

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 160.00	1.2%	13.9%	USD Mn – 23,748 KES Bn – 2,393
	NSE 20 Share Index – 2887.17	-0.3%	1.9%	USD Mn – 20,663 KES Bn – 2,069
	NSE 25 Share Index – 3,979.24	1.0%	12.0%	USD Mn – 22,205 KES Bn – 2,238
UGANDA	UGSINDX – 1,785.00	1.8%	8.2%	USD Mn – 6,593 UGS Bn – 24.398
TANZANIA	DSEI – 2,091.88	1.7%	2.5%	USD Mn – 8,807 TZS Bn – 20,163
RWANDA	RSEASI – 135.81	2.6%	3.5%	USD Mn – 3,438 RWF Bn – 3,052

Source: NSE, DSE, RSE, UGSE

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –100.78	-0.6%	1.0%	4.1%(02/2019)	6.0%(3Q2018)
UGS/USD 3,700.75	0.3%	0.4%	3.0%(01/2019)	6.4%(3Q17/18)
TZS/USD –2,289.53	-	-0.4%	3.0%(01/2019)	7.1%(FY2017)
RWF/USD – 886.06	-0.1%	-1.0%	1.0%(01/2019)	7.7%(3Q2018)

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

## Co-operative Bank Posts an 11.6% y/y Growth in After Tax Profits for FY2018

Co-operative Bank registered an 11.6% y/y growth in after tax profits to KES 12.7 billion (FY2017: KES 11.4 billion). The rise in profitability was predominantly driven by a 9.5% y/y increase in total net interest income to KES 30.8 billion on account of a 6.6% y/y climb in interest income to KES 43.0 billion. This was due to a 19.2% y/y increase in interest income from government securities to KES 9.8 billion (as the Group's holdings of government securities edged up by 13.0% y/y to KES 82.8 billion) to compensate for the shrink in the loan book (-3.3% y/y to KES 245.4 billion). The yield on government securities remained flat at 12.6%. The decline in the loan book, which was attributed to KES 10.5 billion repayment in 4Q2018, saw income from loans and advances edge up by 3.1% y/y to KES 33.0 billion. As a result, the yield on loans rose by 20bps to 13.2%.

Total interest expenses remained flat at KES 12.2 billion despite customer deposits growing by 6.5% y/y to 306.1 billion, as the cost of funds came down by 30bps y/y to 3.7%. This led to a 9.5% y/y increase in net interest income, with NIMs growing by 10bps y/y to 9.0%. Non-funded income to total income dipped to 29.5% (FY2017: 32.4%). The decline in non-funded income was driven by a 77.8% y/y decrease in fees and commissions from loans and advances to KES 575.5 million (FY2017: KES 2.6 billion). The decline was attributed to IFRS 9 accounting procedures (income from commissions is to be distributed over the life of the loan).

Total operating expenses (incl. provisions) grew by 1.4% y/y to KES 25.7 billion (excl. provisions +9.8% y/y growth to KES 23.9 billion). The growth in the latter was attributed to a 13.4% y/y rise in staff costs to KES 11.5 billion as the Group hired specialized talent for their fintech capabilities (benefits to be reaped in FY2019). Other expenses (primarily from software licenses) also increased by 9.2% y/y to KES 8.1 billion. C/I excl. provisions rose to 54.6% (FY2017: 52.2%). Loan loss provisions fell by 48.9% y/y to KES 1.8 billion owing to the repayment of loans worth KES 2.5 billion that were at risk of default, as well as a write off amounting to KES

1.2 billion. Gross non-performing loans grew by 56.7% y/y to KES 29.4 billion. The NPL ratio deteriorated to 11.2% (FY2017: 7.4%) as non-performing loans grew in the agriculture, manufacturing and building and construction sectors.

The Group anticipates increased contribution to its bottom-line from its South Sudan subsidiary in FY2019, following the peace agreement and the decline in inflation. In FY2018 the subsidiary's loss before tax improved to KES 30.8 million (FY2017: KES 605.9 million). The performance was attributed to a growth in net interest income, an increase in loans and advances, growth in total assets and a rise in customer deposits.

The bank is keen on digitization of banking services and proactive risk management in order to lower costs. The digitization is supported by technical advisory services from the International Finance Corporation (IFC). We opine that the cost to income ratio will decline as benefits are reaped from investments made in FY2018. Additionally, the group has allocated KES 15.2 billion for MSME lending which we expect to boost the group's loan book (management anticipates 10.9% growth). We express concern over the Group's deteriorated asset quality given the high NPL ratio.

#### **Federal Reserve Maintains the Federal Funds Target Range at 2.25% – 2.50%**

The Federal Reserve Open Market Committee (FOMC) unanimously maintained the target range for the federal funds rate at 2.25% - 2.50% in its second meeting of the year, signaling a definitive end to the hawkish stance adopted throughout 2018. The decision was made against the back-drop of a slowdown in the US economy, a strengthening labor market (epitomized by solid job gains and a low unemployment rate) and lower overall inflation. The 'cooling down' of the US economy was inferred from key indicators which point to slower growth of household spending and business fixed investment in the first quarter. Inflationary pressures continued to remain muted as the overall inflation (on a 12-month basis) declined— predominantly due to lower energy prices. The FOMC also indicated softer quantitative tightening (large scale purchases of Treasury bonds and mortgage backed securities), also influenced by the slowdown in economic growth. In light of the foregoing, we expect the FOMC to maintain its dovish stance. We opine that this will improve foreign investor inflows to emerging and frontier markets.

#### **NIC Posts a 2.0% y/y Growth in After Tax Profits for FY2018**

NIC Group realized a 2.0% y/y growth in after tax profits for FY2018 to KES 4.2 billion (FY2017: KES 4.1 billion). The performance was characterized by lower net interest income, significant growth in non-funded income and a marginal increase in operating expenses. Total interest income edged up by 4.8% y/y to KES 19.3 billion predominantly driven by a 31.2% y/y increase in interest income from government securities to KES 6.8 billion owing to a 12.8% y/y growth in government securities balances to KES 61.9 billion. The yield on government securities dipped to 11.7% (FY2017: 12.2%). Interest income from loans and advances fell by 6.1% y/y to KES 12.3 billion, owing to a 1.4% y/y decline in net loans and advances to customers to KES 118.1 billion and a 90 bps dip in the yield on loans 10.4%.

Total interest expenses grew by 14.1% y/y to KES 8.7 billion primarily driven by a 20.6% y/y rise in interest expenses from customer deposits. Customer deposits edged up by 4.0% y/y to KES 144.5 billion while the cost of customer deposits rose by 30 bps to 5.1%. Consequently, net interest income eased by 1.8% y/y to KES 10.6 billion, weighing down the NIM to 5.7% (FY2017: 6.3%) as interest earning assets declined by 1.0% y/y to KES 184.5 billion. Non-funded income surged by 11.4% y/y to KES 4.6 billion buoyed by a growth in other income (+20.2% y/y to KES 1.3 billion), a rise in fees and commissions on loans and advances (+8.0% y/y to KES 1.5 billion) and an increase in other fees and commissions (+11.2% y/y to KES 990.1 million). Non-funded income to total income grew to 30.5% (FY2017: 27.9%).

Operating expenses rose marginally by 0.6% y/y to KES 9.4 billion primarily owing to a 13.6% y/y increase in staff costs to KES 3.6 billion. C/I (excl. provisions) edged up to 46.3% (FY2017: 42.6%) as total costs grew at a faster rate compared to total income (+1.9% y/y to KES 15.2 billion). Asset quality deteriorated in FY2018 as the NPL ratio (measured against net loans) rose to 14.3% from 12.0% in FY2017 on the back of a 17.6% y/y surge in gross non-performing loans to KES 16.8 billion. We remain concerned over the deterioration in asset quality, negative growth in net interest income and the contraction in the loan book.

## Stock Market Performance and Outlook

The overall market edged up by 1.2% w/w to close the week at 160.00 (NASI), characterized by an overall decline in trading activities (turnover and volume). We attribute the rise in the NASI to sustained increase in foreign investor demand which exceeded foreign investor supply. Safaricom registered a price gain of 1.4% w/w owing to investor optimism regarding the continued strong performance of its recent M-Pesa overdraft facility Fuliza. Notably Standard Chartered bank recorded a gain of 10.0% w/w on the back of positive full year 2018 results (after tax profits grew by 17.4% y/y to KES 8.1 billion). Other counters that registered price gains during the week include; Equity (+1.2% w/w), KCB (+0.9% w/w) and EABL (+2.9% w/w). We expect market conditions to remain relatively unchanged 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	44.70	19.4%	0.9%	12,870,400	50.9%	6.96	6.7%	1.29	1.38	19.5%
Equity Bank	43.50	24.8%	1.2%	12,321,500	53.5%	8.70	4.6%	1.76	1.90	21.6%
NIC Bank	37.00	33.1%	-0.1%	2,751,100	42.6%	5.71	2.7%	0.68	0.81	12.7%
Stanbic	97.75	7.7%	-2.3%	90,200	57.2%	8.97	5.4%	0.90	0.92	10.4%
National Bank	4.95	-7.0%	-1.4%	78,300	83.2%	4.08	0.0%	0.23	0.29	4.5%
Barclays Bank	11.95	9.1%	0.8%	7,155,500	55.5%	9.37	8.4%	1.53	1.59	16.3%
Housing Finance	5.20	-6.1%	-4.4%	328,400	78.9%	14.52	6.7%	0.16	0.18	1.1%
Co-operative Bank	15.55	8.7%	4.0%	3,555,800	52.2%	8.00	5.1%	1.30	1.33	17.4%
Diamond Trust Bank	135.50	-13.4%	-2.5%	833,100	42.3%	5.87	1.9%	0.71	0.69	13.0%
Standard Chartered	217.25	11.7%	10.0%	133,400	45.7%	10.79	7.8%	1.63	1.67	15.3%
I&M	94.25	10.9%	4.7%	3,300	36.8%	5.76	3.7%	0.83	1.05	15.6%
<b>Sector Average</b>					<b>54.4%</b>	<b>8.07</b>	<b>4.8%</b>	<b>1.00</b>	<b>1.07</b>	<b>13.4%</b>

\*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	5.02	-43.6%	-8.7%	2,223,000	-6.20	0.0%	-0.81	N/M
Nation Media Group	62.25	-9.1%	0.8%	291,500	9.02	16.1%	6.9	19.1%
WPP Scangroup	11.10	-20.7%	0.0%	61,400	9.91	4.5%	1.12	5.2%
Uchumi Supermarket	0.56	-30.0%	-5.1%	26,000	-0.12	0.0%	-4.6	N/M
Longhorn Publishers	6.92	50.1%	6.8%	210,200	14.12	5.5%	0.49	13.1%
Eveready	1.08	8.0%	-1.8%	31,900	0.85	92.6%	1.27	-35.3%
<b>Sector Average</b>					<b>4.60</b>	<b>5.2%</b>		<b>0.5%</b>

\*N/M - Not Meaningful

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<b>Construction &amp; Allied</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>NPM*</b>	<b>ROE</b>
ARM Cement	5.55	0.0%	0.0%	0	-1.68	0.0%	-21.9%	-12.5%
Bamburi Cement	130.00	-1.9%	1.6%	329,200	28.63	3.1%	15.5%	6.4%
E.A. Portland Cement	18.70	16.9%	-1.6%	200	-1.14	0.0%	19.3%	25.0%
<b>Sector Average</b>					<b>8.60</b>	<b>1.0%</b>		<b>6.3%</b>

\*NPM - Net Profit Margin

<b>Energy &amp; Petroleum Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
KenGen	5.60	-20.2%	-6.4%	5,063,400	4.67	7.1%	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%	0.0%	2,477,500	4.31	0.0%	0.98	3.0%
Total Kenya	30.00	9.1%	7.9%	6,400	6.90	4.3%	4.35	13.4%
<b>Sector Average</b>					<b>7.26</b>	<b>3.3%</b>		<b>10.2%</b>

<b>Insurance Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/B(X)</b>	<b>P/E(X)</b>	<b>Loss Ratio</b>	<b>Expense Ratio</b>
CIC Insurance	3.96	2.6%	-3.9%	626,200	1.36	22.00	65.0%	59.7%
Britam	9.38	-6.2%	2.0%	91,700	0.89	39.08	61.6%	133.1%
Jubilee	419.50	3.6%	2.7%	12,000	1.20	8.39	102.4%	142.2%
Kenya Re	12.00	-14.0%	-13.7%	13,610,400	0.31	2.35	55.5%	99.6%
Sanlam Kenya	21.50	-2.3%	2.4%	34,000	0.76	102.38	83.7%	68.6%
Liberty	10.10	-21.7%	-0.5%	37,400	0.73	6.39	75.8%	77.4%
<b>Sector Average</b>					<b>0.88</b>	<b>9.57</b>	<b>74.0%</b>	<b>96.8%</b>

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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%	0.0%	237,000	7.63	0.42	73.2	4.20	5.6%
Home Afrika Ltd	0.60	-14.3%	15.4%	368,100	-1.54	-5.83	0.85	-0.39	2.6%
Trans-Century	3.40	385.7%	0.9%	21,000	-2.18	0.27	40.96	-1.56	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>-1.71</b>			<b>4.3%</b>

\*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	13.75	-5.5%	-1.8%	155,900	16.57	2.2%	0.83	11.2%
<b>Sector Average</b>					<b>16.57</b>	<b>2.2%</b>		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.52	-10.3%	-8.8%	2,945,600	-0.12	0.0%	-4.43	-69.4%
EABL	205.75	17.7%	2.9%	1,094,800	28.62	3.6%	7.19	61.4%
FTG Holdings	2.42	-3.2%	-0.4%	11,700	2.85	0.0%	0.85	22.3%
Carbacid	9.34	-6.6%	2.2%	625,800	6.77	7.5%	1.38	14.6%
BAT	550.00	-24.1%	-5.2%	8,800	16.49	4.7%	33.36	48.0%
<b>Sector Average</b>					<b>10.92</b>	<b>3.2%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	27.75	25.0%	0.0%	50,277,500	19.82	4.0%	1.40	47.8%
<b>Sector Average</b>					<b>19.82</b>	<b>4.0%</b>		

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<b>Real Estate Investment Trust</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>NAVPS*</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>
STANLIB FAHARI I-REIT	9.48	-13.4%	0.4%	122,700	NA	NA	NA
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

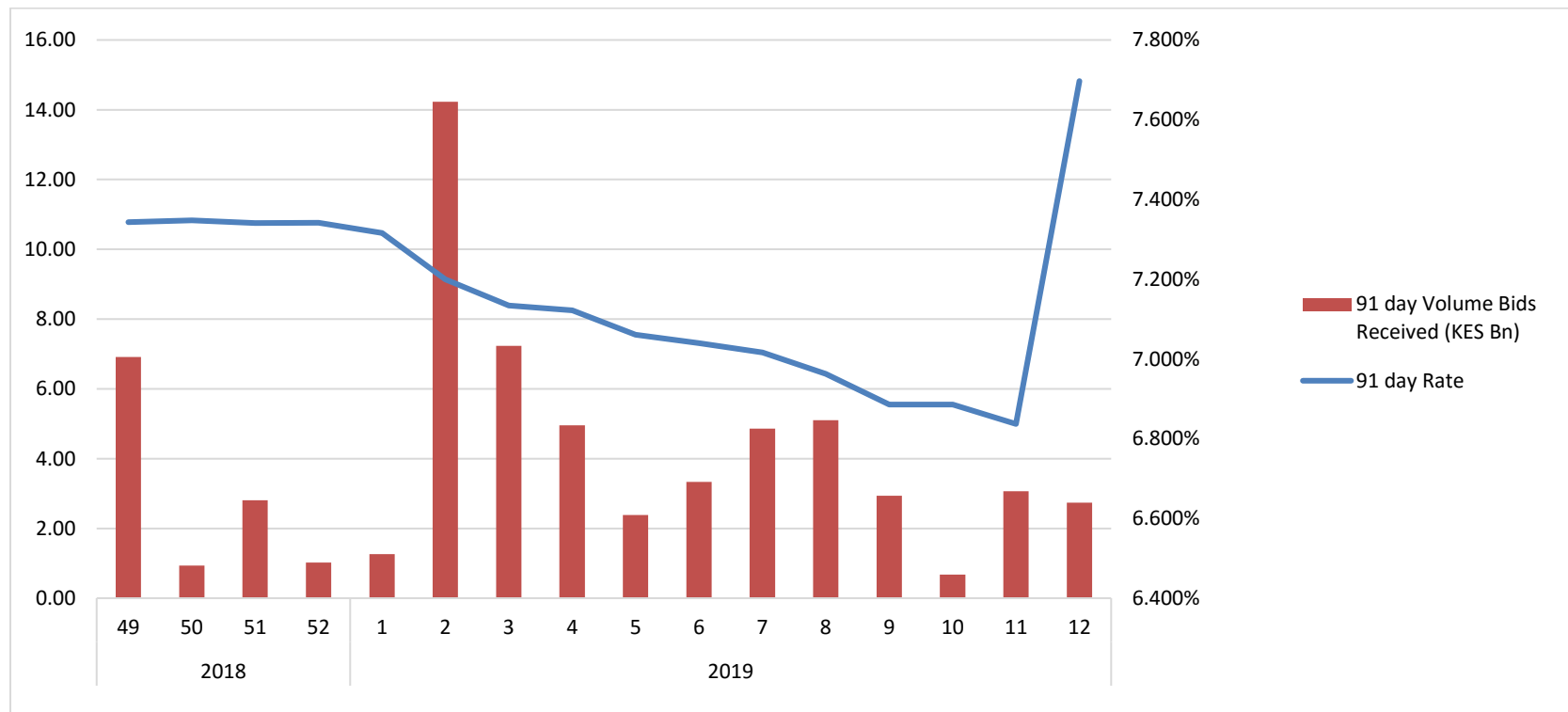
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	121,434,900	110,371,200	10.0%
Total Turnover (KES)	3,460,707,393	3,068,538,247	12.8%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	2.74Bn	68.39%	2.74Bn	7.697%	6.837%	0.860
182 day T-bill	9.06Bn	90.58%	5.61Bn	8.226%	8.270%	-0.044
364 day T-bill	35.93Bn	359.33%	26.63Bn	9.409%	9.439%	-0.030

Graph showing 91 day T-bill rate and volume

Week No. 12



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**IFB1/2019/25 Auction Results**

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Total Amount Offered	KES 50,000 million
Total Bids Received at Cost	KES 29,376 million
Performance Rate	58.75%
Amount Accepted	KES 16,303 million
Market Weighted Average Rate (%)	12.834%
Weighted Average Rate of Accepted Bids (%)	12.655%
Coupon Rate	12.20%

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Given the weak performance of the IFB1/2019/25, we believe that there is a high likelihood of a tap sale. This should provide an additional opportunity to participate in the IFB issue.

# Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Nairobi Securities Exchange	First & Final dividend	Kes.0.49	22-Mar-19	<b>30-May-19</b>	30-Jul-19
Standard Chartered Bank Kenya	Final dividend	Kes.14.00	22-Mar-2019	<b>26-Apr-19</b>	23-May-19
Co-operative Bank of Kenya	First & Final dividend	Kes.1.00	21-Mar-19	<b>29-Apr-19</b>	07-Jun-19
Diamond Trust Bank Ltd	First & Final dividend	Kes.2.60	01-Mar-19	<b>24-May-19</b>	26-Jun-19
NIC Group Plc	First & Final dividend	Kes.1.25	21-Mar-19	<b>18-Apr-19</b>	06-May-2019
Standard Group Plc	First & Final dividend	Kes.0.60	18-Mar-19	<b>Subject to Approval</b>	Subject to Approval
CIC Insurance Group Plc	First & Final dividend	Kes.0.13	11-Mar-19	<b>30-Apr-19</b>	31-May-19
Barclays Bank of Kenya Ltd	Final dividend	Kes.0.90	11-Mar-19	<b>30-Apr-19</b>	29-May-19
KCB Group PLC	Final dividend	Kes.2.50	06-Mar-19	<b>29-Apr-19</b>	Subject to Approval
Stanbic Holdings PLC	Final dividend	Kes.3.55	01-Mar-19	<b>10-May-19</b>	Subject to Approval
BAT Kenya PL	Final dividend	Kes.31.50	14-Feb-19	<b>14-Mar-19</b>	10-May-19
East African Breweries Ltd	Interim dividend	Kes.2.50	25-Jan-19	<b>22-Feb-19</b>	11-Apr-19
I&M Holdings Plc	Interim dividend	Kes.3.90	31-Dec-18	<b>28-Feb-19</b>	23-May-19
Car & General Ltd	Final dividend	Kes.0.80	27-Dec-18	<b>18-Feb-19</b>	25-Mar-19

# Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 22nd March 2019
KCB Group	Long-term Buy	55.00	34.00	19.4%	44.70
Equity Group Holdings	Long-term Buy	57.00	33.40	24.8%	43.50
Bamburi Cement	Hold	190.00	117.00	-1.9%	130.00
Safaricom	Hold	33.50	21.00	26.8%	28.15
EABL	Hold	270.00	160.00	17.7%	205.75
Jubilee Holdings	Buy	540.00	355.25	3.6%	419.50
Barclays Bank of Kenya	Hold	13.50	9.50	9.1%	11.95
Diamond Trust Bank	Hold	220.00	130.00	-13.4%	135.50
Cooperative Bank	Long-term Buy	20.00	12.65	8.7%	15.55
KenGen	Long-term Buy	9.21	5.10	-20.2%	5.60
Britam Holdings	Hold	15.85	9.00	-6.2%	9.38
Centum	Long-term Buy	47.00	22.50	9.4%	32.00
NBK	Sell	9.65	4.05	-7.0%	4.95
Mumias	Sell	0.95	0.49	-10.3%	0.52

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](#):

To join our Telegram channel, please click [here](#):

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