Nigeria

FACTS & FIGURES

LOCATION
Western Africa, bordering the Gulf of Guinea, between Benin and Cameroon

AREA
total: 923,768 sq km, slightly more than twice the size of California

CLIMATE
equatorial in south, tropical in center, arid in north

POPULATION
146,255,312

CAPITAL CITY
Abuja

GOVERNMENT TYPE
federal republic

GDP – real growth rate
6.4% (2007 est.)

GDP – per capita
$2,100 (2007 est.)

LABOR FORCE
50.13 million (2007 est.)

EXPORTS
$61.79 billion f.o.b. (2007 est.): petroleum and petroleum products 95%, cocoa, rubber

IMPORTS
US$38.5 billion f.o.b. (2007 est.): machinery, chemicals, transport equipment, manufactured goods, food and live animals

Source: CIA World Factbook

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NIGERIA'S RECENTLY STRENGTHENED BANKS HAVE WITHSTOOD THE WORST OF THE GLOBAL FINANCIAL CRISIS, AND WHILE THE ECONOMY IS NOT IMMUNE FROM OUTSIDE SHOCKS, THE PROSPECTS FOR GROWTH REMAIN PROMISING

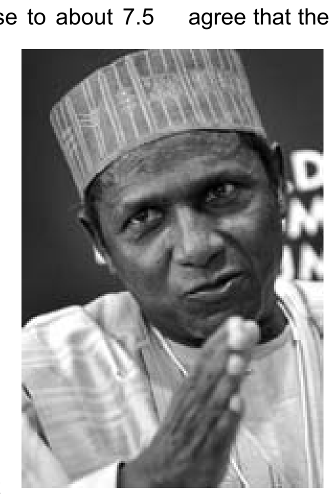
Prudence is the watchword

Nigerians live in one of the fastest-growing economies in the world, with annual growth rates of almost 7 percent for the past five years.

RECENTLY named the least vulnerable economy in the world in a report from one of the world's leading financial management and advisory companies, Nigeria is facing up to the economic global meltdown from a position of relative strength.

President Umaru Yar'Adua has stressed the need for prudence in government spending, taking into account the volatility of the international price of oil, which accounts for almost all of Nigeria's export earnings.

However, while major world economies contemplate negative growth for the foreseeable future, Nigeria's leader has also projected that his country's rate of economic growth will increase to about 7.5 percent in 2009, and has expressed his confidence in its ability to withstand the shockwaves of global recession.


UMARU YAR'ADUA
President of Nigeria

"Our economy, as with open economies across the world, is not immune to the challenges in the global financial markets arising from the acute contraction of credit and liquidity in the international financial markets," he acknowledged recently. However, the government has taken swift action to strengthen the financial sector and restore investor confidence, and economic growth remains "on track".

In addition to government responses to the global crisis, there can be no doubt that the macroeconomic stability and fiscal stabilization achieved by Nigeria over the past half decade have put the world's eighth-largest oil exporter, and fifth-biggest supplier of crude to the United States, in a favorable position to face difficult times ahead.

Thanks to reforms instituted by the Central Bank of Nigeria (CBN), the financial system is sound, and largely insulated from the global financial meltdown. At a time when major financial institutions across the globe have been closing down or seeking a government bailout, Nigerian banks and insurance companies have been protected by the CBN's proactive policy of mandatory recapitalization, which has left Nigeria with far fewer, but far stronger financial institutions.

And while the Nigerian Stock Exchange has seen the rocketing share values of recent years thrown into reverse, analysts agree that the country's economic fundamentals remain strong.

Currently the world's 38th largest economy, Nigeria has expanded at an average real GDP rate of 6.8 percent over the past five years, making it one of the fastest-growing economies in the world.

Merrill Lynch, whose Global Economics report recently put the country at the head of the world's 10 safest economies, based its risk ranking on indicators ranging from the current account financing gap, the ratio of foreign exchange reserves to short-term external debt, the private credit-to-GDP ratio, private credit growth and banks' loans-to-deposits and capital-to-assets ratios. Nigeria has successfully maintained healthy foreign exchange management, a low budget deficit, and low external indebtedness.

As another recent report puts it, this time from the German research entity Konrad Adenauer Foundation, the country "is basically without debts and has a foreign exchange reserve of $50-60 billion, enough to secure Nigerian imports for two years."

With the various business-friendly programs put in place by the government, the freedom to invest in any part of the country and the sheer size of its natural resources and domestic market, Nigeria has much to offer foreign investors. Although the cost of doing business can be high, the level of risk is far lower than what is obtainable in some other economies.

Nevertheless, given current global economic conditions, the inflow of foreign direct investment—impressively high in 2008—may decrease in the near term, especially in commodity projects.

The same may apply to donor aid and remittances from the huge Nigerian diaspora, both of which contribute significantly to poverty reduction.

However, regardless of the adjustments that have had to be made in this year's budget, medium-term investment in infrastructure is set to continue. The president has pledged that government spending will focus strongly on security, construction and rehabilitation of roads and bridges, and on food security and water resources.

> "Nigeria is without debts and has a foreign exchange reserve big enough to secure imports for two years"

Building up the national infrastructure is crucial to attracting investment and realizing Nigeria's ambition to become one of the world's leading economies by 2020. The government's aim is to galvanize the private sector and open the economy up for public-private investment.

According to Minister of Finance Shamsudeen Usman, a number of steps have been taken to improve efficiency in public expenditure. He says, "A lot of work is going on to focus on key priority areas, especially infrastructure security and the Niger Delta areas, that hopefully will address the serious supply constraint in our economy, and therefore will boost the economy and help us to avoid a slowdown in growth."

While he believes further strengthening is necessary, Charles Soludo, the governor of the Central Bank, contrasts the stability in Nigeria with problems elsewhere in the world.

"We did not wait for our banking system to collapse before embarking on recapitalization," he observes. "Part of the crisis today in many markets is that they reacted too late. We restricted govern-

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Good governance and zero tolerance for abuse are crucial to market confidence

Keeping a watchful eye over the country's capital markets, the SEC is making a key contribution toward Nigeria's ongoing development into an investment hub

WITH the capital market expected to play a leading role in boosting the economy, every effort is being made to bolster investor confidence by ensuring that dealing on the Nigerian Stock Exchange is efficient, fair, transparent and stable.

Much of the rise in the confidence of both local and international investors that boosted the Nigerian stock market to dizzying heights in recent years can be attributed in large part to the activities of the Securities and Exchange Commission (SEC), the apex regulator. Recent initiatives taken by the SEC include the launching of e-transactions, the introduction of a code of conduct for shareholders' associations and enforcement action against companies guilty of market malpractice.

At the same time, it is understood that there is no room for complacency and that more needs to be done to address the challenges arising from the rapid growth of the market, including entrenching transparency, efficiency and discipline.


Industry experts are pushing for the implementation of International Financial Reporting Standards.

"In view of the specialized and dynamic nature of the capital market, there is a continuous review of existing rules and the making of new ones," says Musa Al-Faki, the SEC's director general.

New guidelines introduced by the commission to stabilize the stock exchange after last year's dramatic plunge, including a share buy-back policy and a 50 percent cut in transaction fees to enhance competition, have been welcomed by market operators.

In addition, several companies have been approved by the SEC to operate as market makers, whose job is to stabilize the capital market by buying shares when there is a glut and selling when there is scarcity. Meanwhile, top SEC officials have been visiting similar institutions in the United States in search of ideas on how to steady the market.

The SEC is an 'Appendix A' signatory of the International Organization of Securities Commissions (IOSCO), which sets the standard for securities commissions worldwide. Mr. Al-Faki, who chairs IOSCO's Africa and Middle East Regional Committee (AMERC), says, "The implication of the Commission's role in IOSCO is that the Nigerian market is rated among the capital markets in the world complying with international best practices in terms of securities laws, rules and regulations and enforcement capabilities."

The SEC chief regards the promotion of good governance in Nigeria's publicly quoted companies as a sine qua non for sustaining investor confidence, although he acknowledges that more work is needed to get companies to appreciate fully the value to be derived from extending their efforts beyond regulatory compliance.

He points out that firms practicing good governance perform better and attract more investment. "An increasing volume of empirical evidence indicates that well-governed companies receive higher market valuations. It is evident that improving corporate governance will increase capital flows to companies."

The SEC has already taken steps to enforce some of the provisions of the Code of Corporate Governance for Public Companies launched in 2003, which was essentially voluntary. Other parts of the code are being reviewed by a SEC committee.

Moves towards the implementation of International Financial Reporting Standards (IFRS) in Nigeria will facilitate investment and other economic activities across borders, says Mr. Al-Faki, who wants to fast-track their adoption by Nigeria's publicly listed companies. He says the economy stands to make tremendous gains from the adoption of IFRS, which would enhance the integrity of the capital market and boost public confidence and trust.

"The need for convergence of our local reporting standards with best practice cannot be overemphasized," he says. "It will afford the market a competitive edge and further its attractiveness to foreign investors, who desire reliable and comparable financial information from competing investment destinations."

He expects quoted companies will in due course migrate to IFRS, but sees adoption becoming mandatory for all quoted companies eventually.

THE 2009 BUDGET

President focuses on non-oil sector

PRESIDENT Yar'Adua used his recent presentation of the 2009 budget to drive home the message that the Nigerian economy must shift emphasis from the oil sector to the non-oil sector.

The volatility in the international price of oil over the past year had made the decision imperative, the president told a joint session of the Senate and the House of Representatives.

"The changing international oil market poses grave concerns for our fiscal outlook," he said. "The global financial crisis has led to slowing growth across the world's economies, resulting in a lower demand for commodities, especially oil.

"While speculative investment activities have helped to buoy oil prices in recent months, the reality of the global recession is beginning to be fully appreciated across the globe, and more poignantly in Nigeria by its adverse impact on the international price of oil."

Nigeria remains heavily dependent on oil exports, which account for around 95 percent of its total export income and the bulk of of federal government revenues.

There was no guarantee that prices would not decline further, the president said. It was wise to adopt "a prudent outlook that does not invest misplaced confidence in the expectation of unrealistically high prices."

The 2009 budget is predicated on an oil price of $45 per barrel and oil production of 2.29 million barrels per day, compared with $95 per barrel and a production level of 2.45 million barrels per day in 2008.

According to the president, the oil sector's GDP contracted by about 2.5 percent last year, due to reduced production levels caused by violent unrest in the Niger Delta, the chief oil-producing region.

Growth in the non-oil sector, on the other hand, particularly in agriculture, remained "robust" at an estimated 9 percent.

"Notwithstanding the global downturn, Nigeria's economic growth remains on track, buoyed by the strong performance of the non-oil sector," the president said.

Building up the national infrastructure is crucial to attracting investment

Prudence is the watchword

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ment ownership in banks and restricted foreign ownership of our banks, too; and this has proved with the benefit of hindsight to be very, very beneficial."

Steps have been taken to create a sound and healthy financial system with the capacity not only to achieve sustainable economic development for Nigeria itself, but also, in the longer term, to make Nigeria the financial hub of Africa.

Soludo says the CBN will continue to monitor developments and is prepared to take any action necessary to ensure the smooth functioning of the financial markets and the economy in general, and has given his guarantee that no Nigerian bank will be allowed to fail.

He points out that the productive sector of the Nigerian economy is still dominated by agriculture, which is less vulnerable to the global financial crisis, making a recession far less likely.

STOCK MARKET

New moves to bring cautious foreign investors back to the market

Stock exchange chief is optimistic that the market has bottomed out and that it will rebound

SUB-SAHARAN Africa's second-biggest equities market after South Africa, and until a year ago one of the best performing stock markets in the world, the Nigerian stock market has seen its extraordinarily rapid growth checked by shockwaves from the global financial crisis.

Now new moves are being made to rejuvenate the market and to bring back foreign investors. And the Nigerian Stock Exchange Chief Executive Ndi Okereke-Onyiuke is optimistic that 2009 will see a return to form. She says the market has bottomed out and that, while it may take a little while to come, "it is now time for a rebound."

To help that happen, the NSE plans to launch five tradable indices in the first quarter of the year. One index will cover Nigeria's 30 biggest listed companies, while the others cover the banking, insurance, food and beverages, and oil and gas sectors.

Meanwhile, market makers are being licensed to synchronize buy and sell transactions in a bid to boost liquidity—a major concern of foreign investors seeking to minimize risk.

According to the NSE, the capitalization of Nigeria's stock market plunged by 28 percent, while the market value of companies in the NSE's All-Share index, which measures the aggregate prices of listed equities, fell by almost 46 percent.

The global meltdown started to impact the market from the second quarter. Market capitalization fell from a high of 12.6 trillion naira (more than $82 billion) in May 2008 to a low of N.6.2 trillion on December 16, before finally closing at N9.5 trillion (around $62 billion) on December 31.

Initially, the slide was seen as an inevitable correction in the market following a remarkably extended bull run. Some analysts blamed domestic monetary and financial policies, others the activities of international hedge funds. But Charles Soludo, governor and chairman of the board of the Central Bank of Nigeria, attributes the plunge clearly to the credit crunch.

Ups and downs: The NSE has seen record rises and falls over the past 12 months.

He highlights the flight of foreign investors from the Nigerian market: "The origin of the problem is the credit crunch that started globally. The institutional investors were pulling out in order to service their facilities elsewhere, and then stock prices went down."

NDI OKEREKE-ONYIUKE
Chief Executive of the Nigerian Stock Exchange

According to Professor Okereke-Onyiuke, "Purchases by foreign investors amounted to 150 billion naira (around $960 million) in 2008, just 6.3 percent of aggregate turnover, compared with N256 billion in 2007, when the market was one of the best performing of its kind in the world.

"Total sales by foreign investors last year were just over N550 billion, resulting in a net outflow of N400 billion," she added.

It was all so different from the extraordinary rapid growth trend that had made the Nigerian market the investors' delight, with banking and insurance shares topping the performance charts in terms of volume and value of equities traded.

Market capitalization increased from N2.5 trillion in 2005 to last year's N12.6 trillion peak. The All-Share index rose from 24,085 points at December 2005 to 63,017 points at the end of March 2008.

Between 2005 and 2007, trading values rose from N254.7 billion, a daily average of N1.06, to N2.086 trillion, a daily average of N8.62 billion. Over the same period, new issues increased from N405.84 billion to N1.34 trillion.

Professor Okereke-Onyiuke says that despite the recent declines in key market indicators, the strength of the fundamentals of the market are indicated by strong corporate earnings and growth potentials.

While noting that foreign investors remain cautious, she has expressed confidence that the market will rally this year. "The market has bottomed out," she says. "It is now time for a rebound, though it will take a while as a result of the loss of confidence in the market in the recent past."

Certainly the federal government is eager to see the market enter a period of stability after last year's ups and downs. Ensuring consolidation of the size and stature of the NSE as a leading emerging capital market is a key concern for the government, which regards it as a springboard to jump-start the economy.

UBA STOCKBROKERS

Encouraging ordinary Nigerians to become shareholders

Getting more Nigerians to participate in the stock market is a primary aim of UBA's stockbroking arm

FOR STOCKBROKERS, the emergence of a growing Nigerian middle class offers the potential to greatly expand their customer base. As wealth spreads to wider sections of society and the stock market itself develops, ordinary Nigerians could become shareholders, and retail stockbroking could take off.

That is the scenario envisaged by, among others, United Bank for Africa, Nigeria's leading financial services conglomerate, whose stockbroking arm, UBA Stockbrokers, has been targeting one million retail customers.

How quickly it comes about will depend on a variety of factors, not least the performance of the market in 2009. The confidence of the ordinary investor may well have been dented after the runaway rise in stock prices of recent years was checked by last year's market plunge against the background of a global meltdown.

In the longer term, however, firms like UBA believe that the potential to widen the investment community is there.

"It is our belief and objective that we can build a retail stockbroking firm and deliver stockbroking services to each and every Nigerian," says Haruna Jalo-Waziri, managing director and chief executive officer of UBA Stockbrokers.

Certainly, as part of the UBA Group, the firm is well placed to take the lead in drawing Nigerian citizens into the market. Currently established in Nigeria, Ghana, Cote d'Ivoire, Cameroon, Sierra Leone, Liberia, Uganda and Burkina Faso, and with a presence in strategic global financial markets such as London, New York and the Cayman Islands, the UBA Group is pressing ahead with plans for expansion. This year, it has declared, it will be extending its banking operations to 15 additional countries, including Tanzania, Benin, Senegal, Kenya, and the Democratic Republic of Congo.

"Our objective is to be the third-largest bank in Africa in terms of balances and credit,"

UBA Stockbrokers is part of the UBA Group, which boasts 700 branches and 8 million customers.

says Mr. Jalo-Waziri. "The focus is to be Africa's global bank."

This gives UBA Stockbrokers a head start toward achieving its ambition to hold first or second place in terms of stock market volume and value. UBA already has 700 branches and eight million customers. For UBA Stockbrokers to achieve its target of one million clients would only require converting one in eight of UBA customers to investing in the market, reasons Mr. Jalo-Waziri.

HARUNA JALO-WAZIRI
Managing Director/CEO of UBA Stockbrokers

"We intend to do that by providing stockbroking services to each and every one that is willing to buy shares," he says.

Typically, says Mr. Jalo-Waziri, stockbrokers tend to look for top earning clients, share trustees and pension fund administrators. "We realize that the lower end of the retail market is of prime interest. We will remove all the barriers possible so everyone can own a stockbroking account."

Confident that the customers will come, the company has upgraded its operational capabilities in readiness. "It's easier to acquire clients than to service them," says Mr. Jalo-Waziri. "So our operations have had to be kicked up. We have focused on building the operations of the system, the technology platform etcetera, so that once we acquire the customers we retain them.

"We have in place world-class technology and a dedicated client service and relationship management team to meet our customers' needs, and we will always strive to provide the highest quality service," he adds.

STOCKBROKING INDUSTRY

Higher capital requirement and tighter regulation will strengthen stockbroking industry

Government warned against 'one-size-fits-all' approach to recapitalization of stockbroking firms

The rapid growth of Nigeria's capital market in recent years has prompted a similarly rapid expansion of the stockbroking community. Well over 200 firms are currently on the list of stockbrokers approved by the Securities and Exchange Commission.

However, the numbers are likely to reduce substantially when the SEC introduces its currently deferred proposed minimum capital requirement of N1billion (more than $6 million) for a stockbroking business to operate in Nigeria.

The move can be expected to consolidate and strengthen the sub sector in much the same way that new minimum capital requirements introduced by the Central Bank did for the banking and insurance industries. Smaller stockbroking firms would have to merge in order to meet the new requirement. Firms that fail to shore up their capital base by the deadline would have their licenses revoked.

The Ministry of Finance is thought to believe there are too many fringe — and some unscrupulous — players in the market and to want roughly halve the number of firms in operation.

Those that survive the process will be better able to invest in IT platforms and trading systems, and in training their employees, raising the quality of service they are able to provide investors. A number of companies have already embarked on private placement to source additional funds.

PETER OLOLO
Chief Executive Officer and Managing Director of Falcon Securities Ltd.

However, the recapitalization, originally due to take place by the end of 2008, was put on hold in the middle of last year at the request of the House of Representatives. The deadline has now been extended to December 2009, allowing time for the SEC to undertake further consultation.

A number of stockbrokers have complained that the new requirement is unrealistically high—a similar response to that which greeted the moves to recapitalize the banks and insurance companies. Fears have been expressed that the new requirement will simply clear the field for the big banks, a number of which have already set up subsidiary stockbroking businesses.

The Chartered Institute of Stockbrokers (CIS) and the Association of Stockbroking Houses of Nigeria warn that if small broking firms are wiped out there will be no one to cater to the needs of average Nigerians.

They argue that a "one-size-fits-all" minimum capital base is the wrong approach to strengthening the market. Instead, they suggest tiered minimum requirements of N250 million, N500 million, and N1 billion, according to the volume of business a firm conducts.

They dismiss arguments that there are as many stockbroking firms as there are equities listed on the stock exchange, saying there is a need to get more Nigerians investing in the market. At present, only about 1 percent of Nigerians are shareholders in quoted companies, compared with 70 percent in developed economies.

Peter Ololo, chief executive officer and managing director of Falcon Securities Ltd., says that most major stockbroking firms, including his own, already exceed the proposed new recapitalization minimum.

"There are varied levels of brokers in Nigeria; from those who will take offers of N3 million-N5 million to smaller brokers who will take in N500,000," he argues. "The market should be segmented, so that you can be a major stockbroker, or just a minor broker. It needs to be segmented so that everyone can invest in the market."

Like the government, he sees the capital market as a springboard to jump-start the economy. "We need to encourage and help the masses to grow, in order for the economy to grow and hence confidence in the market to develop," he says. "People will start to see opportunity of income beyond that earned from their employment. Pension funds will start up; people will become more productive with their assets. When an individual has assets there is more opportunity for creating wealth."

He describes stockbroking as a personalized "trust and confidence business" that will need more than recapitalization to improve.

"Recapitalization should not be an end in itself. In terms of developing the market, there is still a lot more to be done. The regulator is currently trying to remove all fraudulent activities. There are all sorts of restrictions and regulations in place. It is a highly regulated industry."

He argues that the problem for many stockbrokers is that the non-sovereign debt and the secondary market are not sufficiently developed, because there are still lower margins of profits in Nigeria.

"The market has not developed to a level of abnormal margins. In terms of equity, private bond loans, those companies must have a track record. However, investors are reluctant to invest in a company bond against equipment that is reliant on electricity and power etcetera, as it is a risk. Currently most of the bonds we have are blue chip companies."

Mr. Ololo adds, "The next level we are expecting will be the telecoms industry, which will take off as soon as the telecom companies become listed and float."

The stockbroking industry has taken off, and Nigerian agents are working to keep up.

ALLOCATING ASSETS

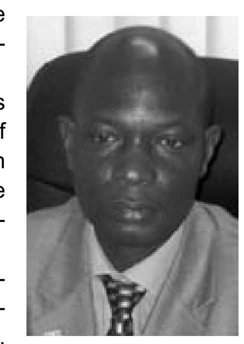
Diversification provides safety in the storm

The importace of diversification has never been more apparant than it is now in Nigeria, says Emmanuel Ugboh, managing director and chief executive officer of the funds management company Deap Capital Management & Trust.

"Yes, we were hit by what happened in the market recently, but recovering for us should be faster because of the structure of our business," says Mr. Ugboh. "The stock market is a place where you can make fast money and you can also lose it very quickly, and what this means to us is that any opportunity we may have to diversify our sources of income we will gladly take."

Deap is a public limited company with an asset base of more than N4 billion ($27 million), with funds under management in excess of N3 billion. The company has broadened its activities from its core business of funds management to include venture capital for small and medium-sized industries and issuing house services to corporations and institutional investors.

Up until 2005, Deap was putting virtually 100 percent of its funds into equities listed in the stock exchange. Since then, however, it has diversified its investments.



EMMANUEL UGBOH
CEO of Deap Capital Management & Trust

Several years ago, it invested in a small bank called Resource Savings and Loans. "The mortgage sector appealed to us because of the potential of that sector," says Mr. Ugboh.

"Early last year, we went to the market to raise money for that company, and even though our target at that moment was N800 million, we ended up raising about N7 billion (almost $45 million), making it today, in terms of capitalization, one of the first three in the mortgage sector in Nigeria."

In addition, Deap has an interest in DVCF Oil & Gas, a company providing funding and project management support to indigenous operators in the Nigerian upstream oil and gas sector.

"We have a diversified source of income, so if the stock market suffers a correction we should be able to weather the storm," says Mr. Ugboh.

The firm now has around 40 percent of its funds invested in its associated companies, with most of the remainder invested in the stock market.

"Moving forward, we would like that situation to be turned around," says Mr. Ugboh. "We would like to have 60 percent of our funds invested in these other activities and 40 percent in the stock market."

FUTUREVIEW

Competition 'fierce' since reforms

A well-thought-out business strategy allows FutureView to remain a market leader

Reforms in the banking and insurance sectors have opened the floodgates for consolidation in other sub sectors of the local financial market, according to one of the top traders on the floor of Nigeria's Stock Exchange.

Elizabeth Ngozi Ebi, managing director and chief executive officer of FutureView Financial Services, says competition has been intense since the Central Bank launched the consolidation process by raising minimum capital requirements in both the banking and insurance industries.

The stockbroking and investment banking firm has played a leading role in the process, taking more than 25 banks to the capital market following the first round of recapitalization that started in 2005. Since then, FutureView has been heavily involved in the subsequent capital-raising rounds in the financial sector, including mergers and acquisitions.

One of the most capitalized operators on the NSE, FutureView is itself in the process of raising additional funds. It commenced business in 1996 with an authorized paid-up share capital of N10 million, which has since increased to around N10 billion. By way of private placement, it is seeking to increase its paid-up capital to N30 billion (almost $200 million).

A fast growing and profitable business, the firm's compounded annual growth rate in revenue and net income over the past five years has been 101.2 percent and 113.7 percent, respectively.

ELIZABETH NGOZI EBI
Managing Director of FutureView

"Although competition among all sectors of finance and investment banking has been fierce, FutureView, through a carefully thought-out global business strategy, has remained a market leader in its niche market segments," says Mrs. Ebi, who boasts the distinction of being the first female stockbroker to have been licensed by the NSE.

FutureView was issuing house/financial advisers to the federal government when the largest ever local debt offering of $1.25 billion was issued. In 2005, it was named West African Issuing House of the Year by the Institute of Direct Marketing of Nigeria for its contribution to the growth and development of the Nigerian capital market. The company is also the European Economic Development Council representative in Africa.

In addition to the financial sector, FutureView is also active in the telecommunications, manufacturing and oil and gas sectors of the economy.

Mrs. Ebi asserts that Africa is the new frontier for investment and Nigeria is the trigger, with the real estate, infrastructure, power, construction, oil and gas sectors all holding immense potential.

"We believe the value-investment seekers should consider investing in Nigeria with its huge resources, 140 million people and strategic position," she says. "It is the sixth-largest producer of oil, ninth-largest producer of gas, and blessed with deposits of about 300 different types of minerals."

FutureView has played a leading role in capital raising rounds, including mergers and acquisitions.

SPRINGBOARD

Ready to welcome foreign investors

Offering experience and expertise, Springboard is keen to support projects that help boost national development

With the government eager to create a welcoming investment climate, the time is right for foreign investors to come into Nigeria, according to Shehu Yakubu-Concern, managing director of Springboard Trust & Investment Ltd.

The stockbroking and financial services company is keen to serve clients outside Nigeria. "We at Springboard are going global," says Mr. Yakubu-Concern. "We are looking beyond the Nigerian market and are well positioned to advise any foreign investor on any form of investment.

"Investment does not necessarily mean in the capital market alone," he adds. "We advise on either equity or private investment, or on partnering with the government on infrastructural development."

Springboard has built up a wide network of clients, including multinationals, foreign portfolio managers, and corporate and institutional investors. Ten percent of deposits for shares come from overseas, largely from Nigerians living abroad.

"We get funds mostly from the United States, the U.K. and South Africa," says Mr. Yakubu-Concern. "We serve Nigerians in the diaspora. We execute their mandates and manage their funds."

There are plans to establish an offshore branch that will concentrate on marketing Springboard's products and services.

The company is also preparing for the future development and growth of the capital market. "We are training our staff in derivatives and more sophisticated instruments," says the managing director.

He is looking forward to the bond market taking off, as this is an area in which the firm already has expertise. "Not all brokers have a good understanding of bonds," he says. "We are one of the few companies that have handled and traded bonds on the floor of the Nigerian Stock Exchange. We have executed a number of bonds on behalf of clients and the government."

SHEHU YAKUBU-CONCERN
Managing Director of Springboard Trust & Investment

Springboard is also set to resume its role in corporate finance with its reapplication as an issuing house. "We were an issuing house but temporarily dropped that function to enable us to address the challenges in the secondary market, but we have reapplied for the issuing house license. We also want to diversify into private equity funding, which is capital intensive."

Public-private partnership projects are of particular interest. "We have looked at the idea in the past and we are working on the energy sector," he says. " It is complex, but if you have the experience and expertise it is possible. Our dream is to go along that route. We will invest our funds and mobilize private funds too."

Founded in June 2000 with a special focus on the capital market, asset management and financial consultancy, Springboard is a patriotic company that is dedicated to the development of Nigeria, says Mr. Yakubu-Concern.

He says the firm has built up a wealth of experience and is able to take well-calculated risks where necessary. He also emphasizes its "unflinching commitment" to ethical business dealings, and that its procedures and processes are open to scrutiny.

"Most stockbroking firms today are doing the same thing, but what makes us different is the delivery end of our services, the professionalism and the expertise."

INSURANCE

Development of the insurance industry could lead to an increase in clients

Can Nigeria's insurers emulate the success of the banks? Reforms are being made to ensure that they can

By 2012, Nigeria's insurance industry should be generating premium income equivalent to more than $50 billion, according to the country's Commissioner for Insurance, Fola Daniel. The magazine *African Banker* says the figure could be as high as $100 billion.

Estimates may vary but, at the very least, there is widespread agreement that Nigeria is on the brink of becoming a major emerging market in the industry. Bear in mind that insurance penetration ratio is extremely low at less than 1 percent in Nigeria, and then compare that to Namibia at 8 percent and South Africa at 15 percent, and you can see the future potential.

There is also general agreement that before the mega-buck dreams come true, much needs to be done in terms of further consolidation and sanitization of the industry, and in making Africa's most populous country aware of the advantages of insurance. So it's good to know that the Nigerian authorities at the National Insurance Commission (NAICOM) are backing aspiration with action.

FOLA DANIEL
Commissioner for Insurance

These efforts are centered on an eight-year plan code-named Nigeria Insurance Market Development and Restructuring Initiatives, which is aimed at building confidence in the industry, promoting public awareness, securing protection for policyholders and narrowing the potential for financial crime.

In support, the federal Ministry of Finance is reviewing legislation governing insurance practice and ensuring that all government assets are adequately insured. Meanwhile, the World Bank is throwing its weight behind capacity building, effective supervision, good corporate governance and educating insurance consumers.

Fola Daniel says the moves are expected to transform the insurance industry's gross premium income from $1 billion in 2007 to $8.70 billion in 2010, $25.64 billion in 2011 and $51.28 billion in 2012.

According to NAICOM, as a result of the recapitalization of the industry between 2005 and 2007, the capitalization requirement in Nigeria's insurance sector is now the highest in Africa. On the NSE, insurance stocks vie with those of the banks in popularity.

For general insurance companies the requirement was raised to 3 billion naira, for life insurance players it rose to N2 billion, and for reinsurance firms to N10 billion.

By the end of the process, more than 160 insurance companies had been reduced to 49. However, it is unlikely to end there and further consolidation — this time through market driven mergers and acquisitions — is expected, as has already been happening in the banking sector.

Foreign insurance companies, including four major South African life insurers, are reported to be scrambling for a place in Nigeria's market.

A powerful motivator for consolidation is the prospect of the big bucks to be made by locally-based insurers in Nigeria's huge oil and gas sector. The federal government is eager for Nigerian-based firms to get the lion's share of business in the sector and to stop the outward flight of capital represented by oil companies seeking cover abroad.

The government's response has been to insist that the oil firms comply with so-called local content rules, which aim to ensure that insurance cover is provided locally.

According to Minister of Finance Shamsuddeen Usman, "The local content development program is a major policy thrust for this government which, if properly implemented, can enable Nigerian firms to build capacity, grow the economy and create jobs. The government views with concern any sector that is not living up to expectation."

More and more Nigerians are becoming aware of the advantages of having insurance

ROYAL EXCHANGE

Veteran firm looks to the future with optimism

Established as a branch of a London-based insurance firm in the early part of the last century, Royal Exchange PLC was the first insurance company to do business in Nigeria. Indeed, for more than 20 years, it was the only insurance company operating in the country.

Today, post consolidation of the industry, the Lagos-based firm has the advantage of being a long established brand and one of the largest branch networks in the sector, with 15 branches and five regional offices nationwide.

But Royal Exchange understands that it must adapt to succeed in a newly competitive environment. Allan Walmsley, group managing director, has taken on the task of realizing a 20-point strategic plan ranging from rebranding, technology upgrades and human capital development, to risk management, product enhancement and diversification. "My interest is in creating a world-class company," he says. "It is a mammoth challenge, but it will be achieved by 2012."

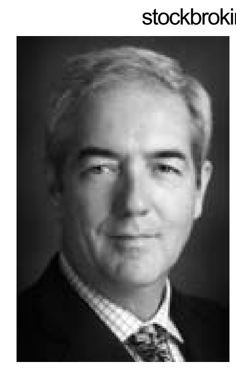
Listed on the Nigerian Stock Exchange in 1990, the company entered into a merger in 2007 with the African Prudential Insurance Company and Phoenix of Nigeria Assurance. The outcome was a significantly stronger company, better positioned to serve the needs of its clientele in the financial services sector.

Previously registered as a composite insurer of life, general and special risks, the company substantially reorganized into a group holding company, positioning itself as a broad based, financial services provider.

The general and special risks insurance business was demerged into a wholly owned subsidiary, Royal Exchange General Insurance, while the life assurance business was transferred to another wholly owned subsidiary, Royal Prudential Life Assurance.

Two additional, wholly owned subsidiaries, REAN Finance Company Limited and Royal Exchange Healthcare Limited, have been established as part of the overall diversification strategy.

Royal Exchange Assurance, in its new role as a holding company, plans to expand in other areas in the financial service sector, such as pensions, mortgages and stockbroking, in each case looking for something that complements its core business of life assurance and asset management.



ALLAN WALMSLEY
Group Managing Director, Royal Exchange

"Whatever we look to acquire, we must be certain of the potential to unlock value within the shortest possible time," says Mr. Walmsley. "We will obviously be looking at existing brands but brands with potential for organic growth thereafter. We will deploy the management and technology to grow the value."

In addition to strategic acquisitions to assure its future in the nonbanking, financial services industry, Royal Exchange will also be positioning itself to be a major insurer in the potentially lucrative oil and gas sector. "The oil and gas sector and the local content rule will obviously provide enormous opportunity."

In terms of the financing of the acquisitions, the company is well capitalized and carries very little debt, though there are plans to go to the market with a hybrid offer that it hopes to conclude by June. "The amount involved is N8 billion, which we believe will be sufficient for us to carry out our acquisitions and repositioning strategy," says Mr. Walmsley.

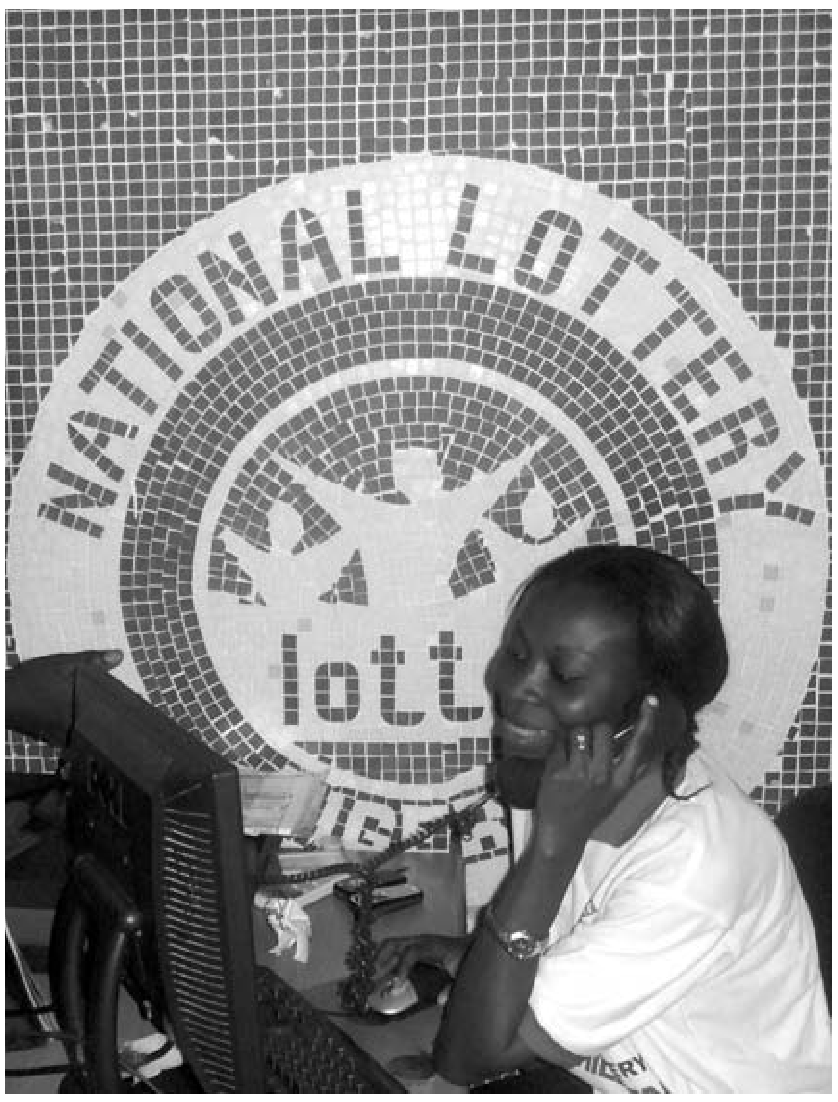
According to the managing director, Royal Exchange will continue to focus on general insurance, healthcare and life assurance as its core revenue drivers for the next four years while developing the mass retail market through its Royal Direct division which is an initiative to put 10,000 financial advisors into the market within two years.

There are also plans to expand the already substantial branch network and to develop a franchise model for the smaller centers. "The priority is outreach," says Mr. Walmsley. "The franchise model is still at the developmental stage, and we will commence rollout in approximately six months time."

INSURANCE

Sports lottery places its bet on accelerating moves toward a cashless society

Use of credit cards in Nigeria is set to accelerate, thanks to ambitious moves by the National Sports Lottery to diversify its business well beyond gaming



NSL is building the infrastructure for the convergence of lottery and electronic transaction processing.

WHILE it has a fast-growing economy and a recently strengthened financial sector, Nigeria is still largely a cash-based society. Only a small percentage of Nigeria's huge population has a credit or debit card in their wallet, and those who do use them mainly draw cash from automatic teller machines.

That could soon start to change, however, thanks to moves by the National Sports Lottery (NSL) to diversify its sources of revenue. While the company's core business remains the lottery, it is also diversifying into other businesses, most notably electronic transaction processing.

Tens of thousands of point-of-sale (PoS) terminals are being distributed by NSL to enable Nigerians to bet on the lottery and make payments by credit or debit card. Until the company started to distribute them last year, PoS terminals were not very common in Nigeria, and were mostly found in Lagos.

Now, in partnership with Visa International and the French company Ingenico, the world's leading manufacturer of the terminals, NSL is making them widely available for selling lottery tickets and providing a range of value-added services managed by the lottery company. Initial distribution of 20,000 multi-function terminals will be increased to 50,000 in what has been described as the largest single rollout of PoS terminals anywhere in the world.

> "We can make a lot of money from technology. We want to be the biggest service provider of financial data transmission"

"We are preparing Nigeria for a cashless economy," says Odunlami Kola-Daisi, NSL's chief executive officer. "We are not there yet, but we already have the infrastructure. Once we reach the stage where we have 10 to 15 million people carrying cards, we will make a lot of money, because our agreement with Value Card is that we share profits from every transaction."

Conservative estimates by the company also suggest that the purchase and deployment of a minimum 50,000 PoS terminals across the country will create more than 50,000 employment opportunities within12 months.

Incorporated in 2000, NSL holds a 30-year exclusive license to run the lottery up to the year 2031. The company was listed on the Nigerian Stock Exchange in 2007, and since then has successfully restructured its business by diversifying its revenue base. In addition to the lottery itself, NSL is seeking additional revenue from airtime vending, card payments, NSL-branded Visa International payment cards, and asset management.

Dr. Kola-Daisi, a medical doctor who built his career in investment banking, stresses the importance of diversity for boosting NSL's bottom line. "As a publicly listed company, we need to report good numbers to our shareholders, and that's the main reason why we have diversified," he says.

"We don't see ourselves as a lottery company per se, we see ourselves as an infrastructure holder."

He reckons that, being the first entrant in the PoS infrastructure business, achieving a 1 percent market share per annum alone translates to minimum revenues of N20 billion (around $130 million) per annum. "We can make a lot of money from technology," says Dr. Kola-Daisi. "We want to be the biggest service provider of financial data transmission."

In July last year, NSL launched a hybrid offer to raise N12.4 billion (around $77 million), almost half of which it plans to spend on buying the additional 30,000 PoS terminals from Ingenico. The remainder will be spent on refinancing short-term debt, providing working capital, including spending on publicity and advertising, and on financing network and communication expansion.

According to the offer forecast, NSL's turnover is expected to grow from N10.8 billion in 2008 to N31.8 billion in 2010 (around $200 million), an increase of nearly 196 percent. Profit before tax is expected to rocket from almost N4.5 billion in 2008 to 18.8 billion naira in 2010, an increase of 318.9 percent, while profit after tax is expected to rise from N3.7 billion to just over N13 billion, an increase of more than 250 percent.

"In about three to five years, the potential of all the business would have reach its maximum level, so everything should be doing well," says Dr. Kola-Daisi.

Last year, NSL signed a technical and management services agreement with a company called Langtech for a new lottery game in Lagos, ending a long battle with the state government over control of lottery business in the state.

An agreement with Rivers State is the first of what NSL hopes will be a series of deals to automate state governments' collection of revenues. "In each state where we market this service, revenue collection will be converted from a cash-based system into a card-based system, and we will put the infrastructure in place for free," Dr. Kola-Daisi explains.

This will result in a huge increase in the number of Nigerians equipped with Visa cards — some 500,000 in Rivers State alone — as well as more efficient revenue collection.

"Rivers State Government has signed an agreement with us saying every single tax paying adult in Rivers State must carry a Visa card, because they don't want to collect cash any more for revenue payments. They collect about N3 billion a month. We hope to double that collection because we will eliminate all the leakages."

Dr. Kola-Daisi believes that once the system is shown to work in Rivers State, other states will be interested in taking it up as well. NSL has already had approaches about internationalizing its products and services. "Once we get the full model functioning properly in Nigeria, we will export it," says Dr. Kola-Daisi.

"We are already having useful meetings with parties that want to replicate the model in the West African sub-region because they see opportunity exactly where we are building our experience in Nigeria, in cash collection.

"We have a very unique business model. Everywhere else in the world, lottery companies depend on agents who by Saturday afternoon have to bring back all their sales. Instead, we have taken the example of the best lottery in the world, which is Camelot.

"Under their system, by Friday they already have almost 90 percent of the sales because the agent is debited from his account. The majority of the winners come to collect their winnings on Monday afternoon, so you cannot afford to have a slow cash collecting system."

Meanwhile, proceeds from the lottery should help alleviate poverty in Nigeria through the contributions NSL is required to make to the National Lottery Trust Fund for good causes.

Dr. Kola-Daisi calls the sports lottery the biggest poverty alleviation program the government will ever have. "We are able to give a lot back to the community, first of all because statutorily we have to give back 10 percent of our turnover to the National Lottery Trust Fund, but on top of that we have also created our own National Sports Lottery Foundation, which is going to carry out its own specific programs around the nation." The NSL Foundation will be funded mainly from the company's non-lottery activities.

ODUNLAMI KOLA-DAISI
Chief Executive Officer of the National Sports Lottery

Dr. Kola-Daisi says one of NSL's main strengths is the quality of partners, such as Visa International and Ingenico. "I strongly believe that what NSL has been able to achieve in terms of collaborative partnerships makes us a role model. Everybody looks at us and says we are doing a great job. In the terminal business we are the best in the world, in the switching business we are the best in the world, even in the lottery business we are among the best in the world."

According to the lottery boss, NSL is already planning to optimize the range of uses offered by PoS terminals, and will work in partnership with world-class companies as it takes on further new business lines.

INSURANCE

Takeover has transformed prospects for Nigeria's oldest life insurer

The acquisition of African Alliance Insurance by Universal Insurance reflects the momentum of the sector toward the emergence of more powerful companies

IT is now approaching a year since African Alliance Insurance, Nigeria's longest-established life insurer, was taken over by Universal Insurance PLC, one of the country's leading providers of general insurance.

Ten months down the line, African Alliance has undoubtedly benefited from its change in fortune, while Universal Insurance can reflect on a successful expansion into the life insurance business. New ownership is allowing African Alliance to expand its coverage of the market and integrate aspects of innovation that had previously been beyond its reach.

According to Managing Director Alphonse Okpor, "The new tempo we are witnessing has transformed our performance and service delivery platforms. The influx of tried-and-tested professionals, meanwhile, has boosted our product development, asset management, financial advisory, and information and communication technology departments."

Essentially, only the board at African Alliance has changed hands. The company, now a full subsidiary of the Universal Insurance group, otherwise runs independently.

To fund long-term growth, African Alliance will be putting its profits to work. Proceeds from the private placement will be used to expand the company and develop its operational infrastructure; one of the first steps after the acquisition was to develop the branch network and equip offices with the latest IT infrastructure.

African Alliance's Chairman Cyril Ajagu blames the lull in life insurance patronage on a lack of products that meet clients' requirements. He says there is a need for more scientific life policies that will guarantee uninterrupted education, home ownership, retirement benefits, effective financial planning, and offer additional financial advisory services.

CYRIL AJAGU
Chairman of African Alliance Insurance and Vice-Chairman of Universal Insurance

ALPHONSE OKPOR
Managing Director of African Alliance Insurance

African Alliance's own products range from policies guaranteeing children's education, to investment plans, personal pension plans and plans compliant with Islamic law.

"We have recognized the need to expand our product portfolio," says Mr. Ajagu. "It has to be a portfolio that accompanies clients from one to 80 or more years. The portfolio must be structured in such a way that, at any point in time, a client can make a justifiable claim and be reimbursed."

By making it standard practice to make prompt payments, African Alliance will not only strengthen its position in the Nigerian market, but also attain global standing, he says.

In the long-term, Mr. Ajagu is interested in cross-selling services and investment-linked premiums. Part of his interest in African Alliance is to sell the services of the insurer to Universal Insurance's corporate clients. He sees African Alliance moving into asset management and low-risk investments in the hospitality industry, for example. "It's an integral part of our re-engineering strategy," he says.

Partnering with foreign insurance specialists is part of Mr. Ajagu's expansion dream. He is targeting companies with track records of low-claims and strong business ethics. They should also be entities that are open to diversification of their own portfolios. With its strong position in the West African market, African Alliance is ready for association with a leading global brand, says Ajagu.

"Our board is very strong and has a global vision and mind-set, so we would want any partner we associate with to have a similar approach," he says. "We have the oldest insurance business from western Nigeria and the oldest business from the eastern part of the country. We won't be happy with anything less than one-third of the insurance market share in Nigeria. That is our target."

The range of products offered by African Alliance reflects its chairman's belief in providing policies that meet the needs of clients throughout their lives.

EVOLUTION OF A MEGA GROUP

Taking Nigeria's insurance sector to a new level

WHEN Universal Insurance announced it had acquired 100 percent of one of the country's leading life insurers, something moved in the bedrock of Nigeria's financial establishment.

This was not merely the acquisition of one insurance company by another — it was an industry development with key ramifications, marking the evolution of just the kind of mega group that analysts say is required to take the insurance sector forward into a new era.

Another upshot for Nigeria's financial sector is the creation of a one-stop financial outfit able to compete with banking institutions. Univeral Insurance also bought stakes in a micro-finance bank in 2008, and is now on the lookout for equity in a commercial bank.

> "Although we are not strictly a private equity fund, investing in value is at the core of our business"

Cyril Ajagu, vice-chairman of Universal Insurance, says the takeover of African Alliance is part of a move to take the insurance sector in Nigeria to a whole new level. He describes it as "part of our overarching strategy to transform the insurance sector in Nigeria and bring it up to international standards."

Three other companies had already been taken under Universal Insurance management before the group's buy-out of African Alliance — African Safety, United Trust and Oriental Insurance.

Mr. Ajagu's plan is to expand from the insurance market into related financial services, and he and his team are planning ahead for their next venture. Recently, they acquired 70 percent of Ghana Life, the leading life insurer in Ghana, and further expansion and acquisitions in the region are likely to be on the cards.

So far, they have been allocating resources to high-performing sectors of the economy, looking at recent history and trying to make sense of where markets could go over the next 10 to 20 years. "Although we're not strictly a private equity fund, investing in value is at the core of our business," explains Mr. Ajagu.

He is confident that both his sales and IT teams are highly motivated. The group has been hiring staff through an international HR agency. "We are partnering with a number of foreign consultants to meet needs such as due diligence, developing a product portfolio and devising a more efficient legal structure," he says.