

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 158.07	1.3%	12.6%	USD Mn – 23,627 KES Bn – 2,367
	NSE 20 Share Index – 2896.04	-0.7%	2.2%	USD Mn – 20,152 KES Bn – 2,019
	NSE 25 Share Index – 3,940.11	0.9%	10.9%	USD Mn – 21,757 KES Bn – 2,179
UGANDA	UGSINDX – 1,754.09	-0.8%	6.3%	USD Mn – 6,502 UGS Bn – 24,143
TANZANIA	DSEI – 2,057.05	-1.8%	0.8%	USD Mn – 8,662 TZS Bn – 19,825
RWANDA	RSEASI – 132.31	1.2%	0.8%	USD Mn – 3,351 RWF Bn – 2,974

Source: NSE, DSE, RSE, UGSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –100.17	-0.5%	1.6%	4.1%(02/2019)	6.0%(3Q2018)
UGS/USD 3,713.05	-0.1%	0.1%	3.0%(01/2019)	6.4%(3Q17/18)
TZS/USD –2,288.70	-	-0.3%	3.0%(01/2019)	7.1%(FY2017)
RWF/USD – 887.36	-0.1%	-0.9%	1.0%(01/2019)	7.7%(3Q2018)

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

Barclays Posts a 7.1% y/y Growth in After Tax Profits for FY2018

Barclays Bank of Kenya posted a 7.1% y/y growth in after tax profits for FY2018 to KES 7.4 billion (FY2017: KES 6.9 billion). The performance was characterized by marginal growth in net interest income, significant growth in non-interest income and a slight increase in operating costs. Total interest income grew by 7.0% y/y to KES 29.1 billion. The growth in total interest income was primarily on account of a 28.9% y/y growth in interest income from government securities to KES 7.4 billion (as government securities balances rose by 36.5% y/y to KES 92.9 billion). The yield on government securities fell slightly to 9.2% (FY2017: 9.3%) owing to given the 100 bps decline in the Central Bank Rate (CBR). Income from loans and advances increased by 1.3% y/y to KES 21.5 billion (as net loans and advances to customers increased by 5.0% y/y to KES 177.4 billion); the yield on loans declined to 12.5% (FY2017:12.6%) given the CBK cuts to the Central Bank Rate during FY2018. Total Interest expenses grew by 31.6% y/y to KES 7.1 billion, driven by a 26.7% y/y rise in interest expenses from customer deposits. Customer deposits edged up by 11.5% y/y to KES 207.4 billion and the cost of funds increased to 3.0% (FY2017: 2.6%). Net interest income grew marginally by 1.0% y/y to KES 22.0 billion. The net interest margin eased by 50bps to 9.1% as the net interest income grew at a faster rate than interest earning assets (+8.1% y/y to KES 247.2 billion). Non-funded income edged up by 14.7% y/y to KES 31.7 billion. The non-funded income growth was buoyed by a 148.4% y/y surge in other income to KES 797.7 million, a 14.5% y/y rise in foreign exchange income to KES 3.3 billion and a 65.5% y/y rise in fees on commissions against the loan book to KES 1.1 billion. According to management, non-funded income growth was significantly supported by fees derived from their mobile app Timiza (issued loans worth KES 10.0 billion since its launch). Ultimately, total operating income edged up by 4.7% y/y to KES 31.7 billion (FY2017: 30.3 billion). Operating expenses (excluding provisions) registered a 2.4% y/y rise to KES 17.2 billion owing to an increase in other operating expenses by 24.0% y/y to KES 4.9 billion. The growth was due to costs arising from restructuring the business and costs of separation from Barclays Plc. C/I excl. provisions declined to 54.2% (FY2017: 55.5%) owing to

the faster growth in total income (+4.7% y/y to KES 31.7 billion) compared to costs. Excluding the restructuring costs, operating expenses for the period declined by 2% y/y to KES 16.5 billion. According to management, the decline in underlying operating expenses was due to cost efficiencies arising from the digital transformation. Furthermore, staff costs declined by 3.4% y/y to KES 9.8 billion as a result of restructuring their branch network. Loan loss provisions edged up by 24.3% y/y to KES 3.9 billion. The increase in loan provisions was driven by growth in gross non-performing loans, (particularly in the corporate loan book), rose by 10.3% y/y to KES 13.9 billion. Asset quality as measured by the NPL ratio deteriorated to 7.8% (FY2017: 7.5%). Whilst the group is focused on reducing dependency on net interest income to grow its top-line, we remained concerned over the slow growth in net interest income. However, we are optimistic about the new direction the company is taking in terms of reinventing its business model to better suit the Kenyan (African) market.

High Court Annuals Interest Rate Cap Law: What it means for the Private Sector

The High Court has annulled the interest rate cap law, implemented in 2016, on grounds that some sections were vague and others were unconstitutional (the penal consequences on contravening the law). Implementation of the ruling has however been suspended for 12 months to allow the National Assembly to re-examine the clauses. Assuming the interest cap law is repealed entirely (the assumption here is that the unconstitutionality and vagueness cannot be amended), we expect banks to be the clear beneficiaries as they will be able to price risk.

The clear loser is the private sector since it'll have to bear higher cost of credit. Moreover, improved private sector access to credit is not guaranteed. We note that annual private sector credit growth was already on a consistent downward trend (from 16.8% in January 2016 to 6.8% in July 2016) even before enactment of the interest rate cap. However, reported GDP growth right before the enactment in 2016 was relatively strong (average of 6.1% in the first two quarters of 2016). Strong GDP growth yet weak private sector credit growth? This points to deeper macroeconomic issues underlying the weak private sector growth. We believe one of the issues is public sector led growth (e.g. public investments in infrastructure). This creates two major issues that affect private sector credit growth: (i) Delayed government payments which causes bank's asset quality to deteriorate. The result is banks are more stringent in lending (ii) Increased government borrowing appetite which creates an avenue for banks to channel funds where asset quality concerns are not an issue.

We therefore opine that unless there is a fundamental shift in the growth engine of the economy-lower proportion of public sector led growth to higher proportion of private sector led growth - the government will continue to crowd out the private sector.

Safaricom Secures M-Pesa Deal with Aliexpress

Safaricom has secured a deal with Aliexpress, an online shopping platform run by Alibaba Group, which will enable its customers to make payments for their purchases through M-Pesa. The standard Lipa na M-Pesa paybill charges will apply for each transaction with transactions being denominated in Kenyan shillings. The M-Pesa payment option has been enabled through a partnership with Ant Financial, an affiliate of Alibaba. According to Safaricom, the deal is part of its efforts to position M-Pesa as a global payment system. The company is especially targeting micro-traders who source for goods and other supplies from China. Safaricom has an M-Pesa user base of 21.0 million users. We expect the company to continue pursuing such partnerships that ultimately grow its MPESA ecosystem, boosting revenues and enhancing its customer stickiness and market leadership position at the same time.

Stock Market Performance and Outlook

The overall market edged up by 1.7% w/w to close the week at 158.07 (NASI), characterized by an increase in trading activities (turnover and volume). We attribute the rise in the market to increased investor demand (both foreign and local). Some of the counters that recorded notable price gains supported by strong volumes include; Safaricom (+2.75% w/w), Equity (+3.1% w/w) and Co-operative bank (+2.7% w/w). We note that for the aforementioned banking counters (including KCB) most of the price gains were recorded on the last day of trading. We attribute this to investor optimism following annulment of the interest rate cap law. We also believe that these are relatively safe bets in case the interest cap is not repealed entirely. We expect the upward momentum to be sustained 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)	P/B (X)*	ROE
KCB	44.30	18.3%	0.8%	11,500,200	50.9%	6.89	6.8%	1.28	1.37	19.5%
Equity Bank	43.00	23.4%	3.1%	18,795,500	53.5%	8.60	4.7%	1.74	1.88	21.6%
NIC Bank	37.05	33.3%	0.0%	222,700	42.6%	5.72	2.7%	0.68	0.81	12.7%
Stanbic	100.00	10.2%	7.5%	106,600	57.2%	9.17	5.3%	0.92	0.94	10.4%
National Bank	5.02	-5.6%	-11.6%	93,100	83.2%	4.14	0.0%	0.24	0.29	4.5%
Barclays Bank	11.85	8.2%	2.2%	4,720,500	55.5%	9.29	8.4%	1.52	1.58	16.3%
Housing Finance	5.44	-1.8%	-7.8%	187,200	78.9%	15.19	6.4%	0.17	0.19	1.1%
Co-operative Bank	14.95	4.5%	2.7%	3,132,900	52.2%	7.69	5.4%	1.25	1.28	17.4%
Diamond Trust Bank	139.00	-11.2%	-0.7%	40,200	42.3%	6.03	1.9%	0.72	0.71	13.0%
Standard Chartered	197.50	1.5%	-0.5%	103,100	45.7%	9.81	8.6%	1.49	1.52	15.3%
I&M	90.00	5.9%	0.0%	36,600	36.8%	5.50	3.9%	0.79	1.01	15.6%
Sector Average					54.4%	8.00	4.9%	0.98	1.05	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	5.50	-38.2%	-3.2%	633,100	-6.79	0.0%	-0.81	N/M
Nation Media Group	61.75	-9.9%	4.7%	332,000	8.95	16.2%	6.9	19.1%
WPP Scangroup	11.10	-20.7%	-10.8%	1,709,100	9.91	4.5%	1.12	5.2%
Uchumi Supermarket	0.59	-26.3%	7.3%	27,100	-0.13	0.0%	-4.6	N/M
Longhorn Publishers	6.48	40.6%	7.6%	359,500	13.22	5.9%	0.49	13.1%
Eveready	1.10	10.0%	0.0%	45,900	0.87	90.9%	1.27	-35.3%
Sector Average					4.34	5.3%		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	128.00	-3.4%	-1.5%	205,900	28.19	3.1%	15.5%	6.4%
E.A. Portland Cement	19.00	18.8%	-4.5%	900	-1.16	0.0%	19.3%	25.0%
Sector Average					8.45	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	5.98	-14.8%	-2.0%	452,600	4.98	6.7%	1.20	4.2%
KenolKobil	22.00	15.5%	0.0%	0	13.17	2.7%	1.67	23.4%
Kenya Power	4.22	3.7%	-2.1%	964,200	4.31	0.0%	0.98	3.0%
Total Kenya	27.80	1.1%	0.9%	19,800	6.39	4.7%	4.35	13.4%
Sector Average					7.21	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	4.12	6.7%	1.2%	225,300	1.41	22.89	65.0%	59.7%
Britam	9.20	-8.0%	-4.0%	357,900	0.88	38.33	61.6%	133.1%
Jubilee	408.50	0.9%	-2.7%	600	1.17	8.17	102.4%	142.2%
Kenya Re	13.90	-0.4%	0.4%	192,900	0.36	2.72	55.5%	99.6%
Sanlam Kenya	21.00	-4.5%	3.2%	5,100	0.75	100.00	83.7%	68.6%
Liberty	10.15	-21.3%	-3.3%	29,500	0.73	6.42	75.8%	77.4%
Sector Average					0.88	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	32.00	9.4%	-0.2%	1,379,000	7.63	0.42	73.2	4.20	5.6%
Home Afrika Ltd	0.52	-25.7%	-8.8%	179,000	-1.33	-5.05	0.85	-0.39	2.6%
Trans-Century	3.37	381.4%	8.7%	6,300	-2.16	0.27	40.96	-1.56	4.7%
Sector Average					N/M	-1.46			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	14.00	-3.8%	-2.4%	82,400	16.87	2.1%	0.83	11.2%
Sector Average					16.87	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	0.57	-1.7%	-1.7%	920,100	-0.13	0.0%	-4.43	-69.4%
EABL	200.00	14.4%	-4.6%	1,159,200	27.82	3.8%	7.19	61.4%
FTG Holdings	2.43	-2.8%	7.0%	6,600	2.86	0.0%	0.85	22.3%
Carbacid	9.14	-8.6%	-5.4%	41,500	6.62	7.7%	1.38	14.6%
BAT	580.00	-20.0%	0.0%	142,300	17.39	4.5%	33.36	48.0%
Sector Average					10.91	3.2%		

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%	0.0%	37,332,400	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	9.44	-13.8%	-0.6%	33,300	NA	NA	NA
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

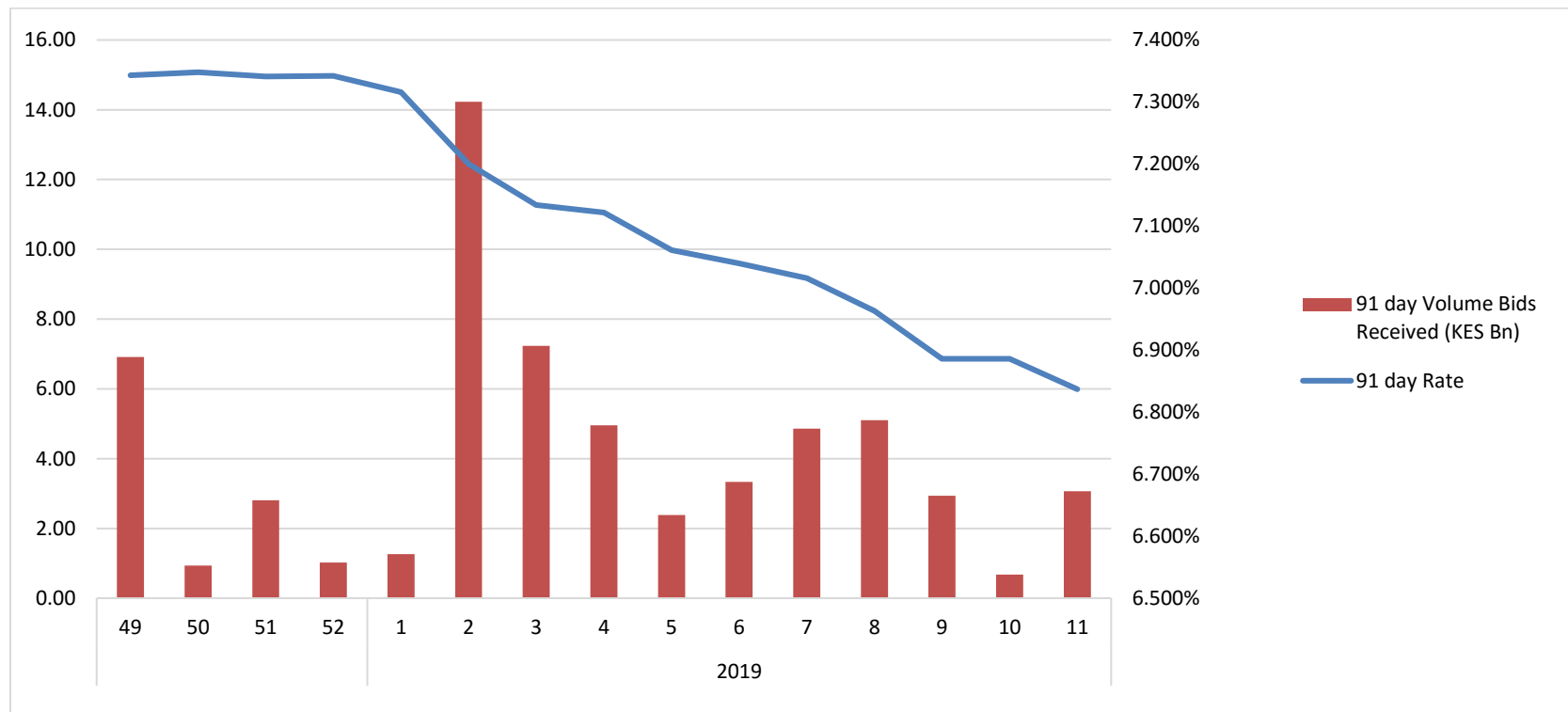
Market Statistics	This Week	Last Week	% Change
Total Volumes	110,371,200	92,748,200	19.0%
Total Turnover (KES)	3,068,538,247	5,579,468,681	-45.0%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	3.07Bn	76.69%	3.07Bn	6.837%	6.886%	-0.049
182 day T-bill	7.96Bn	79.56%	3.84Bn	8.270%	8.316%	-0.046
364 day T-bill	26.62Bn	266.21%	16.13Bn	9.439%	9.469%	-0.030

Graph showing 91 day T-bill rate and volume

Week No. 11



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Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
CIC Insurance Group Plc	First & Final dividend	Kes.0.13	11-Mar-19	30-Apr-19	31-May-19
Barclays Bank of Kenya Ltd	Final dividend	Kes.0.90	11-Mar-19	30-Apr-19	29-May-19
KCB Group PLC	Final dividend	Kes.2.50	06-Mar-19	29-Apr-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 15th March 2019
KCB Group	Long-term Buy	55.00	34.00	18.3%	44.30
Equity Group Holdings	Long-term Buy	57.00	33.40	23.4%	43.00
Bamburi Cement	Hold	190.00	117.00	-3.4%	128.00
Safaricom	Hold	33.50	21.00	21.6%	27.00
EABL	Hold	270.00	160.00	14.4%	200.00
Jubilee Holdings	Buy	540.00	355.25	0.9%	408.50
Barclays Bank of Kenya	Hold	13.50	9.50	8.2%	11.85
Diamond Trust Bank	Hold	220.00	130.00	-11.2%	139.00
Cooperative Bank	Long-term Buy	20.00	12.65	4.5%	14.95
KenGen	Long-term Buy	9.25	5.50	-14.8%	5.98
Britam Holdings	Hold	15.85	9.00	-8.0%	9.20
Centum	Long-term Buy	47.50	22.50	9.4%	32.00
NBK	Sell	9.65	4.05	-5.6%	5.02
Mumias	Sell	1.00	0.50	-1.7%	0.57

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](#):

ANALYSTS:

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