

## Kenya Shilling Performance

KES	Value	Daily Change %	YTD Change %
US Dollar	106.8000	(0.1%)	(5.4%)
STG Pound	130.7753	(0.6%)	1.6%
EURO	116.9862	(1.4%)	(3.2%)

Source: CBK; Negative () =Depreciation, Positive=Appreciation

## Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	139.94	(0.5%)	(15.9%)
NSE 20	2,009.15	0.1%	(24.3%)
NSE 25	3,282.63	(0.4%)	(19.9%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	2,138.89	2,150.18	(0.5%)
Number of Shares Traded (Q)	9,630,400	19,237,200	(49.9%)
Equity Turnover (KES)	264,451,724	584,778,874	(54.8%)
Foreign Buys (%)	88.8%	51.4%	
Foreign Sells (%)	88.5%	62.5%	
Foreign Participation (%)	88.7%	57.0%	

Source: NSE

## Equities Performance

Top Gainers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. Kenya Airways	2.61	9.7%	27.3%	408,300
2. NBV	0.53	8.2%	(24.3%)	600
3. Umeme	7.40	7.9%	(10.6%)	46,300
4. E.A.Cables	1.89	6.8%	(24.4%)	5,300
5. Britam	6.80	6.3%	(24.4%)	28,000

Top Losers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. BK Group	18.60	(9.9%)	(33.6%)	2,629,200
2. STANLIB FAHARI	6.62	(6.0%)	(29.7%)	79,600
3. NSE	8.14	(2.9%)	(34.1%)	26,300
4. WPP Scangroup	16.65	(2.1%)	(3.2%)	2,100
5. DTB	74.00	(1.7%)	(32.1%)	13,100

Movers	Turnover (KES)	Volume (KES)	Price (KES)
1. Safaricom	108,152,600	3,729,400	29.00
2. EABL	81,695,600	501,200	163.00
3. BK Group	48,903,120	2,629,200	18.60
4. Equity Group	8,559,680	232,600	36.80
5. Absa Bank	4,106,850	393,000	10.45

Source: NSE

## Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD Change %
KCB Group	Long-term Buy	37.05	(1.5%)	(31.4%)
Equity Group	Long-term Buy	36.80	(0.5%)	(31.2%)
Absa Kenya	Long-term Buy	10.45	(0.5%)	(21.7%)
Stanbic Holdings	Long-term Buy	84.00	(1.5%)	(23.1%)
NCBA	Long-term Buy	27.55	1.7%	(25.2%)
StanChart	Sell	173.00	0.4%	(14.6%)
Safaricom	Hold	29.00	(0.7%)	(7.9%)
Bamburi	Sell	44.25	(0.7%)	(44.7%)

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

## Bonds Performance

	Today	Previous	Daily Change %
Total Deals	77	80	(3.8%)
Bond Turnover	1,908,764,289	1,982,581,659	(3.7%)

## Actively Traded Bonds

GOK Bonds	Fixed Rate %	Traded Yield %	Value Traded (Mn)	DTM
FXD1/2014/10	12.1800	11.2000	500.0	1,335
FXD1/2009/15	12.5000	10.9000	300.0	1,601
IFB1/2018/20	11.9500	12.7500	200.0	6,732

Source: NSE; DTM = Days to Maturity

## News Highlights

### NCBA Posts KES 1.6 Bn In After Tax Profits For 1Q2020

- NCBA Group realized after tax profits of KES 1.6 bn in 1Q2020.
- The group's profitability was underpinned by robust operating income which stood at KES 10.9 bn and improved operational efficiencies; the group's cost-to-income ratio stood at 41.5% (lower than CBA's 53.9% and NIC's 47.6% in 1Q20219).
- According to management, the group's cost-to-income ratio largely benefitted from synergies unlocked from the merger (branch optimization, integration of support functions as well as IT integration and optimization).
- The group's customer deposits which grew by 3.2% q/q from KES 378.2 bn in FY2019 to KES 390.5 bn 1Q2020, was mostly channeled towards:
  - Lending in the interbank market: cash and balances with central banks and commercial banks (+16.3% q/q to KES 73.0 bn) and
  - Government and investment securities (+5.9% q/q to KES 154.7 bn)
- NCBA's loan book contracted by 1.4% q/q to KES 245.9 bn as the group adopted a cautious lending strategy amidst a slowdown in loan origination due to the COVID-19 pandemic.
- Asset quality deteriorated further in 1Q2020; NPL ratio rose to 14.1% from 12.1% as at the end of FY2019 and this was attributable predominantly to legacy accounts (prior merger accounts).

### Commentary

- Going forward, we expect NCBA group to continue to focus on investing in government & investment securities (lending to the government) as well as cash holdings (lending in the inter-bank market) in order to mitigate against the asset quality risks brought on by the COVID-19 pandemic.
- Consequently, we expect to see low loan book growth in 2H2020.
- Additionally, given the nature of the group's asset quality (legacy accounts, whose recoveries are quite slow) coupled with the high credit risk environment, we do not expect much improvement in asset quality in the short-term.



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### Recommendations Guide

**LONG-TERM BUY:** The Company has strong fundamentals. However, there are certain investments or strategies that would require an investor to have a long-term view of the company to allow for capital appreciation. Also, the company may be facing headwinds which we view as short term

**BUY:** Strong fundamentals. Minimal risks to the catalysts/growth drivers

**NEUTRAL:** This is where the positives and negatives in a company almost balance out. You can accumulate for the long term.

**SELL:** Deteriorating fundamentals. Risks outweigh the catalyst/growth driver

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