.0%	0.00%	-	-14.42	1.68	1043.71	-104	0.00%
Trans-Century	7.00	2.9%	0.00%	28,800	-0.99	0.55	40.96	-7.09	4.70%
Sector Average					6.53	(1.10)			6.97%

*NPM - Net Profit Margin, **NAVPS - Net Asset Value Per Share

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)
NSE	14.00	-4.4%	4.87%	171,700	19.72	1.93%	0.71
Sector Average					19.72	1.93%	

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)
Mumias Sugar	0.75	-42.3%	-11.76%	3,792,200	-0.24	0.00%	-3.09
EABL	229.00	-6.1%	-1.72%	306,100	18.77	3.28%	12.20
FTG Holdings	5.00	-2.0%	0.00%	62,800	5.88	0.00%	0.85
Carbacid	13.35	-0.4%	4.30%	46,400	9.08	5.24%	1.47
Eveready	3.45	46.8%	-17.86%	326,400	-3.52	0.00%	-0.98
BAT	819.00	-9.9%	0.24%	80,100	19.34	5.25%	42.34
Sector Average					27.67	2.29%	

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)
Safaricom	20.25	5.7%	2.53%	52,732,200	21.32	3.75%	0.95
Sector Average					21.32	3.75%	

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	10.50	-9.9%	-4.55%	39,400	NA	NA	NA
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

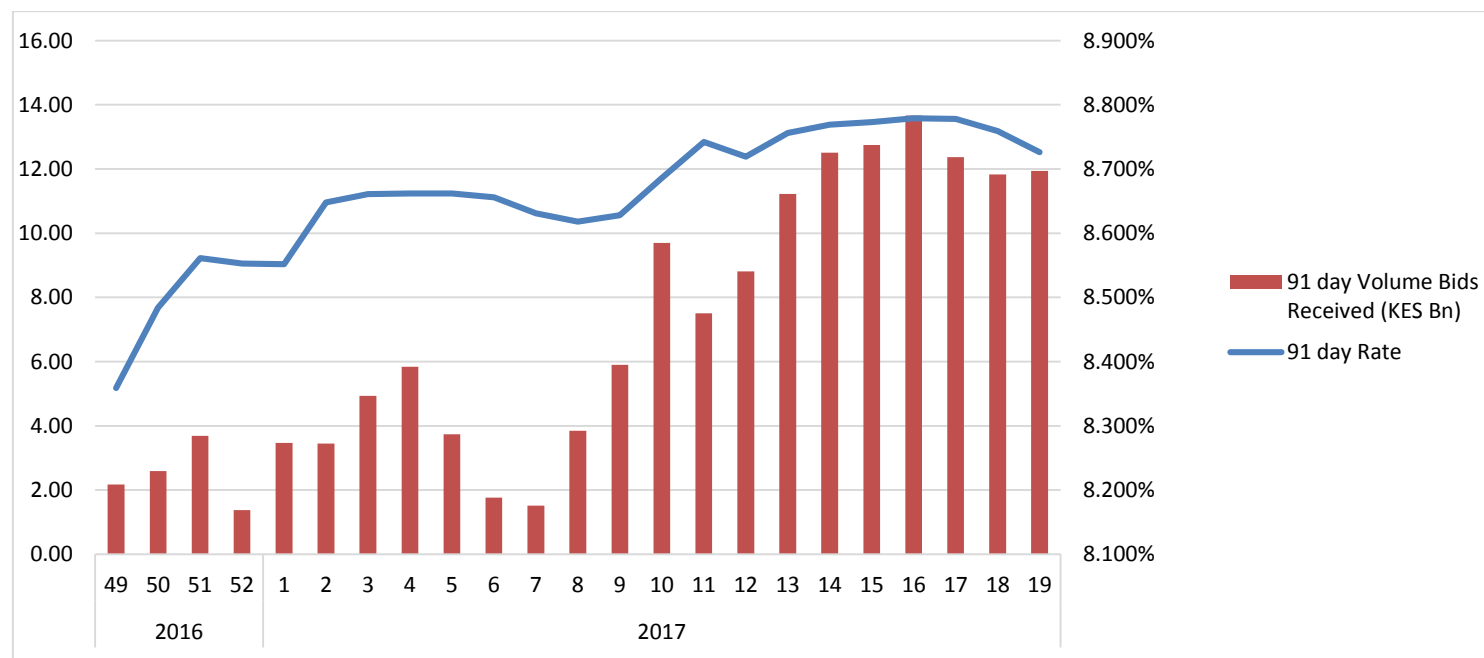
Market Statistics	This Week	Last Week	% Change
Total Volumes	153,680,500	79,894,400	92.4%
Total Turnover (KES)	3,292,285,919	2,131,566,909	54.5%
Main Market P/E	13.77	13.51	1.9%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	%Change
91 day T-bill	11.94Bn	298.57%	6.71Bn	8.726%	8.759%	(0.033)
182 day T-bill	19.62Bn	196.17%	12.52Bn	10.407%	10.475%	(0.068)
364 day T-bill	10.75Bn	107.55%	10.55Bn	10.929%	10.926%	0.003

Graph showing 91 day T-bill rate and volume

Week No. 19



The Secondary Market

Current week Turnover (KES)	Previous week Turnover (KES)	Current week No. of Deals	Previous Week Deals
13,618,776,129	8,396,588,188	206	149

	Average Traded Yield	Total Value (KES)
FXD2/2015/5Yr	11.8688%	2,200,000,000
FXD1/2012/20Yr	13.6036%	1,968,000,000
FXD1/2016/10Yr	13.1293%	1,400,000,000
FXD1/2012/10Yr	12.9250%	740,000,000

Actively Traded Infrastructure Bonds

	Average Traded Yield	Total Value (KES)
IFB1/2016/9Yr	12.6506%	2,441,000,000
IFB1/2016/15Yr	12.4984%	627,000,000
IFB1/2017/12Yr	12.5947%	248,700,000

Corporate Actions

Upcoming Corporate Actions Next Week

- BOC Kenya Ltd announced a Final dividend of Kes.3.00 on 31-Mar-2017; Books Closure 13-May-2017; Payment 13-Jul-2017.
- National Bank of Kenya Ltd announced a Bonus Issue of 1:10 on 27-Apr-2017; Books Closure 19-May-2017; Credited 19-Jun-2017. (Subject to Approval)

Other Corporate Actions

- KenolKobil Ltd announced a Final dividend of Kes.0.30 on 08-Mar-2017. (Subject to Approval)
- NIC Bank Ltd announced a Final dividend of Kes.1.00 on 08-Mar-2017; Books Closure 06-Apr-2017. Payment 22-May-2017.
- Bamburi Cement Ltd announced a Final dividend of Kes.6.00 on 10-Mar-2017; Books Closure 07-Apr-2017. Payment 14-Jul-2017.
- KCB Group Ltd announced a First & Final dividend of Kes.3.00 on 09-Mar-2017; Books Closure 24-Apr-2017. Payment 26-May-2017.
- Equity Group Ltd announced a First & Final dividend of Kes.2.00 on 15-Mar-2017; Books Closure 05-May-2017. Payment 23-June-2017.
- Co-operative Bank (K) Ltd announced a First & Final dividend of Kes.0.80 on 17-Mar-2017; Books Closure 26-May-2017. Payment 30-June-2017.
- Co-operative Bank (K) Ltd announced a Bonus Issue of 1:5 on 17-Mar-2017; Books Closure 30-Jun-2017. (Subject to Approval).
- SCBK Ltd announced a Final dividend of Kes.14.00 on 23-Mar-2017; Books Closure 25-Apr-2017. Payment 26-May-2017.
- Diamond Trust Bank Ltd announced a First & Final dividend of Kes.2.60 on 22-Mar-2017; Books Closure 26-May-2017. Payment 26-June-2017.
- NSE Ltd announced a First & Final dividend of Kes.0.27 on 24-Mar-2017; Books Closure 26-May-2017. Payment 15-Jul-2017.
- Jubilee Holdings Ltd announced a Bonus Issue of 1:10 on 27-Mar-2017; (Subject to Approval)
- Jubilee Holdings Ltd announced a Final dividend of Kes.7.50 on 27-Mar-2017; Books Closure 22-May-2017. Payment 11-Jul-2017.
- I&M Holdings Ltd announced a Final dividend of Kes.3.50 on 28-Mar-2017; Books Closure 05-May-2017. Payment 25-May-2017.
- Kakuzi Ltd announced a First & Final dividend of Kes.6.00 on 29-Mar-2017; Books Closure 31-May-2017; Payment 30-Jun-2017.
- Total Kenya Ltd announced a First & Final dividend of Kes.1.06 on 29-Mar-2017; Books Closure 16-Jun-2017. Payment (Subject to Approval).
- Kenya-Re Ltd announced a First & Final dividend of Kes.0.80 on 31-Mar-2017; Books Closure 16-June-2017
- Umeme Ltd announced a Final dividend of Ushs.7.80 on 03-Apr-2017; Books Closure 20-Jun-2017; Payment 05-Jul-2017.
- Nation Media Group Ltd announced a Final dividend of Kes.7.50 on 05-Apr-2017; Books Closure 09-Jun-2017; Payment 31-Jul-2017.
- TPS Eastern Africa Ltd announced a Final dividend of Kes.0.35 on 27-Apr-2017; Books Closure 30-Jun-2017; Payment 30-Jul-2017.
- WPP Scangroup Ltd announced a First & Final dividend of Kes.0.50 on 28-Apr-2017; Books Closure 31-May-2017; Payment 30-Jun-2017.
- Flame Tree Group Holdings Ltd announced a Bonus Issue of 1:10 on 28-Apr-2017; Books Closure 29-Jun-2017; Credited 21-Aug-2017. (Subject to Approval)
- Longhorn Publishers Ltd announced a Final dividend of Kes.0.09 on 24-Feb-2017; Books Closure 31-Mar-2017. Payment 22-May-2017.
- HF Group Ltd announced a Final dividend of Kes.0.50 on 28-Mar-2017; Books Closure 05-May-2017. Payment (Subject to Approval).
- Crown Paints Ltd announced a First & Final dividend of Kes.0.60 on 05-May-2017; Books Closure 20-Jun-2017; Payment (Subject to Approval)
- Britam Holdings Ltd announced a First & Final dividend of Kes.0.30 on 24-Mar-2017; Books Closure 09-May-2017. Payment 09-Jun-2017.
- Safaricom Ltd announced a Final dividend of Kes.0.97 on 10-May-2017; Books Closure 01-Sep-2017; Payment 01-Dec-2017.

Market Recommendations

Counter	Recommendation	Target Price	Comment
Safaricom	NEUTRAL	<p>Target Price: 21.50</p> <p>Current market price: 20.25</p> <p>6.2% upside potential</p>	<p>MPESA continues to drive growth for the company. MPESA revenues grew by 32.7% y/y in FY2017 to KES 55.1 billion as MPESA customers (active in the last 30 days) rose by 14.6% y/y to 19.0 million. Mobile data revenues rose by 38.5% y/y to KES 29.3 billion.</p> <p>Increased availability of low cost smart devices, improved broadband coverage and affordable data pricing continues to drive mobile data revenues. We expect continued innovation focusing on MPESA and the firm's foray into home internet to boost revenues.</p>
Barclays	HOLD	Not Rated	<p>We place a HOLD recommendation on Barclays Bank Kenya. The counter is currently trading at P/B of 1.03x significantly higher than the industry average of 0.89x. Its dividend yield of 12.4% is relatively high compared to the industry average of 6.0%. However, given the expected decline in profitability, it's uncertain whether the bank will maintain the historical payout going forward.</p>
KCB	LONG-TERM BUY	Not Rated	<p>We recommend a Long Term Buy on KCB. The counter is currently trading at a P/B of 1.11x. Given the major shift in the banking sector after the introduction of the interest rate cap, we opine that KCB Group will be one of the banks to weather the upcoming storm from shrinkage in margins due to the significant investments done by the group in technology. We, expect the Group to focus on growing its non-funded income to boost revenue growth.</p>

EQUITY

BUY

Not Rated

Currently Equity is trading at a P/B of 1.51x compared to the average sector P/B of 0.89x. We attribute this to higher growth expectations. Equity's 3.0 strategy entails digitization and automation of processes. The growth rate in transactional value and numbers in alternative channels has been significant, with notable decline in traditional banking channels.

Transactional value of Equitel grew by 270.0% y/y to KES 364.4 billion for FY2016 (FY2015: KES 98.4 billion) with transactions of up to 227.4 million (FY2015: 94.3 million). Total loan disbursements via mobile banking now stand at 85.0% as at FY2016 (branch at 15.0%). Agency and merchant banking grew by 34.0% and 24.0% to transactional value of KES 458.3 billion and KES 47.4 billion respectively. On the other hand, ATM and Branch transactional numbers declined by 19.0% and 14.0% to 24.8 and 20.4 million transactions respectively.

With expected thinning margins due to the interest rate cap, we expect Equity to gain competitive advantage going forward with its disruptive shift to digital banking.

ANALYSTS:

Samuel Mugacha E-mail: samuel.mugacha@fib.co.ke
Samuel Njihia E-mail: samuel.njihia@fib.co.ke
Ivy Barongo E-mail: ivy.barongo@fib.co.ke
John Jumwa Email: john.jumwa@fib.co.ke



HEAD OFFICE:

Crawford Business Park,
Ground Floor,
State House Road
Tel: 0207606026-37
P.O Box 45236-00100
Nairobi