

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

⇒ [Botswana](#)

⇒ [Mauritius](#)

⇒ [Egypt](#)

⇒ [Nigeria](#)

⇒ [Ghana](#)

⇒ [Tanzania](#)

⇒ [Kenya](#)

⇒ [Zambia](#)

⇒ [Malawi](#)

⇒ [Zimbabwe](#)

AFRICA STOCK EXCHANGE PERFORMANCE

CURRENCIES

Country	Index			WTD % Change		YTD % Change		
		18-Aug-17	25-Aug-17	Local	USD	31-Dec-16	Local	USD
Botswana	DCI	8970,33	8951,75	-0,21%	0,54%	9700,71	-7,72%	-3,80%
Egypt	CASE 30	13119,44	12926,40	-1,47%	-1,10%	12344,00	4,72%	7,49%
Ghana	GSE Comp Index	2284,92	2342,46	2,52%	2,07%	1689,09	38,68%	32,91%
Ivory Coast	BRVM Composite	246,63	243,46	-1,29%	-0,82%	292,17	-16,67%	-6,79%
Kenya	NSE 20	3992,76	4069,20	1,91%	2,58%	3186,21	27,71%	27,79%
Malawi	Malawi All Share	18602,91	19484,02	4,74%	4,87%	13320,51	46,27%	44,99%
Mauritius	SEMDEX	2185,98	2195,94	0,46%	-0,03%	808,37	21,43%	31,64%
	SEM 10	422,01	422,84	0,20%	-0,29%	345,04	22,55%	32,85%
Namibia	Overall Index	1120,94	1166,61	4,07%	5,83%	1068,59	9,17%	13,00%
Nigeria	Nigeria All Share	36920,56	36575,86	-0,93%	-0,13%	874,62	36,10%	14,27%
Swaziland	All Share	395,59	395,59	0,00%	1,68%	380,34	4,01%	7,66%
Tanzania	TSI	3728,92	3763,09	0,92%	0,88%	3677,82	2,32%	-1,93%
Zambia	LUSE All Share	4786,34	4869,00	1,73%	0,67%	4158,51	17,09%	28,20%
Zimbabwe	Industrial Index	213,15	222,08	4,19%	4,19%	145,60	52,53%	52,53%
	Mining Index	74,04	70,17	-5,23%	-5,23%	58,51	19,93%	19,93%

Cur- rency	18-Aug-17	25-Aug-17	WTD %	YTD %
	Close	Close	Change	Change
BWP	10,18	10,10	0,74	4,25
EGP	17,76	17,69	0,37	2,65
GHS	4,40	4,42	0,44	4,16
CFA	558,45	555,84	0,47	11,85
KES	102,19	101,53	0,65	0,06
MWK	718,28	717,33	0,13	0,88
MUR	31,76	31,91	0,49	8,41
NAD	13,41	13,18	1,65	3,51
NGN	363,86	360,92	0,81	16,04
SZL	13,41	13,18	1,65	3,51
TZS	212,93	213,73	0,04	4,15
ZMW	8,86	8,96	1,05	9,49

WEEKLY AFRICAN FOOTPRINT

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TRADING

Botswana

Corporate News

Botswana has granted Tlou Energy a mining licence for its Lesedi coal-bed methane (CBM) project, the company's managing director said on Monday, paving way for what would be the southern African nation's first gas-to-power plant. "The awarding of the mining licence by the ministry is a major milestone for the company, further derisks the project, and is an important prerequisite to developing the first commercial gas-to-power project in the country," Tlou Managing Director Tony Gilby said in a statement. Coal-bed methane is a form of natural gas trapped in underground coal seams. Tlou said it had received a request for proposal from the Botswana government to provide up to 100 megawatts (MW) of CBM power from its Lesedi project. Botswana currently has two coal-fired power plants with a capacity to produce up to 720 MW and plans to add another 500MW in the next three years through coal, gas and solar power. *(Reuters)*

Economic News

Botswana's central bank left its benchmark lending rate unchanged at 5.5 percent on Tuesday, saying the outlook for price stability was positive with inflation expected to remain with its target range of 3 to 6 percent. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Egypt

Corporate News

Egypt is restructuring its state commodity buyer, Food Industries Holding Company (FIHC), before studying the possibility of listing it on the Cairo stock exchange, Supply Minister Ali Moselhy told state news agency MENA on Sunday. "The ministry is currently implementing a massive project to develop and automate all 43 companies under (FIHC)," Moselhy told MENA. *(Reuters)*

Beltone Financial plans to list its Egyptian index tracker fund on the Nasdaq Dubai exchange and aims to quadruple the fund's value within a year, a company official said. The EGX 30 ETF fund, which is already listed on Egypt's stock exchange, is now valued at 55 million Egyptian pounds (\$3 million). It was revived after the central bank floated the pound in November as part of Egypt's \$12 billion International Monetary Fund programme to boost the economy. "We saw large flows into the fund after the liberalization of the exchange rate," Beltone's asset management director, Kareem Naema, told Reuters. The fund, which tracks Egypt's blue-chip stock index, closed trade on Tuesday at 13.85 Egyptian pounds, compared with 10 Egyptian pounds in January 2015 when it was first traded. "We've been working over the past three months on listing the index fund on the Nasdaq Dubai. It's going to be a good step for Egypt and to attracting investments to the Egyptian financial market," Naema said. Beltone hopes to increase liquidity in the fund and attract Gulf investors through the listing. It plans to hold investor events in the Gulf, Europe and the United States in September and October in its bid to quadruple the fund's value over the next 12 months, Naema said. He said that Beltone, which manages assets valued at about 30 billion Egyptian pounds, is now finalising the technical steps of the Dubai listing. *(Reuters)*

Economic News

Egypt's state buyer the General Authority for Supply Commodities (GASC) said on Sunday it was seeking soyoil and sunflower in a tender. GASC is seeking at least 10,000 tonnes of sunflower oil for arrival Oct. 1-15 and at least 30,000 tonnes of soyoil for arrival Oct. 15-30. The buyer is also seeking offers in Egyptian pounds for at least 10,000 tonnes of soyoil for delivery Oct. 15-30. The deadline for bids is Thursday. *(Reuters)*

Egypt expects its gross domestic product to grow by 5 percent by the end of the fiscal year 2017/18 that began in July, the planning minister said on Monday, putting the figure at slightly higher than previously predicted by government. Finance Minister Amr El-Garhy said in a televised interview earlier this month that he expected GDP growth to reach 4.6-4.8 percent in the 2017/18 fiscal year. Egypt fiscal year begins in July and ends in June. Egypt's economic growth has deteriorated since a 2011 uprising drove tourists and foreign investors away, drying up foreign reserves. A \$12 billion International Monetary Fund programme signed last year is hoped to help the dollar-starved country revive its economy. Egypt's exports are expected to increase to \$22.5 billion by the end of 2017/18 compared with the \$20.5 billion it reached by the end of the previous year, Planning Minister Hala al-Saeed said in a statement. She predicted exports to rise above \$30 billion by the end of the 2019/20 fiscal year. Appetite for Egyptian exports has increased since the central bank floated the pound currency in November as part of the three-year IMF programme. Import-dependent Egypt aims to reduce its imports and increase its exports in an attempt to narrow its gaping trade deficit.

The country targets total investment worth 646 billion Egyptian pounds (\$36.5 billion) in 2017/18 compared with 530 billion Egyptian pounds (\$29.92 billion) in the previous year, al-Saeed said. An investment law aimed at luring back investors was passed by cabinet last week. The law offers incentives to investors, especially those targeting underdeveloped areas and labour-intensive sectors. Egypt is targeting an unemployment rate of 11.5 percent by the end of this fiscal year compared with 12.2 percent the previous year, the statement said. Egypt's unemployment rate dipped just below 12 in the second quarter of 2017 for the first time since the 2011 uprising, standing at 11.98 percent, the official statistics agency said last week. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Egypt expressed its regret on Wednesday over a United States decision to deny it \$95.7 million in aid and to delay a further \$195 million, adding that it may have a negative impact on common interests, its Foreign Ministry said. Two U.S. sources familiar with the matter told Reuters on Tuesday the decision came because of Egypt's failure to make progress on respecting human rights and democratic norms. "Egypt sees this measure as reflecting poor judgement of the strategic relationship that ties the two countries over long decades and as adopting a view that lacks an accurate understanding of the importance of supporting Egypt's stability," the ministry said in a statement. *(Reuters)*

Just beyond the outskirts of Cairo on a desert road to the Suez Canal, a sprawling industrial zone is coming to life as Egypt's leather industry leaves behind its ancient tanning quarters for modern workshops of Robiki Leather City. The new complex is part of a major expansion drive of a sector Egypt considers as one of its most competitive and the trade ministry has set an official target for leather exports to reach over \$1 billion a year in 2020, from about \$200 million a year currently. By mid-2018, Robiki should house the entire supply chain, from animal slaughtering to finished leather production, allowing global manufacturers to source materials and export final goods in a single location, said Mohamed El Gohary, chairman of a state firm marketing the site. "The value-added of our exports will increase five times when we reach the stage where we're exporting final products like shoes and bags," Gohary said. Foreign investors can begin purchasing space in Robiki in 2018 and the zone has received strong interest from Italian companies, Gohary said. Egyptian exports were given a boost when Egypt floated its pound currency last year as part of an International Monetary Fund loan programme. With projects like Robiki, Egypt hopes to pull back capital that fled after its 2011 political uprising. In the fiscal year ending in June it netted \$8.7 billion in foreign direct investment and is targeting above \$10 billion this year.

Around 220 tanneries are being relocated to Robiki, said Mohamed Harby, head of a leather tanning industry group. They are moving under the orders of the government, which is paying for the transfer of machinery, constructing subsidised housing for workers and facilitating low interest loans for businesses looking to expand. The tanners' centuries-old home of Magra Al-Ayoon in Old Islamic Cairo, which runs along the city's ancient aqueduct, will likely be developed into a tourist site, though plans have yet to be finalised, said Omar Khorshid, a trade ministry adviser to the Robiki project. There workers dye animal hides in small, ramshackle buildings without infrastructure for absorbing hazardous waste byproducts. "Egypt a long time ago was a leader in leather tanning, and for a period of time everyone wanted to expand but there was just no space to," managing director of Al-Rowad Tannery Ahmed Al-Gabbas said at his factory floor in Robiki. Al-Rowad, one of the country's three largest tanneries, will complete its relocation over the next month. Gabbas said the company is using the space to scale up and triple exports over the next year. *(Reuters)*

U.S. President Donald Trump called Egyptian President Abdel Fattah al-Sisi on Thursday and said he was keen to overcome any obstacles in the way of cooperation, just days after the U.S. said it would withhold some financial aid to Egypt. "President Abdel Fattah al-Sisi received a phone call tonight from U.S. President Donald Trump who affirmed the strength of the friendship between Egypt and the United States and expressed his keenness on continuing to develop the relationship and overcome any obstacles that might affect it," Sisi's office said in a statement late on Thursday. On Tuesday, two U.S. sources familiar with the matter told Reuters that Washington had decided to deny Egypt \$95.7 million in aid and to delay a further \$195 million because it had failed to make progress on respecting human rights and democracy. Egypt, an important regional partner for the United States because of its control of the Suez Canal and its border with Israel, receives \$1.3 billion in aid annually and was critical of the U.S. decision. Its foreign ministry said on Wednesday that the decision to withhold aid reflected "poor judgment" and that it could have "negative implications" on achieving common goals and interests between the two countries.

The decision reflects a U.S. desire to continue security cooperation as well as its frustration with Cairo's stance on civil liberties. In particular, a new law regulating non-governmental organizations is widely seen as part a growing crackdown on dissent, said the U.S. sources, who spoke on condition of anonymity. Egyptian rights activists have said they face the worst crackdown in their history under Sisi, accusing him of erasing freedoms won in the 2011 Arab Spring uprising that ended Hosni Mubarak's 30-year rule. Egyptian lawmakers have said the NGO law was needed for national security. The Egyptian government has long accused human rights groups of taking foreign funds to sow chaos,

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

and several are facing investigation regarding their funding. Sisi and his Foreign Minister Sameh Shoukry met Trump's son-in-law and senior adviser Jared Kushner in Cairo on Wednesday but neither the presidency nor the ministry mentioned the aid issue in statements released after the meetings. *(Reuters)*

Average yields on Egypt's six-month and one-year treasury bills fell at an auction on Thursday, central bank data showed. Average yields on the 182-day bill fell to 19.345 percent from 19.368 percent at the last sale on Aug. 17, and yields on the 357-day bill fell to 19.015 percent from 19.308 percent, the data showed. The combined foreign contribution in the tenors on Thursday amounted to 5.7 billion Egyptian pounds (\$322.58 million), the head of public debt at the finance ministry, Sami Khallaf, told Reuters. Demand for Egypt's domestic debt has increased since the central bank floated its pound currency in November as part of an International Monetary Fund loan agreement aimed at reviving the economy. The central bank has raised its key interest rates by 700 basis points since the pound float but kept them unchanged in a policy meeting last week. Total foreign holdings in Egyptian securities stood at 279.5 billion Egyptian pounds as of August 22, a 3 percent increase from a week earlier, Khallaf said. *(Reuters)*

Egypt's Carbon Holdings aims to finalise funding and start building its massive Tahrir petrochemicals project by June, producing raw materials desperately needed to boost the country's industrial sector, its chief executive told Reuters. The \$10.6 billion scheme in the Suez Canal Economic Zone will be the largest petrochemicals project in Egypt. Carbon Holdings CEO Basil El-Baz sees the project helping to double Egypt's exports within one year of coming online after its five-year construction. Economic growth for import-dependent Egypt has slowed since a 2011 uprising drove tourists and foreign investors away, but recent reforms tied to a \$12 billion International Monetary Fund loan are hoped to put the country back on the right track. "Why haven't all these foreign multinationals that keep making visits to Egypt every month started manufacturing? ... What it comes down to is that there are no raw materials," El-Baz said in a Reuters interview late on Wednesday. Carbon Holdings already has two facilities in production phase, a polypropylene plant and a mining grade ammonium nitrate plant. "We're going to be looking to list Carbon Holdings at some point," El-Baz said, but did not specify a date for the listing. Tahrir petrochemicals will have to export all its products in the first year but as production increases, El-Baz said, domestic manufacturers will be encouraged to expand and foreign ones will consider setting up next to the Suez Canal.

The government says the 460-square km economic zone around the canal will be used to develop an international industrial and logistics hub to attract foreign investment. Tahrir petrochemicals, which is being funded by credit agencies in the United States, Britain and Germany, is Egypt's first naphtha cracker and will produce different types of petrochemicals used to make various consumer and industrial goods. Stepping up exports and reducing imports are one of Egypt's key goals to reduce the gaping trade deficit and put less pressure on foreign currency dried up by the 2011 uprising. The project, which plans to export to Europe, Africa and Asia, will provide at least 50,000 jobs, El-Baz said. Unemployment in Egypt is close to 12 percent. "We're also going to spend about \$1.5-2 billion in Egypt, between cement and rebar, the bits and pieces that are made here in Egypt, so that in itself is going to be stimulating the local economy," El-Baz said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Ghana

Corporate News

Management of the GCB Bank Limited (GCB) has announced that it will clear all outstanding debt of the collapsed UT and Capital banks. According to the Chief Finance Officer of the Bank, Socrates Affum, they are doing this to protect the interest of customers of the defunct banks. He announced this at a sensitization forum organized by GCB for the unionized workers of UT and Capital banks at Burma Camp in Accra on Saturday, August 19. Mr. Affum further assured better working conditions for staff of the two banks who have been absorbed by GCB as part of the takeover. The Central Bank withdrew the licences of the two banks recently and GCB took over transfers of all their deposits and selected assets after a purchase agreement. (*Ghana Web*)

GCB Bank Limited has announced plans to reduce its lending rates for the benefit of its customers. At a meeting of corporate customers of the erstwhile UT Bank and Capital Bank in Accra, the Managing Director of the Bank, Mr. Anselm Ray Sowah, explained that the reduction in the rates would be at the level consistent with GCB's existing corporate clients. The meeting was the first of its kind since GCB assumed the management of UT and Capital Banks and it was designed to reassure customers of the advantages, benefits and business opportunities in doing business with GCB. It provided the avenue for the customers to have direct interaction with the Management of GCB and to chart the way forward. Corporate customers at the meeting expressed delight at the openness of the GCB Management and commitment to meet their expectations. Mr. Sowah said, "the decision to assume the management of the two institutions was taken seriously to grow the GCB brand and to create the environment for your business to thrive." "I wish to assure you that you will have access to a bigger bank with over 200 branches all of which will be fully networked as part of the six-month programme of integration.

This will provide a wider scope to operate from than previously," the MD said. He said GCB had the right balance sheet to support big transactions and large ticket deals, adding that GCB will offer customers a one-stop solution to their banking needs rather than having to deal with different banks. He emphasized that the passion to grow local business was ingrained in the procedures and practices of GCB and as the MD his ambition was to bring back passion into the way GCB manages the local entrepreneur space in Ghana. Mr. Sowah said, "we have embarked on a campaign to win, nurture, support and grow Ghanaian businesses to enhance the national economy." The Chief Operating Officer of GCB Bank, Mr. Samuel Sarpong, assured the customers that their funds are in good hands as GCB has been a trailblazer in the banking sector for six decades. He added that the integration of the systems will be done in the coming weeks to help customers bank at ease and to help in the smooth flow of operations. (*Ghana Web*)

Economic News

Trading activity in terms of volumes on the stock market increased by 47.44% in the week under review as volumes of shares traded scaled up by 1,243,823. Further, the total values of shares traded increased to GHS 4,853,689 representing 66.82% appreciation week-on-week. There were 8 gainers and 2 losers at week-close. The market will remain active this week mimicking last week trade pattern in terms of volumes and values as investors and stock market stakeholders recover from the shocking impact of GCB takeover of UTB and Capital Bank. Market liquidity will remain high this week as volatility levels will continue to stay low as a result of buoyant investor confidence. At the close of next week, the market is expected to maintain a positive YTD outlook while returning positively on its benchmark composite Index. An analytical outlook into 2017 pictures YTD key market indices closing the year relatively better than 2016. Commodity-based stocks are expected to follow in an upward trajectory following an anticipated relative stability of major commodity prices on the world market. Most financial stocks may fail again to drive over-all returns on the market as the banking industry continues to record high levels of NPLs, financial stocks however may record lesser price volatilities as compared to 2016. Trading activities on the Ghana Alternative Market closed the week with 600 shares of IIL valued at GHS 54.00 changing hands. HORDS currently lead record capital gains on the GAX, appreciating by 25% from 2016 year open.

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

The Cedi gained marginally to the British Pound but lost to the US Dollar and Euro at week close. The local currency exchanged at a mid-rate of GHS 4.3858 to the USD, GHS 5.6509 to the GBP and GHS 5.1468 to the EURO as at week close. GN Market Analysts posit that, the Cedi is poised to exhibit some stability on the forex market in the short-term. The GCFM Cedi index, a measure of the holistic performance of the Cedi on the interbank market now records a year-to-date depreciation of 8.57% losing at an average daily rate of 8.56 percent for the week under review. *(Ghana Web)*

Ghana is considering scaling down plans for a 10 billion cedis (\$2.3 billion) local-currency bond sale as the West African nation struggles to identify revenue sources for interest and capital repayments, according to two people familiar with the matter. The debt, which will be issued through a special-purpose vehicle and backed by a tax on the sale of petroleum products, may be staggered in smaller tranches as the projected income from the levies are only sufficient for a bond sale of 7 billion cedis over 15 years, said the people, who asked not to be identified because they're not allowed to speak publicly about the issue. The matter was discussed at an Aug. 16 meeting where the finance ministry and deal advisers Standard Chartered Bank Ghana Ltd. and Fidelity Bank Ltd. gauged investors' appetite for the debt. The ministry will consider more revenue sources before making a final decision on the size of the bond, the people said. Finance Minister Ken Ofori-Atta and a spokeswoman for Standard Chartered didn't answer calls seeking comment. Fidelity Bank Managing Director Jim Baiden declined to comment when contacted by phone. The yield on Ghana's 2026 dollar bonds fell 8 basis points to 7.29 percent, the lowest since the debt was sold in September 2014. The cedi weakened 0.6 percent to 4.4538 against the dollar at 2:37 p.m. in the capital, Accra.

Ghana is selling the debt to clear arrears owed to banks by state-owned electricity and petroleum utilities. The seven-month old government of President Nana Akufo-Addo has vowed to boost banks' ability to lend and accelerate growth after gross domestic product in West Africa's second-biggest economy expanded at the slowest pace in 26 years in 2016. The stock of non-performing loans at banks was 8 billion cedis at June 30, according to Bank of Ghana data. The three major power utilities, including Electricity Company of Ghana, Volta River Authority and Ghana Grid Company, had 7.7 billion cedis in payable loans at the end of 2015, according to the International Monetary Fund. Some attendees at the Aug. 16 meeting were concerned that the bond will not carry a sovereign guarantee and seek more assurances that the current and future governments will continue to allocate energy sector levies to the special purpose vehicle, said the people. The ministry and advisers are said to be considering a maturity date of seven to 15 years. Bids are likely to open next month, with the arrangers seeking to place as much as 60 percent of the bond with foreign investors, said the people. *(Bloomberg)*

Ghana's producer price inflation fell to 2.0 percent year-on-year in July from a revised 3.2 percent the month before, the statistics office said on Wednesday. The major commodity exporter is seeking to cut spending and restructure debt and is on target to narrow consumer inflation to 8 percent, plus or minus 2 percent, by the end of 2017 as part of a three-year aid deal with the International Monetary Fund. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Kenya

Corporate News

NIC Bank is set to complete the reorganisation of its business at the end of this month after Treasury secretary Henry Rotich approved the transfer of its Kenyan banking business to a new operating holding company. The restructuring will see the lender transfer its Kenyan banking assets and liabilities to a new entity called NIC Bank Kenya Plc. The new subsidiary and all the other units will ultimately be owned by the parent that changes its name to NIC Group Plc, completing the firm's conversion into a non-operating holding company. "The Cabinet secretary, the National Treasury has approved the transfer of its Kenyan banking business, assets and liabilities (save for the excluded assets and liabilities) from NIC Bank Limited to NIC Bank Kenya Plc," reads a notice in the latest Kenya Gazette by Central Bank of Kenya governor Patrick Njoroge. "The transfer and acquisition shall take effect on August 31, 2017." (*Business Daily*)

Victoria Commercial Bank's pristine balance sheet has been stained for the first time in more than a decade after it recorded an Sh18.3 million loan default in the half year ended June. The small lender attributed the non-performing loan to a tough operating environment in the banking industry. "The operating environment has been particularly difficult both locally and internationally and this has unfortunately led to some difficulty in repayment by the borrower, as many businesses have experienced," said Hezron Kamau, Victoria finance manager. "However, the recovery process is ongoing and likely to be successful." The bank set aside Sh7 million to cover for the bad loan, similar to what was provided in June 2016. Despite the non-performing loan and the rate caps, Victoria managed to register growth in net earnings, interest income and loan book size in the six-month period. Net profit grew 11.5 per cent to Sh307.7 million compared to Sh275.9 million a year earlier. Net interest earnings increased by Sh60 million to Sh618.4 million. "VCB business model mainly focuses on providing financial solutions to a niche corporate segment. It has always been a policy of the bank to be as competitive as possible and provide interest rates which are fairly priced, through cost and service efficiency models," the bank said. Victoria's loan book expanded 17 per cent to Sh15.5 billion in the half-year period. Earnings from fees and commissions grew by a fifth cent to Sh144.3 million. Customer deposits rose marginally to Sh15.8 billion from Sh15.6 billion. (*Business Daily*)

Equity Bank has sent home 200 of its 300 workers in South Sudan following closure of more than half of its branches in the troubled country. The Kenya-based bank has also frozen lending in the country due to political uncertainty as a protracted civil war ground many businesses to a halt. Equity, which had thirteen branches in the troubled State, now only operates five with the closures having been announced in May. This was revealed at an investor briefing Tuesday morning, as the lender said it had recorded a 7.4 per cent drop in half-year after-tax profit as interest income took a hit from the rate cap law. The lender's net profit for the period to June 2017 was at Sh9.33 billion compared to 10.07 billion in a similar period last year. Net interest income for the top-tier lender fell by 15.5 per cent to Sh17.9 billion from Sh21.2 billion in June 2016. Equity's loan book contracted to Sh265 billion in the period under review, compared to Sh269 billion last year. Non-interest income went up 19.6 per cent to Sh12.9 billion. "The banking industry going through a difficult environment. Interest rate caps has had effect on the economy," Group CEO James Mwangi said at the briefing. (*Business Daily*)

Kenya Airways' pilots will from next year switch to a productivity-based pay system, which is expected to replace the current annual wage increments the airline's management has been opposed to. The pilots, through the Kenya Airline Pilots Association (Kalpa), have also signed a new collective bargaining agreement (CBA) that will see members' terms go unchanged until April 2018 when the new regime takes effect. KQ pilots, who have gone on several industrial strikes over the past two years, have often been accused of not putting in the hours to match their pay and annual increments, a charge they have denied. Paul Gichinga, Kalpa's secretary-general, now says his members have agreed to switch to a new pay system beginning next year "in line with what is happening in the industry." "We have agreed in principle that pilots' wages be based on productivity, meaning the more hours you work, the more allowances you get over and above your salary," he said. "The specifics of this system will be contained in the April 2018 to March 2020 CBA, which we will start discussing soon. Until this discussion is finalised, we have agreed that our salaries will remain as they are." KQ's wage bill stood at Sh15.7 billion as of March 2016, having dropped by eight per cent from the previous year's Sh16.96 billion on cost-cutting measures, a trend KLM would like maintained in

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

exchange for their monetary support. The national carrier closed the year to March 2017 with lower staff expenses after exiting 288 employees through retrenchment and natural attrition, leaving the head count at 3,582. Two years ago, KQ entered into performance contracts with its cabin crew, but the pilots have remained hostile to a similar arrangement. KQ's burgeoning wage bill has seen KLM, which owns 26.7 per cent of the airline, ask management to freeze pay across the company before the Dutch carrier can inject fresh capital into the ailing business as part of the ongoing restructuring. KLM has demanded that staff costs remain at "current levels adjusted for inflation with any other increases subject to commensurate productivity improvements." The decision to freeze salary increments is contained in a four-year (April 2014 to March 2018) CBA, which Kalpa signed with KQ early this month giving pilots improved benefits including enhanced medical covers. This CBA, which has been the source of a bitter disagreement between the two parties, will see maternity cover for pilots jump from Sh40,000 to Sh200,000 while inpatient cover will increase to Sh4 million from the current Sh2.7 million. Outpatient cover, which was previously capped at a non-transferable amount of Sh40,000 for a maximum of six individuals, has now been consolidated at Sh200,000 per family. (*Business Daily*)

Kenya Electricity Generating Co (KenGen) will see its thermal power earnings drop significantly as the government begins a gradual shutdown of its diesel generators at the Coast after the region was connected to cheaper steam power. Mombasa-based Kipevu I and III are set to be pulled out of the grid in "a few months" after the switching on of a high-voltage power line to evacuate cheap geothermal electricity from Olkaria, Energy secretary Charles Keter said. KenGen's earnings from thermal power was Sh3.79 billion in June 2016, accounting for 12.8 per cent of total electricity revenue of Sh29.5 billion in the review period. "Kipevu is not operating at maximum hours. They're only running on need basis. We are gradually increasing the amount being channelled to the Coast to ensure stability of the line," Mr. Keter said in an interview. "We expect them to earn more from Olkaria fields to compensate for the thermal," he said. Hitherto, the coastal region was not connected to the Olkaria system, meaning customers at the region were largely served by expensive thermal power plants. (*Business Daily*)

Equity Group remains non-committal on the fate of its joint venture with London-based Exotix Partners as the bank announced it was mulling closure of its asset management unit due to regulatory changes. The listed firm said while Equity Investment Bank would continue with brokerage services, it was "reviewing" the corporate advisory and wealth management unit after the capital markets regulator stopped managers from offering cash management services. Mary Wamae, Equity's director in charge of corporate strategy, said the lender had "gone back to the drawing board" to review operations at the investment bank. "The brokerage is going on," Ms Wamae said at an investor briefing Monday. "On capital advisory we are reviewing the strategy, similar to asset management," she said. The Capital Markets Authority in a circular dated August 22, 2016 ordered asset managers to stop offering cash management products — the practice of managing cash for wealthy clients at a fee. Wealth managers would pool cash from investors to create a formidable financial war chest, which they used to negotiate high interest rates for term deposits or buy commercial papers or short-term government securities.

The wholly owned investment bank in August 2014 signed a partnership with Exotix Partners that saw the two firms work together on research, sales and integrate trading platforms. The Equity-Exotix pair was ranked the second largest stockbroker at the Nairobi bourse in the half-year to June 2016, group chief executive James Mwangi said. "Equity has the retail market — about 44 per cent of all CDS accounts. Exotix has the international market," Mr Mwangi said. He declined to comment on speculation that Exotix was planning to set up its Kenya operations in what would lead to termination of the joint venture. Exotix announced last week that it was expanding the Nairobi unit, adding it had hired the first of three new analysts. It hired Faith Waitherero Mwangi, formerly a research analyst at Genghis Capital, covering banking and media, to provide coverage of financials in East Africa. Exotix CEO Duncan Wales said: "It's been business as usual as far as our own expansion plans are concerned. We regard Kenya as a very important strategic opportunity." (*Business Daily*)

Britam Asset Managers' net profit for the six months ended June 30 fell 14.74 per cent to Sh146.85 million on reduced commissions following a ban on cash management services last August, the fund said on Thursday. The firm, which managed Sh124.5 billion wealth by end of June, reported a 14.38 per cent drop in management fees to Sh453.32 million. The Capital Market Authority in August 2016 ordered fund managers, stockbrokers and investment bankers to discontinue cash management services and refund wealthy investors by November

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

15. The CMA said such services amounted to banking or microfinance business under section 2(1) of the Banking Act and Section 2 of the Microfinance Act, respectively. Britam Asset Managers chief executive Kenneth Kaniu, however, backed improving performance of equities on the Nairobi bourse and opening of a subsidiary in Uganda earlier in the month to support future growth. "We want to target institutional and retail money (in Uganda). We are looking at pension funds' money and investing money for corporates and, on the individual side, we are talking about things such as unit trusts and some level of wealth management," Mr. Kaniu said. "We are also excited about possibilities of getting into alternative investments such as property." (*Business Daily*)

The value of Safaricom's Bonga Points, a customer loyalty award scheme, has hit Sh3.3 billion, meaning subscribers are yet to claim merchandise, airtime or data credit worth the amount. The telco, in its latest annual report, says the loyalty points increased by 28.8 per cent from the Sh3.23 billion recorded at the end of March 2016 financial year. Safaricom accounts for Bonga Points as a liability in its books in keeping with accounting guidelines, and only recognises them as an income when customers redeem their gifts. Customers accumulate the points based on their service usage patterns, earning a point for every Sh10 spent on voice calls, short messages service, data and M-Pesa services. "The growth in Bonga Points is a natural result of the continued growth in our customer numbers as well as the increasing number of services and products which are rewardable on our network," chief executive Bob Collymore told the Business Daily. "This is not a concern because we view Bonga Points as a reward to customers for their continued use of our services."

This liability also includes points earned by Safaricom's Enterprise Business upon achieving monthly revenues targets. Bonga Points, which were introduced in 2007, eat into the telco's revenue given that accounting guidelines require the firm to only recognise the loyalty points as sales once customers redeem the credits. This has seen Safaricom innovate new ways through which customers can redeem their points. The telco recently partnered with retailers such as Naivas Supermarkets to launch Bonga Popote, a scheme that allows subscribers to use their points to make purchases at the retail chain. Safaricom has also revealed a further Sh3.4 billion in deferred revenue, mostly from unused airtime on bundled packages. This represents a 23 per cent increase from the previous financial year. This unrealised revenue, the telco says, also includes Sh243 million it expects "for managed services to be rendered in the next financial period under the National Police Service contract". Safaricom has also seen the deposits it holds for its postpaid customers increase by Sh119 million to Sh1.1 billion. (*Business Daily*)

Safaricom chief executive Bob Collymore has increased his stake in the telecommunications firm by buying 296,400 additional shares, the company's latest annual report shows. Mr. Collymore purchased the shares worth about Sh7.48 million in the year to March, bringing his total stake to 1,518,600 shares worth about Sh38.3 million based on closing average price of Sh25.25 a piece on Thursday. The CEO's investment in Safaricom comes at a time when the firm's stock has rallied at the Nairobi Securities Exchange. The telco last month became the first listed company in Kenya to touch the Sh1-trillion mark in market valuation during trading, having gained steadily from the Sh19.25 price at the beginning of the year. "Safaricom exists to fulfil a purpose. That purpose is to transform lives. We believe this is what drove over three million new customers to join our network during the year," Mr. Collymore says in the company's latest annual report. Nancy Macharia, an independent director, increased her shares by 27,000 to close the year at 70,000 which are currently valued at Sh1.76 million. Sateesh Kamath, who has been Safaricom's firm's chief financial officer for a year, also bought 50,000 shares worth Sh1.26 million. Nicholas Ng'ang'a, the telco's chairman and former chief executive Michael Joseph did not increase their investment in the telco during the last financial year, maintaining their stakes at 855,100 and 1,178,600 shares respectively. Their holdings are worth Sh21.6 million and Sh29.76 million respectively. (*Business Daily*)

Economic News

Coffee earnings increased by Sh2 billion last July on high demand from buyers following a shortage of the crop at the auction. Data from Nairobi Coffee Exchange (NCE) shows the crop earned Kenya Sh14.3 billion compared with Sh12.2 billion realised in the corresponding month last year, representing a 17 per cent growth. The volume of coffee offered for sale at the auction in July was 29.3 million kilogrammes against 31.3 million kilogrammes supplied at the same time last year. "Better prices were realised in July this year resulting from high

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

competition as traders competed for the little volumes available at the auction," said NCE chief executive Daniel Mbithi. Mr. Mbithi attributed the decline in production to adverse weather conditions in Mount Kenya, one of the main growing regions. He said a 50 kilogramme bag of the produce traded at Sh24,308 compared with Sh19,467 last year. Volumes were yet to rise forcing NCE to suspend trading over a week ago, less than a fortnight after resuming business following a one-month break. Mr. Mbithi said the auction was postponed because they did not receive enough coffee to sustain the trading. There was a significant reduction of coffee from farmers in the eastern part of the country, NCE said. The auction had earlier taken a break on May 23 as the main harvesting season in central Kenya came to an end, which saw a sharp decline in the quality of beans. About 85 per cent of Kenya's coffee is sold through the auction with the remaining percentage sold directly to overseas buyers. The government has been pushing for direct sales to eliminate middlemen, who exploit farmers when their crop goes through the auction, and enable growers to earn more. *(Daily Nation)*

Uganda and Tanzania have ceased to be Kenya's export drivers after relinquishing the position to Pakistan and the United States that have upped their appetite for Kenyan goods. Pakistan has this year overtaken Uganda as the largest buyer of Kenyan goods, while the United States is fast bridging the gap between it and Kampala on Kenya's export market table. Exports to Pakistan jumped 90.8 per cent to Sh24.8 billion in the year to May from Sh13 billion in a similar period last year, marking the fastest growth. Shipments to the US grew 20 per cent to Sh18.5 billion in the period, the Kenya National Bureau of Statistics data shows. On the flipside, exports to Uganda remained unchanged at Sh21.9 billion in the year to May while Tanzania cut back its purchases from Kenya 34 per cent to Sh8.2 billion. Uganda has in the past years been the driver of Kenya's exports while Tanzania was once the second largest buyer of goods from Nairobi, before narrowing its orders. Official data shows that total exports receipt grew by Sh2.2 billion to Sh221 billion in the year to May, despite cuts in orders from Tanzania, Egypt, UK and UAE.

The growth is attributed to the jump in exports to Islamabad and Washington DC alongside the Netherlands, which is Europe's key entry point for Kenya's flowers and Nairobi's third largest market, behind Pakistan and Uganda. Pakistan is the largest market for Kenya's tea exports while textiles and apparel top the list of US purchases from Nairobi. Kenya is a beneficiary of the US preferential trade pact, the African Growth and Opportunity Act, which allows sub-Saharan African countries to export goods to America tax-free. Exports to Pakistan have more than doubled over the past two years from Sh9.9 billion in the first five months of 2015 to the current Sh24.8 billion. The US intake has grown 31 per cent in the two-year period from Sh14.1 billion to the current Sh18.5 billion in the year to May. Uganda has in the past 10 years been the largest buyer of Kenyan supplies, making it a key economic partner for Nairobi. But the clout is now waning with the slide on Kenya's export destination table. *(Daily Nation)*

Piling public debt poses the largest risk to Kenya's economy in the medium term, an analyst at credit ratings agency Standard & Poor's has said. Garder Rusike, an associate director in charge of sovereign rating and public finance at S&P Global Ratings, said on Wednesday Kenya could struggle to honour repayments in case of economic shock hence the need to cut the budget deficit and stabilise debt level. Kenya's public debt crossed the Sh4 trillion mark at the end of March this year, reflecting the government's sharp appetite for loans. "The current high level of debt stock is a risk to the economy in the sense that the cost of debt servicing is also high and if there is a shock to the pace of economic growth it can (risk) rise substantially," said Mr Rusike on the sidelines of an S&P global seminar in Nairobi. "So, it's important to maintain the pace of economic growth while at the same time reducing the size of the deficit which will then reduce the debt burden." The Central Bank of Kenya (CBK) has projected the economy will grow by 5.7 per cent this year, slowing down from 5.9 per cent in 2016. The Treasury targets to reduce the fiscal deficit to six per cent of GDP, from a projected 8.3 per cent in the financial year 2017. The country's debt stock is an equivalent of more than half (52.6 per cent) of the gross domestic product (GDP), after massive borrowing since the Jubilee administration took power four years ago. Treasury secretary Henry Rotich told Parliament that the government would "reduce the fiscal deficit and ensure the continued sustainability of our debt." *(Daily Nation)*

Kenya's election commission urged the Supreme Court to uphold the results of this month's vote that returned President Uhuru Kenyatta to power and dismiss a legal challenge by his political opponents, saying the process was "impartial, neutral and accountable" to the constitution. The Independent Electoral & Boundaries Commission called on the court to throw out a petition filed by the opposition

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

National Super Alliance challenging Kenyatta's win against former Prime Minister Raila Odinga in the Aug. 8 vote. That petition "lacks merit and should be dismissed," the commission's lawyers said in opposing papers filed at the Supreme Court. The elections were conducted according to the constitution and the president was "validly elected" the IEBC's lawyers said. "Discrepancies" cited by the opposition "did not materially affect the outcome of the presidential elections." Kenyatta, 55, won a second term with about 54 percent of ballots cast while Odinga, 72, garnered almost 45 percent, according to the IEBC. A panel of judges will rule on the opposition's challenge on Sept. 1 and, should Kenyatta's victory be nullified, the East African nation would have to hold new elections within 60 days. Odinga has failed in three other attempts to win the presidency in Kenya, the world's largest shipper of black tea and a regional hub for companies including Google Inc. and Coca-Cola Co.

A dispute over the outcome of a 2007 election triggered two months of violence that left more than 1,100 people dead and forced 350,000 to flee their homes. Clashes between security forces and supporters of Odinga's five-party political alliance have claimed 24 lives since the result was declared, according to the Kenyan National Commission on Human Rights. The opposition says security forces killed more than 100 people during protests, while police have confirmed 10 deaths in Nairobi and say they are still investigating reports of fatalities in the rest of the country. The Supreme Court comprises seven judges. The opposition alleged in a petition filed at the weekend that the election was marred by "massive, systemic, systematic and deliberate non-compliance with the constitution" and such flaws "significantly affected" the result. "There is no point in holding elections if the law, procedure and regulations to govern their conduct will not be respected and adhered to," the opposition's lawyers said in the petition. "Instead of giving effect to the sovereign will of the Kenyan people, the IEBC delivered preconceived and predetermined computer-generated leaders." (*Bloomberg*)

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria

Corporate News

The shares of Access Bank Plc, Zenith International Bank Plc and Guaranty Trust Bank Plc emerged the top three traded equities for last week, contributing 48.65 per cent of the total equity value traded. Measured by volume, they accounted for 655.596 million shares worth N12.182bn in 4,881 deals, contributing 47.02 per cent to the total equity turnover volume as well, the Nigerian Stock Exchange data showed. A total turnover of 1.394 billion shares worth N25.037bn in 23,133 deals were traded in the week by investors on the floor of the Exchange in contrast to a total of 1.518 billion shares valued at N28.868bn that exchanged hands in the penultimate week in 23,053 deals. The financial services industry (measured by volume) led the activity chart with 1.185 billion shares valued at N15.073bn traded in 13,728 deals; thus contributing 84.99 per cent and 60.2 per cent to the total equity turnover volume and value, respectively. The consumer goods industry followed with 90.576 million shares worth N7.384bn in 4,687 deals. The third place was occupied by the conglomerates industry with a turnover of 40.906 million shares worth N87.613m in 796 deals. Also traded during last week were a total of 5,168 units of Exchange Traded Products valued at N65,570.28 executed in eight deals compared with a total of 2,461 units valued at N296,837.94 transacted last week in deals. A total of 987 units of Federal Government bonds valued at N986,951.99 were traded last week in one deal, compared with a total of 9,615 units valued at N8.301m transacted the penultimate week in 21 deals. The NSE All-Share Index and market capitalisation depreciated by 3.35 per cent to close the week at 36,920.56 and N12.726tn, respectively. Similarly, all other Indices finished lower during the week with the exception of the NSE ASEMI Index that closed flat. *(Punch)*

The Nigerian Content Development and Monitoring Board, on Monday, said the management of Dangote refinery had agreed to select competent Nigerian vendors that would participate in the construction of the plant from the Nigerian Oil and Gas Industry Joint Qualification System. The NOGICQS, which is the database of available capacities in the nation's oil and gas industry, is managed by the NCDMB. A statement from the NCDMB said the Chief Operating Officer, Dangote Refinery Project, Mr. Giuseppe Surace, gave the commitment at the technical meeting held by top officials of the company and the NCDMB at the refinery project site in Lekki, Lagos, last week. Surace was quoted as saying there were many advantages in patronising the local market, adding, "Nigerian companies will get the first right of refusal. We will procure anything that is available in Nigeria." According to him, there are several Nigerian content opportunities in the company's refinery and gas-gathering projects but interested companies must submit competitive bids and have technical capabilities. He said, "The project is a private investment; hence, the strategy is to get the best quality anywhere in the world at the most competitive price."

Surace advised local vendors to quote reasonable prices when bidding for industry projects, rather than "believe that they would win jobs because of the Nigerian Content Act, irrespective of expensive quotations they submit." He noted that the Dangote Group engaged the services of some Nigerian companies on its fertiliser project, which had reportedly reached an advanced stage of development. He said the company was committed to doing the same with the 650,000 barrels-per-day crude oil refinery project, which would be completed in October 2019. On his part, the Executive Secretary, NCDMB, Mr. Simbi Wabote, said the board would assist the company in the utilisation of the NOGICQS database to ensure that it maximised the utilisation of local personnel, goods and services in the construction and operations phase of the project. He said, "The Nigerian Content Act applies to every player in the Nigerian oil and gas industry, and not just international companies. If Nigerian companies and investors procure everything from abroad, then the essence of the Act will be defeated." *(Punch)*

In a bid to create a rewarding experience for its customers, Access Bank has just introduced a loyalty solution tagged REAL -Rewarding Every Act of Loyalty. The solution, according to a statement from the bank, was introduced to reward existing bank customers for their support over the years. "REAL is a pan-banking program offering multiple ways to earn points through the usage of the bank's transactional platforms such as ATMs; PoS terminals; credit/debit cards; mobile and online platforms. "The redemption suite of REAL incorporates many categories within its scope including travel, gift vouchers, shopping and more. "Each category has a bundle of multiple options to be

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

redeemed via 900 airlines, 450,000 hotel stays, 150,000 car rentals and numerous leading partner brands to shop from," the statement explained. Speaking on the initiative, the Executive Director, Personal Banking Division, Access Bank, Victor Etuokwu said the solution would enable the bank grow a portfolio of actively transacting customers and drive financial inclusion whilst encouraging customers by rewarding every interaction (financial and non-financial). "At Access Bank, we remain committed to enhancing customer experience as well as rewarding our customers for their steadfast support over the years. They have the option of choosing other banks but they have decided to bank with us and for that, they deserve to be rewarded," he added. He said customers have the option of redeeming earned points within or outside Nigeria and we have put in place the necessary resources, policies, procedures and controls to ensure a smooth process of redeeming all earned points. Also, all existing and new customers are eligible for the scheme. But they would all be required to visit the loyalty portal to sign up for it. "This solution is in partnership with a world class payment and loyalty solutions provider with a global footprint in over 35 countries. "As part of its continued growth strategy, Access Bank is focused on mainstreaming sustainable business practices into its operations. The bank strives to deliver sustainable economic growth that is profitable, environmentally responsible and socially relevant," the bank stated further. (*This Day*)

Anglo-Dutch oil major Royal Dutch Shell has started gas production from the second phase of the Gbaran-Ubie project in Nigeria's Niger Delta, the company said on Wednesday. The project is an expansion of the Gbaran-Ubie development, which opened in June 2010. Shell, through its Shell Petroleum Development Company of Nigeria subsidiary, said the project would reach peak production of around 175,000 barrels of oil equivalent per day in 2019. Shell Petroleum Development Company of Nigeria is the operator of a Nigerian joint venture between state-owned Nigerian National Petroleum Corporation, Total E&P Nigeria and ENI subsidiary Nigerian Agip Oil Company. (*Reuters*)

The African Export-Import Bank (Afreximbank) yesterday announced the launch of its \$300million equity offering, using Depositary Receipts (DRs). Addressing journalists in Lagos Wednesday, the President of Afreximbank, Dr. Benedict Oramah, said the private placement, which would last till September 22nd, 2017, would provide investors all over the world, with exposure to a truly supranational African bank involved in trade finance as well as to allow them to benefit from the growing trade opportunities between Africa and the rest of the world. The instrument would be listed on the Stock Exchange of Mauritius. "As part of its current strategy, the Bank is targeting to mobilise equity of up to \$1 billion in the next five years from new and existing investors. The \$300 million equity offering in the Republic of Mauritius is backed by the Bank's Class 'D' shares. This is the first by a multilateral institution, the first to be listed on the Mauritius Stock Exchange. "Afreximbank's shares are currently not listed on any stock exchange. This DR issuance will therefore facilitate in direct listing of its Class 'D' shares and will provide investors with a liquid instrument. This DRs will provide an opportunity for the Bank to broaden its shareholder base as well as to raise additional capital. "We want to use this market-based instrument to attract the capital that we need to develop Africa. We are here in Nigeria because we believe Nigerians should have the opportunity to take advantage of this instrument," he added. T

he Chairman of State Bank of Mauritius Group (SBM), the lead arranger of the offer, Mr. Kee Chong Li Kwong Wing, described the issue as landmark, saying the proceeds would help fill the financing gap to finance intra and inter African trade in the continent. The SBM boss, who disclosed that the minimum investment is \$30,000, said the Bank would be looking to tap from pension funds and other institutional investors in the region. "For those who invest more than \$500,000, you will have the benefit of a permanent resident in Mauritius for you and your family," he added. Oramah, while commenting on the Bank's intervention in Nigeria, said over \$20 billion had been disbursed in the country, saying "there is no bank that has not benefited in terms of credit line from Afreximbank." Furthermore, he said Afreximbank played a crucial role in supporting Nigerian bank during the period of acute foreign exchange in the country to the tune of \$2 billion. "Today loans outstanding to Nigerian firms in manufacturing, banking, etc, is about \$3.5 billion." According to him, trade finance in Nigeria had been much easier because of the support banks in the country have countries to receive from the multilateral finance service agency. He revealed that the Bank was financing an Oncology Centre in Abuja, which would be the best in the sub-region and improve access to healthcare, two industrial parks, as well as other developmental initiatives in Nigeria. (*This Day*)

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Access Bank Plc yesterday recorded a profit before tax of N52 billion for the half year (H1) ended June 30, 2017, showing a growth of 18 per cent above the N43.9 billion in the corresponding period of 2016. Profit after tax rose by 17 per cent to N39.45 billion, up from N33.67 billion in 2016. Based on the performance, the board of directors of Access Bank has declared an interim dividend of 25 kobo per share for shareholders. According to the audited H1 results released to the Nigerian Stock Exchange (NSE) gross earnings stood at N246.6 billion, up 42 per cent from N174.1 billion in the corresponding period of 2016. The growth in gross earnings was driven by 66 per cent increase in interest income on the back of continued growth in the bank's core business and 34 per cent non-interest income underlined by strong foreign exchange (FX) income on the bank's trading portfolio. The bank's capital adequacy ratio (CAR) remained strong at 21.6 per cent well above the regulatory minimum. Commenting on the results, Group Managing Director/CEO, Access Bank, Herbert Wigwe said the bank's performance in H1 reflects the strength and sustainability of our business as well as the effective execution of our strategy." According to him, the group maintained stable asset quality, recording non-performing loan (NPL) and Cost of Risk Ratios (CRR) of 2.5 per cent and 1.0 per cent, respectively.

"We maintained stable asset quality, recording non-performing loans (NPL) and cost of risk ratios (CRR) of 2.5 per cent and 1.0 per cent and wound down on our foreign currency exposures as a deliberate strategy to de-risk the business. As we cautiously grow our loan portfolio in light of macro realities, we will continue to uphold our proactive risk management principles in order to maintain asset quality within acceptable limits. Whilst balancing our appetite for growth and profitability, we remain committed to maintaining solid liquidity and capital ratios," Wigwe said. He added that the bank's retail expansion drive led to investments in its channels, distribution network, service quality and brand enhancement. "These, as well as AMCON charges resulted in higher operating expenses in the period. We continue to, however, intensify the implementation of our cost reduction initiatives in order to improve the bottom-line despite high inflationary environment. In view of the recovering macro, our focus remains growing the retail franchise through digital expansion to enable diversified earnings as well as continuous and proactive risk management as we selectively grow risk assets. We will remain resilient in the execution of our bold strategy for increased growth and profitability whilst maximising shareholder value in 2017 and beyond," Wigwe noted. (*This Day*)

Nigerian fuel distributor Nipco Plc has bought another 3.23 percent stake in 11 Plc, the fuel retailer formerly known as Mobil Oil Nigeria, for 4.84 billion naira (\$16 million) to increase its holding to 70 percent. Nipco's investment subsidiary in October bought 60 percent of Mobil Oil Nigeria from Exxon Mobil Corp., when the U.S. giant pulled out of downstream fuel distribution in Nigeria. Having amassed a stake of almost 67 percent, it wanted to increase that holding to around 70 percent. Under Nigerian takeover rules, it had to offer the same price of 417.12 naira per share to minority investors. The downstream oil industry in Africa's biggest economy is consolidating as multinational oil firms sell out to focus on higher margin exploration and production following a drop in crude prices. Nigeria exports nearly 2 million barrels of oil a day but imports the bulk of its refined products because its refining capacity is unable to meet the country's daily fuel needs of 40 million litres. Mobil Oil Nigeria was founded in 1951 and operates more than 200 petrol stations in the country. It also owns three plants that manufacture lubricants, petroleum jelly, and insecticides in Nigeria's commercial capital of Lagos. (*Reuters*)

United Bank for Africa Plc has recorded a significant rise of 65.5 per cent in its profit before tax for the audited half-year financial results ended June 30, 2017. Its PBT for the period stood at N57.5bn as against N34.8bn posted in the corresponding period of 2016. The pan-African financial institution, in a statement on Thursday, grew its gross earnings for the period by 34.5 per cent to N222.7bn, as against N165.6bn reported in June 2016. The bank's soaring business performance and increasing share of customers' wallet were driven by the 44.3 per cent and 16.0 per cent growth in interest income and non-funded income, respectively. The group's operating income stood at N161.8bn, compared to N116.2bn recorded in the corresponding period of 2016, representing a 39.2 per cent growth. Notwithstanding the impact of naira devaluation and double-digit inflation in Nigeria and a number of other African countries where UBA operates, the group said it managed through its cost lines to deliver a sterling result and grow shareholders' wealth. In the same vein, the group recorded a profit after tax of N42.3bn, translating to a 56.2 per cent growth over the N27.1bn recorded in the half-year of 2016. This profitability, the statement explained, further reflected the earnings capacity of the group and its capability to progressively deliver superior returns to shareholders. While the group closed the half year with total assets of N3.69tn, a growth of 5.3 per cent, it grew gross loans to N1.6tn, a four per cent growth when compared to the group loan book as at December 31, 2016.

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Reflecting a strong capacity for internal capital generation, the group's shareholders' fund grew by eight per cent to N483.1bn, while it delivered an annualised 18.2 per cent return on average equity and an Interim dividend of N0.20 per share. In his comments with respect to the result, the Group Managing Director/Chief Executive Officer UBA, Kennedy Uzoka, said that, "The results again demonstrate the strong momentum of the bank, as we deliver continuous improvement across our businesses and key performance metrics." Uzoka said the bank's "unwavering focus on customer service excellence is translating to strong operational and financial efficiency gains. We have achieved better pricing on assets and liabilities, leading to continued improvement in the net interest margin to 7.3 per cent. "Leveraging our service-focused strategy and treasury management, we grew non-interest income by 17 per cent year-on-year, reinforcing our transaction-banking-led approach towards deepening financial inclusion in sub-Saharan Africa." According to him, UBA has made considerable progress in its retail banking penetration, gaining market share in deposits, at a time when a sizeable percentage of households are challenged due to inflationary pressures on disposable income. The bank grew its retail savings and current account deposits by 23 per cent and five per cent year-to-date, respectively. Also commenting, the bank's Group Chief Financial Officer, Ugo Nwaghodoh, said the bank had "a strong start in the year, despite protracted recession in Nigeria, our largest market. Our profit after tax of N42bn translates to 18.2 per cent return on average equity, broadly in line with our 2017 full-year guidance." He further said that the bank's African subsidiaries (ex-Nigeria) contributed 32 per cent of the group's earnings, leveraging digital offerings to gain market share across the different markets. *(Punch)*

Nigeria's GT Bank traded the largest volume on the Lagos bourse on Thursday in deals worth 2.89 billion naira (\$9.2 million) as foreign funds exchanged shares in off-market deals following strong half-year results, traders said. Guaranty Trust Bank traded 71 million units in mostly cross-deals at an average price of 40.80 naira between some offshore funds and local investors, traders said. A broker said foreign funds viewed the bank favourably as one of the most profitable and some were taking positions in it. Last week the top tier lender posted an 18 percent rise in half-year pretax profit to 101.10 billion naira, the highest profit level so far announced by any lender in the West African country. Shares in GT Bank rose 0.25 percent to close at 40.60 naira, valuing the lender at 1.19 trillion naira. The stock is up 65.2 percent so far this year, adding to 36 percent gains last year. The equity market in Africa's biggest economy, which recorded lacklustre performance earlier this year, has benefited from dollar inflows into the currency market after the central bank in April liberalised the market for foreign investors. That singular reform has pushed the index up 38 percent so far. Though stocks shed 1.3 percent on Thursday on profit taking, particularly in Nigeria's biggest listed company Dangote Cement. Traders also said investors were selling off some lenders which had been overbought prior to the release of half-year earnings to book profits. Top decliners were fuel retailers Conoil, MRS and 11 Plc, formerly known as Mobil Oil each down more than 4.9 percent. *(Reuters)*

Economic News

The naira closed at 370 per United States dollar at the parallel market on Friday, reversing the modest gain it recorded on Thursday. The local unit had closed at 368/dollar on Thursday after closing at 370/dollar for most part of last week. Analysts had warned that the naira would weaken against the greenback on the black market due to rising demand for the dollar. The local currency had closed at 364/dollar two weeks ago. Forex traders said surging demand for the dollar by summer holidaymakers and parents paying school fees for their children abroad were making the dollar to gain strength. On the official interbank window, the local currency traded around 305.65 a dollar on Friday. The gain on the investor window in recent times was fuelled by increased dollar inflows from offshore fund managers investing in the domestic equity market, traders said. Meanwhile, the nation's interbank overnight lending rate fell sharply on Friday to an average of 12 per cent from around 60 per cent a week ago after the Central Bank of Nigeria repaid matured treasury bills and a refund of excess cash deposited by banks to buy dollars. The CBN sold \$100m at its special intervention auction in the foreign exchange market on Tuesday, which was less than the amount requested by banks, leading to a refund of the excess deposited by banks on Friday.

The regulator also injected about N168bn in matured open market operation treasury bills into the system on Thursday, raising money market liquidity levels. "The interbank rate is seen climbing again this week as the CBN resumes its aggressive liquidity mop up and sustains its intervention in the forex market," one senior currency trader said. The overnight lending rate jumped last week to as high as 100 per cent

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

intraday after the central bank tightened liquidity to support the naira currency. The regulatory bank has consistently issued OMO treasury bills to reduce excess liquidity in the money market and curb speculation on the local currency. The CBN sold a total of N68.79bn worth of treasury bills on Friday in its bid to further tighten liquidity in the banking system. The bank's sales on Friday amounted to N65.5bn of 363-day open OMO treasury bills at 18.55 per cent, and N3.29m of the 174-day paper at 17.95 per cent. *(Punch)*

The Central Bank of Nigeria (CBN) on Monday offered a total of \$195million in three segments of the interbank foreign exchange (forex) market. In the wholesale segment of the market, it auctioned \$100 million and also intervened in the small and medium enterprises (SMEs) and invisible segments, with the sum of \$50million and \$45million respectively. The acting Director, Corporate Communications Department, Mr. Isaac Okorafor, said that despite the pressure in the market from those seeking forex for school fees and vacations, the Bank has kept faith with its resolve to ensure that there is sustained liquidity in the market and ensure that genuine requests for forex are met. He pointed out that there have been improved liquidity and flexibility in the market. The latest intervention comes on the heels of last week's intervention in which the retail secondary market intervention sales (SMIS) received the largest allocation of \$264,192,252.95 and the authorised dealers in the wholesale window had the sum of \$100,000,000. The CBN had in a bid to improve forex availability in as well as to ameliorate challenges encountered by critical stakeholders, last week directed that payment for port charges to the Nigerian Ports Authority (NPA) and other agencies by oil marketing companies would henceforth be accommodated by the Bank using Form 'A'.

It anticipated that the move would go a long way in speeding up operations at the ports, thereby enhancing the ease of doing business in the country. Nigeria's forex stood at \$31.591 billion as at August 18. The accretion of Nigeria's forex reserves, which started this year has continued as figures released by the Central Bank of Nigeria (CBN) showed that reserves has grown by \$1.263 billion this quarter. This signified a steady improvement in the country's current account balance, despite the threat from United States shale oil. The growth in the reserves was also influenced by the drop in militancy in the Niger Delta and rising oil exports, which have led to an improvement in the country's earnings. The improved crude earnings reflected in the amount of funds disbursed by the Federal Account Allocation Committee (FAAC) which climbed to total of N3.010 trillion to the three tiers of government between January and June this year; figures compiled by THISDAY had shown. The amount shared by the three tiers of government was significantly higher, compared with the N2trillion allocated to them in the first half of 2016. The naira traded at N367 to the dollar on the parallel market Monday. *(This Day)*

Nigeria raised 56.05 billion naira (\$179 million) in a bond auction on Wednesday, less than half the amount on offer as domestic pension funds and insurance firms cut orders due to low yields, traders said on Thursday. The Debt Management Office (DMO) offered 135 billion naira worth of bonds maturing in 2021, 2027 and 2037, but investors shunned the auction to take positions in the relative liquid secondary market. The DMO paid 16.80 percent for the 2021 and 2027 bonds and 16.90 percent for the 2037 debt. Investors demanded yields as high as 17 percent, auction results showed, to help boost returns further above inflation, which was 16.1 percent in June. "Pension funds and insurance firms cut back their demand ... because of expectations of higher yields," one dealer said, adding that those two sectors, which dominate the local bond market, subscribed for just 63.65 billion naira. Nigeria, Africa's biggest economy, is planning for a budget deficit of 2.36 trillion naira this year as it tries to spend its way out of recession. It expects to raise funds from the local market to cover more than half the deficit. The DMO issues bonds every month. At Wednesday's auction, the debt office sold 9.18 billion naira worth maturing in five years, 17.51 billion maturing in 10 years and 29.36 billion maturing in 20 years. *(Reuters)*

Nigeria launched a fund on Thursday with an initial value of \$200 million to support local oil and gas firms, the oil minister said, part of a government drive to improve access to low-cost credit across the economy. The Nigerian Content Development Fund (NCDF) would be financed through allocating the fund one percent of the value of all contracts awarded in the state-run upstream oil and gas industry, Petroleum Ministry said. Oil sales make up about two-thirds of national revenues in Africa's biggest economy, which is in its first recession in 25 years largely caused by low global crude prices. The new fund would offer finance to energy firms setting up manufacturing facilities or acquiring assets such as oil rigs, ministry officials said. It would also offer project financing and help refinance existing loans, they said. "I would like to see this fund going to cutting edge, tech-driven businesses," Minister of State for Petroleum Emmanuel Kachikwu told an event in the capital Abuja to launch the fund. The goal was to increase the size of the fund to \$1 billion, he said, without giving a timeframe. Firms

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

would be able to borrow up to \$10 million for a single project or investment at single digit interest rates over five years, officials said. Typically, a commercial bank would charge double digit interest rates in Nigeria. The Nigerian Content Development and Monitoring Board (NCDMB) would manage the fund alongside the state-run Bank of Industry, officials said. *(Reuters)*

In a bid to aid liquidity management and deepen the financial system, the Central Bank of Nigeria (CBN) has introduced two new financial instruments known as – Funding for Liquidity Facility (FfLF) and Intra-day Facility (IDF), at its window, for access by non-interest financial institutions (NIFIs) under its regulation. The central bank stated this in a circular signed by its Director, Financial Markets Department, Dr. Alvan Ikoku, a copy of which was posted on its website Friday. This central bank listed some of the features of the FfLF to include that it would provide liquidity facility on overnight basis only and to be terminated on next business day. Some other features include: “Authorised non-interest financial institutions to provide eligible securities to the CBN as collateral for the facility. The value of the collateral to be maximum of 110 per cent of the value of the facility. For example, if a NIFI wishes to take a FfLF of N10 billion, it would be required to provide eligible security collateral worth N11 billion. “The CBN shall specify acceptable collaterals from time to time. These shall include, but not limited to the following securities: CBN safe custody account (CSCA) deposit, CBN non-interest note (CNIN), CBN Asset-backed security (CBN-ABS). Sukuk (that has received status from the CBN, warehouse receipts as provided in the CBN Act 2007, and any other collateral designated by the CBN that does not contravene the CBN guidelines for NIFI’s operations. “The transaction shall be at zero per cent interest rate. At maturity, the transaction unwinds and the CBN receives back its funding and returns the collateral to the NIFI. Failure to provide adequate funding in the account for the unwinding of transaction at maturity, the CBN shall rediscount the pledge securities at par and recover the facility amount and return the net value to the NIFI,” it explained. On the other hand, it listed some of the features of the IDF to include that the CBN would provide an IDF for settlement, on same day business while authorised NIFI are expected to provide eligible securities as collateral for the facility. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Tanzania

Corporate News

TANZANIANS and foreign investors' appetite for share sale of rapid growing firms will soon be tested again as Maxcom Africa, an ICT integration company, nears its landmark initial public offering. Maxcom Africa Executive Director, Juma Rajabu said at a meeting with editors and senior reporters from mainstream media in Dar es Salaam over the weekend that they were in final stages of preparations for the initial public offering in line with a mandatory requirement for telecommunications companies to sell at least a 25 per cent stake on the Dar es Salaam exchange to boost domestic ownership. He however declined to provide further details saying they were subject to Capital Market and Security Agency (CMSA) approval. The IPO is expected to test again domestic and foreign investors' appetite for IPOs after they were enticed by share sell of Vodacom Tanzania, a leading telecommunication company in Tanzania which offloaded 25 per cent shares through IPO in March and listed on the Dar es Salaam Stock Exchange last week. Vodacom placed 560 million shares at 850/- each in Tanzania's biggest initial public offering (IPO), raising 476bn/- (\$213 million). Maxcom Africa PLC is an ICT integration firm owned by native Tanzanians with extensive operations in East African Community (EAC) member states of Rwanda, Burundi and Uganda.

It provides automated fare collection system for public transport such as Dar es Salaam's Bus Rapid Transit and Kigongo Busisi Ferry in Sengerama, Mwanza, and electronic health services in terms of mobile money and card payment system for hospitals including Muhimbili National Hospital and Bugando referral hospital. Maxcom also provides utility and service payments where customers pay electricity and water bills through their agents or mobile telephones. It acquired Public Listed Company status in June in preparations to float its shares at the stock market. The chairman of the company's Board of Directors, Prof Samwel Wangwe, said in June that Maxcom had filed its prospectus to the Capital Markets and Securities Authority (CMSA) and was waiting for approval from the authority. He said the listing at the stock market would enable the company operate in compliance with the country's laws and regulations in line with the Electronic and Postal Communication Act of 2010 and the Finance Act 2016, which require communication operators to offload 25 per cent of their shares to the public. The IPO is also expected to boost the firm expansion ambition in Africa, he said adding they plan by 2020 to provide not less than 100,000 employments in and outside the country. *(Daily News)*

Economic News

The Tanzanian shilling has steadily maintained its position since the opening of this month against the US dollars thanks to matching levels. The Bank of Tanzania (BoT) data showed that the shilling opened the month at 2,242/68 to close yesterday trading at 2,242/38. "The market has seen the greenback stabilized against the shilling due to matching levels of demand and supply," CRDB said in its Market highlight of yesterday. Standard Chartered Bank said despite the pair shilling and greenback to remain stable "low volatility expected". However the shilling marginally depreciated by 2.5 per cent since the beginning of the year. The Bank of Tanzania (BoT) data showed yesterday that the shilling dropped to 2,242/35 yesterday against 2,186/21 at the beginning of this year. *(Daily News)*

TIGO Tanzania says investment on network modernisation has helped to improve network strength and broaden coverage to almost the entire country. Speaking recently on the sidelines of the event in which five mobile network operators signed contracts with Universal Communication Services Access Fund (UCSAF) to provide telecommunication services to remote areas, Tigo Tanzania Acting Managing Director Mr. Simon Karikari said currently the network's strength is buoyed up by the expansion of Tigo 4G LTE technology to 24 regions in the country. "Tigo Tanzania has invested heavily for the past three years to increase the coverage footprint and capacity and most importantly the quality of experience for mobile broadband services," he told the 'Daily News.' Mr. Karikari said they believed the increased accessibility to mobile broadband would open rural communities to previously elusive services such as e-commerce, e-health, e-education and e-government, thereby transforming the way people learn and do business. "This will enable the entire country to experience a wide array of economic, educational and social advantages, speeding up development and the overall wellbeing of the community," he insisted.

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Hailing the government efforts, through UCSAF, in empowering mobile networks to avail telecommunication services to rural areas since 2012, Mr. Karikari said Tigo Tanzania has been able to connect more than 100 Wards since then. "We are proud to say that over the period have been able to connect more than 100 wards in which UCSAF provided us with the subsidy of more than \$6.4million," he said. Moreover, he said, Tigo Tanzania connected five wards through boarder and special zones (remote areas) under Phase One with a total of \$532,861 in subsidy from UCSAF. The mobile network operator last Friday signed another contract with UCSAF for a subsidy amounting to \$351,860 under Phase Two to provide telecommunication services to five Wards, covering 20 villages located in Tanga, Lindi, Mtwara, and Coast regions. According to Mr. Karikari, there was still a digital divide between rural and urban areas in terms broadband access. "We are therefore glad to note that the government through the relevant ministry has recognized the existing gap, a fact that has been confirmed by granting this tender that gives us an opportunity to provide digital connectivity to rural areas," said the acting MD. (*Daily News*)

JAPAN is fully committed to support the government industrialisation drive to achieve economic transformation goals, the Japanese Ambassador to Tanzania, Mr. Masaharu Yoshinda has said. The ambassador made the remarks in Dar es Salaam on Monday during the send-off ceremony of the 4th batch students of African Business Education (ABE-Initiative) which was also attended by the President of Japan International Cooperation Agency (JICA), Mr. Shinichi Kitaoka. "At the sixth Tokyo International Conference on Africa Development, TICAD VI, held last year, the Japanese Prime Minister, Shinzo Abe, clearly stated that economic diversification and industrialisation was one of three pillars of Japan's commitment to Africa. "This is along the line of the top leader's visions of both countries. President John Magufuli shows clear vision to promote industrialisation which Japanese government is fully committed to support," he said. Explaining about the four-year strategic plan that was launched on 2013 during TICAD V, Mr. Yoshinda said ABE-Initiative intended to provide African youth with unique opportunities of acquiring academic learning and experiencing business internships at private companies in Japan. The 4th batch that comprises eight luckiest project beneficiaries who are expected to dispatch to Japan from next week, making a total of 81 youths who have been benefited from the programme since it was launched in 2013.

The first batch of 29 Tanzanian youths was dispatched in 2014, 32 beneficiaries were sent-off to Japan in 2015 and the third batch of 12 was dispatched in 2016. The Permanent Secretary in the President's Office, Public Service Management and Good Governance, Dr Laurean Ndumbaro complimented the government of Japan for the support and initiatives offered to make sure the country achieves its economic goals. "We are very thankful for the ABE Initiative, as it supports our country's development efforts as envisioned in our development plans including the current Five Year Development Plan on Nurturing Industrialization for Economic Transformation and Human Development," he said. He, however, implored the chosen eight beneficiaries to be good country's ambassadors in Japan and remain true ambassadors of Japanese ideals in Africa. "I am confident that the training will be beneficial to you and the nation. Use this opportunity well to study hard and diligently," he said. President of JICA, Mr. Kitaoka urged beneficiaries to be good ambassadors of TanzaniaJapan friendship and make use of the opportunity to become agents of change in transforming Tanzanian's economy. (*Daily News*)

AS part of its continued support to Tanzania, the UK government has pledged US 450 million dollars (about 1.026tr/-) support, to improve roads and port infrastructure, education and industrialisation. According to a statement issued by the Directorate of Presidential Communications, the announcement to that end was made by the United Kingdom's Minister of State at the Department for International Development, responsible for Africa affairs at the Foreign and Commonwealth Office, Mr Rory Stewart. The visiting minister announced the funding after meeting with President John Magufuli at the State House in Dar es Salaam yesterday. Mr Stewart said the aid would be channeled into projects for improving the quality of education and enrolment of pupils, as well as strengthening road and port infrastructure. In addition, the funding would help boost commercial farming and improve meat and cotton processing factories. Speaking at the occasion, Mr Stewart praised President Magufuli for his staunch moves to curb corruption and opening up access to education for many young Tanzanians. "I visited one school in Dar es Salaam yesterday (Tuesday) and I was impressed how the free education policy in Tanzania has played a significant role in increasing enrolment of pupils. "During the visit I had an opportunity to speak to parents and teachers; enrolment of pupils has increased two times within a short period and has brought major reforms, education is everything," Mr Stewart remarked. 1.026tr/- a big booster He pledged his country's continued support for cementing bilateral relations, expressing optimism that the just announced aid would improve the welfare of Tanzanians.

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Dr Magufuli was also impressed and thanked the minister for visiting Tanzania, requesting him to send his regards to Her Majesty Queen Elizabeth II and Prime Minister Theresa May, for the support the UK had been extending to the country for development projects. Apart from aid to support development endeavours, the United Kingdom remains the leading country with investments in Tanzania, a fact that Dr Magufuli acknowledged during the meeting with Mr Stewart. The Head of State explained that the anti-corruption drive was yielding positive results, stressing that the funding from the UK would be put to its intended use. "It is the responsibility of every Tanzanian to support the government's efforts to curb corruption and this will enable our country move forward. Corruption is a deadly vice. "In addition, we must nurture a culture of paying taxes for our development rather than depending on our development partners," Dr Magufuli stressed. The meeting at the State House was also attended by the United Kingdom High Commissioner to Tanzania, Ms Sarah Cooke, Foreign Affairs and East African Co-operation Minister, Dr Augustine Mahiga and his counterpart in the Finance and Planning docket, Dr Philip Mpango. Also in attendance was Permanent Secretary in the Ministry of Finance and Planning, Dr Doto James. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Zambia

Corporate News

Glencore's Zambian copper mining unit, Mopani Copper Mines, said on Tuesday it would be laying off nearly 5,000 workers due to persistent electricity supply disruptions. "Although we shall work on optimising the use of limited power that we are receiving, we expect that we shall effectively have to close several areas and our scaled back operations may affect a total of 4,700 direct employees," the company said in a statement. *(Reuters)*

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Zimbabwe

Corporate News

TURNALL Holdings Limited is targeting government and NSSA business as it works toward a break even position by year end, acting managing director Roselyn Chisveto told shareholders at the annual general meeting held Friday last week. "A \$20 million facility towards housing is set to be allocated to the Civil Servants Trust Board so engagements have been done with the Ministry of National Housing for business opportunities," said acting MD Chisveto. She added that the company was also pursuing NSSA's National Building Society, housing co-operatives and other housing projects for opportunities. "Housing initiatives continue to be promising, and with the launch of NBS's housing delivery plan, coupled with intensified moves by building societies, as well as the civil servants housing program, the company is poised for good business," she said, adding that partnerships with these organisations will see Turnall products on use on the upcoming projects. Chisveto said the company's management believes the business will see positive shift towards a break-even position by year-end. "The year 2017 started on a subdued level of activity owing to the depressed business environment, but the second half has since witnessed significant improvements with enhanced cash flows supporting the business to build capacity for sustainable production," Chisveto said. "The group's production volumes increased by over 10 percent while turnover also improved particularly for June and July". Chisveto stated that management also continues to position the business in a way that will enable the company to regain lost volumes in the second half.

"Sales volumes have been following an upward trend pointing to a good second half. We are also confident supply gaps will be addressed in the foreseeable future, with continued sustainable raw material availability particularly fibre," she added. The firm's export growth strategy is being driven to mitigate on foreign currency shortages and for market growth. "Plans are underway to aggressively explore export markets and a marketing launch of the Turnall brand and its products was done in Zambia to raise awareness and boost sales. Turning to operations Chisveto said various strategies have been put in place by management to ensure that the business continues as a going concern. "To ensure business continuity, we are engaging with suppliers for extended and better credit terms to manage and direct cash flows to business operations. "Negotiations and engagements with creditors for extended payment plans as well as waiver on interest has provided the business with more life for a successful turnaround," she said. Chisveto said the company is engaged in a balance sheet restructuring process that will result in rescheduling of its debt to enable the company to reinvest more funds into current production. The completion of the company's balance sheet restructuring process is expected to release working capital into the business and strengthen the company's efforts towards achieving profits and balance sheet growth. "The restructuring will capacitate the business to fully attend to the old debt and to meet its obligations," said Chisveto adding that the company is currently faced with high monthly loan repayments averaging 19 percent of total collections and in the process depleting cash flows for raw materials.

As part of the restructuring exercise, the company consolidated its asbestos cement operations in the Bulawayo plant to gain from economies of scale while the Harare asbestos cement plant was placed under care and maintenance and impaired to net realisable value. Turnall has also not been spared from the ongoing cash shortages as failure to make payments to critical suppliers has resulted in reduction in production volumes due to erratic raw material supplies. The company's management says it has, however, continued to engage fibre suppliers to facilitate the release of fibre. Chisveto said the company has been a victim of foreign currency shortages and had to exit the PVC pipes business in order to streamline the product portfolio. "The company could not meet the competing foreign currency requirements for raw materials for PVC pipes," she said. (*Herald*)

Life assurance premium income dropped by 6 percent to \$81,4 million in the first quarter to March from \$88,1 million reported in the same period last year, the latest report by the Insurance and Pension Commission (IPEC) shows. The regulator expressed concern over the concentration of premium income on the industry's big four players. "For the period ending 31 March 2017, four players namely FML, Old Mutual, Zimnat and Nyaradzo have a combined market share of 88 percent, making our industry more of an oligopoly," IPEC said. Claims fell to \$44 million from \$47 million previously but total costs grew by 2 percent to \$68 million due to higher administration expenses. The sector recorded an aggregate net profit of \$14 million, down 33 percent from \$21 million in the comparative period last year on high business

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

expenses. Total assets increased by 10 percent to \$1, 66 billion from \$1,5 billion in the same period last year due to investments in equities and prescribed assets. Equities and properties constituted 62 percent of the industry total assets. The prescribed assets ratio was 14 percent as at March 31, 2017 against a minimum statutory requirement of 7,5 percent. *(The Source)*

Zimre Property Investments on Tuesday reported a 7 percent decline in revenue to \$2,76 million in the six month period to June, weighed down by a 14 percent fall in rental income as the property sector remained subdued. The average portfolio rental yield remained at 7 percent while voids went up from 25 percent to 26 percent. "The property sector was not spared as evidenced by the declining rental revenues as well as increasing debtors and voids. Demand for CBD offices and industrial space weakened further," chairman Jean Maguranyanga said in a statement accompanying company results. "Although retail space remained more resilient compared to other property sectors, there was a decline in rental rates and an increase in voids." Projects income for the period grew 3 percent from \$1,08 million in the previous year to \$1,11 million pushing operating profit up 9 percent from \$470,000 to \$430, 000. Administration costs were down 23 percent to \$1,34 million when compared to the same period last year. Profit after tax in the half year period was up from \$571,907 last year to \$613,526. An interim dividend of 0,012 cents was declared. Maguranyanga said demand for office is expected to remain depressed in the medium term. *(The Source)*

Regional cement maker Pretoria Portland Cement (PPC) says its Zimbabwe operation recorded double digit volume growth in the quarter ended June, attributable to investment in the Harare mill. Last November, the company commissioned an \$82 million plant in Harare, doubling its capacity to 1,4 million tonnes per annum in the country. "Our Zimbabwe operations continue to exceed expectations, with the investment in the Harare mill contributing to volume growth," the group said in a trading update. "PPC Zimbabwe also saw double digit volume growth compared with last year, and in June 2017 recorded the highest monthly volumes since June 1999." Without giving specific figures, the group said revenue had tracked ahead of the comparative period last year, whilst group EBITDA was in line with the previous year. PPC has two other plants in Zimbabwe, in Bulawayo and Colleen Bawn near Gwanda with production capacity of 700,000 tonnes annually. *(The Source)*

Arise, an investment company formed by the Norwegian Investment Fund (Norfund), Netherlands Development Fund (FMO) and Dutch commercial bank Rabobank has taken a nearly 18 percent stake in Zimbabwean bank NMBZ Holdings. The transactions effectively consolidate Norfund and FMO's separate shareholdings in the listed Zimbabwean bank into a single entity. This makes Arise the second largest shareholder in NMBZ with 17,98 percent of shares. The largest shareholder in NMBZ is African Century Financial Investments incorporated in Mauritius, which has 18,52 percent of NMBZ's shares. African Century is led by former Morgan Stanley International chairman, Jonathan Chenevix-Trench, who bought into the Zimbabwean bank in 2010. Norfund and FMO previously held separate stakes of 8.99 percent each in NMB. The bank, which reported \$52 million revenues and \$5 million after-tax profit in the full year to December 2016, is expected to announce its results for the first half of 2017 this week. Deepak Malik, the Chief Executive Officer of Arise, said: "In taking and managing strategic minority equity stakes in Sub Saharan African financial service providers, we aim to build strong and stable institutions that will support the mass market, Small and Medium Enterprises (SMEs) and rural communities".

Arise supports the growth and development of African financial service providers, not only through its investments in them but through providing them with technical and management services in the fields of governance, management, marketing, innovation, compliance and risk management. This fits in well with NMB Bank's thrust to promote financial inclusion and help SMEs develop into formidable businesses. NMBZ chief executive Benefit Washaya welcomed the partnership, which, he said, should enable NMBZ to benefit from being part of a wide network of African banks in which Arise has interests. "NMBZ is excited and welcomes Arise as an important shareholder for our company and as an important contributor to building a stronger financial sector in Sub-Saharan Africa. NMBZ will benefit from the wide network of other African banks that are part of this group," he said. The transaction has received the approval of the various regulatory authorities in Zimbabwe. *(The Source)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Johannesburg Stock Exchange-listed Anglo American Platinum (Amplats), which wholly owns Unki Platinum Mine near Shurugwi, has budgeted more than \$62 million for a local smelter, as miners in the sector brace for Government's ban on unprocessed mineral exports. Local policymakers believe the country is not getting the maximum possible value from its minerals as commodities are being exported in raw form to overseas markets. In 2014, Government gave the country's three biggest platinum producers — Zimplats, Mimosa and Unki — a January 2018 deadline to submit proposals to build a precious metals refinery. Amplats spokesperson Mr. Mpumi Sithole told The Herald that civil and earthworks on the smelter, which is expected to have the capacity to process 63 000 tonnes per annum of concentrates, started in November 2016 after getting approval from the Environmental Management Agency (EMA). Hot commissioning of the smelter — a process where operational tests for the facility are completed with inert material of water — is forecast in the last three months of the year. The company has managed to cut the timelines in which the smelter was expected to be completed by diverting material originally meant for its South African smelter. Amplats has since decided to build the facility in Zimbabwe, rather than in South Africa. "Unki has been able to optimise the cost and time required to construct the smelter by redirecting to Zimbabwe equipment that Anglo American Platinum had ear-marked for constructing a smelter in South Africa," said Mr. Sithole. "Therefore, Anglo American Platinum has built a smelter in Zimbabwe rather than South Africa, provided technical support for the project and will provide technological transfer, resulting in a world-class smelter." It is understood Unki will only outsource works to foreign contractors where local skills are not available.

"Other than for that work which is highly specialised for which no local skills are available, we are utilising various local contractors such as Masimba Construction, JRG Goddard, Hogarths and numerous other local contractors," said Mr. Sithole. While platinum used to be exported as matte to South Africa, most producers are now shipping concentrates to refiners in neighbouring South Africa. Zimplats, the country's biggest miner of the mineral that is mainly used in the manufacture of catalytic converters for the car industry and jewellery, is currently refurbishing its base metal refinery (BMR). A BMR is capable of separating minerals such as nickel, copper and chrome from platinum group metals. Reserve Bank of Zimbabwe statistics show that as at May 12 this year, platinum exports had risen to \$334 million from \$282 million in the same period a year ago. Overall, in 2016 production rose to 15,1 tonnes from 12,6 tonnes in 2015. Zimbabwe has the second biggest platinum reserves in the world after South Africa, but most of the resource is controlled by foreign-owned mines, particularly from South Africa. Zimplats, which is listed on the Australian Stock Exchange, is 87 percent owned by Implats, while Mimosa — the country's second-biggest producer of the mineral — is jointly controlled by JSE-listed mining entities, Sibanye Gold and Implats. Initially, Government introduced a 15 percent tax on unprocessed platinum exports in January 2016, but rescinded the decision in July of the same year. Chamber of Mines of Zimbabwe, however, expects the provision to be scrapped altogether in view of the progress that has been made by miners to comply. (*Herald*)

Spirit and winemaker, African Distillers' after tax profit more than doubled from \$1.11 million last year to \$2.76 million in the six months to June, driven by a 13 percent increase in revenue. Revenue in the half year period was up at \$24.89 million compared to \$22.04 million recorded during the same period in 2016, largely on volume increases which were complimented by a reduction in overheads. "All three product categories registered double digit growth in volume, with wines leading the pack at 29 percent," said chairman Pearson Gowero in a statement accompanying company results on Thursday. "Spirits continued to be the major revenue contributor at 66 percent. Ready to Drink, ciders and spirit coolers which contributed 24 percent to total revenue, registered a 22 percent volume growth". The company incurred a net exchange loss of \$360,000 due to a significant foreign currency (Rand) exposure of \$2.2 million. The full impact of which was reduced by interest income of \$140,000 earned from investment of surplus cash. Cash generated from trading amounted to \$4.8 million, a 64 percent increase on prior year. Gowero said demand for product during the period under review was firm but the company could not fully satisfy the market due to intermittent product shortages as a result of severe foreign currency constraints. (*The Source*)

Financial services group, Old Mutual Zimbabwe on Thursday commissioned a \$5,7 million mini hydro power plant in Chipinge district, southeast of Zimbabwe. The 1,6MW plant has capacity to meet a third of Chipinge's 5MW power demand. Commissioning the plant on Thursday group chief executive Jonas Mushosho said the project reflected Old Mutual's interest to invest in the country's infrastructure. Construction of the plant commenced in November 2014. Finance Minister Patrick Chinamasa who was also present at the commissioning said government was willing to offer tax incentives to private players who would invest in energy and infrastructure development. "We will

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

continue to enhance our incentives in order to make Zimbabwe an attractive investment destination," he said. "There are various investments incentives that can be given to investors in strategic sectors such as energy. These include tax holidays, national project status, exemption from payment of withholding tax and cost effective tariffs". (*The Source*)

Economic News

The central bank's latest bid to deal with foreign currency shortages will hit hard Zimbabwe's verdant mining sector, and has been described as 'catastrophic' by some industry players. "With immediate effect, 80 percent of all foreign exchange receipts from Platinum Group Metals (PGM) and Chrome shall be transferred to the Reserve Bank Nostro Account on receipt," reads a central bank directive dated August 8. Previously, the miners were allowed to retain 50 percent of their foreign earnings, but the RBZ says its move will "ensure effective administration of foreign exchange, as well as spread liquidity to guarantee equity in the foreign exchange market." In return for their foreign currency the central bank will credit the miner's local accounts using the Real Time Gross Settlement System (RTGS). This has alarmed mining players, given the government's abuse of the system. Finance minister Patrick Chinamasa said in his 2016 budget review that government had issued Treasury Bills amounting to \$2,1 billion last year alone to honour \$1,7 billion legacy debt and to finance the previous year's \$356 million budget deficit. In April, Chinamasa said the government had issued Treasury Bills totalling \$4,417 billion since 2014. There has been no Foreign Direct Investment (FDI) fillip to inject some cash into the economy. The country remains an FDI leper in the region, attracting \$294,66 million in 2016 from \$421,2 million in the previous year, reflecting worsening investor sentiment.

By contrast, Zambia attracted investments of \$1,8 billion in the first half of 2016, according to the Zambia Development Agency. With falling tax revenues and little access to concessional lines of credit from international lenders, the cash strapped southern African nation has resorted to issuing Treasury Bills to finance its operations. In a research note on Zimbabwe last year, leading research firm, Exotix noted that the government has effectively been using the RTGS system as some form of currency, using it to settle due payments without hard cash. "As the principal and interest payments on these government securities are settled on the RTGS, it is clear that the government has been using the issuance of this debt to effectively print money. This money printed and placed in the RTGS has helped keep the RBZ liquid in local US dollars," Exotix said. This means that the central bank will give miners their dues in phantom money, putting the sector at risk. Zimbabwe's Chamber of Mines, a grouping of mining houses, is on record stating that production is already under threat because of delays by local banks to process payments to foreign suppliers. In March, the mining houses told Parliament that they were facing delays of up to three months to make foreign payments despite being categorized as a high priority item on a list issued by the RBZ to local banks to manage allocation of the little available foreign currency. Given that some five months down the line the foreign currency shortage has become even much more severe, it is logical to assume that the payments are taking much longer to process.

The recent directive is reminiscent of similarly controversial policy initiatives made by the apex bank during the hyperinflation era when the then governor Gideon Gono centralised all Foreign Currency Accounts (FCA) directly putting them under the purview of the central bank. FCA's belonging to corporates and non-governmental organisations were raided to fund 'government programmes'. It was a difficult time, the local currency was worthless, rules were broken, savings were lost, many companies went under and never recovered. Meikles is still in protracted battle with the RBZ over money that was looted during that period. Some analysts point out that Zimbabwe's mining sector has remained resilient, surviving the numerous headwinds bedeviling the country's frail economy. Despite being starved of capital and being subjected to a brutal tax regime, high labour and power costs mining remains the single largest earner of foreign currency contributing 62 percent of total exports in 2016. (*The Source*)

FINANCE and Economic Development Minister Patrick Chinamasa yesterday launched a \$5,7 million state-of-the-art Kupinga hydropower station which has a rated capacity of 1,6MW. The small hydro power station was constructed by Old Mutual together with its partner Kupinga Renewable Energy (Private) Limited company. Construction of the hydropower station, which is based in Rusitu, began in 2014 and ended late last year. The power station started feeding power into the national in January this year. Speaking during the commissioning of

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

the Rusitu hydropower station yesterday, Minister Chinamasa said the launch of the power station comes at a time when Government is pressing ahead with efforts to turnaround the economy. He said economic transformation, as envisaged in the national economic blueprint ZimAsset, requires huge investments especially in power, a key enabler. "There is no economy that will achieve sustainable development without investment in supporting infrastructure such as power generation, roads, industrial parks, railways, housing, dams and irrigation infrastructure among others. "I want to applaud Old Mutual for supporting Government infrastructure development programmes as enunciated in ZimAsset. Investment in the Kupinga power station is a clear demonstration of the company's commitment to supporting initiatives aimed at promoting Zimbabwe's sustainable development," said Minister Chinamasa. The 1,6MW from Kupinga power station is significant as they are a third of Chipinge town. Chipinge consumes 5MW. He added that going forward, access to reliable power supply throughout the country would help unlock massive opportunities for communities through job creation, empowerment of local people as they engage in many activities without worrying about power constraints.

Minister Chinamasa urged Old Mutual to "continue supporting national programmes". Government is offering various incentives to investors targeting power generation. Some of the incentives include tax holidays, National Project Status cost reflective tariffs and exemption from payment of withholding tax. Energy and Power Development Minister Dr Samuel Undenge said there were several investment opportunities in power generation, particularly hydro electricity and solar. Currently, the country has a power shortage of between 300MW and 600MW. In a speech read on her behalf, Minister of State for Manicaland Province Mandi Chimene implored Rusitu villagers to take proper care of the Rusitu hydropower station. Old Mutual group CEO Mr. Jonas Mushosho said the investment in power generation was part of the organisation's corporate social responsibility. Mr. Mushosho said apart from investing in power generation, they have also invested \$200 000 into the construction of a multi purpose hall at Sterksroom Secondary School. The school is in Sazunza village, approximately 500 metres away from the power station. Old Mutual employees mobilised \$10 000 towards the construction of Sazi ya Clinic. (Herald)

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