Cytonn SSA Financial Services Research Weekly Note - 19th November 2018

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Executive Summary: During the week, the equities market was on a downward trend with NASI, NGSEASI and GGSECI declining by 2.1%, 0.4% and 2.7%, respectively. This takes their YTD performance to (15.1%), (16.9%), and (4.8%) for the NASI, NGSEASI, and GGSECI, respectively.

Section I: Market Performance:

During the week, the equities market was on a downward trend with NASI, NGSEASI and GGSECI declining by 2.1%, 0.4% and 2.7%, respectively. This takes their YTD performance to (15.1%), (16.9%), and (4.8%) for NASI, NGSEASI, and GGSECI, respectively.

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

Summary of Top Gainers and Losers for Week Ending 16th November 2018					
Top Gainers			Top Losers		
Company	Country	Change	Company	Country	Change
Ecobank	Ghana	7.1%	Standard Chartered	Ghana	(7.3%)
Union Bank Plc	Nigeria	4.1%	Ghana Commercial Bank	Ghana	(3.7%)
CRDB	Tanzania	3.4%	Bank of Kigali	Rwanda	(3.1%)
Barclays	Kenya	3.1%	CAL Bank	Ghana	(2.0%)
KCB Group	Kenya	2.6%	UBA Bank	Nigeria	(1.9%)

Kenya

NASI declined by 2.1% last week, driven by declines in large-cap stocks in the consumer and communications segments, with British American Tobacco (BAT) and Safaricom, which declined by 6.8% and 2.1%, respectively. In our financial services universe of coverage, the best stocks w/w were Barclays Kenya and KCB Group, which gained 3.1%, 2.6%. The laggards included Standard Chartered, NIC Group and Diamond Trust Bank, which declined by 0.7%, 1.1% and 1.3%, respectively. Equities turnover increased by 82.4% during the week to USD 19.5 mn from USD 10.7 mn the previous week, taking the YTD turnover to USD 1.7 bn. Foreign investors remained net sellers for the week, with a net selling position of USD 0.7 mn, a 121.3% increase from last week's net selling position of USD 0.3 mn. 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 0.4% during the week, largely driven by gains in the consumer staples, energy and industrials segments, which gained 2.0%, 2.3% and 1.6%, respectively. For our financial services universe of coverage, Union Bank gained 4.1%, while UBA Bank declined by 1.9%. Total turnover for the week decreased by 36.6% to USD 31.8 mn (NGN 11.5 bn) from USD 50.1 mn (NGN 18.2 bn) the previous week, with trading mainly concentrated in the financial services sector.

Ghana

The GSE Composite Index declined by 2.7% during the week, driven mainly by laggards in the financial services segment. In our universe of coverage for Ghana, Ecobank gained by 7.1%, while Standard Chartered, Ghana Commercial Bank and CAL Bank declined by 7.3%, 3.7% and 2.0%, respectively. Total turnover for the week increased by 332.8% to USD .1 mn (GHS 10.1 mn) from USD 0.5 mn (GHS 2.3 mn) the previous week.

Section II: Earnings Releases

KCB Group released Q3'2018 results during the week;

KCB Group released their Q3'2018 results, registering core earnings per share growth of 19.7% to Kshs 5.9, from Kshs 4.9 in Q3'2017, above our expectation of a 12.4% increase to Kshs 5.5. The performance was driven by a 2.0% increase in total operating income, coupled with the 6.8% decline in the total operating expenses. However, the variance in core earnings per share growth against our expectations was largely due to the 42.6% decline in loan loss provisions to Kshs 1.8 bn from Kshs 3.1 bn. We expected a 32.1% decline in loan loss provisions to Kshs 2.1 bn from Kshs 3.1 bn recorded in Q3'2017. Highlights of the performance from Q3'2017 to Q3'2018 include:

- Total operating income increased by 2.0% to Kshs 54.2 bn from Kshs 53.2 bn in Q3'2017. This was due to a 1.8% increase in Net Interest Income (NII) to Kshs 36.3 bn from Kshs 35.7 bn in Q3'2017, coupled with a 2.6% rise in Non-Funded Income (NFI) to Kshs 17.9 bn, from Kshs 17.5 bn in Q3'2017,
- Interest income increased by 5.1% to Kshs 49.2 bn, from Kshs 46.8 bn in Q3'2017. This was driven by a 4.9% growth in interest income from government securities to Kshs 9.7 bn from Kshs 9.3 bn in Q3'2017, and a 5.2% increase in interest income on loans and advances to Kshs 39.0 bn, from Kshs 37.1 bn in Q3'2017. The yield on interest-earning assets remained unchanged at 11.4%,
- Interest expense increased by 16.0% to Kshs 12.9 bn from Kshs 11.1 bn in Q3'2017, following a 13.9% increase in the interest expense on customer deposits to Kshs 11.3 bn, from Kshs 9.9 bn in Q3'2017. Interest expense on deposits and placements from banking institutions increased by 33.0% to Kshs 1.6 bn from Kshs 1.2 bn in Q3'2017. The cost of funds thus rose to 3.2%, from 2.9% in Q3'2017. Consequently, the Net Interest Margin (NIM) declined to 8.5%, from 8.7% in Q3'2017,
- Non-Funded Income (NFI) increased by 2.6% to Kshs 17.9 bn, from Kshs 17.5 bn in Q3'2017. The increase was driven by a 2.4% increase in other fees and commission income to Kshs 6.6 bn from Kshs 6.4 bn in Q3'2017, and a 24.1% increase in other income to Kshs 3.3 bn, from Kshs 2.6 bn in Q3'2017 outweighing the 7.9% decline in fees and commissions on loans to Kshs 4.4 bn from Kshs 4.8 bn in Q3'2017. As a result, the revenue mix remained the same at 67:33 funded to non-funded income,
- Total operating expenses declined by 6.8% to Kshs 28.6 bn, from Kshs 30.7 bn, largely driven by a 42.6% decline in Loan Loss Provisions (LLP) to Kshs 1.8 bn in Q3'2018, from Kshs 3.1 bn in Q3'2017, coupled with a 7.4% decline in staff costs to Kshs 12.8 bn in Q3'2018, from Kshs 13.8 bn in Q3'2017,
- Consequently, the Cost to Income Ratio (CIR) improved to 52.8%, from 57.8% in Q3'2017. Without LLP, the cost to income ratio also improved to 49.5%, from 51.9% in Q3'2017,
- Profit before tax increased by 14.2% to Kshs 25.6 bn, up from Kshs 22.4 bn in Q3'2017. Profit after tax increased by 19.7% to Kshs 18.0 bn in Q3'2018, from Kshs 15.1 bn in Q3'2017 as the effective tax rate declined to 32.5% from 36.4% in Q3'2017,
- The balance sheet recorded an expansion as total assets increased by 6.3% to Kshs 684.2 bn from Kshs 643.8 bn in Q3'2017. This growth was largely driven by a 15.3% increase in government securities to Kshs 119.5 bn, from Kshs 103.7 bn in Q3'2017, coupled with a 3.8% increase in their loan book to Kshs 435.3 bn from Kshs 419.5 bn in Q3'2017, which was mainly attributed to an increase in the corporate loan book,
- Total liabilities rose by 7.0% to Kshs 578.7 bn from Kshs 540.6 bn in Q3'2017, driven by a 6.2% increase in customer deposits to Kshs 526.8 bn, from Kshs 496.3 bn in Q3'2017. Deposits per branch increased

by 8.6% to Kshs 2.1 bn, from Kshs 1.9 bn in Q3’2017, with the number of branches having reduced to 257 from 263 in Q3’2017. Placement liabilities increased by 20.4% to Kshs 12.6 bn from Kshs 10.5 bn in Q3’2017. Borrowings increased by 43.7% to Kshs 20.7 bn from Kshs 14.4 bn in Q3’2017,

- The faster growth in deposits as compared to loans led to a decline in the loan to deposit ratio to 82.6% from 84.5% in Q3’2017,
- Gross Non-Performing Loans (NPLs) declined by 0.1% to Kshs 34.8 bn in Q3’2018 from Kshs 34.7 bn in Q3’2017. The NPL ratio thus improved to 7.6% in Q3’2018 from 7.8% in Q3’2017. General Loan Loss Provisions (LLPs) declined by 15.6% to Kshs 16.7 bn from Kshs 19.8 bn in Q3’2017. The NPL coverage declined to 60.4% in Q3’2018 from 67.9% in Q3’2017, as provisions declined at a faster rate than the NPLs,
- Shareholders’ funds increased by 2.2% to Kshs 105.5 bn in Q3’2018 from Kshs 103.2 bn in Q3’2017, as retained earnings grew by 25.6% y/y to Kshs 79.1 bn from Kshs 63.0 bn in Q3’2017,
- KCB group is currently sufficiently capitalized with a core capital to risk-weighted assets ratio of 16.3%, 5.8% above the statutory requirement. In addition, the total capital to risk-weighted assets ratio was 17.8%, exceeding the statutory requirement by 3.3%. Adjusting for IFRS 9, the core capital to risk-weighted assets stood at 17.6%, while total capital to risk-weighted assets came in at 19.0%, indicating that the bank’s total capital relative to its risk-weighted assets declined by 1.2% due to implementation of IFRS 9,
- The bank currently has a Return on Average Assets (ROaA) of 3.5% and a Return on Average Equity (ROaE) of 21.7%.

For more information, see our KCB Group Q3’2018 Earnings Note

Co-operative Bank released Q3’2018 results during the week;

Co-operative Bank released Q3’2018 results during the week, with core earnings per share growth of 8.2% to Kshs 1.8 from Kshs 1.6 in Q3’2017, in line with our expectations of an 8.5% increase to Kshs 1.8. The performance was driven by a 4.6% increase in total operating income, despite the 3.1% increase in the total operating expenses. Highlights of the performance from Q3’2017 to Q3’2018 include:

- Total operating income increased by 4.6% to Kshs 32.3 bn from Kshs 30.9 bn over the same period in Q3’2017. This was due to a 4.7% increase in Net Interest Income (NII) to Kshs 21.7 bn from Kshs 20.8 bn in Q3’2017, coupled with 4.3% growth in Non-Funded Income (NFI) to Kshs 10.6 bn, from Kshs 10.1 bn in Q3’2017,
- Interest income increased by 3.5% to Kshs 30.9 bn from Kshs 29.9 bn in Q3’2017. This was driven by a 13.1% growth in interest income from government securities to Kshs 6.9 bn from Kshs 6.1 bn in Q3’2017, and a marginal 0.8% increase in interest income on loans and advances to Kshs 23.8 bn, from Kshs 23.5 bn in Q3’2017. Interest income on deposits and placements with banking institutions rose by 13.3% to Kshs 0.17 bn from Kshs 0.15 bn in Q3’2017. However, the yield on interest-earning assets declined to 11.9% in Q3’2018 from 12.3% in Q3’2017, given the faster growth of 16.9% in government securities that have relatively lower yields than loans,
- Interest expense remained flat at Kshs 9.1 bn in Q3’2018. Interest on customer deposits increased by 2.5% to Kshs 8.2 mn from Kshs 8.0 mn, while other interest charges decreased by 3.4% to Kshs 0.88 bn from Kshs 0.91 bn in Q3’2017. The cost of funds decreased to 3.8% from 3.9% in Q3’2017. Consequently, net interest margin decreased to 8.3% from 8.6% in Q3’2017,
- Non-Funded Income (NFI) increased by 4.3% to Kshs 10.6 bn, from Kshs 10.1 bn in Q3’2017. The increase in NFI was realized across all NFI segments apart from fees and commissions on loans which declined by 29.7 % to Kshs 1.3 bn from Kshs 1.9 bn in Q3’2017, with management indicating that the appraisal fees declined by 51.0%, while negotiation fees declined by 16.0%. The values were however

undisclosed. Other fees and commission income increased by 9.9% to Kshs 6.6 bn, from Kshs 6.0 bn in Q3'2017. Forex trading income increased by 13.6% to Kshs 1.8 bn, from Kshs 1.5 bn in Q3'2017. Other income increased by 24.1% to Kshs 0.9 bn, from Kshs 0.8 bn in Q3'2017, with management citing recoveries from loans and revenue from the custody business as the key drivers for the growth in the other income segment. As a result, the current revenue mix remained at 67:33 funded to non-funded income,

- Total operating expenses increased by 3.1% to Kshs 17.8 bn, from Kshs 17.3 bn, largely driven by a 12.5% increase in other operating expenses to Kshs 8.4 bn in Q3'2018, from Kshs 7.5 bn in Q3'2017, as the bank improved its Information Technology (IT) infrastructure, as it pushes for further automation of its processes, together with improving its data analytics function. Staff costs increased by 12.3% to Kshs 8.1 bn from Kshs 7.2 bn in Q3'2017, attributed to recruitment by the bank for the IT department, with management indicating the expertize was hired at a premium. Loan Loss Provisions (LLP) however declined by 50.3% to Kshs 1.3 bn in Q3'2018, from Kshs 2.6 bn in Q3'2017,
- The Cost to Income Ratio (CIR) improved to 55.1%, from 55.9% in Q3'2017. Without LLP, the cost to income ratio deteriorated to 51.2%, from 47.6% in Q3'2017,
- Profit before tax increased by 6.6% to Kshs 14.6 bn, up from Kshs 13.7 bn in Q3'2017. Profit after tax increased by 8.2% to Kshs 10.3 bn in Q3'2018, from Kshs 9.5 bn in Q3'2017,
- The balance sheet recorded an expansion as total assets increased by 4.1% to Kshs 404.2 bn from Kshs 388.3 bn in Q3'2017. This growth was largely driven by a 16.9% increase in government securities to Kshs 83.3 bn, from Kshs 71.2 bn in Q3'2017. This was despite the 2.0% decrease in their loan book to Kshs 254.2 bn from Kshs 259.4 bn in Q3'2017,
- Total liabilities rose by 3.5% to Kshs 332.5 bn from Kshs 321.1 bn in Q3'2017, driven by a 2.5% increase in customer deposits to Kshs 296.1 bn from Kshs 289.0.8 bn in Q3'2017. In terms of distribution, transaction accounts, current accounts and fixed deposits accounted for the highest proportion at 29.5%, 28.9% and 22.6% respectively. Deposits per branch decreased by 1.5% to Kshs 1.91 bn from Kshs 1.94 bn in Q3'2017, with six branches opened to bring the total to 155 from 149 in Q3'2017. Placement liabilities increased by 24.0% to Kshs 1.5 bn from Kshs 1.2 bn in Q3'2017. Borrowings decreased by 7.2% to Kshs 26.0 bn from Kshs 28.0 bn in Q3'2017,
- The growth in deposits as compared to decline in loans led to a slight decline in the loan to deposit ratio to 85.9% from 89.8% in Q3'2017,
- Gross Non-Performing Loans (NPLs) increased by 75.3% to Kshs 29.7 bn in Q3'2018 from Kshs 16.9 bn in Q3'2017. Consequently, the NPL ratio increased to 11.2% in Q3'2018 from 6.4% in Q3'2017. The Loan Loss Provisions (LLPs) due to IFRS 9 increased by 78.4% to Kshs 9.9 bn from Kshs 5.6 bn in Q3'2017, however, the specific LLPs for the quarter decreased by 50.3% to Kshs 1.3 bn from Kshs 2.6 bn in Q3'2017. According to management, the decrease in specific provisions for the quarter was due to the bank's one-off provisioning of Kshs 4.6 bn charged on the bank's retained earnings, which was incurred because of the initial implementation of IFRS 9, hence requiring lesser provisioning levels for the quarter. With the growth in NPLs partially matched with a similar increase in provisioning, the NPL coverage decreased to 36.8% in Q3'2018 from 38.1% in Q3'2017. The increase in the non-performing loans was attributed to challenges experienced in the manufacturing, trade, real estate, and consumer loans sectors,
- Shareholders' funds increased by 5.3% to Kshs 70.9 bn in Q3'2018 from Kshs 67.3 bn in Q3'2017, as retained earnings grew by 6.5% y/y to Kshs 62.5 bn, from Kshs 58.7 bn in Q3'2017,
- Co-operative Bank remains sufficiently capitalized with a core capital to risk-weighted assets ratio of 16.5%, 6.0% above the statutory requirement. In addition, the total capital to risk-weighted assets ratio was 16.6%, exceeding the statutory requirement by 2.1%. Adjusting for IFRS 9, the core capital to risk-weighted assets stood at 17.3%, while total capital to risk-weighted assets came in at 17.4%, indicating that the bank's total capital relative to its risk-weighted assets declined by 0.8% due to

implementation of IFRS 9. This is because the banks are allowed to add back amounts used in provisioning to capital for capital computation purposes, as they implement IFRS 9,

- The bank currently has a Return on Average Assets (ROaA) of 3.1% and a Return on Average Equity (ROaE) of 17.6%.

For more information, see our [Co-operative Bank Q3'2018 Earnings Note]

Section III: Latest Developments in the Sub Saharan Africa Banking Sector during the week:

Rwanda

Bank of Kigali hopes to mobilise Rwf 60.0 bn (USD 70.0 mn) in a rights issue at the end of this month as it seeks to raise capital to finance projects and boost its capital buffers. The new equity injection is set to bolster shareholders' funds from USD 140.0 mn to USD 210.0 mn, therefore positioning the lender to book more business in a competitive banking environment. The lender will issue 222,222,222 new shares to its shareholders at a ratio of one for every three held, according to Renaissance Capital Rwanda, the lead transaction advisor. The shares will cost Rwf 270.0 (USD 0.31) each, a 3.6% discount from Rwf 280.0 as at Friday 16th November 2018, meant to encourage shareholders to increase their stake in Rwanda's most profitable and largest bank by assets and market share. BK Group aims to recapitalize in order to support its growth strategy, by ensuring that its subsidiary companies listed above have enough capital to continue growing and serving BK customers, while giving shareholders good returns. The total outstanding shares will stand at 896.8 mn, increasing by 32.9% from the current 674.5 mn issued shares. We are of the view that the cross listing on the Nairobi Securities Exchange will offer the listing bank with a larger pool of investors hence improving liquidity for the bank's existing shareholders.

Nigeria

The Nigerian Stock Exchange (NSE) has sanctioned eight banks with fines totalling NGN 102.6 mn following their failure to file their financial statements at the regulatory date, in the period to November 2018. The new sanction regime took effect on 1st January 2018, requiring companies to pay fines ranging from NGN 100, 000 to more than NGN 100.0 mn as penalties for delay in the submission of corporate earnings reports. According to the policies, quoted companies should file their unaudited quarterly accounts not later than 30 calendar days after the relevant quarter. The accounts should also be published within five business days after the date of filing in at least two national daily newspapers, and post it on the company's website, with the web address disclosed in the newspaper publication. Under the new rules, late submission attracts NGN 9.0 mn in the first 90 days, NGN 18.0 mn in the next 90 days and NGN 0.4 mn per day until the date of submission. Data obtained from the NSE revealed that the total amount of fines due this year was NGN 341.6 mn, while the amount carried forward from last year amounted to N424.9 mn, bringing the total amount due from fines to NGN 766.5 mn. The table below summarizes the penalties placed on the banks by the Nigeria Stock Exchange:

Fines Imposed on Banks by the Nigerian Stock Exchange	
Bank	**Amount (NGN mn)**
Unity BankPlc	80.2
Diamond Bank Plc	7.3
Fidelty Bank Plc	6.2
Union Bnk	4.7
FBN Holdings	2.1
Sterling Bank Plc	1.3
Wema Bank Plc	0.8

First City Monument Bank Plc	0.1
Total	**102.6**

In our view, the penalties imposed by the Nigerian Stock Exchange will serve to rein in non-compliant banks by ensuring proper governance practices to ensure timely disclosure and reporting to all the relevant stakeholders.

The Central Bank of Nigeria (CBN) disclosed that it has so far resolved 13,715 complaints from banks' customers with banks refunding NGN 73.27 bn to their customers. According to the CBN, its intervention in about 13,715 complaints brought before it, which were resolved by its Consumer Protection Department, led to the return of NGN 66.5 bn, USD 18.5 mn, EUR 0.03 mn and GBP 9,085 to the complainants. As per Ibrahim Hassan, the Assistant Director of Consumer Protection Department of CBN, 25,043 cases of fraud were reported by deposit money banks (DMBs) in 2017 compared to 19,531 cases in 2016 representing a 28.2% increase in reported fraud cases in 2017. However, there was a 24.0% reduction in actual fraud loss value in 2017 compared to 2016 figures. Actual fraud loss value amounted to NGN 1.6 bn in 2017 from NGN 1.2 bn in 2016, with 83.0% of the losses in 2017 due to electronic fraud, while the remaining 17.0% were non-electronic. In a separate report on the banking sector published by the Nigeria Deposit Insurance Corporation, ten Deposit Money Banks (DMNs) accounted for about 87.7% of fraud and forgery attempts in the 2017 fiscal period. The report, however, does not mention the specific entities that accounted for most of the fraud cases. Out of the total amount of NGN 12.0 bn fraud recorded in 2017, the ten banks accounted for NGN 10.5 bn, with the amount involved increasing by 38.1% from the NGN 7.6 bn reported in 2016. The report also cited electronic (ATM) fraud as the most prevalent, with 16,397 attempts reported amounting to NGN 0.8 bn, which was 68.1% higher than the NGN 0.5 bn recorded in 11,244 attempts in 2016. According to the report, ATM channel was closely followed by web-based fraud and fraudulent transfers/withdrawal of deposits with 7,869 and 963 attempts, respectively. The actual loss recorded through these channels, according to the report, stood at NGN 0.7 bn and NGN 0.3 bn in 2017, respectively. In our view, timely resolution of fraud cases by the CBN will serve to promote consumer confidence in the financial system, which will in turn augment the apex bank's efforts to increase financial inclusion in the economy.

Ghana

Government's intervention in the banking sector in August this year has secured a total of GHS 11.0 bn customer deposits and 2,661 jobs. This comes in the wake of the efforts of the Bank of Ghana (BoG) to clean up the banking sector by flagging down insolvent and non-compliant banks. Among the reforms mooted by the BoG was for banks to increase minimum stated capital to GHS 400.0 mn from GHS 120.0 mn by December 2018. However, according to the country's finance minister, Mr. Ken Ofori-Atta, the rescuing the banks has cost the economy up to GHS 9.9 bn in tax revenues, which had not been budgeted for, hence creating possible budget constraints in the economy. The apex bank revoked the licences of two indigenous banks – UT Bank and Capital Bank – and further took measures to act over five banks that had liquidity challenges. In addition to the two banks, the table below summarizes the 5 other banks placed under receivership by the BoG:

Insolvent Banks laced under Receivership					
Bank	**Capital Deficit (GHS bn, min. GHS 400.0 mn)**	**Capital Adequacy Ratio (CAR, min. 10.0%)**	**Liquidity Support from BoG (GHS bn)**	**NPL Ratio (%)**	**Net Assets (bn)**
UniBank	(7.4)	(74.7)	3.1	89.0	(6.8)
The Royal Bank	(0.6)	(80.5%)	0.3	78.8	(0.5)

The Beige Bank Limited	(0.2)	(17.2%)	Undisclosed	72.8	
Sovereign Bank	Undisclosed	(11.0%)	0.012	Undisclosed	Undisclosed
The Construction Bank Limited	(0.4)	Undisclosed	Undisclosed	Undisclosed	Undisclosed

All the assets and selected liabilities of the above banks were transferred to Consolidated Bank of Ghana, a newly created entity that is 100% owned by the state. The receivers for the collapsed banks have already commenced civil action against shareholders and directors to recover funds, with the Attorney-General setting up a special investigation team to prosecute those found criminally liable. In our view, this action of government will to serve restore confidence in the banking system by assuring customers that no deposits will be lost; hence ensuring them continued uninterrupted access to their deposits.

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:

Equities Universe of Coverage									
Banks	Price as at 9/11/2018	Price as at 16/11/2018	w/w change	YTD Change	LTM Change	Target Price	Dividend Yield	Upside/Downside	P/TBv Multiple
NIC Bank***	23.0	22.8	(1.1%)	(32.6%)	(31.4%)	48.8	4.4%	118.9%	**0.6x**
Diamond Trust Bank	160.0	158.0	(1.3%)	(17.7%)	(16.8%)	283.7	1.6%	81.2%	**0.9x**
Ghana Commercial Bank***	5.1	4.9	(3.7%)	(3.0%)	14.8%	7.7	7.8%	65.3%	**1.2x**
KCB Group***	38.0	39.0	2.6%	(8.8%)	(4.3%)	61.3	7.7%	64.9%	**1.2x**
Union Bank Plc	4.9	5.1	4.1%	(35.3%)	(17.5%)	8.2	0.0%	61.4%	**0.5x**
I&M Holdings***	90.0	90.0	0.0%	(29.1%)	(25.0%)	138.6	3.9%	57.9%	**0.9x**
Zenith Bank***	24.4	24.0	(1.6%)	(6.4%)	(0.2%)	33.3	11.3%	50.1%	**1.1x**
Equity Group	39.0	39.3	0.6%	(1.3%)	(2.5%)	56.2	5.1%	48.3%	**1.9x**
UBA Bank	8.0	7.8	(1.9%)	(24.3%)	(17.9%)	10.7	10.9%	48.1%	**0.5x**
Co-operative Bank	14.2	14.1	(0.7%)	(11.9%)	(12.1%)	19.9	5.7%	46.8%	**1.2x**
Ecobank	7.0	7.5	7.1%	(1.3%)	9.3%	10.7	0.0%	43.1%	**1.6x**
CAL Bank	1.0	1.0	(2.0%)	(7.4%)	7.8%	1.4	0.0%	40.0%	**0.8x**
CRDB	145.0	150.0	3.4%	(6.3%)	0.0%	207.7	0.0%	38.5%	**0.5x**
Access Bank	7.7	7.7	0.0%	(26.3%)	(21.9%)	9.5	5.2%	28.6%	**0.5x**
HF Group	5.4	5.5	1.9%	(47.6%)	(50.7%)	6.6	6.4%	27.5%	**0.2x**
Barclays	11.2	11.6	3.1%	20.3%	16.1%	12.5	8.7%	16.9%	**1.6x**
Stanbic Bank Uganda	33.0	32.8	(0.5%)	20.5%	20.5%	36.3	3.6%	14.0%	**2.3x**
Bank of Kigali	289.0	280.0	(3.1%)	(6.7%)	(1.8%)	299.9	5.0%	12.1%	**1.5x**
SBM Holdings	6.1	6.2	0.3%	(17.9%)	(18.9%)	6.6	4.9%	11.4%	**0.9x**
Standard Chartered	192.0	190.0	(1.0%)	(8.7%)	(13.6%)	196.3	6.6%	9.9%	**1.5x**
Guaranty Trust Bank	37.2	36.9	(0.7%)	(9.4%)	(14.4%)	37.1	6.5%	7.0%	**2.3x**
Bank of Baroda	125.0	125.0	0.0%	10.6%	13.6%	130.6	2.0%	6.5%	**1.1x**
Stanbic Holdings	91.5	91.0	(0.5%)	12.3%	13.8%	92.6	2.5%	4.2%	**0.9x**
Standard Chartered	21.8	20.2	(7.3%)	(20.0%)	(7.5%)	19.5	0.0%	(3.7%)	**2.5x**

FBN Holdings	7.5	7.5	0.0%	(15.3%)	12.5%	6.6	3.4%	(7.7%)	**0.4x**
National Bank	5.8	5.8	0.9%	(38.0%)	(39.3%)	4.9	0.0%	(15.5%)	**0.4x**
Stanbic IBTC Holdings	47.1	48.0	1.9%	15.7%	12.7%	37.0	1.2%	(21.7%)	**2.5x**
Ecobank Transnational	15.6	15.8	1.3%	(7.4%)	(7.4%)	9.3	0.0%	(41.1%)	**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 for investors with a short-term investment horizon since the market has rallied and brought the market P/E slightly above its' historical average. However, pockets of value exist, with a number of undervalued sectors like Financial Services, which provide an attractive entry point for long-term investors, and with expectations of higher corporate earnings this year, we are "POSITIVE" for investors with a long-term investment horizon.