THE 12TH ANNUAL PEARL AWARDS PUBLIC LECTURE
“Global And National Socio-economic Challenges And Renaissance: Whither The Nigerian Capital Market?”
May 27, 2016

Aigboje Aig-Imoukhuede, CON
President, The Nigerian Stock Exchange
Profile of Mr. Aigboje Aig-Imoukhuede, CON  
President, The Nigerian Stock Exchange

Mr. Aigboje Aig-Imoukhuede is Chairman of Coronation Capital Ltd., an Africa-focused private equity and proprietary investment firm that he founded in 2014. Mr. Aigboje Aig-Imoukhuede has been the President of the National Council of The Nigerian Stock Exchange since September 24, 2014. He is Chairman of the Board of Trustees of the Financial Market Dealers Association, Co Chairman UK Nigeria Capital Market Task Force and Chairman Wapic Plc. He is also a Director of the Africa Finance Corporation and a supervisory Board member of the TCX Investment Management Company Netherlands.

Between 2002 and 2013, he was Group Managing Director and CEO of Access Bank Plc., responsible for transforming the bank into a top-5 leadership position in Nigeria, with assets of USD 12 billion and 350 branches employing 20,000 staff in 9 countries. Prior to this he was an Executive Director at Guaranty Trust Bank Plc. (1991-2002). His achievements include chairing presidential and banking industry committees in Nigeria, and founding the FMDQ OTC exchange that specializes in fixed income securities and derivatives. His awards include Commander of the Order of the Niger, Ernst & Young Entrepreneur of the Year (West Africa), and African Banker Magazine’s “African Banker of the Year”. He holds law degrees from the University of Benin and the Nigerian Law School, and has recently finished his MBA programme at the London School of Economics.

As the Chairman of Friends Africa, a partner organization of the Global Fund to fight HIV, Malaria and Tuberculosis, he led the Gift from Africa campaign which has raised millions of Dollars for the Global Fund. He is Co-Chairman of the Board of GBC Health, founding member of the Private Sector Health Alliance of Nigeria and Chairman of the Nigerian Business Coalition for Sustainable Development.

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Content

1. Nigeria’s Socio-economic Priorities
2. 7 Nation Comparison
3. Global Trends and Effects on Nigeria
4. Whither the Capital Market
5. Key Takeaways

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Nigeria’s Socio–economic Priorities
Nigeria’s Socio-Economic Priorities

- Employment
- Entrepreneurship
- Per Capita Income

- Power
- ICT
- Transport
- Housing

- Capitalization
- Liquidity
- Financialization
- Demutualization

- Policy Stability
- Corruption
- Rule of Law

- Education
- Health
- Culture / Identity

- Terrorism
- Militancy
- Displacement

Growth

Financial Environment

Ease of Doing Business

Human Capital

Security
Nigeria’s Growth Challenges

1. **GDP GROWTH PLUMMETS**

   - Actual: 9%, 6%, 2.11%, -0.40%
   - Pre-Commodity Crash Projection: -8.50%, 5.93%, 6.00%, 6.50%

2. **8.5% GROWTH TO REACH $10,000/CAPITA BY 2030**

   - 1999-07: 5.8%
   - 2008-13: 3.1%
   - 2014: 3.5%
   - 2030f: ~6%

3. **GROWING UNEMPLOYMENT CONCERNS**

   - Youth unemployment: 13.1%, 14.5%, 12.1%, 16.4%
   - Youth under-employment: 25.8%

4. **HIGH POVERTY RATE A KNOWN CHALLENGE**

   - 70% earn less than $1.90 a day

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Financial Market Volatility

1. **INTERBANK MARKET VS. BDC MARKET**
   - Parallel Market
   - Interbank

2. **REAL EFFECTIVE EXCHANGE RATE (REER) (NGN:USD)**
   - REER
   - INTERBANK

3. **CORRELATION BETWEEN NSE MKT CAP AND OIL**
   - Indexed NSE ASI
   - Indexed Brent Crude

4. **INFLATION VS. NIBOR TBILL RATES (%)**
   - Average NIBOR
   - Y-O-Y Inflation
   - 91-T-Bills

Source: Bloomberg, NSE, Central Bank of Nigeria (CBN), US Energy Information Administration (EIA)

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Increasing Number of Market Uncertainties

Nigeria’s economy falters as reforms stall.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Current Status</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum</td>
<td>PIB stalled</td>
<td>Attacks on infrastructure</td>
</tr>
<tr>
<td>Power</td>
<td>Gas supply challenges</td>
<td>Transmission challenges</td>
</tr>
<tr>
<td></td>
<td>Tariff issues</td>
<td>Privatized companies underfunded</td>
</tr>
<tr>
<td>Banking</td>
<td>MPC effectiveness</td>
<td>AMCON pressures/concerns</td>
</tr>
<tr>
<td></td>
<td>Asset quality challenges</td>
<td></td>
</tr>
<tr>
<td>Pension and</td>
<td>Weak enforcement</td>
<td>Fragmented activity</td>
</tr>
<tr>
<td>Insurance</td>
<td>Poor penetration</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>Mortgage reforms stalled</td>
<td>Rail assets not optimized</td>
</tr>
<tr>
<td>Transportation</td>
<td>Weak mass transit</td>
<td>Fines and penalties</td>
</tr>
<tr>
<td></td>
<td>PPPs high-risk</td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>Significant penetration success</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>Backward integration policy reversal</td>
<td>Trade policy uncertain</td>
</tr>
<tr>
<td></td>
<td>Forex policy challenges</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>Unclear business model</td>
<td>Fragmentation</td>
</tr>
</tbody>
</table>

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Infrastructure – A Long Road Ahead

Power
- Current peak generation ~ 2,593.6MW; target ~ 40,000MW by 2020
- 6 Gencos with capacity of 6,200MW
- 55% have no access to grid electricity
- Ease of obtaining electricity for business: 187th/189

Telecoms
- Over 140mn telecoms subscribers; >99.4% teledensity
- >93 million internet subscribers; 51.1% internet penetration
- Broadband penetration ~8%

Transport
- Road transport accounts for ~90% of all freight and passenger movement
- ~78% of national road network is in poor condition

Housing
- N56tn needed to address deficit of 17mn housing units
- Mortgage finance as % of GDP equates to ~0.5%
- Home ownership rate ~25%
- Ranks 181/189 countries on ease of registering a property
Human Capital Development: Unfulfilled Potential

Health
- Life expectancy: 53 yrs
- 25.5% of children under 5 are underweight
- 89 children under 5 die in every 1,000 live births
- 234 women die/100,000 live births

Education
- Adult literacy rate: 59.6%
- >32% primary school age children are out of school
  - N.E (43%) < N.W (50.5%) < N.Cen. (80.2%) < S.W (87%) < S.S (88.1%) < S.E (90.5%)

Identity
- Art
  - $66bn in global sales vs. ~$1.73mn in Nigeria
- Cultural cognizance yet to burgeon

Source: World Bank and official data
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Security and Poverty are Interrelated

1. 2ND HIGHEST NO. OF DEATHS FROM TERRORISM IN 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of deaths from terrorism (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iraq</td>
<td>5.4</td>
</tr>
<tr>
<td>Nigeria</td>
<td>4.1</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>2.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1.0</td>
</tr>
<tr>
<td>Syria</td>
<td>0.9</td>
</tr>
<tr>
<td>Somalia</td>
<td>0.4</td>
</tr>
<tr>
<td>Ukraine</td>
<td>0.4</td>
</tr>
<tr>
<td>Yemen</td>
<td>0.3</td>
</tr>
<tr>
<td>CAR</td>
<td>0.3</td>
</tr>
<tr>
<td>South Sudan</td>
<td></td>
</tr>
<tr>
<td>Rest of the World</td>
<td></td>
</tr>
</tbody>
</table>

2. HIGHEST NO. OF INTERNALLY DISPLACED PERSONS (IDPS)

<table>
<thead>
<tr>
<th>No. of deaths from terrorism (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4</td>
</tr>
<tr>
<td>4.1</td>
</tr>
<tr>
<td>2.5</td>
</tr>
<tr>
<td>1.0</td>
</tr>
<tr>
<td>0.9</td>
</tr>
<tr>
<td>0.4</td>
</tr>
<tr>
<td>0.4</td>
</tr>
<tr>
<td>0.3</td>
</tr>
<tr>
<td>0.3</td>
</tr>
<tr>
<td>2.2</td>
</tr>
</tbody>
</table>

3. NIGERIA’S MULTI-DIMENSIONAL POVERTY GRID

   - Circa 3.3mn Nigerian IDPs as at 2014

   Source: Institute for Economics and Peace, Oxford Poverty and Human Development Initiative (OPHI)
**Challenging Business Environment**

The most problematic factors for doing business

<table>
<thead>
<tr>
<th>Factor</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate supply of infrastructure</td>
<td>26.5</td>
</tr>
<tr>
<td>Corruption</td>
<td>19.7</td>
</tr>
<tr>
<td>Access to financing</td>
<td>12.7</td>
</tr>
<tr>
<td>Policy instability</td>
<td>8.7</td>
</tr>
<tr>
<td>Inefficient government bureaucracy</td>
<td>8.4</td>
</tr>
<tr>
<td>Foreign currency regulations</td>
<td>4.8</td>
</tr>
<tr>
<td>Inadequately educated workforce</td>
<td>4.4</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.4</td>
</tr>
<tr>
<td>Poor work ethic in labor force</td>
<td>2.6</td>
</tr>
<tr>
<td>Tax rates</td>
<td>2.0</td>
</tr>
<tr>
<td>Complexity of tax regulations</td>
<td>1.9</td>
</tr>
<tr>
<td>Insufficient capacity to innovate</td>
<td>1.8</td>
</tr>
<tr>
<td>Crime and theft</td>
<td>1.6</td>
</tr>
<tr>
<td>Restrictive labor regulations</td>
<td>0.6</td>
</tr>
<tr>
<td>Poor public health</td>
<td>0.5</td>
</tr>
<tr>
<td>Government instability/coups</td>
<td>0.3</td>
</tr>
</tbody>
</table>

**Index** | **Rank** | **Index** | **Rank**
--- | --- | --- | ---
Ease of doing business | 169<sup>th</sup> / 189 countries | Corruption Perceptions | 136<sup>th</sup> / 168 countries
• Starting a business | 139<sup>th</sup> / 189 countries | Global Competitiveness | 124<sup>th</sup> / 140 countries
• Getting electricity  | 182<sup>nd</sup> / 189 countries | Knowledge Economy | 119<sup>th</sup> / 145 countries
• Registering Property  | 181<sup>st</sup> / 189 countries | Global Innovation | 128<sup>th</sup> / 141 countries

7 Nation Comparison
# Nigeria vs. 7 Selected Countries

<table>
<thead>
<tr>
<th>Comparison Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>- Upper middle income Sub-Saharan Africa (SSA) country</td>
</tr>
<tr>
<td>India</td>
<td>- Densely-populated lower middle income South Asian country; similar socio-economic status at independence</td>
</tr>
<tr>
<td>Indonesia</td>
<td>- Densely-populated lower middle income East Asian country; similar economic position at independence</td>
</tr>
<tr>
<td>Kenya</td>
<td>- Lower Middle Income SSA country; regional leader (East Africa); service economy</td>
</tr>
<tr>
<td>Malaysia</td>
<td>- Upper middle income East Asian country; commodity-based economy; similar economic position to Nigeria at independence</td>
</tr>
<tr>
<td>Rwanda</td>
<td>- Low Income SSA country; transitioning economy</td>
</tr>
<tr>
<td>Singapore</td>
<td>- High income South East Asian country; regional leader; developing country at time of independence now developed</td>
</tr>
</tbody>
</table>
Nigeria – Growth with Uneven Development

1. GDP – 1960

2. GDP – 2014

• Nigeria has grown its GDP over 135x since 1960.
• Malaysia (138x), Indonesia (149x), Singapore (437x) and Botswana (520x).

3. PER CAPITA INCOME – 1960

4. PER CAPITA INCOME – 2014

• Nigeria - $3,203
• Singapore - $56,284
• Malaysia - $11,307
• Botswana - $7,123
• Indonesia - $3,491

Source: World Bank data
Poverty & Unemployment Remain Big Challenges

1. **2nd Highest Unemployment Rate of the Study Group**

<table>
<thead>
<tr>
<th>Country</th>
<th>Unemployment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>2</td>
</tr>
<tr>
<td>Singapore</td>
<td>3</td>
</tr>
<tr>
<td>Rwanda</td>
<td>3.4</td>
</tr>
<tr>
<td>India</td>
<td>3.6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6.2</td>
</tr>
<tr>
<td>Kenya</td>
<td>9.2</td>
</tr>
<tr>
<td>Nigeria</td>
<td>12.1</td>
</tr>
<tr>
<td>Botswana</td>
<td>18.2</td>
</tr>
</tbody>
</table>

2. **3rd Largest Concentration of the World’s Poorest People**

- Democratic Republic of Congo: 1% of world's extremely poor, 5% of world population
- Bangladesh: 2% of world's extremely poor, 6% of world population
- Nigeria: 2% of world's extremely poor, 7% of world population
- China: 19% of world's extremely poor, 13% of world population
- India: 33% of world's extremely poor, 18% of world population

Source: World Bank, Knoema and official data
Weak Infrastructure

1. ELECTRIC POWER CONSUMPTION (KWH PER CAPITA)
- Nigeria: 142
- Kenya: 168
- India: 765
- Indonesia: 788
- Botswana: 1564
- Malaysia: 4512
- Singapore: 8840

2. ACCESS TO CLEAN WATER (% POPULATION)
- Singapore: 100
- Malaysia: 98
- Botswana: 96
- India: 94
- Indonesia: 87
- Rwanda: 76
- Nigeria: 69
- Kenya: 63

3. FIXED BROADBAND SUBSCRIBERS (PER 100 PEOPLE)
- Singapore: 26.7
- Malaysia: 10.1
- Botswana: 1.63
- India: 1.24
- Indonesia: 1.19
- Kenya: 0.19
- Rwanda: 0.02
- Nigeria: 0.01

4. AIR TRANSPORT (DEPARTURES WORLDWIDE - ‘000)
- India: 720
- Indonesia: 704
- Malaysia: 439
- Singapore: 189
- Kenya: 97
- Nigeria: 66
- Rwanda: 12
- Botswana: 8

Source: World Bank
Nigeria and Poor Human Capacity Development

1. 2nd Lowest (HDI) Score

2. Lowest Adult Literacy Rate

3. Lowest Life Expectancy

Source: World Bank and official data

May 27, 2016
Business Uncertainties Hamper Growth

Corruption reduction poses significant gains to socio-economic development by increasing economic activity.

- Improvement in the business climate and investment appeal will boost Nigeria’s national output.
- Gross Domestic Product in 2030 could be up to 37% higher than currently projected, if Nigeria (CPI score 26) is successful in reducing corruption to levels in Malaysia (CPI score 50) beginning 2015.

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Financial Market Volatility

1. **MARKET CAPITALIZATION**

   - Market Cap (% of GDP)
   - Nigeria: Red
   - Indonesia: Black
   - India: Yellow
   - Malaysia: Blue
   - Singapore: Green

2. **SOVEREIGN CREDIT RATING**

<table>
<thead>
<tr>
<th>Country</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>A2</td>
<td>A-</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>Baa3</td>
<td>BBB-</td>
<td>BBB-</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Baa3</td>
<td>BB+</td>
<td>BBB-</td>
</tr>
<tr>
<td>Kenya</td>
<td>-</td>
<td>B+</td>
<td>B+</td>
</tr>
<tr>
<td>Malaysia</td>
<td>A3</td>
<td>A-</td>
<td>A-</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Ba3</td>
<td>B+</td>
<td>BB-</td>
</tr>
<tr>
<td>Rwanda</td>
<td>-</td>
<td>B+</td>
<td>B+</td>
</tr>
<tr>
<td>Singapore</td>
<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
</tr>
</tbody>
</table>

3. **CURRENCY TRENDS**

4. **INFLATIONARY TRENDS**

Source: Bloomberg, NSE, Central Bank of Nigeria (CBN), US Energy Information Administration (EIA)
Global Trends and Effects on Nigeria
Global Trends – An Interconnected World

- Erosion of confidence
- Contagion

- International Finance Centres
- Technology
- Liquidity
- Regulation

- Direct Investment vs. Portfolio Investment
- Advanced vs. emerging vs. frontier markets
- Foreign aid

- Financial Markets

- Trade and Investment

- Global Financial Crisis

- Security

- Politics and Oil

- Globalization

- Terrorism
- Cybercrime
- Migration
- Financial Crime

- OPEC
- Shale oil
- Alternative energy

- Internet
- Hegemony
- Capitalism

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Still Recovering from the Global Financial Crisis

PRE-COMMODITY CRASH GROWTH FORECAST ILLUSTRATED PROMISE...

![GDP growth chart]

<table>
<thead>
<tr>
<th>% change in GDP YOY*</th>
<th>2015</th>
<th>2016F</th>
<th>2017F</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>3.1</td>
<td>3.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Advanced Economies (AEs)</td>
<td>1.9</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Emerging Market &amp; Developing Economies (EMDEs)</td>
<td>4.0</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Emerging &amp; Developing Asia</td>
<td>6.6</td>
<td>6.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Emerging &amp; Developing Europe</td>
<td>3.5</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Latin America &amp; the Caribbean</td>
<td>-0.1</td>
<td>-0.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>3.4</td>
<td>3.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

BUT WHAT WILL HAPPEN WITH GROWTH GIVEN TODAY’S REALITY?

Source: Bloomberg, IMF World Outlook, April 2016
Relatively stable oil price regime above $100/barrel

**Jun’14:** Oil peaks at $115 bbl and begins steep decline.

**Jul’14:** Strong non-OPEC production; weak demand growth; OPEC shifts towards maintaining market share.

**Nov’14:** Saudi refuses calls from OPEC members to cut production, sending benchmark crude plunging to a four-year low.

**Feb’16:** Saudi, Russia, Qatar and Venezuela state willingness to freeze production at January levels if other major producers sign up.

2011-13: US increases production (~100mb/month)

2014: US becomes largest oil liquids producer in the world

2015-16: Market searches for equilibrium following over-supply glut

Dec’15: U.S. lifts its 40-year-old export ban on crude oil, allowing American shale oil to be shipped abroad.
Pain Bearing Capacity?

1. Sinking Oil Prices Lead to OPEC Budget Deficits

2. Nigeria’s Oil Production Hits Record Lows

3. OPEC Countries FX Reserves Hit in 2015/16

4. Oil Production (Jan’14 vs. Apr’16)

Source: The Economist/ Standard & Poor, CNBC, CBN, Trading Economics
Globalization & Digitization: Game Changers

1. GLOBALIZATION AND DIGITIZATION DYNAMICS

   - Increased competition boosting efficiency
   - Knowledge diffusion
   - Economies of scale
   - Comparative advantage and specialization
   - Capital deepening and widening
   - Human Capacity Development

2. MARKET CAP OF TOP DIGITAL GLOBAL FIRMS

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Stock Price</th>
<th>Market Cap (MC)</th>
<th>Global MC Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>$95.22</td>
<td>$521.56B</td>
<td>No. 1</td>
</tr>
<tr>
<td>Google</td>
<td>$709.74</td>
<td>$487.28B</td>
<td>No. 2</td>
</tr>
<tr>
<td>Microsoft</td>
<td>$50.32</td>
<td>$397.90B</td>
<td>No. 3</td>
</tr>
<tr>
<td>Amazon</td>
<td>$702.80</td>
<td>$331.60B</td>
<td>No. 7</td>
</tr>
</tbody>
</table>

Source: McKinsey Global Institute analysis

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Security: Terrorism and its Global Impact

1. **Global Cost of Terrorism at Highest Level Since 2001**

   - Cost of Terrorism (USD'Bn)
   - Years: 2000 to 2014
   - Values: 4.9, 7.7, 5.4, 11.0, 11.1, 15.8, 20.4, 13.4, 14.7, 12.0, 12.3, 17.0, 32.9, 52.9

2. **Highest Recorded No. of Conflict Related IDPs**

   - Millions of people
   - Source: Institute for Economics and Peace, United Nations High Commissioner for Refugees (UNHCR), Internal Displacement Monitoring Centre (IDMC)

May 27, 2016
Effects of Global Trends on Nigeria
Financial Markets Yet To Recover

EQUITY MARKET IN LOW GEAR

- NSE Equity Market Capitalization
  - Jan-00: 295.3Bn
  - Mar-08 Market Crash: 12.6Tn
  - May-16: 9.31Tn

NEW IPOs/OFFERS FOR SUBSCRIPTION SLUGGISH

- No. of New IPOs/offers for Subscription
  - 2007: 13
  - 2008-13: 0
  - 2014: 1
  - 2015: 1

GLOBAL CAPITAL FLOWS ARE YET TO RECOVER

- Global cross-border capital flows to GDP ratio (%)
  - 2014E: 20.7

PRIVATE EQUITY IN AFRICA LAGS AS WELL

- Total Value of PE deals in Africa USD (Billions)
  - 2010: 2.8
  - 2011: 1.9
  - 2012: 2.2
  - 2013: 4.2
  - 2014: 8.1
  - 2015: 2.5

Source: NSE, Mckinsey
Weak Interest of Institutional Investors

1. LOWER FOREIGN & INSTITUTIONAL PARTICIPATION

- Foreign: 41%
- Domestic Institutional: 33%
- Retail: 26%

2. PENSION AUM IS <8% OF NSE MARKET CAP

- NSE Mkt Cap
- AUM (eqy) N'

3. FOREIGN PORTFOLIO INVESTMENT ON A DOWN SLOPE

- Total Foreign Inflow (N' Bn)
- Total Foreign Outflow (N' Bn)
- Total Net Flow (N' Bn)

Source: NSE, PENCOM

May 27, 2016
Challenges to Nigeria’s Economic Growth: Oil

1. NEGATIVE FPI AND B.O.P TRENDS

- Current account balance
- Net portfolio equity flow

2. PRESSURE FELT ON THE PARALLEL MARKET

Indexed USD:NGN (CBN)
Indexed USD: NGN (Parallel)

Source: The Economist/ Standard & Poor’s, CBN, FMDQ, AbokiFX

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Lack of Economic Diversification

In the NIGERIA GDP SECTOR BREAKDOWN Q4 ’15, Agriculture contributed 23.1%, followed by Trade (17.0%), ICT (11.2%), Oil and Gas (9.8%), Industrial Goods (9.6%), Construction/Real Estate (11.5%), and Other Services (3.1%). All Other Sectors contributed 8.1%.

In the STOCK MARKET (EQUITY) BREAKDOWN Q4 ’15, Industrial Goods accounted for 33.9%, followed by Consumer Goods (26.5%), Financial Services (27.8%), Oil and Gas (6.8%), All Other Sectors (3.2%), Agriculture (0.6%), and ICT (0.3%).

*National Bureau of Statistics (NBS) Q4 2015 GDP Report
** NSE Market data
The Capital Market & Employment: A Gap

1. Employment is driven by the private sector
   - Public Sector: 1.6%
   - Private Sector: 98.4%

2. Listed companies provide quality careers
   - 37% of Nigeria's Top 100 companies for Millennials to work are listed on the NSE
   - 63% Not Listed

Source: NBS, Associated Press, Jobberman / Ventures Africa

May 27, 2016
Whither the Capital Market
# Role of Capital Markets in National Development

<table>
<thead>
<tr>
<th>Socio-economic Priority</th>
<th>Capital Market Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROWTH</td>
<td>Facilitates capital-raising for business growth and dynamism</td>
</tr>
<tr>
<td></td>
<td>Mobilizes savings for investment</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>Facilitates government financing for developmental projects</td>
</tr>
<tr>
<td></td>
<td>Enhances Public-Private-Partnership (PPP) initiatives</td>
</tr>
<tr>
<td>HUMAN CAPACITY DEVELOPMENT</td>
<td>Empowers populace through financial literacy programmes and CSR initiatives</td>
</tr>
<tr>
<td></td>
<td>Mobilizes savings for investment</td>
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<tr>
<td>SECURITY</td>
<td>Promotes Corporate Governance</td>
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<td></td>
<td>Mobilizes savings for investment</td>
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<tr>
<td>EASE OF DOING BUSINESS</td>
<td>Promotes Corporate Governance</td>
</tr>
<tr>
<td></td>
<td>Permits efficiency in capital flows</td>
</tr>
<tr>
<td>FINANCIAL ENVIRONMENT</td>
<td>Permits efficiency in capital flows</td>
</tr>
</tbody>
</table>
The Nigerian Capital Market

Key Participants & Enabling Framework

**Broker-Dealers**
- Bring issuers to the market; execute buy/sell orders

**Registrars**
- Maintain registers of company shareholders

**Trustees**
- Maintain assets on behalf of investors

**Investors/Participants**
- Order origination
- Provide funds for long-term investment

**Ministry of Finance**
- Provides fiscal policy and stability in capital market and overall economy
- Enabling Framework: Finance (Control and Management) Act 1958

**SEC (Apex Regulator)**
- Maintains primary oversight of the capital market

**SROs**
- Enabling Framework: SEC registration as an Exchange; ISA 2007 and SEC Rules (2013); MEMARTs and Rules

**Issuers**
- Issue various securities for investment

**Clearing/Settlement by CSCS**
- Provider of clearing and settlement services

**Custodians**
- Maintain assets on behalf of investors

**Others**
- Issuing houses, OTC platforms, fund managers etc.
- PFAs, PenCom, CBN, etc.
### FTSE Quality of Markets Criteria – Nigeria

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>NIGERIA</th>
<th>SOUTH AFRICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank GNI Per Capita Rating</td>
<td>Lower Middle</td>
<td>Upper Middle</td>
</tr>
<tr>
<td>Credit Worthiness</td>
<td>Speculative</td>
<td>Investment</td>
</tr>
</tbody>
</table>

#### Market and Regulatory Environment
- Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)
- Fair and non-prejudicial treatment of minority shareholders
- Non or selective incidence of foreign ownership restrictions
- No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income
- Free and well-developed equity market
- Free and well-developed foreign exchange market
- Non or simple registration process for foreign investors

#### Custody and Settlement
- Settlement - Rare incidence of failed trades
- Custody - Sufficient competition to ensure high quality custodian services
- Clearing & settlement - T + 3, T + 5 for Frontier
- Stock Lending is permitted
- Settlement - Free delivery available
- Custody - Omnibus account facilities available to international investors

#### Dealing Landscape
- Brokerage - Sufficient competition to ensure high quality broker services
- Liquidity - Sufficient broad market liquidity to support sizeable global investment
- Transaction costs - implicit and explicit costs to be reasonable and competitive
- Short sales permitted
- Off-exchange transactions permitted
- Efficient trading mechanism
- Transparency - market depth information / visibility and timely trade reporting process

#### Derivatives
- Developed Derivatives Market
**Growth**

**Capital Market Role**

Facilitates capital-raising for economic growth

Mobilizes Savings for Investment

**Via:**

**Equity Capital Markets**

<table>
<thead>
<tr>
<th>Board</th>
<th>No. of Companies</th>
<th>Market Cap</th>
</tr>
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<tbody>
<tr>
<td><strong>Premium</strong></td>
<td>3 Domestic Corporations</td>
<td>N3.31Tn</td>
</tr>
<tr>
<td><strong>Main</strong></td>
<td>174 Domestic Corporations</td>
<td>N5.39Tn</td>
</tr>
<tr>
<td></td>
<td>1 Foreign Corporation</td>
<td></td>
</tr>
<tr>
<td><strong>ASeM</strong></td>
<td>11 Domestic Corporations</td>
<td>N8.61Bn</td>
</tr>
</tbody>
</table>

**Strategies**

1. Broad consensus on sectorial priorities for growth which should feed into policy formation
2. Advocate for incentives / palliatives for priority economic sectors e.g. ICT
3. Push non-listed national champions to list, for others to follow (i.e. stimulate herd mentality)
4. Celebrate the achievements of listed entities e.g. Entrepreneurship Awards, Startup Awards, etc.
5. Use capital market roadshows for strategic diplomacy
6. Build domestic private equity sector to mobilize domestic wealth
7. Attract / establish regional capital market powerhouses who can underwrite capital formation
### Strategies

1. Fix failed PPP infrastructure (national and state)
   - Agree how PPP should work and who is responsible / accountable
2. Amend existing legal and regulatory framework to reduce bottlenecks and promote activity
3. Gov’t must have both technical and business expertise (deal structuring) to put together quality infrastructure projects that offer the right risk/return ratio to attract capital
4. Capacity building / new talent in both public and private sector with mandate for infrastructure dev’t
5. Strengthen insurance sector’s capacity to mobilize long term liabilities to fund infrastructure asset class
6. Strengthen regulatory framework to guarantee judicious use of bond proceeds
7. Encourage PFAs to invest in public infrastructure
8. Roadshow to attract international funds / investors with infrastructure focus
### Strategies

1. **Implement reforms required to meet FTSE criteria for a world-class market and regulatory environment**
   - Free and well developed equity, foreign exchange and derivatives markets
   - Demutualization creates more efficient SROs better able to respond to needs of the economy

2. **Enhance market liquidity;**
   - Reduce/eliminate capital controls; Implement stock lending framework
   - Enable short sales and off-Exchange transactions
   - Effective policy implementation to remove business uncertainty
   - Strengthen bilateral understanding / cooperation with international institutions
     - Nigeria UK Capital Market Task Force
     - Dual listing arrangements
   - Strengthen bilateral cooperation with domestic institutions i.e. NSE/SEC; NSE/FMDQ/NASD; “City Nigeria” / FGN

### Current Status

- Best in –class technical infrastructure
Human Capacity Development/Security

Capital Market Role

- Mobilizes Savings for Investment
- Promotes Corporate Governance
- Empowers populace through financial literacy programmes and CSR initiatives

Via:

- Saved any money 69.0%
- Saved at a fin. inst. 27.1%
- Use debit card for payments 14.10%
- Receive wages via account 8.80%
- Borrowed from fin. inst. 5.3%
- Make internet transactions 3.30%
- Have a mobile account 2.30%
- Outstanding mortgage 0.3%

Inclusion

- 5mn CSCS Accts,
- 33.9mn bank accts,

Strategies

1. Integrate Financial Literacy Programmes into FGN/ state mass communication strategies (incentives for corporates to promote)
2. Use mobile phone as primary channels for distribution of capital market proceeds e.g. Kenya’s M-Akiba
3. Deliver social impact and community interventions through capital market savings instruments (non-cash)
4. Privatize strategic national assets e.g. NLNG and ensure grassroots participation
5. List national corporate champions e.g. MTN, Glo
Improving the Ease of Doing Business

**Capital Market Role**

Promotes Corporate Governance

Permits efficiency in capital flows

**Via:**

**FTSE QUALITY OF MARKET CRITERIA**

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**Strategy**

1. Implement outstanding reforms in custody and settlement.
2. Maintain momentum on corporate governance reforms e.g. Listings Rule Book, CGRI, lock-up requirements.
3. Implement policies required to reduce uncertainty and de-risk Nigeria’s business environment.
4. Eliminate capital controls and restore foreign exchange market flexibility.
5. Reduce FGN, SEC and other transaction costs.
Company Highlights:

• Today, NSE services the largest economy in Africa, and is championing the development of Africa’s financial markets.

• The NSE offers listing and trading services, licensing services, in addition to market data solutions, ancillary technology services, and more.

• The Exchange offers a robust and internationally recognized regulatory environment that bolsters trust and investor confidence.

• The NSE is a full member of the World Federation of Exchanges (WFE) with meaningful participation in other global and regional organizations, some of which set global standards.
Best In Class Technical Infrastructure at the NSE

X-GEN TRADING PLATFORM
(Fastest trading engine in Africa)

- Successfully implemented in 2013
- Trading system developed by NASDAQ OMX

Trading technology - key data:
- Capable of handling over 40,000 order matches per second
- Low latency trading < 100 nanoseconds
- Can handle over 10,000 securities and millions of trades per day

CONNECTIVITY

- Supports FIX, ITCH, OUCH, FAST and other major electronic trading methods
- Sponsored access and High Frequency Trading

CO-LOCATION SERVICES

- Access to the Exchanges’ high speed X-NET platform
- Daily market operations and production support
Key Takeaways
Key Takeaways

- Economic growth is the panacea to most of Nigeria’s challenges.
  - Gov’t economic policy must be based on fact and financial principles to achieve success.
  - The capital market is the barometer for measuring the state of a nation’s economy.
  - Public and private sector cooperation, collaboration and partnership are required.

- Integration of the capital market into public policy is required to create an enabling environment for investment, entrepreneurship and development.
  - Increased dialogue between policy and market.
  - Expert understanding of the market by government.

- The Nigerian Stock Exchange and other capital market stakeholders are ready, capable and willing to do what is required for Nigeria’s socio-economic recovery.
Disclaimer

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