

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 147.58	-1.5%	5.1%	USD Mn – 21,458 KES Bn – 2,222
	NSE 20 Share Index - 2,467.68	-0.4%	-12.9%	USD Mn – 18,624 KES Bn – 1,928.507
	NSE 25 Share Index - 3,521.77	-1.0%	-0.8%	USD Mn – 19,958 KES Bn – 2,066.610
NIGERIA	ASI- 27,525.81	-1.0%	-12.4%	USD Mn – 42,619 NGN Bn – 13,391
EGYPT	EGX100*- 1,455.08	0.8%	-15.8%	USD Mn – 34,493 EGP Bn – 571.010
SOUTH AFRICA	All share – 54,411.47	0.4%	3.2%	USD Mn – 735.747 ZAR Bn – 11,207

Source: NSE, JSE, NSE (Nigeria), \*EGX100-as at 29<sup>th</sup> August 2019

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –103.55	-0.5%	-1.7%	6.3%(07/2019)	5.6%(1Q2019)
NGN/USD* -307.00	0.2%	7.6%	11.2%(06/2019)	2.4%(3Q2018)
EGP/USD* –16.55	-	-0.2%	8.7%(07/2019)	5.3%(3Q2018)
ZAR/USD – 15.23	-0.6%	-12.3%	4.5%(06/2019)	0.8%(FY2018)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and EGP\*-as at 29<sup>th</sup> August 2019

## Barclays Bank of Kenya Registers a 3.1% Growth in After Tax Profits for 1H2019

Barclays Bank of Kenya's after tax profits for 1H2019 climbed by 3.1% y/y to KES 3.9 billion compared to KES 3.8 billion recorded in 1H2018. The performance was underpinned by a 7.4% y/y growth in total interest income to KES 15.2 billion and a 12.6% y/y rise in non-funded income to KES 5.3 billion. The growth in total interest income was supported by a 15.4% y/y increase in interest income from government securities to KES 4.1 billion and a 3.9% y/y rise in interest income from loans and advances to KES 11.0 billion. The rise in interest income from government securities was occasioned by a 22.2% y/y advancement in the group's portfolio of government securities to KES 114.0 billion.

Income from loans and advances was driven by a 6.0% y/y growth in the group's loan book to KES 186.7 billion as the yield on loans shed 20 bps to 12.0% (1H2018: 12.2%). Total interest expenses grew by 30.8% y/y to KES 4.2 billion owing to a 24.8% y/y rise in interest expenses from customer deposits to KES 3.4 billion and a 53.9% y/y increase in interest expenses from deposits. The cost of customer deposits rose to 3.1% from 2.7% in 1H2018 while customer deposits rose by 5.9% y/y to KES 230.0 billion. The cost of funds also edged up to 3.7% from 3.1% in 1H2018.

Due to the faster increase in total interest expenses in comparison to total interest income, net interest income increased marginally by 0.6% y/y to KES 11.0 billion. The growth in non-funded income was buoyed by a 74.4% y/y growth in other income to KES 505.6 million and a 41.0% y/y rise in fees and commission on loans and advances to KES 668.6 million. This resulted in non-funded income contributing 32.4% of total revenue (1H2018: 30.0%). Total operating expenses (excluding provisions) eased by 3.0% y/y to KES 8.4 billion pulling down the cost-to-income ratio to 51.5% (1H2018: 55.3%). Loan loss provision declined by 4.4% y/y to KES 1.6 billion, despite a 9.3% y/y rise in gross non-performing loans to KES 15.7 billion. Owing to the faster rise in the net loan book, the NPL ratio (gross NPLs/net loan book) eased to 8.4% (1H2018: 8.2%).

Notably, there was an exceptional expense of KES 560.8 million associated with the ongoing transition to Absa Kenya. The profit before tax and exceptional items rose by 18.7% y/y to KES 6.3 billion. Going forward, we expect Barclays to

incur additional expenses related to the ongoing transition to Absa Kenya. However, we expect this transition to be beneficial to the group as it will enable the introduction of new products that were previously considered risky. We also note with concern over the high costs of funds at 3.7%.

### **Kenya Airways' After Tax Loss for 1H2019 Widens to KES 8.6 Billion**

Kenya Airways after tax loss for 1H2019 widened to KES 8.6 billion from KES 4.0 billion realized in 1H2018. The widening in the loss position was occasioned by higher operating costs, which rose by 15.5% y/y to KES 61.5 billion. The higher costs were spurred by expansions into new routes & increased flight frequencies (which increased fuel costs), the return of two Boeing 787 planes (that had been previously sub-leased to Oman Air) and the impact of a new accounting standard (IFRS 16). IFRS 16, which became effective in 2019, requires the recognition of operating leases as assets in financial statements.

The company's total revenues edged up by 12.2% y/y to KES 58.6 billion principally supported by the introduction of new routes (New York, Libreville, Madagascar, Mogadishu, Geneva and Rome) – which provided a 6.6% y/y uplift to passenger numbers to 2.4 million, consequently raising passenger revenues to KES 42.6 billion (+5.8% y/y growth). Revenues also benefitted from IFRS 16, through sublease income, which the company derives from the aircrafts it subleases. Despite the higher revenues, the company recorded lower yields predominantly due to the intense competitive pressure.

The company's net cash flows from operating activities surged to KES 6.2 billion from KES 345.0 million posted in 1H2018 - indicating that most of the companies operating costs were of a non-cash nature. Total cash flows at the end of the period stood at KES 4.2 billion, reflecting a 29.1% y/y decline from KES 6.0 billion realized in 1H2018. In the short-term the company expects to implement a fleet refinancing program in order to enhance its cash flows.

Going forward, we expect Kenya Airways to continue focusing on its turnaround efforts (increasing flight frequencies, introduction of new flights and streamlining operations) in order to enhance profitability and defend its market share amid rising competitive pressure from state-supported airlines.

### **Nation Media Group Realizes a 23.7% Decline in After Tax Profits for 1H2019**

Nation Media Group, posted a 23.7% y/y contraction in after tax profits for 1H2019 to KES 403.7 million (1H2018: KES 529.2 million). The company attributed

the subdued performance to a challenging macroeconomic environment and rising global newsprint prices (which have since come down). Group turnover eased by 7.0% y/y to KES 4.6 billion weighed down by depressed advertising volumes as a result of adverse macroeconomic conditions. Direct costs edged up by 14.0% y/y to KES 970.0 million occasioned by the higher newsprint costs. Total operating costs eased by 8.5% y/y to KES 3.0 billion supported by increased efficiency and productivity. The group's performance also benefitted from reduced provisions for doubtful debts as a result of improved debt collection especially from Government. We expect the group to continue pursuing a revenue diversification strategy to enhance its performance.

### **Standard Chartered Group Registers a 5.4% Growth in After Tax Profits for 1H2019**

Standard Chartered Group after tax profits for 1H2019 rose by 5.4% y/y to KES 4.7 billion against KES 4.5 billion realized in 1H2018. The growth in profitability was principally supported by a 26.0% y/y decline in total interest expenses to KES 2.9 billion. The dip was on the back of a 22.5% y/y decline in interest expenses from customer deposits to KES 2.6 billion triggered by a 1.0% y/y decline in customer deposits to KES 228.5 billion and a 40 bps decline in the cost of deposits to 2.3% (1H2018: 2.7%).

Total interest income declined to KES 12.7 billion. This was a decrease of 7.3% y/y over KES 13.7 billion recorded in 1H2018. The decline was mainly attributed to a 15.2% y/y drop in interest income from government securities, spurred by a 15.5% y/y decline in the group's holdings of government securities to KES 103.0 billion. Interest income from loans and advances remained relatively flat (-0.2% y/y) at KES 12.7 billion despite a 7.4% y/y growth in the net loan book to KES 120.1 billion (1H2018: KES 111.7 billion). The annualized yield on loans also remained flat at 11.3%.

The NIM rose by 180 bps to 8.9% (1H2018: 7.1%) driven by a 4.9% y/y decline in interest earning assets to KES 223.9 billion (weighed down by the contraction in government securities), as the net interest income remained flat at KES 9.8 billion. Non-funded income contracted by 2.2% y/y to KES 4.7 billion predominantly due to a 14.6% y/y decline in other fees and commissions to KES 2.4 billion. This resulted in a 50 basis point dip in the contribution of non-funded income to total income to 32.4%.

Operating expenses excluding provisions) increased by 6.4% y/y to KES 7.3 billion leading to a cost-to-income ratio of 46.9% (1H2018: 46.6%). Gross non-performing loans edged up 6.7% y/y to KES 19.8 billion, resulting in an NPL ratio (measured against gross loans) of 14.1% (1H2018: 14.23%).

We expect the group to continue focusing on cost cutting measures in order to boost their bottom line. We have significant concerns about the negative growth registered in the top line (funded and non-funded income).

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

The overall market eased by 2.7% w/w to close the week at 147.58 characterized by a sharp decline in trading volumes and turnover. The decline in the market index was underpinned by high supply-side activities which outstripped demand. We attribute the high sell-side activity to bearish sentiments in the market. Several banking counters recorded price gains during the week on the back of positive 1H2019 results and favorable entry prices. In the coming week, we expect continued minimal price movements on majority of the counters. We also expect Safaricom's price to dip following books closure.

# 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	40.15	7.2%	0.1%	5,760,400	48.7%	5.13	8.7%	1.08	21.9%
Equity Bank	39.90	14.5%	0.3%	7,157,200	52.2%	7.60	5.0%	1.59	21.1%
NIC Bank	28.45	2.3%	2.3%	144,600	46.3%	4.31	4.4%	0.51	12.1%
Stanbic	97.50	7.4%	4.3%	106,700	50.2%	6.14	5.9%	0.86	14.3%
National Bank	4.12	-22.6%	10.5%	102,100	92.0%	199.18	0.0%	0.20	0.1%
Barclays Bank	11.00	0.5%	3.3%	1,481,900	54.2%	8.06	10.0%	1.35	17.1%
Housing Finance	3.96	-28.5%	8.5%	29,600	107.7%	<b>N/M</b>	0.0%	0.13	-5.5%
Co-operative Bank	11.40	-20.3%	-0.4%	1,320,900	54.6%	5.25	8.8%	0.96	18.2%
Diamond Trust Bank	116.00	-25.9%	-2.3%	4,700	45.2%	4.58	2.2%	0.60	13.9%
Standard Chartered	195.00	0.3%	0.0%	16,600	51.8%	8.27	9.7%	1.44	17.5%
I&M	46.55	-45.2%	-2.6%	508,300	36.6%	2.26	8.4%	0.40	17.9%
<b>Sector Average</b>					<b>58.1%</b>	<b>25.08</b>	<b>5.7%</b>	<b>0.83</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	2.50	-71.9%	-1.2%	201,100	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	38.05	-44.5%	-4.3%	1,623,200	5.51	26.3%	6.9	13.2%
WPP Scangroup	12.55	-10.4%	-1.2%	102,200	11.21	4.0%	1.12	7.1%
Uchumi Supermarket	0.30	-62.5%	-6.3%	64,400	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	6.98	51.4%	-3.3%	117,800	14.24	5.4%	0.49	13.1%
Eveready	1.04	4.0%	7.2%	26,900	0.82	96.2%	1.27	-35.3%
<b>Sector Average</b>					<b>7.95</b>	<b>7.1%</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	104.25	-21.3%	-1.7%	11,500	42.55	4.9%	1.6%	0.5%
E.A. Portland Cement	14.50	-9.4%	-2.0%	100	N/M	0.0%	19.3%	25.0%
<b>Sector Average</b>					<b>42.55</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	5.62	-19.9%	1.4%	8,285,300	4.68	7.1%	1.20	4.2%
Kenya Power	3.80	-6.6%	3.8%	275,000	3.88	0.0%	0.98	3.0%
Total Kenya	28.50	3.6%	0.0%	5,100	7.77	4.6%	3.67	10.5%
<b>Sector Average</b>					<b>5.44</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	3.11	-19.4%	-8.3%	373,800	1.03	17.28	64.9%	49.0%
Britam	7.14	-28.6%	2.3%	524,000	0.65	29.75	67.6%	134.8%
Jubilee	369.75	-8.6%	-0.1%	10,400	1.02	7.04	92.0%	138.2%
Kenya Re	3.11	-77.7%	6.9%	422,700	0.08	0.61	62.2%	106.7%
Sanlam Kenya	17.95	-18.4%	-0.3%	281,300	1.95	85.48	95.4%	149.7%
Liberty	9.70	-24.8%	-1.0%	13,200	0.70	6.14	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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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	29.10	-0.5%	-7.6%	1,102,000	25.98	0.37	79	1.12	1.5%
Home Afrika Ltd	0.58	-17.1%	3.6%	398,900	N/M	N/M	0.85	-0.39	2.6%
Trans-Century	3.70	428.6%	-1.1%	7,100	N/M	0.29	40.96	-1.56	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.33</b>			<b>2.9%</b>

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

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	10.70	-26.5%	-4.0%	60,700	14.66	4.6%	0.73	9.3%
<b>Sector Average</b>					<b>14.66</b>	<b>4.6%</b>		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.29	-50.0%	-3.3%	1,145,400	N/M	0.0%	-4.43	-69.4%
EABL	196.00	12.2%	-2.0%	1,130,000	17.45	4.3%	11.23	82.8%
FTG Holdings	2.50	0.0%	-7.4%	17,500	2.94	0.0%	0.85	22.3%
Carbacid	7.90	-21.0%	-6.0%	6,000	5.72	8.9%	1.38	14.6%
BAT	510.00	-29.7%	-0.2%	41,500	15.29	5.1%	33.36	48.0%
<b>Sector Average</b>					<b>10.35</b>	<b>3.7%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	28.15	26.8%	-2.6%	13,400,500	17.82	6.6%	1.58	44.1%
<b>Sector Average</b>					<b>17.82</b>	<b>6.6%</b>		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	8.00	-26.9%	-5.9%	311,600	11.27	9.38%	0.71
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

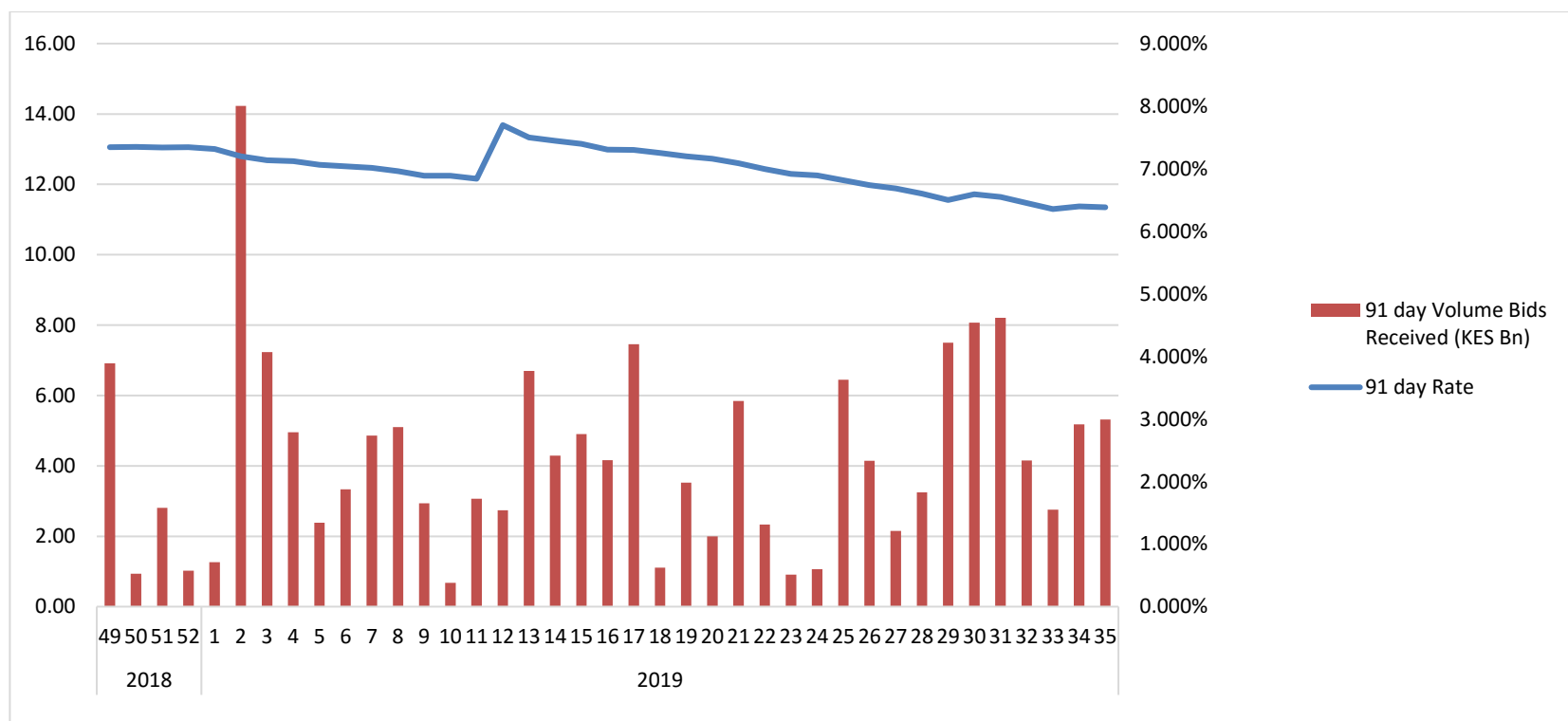
Market Statistics	This Week	Last Week	% Change
Total Volumes	46,504,500	139,414,300	-66.6%
Total Turnover (KES)	1,385,653,451	3,047,717,221	-54.5%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	5.32Bn	132.97%	5.32Bn	6.385%	6.398%	-0.013
182 day T-bill	4.82Bn	48.22%	4.82Bn	7.011%	7.020%	-0.009
364 day T-bill	8.68Bn	86.83%	7.77Bn	9.392%	9.248%	0.144

Graph showing 91 day T-bill rate and volume

Week No. 35



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# Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Centum PLC	First & Final dividend	Kes. 0.50	17-May-19	<b>07-Jun-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)
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
Eabl	Final Dividend	Kes. 6.00	26-July-19	<b>(Subject to Approval)</b>	(Subject to Approval)
Barclays Bank	Interim dividend	Kes.0.20	30-Aug-19	<b>07-Sep-19</b>	31-Oct-19
Nation Media Group	Interim dividend	Kes.1.50	29-Aug-19	<b>13-Sep-19</b>	23-Sep-19
Jubilee Holdings PLC	Interim dividend	Kes.1.00	30-Aug-19	<b>13-Sep-19</b>	07-Oct-19
Standard Chartered	Interim Dividend	Kes. 5.00	26-Aug-19	<b>23-Sep-19</b>	30-Oct-19
B.O.C Kenya	Interim Dividend	Kes. 2.35	30-Aug-19	<b>27-Sep-19</b>	15-Oct-19
Longhorn Publishers PLC	Final Dividend	Kes.0.52	30-Aug-19	<b>28-Nov-19</b>	26-Feb-20

## Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 30th August 2019
KCB Group	Long-term Buy	48.00	34.00	7.21%	40.15
Equity Group Holdings	Long-term Buy	49.00	32.50	14.49%	39.90
I&M	Hold	115.25	40.50	-45.24%	46.55
Barclays Bank of Kenya	Hold	12.50	9.50	0.46%	11.00
Diamond Trust Bank	Hold	191.00	102.00	-25.88%	116.00
NBK	Hold	6.50	3.35	-22.56%	4.12
Jubilee Holdings	Long-term Buy	500.00	335.00	-8.65%	369.75
Bamburi Cement	Hold	183.00	104.00	-21.32%	104.25
Safaricom	Hold	30.00	21.00	26.80%	28.15
EABL	Hold	225.00	160.00	12.16%	196.00
KenGen	Trading	7.80	5.00	-19.94%	5.62
Mumias	Sell	0.90	0.27	-50.00%	0.29

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