Cytonn SSA Financial Services Research: February 2019 Monthly Note

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Executive Summary

During the month of February, the Central Bank of Kenya (CBK) published draft regulations for mortgage refinance companies (MRCs), setting the stage for creation of a State-backed firm that will advance cash to banks for onward lending to home buyers. In Nigeria, data from the Nigeria Bureau of Statistics showed an improvement in the Banking Sector's asset quality, with the industry's gross NPL ratio declining to 11.7% in Q4'2018, from 14.8% in Q4'2017. In Ghana, a report by KPMG, the Receiver Manager of defunct bank, UniBank, which was placed under receivership in March 2018, has revealed that there was no way the bank was going to recover from the challenges it was facing.

Section I: Market Performance:

During the month of February, the equities markets had mixed performances with NASI and NGSEASI gaining by 1.5% and 3.2%, respectively, while GGSECI declined by 0.9%. This takes the YTD performance of NASI, NGSEASI and GGSECI to 8.8%, 2.4%, and (4.1%), respectively. For the weekly performance, markets were on a downward trend, with NASI, NGSEASI and GGSECI declining by 0.9%, 2.7% and 0.7%, respectively.

Below is a summary of top gainers and losers in our financial services universe of coverage for the week:

Weekly Top Gainers and Losers					
Top Gainers			Top Losers		
Company	Country	Change	Company	Country	Change
CAL Bank	Ghana	7.7%	GCB Bank	Ghana	(14.4%)
Stanbic Holdings	Kenya	4.1%	Access Bank	Nigeria	(10.9%)
Ecobank	Ghana	3.7%	NIC Group	Kenya	(9.7%)
National Bank	Kenya	1.7%	Guaranty Trust Bank	Nigeria	(6.6%)
Stanbic Bank Uganda	Uganda	0.9%	FBN Holdings	Nigeria	(6.6%)
Bank of Baroda	Uganda	0.7%	HF Group	Kenya	(6.3%)

Kenya

NASI gained by 1.5% during the month, driven by gains in large cap stocks such as Safaricom, NIC Group, Standard Chartered Bank Kenya (SCBK), and KCB Group, which gained by 9.0%, 6.7%, 2.2% and 2.0%, respectively. Equities turnover declined by 12.3% during the month to USD 137.7 mn, from USD 157.0 mn in January 2019. Foreign investors turned net buyers for the month, with a net buying position of USD 1.2 mn, from January's net selling position of USD 13.4 mn.

Nigeria

The Nigerian All Share Index (NGSEASI) gained by 3.2% during the month, largely driven by gains in the Financial Services and Consumer goods segments. During the week, the NGSEASI declined by 2.7%, with Access Bank, Guaranty Trust Bank, FBN Holdings, Zenith Bank, UBA Bank, Union Bank, Stanbic IBTC Holdings and Ecobank Transnational declining by 10.9%, 6.6%, 6.6%, 5.5%. 5.0%, 4.3%, 4.1% and 1.1%, respectively.

Ghana

The GSE Composite Index declined by 0.9% during the month, driven by declines in the financial services sector. During the week, the Ghanaian index declined by 0.7%, with GCB Bank declining by 14.4%, while CAL Bank and Ecobank gained by 7.7% and 3.7%, respectively.

Section II: Earnings Releases:

Kenyan Banks' Earnings:

During the month, Stanbic Holdings released their FY'2018 financial results with core earnings per share increasing by 45.7% to Kshs 15.9 from Kshs 10.9 in FY'2017, exceeding our expectations of a 12.8% increase to Kshs 12.3. The increase was driven by a 15.9% growth in total operating income, coupled with a 4.0% decline in total operating expenses.

Highlights of the performance from FY'2017 to FY'2018 include;

- Total operating income rose 15.9% to Kshs 22.1 bn from Kshs 19.1 bn in FY'2017, driven by the 18.3% growth in Non-Funded Income (NFI), coupled with the 14.0% growth in Net Interest Income (NII),
- Interest income from the banking unit rose 13.8% to Kshs 18.9 bn from Kshs 16.6 bn in FY'2017. The rise in interest income was largely due to a 17.7% increase in interest income on loans and advances to Kshs 14.2 bn from Kshs 12.1 bn in FY'2017. Interest income on Government Securities remained relatively flat at Kshs 4.3 bn. The yield on interest-earning assets declined marginally to 7.9% from 8.0% in FY'2017;
- Interest expense increased by 19.2% to Kshs 7.2 bn from Kshs 6.0 bn in FY'2017. The rise in interest expense was due to a 21.2% rise in interest expense on customer deposits to Kshs 4.5 bn from Kshs 3.7 bn in FY'2017, coupled with the 11.3% rise in interest expense on deposits and placements from banking institutions to Kshs 1.9 bn from Kshs 1.7 bn in FY'2017. Consequently, the costs of funds rose marginally to 3.5% from 3.4% in FY'2017. The Net Interest Margin declined marginally to 5.0% from 5.1% in FY'2017;
- Non-funded income (NFI) rose by 18.3% to Kshs 10.0 bn from Kshs 8.4 bn in FY'2017, mainly driven by a 15.5% increase in other fees and commissions to Kshs 3.7 bn from Kshs 3.2 bn in FY'2017, coupled with a 14.0% y/y rise in foreign exchange income to Kshs 3.1 bn from Kshs 2.7 bn. Other income rose 27.5% to Kshs 2.4 bn from Kshs 1.8 bn. The current revenue mix shifted to 55:45 NII to NFI from 56:44 in FY'2017, owing to the faster rise in NFI;
- Total operating expenses declined by 4.0% to Kshs 13.2 bn from Kshs 13.7 bn in FY'2017, following a 25.2% decline in Loan loss provision (LLP) to Kshs 2.1 bn from Kshs 2.8 bn in FY'2017. Staff costs however rose by 2.9% to Kshs 5.6 bn from Kshs 5.4 bn in FY'2017. Without LLP, operating expenses increased by 1.7% to Kshs 11.1 bn from the Kshs 10.9 bn registered in FY'2017;
- The cost to income ratio improved to 59.5% from 71.7% in FY'2017. Without LLP, the cost to Income ratio also improved to 50.2% from 57.2% in FY'2017;
- Profit before tax increased by 65.7% to Kshs 8.9 bn from Kshs 5.4 bn, while profit after tax (PAT) increased by 45.7% to Kshs 6.3 bn from Kshs 4.3 bn in FY'2017, owing to an increase in the effective tax rate to 29.8% from 20.2% in FY'2017;
- The bank recommends a final dividend of Kshs 3.55 per share, having already paid an interim dividend of Kshs 2.25 per share, translating to a total dividend payout of Kshs 5.8 per share in 2018, a 10.5% increase from the Kshs 5.25 paid in 2017, which translates to a dividend payout of 36.5%, and a dividend yield of 6.2%;

- The balance sheet recorded an expansion in FY'2018, with total assets increasing by 16.8% to Kshs 290.6 bn from Kshs 248.7 bn in FY'2017, driven by a 22.1% rise in the loan book to Kshs 175.0 bn from Kshs 143.3 bn in FY'2017. Investment securities declined by 5.2% to Kshs 72.3 bn from Kshs 76.2 bn in FY'2017;
- Total liabilities increased by 19.5% to Kshs 246.0 bn from Kshs 205.8 bn in FY'2017, driven by the 13.5% growth in customer deposits to Kshs 219.5 bn from Kshs 193.4 bn in FY'2017, and the 77.1% growth in borrowings to Kshs 7.1 bn from Kshs 4.0 bn in FY'2017;
- The faster growth in loans compared to deposits led to a rise in the loan to deposit ratio to 79.7% from 74.1% in FY'2017;
- Gross Non-Performing Loans (NPLs) grew by 60.7% to Kshs 16.6 bn from Kshs 10.4 bn in FY'2017, faster than the growth in loans, which saw the NPL ratio worsen to 9.1% from 7.0% in FY'2017. Loan loss provisions (LLP) increased by 88.1% to Kshs 6.1 bn from Kshs 3.2 bn, leading to an improvement in the NPL Coverage to 53.4% up from 47.4% in FY'2017;
- Shareholders' funds increased by 3.9% to Kshs 44.6 bn from Kshs 43.0 bn, as the revenue and other reserves account rose by 6.6% to Kshs 25.7 bn from Kshs 24.1 bn in FY'2017;
- Stanbic Bank is currently sufficiently capitalized with a core capital to risk weighted assets ratio at 14.6%, 4.1% above the statutory requirement, with total capital to total risk weighted assets exceeding statutory requirement by 2.9% to close the period at 17.4%, and,
- Stanbic Holdings currently has a return on average assets of 2.3% and a return on average equity of 14.3%.

Key Take outs:

a) Stanbic Holdings registered strong performance on NFI, which grew by 18.6%, underpinning the importance of revenue diversification, following the capping of interest rates. The bank has been aggressive in generating non-funded income, which now accounts for 45.1% of its operating income, given earnings from interest income is expected to remain depressed due to the interest rate cap,

b) The bank's efficiency significantly improved with the cost to income ratio coming in at 59.5%, from 71.7% as at FY'2017. We note that revenue expansion and cost containment have been key in improving the bank's efficiency. However, the decline in costs was largely driven by the decline in LLPs, which remains unsustainable in the long term, and,

c) The NPL ratio worsened to 9.1% with the gross non-performing loans growing by 60.7%, indicating a weakening in asset quality. We note that management's focus should be on continuous risk assessment and management, mainly aimed at ensuring the bank's asset quality improves.

For more analysis, see our Stanbic Holdings Earnings Update here.

Nigeria Banks' Performance:

During the month, Zenith Bank released their FY'2018 results with core earnings per share increasing by 8.7% to NGN 6.2 from NGN 5.7 in FY'2017. Performance was driven by a 25.0% decrease in the total operating expenses to NGN 243.9 bn from NGN 325.1 bn in FY'2017, which outpaced a 10.0% decrease in total operating income to NGN 475.6 bn from NGN 528.6 bn in FY'2017.Highlights of the performance from FY'2017 to FY'2018 include:

- Total operating income decreased by 10.0% to NGN 475.6 bn from NGN 528.6 bn in FY'2017. This was due to a 33.5% decrease in Non-Funded Income (NFI) to NGN 180.0 bn from NGN 270.6 bn in FY'2017, despite a 14.6% increase in Net Interest Income (NII) to NGN 295.6 bn from NGN 258.0 bn in FY'2017,

- Interest income decreased by 7.3% to NGN 440.1 bn from NGN 474.6 bn in FY'2017. Consequently, the yield on interest earning assets decreased to 10.9% in FY'2018 from 12.6% in FY'2017,
- Interest expense decreased by 33.3% to NGN 144.5 bn from NGN 216.6 bn in FY'2017. The cost of funds decreased to 3.3% from 5.7% in FY'2017, while the Net Interest Margin increased to 7.3% from 6.9% in FY'2017,
- Non-Funded Income decreased by 33.5% to NGN 180.0 bn from NGN 270.6 bn in FY'2017. The decline in NFI was driven by a 49.2% decrease in trading income to NGN 80.2 bn from NGN 158.0 bn in FY'2017, and a 20.0% decrease in other income to NGN 17.9 bn from NGN 22.4 bn in FY'2017. Fees and commission income also decreased by 9.2% to NGN 81.8 bn from NGN 90.1 bn in FY'2017. The revenue mix shifted to 62:38 funded to non-funded income from 49:51 in FY'2017, with the proportion of NFI to total income declining owing to the faster decline in NFI as compared to the increase in NII,
- Total operating expenses decreased by 25.0% to NGN 243.9 bn from NGN 325.1 bn in FY'2017, largely driven by an 81.3% decrease in impairment loss on financial assets (loan loss provisions) to NGN 18.4 bn in FY'2018 from NGN 98.2 bn in FY'2017. Other operating expenses decreased by 3.4% to NGN 156.9 bn from NGN 162.4 bn in FY'2017. Personnel expenses increased by 6.4% to NGN 68.6 bn in FY'2018 from NGN 64.5 bn in FY'2017,
- The cost to income ratio improved to 51.3%in FY'2018 from 61.5% in FY'2017. Without Loan Loss Provision (LLP), the cost to income ratio improved to 55.1% in FY'2018 from 80.1% in FY'2017,
- Profit before tax increased by 13.9% to NGN 231.7 bn from NGN 203.5 bn in FY'2017. Profit after tax increased by 8.7% to NGN 193.4 bn in FY'2018 from NGN 177.9 bn in FY'2017,
- Zenith Bank has declared a final dividend of NGN 2.5 per share, translating to a total payout of NGN 78.5 bn, subject to shareholders' approval. This brings the total annual dividend payout to NGN 87.9 bn translating to NGN 2.8 per share,
- The balance sheet recorded an expansion with total assets increasing by 6.4% to NGN 6.0 tn from NGN 5.6 tn in FY'2017. This growth was largely driven by a 68.5% increase in investment securities to NGN 0.7 tn from NGN 0.4 tn in FY'2017, coupled with a 6.8% increase in treasury bills to NGN 1.0 tn in FY'2018 from NGN 0.9 tn in FY'2017,
- The loan book contracted by 13.2% to NGN 1.8 tn from NGN 2.1 tn in FY'2017. Placements with other banks increased by 36.0% to NGN 0.7 tn from NGN 0.5 tn in FY'2017,
- Total liabilities rose by 7.7% to NGN 5.1 tn from NGN 4.8 tn in FY'2017, driven by a 7.3% increase in deposits to NGN 3.7 tn from NGN 3.4 tn in FY'2017, and a 15.8% increase in borrowed funds to NGN 0.8 tn from NGN 0.7 tn in FY'2017,
- The faster growth in deposits as compared to the decline in loans led to a decrease in the loan to deposit ratio (LDR) to 49.4% from 61.1% in FY'2017,
- Shareholders' funds decreased, albeit marginally, to NGN 814.2 bn in FY'2018 from NGN 820.3 bn in FY'2017,
- Zenith Bank Plc is currently sufficiently capitalized with a capital adequacy ratio of 25.0%, which is well above the statutory requirement of 16.0%, and,
- Zenith Bank currently has a return on average assets of 3.3% and a return on average equity of 23.7%.

Key Take-Outs:

1. Zenith Bank recorded a 10.0% decline in operating income over the period, largely due to declining interest income and trading income, occasioned by a challenging operating environment, with the 13.2% contraction of the loan book leading to compressed yields on interest earning assets. However, the Group was able to absorb these shocks by enhancing cost efficiency through optimization of cost of funds as well as their cost of risk and cost to income ratio (CIR), which led to a 25.0% reduction in

total operating expenses. The Group hence managed to maintain its profitability position as the cost efficiency strategies begin to bear fruit.

For a comprehensive analysis, please see our Zenith Bank FY'2018 Earnings Note here.

Ghana Banks' Performance:

There were no earnings releases during the month.

Section III: Latest Developments in the month of February, in the Sub Saharan Africa Banking Sector:

Kenya

During the month, The Central Bank of Kenya (CBK) published draft regulations for mortgage refinance companies (MRCs), setting the stage for creation of a State-backed firm that will advance cash to banks for onward lending to home buyers. Through the CBK (Mortgage Refinance Companies) Regulations 2019, the regulator provides for establishment of non-deposit taking firms under the Companies Act, licensed by the CBK to conduct mortgage refinance business. The MRCs will be used to advance loans to primary mortgage lenders such as commercial banks, microfinance banks and Savings and Cooperative Societies (Sacco's) using funds from the capital markets so as to provide affordable mortgages to eligible individuals. Refinance firms are being fashioned as implementation vehicles for meeting Kenya's affordable housing plan that targets 500,000 decent, affordable housing units by the year 2022. According to the CBK, the regulations are intended to provide a clear framework for licensing, capital adequacy, liquidity management, corporate governance, risk management as well as reporting requirements of MRCs. The draft regulations for MRCs are almost similar to those of commercial banks. According to the draft, which was subjected to public comments up to the end of the month of February, the set-up of MRCs include:

i. Minimum core capital of MRCs will be at least Kshs 1.0 bn, which is the same level as that of commercial banks,

ii. The MRCs will be required to have a master servicing and refinancing agreement governing the lending operations between the mortgage refinance company and the participating primary mortgage lenders, and,

iii. CBK proposes that no MRC shall grant direct finance to any primary mortgage lender of amounts exceeding 25.0% of core capital.

The draft regulations come at a time the Housing Fund Regulations (2018) are also still in draft form and deductions are yet to be made from formal employees towards funding the housing projects. For more information, please see our analysis in the Nyeri Real Estate Investment Opportunity 2019, & Cytonn Weekly #08/2019.

According to data released by The Kenya National Bureau of Statistics (KNBS), commercial banks in Kenya reduced their deposit rates to 5.7% in November 2018, the lowest in 15-months, from a high of 7.0% in February 2018. This comes after the removal of the 70.0% of the Central Bank Rate (CBR) floor, following the approval the Finance Bill 2018 by Parliament, and the Finance Act 2018 being signed into law in September 2018. The removal of the floor on deposit rates and retention of a ceiling on lending rate has failed to unlock credit to the private sector with the private sector credit growth coming in at 2.4% in the 12-months to December 2018, slower than the 3.0% recorded in the 12-months to November 2018. The reduction in deposit rates by banks is in a bid to increase their Net Interest Margins (NIM), by reducing the associated interest expenses.

The International Finance Corporation (IFC) entered into a technical advisory agreement with Equity Bank to offer technical advisory services with the aim of helping the lender to better its customer base of small and medium-sized (SME) customers. The project will see the development of new products and services tailored mainly for the SMEs. It will assist Equity Group design and deliver an efficient SME business model, improve SME credit related processes, and train staff to effectively serve the targeted SME segments. Equity Bank is already the country's leading SME bank with the segment comprising close to 60% of the bank's loan portfolio with the lender having 10.0 mn customers in Kenya. The bank is well placed to deliver additional products and services to its SME customers given its country-wide coverage through a network of 177 branches and over 32,000 agents, and its innovative digital channels. Equity bank becomes the latest local bank to benefit from IFC's technical advisory services, after Co-op Bank, which is also getting IFC's input in a Kshs 243.6 mn deal to help the lender expand its digital banking services. We note that various lenders in the local banking space such as KCB, Co-operative bank and I&M bank have been increasing focus on the SME banking segment, which was adversely affected by the implementation of the Banking (Amendment) Act 2015, as access to credit became difficult, with banks citing inability to price SME risks within the margins set under the law. Banks have been obtaining finance from international institutions mainly for onward lending to the private sector mainly comprise of SMEs, so as to plug a funding deficit occasioned by a mismatch in their assets and liabilities by tenor, as deposits tend to be relatively short term while loans are relatively long term. Please see our Fintech Impact on Kenya's Financial Services Industry, & Cytonn Weekly #07/2019 for a more detailed analysis.

The Capital Markets Authority (CMA) released The Report on the State of Corporate Governance of Issuers of Securities to The Public in Kenya. The findings suggest a "Fair" status of 55.0% weighted overall score in the application of corporate governance practices by Kenyan issuers of securities to the public. The report analyzed 62 listed companies and 5 issuers of corporate bonds. The principles analyzed were; (i) Commitment to Good Corporate Governance, (ii) Board Operations and Control, (iii) Rights of Shareholders, (iv) Stakeholders Relations, (v) Ethics and Social Responsibility, (vi) Accountability, Risk Management and Internal Control, and (vii) Transparency and Disclosure. The report used four score ratings: (i) "Leadership" compliance of 75% and above, (ii) "Good" compliance of between 74% and 65%, (iii) "Fair" compliance of between 64% and 50%, and (iv) "Needs Improvement" compliance of below 50%. The report ranked 3 companies in "Leadership", 5 companies in "Good" , 31 companies in "Fair" and 17 in "Needs Improvement". The report did not disclose the specific company ranks but noted that 3 issuers in "Leadership" were from the banking sector, while the 5 issuers in "Good" rating comprised of 2 from banking, 2 from commercial and services and 1 from manufacturing and allied sectors. For a more detailed analysis, please see our Consolidation in Kenya's Banking Sector to Continue, & Cytonn Weekly #06/2019

Nigeria

According to data from the Nigeria Bureau of Statistics, total Non-Performing Loans (NPLs) in the banking sector have declined by 24.2% y/y to NGN 1.8 tn from NGN 2.4 tn, as at Q4'2017. Gross loans in the banking sector stood at NGN 15.4 tn, a 3.8% decline from the NGN 16.0 tn recorded in Q4'2017. This implies that the industry's gross NPL ratio declined to 11.7% in Q4'2018, from 14.8% in Q4'2017. This consequently implies an improvement in the industry's overall asset quality, with the tight lending guidelines adopted by banks bearing fruit, as demonstrated by the decline in the gross loans. The oil and gas sector still accounted for the largest proportion of credit extended to the private sector, recording 23.5% of total credit, with manufacturing, recording the second highest with 14.7% of total credit. The banking sector increased the number of its staff headcount by 1.8% q/q to 104,669 from 102,821 in Q3'2018. For more information, see our Cytonn SSA Financial Services Weekly Note #8/2019

According to the Central Bank of Nigeria's (CBN) Economic Report for the Fourth Quarter 2018, the total assets and liabilities of commercial banks in Nigeria stood at NGN 37.1 tn as at the end of November 2018, a 0.4%

decline from NGN 37.2 tn as at the end of September 2018. The liability funds were sourced, largely, from foreign liabilities, draw down on reserves and acquisition of credit from the CBN. The funds were used, mainly, for payment of matured demand deposits, and settlement of claims on CBN and The Federal Government. Credit extended to the domestic economy stood at NGN 19.6 tn, a 2.0% increase from NGN 19.2 tn issued as at the end of September 2018. This was attributed to a 9.0% rise in Treasury bonds and bills and a 32.8% rise in bonds and bills issued by the local governments during the month. For more information, see our Cytonn SSA Financial Services Weekly Note #7/2019

According to Fitch ratings, the recent merger between Access Bank and Diamond Bank will amplify the two-tiered nature of the Nigerian Banking sector. The merger, which is set to be completed in June 2019, will see the 5 largest banks control more than 62.0% of the total industry deposit liabilities and more than 60.0% of the total assets. The combined entity will control 15.0% of the total sector assets, and will have the largest retail customer base in Africa, of 29.0 mn. With the five largest banks controlling more than 60.0% of the total sector, Fitch noted that banks would be able to easily access both local, and the international markets for funding, as shown in 2016-2017 when Access Bank, UBA and Zenith Bank accessed foreign Eurobond markets, even when there was a foreign-currency shortage in the country. For more information, see our Cytonn SSA Financial Services Weekly Note #6/2019

Ghana

A report by KPMG, the Receiver Manager of defunct bank, UniBank, which was placed under receivership in March 2018, has revealed that there was no way the bank was going to recover from the challenges it was facing. According to the report, the bank had a negative equity position from March 20, 2018. Its total assets after adjustment as at March 20, 2018 was GHC 2.5 bn compared with net liabilities of GHC 9.1 bn in March 20, 2018. This implies a negative equity position of GHC 6.5 bn. Before the liquidation of the bank by Bank of Ghana (BoG), UniBank's unadjusted total assets was GHC 8.8 bn at the end of March 20, 2018 against total liabilities of GHC 8.9 bn. The assets included cash and cash equivalent and government securities whilst the liabilities included customer deposits and borrowings. In August 1, 2018, the negative equity position had risen to negative GHC 7.2 bn after liabilities to other banks and financial institutions increased to GHC 4.9 bn from GHC 3.8 bn. This resulted in the negative equity position increasing to GHC 7.2 bn as at August 1, 2018 from GHC 6.5 bn in March 20, 2018. For more information, see our Cytonn SSA Financial Services Weekly Note #7/2019

Ghana's President Nana Akufo Addo in a state of the Nation address, highlighted that the 'clean up' of the banking sector cost The National Treasury GHC 12.7 bn (USD 2.5 bn). The funds have been successfully deployed to remediate the banking sector, which was marred by multiple cases of corruption and fraudulent activities. With various banks operating under financial distress, the general public confidence in the banking sector had deteriorated, prompting a cleanup of the sector. This even saw the formation of The Presidential Financial Stability Advisory Council, an inter-institutional consultative body formed by individuals from all the regulatory bodies of the financial services sector, which has been charged with the mandate to investigate and resolve any malpractices observed in the financial services sector. For more information, see our Cytonn SSA Financial Services Weekly Note #8/2019

Section IV: Equities Universe of Coverage:

The month-on-month performance, valuation and expected return of the companies in our SSA universe of coverage is highlighted in the table below:

Banks	Price as at 22/02/2019	Price as at 1/03/2019	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	P/E
GCB Bank	4.1	3.5	(14.4%)	(23.7%)	7.7	10.8%	130.8%	**0.8x**	5.6x
Diamond Trust Bank	152.0	148.0	(2.6%)	(5.4%)	283.7	1.8%	93.4%	**0.9x**	6.3x
Access Bank	6.4	5.7	(10.9%)	(16.2%)	9.5	7.0%	73.7%	**0.4x**	2.7x
KCB Group***	42.5	41.3	(2.7%)	10.3%	61.3	7.3%	55.7%	**1.3x**	5.9x
I&M Holdings	93.8	92.0	(1.9%)	8.2%	138.6	3.8%	54.5%	**0.9x**	5.1x
CRDB	135.0	135.0	0.0%	(10.0%)	207.7	0.0%	53.9%	**0.5x**	5.1x
UBA Bank	8.0	7.6	(5.0%)	(1.3%)	10.7	11.2%	52.0%	**0.5x**	3.4x
Zenith Bank	25.3	23.9	(5.5%)	3.7%	33.3	11.3%	50.7%	**1.1x**	5.4x
CAL Bank	0.9	1.0	7.7%	0.0%	1.4	0.0%	42.9%	**0.8x**	3.5x
Co-operative Bank	14.7	14.5	(1.0%)	1.4%	19.9	5.5%	42.8%	**1.3x**	7.1x
Equity Group	41.4	40.8	(1.4%)	17.1%	56.2	4.9%	42.6%	**2.0x**	7.5x
Ecobank	7.5	7.8	3.7%	3.3%	10.7	0.0%	38.5%	**1.7x**	8.9x
NIC Group	39.9	36.0	(9.7%)	29.5%	48.8	2.8%	38.3%	**0.9x**	6.2x
Stanbic Bank Uganda	28.8	29.0	0.9%	(6.5%)	36.3	4.0%	29.1%	**2.1x**	7.7x
Union Bank Plc	7.0	6.7	(4.3%)	19.6%	8.2	0.0%	21.6%	**0.7x**	8.6x
Barclays Bank	11.8	11.3	(4.7%)	2.7%	12.5	8.9%	20.0%	**1.5x**	8.5x
HF Group	6.4	6.0	(6.3%)	8.3%	6.6	5.8%	15.8%	**0.2x**	2.1x
Bank of Kigali	276.0	275.0	(0.4%)	(8.3%)	299.9	5.0%	14.1%	**1.5x**	8.1x
SBM Holdings	6.0	6.0	0.3%	1.0%	6.6	5.0%	14.0%	**0.9x**	6.0x
Guaranty Trust Bank	38.0	35.5	(6.6%)	3.0%	37.1	6.8%	11.3%	**2.2x**	6.0x
Standard Chartered	201.8	199.0	(1.4%)	2.3%	196.3	6.3%	4.9%	**1.6x**	8.6x
Stanbic Holdings	91.3	95.0	4.1%	4.7%	92.6	6.2%	3.6%	**0.9x**	6.1x
Bank of Baroda	134.0	135.0	0.7%	(3.6%)	130.6	1.9%	(1.4%)	**1.2x**	40.4x
Standard Chartered	21.0	21.0	0.0%	0.0%	19.5	0.0%	(7.3%)	**2.6x**	8.6x
FBN Holdings	8.3	7.8	(6.6%)	(2.5%)	6.6	3.2%	(11.2%)	**0.4x**	5.4x
Stanbic IBTC Holdings	48.5	46.5	(4.1%)	(3.0%)	37.0	1.3%	(19.1%)	**2.4x**	10.1x
National Bank	6.0	6.1	1.7%	14.7%	4.9	0.0%	(19.7%)	**0.5x**	3.8x
Ecobank Transnational	14.2	14.0	(1.1%)	(17.6%)	9.3	0.0%	(33.7%)	**0.5x**	6.3x

**Target Price as per Cytonn Analyst estimates*
*** Upside/ (Downside) is adjusted for Dividend Yield*
****Banks in which Cytonn and/or its affiliates are invested in*
*****Stock prices indicated in respective country currencies*

We are "Positive" on equities for investors as the sustained price declines has seen the market P/E decline to below its historical average. We expect increased market activity, and possibly increased inflows from foreign investors, as they take advantage of the attractive valuations, to support the positive performance.