Cytonn SSA Financial Services Research Q2’2018

Executive Summary: In this quarterly research note, we highlight the performance of the listed banks in the Sub-Saharan Africa Financial Services Sector, looking at their market performance, earnings results and sector specific news that occurred during the second quarter of 2018.

I. Market Movements

During Q2’2018, the equities market was on a downward trend with NASI, NGSEASI and GGSECI losing 8.7%, 8.2% and 21.2%, respectively. This takes the YTD performance of the NASI, NGSEASI and GGSEC to 4.4%, (0.1%) and 5.5%, respectively.

Below is a summary of the top gainers and losers during Q2’2018:

Top Gainers			Top Losers		
Company	**Country**	**Change**	**Company**	**Country**	**Change**
Bank of Baroda	Uganda	**25.0%**	National Bank	Kenya	**(31.7%)**
Ecobank Transnational	Nigeria	**22.3%**	Ecobank	Ghana	**(24.2%)**
Stanbic IBTC Holdings	Nigeria	**7.2%**	Standard Chartered	Ghana	**(23.1%)**
Stanbic Bank Uganda	Uganda	**6.7%**	HF Group	Kenya	**(20.7%)**
			CAL Bank	Ghana	**(19.7%)**

Kenya

NASI lost 8.7% during the second quarter, after a robust first quarter where the market gained 14.4%. The performance was mainly due to profit taking witnessed in the banking sector after banks closed their books for dividend payment, coupled with uncertainties revolving around the repeal of the interest rate cap law. Large cap banking stocks declined, with Equity Group Holdings, Standard Chartered Bank, KCB Group and Cooperative Bank declining by 14.4%, 13.2%, 11.1% and 10.7%, respectively. In the manufacturing sector, BAT and EABL declined 23.0% and 17.0%, respectively.

Nigeria

The Nigerian Main Board Index declined 8.2% during the quarter, largely driven by declines in the financial services sector. In our Financial Services universe of coverage, Ecobank Transnational and Stanbic IBTC gained by 22.3% and 7.2% respectively, while Zenith Bank, UBA, Union Bank, Guaranty Bank and Access Bank declined 14.7%, 10.6%, 9.0%, 9.4% and 6.3%, respectively.

Ghana

The Ghana Composite Index was the worst performer during the quarter, declining by 21.2%. This was mainly due to profit taking on select counters, after a very strong first quarter where the market was up by 33.9%. All the stocks in our Financial Services universe of coverage were on a declining trend, with Ecobank, Stanchart Ghana, CAL Bank and Ghana Commercial Bank declining 24.2%, 23.1%, 19.7% and 14.7%, respectively.

Section II: Earnings Releases:

Banks in Sub-Saharan Africa released their Q1'2018 financial results. Below is a summary of the banks' performance for the quarter:

Nigeria Banks' performance

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	Loan Growth	LDR	Cost of Funds	Return on Average Equity
Zenith	25.5%	20.8%	(1.6%)	35.8%	7.0%	(10.4%)	21.7%	(1.4%)	13.3%	(25.2%)	51.7%	3.8%	**19.6%**
GT Bank	7.7%	(4.0%)	17.3%	(9.7%)	13.4%	37.6%	31.5%	(6.2%)	10.0%	(13.3%)	61.2%	3.3%	**32.7%**
UBA Bank	6.2%	17.7%	46.1%	3.8%	6.1%	14.4%	30.9%	15.4%	4.1%	4.9%	56.7%	3.4%	**15.1%**
FBN Holdings	(8.6%)	(2.8%)	3.9%	(5.7%)	2.7%	2.5%	24.6%	4.6%	4.9%	(7.5%)	58.7%	3.3%	**6.9%**
Access Bank	(15.0%)	20.5%	39.2%	4.5%	5.9%	14.6%	30.2%	34.6%	24.4%	11.0%	79.9%	4.3%	**14.9%**
Stanbic IBTC	(20.1%)	10.0%	34.1%	(0.2%)	10.0%	37.9%	59.5%	35.3%	31.1%	(0.4%)	39.2%	4.5%	**26.2%**
Weighted Average Q1'2018	**4.3%**	**8.1%**	**18.7%**	**5.1%**	**8.9%**	**18.5%**	**32.1%**	**7.4%**	**13.7%**	**(9.7%)**	**57.0%**	**3.7%**	**22.8%**

Key to note is that:

i. The Nigerian banking sector recorded a growth in core EPS, with the average increase coming in at 4.3%, driven by a 5.1% increase in the Net Interest Income (NII), coupled with an 18.5% increase in Non-Funded Income (NFI),

ii. The banks had their interest income growth come in at 8.1%, which was outpaced by the growth in interest expense that grew by 18.7%. Thus the banks' earnings remained supported by their non-funded income, which recorded an average growth of 18.5% and constituted 32.1% of the total operating income,

iii. The average loan to deposit ratio of the banks currently stands at 57.0%, which is low compared to our preferred target of between 80%-90%. This shows banks have generally avoided lending to customers with a majority of the interest earning assets in government securities,

iv. The sector had a surge in interest expenses as the sector aggressively mobilized deposits, as shown by the higher deposit growth of 13.7%, via alternative channels such as the mobile banking apps,

v. The banks recorded a 9.7% decline in their loans, as lending to retail clients was subdued by banks as they tried to improve their asset qualities. However, in the second quarter of 2018, banks have been shifting focus to lending as opposed to investing in government securities largely due to the government's plan of reducing the domestic borrowing and focusing on foreign denominated debt. Therefore, treasury yields, which fetched as much as 18.0% in January last year, currently trade at about 13.0%. We expect banks to shift to retail lending from the second quarter of the year onwards, thus resulting in relatively higher loan to deposit ratios and by extension a higher growth in the interest income and the Net Interest Income (NII).

Ghana Banks' performance

Below is a summary of the performance of Ghanaian banks that have released Q1'2018 results;

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	Loan Growth	LDR	Cost of Funds	Return on Average Equity
CAL Bank	7.4%	14.6%	8.2%	22.0%	10.5%	-16.6%	23.2%	42.2%	20.3%	11.0%	74.0%	2.6%	22.7%
Standard Chartered Ghana	(3.4%)	0.5%	(4.4%)	0.02	12.3%	52.1%	37.4%	73.3%	18.6%	(1.3%)	32.7%	3.1%	34.1%
Ecobank Ghana	(23.4%)	(1.7%)	19.1%	(6.0%)	3.9%	(2.4%)	32.2%	6.2%	18.7%	(10.3%)	41.6%	2.4%	22.1%
Ghana Commercial Bank	(42.3%)	14.0%	109.2%	(9.9%)	14.4%	17.2%	23.9%	36.4%	67.6%	0.54	31.7%	4.3%	17.1%
Weighted Average Q1'2018*	**(15.7%)**	**0.4%**	**13.6%**	**(2.4%)**	**8.6%**	**23.1%**	**35.6%**	**39.5%**	**22.1%**	**(3.0%)**	**39.8%**	**3.0%**	**28.5%**

Key to note is that:

i. The sector experienced a decline of 15.7% in the core EPS driven by a 2.4% decline in the Net Interest Income (NII). The core EPS declined despite the 23.1% growth in Non-Funded Income (NFI), mainly because NII contributes to 64.4% of the banks' total income,
ii. The loan to deposit ratio is low at 39.8%, compared to our preferred level of 85.0%. This is due to a 3.0% decline in loans, coupled with a 22.1% increase in deposits. This demonstrates banks' continued reliance on government securities for interest income as opposed to lending to customers. Therefore, the faster growth in deposits compared to the loans resulted in a low loan to deposit ratio. This was further impacted by the banks' increased unwillingness to lend to customers on account of worsening asset qualities which fueled the reduced lending,
iii. The increase in interest expense is due to banks' aggressive mobilization of deposits as shown by the 22.1% growth in deposits. Government securities do not earn as much interest income as loans, and as such the NII is subdued by the expensive deposits, which are not matched by a similar growth in interest income.

Kenyan Banks' performance;

Bank	Core EPS Growth	Interest Income Growth	Interest Expense Growth	Cost of Funds	Net Interest Income Growth	Net Interest Margin	Non-Funded Income (NFI) Growth	NFI to Total Operating Income	Growth in Total Fees & Commissions	Deposit Growth	Loan Growth	Growth in Govt. Securities
National Bank	348.0%	(14.2%)	(11.7%)	3.3%	(15.8%)	7.1%	(12.3%)	31.0%	91.3%	(6.3%)	(12.0%)	(9.8%)
Stanbic	79.0%	17.7%	17.4%	3.3%	17.9%	7.0%	55.4%	49.0%	73.7%	13.2%	11.4%	83.5%
Equity Group	21.7%	10.5%	10.5%	2.7%	10.5%	8.4%	6.3%	49.0%	7.2%	10.0%	3.5%	45.5%
KCB Group	14.0%	10.9%	13.0%	3.1%	10.0%	8.2%	(1.1%)	32.8%	(2.3%)	8.7%	5.8%	(10.7%)
Barclays Bank	7.7%	8.1%	6.8%	2.9%	8.5%	9.6%	5.0%	29.2%	(6.7%)	8.4%	(1.9%)	35.3%
Co-op Bank	6.8%	9.1%	5.0%	4.0%	10.8%	8.6%	3.8%	32.0%	9.6%	5.7%	2.8%	21.3%

DTB	3.0%	4.9%	4.2%	5.1%	5.4%	6.4%	4.4%	22.0%	8.3%	11.6%	3.0%	16.0%
NIC Group	2.2%	8.2%	35.9%	5.2%	(8.3%)	6.3%	5.5%	29.6%	1.8%	22.1%	(0.4%)	81.2%
I&M holdings	1.8%	2.5%	10.9%	4.8%	(2.7%)	7.4%	43.9%	37.0%	45.9%	3.5%	7.6%	(1.7%)
Stanchart	(12.5%)	7.7%	16.4%	3.6%	4.5%	7.8%	6.5%	32.0%	27.0%	13.2%	(2.6%)	12.4%
HF Group	(58.4%)	(12.8%)	(13.0%)	7.2%	(12.6%)	5.1%	64.2%	28.9%	(62.7%)	(6.1%)	(12.5%)	(41.4%)
Weighted Average Q1'2018	**14.4%**	**9.3%**	**11.4%**	**3.4%**	**8.1%**	**8.1%**	**9.5%**	**37.1%**	**12.2%**	**9.4%**	**3.2%**	**25.0%**

Key to note is that:

i. The banking sector recorded a growth in core EPS, with the average increase coming in at 14.4%. Growth was driven by an increase in the Net Interest Income (NII), which came in at 8.1%, coupled with a 9.5% increase in the Non-Funded Income (NFI),
ii. Average deposit growth came in at 9.4%. Interest expense paid on deposits recorded a faster growth of 11.4% on average, indicating that more interest earning accounts have been opened, which increased the cost of funds,
iii. Average loan growth came in at 3.2%, while investment in government securities has grown by 25.0%, outpacing the loan growth, showing increased lending to the government by banks as they avoid the risky borrowers who cannot be priced within the 4.0% margin above the Central Bank Rate (CBR) as stipulated by the interest rate cap law, and,
iv. Non-funded income has grown by 9.5%, which included a Fee and Commissions growth of 12.2%. This shows that banks are charging more fee income to improve their income on loans above the rate cap maximum.

Below is a summary of the performance of our universe of coverage;

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	Loan Growth	LDR	Cost of Funds	Return on Average Equity
National Bank of Kenya	348.0%	(14.2%)	(11.7%)	(15.8%)	7.1%	(12.3%)	31.0%	91.3%	(6.3%)	(12.0%)	58.9%	3.3%	0.8%
Zenith	25.5%	20.8%	(1.6%)	35.8%	7.0%	(10.4%)	21.7%	(1.4%)	13.3%	(25.2%)	51.7%	3.8%	19.6%
Equity Group	21.7%	10.5%	10.5%	10.5%	8.4%	6.3%	49.0%	7.2%	10.0%	3.5%	70.9%	2.7%	24.7%
KCB Group	14.0%	10.9%	13.0%	10.0%	8.2%	(1.1%)	32.8%	(2.3%)	8.7%	5.8%	84.3%	3.1%	20.3%
Barlays Bank	7.7%	8.1%	6.8%	8.5%	9.6%	5.0%	29.2%	(6.7%)	8.4%	(1.9%)	85.0%	2.9%	16.0%
GT Bank	7.7%	(4.0%)	17.3%	(9.7%)	13.4%	37.6%	31.5%	(6.2%)	10.0%	(13.3%)	61.2%	3.3%	32.7%
CAL Bank	7.4%	14.6%	8.2%	22.0%	10.5%	-16.6%	23.2%	42.2%	20.3%	11.0%	74.0%	2.6%	22.7%
Co-op Bank	6.8%	9.1%	5.0%	10.8%	8.6%	3.8%	32.0%	9.6%	5.7%	2.8%	85.4%	4.0%	17.6%
UBA Bank	6.2%	17.7%	46.1%	3.8%	6.1%	14.4%	30.9%	15.4%	4.1%	4.9%	56.7%	3.4%	15.1%
DTB	3.0%	4.9%	4.2%	5.4%	6.4%	4.4%	22.0%	8.3%	11.6%	3.0%	71.4%	5.1%	13.8%
NIC Group	2.2%	8.2%	35.9%	(8.3%)	6.3%	5.5%	29.6%	1.8%	22.1%	(0.4%)	80.5%	5.2%	13.4%
I&M holdings	1.8%	2.5%	10.9%	(2.7%)	7.4%	43.9%	37.0%	45.9%	3.5%	7.6%	88.9%	4.8%	16.9%
Standard Chartered Ghana	(3.4%)	0.5%	(4.4%)	1.6%	12.3%	52.1%	37.4%	73.3%	18.6%	(1.3%)	32.7%	3.1%	34.1%
FBN Holdings	(8.6%)	(2.8%)	3.9%	(5.7%)	2.7%	2.5%	24.6%	4.6%	4.9%	(7.5%)	58.7%	3.3%	6.9%
Standard Chartered	(12.5%)	7.7%	16.4%	4.5%	7.8%	6.5%	32.0%	27.0%	13.2%	(2.6%)	49.1%	3.6%	19.1%
Access Bank	(15.0%)	20.5%	39.2%	4.5%	5.9%	14.6%	30.2%	34.6%	24.4%	11.0%	79.9%	4.3%	14.9%
Stanbic IBTC Holdings	(20.1%)	10.0%	34.1%	(0.2%)	10.0%	37.9%	59.5%	35.3%	31.1%	(0.4%)	39.2%	4.5%	26.2%

Ecobank Ghana	(23.4%)	(1.7%)	19.1%	(6.0%)	3.9%	(2.4%)	32.2%	6.2%	18.7%	(10.3%)	41.6%	2.4%	22.1%
Ghana Commercial Bank	(42.3%)	14.0%	109.2%	(9.9%)	14.4%	17.2%	23.9%	36.4%	67.6%	53.7%	31.7%	4.3%	17.1%
Housing Finance	(58.4%)	(12.8%)	(13.0%)	(12.6%)	5.1%	64.2%	28.9%	(62.7%)	(6.1%)	(12.5%)	133.1%	7.2%	0.7%
Weighted Average Q1'2018*	**4.3%**	**7.8%**	**16.6%**	**5.3%**	**8.7%**	**14.2%**	**33.4%**	**10.9%**	**13.5%**	**(3.5%)**	**62.5%**	**3.6%**	**21.8%**

Key to note is that:

i. The sector recorded a 4.3% increase in the core EPS, which was driven by a 5.3% increase in the NII coupled with a 14.2% increase in NFI,

ii. The stunted growth in NII could largely be attributed to a 16.6% increase y/y in interest expense, which outpaced the 7.8% increase in the interest income. The relatively slow growth in interest income could be attributed to reduced customer lending by banks, which results in banks foregoing interest income from loans which have relatively higher yields than government securities,

iii. Faced with the prospects of reduced interest income, banks focused on growing NFI, mainly the fees and commissions on loans, and other fees mainly from transactional income and trading income. This saw NFI grow by 14.2% y/y and contribute to 33.4% of total industry operating income,

iv. Deposit growth came in at 13.5% y/y, as banks aggressively mobilized deposits via alternative channels such as mobile and internet banking channels. Increased penetration of mobile money technology has boosted the uptake banking services via these alternative channels. The increasing deposits contributed to the 16.6% increase y/y in the interest expense,

v. Loans disbursed declined by 3.5% y/y as banks cut back on lending to improve their asset qualities. Furthermore, for the Kenyan banking sector, lending was affected by the interest rate cap regime, with banks opting to invest in government securities, which had higher returns on a risk-adjusted basis. Banks cited inability to price borrowers within the set margin of 4.0% above the Central Bank Rate (CBR), and,

vi. Reduced lending coupled with an increase in the deposits mobilized saw the loan to deposit ratio come in at 62.4%, which is still below our preferred level of 80%-90%.

In conclusion, we note that generally, there was reduced lending in the respective countries, during the period under review. However, loan growth is likely to increase going forward, as the economies recover from shocks occasioned by the slump in global commodity prices experienced last year, drought and political instability. Increased loan growth will translate to higher NII. This increase in NII coupled with the increased focus on growing NFI will lead to higher operating income for the sector. Increased adoption of mobile banking as an alternative channel of transaction will also boost transactional income as well as improve operational efficiency and thus by extension higher profitability. The sector performed relatively well during the period, with an average return on average equity of 21.8%. We therefore remain bullish about the prospects of the Sub-Saharan Africa banking sector.

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

Kenya

1. **Central Bank Rate (CBR) is maintained at 9.5%:** The MPC met on 28th May, 2018 and maintained the CBR at 9.5%, citing that the impact of the 50 bps reduction in March had not yet been fully transmitted to the economy and that there was room for monetary policy easing to further support economic activity. Since the last reduction in March, the private sector credit growth has improved to 2.8% in April up from 2.1%

in February, with growth in lending recorded in the manufacturing, building and construction, finance and insurance and trade sectors. The decision to retain the CBR rate at 9.5% effectively maintains the lending rates at 13.5% (CBR+4.0%) and deposit rates at 6.7% (70.0% of CBR).

2. **Development of the Financial Bill Draft by the National Treasury:** The National Treasury developed a draft Financial Markets Conduct Bill, 2018. The bill aims at promoting a fair, non-discriminatory market by enhancing financial consumer protection as well as easing credit access through, (i) establishing practices and standards that cut across board for providers of financial products and services, (ii) regulating the cost of credit, and, (iii) establishing the Financial Markets Conduct Authority, the Financial Sector Ombudsman and the Financial Sector Tribunal for effective supervision of finance providers' dealings with retail customers.
3. **SBM Kenya completes Chase Bank Limited acquisition:** SBM Bank Kenya Limited completed the acquisition of certain assets and liabilities of Chase Bank Limited, which was under receivership. Following the agreement between the Central Bank of Kenya (CBK) and Kenya Deposit Insurance Corporation (KDIC) and SBM Bank Kenya, 75% of the value of all moratorium deposits at Chase Bank will be transferred to SBM Bank Kenya. The remaining 25% will remain with Chase bank Limited. The acquisition will see SBM take control of the 62 Chase Bank branches, significantly increasing the bank's foothold in the country, in line with the bank's inorganic growth strategy.
4. **Banks in Kenya expect bad loans to fall in the second quarter:** The proportion of Non-Performing loans to gross loans (NPL ratio) in Kenya's banking sector rose to 12.4% in April from 10.7% in December, largely due to a rise in bad loans in the Real Estate, Manufacturing and Trade sectors. However, according to the Central Bank of Kenya's credit officers survey for the quarter ending March, nearly half of the commercial banks expect the level of non-performing loans to decline by the end of the current quarter due to intensified credit collection in key sectors and improving business conditions.

Ghana

1. **Bank of Ghana releases the capital requirements directive:** At the end of Q2'2018 the Bank of Ghana released the Capital Requirements directive that is set to change the way banks are supposed to calculate their capital-adequacy levels in a bid to strengthen the banking sector. This was necessitated due to the rising levels of non-performing loans, which as a percentage of total credit increased to 23.4% in April from 19.8% a year earlier. This is in addition to the raising of the capital requirements to GHC 400 mn in September 2017 from GHC 120 mn. Beginning Q3'2018 and with the compliance deadline set at January 2019, Banks in Ghana will be expected to adopt Basel II framework, which requires them to include their risk-weighted assets when determining capital adequacy, which has been raised to a new minimum of 13.0% up from 10.0%. Most banks are expected to raise additional capital in order to support their growth going forward as the implementation of the framework will lead to a decline in their capital buffers.

Nigeria

1. **Central Bank of Nigeria announced a new dividend policy for lenders:** In a bid to facilitate adequate and sufficient buildup of capital, Central Bank of Nigeria (CBN) announced a new policy for lenders listed on the Nigerian Stock Exchange (NSE) on the payment of dividends to shareholders. The policy requires that discount houses and deposit money banks;
    a. having capital adequacy ratios of at least 3.0% above minimum threshold and non-performing loans ratio of more than 5.0% but less than 10.0% and a composite risk rating of 'low', to not have a dividend payout ratio of more than 75.0%,

b. lenders that have met the minimum capital adequacy ratio but with a composite risk rating of above average and NPL ratio of more than 5.0% but less than 15.0% to have a dividend payout ratio of not more 30.0%,
c. Lenders that have not met the minimum capital adequacy ratio requirements are not allowed to pay dividends.

2. **Central Bank of Nigeria retained the Monetary Policy Rate at 14.0%:** on May 22nd, the Nigerian monetary policy committee met for the first time this year where they retained the monetary policy rate at 14.0% as well as the liquidity ratio at 30.0%. The policy decision is expected to stimulate activity in the capital markets as the inability of the MPC to hold the meeting this year was having a negative impact in the capital markets due to uncertainties in the country's policy direction leading to mixed market sentiments by investors.

<u>Uganda</u>

1. **Launch of a shared agent banking platform by the Uganda Bankers' Association (UBA):** In April 2018, Uganda Banker's Association launched the shared agent banking platform in a bid to increase financial inclusion, as about 58% of Ugandan adults are estimated to be unbanked according to data from a survey commissioned by the Financial Sector Deepening Uganda (FSDU). The implementation agency banking is expected to reduce operational costs for commercial banks as well as broaden the revenue base by bringing services closer to the clients hence reducing the need for the brick-and mortar set up. The introduction of agency banking is expected to increase the number of accounts to 11.4 mn in 3 years from 7.4 mn currently.
2. **Bank of Uganda publishes Islamic Banking rules:** The Bank of Uganda has given Commercial banks in the country the go- ahead to rollout Islamic Banking products in its efforts to improve financial inclusion. The Financial Institutions Amendment Act, 2016 had provided room for the creation of structures deemed crucial in ensuring sharia compliance but the old financial Institutions Act, 2004 had been hindering its implementation since it prohibited financial institutions from engaging in commerce, trade and industry despite Islamic banking being dependent on participating in these sectors.

<u>Tanzania</u>

1. **The merge of Twiga Bancorp and Tanzania Postal Bank PLC**: The Bank of Tanzania approved the merging of the two small state owned banks in a bid to improve their financial stability as well as reduce the number of state-run lenders. Due to the undercapitalization in the state owned banks, we expect increased consolidation through merger activities.
2. **Bank of Tanzania Closed 5 Banks**: In a notice to the public, Bank of Tanzania announced that it had revoked the licenses of 5 banks namely; Efatha Bank, Meru Community Bank, Njombe Community Bank, Kagera Farmers' Cooperative Bank, and Covenant Bank, citing that the banks were critically undercapitalized and thus in violation of the Banking and Financial Institutions Act, 2006 requirements and regulations.

Below is our Equities Universe of Coverage:

Banks	Price as at 30/03/2018	Price as at 22/06/2018	Price as at 29/06/2018	Q/Q change	w/w change	YTD Change	LTM Change	Dividend Yield	Upside/Downside**	P/TBv Multiple
Ghana Commercial Bank***	6.1	5.2	5.2	(14.7%)	0.6%	2.6%	(0.4%)	7.4%	57.3%	**1.2x**
NIC Bank***	37.5	36.5	35.5	(5.3%)	(2.7%)	5.2%	21.1%	2.7%	51.0%	**0.9x**
I&M Holdings***	125.0	116.0	115.0	(8.0%)	(0.9%)	(9.4%)	11.7%	3.0%	49.1%	**1.2x**
Diamond Trust Bank***	219.0	196.0	199.0	(9.1%)	1.5%	3.6%	24.4%	1.3%	44.2%	**1.1x**
Zenith Bank	29.3	25.9	25.0	(14.7%)	(3.5%)	(2.5%)	19.6%	10.4%	39.1%	**1.1x**
Union Bank Plc	6.7	5.9	6.1	(9.0%)	3.4%	(21.8%)	17.1%	0.0%	38.1%	**0.6x**
KCB Group***	52.5	47.8	46.3	(11.9%)	(3.1%)	8.2%	23.3%	6.3%	33.8%	**1.5x**
CRDB	170.0	160.0	160.0	(5.9%)	0.0%	0.0%	(8.6%)	0.0%	29.8%	**0.5x**
Ecobank	11.2	8.5	8.5	(24.2%)	(0.6%)	11.2%	32.8%	0.0%	26.2%	**2.4x**
Barclays	12.6	11.9	11.8	(6.4%)	(1.3%)	22.4%	18.7%	8.4%	26.1%	**1.5x**
HF Group***	10.6	8.5	8.4	(20.7%)	(0.6%)	(19.2%)	(12.9%)	3.8%	24.5%	**0.3x**
Equity Group	54.0	48.5	46.3	(14.4%)	(4.6%)	16.4%	21.7%	4.1%	18.6%	**2.5x**
Co-operative Bank	19.6	17.5	17.5	(10.7%)	0.0%	9.4%	26.1%	4.6%	17.1%	**1.5x**
Stanbic Bank Uganda	30.0	32.0	32.0	6.7%	0.0%	17.4%	18.5%	3.7%	17.0%	**2.0x**
UBA Bank	11.8	10.6	10.5	(10.6%)	(0.9%)	1.9%	10.9%	14.2%	15.1%	**0.7x**
CAL Bank	1.5	1.2	1.2	(19.7%)	0.0%	13.0%	64.0%	0.0%	14.8%	**1.0x**
Bank of Kigali	290.0	290.0	286.0	(1.4%)	(1.4%)	(4.7%)	16.7%	4.8%	8.2%	**1.6x**
Stanbic Holdings	92.5	92.0	92.0	(0.5%)	0.0%	13.6%	28.7%	5.7%	(0.9%)	**1.1x**
Standard Chartered	228.0	201.0	198.0	(13.2%)	(1.5%)	(4.8%)	(4.3%)	6.2%	(2.1%)	**1.6x**
Guaranty Trust Bank	44.7	40.7	40.5	(9.4%)	(0.5%)	(0.6%)	13.4%	5.9%	(2.7%)	**2.3x**
SBM Holdings	7.8	7.2	7.3	(7.1%)	1.4%	(2.9%)	0.3%	4.2%	(4.5%)	**1.0x**
Access Bank	11.1	10.4	10.4	(6.3%)	(0.5%)	(1.0%)	8.4%	3.8%	(4.8%)	**0.7x**
Bank of Baroda	120.0	155.0	150.0	25.0%	(3.2%)	32.7%	38.9%	1.6%	(14.1%)	**1.3x**
Stanbic IBTC Holdings	48.5	48.8	52.0	7.2%	6.7%	25.3%	60.3%	1.2%	(22.9%)	**2.5x**
Standard Chartered	35.1	27.0	27.0	(23.1%)	0.0%	6.9%	59.5%	0.0%	(27.9%)	**3.4x**
FBN Holdings	12.5	10.7	10.6	(15.2%)	(0.5%)	20.5%	71.0%	2.3%	(35.4%)	**0.6x**
Ecobank Transnational	16.4	20.2	20.0	22.3%	(1.0%)	17.6%	50.3%	0.0%	(54.1%)	**0.7x**
National Bank	9.2	6.6	6.3	(31.7%)	(5.3%)	(33.2%)	(32.1%)	0.0%	(57.6%)	**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 in respective country local 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.