Cytonn SSA Financial Services Research August 2018 Monthly Note

Executive Summary

In this monthly research note, we highlight the performance of the listed banks in the Sub-Saharan Africa Financial Services Sector, looking at their market performance, earning results and sector specific news that occurred during the month of August.

Section I: Market Performance:

During the month of August, the equities markets were on a downward trend, with NGSEASI, NASI and GGSECI losing 5.8%, 1.9% and 2.8%, respectively. This takes the YTD performance of NASI, NGSEASI and GGSECI to 0.3%, (9.4%) and 1.6%, respectively.

Below is a summary of top gainers and losers for the month:

Top Gainers			Top Losers		
Company	**Country**	**Change**	**Company**	**Country**	**Change**
Ecobank Ghana	Ghana	9.0%	UBA Bank	Nigeria	(15.2%)
Stanbic Holdings	Kenya	7.0%	CAL Bank	Ghana	(13.4%)
Ghana Commercial Bank	Ghana	5.3%	NIC Holdings	Kenya	(13.0%)
Bank of Baroda	Uganda	2.9%	FBN Holdings	Nigeria	(11.4%)
Standard Chartered Kenya	Kenya	1.0%	SBM Holdings	Mauritius	(10.8%)

Kenya

NASI declined by 1.9% during the month, attributable to declines registered in large cap stocks such as East Africa Breweries Limited (EABL), which declined by 11.6%. Equities turnover rose by 30.7% during the month to USD 99.8 mn from USD 76.3 mn in July, taking the YTD turnover to USD 1.2 bn. Foreign investors remained net sellers for this month, with a net selling position of USD 15.3 mn. Counters with the biggest outflows during the month include Safaricom, East Afican Breweries (EABL), KCB Group and Equity Group, which had outflows of USD 6.1 mn, USD 3.4 mn, USD 2.8 mn and USD 1.3 mn, respectively. The banking sector also registered declines, with NIC Group, I&M Holdings, Equity Group Holdings and Diamond Trust Bank (DTB) declining by 13.0%, 9.1%, 6.3% and 5.0%, respectively.

Nigeria

The Nigerian All Share index was the worst performer in our SSA universe of coverage as investors have been selling shares from the relatively liquid banking and consumer goods counters. The index declined by 5.8%, largely driven by declines in the oil and gas sector and financial services sectors. For our financial services universe of coverage, the biggest decliners were UBA Bank, FBN Holdings, Guaranty Trust Bank, Access Bank and Ecobank Transnational, which declined by 15.2%, 11.4%, 7.6%, 6.5% and 5.1%.

Ghana

The GSE Composite Index declined by 2.8% during the month, driven by declines in the financial services sector. The banking sector performance was mixed with gains in Ecobank and Ghana Commercial Bank of 9.0% and 5.3%, while CAL Bank registered a decline of 13.4%.

Section II: Earnings Releases:

Kenya Banks' Performance:

Listed banks in Kenya released their financial results for H1'2018. 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
CFC Stanbic Holdings	104.5%	15.4%	21.7%	11.9%	4.9%	34.0%	50.0%	(4.2%)	21.3%	26.9%	15.4%	71.4%	3.1%	14.8%
National Bank of Kenya	39.3%	(9.6%)	(10.1%)	(8.9%)	6.9%	(13.1%)	28.8%	(15.7%)	(2.8%)	9.8%	(16.1%)	49.8%	3.0%	(0.6%)
Standard Chartered	30.3%	7.9%	8.8%	7.5%	8.0%	12.2%	32.9%	36.2%	2.8%	3.5%	(1.1%)	48.4%	3.6%	18.0%
KCB Group	18.0%	6.1%	11.9%	4.3%	8.6%	(0.1%)	32.2%	(6.0%)	8.7%	8.7%	3.6%	80.3%	3.0%	21.9%
Equity Group	17.6%	10.2%	14.0%	9.1%	8.8%	1.5%	40.2%	(1.0%)	8.5%	18.7%	3.8%	69.9%	2.7%	23.9%
I&M holdings	11.7%	5.1%	13.2%	0.1%	7.1%	34.4%	35.1%	39.5%	30.6%	(28.3%)	12.6%	77.2%	4.6%	17.2%
Co-op Bank	7.6%	7.9%	2.2%	10.4%	8.6%	(1.6%)	32.1%	(2.6%)	3.9%	12.0%	(0.6%)	84.6%	3.9%	18.0%
Barclays Bank	6.2%	7.6%	22.4%	4.0%	9.0%	6.9%	30.0%	1.9%	14.9%	33.6%	7.5%	81.2%	2.60%	17.50%
DTB	2.5%	3.9%	3.0%	4.6%	6.5%	8.0%	21.6%	7.2%	9.9%	22.5%	3.5%	70.4%	5.0%	14.0%
NIC Group	(2.1%)	8.6%	30.0%	(4.9%)	6.0%	7.0%	29.5%	(3.0%)	10.5%	25.7%	(1.5%)	78.2%	5.4%	12.8%
Housing Finance	(95.7%)	(13.2%)	(12.7%)	(13.9%)	4.9%	38.2%	30.4%	7.2%	(3.1%)	17.3%	(9.8%)	131.4%	7.0%	(0.2%)
Weighted Average H1'2018	**19.0%**	**7.9%**	**12.0%**	**6.4%**	**8.1%**	**6.9%**	**34.3%**	**4.6%**	**10.0%**	**13.7%**	**3.8%**	**73.8%**	**3.4%**	**19.3%**
Weighted Average H1'2017	**(13.8%)**	**(8.3%)**	**(9.3%)**	**(6.9%)**	**7.1%**	**(6.9%)**	**36.1%**	**16.9%**	**6.0%**	**17.2%**	**6.8%**	**77.9%**	**2.9%**	**21.0%**

Key takeaways from the table include:

- All listed banks recorded an increase in core EPS growth with the exception of only NIC Group and HF Group, with the weighted average increase coming in at 19.0% compared to a decrease of 13.8% for the same period in 2017. Growth was driven by an increase in the Net Interest Income (NII), which came in at 6.4%, and a 6.9% growth in NFI. This indicates that the banking industry has adjusted to the new operating environment;

- Average deposit growth came in at 10.0%. Interest expense paid on deposits recorded a faster growth of 12.0% on average, indicating that more interest earning accounts have been opened.

- Average loan growth came in at 3.8%, while investment in government securities has grown by 13.7%, outpacing the loan growth, showing increased lending to the government by banks as they avoid the risky borrowers. The loan to deposit ratio thus declined to 73.8% from 77.9% in H1'2017; and,

- The average Net Interest Margin in the banking sector currently stands at 8.1%, an increase from the 7.1% recorded in H1'2017.

- The return on average equity (RoaE) for the banking sector currently stands at 19.3%, a drop from the H1'2017 weighted average of 21.0%.

Nigeria Banks' Performance:

Listed banks in Nigeria released their financial results for H1'2018. 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
Zenith	8.5%	(12.8%)	(39.4%)	10.8%	7.5%	(8.8%)	37.8%	23.7%	6.4%	122.0%	(14.4%)	59.2%	4.4%	25.7%
GT Bank	14.2%	(2.4%)	20.9%	(9.0%)	13.4%	34.0%	34.9%	13.9%	15.4%	13.9%	(13.3%)	56.9%	3.6%	36.0%
FBN Holdings	15.7%	(3.0%)	10.9%	(8.8%)	5.5%	22.0%	28.0%	13.6%	9.1%	(100.0%)	(7.0%)	56.8%	8.2%	7.9%
Access Bank	0.7%	15.3%	28.6%	2.7%	7.0%	(21.7%)	23.8%	21.1%	26.8%	147.3%	9.5%	79.1%	6.5%	13.4%
Stanbic IBTC Holdings	80.9%	5.6%	25.9%	(2.1%)	9.4%	33.6%	57.3%	31.5%	21.3%	0.0%	9.6%	46.4%	4.8%	39.2%
Ecobank Transnational Inc.	27.5%	0.1%	(3.6%)	2.7%	8.3%	(2.9%)	47.4%	11.3%	(0.8%)	(1.8%)	(7.3%)	65.5%	3.3%	8.2%
Weighted Average H1'2018	**19.6%**	**(1.7%)**	**4.3%**	**(1.0%)**	**8.9%**	**12.4%**	**34.9%**	**16.8%**	**11.4%**	**35.1%**	**(6.9%)**	**53.8%**	**4.0%**	**24.0%**
Weighted Average H1'2017	**33.0%**	**43.4%**	**65.4%**	**38.8%**	**11.3%**	**43.7%**	**33.4%**	**(4.5%)**	**6.7%**	**47.8%**	**(4.2%)**	**67.3%**	**4.3%**	**24.4%**

Key takeaways from the table include:

- All banks recorded an increase in core EPS growth, with the weighted average increase coming in at 19.6% in H1'2018 compared to 33.0% In H1'2017. Growth was driven by an increase in the Non-Funded Income (NFI), which came in at 12.4%, with a 1.7% decline in Net Interest Income (NII). This indicates that interest income is shrinking due to decline in loans;
- Average deposit growth came in at 11.4% compared to an average of 6.7% in H1'2017; while interest expense paid on deposits recorded a growth of 4.3% on average compared to a 65.4% weighted average growth in H1'2017. This indicates that account opening has slowed down compared to last year, even as the Central Bank of Nigeria aims to drive financial inclusion with the objective of lowering the financial exclusion rate to 20.0% by 2020, from an average of 55.0% in H1'2017,
- Average loan decline came in at 6.9% compared to a 4.2% decline in H1'2017, indicating a slowdown in lending by banks due to poor asset quality. Investment in government securities grew by 35.1%, outpacing the decline in loans, showing increased lending to the government by banks as the broader economy continues to recover from the effects of the 2016 recession. The loan to deposit ratio thus stood at 53.8% 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 8.9%, lower than the weighted average of 11.3% in H1'2017,
- The return on average equity of the banking sector stands at 24.0%, which is a marginal decline from the weighted average of 24.4% as at H1'2017.

Ghana Banks' Performance:

Listed banks in Ghana released their financial results for H1'2018. 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
CAL Bank	(9.2%)	11.7%	8.9%	14.5%	10.3%	(24.9%)	20.2%	20.2%	17.4%	34.6%	12.1%	75.1%	9.3%	22.7%
Standard Chartered Ghana	(13.1%)	5.8%	14.4%	4.0%	11.2%	22.0%	33.3%	59.5%	29.0%	40.2%	(9.0%)	29.7%	3.3%	25.7%
Ecobank Ghana	27.5%	0.1%	(3.6%)	2.7%	8.3%	(2.9%)	47.4%	11.3%	(0.8%)	(1.8%)	(7.3%)	65.5%	3.3%	8.2%
Ghana Commercial Bank	16.8%	(1.2%)	106.3%	(1.2%)	14.6%	42.8%	25.9%	39.1%	51.7%	53.4%	79.3%	35.1%	8.7%	18.3%
Weighted Average H1'2018	**5.6%**	**3.1%**	**28.4%**	**3.3%**	**11.0%**	**15.6%**	**34.9%**	**38.0%**	**24.2%**	**30.2%**	**12.0%**	**44.8%**	**4.9%**	**18.7%**
Weighted Average H1'2017	**(5.9%)**	**17.5%**	**53.7%**	**8.5%**	**14.1%**	**23.8%**	**31.7%**	**(0.8%)**	**20.0%**	**22.4%**	**8.0%**	**50.0%**	**4.1%**	**18.6%**

Key takeaways from the table include:

- Banks recorded an increase in core EPS growth with the exception of CAL Bank and Standard Chartered, with the weighted average increase coming in at 5.6% compared to a decrease of 5.9% in H1'2017. Growth was driven by an increase in the Non-Funded Income (NFI), which came in at 15.6%, and a 3.3% growth in Net Interest Income (NII);
- Average deposit growth came in at 24.2%, from a weighted average of 20.0% in H1'2017. Interest expense paid on deposits recorded a faster growth of 28.4% on average, indicating increased positive sentiment as the Bank of Ghana attempted to consolidate five banks into the Consolidated Bank of Ghana due to operational malpractices,
- Average loan growth came in at 12.0% from 8.0% previously, while investment in government securities has grown by 30.2% compared to an average of 22.4% in H1'2017, indicating increased lending to the government by banks as they avoid the risky borrowers. The loan to deposit ratio thus declined to 44.8% due to the faster deposit growth as compared to loan growth; and,
- The average Net Interest Margin in the Ghanaian banking sector for H1'2018 currently stands at 11.0%, compared to the H1'2017 average of 14.1%,
- Return on average Equity (RoaE) for the Ghanaian banking sector stood at a weighted average of 18.7% as compared to an average of 18.6% in H1'2017.

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

<u>Kenya</u>

1. **HF Group set to lay off additional staff in restructuring process**: HF Group announced plans to lay off some employees in a downsizing move that will see it merge some staff positions. The restructuring will result in a merger of jobs, redundancy and creation of new roles for its recently launched digital banking strategy. The layoffs will target up to 9.0% of the workforce, which translates to about 36

employees as per the closing employee register of 400 staff in December 2017. The latest lay-off plans will bring the total number of employees laid off by HF Group to 112 in the last two years, since December 2016. The lender joins the growing list of financial institutions that have undertaken downsizing measures in the past two years, including KCB Group, Barclays Bank, Family Bank, Standard Chartered, National Bank, Sidian Bank and First Community Bank. The total number of lay-offs has risen to 1,642 employees since the amendment of the Banking Act (Amendment) 2015, which capped interest rates on loans at 4.0% above the benchmark CBR rate. Below is a summary of the banking sector restructuring since the introduction of the interest rate cap:

Kenya Banking Sector Restructuring			
No.	**Bank**	**Staff Lay-off**	**Branches Closed**
1	Bank of Africa	0	12
2	Barclays Bank	301	7
3	Ecobank	0	9
4	Equity Group	400	7
5	Family Bank	Unspecified	0
6	First Community Bank	106	0
7	KCB Group	223	Unspecified
8	National Bank	150	0
9	NIC Group	32	Unspecified
10	Sidian Bank	108	0
11	I&M Holdings	0	Unspecified
12	Standard Chartered	300	4
13	HF Group	112	0
Total		**1,732**	**39**

2. **The Second Reading of the Finance Bill, 2018 passes with no repeal of the interest rate cap:** The committee on Finance and planning tabled their proposals in the National Assembly during the second reading of the Finance Bill, 2018. The proposals were based on the comments received during public awareness and stake-holder participation conducted between 1st – 3rd August 2018, following the first reading of the Finance Bill (2018) on 3rd July 2018 which proposed the repeal of section 33B of the Banking Act, which would result in the elimination of the Central Bank's powers to enforce an interest rate cap in banks and other financial institutions. Based on the deliberations, the committee was of the view that there is no justification for the repeal the interest rate cap, as there was no effort by banks to address the issue of high credit risk pricing. The committee also proposed the removal of the 70.0% minimum limit on deposits, pegged on the Central Bank Rate (CBR) and instead, leave the decision of the interest rate to be given on deposits at the discretion of the banks and customers

3. **The Central Bank of Kenya downgrades the banking sector to "Satisfactory" from "Strong"**: The Central Bank of Kenya (CBK) downgraded the banking sector rating to "satisfactory", from a previous rating of "strong" in 2016. According to the Bank Supervision Annual Report 2017 released by the regulator, the downgrade was as a result of a decline in capital adequacy, as well as a deterioration in asset quality in the sector. Specifically:

i. core capital to total risk-weighted assets (TRWA) for the banking sector declined to 16.5% in 2017 from 17.0% in the 2016 financial year,
ii. total capital relative to total risk-weighted assets (TRWA) declined to 18.8% from 19.8% over the same period,
iii. core capital as a ratio of total deposit liabilities also declined to 18.9% in 2017 from 20.0% in 2016, and,
iv. non-performing loans (NPLs) for the year increased by 23.4% to Kshs 264.6 bn from Kshs 214.3 bn in December 2016 consequently, the NPL ratio increased to 12.3% in December 2017 from 9.3% in December 2016.

4. **Pesa Link transfers Kshs 81 bn in first 17 months since launch:** The interbank money transfer platform Pesa Link has transacted a total of Kshs 81.0 bn since its launch in February 2017. Pesa Link was set up to rival telco's mobile money services, currently dominated by Safaricom's M-Pesa. The platform facilitates direct bank transfers to the 30 banks that have subscribed, and can handle person-to-person transfers from as low as Kshs 10 to a maximum of Kshs 999,999.

5. **Victoria Commercial Bank receives credit upgrade to BBB+:** Victoria Commercial Bank, a Tier III lender, has been rated as BBB+(KE) on long-term basis, up from BBB(KE), by Global Credit Ratings (GCR) with a stable outlook. The short term rating has been maintained at A2(KE) on the back of good earnings and capital levels. GCR has however raised concern at the lender's lack of product diversity and low number of clients, which implies lower systemic importance relative to larger peers. Victoria Commercial Bank commenced its operations in 1987, and targets small and medium-sized enterprises.

Nigeria

1. **First Bank of Nigeria redeems its USD 300 mn Eurobond note**: First Bank of Nigeria (FBN) repaid a USD 300.0 mn, 8.25% Eurobond note beginning 7th August, two years before the debt matures in 2020. According to FBN, the repayment demonstrates its balance sheet strength and ample forex liquidity, underlining its strong franchise and deep market access. The bank noted that despite the bond being a subordinated Tier 2 instrument, the debt was redeemed without any impact to its capital ratios due to the robust capital base underlined by the surplus Tier 2 capital. This is the second time FBN has called and prepaid bondholders following its debut USD 175.0 mn, 9.75% debt issued in 2007, which was called in 2012. First Bank does not plan to issue any debt in Eurobond markets in the near term following the redemption.

2. **Absa targets Nigeria for Investment Banking -** Absa Group Limited's corporate and investment banking unit is targeting Nigeria and other African markets in a bid to boost earnings and recover lost market share. Following a split from its former parent, Barclays Plc, Absa rebranded its operations in South Africa, reshuffled management and refreshed its strategy with the ambition of doubling its market share in Africa and regaining lost market share in South Africa. The separation from Barclays Plc provides Absa with ample growth opportunities to take advantage of as it will not be constrained by capital restrictions or reporting requirements. Absa Group has a presence in 11 African countries. The group will also focus on expanding its commercial property finance and financial markets businesses alongside the investment banking division. To achieve this growth, the bank is seeking opportunities for partnerships and acquisitions in existing territories such as Nigeria, and markets where it does not have a direct presence such as Angola, Egypt and Ivory Coast. Absa Group will not

limit its acquisitions and partnerships to traditional banks, but will also scout for opportunities among telecommunications firms, insurers and companies that hold large data deposits, as it intends to build a payments hub across Africa.

3. **Boosting Financial Inclusion in Nigeria -** Diamond Bank Plc is helping to boost financial inclusion after extending NGN 1.0 bn worth of credit to 550 Small and Medium-Scale Enterprises (SMEs) under the cash flow-based SME lending scheme. The bank has disbursed a total of NGN 267.0 mn during the pilot phase of the scheme, and additional NGN 750.0 mn in the period between June and August 2018. Remarkably, all the loans disbursed under the scheme to the SMEs are performing despite the recipients being first-time borrowers. The initiative, launched in January 2017 in partnership with the Women's World Banking (WWB), is a cash flow-based MSME lending methodology with a strategic focus on cash flow, net asset capacity, character and business proficiency of SMEs in order to determine their credit worthiness. Diamond Bank is emerging to be a lead influence in developing innovative ways of advancing financial inclusion through innovating solutions tailored to boost credit growth to the SME market segment in Nigeria. Its strategy is to boost financial inclusion by providing solutions that deliver superior customer experience as well as create life-style-focused products, processes and channels; with the aim of positioning the bank as the most profitable and fastest growing retail bank in Nigeria by the 2020.

4. **Stanbic IBTC Holdings lists 64.2 mn scrip shares:** Stanbic IBTC Holdings Plc has listed about 64.2 mn ordinary shares of 50 kobo each to raise its total outstanding shares to about 10.1 bn ordinary shares of 50 kobo each. The supplementary shares were due to the scrip dividend scheme offered by the holding company to eligible shareholders who elected to receive new ordinary shares in lieu of 50 kobo cash dividend declared for the business year ended December 31, 2017.

<u>**Ghana**</u>

1. **Bank of Ghana to enforce Anti- Money Laundering laws with fines:** Banks and Specialized Deposit Taking institutions (SDIs) that fail to comply with the Central Bank's Anti-Money Laundering regulations risk paying as much as GHS 60,000 in fines. This follows the implementation of the Bank of Ghana's laws on Anti-Money Laundering, in a bid to combat financial crimes.

2. **Ghana banks struggle to meet new Minimum Capital requirements:** At least 15 banks are yet to announce their progress towards meeting the new minimum capital requirement of GHS 400.0 mn, with four months to the deadline. Six banks, including the Consolidated Bank, Republic Bank, Access Bank, Zenith Bank, Barclays Bank as well as GCB Bank, have reached the minimum requirement target, with 7 others undertaking various measures to recapitalize such as raising extra capital from the stock market, injecting fresh capital from existing shareholders or adding their income surplus to their stated capital. Recently, Ecobank, Cal Bank and Standard Chartered have transferred GHS 190.0 mn, GHS 250.0 mn and GHS 302.0 million, respectively, from their income surplus (retained earnings) to their stated capital. However, they are yet to finalize the process with an official certification from the Registrar General's Department. Meanwhile, Omnibank and Sahel Sahara banks are in a merger process with the aim of recapitalizing in order to meet the minimum capital requirement and to avoid abrupt last minute changes.

3. **Consolidated Bank Ghana starts servicing customers:** Consolidated Bank Ghana, the bank formed to take over operations of 5 dissolved banks, namely (i) Construction Bank, (ii) Royal Bank, (iii) UniBank, (iv) Sovereign Bank and (v) Beige Bank, has started operations and servicing its customers. With a

stated capital of GHS 450 mn, a branch network of 175 and presence in most regions of Ghana, the Consolidated Bank called on its customers to exercise patience and support it make the synchronization as brief as possible without disrupting or diluting its commitment to providing outstanding services to all stakeholders.

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 31/08/2018	m/m change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple
NIC Bank***	30.0	(13.0%)	(11.1%)	54.1	3.3%	68.5%	**0.8x**
I&M Holdings***	100.0	(9.1%)	0.0%	169.5	3.5%	64.9%	**1.1x**
Zenith Bank***	21.2	0.0%	(17.5%)	33.3	12.8%	64.6%	**1.0x**
Ghana Commercial Bank***	5.4	5.3%	5.9%	7.7	7.1%	51.7%	**1.3x**
Diamond Trust Bank***	190.0	(5.0%)	(1.0%)	280.1	1.4%	48.8%	**1.1x**
Union Bank Plc	5.9	(0.8%)	(25.0%)	8.2	0.0%	46.8%	**0.6x**
UBA Bank	8.1	(15.2%)	(21.4%)	10.7	10.5%	44.2%	**0.5x**
HF Group***	7.8	(3.1%)	(25.5%)	10.2	4.1%	40.1%	**0.3x**
KCB Group***	45.0	(4.3%)	5.3%	60.9	6.7%	33.5%	**1.5x**
CRDB	160.0	0.0%	0.0%	207.7	0.0%	29.8%	**0.5x**
Barclays	11.0	(4.8%)	14.6%	14.0	9.1%	28.2%	**1.6x**
Co-operative Bank	16.5	(2.7%)	3.1%	19.7	4.8%	23.5%	**1.5x**
Ecobank	9.0	9.0%	18.0%	10.7	0.0%	19.6%	**2.0x**
Equity Group	45.0	(6.3%)	13.2%	55.5	4.4%	15.4%	**2.4x**
Stanbic Bank Uganda	33.0	0.8%	21.1%	36.3	3.5%	13.5%	**2.3x**
CAL Bank	1.1	(13.4%)	1.9%	1.4	0.0%	10.2%	**1.1x**
Access Bank	9.4	(6.5%)	(10.5%)	9.5	4.3%	9.8%	**0.6x**
Bank of Kigali	290.0	0.0%	(3.3%)	299.9	4.8%	8.2%	**1.6x**
Guaranty Trust Bank	37.0	(7.6%)	(9.2%)	37.1	6.5%	5.4%	**2.3x**
SBM Holdings	6.6	(10.8%)	(12.0%)	6.6	4.5%	2.5%	**1.0x**
Standard Chartered	205.0	1.0%	(1.4%)	184.3	6.1%	(4.4%)	**1.7x**
Bank of Baroda	144.0	2.9%	27.4%	130.6	1.7%	(8.2%)	**1.3x**
Stanbic Holdings	100.0	7.0%	23.5%	85.9	2.3%	(17.5%)	**1.0x**
Stanbic IBTC Holdings	48.0	(3.5%)	15.7%	37.0	1.2%	(24.0%)	**2.5x**
Standard Chartered	26.0	0.1%	3.0%	19.5	0.0%	(26.6%)	**3.3x**
FBN Holdings	9.0	(11.4%)	1.7%	6.6	2.8%	(28.5%)	**0.5x**
Ecobank Transnational	19.6	(5.1%)	15.0%	9.3	0.0%	(53.6%)	**0.7x**
National Bank	5.8	0.0%	(38.0%)	2.8	0.0%	(53.7%)	**0.4x**

**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. For full disclosure, Cytonn and/or its affiliates holds a significant stake in NIC Bank, ranking as the 5th largest shareholder*
***** 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 such as 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.