

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 148.33	-0.4%	5.6%	USD Mn – 21,890 KES Bn – 2,260
	NSE 20 Share Index - 2,586.68	-2.5%	-8.7%	USD Mn – 20,347 KES Bn – 2,100.441
	NSE 25 Share Index - 3,581.81	-0.7%	0.9%	USD Mn – 18,967 KES Bn – 1,957.969
NIGERIA	ASI- 27,630.46	-1.0%	-12.1%	USD Mn – 43,881 NGN Bn – 13,465
EGYPT	EGX100*- 1,359.91	-1.2%	-21.3%	USD Mn – 43.320 EGP Bn – 717.620
SOUTH AFRICA	All share – 57,223.61	-0.8%	8.5%	USD Mn – 731.632 ZAR Bn – 10,762

Source: NSE, JSE, NSE (Nigeria), \*EGX100-as at 1<sup>st</sup> August 2019

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –103.23	0.5%	-1.5%	6.3%(06/2019)	5.6%(1Q2019)
NGN/USD* -306.85	-	-0.1%	11.4%(05/2019)	2.4%(3Q2018)
EGP/USD* –16.57	0.2%	7.5%	9.4%(06/2019)	5.3%(3Q2018)
ZAR/USD – 14.71	-3.9%	-8.4%	4.5%(06/2019)	0.8%(FY2018)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and EGP\*-as at 31<sup>st</sup> & 1<sup>st</sup> August 2019

## Equity Posts a 9.1% y/y Growth in After Tax Profits for 1H2019

Equity Group Holdings realized an after tax profit of KES 12.0 billion for 1H2019, reflecting a 9.1% y/y growth from KES 11.0 billion recorded in 1H2018. The group's growth was mainly underpinned by a 25.6% y/y growth in non-funded income to KES 16.5 billion mainly attributed to an 80.7% y/y growth in other income to KES 4.7 billion. We opine that this was majorly due to the group's strategy to diversify their non-funded income revenue streams, which has seen non funded income contribute 44.0% of total income (1H2018: 40.2%).

Interest income from loans grew by 8.9% y/y to KES 18.6 billion mainly driven by the loan book growth (+16.7% y/y to KES 320.9 billion) as the annualized yield on loans remained relatively flat at 12.1% (1H2018: 12.4%). The group's portfolio of government securities registered a 13.0% y/y growth to KES 179.6 billion as the group continues to focus less on government securities due to the downward trend on the yield curve; the group's yield on government securities shed 100 bps to 10.0%. Total interest income registered a 9.2% y/y growth to KES 27.6 billion.

Total interest expenses edged up 14.3% y/y to KES 6.6 billion. This was mainly driven by an 11.1% y/y rise in interest expenses arising from customer deposits to KES 5.2 billion owing to a 16.5% y/y rise in customer deposits to KES 458.6 billion, as cost of deposits remained relatively flat at 2.4%. Given the faster growth in total interest income relative to total interest expenses, net interest income rose by 7.6% y/y to KES 19.6 billion. The NIM for the period stood at 8.0% (1H2018: 8.3%). Operating expenses (excl. provisions) grew by 19.5% y/y to KES 19.7 billion (largely lifted by other expenses; +30.0% y/y to KES 10.1 billion), resulting in a cost-to-income ratio (excluding provisions) of 52.4% (1H2018: 50.4%). The group's NPL ratio deteriorated to 8.4% (1H2018: 8.6%), reflecting a 19.6% y/y increase in gross NPLs to KES 29.2 billion.

We expect the group to continue focusing on lending to the private sector lending in lieu of investing in government securities as the yield curve continues to decline.

### **CIC Group Posts a 96.1% y/y Decline in After Tax Profits for 1H2019**

CIC Group recorded a 96.1% y/y decline in after tax profits for 1H2019 to KES 20.9 million (1H2018: KES 537.1 million). The considerable decline in profitability was attributed to a 7.9% y/y rise in net claims and policy holders' benefits to KES 5.0 billion, which the company attributed to adverse claims in group life in the 1Q2019. Gross written premiums grew by 6.8% y/y to KES 9.6 billion with general insurance contributing 63.0% of the gross written premiums.

Net earned premiums remained flat at KES 7.1 billion, while investment and other income eased by 1.0% y/y to KES 1.6 billion owing to a subdued investment horizon and yield curve deterioration. Overall, total income remained relatively flat at KES 8.7 billion. Total expenditure rose by 6.6% y/y to KES 8.3 billion (1H2018: KES 7.7 billion)- driven mainly by the higher claims as well as higher operating expenses which edged up by 4.5% y/y to KES 3.2 billion. This led to a higher expense ratio of 116.1% from 109.3% in 1H2018.

Going forward, we expect CIC group to focus on advancing its diversification strategy in its life business and on minimizing fraudulent claims (especially within the general business).

### **Kenya Re Posts a 12.5% y/y Decline in After Tax Profit for H12019**

Kenya Reinsurance Corporation posted a 12.5% y/y decline in after tax profits for 1H2019 to KES 1.1 billion from KES 1.2 billion recorded in 1H2018. The decline in profitability was attributed to a 47.5% y/y surge in gross claims to KES 1.7 billion and negative changes in unearned premiums that amounted to KES 836.2 million. According to the company, the surge in gross claims was occasioned by the occurrence of several notable adverse events; Dusit D2 terror attack (KES 44.0 million), Ethiopian Airline crash (KES 41.8 million), Standard Group claims (KES 72.5 million) and Indian floods (KES 34.0 million). Gross written premiums rose by 39.9% y/y to KES 8.9 billion, which the company attributed to growing opportunities in the agricultural sector (contributing about KES 2.9 billion) and consistent, aggressive marketing efforts. Net earned premiums edged up by 16.6% y/y to KES 7.4 billion, weighed down by the negative changes in unearned premiums and a 49.9% y/y rise in retrocession premiums to KES 594.4 million. Investment income increased by 2.1% y/y to KES 1.9 billion driven by higher incomes from investment in government securities which comprise of 44.0% of the investment portfolio. Operating expenses rose by 23.0% y/y to KES 916.6 million on the back of forex losses, higher service charges and higher amortisation expenses spurred by the acquisition of new computer software. Provision for doubtful debts eased by 83.8% y/y to KES 100.7 million due improved collections compared to 1H2018. Income tax expense declined by 42.4% y/y to KES 303.5 million, following the use of a tax credit received in FY2018. We note

with concern on the rise in domestication in some of the company's markets (as Uganda, Zimbabwe, India, Ghana and Nigeria), which continues to mount competitive pressure on the company. However, we do remain optimistic on the company's ability to mitigate against this challenge; for instance Kenya Re is set to open a regional office (subsidiary) in Uganda with an aim of remaining competitive in that market. Going forward, we expect the company to focus on technological advancements, diversification of revenue streams, risk management and proactive response to customer needs.

### **Stock Market Performance and Outlook**

The overall market eased marginally by 0.4% w/w to close the week at 143.33 (NASI) characterized by a decline in trading activities - turnover and volumes. We attribute the slight decline in the index to price dips across the market. Counters with notable price declines include; Centum (-1.4% w/w), Kenya Re (-12.3% w/w), CIC (-7.9% w/w), Bamburi (-7.0% w/w), Kenya Airways (23.4% w/w) and I&M (-1.9% w/w). Foreign demand and supply was relatively balanced during the week while local activity continued to remain subdued. 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)	ROE
KCB	40.00	6.8%	0.3%	6,473,800	48.7%	5.11	8.8%	1.08	21.9%
Equity Bank	40.45	16.1%	0.2%	7,483,900	52.2%	7.70	4.9%	1.61	21.1%
NIC Bank	29.35	5.6%	-1.8%	1,672,900	46.3%	4.44	4.3%	0.53	12.1%
Stanbic	98.50	8.5%	0.0%	3,300	50.2%	6.20	5.9%	0.87	14.3%
National Bank	3.87	-27.3%	-0.3%	127,900	92.0%	187.09	0.0%	0.19	0.1%
Barclays Bank	10.70	-2.3%	2.4%	800,500	54.2%	7.84	10.3%	1.31	17.1%
Housing Finance	4.06	-26.7%	1.5%	99,500	107.7%	<b>N/M</b>	0.0%	0.14	-5.5%
Co-operative Bank	11.95	-16.4%	-1.2%	8,048,100	54.6%	5.51	8.4%	1.00	18.2%
Diamond Trust Bank	114.00	-27.2%	0.0%	305,400	45.2%	4.50	2.3%	0.59	13.9%
Standard Chartered	197.00	1.3%	0.5%	212,100	51.8%	8.36	9.6%	1.45	17.5%
I&M	52.00	-38.8%	-1.9%	70,900	36.6%	2.53	7.5%	0.45	17.9%
<b>Sector Average</b>					<b>58.1%</b>	<b>23.93</b>	<b>5.6%</b>	<b>0.84</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	3.15	-64.6%	-23.4%	347,100	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	45.15	-34.1%	-2.0%	82,400	6.54	22.1%	6.9	13.2%
WPP Scangroup	12.75	-8.9%	6.3%	168,300	11.38	3.9%	1.12	7.1%
Uchumi Supermarket	0.35	-56.3%	-2.8%	375,100	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	7.44	61.4%	-7.7%	116,800	15.18	5.1%	0.49	13.1%
Eveready	1.07	7.0%	0.0%	74,100	0.84	93.5%	1.27	-35.3%
<b>Sector Average</b>					<b>8.49</b>	<b>6.2%</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	106.00	-20.0%	-7.0%	989,300	43.27	4.8%	1.6%	0.5%
E.A. Portland Cement	14.80	-7.5%	3.5%	200	N/M	0.0%	19.3%	25.0%
<b>Sector Average</b>					<b>43.27</b>	<b>1.6%</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	6.00	-14.5%	0.0%	3,524,700	5.00	6.7%	1.20	4.2%
Kenya Power	3.93	-3.4%	-1.8%	1,203,900	4.01	0.0%	0.98	3.0%
Total Kenya	28.50	3.6%	-0.5%	5,100	7.77	4.6%	3.67	10.5%
<b>Sector Average</b>					<b>5.59</b>	<b>3.3%</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	3.28	-15.0%	-7.9%	741,600	1.09	18.22	64.9%	49.0%
Britam	7.84	-21.6%	0.0%	386,300	0.71	32.67	67.6%	134.8%
Jubilee	373.00	-7.8%	0.8%	37,600	1.03	7.10	92.0%	138.2%
Kenya Re	3.41	-75.6%	-12.3%	3,299,100	0.08	0.67	62.2%	106.7%
Sanlam Kenya	17.55	-20.2%	-9.5%	119,400	1.90	83.57	95.4%	149.7%
Liberty	10.80	-16.3%	2.9%	15,900	0.78	6.84	66.5%	66.5%
<b>Sector Average</b>					<b>0.88</b>	<b>9.57</b>	<b>74.7%</b>	<b>107.5%</b>

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<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	32.45	10.9%	-1.4%	284,400	28.97	0.41	79	1.12	1.5%
Home Afrika Ltd	0.52	-25.7%	-14.8%	666,000	<b>N/M</b>	<b>N/M</b>	0.85	-0.39	2.6%
Trans-Century	3.62	417.1%	9.7%	12,200	<b>N/M</b>	0.29	40.96	-1.56	4.7%
<b>Sector Average</b>					<b>N/M</b>	0.35			<b>2.9%</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	11.05	-24.1%	-4.3%	70,000	15.14	4.4%	0.73	9.3%
<b>Sector Average</b>					<b>15.14</b>	<b>4.4%</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	0.35	-39.7%	0.0%	679,200	<b>N/M</b>	0.0%	-4.43	-69.4%
EABL	204.00	16.7%	0.4%	1,625,700	18.17	4.2%	11.23	82.8%
FTG Holdings	2.50	0.0%	-6.4%	23,500	2.94	0.0%	0.85	22.3%
Carbacid	9.08	-9.2%	1.6%	40,600	6.58	7.7%	1.38	14.6%
BAT	514.00	-29.1%	0.4%	493,000	15.41	5.1%	33.36	48.0%
<b>Sector Average</b>					<b>10.77</b>	<b>3.4%</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	27.60	24.3%	0.0%	22,446,800	17.47	6.8%	1.58	44.1%
<b>Sector Average</b>					<b>17.47</b>	<b>6.8%</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	8.54	-22.0%	-5.1%	73,600	12.03	8.78%	0.71
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

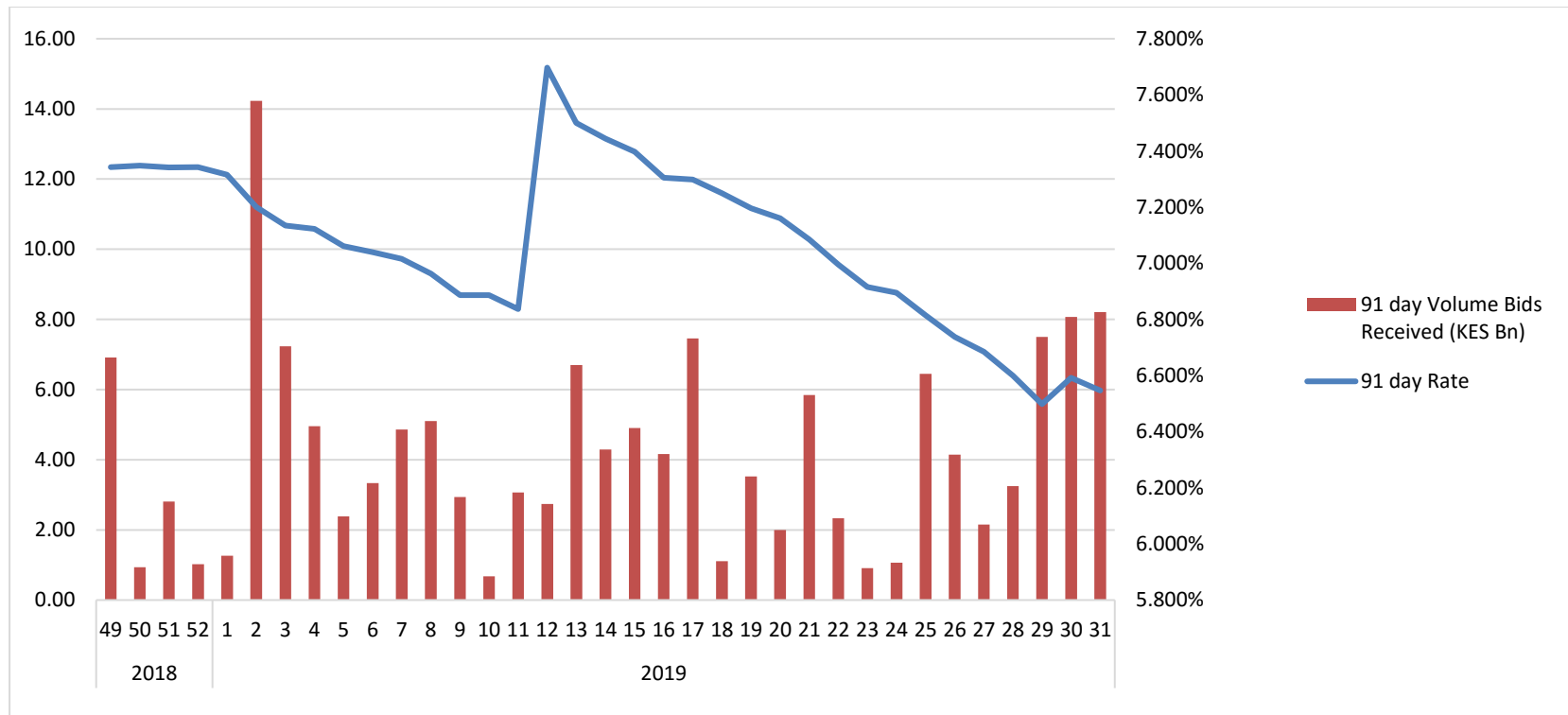
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	64,240,600	91,708,900	-30.0%
Total Turnover (KES)	2,217,711,721	2,696,793,134	-17.8%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	8.21Bn	205.23%	8.21Bn	6.547%	6.592%	-0.045
182 day T-bill	7.76Bn	77.55%	3.91Bn	7.254%	7.365%	-0.111
364 day T-bill	17.04Bn	170.42%	11.89Bn	9.038%	8.988%	0.050

Graph showing 91 day T-bill rate and volume

Week No. 31



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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	<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)
Liberty Kenya Holdings PLC	First & Final dividend	Kes. 0.50	17-May-19	<b>07-Jun-19</b>	(Subject to Approval)
Kenya Reinsurance Corporation Ltd	Bonus Issue	Bonus Issue of 3:1	13-May-19	<b>14-Jun-19</b>	(Subject to Approval)
Standard Group Plc	First & Final dividend	Kes.0.60	18-Mar-19	<b>21-Jun-19</b>	23-Aug-19
Crown Paints Kenya PLC	Final Dividend	Kes. 0.60	13-May-19	<b>28-Jun-19</b>	(Subject to Approval)
Kapchorua Tea (K) PLC	Final Dividend	Kes 10.00	28-Jun-19	<b>30-Jul-19</b>	(Subject to Approval)
Williamson Tea (K) PLC	Final Dividend	Kes. 20.00	28-Jun-19	<b>31-Jul-19</b>	(Subject to Approval)
BAT Kenya Ltd	Interim Dividend	Kes. 3.50	19-Jul-19	<b>19-Aug-19</b>	20-Sep-19
Safaricom Plc	Special dividend	Kes.0.62	03-May-19	<b>30-Aug-19</b>	01-Dec-19
Safaricom Plc	First & Final dividend	Kes.1.25	03-May-19	<b>30-Aug-19</b>	01-Dec-19
Centum PLC	First & Final dividend	Kes. 1.20	12-Jun-19	<b>(Subject to Approval)</b>	(Subject to Approval)
Eabl	Final Dividend	Kes. 6.00	26-July-19	<b>(Subject to Approval)</b>	(Subject to Approval)

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# Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 2nd August 2019
KCB Group	Long-term Buy	52.00	34.00	6.81%	40.00
Equity Group Holdings	Long-term Buy	53.50	32.50	16.07%	40.45
I&M	Hold	115.25	40.50	-38.82%	52.00
Barclays Bank of Kenya	Hold	12.75	9.50	-2.28%	10.70
Diamond Trust Bank	Hold	200.00	104.00	-27.16%	114.00
NBK	Hold	6.50	3.50	-27.26%	3.87
Jubilee Holdings	Long-term Buy	530.00	350.00	-7.84%	373.00
Bamburi Cement	Hold	190.00	105.50	-20.00%	106.00
Safaricom	Hold	30.50	21.00	24.32%	27.60
EABL	Hold	229.00	160.00	16.74%	204.00
KenGen	Trading	7.80	5.10	-14.53%	6.00
Mumias	Sell	0.90	0.27	-39.66%	0.35

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

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