Cytonn SSA Financial Services Research: CAFF Weekly Note #13/2019

Executive Summary

During the week, Standard Chartered Bank Kenya, Co-operative Bank of Kenya, Diamond Trust Bank Kenya and NIC Group released their FY'2018 financial results, recording core earnings per share growths of 17.1%, 11.6%, 2.3% and 2.0%, respectively. The Central Bank of Nigeria (CBN) has introduced a tier-based system for unit microfinance banks, and revised the timelines for microfinance banks to meet the minimum capital requirements. In Ghana, the IMF availed a USD 185.2 mn facility to Ghana, after recognizing efforts in fiscal consolidation, and a cleanup of the banking sector.

Section I: Market Performance:

During the week, the equities markets had mixed performances with the NASI gaining by 1.2%, the GGSECI declining by 0.6% and the NGSEASI remained flat. This takes the YTD performance of NASI, NGSEASI and GGSECI to 13.9%, (0.9%), and (3.9%), 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
Access Bank	Nigeria	15.1%	Stanbic IBTC	Nigeria	(5.4%)
Standard Chartered Bank Kenya	Kenya	10.0%	Standard Chartered Bank Ghana	Ghana	(4.8%)
Guaranty Trust Bank PLC	Nigeria	5.9%	HF Group	Kenya	(4.4%)
I&M Holdings	Kenya	4.7%	CFC Stanbic Holdings	Kenya	(2.3%)
Co-operative Bank of Kenya	Kenya	4.0%	Union Bank Nigeria	Nigeria	(2.1%)

Kenya

During the week, the equities market recorded mixed performances with NASI and NSE 25 gaining by 1.2% and 1.0%, respectively, taking their YTD performance to gains of 13.9% and 1.9% for NASI, NSE 20 and NSE 25, respectively. The performance in NASI was driven by gains in large cap stocks such as Standard Chartered Bank Kenya, Co-operative Bank of Kenya, EABL and Safaricom, which gained by 10.0%, 4.0%, 2.9%, and 1.4%, respectively. Equities turnover rose by 12.2% during the week to USD 34.3 mn, from USD 30.7 mn the previous week, taking the YTD turnover to USD 415.6 mn. Foreign investors remained net buyers for the week, with a net buying position of USD 2.7 mn, an 18.2% decline from last week's net buying position of USD 3.3 mn.

Nigeria

The Nigerian All Share Index (NGSEASI) remained flat during the week. The performance was as a result of the 3.8% average gain in the banking sector being cancelled out by the 4.0%, 2.3% and 1.1% declines in the oil & gas, consumer goods and insurance sectors, respectively. This takes the YTD performance of the NGSEASI to a decline of 0.9%.

Ghana

The GSE Composite Index declined by 0.6% during the week, driving YTD gains to (3.9%). In our universe of coverage, Standard Chartered Bank and Ecobank Ghana were the only decliners during the week with declines of 4.8% and 0.1%, respectively, with CAL Bank gaining by 1.0%, and GCB Bank remaining flat.

Section II: Earnings Releases:

Nigeria Banks' Performance:

UBA Plc released their financial results. Core earnings per share increased by 1.4% to NGN 2.3 from NGN 2.27 in FY'2017, contrary to our expectation of a 16.0% increase to NGN 2.7. Performance was driven by a 5.6% decline in total operating income, coupled with the 9.3% decline in the total operating expenses. The variance in core earnings per share growth against our expectations was largely due to a slower than expected growth in total operating income. We expected a 10.6% growth in total operating income but this declined by 5.6% to NGN 308.2 bn, largely due to the faster than expected 13.8% decline in NFI. Highlights of the performance from FY'2017 to FY'2018 include:

- Total operating income declined by 5.6% to NGN 308.2 bn in FY'2018 from NGN 326.6 bn in FY'2017. This was due to a 13.8% decline in Non-Funded Income (NFI) to NGN 102.6 bn from NGN 118.9 bn in FY'2017, coupled with the 1.0% decline in Net Interest income (NII) to NGN 205.6 bn from NGN 207.6 bn in FY'2017,
- Interest income rose by 11.4% to NGN 362.9 bn from NGN 325.7 bn in FY'2017, largely due to the 34.1% increase in interest income on government securities to NGN 154.2 bn from NGN 114.9 bn in FY'2017, coupled with the 85.2% increase in Interest income on loans to banks to NGN 3.7 bn in FY'2018 from NGN 2.0 bn in FY'2017. However, interest income on loans and advances to customers declined by 3.8% to NGN 194.9 bn from NGN 202.7 bn in FY'2017. Consequently, the yield on interest earning assets rose to 12.14% in FY'2018 from 12.09% in FY'2017,
- Interest expense rose by 33.3% to NGN 157.3 bn from NGN 118.0 bn in FY'2017, largely due to a 48.3% increase in the interest expense on borrowings to NGN 35.2 bn from NGN 23.7 bn in FY'2017, a 36.0% increase in interest expense on customer deposits to NGN 106.0 bn from NGN 78.0 bn in FY'2017, and a 73.8% increase in interest expense on placement liabilities to NGN 7.1 bn from NGN 4.1 bn in FY'2017. The cost of funds thus rose to 4.2% from 3.8% in FY'2017. Net Interest Margin declined to 6.6% from 7.7% in FY'2017,
- Non-Funded Income (NFI) declined by 13.8% to NGN 102.6 bn from NGN 118.9 bn in FY'2017. The decline in NFI was driven by a 35.4% decline in net trading and foreign exchange trading income to NGN 31.7 bn from NGN 49.1 bn in FY'2017, which declined largely due to the 25.5% decline in foreign exchange trading income to NGN 20.9 bn from NGN 40.2 bn in FY'2017, coupled the foreign currency revaluation loss of NGN 31.5 bn in FY'2018, from a foreign currency revaluation gain of NGN 1.0 bn in FY'2017. Total fees and commission income declined albeit marginally by 0.8% to NGN 65.4 bn from NGN 66.0 bn in FY'2017. As a result of the above performance, the revenue mix shifted to 67:33 funded to non-funded income as compared to 64:36 in FY'2017, as the proportion of NFI to total revenue decreased its faster decline,
- Total operating expenses declined by 9.3% to NGN 201.9 bn from NGN 222.5 bn in FY'2017, largely driven by an 86.2% decrease in Loan Loss Provision (LLP) to NGN 4.5 bn from NGN 32.9 bn in FY'2017, as the bank charged it provisions on its regulatory risk reserve, on implementation of IFRS 9, The decline in LLP outpaced the 3.2% increase in staff costs to NGN 71.2 bn in FY'2018 from NGN 69.0 bn in FY'2017, and the 3.4% increase in other operating expenses to NGN 114.4 bn from NGN 110.6 bn.

The increase in staff costs was as a result of the staff head count rising by 8.3% to 12,909 in FY'2018, from 11,925 in FY'2017, as the bank added 984 staff,

- The cost to income ratio improved to 65.5% from 68.1% in FY'2017, owing to the faster decline in expenses. However, without LLP, the Cost to Income Ratio (CIR) deteriorated, to 64.0% from 58.1% in FY'2017, highlighting the significant decline in the cost of risk to 1.0% from 10.1% in FY'2017,
- Profit before tax increased by 2.4% to NGN 106.8 bn, up from NGN 104.2 bn in FY'2017. Profit after tax increased by 1.4% to NGN 106.8 bn in FY'2018 from NGN 104.2 bn in FY'2017, as the effective tax rate rose to 26.4% from 25.6% in FY'2017,
- The bank declared a final dividend of NGN 0.65, similar to that of FY'2017, and in addition to the NGN 0.20 interim dividend. This translates to a dividend yield of 10.9%, and a payout ratio of 37.0%,
- The balance sheet recorded an expansion as total assets increased by 19.7% to NGN 4.9 tn from NGN 4.1 tn in FY'2017. This expansion was largely driven by a 34.6% increase in government securities to NGN 1.6 tn from NGN 1.2 tn in FY'2017, coupled with the 3.6% growth in the loan book to NGN 1.7 tn from NGN 1.6 tn in FY'2017,
- Total liabilities rose by 23.4% to NGN 4.4 tn from NGN 3.5 tn in FY'2017, driven by a 22.5% increase in the customer deposits to NGN 3.3 tn, from NGN 2.7 tn in FY'2017, coupled with the 36.1% increase in borrowings to NGN 683.5 bn in FY'2018 from NGN 505.2 bn, as the bank received tranches of its issued Eurobond of USD 500.0 mn. The bank is yet to disclose the number of branches as at FY'2018,
- The faster growth in deposits as compared to the loans led to a decline in the loan to deposit ratio to 51.2% from 60.4% in FY'2017,
- Gross Non-Performing Loans (NPLs) rose by 1.7% to NGN 116.7 bn in FY'2018 from NGN 114.8 bn in FY'2017, which was attributed to key names within the general commerce, construction and real estate sectors. The NPL ratio improved to 6.7% from 7.1% in FY'2017 owing to the faster growth in loans. Loan Loss Provisions (LLPs) increased by 58.8% to NGN 92.1 bn from NGN 58.0 bn in FY'2017 and as a consequence, the NPL coverage rose to 79.0% in FY'2018 from 50.6% in FY'2017,
- Shareholders' funds decreased by 5.4% to NGN 483.5 bn in FY'2018 from NGN 511.2 bn in FY'2017, weighed down by the 17.1% decline in other reserves to NGN 199.6 bn from NGN 240.9 bn, as the bank passed provisions on its regulatory risk reserve as allowed for on the initial implementation of IFRS 9,
- UBA PLC currently has a return on average assets of 1.8% and a return on average equity of 15.8%.

Key Take-Outs:

- The bank registered a rapid expansion of its balance sheet, as the assets expanded by 19.7%, with the bulk of the investments being made into the relatively lower yielding government securities, as loans expanded by 3.6%. The bank's funding came from deposits which increased by 22.5%, aided by the bank's strong regional presence across 51 countries in Africa, although the deposits came at a higher cost, as they contributed to the 33.3% increase in interest expenses. Thus, with the increase in expenses unmatched by the increase in interest income, the bank was unable to grow its NII,
- The bank recorded a significant decline in NFI, which declined 13.8%, largely due the foreign currency revaluation losses, given that the bank recorded expansion in its transactional income. It remains unclear why the bank incurred such huge losses given that the Nigerian Naira did not record a significant depreciation against the dollar and other major currencies in 2018, and,
- The bank recorded a deterioration in its operational efficiency, driven largely by the rise in staff costs, as the bank increased their staff head count by 984, and other operational expenses such as the banking sector resolution costs, which includes contributions to the Asset Management Company of

Nigeria (AMCON). Due to the rising costs coupled with declining income, the efficiency deteriorated, to the highest CIR since FY'2015.

For more information, please see our UBA PLC FY'2018 Earnings Note.

Kenya Banks' Performance:

Standard Chartered Bank Kenya released their FY'2018 financial results:

Standard Chartered Bank Kenya released their FY'2018 financial results, with core earnings per share increasing by 17.1% to Kshs 23.6 from Kshs 20.1 in FY'2017, in line with our expectation of a 16.0% increase to Kshs 23.3. The performance was driven by a 4.6% increase in total operating income, coupled with a 3.0% decline in total operating expenses. The variance in core earnings per share growth against our expectations was due to the 3.0% decline in total operating expenses to Kshs 16.8 bn, from Kshs 17.3 bn in FY'2017, which slightly exceeded our expectation of a 2.0% decline.

For more information, please see our Standard Chartered Bank Kenya FY'2018 Earnings Note

Co-operative Bank of Kenya released their FY'2018 financial results:

Co-operative Bank of Kenya released their FY'2018 financial results, with core earnings per share increasing by 11.6% to Kshs 2.2 from Kshs 1.9 in FY'2017, in line with our projections. The performance was driven by a 5.0% increase in total operating income, which outpaced the 1.4% increase in total operating expenses.

For More information, please see our Co-operative Bank of Kenya FY'2018 Earnings Note

Diamond Trust Bank Kenya released their FY'2018 financial results:

Diamond Trust Bank Kenya released their FY'2018 financial results, with core earnings per share increasing by 2.3% to Kshs 25.3, from Kshs 24.8 in FY'2017, slower than our expectation of a 6.3% increase to Kshs 26.3 per share. The performance was driven by a 2.0% increase in total operating income, coupled with the 2.5% decline in total operating expenses. The variance in core earnings per share growth against our expectations was largely due to the slower than expected growth in total operating income, that expanded by 2.0%, against the expected 2.9%, coupled with the 4.2% points increase in the effective tax rate to 35.6% from 31.4% in FY'2017.

For more information, please see our Diamond Trust Bank Kenya FY'2018 Earnings Note

NIC Group released FY'2018 financial results:

NIC Group released their financial results, with core earnings per share increasing by 2.0% to Kshs 6.0 from Kshs 5.9 in FY'2017, below our expectation of a 3.9% increase to Kshs 6.1 per share. The performance was driven by a 1.9% increase in total operating income, which outweighed the 0.6% increase in total operating expenses. The variance in core earnings per share growth against our expectations was largely due to the 0.6% rise in total operating expenses to Kshs 9.4 bn, from Kshs 9.3 bn in FY'2017, which was not in line with our expectation of a 2.1% decline.

For more information, please see our NIC Group FY'2018 Earnings Note

A summary of the performance is highlighted in the table below:

Listed Banks 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**	**Cost to Income**	**Loan to Deposit ratio**	**Loan Growth**	**Cost of Funds**	**Return on average equity**
Stanbic	45.7%	13.8%	19.2%	14.0%	5.0%	18.3%	45.1%	15.5%	13.5%	3.7%	59.5%	79.7%	22.1%	3.5%	14.3%
KCB Group	21.8%	4.1%	14.1%	0.9%	8.2%	(0.1%)	32.0%	(25.3%)	7.6%	9.1%	52.8%	84.8%	7.9%	3.2%	21.9%
SCBK	17.1%	2.3%	(3.0%)	4.5%	7.5%	4.9%	32.2%	19.7%	5.1%	(10.7%)	58.6%	52.9%	(6.1%)	3.3%	17.5%
Co-op Bank	11.6%	6.6%	(0.2%)	9.5%	9.5%	(4.4%)	29.5%	(3.0%)	6.5%	10.4%	58.8%	80.2%	(3.3%)	3.8%	18.3%
Barclays Bank	7.1%	7.0%	31.6%	0.9%	8.6%	14.7%	30.6%	6.7%	11.5%	58.9%	66.4%	85.5%	5.3%	3.5%	16.8%
DTBK	2.3%	1.8%	2.0%	1.8%	6.2%	3.0%	21.3%	5.7%	6.2%	2.6%	56.9%	68.3%	(1.5%)	4.9%	13.1%
NIC Group	2.0%	4.8%	14.1%	(1.8%)	5.7%	11.4%	30.5%	9.2%	4.0%	12.9%	61.7%	81.7%	(1.4%)	5.2%	12.1%
2018 Mkt cap Weighted Average*	**16.0%**	**5.4%**	**10.1%**	**4.3%**	**7.8%**	**4.3%**	**31.4%**	**(0.9%)**	**7.7%**	**12.3%**	**58.3%**	**76.8%**	**2.8%**	**3.7%**	**17.8%**
2017 Mkt cap Weighted Average	**(1.0%)**	**(2.4%)**	**2.6%**	**(3.8%)**	**8.4%**	**9.1%**	**33.6%**	**13.4%**	**12.5%**	**22.2%**	**61.1%**	**80.0%**	**6.1%**	**3.6%**	**17.6%**

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

Key take-outs from the table above include:

a. 7 banks have released results for FY’2018, and have recorded a 16.0% average increase in core Earnings Per Share (EPS), compared to a decline of 1.0% in FY’2017, and consequently, the Return on Average Equity (RoAE) rose to 17.8%, from 17.6% in FY’2017. All the banks that have released so far have recorded growths in their core EPS, with Stanbic Holdings recording the highest growth of 45.7%, and the lowest being NIC Group, which recorded a 2.0% growth y/y,

b. The sector recorded weaker deposit growth, which came in at 7.7%, slower than the 12.5% growth recorded in FY’2017. Despite the slower deposit growth, interest expenses increased by 10.1%, indicating banks have been mobilizing expensive deposits, since placement liabilities declined by an average of 5.1% y/y from a 73.8% growth in FY’2017, indicating banks’preference of deposit funding, as opposed to placements, possibly due to the relatively lower cost, especially given the removal of the floor of interest payable on deposits. However, with the removal of the limit of interest payable on deposits, the associated interest expenses on deposits is expected to improve in 2019, and possibly improve the cost of funds,

c. Average loan growth was anemic coming in at 2.8%, which was lower than 6.1% recorded in FY’2017, indicating that there was an even slower credit extension to the economy, due to sustained effects of the interest rate cap. Government securities on the other hand recorded a growth of 12.3% y/y, which was faster compared to the loans, albeit slower than 22.2% recorded in FY’2017. This indicates that banks’ continued preference towards investing in government securities, which offer better risk-adjusted returns. Interest income increased by 5.4%, compared to a decline of 2.4% recorded in FY’2017, as banks adapted to the interest rate cap regime, with increased allocations in government securities. The Net Interest Income (NII) thus grew by 4.3% compared to a decline of 3.8% in FY’2017,

d. The average Net Interest Margin in the banking sector currently stands at 7.8%, down from the 8.0% recorded in FY’2017, despite the Net Interest Income increasing by 4.3% y/y. The decline was mainly due to the faster 12.3% increase in allocation to relatively lower yielding government securities, coupled with the decline in yields on loans due to the 100 bps Central Bank Rate (CBR) decline, and,

e. Non-funded Income grew by 4.3% y/y, slower than 9.8% recorded in FY'2017. The growth in NFI was weighed down as total fee and commission growth declined marginally by 0.9%, slower than the 13.5% growth recorded in FY'2017. The growth in fee and commission income continued to be subdued by the slow loan growth, coupled with the implementation of the Effective Interest Rate (EIR) model under IFRS 9, which requires banks to amortize the fees and commissions on loans, over the tenor of the loan.

Ghana Banks' Performance:

There were no earnings releases during the week.

Section III: Weekly Highlights:

Kenya

KCB Group has highlighted its intention to set up subsidiaries in Somalia and DRC Congo, as the bank aims to increase its regional footprint to 10 countries in the Eastern African region. This comes on the back of highlighting its intention to venture into Ethiopia, with the Ethiopian market becoming increasingly liberalized due to the reforms being implemented by the government. The bank's entry into the Somalian market will however be hindered by the lack of proper government structures on the registration of persons, which makes the implementation of international regulations on anti-money laundering and terror financing prevention difficult. KCB Group plans to complete its entry into the DRC Market inorganically within 3 years via an acquisition; similar to the method used by Equity Group to venture into the market, where Equity Group acquired 79.8% of Pro Credit Bank, before raising the stake to 86.0% in April 2017. We view KCB Group's increased focus on geographical diversification as a possible significant growth driver for the bank going forward, given the vast untapped markets such as Ethiopia, which is the fastest growing economy in Africa, averaging 10.3% over the last 10 years, and has a rapidly growing population, currently at more than 105.0 mn, presenting a huge market for the bank to drive its retail banking strategy. Furthermore, given the lack of price controls on loan pricing in these markets, this should see the bank expand it topline interest revenue, whose growth has slowed down owing to the implementation of the interest rate cap in Kenya, which is the bank's largest market.

Nigeria

The Nigerian Securities Exchange announced the full suspension of Diamond Bank Plc shares from trading, following the court sanction of its merger with Access Bank Plc. Given the consummation of the merger on 19th March 2019, shares of the bank have been placed in full suspension of trading, meaning that the shares will cease to trade at the NSE, having received the approval of the Central Bank of Nigeria (CBN), the shareholders, and the Securities Exchange Commission (SEC). The suspension of trading will enable the bank to determine the shareholders that would receive the scheme consideration of the merger. The transaction, which is at the completion phase, will create the largest bank in Nigeria by both assets and customer base, with Access bank set to have an asset base of NGN 6.1 tn (USD 16.7 bn), and 30.0 mn customers, the highest in Africa. Access bank will acquire the entire issued share capital of Diamond Bank, in exchange for a consideration of NGN 3.13 per share, where existing shareholders would be given NGN 1.0 per share, and 2 new Access Bank shares for every 7 Diamond bank shares held. This represents a 255.7% premium of Diamond Bank share price of NGN 0.9. We view the merger as one of huge significance for both parties, and the Nigerian banking sector as a whole. The merger will see Access Bank accelerate its retail banking strategy in Nigeria and across Africa, due to Diamond Bank's strong digital financial background, a huge customer base of 18.8 mn, and a branch network comprising of 273 branches and 1,200 ATMs. Diamond Bank also has a track record of customer acquisition and low cost liabilities' generation which would aid the bank's retail banking strategy. If successful, Access Bank would have the largest retail customer base, which when complemented with the bank's strong corporate banking expertise, would see the bank achieve a rapid growth in the long run, given the huge asset base at its disposal.

The Central Bank of Nigeria (CBN) has introduced a tier-based system for unit microfinance banks, and revised the timelines for recapitalization. Microfinance banks are categorized as unit, state and national operators. Tier I and II unit microfinance banks would have to maintain minimum capital of NGN 200.0 mn and 50.0 mn. According to the directive issued by the CBN, the unit microfinance banks comprises of two Tiers: Tier I unit microfinance bank which operate in the urban and high-density banked areas of the society; and Tier 2 unit microfinance banks which operate only in the rural, unbanked or underbanked areas. Tier I unit microfinance banks have to meet a NGN 100.0 mn minimum capital threshold by April 2020, and NGN 200.0 mn by April 2021, while tier II unit microfinance banks have to meet a NGN 35.0 mn capital threshold by April 2020, and NGN 50.0 mn by April 2021. State microfinance banks will have to meet NGN 500.0 mn by April 2020, and NGN 1.0 bn by April 2021. National microfinance banks will have to hold NGN 3.5 bn by April 2020 and NGN 5.0 bn by April 2021. The move sees the minimum capital requirements being raised from NGN 2.0 bn, 100.0 mn, and NGN 20.0 mn, for the National, State and Unit microfinance banks, respectively. We view CBN's move to instigate higher capital thresholds as a positive one, which is aimed at improving Nigeria financial services sector stability. We expect the move to result in possible consolidation activity as microfinance banks that are unable to meet the new capital requirements merge or are acquired, given CBN's track record of a strict enforcement of the required capital thresholds within the stipulated timelines. The move should also aid in improving the apex bank's oversight and supervision of the sector players, which should aid in curbing financial fraud and money laundering crimes which have plagued the Nigerian financial sector, in addition to creating operators that are resilient and stable in the event a systemic shock impacts the financial services sector.

Ghana

The International Monetary Fund (IMF) Executive Board has lauded the activities of the Bank of Ghana (BoG) and other financial authorities for undertaking fiscal consolidation, the cleanup of the Ghana banking sector, and the resolution of the issues affecting the 9 banks, after a review it conducted of the country under the Extended Credit Facility (ECF) support arrangement for Ghana. The BoG begun a reforms and clean up exercise of the Ghana Banking sector, as they sought to strengthen the regulatory and supervisory framework of the sector. The exercise saw the apex bank revoke the licenses of 7 banks that were insolvent, and unable to meet the new GHS 400.0 mn minimum capital requirements. The completion of the review by the IMF availed a USD 185.2 mn facility. The arrangement is expected to be aimed at restoring debt sustainability and macroeconomic stability in the country to foster a return to high growth and job creation, whilst protecting social government spending. We note that the reforms undertaken by the BoG have begun to bear fruit, as the reforms have been deemed as credit positive for the Ghanaian economy, enabling the country to gain access to the IMF facility, availed at an important time, with the impending General elections in 2020. We also note that several other countries such as Nigeria and Kenya have been undertaking reforms in their financial sectors, with the aim of restoring of the general public's confidence and improving of the sector's resilience and stability.

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 15/03/2019	Price as at 22/03/2019	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple
Diamond Trust Bank	138.0	135.5	(1.8%)	(13.4%)	283.7	1.9%	111.3%	**0.7x**
GCB Bank	4.0	4.0	0.0%	(13.0%)	7.7	9.5%	102.5%	**0.9x**
CRDB	125.0	125.0	0.0%	(16.7%)	207.7	0.0%	66.2%	**0.4x**
Zenith Bank	22.2	22.1	(0.7%)	(4.3%)	33.3	12.2%	63.4%	**1.0x**
I&M Holdings	90.0	94.3	4.7%	10.9%	138.6	3.7%	50.8%	**0.9x**
UBA Bank	7.7	7.8	2.0%	1.3%	10.7	10.9%	48.1%	**0.5x**
KCB Group***	44.3	44.7	0.9%	19.4%	61.3	7.8%	45.0%	**1.4x**
Access Bank	6.0	6.9	15.1%	0.7%	9.5	5.8%	44.5%	**0.4x**
Ecobank	7.7	7.7	(0.1%)	3.1%	10.7	0.0%	38.8%	**1.7x**
CAL Bank	1.0	1.0	1.0%	6.1%	1.4	0.0%	34.6%	**0.9x**
NIC Group	37.1	37.0	(0.1%)	33.1%	48.8	2.7%	34.6%	**1.0x**
Co-operative Bank	15.0	15.6	4.0%	8.7%	19.9	6.4%	34.4%	**1.3x**
Equity Group	43.0	43.5	1.2%	24.8%	56.2	4.6%	33.8%	**2.1x**
HF Group	5.4	5.2	(4.4%)	(6.1%)	6.6	6.7%	33.7%	**0.2x**
Stanbic Bank Uganda	29.0	29.0	(0.1%)	(6.5%)	36.3	4.0%	29.2%	**2.1x**
Union Bank Plc	7.0	6.9	(2.1%)	22.3%	8.2	0.0%	19.0%	**0.7x**
Bank of Kigali	265.0	265.0	0.0%	(11.7%)	299.9	5.2%	18.4%	**1.5x**
SBM Holdings	6.0	6.0	0.0%	0.7%	6.6	5.0%	14.3%	**0.9x**
Barclays Bank	11.9	12.0	0.8%	9.1%	12.5	8.4%	13.0%	**1.6x**
Guaranty Trust Bank	35.4	37.5	5.9%	8.9%	37.1	6.4%	5.3%	**2.2x**
Bank of Baroda	130.0	130.0	0.0%	(7.1%)	130.6	1.9%	2.4%	**1.1x**
Stanbic Holdings	100.0	97.8	(2.3%)	7.7%	92.6	6.0%	0.7%	**1.0x**
National Bank	5.0	5.0	(1.4%)	(7.0%)	4.9	0.0%	(1.0%)	**0.4x**
Standard Chartered	21.0	20.0	(4.8%)	(4.8%)	19.5	0.0%	(2.7%)	**2.6x**
Standard Chartered	197.5	217.3	10.0%	11.7%	196.3	5.8%	(3.9%)	**1.6x**
FBN Holdings	8.2	8.3	0.6%	3.8%	6.6	3.0%	(16.6%)	**0.5x**
Stanbic IBTC Holdings	48.1	45.5	(5.4%)	(5.1%)	37.0	1.3%	(17.4%)	**2.5x**
Ecobank Transnational	13.5	13.4	(0.7%)	(21.2%)	9.3	0.0%	(30.7%)	**0.5x**

**Target Price as per Cytonn Analyst estimates*
***Upside / (Downside) is adjusted for Dividend Yield*
****Banks in which Cytonn and/or its affiliates holds a stake.*
*****Stock prices indicated in respective country currencies*

We are "Positive" on equities for investors as the sustained price declines have seen the market P/E decline to below its historical average. We expect increased market activity, and possibly increased inflows from foreign investors, as they take advantage of the attractive valuations, to support the positive performance.