MARKET SEGMENTATION - FAQ

GENERAL

1. What is the NSE Market Segmentation Initiative?

To enable the exchange better focus our market development efforts - one of our **2011 Key Initiatives** - a segmentation exercise was conducted to analyze key aspects of our market currently impeding growth, specifically liquidity, and issuer and investor confidence.

2. What was the outcome of the segmentation exercise?

We determined it was necessary to make strategic changes to our markets and boards, industry sectors, and company sector classifications. We also determined that it was important to introduce market capitalization and growth/income classifications for listed stocks.

3. Why is the exchange rebranding its markets and boards?

The basic structure and composition of our markets were previously restrictive. The creation of the Equities and Bond Markets provides an opportunity for securities to be properly matched and listed on the appropriate boards.

The Equities Market comprises the Main Board and the Alternative Securities Market (ASeM); and the Bond Market comprises the following boards: Government Bonds-Federal, Government Bonds-State and Local, and Corporate Bonds/Debentures. See Table 1 for details.

Note: Preference Stocks will be moved to the Main Board or ASeM, to be listed with their respective company's common stock (ordinary shares).

The NSE will launch a third market in Q4 2011 - the ETF Market - to complement the listing of our first Exchange Traded Fund (ETF).
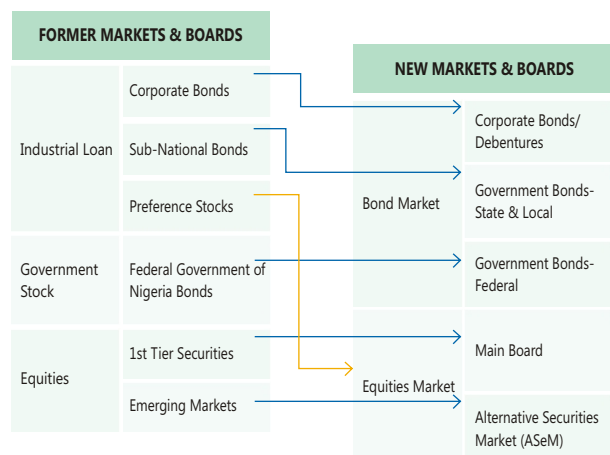
FORMER MARKETS & BOARDS		NEW MARKETS & BOARDS
	Corporate Bonds	Corporate Bonds/Debentures
Industrial Loan	Sub-National Bonds	Government Bonds-State & Local
	Preference Stocks	Bond Market
Government Stock	Federal Government of Nigeria Bonds	Government Bonds-Federal
Equities	1st Tier Securities	Main Board
	Emerging Markets	Equities Market / Alternative Securities Market (ASeM)

Table 1

EQUITIES

4. Why is the exchange restructuring its industry sectors?

Companies previously had 33 sectors under which they could be classified. These sectors were not representative of the Nigerian economy, and were also not in line with global industry classification standards. This complicated the listing process and hindered visibility into our capital market by global investors, analysts, data vendors and index managers. By streamlining our industry sectors - now 12 sectors - the NSE has removed these barriers, and has conformed to more widely-accepted global standards, such as GICS, SIC, NAICS and ANZSIC. See Table 2 for details.

NEW SECTORS
1. Agriculture
2. Construction/ Real Estate
3. Consumer Goods
4. Financial Services
5. Healthcare
6. ICT (Information and Communications Technology)
7. Industrial Goods
8. Natural Resources
9. Oil & Gas
10. Services
11. Utilities
12. Conglomerates

Table 2

5. How will this sector restructuring affect listed companies?

Most listed companies have been reclassified for better grouping within the 12 sectors. Some of the old sectors have now been merged under one sector, while others have been modified. These changes will enable more accurate market-related analyses at the local and global levels, including analysis of local economic sector performance versus market sector performance versus global sector performance. The changes will also facilitate the development of new investment instruments, such as indices, ETFs, etc.

6. Can companies be in the same sector, but engage in different business activities?

Yes. Each sector is clearly defined and further divided into sub-sectors which describe the nature of business activities. For example, in the newly defined Agriculture sector, companies specializing in fishing/hunting/trapping, crop production or livestock/animal specialties would all appear in Agriculture-specific market reports; they would also be eligible for consideration in an Agriculture index.

7. How does the sector restructuring exercise affect peer-to-peer comparisons?

Peer comparisons will be conducted at the sub-sector level.

8. What are the criteria for a company's sector and sub-sector classifications?

Listed companies are classified according to the sector in which they operate; these map to the nation's economic sectors. Companies are primarily classified under the industry sector and sub-sector that best represent their business activities.[1]

9. Who will benefit from the industry segmentation exercise?

Issuers (Companies): Increased visibility for inclusion in local and foreign portfolios and indices; and market harmonization with companies performing similar business functions.

Broker-Dealers: Additional opportunities to create new tradable instruments, such as ETFs, and to provide value-added services to informed retail investors.

Investors: Simplicity that drives increased market and investment knowledge, and informs portfolio construction and diversification.

Stock Exchange: A more efficient, attractive and less vulnerable market that is aligned with global exchange best practices.

10. Who will benefit from market cap and growth/income segmentation exercises?

Large/mid/small cap and growth/income classifications of stock are important for two reasons: (1) they inform the construction of investment portfolios in terms of asset allocation, providing investors the basic tools for understanding risk diversification; and (2) they inform product development and market analyses, providing operators another practical parameter for consideration. See Table 3.

11. How will the Segmentation Initiative affect NSE reports, such as the Daily Official List?

All NSE reports that provide information about securities at the market and sector level will change to reflect our rebranded markets and boards, and redefined sectors.

BONDS

12. Will bonds be affected by the segmentation exercise?

The Bond Market is a new market. Corporate bonds and government bonds are listed in this market. These fixed-income securities will be listed on different boards which represent the issuer of the instrument, i.e., Corporate Bonds/Debentures (companies), Government Bonds-Federal (federal government) and Government Bonds-State and Local (states and local governments).

13. What is the benefit of rebranding the Bond Market?

Prior to the segmentation exercise, the fixed-income market was fragmented. The creation of the Bond Market provides an opportunity for the consolidation of fixed-income instruments, and the repositioning of preference stocks.

STOCK CLASSIFICATION	CRITERIA
Income	Avg. dividend payout for 5 years $\geq$ 30% of earnings
Growth	Avg. dividend payout for 5 years < 30% of earnings

MARKET CAP CLASSIFICATION	MARKET CAPITALIZATION (USD)
Large Cap	$\geq$ 1 billion
Medium (Mid) Cap	> 150 million but < 1 billion
Small Cap	> 150 million

Table 3

ABOUT THE NSE

The Nigerian Stock Exchange was established in 1960 and services the second largest financial centre in sub-Saharan Africa. Licensed under the Investment Securities Act, for over 50 years, the exchange has been an indispensible vehicle that has contributed to the nation's development.

The exchange provides securities listing services, trading services, market data dissemination services, market indices, and much more. We operate fair, orderly and transparent markets that bring together the best of African enterprises, and the local and global investor communities. The NSE is poised to champion the acceleration of Africa's economic development, and to become **"The Gateway to African Markets".**

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1. All industry sectors are clearly defined. classification under any the sectors is at the sole discretion of the NSE.

For more information: Visit our Web site or email strategy@nigerianstockexchange.com.