

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 129.46	-0.9%	-22.2%	USD Mn – 18,351 KES Bn – 1,987.21
	NSE 20 Share Index – 1,743.58	-0.8%	-34.3%	USD Mn – 16,230 KES Bn – 1,731.289
	NSE 25 Share Index – 2,939.83	-1.7%	-28.3%	USD Mn – 17,247 KES Bn – 1,839.772

Source:NSE

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-W	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –108.2897	(0.3%)	(6.9%)	4.4% (07/2020)	4.9% (1Q2020)
NGN/USD -379.50*	-	(23.8%)	12.6% (06/2020)	2.3% (2019)
ZAR/USD – 17.4595	1.1%	(24.3%)	2.2% (06/2020)	-2.0%(1Q2020)

Source: CBK, KNBS, NBS, CBN, SIS, STATS SA, SARB: Negative ( ) – Depreciation, Positive – Appreciation \*8/13/2020

## Co-operative Bank Records a 3.6% Decline in After Tax Profits for 1H2020

- Co-operative (Co-op) Bank's after-tax profits for 1H2020 declined by 3.6% y/y to KES 7.2 billion from KES 7.5 billion registered in 1H2019. The decrease in profitability was on the back of higher operating expenses and lower non-interest income, leading to a higher cost to income(C/I) ratio.
- Total interest income edged up by 6.8% y/y to KES 21.8 billion. The growth was driven by a 12.1% y/y rise in interest income from government securities to KES 6.2 billion as the group's holding of government securities increased by 27.2% y/y to KES 123.3 billion.
- Interest income from loans and advances grew by 2.4% y/y to KES 15.0 billion as the loan book (net loans) grew by 5.7% y/y to KES 272.2 billion.
- Interest expense fell by 4.4% y/y to KES 5.9 billion on the back of a 4.7% y/y decrease in customer deposits expenses to KES 5.1 billion. Customer deposits rose up by 18.9% y/y to KES 384.6 billion. The cost of funds however dipped to 3.1% from 3.7%
- Net interest income increased by 11.6% y/y to KES 15.9 billion. The net interest margin rose to 8.0% from 7.7% in 1H2019.
- Total non-interest income fell by 5.1% y/y to KES 8.3 billion as fees and commission income dropped by 42.5% y/y to KES 614.2 million and other income declined by 63.1% y/y to KES 235.4 million. Non-interest income contribution decreased to 34.3% (1H2019: 38.0%).
- Loan loss provisions grew by 57.9% y/y to KES 1.9 billion. The cost of risk increased from 0.9% to 1.8%.
- Operating expenses (excluding provisions) grew by 11.3% y/y to KES 12.7 billion as staff costs increased by 15.5% y/y to KES 6.6 billion. The C/I ratio increased to 52.4% (1H2019: 49.6%).
- Gross non-performing loans increased by 12.3% y/y to KES 34.3 billion. Consequently, the NPL ratio edged up to 10.5% (1H2019: 10.0%)

## Commentary

- Co-op's performance was surprising (pleasantly) particularly in terms of non-performing loans ratio and the cost of risk. Given the prevailing economic conditions, we expected worse.
- We will issue an update with our recommendation after the analyst briefing which is slated for 18<sup>th</sup> August 2020.

## Market Commentary

The All Share and NSE 20 Indices retreated by 0.9% and 0.8% w-o-w to close the week at 129.46 and 1,743.58 respectively. Market turnover declined by 43.1% to KES 1.6 billion compared to the previous week while the number of shares traded declined by 47.0% to 69.0 million shares. Activity in the week was skewed towards Safaricom and banking sector (as banks began releasing their 1H2020 financial results). In the banking sector, notable price gains were recorded on HF (+7.5% to KES 4.00), Co-op (+5.3% to KES 10.85) and ABSA (+5.1% to KES 9.06) while KCB (-7.3% to KES 30.55) and Equity (-8.7% to KES 28.75) posted declines. In the coming week, we expect activity in the banking sector to remain high as more banks continue to release their 1H2020 results.

## 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	30.55	-43.4%	-7.3%	2,324,600	45.9%	3.79	11.5%	0.74	20.7%
Equity Bank	28.75	-46.3%	-8.7%	2,035,500	51.5%	4.81	0.0%	0.97	21.8%
NCBA	22.80	-38.1%	-1.7%	61,700	41.9%	2.62	0.0%	0.51	15.3%
Stanbic	73.50	-32.7%	-1.3%	-	56.2%	4.55	9.6%	0.59	13.6%
Absa Bank Kenya Plc	9.06	-32.1%	5.1%	199,900	51.2%	6.60	12.1%	1.09	16.7%
Housing Finance	4.00	-38.1%	7.5%	100	93.8%	N/M	0.0%	0.14	-1.1%
Co-operative Bank	10.85	-33.6%	5.3%	90,500	52.1%	4.45	9.2%	0.80	19.2%
Diamond Trust Bank	67.25	-38.3%	-2.5%	1,700	48.6%	2.77	4.0%	0.32	12.1%
Standard Chartered	151.00	-25.4%	-0.5%	2,300	55.6%	6.30	5.0%	1.09	17.5%
I&M	44.65	-17.3%	-3.5%	7,600.00	39.0%	1.71	5.7%	0.32	20.4%
<b>Sector Average</b>					<b>53.6%</b>	<b>4.18</b>	<b>5.7%</b>	<b>0.66</b>	<b>15.6%</b>

### P/B (X) - FY2019

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	3.83	86.8%	0.0%	-	N/M	0.0%	-1.3	N/M
Nation Media Group	11.70	-70.6%	29.4%	107,400	2.60	12.8%	4.5	10.9%
WPP Scangroup	7.70	-55.2%	-22.4%	92,200	6.88	6.5%	1.12	6.0%
Uchumi Supermarket	0.29	0.0%	-9.4%	59,000	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.90	-27.5%	5.6%	200	7.21	10.6%	0.68	17.3%
Eveready	0.99	-10.0%	-8.3%	6,500	N/M	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>5.56</b>	<b>6.0%</b>		<b>5.8%</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>
Bamburi Cement	26.05	-67.4%	4.6%	12,500	10.63	0.0%	1.6%	2.1%
E.A. Portland Cement	13.85	-4.5%	0.0%	0	<b>N/M</b>	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>10.63</b>	<b>0.0%</b>	<b>0.8%</b>	<b>1.0%</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	5.64	-1.4%	-2.4%	482,600	4.70	7.1%	1.20	4.2%
Kenya Power	1.87	-33.5%	-2.6%	795,500	14.38	0.0%	0.13	0.4%
Total Kenya	22.90	-16.7%	0.2%	5,300	5.68	5.7%	4.03	10.8%
<b>Sector Average</b>					<b>8.26</b>	<b>3.5%</b>		<b>2.3%</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	2.00	-25.4%	-7.8%	353,700	0.25	16.67	69.8%	34.4%
Britam	7.16	-20.4%	2.9%	200	0.24	5.08	65.3%	37.2%
Jubilee	220.50	-37.2%	2.6%	0	7.86	4.20	91.9%	46.2%
Kenya Re	2.21	-27.1%	-7.1%	3,923,400	0.08	0.87	71.2%	13.1%
Sanlam Kenya	13.50	-21.5%	-2.9%	-	9.38	17.09	85.8%	35.5%
Liberty	7.22	-30.2%	-8.6%	3,300.00	0.90	5.51	119.6%	48.7%
<b>Sector Average</b>					<b>0.88</b>	<b>9.57</b>	<b>83.9%</b>	<b>35.8%</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>EPS (KES)</b>	<b>ROE</b>
Centum Investment	22.60	-2.2%	-2.2%	2,400	3.25	0.48	6.95	9.3%
Home Afrika Ltd	1.80	-25.0%	-4.3%	32,200	N/M	N/M	N/M	2.6%
Trans-Century	1.80	-28.0%	-5.3%	29,000.00	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.48</b>		<b>5.5%</b>

\*P/B based on company Net Asset Value

<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	6.78	-45.1%	0.6%	9,300	22.60	4.1%	0.3	3.9%
<b>Sector Average</b>					<b>22.60</b>	<b>4.1%</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	0.27	0.0%	0.0%	0	N/M	0.0%	-4.43	-69.4%
EABL	154.00	-22.4%	-0.6%	215,100	29.79	1.9%	5.17	46.6%
FTG Holdings	1.43	-42.1%	-0.7%	400	5.50	0.0%	0.26	4.8%
Carbacid	8.16	2.0%	1.7%	39,800	7.85	8.6%	1.04	8.6%
BAT	328.00	-34.4%	1.7%	53,200	8.44	10.2%	38.85	40.8%
<b>Sector Average</b>					<b>12.89</b>	<b>4.1%</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	27.70	-12.1%	0.0%	5,272,400	14.89	5.1%	1.86	51.8%
<b>Sector Average</b>					<b>14.89</b>	<b>5.1%</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	5.42	-42.5%	-2.2%	113,900	20.80	13.84%	0.83
<b>Sector Average</b>						<b>NA</b>	

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\*NAVPS - Net Asset Value Per Share

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<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	69,044,300	130,344,900	-47.0%
Total Turnover (KES)	1,652,829,101	2,905,480,739	-43.1%

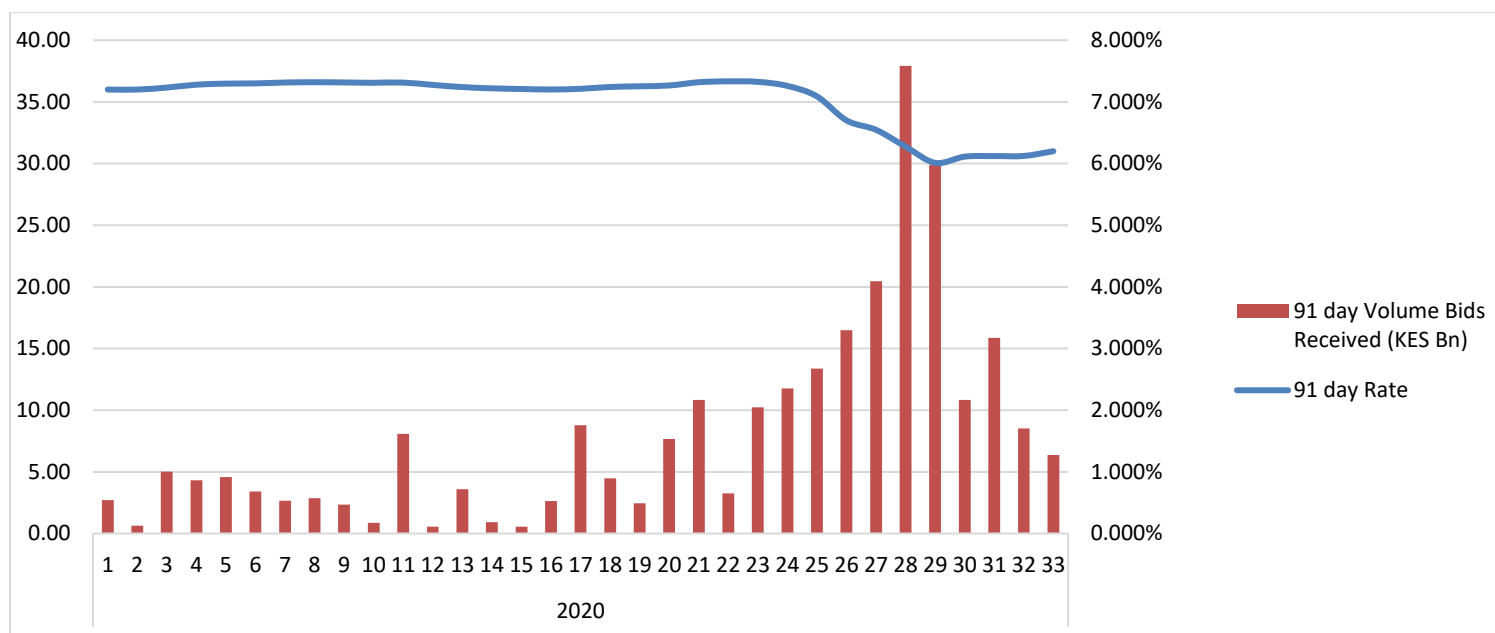
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# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	6.37 Bn	159.34%	6.37 Bn	6.200%	6.123%	0.077
182 day T-bill	9.38 Bn	93.78%	6.97 Bn	6.561%	6.549%	0.012
364 day T-bill	6.51 Bn	65.11%	5.31 Bn	7.517%	7.455%	0.062

Graph showing 91 day T-bill rate and volume

Week No. 33



# Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Nation Media Group Ltd	Bonus Issue	1:10	20-Apr-20	<b>12-Jun-20</b>	Subject to Approval
WPP Scangroup	Special dividend	Kes. 8.00	07-Jul-20	<b>28-Jul-20</b>	27-Aug-20
Umeme Ltd	Final dividend	Ushs. 41.30	23-Mar-20	<b>28-Jul-20</b>	17-Aug-20
Kapchorua Tea Kenya	Final dividend	Kes. 10.00	17-Jul-20	<b>30-Jul-20</b>	Subject to Approval
Safaricom Plc	First & Final dividend	Kes.1.40	29-Apr-20	<b>31-Jul-20</b>	01-Nov-20
Williamson Tea Kenya	Final dividend	Kes. 20.00	17-Jul-20	<b>18-Aug-20</b>	Subject to Approval
BAT Kenya Plc	Interim dividend	Kes. 3.50	16-Jul-20	<b>21-Aug-20</b>	18-Sep-20
Centum Investment Co.	First & Final dividend	Kes. 1.30	02-Jun-20	<b>Subject to Approval</b>	Subject to Approval
Nairobi Securities Exchange	First & Final dividend	Kes.0.08	27-Mar-20	<b>Subject to Approval</b>	Subject to Approval



# Market Recommendations

Counter	Recommendation	YTD Change	Price as at 14th August 2020
Equity Group Holdings	Long-term Buy	-46.26%	28.75
NCBA	Long-term Buy	-38.13%	22.80
ABSA Bank Kenya Plc	Long-term Buy	-32.13%	9.06
Standard Chartered	Sell	-25.43%	151.00
HF	Sell	400.00%	-0.38
Safaricom	Hold	-12.06%	27.70
Bamburi	Sell	-67.44%	26.05

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