

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 150.08	2.0%	12.6%	USD Mn – 21,091 KES Bn – 2,180
	NSE 20 Share Index – 3,473.19	0.9%	9.0%	USD Mn – 18,388 KES Bn – 1,900
	NSE 25 Share Index – 3,978.68	1.8%	12.7%	USD Mn – 19,822 KES Bn – 2,049
UGANDA	UGSINDX – 1,669.26	-0.3%	13.0%	USD Mn – 6,345 UGS Bn – 22,812
TANZANIA	DSEI – 2,149.61	1.6%	-2.2%	USD Mn – 8,387 TZS Bn – 18,699
RWANDA	RSEASI – 126.81	-0.1%	-0.4%	USD Mn – 3,368 RWF Bn – 2,790

Source: NSE, UGSE, RSE, DSE

KEY ECONOMIC INDICATORS

COUNTRY	EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KENYA	KES/USD – 103.35	0.0%	-0.8%	11.7%(05/2017)	5.8%(FY2016)
UGANDA	UGS/USD – 3,595.36	0.3%	0.4%	7.2%(05/2016)	0.8%(2Q16/17)
TANZANIA	TZS/USD – 2,229.53	0.0%	-2.6%	6.4%(04/2016)	6.2%(3Q2016)
RWANDA	RWF/USD – 828.32	-0.1%	-1.0%	7.3%(04/2016)	5.9%(FY2016)

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

HF Group Posts a 73.0% Decline in After Tax Profits for 1Q2017

HF Group after tax profits for 1Q2017 fell by 73.0% y/y to KES 88.3 million (1Q2016: KES 327.4 million). Total interest income declined by 19.6% y/y to KES 1.9 billion mainly due to a 16.6% y/y drop in interest income on loans and advances to KES

1.7 billion. This was occasioned by a 90 basis point drop in the yield on loans to 3.2%, despite a 2.2% y/y rise in the net loans advanced to KES 54.6 billion. Customer deposits declined by 6.4% y/y to KES 38.3 billion despite a 100 basis point drop in the cost of customer deposits to 1.4%. This resulted in a 35.9% y/y decline in interest expenses from customer deposits to KES 570.3 million. This contributed to a 19.9% y/y reduction in the total interest expenses to KES 1.1 billion. Consequently, the net interest income declined by 20.4% y/y to KES 797.6 million. Non-funded income declined by 28.5% y/y to KES 172.8 million, resulting in a 22.0% y/y decline in total income to KES 970.5 million. Total expenses (excluding provisions) rose slightly by 0.6% y/y to KES 640.3 million. The C/I ratio stood at 66.0% (1Q2016: 51.2%). Gross non-performing loans surged by 72.1% y/y to KES 7.8 billion, due to delayed property transactions at the Lands Ministry and a challenging operating environment. This led to a 46.6% y/y rise in provisions to KES 200.7 million. We remain concerned over the group's deteriorating asset quality which has a significant exposure to the operations of the lands registry.

NBK Posts An 82.2% Decline In After Tax Profits for 1Q2017

National Bank of Kenya posted an 82.2% y/y dip in after tax profits to KES 59.4 million for 1Q2017 (1Q2016: KES 334.6 million). Total interest income plunged by 34.2% y/y to KES 2.3 billion weighed down by a 53.6% y/y decline in income from loans to KES 1.3 billion, despite a 36.3% y/y rise in income from government securities to KES 1.0 billion, occasioned by a 24.8% y/y increase in investments in government securities to KES 35.5 billion. The drop in income from loans was attributed to a 12.3% y/y decline in the loan book to KES 58.1 billion and a 2.0% drop in the yield on loans to 2.0% (a consequence of the interest rate caps). Total interest expenses dropped by 30.3% y/y to KES 871.5 million (1Q2016: 1.2 billion). This was attributed to a 40.9% y/y fall in interest expenses from customer deposits to KES 711.8 million due to a 6.7% y/y decrease in customer deposits to KES 92.7 billion. Non-funded income dipped by 14.3% y/y to KES 630.3 million due to a drop in income from other fees and commission (-29.7% y/y) to KES 302.1 million despite a growth in income from foreign exchange trading income (+ 60.1% y/y)

to KES 157.6 million. Expenses excluding provisions dropped by 42.9% y/y to KES 1.0 billion due to a 38.3% y/y decrease on amortization charges to KES 59.0 million, resulting in a cost to income ratio of 50.4% (1Q2016: 60.9%). Loan loss provisions declined by 81.2% y/y to KES 131.2 million, despite a 70.9% y/y growth in non-performing loans to KES 29.0 billion. We expect the bank to focus on an aggressive recovery strategy to improve their loan book quality.

Kenya Stock Market Performance and Outlook

The overall market gained 2.0% w/w to close the week at 150.08, with the market capitalization standing at KS 3.0 trillion from KES 2.1 trillion the previous week. The week saw Safaricom gain 3.4% to close at KES 22.50 an all-time high, with foreign denominated participation. The market continues to witness an uptick in local participation. We expect this to continue, in particular local institutional participation with fund managers seeking returns that have soared in the equities market (YTD) vis a vis the fixed income market where they have mainly been positioned.

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	40.00	-1.1%	2.6%	7,349,800	52.6%	6.19	7.5%	1.27	22.2%
Equity Bank	39.25	30.8%	3.3%	2,870,700	50.7%	8.96	5.1%	1.81	21.5%
NIC Bank	32.00	23.1%	5.8%	320,200	38.7%	4.95	3.9%	0.67	15.3%
Stanbic	70.00	-0.7%	-2.8%	569,000	57.9%	6.26	7.5%	0.69	11.3%
National Bank	7.00	-2.8%	2.9%	175,400	73.9%	14.00	0.0%	0.19	1.5%
Barclays Bank	9.00	-1.1%	4.7%	2,362,900	53.4%	6.87	11.1%	1.15	18.0%
Housing Finance	9.75	-30.4%	-8.0%	531,500	56.3%	3.76	5.1%	0.30	8.3%
Co-operative Bank	17.05	29.2%	-2.6%	2,688,800	52.1%	7.68	4.7%	1.36	22.9%
Diamond Trust Bank	143.00	21.2%	2.1%	31,500	37.6%	6.19	1.8%	0.83	17.0%
Standard Chartered	202.00	6.9%	-3.3%	23,000	44.7%	7.81	9.9%	1.56	21.1%
I&M	100.00	11.1%	9.9%	10,200	34.7%	5.39	3.5%	0.99	19.9%
Sector Average					50.2%	7.10	5.5%	0.98	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	6.85	17.1%	-1.4%	2,727,800	-0.39	0.0%	-17.53	N/M
Nation Media Group	117.00	25.8%	0.0%	278,200	13.15	8.5%	8.9	19.1%
WPP Scangroup	18.40	1.4%	-10.2%	108,700	16.43	2.7%	1.12	10.6%
Uchumi Supermarket	2.30	-41.8%	2.2%	253,800	-0.30	0.0%	-7.77	N/M
Atlas Development	1.05	0.0%	0.0%	-	-0.29	0.0%	-3.58	-7.5%
Longhorn Publishers	4.75	-1.0%	6.7%	63,800	7.20	7.4%	0.66	13.1%
Sector Average					-1.60	3.1%		8.8%

*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	22.25	-12.7%	8.54%	57,100	-6.74	0.0%	-21.9%	-12.5%
Bamburi Cement	170.00	6.3%	-2.86%	3,000	11.77	7.1%	15.5%	19.8%
E.A. Portland Cement	25.25	7.4%	7.45%	100	0.54	0.0%	19.3%	25.0%
Sector Average					15.33	2.4%		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	7.85	35.3%	6.08%	4,436,900	7.27	0.00%	1.08	3.70%
KenolKobil	12.30	-17.4%	1.23%	6,465,600	7.50	3.66%	1.64	26.20%
Kenya Power	7.30	-10.4%	10.61%	2,633,800	1.89	6.85%	3.87	12.10%
Sector Average					5.70	3.50%		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	3.65	-3.9%	0.00%	1.28	52.14	64.49%	64.65%	2.46%
Britam	11.45	14.5%	-3.38%	1.24	8.74	28.75%	106.73%	13.95%
Jubilee	426.00	-13.1%	-7.39%	1.31	8.52	79.43%	122.70%	17.59%
Kenya Re	20.25	-10.0%	-1.22%	0.59	4.31	52.66%	101.00%	14.27%
Sanlam Kenya	27.25	-0.9%	0.93%	1.00	8.93	92.68%	48.80%	1.83%
Liberty	10.45	-20.5%	0.00%	0.83	43.25	70.91%	74.12%	9.67%
Sector Average				1.04	8.33	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	39.50	6.8%	-0.63%	567,000	3.36	0.61	48	11.75	20.60%
Home Afrika Ltd	0.80	-33.3%	0.00%	967,000	-2.05	(7.77)	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	7.30	7.4%	3.55%	62,000	-1.03	0.58	40.96	-7.09	4.70%
Sector Average					5.98	(1.23)			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	14.95	2.0%	-0.33%	90,100	21.06	1.81%	0.71
Sector Average					21.06	1.81%	

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)
Mumias Sugar	0.80	-38.5%	6.67%	3,557,500	-0.26	0.00%	-3.09
EABL	240.00	-1.6%	0.42%	1,708,100	19.67	3.13%	12.20
FTG Holdings	5.20	2.0%	0.00%	965,800	6.12	0.00%	0.85
Carbacid	12.85	-4.1%	-3.38%	76,700	8.74	5.45%	1.47
Eveready	2.50	6.4%	-1.96%	134,800	-2.55	0.00%	-0.98
BAT	800.00	-12.0%	0.13%	66,700	18.89	5.38%	42.34
Sector Average					28.34	2.32%	

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Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)
Safaricom	22.50	17.5%	3.45%	80,073,700	18.60	4.31%	1.21
Sector Average					18.60	4.31%	

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	10.65	-8.6%	-1.39%	32,600	NA	NA	NA
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

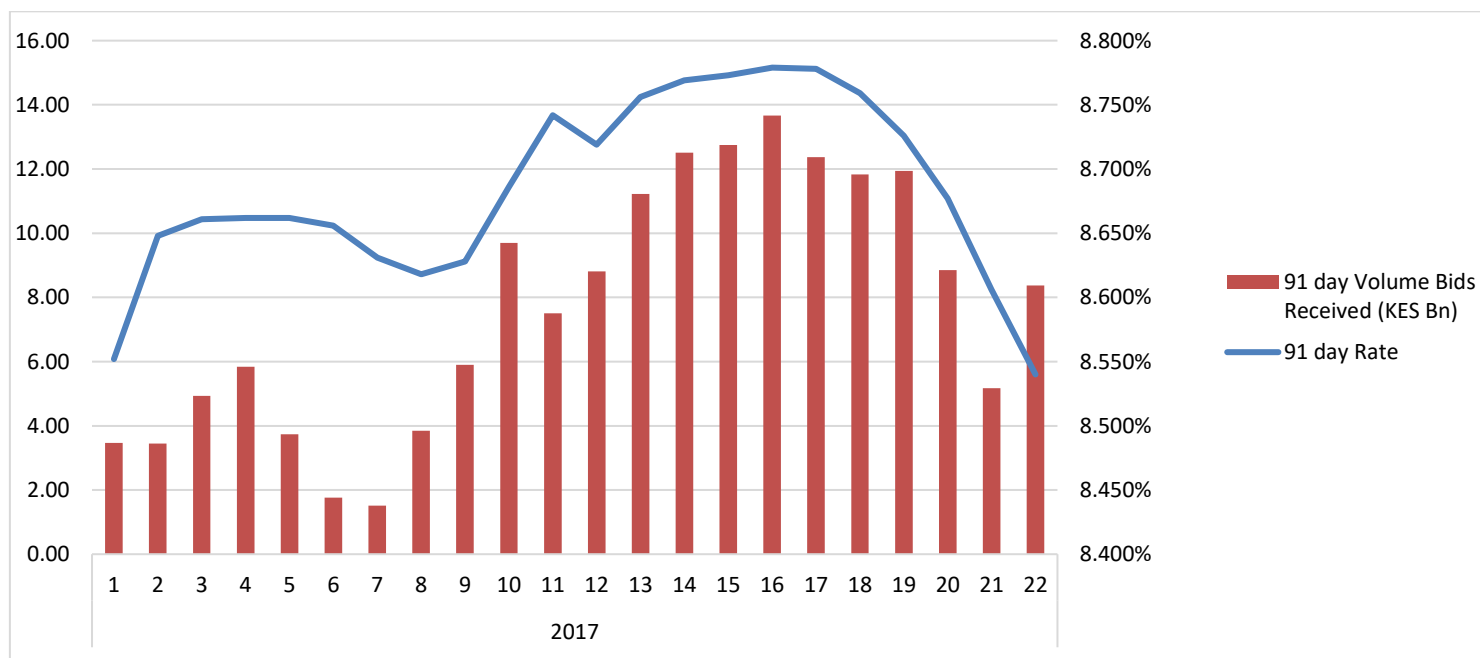
Market Statistics	This Week	Last Week	% Change
Total Volumes	126,429,200	173,499,000	-27.1%
Total Turnover (KES)	3,060,510,948	3,922,106,305	-22.0%
Main Market P/E	14.00	13.72	2.1%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	%Change
91 day T-bill	8.37Bn	209.20%	3.13Bn	8.540%	8.606%	(0.066)
182 day T-bill	15.50Bn	154.96%	13.92Bn	10.362%	10.374%	(0.012)
364 day T-bill	13.93Bn	139.28%	11.57Bn	10.914%	10.914%	0.000

Graph showing 91 day T-bill rate and volume

Week No. 22



The Secondary Market

Current week Turnover (KES)	Previous week Turnover (KES)	Current week No. of Deals	Previous Week Deals
16,391,856,485	6,698,455,927	179	152

Actively Traded Fixed Rate Bonds

	Average Traded Yield	Total Value (KES)
FXD 1/2012/20Yr(Re-Opened)	13.4102%	1,901,150,000
FXD 2/2016/5Yr	12.1734%	1,900,000,000
FXD 3/2016/5Yr	12.1500%	1,300,000,000
FXD 2/2014/5Yr	11.2452%	1,093,000,000

Actively Traded Infrastructure Bonds

	Average Traded Yield	Total Value (KES)
IFB 1/2016/15Yr	12.5253%	510,000,000
IFB 1/2016/9Yr	12.0677%	151,000,000
IFB 1/2015/12Yr	12.0750%	143,400,000

Corporate Actions

Upcoming Corporate Actions Next Week

- 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.

Other Corporate Actions

- Safaricom Ltd announced a Final dividend of Kes.0.97 on 10-May-2017; Books Closure 01-Sep-2017; Payment 01-Dec-2017.
- 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)
- 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)
- 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.
- Eveready Ltd announced a Special dividend of Kes.1.00 on 28-Apr-2017; Books Closure 19-May-2017; Payment 16-Aug-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.
- 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.
- Umeme Ltd announced a Final dividend of Ushs.7.80 on 03-Apr-2017; Books Closure 20-Jun-2017; Payment 05-Jul-2017.
- Kenya-Re Ltd announced a First & Final dividend of Kes.0.80 on 31-Mar-2017; Books Closure 16-June-2017
- BOC Kenya Ltd announced a Final dividend of Kes.3.00 on 31-Mar-2017; Books Closure 13-May-2017; Payment 13-Jul-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).
- Kakuzi Ltd announced a First & Final dividend of Kes.6.00 on 29-Mar-2017; Books Closure 31-May-2017; Payment 30-Jun-2017.
- Housing Finance Group Ltd announced a Final dividend of Kes.0.50 on 28-Mar-2017; Books Closure 05-May-2017. Payment 31-May-2017.
- Jubilee Holdings Ltd announced a Final dividend of Kes.7.50 on 27-Mar-2017; Books Closure 22-May-2017. Payment 11-Jul-2017.
- Jubilee Holdings Ltd announced a Bonus Issue of 1:10 on 27-Mar-2017; Books closure 22-May-2017. Crediting 03-Aug-2017.
- 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.
- Nairobi Securities Exchange Ltd announced a First & Final dividend of Kes.0.27 on 24-Mar-2017; Books Closure 31-May-2017. Payment 15-Jul-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.
- 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).
- Equity Group Ltd announced a First & Final dividend of Kes.2.00 on 15-Mar-2017; Books Closure 05-May-2017. Payment 23-Jun-2017.
- CIC Insurance Ltd announced a First & Final dividend of Kes.0.105 on 10-Mar-2017; Books Closure 31-May-2017. Payment 23-June-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.
- KenolKobil Ltd announced a Final dividend of Kes.0.30 on 08-Mar-2017; Books Closure 11-May-2017. Payment 16-June-2017.

Market Recommendations

Counter	Recommendation	Target Price	Comment
Safaricom	HOLD	<p>Target Price: 20.62</p> <p>Current market price: 22.50</p> <p>8.4% downside potential</p>	<p>We maintain our HOLD recommendation with an adjusted target price of KES 20.62 providing a downside potential of 8.4% from the current market price of KES 22.50. MPESA revenues grew by 32.7% to KES 55.1 billion, higher than our estimate of KES 53.4 billion. Mobile data revenues grew by 38.5% to KES 29.3 billion slightly higher than our forecast of KES 28.7 billion.</p> <p>We expect the company to continue focusing on the payments space. We expect total transaction value and MPESA revenue for the FY2018 to grow by 22.1% and 23.7% to KES 8,384.5 billion and KES 68.1 billion respectively. We remain optimistic that the company will remain competitive in the mobile data market given its huge capex spend. We expect data revenues, both mobile and fixed, to grow at a CAGR (2017-2021) of 25.0% to KES 84.3 billion compared to a CAGR (2013-2017) of 41.1 % (to KES 34.5 billion).</p>
Barclays	HOLD	Not Rated	<p>We place a HOLD recommendation on Barclays Bank Kenya. The counter is currently trading at P/B of 1.15x significantly higher than the industry average of 0.98x. Its dividend yield of 11.1% is relatively high compared to the industry average of 5.5%. 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

We recommend a Long Term Buy on KCB. The counter is currently trading at a P/B of 1.27x compared to the average sector P/B of 0.98x. 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.

EQUITY

BUY

Not Rated

Currently Equity is trading at a P/B of 1.81x compared to the average sector P/B of 0.98x. 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.

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