





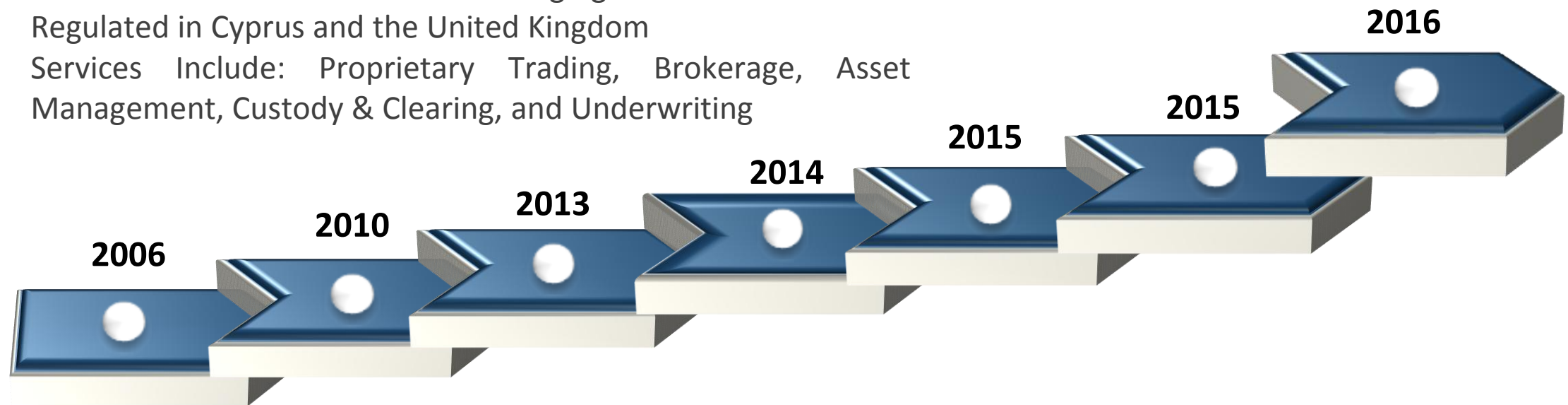
SUB-SAHARA AFRICA
EUROBONDS MARKETS

C O N T E N T S

- **About MeritKapital**
- **Sub Sahara Africa: The Growth Story**
- **Sub Sahara Africa and The Eurobond Market**
- **The Rising of Sovereign Yields**
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M E R I T K A P I T A L L I M I T E D

- Investment firm with a focus on Emerging Market Fixed Income
- Regulated in Cyprus and the United Kingdom
- Services Include: Proprietary Trading, Brokerage, Asset Management, Custody & Clearing, and Underwriting



Investment
Advice &
Portfolio
Management

Custody &
Brokerage

Proprietary
Trading

Member Firm
of CSE

Block Size
Dealer of
Bank Of
Cyprus
Distressed
Debt

Underwriter of
1st
Euroclearable
Tenge
Denominated
Bond

MeritKapital UK
Limited – FCA
Regulated

Sub Sahara Africa: The Growth Story



Average real annual GDP growth of 5.4% between 2000 and 2010

100% increase in infrastructure spending over the past decade - at 3.5% of GDP (2015)

KEY FACTORS

Commodities Boom and Improved Governance

- “Lions On The Move” (MGI 2010)

Young population with a growing Labour force

- Valuable asset in an ageing world.

Pace of Urbanisation

- Massive economic benefit ahead with 3x productivity in cities

Accelerating technological change

- unlocking growth, leapfrogging limitations and costs of physical infrastructure in Economic Life

GROWTH DYNAMICS

Growth Stars:

- Ivory Coast, Ethiopia, Kenya, Rwanda, Senegal, Cameroon
– 20% Africa GDP

Growers:

- Angola, DRC, Nigeria and Zambia, Ghana, Gabon
– 43% Africa GDP

Slow Growers:

- South Africa, Namibia, Tanzania
- 37% Africa GDP

More than 20% of the 48 countries
in SSA have sold Eurobonds (IMF)

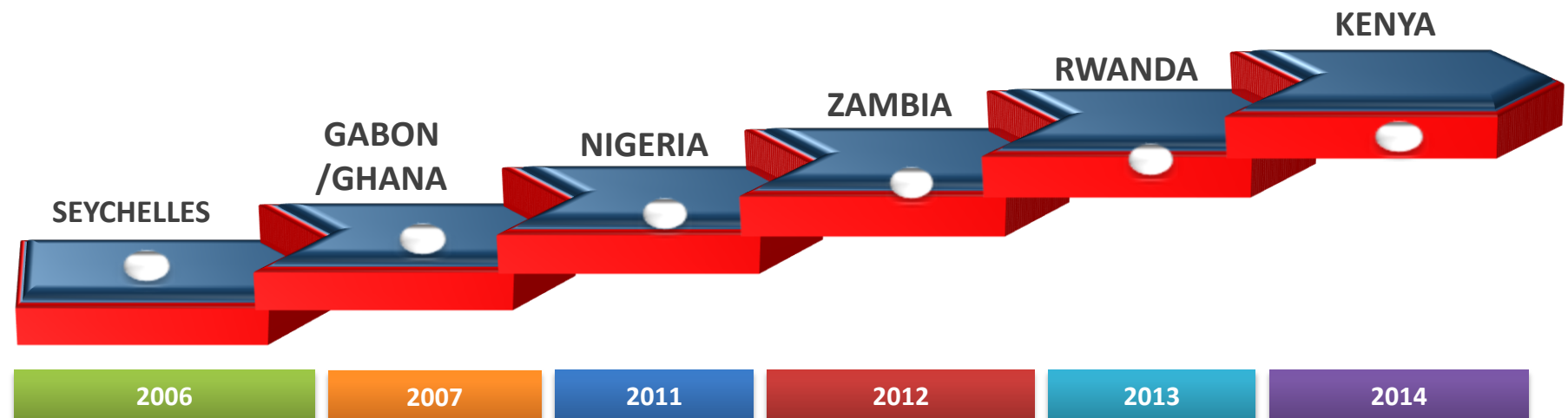
ANGOL 7 19	ACCESS 7.25 17
ANGOL 9.5 25	ACCESS 9.25 21
ETHOPI 6.625 24	ACCESS 10.5 21
GABON 8.2 17	AFRIBK 6 20
GABON 6.375 24	AFREXI 3.875 18
GABON 6.95 25	AFREXI 4 21
GHANA 8.5 17	AFREXI 4.75 19
GHANA 9.25 22	AFRFIN 4.375 20
GHANA 7.875 23	AFRFIN 3.875 24
GHANA 8.125 26	BOAD 5.5 21
GHANA 10.75 30	DIAMBK 8.75 19
IVYCST 5.375 24	ECOTRA 8.75 21
IVYCST 6.375 28	ESKOM 5.75 21
IVYCST 5.75 32	ESKOM 6.75 23
KENINT 5.875 19	ESKOM 7.125 25
KENINT 6.875 24	FBNNL 8.25 20
MOZAM 10.5 23	FBNNL 8 21
NGERIA 5.125 18	FIDBAN 6.875 18
NGERIA 6.75 21	GRTBNL 6 18
NGERIA 6.375 23	HLSTWR 9.125 22
NGERIA 7.875 32	IHSHLD 9.5 21
REPCAM 9.5 25	MTNSJ 5.373 22
REPCON 4 29	MTNSJ 4.755 24
REPNAM 5.25 25	MTNSJ 6.5 26
REPNAM 5.5 21	NPNSJ 6.375 17
RWANDA 6.625 23	NPNSJ 6 20
SENEGL 6.25 24	NPNSJ 5.5 25
SENEGL 8.75 21	OCPMR 5.625 24
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SOAF 4.875 26	TLWLN 6.25 22
SOAF 6.25 41	ZENITH 6.25 19
SOAF 5.375 44	ZENITH 7.375 22
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ZAMBIN 8.5 24	

SUB SAHARA AFRICA AND THE EUROBOND MARKET

Mid 2000's, prevailing low interest rates attracted cash-strapped African countries looking to borrow money on international markets.

Eurobonds gave African countries an opportunity to integrate into global financial markets. Issuances came with fewer strings attached than money from multilateral institutions.

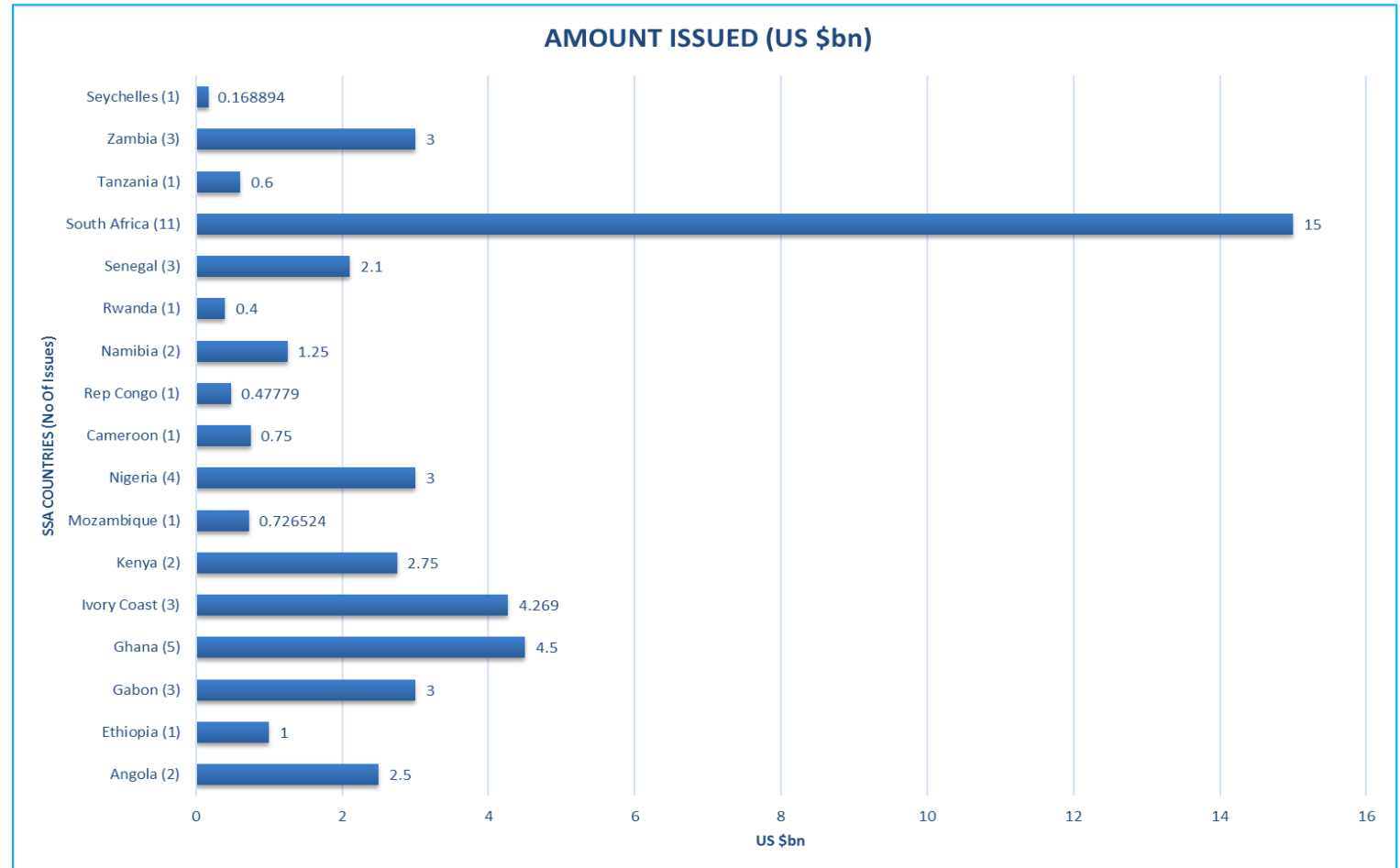
Eurobonds are a means of diversifying sources of investment finance and moving away from traditional foreign aid. Also, governments have more control over the funds



SUB SAHARA AFRICA AND THE EUROBOND MARKET

**TOTAL SIZE OF SSA SOVEREIGN
EUROBONDS ISSUES AS AT
MAY 2017 STANDS AT
APPROXIMATELY AT **\$45.49bn****

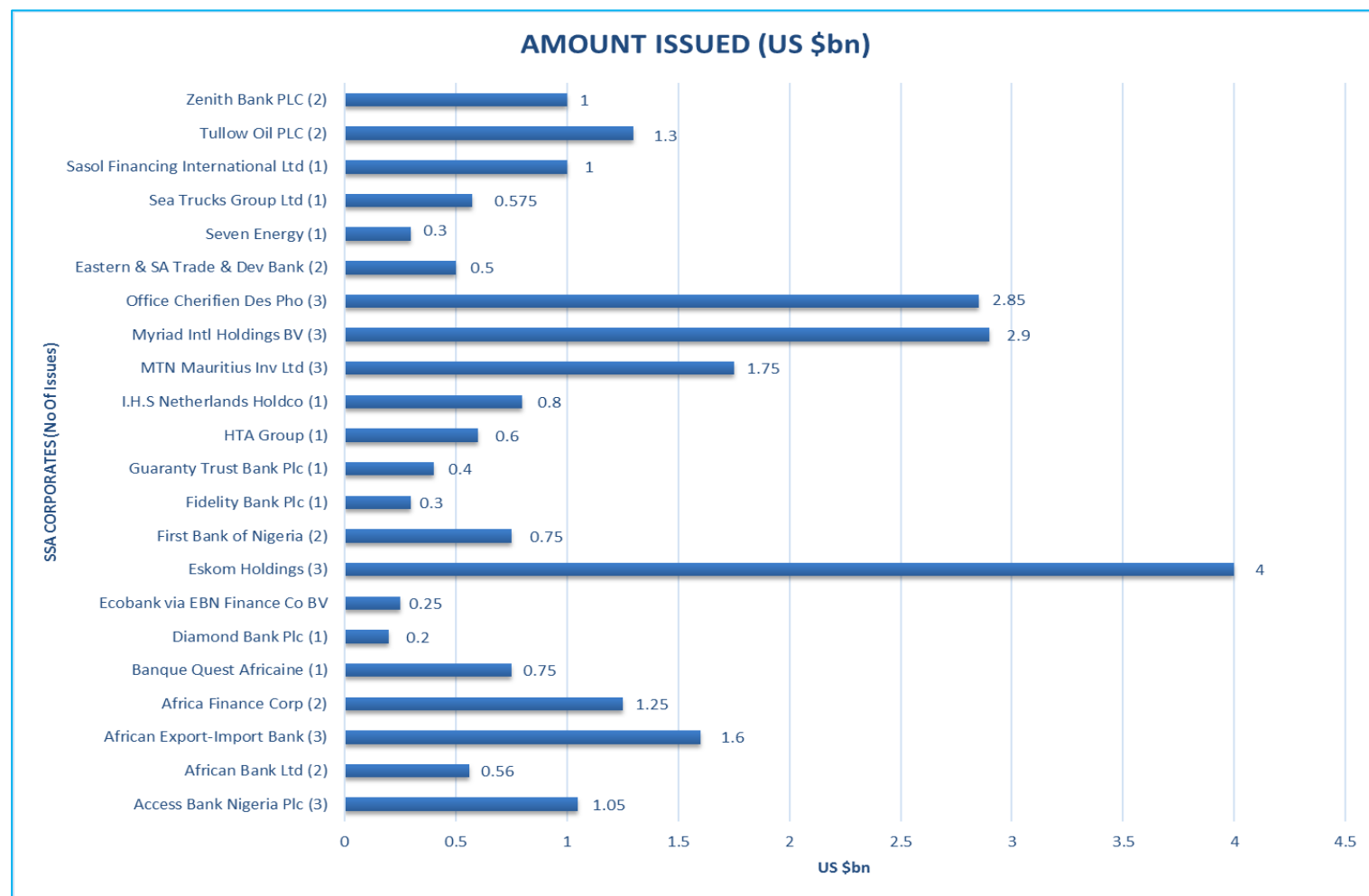
**HOLDERS OF THESE BONDS
INCLUDE LOCAL &
INTERNATIONAL ASSET
MANAGERS, HEDGE FUNDS,
PRIVATE BANKS, AND PENSION
FUNDS.**



SUB SAHARA AFRICA AND THE EUROBOND MARKET

**CORPORATE ISSUERS AND
SUPRANATIONALS HAVE
ALSO SUCCESSFULLY ISSUED
EUROBONDS – AS AT MAY
2017 TOTAL AMOUNT ISSUES
STANDS AT APPROXIMATELY
\$24.685bn**

**HOLDERS OF THESE INCLUDES
HIGH YIELD FOCUSED FUNDS
AND HEDGE FUNDS**



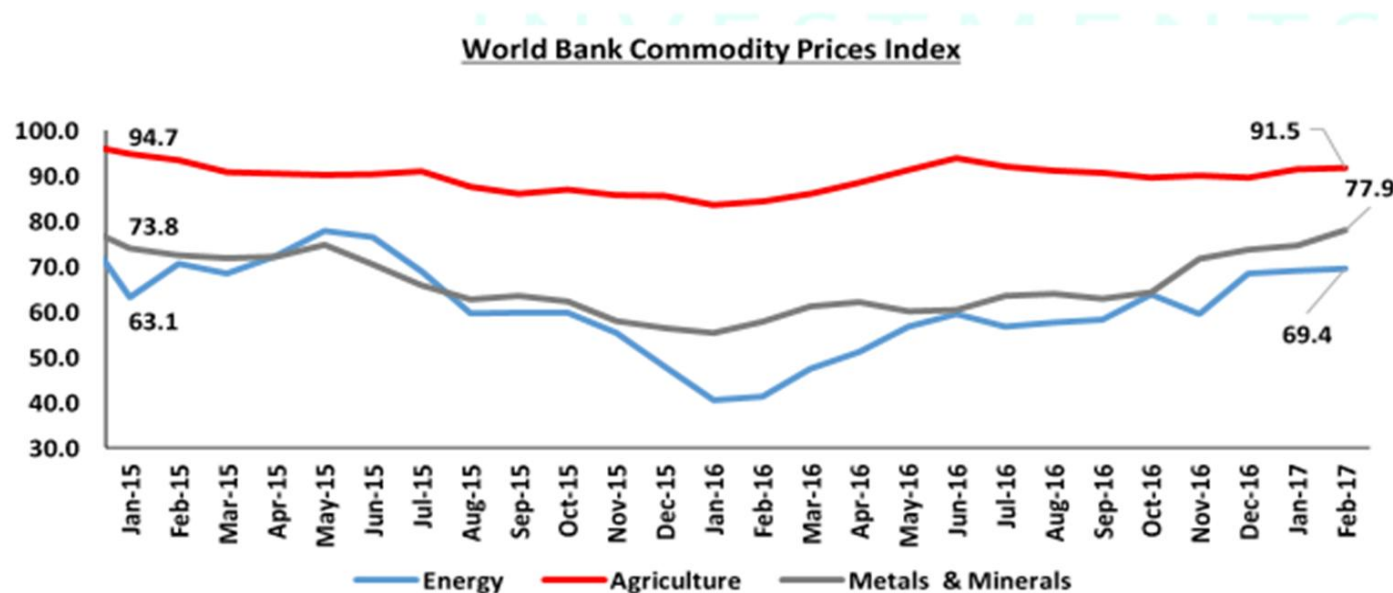
SUB SAHARA AFRICA: THE RISING OF SOVEREIGN YIELDS

SSA recorded the slowest growth in over two decades in 2016 at 1.5%, compared to 3.4% in 2015 due to slowdown in some of the largest economies.

Largest economies in the region contracted by 1.5% in FY'2016, due to heavy reliance on oil, given the lower oil and commodity prices that prevailed

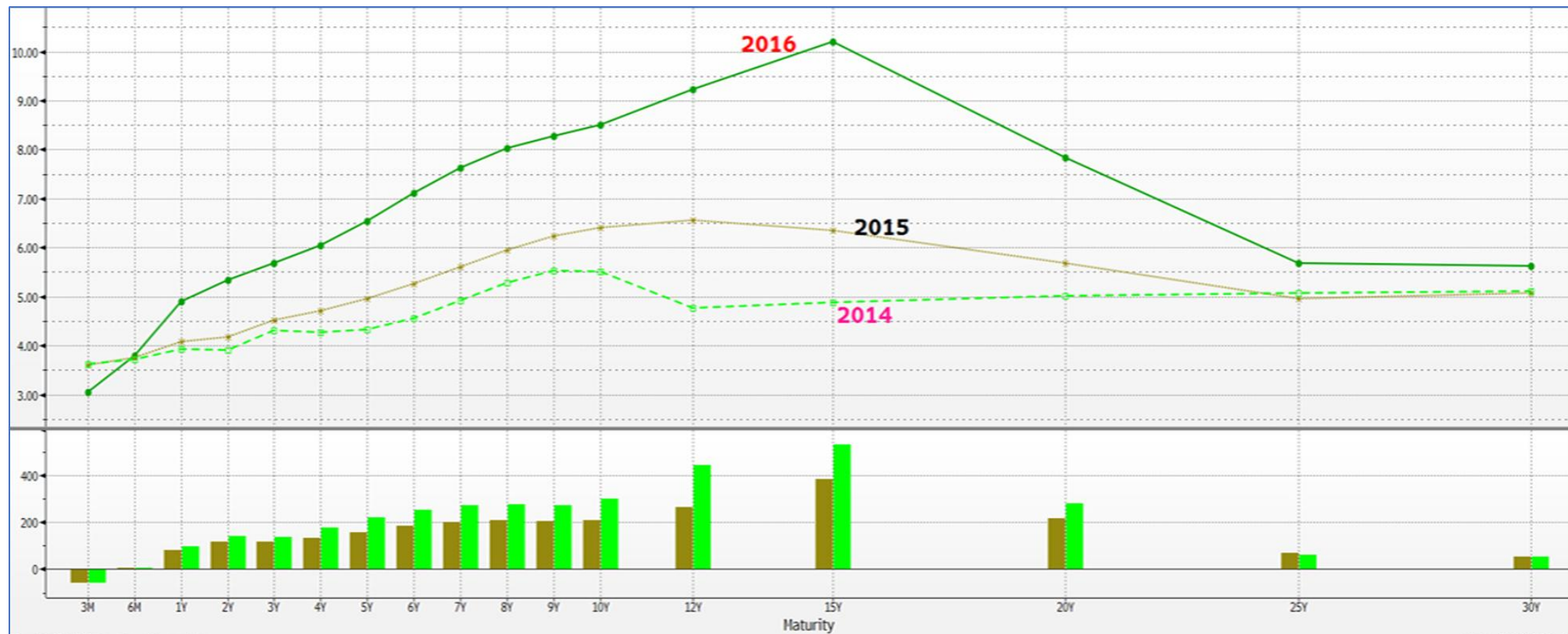
SSA countries saw fall in reserves, shortages in Foreign currency, weakening of local currency and record level inflation.

Currency devaluations policies saw erosion of banks' loan quality, deposits, profitability and capital.



SUB SAHARA AFRICA: THE RISING SOVEREIGN YIELDS

Yields across the Sovereign Eurobonds of SSA countries rose to their highest in 2016 as SSA economies adjusted to low commodities prices.

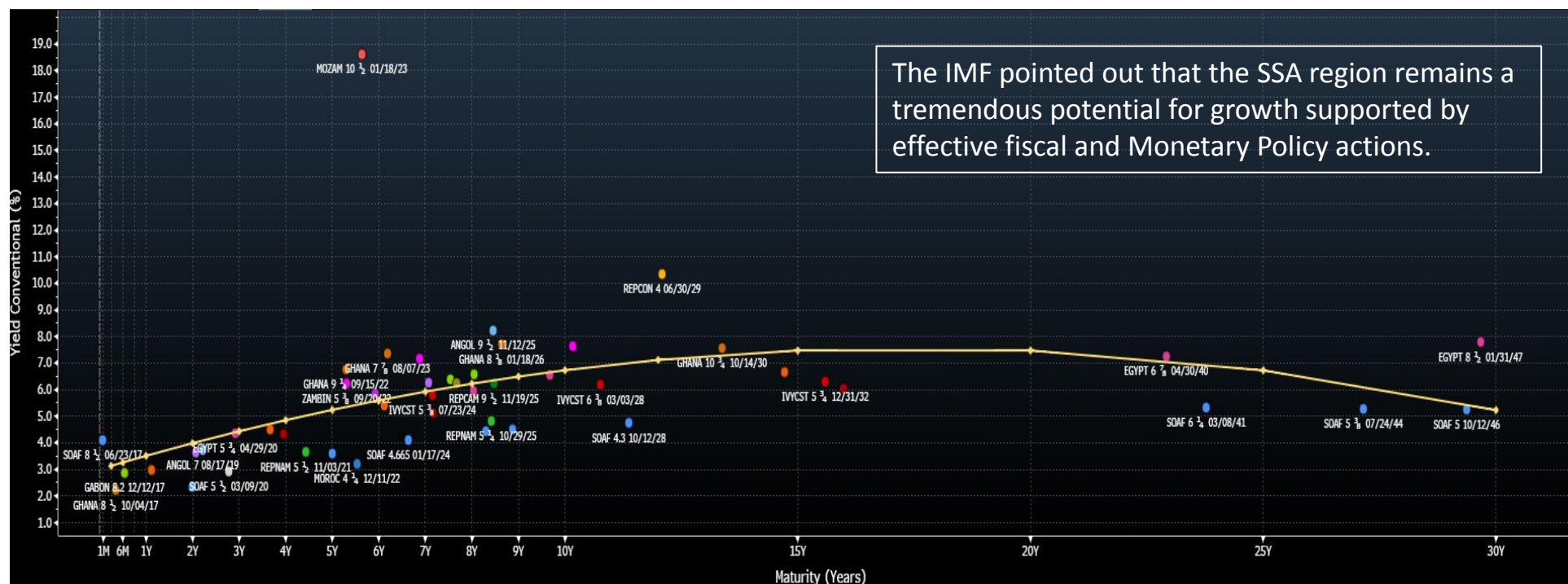


SUB SAHARA AFRICA: THE COMPRESSION OF SOVEREIGN YIELDS

Global commodity prices have been stable but are expected to rise going forward. Most commodities registered gains in Q1'2017

The AfDB believes the worst of the downturn is over, predicting economic growth at 3.7% in 2017 and 4.2% in 2018 for SSA. IMF predicted a 2.6% growth in 2017.

The stabilisation in oil and commodity prices over recent months has supported foreign currency liquidity, boosting reserves and easing FX shortages. This has led to a sharp compression in SSA Sovereign Eurobonds yields in 2017.





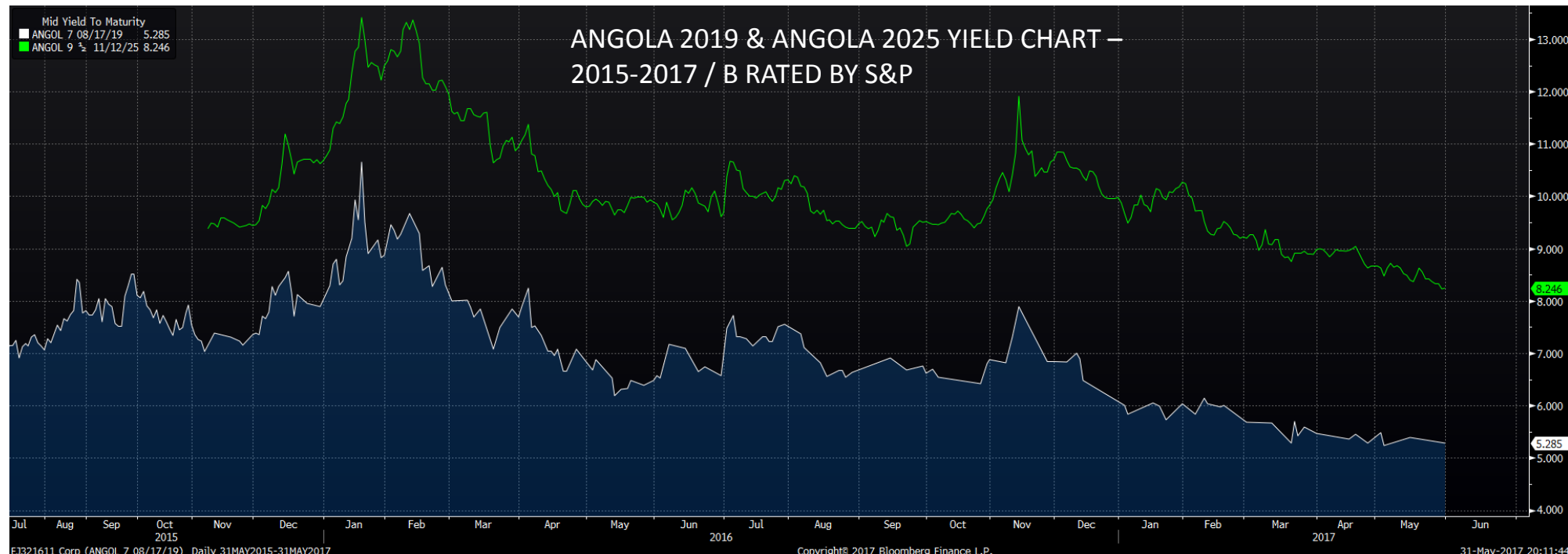
SUB SAHARA AFRICA: SELECTED COUNTRY ANALYSIS

Apr 2017: \$18.5bn



Angola's economy grew by 1.1% in 2016 but is expected to pick up to 2.3% in 2017, and further to 3.2% in 2018.

Mitigating oil price shock: Elimination of fuel subsidies, mobilising non-oil revenues and currency devaluation to preserve export competitiveness and import reduction



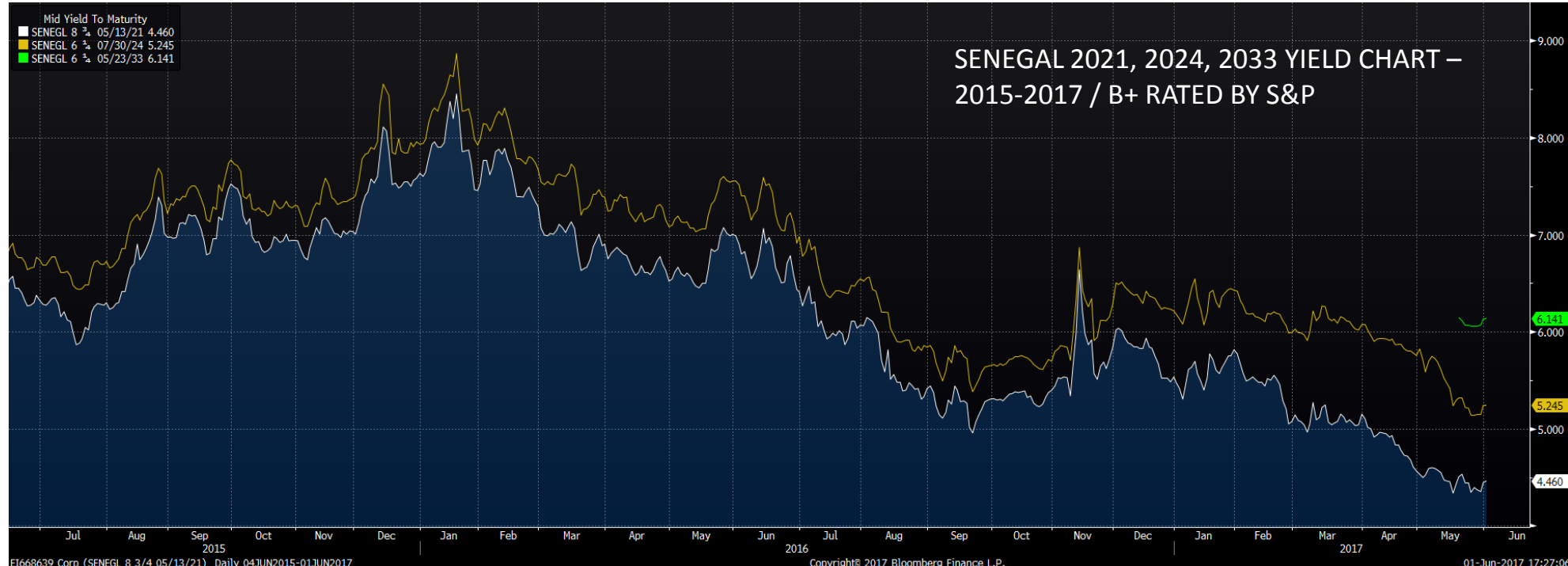
SENEGAL


SUB SAHARA AFRICA: SELECTED COUNTRY ANALYSIS



Fastest growing economy in Sub-Saharan Africa, clocking real GDP growth in excess of 6% in the past two years. Upward revision in nominal GDP - 30% larger than previously estimated \$14.8 billion in 2016 by IMF.

Cairn Energy Offshore oil & gas discovery in 2014 – biggest in Africa. BP bought into Senegalese gas fields in December.



NIGERIA

SUB SAHARA AFRICA: SELECTED COUNTRY ANALYSIS



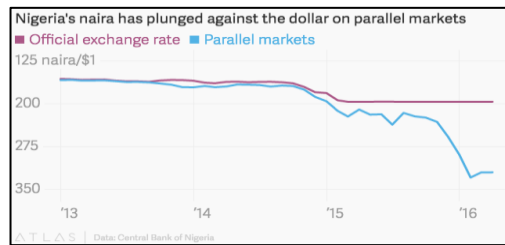
Africa Largest Oil Producer and economy ex SA. Oil accounts for 95% of export with India as main partner – was US. FX reserves depleted, shortage of FX, pegged currency for 18months, inflation rose to record high

Benefitting from Oil stabilising, Diversifying exports, Devalued by approx. 35%, introduce new FX window, issued New 15Yr Eurobond.

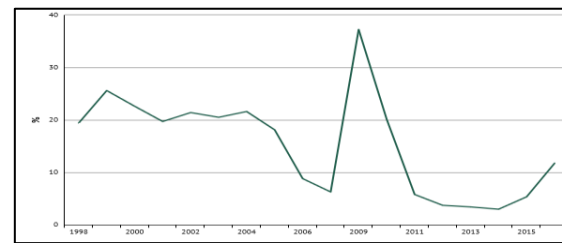


NIGERIA

SUB SAHARA AFRICA: SELECTED COUNTRY ANALYSIS

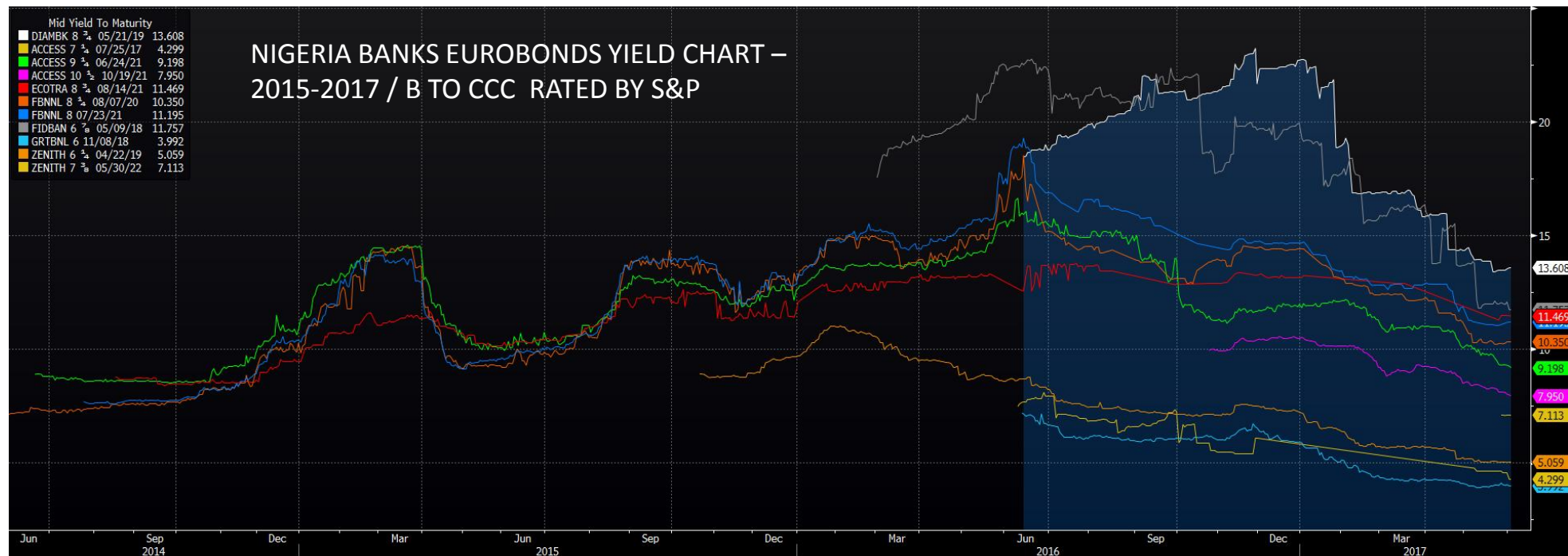


Banks NPLs 1999- 2016 (NBS)



Nigeria banks are well capitalised, however majority of their loan book was to the Oil and Gas sector. NPLs increased during the low oil environment. Some banks had better buffers than others. The tier II banks had serious CARs issues though much of it has subsided.

Most of these banks hold USD and this helped in off-setting losses when Naira collapsed. In fact some reported profits in this period.



ZAMBIA

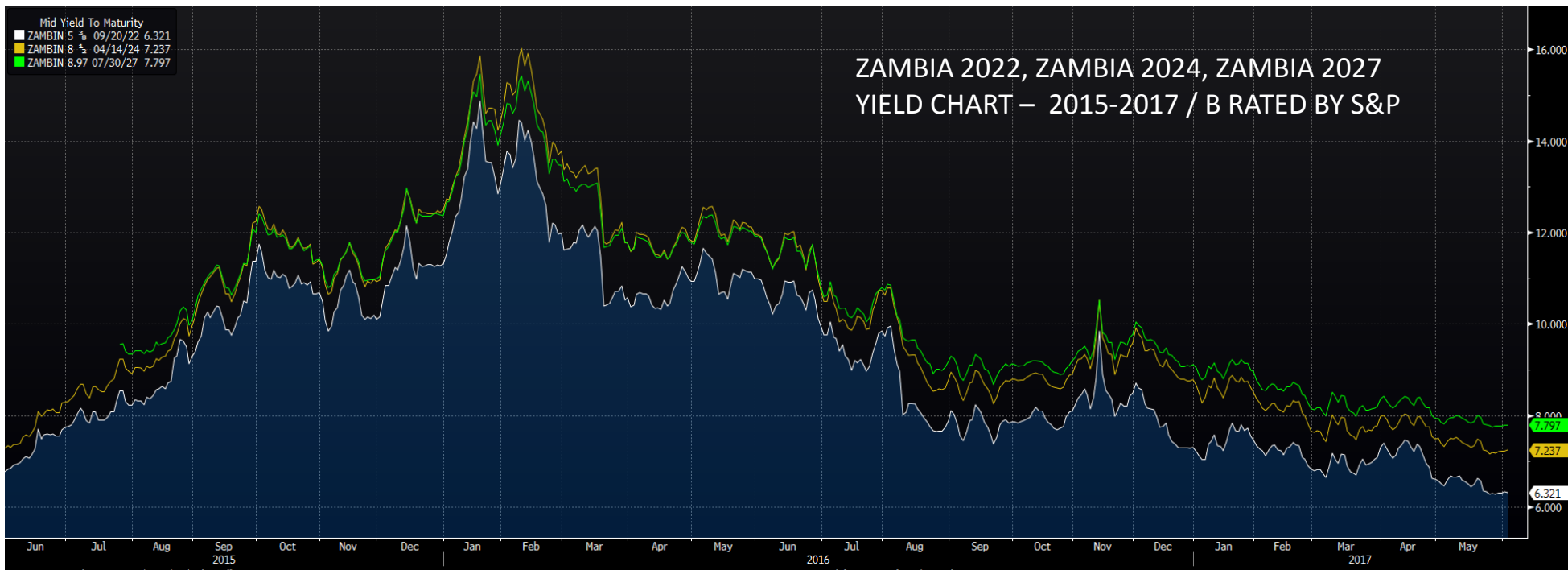


SUB SAHARA AFRICA: SELECTED COUNTRY ANALYSIS



Second largest copper exporter, high budget deficit due to low copper prices with increasing expenditure. Growth slowed in 2015. Introduced new policies to boost growth such as removing subsidies and cutting expenditure. Copper prices stabilised in 2016

Smooth elections in 2016 and success of the reforms, currently in talks with IMF for a 1.6bn support package by July 2017



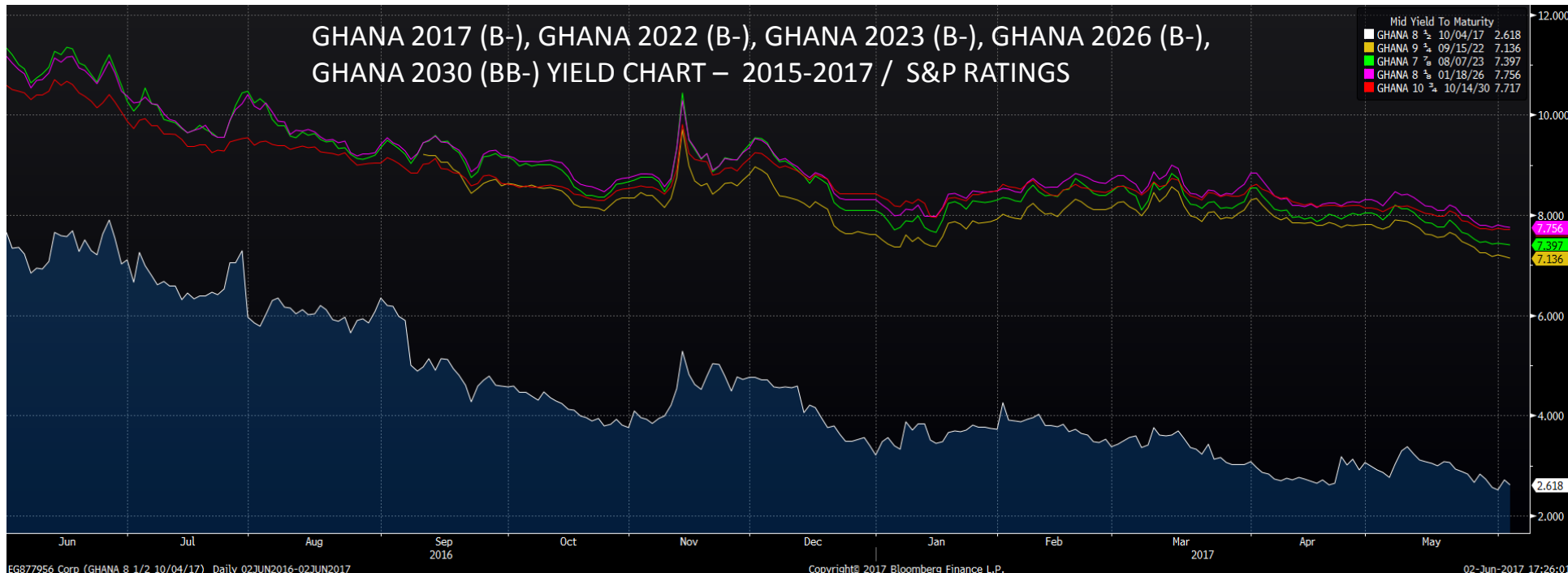
GHANA


SUB SAHARA AFRICA: SELECTED COUNTRY ANALYSIS



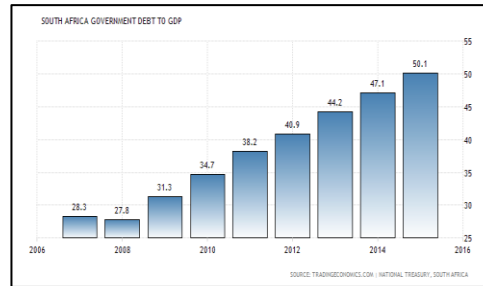
Investor favourite despite the high debt levels (62.7% Apr17), announced 1.5bn undisclosed expenditure in January by previous government.

400m of the 2030s is Guaranteed by the World Bank. Relatively stable local currency, stable political climate, diversified exports and extending the IMF support program that has boosted the economy since 2015. Discovery of Oil In TEN Field.



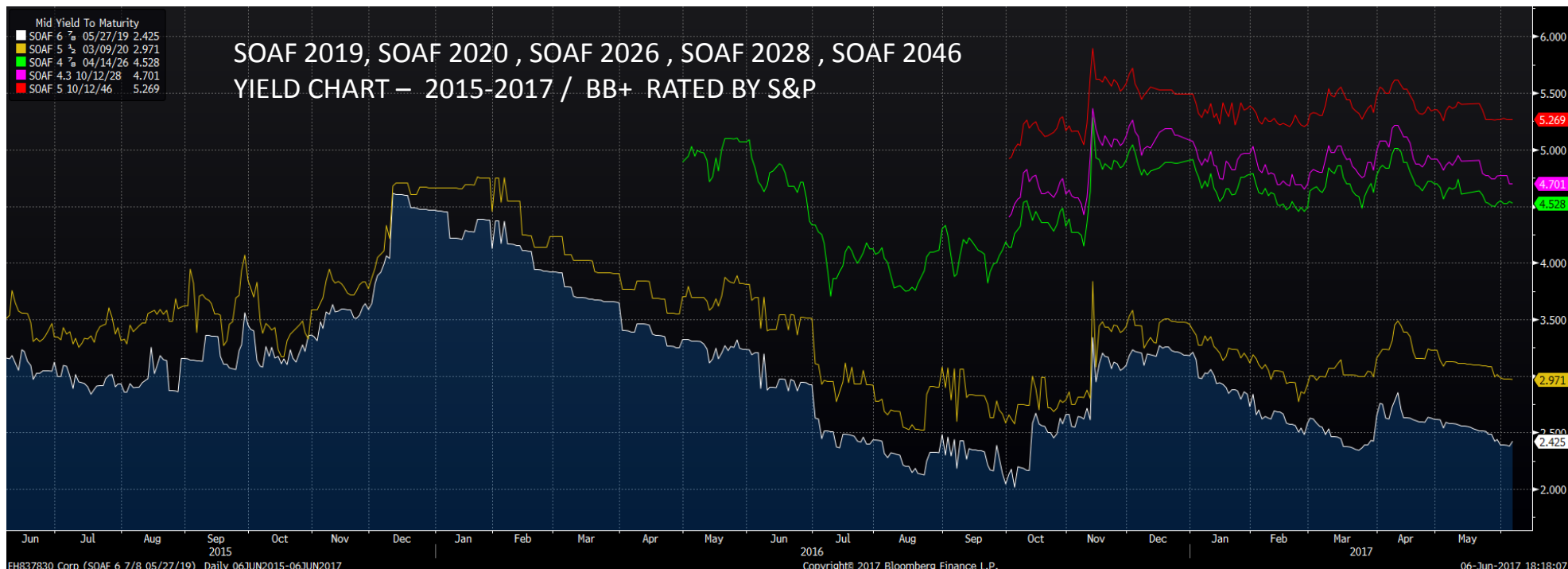
SOUTH AFRICA


SUB SAHARA AFRICA: SELECTED COUNTRY ANALYSIS



Growth in SA has never been exponential relative to growth seen in other SSA economies. The current political instability, high unemployment and credit ratings downgrades have dented business and consumer confidence.

Entered recession for the first time in eight years, contracted by 0.7% in Q1 2017 and 0.3% in Q4 2016, piling pressure on a government facing corruption allegations and credit downgrades





THE END

HOPE YOU ENJOYED THE PRESENTATION



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