Cytonn SSA Financial Services Research: CAFF Weekly Note #11/2019

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Executive Summary

During the week, a ruling by the High Court of Kenya declared the provisions of the Banking (Amendment) Act 2016, which stipulates a cap on interest rates offered by commercial banks to 4.0% points above the Central Bank Rate (CBR), which is currently at 9.0%, to be unconstitutional and thus no longer applicable. Implementation of this ruling was however suspended for 12-months. In Nigeria, Stanbic IBTC Holdings and its parent company, Standard Bank Group South Africa, have partnered with Eland Oil & Gas, on a new accordion facility and increase its borrowing base of NGN 18.0 bn (USD 50.0 mn).

Section I: Market Performance:

During the week, the equities markets had mixed performances with the NASI gaining by 1.3%, while the NGSEASI and GGSECI declined by 2.4% and 0.9%, respectively. This takes the YTD performance of NASI, NGSEASI and GGSECI to 12.5%, 0.9%, and (14.5%), 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
Stanbic Holdings	Kenya	7.5%	National Bank of Kenya	Kenya	(11.9%)
CAL Bank	Ghana	5.1%	Zenith Bank	Kenya	(11.0%)
Ghana Commercial Bank	Ghana	5.0%	HF Group	Kenya	(9.3%)
Equity Group Holdings	Kenya	4.9%	CRDB	Kenya	(7.4%)
Barclays Bank of Kenya	Kenya	3.9%	Guaranty Trust Bank	Uganda	(5.1%)

Kenya

During the week, the equities market recorded a positive performance, with NASI gaining by 1.3%, taking its YTD performance to a gain of 12.5%. The performance in NASI was driven by gains in large cap stocks such as Equity Group, Barclays Bank of Kenya, and Safaricom, which gained by 4.9%, 3.9% and 2.8%, respectively. Equities turnover declined by 45.1% during the week to USD 30.7 mn, from USD 55.8 mn the previous week, taking the YTD turnover to USD 380.7 mn. Foreign investors turned net buyers for the week, with a net buying position of USD 3.2 mn, a decline from last week's net buying position of USD 4.6 mn. .

Nigeria

The Nigerian All Share Index (NGSEASI) declined by 2.4% during the week, driven by declines in the banking and insurance market segments, with the largest decliners being Africa Prudential PLC, FCMB Group, Zenith Bank PLC, WEMA Bank, and Unity Bank, which declined by 20.8%, 12.7%, 11.0%, 10.5% and 10.0%, respectively. The declines, have been realized largely due to sustained sell offs by investors on profit taking, which has seen the NGSEASI record a decline of 0.9% on a YTD basis.

Ghana

The GSE Composite Index declined by 0.9% during the week, driving YTD gains to (14.5%). In our universe of coverage, CAL Bank and GCB Bank were the biggest gainers during the week with gains of 5.1% and 5.0%, respectively.

Section II: Earnings Releases:

Nigeria Banks' Performance:

During the week, Guaranty Trust Bank PLC released their FY'2018 financial results. Core earnings per share increased by 8.3% to NGN 6.3 from NGN 5.8 in FY'2017, contrary to our expectation of a 3.4% decrease to NGN 5.6. Performance was driven by a 3.5% increase in total operating income, coupled with the 2.5% decline in the total operating expenses. The variance in core earnings per share growth against our expectations was largely due to a faster than expected growth in total operating income. We expected a 6.4% decline in total operating income to NGN 314.9 bn from NGN 336.4 bn in FY'2017, but this grew by 3.5% to NGN 348.3 bn, largely due to the faster than expected NFI growth. Key highlights from FY'2017 to FY'2018 include:

- Total operating income increased by 3.5% to NGN 348.3 bn in FY'2018 from NGN 336.4 bn in FY'2017. This was due to a 40.3% increase in Non-Funded Income (NFI) to NGN 125.8 bn from NGN 89.7 bn in FY'2017, which outpaced the 9.8% decline in Net Interest income (NII) to NGN 222.4 bn from NGN 246.7 bn in FY'2017,
- Interest income decreased by 6.2% to NGN 307.0 bn from NGN 327.3 bn in FY'2017, largely due to the 6.1% decline in interest income on loans and advances to NGN 190.8 bn from NGN 203.2 bn in FY'2017, coupled with the 7.6% decline in Interest income on government securities to NGN 94.9 bn in FY'2018 from NGN 102.7 bn in FY'2017. Consequently, the yield on interest earning assets declined to 15.4% in FY'2018 from 15.6% in FY'2017,
- Interest expense rose by 4.8% to NGN 84.5 bn from NGN 80.7 bn in FY'2017, following a 14.1% increase in the interest expense on customer deposits to NGN 68.0 bn from NGN 59.6 bn in FY'2017. The growth in interest expense was weighed down by the 93.0% decline in interest expense on placements assets to NGN 0.07 bn from NGN 1.1 bn in FY'2017, coupled with the 19.0% decline in interest expenses on debt securities to NGN 14.5 bn in FY'2018 from NGN 17.9 bn in FY'2017. The cost of funds thus rose to 3.4% from 3.3% in FY'2017. Net Interest Margin declined to 11.1% from 11.7% in FY'2017,
- Non-Funded Income (NFI) increased by 40.3% to NGN 125.8 bn from NGN 89.7 bn in FY'2017. The growth in NFI was driven by a 116.8% increase in net gain in financial instruments held for trading to NGN 24.6 bn from NGN 11.3 bn in FY'2017, which rose largely due to the 168.9% rise in the foreign exchange trading gain to NGN 19.3 bn from NGN 7.2 bn in FY'2017. The NFI growth was also aided by growth in other income, which expanded by 226.8% to NGN 39.3 bn from NGN 12.0 bn in FY'2017, which was largely due to the recoveries of NGN 10.4 bn in FY'2018 compared to none in FY'2017, coupled with the 21.7% increase in forex revaluation gains to NGN 31.1 bn from NGN 25.5 bn in FY'2017. Fees and commission income on loans and advances rose by 23.9% to NGN 50.5 bn from NGN 40.7 bn in FY'2017. As a result of the above performance, the revenue mix shifted to 64:36 funded to non-funded income as compared to 73:27 in FY'2017, as the proportion of NFI to total revenue increased owing to the faster increase in NFI,
- Total operating expenses declined by 2.5% to NGN 132.7 bn from NGN 136.1 bn in FY'2017, largely driven by a 54.3% decrease in Loan Loss Provision (LLP) to NGN 5.6 bn from NGN 12.2 bn in FY'2017, coupled with a 0.9% decrease in other operating expenses to NGN 90.3 bn in FY'2018 from NGN 91.1

bn in FY'2017. The decline in total operating expenses was however weighed down by the 12.3% rise in the staff costs to NGN 36.9 bn from NGN 32.8 bn, as the number of staff rose by 124 to 5,361 from 5,237 in FY'2017,

- The cost to income ratio improved to 38.1% from 40.5% in FY'2017. Without LLP, the Cost to Income Ratio (CIR) also improved, albeit marginally, to 36.5% from 36.9% in FY'2017,
- Profit before tax increased by 7.7% to NGN 215.6 bn, up from NGN 200.2 bn in FY'2017. Profit after tax increased by 8.3% to NGN 183.9 bn in FY'2018 from NGN 169.6 bn in FY'2017, as the effective tax rate declined to 14.4% from 14.9% in FY'2017,
- The bank declared a total dividend of NGN 2.75, a 1.9% increase from 2017's NGN 2.70. This translates to a dividend yield of 7.9%,
- The balance sheet contracted as total assets declined by 1.9% to NGN 3.3 tn from NGN 3.4 tn in FY'2017. This contraction was largely driven by a 13.1% decline in the loan book, which management attributed to the pay downs on foreign currency denominated loans on account of improved liquidity in the foreign exchange market, coupled with the 0.1% decline in government securities to NGN 636.3 bn from NGN 637.9 bn in FY'2017, as the bank liquidated all the Held To Maturity (HTM) securities. The decline in the assets was however mitigated by the 14.5% growth in the other assets, to NGN 599.0 bn from NGN 523.3 bn in FY'2017, largely due to a 14.5% growth in restricted deposits and other assets to NGN 509.0 bn, from NGN 445.1 bn in FY'2017,
- Total liabilities declined by 0.5% to NGN 2.71 tn from NGN 2.73 tn in FY'2017, driven by a 42.9% decline in the borrowings to NGN 178.6 bn, from NGN 312.6 bn in FY'2017, as the bank repaid its Eurobond, of USD 400.0 mn. Customer deposits rose by 10.3% to NGN 2.3 tn from NGN 2.1 tn in FY'2017, as management attributed the strong deposit growth to its retail strategy via innovative digital solutions, which aided in cheaper deposit mobilization, as the proportion of low cost deposits rose by 1.7% to comprise 84.0% of total deposits from 82.3% in FY'2017. Deposits per branch increased faster by 14.7% to NGN 10.2 bn from NGN 8.9 bn in FY'2017, with the faster growth attributed to the bank's closure of 8 branches, to 223 branches from 231 in FY'2017,
- The growth in deposits as compared to the decline in loans led to a decline in the loan to deposit ratio to 55.4% from 70.2% in FY'2017,
- Gross Non-Performing Loans (NPLs) decreased by 23.4% to NGN 92.6 bn in FY'2018 from NGN 114.2 bn in FY'2017, which management attributed to the assets de-recognition of key names within the general commerce, construction and real estate sectors. There were also notable improvements in sectors such Information, telecoms & transport, which had the NPL ratio decline to 3.0% from 57.0% in FY'2017. Consequently, the NPL ratio improved to 7.3% in FY'2018 from 7.7% in FY'2017. General Loan Loss Provisions (LLPs) increased by 47.6% to NGN 100.1 bn from NGN 67.8 bn in FY'2017.Thus, the NPL coverage increased to 100.6% in FY'2018 from 58.0% in FY'2017,
- Shareholders' funds decreased by 8.2% to NGN 563.1 bn in FY'2018 from NGN 613.7 bn in FY'2017,weighed down by the 13.0% decline in retained earnings to NGN 106.5 bn from NGN 122.6 bn,
- Guaranty Trust Bank currently has a return on average assets of 5.6% and a return on average equity of 31.4%.

Key Take-Outs:

- The bank registered a contraction of its balance sheet, largely due to the 13.1% reduction in the loan book, which consequently affected the investment income yield. The pressure on yields was further affected by the declining yields in government securities, given the bank's disinvestment in HTM securities, and The Nigerian Government's intention to scale down on domestic borrowing. Thus continued focus on relatively lower yielding assets may pressure the bank's top line interest revenue.

With continued economic recovery and improving asset quality, the bank may be better placed to increase lending activities, that earn higher yields;

- The bank had a relatively strong deposit growth of 10.3% y/y, signifying the effectiveness of the bank's retail banking strategy, largely driven by the aggressive digital banking promotion which aided in deposit mobilization. Increased promotion and consequently the adoption of the alternative digital channels aided in generating NFI, as other income expanded by 22.0% y/y. The retail banking strategy has also aided the bank in its cost-conscious geographical diversification strategy, which has seen the various regional subsidiaries record impressive growths in their balance sheets and profitability; and,
- The bank continues to maintain its high operational efficiency, having the lowest Cost to Income Ratio (CIR) at 38.1%, which helps the bank in attaining higher profitability, and ultimately a high RoAE at 31.4%.

For more information, please see our Guaranty Trust Bank PLC FY'2018 Earnings Note

Kenya Banks' Performance:

During the week, Barclays Bank of Kenya released their FY'2018 financial results. Core earnings per share increased by 7.1% to Kshs 1.4, from Kshs 1.3 in FY'2017, above our expectation of a 2.7% increase to Kshs 1.31. The performance was driven by a 4.7% increase in total operating income, despite the 5.8% increase in total operating expenses. The variance in core earnings per share growth against our expectations was largely due to the 24.3% increase in Loan Loss Provisions (LLP) to Kshs 3.9 bn, from Kshs 3.1 bn in FY'2017, against our expectation of a 4.1% decline in LLP to Kshs 3.0 bn. Highlights of the performance from FY'2017 to FY'2018 include:

- Total operating income increased by 4.7% to Kshs 31.7 bn, from Kshs 30.3 bn in FY'2017. This was due to a 0.9% increase in Net Interest Income (NII) to Kshs 22.0 bn, from Kshs 21.8 bn in FY'2017, coupled with the 14.7% rise in Non-Funded Income (NFI) to Kshs 9.7 bn, from Kshs 8.5 bn in FY'2017,
- Interest income increased by 7.0% to Kshs 29.1 bn, from Kshs 27.2 bn in FY'2017. This was driven by a 27.8% growth in interest income from government securities to Kshs 7.4 bn, from Kshs 5.8 bn in FY'2017, and a 1.3% increase in interest income on loans and advances to Kshs 21.5 bn, from Kshs 21.3 bn in FY'2017. The yield on interest-earning assets however declined to 11.4% from 12.1% in FY'2017, attributed to a decline in yields on government securities as well as a decline in lending rates due to the two CBR cuts last year, coupled with the faster 19.2% y/y increase in interest earning assets to Kshs 276.9 bn, from Kshs 232.2 bn in FY'2017,
- Interest expenses increased by 31.6% to Kshs 7.1 bn, from Kshs 5.4 bn in FY'2017, following a 76.2% increase in the interest expense on placement liabilities to Kshs 0.9 bn, from Kshs 0.5 bn in FY'2017, as the bank sought to support deposit growth amidst tight liquidity in the money market. Moreover, interest expense on customer deposits rose 26.7% to Kshs 6.1 bn, from Kshs 4.8 bn in FY'2017, on the back of the strong deposit growth of 11.5% y/y experienced in 2018. Consequently, the cost of funds rose to 3.5% from 2.9% in FY'2017. Thus, the Net Interest Margin (NIM) declined to 8.6%, from 9.1% in FY'2017,
- Non-Funded Income (NFI) rose by 14.7% to Kshs 9.7 bn, from Kshs 8.5 bn in FY'2017. The growth was mainly driven by a 65.5% growth in fees and commissions on loans to Kshs 1.1 bn, from Kshs 0.6 bn in FY'2017, coupled with the 14.5% rise in forex trading income to Kshs 3.3 bn from Kshs 2.9 bn, which outpaced the 1.4% decline in other fees and commissions to Kshs 4.57 bn from Kshs 4.64 bn. As a result, the revenue mix shifted to 69:31 funded to non-funded income from 72:28 in FY'2017, as NFI grew faster than NII,
- Total operating expenses increased by 5.8% to Kshs 21.1 bn from Kshs 19.9 bn, largely driven by a 24.3% increase in Loan Loss Provisions (LLP) to Kshs 3.9 bn in FY'2018, from Kshs 3.1 bn in FY'2017, coupled with

an 11.1% increase in other operating expenses to Kshs 7.4 bn in FY'2018, from Kshs 6.7 bn in FY'2017, which outweighed the 3.4% decline in staff costs to Kshs 9.8 bn from Kshs 10.1 bn in FY'2017, with the bank having laid off 323 staff in 2017,

- Consequently, the Cost to Income Ratio (CIR) deteriorated, albeit marginally, to 66.4%, from 65.8% in FY'2017. Without LLP, the cost to income ratio improved to 54.2%, from 55.5% in FY'2017, highlighting the rise in the cost of risk to 12.2% from 10.3% in FY'2017,
- Profit before tax increased by 2.7% to Kshs 10.7 bn, up from Kshs 10.4 bn in FY'2017. Profit after tax grew by 7.1% to Kshs 7.4 bn in FY'2018, from Kshs 6.9 bn in FY'2017, due to the effective tax rate declining to 30.0% from 33.0% in FY'2017,
- The bank recommends a final dividend of Kshs 0.9 per share, having already paid an interim dividend of Kshs 0.2 per share, translating to a total dividend payout of Kshs 1.1 per share, a 10.0% rise from Kshs 1.0 paid in FY'2017, which translates to a dividend yield of 9.3%,
- The balance sheet recorded an expansion as total assets increased by 19.8% to Kshs 324.8 bn, from Kshs 271.2 bn in FY'2017. This growth was largely driven by a 58.9% increase in government securities to Kshs 92.9 bn, from Kshs 58.5 bn in FY'2017, coupled with a 5.3% increase in their loan book to Kshs 177.4 bn, from Kshs 168.4 bn in FY'2017,
- Total liabilities rose by 23.6% to Kshs 280.6 bn, from Kshs 227.1 bn in FY'2017, driven by a 73.5% increase in Placement Liabilities to Kshs 5.3 bn, from Kshs 3.1 bn in FY'2017, coupled with a 78.5% increase in other liabilities to Kshs 67.9 bn from Kshs 38.0 bn in FY'2017. Customer deposits also increased, as they rose by 11.5% to Kshs 207.4 bn, from Kshs 186.0 bn in FY'2017. Deposits per branch increased by 20.8% to Kshs 2.5 bn, from Kshs 2.0 bn in FY'2017, with the number of branches having reduced by 7 to 84 from 91 as at the end of 2017,
- The faster growth in deposits as compared to loans led to a decline in the loan to deposit ratio to 85.5% from 90.5% in FY'2017,
- Gross Non-Performing Loans (NPLs) rose by 10.3% to Kshs 13.9 bn in FY'2018 from Kshs 12.6 bn in FY'2017. The NPL ratio thus deteriorated to 7.4% in FY'2018 from 7.1% in FY'2017. General Loan Loss Provisions rose by 17.5% to Kshs 6.5 bn from Kshs 5.6 bn in FY'2017. However, The NPL coverage declined marginally to 69.2% in FY'2018 from 70.0% in FY'2017, as interest in suspense declined by 5.2% to Kshs 3.1 bn from Kshs 3.3 bn in FY'2017,
- Shareholders' funds increased marginally by 0.2% to Kshs 44.2 bn in FY'2018 from Kshs 44.1 bn in FY'2017, as the 111.6% increase in the revaluation reserve to Kshs 0.5 bn from Kshs 0.3 bn in FY'2017, was weighed down by the 1.9% decline in retained earnings to Kshs 35.9 bn from Kshs 36.6 bn in FY'2017,
- Barclays Bank Kenya is currently sufficiently capitalized with a core capital to risk-weighted assets ratio of 14.4%, 3.9% above the statutory requirement. In addition, the total capital to risk-weighted assets ratio was 16.4%, exceeding the statutory requirement by 1.9%. Adjusting for IFRS 9, the core capital to risk weighted assets stood at 14.7%, while total capital to risk-weighted assets came in at 16.7%,
- The bank currently has a Return on Average Assets (ROaA) of 2.7%, and a Return on Average Equity (ROaE) of 16.8%.

Key Take-Outs:

1. The bank's asset quality deteriorated albeit marginally, with the NPL ratio deteriorating to 7.4% from 7.1% in FY'2017, as the gross NPLs rose by 10.3%. This was attributed to the corporate, real estate and SME book, as various entities cited the delayed payments by government and a relatively tougher operating environment in 2018. However, the bank continued to demonstrate prudence, as the NPL coverage remained relatively high, at 69.2%, albeit slightly lower than the 70.0% in FY'2017. With the ongoing

economic recovery, the bank's asset quality is likely to continue improving, across the other segments such as SMEs and the real estate segments,

2. There was a rapid expansion of Non-Funded Income, as it expanded by 14.7% y/y. The growth was largely driven by increased usage of the Bank's digital application platform, "Timiza", which was launched in March 2018, and has already disbursed approximately Kshs 10.0 bn, to its approximately 3.0 mn client base. Furthermore, with increased transactions (70.0% of all transactions) being done via alternative channels, the bank benefited from higher transactional revenue. This has increased Barclay's NFI contribution to revenue to 31.0%, which is still lower than its peer average at 35.0% NFI contribution to revenue, indicating the bank can still do more to grow its alternative revenue streams, and,
3. The bank recorded relatively strong growth in its balance sheet, as deposits grew by 11.5% y/y, and were channeled to Government Securities Investments, which grew by 58.9% and loans and advances that grew by 5.3%y/y, the highest recorded by the bank in the rate cap era. The growth in interest earning assets helped support increased interest income revenue, despite the decline in yields of both the government securities and loans, with the Central Bank Rate (CBR) declining by 100 bps during the year.

For more information, please see our [Barclays Bank of Kenya FY'2018 Earnings Note]

With 3 banks having released their FY'2018 results, the table below highlights their key operating metrics;

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	Loan to Deposit ratio	Loan Growth	Return on average equity
Stanbic Bank	45.7%	13.8%	19.2%	14.0%	5.0%	18.3%	45.1%	15.5%	13.5%	3.7%	79.7%	22.1%	14.3%
KCB Group	21.8%	4.1%	14.1%	0.9%	8.2%	(0.1%)	32.0%	(25.3%)	7.6%	9.1%	84.8%	7.9%	21.9%
Barclays Bank	7.1%	7.0%	31.6%	0.9%	8.6%	14.7%	30.6%	65.5%	11.5%	58.9%	85.5%	5.3%	16.8%
Weighted Average*	**21.7%**	**6.6%**	**19.9%**	**3.1%**	**7.8%**	**7.2%**	**33.8%**	**7.4%**	**9.7%**	**22.3%**	**84.1%**	**9.6%**	**19.2%**
Weighted Average 2017	**(1.0%)**	**(2.4%)**	**2.6%**	**(3.8%)**	**8.4%**	**9.1%**	**33.6%**	**13.4%**	**12.5%**	**22.2%**	**80.0%**	**6.1%**	**17.6%**

**Weighted By Market cap as at December 31st 2018*

Ghana Banks' Performance:

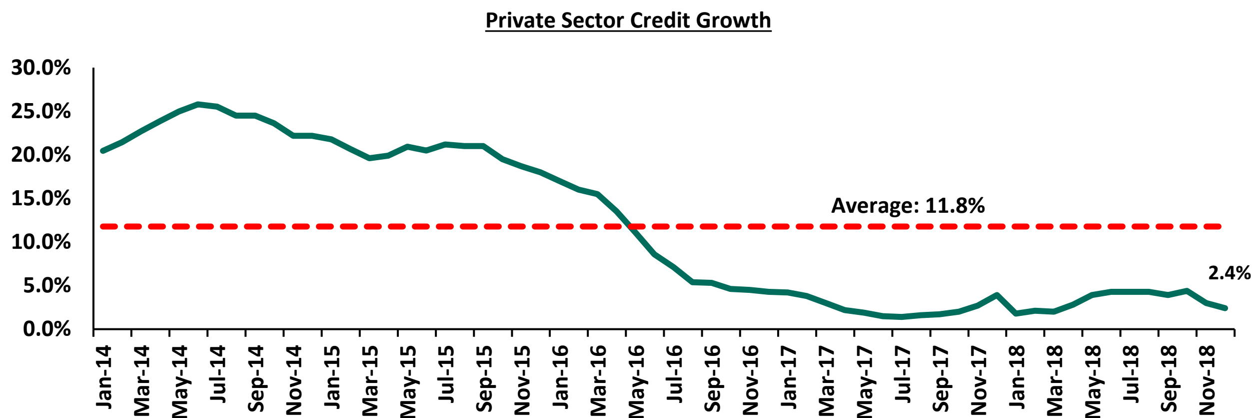
There were no earnings releases during the week.

Section III: Weekly Highlights:

Kenya

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 implementation period. Noting that the implementation of this rule would come with a lot of disruption to the Financial Services sector, the High Court suspended the effect of the declaration for 12-months, thus allowing Parliament time to reconsider sections that were declared unconstitutional by the High Court. The ruling follows a series of calls to amend the Act with the most recent being a proposal that was tabled by Mr. Moses Kuria, the Member of Parliament for Gatundu South in January 2019. The proposal made was to amend the Act to allow credit

consumers negotiate for interest rates on loans, depending on their risk profile, with an upper limit of up to 6.0% above the existing interest rate cap levels. This would have seen borrowers be able to access credit at rates of a maximum of 19.0% per annum compared to the current rate of 13.0 %. The Central Bank of Kenya echoed this sentiment and lauded the members of parliament for acknowledging the negative effect of interest rate capping on the economy. CBK Governor Dr. Patrick Njoroge has also maintained his stand that the law should be completely overhauled to encompass a system that allows banks to adopt a risk-based lending approach. These efforts have been in a bid to try and improve credit extension to the private sector, comprised largely of the Micro, Small and Medium Enterprises (MSMEs), as private sector credit growth (highlighted in the chart below) averaged 3.3% in 2018, way below the 5-year average of 11.8%.



The suspension duration is expected to serve as a transition period to avoid disruption of current contractual agreements between banks and their customers and, on the other hand, allow parliament to assess and ammend the provisions in contention. As such, the status of the rate cap law still hangs on the balance and we expect the final outcome to be determined by:

I. **Political Motives**: Nothing fundamental has been put on the table to make the members of parliament change their mind on the rate cap. As we get closer to the next general election, the resolve by parliamentarians to side with the electorate can only get stronger,

II. **Excecutive Influence**: In our view, the Executive's stand is what will determine whether the repeal of the rate cap goes through or not. As witnessed recently during the revision of the budget allocations, it is clear that the Executive can decide the direction they want parliament to vote on a matter.

Nigeria

Stanbic IBTC Holdings and its parent company, Standard Bank Group South Africa, have partnered with Eland Oil & Gas, on a new accordion facility to increase its borrowing base of NGN 18.0 bn (USD 50.0 mn). The facility, which will be underwritten by Stanbic IBTC Bank and Standard, provides an incremental facility, which allows the borrower to take an additional facility over and above what was originally agreed with the financier on the same terms as the original facility, and will largely be utilized for expansionary financing purposes. In November 2018, Eland Oil & Gas, an oil and gas production and development company operating in West Africa with a focus on Nigeria, announced that it had successfully refinanced its existing reserve-based lending facility with a new five-year syndicated facility of USD 75.0 mn, with the option to increase it to up to USD 200.0 mn via an accordion, contingent on incremental production and reserve assets. Stanbic IBTC stated that the deal was an

opportunity to support Eland Oil & Gas' business expansion drive in the oil and gas industry. We note that Stanbic IBTC continues to leverage on its excellent corporate & investment banking pedigree as well as the strength of its franchise in the Standard Bank Group, the largest financial institution in Africa, to source and close large ticket deals, which consequently ensures the bank performs its financial intermediation function, of obtaining funds from the surplus unit, and funding the deficit unit of the economy, and consequently earning higher topline revenue on those deals. Furthermore, the bank continues to focus and emphasize on value proposition in addition to assisting businesses with high quality advisory and arranging services which will enhance their growth and expansion prospects by providing access to a diverse range of financing options, from which the bank may earn interest revenue if drawn on by the portfolio companies. Thus, this consequently ensures the bank earns fee income from these advisory services, thereby increasing the Non-Funded Income (NFI) revenue, which should boost the bank's profitability.

Ghana

The were no highlights from Ghana

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 8/03/2019****	Price as at 15/03/2019****	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Down side**	P/TBv Multiple
Diamond Trust Bank	140.0	139.0	(0.7%)	(11.2%)	283.7	1.9%	106.0%	**0.8x**
GCB Bank	3.8	4.0	5.0%	(13.0%)	7.7	9.5%	102.5%	**0.9x**
Access Bank	6.0	6.0	(0.8%)	(12.5%)	9.5	6.7%	66.4%	**0.4x**
CRDB	135.0	125.0	(7.4%)	(16.7%)	207.7	0.0%	66.2%	**0.5x**
Zenith Bank	25.0	22.2	(11.0%)	(3.7%)	33.3	12.2%	62.3%	**1.1x**
I&M Holdings	90.0	90.0	0.0%	5.9%	138.6	3.9%	57.9%	**0.9x**
UBA Bank	7.7	7.7	0.0%	(0.6%)	10.7	11.1%	51.0%	**0.5x**
KCB Group***	44.0	44.3	0.7%	18.3%	61.3	7.9%	46.3%	**1.4x**
Ecobank	7.8	7.7	(0.1%)	3.2%	10.7	0.0%	38.6%	**1.7x**
Co-operative Bank	14.6	15.0	2.4%	4.5%	19.9	5.4%	38.5%	**1.3x**
CAL Bank	1.0	1.0	5.1%	5.1%	1.4	0.0%	35.9%	**0.8x**
Equity Group	41.0	43.0	4.9%	23.4%	56.2	4.7%	35.3%	**2.0x**
NIC Group	37.0	37.1	0.1%	33.3%	48.8	2.7%	34.4%	**1.0x**
Stanbic Bank Uganda	29.0	29.0	0.0%	(6.5%)	36.3	4.0%	29.1%	**2.1x**
HF Group	6.0	5.4	(9.3%)	(1.8%)	6.6	6.4%	27.8%	**0.2x**
Bank of Kigali	275.0	265.0	(3.6%)	(11.7%)	299.9	5.2%	18.4%	**1.5x**
Union Bank Plc	7.0	7.0	0.0%	25.0%	8.2	0.0%	16.4%	**0.7x**
SBM Holdings	6.1	6.0	(1.3%)	0.7%	6.6	5.0%	14.3%	**0.9x**
Barclays Bank	11.4	11.9	3.9%	8.2%	12.5	8.4%	13.9%	**1.6x**
Guaranty Trust Bank	37.3	35.4	(5.1%)	2.8%	37.1	6.8%	11.6%	**2.3x**
Standard Chartered	199.0	197.5	(0.8%)	1.5%	196.3	6.3%	5.7%	**1.6x**
Bank of Baroda	134.0	130.0	(3.0%)	(7.1%)	130.6	1.9%	2.4%	**1.2x**
Stanbic Holdings	93.0	100.0	7.5%	10.2%	92.6	5.9%	(1.6%)	**0.9x**
National Bank	5.7	5.0	(11.9%)	(5.6%)	4.9	0.0%	(2.4%)	**0.4x**
Standard Chartered	21.0	21.0	0.0%	0.0%	19.5	0.0%	(7.3%)	**2.6x**
FBN Holdings	8.1	8.2	1.2%	3.1%	6.6	3.0%	(16.1%)	**0.4x**

Stanbic IBTC Holdings	48.0	48.1	0.2%	0.3%	37.0	1.2%	(21.8%)	**2.5x**
Ecobank Transnational	14.0	13.5	(3.6%)	(20.6%)	9.3	0.0%	(31.3%)	**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.