

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 156.11	2.1%	11.2%	USD Mn – 23,440 KES Bn – 2,337
	NSE 20 Share Index – 2915.54	-	2.9%	USD Mn – 20,255 KES Bn – 2,019
	NSE 25 Share Index – 3,905.05	2.2%	10.0%	USD Mn – 21,844 KES Bn – 2,178
*UGANDA	UGSINDX – 1,767.51	1.9%	7.2%	USD Mn – 6,404 UGS Bn – 23,717
TANZANIA	DSEI – 2,093.75	0.6%	2.6%	USD Mn – 8,817 TZS Bn – 20,181
RWANDA	RSEASI – 130.74	0.1%	-0.4%	USD Mn – 3,315 RWF Bn – 2,939

Source: NSE, DSE, RSE, *UGSE- values as at 7th March 2019

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –99.71	0.3%	2.1%	4.1%(02/2019)	6.0%(3Q2018)
*UGS/USD 3,708.60	-0.1%	0.2%	3.0%(01/2019)	6.4%(3Q17/18)
TZS/USD –2,288.86	-	-0.3%	3.0%(01/2019)	7.1%(FY2017)
RWF/USD – 886.56	-0.1%	-0.8%	1.0%(01/2019)	7.7%(3Q2018)

Source: CBK, BOT, NBR, KNBS, UBOS, NBS, NISR, *BOU- values as at 7th March 2019

KCB Group Posts a 21.8% y/y growth in After Tax Profits

KCB Group posted a 21.8% y/y growth in after tax profits for FY2018 to KES 24.0 billion (FY2017: KES 19.7 billion). The performance was characterized by sluggish growth in operating income but significant declines in operating expenses. The latter was the main driver of the growth in profits. Total interest income rose by 4.1% y/y to KES 66.3 billion, primarily driven by a 3.7% y/y rise in interest income from loans and advances to KES 52.7 billion and a 5.0% y/y growth in interest income from government securities to KES 13.0 billion. The increase in income from loans and advances was occasioned by a 7.9% y/y increase in the Group's loan book to KES 455.9 billion (FY2017: KES 422.7 billion). The growth in income from government securities was a result of a 9.1% y/y growth in the government securities portfolio to KES 120.1 billion. The yield on loans and government securities declined to 11.6% (FY2017:12.0%) and 10.8% (FY2017:11.2%) respectively. This was due to a declining interest rate environment during the year as the Central Bank of Kenya's monetary policy was largely expansionary (inflationary pressures were muted for the most part). Total interest expenses edged up by 14.1% y/y to KES 7.5 billion mainly due to a 13.6% y/y rise in interest expenses from customer deposits to KES 15.5 billion as customer deposits rose by 7.6 % y/y to KES 537.5 billion. The cost of customer deposits rose by 10bps to 3.0%. Net interest income rose marginally by 0.9% y/y to KES 48.8 billion, while the net interest margin eased to 8.2% (FY2017: 9.0%), as interest earning assets expanded at a faster rate (+5.5% y/y to KES 608.0 billion) than the net interest margin. Non-funded income eased by 0.1% y/y to KES 23.0 billion weighed down by a 25.3% y/y decline in other fees and commission income to KES 6.8 billion (negatively impacted by the accounting adjustments for hyperinflation in South Sudan). Consequently, NFI to operating income declined by 20bps to 32.0%.

Operating expenses declined by 10.2% y/y to KES 38.0 billion. The decrease in operating expenses was primarily due to a plunge in loan loss provisions by 50.2% y/y to KES 2.9 billion and an 11.2% y/y drop in staff costs to KES 17.0 billion. Loan loss provisions declined owing to a 12.8% decrease in gross non-performing loans

to KES 32.7 billion attributed to liquidation of collaterals, recoveries of KES 5.0 billion and write-offs of KES 9.0 billion. Consequently, the NPL ratio fell by 160bps to 6.9% while the cost of risks declined to 0.7% (FY2017:1.5%). We note also that there was some regulatory leeway in adoption of IFRS 9 that allowed banks to charge additional provisions directly to equity, mitigating the impact of the same on the income statement. The reduction in staff costs, on the other hand, was a benefit reaped from the FY2017 staff restructuring. As a result, the C/I ratio dropped to 48.3% (FY2017:51.0%).

In as much as the group recorded a robust growth in after tax profits, we note with concern on the sluggish growth in the operating income. According to management, the group expects to continue increasing its lending to the private sector despite the prevalent interest rate cap law. We also expect the group to continue leveraging on its digital assets particularly in the mobile space.

Stock Market Performance and Outlook

The overall market edged up by 2.1% w/w to close the week at 156.11 (NASI), characterized by an increase in trading activities. We attribute the rise in the market to increased foreign investor demand. Some of the counters with notable price gains were; Safaricom (+3.8% w/w), KCB (+5.5% w/w), Barclays (+2.7% w/w), Equity (+1.8% w/w) and EABL (+8.1% w/w). In the coming week we expect price stability. However, with the government looking to raise KES 50.0 billion through an infrastructure bond (tax exempt), we are likely to see some capital being channeled to the bonds market at the expense of the equities market.

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)	P/B (X)*	ROE
KCB	43.95	17.4%	5.5%	3,965,600	50.9%	6.84	6.8%	1.27	1.36	19.5%
Equity Bank	41.70	19.7%	1.8%	6,737,800	53.5%	8.34	4.8%	1.69	1.82	21.6%
NIC Bank	37.05	33.3%	3.2%	495,300	42.6%	5.72	2.7%	0.68	0.81	12.7%
Stanbic	93.00	2.5%	-1.3%	11,300	57.2%	8.53	5.6%	0.86	0.87	10.4%
National Bank	5.68	6.8%	-5.3%	38,700	83.2%	4.68	0.0%	0.27	0.33	4.5%
Barclays Bank	11.60	5.9%	2.7%	7,029,200	55.5%	9.10	8.6%	1.49	1.54	16.3%
Housing Finance	5.90	6.5%	-3.9%	200,700	78.9%	16.47	5.9%	0.18	0.21	1.1%
Co-operative Bank	14.55	1.7%	0.7%	2,141,400	52.2%	7.49	5.5%	1.21	1.24	17.4%
Diamond Trust Bank	140.00	-10.5%	-5.4%	121,700	42.3%	6.07	1.9%	0.73	0.71	13.0%
Standard Chartered	198.50	2.1%	0.4%	106,700	45.7%	9.86	8.6%	1.49	1.53	15.3%
I&M	90.00	5.9%	-2.2%	71,000	36.8%	5.50	3.9%	0.79	1.01	15.6%
Sector Average					54.4%	8.05	4.9%	0.97	1.04	13.4%

*P/B (X) - 1H2018 & P/B (X) - FY2017

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	5.68	-36.2%	-6.3%	1,369,100	-7.01	0.0%	-0.81	N/M
Nation Media Group	59.00	-13.9%	-1.7%	112,100	8.55	16.9%	6.9	19.1%
WPP Scangroup	12.45	-11.1%	3.7%	6,200	11.12	4.0%	1.12	5.2%
Uchumi Supermarket	0.55	-31.3%	-9.8%	90,000	-0.12	0.0%	-4.6	N/M
Longhorn Publishers	6.02	30.6%	0.7%	196,200	12.29	6.3%	0.49	13.1%
Eveready	1.10	10.0%	10.0%	40,100	0.87	90.9%	1.27	-35.3%
Sector Average					4.28	5.5%		0.5%

*N/M - Not Meaningful

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Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	5.55	0.0%	0.0%	0	-1.68	0.0%	-21.9%	-12.5%
Bamburi Cement	130.00	-1.9%	0.0%	294,500	28.63	3.1%	15.5%	6.4%
E.A. Portland Cement	19.90	24.4%	19.9%	1,600	-1.22	0.0%	19.3%	25.0%
Sector Average					8.58	1.0%		6.3%

*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	6.10	-13.1%	-7.3%	1,060,500	5.08	6.6%	1.20	4.2%
KenolKobil	22.00	15.5%	0.0%	0	13.17	2.7%	1.67	23.4%
Kenya Power	4.31	5.9%	-6.7%	1,778,800	4.40	0.0%	0.98	3.0%
Total Kenya	27.55	0.2%	-9.4%	22,100	6.33	4.7%	4.35	13.4%
Sector Average					7.25	3.1%		10.2%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	4.07	5.4%	0.5%	314,800	1.39	22.61	65.0%	59.7%
Britam	9.58	-4.2%	-2.0%	773,700	0.91	39.92	61.6%	133.1%
Jubilee	420.00	3.8%	-0.2%	30,300	1.21	8.40	102.4%	142.2%
Kenya Re	13.85	-0.7%	1.1%	1,079,000	0.36	2.71	55.5%	99.6%
Sanlam Kenya	20.35	-7.5%	-13.4%	7,500	0.72	96.90	83.7%	68.6%
Liberty	10.50	-18.6%	-4.5%	25,600	0.76	6.65	75.8%	77.4%
Sector Average					0.89	9.57	74.0%	96.8%

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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	32.05	9.6%	-0.3%	344,700	7.64	0.42	73.2	4.20	5.6%
Home Afrika Ltd	0.57	-18.6%	-5.0%	334,100	-1.46	-5.54	0.85	-0.39	2.6%
Trans-Century	3.10	342.9%	0.0%	12,200	-1.99	0.25	40.96	-1.56	4.7%
Sector Average					N/M	-1.62			4.3%

*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)	ROE
NSE	14.35	-1.4%	-3.0%	1,162,600	17.29	2.1%	0.83	11.2%
Sector Average					17.29	2.1%		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.58	0.0%	5.5%	958,000	-0.13	0.0%	-4.43	-69.4%
EABL	209.75	20.0%	8.1%	1,413,200	29.17	3.6%	7.19	61.4%
FTG Holdings	2.27	-9.2%	-9.2%	22,000	2.67	0.0%	0.85	22.3%
Carbacid	9.66	-3.4%	5.0%	18,000	7.00	7.2%	1.38	14.6%
BAT	580.00	-20.0%	-3.2%	5,860,300	17.39	4.5%	33.36	48.0%
Sector Average					11.22	3.1%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	27.00	21.6%	3.8%	31,985,700	19.29	4.1%	1.40	47.8%
Sector Average					19.29	4.1%		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	9.50	-13.2%	-1.7%	83,300	NA	NA	NA
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

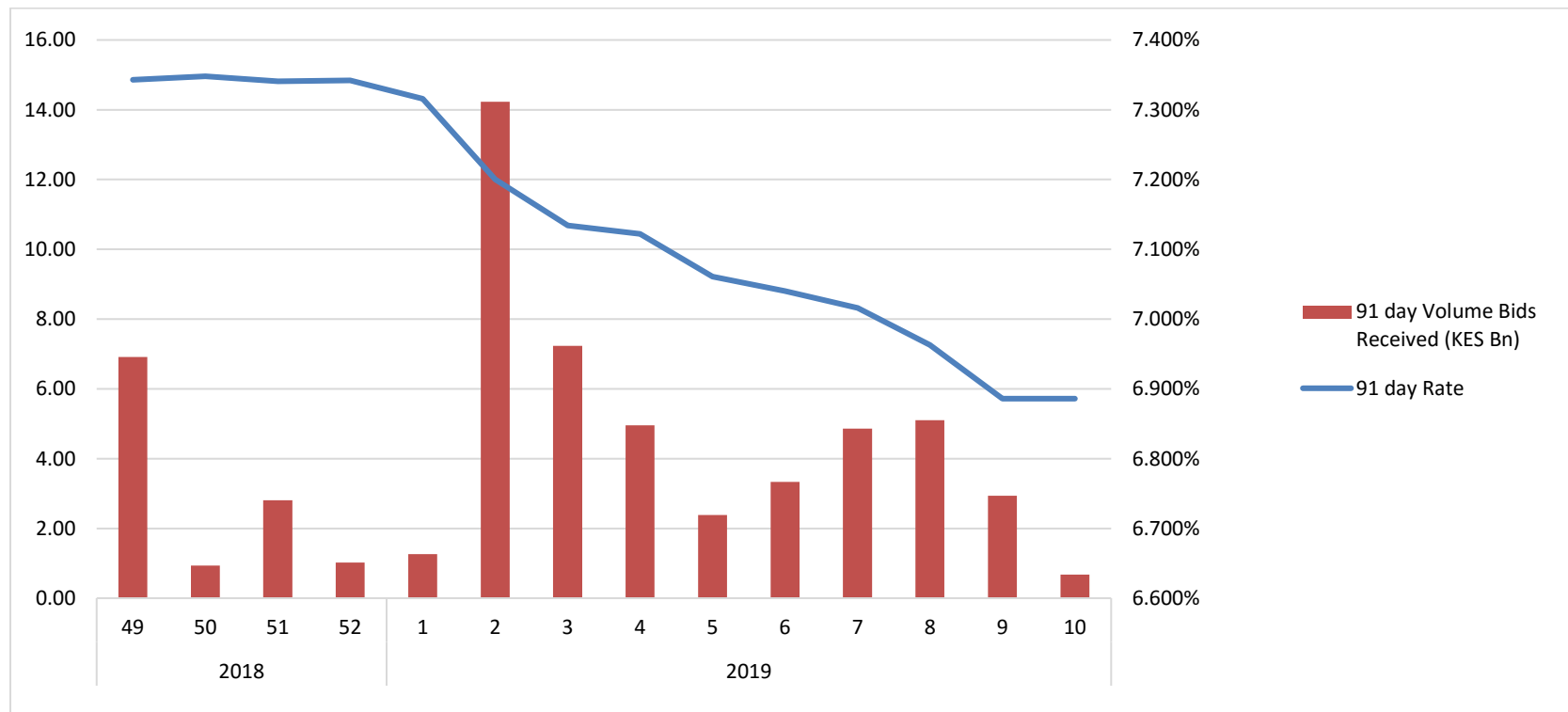
Market Statistics	This Week	Last Week	% Change
Total Volumes	92,748,200	79,304,900	17.0%
Total Turnover (KES)	5,579,468,681	2,468,312,249	126.0%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	0.68Bn	16.93%	0.68Bn	6.886%	6.886%	-
182 day T-bill	6.14Bn	61.44%	3.84Bn	8.316%	8.317%	-0.001
364 day T-bill	14.99Bn	149.88%	14.99Bn	9.469%	9.476%	-0.007

Graph showing 91 day T-bill rate and volume

Week No. 10



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Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
KCB Group PLC	Final dividend	Kes.2.50	06-Mar-19	29-April-19	Subject to Approval
Stanbic Holdings PLC	Final dividend	Kes.3.55	01-Mar-19	10-May-19	Subject to Approval
BAT Kenya PL	Final dividend	Kes.31.50	14-Feb-19	14-Mar-19	10-May-19
East African Breweries Ltd	Interim dividend	Kes.2.50	25-Jan-19	22-Feb-19	11-Apr-19
I&M Holdings Plc	Interim dividend	Kes.3.90	31-Dec-18	28-Feb-19	23-May-19
Car & General Ltd	Final dividend	Kes.0.80	27-Dec-18	18-Feb-19	25-Mar-19

Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 8th March 2019
KCB Group	Long-term Buy	55.00	34.00	17.4%	43.95
Equity Group Holdings	Long-term Buy	57.00	33.40	19.7%	41.70
Bamburi Cement	Hold	190.00	117.00	-1.9%	130.00
Safaricom	Hold	33.50	21.00	21.6%	27.00
EABL	Hold	270.00	160.00	20.0%	209.75
Jubilee Holdings	Buy	550.00	355.25	3.8%	420.00
Barclays Bank of Kenya	Hold	13.50	9.50	5.9%	11.60
Diamond Trust Bank	Hold	220.00	130.00	-10.6%	140.00
Cooperative Bank	Long-term Buy	20.00	12.65	1.7%	14.55
KenGen	Long-term Buy	9.25	5.50	-13.1%	6.10
Britam Holdings	Hold	15.85	9.00	-4.2%	9.58
Centum	Long-term Buy	47.25	22.50	9.6%	32.05
NBK	Sell	9.65	4.05	6.8%	5.68
Mumias	Sell	1.10	0.50	0.0%	0.58

For more detailed information on the following recommendations, please click [here](#):

For Online Share Trading (OST) via browser, please click [here](#):

For the Faida M-Trader Application, please click [here](#):

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