



THE Nigerian STOCK EXCHANGE

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 Distinguished Guest Lecturer



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.



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

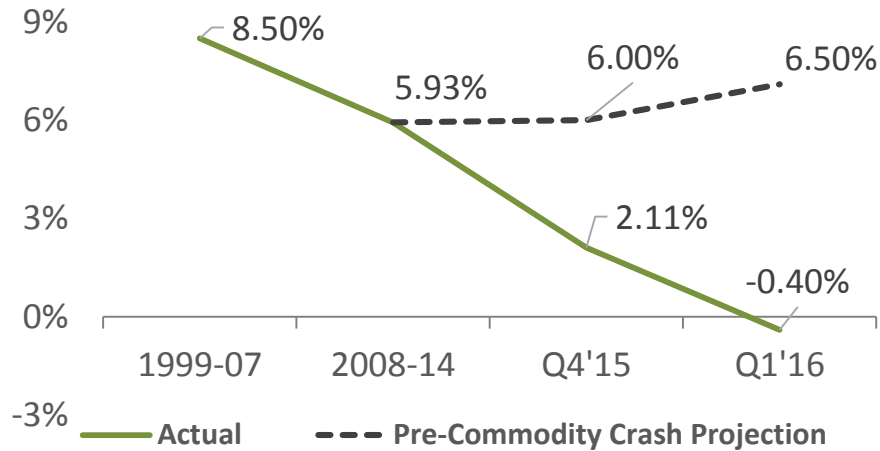


Nigeria's Growth Challenges

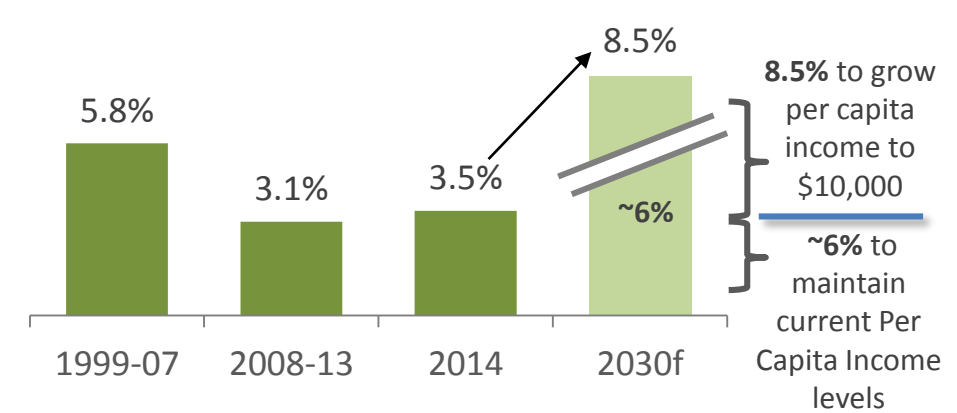


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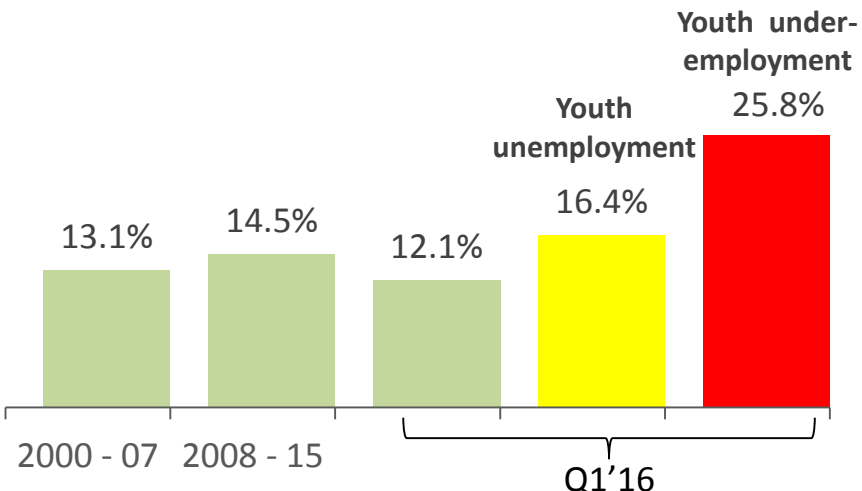
1 GDP GROWTH PLUMMETS



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



3 GROWING UNEMPLOYMENT CONCERNS



4 HIGH POVERTY RATE A KNOWN CHALLENGE



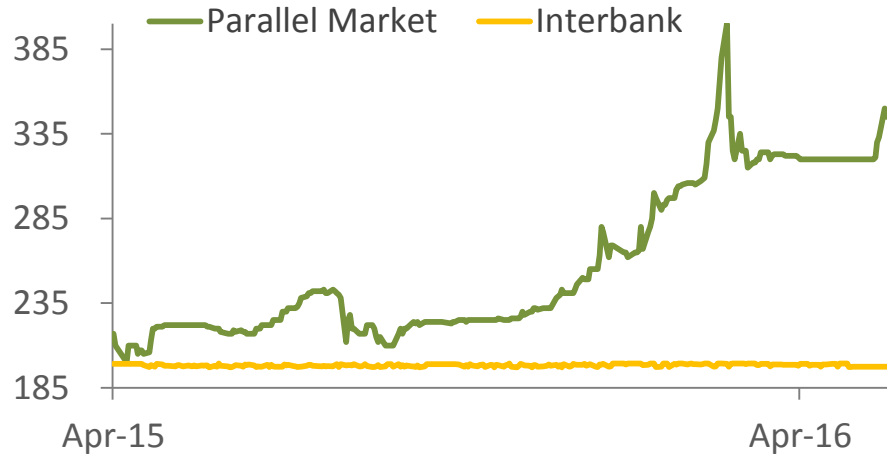
May 27, 2016

Source: World Bank, National Bureau of Statistics (NBS), Nigerian Stock Exchange (NSE)

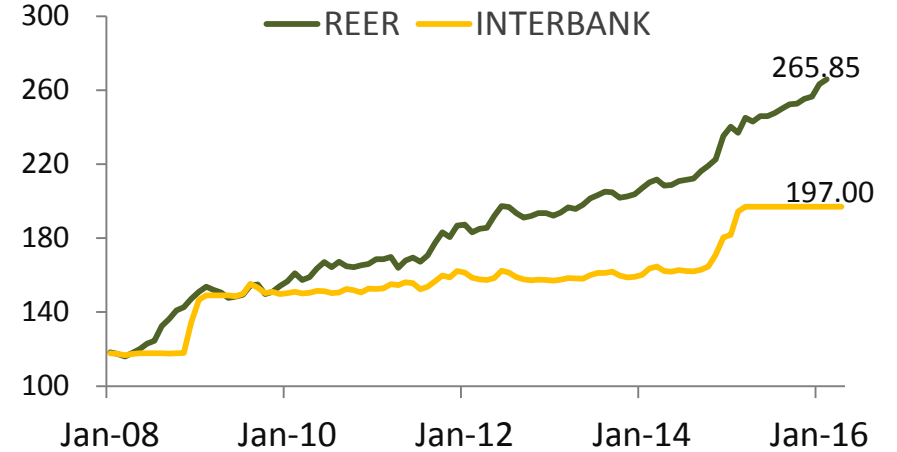
Financial Market Volatility



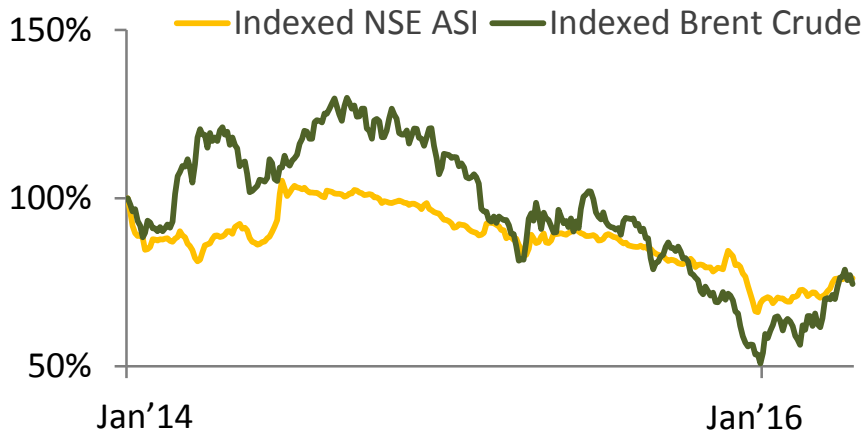
1 INTERBANK MARKET VS. BDC MARKET



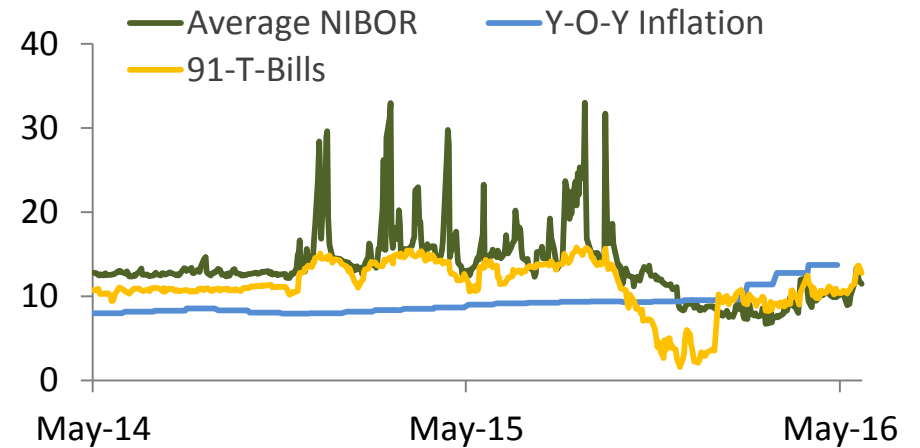
2 REAL EFFECTIVE EXCHANGE RATE (REER) (NGN:USD)



3 CORRELATION BETWEEN NSE MKT CAP AND OIL



4 INFLATION VS. NIBOR TBILL RATES (%)



Increasing Number of Market Uncertainties



Nigeria's economy falters as reforms stall.

Sector	Current Status	
Petroleum	<ul style="list-style-type: none"> ■ PIB stalled 	<ul style="list-style-type: none"> ■ Attacks on infrastructure
Power	<ul style="list-style-type: none"> ■ Gas supply challenges ■ Tariff issues 	<ul style="list-style-type: none"> ■ Transmission challenges ■ Privatized companies underfunded
Banking	<ul style="list-style-type: none"> ■ MPC effectiveness ■ Asset quality challenges 	<ul style="list-style-type: none"> ■ AMCON pressures/concerns
Pension and Insurance	<ul style="list-style-type: none"> ■ Weak enforcement ■ Poor penetration 	
Housing	<ul style="list-style-type: none"> ■ Mortgage reforms stalled 	<ul style="list-style-type: none"> ■ Fragmented activity
Transportation	<ul style="list-style-type: none"> ■ Weak mass transit ■ PPPs high-risk 	<ul style="list-style-type: none"> ■ Rail assets not optimized
Telecommunications	<ul style="list-style-type: none"> ■ Significant penetration success 	<ul style="list-style-type: none"> ■ Fines and penalties
Industrial	<ul style="list-style-type: none"> ■ Backward integration policy reversal ■ Forex policy challenges 	<ul style="list-style-type: none"> ■ Trade policy uncertain
Agriculture	<ul style="list-style-type: none"> ■ Unclear business model 	<ul style="list-style-type: none"> ■ Fragmentation

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



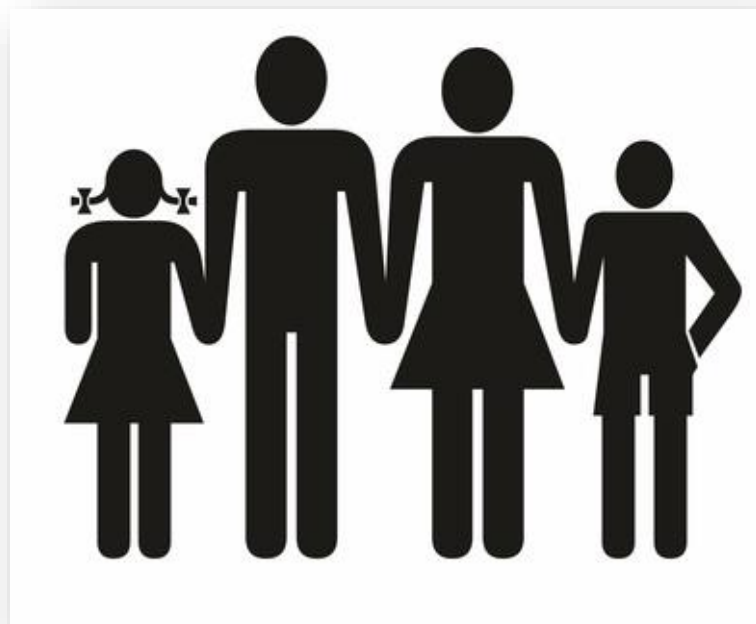
- Road transport accounts for ~90% of all freight and passenger movement
- ~78% of national road network is in poor condition

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

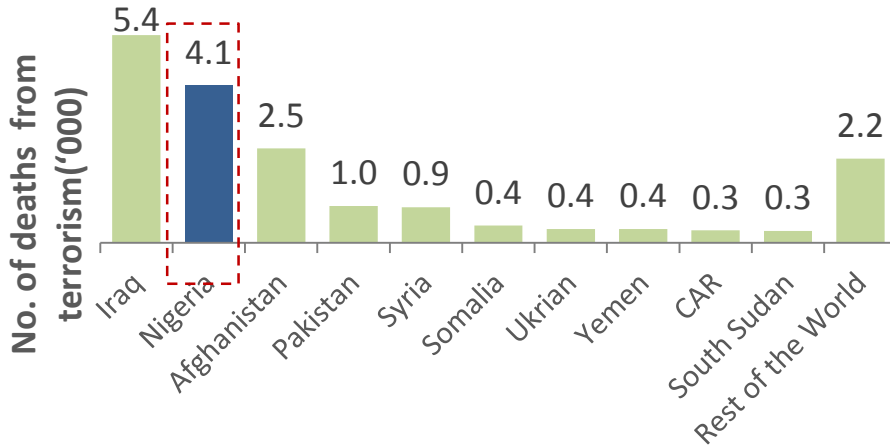
- Art
 - \$66bn in global sales vs. ~\$1.73mn in Nigeria
- Cultural cognizance yet to burgeon



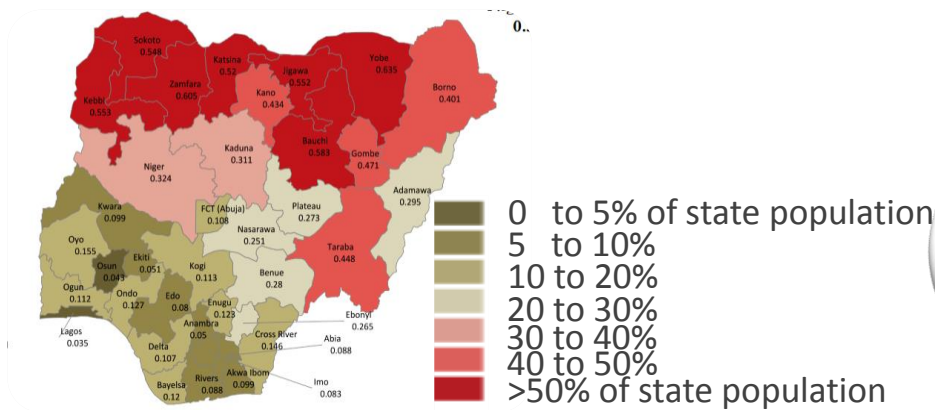
Security and Poverty are Interrelated



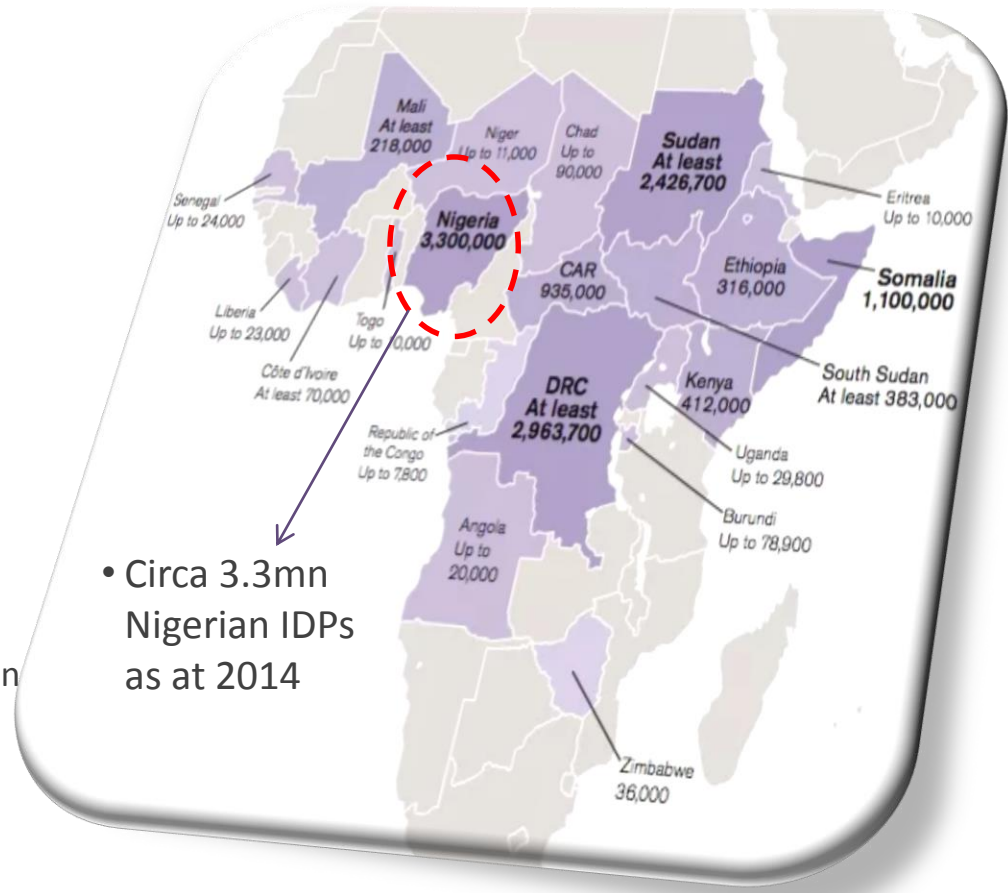
1 2ND HIGHEST NO. OF DEATHS FROM TERRORISM IN 2014



3 NIGERIA'S MULTI-DIMENSIONAL POVERTY GRID



2 HIGHEST NO. OF INTERNALLY DISPLACED PERSONS (IDPS)

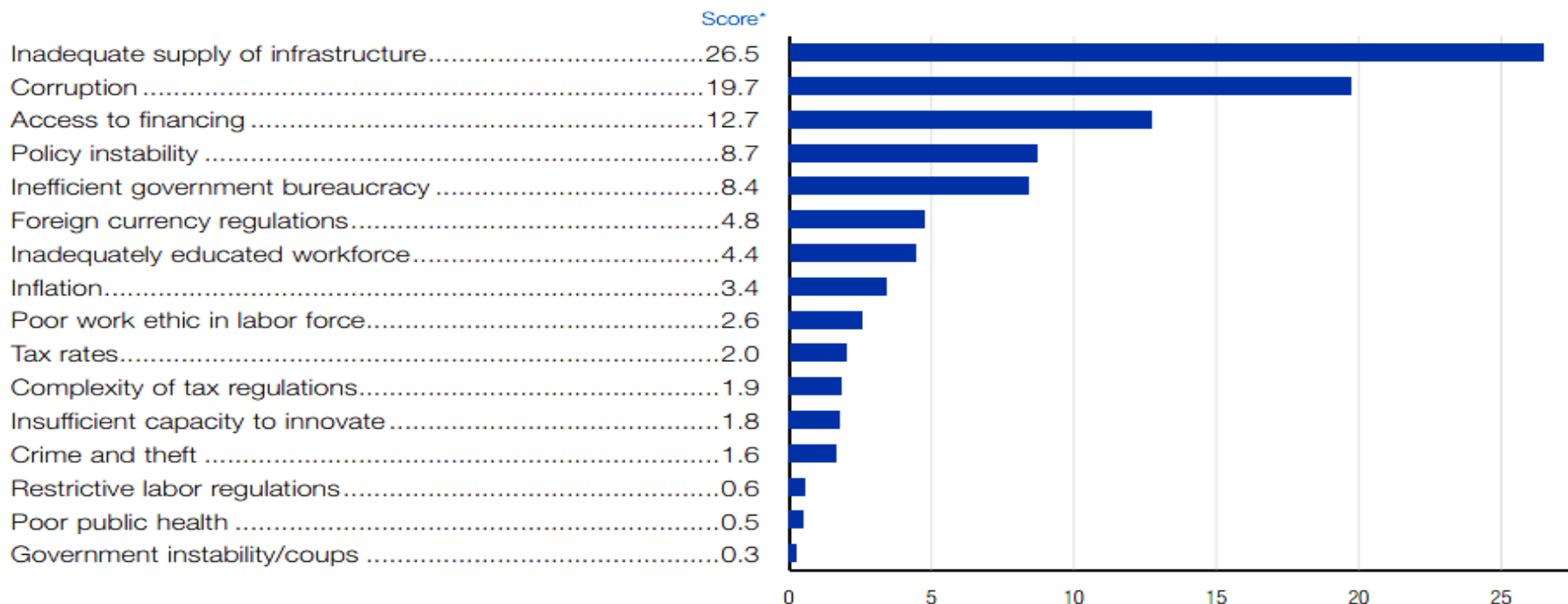


• Circa 3.3mn Nigerian IDPs as at 2014

Challenging Business Environment



The most problematic factors for doing business



Index	Rank
Ease of doing business	169 th / 189 countries
• Starting a business	139 th / 189 countries
• Getting electricity	182 nd / 189 countries
• Registering Property	181 st / 189 countries

Index	Rank
Corruption Perceptions	136 th / 168 countries
Global Competitiveness	124 th / 140 countries
Knowledge Economy	119 th / 145 countries
Global Innovation	128 th / 141 countries










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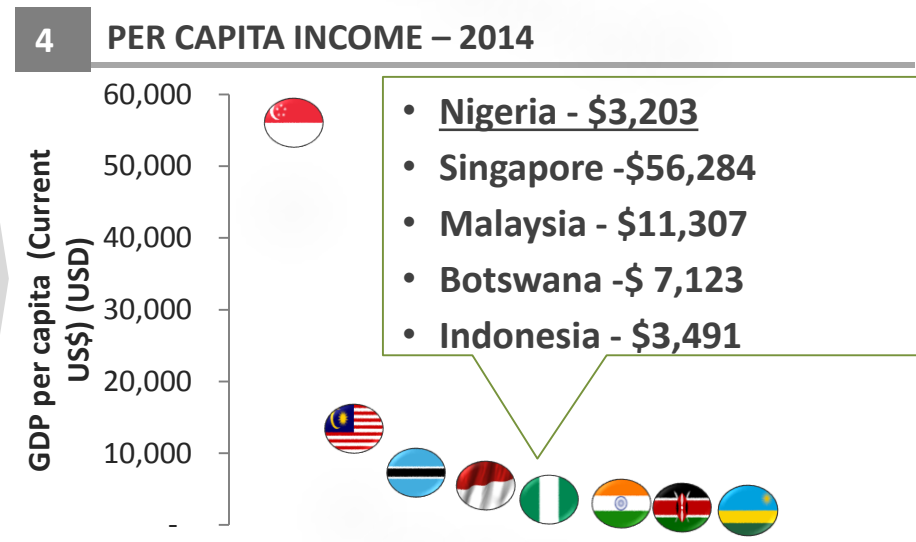
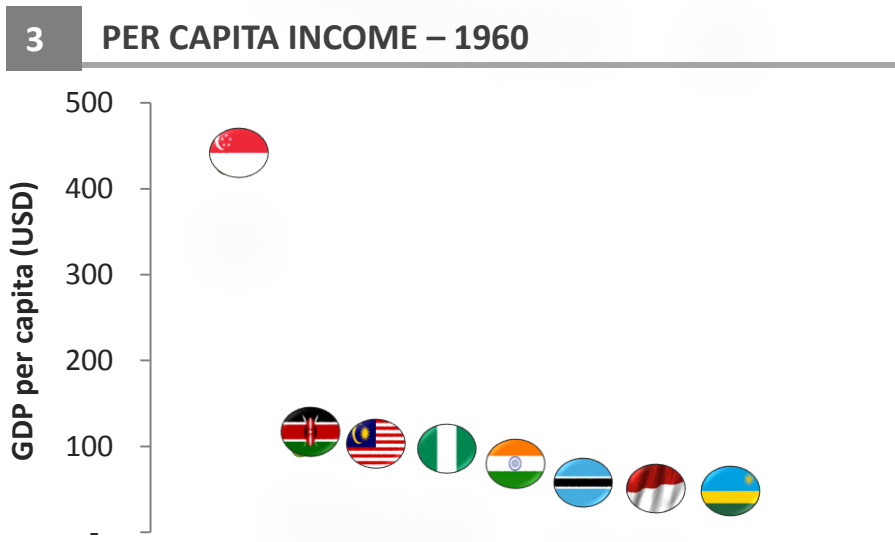
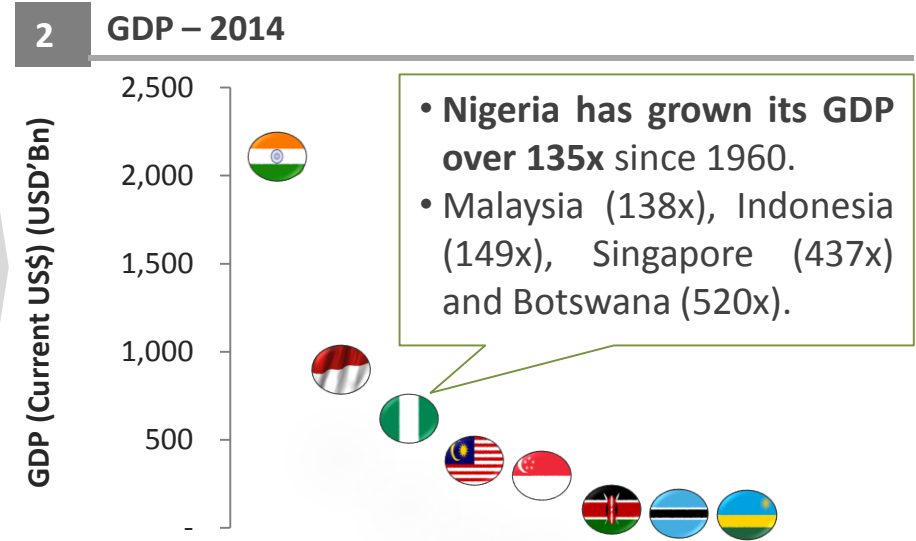
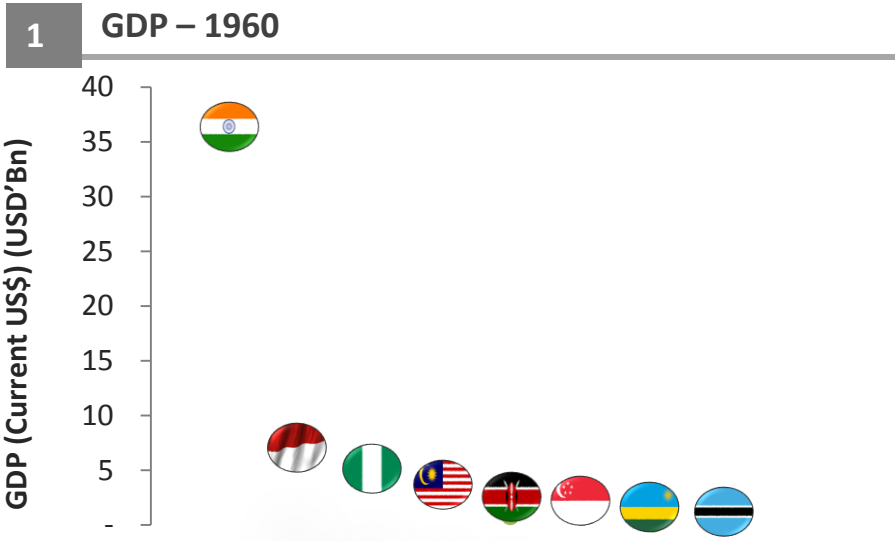
7 Nation Comparison

Nigeria vs. 7 Selected Countries



Comparison Country	Description
 Botswana	<ul style="list-style-type: none">Upper middle income Sub-Sahara Africa (SSA) country
 India	<ul style="list-style-type: none">Densely-populated lower middle income South Asian country; similar socio-economic status at independence
 Indonesia	<ul style="list-style-type: none">Densely-populated lower middle income East Asian country; similar economic position at independence
 Kenya	<ul style="list-style-type: none">Lower Middle Income SSA country; regional leader (East Africa); service economy
 Malaysia	<ul style="list-style-type: none">Upper middle income East Asian country; commodity-based economy; similar economic position to Nigeria at independence
 Rwanda	<ul style="list-style-type: none">Low Income SSA country; transitioning economy
 Singapore	<ul style="list-style-type: none">High income South East Asian country; regional leader; developing country at time of independence now developed

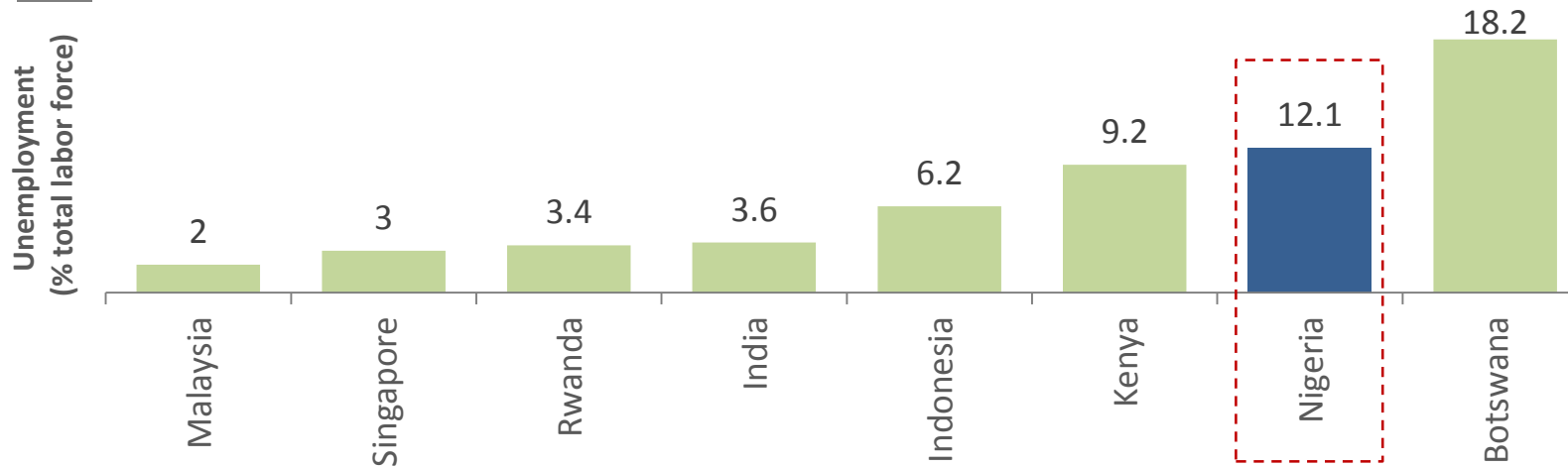
Nigeria – Growth with Uneven Development



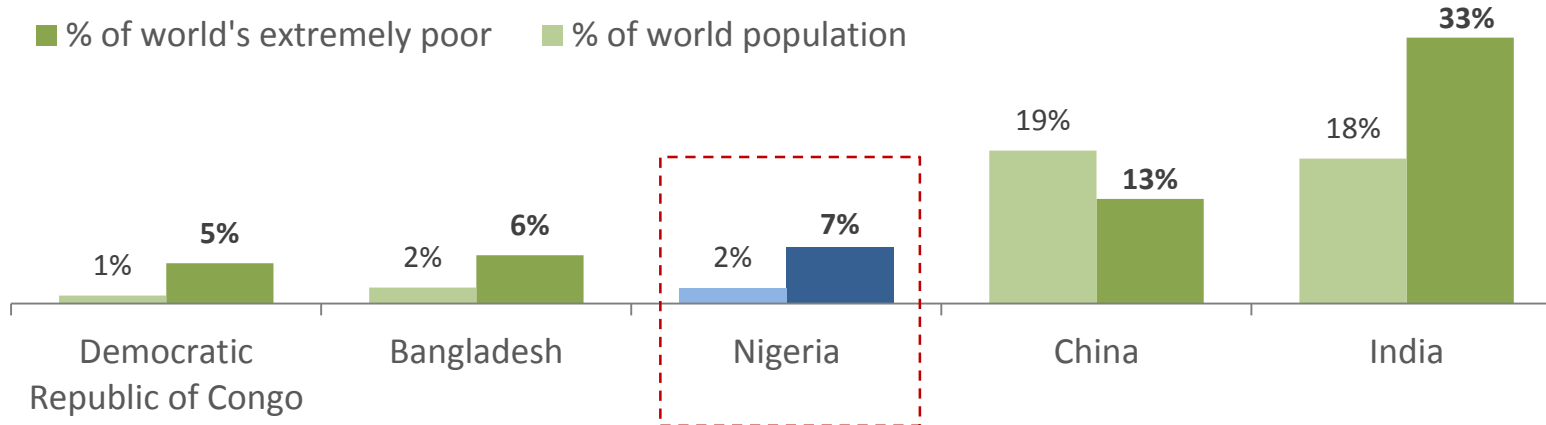
Poverty & Unemployment Remain Big Challenges



1 2ND HIGHEST UNEMPLOYMENT RATE OF THE STUDY GROUP



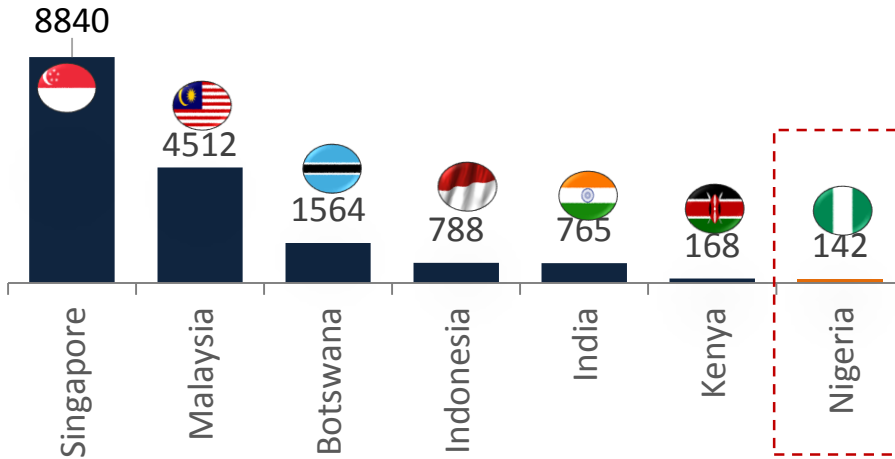
2 3RD LARGEST CONCENTRATION OF THE WORLD'S POOREST PEOPLE



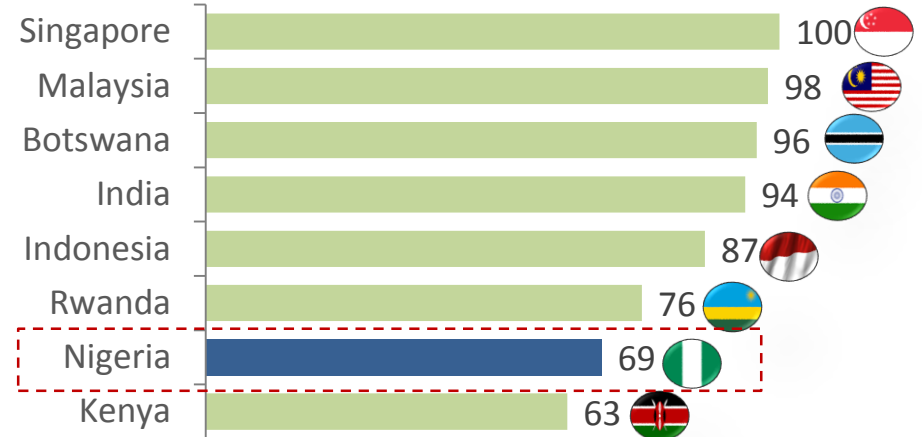
Weak Infrastructure



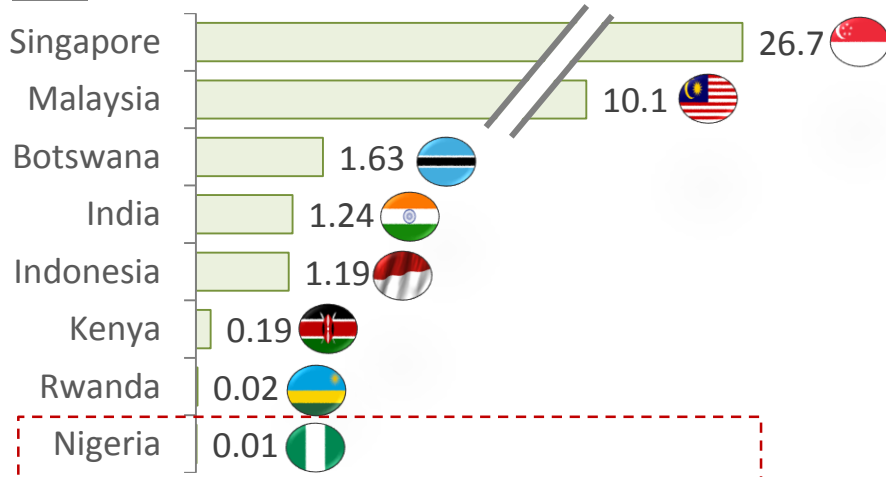
1 ELECTRIC POWER CONSUMPTION (KWH PER CAPITA)



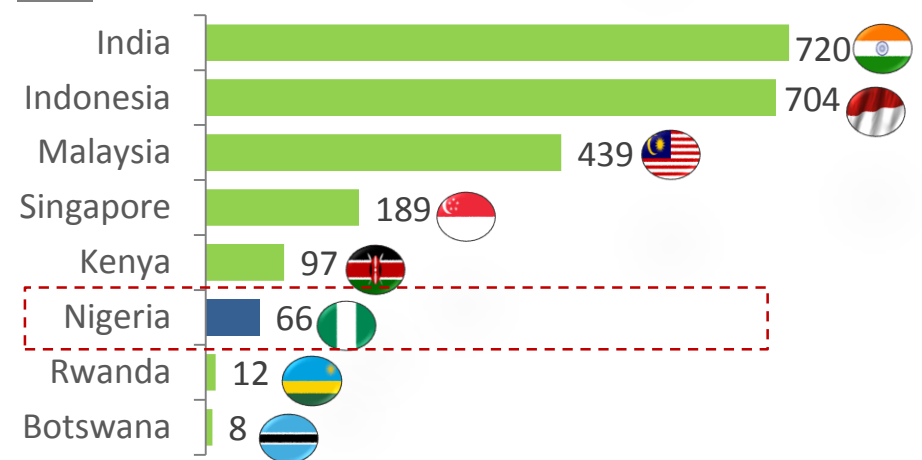
2 ACCESS TO CLEAN WATER (% POPULATION)



3 FIXED BROADBAND SUBSCR. (PER 100 PEOPLE)



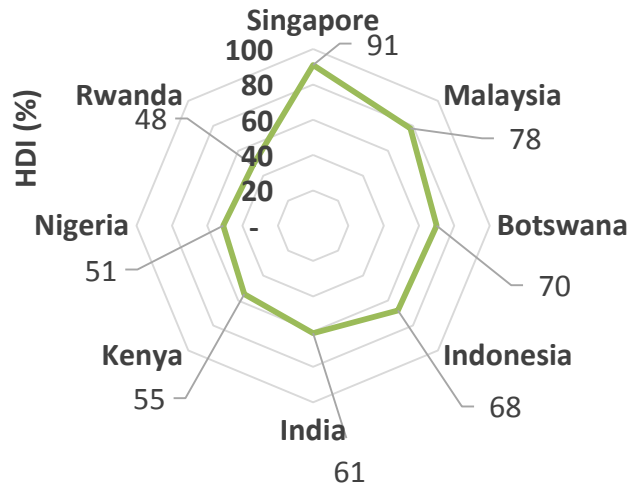
4 AIR TRANSPORT (DEPARTURES WORLDWIDE - '000)



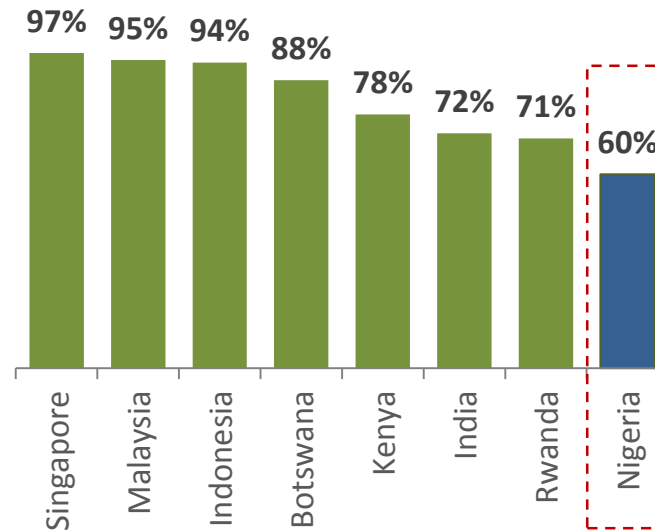
Nigeria and Poor Human Capacity Development



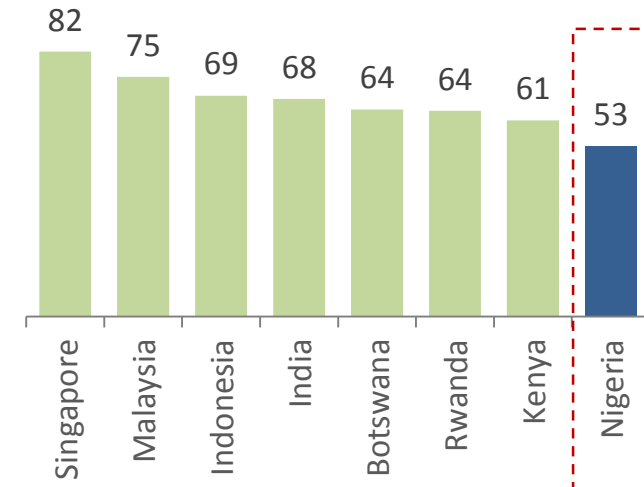
1 2ND LOWEST (HDI) SCORE



2 LOWEST ADULT LITERACY RATE



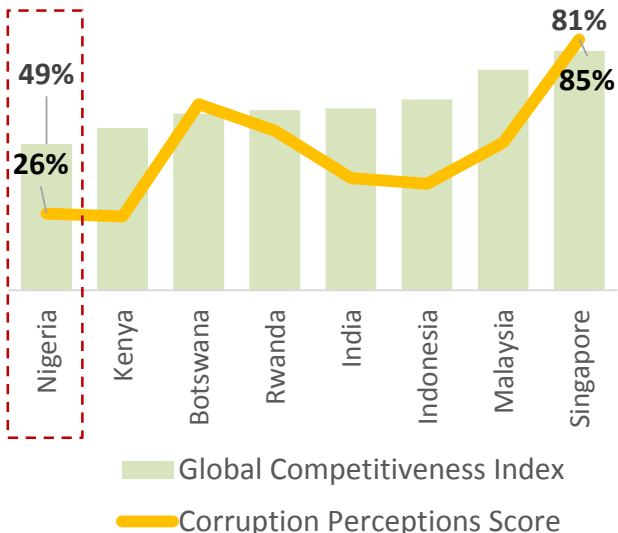
3 LOWEST LIFE EXPECTANCY



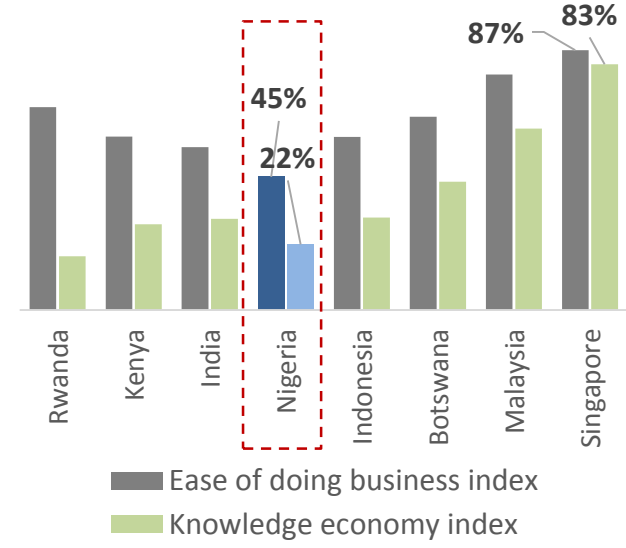
Business Uncertainties Hamper Growth



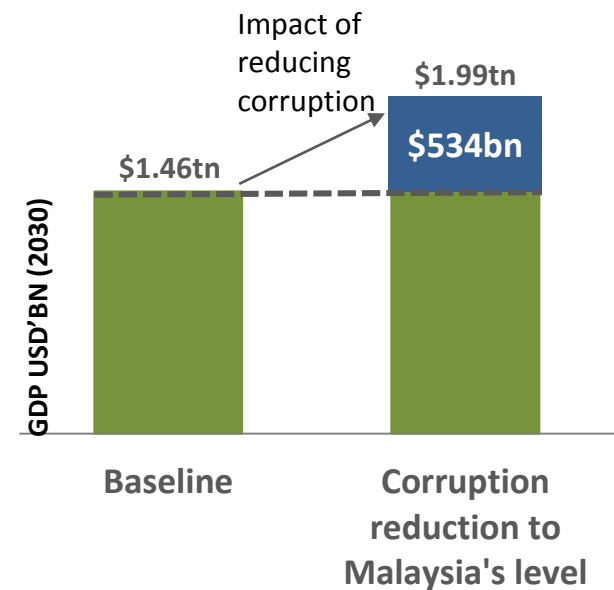
1 2nd HIGHEST CORRUPTION LEVEL



2 LOWEST EASE OF DOING BUSINESS RANKING



3 STRONGER EODB EQUALS HIGHER GROWTH



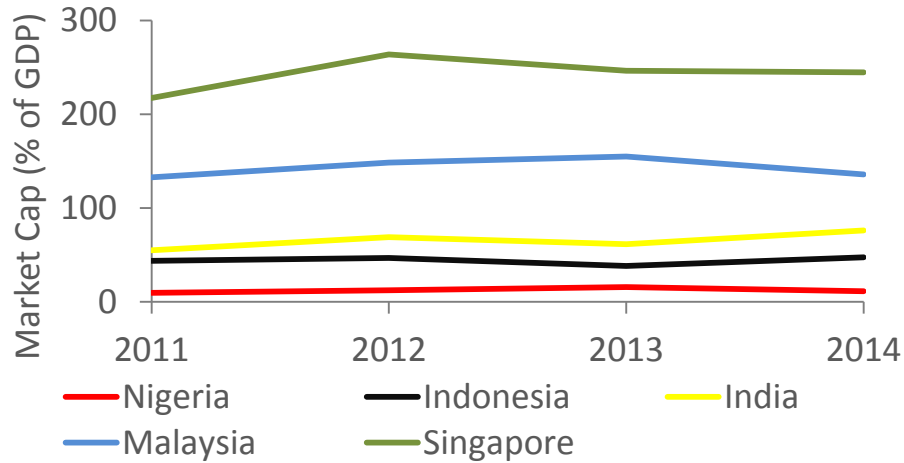
Corruption reduction poses significant gains to socio-economic development by increasing economic activity.

- 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.

Financial Market Volatility



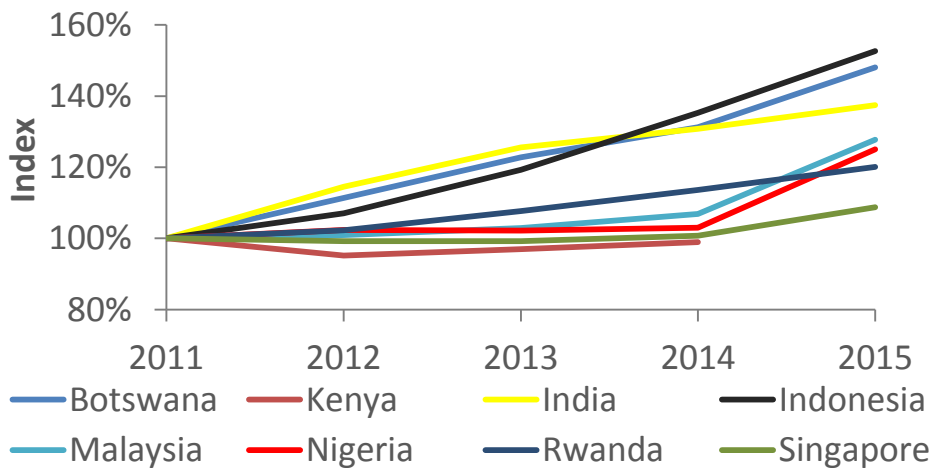
1 MARKET CAPITALIZATION



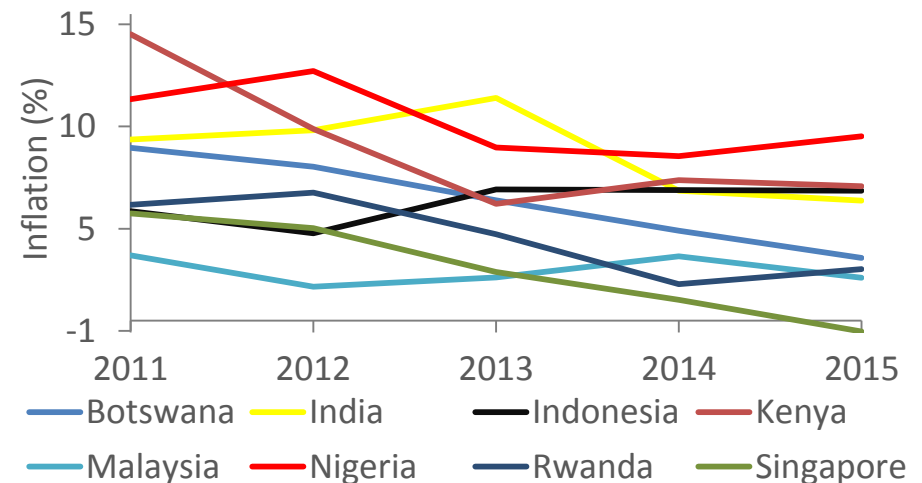
2 SOVEREIGN CREDIT RATING

	Moody's	S&P	Fitch
Botswana	A2	A-	
India	Baa3	BBB-	BBB-
Indonesia	Baa3	BB+	BBB-
Kenya	-	B+	B+
Malaysia	A3	A-	A-
Nigeria	Ba3	B+	BB-
Rwanda	-	B+	B+
Singapore	Aaa	AAA	AAA

3 CURRENCY TRENDS



4 INFLATIONARY TRENDS



May 27, 2016



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Global Trends and Effects on Nigeria

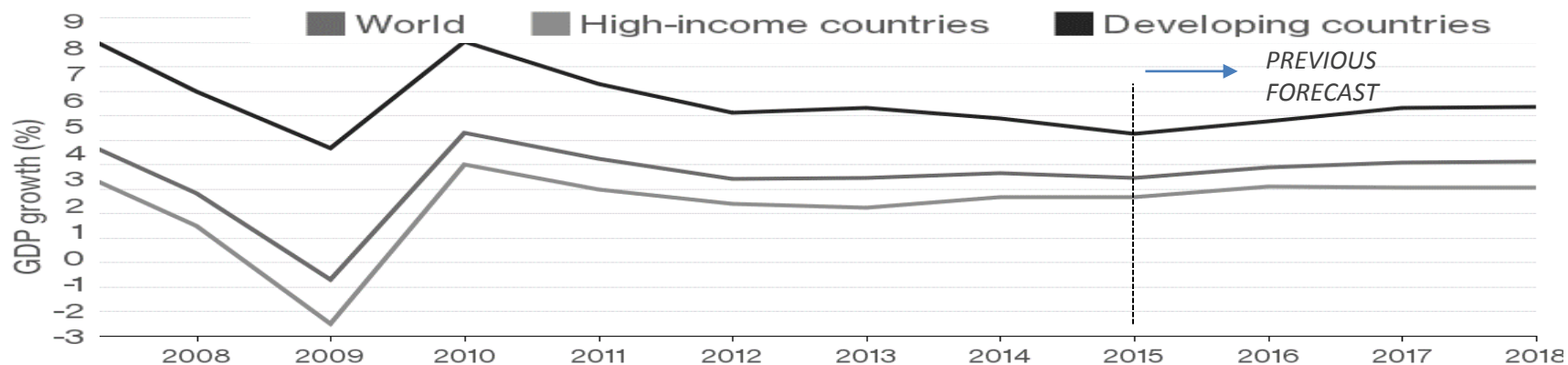
Global Trends – An Interconnected World



Still Recovering from the Global Financial Crisis



PRE-COMMODITY CRASH GROWTH FORECAST ILLUSTRATED PROMISE...

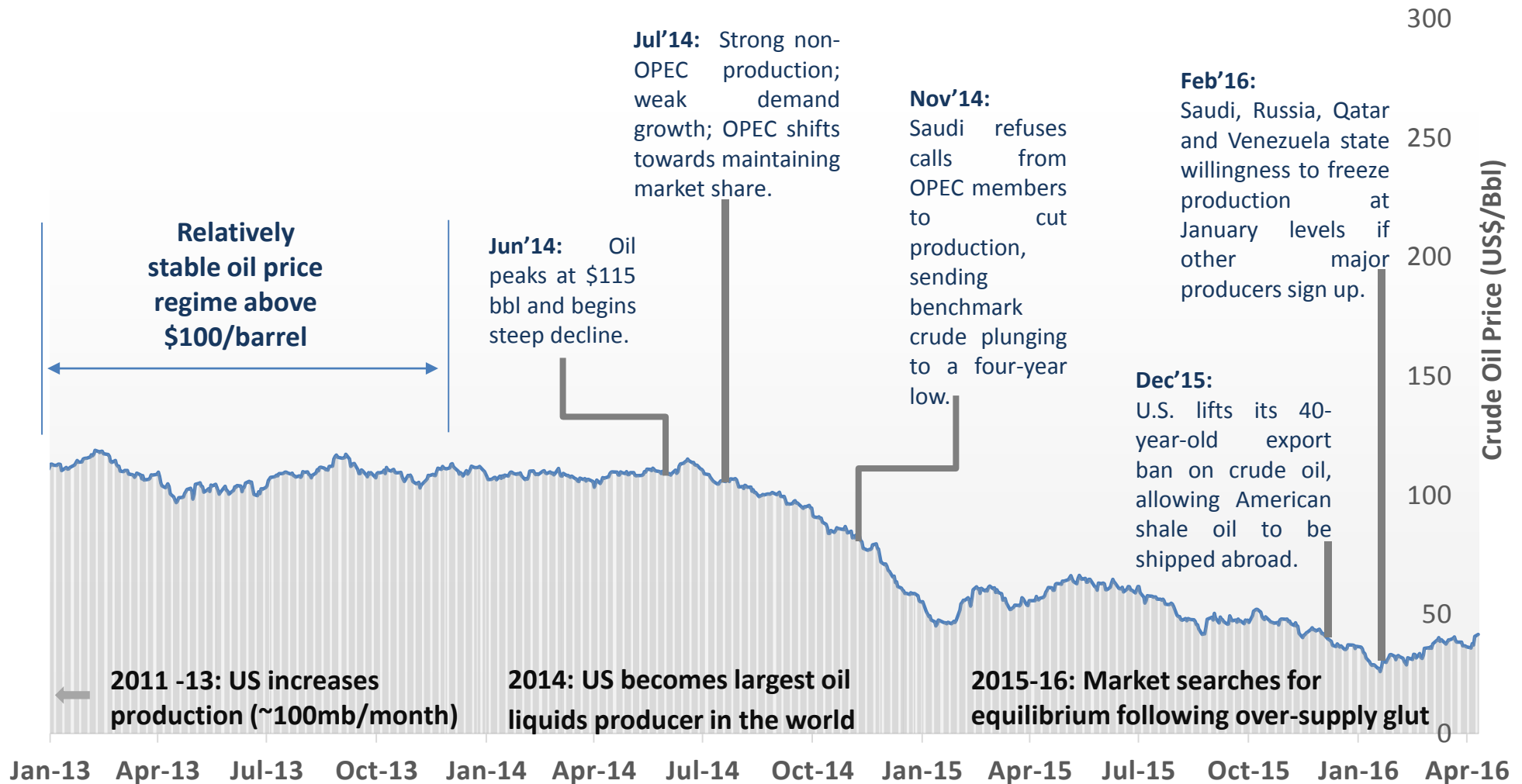


BUT WHAT WILL HAPPEN WITH GROWTH GIVEN TODAY'S REALITY?

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



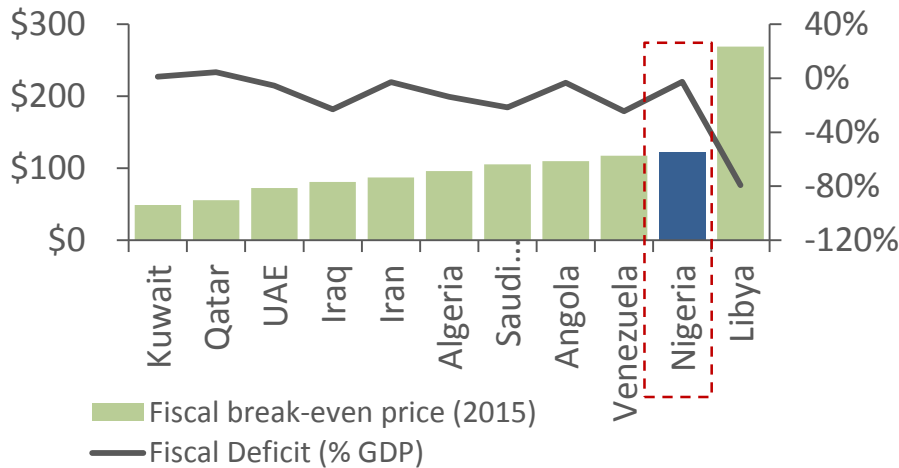
A 'New Oil Order'



Pain Bearing Capacity?



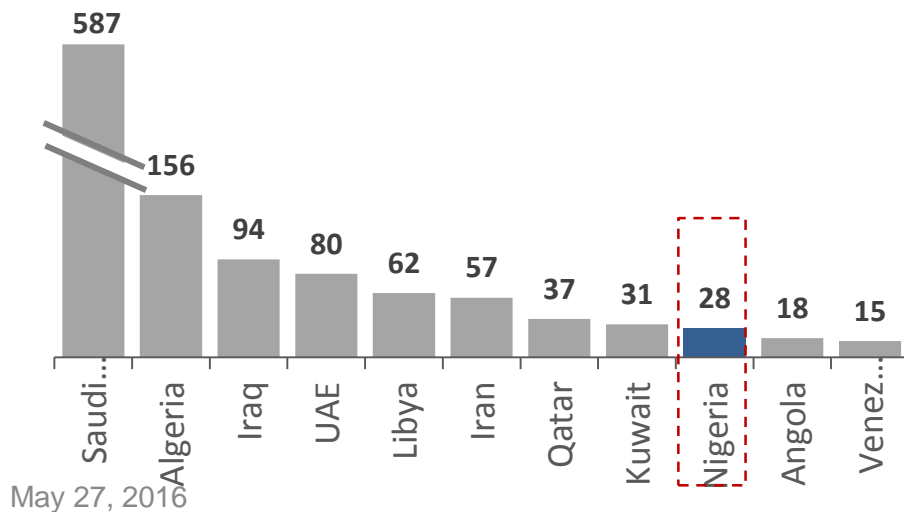
1 SINKING OIL PRICES LEAD TO OPEC BUDGET DEFICITS



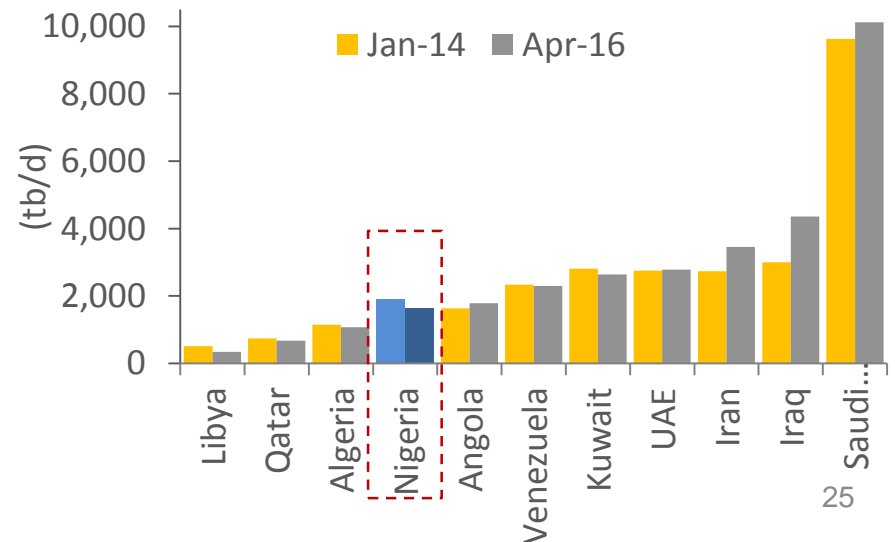
2 NIGERIA'S OIL PRODUCTION HITS RECORD LOWS



3 OPEC COUNTRIES FX RESERVES HIT IN 2015/16



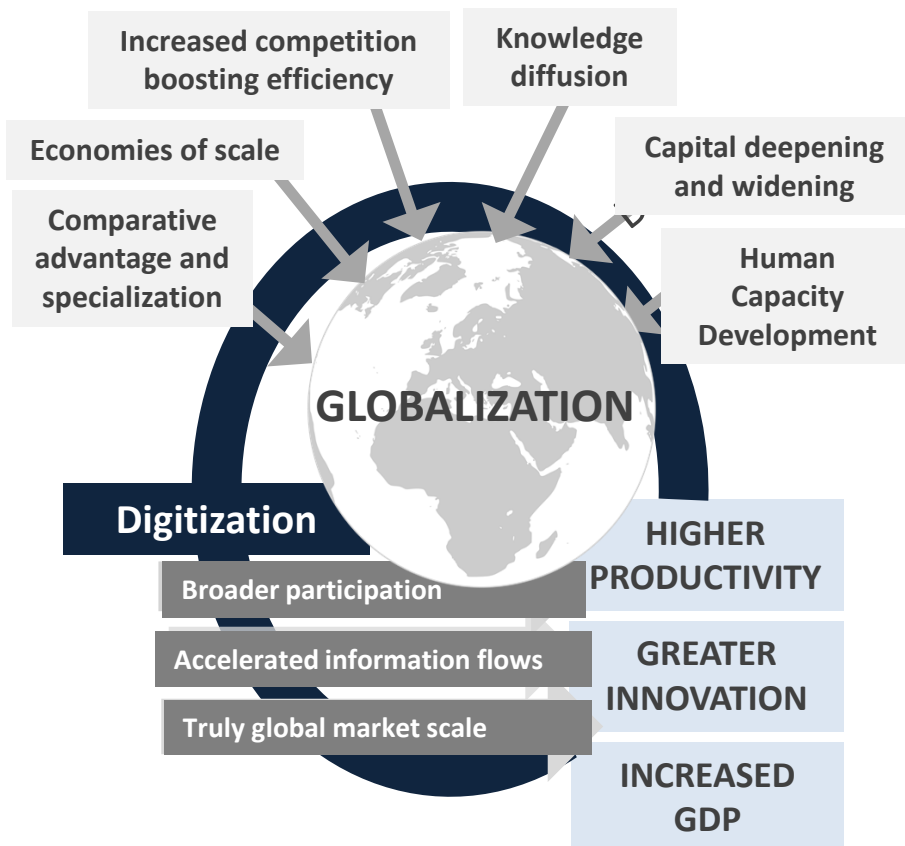
4 OIL PRODUCTION (JAN'14 VS. APR'16)



Globalization & Digitization: Game Changers



1 GLOBALIZATION AND DIGITIZATION DYNAMICS



2 MARKET CAP OF TOP DIGITAL GLOBAL FIRMS

Firm Name	Stock Price	Market Cap (MC)	Global MC Ranking
	\$95.22	\$521.56B	No. 1
	\$709.74	\$487.28B	No. 2
	\$50.32	\$397.90B	No. 3
	\$702.80	\$331.60B	No. 7

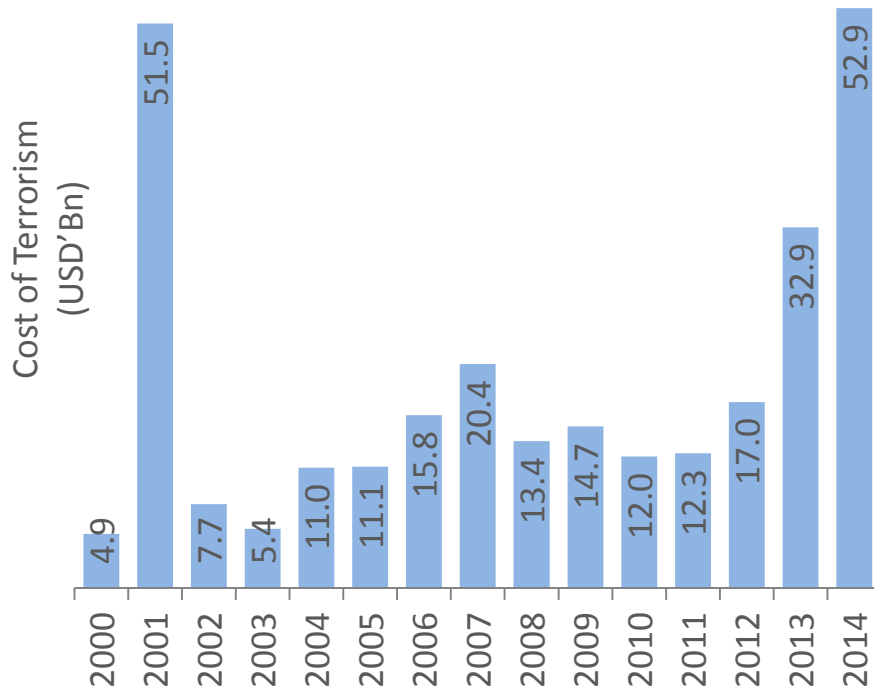
As at May 20, 2016

Security: Terrorism and its Global Impact



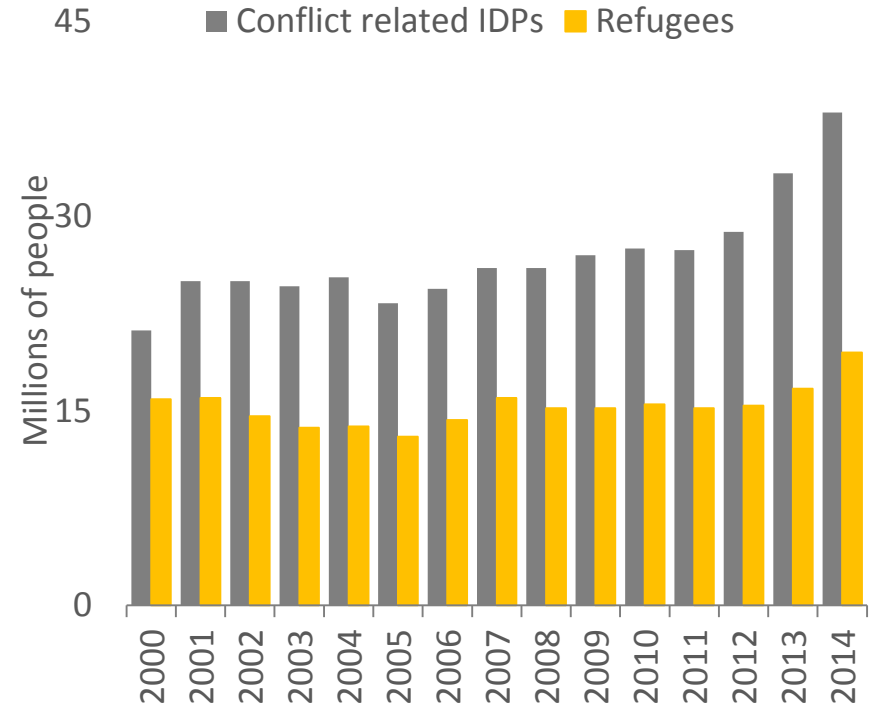
1

GLOBAL COST OF TERRORISM AT HIGHEST LEVEL SINCE 2001

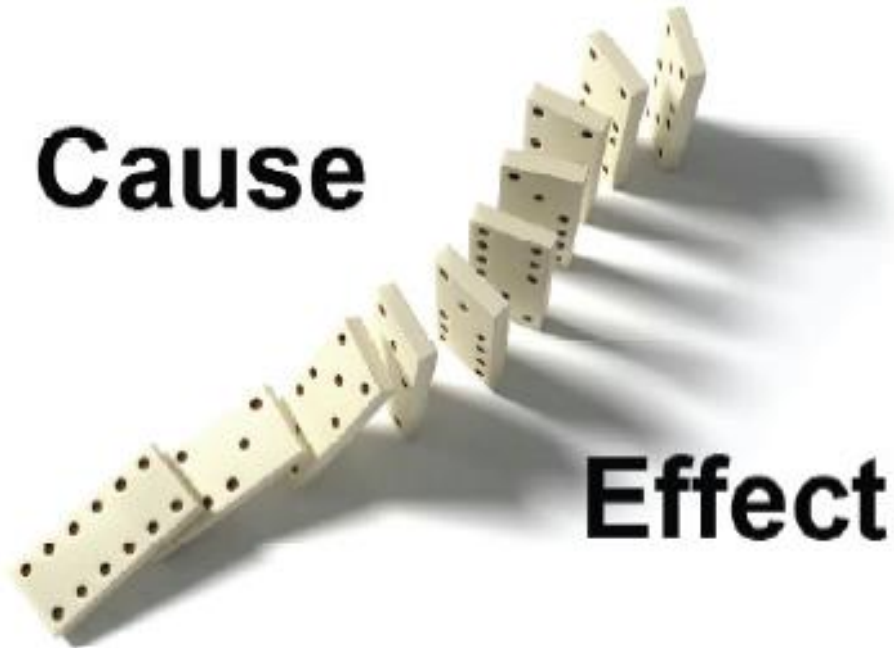


2

HIGHEST RECORDED NO. OF CONFLICT RELATED IDPs



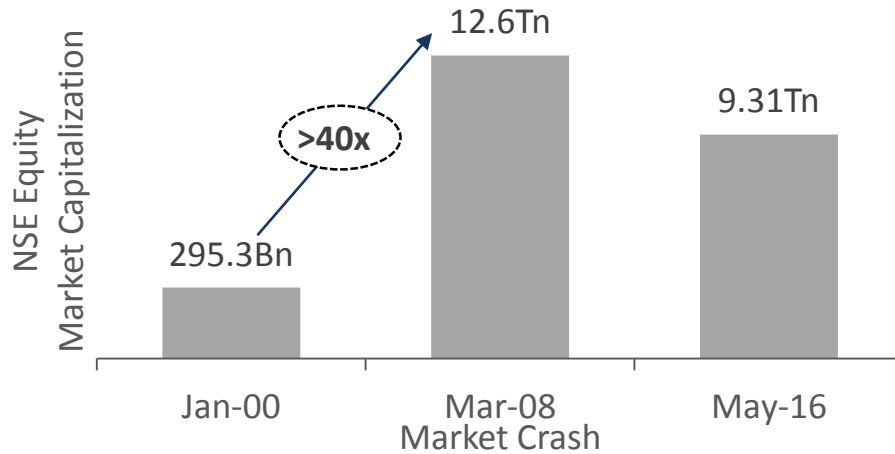
Effects of Global Trends on Nigeria



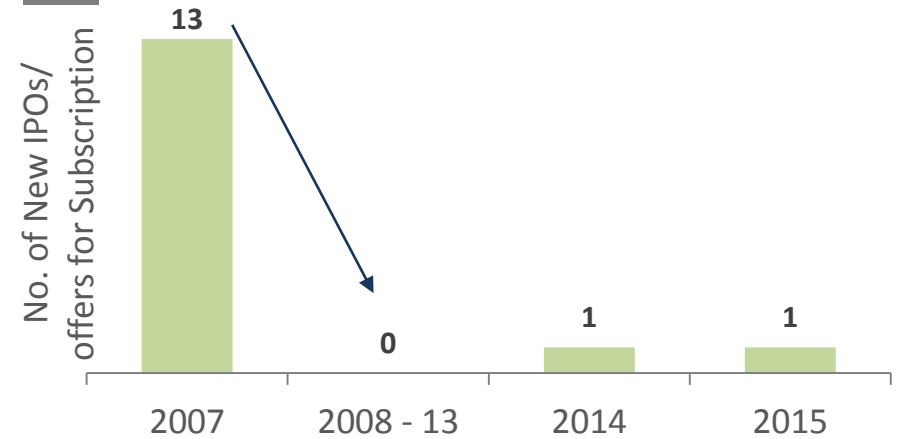
Financial Markets Yet To Recover



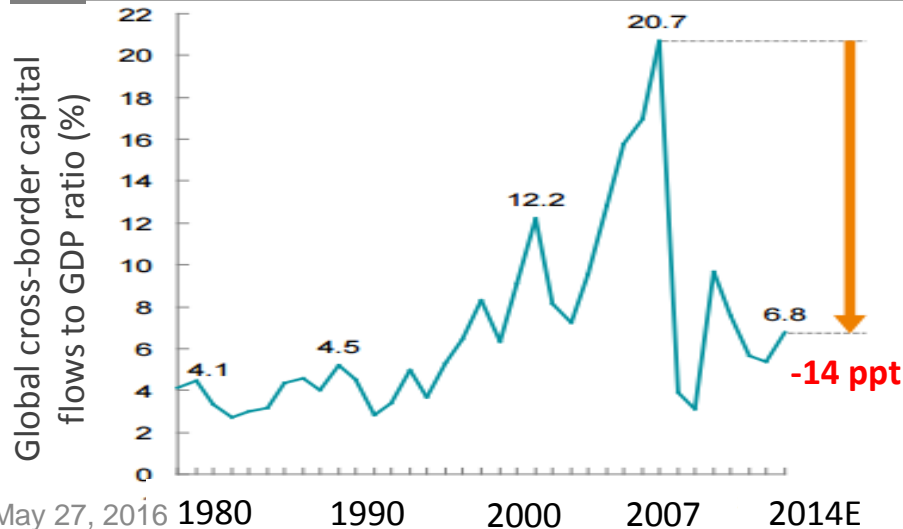
1 EQUITY MARKET IN LOW GEAR



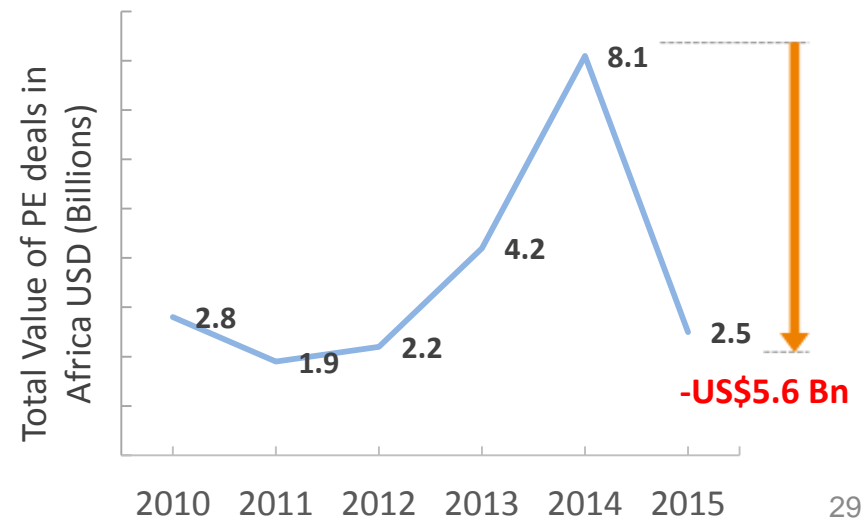
2 NEW IPOs/OFFERS FOR SUBSCRIPTION SLUGGISH



3 GLOBAL CAPITAL FLOWS ARE YET TO RECOVER



4 PRIVATE EQUITY IN AFRICA LAGS AS WELL



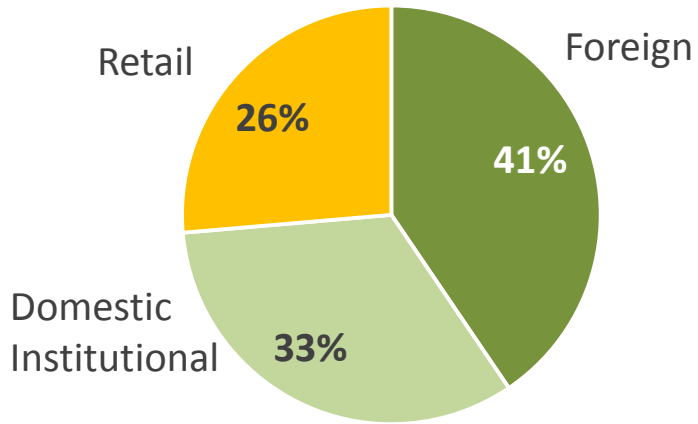
May 27, 2016

Source: NSE, Mckinsey

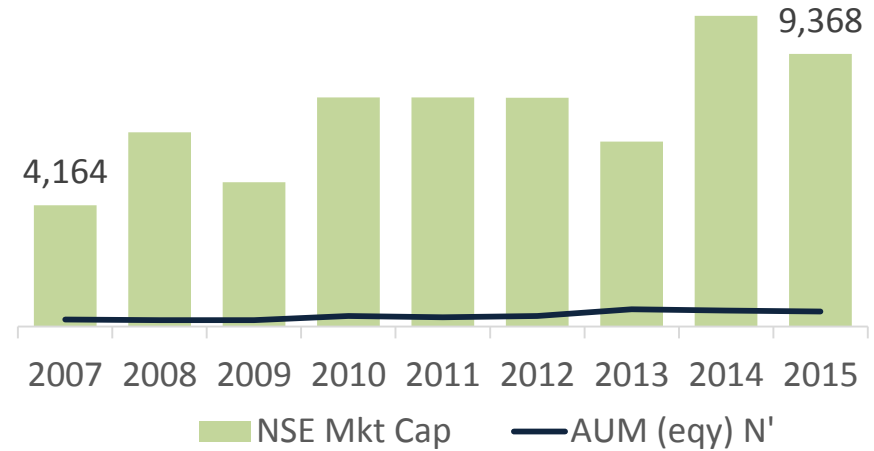
Weak Interest of Institutional Investors



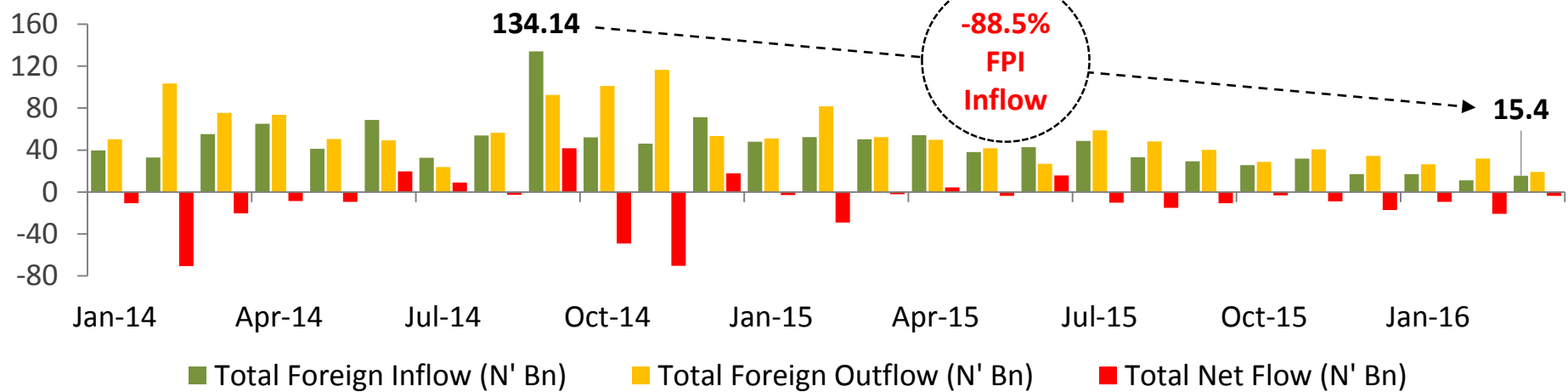
1 LOWER FOREIGN & INSTITUTIONAL PARTICIPATION



2 PENSION AUM IS <8% OF NSE MARKET CAP



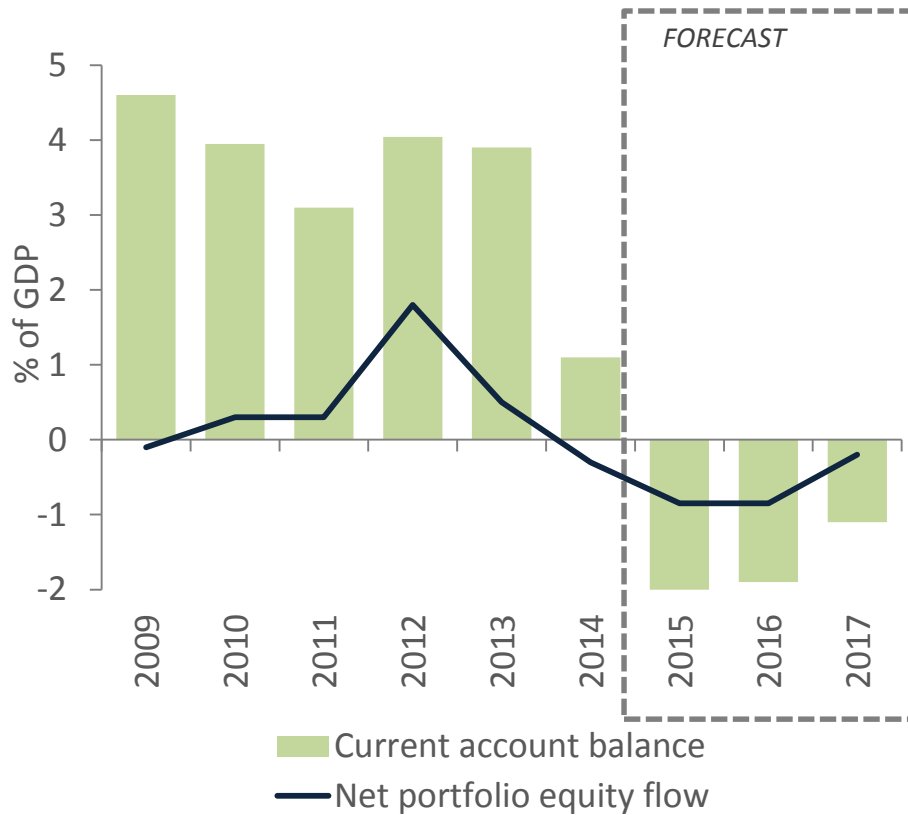
3 FOREIGN PORTFOLIO INVESTMENT ON A DOWN SLOPE



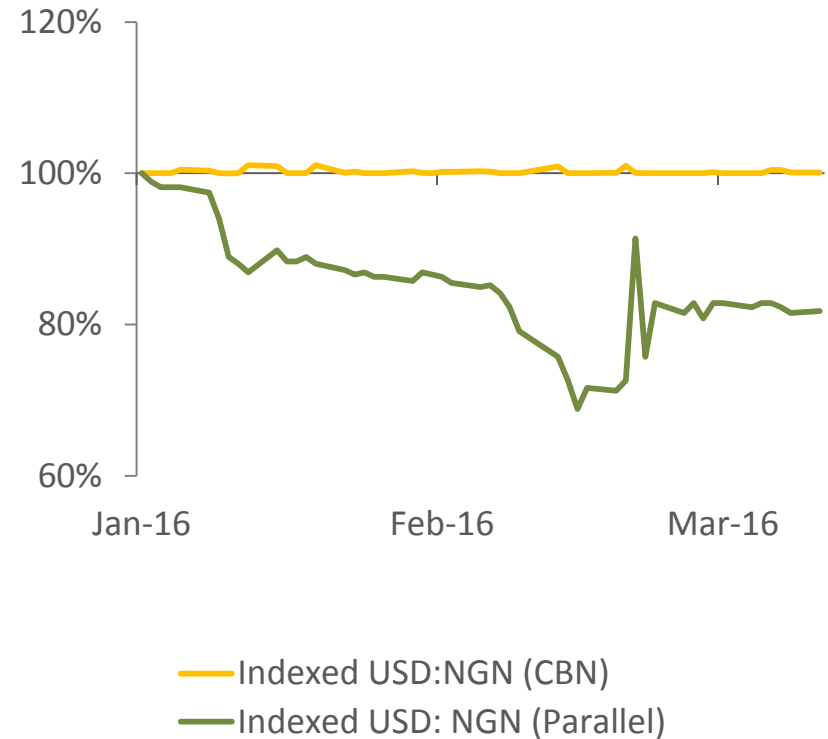
Challenges to Nigeria's Economic Growth: Oil



1 NEGATIVE FPI AND B.O.P TRENDS



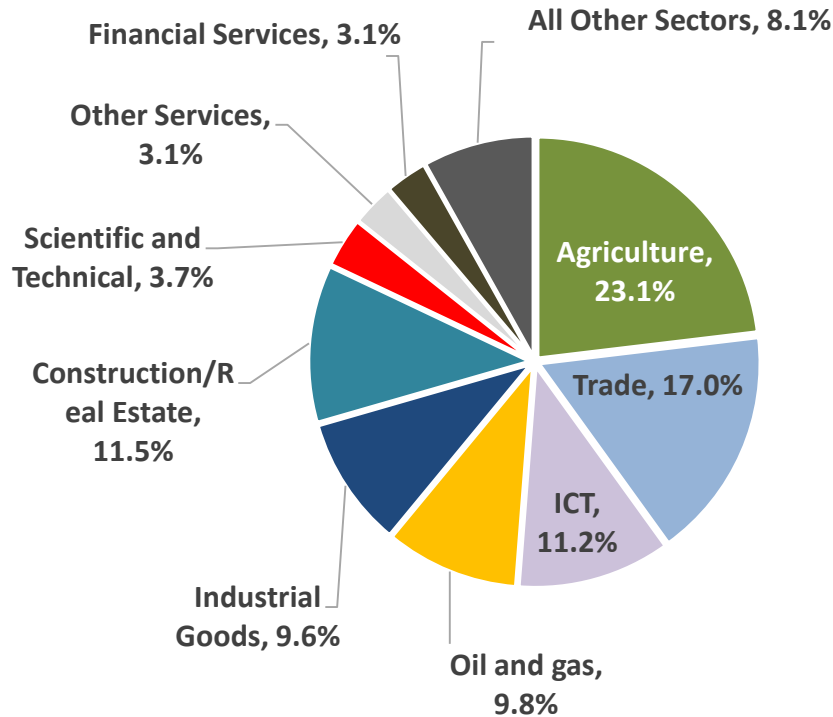
2 PRESSURE FELT ON THE PARALLEL MARKET



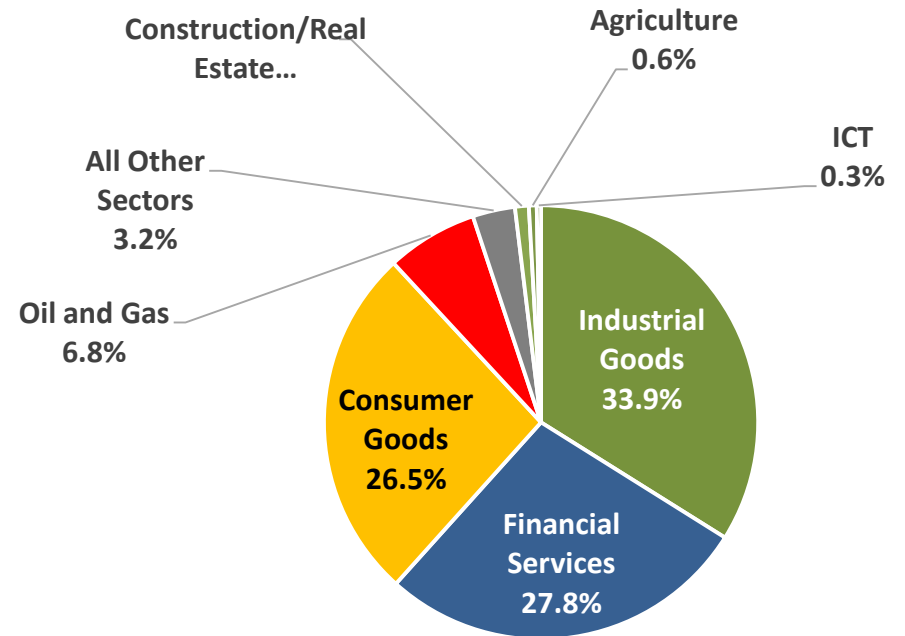
Lack of Economic Diversification



1 NIGERIA GDP SECTOR BREAKDOWN Q4 '15*



2 STOCK MARKET (EQUITY) BREAKDOWN Q4 '15**



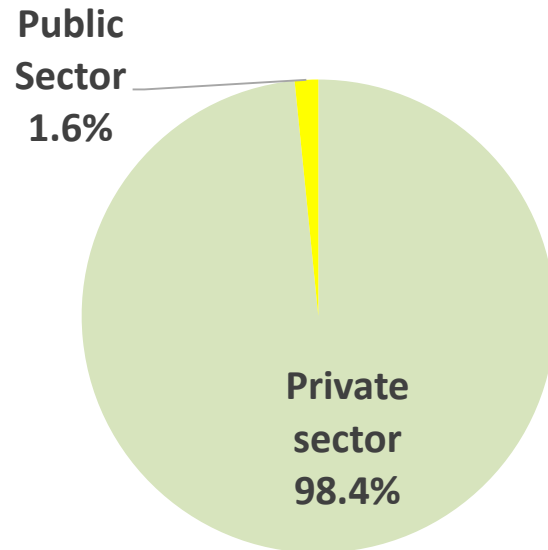
*National Bureau of Statistics (NBS) Q4 2015 GDP Report

** NSE Market data

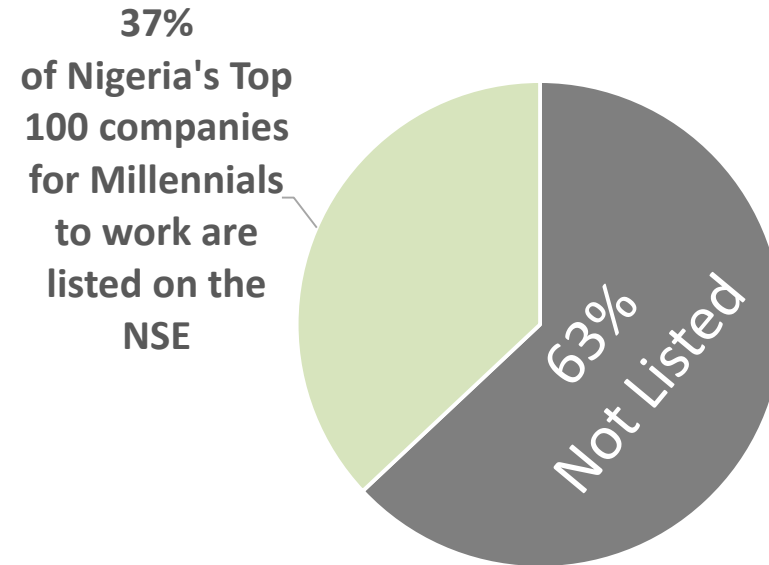
The Capital Market & Employment: A Gap



1 EMPLOYMENT IS DRIVEN BY THE PRIVATE SECTOR



2 LISTED COMPANIES PROVIDE QUALITY CAREERS





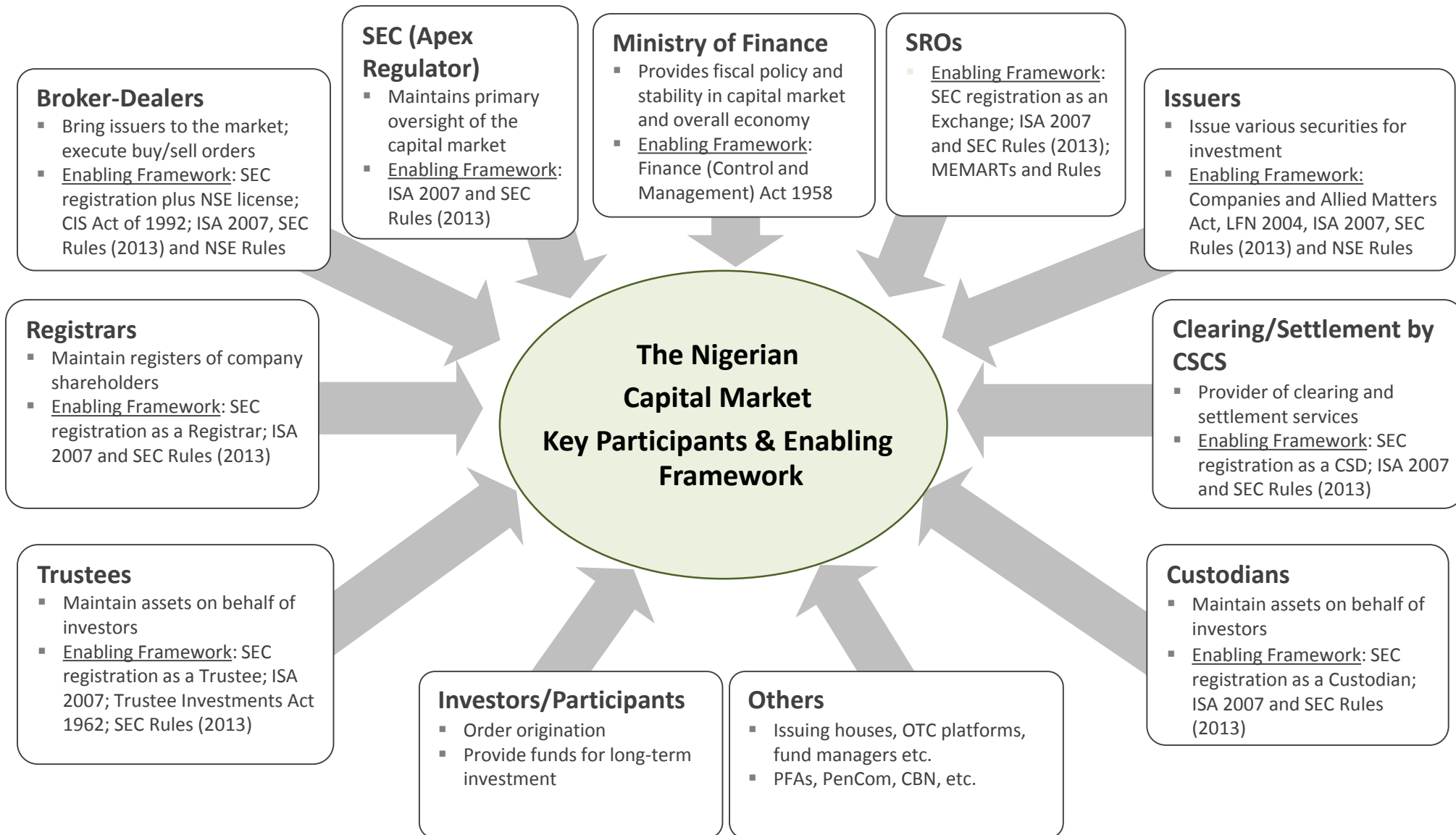
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Whither the Capital Market



Socio-economic Priority	Capital Market Role
▪ GROWTH	<ul style="list-style-type: none">▪ Facilitates capital-raising for business growth and dynamism▪ Mobilizes savings for investment
▪ INFRASTRUCTURE	<ul style="list-style-type: none">▪ Facilitates government financing for developmental projects▪ Enhances Public-Private-Partnership (PPP) initiatives
▪ HUMAN CAPACITY DEVELOPMENT	<ul style="list-style-type: none">▪ Empowers populace through financial literacy programmes and CSR initiatives▪ Mobilizes savings for investment
▪ SECURITY	<ul style="list-style-type: none">▪ Promotes Corporate Governance▪ Mobilizes savings for investment
▪ EASE OF DOING BUSINESS	<ul style="list-style-type: none">▪ Promotes Corporate Governance▪ Permits efficiency in capital flows
▪ FINANCIAL ENVIROMENT	<ul style="list-style-type: none">▪ Permits efficiency in capital flows

Current Ecosystem Snapshot



FTSE Quality of Markets Criteria – Nigeria



CRITERIA	NIGERIA	SOUTH AFRICA
World Bank GNI Per Capita Rating	Lower Middle	Upper Middle
Credit Worthiness	Speculative	Investment
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	Restricted	✓
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	Restricted	✓
Free and well-developed equity market	Restricted	✓
Free and well-developed foreign exchange market	X	✓
Non or simple registration process for foreign investors	Restricted	✓
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	T+3	T+5
Stock Lending is permitted	X	✓
Settlement - Free delivery available	X	✓
Custody - Omnibus account facilities available to international investors	X	✓
Dealing Landscape		
Brokerage - Sufficient competition to ensure high quality broker services	✓	✓
Liquidity - Sufficient broad market liquidity to support sizeable global investment	Restricted	✓
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	✓
Short sales permitted	X	✓
Off-exchange transactions permitted	Restricted	✓
Efficient trading mechanism	Restricted	✓
Transparency - market depth information / visibility and timely trade reporting process	✓	✓
Derivatives		
Developed Derivatives Market	X	✓



Capital Market Role

Via:

Facilitates capital-raising for economic growth

Mobilizes Savings for Investment

Equity
Capital
Markets

Board	No. of Companies	Market Cap
 PREMIUM BOARD	3 Domestic Corporations	N3.31Tn
 MAIN BOARD	174 Domestic Corporations 1 Foreign Corporation	N5.39Tn
 ASeM BOARD	11 Domestic Corporations	N8.61Bn

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



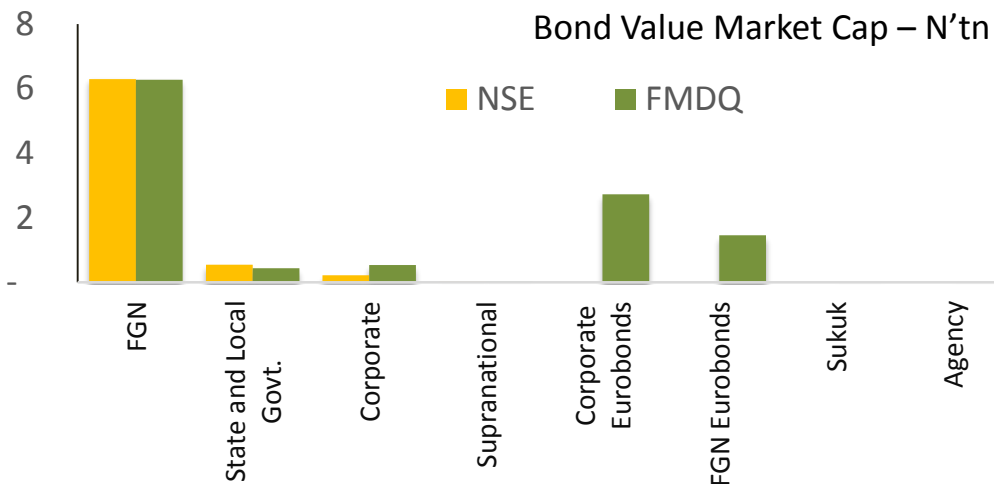
Capital Market Role

Via:

Facilitates Gov't financing for developmental projects

Enhances Public – Private – Partnership Initiatives

Debt Capital Markets



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



Capital Market Role

Via:

Permits efficiency
in capital flows

Enhanced
Infrastruc-
ture

Current Status

- Best in –class technical infrastructure

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



Capital Market Role

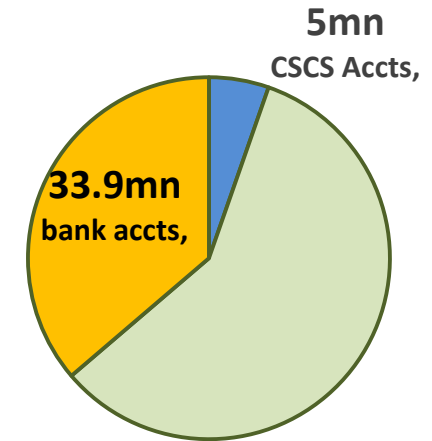
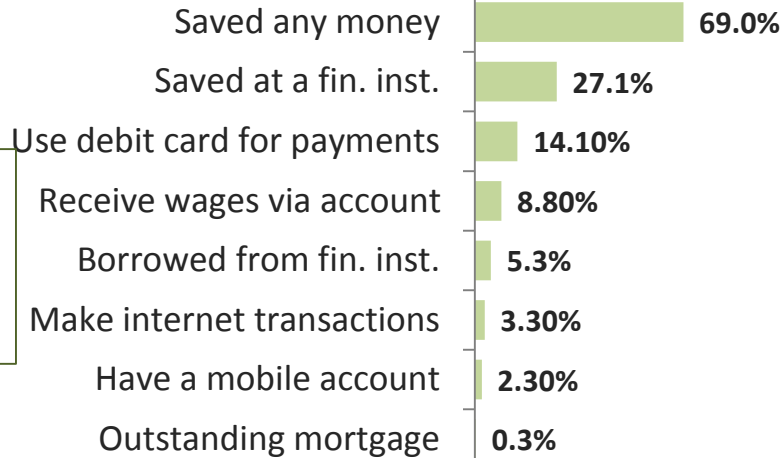
Via:

Mobilizes Savings for Investment

Promotes Corporate Governance

Empowers populace through financial literacy programmes and CSR initiatives

Inclusion



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



Capital Market Role

Via:

Promotes
Corporate
Governance

Permits efficiency
in capital flows

FTSE QUALITY OF MARKET CRITERIA

NIGERIA

World Bank GNI Per Capita Rating

Lower Middle

Credit Worthiness

Speculative

Market and Regulatory Environment

No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income

Restricted

Free and well-developed equity market

Restricted

Free and well-developed foreign exchange market

X

Non or simple registration process for foreign investors

Restricted

Custody and Settlement

Stock Lending is permitted

X

Dealing Landscape

Transaction costs - implicit and explicit costs to be reasonable and competitive

X

Transparency - market depth information / visibility and timely trade reporting process

✓

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.

The NSE: A Platform to Support Economic Growth



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.

2nd*

**Largest Exchange in Africa
by Market Cap
At ₦16.1 tn (\$81.1 bn)****

*Excludes dual listing not on the primary market

**As at 24th March 2016

207

**Active Dealing
Members****

184

Listed Companies

189 Equities (N8.9 tn)

63 Bonds (N7.2 tn)

7 ETFs (N3.7 bn)**

42.78% Foreign participation

Total Market Activity Jan - Feb 2016



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

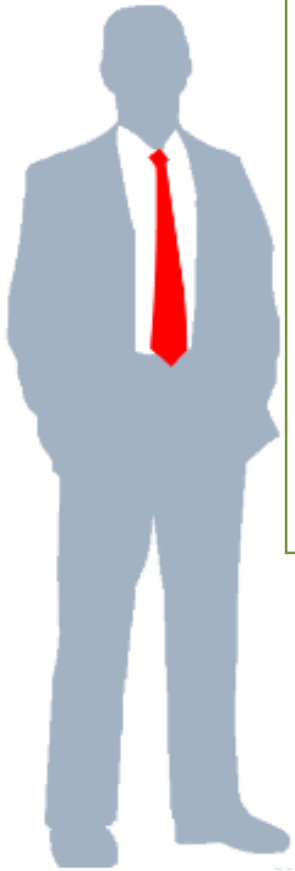


THE Nigerian STOCK EXCHANGE

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.**



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