

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 153.29	-4.3%	9.2%	USD Mn – 22,494 KES Bn – 2,291
	NSE 20 Share Index - 2,757.04	-1.5%	-2.7%	USD Mn – 19,421 KES Bn – 1,978
	NSE 25 Share Index - 3,777.82	-4.1%	6.4%	USD Mn – 21,091 KES Bn – 2,148
NIGERIA	ASI- 28,847.81	-1.2%	-8.2%	USD Mn – 35,374 NGN Bn – 10,842
*EGYPT	EGX100- 1,579.78	-4.7%	-8.5%	USD Mn – 42.76 EGP Bn – 766.0
SOUTH AFRICA	All share – 56,496.08	-3.9%	7.1%	USD Mn – 940.72 ZAR Bn – 12,764

Source: NSE, JSE, NSE (Nigeria), \*EGX100- figures used are as at 9<sup>th</sup> May 2019

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –101.13	0.4%	0.7%	6.6%(04/2019)	6.3%(FY2018)
NGN/USD-306.50	-	-	11.3%(03/2019)	2.4%(3Q2018)
*EGP/USD –17.13	0.3%	4.4%	13.0%(04/2019)	5.3%(3Q2018)
ZAR/USD – 14.25	2.0%	-5.1%	4.5%(03/2019)	0.8%(FY2018)

Source: CBK, ZAR, CBN, KNBS, NBS, \*EGP- figures used are as at 9<sup>th</sup> May 2019

## Equity Posts a 4.9% y/y growth in After Tax Profits for 1Q2019

Equity Group registered a 4.9% y/y increase in after tax profits for 1Q2019 to KES 6.2 billion from KES 5.9 billion reported in 1Q2018. The performance was characterized by growth in both net interest income and non-funded income and a rise in operating expenses. Total interest income grew by 6.5% y/y to KES 13.5 billion, primarily driven by a surge in interest income from government securities and loans and advances. Interest income from government securities grew by 11.9% y/y to KES 4.1 billion owing to a 13.0% y/y growth in the group's holding of government securities to KES 169.7 billion. Interest income from loans and advances surged by 3.5% y/y to KES 9.1 billion due to a 12.7% y/y increase in net loans and advances to customers to KES 305.5 billion. Yield on government securities fell 70bps to 10.0% in 1Q2019. According to the company, the decline was compensated by an increase in mark-to-market gains (109.7% y/y) to KES 1.42 billion (1Q2018: KES 0.7 billion). Yield on loans and advances dipped by 70 bps to 12.1%. Total interest expenses edged up by 7.4% y/y to KES 3.1 billion predominantly driven by a 6.7% y/y growth in interest expenses from customer deposits to KES 2.5 billion. The rise in interest expense on customer deposits was on the back of a 12.2% y/y increase in customer deposits to KES 428.5 billion. However, cost of funds and cost of deposits both declined marginally by 10 bps to 2.6% and 2.5% respectively. Consequently, net interest income edged up by 6.3% y/y to KES 10.4 billion. Net interest margin declined by 20 bps to 8.2% due to the slower growth in net interest margin compared to interest earning assets.

Non-funded income grew by 6.9% y/y to KES 7.2 billion mainly due to a 7.9% y/y increase in other fees and commissions to KES 3.4 billion. The growth in other fees and commissions was supported by a growth in bond trading income (+9.2% y/y to KES 450.0 million), forex trading income (+22.2% to KES 819.0 million) and an increase in gross merchant commission (+15.0% to KES 523.0 million). The growth in merchant commissions was supported by the growth in Visa market share to 42.0% from 38.0% in 1Q2018 while forex trading income was supported by increased diaspora remittances. Consequently, the proportion of non-funded to

total income increased by 20 bps to 40.8%. Operating expenses edged up by 7.0% y/y to KES 8.8 billion. The growth in expenses was mainly due to a 13.0% y/y increase in other expenses (particularly due to IT related expenses) to KES 3.9 billion. The Cost to Income I ratio (Exl. provisions) remained flat at 47.5%. Loan loss provisions edged up by 14.3% y/y to KES 409.9 million as gross non-performing loans grew by 62.3% y/y to KES 29.4 billion. Consequently, the NPL ratio increased to 9.0% (1Q2018: 6.3%). The growth in non-performing loans was attributed to a challenging business environment in Tanzania (owing to a ban on raw cashew nut exports and government's relocation to Dodoma) as well an increase in non-performing loans in the SME and large enterprise sectors in Kenya.

The bank is keen on growing non-funded income in Tanzania (for instance, through merchant commission) and improving the quality of its loan book (lend less to the real estate sector and focus more on other sectors such as the consumer sector). In 1Q2019, the bank's subsidiaries contributed 17.0% to the profits before tax (KES 1.5 billion). The bank is in the process of acquiring four banks from Atlas Mara. The move will see it expand its operations in Tanzania and Rwanda (through merging with existing subsidiaries) and enter into Zambia and Mozambique markets. The acquisitions are part of its strategy to operate in fifteen countries by FY2024. We opine that the acquisition of the four new banks will help build economies of scale for the bank.

Going forward, the bank is focused on lending more to customers and investing less in government securities (due to the decline in the yield on government securities). However, as mentioned in our FY2018 results commentary, we opine that this shift will see an increase in the bank's cost of risk. Additionally, the bank is collaborating with Safaricom to enhance customer access to financial services, a partnership which it expects will grow its non-funded income.

### Stock Market Performance and Outlook

The overall market eased by 3.0% w/w to close the week at KES 153.29 characterized by a decline in trading activity. The decline in index was due to price declines on majority of the actively traded counters. Some of the notable declines were on; Equity (-3.5% w/w), Safaricom (-4.4% w/w) and EABL (-5.3% w/w). We attribute this to investor concerns on the domestic and global macro-economic outlook. Domestically, concerns are on the uncertainty in rainfall patterns which may create economic shocks and derail growth. Internationally, concerns are on the impact of the trade wars between the US and China, particularly in emerging and frontier markets (This is likely to derail global growth). Consequently, investors are likely to invest more in safe haven assets.

We opine that the price declines create attractive entry points on fundamentally sound counters such as KCB, Equity and Safaricom. We therefore recommend investors to accumulate **(cautiously)** these counters. (Download our Market recommendations report [here](#))

# 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	40.50	8.1%	-1.9%	6,143,700	48.7%	5.18	8.6%	1.09	21.9%
Equity Bank	39.15	12.3%	-6.7%	12,610,600	52.2%	7.45	5.1%	1.56	21.1%
NIC Bank	30.95	11.3%	-5.4%	667,200	46.3%	4.68	4.0%	0.56	12.1%
Stanbic	102.00	12.4%	0.2%	47,000	50.2%	6.42	5.7%	0.90	14.3%
National Bank	4.42	-16.9%	-8.1%	130,700	92.0%	213.68	0.0%	0.21	0.1%
Barclays Bank	10.65	-2.7%	0.9%	1,974,800	54.2%	7.80	10.3%	1.31	17.1%
Housing Finance	4.33	-21.8%	8.3%	2,955,300	107.7%	<b>N/M</b>	0.0%	0.15	-5.5%
Co-operative Bank	12.50	-12.6%	-0.4%	4,818,400	54.6%	5.76	8.0%	1.05	18.2%
Diamond Trust Bank	122.00	-22.0%	0.4%	241,400	45.2%	4.82	2.1%	0.64	13.9%
Standard Chartered	192.75	-0.9%	-3.1%	182,500	51.8%	8.18	9.9%	1.42	17.5%
I&M	118.75	39.7%	-3.7%	100,800	36.6%	5.77	3.3%	1.03	17.9%
<b>Sector Average</b>					<b>58.1%</b>	<b>26.97</b>	<b>5.2%</b>	<b>0.90</b>	<b>13.5%</b>

## P/B (X) - FY2018

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	3.75	-57.9%	-16.7%	256,400	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	57.00	-16.8%	-0.9%	18,100	8.26	17.5%	6.9	13.2%
WPP Scangroup	17.50	25.0%	-4.1%	1,977,600	15.63	2.9%	1.12	7.1%
Uchumi Supermarket	0.29	-63.8%	-23.7%	442,900	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	6.68	44.9%	2.5%	119,800	13.63	5.7%	0.49	13.1%
Eveready	0.95	-5.0%	-3.1%	13,300	0.75	105.3%	1.27	-35.3%
<b>Sector Average</b>					<b>9.57</b>	<b>5.2%</b>		<b>-0.5%</b>

\*N/M - Not Meaningful

<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	N/M	0.0%	-21.9%	-12.5%
Bamburi Cement	118.00	-10.9%	0.0%	762,900	48.16	4.3%	1.6%	0.5%
E.A. Portland Cement	16.80	5.0%	0.0%	100	N/M	0.0%	19.3%	25.0%
<b>Sector Average</b>					<b>48.16</b>	<b>1.4%</b>		<b>4.3%</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	6.16	-12.3%	-1.3%	2,153,500	5.13	6.5%	1.20	4.2%
Kenya Power	3.93	-3.4%	-2.5%	4,160,100	4.01	0.0%	0.98	3.0%
Total Kenya	28.00	1.8%	-3.4%	14,500	7.63	4.6%	3.67	10.5%
<b>Sector Average</b>					<b>5.59</b>	<b>3.2%</b>		<b>3.6%</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	3.59	-7.0%	6.8%	402,500	1.19	19.94	64.9%	49.0%
Britam	9.00	-10.0%	1.4%	189,800	0.82	37.50	67.6%	134.8%
Jubilee	410.00	1.3%	1.2%	3,500	1.13	7.81	92.0%	138.2%
Kenya Re	10.95	-21.5%	0.9%	105,400	0.27	2.14	62.2%	106.7%
Sanlam Kenya	18.90	-14.1%	-0.5%	109,500	2.05	90.00	95.4%	149.7%
Liberty	9.52	-26.2%	-3.8%	20,300	0.69	6.03	66.5%	66.5%
<b>Sector Average</b>					<b>0.88</b>	<b>9.57</b>	<b>74.7%</b>	<b>107.5%</b>

DISCLAIMER: The information contained herein is obtained from sources, which to the best of our knowledge are deemed reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

<b>Investment 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>P/B(X)</b>	<b>NAVPS**</b>	<b>EPS (KES)</b>	<b>ROE</b>
Centum Investment	31.70	8.4%	0.6%	675,800	7.56	0.41	73.2	4.20	5.6%
Home Afrika Ltd	0.59	-15.7%	3.5%	219,000	N/M	N/M	0.85	-0.39	2.6%
Trans-Century	3.32	374.3%	-8.5%	26,700	N/M	0.26	40.96	-1.56	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.34</b>			<b>4.3%</b>

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

<b>Investment Services</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>
NSE	12.95	-11.0%	3.2%	91,400	17.74	3.8%	0.73	9.3%
<b>Sector Average</b>					<b>17.74</b>	<b>3.8%</b>		

<b>Manufacturing &amp; Allied 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>
Mumias Sugar	0.31	-46.6%	-3.1%	2,451,500	N/M	0.0%	-4.43	-69.4%
EABL	208.75	19.5%	-5.6%	660,500	29.03	3.6%	7.19	61.4%
FTG Holdings	2.49	-0.4%	-4.2%	2,700	2.93	0.0%	0.85	22.3%
Carbacid	9.04	-9.6%	-1.7%	40,600	6.55	7.7%	1.38	14.6%
BAT	530.00	-26.9%	3.9%	35,500	15.89	4.9%	33.36	48.0%
<b>Sector Average</b>					<b>13.60</b>	<b>3.2%</b>		

<b>Telecommunication &amp; Technology 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>
Safaricom	27.45	23.6%	-6.2%	19,378,500	17.37	6.8%	1.58	44.1%
<b>Sector Average</b>					<b>17.37</b>	<b>6.8%</b>		

DISCLAIMER: The information contained herein is obtained from sources, which to the best of our knowledge are deemed reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

<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	8.42	-23.1%	-6.2%	546,200	11.86	8.91%	0.71
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

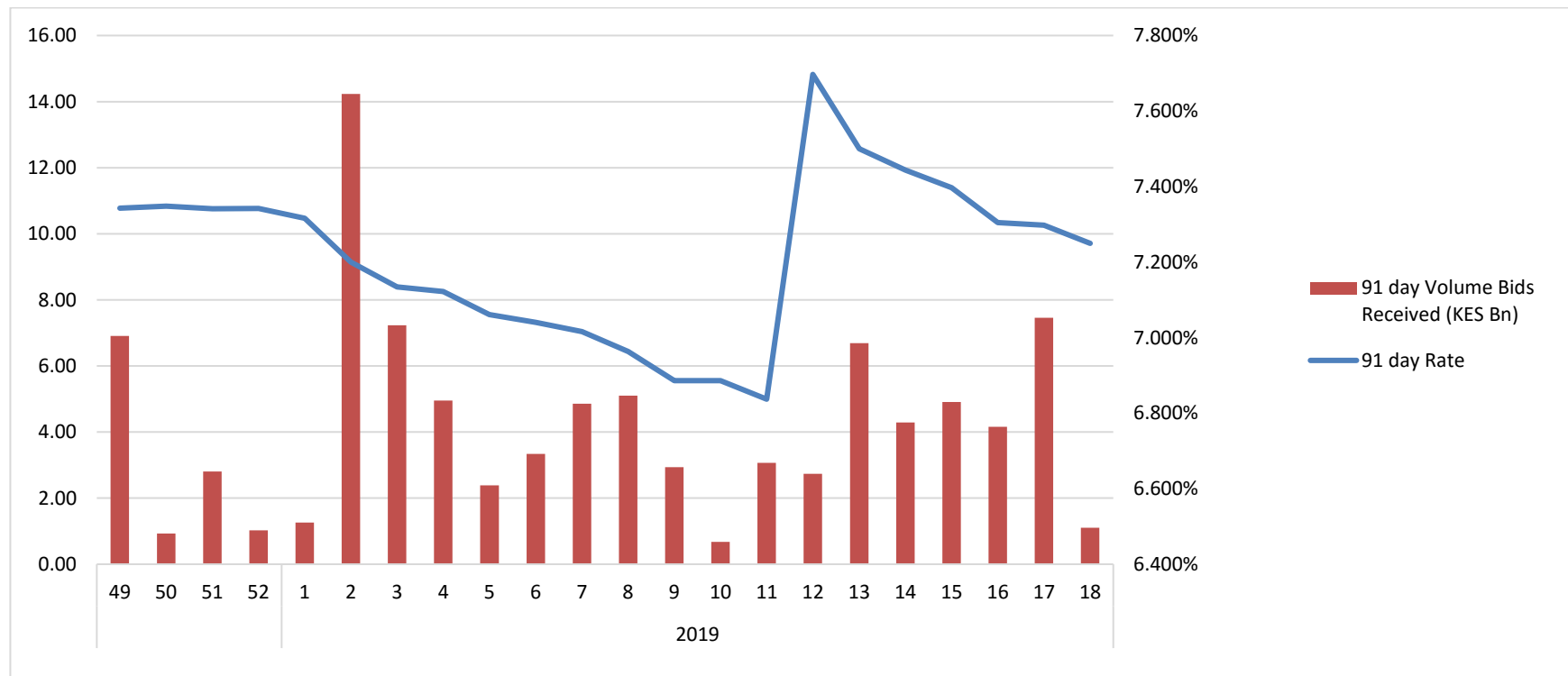
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	65,351,800	67,473,600	-3.1%
Total Turnover (KES)	1,856,452,323	1,903,347,015	-2.5%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	3.52Bn	87.99%	3.52Bn	7.196%	7.250%	-0.054
182 day T-bill	4.41Bn	44.07%	4.41Bn	7.897%	7.958%	-0.061
364 day T-bill	5.97Bn	59.680%	5.95Bn	9.320%	9.316%	-0.004

Graph showing 91 day T-bill rate and volume

Week No. 19



**DISCLAIMER:** The information contained herein is obtained from sources, which to the best of our knowledge are deemed reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

# Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
I&M Holdings Plc	Interim dividend	Kes.3.90	31-Dec-18	<b>28-Feb-19</b>	23-May-19
BAT Kenya PL	Final dividend	Kes.31.50	14-Feb-19	<b>14-Mar-19</b>	10-May-19
Limuru Tea Company Plc	First & Final dividend	Kes.1.00	25-Mar-19	<b>12-Apr-19</b>	03-Jun-19
NIC Group Plc	First & Final dividend	Kes.1.25	21-Mar-19	<b>18-Apr-19</b>	06-May-2019
Equity Group Holdings Plc	First & Final dividend	Kes.2.00	27-Mar-19	<b>26-Apr-19</b>	31-May-19
Standard Chartered Bank Kenya	Final dividend	Kes.14.00	22-Mar-2019	<b>26-Apr-19</b>	23-May-19
BOC Kenya Plc	Final dividend	Kes.2.85	09-Mar-19	<b>29-Apr-19</b>	26-Jul-19
Co-operative Bank of Kenya	First & Final dividend	Kes.1.00	21-Mar-19	<b>29-Apr-19</b>	07-Jun-19
KCB Group PLC	Final dividend	Kes.2.50	06-Mar-19	<b>29-Apr-19</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
Kakuzi Plc	First & Final dividend	Kes.9.00	29-Mar-19	<b>01-May-19</b>	30-Jun-19
WPP Scangroup Plc	Final dividend	Kes.1.00	11-Apr-19	<b>10-May-19</b>	10-Jun-19
WPP Scangroup Plc	Special dividend	Kes.3.00	11-Apr-19	<b>10-May-19</b>	10-Jun-19
I&M Holdings Plc	Bonus Issue	Bonus Issue of 1:1	27-Mar-19	<b>10-May-19</b>	23-May-19
Stanbic Holdings PLC	Final dividend	Kes.3.55	01-Mar-19	<b>10-May-19</b>	Subject to Approval
Bamburi Cement Ltd	Final dividend	Kes.4.10	15-Apr-19	<b>17-May-19</b>	12-Jul-19
Diamond Trust Bank Ltd	First & Final dividend	Kes.2.60	01-Mar-19	<b>24-May-19</b>	26-Jun-19
Nairobi Securities Exchange	First & Final dividend	Kes.0.49	22-Mar-19	<b>30-May-19</b>	30-Jul-19
Nation Media Group Ltd	Final dividend	Kes.3.50	18-Apr-2019	<b>14-Jun-19</b>	30-Jul-19
Kenya Reinsurance Corporation Ltd	First & Final dividend	Kes.0.45	29-Mar-19	<b>17-Jun-19</b>	26-Jul-19
Jubilee Holdings Ltd	Final dividend	Kes.8.00	26-Apr-19	<b>25-Jun-19</b>	25-Jul-19
TPS Eastern Africa Ltd	Final dividend	Kes.0.35	26-Apr-2019	<b>25-Jun-19</b>	25-Jul-19
Umeme Ltd	Final dividend	Ushs.28.20	25-Mar-19	<b>25-Jun-19</b>	15-Jul-19
Total Kenya Plc	First & Final dividend	Kes.1.30	28-Mar-19	<b>26-Jun-19</b>	22-Jul-19
Standard Group Plc	First & Final dividend	Kes.0.60	18-Mar-19	<b>Subject to Approval</b>	Subject to Approval
Safaricom Plc	Special dividend	Kes.0.62	03-May-19	<b>(Subject to Approval)</b>	(Subject to Approval)
Safaricom Plc	First & Final dividend	Kes.1.25	03-May-19	<b>(Subject to Approval)</b>	(Subject to Approval)



# Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 10th May 2019
KCB Group	Long-term Buy	52.00	34.00	8.14%	40.50
Equity Group Holdings	Long-term Buy	53.50	33.40	12.34%	39.15
Cooperative Bank	Long-term Buy	20.00	12.40	-12.59%	12.50
I&M	Hold	125.00	81.00	39.71%	118.75
Barclays Bank of Kenya	Hold	12.75	9.50	-2.74%	10.65
Diamond Trust Bank	Hold	205.00	109.00	-22.04%	122.00
NBK	Hold	7.90	4.05	-16.92%	4.42
Jubilee Holdings	Buy	535.00	355.25	1.30%	410.00
Bamburi Cement	Hold	190.00	112.50	-10.94%	118.00
Safaricom	Under Review	30.50	21.00	23.65%	27.45
EABL	Hold	252.00	160.00	19.46%	208.75
KenGen	Trading	8.15	5.10	-12.25%	6.16
Mumias	Sell	0.90	0.29	-46.55%	0.31
Centum	Long-term Buy	41.00	22.50	8.38%	31.70

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](#):

**ANALYSTS:**

**Samuel Njihia**

E-mail: [samuel.njihia@fib.co.ke](mailto:samuel.njihia@fib.co.ke)

**Ivy Barongo**

E-mail: [ivy.barongo@fib.co.ke](mailto:ivy.barongo@fib.co.ke)

**John Jumwa**

Email: [john.jumwa@fib.co.ke](mailto:john.jumwa@fib.co.ke)



**HEAD OFFICE:**

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