Cytonn SSA Financial Services Research: Q1’2019 Research Note

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Executive Summary

During the quarter, the equities markets had mixed performances with the NASI gaining by 12.2%, while the NGSEASI and the GGSECI declined by 1.2% and 3.3%, respectively. All listed banks in Kenya released their FY’2018 results, recording a core EPS growth of 13.8% in FY’2018, an improvement from the 1.0% decline recorded in FY’2017. In Nigeria, 4 banks have release their FY’2018 results, and have recorded a core EPS growth of 16.5%, slower than the 45.3% growth recorded in FY’2017.

Section I: Market Performance:

During the quarter, the equities markets had mixed performances with the NASI gaining by 12.2%, while the NGSEASI and the GGSECI declined by 1.2% and 3.3%, respectively.

Below is a summary of top gainers and losers in our financial services universe of coverage for Q1’2019:

Q1’2019 Top Gainers and Losers					
Top Gainers			Top Losers		
Company	Country	Change	Company	Country	Change
I&M Holdings	Kenya	33.5%	Ecobank Transnational Inc	Nigeria	(22.4%)
NIC Group	Kenya	30.8%	Diamond Trust Bank Kenya	Kenya	(16.9%)
Equity Group Holdings	Kenya	19.4%	CRDB	Tanzania	(16.7%)
Union Bank Nigeria	Nigeria	18.8%	GCB	Nigeria	(13.0%)
KCB Group	Kenya	17.6%	HF Group	Kenya	(9.7%)

Kenya

During Q1’2019, the equities market was on an upward trend, with NASI, NSE 25 and NSE 20 gaining by 12.2%, 10.8% and 0.4%, respectively, taking their YTD performance as at the end of March to 12.2%, 10.8% and 0.4% for NASI, NSE 25 and NSE 20, respectively. The equities market performance during the quarter was supported by gains in large caps such as NIC Group, Safaricom, Equity and EABL that rose by 30.8%, 24.1%, 19.4%, and 18.0%, respectively.

During the week, the equities market was on a downward trend with NASI, NSE 25 and NSE 20 declining by 0.3%, 0.1% and 1.7%, respectively, due to declines in large cap stocks such as Equity, DTB, Co-operative Bank and Safaricom, which declined by 4.4%, 4.1%, 3.9%, and 2.1%, respectively. For the last twelve months (LTM), NASI, NSE 25 and NSE 20 have declined by 17.6%, 20.7% and 26.0%, respectively.

Nigeria

During Q1’2019, the market was on a downward trend, with the NGSEASI declining by 1.2%. The decline is largely attributable to corrections witnessed in several key sectors from the bullish rally witnessed in the first two months of the year as the 40.3% and 3.1% gain in the industrial sector and financials sector was countered by the 14.1% and 11.3% declines in the health care and real estate sectors. During the week, the market was also on a declining trend, declining by 0.3%, largely driven by the 4.7% and 2.1% declines in the utilities and financial services sectors, which outweighed the 4.3% and 0.9% gains in the energy and consumer staples sectors. The performance takes the YTD performance of the NGSEASI to a decline of 1.2%

<u>Ghana</u>

The GSE Composite Index declined by 3.3% during the quarter, and is the largest loser in Africa on a Year-To-Date (YTD) basis, in dollar terms, declining by 14.4%, largely driven by increased selloffs by foreign investors, as investors exit amid news of the country exiting from a 4-year International Monetary Fund program, which has also led to an 11.1% depreciation of the Cedi. Some of the most affected sectors include the energy, telecommunication and financial services sectors. During the week, the market was on an upward trend, as the GSE Composite Index gained by 0.6%. In our universe of coverage, Ecobank Ghana and CAL Bank were the only gainers during the week with gains of 3.9% and 1.0%, respectively, with Standard Chartered Ghana declining by 0.9%, and GCB Bank remaining flat.

Section II: Earnings Releases:

<u>Nigeria Banks' Performance:</u>

4 Banks released their FY'2018 results during quarter:

A summary of the performance is highlighted in the table below

Summary of performance of Nigeria Listed Banks-FY'2018																
Bank	**Core EPS Growth**	**Interest Income Growth**	**Interest Expense Growth**	**Net Interest Income Growth**	**Net Interest Margin**	**Cost to Income Ratio**	**Non-Funded Income (NFI) Growth**	**NFI to Total Operating Income**	**Growth in Total Fees & Commissions**	**Deposit Growth**	**Growth In Govt Securities**	**Loan Growth**	**Gross NPL Ratio**	**LDR**	**Cost of Funds**	**RoAE**
Stanbic	53.9%	(3.7%)	2.2%	(6.4%)	7.8%	51.2%	15.1%	56.7%	18.2%	7.2%	3.5%	16.3%	3.9%	45.6%	3.8%	35.7%
Zenith	8.7%	(7.3%)	(33.3%)	14.6%	7.3%	51.3%	(33.5%)	37.8%	(9.2%)	7.3%	6.8%	(13.2%)	5.0%	49.4%	3.3%	23.7%
GT Bank	8.3%	(6.2%)	4.8%	(9.8%)	11.2%	38.1%	40.3%	36.1%	23.9%	10.3%	(0.1%)	(13.1%)	7.3%	55.4%	3.4%	31.4%
UBA Bank	1.4%	11.4%	33.3%	(1.0%)	6.6%	65.5%	(13.8%)	33.3%	(0.8%)	8.0%	32.7%	11.5%	6.5%	51.2%	4.2%	15.8%
Weighted Average FY'2018	**16.5%**	**(4.2%)**	**(3.8%)**	**(1.1%)**	**8.9%**	**47.4%**	**8.1%**	**40.3%**	**10.5%**	**8.6%**	**6.1%**	**(4.8%)**	**5.9%**	**51.3%**	**3.5%**	**28.3%**
Weighted Average FY'2017	**45.3%**	**31.4%**	**28.0%**	**32.6%**	**10.5%**	**55.2%**	**8.4%**	**40.4%**	**3.5%**	**19.8%**	**47.6%**	**(0.9%)**	**7.5%**	**58.4%**	**4.1%**	**28.6%**

Key takeaways from the table above include:

a. 4 banks have released results for FY'2018, and have recorded a 16.5% average increase in the core Earnings Per Share (EPS), compared to a gain of 45.3% in FY'2017, and consequently, the Return on Average Equity (RoAE) has declined marginally to 28.3%, from 28.6% in FY'2017, owing to the slower core EPS growth,

b. The sector recorded weaker deposit growth, which came in at 8.6%, slower than the 19.8% growth recorded in FY'2017. Consequently, interest expenses decreased by 3.8%, indicating banks have been mobilizing cheaper deposits. A majority of the banks have been implementing their retail banking strategy largely via the mobile and digital channels,

c. The Nigerian sector continued to record declines in loans disbursed, as the average loan book shrunk by 4.8%, higher than the 0.9% decline recorded in FY'2017, indicating that there was an even slower credit extension to the economy, as banks continued to adopt stringent lending policies, as they improve their assets qualities, and avoid the associated impairment charges. Banks' continued to prefer investing in government securities, which recorded a growth of 6.1%, albeit slower than the 47.6% recorded in 2017. However, Interest income declined by 4.2%, compared to a gain of 31.4% recorded in FY'2017, largely due to the decline in the interest income from loans, on reduced loan allocation, coupled with the decline in yields in government securities, with the National Government committing to reduce the stock of domestic debt. Consequently, the Net Interest Income (NII) declined by 1.1%, and the Net Interest Margin declined to 8.9% from 10.5% in FY'2017,

d. Non-funded Income (NFI) grew by 8.1% y/y, slower than 8.4% recorded in FY'2017. The growth in NFI was supported by the 10.5% growth in total fee and commission, faster than the 3.5% growth recorded in FY'2017. The robust fee and commission growth was largely due to increased transactional income, which banks earned from alternative channels such as mobile, ATM and Point of Sale terminals. The robust growth countered the declines in fees and commissions on loans, and,

e. The sector's asset quality improved by 1.6% points, with the gross NPL ratio improving to 5.9%, from 7.5% in FY'2017. The sector-wide asset quality improvement was largely driven by the improved economic and operating environment, coupled with an improvement in crude prices, as oil and gas remains a large portion of banks' loan book. The sector continues to be heavily exposed to the oil and gas sector, accounting for 23.5% of total credit extended, and any systemic shocks that affect the sector would significantly affect the industry's asset quality.

Kenya Banks' Performance:

A number of Banks released their FY'2018 results during the week:

- Equity Holdings released FY'2018 results, registering an increase in its core earnings per share by 4.8% to Kshs 5.25 from Kshs 5.0 in FY'2017, slower than our projections of an 11.3% increase to Kshs 5.6. The performance was driven by a 3.3% increase in total operating income, which outpaced the 1.4% increase in total operating expenses. The variance in core earnings per share growth against our expectations was largely due to the 1.4% rise in total operating expenses to Kshs 38.8 bn from Kshs 38.3 bn in FY'2017, which was contrary to our expected 3.9% decline. For more information, see our Equity Holdings FY'2018 Earnings Note
- I&M Holdings released FY'2018 results, registering an increase in its core earnings per share by 17.1% to Kshs 20.6 from Kshs 17.6 in FY'2017, higher than our projections of a 15.3% increase to Kshs 20.3. The performance was driven by an 8.8% increase in total operating income, which outpaced the 2.6% increase in total operating expenses. The variance in core earnings per share growth against our expectations was largely due to the 2.6% rise in total operating expenses to Kshs 12.3 bn from Kshs 12.0 bn in FY'2017, which was slower than our expectation of a 5.9% rise. For more information, see our I&M Holdings FY'2018 Earnings Note
- National Bank of Kenya released FY'2018 results, registering an increase in its core earnings per share (EPS) by 33.5% to Kshs 1.6, from Kshs 1.2 in FY'2017, exceeding our expectation of an 11.3% increase to Kshs 1.4. However, the core performance was due to the stripping out of an exceptional expense of Kshs 0.5 bn. The bank registered a 98.3% decline in profit after tax to Kshs 7.0 mn from Kshs 0.4 bn in FY'2017. The performance was as a result of a 12.4% decline in total operating income to Kshs 8.0 bn, from Kshs 9.2 bn in FY'2017, which outpaced the 9.6% decline in the total operating expenses to Kshs 7.6 bn, from Kshs 8.4 bn in FY'2017. The variance in core earnings per share growth against our expectations was largely due to the faster 9.6% decline in total operating expenses to Kshs 7.6 bn, from Kshs 8.4 bn previously, exceeding our expectation of a 0.6% decline. For more information, see our NBK FY'2018 Earnings Note

- HF Group released FY'2018 results, recording a loss per share of Kshs 1.7 in FY'2018, from a core earnings per share of Kshs 0.4 recorded in FY'2017, which exceeded our expectations of a loss per share of Kshs 0.2. The performance was as a result of a 17.1% decline in total operating income, coupled with a 6.2% rise in the total operating expenses. The variance in core earnings per share growth against our expectations was largely due to the 17.1% decline in total operating income to Kshs 3.6 bn, from Kshs 4.3 bn in FY'2017, which outpaced our expectation of a 10.4% decline. For more information, see our HF Group FY'2018 Earnings Note

During the quarter, listed banks in Kenya released their FY'2018 results, recording average core earnings per share growth of 13.8%, against a 1.0% decline for the same time last year. The table below highlights the performance of the banking sector, showing the performance using several metrics, and the key takeaways of the performance:

Summary of Performance of Kenya Listed Banks – FY'2018															
Bank	**Core EPS Growth**	**Interest Income Growth**	**Interest Expense Growth**	**Net Interest Income Growth**	**Net Interest Margin**	**Non-funded income Growth**	**NFI to Total Operating Income**	**Growth in Total Fee and Commissions**	**Deposit Growth**	**Growth in Govt Securities**	**Cost to Income**	**Loan to Deposit Ratio**	**Loan Growth**	**Cost of Funds**	**Return on Average Equity**
Stanbic	45.7%	13.8%	19.2%	14.0%	5.0%	18.3%	45.1%	15.5%	13.5%	3.7%	59.5%	79.7%	22.1%	3.5%	14.3%
NBK	33.5%	(10.5%)	(10.9%)	(22.6%)	6.5%	(30.3%)	24.8%	(72.5%)	4.9%	89.0%	94.3%	48.3%	(8.8%)	2.8%	0.1%
KCB	21.8%	4.1%	14.1%	0.9%	8.2%	(0.1%)	32.0%	(25.3%)	7.6%	9.1%	52.8%	84.8%	7.9%	3.2%	21.9%
SCBK	17.1%	2.3%	(3.0%)	4.5%	7.5%	4.9%	32.2%	19.7%	5.1%	(10.7%)	58.6%	52.9%	(6.1%)	3.3%	17.5%
I&M	17.1%	6.4%	17.3%	0.3%	7.0%	32.8%	32.8%	59.1%	25.9%	(20.0%)	53.0%	78.2%	9.0%	4.9%	17.4%
Co-op	11.6%	6.6%	(0.2%)	9.5%	9.5%	(4.4%)	29.5%	(3.0%)	6.5%	10.4%	58.8%	80.2%	(3.3%)	3.8%	18.3%
BBK	7.1%	7.0%	31.6%	0.9%	8.6%	14.7%	30.6%	6.7%	11.5%	58.9%	66.4%	85.5%	5.3%	3.5%	16.8%
Equity	4.8%	10.0%	8.9%	10.3%	8.5%	(6.3%)	38.4%	(16.6%)	13.3%	1.9%	57.7%	70.3%	6.5%	2.7%	22.5%
DTBK	2.3%	1.8%	2.0%	1.8%	6.2%	3.0%	21.3%	5.7%	6.2%	2.6%	56.9%	68.3%	(1.5%)	4.9%	13.1%
NIC	2.0%	4.8%	14.1%	(1.8%)	5.7%	11.4%	30.5%	9.2%	4.0%	12.9%	61.7%	81.7%	(1.4%)	5.2%	12.1%
HF	N/A	(15.2%)	(9.1%)	(23.9%)	4.2%	(2.0%)	36.8%	23.3%	(5.3%)	75.0%	(118.2%)	125.1%	(12.5%)	7.4%	(5.5%)
2018 Mkt cap Weighted Average	**13.8%**	**6.4%**	**10.6%**	**5.2%**	**7.9%**	**3.8%**	**33.3%**	**(1.0%)**	**10.3%**	**8.0%**	**57.5%**	**75.8%**	**4.3%**	**3.5%**	**18.9%**
2017 Mkt cap Weighted Average	**(1.0%)**	**(2.4%)**	**2.6%**	**(3.8%)**	**8.4%**	**9.1%**	**33.6%**	**13.4%**	**12.5%**	**22.2%**	**61.1%**	**80.0%**	**6.1%**	**3.6%**	**17.6%**

Key takeaways from the table above include:

f. All listed Kenyan banks have released results for FY'2018, and have recorded a 13.8% average increase in core Earnings Per Share (EPS), compared to a decline of 1.0% in FY'2017, and consequently, the Return on Average Equity (RoAE) increased to 18.9%, from 17.6% in FY'2017. All listed banks apart from HF Group have recorded growths in their core EPS, with Stanbic Holdings recording the highest growth of 45.7%, and the lowest being HF Group, which recording a loss per share of Kshs 1.7,

g. The sector recorded weaker deposit growth, which came in at 10.3%, slower than the 12.5% growth recorded in FY'2017. Despite the slower deposit growth, interest expenses increased by 10.6%, indicating banks have been mobilizing expensive deposits. However, with the removal of the limit of interest payable on deposits, the associated interest expenses on deposits is expected to improve in 2019, and possibly improve the cost of funds,

h. Average loan growth came in at 4.3%, which was lower than the 6.1% recorded in FY'2017, indicating that there was an even slower credit extension to the economy, due to sustained effects of the interest rate cap. Government securities on the other hand recorded a growth of 8.0% y/y, which was faster compared to the loans, albeit slower than 22.2% recorded in FY'2017. This indicates that banks' continued preference towards investing in government securities, which offer better risk-adjusted returns. Interest income increased by 6.4%, compared to a decline of 2.4% recorded in FY'2017, as banks adapted to the interest rate cap regime, with increased allocations in government securities. The Net Interest Income (NII) thus grew by 2.5% compared to a decline of 3.8% in FY'2017,

i. The average Net Interest Margin in the banking sector currently stands at 7.9%, down from the 8.4% recorded in FY'2017, despite the Net Interest Income increasing by 5.2% y/y. The decline was mainly due to the faster 8.0% increase in allocation to relatively lower yielding government securities, coupled with the decline in yields on loans due to the 100 bps Central Bank Rate (CBR) decline, and,

j. Non-funded Income grew by 3.8% y/y, slower than 9.1% recorded in FY'2017. The growth in NFI was weighed down as total fee and commission declined by 1.0%, compared to the 13.4% growth recorded in FY'2017. The fee and commission income continued to be subdued by the slow loan growth, coupled with the implementation of the Effective Interest Rate (EIR) model under IFRS 9, which requires banks to amortize the fees and commissions on loans, over the tenor of the loan.

For a summary of the FY'2018 banking sector results and our key takeaways from the results, please see our Cytonn FY'2018 Banking Sector Performance Note. We shall be releasing our FY'2018 Banking Report on 14th April, 2019.

Ghana Banks' Performance:

There were no earnings releases.

Section III: Quarterly Highlights:

Kenya

During the quarter;

i. A ruling by a three-Judge High Court Bench in Nairobi declared the Banking (Amendment) Act 2016 to be unconstitutional. Enacted in in 2016, the law stipulates a deposit and loan-pricing framework that provided for: (i) a cap on lending rates at 4.0% above the Central Bank Rate (CBR), and (ii) a floor on the deposit rates at 70.0% of the CBR, which was scrapped in October 2018. Following the ruling, the cap on lending rates at 4.0% above the Central Bank Rate (CBR) will no longer be effective, after the 12-months suspension period. For more information see our Cytonn Weekly #11/2019

ii. KCB Group has highlighted its intention to set up subsidiaries in Somalia and DRC Congo, as the bank aims to increase its regional footprint to 10 countries in the Eastern African region. This comes on the back of highlighting its intention to venture into Ethiopia, with the Ethiopian market becoming increasingly liberalized due to the reforms being implemented by the government. For more information see our Cytonn Weekly #12/2019

iii. 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. For more information see our Cytonn Weekly #08/2019

iv. 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. For more information see our Cytonn Monthly January 2019

v. The amendment to the Income Tax Act, included in the Finance Act 2018, was made public. The amendment introduced a requirement for Kenyan firms to pay a 30.0% tax on dividends received from their subsidiaries, and are redistributed to shareholders. This was a significant alteration to previous legislation in which a holding company would receive dividends from its subsidiary, without paying the withholding tax, if its ownership in the subsidiary exceeded 12.5%. For more information see our Cytonn Weekly #06/2019

vi. Commercial Bank of Africa (CBA) issued a cash buy-out offer of Kshs 1.4 bn to Jamii Bora bank. The Kshs 1.4 bn buyout represents a steep discount from the Kshs 3.4 bn book value as at Q1'2018. This implies the transaction, if the offer is accepted and no further injections made, would happen at a Price to Book ratio (P/Bv) of 0.4x, significantly lower than the average P/B ratio of 1.6x of recent transactions in the banking sector. For more information see our CBA Acquisition Note. In another transaction involving CBA and following the initial announcement of negotiations in December 2018, the respective Boards of Directors of CBA and NIC Group have proposed to recommend the merger of NIC and CBA to their shareholders. For a detailed analysis of the transaction, see our NIC-CBA Merger Note

Nigeria

During the quarter;

i. The Nigerian Stock Exchange (NSE) revealed plans to reduce the compliance burden on listed firms. Listing activity remained low in 2018, while equity turnover remained relatively stable, marginally declining by 5.5% to NGN 1.2 tn from NGN 1.3 tn in 2017. The year saw only one listing on the NSE, and 4 de-listings from the bourse as firms struggled to comply with capital markets requirements. For more information, see our Cytonn SSA Financial Services Research Weekly Note #03/2019

ii. The Central Bank of Nigeria (CBN) highlighted its intention to introduce new capital requirements for banks in Q2'2019, a move that is likely to heap pressure on lenders already weighed down by bad loans. The capital requirements will be stricter in terms of what funding qualifies as capital and will also require lenders to create "capital conservation" which is a new prudential instrument serving to preserve a bank's capital and it is equivalent to 2.5% of the total risk exposure amount and "counter-cyclical" buffers which intend to protect the banking sector against losses that could be caused by cyclical systemic risks. For a detailed analysis, see our Cytonn SSA Financial Services Research Weekly Note #04/2019

iii. 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 mainly used 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. For a detailed analysis, see our Cytonn SSA Financial Services Research: Weekly Note #07/2019

iv. According to data from the Nigeria Bureau of Statistics, total Non-Performing Loans (NPLs) in the banking sector 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. For a detailed analysis, see our Cytonn SSA Financial Services Research: CAFF Weekly Note #8/2019

v. Shareholders of Diamond Bank Plc and Access Bank Plc gave their consent to the merger process between the two entities at a court ordered meeting held in Lagos. The merger process was completed on 31st March 2019, with the combined entity beginning operations on 1st April 2019. The combined entity is set to become Africa’s largest retail bank by number of customers, with approximately 29 mn customers and approximately 13 mn mobile customers. The merger has been carried out at a consideration of NGN 1.0 per every share of Diamond Bank for a total of NGN 23.1 bn, in addition to a share swap of 6.6 bn Access Bank shares in the ratio of 2:7 between Access and Diamond shareholders, respectively. For more detailed analysis, see our Cytonn SSA Financial Services Research: CAFF Weekly Note #10/2019, and our Cytonn SSA Financial Services Research: CAFF Weekly Note #13/2019

vi. The Central Bank of Nigeria (CBN) introduced a tier-based system for unit microfinance banks, and revised the timelines for recapitalization. Microfinance banks are categorized as unit, state and national operators. Tier I and II unit microfinance banks would have to maintain minimum capital of NGN 200.0 mn and 50.0 mn. According to the directive issued by the CBN, the unit microfinance banks comprises of two Tiers: Tier I unit microfinance banks which operate in the urban and high-density banked areas of the society; and Tier 2 unit microfinance banks which operate only in the rural, unbanked or underbanked areas. For a detailed analysis, see our Cytonn SSA Financial Services Research: CAFF Weekly Note #13/2019

Ghana

During the quarter;

i. Ratings Agency, Moody’s highlighted that Ghana’s banking sector consolidation trend is credit positive. According to the rating agency, the sector's consolidation is credit positive as it supports financial stability by removing weaker banks and gives remaining banks pricing power, enhancing their efficiency and profitability. The Bank of Ghana (BoG) undertook the consolidation exercise to clean up the sector as it emerged that there existed inherent weaknesses including poor asset quality, insolvency and poor corporate governance practices, which threatened the stability of the banking industry and the economy by extension. For more information, see our Cytonn SSA Financial Services Research Weekly Note #03/2019

ii. 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. For more information, see our Cytonn SSA Financial Services Research: Weekly Note #07/2019

iii. OmniBank Ghana Limited and Sahel Sahara Bank, Ghana Limited (BSIC) announced the completion of the merger process between the two lenders. The combined entity commenced operations on 4th March 2019, under the name OmniBSIC Bank Ghana Limited. The merger was necessitated by the need to increase capital to meet the new Bank of Ghana's Minimum Capital Requirement (MCR) of GHS 400.0 mn. For more information, see our [Cytonn SSA Financial Services Research: CAFF Weekly Note #10/2019]

Section IV: Equities Universe of Coverage:

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

Banks	Price as at 22/03/2019	Price as at 29/03/2019	w/w change	q/q change	YTD Change	Year Open	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple
Diamond Trust Bank	135.5	130.0	(4.1%)	(16.9%)	(16.9%)	156.5	283.7	2.0%	120.2%	**0.7x**
GCB Bank	4.0	4.0	0.0%	(13.0%)	(13.0%)	4.6	7.7	9.5%	102.5%	**0.9x**
CRDB	125.0	125.0	0.0%	(16.7%)	(16.7%)	150.0	207.7	0.0%	66.2%	**0.4x**
Zenith Bank	22.1	21.8	(1.1%)	(5.4%)	(5.4%)	23.1	33.3	12.4%	65.2%	**1.0x**
I&M Holdings	94.3	113.5	20.4%	33.5%	33.5%	85.0	138.6	3.1%	25.2%	**1.0x**
UBA Bank	7.8	7.7	(1.3%)	0.0%	0.0%	7.7	10.7	11.0%	50.0%	**0.5x**
KCB Group***	44.7	44.1	(1.5%)	17.6%	17.6%	37.5	61.3	7.9%	47.1%	**1.4x**
Access Bank	6.9	6.5	(5.8%)	(5.1%)	(5.1%)	6.8	9.5	6.2%	53.5%	**0.4x**
Ecobank	7.7	8.0	3.9%	7.1%	7.1%	7.5	10.7	0.0%	33.6%	**1.7x**
CAL Bank	1.0	1.1	1.0%	7.1%	7.1%	1.0	1.4	0.0%	33.3%	**0.9x**
NIC Group	37.0	36.4	(1.8%)	30.8%	30.8%	27.8	48.8	2.8%	37.0%	**1.0x**
Co-operative Bank	15.6	15.0	(3.9%)	4.5%	4.5%	14.3	19.9	6.7%	39.8%	**1.4x**
Equity Group	43.5	41.6	(4.4%)	19.4%	19.4%	34.9	56.2	4.8%	39.9%	**2.1x**
HF Group	5.2	5.0	(3.8%)	(9.7%)	(9.7%)	5.5	6.6	7.0%	39.0%	**0.2x**
Stanbic Bank Uganda	29.0	30.0	3.6%	(3.2%)	(3.2%)	31.0	36.3	3.9%	24.8%	**2.1x**
Union Bank Plc	6.9	6.7	(2.9%)	18.8%	18.8%	5.6	8.2	0.0%	22.6%	**0.7x**
Bank of Kigali	265.0	275.0	3.8%	(8.3%)	(8.3%)	300.0	299.9	5.0%	14.1%	**1.5x**
SBM Holdings	6.0	6.0	(0.3%)	0.3%	0.3%	6.0	6.6	5.0%	14.7%	**0.9x**
Barclays Bank	12.0	11.8	(1.3%)	7.8%	7.8%	11.0	12.5	8.5%	14.4%	**1.6x**
Guaranty Trust Bank	37.5	36.1	(3.9%)	4.6%	4.6%	34.5	37.1	6.7%	9.6%	**2.3x**
Bank of Baroda	130.0	130.0	0.0%	(7.1%)	(7.1%)	140.0	130.6	1.9%	2.4%	**1.1x**
Stanbic Holdings	97.8	100.0	2.3%	10.2%	10.2%	90.8	92.6	5.9%	(1.6%)	**0.9x**
National Bank	5.0	4.9	(0.4%)	(7.3%)	(7.3%)	5.3	4.9	0.0%	(0.6%)	**0.4x**
Standard Chartered	20.0	20.0	0.0%	(4.8%)	(4.8%)	21.0	19.5	0.0%	(2.7%)	**2.5x**
Standard Chartered	217.3	215.3	(0.9%)	10.7%	10.7%	194.5	196.3	5.8%	(3.0%)	**1.8x**
FBN Holdings	8.3	8.2	(0.6%)	3.1%	3.1%	8.0	6.6	3.0%	(16.1%)	**0.5x**
Stanbic IBTC Holdings	45.5	46.0	1.1%	(4.1%)	(4.1%)	48.0	37.0	1.3%	(18.3%)	**2.3x**
Ecobank Transnational	13.4	13.2	(1.5%)	(22.4%)	(22.4%)	17.0	9.3	0.0%	(29.7%)	**0.5x**

**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 indicated in respective country currencies*

We are “Positive” on equities for investors as the sustained price declines have 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.