

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 149.87	-1.2%	6.7%	USD Mn – 22,228 KES Bn – 2,291
	NSE 20 Share Index - 2,477.66	-2.5%	-12.6%	USD Mn – 19,346 KES Bn – 1,993.752
	NSE 25 Share Index - 3,556.34	-1.2%	0.1%	USD Mn – 20,683 KES Bn – 2,131.577
NIGERIA	ASI- 27,800.17	3.2%	-11.6%	USD Mn – 44,061 NGN Bn – 13524
EGYPT	EGX100*- 1,443.25	1.6%	-16.4%	USD Mn – 34,923 EGP Bn – 579.538
SOUTH AFRICA	All share – 54,187.93	0.6%	2.8%	USD Mn – 886.329 ZAR Bn – 13,420

Source: NSE, JSE, NSE (Nigeria), \*EGX100-as at 22<sup>nd</sup> August 2019

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –103.06	0.3%	-1.2%	6.3%(07/2019)	5.6%(1Q2019)
NGN/USD* -306.95	-0.2%	-0.1%	11.1%(07/2019)	2.4%(3Q2018)
EGP/USD* –16.59	-0.1%	7.4%	8.7%(07/2019)	5.3%(3Q2018)
ZAR/USD – 15.14	0.3%	-11.6%	4.0%(07/2019)	0.8%(FY2018)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and EGP\*-as at 22<sup>nd</sup> August 2019

## Co-operative Bank Group Records a 4.6% Growth in After Tax Profits for 1H2018

Co-operative Bank Group's after tax profits for 1H2019 rose by 4.6% y/y to KES 7.5 billion from KES 7.1 billion realized in 1H2018 on the back of a 25.1% growth in total non-funded income.

Total interest income remained relatively flat (-1.7% y/y) at KES 20.4 billion mainly attributed to a 9.1% y/y decline in interest income from loans and advances to KES 14.7 billion, which the bank attributed to the lowering of the MPC rate-cap imposed last year, whilst interest income from government securities edged up 21.7% y/y to KES 5.5 billion. The group however continued adopting a cautious lending strategy, recording a 16.7% y/y growth in their government securities portfolio to KES 97.0 billion in comparison to a 2.6% y/y growth in their loan book (net) to KES 257.5 billion.

Interest expense edged up marginally by 3.5% y/y to KES 6.2 billion on the back of an increase in other expenses. Customer deposits edged up by 9.0% y/y to KES 323.6 billion as interest expenses arising from these deposits remained relatively flat (-0.2% y/y). The cost of customer deposits slid by 30 bps to 3.4%. Net interest income came in at KES 14.3 billion (a 3.8% y/y growth) resulting in a NIM of 8.7% (1H2018: 7.9%). Total non-interest income was lifted by a 39.0% y/y growth in other fees and commissions to KES 6.0 billion to post a growth of 25.1% y/y. This led to NFI contributing to 38.0% of total revenue (1H2018: 32.1%). Operating expenses (excluding provisions) climbed to KES 12.6 billion (a 5.2% y/y growth) this as the C/I ratio eased to 49.6% (1H2018: 49.9%).

Gross non-performing loans surged by 8.3% y/y to KES 30.6 billion, attributable to challenging operating environment. Consequently, The NPL ratio surged to 11.9% from 11.2% in 1H2018. We note with concern the decline in funded income. Furthermore, whilst the banking sector is currently experiencing a patch of mounting asset quality pressure, we still have significant concerns about the group's deteriorating asset quality.

### **DTB Group Posts a 10.0% y/y Growth in After Tax Profits for 1H2019**

DTB Group recorded a 10.0% y/y increase in after tax profits for 1H2019 to KES 4.1 billion (1H2018: KES 3.8 billion). The rise in profitability was spurred by reduced loan loss provisions which eased by 68.1% y/y to KES 534.2 million from KES 1.7 billion in 1H2018.

Interest income from loans and advances eased by 10.4% y/y to KES 9.9 billion, predicated upon a 3.8% y/y contraction in the loan book to KES 190.8 billion and a 90 bps decline in the yield on loans to 10.3% (1H2018: 11.2%). Interest income from government securities eased marginally by 0.6% y/y KES 6.3 billion supported by a 10 bps rise in the annualized yield on loans to 10.5%, as the group's investment securities dropped by 6.5% y/y to KES 120.7 billion. Owing to the reduced interest income from both the loan book and government securities, total interest income decreased by 6.6% y/y to KES 16.3 billion.

Total interest expenses eased by 5.5% y/y to KES 7.2 billion weighed down by a 10.3% y/y drop in interest expenses from customer deposits to KES 6.1 billion; largely due to subdued growth in customer deposits (+0.5% y/y to KES 283.1 billion) and a lower cost of customer deposits (down 60bps to 4.3%). Given the higher decline in total interest income in comparison to total interest expenses, the group's net interest income eased by 7.5% y/y to KES 9.2 billion ; resulting in a lower NIM of 5.7% (1H2018: 6.0%).

Non-funded income grew by 8.5% y/y to KES 3.0 billion, principally supported by a 25.0% y/y growth in foreign exchange trading income to KES 997.0 million. Consequently, the contribution of non-funded income to total income rose to 24.5% from 21.6% in 1H2018

Operating expenses (excluding provisions) rose by 1.6% y/y to KES 5.7 billion pushing the cost-to-income ratio 46.8% (1H2018: 44.2%). Gross non-performing loans decreased marginally by 1.0% y/y to KES 15.1 billion – following the contraction in the loan book; the NPL ratio remained fairly constant at 7.9% (1H2018: 7.9%).

We expect the Group to continue adopting a cautious lending strategy motivated by their aim to maintain/improve asset quality and decrease provisions. We also expect more focus on non-funded income to enhance profitability.

### **NIC Group Posts a 4.2% y/y Decline in After Tax Profits for 1H2019**

NIC Group registered a 4.2% y/y decline in after tax profits for 1H2019 to KES 1.9 billion from KES 2.0 billion recorded in 1H2018. The decline in profitability was mainly attributed to an exceptional expense of KES 255.2 million arising from the ongoing merger with CBA Group. Excluding the exceptional expense, the group would have realized an after tax profit of KES 3.0 billion (representing a 4.0% y/y growth). Net interest income rose by 7.7% y/y to KES 5.5 billion following a 7.0% y/y drop in total interest expenses and a 0.9% y/y growth total interest income. Interest income from government securities edged up by 3.8% y/y to KES 3.4 billion, supported by a 7.3% y/y rise in investment in government securities to KES 60.3 billion. Interest income from loans and advances remained relatively flat at KES 6.2 billion on the back of a 20 bps drop in the annualized yield on loans to 10.4% and a 3.1% y/y growth in the loan book to KES 118.5 billion. The decline in total interest expenses was attributed to an 8.7% y/y decline in interest expenses from customer deposits to KES 3.4 billion; weighed down by a 70 bps decline in the cost of customer deposits as customer deposits rose by 3.1% y/y to KES 152.3 billion.

Non-funded income recorded a 23.9% y/y growth to KES 2.7 billion buoyed by a 67.8% y/y growth in other income to KES 647.2 million and 29.3% y/y rise in fees and commissions on loans and advances to KES 757.2 million. The contribution of non-funded income to total revenue increased to 32.5% as compared to 29.5% in 1H2018. Operating expenses (excluding provisions) increased by 14.1% y/y to KES 3.8 billion on account of a 19.5% y/y rise in other expenses to KES 1.3 billion and 9.1% y/y rise in staff costs to KES 1.9 billion. Owing to the higher operating expenses, the group realized a higher cost-to-income ratio of 46.3% (1H2018: 45.6%).

Loan loss provisions increased by 29.6% y/y to KES 1.4 billion reflecting the 12.3% y/y rise in gross non-performing loans to KES 18.2 billion; resulting in an NPL ratio (gross NPLs/net loan book) of 15.3% (1H2018: 14.1%). Going forward, we expect the group to continue focusing on growing their non-funded income and increasing their holdings of government securities, in lieu of advancing their loan books as they continue to face mounting asset quality pressure. However, with the looming merger with CBA Group, we expect NIC Group to benefit from CBA's more stringent risk management policies.

### **Bamburi Posts a 1.5% y/y Decline in After Tax Profit for 1H2019**

Bamburi Cement reported a 1.5% y/y decline in after tax profit to KES 393 million for 1H2019 from KES 399 million posted in 1H2018. The decline in profitability was primarily due to a 5.4% y/y increase in operating expenses to KES 18.3 billion. The rise in operating expenses was attributed to higher depreciation costs from expansion projects in Kenya and Uganda and higher energy and logistics costs fueled by a rise in power tariffs and an increase in fuel prices. Turnover experienced a slowdown in growth, rising marginally by 0.6% y/y to KES 18.7 billion. This was attributed to a contracted cement market in Kenya, a decline in cement uptake by the SGR project and inaccessibility of the Rwanda market owing to closure of the Uganda-Rwanda border. Consequently, operating profit dipped significantly by 71.5% y/y to KES 332 million (1H2018: KES 1.2 billion). Finance costs grew to KES 175 million owing to a USD 20 million related party loan taken in Uganda in FY2018, to support the capacity expansion and impairment of associated assets in Rwanda following the closing of the border. The loan is unsecured and has a term of five years. Profit before tax slumped by 96.8% y/y to KES 23 million (1H2018: KES 722 million). The group's bottom line was however favored by a KES 370 million tax asset arising from the commissioning of the capacity expansion projects in FY2018. We express concern over the group's continued rise in operating costs since 1H2017 despite implementation of cost management initiatives. Additionally, we also express concern over the marginal growth in turnover. We note that the group has been experiencing a contracting market in Kenya since 1H2017.

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

The overall market eased by 1.2% w/w to close the week at 149.87 characterized by an increase in volumes traded and turnover. We attribute the dip in the market index to price declines on majority of the counters on the back of weak investor sentiments informed by global macroeconomic concerns. Some of the counters with notable price declines include; Co-operative (-4.2% w/w), Stanbic (-5.1% w/w), I&M (-3.8% w/w), Britam (-3.3% w/w) and Safaricom (-1.0% w/w). The dip in Safaricom was occasioned by enhanced selling activity during the week as investors sought to book gains made on the counter. In the coming week, we expect increased trading activity on Safaricom; buy side activities (as the company approaches its book closure date) as well as sell side activities (owing to continued profit taking activities).

## 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	40.10	7.1%	0.8%	5,553,500	48.7%	5.12	8.7%	1.08	21.9%
Equity Bank	39.80	14.2%	1.5%	2,821,000	52.2%	7.58	5.0%	1.58	21.1%
NIC Bank	27.80	0.0%	-1.4%	200,600	46.3%	4.21	4.5%	0.50	12.1%
Stanbic	93.50	3.0%	-5.1%	2,700	50.2%	5.89	6.2%	0.83	14.3%
National Bank	3.73	-29.9%	-0.8%	70,400	92.0%	180.32	0.0%	0.18	0.1%
Barclays Bank	10.65	-2.7%	-0.9%	1,679,600	54.2%	7.80	10.3%	1.31	17.1%
Housing Finance	3.65	-34.1%	4.3%	180,700	107.7%	<b>N/M</b>	0.0%	0.12	-5.5%
Co-operative Bank	11.45	-19.9%	-4.2%	3,292,600	54.6%	5.28	8.7%	0.96	18.2%
Diamond Trust Bank	118.75	-24.1%	-0.2%	1,700	45.2%	4.69	2.2%	0.62	13.9%
Standard Chartered	195.00	0.3%	-0.9%	282,800	51.8%	8.27	9.7%	1.44	17.5%
I&M	47.80	-43.8%	-3.8%	10,700	36.6%	2.32	8.2%	0.41	17.9%
<b>Sector Average</b>					<b>58.1%</b>	<b>23.15</b>	<b>5.8%</b>	<b>0.82</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	2.53	-71.6%	-15.1%	284,300	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	39.75	-42.0%	-10.9%	74,700	5.76	25.2%	6.9	13.2%
WPP Scangroup	12.70	-9.3%	2.8%	432,400	11.34	3.9%	1.12	7.1%
Uchumi Supermarket	0.32	-60.0%	-3.0%	252,400	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	7.22	56.6%	-8.6%	126,200	14.73	5.3%	0.49	13.1%
Eveready	0.97	-3.0%	-7.6%	81,200	0.76	103.1%	1.27	-35.3%
<b>Sector Average</b>					<b>8.15</b>	<b>6.9%</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	N/M	0.0%	-21.9%	-12.5%
Bamburi Cement	106.00	-20.0%	-2.8%	2,700	43.27	4.8%	1.6%	0.5%
E.A. Portland Cement	14.80	-7.5%	2.8%	100	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	5.54	-21.1%	-4.2%	10,048,600	4.62	7.2%	1.20	4.2%
Kenya Power	3.66	-10.1%	-1.1%	672,400	3.73	0.0%	0.98	3.0%
Total Kenya	28.50	3.6%	4.8%	21,700	7.77	4.6%	3.67	10.5%
<b>Sector Average</b>					<b>5.37</b>	<b>3.6%</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	3.39	-12.2%	5.6%	303,400	1.12	18.83	64.9%	49.0%
Britam	6.98	-30.2%	-3.3%	777,800	0.63	29.08	67.6%	134.8%
Jubilee	370.00	-8.6%	5.7%	1,500	1.02	7.05	92.0%	138.2%
Kenya Re	2.91	-79.1%	-4.6%	35,811,200	0.07	0.57	62.2%	106.7%
Sanlam Kenya	18.00	-18.2%	-4.8%	60,300	1.95	85.71	95.4%	149.7%
Liberty	9.80	-24.0%	-1.4%	58,300	0.71	6.20	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	31.50	7.7%	-2.2%	1,096,600	28.13	0.40	79	1.12	1.5%
Home Afrika Ltd	0.56	-20.0%	-1.8%	153,800	<b>N/M</b>	<b>N/M</b>	0.85	-0.39	2.6%
Trans-Century	3.74	434.3%	3.9%	6,300	<b>N/M</b>	0.30	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	11.15	-23.4%	-3.5%	76,000	15.27	4.4%	0.73	9.3%
<b>Sector Average</b>					<b>15.27</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	0.30	-48.3%	0.0%	1,345,400	<b>N/M</b>	0.0%	-4.43	-69.4%
EABL	200.00	14.4%	-0.2%	820,900	17.81	4.3%	11.23	82.8%
FTG Holdings	2.70	8.0%	-5.9%	600	3.18	0.0%	0.85	22.3%
Carbacid	8.40	-16.0%	9.4%	9,500	6.09	8.3%	1.38	14.6%
BAT	511.00	-29.5%	-0.8%	204,600	15.32	5.1%	33.36	48.0%
<b>Sector Average</b>					<b>10.60</b>	<b>3.5%</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	28.90	30.2%	-1.0%	71,929,900	18.29	6.5%	1.58	44.1%
<b>Sector Average</b>					<b>18.29</b>	<b>6.5%</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	8.50	-22.4%	-3.4%	30,100	11.97	8.82%	0.71
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

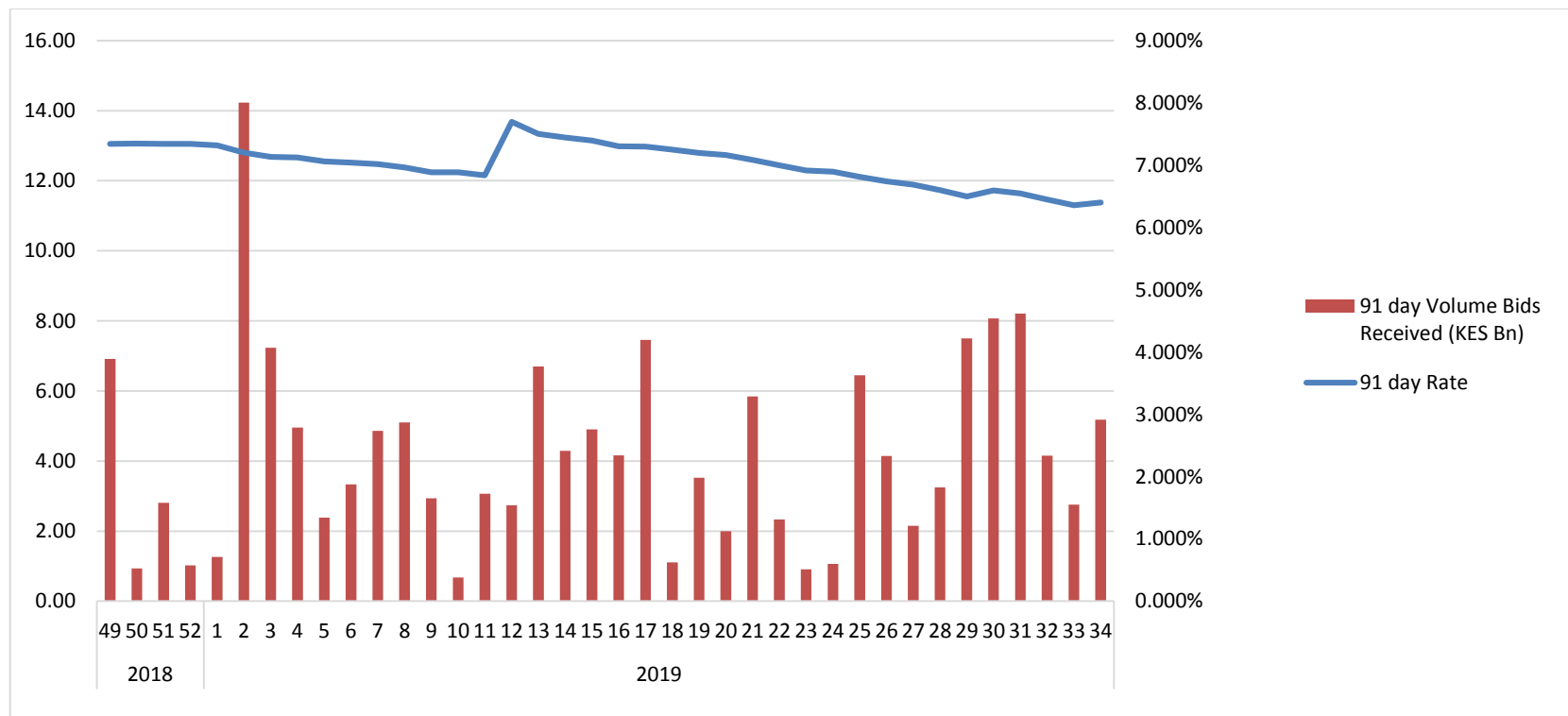
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	139,414,300	79,066,100	76.3%
Total Turnover (KES)	3,047,717,221	2,666,522,397	14.3%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	5.18Bn	129.48%	5.18Bn	6.398%	6.355%	0.043
182 day T-bill	1.22Bn	12.25%	1.20Bn	7.020%	7.052%	-0.032
364 day T-bill	10.79Bn	107.85%	8.96Bn	9.248%	9.195%	0.053

Graph showing 91 day T-bill rate and volume

Week No. 34



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# Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Liberty Kenya Holdings PLC	First & Final dividend	Kes. 0.50	17-May-19	<b>07-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>02-Sep-19</b>	30-Nov-19
Safaricom Plc	First & Final dividend	Kes.1.25	03-May-19	<b>02-Sep-19</b>	30-Nov-19
KCB Group Plc	Interim dividend	Kes 1.00	15-Aug-19	<b>05-Sep-19</b>	15-Nov-19
Stanbic Holdings PLC	Interim dividend	Kes.1.25	08-Aug-19	<b>09-Sep-19</b>	27-Sep-2019
Centum PLC	First & Final dividend	Kes. 0.50	17-May-19	<b>07-Jun-19</b>	(Subject to Approval)
EABL	Final Dividend	Kes. 6.00	26-July-19	<b>(Subject to Approval)</b>	(Subject to Approval)

## Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 23rd August 2019
KCB Group	Long-term Buy	48.50	34.00	7.08%	40.10
Equity Group Holdings	Long-term Buy	51.00	32.50	14.20%	39.80
I&M	Hold	115.25	40.50	-43.76%	47.80
Barclays Bank of Kenya	Hold	12.50	9.50	-2.74%	10.65
Diamond Trust Bank	Hold	194.00	102.00	-24.12%	118.75
NBK	Hold	6.50	3.35	-29.89%	3.73
Jubilee Holdings	Long-term Buy	530.00	340.00	-8.59%	370.00
Bamburi Cement	Hold	183.00	105.50	-20.00%	106.00
Safaricom	Hold	30.50	21.00	30.18%	28.90
EABL	Hold	225.00	160.00	14.45%	200.00
KenGen	Trading	7.80	5.10	-21.08%	5.54
Mumias	Sell	0.90	0.27	-48.28%	0.30

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

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