Equity Research

Nigeria: Sector Note

Nigerian Banks

Naira devaluation bad for valuations

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The outlook of the USD/NGN has continued to weaken and is currently trading in excess of N160 in the interbank market. This has dampened confidence in the equity market as observed in the 48% shrinking of average daily volumes to N1.76bn in June to date (USD10.2m), from N3.2bn (USD19.9m) in May 2012. Currently, we estimate that foreign investor flows account for over 80% of daily trades on the equity market; hence the importance of a stable NGN to inflows into the equity market as devaluation could erode the current gains. Furthermore, demand for equities from domestic institutional investors such as Pension Fund Administrators and Insurance companies, could remain weak due to the high yields in the fixed income market.

Not good for any bank, in our view

Within our coverage banks, no bank stands to gain from depreciation in the naira, on our estimates. In our view, apart from the currency conversion risk which could erode investor returns in dollar terms, the depreciation of the naira could weaken the asset quality outlook. We believe that sectors such as the petroleum marketing, manufacturing and the general commerce sectors which currently account for 47% of the total loan portfolio for our coverage banks, are more prone to strain by currency volatility due to their heavy dependence on imports. ETI, which presents its earnings in USD stands to suffer the least, on our estimates, considering that about c. 40% of its assets and less than 30% of its earnings are in NGN. Based on our worst case scenario where we assume that 15% of the loans exposed to these three sectors become NPLs, and that 50% are lost, 30% are doubtful and 20% are sub-standard, Diamond Bank would end up with a loss per share of N0.16, followed by Skye Bank and Fidelity Bank with an EPS of N0.00 and N0.03 respectively.

Earnings could decline by 20% in USD

A USD/NGN depreciation to N175 could depress our EPS, DPS and BV/S estimates by 8% in USD terms, while N200 depreciation diminishes our estimates by 20% as shown in tables 2 and 3 below. We base our estimate on an initial NGN/USD rate of N161 and present scenarios at a rate of N175 and N200.

Attractive valuations regardless of devaluation

Nigerian banks still appear attractive to us regardless of devaluation to our worst case scenario of USD/NGN of N200. If USD/NGN trades at N200, our banks would still trade at a FY12e P/B of 0.82x vs. the consensus GEM peer average of 1.67x and PE of 3.79 vs. the consensus GEM peer average of 8.26x. Nevertheless, uncertainty around the NGN/USD outlook could keep investors on the sidelines as they look to more diversified and stable African economies such as Kenya and Egypt where currencies are more stable and have strong domestic demand for equities. We maintain our preference for First Bank and GT Bank (see table 1 below) as the recent sell-off presents a more attractive entry point, in our view.

Figure 1: Equity ratings and price targets as at 20 June 2012

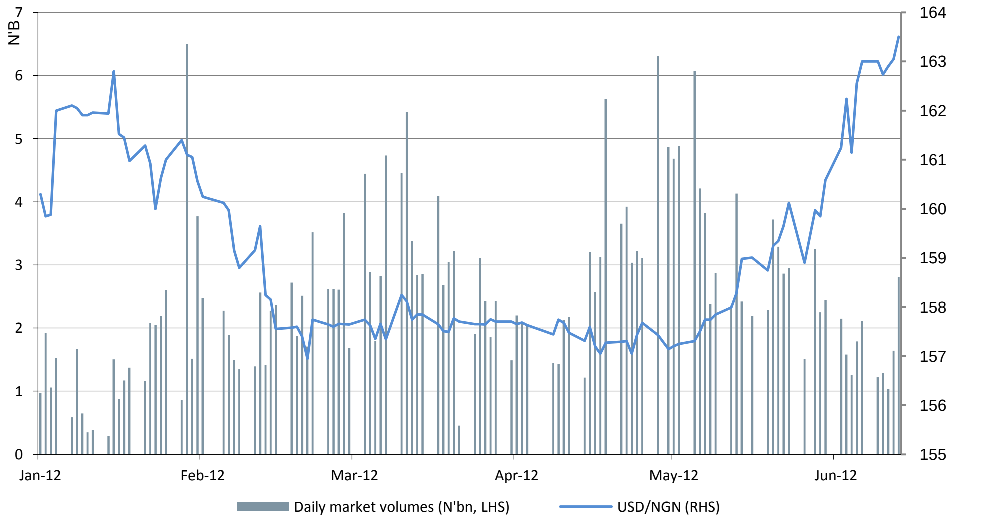
Company	Price NGN	Rating	12M TP	Potential upside	MktCap, US$mn	P/E FY12E	P/BV FY12E	P/E FY13E	P/BV FY13E	DY FY12E	DY FY13E
Diamond	2.15	BUY	6.00	179%	196	2.12	0.30	1.46	0.28	19%	27%
Skye	2.90	BUY	6.60	128%	241	2.37	0.32	1.80	0.29	19%	25%
FCMB	3.10	BUY	6.00	94%	365	3.81	0.41	2.71	0.38	16%	20%
Fidelity	1.22	BUY	2.10	72%	222	3.06	0.25	2.21	0.24	18%	25%
FBN	10.93	BUY	18.02	65%	2,243	4.76	0.90	3.94	0.82	12%	15%
Access	6.33	BUY	10.10	60%	911	3.98	0.71	3.54	0.64	10%	11%
ETI	10.70	BUY	16.95	58%	1,074	4.12	0.47	2.85	0.42	6%	9%
UBA	3.97	BUY	5.80	46%	823	3.82	0.65	2.53	0.65	11%	20%
GTB	15.70	BUY	20.40	30%	2,906	6.86	1.74	5.45	1.52	9%	10%
Zenith	13.93	BUY	17.80	28%	2,751	6.59	1.07	5.21	0.98	8%	11%
Average				**49%**		**3.90**	**0.68**	**2.78**	**0.61**	**10.1%**	**13.0%**

Sources: NSE, Stanbic IBTC estimates, company financials,

Uncertain USD/NGN outlook depresses equity demand

The outlook of the USD/NGN has continued to weaken and is currently trading in excess of N160. We believe that the current decline in value traded is linked to the naira weakness. As illustrated in Figure 2 below, there has been an inverse relationship between trading volumes and the naira trend over the last six months. Average daily volumes shrunk by 48%, to N1.76bn (USD10.2m) so far for the month of June, from N3.2bn (USD19.9m) in May 2012. The current dominance of foreign investors in the equities market has made it more correlated as foreign inflows currently account for c.80% of daily trades by our estimates. In our view, as long as domestic demand for equities remains low, the equity market will remain strongly correlated with the value of the naira.

Figure 2: Weak naira shrink equity market trading value



Sources: NSE, Bloomberg, Stanbic IBTC analysis

No bank likely to gain from naira depreciation

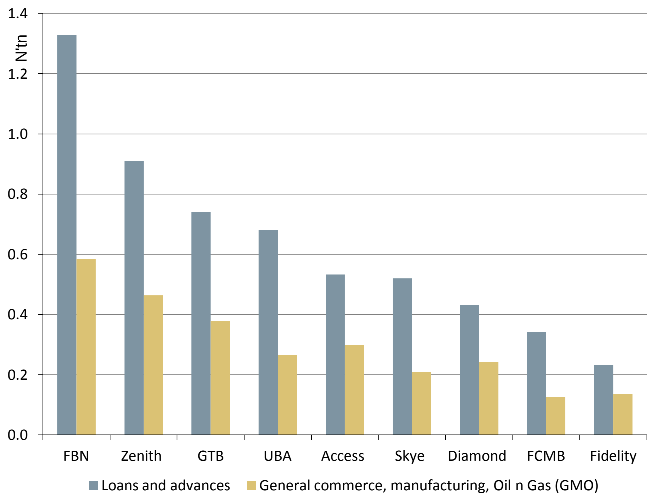
Within our coverage banks, no bank stands to gain from the depreciation in the naira at this point, on our estimates. Apart from the currency conversion risk which could erode investor returns in dollar terms, the depreciation of the naira could weaken asset quality in some sectors, potentially increasing debt charges and eroding earnings. We believe that sectors such as the petroleum marketing, manufacturing and the general commerce sectors are more prone to strain by currency volatility due to their heavy dependence on imports. Consequently, we believe that loans to such segments are more prone to delinquencies, as cost increases could strain earnings. These sectors account for c.47% of our coverage banks' loan portfolio. We estimate that ETI which presents its earnings in USD stands to suffer the least considering that about c. 40% of its assets and less than 30% of its earnings are in naira. That said, considering that the bank operates in close to 30 African countries, it remains exposed to currency risk.

Firstly, we stress test the balance sheets of our banks coverage universe to reflect the impact of the deterioration in asset quality of loans to these sectors on our NPL ratio, capital adequacy, EPS and target price estimates. Secondly, we present a scenario analysis of the impact of currency depreciation alone on the valuation of our coverage banks, all other things remaining equal.

Stressing our loan portfolio estimates

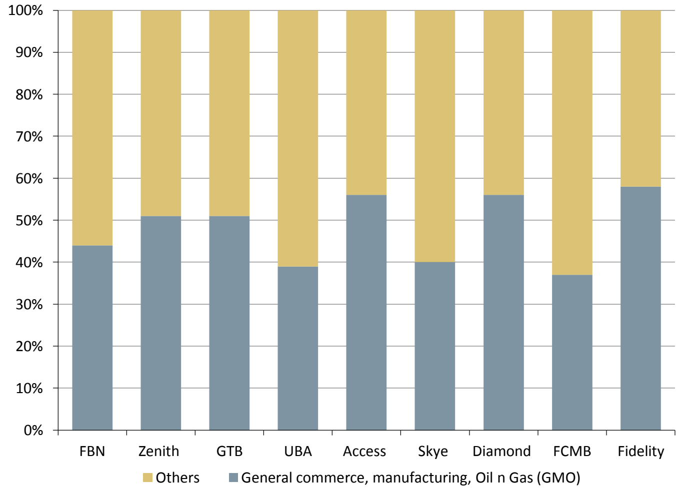
In this section, we do a 'quick and dirty' stress test on the general commerce, manufacturing and oil and gas loan exposure on the asset quality, capital adequacy, EPS and target price of our coverage banks. Looking at Figure 3 and 4, based on our FY12e estimate; First Bank of Nigeria (FBN) has the highest exposure to these sectors in nominal terms, at N584bn while Fidelity Bank has the highest exposure in percentage terms, at 58%. While we applied a general assumption to the three sectors in this report to keep the process simple, we believe that it is critical to point out that the petroleum marketing and trading segment is most prone to asset quality deterioration, in our view. Concerns around subsidy payments including recent delays, if extended, could result in a significant spike in debt charges above our estimates as marketers are forced to increase working capital borrowing.

Figure 3: FY12e loans and advances



Sources: Company financials, Stanbic IBTC estimates and analysis

Figure 4: Loan split



Sources: Company financials, Stanbic IBTC estimates and analysis

In stressing the impact of the deterioration of loans to these sectors in the balance sheet of our banks, we make the following assumptions. 1) For our worst case scenario, we assume that 15% of the loans exposed to these three sectors become NPLs, and that 50% are lost, 30% are doubtful and 20% are sub-standard; 2) for our base case we assume that 10% of the loans exposed to these three sectors become NPLs, and that 50% are lost, 30% are doubtful and 20% are sub-standard and 3) we assume that 5% of the loans exposed to these three sectors become NPLs for our best case scenario and assume that 50% are lost, 30% are doubtful and 20% are sub-standard.

NPL could increase to an average of 10.8% based on our worst case

As observed in Figure 5 below, our estimates for Diamond Bank's asset quality deteriorates the most with the NPL ratio increasing by 270, 540 and 820 bps based on our best case, base case and worst case scenarios respectively; while FCMB is the least affected with the NPL ratio increasing by 170, 330 and 500 bps respectively.

Figure 5: Potential Impact on asset quality from GMO

	FBN	Zenith	GTB	UBA	Skye	FCMB	Diamond	Access	Fidelity
FY12e NPL ratio	2.8%	3.5%	3.5%	4.0%	5.0%	5.0%	5.3%	5.5%	8.0%
Best case NPL ratio	4.9%	5.7%	5.7%	5.7%	6.8%	6.7%	7.5%	7.6%	10.2%
Base case NPL ratio	6.9%	7.9%	7.9%	7.4%	8.7%	8.3%	9.7%	9.8%	12.4%
Worst case NPL ratio	9.0%	10.1%	10.2%	9.1%	10.5%	10.0%	11.9%	11.9%	14.6%

Source: Stanbic IBTC estimates and analysis

Capital adequacy not really an issue for now, in our view

We believe that losses from a potential deterioration in asset quality poses limited risk to the capital adequacy of our coverage banks based on our scenarios (see Figure 6). In arriving at our capital adequacy estimate, we applied a three year historical average risk weighted asset/total assets to our FY12e total assets estimate. Based on our estimates, the capital adequacy ratio for our coverage banks is still above the regulatory minimum level of 10%. However, Diamond Bank and Skye Bank are the most vulnerable at 11.7% and 14.8% respectively. While they are still above the regulatory minimum, they are below our comfort level view of 15% and might be under pressure to raise capital if our worst-case scenario materialises.

Figure 6: Potential Impact on Capital Adequacy from GMO

	FBN	Zenith	GTB	UBA	Access	Skye	Diamond	FCMB	Fidelity
FY12e CAR	20.1%	27.8%	20.4%	18.1%	20.0%	15.9%	13.1%	23.1%	30.0%
Best case CAR	20.0%	27.7%	20.2%	17.8%	19.8%	15.5%	12.7%	23.0%	28.8%
Base case CAR	19.8%	27.4%	20.0%	17.4%	19.4%	15.1%	12.1%	22.8%	28.7%
Worst case CAR	19.5%	27.1%	19.6%	16.7%	18.7%	14.8%	11.7%	22.4%	28.5%

Source: Stanbic IBTC estimates and analysis

Bear case weakens earnings outlook

Based on our worst case scenario, Diamond Bank would end up with a loss per share of N0.16, followed by Skye Bank and Fidelity Bank with an EPS of N0.00 and N0.03 respectively. GTB, Zenith and FBN would suffer the least EPS declines at -25%, -27% and -32% respectively. UBA and FCMB would end up in positive positions due to the earnings losses in 2011.

Figure 7: Potential Impact on earnings

	FBN	Zenith	GTB	UBA	Access	Skye	Diamond	FCMB	Fidelity
FY11 EPS (N)	1.40	1.41	1.77	-0.32	0.88	0.39	-0.77	-0.61	0.19
FY12e EPS (N)	2.30	2.11	2.29	1.04	1.60	1.22	1.01	0.81	0.40
Best case EPS (N)	1.85	1.75	1.97	0.84	1.25	0.82	0.62	0.64	0.28
Base case EPS (N)	1.40	1.39	1.64	0.64	0.91	0.41	0.23	0.46	0.15
Worst case EPS (N)	0.95	1.03	1.32	0.44	0.57	0.00	-0.16	0.29	0.03

Source: Stanbic IBTC estimates and analysis

TP potential upside still robust for most of our coverage banks

Our base case potential upside is strongest for Diamond Bank despite the negative impact of a potential deterioration due to its current low valuations. Other low valuation stocks such as Skye Bank and FCMB offer strong potential upsides as well. However, GTB presents the lowest upside potential at 3%.

Figure 8: Bear case upside potential (N)

	FBN	Zenith	GTB	UBA	Access	Skye	Diamond	FCMB	Fidelity
FY12e TP estimate (N)	18.02	17.80	20.40	5.80	10.10	6.60	6.00	6.00	2.10
Current Price (N)	10.93	13.93	15.70	3.97	6.30	2.90	2.15	3.10	1.22
Potential upside (%)	65%	28%	30%	46%	60%	128%	179%	94%	72%
GMO worst case TP (N)	16.60	16.80	16.10	4.90	8.60	5.20	4.80	5.20	1.90
Potential upside (%)	52%	21%	3%	23%	36%	79%	123%	68%	56%
GMO base case TP (N)	17.00	17.10	18.40	5.20	9.30	6.20	5.30	5.60	2.00
Potential upside (%)	56%	23%	17%	31%	47%	114%	147%	81%	64%
GMO best case TP (N)	17.50	17.40	19.80	5.40	9.70	6.40	5.90	5.90	2.10
Potential upside (%)	60%	25%	26%	36%	53%	121%	165%	90%	72%

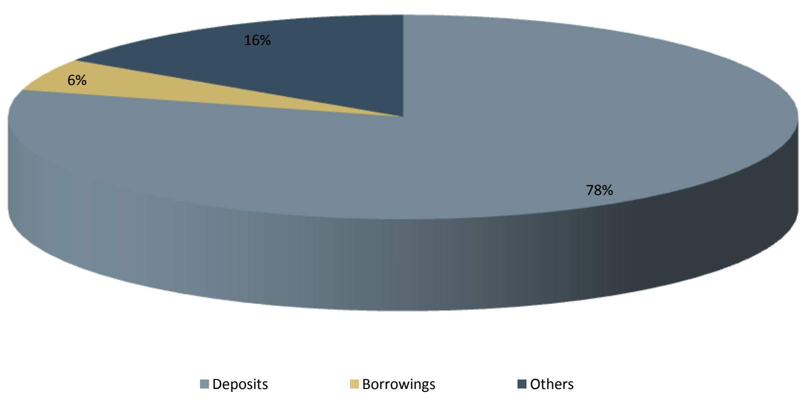
Source: Stanbic IBTC estimates and analysis

A look at liabilities

Nigerian banks rely principally on deposits

As we highlighted in "*Monetary tightening or devaluation, tier I banks best positioned*" published on 11 October 2011, the Nigerian banking sector is somewhat insulated from the types of pressures witnessed in markets like Kazakhstan earlier on in the global financial crisis due to the dominance of deposits for funding (see Figure 9). Consequently, even a devaluation of around 25% to N200 is likely to have a moderate effect on bank balance sheets from the point of view of the interest expense burden.

Figure 9: Total liabilities mix for our coverage banks (2011)

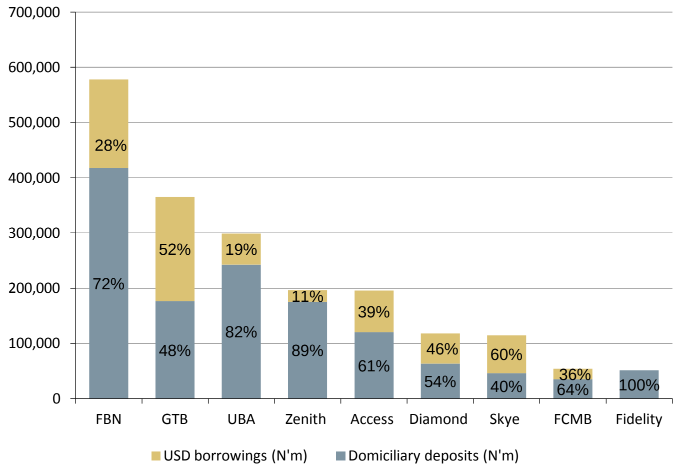


Sources: Company financials, Stanbic IBTC estimates

A further segmentation shows that our coverage banks depend primarily on domiciliary deposits for USD funding, and accounts for 67% of foreign currency funding while borrowing accounts for 33%. In our view, Skye, GTB and Diamond Bank will be under more pressure to repay foreign currency liabilities due to the relatively higher proportion of their borrowings in their foreign currency funding (see Figure 10). First Bank has reported plans to issue a USD 500m euro bond soon.

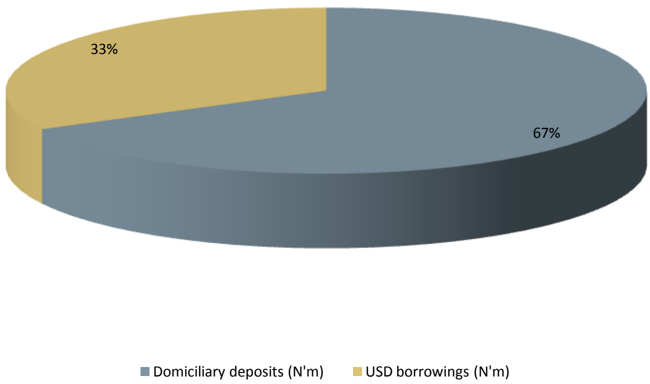
We expect the issue to be done after the summer when uncertainty around the outlook of the currency may have reduced.

Figure 10: FY11 USD funding mix for selected banks



Sources: Company financials, Stanbic IBTC analysis

Figure 11: FY11 Coverage banks US dollar funding mix



Sources: Company financials, Stanbic IBTC analysis

Earnings could decline by 20% in USD

For the sake of simplicity, we present scenarios at a rate of N161, N175 and N200. We also highlight the impact on our PE, DY and P/BV estimates, all other things remaining equal. A USD/NGN depreciation to N175 could depress our EPS, DPS and BV/S estimates by 8% in USD terms while a N200 depreciation diminishes our estimates by 20% as shown in Figure 12 and 13 below. Nevertheless, based on our house view on the USD/NGN exchange rate at N161, FY12e USD/NGN at N161 remains our core scenario.

Figure 12: NGN/USD @ N175 (Cents)

	EPS			DPS			BVPS		
	2011	2012E	% (USD loss)	2011	2012E	% (USD loss)	2011e	2012e	% (USD loss)
Access Bank	0.57	0.91	-8%	0.32	0.36	-8%	7.11	5.09	-8%
Diamond Bank	-0.5	0.58	-8%	-	0.23	-8%	4.15	4.03	-8%
ETI	1.76	1.48	-8%	0.41	0.39	-8%	14.49	13.04	-8%
FCMB	-0.39	0.47	-8%	-	0.28	-8%	4.67	4.32	-8%
Fidelity Bank	0.12	0.23	-8%	0.09	0.13	-8%	3.06	2.79	-8%
First Bank	0.9	1.31	-8%	0.55	0.76	-8%	7.23	6.95	-8%
GT Bank	1.14	1.31	-8%	0.71	0.78	-8%	5.23	5.16	-8%
Skye Bank	0.25	0.7	-8%	0.16	0.31	-8%	5.43	5.19	-8%
UBA	-0.21	0.59	-8%	-	0.24	-8%	3.39	3.47	-8%
Zenith Bank	0.91	1.21	-8%	0.61	0.66	-8%	7.82	7.46	-8%

Sources: Company financials, Stanbic IBTC estimates and analysis

Figure 13: NGN/USD @ N200 (Cents)

Cents	EPS			DPS			BVPS		
	2011	2012E	% (USD loss)	2011	2012E	% (USD loss)	2011	2012	% (USD loss)
Access Bank	0.57	0.8	-20%	0.32	0.32	-20%	7.11	4.45	-20%
Diamond Bank	-0.5	0.51	-20%	-	0.2	-20%	4.15	3.53	-20%
ETI	1.76	1.3	-20%	0.41	0.34	-20%	14.49	11.41	-20%
FCMB	-0.39	0.41	-20%	-	0.24	-20%	4.67	3.78	-20%
Fidelity Bank	0.12	0.2	-20%	0.09	0.11	-20%	3.06	2.44	-20%
First Bank	0.9	1.15	-20%	0.55	0.67	-20%	7.23	6.08	-20%
GT Bank	1.14	1.14	-20%	0.71	0.69	-20%	5.23	4.51	-20%
Skye Bank	0.25	0.61	-20%	0.16	0.28	-20%	5.43	4.54	-20%
UBA	-0.21	0.52	-20%	-	0.21	-20%	3.39	3.03	-20%
Zenith Bank	0.91	1.06	-20%	0.61	0.58	-20%	7.82	6.53	-20%

Sources: Company financials, Stanbic IBTC estimates and analysis

Valuations look attractive regardless of devaluation

Nigerian banks still appear attractive, in our view, regardless of the devaluation in the NGN as presented in tables 8 to 10. Considering the relatively low valuations of Nigerian banks, 20% devaluation in the NGN to N200 from current levels of N161 still offers attractive valuations for our coverage banks relative to their SSA peers (on consensus estimates). At a USD/NGN of N200, our banks still trade at a FY12e P/B of 0.82x vs. the consensus GEM peer average of 1.67x and PE of 3.79 vs. the consensus GEM peer average of 8.26x. Nevertheless, uncertainty around the NGN/USD outlook could keep investors on the sidelines as they look to more diversified and stable African economies such as Kenya and Egypt where currencies seem to be relatively more stable and have a stronger domestic demand for equities. Our house view for the KES over the near term is for stability. This is based on the expectation of increasing reserves through 2012, reaching the statutory mandated 4-m of import cover. Resurgence in FX inflows in early 2012, as foreign investors were attracted to the high yields available on T-bills and T-bonds also supported FX reserves accumulation. Additionally, the Kenyan Finance Ministry reported a syndicated loan of USD600m and also a USD 200m which is expected to follow. Our strategist expects this to keep the KES at 83-87 range from peak of 107. Our house view on EGP is for sustained near-term stability. However, this is hinged on the formation of a new government with a coherent economic policy able to restore investor confidence and reverse capital flight swiftly.

The Nigerian economy derives 95% of its foreign revenues and c. 80% of total government revenues from oil receipts. This makes the market more correlated to the oil price as foreign investors use oil as a lead indicator for the country's economic and fiscal fortunes and by extension, the equity market (see Figure 14 below). YTD, NGSE 30 returns are currently at 4.6% in USD terms vs. 4.4% in naira terms. A slight devaluation in the naira could wipe out most of the gains in the market.

Figure 14: NGSE 30 vs. Bonny light

Sources: Bloomberg, Stanbic IBTC analysis

Figure 15: Valuations @ USD/NGN 161 (USD)

							EPS growth		PER			DY			P/BV		
Company	Price Cents	Rating	12M TP	Upside	No of shares	MktCap, USDmn	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E
Access	3.93	BUY	6.27	60%	22,888	900	74%	12%	6.93	3.98	3.54	8.2%	10.0%	11.3%	0.55	0.71	0.64
Diamond	1.34	BUY	3.73	179%	14,475	193	-226%	45%		2.12	1.46	0.0%	18.9%	27.4%	0.32	0.30	0.28
ETI	6.65	BUY	10.53	58%	15,962	1,061	-8%	45%	3.78	4.12	2.85	6.2%	6.4%	9.3%	0.46	0.47	0.42
FCMB	1.93	BUY	3.73	94%	18,712	360	-229%	40%		3.81	2.71	0.0%	15.8%	20.3%	0.41	0.41	0.38
Fidelity	0.76	BUY	1.30	72%	28,963	219	103%	39%	6.22	3.06	2.21	11.9%	17.9%	24.9%	0.25	0.25	0.24
FBN	6.79	BUY	11.19	65%	32,632	2,215	58%	21%	7.52	4.76	3.94	8.1%	12.2%	14.7%	0.94	0.90	0.82
GTB	9.75	BUY	12.67	30%	29,431	2,870	24%	26%	8.54	6.86	5.45	7.3%	8.7%	10.1%	1.86	1.74	1.52
Skye	1.80	BUY	4.10	128%	13,219	238	200%	32%	7.12	2.37	1.80	9.0%	19.0%	25.0%	0.33	0.32	0.29
UBA	2.47	BUY	3.60	46%	32,981	813	-413%	51%		3.82	2.53	0.0%	10.5%	19.7%	0.73	0.65	0.58
Zenith	8.65	BUY	11.06	28%	31,396	2,716	44%	27%	9.53	6.59	5.21	7.1%	8.3%	10.6%	1.11	1.07	0.98
Average				**49%**		**11,587**	**110%**	**32%**	**4.03**	**3.90**	**2.78**	**6.6%**	**10.1%**	**13.0%**	**0.72**	**0.68**	**0.61**

Sources: Company financials, Stanbic IBTC estimates and analysis

Notwithstanding the low valuations, as shown in Figure 16, at a USD/NGN rate of N175, our EPS growth estimate diminishes by 18% to 93%, from 111% while upside potential for our coverage banks reduce to 41% from 55%, at a USD/NGN rate of N161. Furthermore, Figure 17 also illustrates that at a USD/NGN rate of N200, our EPS growth estimates diminish by 42% to 69%, from 111% while the average upside potential for our banks coverage universe reduces to 24% vs. 55% at a USD/NGN rate of N161. Accordingly, we maintain our preference for tier I banks with First Bank and GT Bank being our top picks despite their lower potential upsides. We believe that their relatively higher liquidity also makes them more favourable.

Figure 16: Valuations @ USD/NGN 175 (USD)

				Potential			EPS growth		PER			DY			P/BV		
Company	Price Cents	Rating	12M TP	Upside	No of shares	MktCap, USDmn	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E
Access Bank	3.78	BUY	5.77	53%	22,888	791	60%	12%	6.66	4.16	3.70	8.5%	9.6%	10.8%	0.53	0.74	0.67
Diamond Bank	1.46	BUY	3.43	135%	14,475	193	-216%	45%		2.51	1.73	0.0%	15.9%	23.1%	0.35	0.36	0.33
ETI	6.87	BUY	9.69	41%	15,962	1,002	-8%	45%	3.90	4.23	2.93	6.0%	6.2%	9.1%	0.47	0.48	0.43
FCMB	2.05	BUY	3.43	67%	18,712	351	-218%	40%		4.41	3.14	0.0%	13.6%	17.5%	0.44	0.47	0.44
Fidelity Bank	0.75	BUY	1.20	60%	28,963	199	87%	39%	6.16	3.30	2.38	12.0%	16.7%	23.1%	0.25	0.27	0.26
First Bank	6.56	BUY	10.30	57%	32,632	1,958	45%	21%	7.27	5.00	4.13	8.4%	11.6%	14.0%	0.91	0.94	0.86
GT Bank	9.40	BUY	11.66	24%	29,431	2,529	14%	26%	8.23	7.19	5.71	7.5%	8.3%	9.6%	1.80	1.82	1.59
Skye Bank	1.78	BUY	3.77	112%	13,219	215	176%	32%	7.04	2.55	1.94	9.1%	17.7%	23.2%	0.33	0.34	0.31
UBA	2.30	BUY	3.31	44%	32,981	694	-388%	51%		3.87	2.56	0.0%	10.4%	19.5%	0.68	0.66	0.59
Zenith Bank	8.28	BUY	10.17	23%	31,396	2,377	33%	27%	9.12	6.86	5.42	7.4%	8.0%	10.1%	1.06	1.11	1.02
Average				**41%**		**10,309**	**93%**	**32%**	**4.03**	**4.12**	**3.27**	**6.6%**	**9.5%**	**12.3%**	**0.72**	**0.74**	**0.67**
						Potential deterioration	**-18%**	**0%**	**0.00**	**-0.22**	**-0.49**	**0.0%**	**-0.60%**	**-0.70%**	**0.00**	**-0.06**	**-0.06**

Sources: Company financials, Stanbic IBTC estimates and analysis

Figure 17: Valuations @ USD/NGN 200 (USD)

				Potential			EPS growth		PER			DY			P/BV		
Company	**Price Cents**	**Rating**	**12M TP**	**Upside**	**No of shares**	**MktCap, USDmn**	**2012E**	**2013E**	**2011**	**2012E**	**2013E**	**2011**	**2012E**	**2013E**	**2011**	**2012E**	**2013E**
Access Bank	3.78	BUY	5.05	34%	22,888	692	40%	12%	6.66	4.76	4.23	8.5%	8.4%	9.4%	0.53	0.85	0.77
Diamond Bank	1.46	BUY	3.00	106%	14,475	169	-202%	45%		2.87	1.98	0.0%	13.9%	20.2%	0.35	0.41	0.37
ETI	6.87	BUY	8.48	23%	15,962	877	-8%	45%	3.90	4.23	2.93	6.0%	6.2%	9.1%	0.47	0.48	0.43
FCMB	2.05	BUY	3.00	46%	18,712	307	-204%	40%		5.04	3.59	0.0%	11.9%	15.3%	0.44	0.54	0.50
Fidelity Bank	0.75	BUY	1.05	40%	28,963	174	63%	39%	6.16	3.77	2.72	12.0%	14.6%	20.2%	0.25	0.31	0.29
First Bank	6.56	BUY	9.01	37%	32,632	1,713	27%	21%	7.27	5.71	4.73	8.4%	10.2%	12.3%	0.91	1.08	0.98
GT Bank	9.40	BUY	10.20	9%	29,431	2,213	0%	26%	8.23	8.22	6.53	7.5%	7.3%	8.4%	1.80	2.08	1.82
Skye Bank	1.78	BUY	3.30	85%	13,219	188	142%	32%	7.04	2.91	2.21	9.1%	15.5%	20.3%	0.33	0.39	0.36
UBA	2.30	BUY	2.90	26%	32,981	607	-352%	51%		4.42	2.93	0.0%	9.1%	17.0%	0.68	0.76	0.67
Zenith Bank	8.28	BUY	8.90	7%	31,396	2,080	16%	27%	9.12	7.84	6.19	7.4%	7.0%	8.9%	1.06	1.27	1.16
Average				**24%**		**9,020**	**69%**	**32%**	**4.03**	**4.67**	**3.71**	**6.6%**	**8.3%**	**10.7%**	**0.72**	**0.85**	**0.76**
					Potential deterioration		**-42%**	**0%**	**0.00**	**-0.77**	**-0.93**	**0.0%**	**-1.8%**	**-2.3%**	**0.00**	**-0.17**	**-0.15**

Sources: Company financials, Stanbic IBTC estimates and analysis

Table 11: Nigerian banks – comparative valuations - 20 June 2012

Name	Cntry	Mkt Cap US$m	2012E P/E	2013E P/E	2012E P/B	2013E P/B	2012E ROE	2013E ROE
Access Bank	Nigeria	900	3.98	3.54	0.71	0.64	17.9%	18.2%
Diamond Bank	Nigeria	193	2.12	1.46	0.30	0.28	14.4%	18.9%
FCMB	Nigeria	360	3.81	2.71	0.41	0.38	12.3%	16.0%
Fidelity Bank	Nigeria	219	3.06	2.21	0.25	0.24	8.2%	10.8%
GT Bank	Nigeria	2,215	6.86	5.45	1.74	1.52	25.3%	27.9%
FBN	Nigeria	2,870	4.76	3.94	0.90	0.82	18.9%	20.8%
Skye Bank	Nigeria	238	2.37	1.80	0.32	0.29	13.5%	16.1%
UBA	Nigeria	813	3.82	2.53	0.65	0.58	17.2%	18.7%
Zenith Bank	Nigeria	2,716	6.59	5.21	1.07	0.98	16.1%	18.7%
ETI (USD)	Togo	1,061	4.12	2.85	0.47	0.42	11.5%	15.0%
Average			**3.90**	**2.78**	**0.68**	**0.61**	**15.5%**	**18.1%**
BARCLAYS BANK OF BOTSWANA*	Botswana	781	11.51	10.00	4.20	4.20	39.9%	42.8%
FIRST NATIONAL BANK BOTSWANA*	Botswana	943	12.63	11.40	6.31	6.31	49.8%	51.4%
STANDARD CHART BANK BOTSWANA*	Botswana	342	9.76	11.65	3.55	3.55	39.8%	31.5%
			11.30	**11.02**	**4.69**	**4.69**	**43.1%**	**41.9%**
COMMERCIAL INTERNATIONAL BANK*	Egypt	2,521	8.34	6.84	1.84	1.54	22.6%	22.2%
GHANA COMMERCIAL BANK*	Ghana	544	14.17	12.00	2.46	2.46	21.7%	24.0%
ECOBANK GHANA LTD*	Ghana	552	13.34	9.00	2.74	2.74	32.3%	31.0%
			13.76	**10.50**	**2.60**	**2.60**	**27.0%**	**27.5%**
STATE BANK OF INDIA*	India	197	13.17	8.68	1.69	1.44	17.4%	18.3%
BANK OF BARODA*	India	4,548	4.90	4.44	0.95	0.89	20.9%	19.5%
UNION BANK OF INDIA*	India	1,956	7.57	4.02	0.82	0.64	0.0%	0.0%
INDIAN BANK*	India	1,344	4.42	3.38	0.82	0.82	19.7%	19.7%
			7.52	**5.13**	**1.07**	**0.95**	**14.5%**	**19.2%**
KAZKOMMERTSBANK*	Kazakhstan	1,062	7.28	3.57	0.36	0.17	4.9%	9.0%
HALYK SAVINGS BANK-KAZAKHSTN*	Kazakhstan	2,352	6.77	4.15	0.76	0.87	9.4%	16.5%
			7.03	**3.86**	**0.56**	**0.52**	**7.2%**	**12.7%**
KENYA COMMERCIAL BANK LTD*	Kenya	758	5.98	5.51	1.49	1.46	26.3%	27.2%
STANDARD CHARTERED BANK LTD*	Kenya	831	8.88	7.45	2.45	1.94	26.6%	27.3%
BARCLAYS BANK LTD*	Kenya	583	8.85	8.35	2.50	2.47	27.6%	37.3%
EQUITY BANK LTD*	Kenya	887	7.35	6.61	2.21	2.21	33.6%	34.9%
CO-OPERATIVE BANK OF KENYA *	Kenya	586	4.85	7.63	2.34	1.99	23.8%	23.8%
			7.18	**7.11**	**2.20**	**2.02**	**27.6%**	**30.1%**
DOHA BANK QSC*	Qatar	3,259	9.32	8.18	1.80	1.54	19.9%	19.1%
BANK VOZROZHDENIE*	Russia	360	6.20	3.58	0.62	0.66	7.6%	14.2%
BANK ST PETERSBURG*	Russia	619	2.81	3.82	0.40	0.92	17.3%	14.6%
			4.51	**3.70**	**0.51**	**0.79**	**12.4%**	**14.4%**
SAUDI HOLLANDI BANK*	Saudi Arabia	2,869	9.89	8.34	1.46	1.35	15.6%	15.5%
							0.0%	0.0%
YAPI VE KREDI BANKASI*	Turkey	7,068	6.14	5.75	1.06	0.97	18.7%	15.6%
TURKIYE IS BANKASI-C*	Turkey	9,262	7.35	6.16	0.97	0.86	13.3%	13.4%
TURKIYE SINAI KALKINMA BANK*	Turkey	932	6.03	5.73	1.19	1.10	18.9%	18.0%
TURKIYE HALK BANKASI*	Turkey	7,580	6.76	5.90	1.53	1.35	24.7%	20.5%
TURKIYE VAKIFLAR BANKASI T-D*	Turkey	4,092	5.83	5.48	0.84	0.74	14.8%	12.6%
			6.42	**5.80**	**1.12**	**1.00**	**18.1%**	**16.0%**
ABU DHABI COMMERCIAL BANK*	United Arab Emirates	4,676	5.29	6.70	0.75	0.93	16.7%	12.9%
DUBAI ISLAMIC BANK*	United Arab Emirates	1,957	6.98	5.71	0.81	0.71	11.6%	12.6%
UNION NATIONAL BANK/ABU DHAB*	United Arab Emirates	1,964	4.76	4.45	0.56	0.60	12.2%	13.3%
			5.67	**5.62**	**0.70**	**0.75**	**13.5%**	**12.9%**
Average			**8.26**	**6.93**	**1.67**	**1.62**	**19.9%**	**20.9%**

*Sources: company financials, Bloomberg, NSE, Stanbic IBTC estimates,*based on consensus*

Companies Mentioned (Price as of 20 June 2012)

Access Bank plc, (ACCESS NL, PRICE: NGN6.33, BUY, TP: NGN10.10)
Diamond Bank plc,(DIAMONDBNK NL, PRICE: NGN2.15, BUY, TP: NGN6.00)
Ecobank Transnational Incorporated plc, (ETI NL, PRICE: NGN10.70, BUY, TP:NGN16.95)
First City Monument Bank plc, (FCMB NL, PRICE: NGN3.10, BUY, TP: NGN6.00)
Fidelity Bank plc, (FIDELITYBK NL, PRICE: NGN1.22, BUY, TP: NGN2.10)
First Bank of Nigeria plc, (FIRSTBANK NL, PRICE: NGN10.93, BUY, TP: NGN18.02)
Guaranty Trust Bank plc, (GUARANTY NL, PRICE: NGN15.70, BUY, TP: NGN20.40)
Skye Bank plc, (SKYEBANK NL, PRICE: NGN2.90, BUY, TP: NGN6.60)
United Bank for Africa plc, (UBA NL, PRICE: NGN3.97, BUY, TP: NGN5.80)
Zenith Bank plc, (ZENITHBANK NL, PRICE: NGN13.93, BUY, TP: NGN17.80)
BARCLAYS BANK OF BOTSWANA, (BCBB BG, NOT RATED)
FIRST NATIONAL BANK BOTSWANA, (FNBB BG, NOT RATED)
STANDARD CHART BANK BOTSWANA, (SCBB BG, NOT RATED)
COMMERCIAL INTERNATIONAL BANK, (COMI EY, NOT RATED)
GHANA COMMERCIAL BANK, (GCB GN, NOT RATED)
ECOBANK GHANA, (EBG GN, NOT RATED)
BANK OF BARODA, (BOB IN, NOT RATED)
UNION BANK OF INDIA, (UNBK IN, NOT RATED)
INDIAN BANK, (INBK IN, NOT RATED)
KAZKOMMERTSBANK, (KKGB KZ, NOT RATED)
HALYK SAVINGS BANK-KAZAKHSTN (HSBK KZ, NOT RATED)
KENYA COMMERCIAL BANK LTD (KNCB KN, NOT RATED)
STANDARD CHARTERED BANK LTD (SCBL KN, NOT RATED)
BARCLAYS BANK LTD (BCBL KN, NOT RATED)
EQUITY BANK LTD (EQBNK KN, NOT RATED)
CO-OPERATIVE BANK OF KENYA LTD (COOP KN, NOT RATED)
DOHA BANK QSC (DHBK QD, NOT RATED)
BANK VOZROZHDENIE (VZRZ RU, NOT RATED)
BANK ST PETERSBURG (STBK RU, NOT RATED)
SAUDI HOLLANDI BANK (AAAL AB, NOT RATED)
YAPI VE KREDI BANKASI (YKBNK TI, NOT RATED)
TURKIYE IS BANKASI-C (ISCTR TI, NOT RATED)
TURKIYE SINAI KALKINMA BANK (TSKB TI , NOT RATED)
TURKIYE HALK BANKASI (HALKB TI , NOT RATED)
TURKIYE VAKIFLAR BANKASI T-D (VAKBN TI , NOT RATED)
ABU DHABI COMMERCIAL BANK (ADCB UH , NOT RATED)
DUBAI ISLAMIC BANK, (DIB UH, NOT RATED)
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Fidelity Bank plc (Fidelity)	E
First Bank of Nigeria Plc (FBN)	E,H
Guaranty Trust Bank Plc (GTB)	E
Skye Bank Plc (Skye)	E, G H
United Bank for Africa Plc (UBA)	E, H
Zenith Bank Plc (Zenith)	E,

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