January 2018

FULL-YEAR REVIEW 2017

Economic | Capital Market

FirstBanC Research

FIRSTBANC FINANCIAL SERVICES

Disclosure

FirstBanC Financial Services is an integrated investment-banking firm. The Research Department undertakes economic, fixed income, equity and special research activities as well as valuation of listed and unlisted equities.

The content of this report reflects the views of the analysts. It is presented for information purposes only and does not serve as investment advice pertaining to the purchase or sale of securities. Information used in this analysis was acquired from sources believed to be accurate and reliable. We cannot however attest to its accuracy.

Further enquiries can be directed to:

Economy: Edinam Nyatefe

Capital Markets: Justice Senyo Adu

Tel: +233 302 781 489/781 484

Email: bamoah-adjei@firstbancgroup.com; enyatefe@firstbancgroup.com; jadu@firstbancgroup.com

Contact us for specialised recommendations online at:

research@firstbancgroup.com

Table of Contents

Table of Figures

Executive Summary

General Economy

Growth picked up significantly, which was accounted for by increased oil production. Non-oil growth however remained subdued. Inflation took a downward trend, which allowed the Central Bank to ease its policy stance although monetary policy remains tight. The local currency was largely stable against the dollar throughout the period, supported by an increase in the Central Bank's reserve position. Despite missed revenue targets, government was successful in achieving its fiscal consolidation efforts by slashing planned expenditure. Public debt grew throughout the year with domestic debt growing faster than external debt.

Fixed Income

Interest rates on government treasuries trended downwards in 2017 with the 91-Day Treasury bill rate ending the year at 13.31%, representing an annual decline of 343bps. The 182-Day Treasury bill rate ended the year at 13.89% compared to 17.19% at the end of 2016. With the exception of the coupon on the 7-Year Bond, yields have been declining across all maturities and the inverted yield curve has been corrected over the past twelve months.

Overall Government borrowing on the domestic market was lower than in 2016, resulting from a lower fiscal deficit, whilst borrowing on the long-term end grew faster than borrowing on the short term end of the market.

With an even narrow fiscal deficit expected for 2018, we expect yields to continue to decline further. The spread between government treasury securities and non-government securities widened at the end of 2017, signaling bearish investor expectations of interest rates, especially on short-term government treasuries. This has led to increased demand for long-term instruments and driven bond prices upwards, resulting in lower bond yields. Fiscal indiscipline and inflation are the key risks to declining yields in 2018.

We expect the yield curve to remain moderately upward sloping but flatter on the longer end as a result of the current tight fiscal policy stand and the loosening monetary policy environment.

Equities

The Ghana Stock Exchange Composite Index (GSE-CI) recorded a year end return of 52.73%, compared with -15.33% in 2016. The financial services index closed the year with a return of 49.51% as compared to -19.33% in 2016. Market capitalization at the end of the year was GH¢58.8bn compared to GH¢58.3bn at the end of 3Q17 (equivalent to 28.81% of GDP) and GH¢52.7bn at the end of 2016. Most of the companies listed on the bourse became fundamentally strong in 2017 as general macroeconomic conditions improved. This has led to renewed interest on the market especially as listed banks put in real efforts towards improving the quality of their loan books. Declining yields on fixed income securities also drove investors to the local bourse. As total value of fixed income transactions declined, volumes traded and value of transactions on the GSE increased significantly on the Exchange. Specific policies such as the suspension of the capital gain tax also supported investor interest in the equity market.

The top performing stocks this year were BOPP, GOIL and SCB. On the other hand, MLC, TLW and AYRTN were the biggest losers for the year.

Overall, we expect the improving macroeconomic environment to have a positive effect on stocks listed on the GSE in 2018.

Economic Review

Economic Growth Picks Up

Figures released by the Ghana statistical service revealed significant growth in Ghana's Real GDP including oil for the first nine months of 2017, although non-oil GDP growth remained subdued compared to 2016. Real Oil GDP grew by 8.3% as of September 2017 (6.6% in Q1, 9% in Q2 and 9.3% in Q3). This compares with Real GDP growth including oil of 3.3% as of September 2016 (4.3% in Q1, 1.1% in Q2 and 4.6% in Q3). Non-oil GDP grew by 4.6% as of September 2017 compared to 5.5% for same period in 2016. The increased growth in GDP including oil is attributable to increased oil production from the Jubilee field, the coming on stream of the Sankofa Gye Nyame field and the TEN field which was not operational during the first seven months of 2016. In value terms, as of September 2017, the country's economy at current prices, including oil, was worth GH¢145.5bn, compared to the GH¢120bn recorded for the same period last year.

Sectoral Distribution of GDP

The latest quarterly GDP figures released shows the services sector contributed the largest share of 53.4% (3Q16: 53.1%) of overall output for 3Q17. The industrial sector made the second largest contribution of 23.6% (3Q16:23.5%) of GDP whilst the agricultural sector followed closely with a contribution of 23% of GDP (3Q16:23.4%).

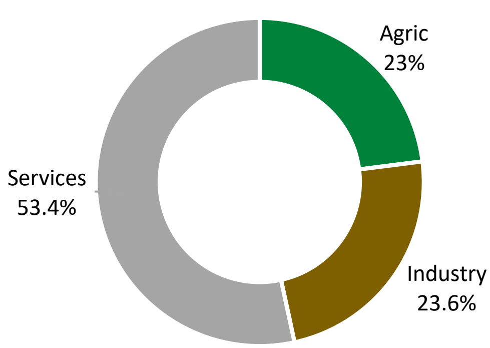


Figure 1: Sectoral distribution of real GDP

Growth for the third quarter was led by industry, having expanded by 16.6%. This was attributable to growth in the subsectors, namely; mining and quarrying (40.8%), water and sewage (21.5%), electricity (15.3%), manufacturing sector (5.2%) and construction (2.6%). The slowdown in construction was due to the 19.6% slash in budgeted government CAPEX as of September 2017 in its bid to ensure tight fiscal consolidation as revenue targets were missed.

The agricultural sector, after recording a weak growth of 3.4% in 2Q17, expanded by as much as 10% in 3Q17, largely due to a whopping 57% growth in fishing sub-sector. In late 2016 and early 2017, the country was plagued with declining fish stock; however a bumper fish harvest was recorded during the third quarter due to suitable weather conditions for fish. The other subgroups of agriculture namely; Crops & Cocoa, Livestock and forestry & logging recorded growth of 8.6%, 5.7% and -1.1% respectively.

The health and social work subgroup led growth within the services sector, having expanded by 24%, whilst education recorded the second highest growth of 14.4%. The Finance and insurance subgroup retarded growth in the services sector as it declined by 4.1% in 3Q17, largely due to layoffs and the decline in lending that have followed from issues in the banking sub-sector.

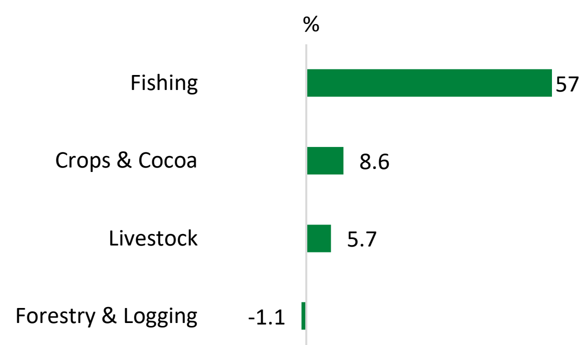


Figure 2: Growth contributions in the agricultural sector

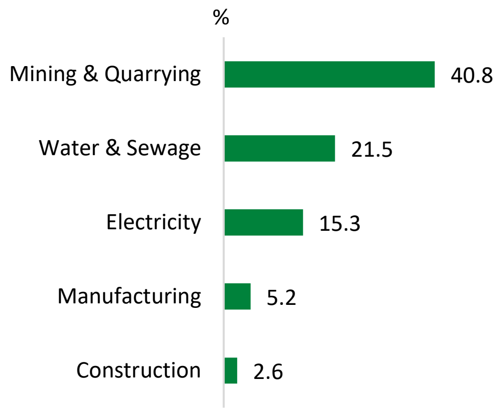


Figure 3: Growth contributions in the industrial sector

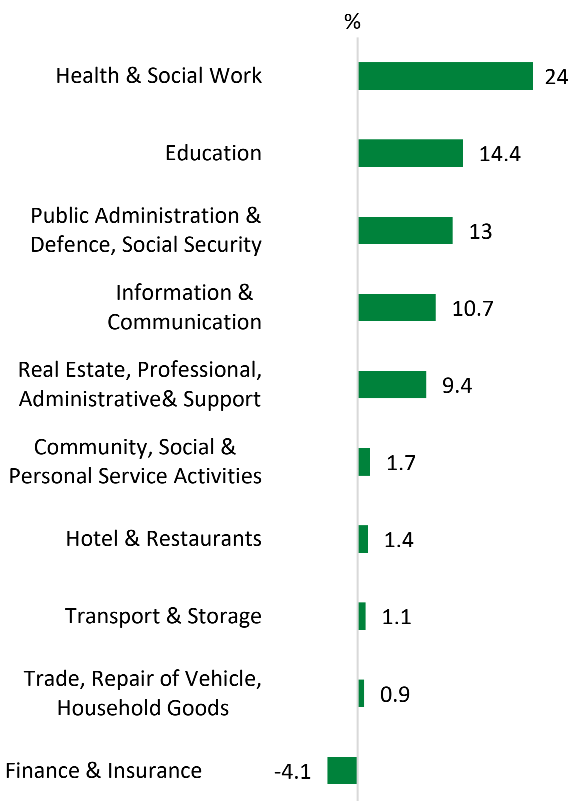


Figure 4: Growth contributions in the services sector

Public Finances

Fiscal Position Improves

Government's fiscal consolidation efforts in 2017 was largely made successful by spending below budgeted expenditure as revenue targets were missed. Provisional data released by the Bank of Ghana on government's operations indicated an overall budget deficit of 5.4% of GDP in the year to November 2017 against the end-year target of 6.3%.

In the first nine months of the year, government realized only 68.91% of its estimated revenue and grants which amounted to GH¢28.43bn, as against a budget of GH¢41.25bn. The revenue shortfall was mainly caused by a 30.4% underperformance of total tax intake, which came in at GH¢22.14bn against a target of GH¢31.79bn. Within the tax revenue category, taxes on income and property subgroup recorded the largest shortfall of GH¢4.25bn, followed by taxes on domestic goods and services, and taxes on international trade, which recorded shortfalls of GH¢3.90bn and GH¢1.50bn respectively. All the other revenue categories recorded revenue below target; social contributions, non-tax revenue, other revenue were GH¢0.05m, GH¢1.78bn, GH¢0.77bn below budget respectively.

Total expenditure was 29.16% below budget and came in at GH¢36.42bn, compared to the projected GH¢51.42bn, with all categories below the projected amounts at the end of September 2017. Compensation to employees, use of goods and services, interest payments, subsidies, grants to other government units, social benefits, other expenditure, tax refunds and capital expenditure were GH¢4.52bn, GH¢0.42bn, GH¢3.57bn, GH¢0.05bn, GH¢3.95bn, GH¢0.22bn, GH¢0.32bn and GH¢0.90bn below budget respectively.

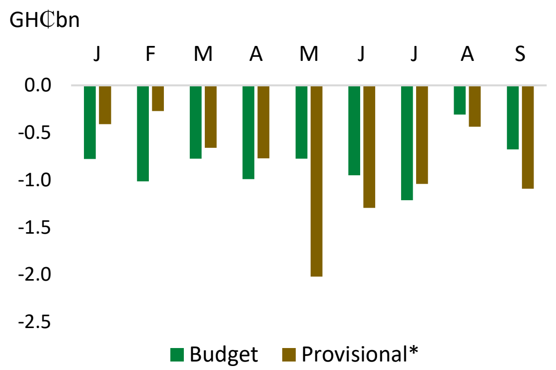


Figure 5: GoG Fiscal Balances (Jan - Sept 2017)

Public Debt Increases

By the end of November 2017, the country's total public debt had grown by 13.3% to GH¢138.9bn, from GH¢122.6bn at the end of December 2017. The total debt figure represents 68.7% of GDP compared to 71.9% of GDP recorded as of end of November 2016. Even though the debt figure increased, the decline in debt-to GDP ratio was as a result of the high GDP recorded, which was in turn the result of a sharp increase in oil production.

Growth in domestic borrowing grew faster than external debt in line with the Government's stated aim of reducing exposure to the external debt shocks. Domestic debt stood at GH¢64.2bn as at November 2017, 20.22% higher than GH¢53.4bn recorded in December 2016. External debt grew by 7.95% to GH¢74.7bn in the year to November 2017, compared to GH¢69.2bn recorded in December 2016, with the slowdown supported by stability in the Cedi-dollar exchange rate.

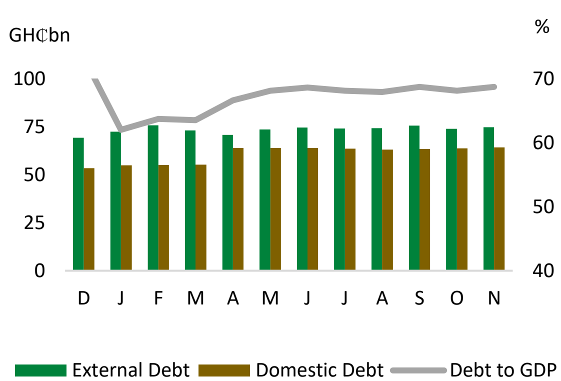


Figure 6: Ghana Public Debt Dec 2016 – Nov 2017

Monetary Environment

Mixed performance for Exchange Rates

The Ghana Cedi saw some stability throughout the year with the exception of January and February when the cedi experienced rapid depreciation which peaked at 8.8% against the dollar. This was the result of news that emerged about previously unreported expenditure in the Government's finances soon after the December 2016 elections. Stability in the local currency has been mainly driven by prudent fiscal management and increased export proceeds which has boosted gross foreign reserves. The increased reserve position curtailed the norm of increased speculation during and ahead of the Christmas festivities which accounted for the end-year 4.9% depreciation of the cedi against the dollar (2016:-9.65%), which is the lowest since December 2010. Weakness in the greenback also helped the local currency hold its own against the dollar.

The cedi lost 12.9% against the pound at the end of 2017 as the British currency recovered from its 2016 lows on the back of signs of growth in the British economy. The expectation for monetary policy normalization in the UK as inflation rose also strengthened the pound. This compares to an appreciation of 8.1% in 2016 against the pound as it weakened from the result of the Brexit vote.

The cedi depreciated against the Euro by 16.2% by the end of 2017, compared to a depreciation of 6.9% for the same period in 2016. The Euro strengthened significantly in 2017 on the back of an economic recovery within the Eurozone.

Currency	2017	2016	2015
US Dollar	-4.9	-9.7	-15.7
British pound	-12.9	8.1	-11.4
Euro	-16.2	-6.9	-5.7

Table 1: Ghana Cedi's end-year performance against major trading currencies (%)

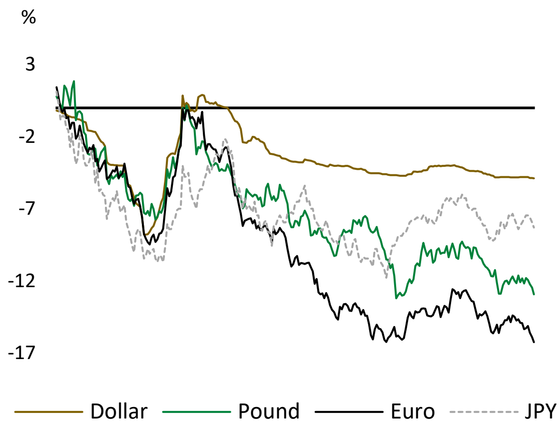


Figure 7*:* Ghana Cedi vs major currencies (%) (Jan –Dec 2017)

Interest Rates Decline

The Central Bank maintained its tight Monetary Policy stance even though an overall 550 basis points easing was seen throughout 2017. This occurred as a result of the downward trend in domestic inflation and dampened expectations for global inflationary pressures. The easing seen during the year was aimed at spurring economic growth. The year begun with the monetary policy rate at 25.50% which saw an initial reduction to 23.50% in March, then subsequently to 22.50% in May. Thereafter, the policy rate was reduced by 150 basis points to 21% in July, was held at 21% in September and finally reduced to 20% in November.

The year-open interbank rate, which stood at 25.26%, declined in line with the policy rate over the twelve month period by 592 basis points to close the year at 19.34%. The 19.34% recorded in December was the lowest in the year. The decline recorded was a direct effect of the 550 basis points decline in the Monetary Policy Rate over the period.

On the contrary, interest rates on bank lending to households and businesses failed to decline significantly, falling by 240 basis points from the year-open rate of 31.7% to 29.3% in December. The lowest average lending rate which was recorded in October came in at 29.1%. As of December 2017, total advances amounted to GH¢37.7bn, 5.9% higher than GH¢35.6bn in December 2017. Out of this amount public sector lending amounted to GH¢33.8bn, 16.7% higher than GH¢30bn granted in December 2016. The slowdown in credit expansion and the still high lending rates are the result of still unresolved issues with asset quality and inefficiency within the banking sector.

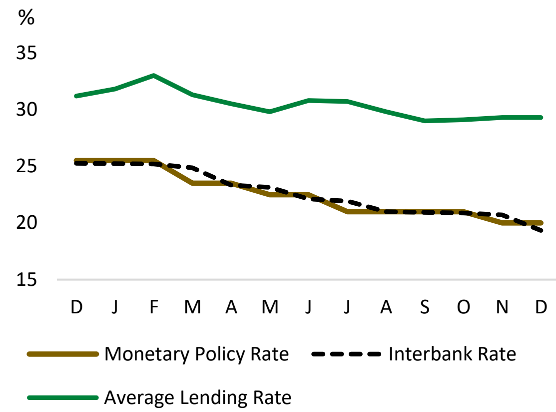


Figure 8*:* Interest rates – Dec 2016 to Dec 2017

Inflation Maintains Steady Decline

Inflation for December 2017 came in at 11.8%, meaning the Government narrowly missed its 2017 end-year inflation target of 11.2% by 60 basis points. The end-year inflation figure represents a 360 basis points decline from the year open rate of 15.4%. Headline inflation has been on a decline since October 2016 even though marginal increases were recorded in April, August, November and December 2017. The marginal increases recorded were largely caused by high inflation for the transport subgroup after the upward adjustment in transport fares in April. Nonetheless, the downward inflation trend observed for most months this year has been underpinned by declining non-food inflation which has resulted from stability in the cedi-dollar exchange rate. A subgroup worth noting within the food and non-alcoholic beverages group in 2017 was the fish and sea food subgroup, which recorded significantly higher inflation than the group's average for most months during the year due to declining fish stock.

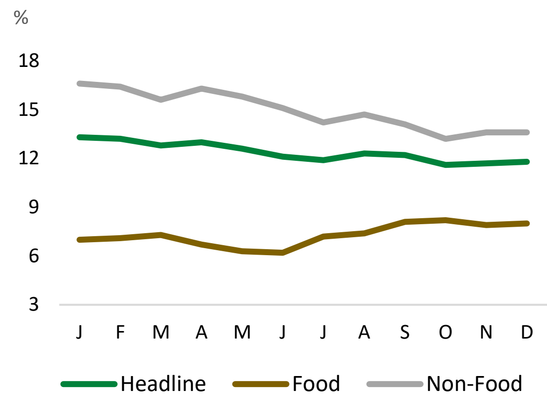


Figure 9: Inflation Rate – Jan 2017 to Dec 2017

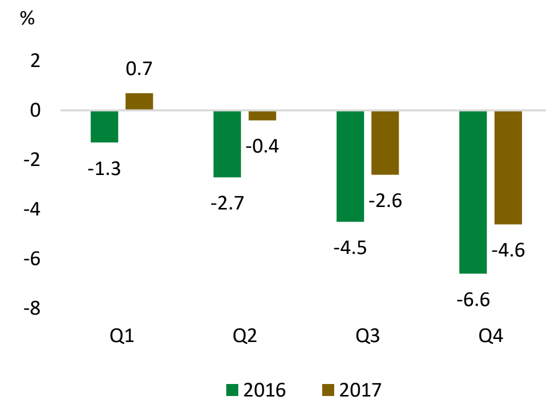


Figure 7: Current Account (cumulative) as % of GDP

Balance of Payments

Trade Balance turns positive

There was significant improvement in the nation's trade balance, which occurred on the back of higher export revenue and lower imports. The nation recorded a trade surplus (cumulative) of 2.3% of GDP at the end of December 2017 as against a trade deficit of 4.2% of GDP recorded a year earlier.

Current Account Improves Significantly

Total imports for FY17 declined marginally by 1.75% to $12.68bn (FY16:$12.91bn). This was as a result of a 3.88% decline in non-oil imports to $10.65bn which almost offset the 11.16% increase in oil imports.

Total export revenue increased by 24.06% from $11.09bn recorded for FY16. Growth in export revenue was driven by oil revenue, which increased by a whopping 124.44% to $3.02bn due to increased oil production and the surge in global crude prices. Revenue from gold exports similarly saw a 17.62% growth to $5.79bn due to an increase in gold prices that resulted from increased demand from investors, although output took a hit from the government's ban on small-scale mining. Revenue from cocoa increased by 5.4% to $2.71bn due to increased production even though cocoa prices declined.

Gold maintained its position as the top contributor to total export revenue with a share of 42.08% (FY16:44.38%). Oil which has predominantly contributed the least to total export revenue, took the second position with a share of 21.95% (FY16: 12.14%). Cocoa had a share of 19.72% (FY16: 23.20%), whilst other commodities including non-traditionals contributed 16.26% (FY16:20.28%) to total export revenue.

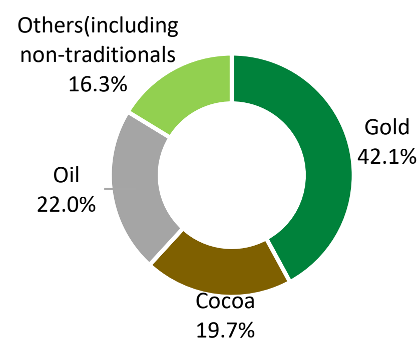


Figure 10: Export Proceeds by commodity – Q1

Capital Account

For FY17, the capital and financial account recorded a net inflow of US$3.02bn (6.5% of GDP) due to lower official outflows for debt repayments and increased portfolio inflows into Ghana's stock and bond markets. This compares with net inflows of $2.56bn at the end of 2016 (6% of GDP). The improved current account position, coupled with the capital account position, resulted in an improved overall balance of payment surplus of US$1.09bn, equivalent to 2.3% of

GDP (FY16: $0.25bn at 0.6% of GDP), and gross international reserves of 4.3 months of import cover (FY16:2.5 months)

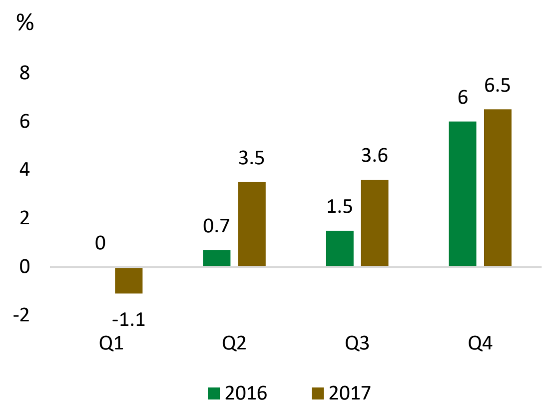


Figure 11: Capital Account (cumulative) - % of GDP

Outlook for 2018

We expect the Cedi to remain stable against the dollar as expectations of interest rate hikes remain subdued in the US. However, we expect to see the cedi depreciate more rapidly against the Euro and the Pound like we saw in 2017 due to developments in those regions amongst which are the recovery in the Eurozone, expected policy normalization and the "softer" agreements anticipated between the UK and the European Union. With over 80% of our imports in dollars, we expect the cedi-dollar stability to support the downward inflationary trend.

The downward inflation trend will likely support further easing in the monetary policy rate in 2018, albeit at a slower pace as the resurgence of rising global inflationary expectations lead to monetary policy normalization in the UK, US and the Eurozone.

Crude oil production is estimated to increase in 2018, which coupled with above-$60-per-barrel oil prices, will drive growth further in 2018. We also expect some government initiatives undertaken in 2017, including the construction of dams and the Free SHS programme to translate into growth in 2018.

Government's expectation to achieve a fiscal deficit target of 4.5% in 2018 is largely dependent on its ability to mobilise revenue. Should revenue targets fall short of targets significantly, we expect to see cuts in planned capital expenditure, which will hamper non-oil growth.

Capital Market Review

Fixed Income

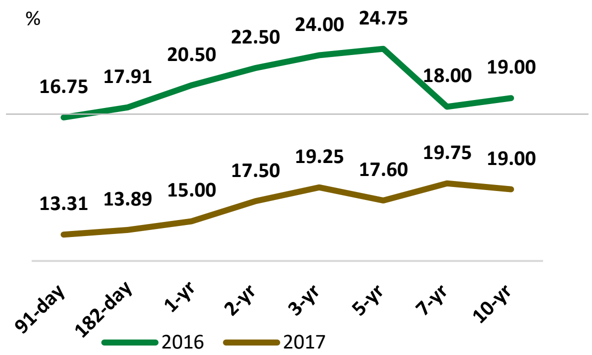
Government of Ghana Debt Securities

Yields on fixed income investments trended downwards throughout the first half of 2017, but remained stable during the second, especially on the short end of the yield curve. Yields on the 91-day and 182-day bills dropped by 343bps and 402bps respectively over the course of 2017, whilst the 1-year and 2-year notes shed 550bps and 500bps respectively. The 3-Year bond declined by 550bps to 18.5% in June before ending at 19.25%, 475bps lower than in January, whereas the 5-Year Bond fell by 600bps to 18.75% in June and drifted lower to 17.6% by year end, down 715bps from January.

The drop in yields on Government securities has largely resulted from Government's Medium Term Debt Strategy, which has seen a shifting of the public debt profile to longer-term maturities. The catalyst to the success of this strategy has been low interest rates in the US and the Eurozone, as well as stability in the Cedi-dollar exchange rate, which has led to increased foreign investor appetite for Ghana's debt instruments. Weakening domestic demand for short-term treasuries due to low yields also supported an increase in appetite for longer dated government securities

The 7-Year, 10-Year and 15-Year bonds ended 2017 at 19.75%, 19% and 19.75% respectively. This compares with 18% and 19% for the 7-Year and 10-Year bonds respectively at the end of 2016.

Total accepted bids on all short-term government instruments was 24.03% lower in 2017 at GH¢41.01bn, compared to GH¢53.98bn at the end of 2016. On the long-end of the market, total accepted bids was 141.84% higher in 2017 at GH¢25.22bn compared to GH¢10.42bn in 2016. The shift has been the result of the aforementioned debt strategy.



Source: Bank of Ghana, FirstBanC Research

Figure 12: Year-end Yield curve – 2016 and 2017

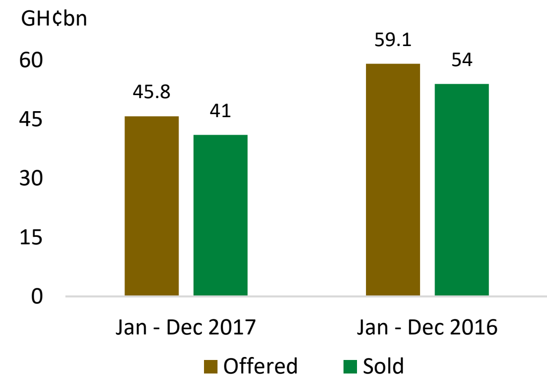


Figure 13: Offers and accepted bids on short-term instruments – 2016 and 2017

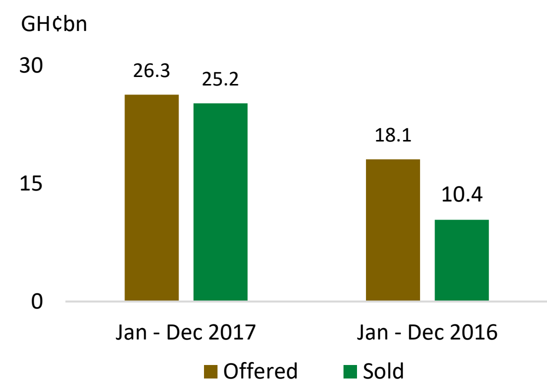
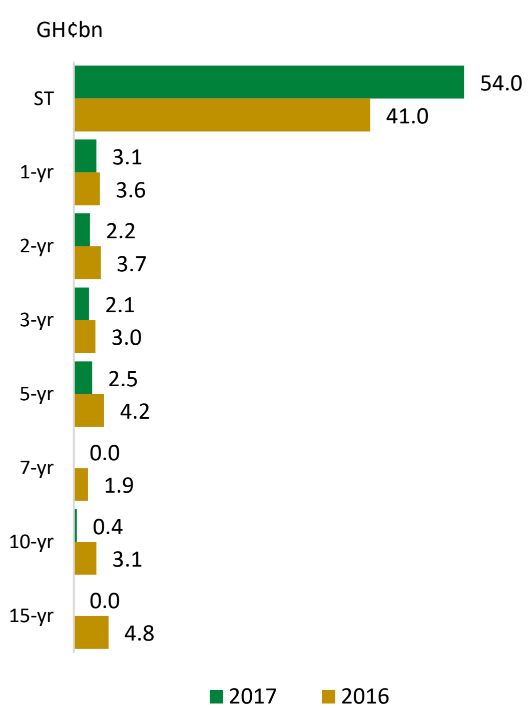


Figure 14: Offers and accepted bids on long-term instruments – 2016 and 2017

ESLA Bond

The Ministry of Finance, as sponsors, established the E.S.L.A. PLC, a Special Purpose Vehicle (SPV) incorporated to issue long-term bonds to resolve Ghana's energy sector debts owed to banks and trade creditors. The securities issued are backed by a component of the Energy Sector Levy Act (ESLA) receivables, which has been assigned to the company for the settlement of coupons and principal repayments arising under the securities that are issued. The Company sought to raise a total of GH₵2.4bn and GH₵3.6bn worth of 7-year and 10-year bonds respectively. On November 3 2017, E.S.L.A. PLC successfully closed its books for the issue of 7-Year and 10-year bonds, accepting GH₵2.42bn of the 7-year bonds at a final yield of 19%. Bids amounting to GH₵2.29bn of the 10-year bonds were also accepted, out of a book size of GH₵2.79bn, at a final yield of 19.5%. The issuance of the ESLA Bond served as a major reprieve for banks and trade creditors who were owed by energy sector companies such as the Volta River Authority (VRA), Electricity Company of Ghana (ECG), Tema Oil Refinery (TOR) and some State Owned Enterprises.



Source: Bank of Ghana, FirstBanC Research

Figure 15: GoG auctions sold – 2016 and 2017

Ghana Fixed Income Market (GFIM)

Total trading on the CSD platform increased by 83.10% to GH₵30.7bn, whereas trading on the Bloomberg platform increased by 9.73% to GH₵1.784bn. Cumulatively, there has been increased secondary market activity following the establishment of the Ghana Fixed Income Market (GFIM) in June 2015. Despite declining yields on fixed income securities, the need for portfolio managers to necessarily invest a significant portion of their assets and the relatively less risky nature of fixed income securities were the reasons behind the increase in activity in 2017.

Corporate Bond activity in 2017

ESLA PLC, PBC Ltd, Bayport Financial Services, AFB PLC, Bond Savings and Loans Limited and IZWE Loans Limited issued securities in 2017; the institutions raised GH₵4.78bn, GH₵80.99m, GH₵71.33m, GH₵64.70m, GH₵40m and GH₵27m respectively.

Outlook for 2018

We expect yields on the market to decline in 2018 as the government targets an even tighter budget deficit. Inflation is likely to end the year within the 8% +/- 2% band, especially as the Cedi hold its own against the US Dollar, which will help keep non-food inflation low. A low inflationary regime would thus support lower yields on fixed income securities.

The major threat to inflation, and fixed income yields for that matter, would be the impact of the new US tax policy and improving growth on US inflation in 2018. Lower inflation and slower monetary policy normalisation in the US would lead to increased demand for Cedi denominated securities, as offshore investors seek for high yielding investments in emerging market economies. In contrast, higher inflation in the US would have led to increased demand for dollar denominated fixed income securities as dollar interest rates rise. Another threat to yields on the fixed income market, as far as the government is concerned, is its own ability to maintain fiscal discipline in 2018.

Equity

Strongest Market performance in four years

Most of the companies listed on the bourse remained fundamentally strong in 2017 as general macroeconomic conditions improved. This led to renewed interest on the market especially as listed banks put in real efforts towards improving the quality of their loan books. In addition, declining yields on fixed income securities pushed investors looking for alternative investments to turn to the stock exchange. Specific policies such as the abolishment of gains of capital gain tax also acted as an incentive for more interest on the market. The positive performance was on the back of this improved market sentiment, leading to interest in stocks that were undervalued at the beginning of the year, particularly as the improved macroeconomic environment led to better financial releases in 2017. With improved credit ratings and a stabilized currency, foreign investors increased exposure to equity holdings on the local bourse.

The in-house customised index which consist of some equities of interest, the FirstBanC Index (FBI), closed the year with an impressive return of 56.22% (4Q16: -8.10%). The FBI closed each quarter in 2017 ahead of the main market index and the GSE-FSI, except for 1Q17, when the GSE-FSI closed above the FBI.

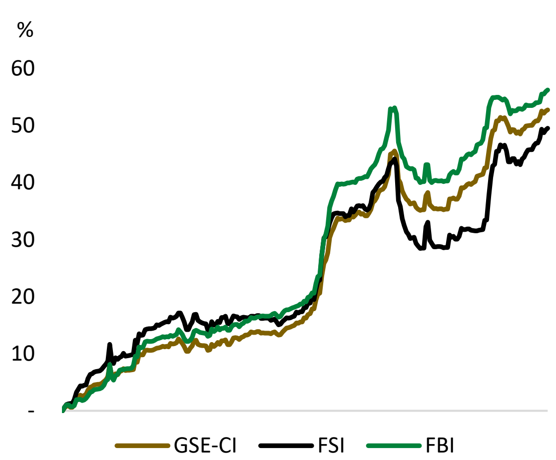


Figure 16: Performance of GSE-CI, FBI and FSI - 2017

The market started 2017 on a positive note, with the Ghana Stock Exchange Composite Index (GSE-CI) returned 10.42% (-4.16% in 1Q16) at the end of 1Q17 on the back of impressive performances from stocks in the banking and agro-processing sectors. The Financial Services Index (FSI) closed 1Q17 with a return of 14.23% (-5.50% in 1Q16).

The momentum was sustained in 2Q17 albeit at a slower pace as the GSE-CI returned 5.34% (2Q16: -6.51%) to bring the half year cumulative return to 16.31% (2Q16: -10.4%) on the back of impressive performances from selected stocks across the financial, petroleum and agro-processing sectors. The FSI recorded a gain of 3.37% (2Q16: -8.37%) to close the half year with a return of 18.08% (-13.41% in 2Q16).

Positive sentiment on improved macroeconomic conditions drove even stronger gains in 3Q17. The GSE-CI gained 18.4% in 3Q17 (2Q16: -0.70%), bringing the Index to a cumulative return of 37.7% over the first nine months of 2017, largely on the back of higher gains in banking, insurance and food and beverage sectors in 3Q17. The FSI gained 11.98% in 3Q17 alone (3Q16: 0.68%) and ended the first nine months of the year with a cumulative gain of 32.23% (-12.82%), behind the GSE-CI.

The final quarter saw the GSE-CI gain 10.9% (4Q16: -4.83%), to record a year end return of 52.73% (FY16: -15.33%), whereas the FSI gained 13.07% in 4Q17 (4Q16: -8.16%) culminating in a YTD return of 49.51% (4Q16: -19.93%).

Market Capitalization

The total market capitalization advanced by 11.6% from GH¢52.69bn at the end of 2016 to GH¢58.80bn at the end of 2017. The GH¢6.11bn advancement in market capitalization is as a result of notable gains in the prices of ETI, SCB, EGH, FML, GCB, GOIL and UNIL. Gains in the price of ADB and ACCESS, companies that were listed in December 2016, also led to the increase in market capitalization, with ADB emerging as the seventh highest capped stock on the market. This is despite a 36.20% decline in TLW, the stock with the highest market capitalization.

The petroleum sector continued to carry the highest portion of total market capitalization at 42.5%, down from 47.5% in 2016 as a result of a price decline in TLW, notwithstanding significant gains in GOIL and TOTAL. The mining sector followed with a contribution of 26.64% (2016: 29.65%). The financial sector increased its contribution from 17.16% in 2016 to 23.24% at the end of 2017, whilst the food and beverage sector rose from 3.4% of market cap in 2016 to 4.6% in 2017. Manufacturing also increased marginally from 1.22% in 2016 to 1.56% in 2017.

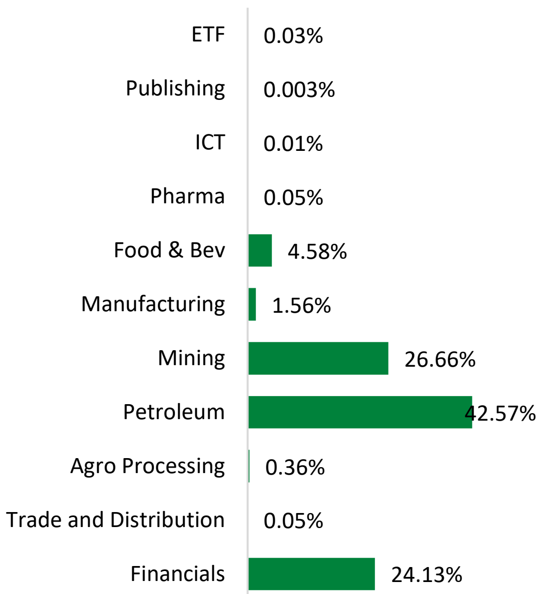


Figure 17: Market capitalization by sector - 2017

Trading volumes

The aggregate value of trading on both the GSE and the GAX, including the HFC rights issue, came up to GH¢518,382,010.21 in 2017, 113.69% higher than the 2016 value of GH¢242,582,185.10. This was despite the halt in trading and subsequent delisting of UTB and the suspension of trading of African Champion Industry Limited (ACI), Clydestone (Ghana) Limited (CLYD), Golden Web Limited (GWEB), Pioneer Kitchenware Limited (PKL), Transaction Solutions Limited (TRANSOL) and Cocoa Processing Company Limited (CPC). In December 2017, HFC successfully raised GH¢50.56m through a renounceable rights issue.

AngloGold Ashanti Limited (AGA), Pioneer Kitchenware Limited (PKL) and Meridian-Marshalls Holdings (MMH) did not record any activity during the year. There a significant transaction involving CAL on February 9, 2017, which saw 151,838,092 shares (representing 27.69% of the company) change hands. This transaction accounted for 47.05% of all executed transactions in 2017. Other significant transactions included ACI trading 4,766,900 on March 15 2017, whereas GGBL and UTB saw a number of single large volume transactions throughout the first half of 2017.

The financial sector recorded the highest value of executed transactions of approximately 67.47% of the total. Food and beverage came in second with approximately 22.03%, followed by petroleum with 8.60%. Trade and distribution, agro-processing, mining and pharmaceutical accounted for 0.03%, 0.21%, 0.02%, 0.02% and 0.02% respectively.

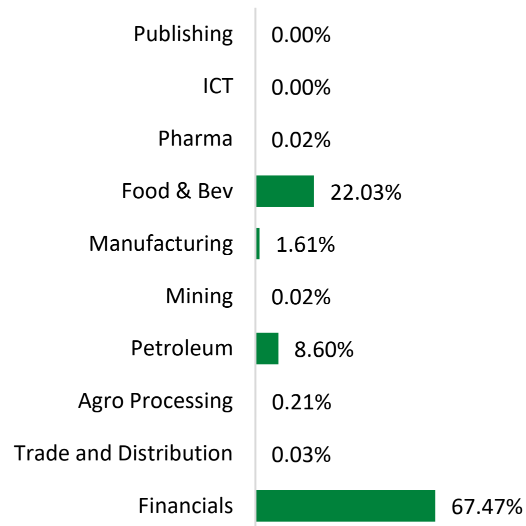


Figure 18: Value traded by sector – 2017

Market Movers

The market was broadly bullish in 2017, with fundamentally strong stocks recording very impressive performances during the course of the year.

Agro-processing emerged as the best performing sector, with a weighted annual return of 174.02%, largely due to a 194.23% gain in the price of Benso Oil

Palm Plantation (BOPP). Financial stocks were largely positive, with banking stocks recording a weighted annual return of 71.39%. Standard Chartered Bank Ghana Limited (SCB) was the best performing banking stock, recording a YTD return of 107.31%. HFC Bank Ghana Limited (HFC), Ecobank Transnational Incorporated (ETI), Standard Chartered Preference Shares (SCB PREF), ADB Bank (ADB), Cal Bank Limited (CAL), Ghana Commercial Bank Limited (GCB), The Trust Bank Gambia (TBL), Societe Generale Ghana Limited (SOGEGH) and Ecobank Ghana Limited (EGH) recorded annual gains of 85.33%, 60%, 60%, 52.48%, 44%, 41.85%, 34.62%, 32.62%, and 18.75% respectively. ACCESS Bank Ghana Limited (ACCESS) and Mega African Capital Limited (MAC) posted annual decline in price of 1.22% and 0.33% respectively. UTB Bank (UTB) was delisted in September 2017.

The food and beverage sector recorded a weighted annual gain of 60.3%, due to a 58.98% appreciation in the price of Fan Milk Limited (FML). Guinness Ghana Breweries Limited (GGBL) recorded an annual return of 26.38%. SAMBA Foods (SAMBA), one of the companies listed on the Ghana Alternative Market (GAX), posted a decline of 9.72%. The insurance sector posted a weighted annual return of 50.98%, largely due to a 54.17% gain in Enterprise Group Limited (EGL), whilst SIC Insurance Company Limited (SIC) posted an annual decline of 16.67%. The manufacturing sector recorded a weighted annual return of 43.56%, on the back of strong performance of Unilever Ghana Limited (UNIL). UNIL gained 50.88% in 2017, whereas Aluworks Ghana Limited (ALW) gained 14.29%. PZ Cussons Limited (PZC) posted an annual loss of 9.09%. The publishing sector recorded a weighted annual gain of 11.41% due to a 25% gain in Sam Wood Limited (SWL).

Despite strong performances from GOIL and TOTAL in 2017, the weak performance and overbearing influence of TLW led to a weighted average return of -1.66% of the petroleum sector. Ghana Oil Company Limited (GOIL) posted an annual return of 144.55% whereas Total Petroleum (TOTAL) made a return of 78.28%, with Tullow Ghana Limited (TGL) recording a return of -36.2%. The trade and distribution sector posted a weighted annual return of -5.99% as a result of a 60% decline in Mechanical Lloyd Company Ltd (MLC) stock, the lower capped stock in the sector. The other trade and distribution stock, PBC Limited (PBC), did not appreciate in price. The pharmaceutical sector recorded a weighted annual return of -1.66% due to a 16.67% decline in the price of Ayrton Drugs (AYRTN). The mining sector returned a negative weighted annual return of -0.10% due to a -2.56% and a -7.69% annual return on GSR and AADs.

	TOP FIVE GAINERS (GH¢)		
TICKER	OPEN	CLOSE	GAIN (%)
BOPP	2.08	6.12	194.23
GOIL	1.10	2.69	144.55
SCB	12.18	25.25	107.31
HFC	0.75	1.39	85.33
TOTAL	1.98	3.53	78.28

Table 2: Top five equity gainers – 2017

	TOP FIVE LOSERS (GH¢)		
TICKER	OPEN	CLOSE	LOSS (%)
UTB	0.03	0.00	100.00
MLC	0.15	0.06	60.00
TLW	26.88	17.15	36.20
AYRTN	0.12	0.10	16.67
SIC	0.12	0.10	16.67

Table 3: Top five equity losers – 2017

Source: Ghana Stock Exchange, FirstBanC Research

Significant Events

Change in Ownership

CAL announced in February that its 2nd largest shareholder, DPI, a leading Africa-focused private equity firm with US$1.1 billion in assets under management, successfully sold its 27.7% stake in CAL Bank to Arise BV (Netherlands), a financial services investment company whose major shareholders are Norfund, Rabobank and FMO. Mr. Eduardo Gutierrez, a Non-Executive Director, resigned his position as a Director of the Bank effective 9th February, 2017 following the transaction.

Ventures and Acquisitions Limited (V&A), previous holder of 34.84% (46,628,740) of the ordinary shares in Enterprise Group Limited (EGL), completed an Internal Transfer of 29% of its holdings (38,808,040 ordinary shares) to Grace Strategic Ventures Limited (GSVL). Grace Strategic Ventures Limited is a Ghanaian registered company limited by shares incorporated by Ventures and Acquisitions Limited.

Significant Company Transactions

The African Export-Import Bank (Afreximbank) and Ecobank Transnational Incorporated (ETI), parent company of the Ecobank Group signed a memorandum of understanding (MOU) in February 2017 to promote joint corporate objectives through the financing of private sector projects and trade finance transactions, focusing particularly on transactions involving trade and investment in Afreximbank member countries where Ecobank also has a presence. The cooperation between the two institutions was expected to create a US$500 million programme dedicated to financing trade among Afreximbank member countries where Ecobank conducts banking business.

Ecobank Transnational Incorporated, ETI, the Lome-based parent company of the Ecobank Group, also signed a five-year senior unsecured loan facility of USD 250million from Deutsche Bank AG on September 5, 2017. The facility was raised to refinance maturing facilities.

Board Appointments, Changes in the composition of Boards and Key Management

Mr. I E. Yamson resigned as Director and Chairman of Unilever Ghana (UNIL), whilst Ms Maidie E. Arkutu resigned as the firm's Managing Director, both with effect from 31st December, 2016. She was replaced by Mr. Ziobeieton Yeo, whilst Mr. Yaw Nsarkoh and Mrs. Adesola Sotande-Peters were appointed as Non-Executive Directors of the Company in January 2017. The company also announced the resignation of Mr. Joseph Z. Amuna from the Board in July 2017.

In January, TLW announced a new Chief Executive Officer in Paul McDade, who was previously Chief Operating Officer. Simon Thompson stepped down as Board Chairman as Aidan Heavey, former Chief Executive Officer and founder of Tullow Oil, was slated to succeed Mr. Thompson as Chairman of the Group for a transition period of up to two years.

In March, GOIL appointed Nana Ama Kusi –Appouh as Solicitor Secretary

Guinness Ghana (GGBL) announced the appointment of Mr. Felix Addo as a Non-Executive Director to its Board from January, and the resignation of Mr. Martyn Mensah as Board Member from August 2017. Mr. Francis Agbonlahor also resigned as the Managing Director and as a member of the Board in July 2017, with Mr. Gavin Pike appointed in his place in August. Prior to his appointment, Mr. Pike was Diageo Plc's Global Head of Mainstream Spirits. Mr. Prince William Ankrah resigned from the Board in July 2017, whilst Mr. John Boadu and Ms. Teye Mukshi were appointed to the Board in August, with the latter also appointed as the firm's Finance Director to replace Mr. Stephen Nirenstein.

Mr. Anselm Ray Sowah was appointed as the Managing Director of Ghana Commercial Bank (GCB) from April 2017. In April, the bank announced the resignation of several non-Executive Directors, including Mr. Daniel Owiredu (Board Chairman); Mr. Moses Asaga and Mrs. Mona Quartey, due to the changeover in Government. In their place, Ms. Ama Sarpong Bawuah and Mr. Elliot Gordor were appointed in April, whilst Mr. Samuel Sarpong resigned from the Board in September, 2017.

Standard Chartered Bank announced the appointment of Professor Akua Kuenyehia and Mr. Henry Baye as Independent Non-Executive Director and Executive Director respectively to the Board of the Bank in July.

HFC Bank announced the early retirement of the Managing Director, Mr. Robert Le Hunte in August after he took up a Ministerial appointment in Trinidad and Tobago. Mr. Anthony Jordan, previously the General Manager, Risk Management was appointed to act in his stead in the same month.

Her Excellency Mrs. Margaret Clarke-Kwesie resigned from the Board of Enterprise Group in 2017, whilst Mr. Douglas Lacey was appointed to the Board in December 2017. Mr. Douglas Lacey is a Special Advisor to Leapfrog Strategic African Investments, the USD350m Strategic Managed Account owned by Prudential Financial Inc. and LeapFrog Investments.

Following the changeover in Gambia's government, Mr. Saibatou Faal resigned as the Social Security and Housing Finance Corporation's representative on the Board of Trust Bank Gambia (TBL) and Mr. Abdoulie Tambedou was appointed in his place in July 2017. Mr. Ken Ofori-Atta also resigned from the Board in May 2017 following his appointment as Ghana's Finance Minister and Mr. Mohamadou Manjang was named Board Chairman to replace him in September 2017.

Nana Agyenim Boateng was appointed as the Acting Managing Director of Cocoa Processing Company (CPC) in September. Prior to his appointment, he was the Deputy Chief Executive (Operations) of the Produce Buying Company Limited. He replaced Mr. Frank Adu Asante, who has been acting as Managing Director since 31st January, 2017.

TOTAL announced Mr. Eric Fanchini as Board Member and Managing Director of the company in September, to replace Mr. Olivier, who was re-assigned within the Total Group. Mr. Samba Salfal Seye was also appointed as a Board Member of the Company in August to replace Madam Ada Eze, who was also re-assigned within the Total Group. Mr. Alfred George Thompson replaced Mr. Martin Amenyedzi on the Board of the Company in September 2017, but resigned as a Director of the Company in October.

Messrs. Tobie Krige and Mohamed Mangel resigned from the Board of Ayrton Drug Manufacturing (AYRTN) in Decmber 2016, with Messrs. Nik Amarteifio and Yaw Opare Asamoah appointed to replace them on the Board.

The Board of Agricultural Development Bank (ADB) was re-constituted in August 2017, consisting of nine members with Mr. Alex Bernasko as Board Chair. The other Board Members are Mr. Patrick Kingsley-Nyinah, Mr. Kwabena Dapaah-Siakwan, Nana Ama Serwaa Bonsu, Dr. Adu Anane Antwi, Mr. Frank Kwame Osei, Professor David Abdulai, Mr. George Kwabena Abankwah-Yeboah and Dr. John Kofi Mensah, who was also appointed to replace Mr. Daniel Asiedu as Managing Director of the bank.

CAL Bank (CAL) saw the appointment of Ms. Rosalind Nana Emela Kainyah, Mr. Kofi Osafo Maafo and Nana Otuo Acheampong as Non-Executive Directors of the Bank.

PBC reported a reconstitution of its eleven (11) member Board to include Mr. Charles Bernard Ntim (Chairman), Mr. Kofi Owusu Boateng (Chief Executive Officer), Mr. Joseph Albert Danso Jnr., Mr. Samuel Acquah, Prof. Mohammed Salifu, Mr. Matthew Boadu Adjei, Mr. Thomas Kwami, Mr. Stephen Baba Kumasi and Mr. Emmnauel Karikari Gyamfi.

Renounceable Rights Issue

HFC successfully raised GH¢50.56m, representing a subscription rate of 101%, exceeding the targeted Offer amount of GH¢50m, in its renounceable rights issue in December 2017. The issue was intended to boost the bank's capital in meeting the Central Bank's minimum requirements.

Tullow Oil Plc announced a rights issue on 17th March 2017, with 466,925,724 fully paid new ordinary shares of 10 pence each admitted to listing on the Ghana Stock Exchange in April 2017.

EGL passed special resolutions to increase the number of registered shares to 1,000,000,000, set the number of Directors of the Company to not less than two and not more than 11, and obtained shareholder approval for a proposed rights issue in August 2017.

Regulatory Sanctions

The Ghana Stock Exchange halted trading in the shares of UT Bank Limited on January 3, 2017. This became necessary due to the non-submission of financial results to the market. The GSE subsequently allowed the shares of UTB to be traded. However, on August 14, it suspended the listing status of UT Bank Limited indefinitely following the revocation of the firm's banking license by Bank of Ghana, and compulsorily delisted the bank from the Official List in September.

In August, the Ghana Stock Exchange (GSE) suspended trading in the shares of the following listed companies: African Champion Industry Limited (ACI), Clydestone (Ghana) Limited (CLYD), Golden Web Limited (GWEB), Pioneer Kitchenware Limited (PKL) and Transaction Solutions Limited (TRANSOL) until September 8, 2017 after the aforementioned companies failed to meet their continuing listing obligations in spite of several promptings to do so.

The infractions included failure to submit financial reports, non-payment of annual listing fees, failure to conduct Annual General Meeting, among others.

The Ghana Stock Exchange subsequently lifted the suspension in trading of the shares of Clydestone (Ghana) Limited (CLYD) and Transaction Solutions (Ghana) Limited (TRANSOL) before the earlier suspension took effect. Later, the suspension on Pioneer Kitchenware Limited (PKL) was also lifted with effect from September 11, 2017. PKL rectified all the anomalies that led to their suspension.

The Ghana Stock Exchange (GSE), with effect from Monday, September 11, 2017, suspended the listing status of African Champion Industry Limited (ACI) and Golden Web Limited (GWEB). This followed the earlier suspension in trading of these stocks on August 28, 2017. ACI failed to publish its audited financial statements for year ended December 2015 and 2016 and also failed to conduct an Annual General Meeting since the last one in July 2015. GWEB failed to conduct an Annual General Meeting since the last one held in June 2011 and was also in arrears of its annual listing fee for 2017.

The Ghana Stock Exchange (GSE) also suspended trading in the shares of Cocoa Processing Company Limited (CPC) with effect from August 30, 2017. CPC had failed to submit financial reports and conduct Annual General Meetings. The suspension of trading in CPC was to be in force until November 30, 2017, which was the deadline for the company to rectify the anomalies.

GCB announced that it had assumed selected assets and liabilities of UT Bank and Capital Bank and would be carrying on all the banking activities of these two banks in their locations until further notice, following the revocation of the licence of these two banks by the Bank of Ghana.

Dividend Payments

STOCKS	Ex-Div Date	Dividend per Share (Gp)
AADS	April 10, 2017*	0.36
AGA	April 10, 2017*	36.34
BOPP	-	4.65
CMLT	June 13, 2017	0.85
EGH	April 19, 2017	82.00
GCB	May 10, 2017	38.00
GOIL	May 16, 2017	2.50
SCB	June 5, 2017	112.00
SOGEGH	March 27, 2017	3.30
SPL	January 27, 2017	0.10
TBL	May 9, 2017	2.52
TOTAL	June 5, 2017	11.48
UNIL	May 8, 2017	5.00
SCB PREF	February 21, 2018	4.42
TOTAL**	November 15, 2017	6.31

**Payment Date ; **Interim Dividend for 2017 full year*

Table 4: Dividend Announcements

Outlook for 2018

The market rally in 2017 was largely driven by financially stable and profitable companies. We expect this trend to continue in 2018 as the fundamentals of listed equities improve on the generally supportive business environment.

We expect the banking sector to consolidate the gains made in 2017 by continuing the process of improving the quality of its loan book, thereby driving down Non Performing Loans (NPLs). The issuance of the ESLA Bond's second tranche would help improve liquidity and profitability of listed banks.

The consumer discretionary sector is expected to see further improvements on the back of an improved macroeconomic environment and stronger consumer spending. Stable power supply, lower inflation and exchange rate stability will continue to support firms in the consumer discretionary and manufacturing sectors. The petroleum sector may face some weakness in 2018 due to fierce competition and the systemic problem of fuel smuggling. We expect agro-processing to remain stable following BOPP's rapid rise in 2017.

On the whole, market momentum will remain moderately strong in 2018, albeit at a relatively slower pace than in 2017 on the back of profit-taking. Nonetheless, we note that the bullish performance in 2017 has driven market valuations to record highs, even above July 2015 levels at the onset of the recent extended bearish market. Most of the companies are trading close to or above historically high P/E levels. Even though we expect investor interest to be sustained, as yields on fixed income securities are expected to decline in 2018, companies with strong growth in earnings are likely to be the main beneficiaries of investor interest, and by extension strong share price performance, on the GSE.