Cytonn SSA Financial Services Research: October 2018 Monthly Note

Executive Summary

During the month of October, the equities markets were on a downward trend, with NASI, NGSEASI and GGSECI losing 4.7%, 0.5%, and 2.8%, respectively. This takes the YTD performance of Kenya, Nigeria and Ghana to (14.7%), (15.8%), and (1.0%), respectively. For the weekly performance, NASI gained 1.3%, while NGSEASI and GGSECI declined by 2.4% and 3.5%.

Section I: Market Performance:

During the month of October, the equities markets were on a downward trend, with NASI, NGSEASI and GGSECI losing 4.7%, 0.5% and 2.8%, respectively. This takes the YTD performance of Kenya, Nigeria and Ghana to (14.7%), (15.8%) and (1.0%), respectively. For the weekly performance, NASI gained 1.3%, while NGSEASI and GGSECI declined by 2.4% and 3.5%.

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

Top Gainers			Top Losers		
Company	**Country**	**Change**	**Company**	**Country**	**Change**
Zenith	Nigeria	9.3%	Ecobank	Ghana	(16.5%)
Guaranty Trust	Nigeria	3.0%	Standard Chartered	Ghana	(16.5%)
Stanbic IBTC Holdings	Nigeria	2.7%	National Bank	Kenya	(14.7%)
Stanbic Holdings	Kenya	2.2%	CAL Bank	Ghana	(13.3%)
Bank of Baroda	Uganda	0.8%	Diamond Trust Bank	Kenya	(10.9%)

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

Top Gainers			Top Losers		
Company	**Country**	**Change**	**Company**	**Country**	**Change**
Standard Chartered	Kenya	5.6%	FBN Holdings	Nigeria	(15.0%)
Barclays	Kenya	5.3%	Standard Chartered	Ghana	(12.8%)
Access Bank	Nigeria	5.0%	National Bank	Kenya	(6.0%)
Stanbic IBTC	Nigeria	2.2%	Ecobank Transnational Inc.	Nigeria	(4.5%)
Stanbic Holdings	Kenya	1.6%	Ecobank	Ghana	(3.0%)

Kenya

NASI declined by 4.7% during the month, driven by declines in the communications, consumer staples and financial services segments; with weighted declines of 5.2%, 4.1% and 3.6%, respectively. Large caps stocks such as Diamond Trust Bank (DTB), NIC Group, East Africa Breweries Ltd (EABL), Co-operative Bank and Safaricom declined by 10.9%, 6.1%, 5.9%, 5.9% and 5.1%, respectively. Equities turnover rose by 40.8% during the month to USD 167.1 mn from USD 118.7 mn in September, taking the YTD turnover to USD 1.6 bn. Foreign investors remained net sellers for this month, with a net selling position of USD 43.2 mn, which was a 41.9% increase from USD 30.4 mn net outflows recorded last month. We expect the market to remain subdued in the near-term as international investors exit the broader emerging markets due to the expectation of rising US interest rates coupled with the strengthening of the US Dollar.

Nigeria

The Nigerian All Share index declined by 0.5%, largely driven by declines in the oil and gas sector and financial services sectors. In our universe of coverage, Zenith Plc, Guaranty Trust Bank and Stanbic IBTC gained 9.3%, 3.0% and 2.7% during the month, while Ecobank Transnational and FBN Holdings declined by 10.6% and 10.1%. During the week, the NGSEASI declined by 2.4%, with FBN holdings and Ecobank Transnational declining by 15.0% and 3.0%, while Stanbic IBTC gained by 2.2%.

Ghana

The GSE Composite Index declined by 2.8% during the month, driven by declines in the financial services sector. In our universe of coverage Ecobank and Standard Chartered both declined by 16.5%, while CAL Bank registered a decline of 13.3%. During the week, the Ghanaian index declined by 3.5%, with Standard Chartered and Ecobank declining by 12.8% and 3.0%.

Section II: Earnings Releases:

Kenya Banks' Performance:

There were no earnings releases during the month.

Nigeria Banks' Performance:

Listed banks in Nigeria released their financial results for Q3'2018. Below is a summary of the banks' performance for the month:

Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Net Interest Income Growth	Net Interest Margin	Non-Funded Income (NFI) Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Growth In Govt Securities	Loan Growth	LDR	Cost of Funds	Return on Average Equity
Ecobank Transnational Inc.	289.6%	0.2%	1.3%	(0.5%)	8.2%	3.1%	48.6%	12.5%	10.1%	26.0%	(6.5%)	55.7%	3.4%	16.2%
Stanbic IBTC Holdings	58.6%	(2.0%)	10.1%	(7.2%)	8.3%	24.4%	57.8%	22.2%	6.0%	(13.2%)	14.1%	48.3%	4.0%	37.0%
Zenith	21.4%	(6.3%)	(31.0%)	13.4%	7.6%	(20.0%)	37.0%	(1.5%)	7.0%	93.0%	(15.4%)	55.7%	4.2%	25.0%
GT Bank	13.3%	(4.3%)	14.0%	(10.0%)	14.0%	62.2%	36.0%	(0.4%)	18.0%	(78.8%)	(11.1%)	56.7%	3.6%	34.2%
Access Bank	11.6%	10.4%	21.8%	(1.3%)	6.7%	(13.0%)	46.3%	20.2%	28.6%	124.7%	11.0%	79.7%	6.6%	14.2%
Union Bank Plc	9.8%	3.4%	1.2%	5.3%	8.3%	45.9%	38.4%	22.3%	14.9%	19.6%	23.1%	66.3%	6.3%	5.8%
UBA Bank	1.3%	13.0%	37.8%	(1.0%)	6.9%	3.6%	37.0%	9.4%	26.1%	47.3%	0.2%	50.2%	4.4%	12.6%
FBN Holdings	(2.4%)	(5.2%)	14.0%	(12.9%)	8.2%	22.7%	30.3%	15.0%	15.2%	8.8%	(5.8%)	56.9%	3.7%	7.1%
Weighted Average Q3'2018*	**16.9%**	**(1.5%)**	**4.7%**	**(2.2%)**	**9.6%**	**21.7%**	**40.7%**	**8.1%**	**14.2%**	**9.1%**	**(3.8%)**	**56.8%**	**4.1%**	**24.2%**
Weighted Average Q3'2017*	**19.4%**	**31.8%**	**37.0%**	**28.3%**	**9.2%**	**4.8%**	**37.1%**	**5.7%**	**3.7%**	**49.8%**	**(7.1%)**	**69.7%**	**4.1%**	**18.5%**

Key takeaways from the table include:

- All banks recorded an increase in core EPS growth except for FBN Holdings, with the weighted average increase coming in at 16.9% in H1'2018 compared to 19.4% in Q3'2017. Growth was driven by an increase in the Non-Funded Income (NFI), which came in at 21.7%, despite a 2.2% decline in Net Interest Income (NII), bringing the NFI to total operating income ratio to 40.7% from 37.1% in Q3'2017. This indicates that interest income is shrinking due to decline in loans as banks focus on increasing non-interest income, attributable to economic uncertainties surrounding the general elections to be held in 2019;
- Average deposit growth came in at 14.2% compared to an average of 3.7% in Q3'2017; while interest expense paid on deposits recorded a growth of 4.1% on average, similar to Q3'2017. This indicates that more accounts have been opened;
- Average loan decline came in at 3.8% compared to a 7.1% decline in Q3'2017, indicating a continued slowdown in lending by banks due to an uncertain macroeconomic environment as the country approaches presidential elections in 2019. Investment in government securities grew by 9.1%, compared to a 49.8% increase in Q3'2017; indicating banks are decreasing investment in government securities due to falling Treasury yields. The loan to deposit ratio thus stood at 56.8% from 69.7% in Q3'2017, owing to the faster growth in deposits compared with the decline in loans,
- The average Net Interest Margin of the Nigerian banking sector currently stands at 9.6%, higher than the weighted average of 9.2% in Q3'2017,
- The return on average equity of the banking sector stands at 24.2%, increasing from the weighted average of 18.5% as at Q3'2017.

<u>**Ghana Banks' Performance:**</u>

There were no earnings releases during the month:

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

<u>**Kenya**</u>

1. The Nairobi Security Exchange is set to admit Bank of Kigali Group Plc (BoK) after the Capital Markets Authority (CMA) granted approval for its cross listing. The Bank will be the first Rwandese firm to list its shares on the Kenyan bourse. According to the regulator, the cross listing will facilitate cross-border investments, further strengthening the Memorandum of Understanding entered into between capital markets regulators in East African countries (Kenya, Uganda, Tanzania, Rwanda and Burundi) through which a common blueprint on the integration of the East African capital markets was adopted. The Bank seeks to raise Kshs 7.0 bn from the rights issue in order to fund expansion of its 3 subsidiaries – BK Insurance, stock brokerage firm BK Capital and tech services firm BK TecHouse. In our view, the listing may enhance Kenya's position as an international financial centre and gateway for regional and international capital flows, in addition to increasing liquidity for the bank's investors.
2. Athi River Mining Plc (ARM) suspension from trading at the NSE was extended for a further 75 working days. The extension comes on the back of expiry of the 21 days suspension issued in September that was meant to give ARM time to complete creditor meetings that were convened as part of a process aimed to give a clear picture of the financial state of the company. This follows the placement of the company under administration in August after its lenders raised concerns of insolvency by the company. In our view, the extension seems to show that ARM's problems could take longer to resolve, hence dimming the prospects of a quick turnaround.

3. The Official Monetary and Financial Institutions Forum (OMFIF), in association with Absa Group Limited released the Absa Africa Financial Markets Index report 2018. The report evaluated financial market development in 20 African countries, in addition to highlighting markets with clearest growth prospects. The report mainly analyzed and ranked countries on six different pillars:
    a) Market depth,
    b) Access to foreign exchange,
    c) Market transparency, tax and regulatory environment,
    d) Capacity of local investors,
    e) Macroeconomic opportunity,
    f) Legality and enforceability of standard financial markets master agreements.

    According to the report, the top five financial markets in Africa are South Africa, Botswana, Kenya, Mauritius and Nigeria, respectively. Kenya climbed two spots to position three, with a score of 65%, from position five last year, due to improved ease of access to foreign exchange as well as implementation of proper foreign trading policies such as reducing capital controls, which has boosted its performance. It ranked position 1 on access to foreign exchange with a score of 93%, position 8 on market depth with a score of 44%, position 7 on capacity of local investors with a score of 33% and position 6 on the macroeconomic opportunity with a score of 65%. For more information on the report, see our Cytonn Weekly #41/2018.

4. Following the enactment of the Finance Bill 2018 in September 2018, banks will no longer be mandated to pay a minimum 70% of Central Bank Rate (CBR) on interest-earning deposits as was previously required, since the enactment of Banking (Amendment) Act 2015. As a result, banks have initiated the process of revising their deposit rates downwards as they aim to reduce their cost of funding. KCB Group, Standard Chartered and National Bank of Kenya issued notices to their customers during the month, notifying them of the interest rate on deposits cuts as provided for by the newly passed legislation. The scrapping of the floor on interest payments on bank deposits will effectively serve to lower the cost of funding for local lenders as they re-price their deposits. According to data from the Central Bank of Kenya (CBK), the average cost of deposits in the banking sector has been on a decline since 2015, largely due to reclassification of bank accounts to non-interest earning accounts, effectively reducing the associated interest expense. As at December 2017, the average cost of deposits stood at 4.3%, translating to a total interest expense of Kshs 124.4 bn as indicated below;

Banking Sector Interest Expenses

	2012	2013	2014	2015	2016	2017
Average Cost of Deposits	5.9%	3.8%	4.9%	5.5%	5.0%	4.3%
Total Interest Expense	110.9	83.8	103.6	133.1	130.8	124.4

    We expect other banks to follow suit and lower their deposit rates and as a result, the average cost of deposit is set to continue declining, which is likely to improve the sector's overall Net Interest Margin (NIM). For more information, see our Cytonn Weekly #40/2018

5. The Central Bank of Kenya (CBK) released the Kenya Financial Sector Stability Report 2017, highlighting the stability of the banking sector over the period January 2017 to December 2017. The report highlighted on, among other issues, profitability, liquidity and asset quality of the banking sector. The data from the report indicated that commercial banks have adjusted their business models in favor of

lending to large corporate borrowers and purchase of government debt, hence reducing credit to small borrowers whom lenders perceive as riskier by comparison. The report also highlighted that the banking sector had remained resilient despite interest rates caps. For more information on the report, see our Cytonn Weekly #39/2018.

6. I&M Bank secured a USD 40.0 mn (Kshs 4.0 bn) loan from the FMO, a Dutch Development Bank, for onward lending to small business enterprises (SMEs). The facility will support the expansion of I&M Bank's strategy to increase its SME loan book, boosting the local economy in the process. Kenyan banks have, in recent years, taken on substantial loans from international financiers including International Finance Corporation (IFC), European Investment Bank and the African Development Bank (AfDB). Previously, Equity Group, Co-operative Bank, Diamond Trust Bank, Stanbic Holdings and KCB Group have borrowed from international financiers mainly to finance their onward lending businesses The asset-liability mismatch by tenor due to the relatively long-term nature of loans and short-term nature of deposits exposes a gap that banks have chosen to fill with credit from the international financiers. The table below summarizes the debt issues by international institutions to local banks:

	Issuer	Bank	Issue Date	Amount of Loan (Kshs bn)	Term of Credit
1.	Africa Development Bank	Kenya Commercial Bank	Oct-17	10.4	Not specified
2.	IFC	I&M Holdings	Jan-18	1.0	Not specified
3.	IFC	Cooperative Bank	Feb-18	15.2	7-years
4.	Africa Development Bank	Diamond Trust bank	Mar-18	7.5	7-years
5.	SwedFund	Victoria Commercial Bank	Apr-18	0.5	Not specified
6.	14 financial Institutions (syndicated)	Stanbic Bank	May-18	10.0	2,3 years
7.	FMO	I&M Holdings	Oct-18	4.0	Not Specified
	Total			**48.6**	

For more information, see our Cytonn Weekly #38/2018.

Corporate Governance Changes:

Liberty Holdings Ltd announced the resignation of Dr. Susan Mboya Kidero as the board chair. Following the resignation, the following are the changes on the Corporate Governance metrics for Liberty Holdings Ltd:

- The board size decreased to 5 from 6 hence an improvement of the metric score to 1 from 0.5, since the board consists of an odd number of members from an even number, raising the possibility that there will be no tie in case board members decide to vote on a decision;
- Gender diversity declined to 0% from 16.7% since there is no longer a female member in the board;
- Ethnic diversity has improved to 60% from 66.7% since there are 2 out of 5 members of the board from the same ethnic group, a change from 2 out of 6; and;
- The proportion of non-executive members changed to 80.0% from 83.3%;

Overall, the comprehensive score remained the same at 77.1% and remained joint at position 9 with BAT, EABL and Jubilee Holdings in the 2018 Cytonn Corporate Governance Index.

KCB Group announced the appointment of Mr. Andrew Wambari Kairu as the new board chair, replacing Mr. Ngeny Biwott who held the position for five years. Following the appointment to the KCB Group Board, the following are the implications on the Corporate Governance metrics for KCB Group;

- The board size remained the same at 9 since Mr. Andrew Kairu was a non-independent director of KCB Bank Kenya and now joins the KCB Group board;
- Gender diversity remained the same at 77.8%;
- Ethnic diversity also remained the same at 77.8%, since there are 2 out of 9 members of the board from the same ethnic group;
- The proportion of non-executive members remained at 77.8%;

Overall, the comprehensive score remained the same at 85.4% and remained joint at position 1 with NSE and Safaricom in the 2018 Cytonn Corporate Governance Index.

Nigeria

1. **Lending by Nigerian Banks Expected to Decline Ahead of Elections**: The Nigerian banks are expected to decrease their lending ahead of the 2019 election to reduce the political risk due to the uncertainty in the environment, which will have potential impact on the businesses and the investor confidence. According to trading economics global, the lending rate in Nigeria is expected to decline to 14.8% in 2019 from 17.8% for the year 2017. The 2018 lending rate is already at 16.6% as of Q3'2018, a decline from 23.1% the previous year. The decline in lending will slow down the country's economic growth. The decreased lending will further slowdown the economic growth in the country and structural reforms such as assets sale to lessen the strain in the budget as well as reduced over-reliance in oil are in order and necessary to turn this country's fortunes around.

2. **Asset quality improves for Nigerian listed banks:** The 12 banks listed on the Nigerian Stock Exchange (NSE) recorded marginal growth in interest income to NGN 920.4 bn from NGN 920.2 bn in H1'2017. The banks have, however, reduced their non-performing loans (NPLs) by 26.1% to NGN 263.0 bn in H1'2018 from NGN 356.0 bn in H1'2017, indicating an improvement in asset quality in the banking sector. The tier-1 banks held a significant portion of the NPLs with NGN 175.4 bn, representing 66.7% of the total NPLs. In absolute terms, the banks with the largest share of bad debts are:
    a) First Bank - NGN 149.6 bn;
    b) Ecobank Group - NGN 41.1 bn;
    c) Diamond Bank - NGN 18.4 bn;
    d) Zenith Bank NGN - 9.7 bn; and
    e) Wema Bank NGN - 8.7 bn.

    First City Monument Bank (FCMB) led in the rationalization of asset quality, with its NPLs declining by 26.5 % to NGN 7.3 bn from NGN 10.0 bn, followed by First Bank who's NPLs dropped by 8.8% to NGN 149.6 bn from NGN 164.1 bn. Diamond Bank's NPLs dropped by 2.9% to NGN 18.4 bn from NGN 18.9 bn. The implication of the reduction of impairment in H1'2018 shows the extent to which the banks have gone in cleaning their loan books and the reduced lending activity indicated by the 3.8% decline in loans, which negatively affects economic growth in Nigeria. Generally, the performance of these banks showed that they concentrated more in Treasury Bills and Federal Government Bonds rather than lending which is the core business of banking.

Ghana

1. **SEC approves extension of Energy Commercial Bank IPO:** Energy Commercial Bank Limited has extended its Initial Public Offer (IPO) to 16th November 2018. The Securities and Exchange Commission (SEC) approved the extension, initially expected to end on Friday 2nd November 2018. The bank is seeking to raise GHS 340 mn in order to recapitalize and meet the new minimum capital adequacy requirement of GHS 400.0 mn. A circular by the Ghana Stock Exchange (GSE) indicated that the listing of the bank's shares would take place on 18th December 2018 instead of the earlier arrangement of 6th December 2018. The Bank seeks to raise the capital by floating 261 mn new shares at GHS 1.3 per share, translating to GHS 339.3 mn. Energy Commercial Bank presently operates 12 branches in Ghana and is expected to expand vigorously once it completes its recapitalization.

2. **Banks required to reduce license classes or risk closure upon failure to reach new minimum capital requirement:** Commercial banks unable to meet the GHS 400 mn minimum capital requirement by December 2018 will be required to apply for a reduction in their license classes from a universal bank status, or risk closure, according to the Bank of Ghana (BoG). The BoG has a tier system made up of the universal banks, savings and loans, rural banks and microfinance institutions, which allows institutions to alter their status to a given class within the tier system, depending on the capital requirement needs. The move aims to ensure that the owners of those banks are able to maintain their businesses as going concerns. The BoG, however, notes that there is still room for the banks that are yet to meet the requirements to explore mergers with larger lenders who may assist in recapitalization in order to meet the minimum capital requirement by the end of the year.
3. **Bank of Ghana realizes GHS 400.0 mn in asset sale:** Over GHS 400 mn was realized from the sale and recovery of the assets of Unique Trust (UT) and Capital banks. The loan stock amounted to GHS 2.7 bn, making up approximately 70.0% of the total assets of GHC 3.9 bn as at the receivership date. The receivers of both banks have been engaged in the process of winding down the activities of UT Bank Ltd and Capital Bank Ltd after the banks went into receivership in August 2017, due of severe impairment of their capital. GCB Bank Ghana Limited, through a Purchase and Assumption Agreement, purchased some assets and assumed certain liabilities of both banks. The creditor base of the two banks includes the Bank of Ghana, depositors, Development Finance Institutions, employees and trade suppliers of the two banks. Following the Receivers' request for creditors to submit their claims and proof of debt for validation, claims worth approximately GHC 3.7 bn were validated and agreed out, representing a success rate of 84.1% out of a combined creditor claim amounting to approximately GHC 4.4 bn, lodged with the Joint receivers so far. The underlying reason leading to the banks' significant capital deficiencies and consequent closure was poor corporate governance practices within these institutions. The tough actions taken by GCB on the two banks will most likely prompt other banks in the industry to strengthen their corporate governance structures such as risk management systems, financial reporting processes, audit processes and oversight responsibilities of board of directors, thereby improving the sector's stability.
4. **Ghana's Financial Sectors Growth on a Declining Trend**: Over the last 2 years, Ghana's financial sector growth has been on a declining trend in terms of contribution to GDP, having declined by 11.2%, 8.6%, 25.5% and 25.0% in Q1, Q2, Q3, and Q4'2017, respectively. In 2018, the sector declined further by 11.6% in Q1'2018 and 13.4% in Q2'2018. The negative growth in the financial sector can be attributed to inadequate credit to the private sector, which has declined from 32.0% in 2012 to 16.4% in Q2'2018, government delays in repaying its debt owed to banks and the high non-performing loans which hit 22.6% in June 2018, increasing from 21.2% in June 2017. The low credit in the private sector has led to weak economic growth. The recent banking reforms are however expected to turn around as the new minimum capital requirement will increase credit flow by encouraging small local banks to consolidate, resulting in bigger banks with the capital and capacity needed to clean up loan books and steer more credit to the private sector.

5. **Bank of Ghana writes of GHS 1.2 bn non-performing loans:** The Bank of Ghana (BOG) wrote off Non Performing Loans (NPLs) amounting to GHC 1.2 bn on the books of banks in the country, indicating that the Central bank considers the amount irretrievable from customers. As at August 2018, the non-performing loans for the banking sector was at 23.3% compared to 21.9% as at August 2017, indicating a deterioration of asset quality on year-on-year basis. The move was necessary to reduce the high levels of non-performing loans in the Country and clean the financial system to make it robust. On the supervision front, Bank of Ghana continues to put in extra measures to address weaknesses in the banking sector. These included the issuance of the Capital Requirements Directive towards the implementation of Basel II/III in the banking sector, as well as Financial Holding Company's Directive (a directive to facilitate understanding of the requirements for the adoption and operations of a financial holding company in Ghana) to address corporate governance issues currently facing the banking system. The outlook for the industry remains positive in the short to medium-term as measures being introduced will address weaknesses within the banking system.

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 28/09/2018	Price as at 31/10/2019	Price as at 2/11/2018	w/w change	m/m change	YTD Change	Target Price*	Dividend Yield**	Upside/Downside	P/TBv Multiple
NIC Bank***	25.3	23.0	23.0	0.0%	(9.1%)	(31.9%)	48.8	4.3%	116.5%	**0.6x**
Diamond Trust Bank	174.0	155.0	155.0	(1.9%)	(10.9%)	(19.3%)	283.7	1.7%	84.7%	**0.9x**
KCB Group***	40.5	38.3	38.0	(1.3%)	(5.6%)	(11.1%)	61.3	7.9%	69.2%	**1.2x**
Union Bank Plc	5.1	5.1	5.1	0.0%	(1.0%)	(35.3%)	8.2	0.0%	61.4%	**0.5x**
Ecobank	8.0	6.7	6.7	(3.0%)	(16.5%)	(12.0%)	10.7	0.0%	60.4%	**1.5x**
I&M Holdings	99.0	90.0	90.0	0.0%	(9.1%)	(29.1%)	138.6	3.9%	57.9%	**0.9x**
Ghana Commercial Bank***	5.4	5.2	5.2	(2.8%)	(4.6%)	2.0%	7.7	7.4%	57.3%	**1.2x**
Zenith Bank***	21.5	23.5	23.6	(1.9%)	9.3%	(8.2%)	33.3	11.5%	53.0%	**1.1x**
Equity Group	40.0	39.3	39.5	(1.3%)	(1.9%)	(0.6%)	56.2	5.1%	47.3%	**1.9x**
UBA Bank	8.4	7.9	7.9	(1.3%)	(6.0%)	(23.3%)	10.7	10.8%	46.2%	**0.5x**
Co-operative Bank	15.2	14.3	14.4	(1.4%)	(6.3%)	(10.3%)	19.9	5.6%	44.3%	**1.3x**
CRDB	160.0	150.0	150.0	0.0%	(6.3%)	(6.3%)	207.7	0.0%	38.5%	**0.5x**
CAL Bank	1.2	1.0	1.0	0.0%	(13.3%)	(3.7%)	1.4	0.0%	34.6%	**0.9x**
HF Group	5.8	5.3	5.3	(2.8%)	(9.5%)	(49.0%)	6.6	6.6%	31.1%	**0.2x**
Barclays	10.6	10.7	11.0	5.3%	0.5%	14.1%	12.5	9.1%	23.3%	**1.5x**
Access Bank	8.2	7.9	8.4	5.0%	(3.7%)	(20.1%)	9.5	4.8%	18.6%	**0.5x**
Stanbic Bank Uganda	33.0	33.0	33.0	0.0%	0.0%	21.1%	36.3	3.5%	13.5%	**2.3x**
SBM Holdings	6.5	6.2	6.2	0.3%	(4.6%)	(17.9%)	6.6	4.9%	11.4%	**0.9x**
Standard Chartered	192.0	186.0	188.0	5.6%	(3.1%)	(9.6%)	196.3	6.6%	11.1%	**1.5x**
Bank of Kigali	289.0	280.0	289.0	0.0%	(3.1%)	(3.7%)	299.9	4.8%	8.6%	**1.6x**
Guaranty Trust Bank	36.4	37.5	37.5	1.4%	3.0%	(8.0%)	37.1	6.4%	5.3%	**2.3x**
National Bank	5.8	5.0	4.7	(6.0%)	(14.7%)	(49.7%)	4.9	0.0%	4.3%	**0.3x**
Stanbic Holdings	90.0	92.0	91.5	1.6%	2.2%	13.0%	92.6	2.5%	3.7%	**0.9x**
Bank of Baroda	126.0	127.0	140.0	0.0%	0.8%	23.9%	130.6	1.8%	(4.9%)	**1.2x**
FBN Holdings	8.9	8.0	7.7	(15.0%)	(10.1%)	(13.1%)	6.6	3.3%	(10.1%)	**0.4x**
Standard Chartered	26.1	21.8	21.8	(12.8%)	(16.5%)	(13.7%)	19.5	0.0%	(10.7%)	**2.7x**

Stanbic IBTC Holdings	46.0	47.3	47.0	2.2%	2.7%	13.3%	37.0	1.3%	(20.0%)	**2.4x**
Ecobank Transnational	17.9	16.0	16.0	(4.5%)	(10.6%)	(5.9%)	9.3	0.0%	(42.0%)	**0.6x**

**Target Price as per Cytonn Analyst estimates*
***Upside / (Downside) is adjusted for Dividend Yield*
****Banks in which Cytonn and/or its affiliates holds a stake.*
***** Stock prices are in respective country currency*

We are "NEUTRAL" on equities since the markets are currently trading below historical P/E averages. However, pockets of value continue to exist, with a number of undervalued sectors like Financial Services, which provide an attractive entry point for medium and long-term investors, and with expectations of higher corporate earnings this year, we are "POSITIVE" for investors with a long-term investment horizon.