

Betting on oil....



Is Living in a Fool's Paradise!

By Bismarck Rewane

CEO, Financial Derivatives Company Ltd

April 7th, 2021

Outline



Q1'21 Review



Q2'21 Outlook



Global & Regional
Developments



The Oil Illusion &
Financial Delusion



Policy & Regulatory
Announcements



Stock Market
Review



Q1'21 Review

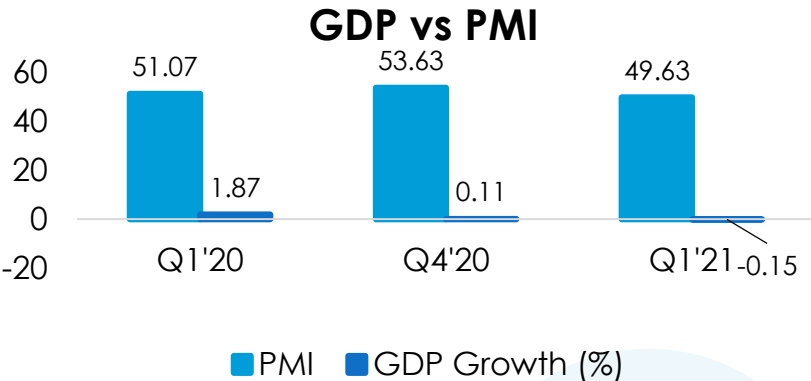
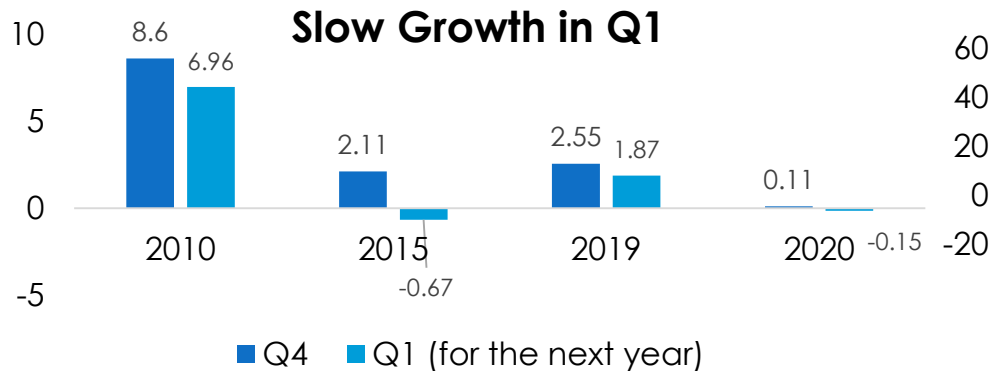
“Seasonally slow but recovery imminent”

Q1'21 Review - Highlights

- Q1 is seasonally a slow quarter in Nigeria and 2021 is no different
- The IMF yesterday revised Nigeria's growth forecast upwards to 2.5% in 2021



March PMI numbers declined pointing towards a marginal contraction in Q1'21 GDP



Q1'21 Review - Highlights

- Oil prices rose faster in Q1 '21 on increased global vaccine roll out
- But Nigerian forex rationing is forcing companies to blend with the autonomous market funds



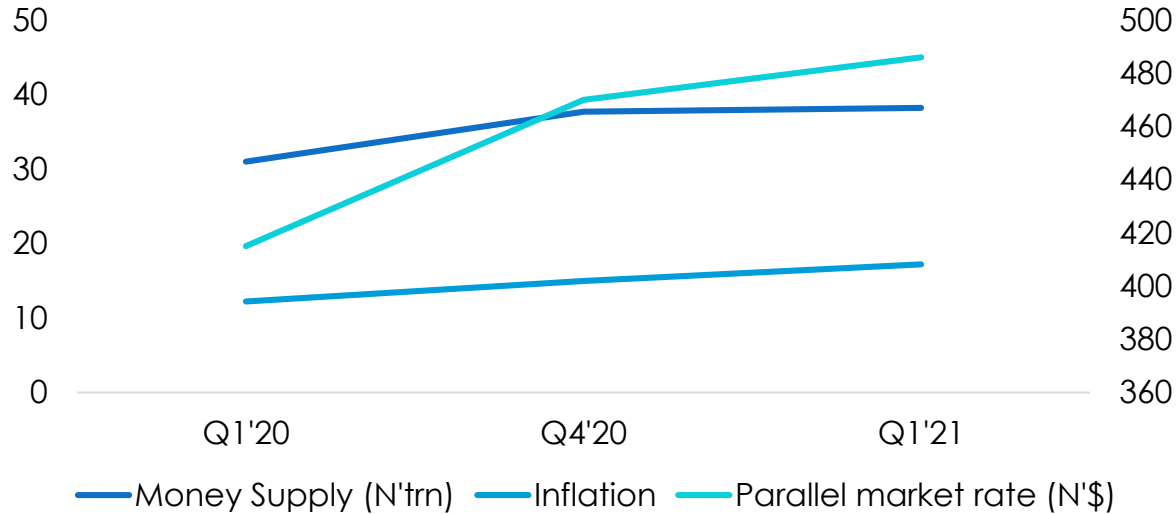
Average blended rates for corporates was N460/\$ in Q1

- The naira fell at the parallel market by 17% to N486/\$
- The value of payments in March jumped 19.74% in Q1 to N24.75trn
- If growth recovers further in Q2, it will confirm that both PMI and transaction values rose ahead of growth

Q1'21 Review - Highlights



M2, Exchange rate & Inflation



- The CBN continued forex rationing, resulting in temporary accretion of external reserves in March 2021 (\$34.82bn)

Q1'21 Review - Highlights



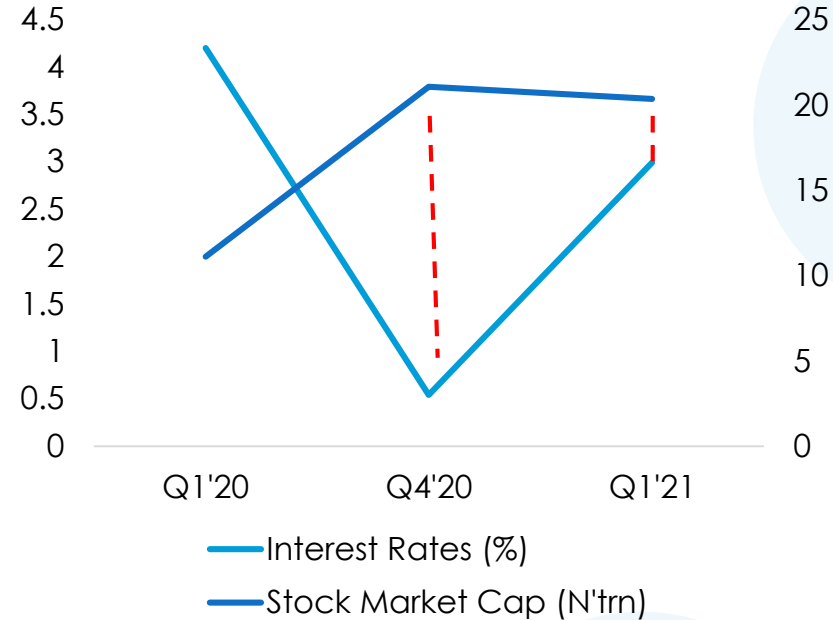
- The CBN appears to be embracing monetary policy orthodoxy, pushing interest rates up

Stock prices have slid by -3% in Q1

Corporate reports show a 13% increase in earnings in Q1'21

- Average earnings (PAT) grew by 13% in Q1'21 from Q1'20
- Average daily turnover at the NSE rose marginally by 0.41% to N4.9bn in Q1'21

Stock Market Cap vs Interest Rates



Source: CBN, NSE

Q1'21 Review - Covid-19



- Federal government is expected to receive the Johnson & Johnson vaccines
- After receiving 4mn Oxford AstraZeneca vaccines
- Which is yet to be exhausted as people are reluctant on huge trust deficit
- Just 600,000 people vaccinated in four weeks

| | Vaccine roll outs (%) |
|---------|-----------------------|
| UK | 45 |
| US | 38 |
| EU | 13 |
| Brazil | 6 |
| India | 3 |
| Nigeria | Near zero |

Source: Wall Street Journal

Q1'21 Review - Highlights

| Indicators | Q1'20 | Q1'21 |
|--|--------|-------|
| GDP Growth (%) | 1.87 | -0.15 |
| Avg. Oil price (\$'pb) | 50.82 | 61.29 |
| Avg. PMI (pts) | 51.07 | 49.63 |
| Avg. Inflation (%) | 12.20 | 17.20 |
| Money Supply Growth (%) – end period | 31.9 | 15.8 |
| Stock Market Cap (N'trn) – end period | 11.1 | 20.36 |
| Parallel Market (N'\$) | 415 | 486 |
| I & E | 392.18 | 409 |
| Avg. T/bill rates (%) | 4.2 | 2.99 |
| Vacancy Factor (%) | 24 | 19 |

Source: NBS, Bloomberg, FBNQuest, EIU, NSE, AbokiFX, CBN, FDC Think Tank

Q1'21 Review - Key Takeaways

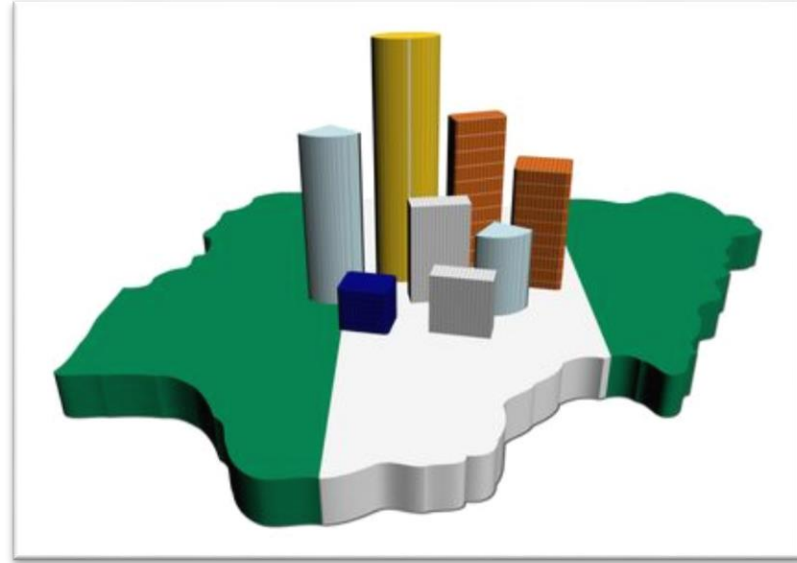
- Vaccine roll out is an economic growth booster
- Corporate revenues likely to slip in Q1 but to recover some growth in Q2
- 90% of forex was sourced from the parallel market as against official sources
- Higher interest rates are forcing pension funds to rebalance their portfolio
- Dividend yields of stocks lower than 6% are being dumped

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Q2'21 Outlook

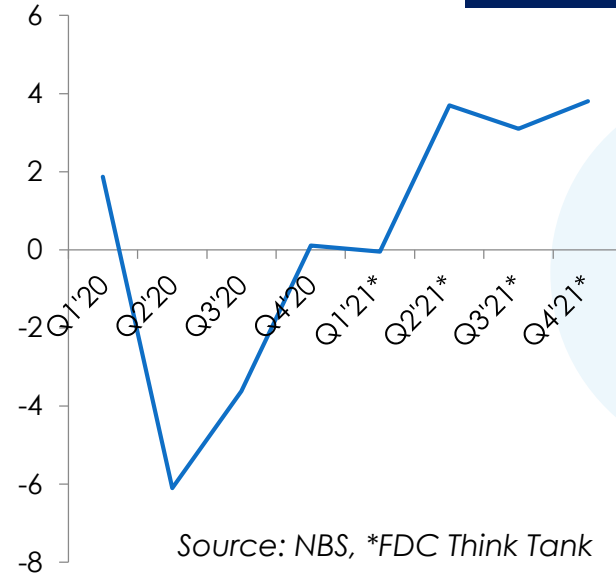
Q2'21 GDP Likely Positive

- GDP expected to record positive growth in Q2'21 (3.7%)
- Positive real GDP growth in Q2 would be aided by massive vaccination and herd immunity
- GDP growth is 7.78% lower than potential GDP growth (8.9%)



GDP Growth (%)

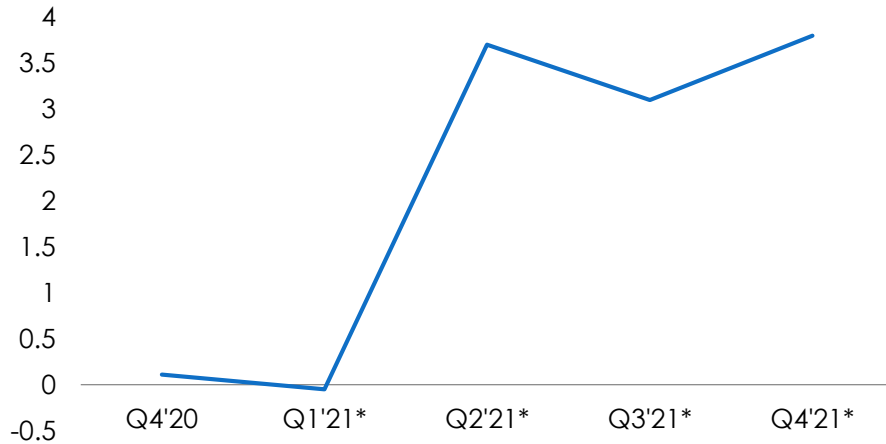
2021



Source: NBS, *FDC Think Tank

GDP Could Stall in Q1 Due to Base Year Effect

2021 GDP forecast



| | Quarterly GDP forecast |
|--------|------------------------|
| Q1'21* | -0.05 |
| Q2'21* | 3.7 |
| Q3'21* | 3.1 |
| Q4'21* | 3.8 |
| FY'21 | 2.6 |

Source: *FDC Think Tank



- W- shaped recovery giving way to an inverted V shaped recovery (-0.05% and 0.5%)
 - Mainly due to informal sector resilience

Sectors That Will Drive Growth

Sectors

Drivers

Trade

- ✓ Opened borders
- ✓ Exchange rate equilibrium in the parallel market
- ✓ Increased smuggling of petroleum products as subsidies continue

Manufacturing

- ✓ Reduced forex rationing to drive manufacturing impact
- ✓ Blended rates of \$450-\$460
 - ✓ 20-25% from CBN
 - ✓ 75% from autonomous sources

Sectors That Will Drive Growth

Sectors

Drivers

Construction

- ✓ Supplementary budget for 2021 in Q2
- ✓ Eurobond financing of fiscal deficit
- ✓ Alignment of exchange rate in Q2 and Q3

Agriculture

- ✓ More fertilizer- Dangote
- ✓ Better seedlings
- ✓ Improved storage

Sectors That Will Drive Growth

Sectors

Drivers

ICT

- ✓ Structural advantage of ICT and technology drivers

Insurance

- ✓ Replacement cost of assets higher than market value
- ✓ Safer to insure assets

Inflation Rate to Climb to 18% in April

- Headline inflation to reach 18% in April
- Projected to average 18.5% in Q2'21
- March estimate: 17.8%
- Food inflation will remain the major culprit
- SSA inflation average in 2021 forecast at 8.1%

Source: FDC Think Tank

Inflation mitigating effect

- Estimated M2 growth of 20% in Q2'21
- Higher energy costs (PMS & electricity tariffs)
- Seasonality factors
- Disruptions cost
- Insecurity in the food belt
- Forex restrictions on food imports
- Exchange rate pass through (\$408/N)
- Every 1% devaluation leads to 0.2% rise in inflation

As Marginal Propensity to Import (MPM) is ¹⁹ Falling

$$M = f(\text{GDP}, \text{Exr}, \text{Inf})$$

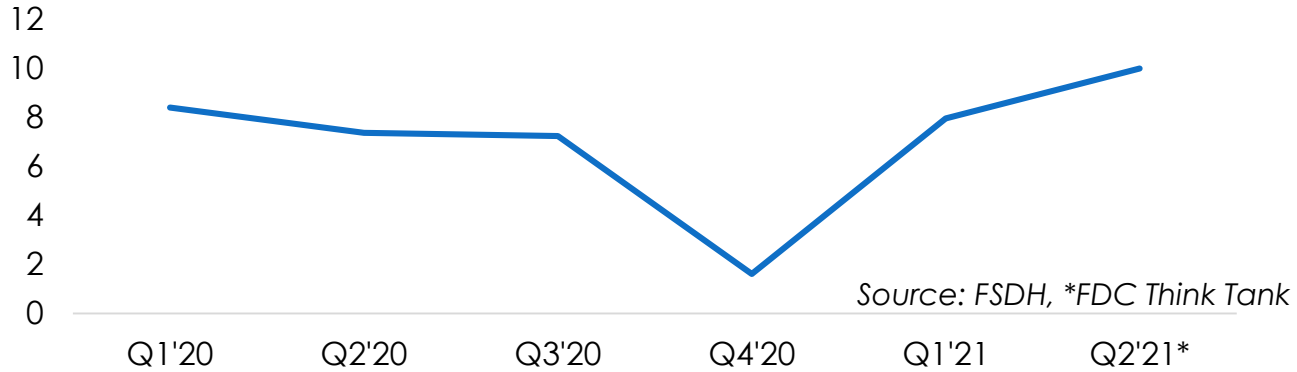
- Where M is nominal import,
- GDP is nominal GDP ,
- **Exr** is the official exchange rate
- **Inf** is the inflation rate.
- Differencing all the variables after testing for stationarity

Marginal Propensity to Import (MPM)

- MPM measures changes in import as income level changes
 - MPM is 0.24
 - GDP increase by 1% = 0.24% increase in import
- Dependence on oil falls as foreign exchange earnings decline
- MPM responds to exchange rate changes which is highly volatile

Interest Rates to Maintain Upward Trend

Short term Interbank Rates (%)

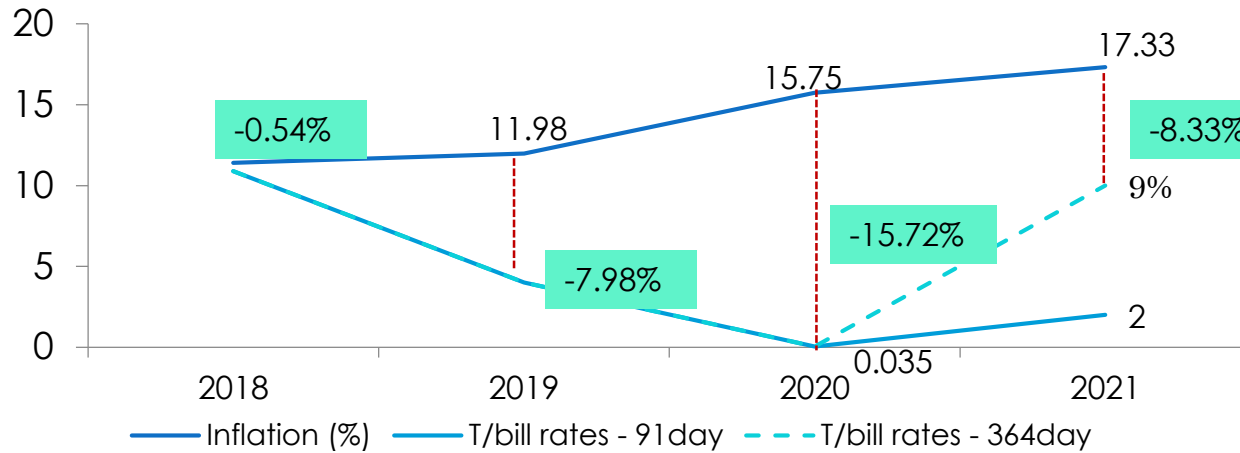


- Interest rates to keep rising as the CBN continues to mop up excess liquidity
- Average T/bill rates to rise towards 10%-12% in Q2'21
- Rising interest rates to curb capital flight and taper inflationary pressures

Negative Return Reducing...

Source: NBS, CBN, *FDC Think Tank

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Rates of return on investment = interest rate minus inflation

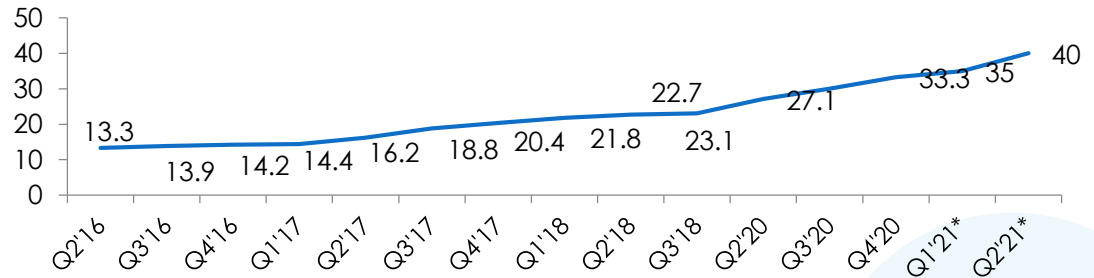
- Negative real rates of return on investment reducing
- FGN borrowing rate to increase
 - 12 month bonds up to 9%
 - Projected to increase to 12%
 - Marginal propensity to save is now 0.16

Unemployment Rate could Climb towards 40% in Q2'21

- Unemployment fast approaching 40% in Q2'21
 - Q1'21 estimate: 35%
- Could make Nigeria the country with highest unemployment in Africa
- Nigeria's unemployment rate rose by 6.2% to 33.3% in Q4'20 from 27.1% in Q2'20
 - Underemployment rate declined by 5.8% to 22.8% from 28.6% in Q2'20



Unemployment rate (%)



Source: NBS, *FDC Think Tank

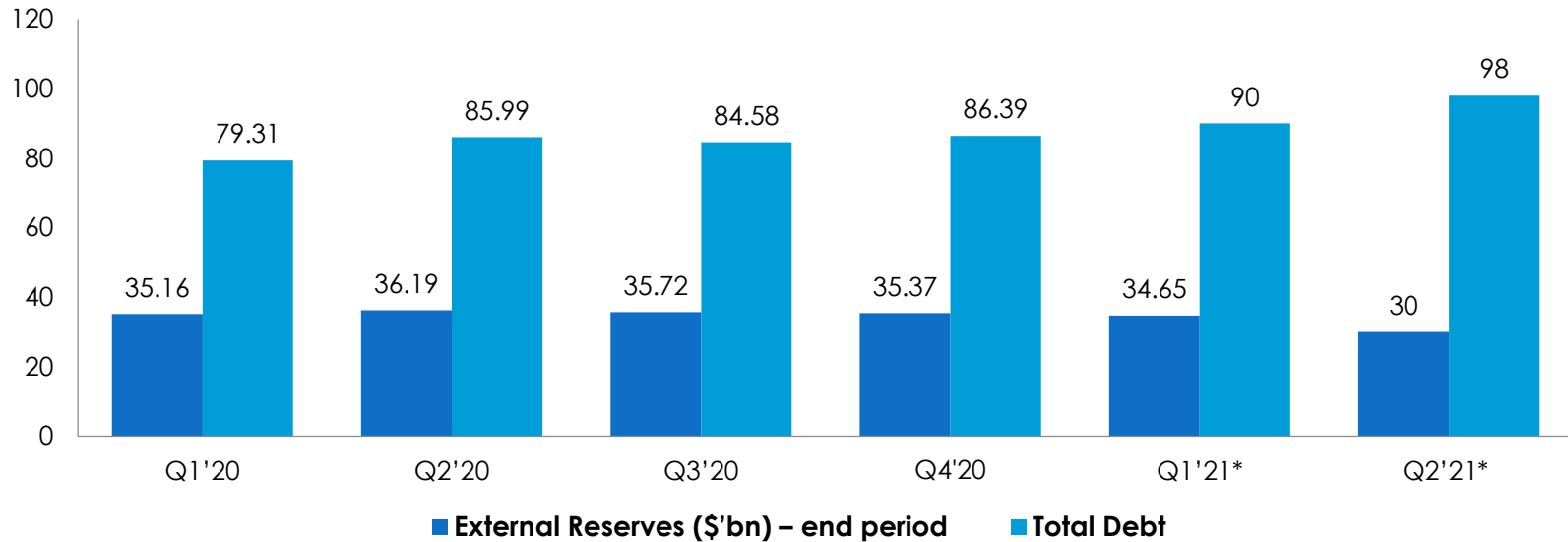
Parallel Market Rate & IEFX Rate Volatile

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- Lingering policy ambiguity on exchange rate to increase investor pessimism
- Parallel market rate could weaken to N486-N488/\$ due to increased demand pressures
- IEFX rate likely to trade N410-N412/\$
- Increased IEFX turnover at a weaker rate will mop up more liquidity
 - Pushing up interest rates

External Reserves Falling as Total Debt Stock Climbs

25



Source: CBN, DMO, *FDC Think Tank

- External reserves is now a function of forex rationing
- Higher oil prices are offset by the huge import bill
- Projected import bill in 2021 to spike by 19.63% to \$58.5bn



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Global Developments

“The return of globalization and multilateralism”

Yellen Calls For Global Minimum Corporate Tax

28

- Yellen has called on other countries to join the US in setting a global minimum tax for companies
- Corporate tax rate in the US is reduced to 21% from 35% in 2017
- This comes after Biden unveiled a \$2trn infrastructure package to stimulate the economy
- In addition to the \$1.9trn stimulus and Trump \$900bn, total stimulus could reach 15% of GDP
- Risks of a persistent inflation spike remains elevated – **Larry Summers**

China Launches its Digital Currency

- China has created a digital currency with a legal tender status
- Which will be controlled by its central bank
- The digital Yuan is aimed at protecting China's monetary sovereignty
- However, it could reduce the global demand for the US dollar
- Negatively affecting the US – China relation
 - US could retaliate by digitalizing its currency

China Creates its Own Digital Currency

- There are 3 types of investors in the cryptocurrency world

Defensive in a world of contraction, economic & global recession

Speculative for many traders.
Bitcoin price up to \$60,000

Fear of money supply growth & quantitative easing



Regional Development

"AfCFTA will come in handy in 2022"

SSA: Huge Fiscal & Debt Hangover

- The depth of recession experienced in 2020 will leave a large fiscal and debt hangover for most African countries
- Reducing the scope for policy makers to respond with stimulatory measures
- Zambia was the first country in the region to default in its Eurobond repayment

SSA: Increased Borrowing From the Eurobond Market ⁵³

- Several African countries are planning to borrow from the international capital markets:
 - Ghana, Kenya, South Africa & Nigeria
 - Nigeria will raise \$3bn in 2021
- Increased borrowing to meet infrastructure need will force Nigerian policy makers to implement structural reforms
- Cote d'Ivoire was the first SSA country to visit the Eurobond market since the pandemic (\$1.2bn in November)

SSA: IMF Response to COVID Crisis

- Many SSA countries benefited from the IMF's rapid credit facility (RCF) and rapid financing instrument (RFI)
- Nigeria took advantage of the IMF's \$3.4bn rapid financing instrument
- Kenya also received \$2.34bn IMF COVID support
- The Fund provided support totalling \$16.3bn to 35 SSA countries between Mar'20 – Mar'21

SSA: Economic Outlook

- Pro-business policies and structural reforms will help bolster economic activity over the longer term
- Policy initiatives to address lagging productivity, skills and infrastructure will progress slowly



| | SSA | Nigeria |
|------------------------|---------|---------|
| Real GDP growth (%) | 2.3 | 1.1 |
| Population (mn) | 1,128.4 | 206.1 |
| GDP per head (\$) | 2,085 | 2,279 |
| Inflation (%) | 8.1 | 17.0 |
| Current a/c bal (\$bn) | -55.0 | -4.4 |
| Debt service ratio (%) | 11.8 | 7.4 |

Source: IMF

SSA: Inverted V-Shaped Recovery

- Recoveries are diverging across and within countries
- SSA is projected to expand by 3.4% in 2021 and 4.0% in 2022
- Inverted V-shaped recovery in Nigeria and South Africa



| | 2020 | 2021 | 2022 |
|--------------|------|------|------|
| SSA | -1.9 | 3.4 | 4.0 |
| Nigeria | -1.8 | 2.5 | 2.3 |
| South Africa | -7.0 | 3.1 | 2.0 |
| China | 2.3 | 8.4 | 5.6 |
| India | -8.0 | 12.5 | 6.9 |

Source: IMF

SSA: GDP Weighting

| Countries | GDP Weighting (%) | Ranking |
|--------------|-------------------|---------|
| Nigeria | 21.2 | 1 |
| South Africa | 13.1 | 2 |
| Cameroon | 4.2 | 3 |
| Ethiopia | 3.6 | 4 |
| Ghana | 3.1 | 5 |
| Tanzania | 2.9 | 6 |

Source: EIU

Informal Sector to Spur Recovery

- Unemployment in the formal economy will decline slowly
- While jobs in the informal sector will rebound faster as restrictions are eased
- Inflation is projected to average 8.1% in 2021 before edging down to 8.0% in 2022



Market Proxies

Transactions Upward Trend Continues

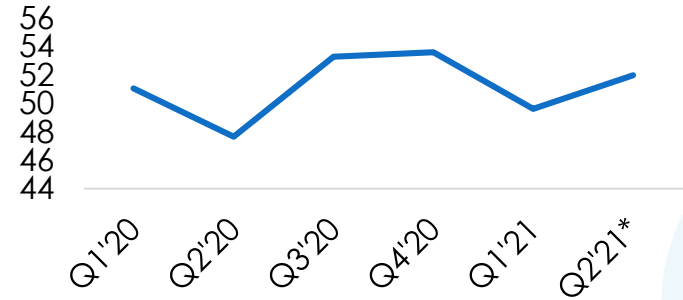
| | Feb'21 (N'bn) | Mar'21 (N'bn) | |
|---------|---------------|---------------|---|
| Cheques | 277.45 | 317.19 | ↑ |
| NIP | 18,734.46 | 22,502.95 | ↑ |
| NEFT | 1,194.08 | 1,393.5 | ↑ |
| POS | 468.91 | 531.38 | ↑ |

- Value of transactions across the e-payment channels expected to keep rising
- Reflecting the increase in economic activities, particularly trading
- Total value of transactions jumped by 19.74% to N24.75trn in March

FBN PMI Levels Weakened in March

- PMI expected to pick up on improved economic activities
- Q2'21 average: 52 points
- But exchange rate challenges remain a threat to manufacturing sector activities

FBN PMI



| Sub-index | Feb'21 | Mar'21 |
|------------------------|--------|--------|
| Output | 58.5 | 52 ↓ |
| Employment | 48 | 50 ↑ |
| Supplier delivery time | 44.5 | 46.5 ↑ |
| New orders | 57.5 | 56.5 ↓ |
| Stocks of purchases | 56.5 | 52 ↓ |



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Power Sector Update



5,802MW

Peak Energy
Generated



4,425MWH/H

Average Energy
Generated



-

Total Grid
Collapses



29,134

Constrained Revenue
(Million Naira)



2,093MWH/H

Total
constrained
energy



- FG to end electricity subsidies by December 2021
- Power sector loses N59.33bn despite 5,802MW peak generation

Ships Awaiting Berth

| Vessels Awaiting Berth | Feb'21 | Mar'21 |
|------------------------|--------|--------|
| Apapa | 1 | 3 |
| Tincan | 23 | 6 |



- Ship awaiting berth fell drastically by 62.5% in March
- Apapa gridlock addressed, courtesy of the new electronic call-up system (ETO) development

Source: NPA, * FDC Think Tank

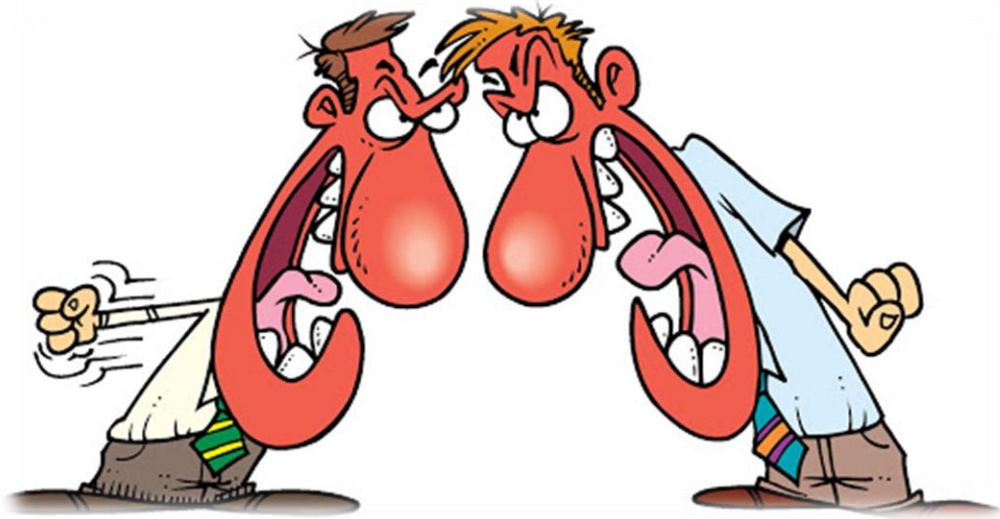
Rig Count to Rise

- Active rigs to increase as oil production picks up from May
- Rig count fell marginally to 6 from 7 in February
- OPEC+ eased production cuts for the next 3 months
- In tandem, Nigeria's share of OPEC oil production is up 6.8% to 1.58mbpd in July



| | New Quota |
|-----------|-----------|
| May 2021 | 1.54 |
| June 2021 | 1.55 |
| July 2021 | 1.58 |

Source: OPEC



Conflicting Data & Ambiguous Pronouncements

Monetary Policy

- Policy announcements conflicted with data and was mostly ambiguous
- Exchange rate convergence was the objective
- But forex rationing continued and the I & E window was controlled
- The crawling peg was more of a zig-zag movement
- In January the I & E traded in a band of N393/\$ – N394/\$
- In February it fell to as low as N400/\$ - N410/\$

Monetary Policy

- In March it appreciated to close at N409/\$ after trading at approximately N412/\$
- Some traders believe the rate was a reflection of stronger oil prices
- The CBN intervention in the I & E window fell throughout March to an average of \$66.63mn
- Indicating a preference for reserves accretion at the expense of exchange rate alignment

Monetary Policy

- Monetary policy framework remains inflation targeting
- The upper limit of the CBN inflation band is 9%
- The OMO rates and the CRR debits show a preference for demand management of the exchange rate
- The back tracking of the CBN after hints by the Minister of Finance of NAFEX as the official exchange rate was a missed opportunity

Monetary Policy

- MPC meeting in May will most likely see a resumption of the tightening cycle
- MPR could increase by 50 basis points
- CBN could issue bonds as part of securitization of the FGN overdraft
- Pension funds and institutional investors have already factored this move into their expectations



Petrol Subsidies & The Refinery Rehabilitation Saga

Fiscal Policy

- NNPC says we can no longer afford subsidies – N120bn per month
- Landed cost of PMS could rise to N212 per litre
- We will not increase price in March
- No price increase until settlements with labour – meaning indefinite



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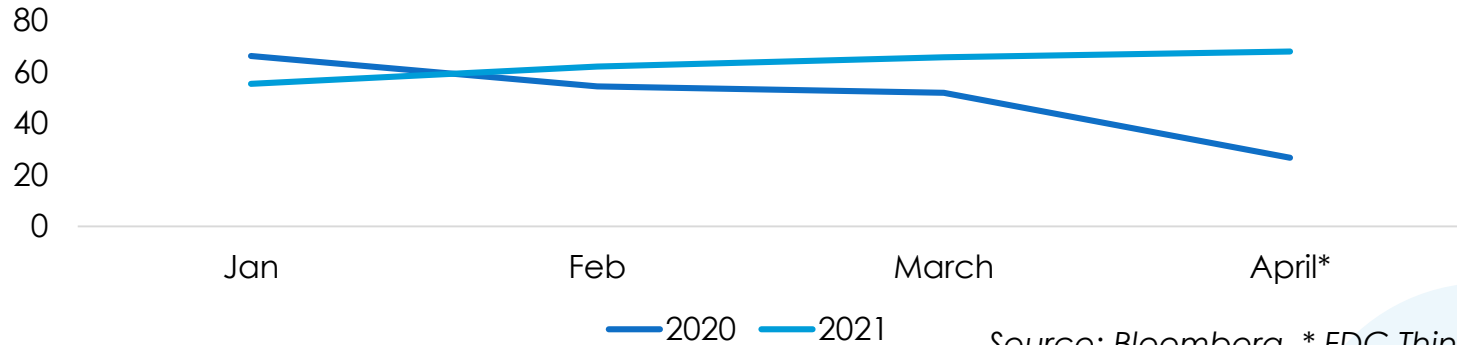
Oil Illusion & the Financial Delusion

Q1'21 Review

- Lockdown was in April
- In March, oil markets were already down
- In 2021, vaccine optimism and partial reopening
- OPEC output curbs kept market in equilibrium



Oil Price



Source: Bloomberg, * FDC Think Tank

OPEC's Market Share- A Declining Function of Time

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- Cartel loses grip as bargaining power erodes
- OPEC+ creates huge divide between price leaders and followers
- OPEC+ at its meeting (April 1) eased output cuts by 1.14mbpd for the next 3 months
- The cartel remains cautious as global events unravel – renewed lockdown restrictions in Europe and vaccine rollouts
- Aims to keep Brent around \$65pb

OPEC & Global Oil Markets

- OPEC accounts for about 32.45% of total global petroleum and other liquids production
- OPEC production: 30.57mbpd (2020)
- Global production: 94.2mbpd (2020)
- Decisions of OPEC and its allies including Russia strongly determine the movement of oil prices

Price Followers are Vulnerable, Leaders are Stronger 58

Price Leaders

| Leaders | Saudi Arabia | Russia | US |
|---------------------------|--------------|--------|--------|
| Oil Reserves | 258.6bn | 107bn | 69bn |
| External reserves (\$'bn) | 441.22 | 586.27 | 143.41 |
| Income per capita (\$) | 20,542 | 12,011 | 55,809 |
| Population (mn) | 34 | 147 | 330 |

Price Followers

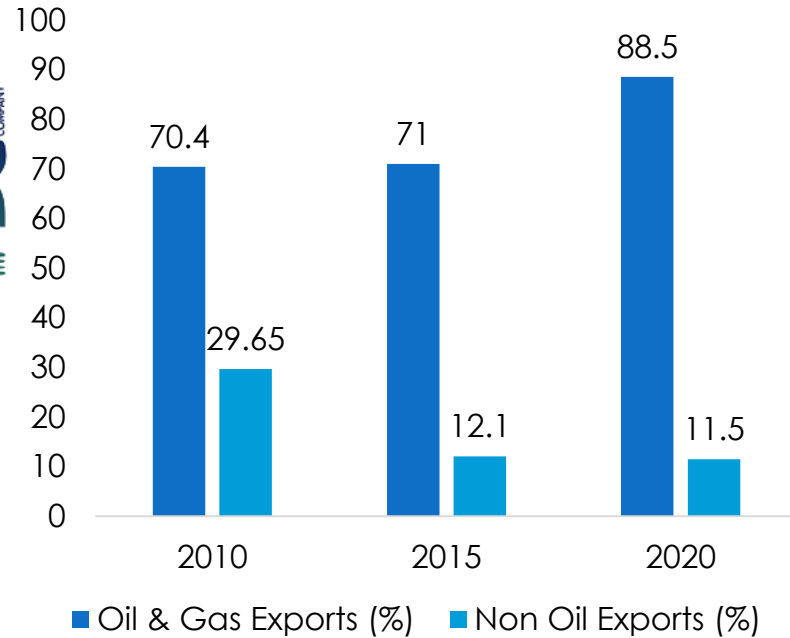
| | Nigeria | Angola | Iran |
|---------------------------|---------|--------|---------|
| Oil Reserves | 36.89bn | 7.78mn | 208.6bn |
| External reserves (\$'bn) | 34.82 | 8.68 | 86 |
| Income per capita (\$) | 2,386 | 3,103 | 5,922 |
| Population (mn) | 206 | 22 | 84 |

Source: OPEC, EIU, *FDC Think Tank

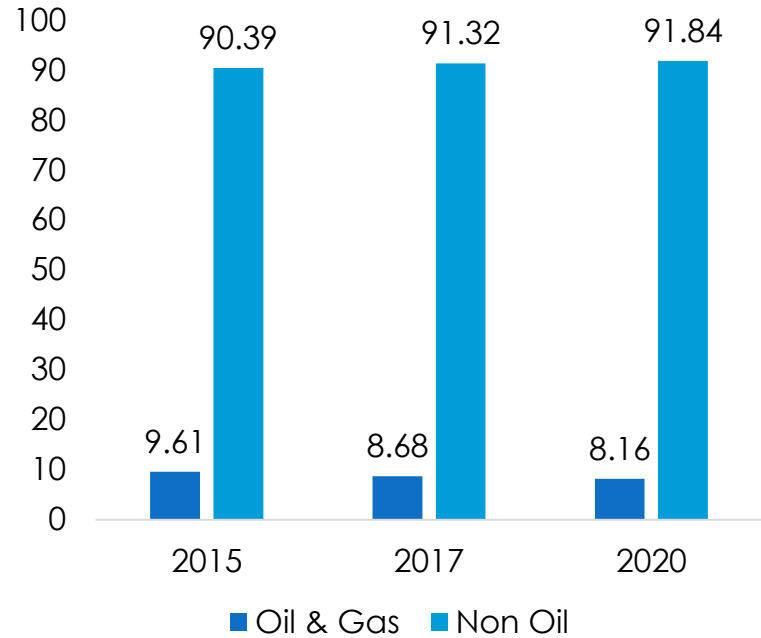
Betting on Oil & the Fool's Paradise

- Diversification away from oil – all rhetoric and no results

As a % of Total Exports



Contribution to GDP (%)



Source: NBS, *FDC Think Tank

Nigeria & Crude Oil - The Relationship

- Crude oil contributes less than 10% to GDP
- Oil has changed in terms of GDP contribution but not revenue
- Accounts for over 70% of export earnings and 90% of external reserves
- Other commodities contributing to GDP are LNG, sesame seeds, cashew nuts, cocoa
- Oil revenue is closely related to the value of the naira
- Exchange rate has depreciated by 35% in the past three years



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Bills Payment?

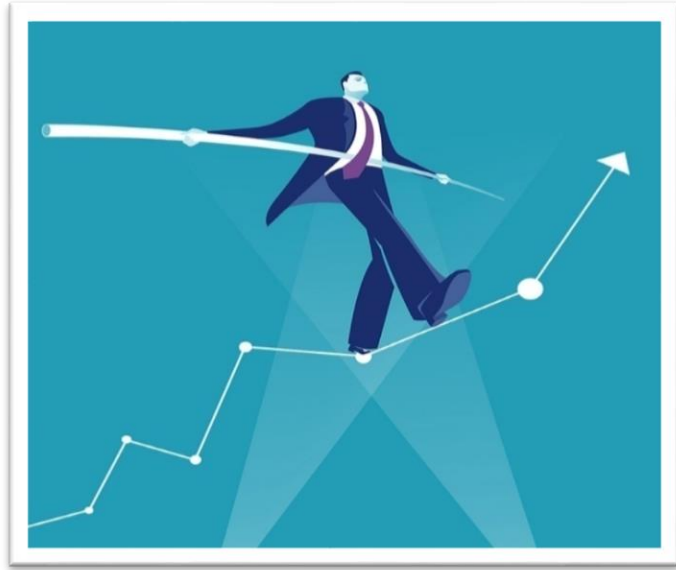
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Stock Market Review

"Q2 more bearish than expected"

Nigerian Stock Market-Q1'2021 Review

- Market Capitalisation  2.98% to N20.43 trillion
- P/E Ratio  13.1% to 13.82x
- NSE ASI  3.04% to 39,045.13
- 27 days positive, 36 days

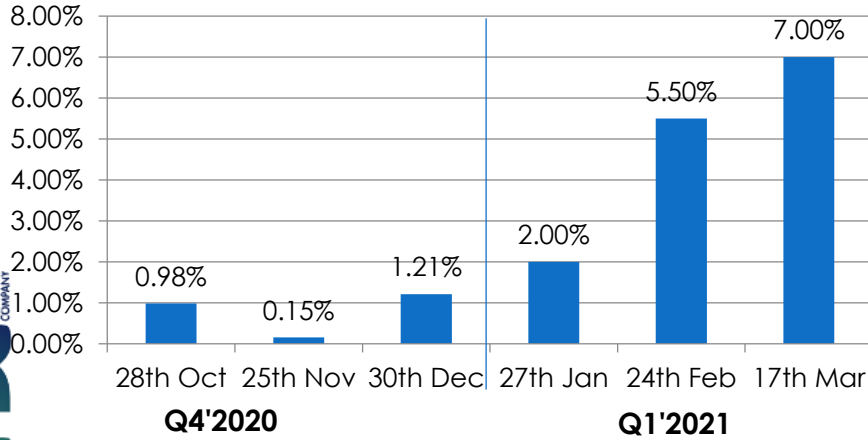
Monthly Performance

| Month | NSE ASI Return | Driver |
|----------|--|--|
| January |  5.32% | <ul style="list-style-type: none"> • Hunt for attractive yields • Declining yields on fixed income instruments • Liquidity from institutional investors • Market reflecting asset bubble |
| February |  6.16% | <ul style="list-style-type: none"> • Uptick of yields in the fixed income space • Investors gradual shift towards risk free securities • Profit taking activities on capitalised stocks |
| March |  1.90% | <ul style="list-style-type: none"> • Uptick of yields in the fixed income space • Liquidity • Dividend speculation |



Investment Opportunities

NTB Rates



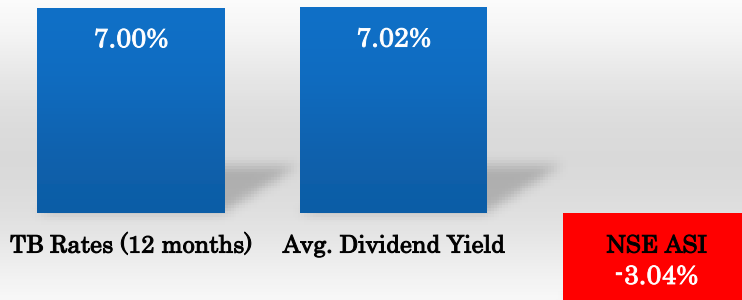
- Gradual uptick in the fixed income space in Q1'2021

- Reversal of gains on the NSE

- Average dividend yield corresponds with NTB rates

- Investors likely to sell off more stocks for risk free securities after dividend payment

NTB Rates & Dividend Yield



Stock Market Outlook- Q2'2021

65

- Bearish trend in the NSE to linger as fixed income yields climb
 - Continuous shift by investors towards risk free assets
 - Profit taking activities on capitalized stocks to compound declining trend
- Anticipation for Q1 '21 earnings
 - Improved performance relative to Q1 '20
- Economic activities to weigh on corporate earnings
 - Rising inflation
 - Loan restructuring
 - Forex pressures
 - Constrained consumers' spending

Q2'2021 Industrial Sector Outlook (Dangote Cement)

- Expected impressive Q1 '21 earnings
- Top line expected to grow by 5%, driven by:
 - Increased export activities due to gradual reopening of global economy
 - Extended dry weather witnessed in most part of Q1 '21.
 - Extra spending on construction activities by the government is expected to drive top line growth by 7% in Q2'21
 - AfCFTA advantage

Q2'2021 Sectoral Outlook-Bearish



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| Sectors | Stock Picks | Outlook | Drivers |
|----------------|---|--|---|
| Banking | <ul style="list-style-type: none">✓ Zenith✓ Access | <ul style="list-style-type: none">✓ Contraction in bank's margins and profitability✓ Increased business and economic activities | <ul style="list-style-type: none">✓ Rising inflation✓ Increased restructuring activities✓ Reduction in USSD transactions✓ Improved digital and lending solutions |
| FMCG | <ul style="list-style-type: none">✓ Nestle✓ Unilever | <ul style="list-style-type: none">✓ Increased operating expenses to weigh on profitability | <ul style="list-style-type: none">✓ Forex pressures✓ Volatility in prices of commodities✓ Constrained consumers' spending |
| ICT | <ul style="list-style-type: none">✓ MTN✓ Airtel | <ul style="list-style-type: none">✓ Telecoms sector is expected to remain resilient | <ul style="list-style-type: none">✓ Increased use of online platforms, e-commerce✓ Increased competition with financial institutions |

Q2'2021 Sectoral Outlook

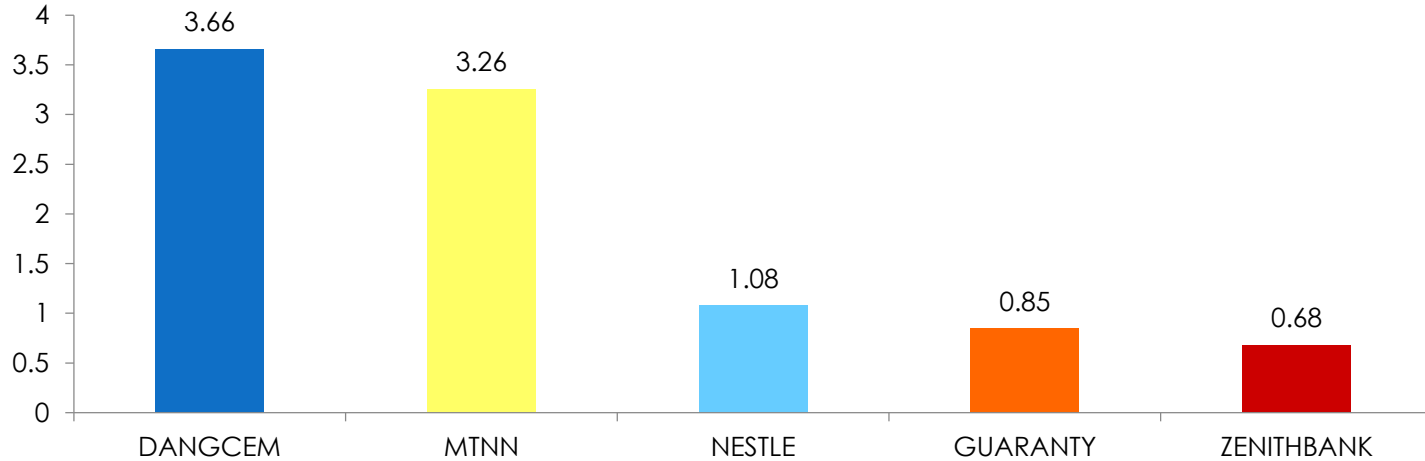


| Sectors | Stock Picks | Outlook | Drivers |
|-------------------|---|--|---|
| Breweries | <ul style="list-style-type: none">✓ Nigerian breweries✓ Guinness | <ul style="list-style-type: none">✓ Increased operating expenses to weigh on profitability | <ul style="list-style-type: none">✓ Volatility in prices of commodities✓ Constrained consumers' spending |
| Industrial | <ul style="list-style-type: none">✓ Dangote cement | <ul style="list-style-type: none">✓ Growth in earnings performance | <ul style="list-style-type: none">✓ Global economic recovery✓ Reduced rain✓ AFCTA advantage |

Selected Capitalized Companies on the NSE



Market Capitalization (N'trn)

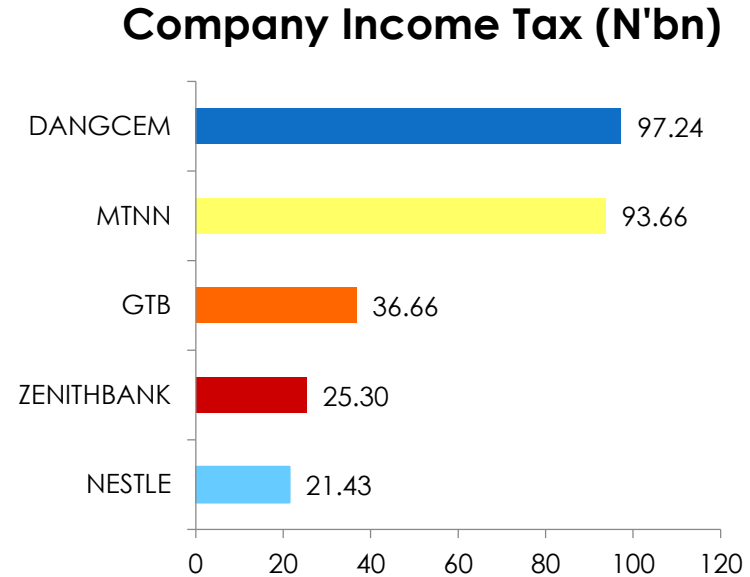


✓ Total market capitalization = **N20.2trn**

✓ Market cap for the 5 companies = **N9.53trn (47%)**

Share of Total CIT = 21.48%

| Companies | Company Income Tax (N'bn) |
|----------------|---------------------------|
| Dangote Cement | 97.24 |
| MTN | 93.66 |
| GTB | 36.66 |
| Zenith | 25.30 |
| Nestle | 21.43 |



- ✓ CIT paid by the 5 companies = N274.29bn
 - ✓ 19.4% of total CIT (N1.41trn)
- ✓ Highest tax paid by Dangote Cement followed by MTN

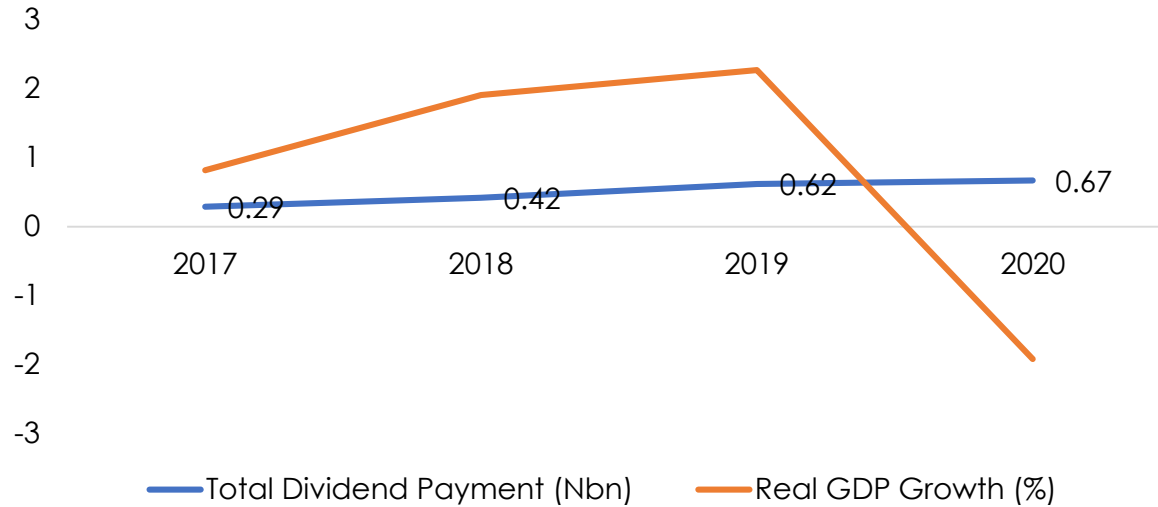
Taxes Were Not All...

**Dividends to
shareholders
= N671bn**

**Total number of
employees
= 33,014 (0.05% of
total
employment)**

Total Dividend up 158.91% in 2020

Total Dividend (N'trn)



✓ 5 companies paid a total dividend of N671bn in 2020

✓ 59% higher than in 2018 (N421bn)

Access bank -Full Year 2020 Result

- **Access bank overtakes Zenith (N8.68 trn Asset Size)**
- **First Nigerian bank to expand into South Africa- acquired South Africa's Grobank**
- **Tops with gross earnings of N764.7 billion (14.7% growth) driven by;**
 - 85.6% growth in net gains on financial instrument held at fair value
 - Reduced FX losses
 - 56% growth in e-business income spurred fees and commissions growth to N93.6 billion
 - A 211.5% rise in impairment charge impacted decline in net interest income to N200 bn
 - PAT grew by 12.7% to N106billion
- **The bank's hold co structure plans to operate across the consumer lending, electronic payment industry and retail insurance market**

Banking Industry -FY'2020 Results

| Tier 1 | | | | | | |
|----------------------|--------|-------------------|--------|--------------------|--------|--------------------|
| | Zenith | | Gtbank | | Access | |
| Gross Earnings | ↑ | 5.2% to N696.5bn | ↑ | 4.6% to N455.2bn | ↑ | 14.7% to N764.7bn |
| Net Interest Income | ↑ | 12.2% to N299.7bn | ↑ | 9.6% to N253.67bn | ↓ | 5.2% to N262.95bn |
| Non-Interest Income | ↑ | 8.4% to N251.7bn | ↑ | 11.2% to N151.44bn | ↑ | 32.8% to N283.86bn |
| Profit After Tax | ↑ | 10.4% to N230.6bn | ↑ | 2.3% to N201.44bn | ↑ | 12.7% to N106.01bn |
| Cost to Income Ratio | ↑ | 2% to 50% | ↑ | 5.8% to 38.2% | ↓ | 2.76% to 63.4% |
| NPL | ↔ | 4.3% | ↓ | 1.5% to 6.4% | ↓ | 26% to 4.3% |
| CAR | ↑ | 4.5% to 23% | ↓ | 2.7% to 21.89% | ↑ | 2.9% to 20.61% |
| Impairment | ↑ | 64.6% to N39.5bn | ↑ | 298.5% to N19.57bn | ↑ | 211.5% to N62.89bn |
| Dividend Yield | | 13.33% | | 9.68% | | 8.51% |
| P/E Ratio | | 3.07x | | 4.36x | | 2.56x |
| YTD Change | ↓ | 9.52% | ↓ | 9.37% | ↓ | 5.64% |



- Resilient performance amongst players
 - Increase in Zenith and GT bank's interest income amidst low interest rate environment
 - Improved digital service across players
 - 85.6% growth in net gains on financial instrument held at fair value spurred double digit growth in Access bank's performance

Cost to Income, NPL, CAR & Profitability Ratios

75

- Zenith and Access bank's cost-to-income ratio only grew by 2%, while GTB's cost-to-income ratio grew by 5.8%
- GTB's cost-to-income ratio impacted by 11% increase in AMCON charge and other expenses like depreciation, resulting in the growth rate of PAT
- Tier 1 banks NPLs reflecting reduced exposure to oil & gas sector
- Tier 2 banks NPL below regulatory threshold
 - GTB's NPL still above regulatory threshold
- Tier 2 banks NPL below regulatory threshold
- All players with robust CAR, above regulatory minimum of 15%
- Increased capacity for additional risk taking

Banking Industry Outlook- Moody's

- Rising inflation expected to contract bank's margins and weigh on profitability
- Bank's asset quality expected to contract driven by:
 - Increased restructuring activities attributable to exposure to pandemic vulnerable sectors
 - Increased pressure on borrowers' repayment
 - Exposure to large volumes of foreign currency loans sensitive to currency devaluation
- Increased business and economic activities will likely stabilize and support bank's operations driven by:
 - Soaring oil prices
 - Growth in GDP

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Congratulations to Aliko Dangote and Dangote Industries



THE COMPANY
OF THE DECADE



THE ENTREPRENEUR
OF THE DECADE



THE CEO OF
THE DECADE





Aviation Update

Global Aviation Update

79

- Airlines continued to experience deep losses on fears of a third coronavirus wave
 - Particularly in the Latin and North America region
- Vaccine rollout and anticipation of summer travels are boosting share prices across several regions
- But pressure on airlines' revenues is likely to continue in 2021
- Sector now expected to break even by late 2022

Global Aviation Update

- Air France-KLM, a member of the Star Alliance, receives about \$4bn in French recapitalization plan
- French government to remerge as the biggest shareholder: 30% stake
- Vaccine passports are now mandatory for air travel
- We expect Lufthansa and the German government to respond
- Singapore Airlines is already raising additional long-term debt and equity

Global Aviation Update

81

- The IATA has developed a travel pass to enhance efficiency in testing and vaccine verifications
- Countries are currently debating on the use of the passport for both domestic and regional travels
 - More than 20 countries have announced trials of the IATA Travel Pass
 - Singapore is set to adopt the IATA pass from May 1, 2021
- Digital health certificates would be a key feature in air travel going forward
 - Will serve as a prove of health status using the vaccine passport

Global Aviation Update- Limiting Factors

- Resurgence in covid infections in Europe, but will be contained by summer 2021
- Spike in oil and jet fuel prices weighing on airline profitability and breakeven point
- Virtual meetings and some adjustments are now permanent

Aviation- Regional Update

- Kenya Airways suspends domestic operations amid new travel restrictions
- RwandAir becomes the first African airline to vaccinate all its employees
- Ethiopian Airlines to commence trial of IATA travel pass
 - Only airline that did not stop flights to China

Aviation- Domestic Update

- Low load factor forcing airlines to merge flights
- Flight cancellations also on the rise



• And air transport fare keeps climbing as airlines seek to make profit while operating at a sub-optimal capacity

- Kano airport opens to international traffic today
- Enugu to commence May 3 and PH to begin international flights April 15
- Crew layover demand for hotels will drive the hospitality industry

Aviation Outlook

- US visa appointments are becoming a tourist nightmare
- Earliest appointment in 2024
- With Johnson and Johnson vaccines rollout of 70mn in Nigeria
- Herd immunity may be achieved in late 2022
- Arik metamorphosis into Nigerian Eagle airline courtesy of
AMCON



Political Update

Political Update

- Violence in the southeast as Ohaneze wants the Igbo presidency
- Zoning of power of the South has sparked huge interest

It looks like a repeat 1979 and 1993

Some players are risking burnout in a country that it is difficult to predict

- Anambra state is in play
- Attack on Soludo has enhanced his electoral chances of APGA nomination

Political Update

- The PDP in Anambra is in a deep internal struggle but may not splinter
- The APC is very strong on paper in the state but has no ground game
- Analysts believe that APGA will cut a deal with APC which gives Soludo a window
- The endorsement of the incumbent governor could be a double edged advantage

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PARTNERS



Political Update

- Our analysts give Soludo a narrow edge at this time
- It is too early to see the grassroots swing and the possible ground game advantage

National Politics of Zoning, Insecurity, Economy and Poverty

- At the national level certain trends are playing out
- The S.W. candidates with clear ambition are led by Tinubu
- Internal squabbles within the APC makes it difficult to forecast the zoning of the presidency
- The chairman of the governors forum, Fayemi, seems to have some momentum

National Politics of Zoning, Insecurity, Economy and Poverty

- There are many dark horses in the zone - at least six other hats to be thrown into the ring

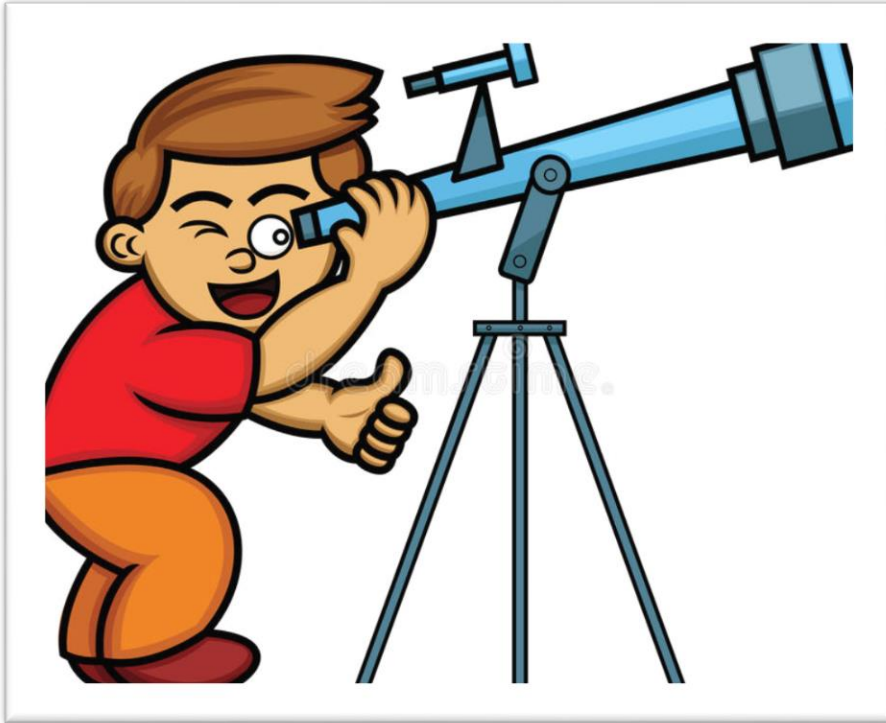
In the South East there is a scramble for leadership

The recent violence in the zone means that some house cleaning is necessary before a favourite can emerge

- The North Central have some attractive candidates
- Neither the PDP nor the APC are in a hurry to hold national conventions

National Politics of Zoning, Insecurity, Economy and Poverty

- We are approx. 850 days to handover and 200 days away from vigorous campaigning
- There is no coherent ideological and economic blueprint for recovery and competitiveness
- The litmus test will be the battle in Anambra state



Outlook for May

Outlook for May 2021

- March headline inflation estimated at 17.8%-18.0%
- 365-day T/Bills will rise to 10%p.a.

OMO auction rates already at 10%, could hit 11%p.a.

- Stock market will trade flat to negative on weaker earnings
- Some bellwethers will rise on special corporate activities
- The battle between telcos and banks will erode banking profitability
- Banking incursion into the telco space will fail

Outlook for May 2021

- Oil price will be stuck at the \$60pb-\$65pb range
- The naira will touch N415-N417/\$ at the I&E window and N480/\$ at the parallel market
- PMS price deregulation will send the pump price to N185 per litre with diesel at N260 per litre
- Johnson and Johnson vaccines will be widely used across SSA and Nigeria

Corporate Humour

There are no stupid questions but there are lots of inquisitive idiots.

– *Anonymous*



Behind every nagging woman there is a man not doing what he is supposed to do

– *Anonymous*

A secret is something you tell everybody to tell nobody

– *Anonymous*

Corporate Humour

Whoever is trying to bring you down is already below you.

– Anonymous



In a consumer world, there are only two kinds of slaves, the prisoners of addiction and the prisoners of envy.

– Ivan Illich

You can calculate the worth of a man by the number of his enemies.

– Anonymous

Corporate Humour

Relations are made by fate, friends by choice.

– *Abbe Delille*



At 20 the will reigns, at 30 the wit and at 40 the judgement.

– *Benjamin Franklin*

Corporate Humour

Age appears to be the best in four things – old wood best to burn, old wine to drink, old friends to trust and old authors to read

– *Francis Bacon*



The wisest mind has something yet to learn

– *George Santayana*

Work saves us from three great evils : boredom, vice and need

– *Voltaire*

*Thank
you*



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