Nigeria

FACTS & FIGURES

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

CLIMATE: Equatorial in south, tropical in center, arid in north

POPULATION: 138,283,240

CAPITAL CITY: Abuja

GOVERNMENT TYPE
Federal republic

GDP real growth rate
6.3% (2007 est.)

GDP per capita
$2,200 (2007 est.)

LABOR FORCE
50.13 million (2007 est.)

EXPORTS
$61.81 billion f.o.b. (2007 est.): petroleum and petroleum products 95%, cocoa, rubber

IMPORTS
$30.35 billion f.o.b. (2007 est.): machinery, chemicals, transport equipment, manufactured goods, food and live animals

Source: CIA World Factbook

This Advertising Supplement is produced by InterCom Ltd. and did not involve the reporting or editorial staff of the International Herald Tribune.

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AFRICA'S MOST POPULOUS NATION IS AIMING TO BECOME ONE OF THE WORLD'S LARGEST ECONOMIES BY THE END OF THE NEXT DECADE. ONGOING REFORM AND AN INFLOW OF FOREIGN INVESTMENT ARE TAKING IT THERE

An African giant with its sights set on 2020

Nigeria generated $12 billion in FDI last year. President Omaru Musa Yar'Adua is continuing the nation's reform program but more investment is required to reach its 2020 goals.

IT is widely recognized that Nigeria has the potential to become one of the largest economies in the world. Giant-sized, both in territory and population, it has a head start. Blessed with enormous reserves of oil and gas, vast untapped solid mineral resources and abundant areas of good farming land, it is already the economic powerhouse of West Africa.

Since substituting democracy for corrupt military rule almost a decade ago, Africa's most populous nation has reengaged with the international community, embraced economic reform and been freed from crippling external debt.

OMARU MUSA YAR'ADUA
President of the Federal Republic of Nigeria

The swearing in of President Omaru Musa Yar'Adua just over a year ago, following elections, marked the first successful transfer of power from one civilian regime to another since Nigeria gained independence from Britain in 1960.

President Yar'Adua says he is committed to maintaining economic stability while sustaining the institutional and structural reforms started by his predecessor, Olusegun Obasanjo. He has acknowledged that the engine of economic growth has to be a vibrant private sector, and says his administration is "determined to drive the privatization process forward."

According to Shamsudeen Usman, Minister of Finance, the economy is doing nicely. "Economic growth has been strong and prospects are good," he says.

Foreign reserves are at a record $60 billion, the second largest in Africa. Foreign direct investment continues to pour in at a gathering pace. Last year, FDI totaled $12 billion, more than double the total for 2005. Foreign remittances, an important form of incoming revenue given Nigeria's huge diaspora, are also rising rapidly, totaling $7 billion last year, compared with $2.2 billion in 2004. Inflation stood at 6.6 percent last year.

Oil production is the mainstay of the economy. Oil exports account for about 95 percent of Nigeria's foreign exchange earnings, 76 percent of government revenues and about a third of the country's GDP. Nigeria is an increasingly important source of oil for the United States. In 2007, it was the U.S.'s fifth-largest supplier.

Nigeria accounts for around 60 percent of the total gross domestic product of the 15-member Economic Community of West African States (ECOWAS) and boasts 29 of the largest companies in sub-Saharan Africa. Real GDP growth has averaged 7.3 percent over the last four years; last year it was over 6 percent, while the target for this year is 9 percent.

However, the country needs to achieve double digit growth to realize its immediate aims of reducing poverty by 30 percent and creating 10 million jobs for its unemployed by 2011—important stages on the way to achieving its longer-term goal of becoming one of the 20 largest economies in the world by 2020. Vice President Goodluck Jonathan says, "The implication is that sectorial growth rates, particularly in the non-oil sector, must be doubled."

The federal government continues to put in place incentives and initiatives aimed at boosting the growth of the economy and fast-tracking Nigeria's integration into the global marketplace. It says investment of $600 billion will be needed over the next 12 years for Nigeria to hit its 2020 target.

Rebuilding basic infrastructure is a priority, and reform of the energy and transport sectors is high on the agenda. There are plans to establish industrial parks and clusters, free trade and enterprise zones and business incubators across the country.

Foreign confidence in the economy is high. International institutions like the World Bank, the African Development Bank and the organization for Economic Cooperation and Development (OECD) predict that growth will accelerate.

Crucial to achieving Nigeria's Vision 2020 is the building of a sound and integrated financial system that can act as a catalyst for economic expansion. A need has been identified for across the board reform of the system, taking in banking, insurance, the capital market, the pension system and the mortgage industry. The process is ongoing, but real progress has been made.

Chukwuma Soludo, Governor of the Central Bank of Nigeria, and the architect of the reforms that have already strengthened and consolidated the banking and insurance sectors, believes that, in the longer term, Nigeria is on the way to becoming the financial hub of Africa—another goal for 2020.

An international financial hub for Africa

The Lekki Financial Corridor will be a purpose-built 'city within a city' modeled on the Dubai financial center and is expected to attract major global financial institutions to Nigeria

TO the southeast of Lagos in southwest Nigeria, lies the Lekki Peninsular. This is the proposed location for the Lekki Financial Corridor (LFC), a financial services center that will attract major financial institutions into Nigeria and provide Africa with the major international financial hub it currently lacks.

The LFC is envisaged as an entirely self-contained financial free trade zone, modeled on the international financial center in Dubai, where financial institutions will be supported with world-class infrastructure. Chukwuma Soludo, Governor of the Central Bank of Nigeria, describes it as "a brand new and purpose built, physically quarantined city within a city."

Development of the LFC would be funded by means of public-private partnership between the federal government, Lagos State, the private sector and international development agencies.

Lagos is already Nigeria's financial capital and by extension the financial hub for the West African sub-region. Most Nigerian banks and insurance companies and the international corporations present in the country are located there.

At present, South Africa boasts the most developed financial system in Africa, and serves as a financial center for Southern Africa. But there is no such hub for the continent as a whole, and this is the gap that Nigeria aims to fill.

Dr. Soludo believes that, given the rapid pace at which the financial sector has been developing, Nigeria's financial system will soon overtake that of South Africa.

"We have come from fourth or fifth position in Africa, we are now second to South Africa, and we are closing the gap gradually," he says. "We are growing at a much faster rate than they are growing and with the speed at which we are moving, it is only a matter of a couple of years, if we can sustain this momentum." He believes Nigeria can become Africa's financial hub by 2020.

"We are convinced that successfully developing the financial sector would transform Nigeria into the natural destination in West Africa for financial products and services, and also the ideal point for channeling investments to other parts of the African continent," he says.

CAPITAL MARKETS

Returns are among the highest in Africa

Nigeria's capital market is booming, local and foreign confidence in the economy remains high and the growth trend looks set to continue

NIGERIA'S capital market is booming. The volume and value of shares traded on the Nigerian Stock Exchange (NSE) continue to rise, and public offerings are frequently oversubscribed. Analysts dismiss fears of a crash and say there is a long way to go before the market reaches its peak.

One of the biggest, most vibrant equities marketplaces in Africa, the NSE has grown by leaps and bounds. Today it is home to about 300 companies with a total market capitalization that has grown to around 15 trillion naira ($125 billion) from just over 5 trillion naira in 2006.

The biggest players—since their enforced recapitalization by the Central Bank of Nigeria—are the large banks, which account for 17 of the 30 biggest companies listed, and seven of the top 10.

Stock market activity has continued to rise against a background of sustained growth and improved macroeconomic performance, rising foreign investment, increased corporate profit making, high lending rates in the money market and greater transparency and accountability. The total turnover value of shares traded on the NSE rose to just over 2 trillion naira (almost $17 billion) in 2007, compared with 470 billion naira in 2006.

NDI OKEREKE-ONYIUKE
Director General of the Nigerian Stock Exchange

The frequency with which public share offerings are oversubscribed—often massively—indicates the depth of the market, and there appears to be no falling off in investor enthusiasm.

Foreign investors are making a growing contribution to market activity. Last year they staked 256 billion naira (more than $2 billion), compared with 35 billion naira in 2006, and accounted for 12.3 percent of the aggregate turnover.

Nigerian pension reform has also driven stock prices, as the Pension Funds Act requires companies to set aside and invest a certain proportion of their earnings to cover retirement payments.

According to a report by Standard & Poor's, returns on NSE-quoted stocks were among the highest in Africa last year at 74.7 percent, compared for example with 18.6 percent on the Johannesburg Stock Exchange.

The growth trend is set to continue with the banking industry moving toward its next stage of consolidation and insurance companies following the banks to the market to seek fresh funds following their own recapitalization exercise.

The regulator, the Securities and Exchange Commission (SEC), has pledged to do all it can to make the Nigerian cap-

Continued on page 3

INVESTMENT BANKING

Providing world-class services to a global client base

Zenith Capital is taking on major projects and benefiting from its operational independence

IT'S a sophisticated retail offering that would not look out of place in London or New York, nor would the investment bank charged with managing the funds. A recently launched offer to subscribe to three mutual funds is just the latest among a number of large-scale projects to be handled by Zenith Capital, the investment banking arm of West African banking giant Zenith Bank Plc, which also has a fully FSA-licensed UK subsidiary and plans to open an office in the U.S. in due course.

Zenith Capital last year acted as financial adviser and arranger to the largest local syndication ($2.15 billion) for a downstream petroleum products company. The investment bank was also the adviser and lead arranger for the first public-private partnership airport project in Nigeria, the development of terminal 2 at Lagos's Murtal Muhammed International Airport, for which N20 billion ($170 million) was raised. Zenith Capital also acted as lead issuing house (the equivalent of a lead bookrunner and underwriter in the U.S.) for the top IPOs and secondary offerings, including the N200 billion ($1.7 billion) secondary offering for Zenith Bank and last summer's N19 billion ($160 million) share offer by Dangote Flour Mills. Among its current undertakings, Zenith Capital is the lead for African Petroleum's N130 billion ($1.15 billion) secondary public offering.

"Zenith Capital is a full service investment bank," points out China Danforth Onyemelukwe, Managing Director and CEO. Handling asset management and trading, in addition to regular investment banking—corporate finance, financial advisory and capital markets operations—Zenith Capital also provides stockbroking services through its affiliated company, Zenith Securities. "Our goal is to be the best in terms of quality and brand, and to provide world-class levels of service to a global client base, which we are already doing." says Onyemelukwe.

Zenith Capital leverages its intellectual capital and experience, led by Onyemelukwe's own extensive experience and exposure, both at home and abroad. Prior to Zenith, Onyemelukwe covered emerging market equities and fixed income at Merrill Lynch in London and New York. He has also run his own advisory, trading and asset management firm, and is an alumnus of the University of Benin in Nigeria, the London School of Economics and Harvard University.

Onyemelukwe is also a dual Nigerian and U.S. citizen, and the combination of his experience and background means that he shares and understands the perspective of his current and potential U.S. and global clients.

Investment in technology is another key competitive advantage, allowing the investment bank to structure, price and issue financial instruments in both local and foreign exchanges and helping with financial and legal compliance.

"Overall, the combination of our full-service structure, leading intellectual capital, experience and technology is making us the investment bank and adviser of choice for U.S. and global investors looking to invest in sub-Saharan Africa. Our deep local knowledge also means that we see deals and developments very early on. We are already advising on a number of M&A transactions, including some potential cross-border deals, and are developing our operations in London and the U.S."

Onyemelukwe's shared perspective and background should offer potential investors reassurance. "Essentially I became sold on my own pitch," he says cheerfully. "I came back to Nigeria initially as an investor because I saw the huge potential."

Zenith Capital is the entity behind much of Nigeria's financial activity, handling IPOs and secondary offerings.

INTERVIEW WITH CHINA DANFORTH ONYEMELUKWE

'I always believed that Nigeria would be the next big investment frontier'

You had a successful career abroad, what motivated you to return here?

When I initially came back, I was actually looking at setting up a hedge fund and capital markets firm from the buy-side investor viewpoint. I was doing this because I always believed that sub-Saharan Africa in general, and Nigeria in particular, would be the next big investment frontier. However, while I was exploring this, I was asked to come in to build and run Zenith Capital. I found it interesting, as it was a startup at the time as well, and I have always had an entrepreneurial mindset. I felt that there was an opportunity to build a great investment bank if it was done right.

Do you believe that Nigeria will be among the top 20 global economies by 2020?

While I think the chances are very good, I don't think that whether Nigeria is a top 20 economy by 2020, or 2025, is the issue as such. The key thing is that the reform program and development of free markets and rule of law continue apace. In any event, I think all of the fundamentals are in place, and that there is significant consensus about what is required to bring about the desired changes. Power is obviously crucial, as is infrastructure development. We're definitely headed in the right direction and if we continue and accelerate down the path we are on, I think that we will get to where we need to be in terms of our global position.

How long will it take for there to be a world-scale investment banking industry in Nigeria?

To some extent it is already happening. For me, the key issue is to be world-class before seeking to be world-scale. In our case, Zenith Capital is much more than just a capital markets operation. We cover all areas of investment banking, including corporate finance and advisory, capital markets, sales and trading, asset management, stockbroking, and principal investing. We are already advising on a number of M&A transactions, including some potential cross-border deals, and are developing our operations in London and the U.S.

CHINA DANFORTH ONYEMELUKWE
Managing Director and Chief Executive Officer
Zenith Capital

Are you seeing a lot of interest from Nigerian companies that want to take themselves public?

The middle market is developing very rapidly, with numerous smaller and medium-sized companies looking to access the markets through private placements and IPOs. Our job is to assist those companies by providing financial advisory services to them to ensure that they are prepared for the process and have all the structures and plans in place that they need before our capital markets team take on a mandate to take them to the market.

Do you expect to see a large growth in the next few years of the mid-cap market?

The mid-cap market is already growing rapidly, and as the capital markets continue to develop, those companies are now able to access capital that they wouldn't have been able to reach in years past. There are of course significant opportunities in this market, although it is important to get professional advice before making investment decisions as there is a significant range in terms of the quality of issuers and their track records.

BANKING

Regional player sets about establishing a global brand

As its parent company expands, UBA Global Markets is undertaking major projects

GLOBAL players in the capital markets may believe they have nothing to fear from their Nigerian competitors, but it could prove shortsighted to discount their potential strength.

The opening of UBA Capital (Europe) in February is just the latest step in a program of globalization by the UBA Group, which has also seen it open a New York office at the end of last year, making it the first sub-Saharan bank to operate in the U.S. UBA hopes to establish a global brand that will see it compete directly with international investment banks.

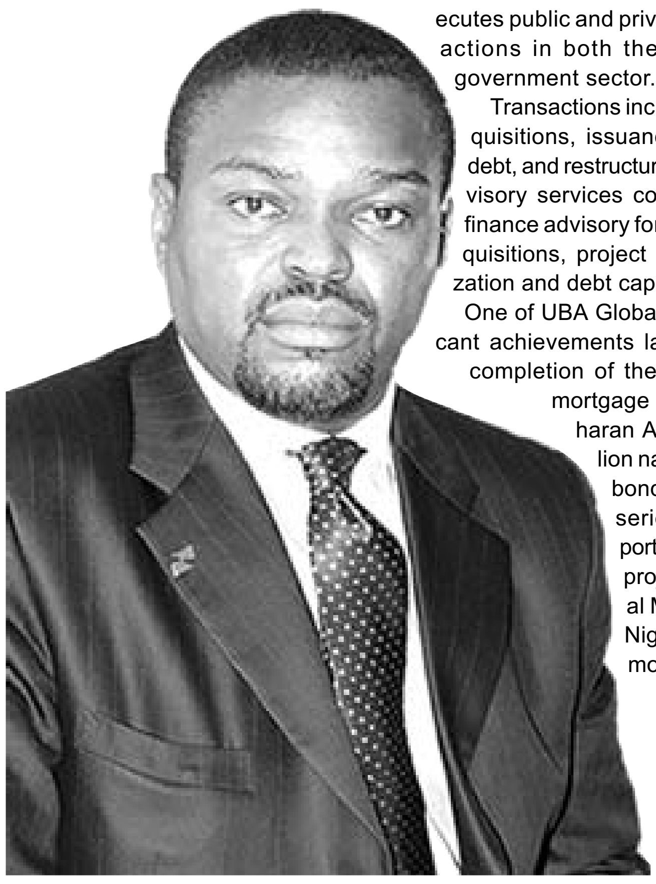
"London is to be a distribution hub," says Sonnie Ayere, Chief Executive Officer of UBA Global Markets. "The idea is to originate stocks across Africa and then distribute them globally. One of the best points of distribution is the London market."

UBA Global Markets is the UBA Group's investment banking arm, and has leveraged its parent's regional strength to build a presence in West, Central and East Africa. Even without the prospect of international expansion, UBA Global Markets has ridden a period of rapid growth in the Nigerian capital markets, which has seen the exchange's capitalization grow from about $31.5 billion in 2006 to about $125 billion last year, and the development of a secondary fixed-income market in the country.

In response, UBA Global Markets has developed its offering to encompass fixed-income products, equities, derivatives, currencies, money markets and commodities. It also structures and executes public and private market transactions in both the corporate and government sector.

Transactions include mergers, acquisitions, issuance of equity and debt, and restructuring, as well as advisory services covering corporate finance advisory for mergers and acquisitions, project finance, securitization and debt capital markets.

One of UBA Global Markets' significant achievements last year was the completion of the first securitized mortgage bond in sub-Saharan Africa. The 25 billion naira ($212 million) bond is the first in a series that will support a 100 billion naira project by the Federal Mortgage Bank of Nigeria to boost the mortgage market by providing affordable mortgages to government employees. The firm has also been lead arranger for bonds issues by airline Virgin Nigeria, the Tinapa Calabar business resort, and the Kebbi State Government.



SONNIE AYERE
Managing Director and Chief Executive Officer of UBA Global Markets

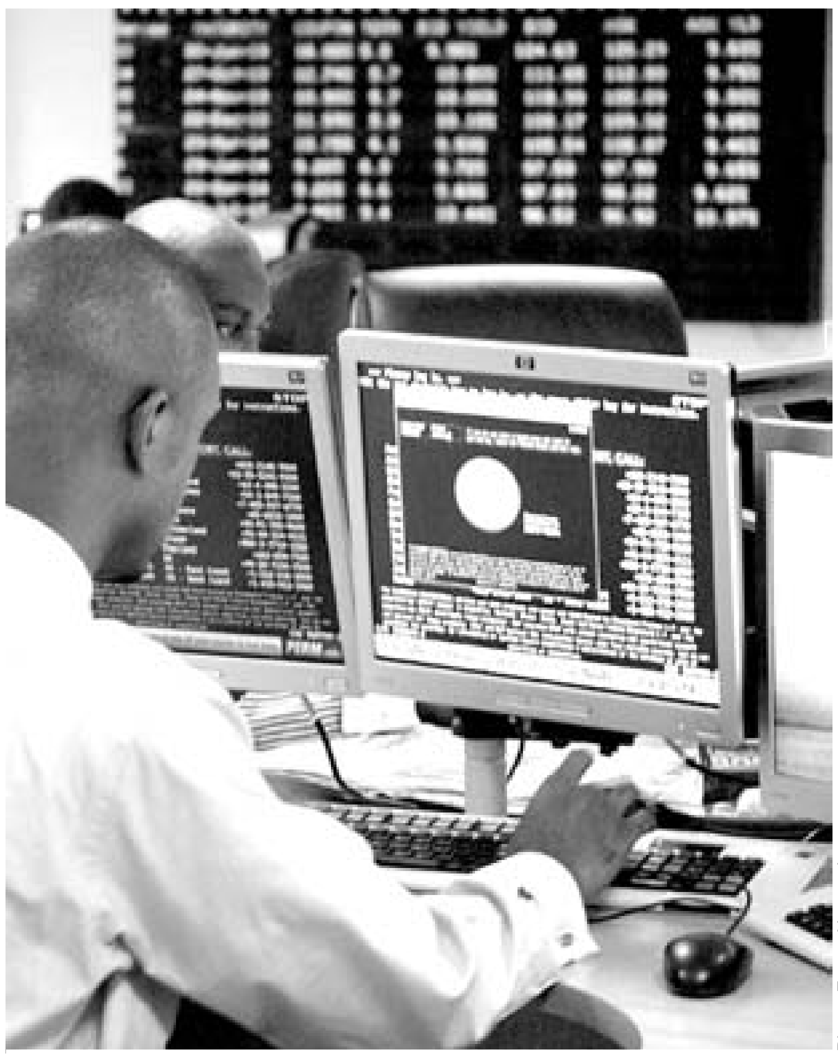


Photo: Emma Nwawudu

UBA Global Markets has a number of significant stock market placements to its credit.

UBA Global Markets has been involved with a number of significant stock market placements. It was one of three issuing houses handling the 1.5 billion share offering by Dunlop Nigeria, as well as the 60 billion naira initial public offering by the Transcorp conglomerate. Other projects include the Oceanic Bank International subscription offer and a rights issue by Standard Trust Bank Ghana.

> Achievements include completion last year of sub-Saharan Africa's first securitized mortgage bond

The stated aim of the parent UBA Group is to open a branch in a new country every other month, and it is investigating its next move into the Middle East, with possible expansion into the Far East. Negotiations are under way with the Chinese regulatory authorities to that end.

If any African financial group can achieve such an ambition, UBA Group fits the profile. The product of a merger between the former United Bank for Africa and Standard Trust Bank and subsequent acquisition of Continental Trust Bank, UBA is now the largest financial services institution in West Africa.

Operating out of Nigeria and nearby Ghana, it has a balance sheet size of more than $15 billion, and more than six million customer accounts. Its many awards include the title 'Africa's Emerging Global Bank', bestowed by African Banker Magazine.

Recently, it announced the launch of a new 3 billion naira subsidiary, UBA Microfinance Bank, which will extend finance to people who up to now would not have had access to it. UBA is the first universal bank to be granted a license to operate such a bank in Nigeria. The new bank will operate from within all UBA branches in urban and rural communities.

QUESTION & ANSWER: SONNIE AYERE

'A global, world-respected financial institution can exist here'

You have worked in London and Washington. How has Nigeria changed since your return in 2005?

The change, in terms of institutional reforms, started before 2005 with the second term of the Obasanjo regime when the economic team, which included Professor Soludo, was put in place. Another key change was pension reform, which was important because you must be able to mobilize domestic capital—this means that there must be savings. And another key event was the bank consolidation. On the back of the pension reforms, we realized that there was no need to mobilize all the capital if there was no place to put it, which led to the drive to develop the domestic debt market, for bonds. There were other things, such as the Fiscal Responsibility Act, all of which laid the foundation for what we see today. And, that doesn't discount the high oil price, because the increase there was also quite helpful. The final thing was the forgiveness of Nigeria's foreign debt. All these things have helped to bring the country to where it is today.

What is your opinion of the current stage of development of the capital market?

It's actually quite a well-regulated market. The issue is the structure of the equity market—the stock exchange, as you have it, needs some work. For example, right now, it's closed. They only traded for 2 hours today because it is an order-driven system. That means that if you were looking to buy UBA shares, you would call your broker and hope that, on the other side, there was someone who wanted to sell at your desired price. In other markets, it's a quote-driven system, which is why markets can trade for 24 hours. We are trying to move to that system, which will create more depth and liquidity, and will be much more interesting to the international investor. Once we move to that system, trades with internationals will increase significantly. Currently the problem with our system is its lack of liquidity. If international investors were buying $50 million worth of stock, and wanted to sell two days later, it would be impossible, despite that being the sort of routine trading that would occur elsewhere. Once people can move in and out of the system freely, trading will increase substantially.

How far away is that?

It's difficult to say. I remember when we first started the domestic bond market, I said to the Central Bank that all federal government bonds, regardless of tenure, should qualify as a liquid asset because, so long as you have dealers who are willing to deal in these bonds, it should be liquid. However, it took us over two years to get that change. So, you see, it depends on the willingness of people to accept change. If things are done properly, there is no reason why this country shouldn't be able to finance its own infrastructure, power and roads.

UBA benefited greatly from the spate of M&A activity following the bank consolidations. Will UBA become the first global Nigerian bank?

That's the dream. We want to show that something of that nature can come out of sub-Saharan Africa. A global, world-respected financial institution can exist here, as can any other type of institution. We can be seen as a role model for Africa.

Is UBA also looking to develop other banking services?

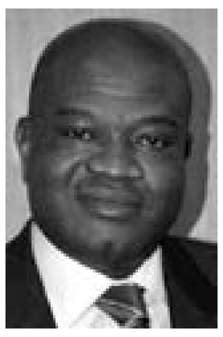
As an institution, we've always wanted to push for the retail consumer because we believe that so much remains to be done in that area. Banking here is a heavy growth industry. The population here is somewhere around 140-150 million. If you look at the total bank accounts, it's probably only about 10% of that, or less.

BANKING

Launch of largest ever mutual fund cements reputation of FBN Capital

A key player in Nigeria's capital market, FBN Capital, the investment banking arm of First Bank, has been involved in almost every major capital market transaction in Nigeria in the bank's two-year history. High on its list of successes are the 54 billion naira ($458 million) initial public offering of Dangote Sugar Refinery towards the end of 2006, and the public/private partnership financing for highway infrastructure company Lekki Peninsular. Smaller deals include an 11 billion naira gas pipeline financing deal for a subsidiary of Nigeria's largest energy group, Oando.

The bank has also been involved with the recent consolidation of the banking industry, bringing both Access and Zenith banks to market, and with 100 billion naira deals for First Bank and Afribank last year. In all, the company has helped raise capital of more than 1 trillion naira ($80 billion) over the past 12 months or so.



BAYO ADELEKE
Managing Director and Chief Executive Officer of FBN Capital

"This has given us a lot of legitimacy within the markets," says Adebayo Adeleke, FBN Capital's Chief Executive Officer and Managing Director. "We do a lot of landmark deals. Many of our transactions are so oversubscribed that we have to return a lot of the money."

The company has built a formidable domestic franchise, and Mr. Adeleke argues it is the destination of choice for investment banking in Nigeria. "In every transaction we are involved in, we always strive to ensure that investors get value for their investments," he says.

A wide range of services is on offer, from corporate finance, both debt and equity, to advisory services, investment management, project and structured financing, and brokerage. Public issues, in particular, are a niche specialty, as well as private placement, and debt and equity underwriting.

FBN Capital has also been lobbying the Nigerian government to cut the cost of bond trading and so boost the attractiveness of bonds as an asset class. Bonds have lagged equities over the past few years thanks to their relatively low yield and the drag on demand thanks to the high cost of transactions.

The bank pitches itself as "a world-class financial supermarket", and it has the management, administrative processes and human capital to support that claim. Mr. Adeleke himself has 30 years of experience in the sector, including spells at Nigerian International Bank (Citibank), First Bank of Nigeria and FBN (Merchant Bankers) before its acquisition by First Bank. Staff recruitment standards are high, and the company also demands high standards professionally and ethically from its employees.

"We don't compromise on ethics, corporate governance and professionalism," stresses Mr. Adeleke. "There are some transactions that we refuse to accept because our experience shows us which deals have value, or, for example, which deals lack the appropriate level of corporate governance."

And while FBN Capital's pedigree has given it kudos and the backing of one of Nigeria's best-known financial institutions, it is in no way dependent on its parent. "First Bank doesn't have to be a part of our transactions, which gives us a certain amount of credibility in the market," says Mr. Adeleke. "We have a high degree of autonomy."

The company's domestic prominence has been reinforced by the recent launch of the 5 billion naira ($42 million) FBN Heritage Fund, the largest mutual fund launch in Nigeria's history, aimed at both retail and institutional investors.

The open-ended mutual fund initially offered 50 million units at 100 naira ($0.85) each. Its structure will be 50-65 percent stocks; 15-25 percent fixed-income bonds; 5-10 percent money market instruments and up to five per cent real estate investments. It has a goal of long-term appreciation based on both capital growth and dividend income.

"Our long-range plan is to roll out specialist funds and sector funds to sustain the interest of every class of investor," says Mr. Adeleke, who adds that the mix allows the fund to spread its risk and offer investors good returns with the reassurance of security.

FBN Capital has been involved in almost every major capital market transaction in Nigeria in the past two years.

However, the bank's ambitions go beyond its domestic market. In contrast to many western banks, which are currently struggling to maintain liquidity in a squeezed credit market, FBN Capital is vigorously pursuing growth abroad. Earlier this year, it closed a deal with Shell in The Netherlands having arranged a large tranche of the funding offshore.

"We do not feel we should be limited by geography," notes Mr. Adeleke. "Instead we want to set our sights on the rest of the world, and we are trying to encourage partnerships with major foreign investment banks. Nigeria is part of the global economy."

The bank is also planning to take advantage of anticipated further consolidation in the domestic banking sector involving foreign capital. "Typically foreign banks will be looking to come in and take over Nigerian banks, as opposed to setting up their own shop," says Mr. Adeleke. "Whichever direction things are going in, we will play a part. When people want to come to market to raise funds in Nigeria, they should go with the market leader."

Returns among the highest in Africa

Continued from page 1

ital market a first choice investment center among the world's emerging markets.

In a recent statement, Musa Al-Faki, the SEC's Director General, said, "We will continue to make rules to support the significant growth already achieved in the market, and also come up with new products and processes that will sustain the high confidence of local and foreign investors."

Recent successes include the resuscitation of the bond market, which has been growing in size, depth and prospects. Establishing a market for long-term debt financing is crucial to the development of the real sectors of the economy such as agriculture, mining, energy and manufacturing, as well as infrastructure.

Another advance has been the introduction of an e-payment system that directly credits dividends to shareholders' bank accounts and should reduce the number of unclaimed dividends.

> Public offerings are regularly, and sometimes massively, oversubscribed, indicating the depth of the market

The NSE recently reaffirmed its commitment to working with the SEC to strengthen the monitoring framework and root out "unwholesome" practices and fraud. Stockbroking houses found guilty of bending the rules will be suspended, says Ndi Okereke-Onyiuke, the NSE's Director General, who promises an approach of "zero tolerance".

Both Dr. Okereke-Onyiuke and Finance Minister Shamsudeen Usman have expressed their support for a new requirement for stockbroking firms to ensure they have a capital base of 1 billion naira by the end of the year. The move will strengthen the market by prompting mergers and removing small, undercapitalized operators.

The Minister says it will protect investors and ensure that stockbrokers act responsibly. He told MPs recently, "We need big players in the market. The bigger the market operators are, the more responsible they will be. In fact, with size, no operator will want to disappear with investors' money overnight."

More securely capitalized firms will be in a better position to invest in the modern technology and human capital they need to serve the market and be internationally competitive, he added. Dr. Okereke-Onyiuke agreed that the move was in the best interest of the market.

Meanwhile, Senator Ganiyu Solomon, who heads the Senate committee on the capital market, has called for a review by Nigeria's parliament, the National Assembly, of the laws and regulations governing the NSE, saying they needed to be updated to cover recent developments.

The offices of the Nigerian Stock Exchange in Lagos. There are six further branches across the country.

BANKING

Reform has enabled banks to play a key role in the growth of the economy

Nigeria's strengthened banking system has turned in a remarkable performance, but there's still room for growth and further consolidation

Deposits have soared as millions more Nigerians have opened bank accounts, but many remain outside the financial system leaving huge potential for further growth.

THE Nigerian banking sector is the fastest growing in Africa and one of the fastest growing in the world. It is the dominant sector in the Nigerian economy and also in the country's capital market.

Chukwuma Soludo, Governor of the Central Bank of Nigeria, says, "The boom in the banking sector has become the key driver of national economic prosperity in all sectors of the economy, and specifically the boom in the capital market. If you take the entire index itself, probably not less than 60 percent of it is accounted for by the banking sector."

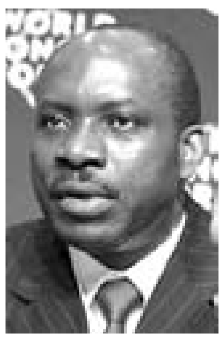
The turning point for Nigeria's banks came in 2004 at a time when many Nigerians had lost confidence in the system. The Central Bank announced a reform program aimed at creating a diversified, strong and reliable banking sector that would be capable of playing a key role in the development of the economy, with players that would be able to compete in the regional and global financial systems, and where depositors would feel their money was safe.

The key reform was to up the ante when it came to bank capitalization. The banks were told they had to comply with minimum capitalization of 25 billion naira ($212 million) within 18 months. There were howls of protest from some quarters, but it worked. Today, the sector is a lot leaner. Mergers, acquisitions and closures have reduced the number of banks from 89 to 25 (now 24)—but the survivors are stronger and more competitive and inspire an impressive level of confidence among both domestic and foreign investors.

"Today, our banking sector is rated in the same category as Israel, China, India, Poland, and so on," points out Dr. Soludo.

The pace at which the banking sector has expanded since the consolidation exercise was launched has been remarkably fast. Prior to the reforms, the total number of branches of commercial banks was about 3,200. By the end of last year, following massive expansion of bank networks, there were more than 4,500 branches—a remarkable rate of growth over a short time span.

Nor is this growth confined to Nigeria itself. Nigerian banks are extending their operations into neighboring West African states and other African countries, and into the global financial services market. Within the next three years, says Dr. Soludo, they will have branches in at least 20 African countries.



CHUKWUMA SOLUDO
Governor of the Central Bank of Nigeria

Prior to consolidation, the total number of bank shareholders was approximately five million, and the shareholder funds of the 89 banks that then existed added up to a total of just 293 billion naira ($2.4 billion).

The big commercial banks like First Bank, Zenith Bank, United Bank for Africa (UBA), Oceanic Bank, Intercontinental Bank and the First City Monument Bank (FCMB) have already surpassed a capital base of $1 billion.

Today, there are around nine million bank shareholders and eight of the ten most capitalized companies on the Nigerian Stock Exchange are banks. Shareholders' funds total approximately 1.5 trillion naira ($12.7 billion). Two of the largest banks alone account for more than 300 billion naira ($2.5 billion) each, much of it raised from the capital market. Last year, banks raised 950 billion naira in fresh capital and it has been forecast that another 760.5 billion naira ($6.5 billion) could be raised this year.

The consequence of this massive upscaling is that individual banks now have the financial weight to finance major projects worth hundreds of millions of dollars, and to operate in the oil and gas sector, which they were unable to do before. Dr. Soludo says the banking sector is driving the emergence of a new economy.

"We can now talk about a private sector-led economy where banks can get into big project investments," he says. "Today, one bank alone can give one single borrower six times an amount that all the existing banks before consolidation could give."

Deposit and credit levels have been accelerating rapidly. Credit to the private sector has risen from 1.9 trillion naira to 5.2 trillion naira; unprecedented growth last year resulted in an increase of 97 percent. "We have never had anything that size in our history," says Dr. Soludo.

A second wave of consolidation is expected to take place eventually, this time market driven as the banks with excess capital seek to scale up their businesses through mergers and acquisitions. A recent report from Renaissance Capital estimates that consolidation will create 12-15 leading banks, but adds, "We currently do not foresee a second major wave of consolidation before the end of 2008."

There still is enormous potential for growth. Banking reform has encouraged millions of Nigerians to open a bank account for the first time. Deposits have grown from 1.2 trillion naira to 4.9 trillion naira, as the number of depositors has risen from 13.6 million in 2003 to 24.3 million in 2007. But that is still just a fraction of Nigeria's population—estimated at around140 million, and growing rapidly. As a percentage of gross domestic product, credit to the private sector—despite having increased from 18.4 percent in 2003 to 31.4 percent in 2007—is still low.

Aderemi Babalola, Minister of State for Finance, says that reform of the banking system has been used as a starting point for change throughout the finance sector. In addition to being crucial to repositioning Nigeria as one of the 20 largest economies in the world by 2020, it is part of the government's overall strategy to reduce poverty and bring more Nigerians into the formal economy.

"What we have tried to do is to move the Nigerian banking sector at an unusual pace and use that to drive the entire financial system—banking first, followed by the capital market, the pension reform, and the insurance sector," says the Minister.

"It would make no sense if only a limited number of people benefit from the development of the financial system," he adds. "This is going to have to affect everybody. We are looking into getting more than 50 percent of the economy involved in the formal market and the financial system."

There is still a long way to go to make finance available to the vast majority of the Nigerians. Formal finance is available to only 35 percent of the population, but hundreds of microfinance institutions have opened across the country and a microcredit fund has been launched.

AFRIBANK

New management team is transforming a once sleeping giant and bringing out hidden value

AFRIBANK is powering ahead in the face of the global credit crunch. Despite difficulties faced elsewhere, the company has enjoyed a successful year, more than doubling its profits. The institution posted after-tax profits of some 12.2 billion naira for the year ended the 31st of March 2008.

One of the country's biggest banking networks, with over 270 branches, Afribank has a simple focus—to see customers succeed and prosper by offering the best possible financial service. It has benefited from the Nigerian government's recapitalization strategy, which had seen a third of Afribank's shares in the hands of the state privatization unit, the Bureau of Public Enterprises. These were duly sold to new shareholders who set about raising more than 25 billion naira in additional capital from the authorities.

Sebastian Adigwe, Afribank's group Managing Director and Chief Executive Officer, says the end of state ownership also brought with it other benefits. "We moved from a state-owned mentality to a purely commercial private-sector culture," he says. "This would not have happened without the consolidation. It was a complete paradigm shift. The bank retained its identity, its people and its culture and did not face the challenges of other banks that merged during the consolidation in terms of corporate culture, different systems, styles of management and the like."

It meant that post-consolidation Afribank hit the ground running. "While others were grappling with integration challenges, we were already there," says Mr. Adigwe.

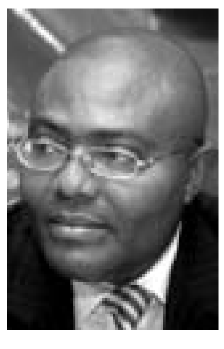
A five-year strategy was put in place to take the institution to the next level, which is now in the process of being implemented. Success so far, however, means that the strategy is continually being revised upwards. Organic growth in particular, as illustrated by improved profits and a swollen asset pool, worth more than 100 billion naira, has been above expectations, paving the way for potential acquisitions.

A key element is focus, says Mr. Adigwe. "We want to be the predominant financial services bank in the commercial segment, both in corporate and in retail. We are not looking to be an investment bank," he says. In support of this there are plans to double the branch network within five years, building up the retail banking side of the business. New funds raised will be used to improve IT systems and infrastructure.

Afribank came through the consolidation of the banking industry with its identity and culture intact.

At the same time, there will be an emphasis on the retail aspect of investment banking, an area Mr. Adigwe feels is not yet fully tapped in Nigeria. "We do not intend to become an issuing house and play in that game," he says. "However, we do have Afribank Capital Markets, a separate entity on its own. If we see transactions of a capital markets nature, the commercial bank will hand it over to them."

Afribank is well placed to assist overseas clients through its specialist capital markets division. "We can help foreign clients penetrate the Nigerian market. But first of all, we would want to help these clients evaluate their prospects, country risk, sector risk and other parameters before embarking on a business venture," says Mr. Adigwe. "All these services can be provided by Afribank Capital Markets, as part of what they do is to conduct a continuous assessment of the Nigerian economy. They have the relevant expertise and understand how to promote a business in Nigeria."



SEBASTIAN ADIGWE
Managing Director and Chief Executive Officer of Afribank

Afribank is also seeking partnerships with other institutions which can add value, in areas such as IT, where it is already investing heavily. IT security and backup are important focus areas and there is an ongoing relationship with Sun Systems.

Adigwe believes that Afribank still has a way to go despite turning itself around and competing with the best in the country. "Afribank used to be seen as a sleeping giant and everyone believed we were going under," he says. "However, since our new management team came on board, we have recognized the hidden value of the bank. I believe we have only brought out one tenth of it so far – our mission is to bring out that value."

Afribank has important investments on its books that have not yet been truly reflected in the value of the institution. These include investments in the oil industry, such as African Petroleum, in which company shares have ballooned in recent times.

"As a team for the past year and a half, our main goal has been to transform the bank and realize these hidden values," says Adigwe. "To that extent we are quite satisfied, but we have to get to the next level."

HOUSING

Homes in short supply but plans are being made to boost the mortgage industry

New housing is urgently needed to meet the needs of a growing and aspiring population. Africa's most populous country lacks some 17 million housing units

THE housing and residential sector remains seriously underdeveloped, reflecting the generally low standard of living for most Nigerians. Despite a robust economy, access to finance for property developers and homebuyers alike remains extremely limited.

It means there is an urgent need for more homes to house a fast growing population, not just in Lagos, Abuja, Port Harcourt and other urban centers, but right across the country.

According to a recent United Nations study, Nigeria's housing deficit is approximately 17 million units. Mortgage loans extended by Nigerian financial institutions total around 70 billion naira ($594 million), or less than 0.5 percent of gross domestic product.

Where there are homes, buying them is not a simple matter. The mortgage market represents just a small fraction of the total loans and advances made. The vast bulk of this is concentrated in the major cities, and is typically available only for the wealthy. It has been suggested that buying a house in Nigeria's property market is more like a cash-and-carry business. Homes are bought and sold for cash, by-passing the mortgage market altogether.

The Central Bank of Nigeria (CBN) says it is working on plans to boost activities in the mortgage industry to a level where it could contribute substantially to GDP. Festus Odoko, the CBN's Deputy Director in charge of Corporate Affairs, has said that at the end of the exercise Nigeria's real estate business could be among the largest in the world.

Following the consolidation of the banking sector, Nigerian banks have the financial capacity to offer mortgages of up to 20 years. According to some estimates, raising the proportion of mortgage finance in the lending portfolio to 20 percent would yield an additional 425 billion naira ($3.6 billion) for the housing market. That would still be a far cry from other more advanced developing economies—South Africa has a mortgage market equivalent to roughly 15 percent of GDP.

To achieve this experts believe that Nigerian banks would need to find more than three times that amount, roughly 1.5 trillion naira. The country is a long way from achieving this, but the transition of the economy in the past decade or so means property is becoming an increasingly viable investment, not just for developers, but also for homeowners.

Aside from the luxury beachfront developments affordable to only a wealthy minority, the goal must be to widen the ownership base. This will only be possible with the availability of easier access to finance.

The Nigerian government has a role to play in making sure that its people are decently housed, but it is the private sector that will ultimately bring about greater ownership through affordable financing schemes.

The National Housing Fund was set up under a previous administration in a bid to tackle the problem, but like other attempts has struggled to make real headway against such a monumental task. There is a feeling that while the private sector has achieved some success in providing homes for the wealthier market, the government should focus its efforts on providing shelter for the poor.

However, finance is not the only issue. The lack of housing stock in Nigeria, plus complex and inconsistent land rights, also remain key barriers to the growth of the housing sector.

Changes to land and property laws will take time but fine tuning the enabling environment will be critical for the long-term growth and success of the residential homes market. There is scope too for more efficient house planning and building, with construction standards still uneven from one area or development to another.

GRANT PROPERTIES

Demand for high-end properties is 'huge'

WHILE housing for ordinary Nigerians is in short supply, there is also a market for high quality homes, and developer Olajide Awosedo makes no apology for building for those with higher incomes. "These are the people who can afford them," says the President and Chief Executive Officer of Grant Properties. "There is a huge demand, I can tell you that," he adds.

It's not that Dr. Awosedo is unsympathetic to the need to build more affordable housing, but he says the government needs to create a more enabling environment for private developers to make a profit before that can happen. He cites the high cost of borrowing and interest rates, the high cost of land and bureaucracy as determining factors.

Grant Properties has built a successful business by focusing on ultra-modern, high net worth developments, tapping into a growing market among the more aspiring and upwardly mobile homebuyers, as well as expatriates. The firm also offers investment advice and property management, all as part of its commitment to be the best company of its kind in Nigeria.

> Nigeria has not received much attention from international developers but there is plenty of scope for investment

Its flagship project is the impressive Goshen Beach Estate, a luxury beachfront complex with 89 four and five bedroom detached houses, at Lekki, Victoria Island, Lagos.

"Apart from Goshen, which was our pilot project, we have two others on the way now," says Dr. Awosedo. "One is Victory Park Estate, where the cheapest housing unit, a flat, costs 32 million naira ($271,500). We have a second one, which is called Havilah Villas. In terms of the number of houses, we are looking at a very significant increase over what we have already achieved. Both estates will contain over 1,000 housing units."

A fourth development, The Beautiful Gate Estate—about 50 times the size of the Goshen Estate in terms of the number of houses—will be of special interest to Americans in Nigeria as it will incorporate a zone built for the Foreign Service Nationals of the United States Consular General, to be known as the American Consulate FSN Housing Estate. It will comprise two, three and four bedroom detached bungalows.

The overall estate is vast, with more than 3,600 units of various designs across a land area measuring some 235 hectares. About 30 percent of this fully serviced residential complex is being built during the project's first phase.

Tight constraints in accessing serious funding to build such large-scale developments has been an issue at times as Nigerian banks have put the brakes on lending. There are signs this is starting to ease, but either way, the company still expects to sell virtually all of its properties to buyers once complete. Those that are not sold will be retained until the market further ripens, or "until the time is right."

Although Nigeria has not received too much attention from international buyers or developers in the past, there is plenty of scope for investment. Planning and legislation issues, as well as financing, have proved key deterrents, but these are hurdles that can be overcome, insists Dr. Awosedo, who would welcome interest from potential investors.

"We are a company that has a vision to create quality homes for as many Nigerians and residents in this country as require them," he says. "In this case, we would be willing to enter into a relationship with anyone who shares this ambition."

While Grant Properties hopes to expand aggressively, with a view to seeking a stock market listing in the next three years, the pace of growth could be dictated by the level of access to investment capital.

"This could be through a joint venture or partnership, or indeed any other beneficial relationship," says Dr. Awosedo. "For instance, in our partnership with one of the state governments on a project, they provide the land, we build the houses, and we split the profits.

"We want to do many more things, and I can see the demand coming," he adds. "We will need a lot of funding to meet this demand. For those who share this vision with me, I would be willing even to allow equity in the business."

The impressive Goshen Beach Estate at Victoria Island, Lagos, was Grant Properties' pilot project.

INSURANCE

Consolidation likely to continue as strengthened industry shapes up

With fewer recapitalized companies, Nigeria's insurance industry is in a better position to take up the challenges of a potentially vast market

Indicative of the industry's vast potential for growth, the total capitalization for the Nigerian insurance sector is expected to reach 500 billion naira by the end of 2008, up from 200 billion naira last year.

THE enormous potential of Nigeria's under-developed insurance sector, combined with recent structural reforms by the government, promises a bonanza for the sector over the coming years. The government's insistence that the oil and gas industry must seek insurance from locally domiciled suppliers could alone generate a potential premium income of $1 billion. Meanwhile, the underinsured retail and corporate sectors remain a vast, untapped market.

These are tempting prizes—but only if the local industry can rise to the challenge. So far, the indications seem promising. The most obvious evidence lies in the stock market, where insurance shares look set to challenge bank stocks as the most actively traded and highest volume shares on the exchange.

Observers have commented that insurance companies are undervalued compared with banking shares. Some argue the future growth of the stock market may well be anchored in the performance of the insurance industry. Indeed, total cumulative returns in 2007 were 4,474.5 percent for insurance firms, compared to 4,037.1 percent for banks.

The government has been driving improvements to the industry's financial base, as it has with banking, by drawing up stiffer capitalization rules. For general insurance companies the requirement was raised from 200 million naira to 3 billion naira ($25.6 million), for life insurance players it rose from 150 million naira to 2 billion naira ($17.1 million), and for reinsurance firms from 350 million naira to 10 billion naira ($85.4 million).

The process began in 2005 with the ensuing consolidation resulting in a shakeout in the industry's 168 players to 71. However, the government stepped in to force the regulator, the National Insurance Commission (NAICOM), to reassess the process after political dissatisfaction with the results. Under a new Commissioner for Insurance, Fola Daniel, NAICOM prompted a fresh round of consolidation before approving 49 companies to operate in the Nigerian market.

> Awareness is being raised and the stronger financial position of insurers should boost consumer confidence

Further, market-driven consolidation is thought likely, as is already happening in the banking sector, leading to the emergence of mega companies like the Universal Insurance Company (Universal). Cyril Ajagu, Universal's Group Managing Director, says, "Forty-nine companies is still too many. I believe that there will be a market-induced reduction, because the different insurance companies are going to buy each other up."

According to analysts, the total capitalization for the Nigerian sector is expected to reach 500 billion naira by the end of this year, up from 200 billion naira previously. The minimum individual company capitalization is likely to be 10 billion naira. The result has been a knock-on effect on the markets, as bigger insurance companies seek a listing on the exchange, boosting the number of quoted insurers from 21 to 32.

Some observers, such as Olatunde Agbeja, former president of the Nigerian Council of Registered Insurance Brokers, have said they were unhappy with the speed and quality of consolidation, and the legal fallout from the nationalization, but others have welcomed the changes.

"Our industry has the highest capitalization requirement in Africa," says Mr. Daniel. "It has recently become the delight of investors, as evidenced by the Nigerian capital market, where insurance stocks have consistently ranked the most patronized for upward of six months."

FOLA DANIEL
Commissioner for Insurance

Finance Minister Shamsudeen Usman also predicts the rejuvenation of the sector will draw other financial services players, such as consolidated banks, into the insurance sector.

The question is whether the market itself can justify the industry's high expectations. High levels of poverty and illiteracy have hitherto been a brake on financial services in Nigeria—and especially on insurance.

However, the industry's current higher profile has raised awareness, while the stronger financial position of insurers should boost consumer confidence. Key to this will be the work of the regulator, which needs to ensure effective monitoring and strong consumer protection.

And the fact that Nigeria, while still poor, is growing richer can only drive take-up. While much has been made of the potential of the middle class, Mr. Daniel argues that the rural population is richer than it used to be, and that rural people's pursuit of durable consumer goods such as motorcycles and automobiles now marks even them as having insurable risks.

A stronger hand by the government will also help, as legislation starts to widen the net for compulsory insurance cover. Already, legislation requires all public buildings to be insured, but NAICOM is pressing for the law to be amended to encompass all buildings, starting in urban centers. Mr. Daniel argues that this would also improve the quality of construction, as insurance companies would bring more due diligence to bear on the process. Bank loans will also start to come with mandatory life and general insurance clauses.

Nigeria's huge population, coupled with the emergence of a viable middle class, is also to the industry's long-term advantage. Though the current level of consumer penetration for insurance products is just 5 percent, this is in a population estimated at 140 million. Some observers believe penetration could rise to 50 percent by the end of 2010. If true, this would see the industry catapulted to become the largest on the continent.

It would also require more underwriting capacity, which opens a promising door to foreign investment. NAICOM is keen to welcome foreign investment in the sector, and promises "a lot of opportunities and no encumbrances." Mr. Daniel says companies that comply with NAICOM rules can expect authorization within 48 hours.

Foreign observers concur that the sector offers opportunities. A recent report by the think tank UK Trade and Investment finds that reforms have created a very favorable climate for joint ventures with local players. It suggests that areas for profitable engagement with the sector include micro-insurance, bancassurance, and the provision of marketing and technical services.

According to the report, the authorities "have sought to bring the industry in line with international best practice." While there is still some way to go, the sector promises to deliver stellar returns if its potential can be realized.

HOSPITALITY

Convenience and a view of the ocean

SENIOR executives from the Nigerian banking industry gathered at Eko Hotel and Suites in Lagos last month for the first meeting of the African Banking Technology Conference to be held in West Africa.

The event, on the theme 'Competing in a Borderless World', gave those attending an opportunity to assess the latest banking technology systems and strategies, with in-depth briefings by African and international experts.

Part of the Chagoury Group, Eko Hotel and Suites caters both to tourists and business visitors. Built on the exclusive Victoria Island, and conveniently located in the most important business district overlooking the Kuramo Lake and the Atlantic Ocean, it is the largest international hotel in Lagos, with more than 600 rooms.

The largest hotel in Lagos, Eko Hotel and Suites boasts high quality conference and banqueting facilities.

The hotel boasts high quality conference and banqueting facilities in Lagos, and can accommodate meetings of up to 2,000 people. A range of audiovisual equipment is available including LCD projectors, overhead projectors, PA systems as well as internet and WiFi wireless connection in all the meeting rooms. Teleconferencing and translating facilities are also available.

Spread over three buildings and surrounded by landscaped gardens, Eko Hotel and Suites offers its guests spectacular views of the Atlantic Ocean and the Kuramo Lagoon. Its latest attraction is its stylish new top-floor Sky restaurant, which it opened on Valentine's Day, bringing the number of restaurants at the hotel to six. Panos Panayis, the General Manager, says the opening of the restaurant reflects the hotel's desire to maintain its leading role in the sector.

GLOBAL FINANCE

African Commercial Bank of the Year branches out globally

Intercontinental Bank PLC has tripled its share price in the last two years with solid investment strategies

INTERCONTINENTAL BANK PLC has experienced explosive growth in recent years, making it Nigeria's biggest bank as measured by Tier-1 capital, and making its shareholders happy and wealthier as its share price has tripled in the past two years.

The lender has grown so rapidly because of its emphasis on making its clients happy too. Over the past 20 years Intercontinental has built up one of the strongest financial business brands in Nigeria with the help of the hard work of its employees, who are focused on providing excellent customer service.

ERASTUS AKINGBOLA, Managing Director and CEO of Intercontinental Bank PLC

"Everyone is individually passionate about the bank being a leader," said Erastus Akingbola, Chief Executive Officer and Managing Director of the bank, and one of its founders. "Every staff member is given shares when they start to work here, and this integrates individual staff interest with that of the organization, hence a collective goal to excel pervades."

That excellence is reflected in Intercontinental's stock price and in its most recent financial results. Between 2004 and 2006, shares had a capital appreciation of more than 165%, while investors who bought in a November, 2004 public offering at 6 naira have earned a cumulative return on investment of over 1,000% including bonus issues. Shares have recently traded at more than 45 naira.

Outstanding earnings results are pushing the share price higher. The bank had a pre-tax profit of 43.7 billion naira in the fiscal year ended Feb. 29 of this year, an increase of 93% from the same period a year earlier.

Total assets increased at the same pace, to 1.36 trillion naira (roughly $11 billion), while total deposits jumped 131% to 1.08 trillion naira. Soaring profit helped boost the bank's shareholders' funds by 29% in the period, to 202.4 billion naira.

The bank has also had great success in raising capital from financial markets. Intercontinental was the first bank in Nigeria to cross the threshold of $1 billion in capitalization, following a sale of 30 billion naira in 2006. That sale was 195% oversubscribed, and won This Day Newspaper's 'Best Stock Offer' award.

The bank's capital strength earned it an "A+" long-term investment risk rating and an "F1" short-term rating from Fitch, giving Intercontinental the highest global rating in Nigeria, remarkable given that it was a first-time rating from Fitch.

The bank has won other awards, including the Nigerian Stock Exchange President's Merit Award for the Banking/Finance subsector in 2006 in recognition of its outstanding financial performance. More recently, Intercontinental won the highly competitive African Commercial Bank of the Year Award for 2007 at the annual meetings of the World Bank/IMF in Washington, D.C.

The bank's excellence is also recognized by regular Nigerians, who in increasing numbers have rewarded Intercontinental by entrusting it with their deposits. The lender's growth strategy, based on that trust, is to expand throughout the country's many regions, Akingbola said.

Intercontinental has around 300 branches in Nigeria and has recently introduced an integrated ATM system

"We know that for the next five years, most of our money will be made in Nigeria, so we are putting a lot of emphasis on deepening our market coverage here," he said. "And we are doing very well at increasing our market share."

Intercontinental is winning over clients at its approximately 300 branches in Nigeria with offerings such as its popular HappyLife consumer credit products, which include leasing services, personal credit and salary advances, all designed to make life easier for its retail customers.

The bank offers a full range of services available over the Internet and mobile telephones. Such products are made possible by Intercontinental's insistence on using only top-of-the-line technology, including its recently acquired Flexcube software, considered the most robust banking software in the world.

> 'We will be opening in London in July, we are going to America shortly and we are even looking at China'

Intercontinental's technological prowess is also helping it compete elsewhere. The bank's Ghanaian unit joined Intercontinental's IMOBILE automated teller machine network in January, permitting clients of the bank in either country to use their cash cards in the other. That unit, Citi Savings & Loan Company Ltd, was acquired in 2006 and later renamed Intercontinental Bank (Ghana). It was a micro-finance non-banking institution that has since been transformed into a universal bank that is integral to the bank's plan to expand in western Africa and into other parts of the world.

Intercontinental is planning on opening offices in London, the U.S., China, Dubai, South Africa and six West African countries and is considering opening branches in other major commercial cities around the world.

"Our ambition is that, in the next five years, we will be a truly intercontinental bank," said Akingbola.

In November of last year, the bank unveiled its new corporate identity, including a new blue-and-yellow logo, to establish a brand to go with its plan for international growth. The plan's vision is for the bank to be number one in Nigeria and the rest of Africa, and to gain a place among the world's top 100 banks.

Another facet of Intercontinental's image is its philosophy of giving back to society. In just the past three years, the bank has distributed about 1 billion naira in scholarships, grants to student hostels and for the creation of information centers, and has also paid to refurbish and maintain the National Orthopedic Center.

"The major areas of our concern are health and education, because it is these two areas that can marginalize people because of lack of funds," said Akingbola. "Without proper health, people can die. Without education, people cannot take advantage of the opportunities that life offers."

Intercontinental has given itself the task of providing people with the tools to help themselves prosper and to improve their lives. That has turned out to be a profitable and satisfying endeavor, and certainly to be expected from an institution whose philosophy is 'happy customer, happy bank.'

SECURITIES

Opening Nigeria's full potential for international cooperation

Nigerian securities are increasing in popularity

THE NIGERIAN ECONOMY offers many money-making opportunities, and Intercontinental Capital Markets Ltd, or ICML, has the local knowledge and the skills to join investors with projects to their and the country's benefit.

ICML, a fully owned unit of Intercontinental Bank, is one of the leading investment bank services providers in Nigeria, and its management is committed to focusing on long-term project financing to help spur economic growth.

"If you look at the potential that the country has, I believe that in the next 12 years, Nigeria has the potential to be at the forefront of the world economy," said Ayodele Thomas, ICML's Chief Executive Officer and Managing Director.

There are many sectors of the economy that both need investment and offer investors strong potential profits. The business sector—including insurance, infrastructure, tourism, energy and telecommunications—are all interesting markets, Thomas said.

"There are already huge profits in the telecom companies, and the service is currently not very good," he explained. "If service improves, profits should increase as well."

Nigeria's energy sector is also ripe for exploitation, he said. The country's industries are hampered by a lack of consistent power supply, forcing many of them to operate using their own costly generators.

Nigeria has ample coal in the eastern part of the country, which could be used to generate electricity. The north could use its rivers to generate hydro-power, and the south has enough gas to provide its energy needs, said Thomas.

Nigeria is, of course, also one of the world's biggest oil exporters, and a member of OPEC. Its oil resources offer investors yet another opportunity.

"We all know that in the oil sector alone, there are still many areas to be tapped," Thomas said. "In the oil sector today, we are only exporting crude oil. If the right policies are put in place, I believe that there are many areas that could be developed."

As a full-service investment bank, ICML doesn't limit its activities to just project finance. The company currently makes most of its money from primary and secondary markets, where they carry out proprietary and third-party trading, and also advises on mergers and acquisitions and publishes its own research.

ICML offers privatization, initial public share offering and private share placement services as well, along with wealth management products. The company can count on the support of its parent, one of Nigeria's biggest banks, giving it an additional competitive advantage.

ICML is also seeking partnerships with other international investment banks to gain both expertise and business opportunities. The bank is in talks with several private equity companies, including Nova Capital and EMP, about projects to enhance income.

ICML intends to send some of its employees abroad to work with its partners to gain experience, and is also looking for workers among the millions of Nigerians who already live abroad and might have relevant skills and knowledge.

AYODELE THOMAS - Managing Director and CEO of Intercontinental Capital Markets Limited

Another partnership effort the bank is making to benefit its clients is with the Nigerian Stock Exchange. ICML wants to link up with the NSE's trading engine, which would permit customers to see and track the value of their portfolios.

INTERVIEW:
ERASTUS AKINGBOLA

'I believe the current momentum will continue, and we will achieve Vision 2020 '

A report about a year and a half ago suggested Nigeria has the potential to become one of the top 20 global economies by 2020. This implies a growth rate of 13.5% of GDP, whereas current growth is somewhere around 6.5%. Do you believe this vision is achievable?

Mr. Akingbola: There is no question that the vision is there and that the commitment is there. Fortunately the political situation is settled, and fortunately the managers of the economy believe in market forces, which are pushing Nigeria now. Also, fortunately, the international community has warmed up to Nigeria by bringing a lot of foreign direct investment into the country. So, I believe the current momentum will continue and that we will achieve Vision 2020.

Do you believe that the current administration has the ability and desire to bring about the required changes?

I think it's quite simple: what they did with banking and telecoms, they should continue doing in all other sectors. We should privatize more organizations that are controlled by government. They should open up the economy and allow more competition, from both local and foreign companies, and they could start with the power sector. If the power situation could be fixed in Nigeria, we could take off very quickly, and get to where we are going. If we can solve that problem, then we can solve the biggest problem the banking industry faces, which is lack of consistent power supply.

What can your bank offer as a partner for foreign institutions and individuals looking to invest here?

There is no doubt that, if the terms are right, a lot of foreign investors could invest in building power plants, and in distribution. We're already talking with people who are interested in this opportunity. Once the power sector is privatized, there is no question that it will be a very good opportunity for foreign investors, and we are well-suited to be partners in that venture. Wherever there is money to be made, the private sector will be there.

INSURANCE

Universal Insurance Company's sharp performance can take sector to the next level

After a successful private placement boosted assets and raised its profile, Universal is planning local, regional and international expansion and is open to global partnerships

AMONG the remarkable success stories in Nigeria's recapitalized insurance industry, that of the Universal Insurance Company (Universal) stands out. Observing it skillfully positioning to take advantage of the sector's structural changes and opportunities, it is hard to imagine that just five years ago the company was virtually dormant.

In February, it completed a highly successful private placement that saw it raise over $50 million and list on the Nigerian Stock Exchange. Since then, it has become one of the most in-demand stocks on the NSE. Today, it is poised to forge international alliances to help it to move beyond the Nigerian market and go international.

CYRIL AJAGU
Group Managing Director and Executive Vice-Chairman of Universal Insurance Company

"We are already a significant part of the Nigerian insurance sector," says Group Managing Director Cyril Ajagu, "but we are going to the global village, and we are open to partnerships that can help us achieve our goals."

Overtures have already been made by companies in the U.S., Europe and South Africa, and talks held with U.K.-based financial institutions with a view to their investment.

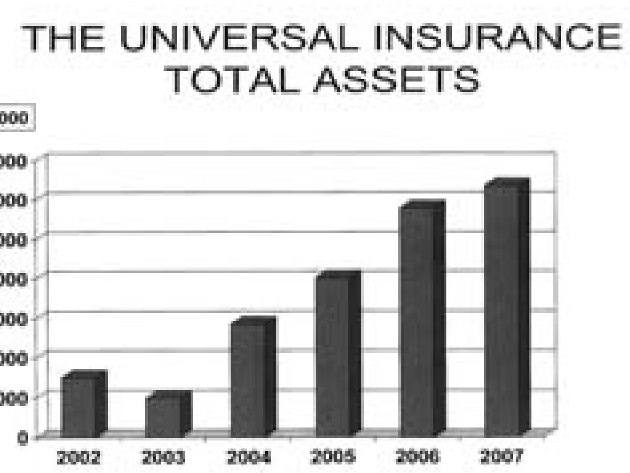
Established 47 years ago by the then regional Eastern Nigerian government, the company's operations were suspended during the Nigerian civil war, known as the Biafran War, which lasted until 1970. After the war, the company's fortunes dwindled, and by 2003 it had a capitalization of just 16 million naira ($128,000).

It began its renaissance under Ajagu's leadership, recapitalizing to 400 million naira ($3.45 million). "While we were doing this, the government started its reform process, but we were already ahead of the curve," he notes.

The next move was growth by acquisition. By last summer, Universal had acquired the United Trust Assurance Company, the Oriental Insurance Company and the African Safety Insurance Company.

An oversubscribed private placement to strengthen its share capital in the final quarter of last year raised 12 billion naira (around $100 million). After completion of its listing on the Nigerian Stock Exchange in February, 2008, the company increased its stake in the life insurance sector through a 100 percent takeover of African Alliance Insurance. The post-listing market capitalization of the company was in excess of 16 billion naira.

A projected gross premium income of three billion naira ($25.4 million) for 2008 is looking decidedly conservative, and forecasts for pre-tax profit are being revised upwards: to 735 million naira ($6.3 million) for this year, 1.02 billion naira ($8.8 million) in 2009 and 1.4 billion naira ($12 million) in 2010.



The continuous price appreciation of Universal's shares is due to the firm's commitment to ensuring huge returns for its shareholders from a wide spectrum of activities.

Of the company's astronomical growth, Ajagu says, "This is not a coincidence; it is the result of strategic planning and implementation." He has a good deal of multi-national experience to draw on, having worked for 18 years at companies such as Shell, Mobil and Schlumberger. "Multi-national companies have scenarios for the future mapped out," he points out. "That mindset is what I have brought to Universal."

Today, Universal provides all aspects of insurance, from industrial and motor insurance to aviation and general cover. It is also beginning to invest in the marine sector. The company is expanding its branch network, both in Nigeria and in other countries in the West African region, and its ultimate goal is to take its services to the world.

"The market in Nigeria is quite huge and we are positioning the brand to take full advantage of emerging opportunities," says Ajagu. "Our branch expansion strategy is driven by exhaustive market research that ensures we don't just expand for the sake of expanding or keeping up with competition. We place high premium on what kind of value our presence in any market will add for our clients."

More ambitiously, Universal is part of a consortium of underwriters that is handling 10 percent of the insurance for Nigerian National Petroleum Corporation. It also sees potential markets in the as yet untapped mining and aviation industries. The premium potential for aviation in Nigeria alone is more than $300 million.

But while the company stresses its competitive edge in claims settlement technology and high caliber of human resources, it is not satisfied to rest on its laurels, and welcomes the opportunity to further sharpen its performance through partnerships.

"We have engaged human capital, ICT and asset management consultants to enhance our operations," says Ajagu. "Companies that are already participating on a global scale could add value in terms of claims management, strategic management and other areas."

"We are bringing a new approach to the insurance industry that will make insurance a way of life for all Nigerians. In less than five years we will be international," the group managing director affirms.

Strength lies in a diverse portfolio

PART of Universal's strength lies in its diversity. Within its portfolio is a range of companies engaged in activities from construction to hospitality and transportation.

"Insurance is also a business that can invest in other businesses, which means we can spread our risk," explains Group Managing Director Cyril Ajagu. "Universal has interests in different sectors. We have basically insured ourselves using our other businesses, so we are very robust."

Conau is an award-winning general contractor and construction management company. Specializing in civil, electrical and mechanical engineering, it has been involved with public/private partnership real estate development with the federal Ministry of Housing and Urban Development.

Universal also owns the Molit Hotels chain, with hotels in Port Harcourt, Enugu, Lagos and Abuja. Catering to business as well as leisure travelers, the chain offers conference facilities and recently hosted a six-day training and empowerment workshop for the Rivers State Action Committee on AIDS.

Other interests include the transportation operator Tecu, which provides marine services to the oil and gas industry using a fleet of modern tugs, barges and offshore support vessels.

Money from Universal's recent successful private placement has already been invested to strengthen its other interests. "Most of the money has already been deployed," says Ajagu. Investments include a stake in cellular telco MTN Nigeria, the banking sector, and other blue chip companies as well as real estate in Abuja, Lagos, Enugu and Port Harcourt. "We are also developing hotels," says Ajagu.

"We allow our assets to sweat for us," he adds. "Nigeria is ready to explode in so many areas. The market is here, and there are over 100 million people who want to do business with us."

"We don't believe in putting money in something just for the sake of putting it there," remarks Ajagu. "At Universal Insurance we aim at over 40 percent return on investment within a year and Nigeria is one of the few places where this is actually possible."

INTERVIEW

'We are not just looking at Nigeria or Africa, but at the global village'

Cyril Ajagu, Group Managing Director and Executive Vice Chairman of Universal Insurance Company, looks ahead to continued growth, striking new deals and a burgeoning sector set to flourish.

Is the government's focus on the private sector the right one to achieve Vision 2020?

Vision 2020 is achievable, but the variables must be put right. Energy reform, power reform, financial reform and improvements in social infrastructure must all take place. The world over, government's role is to create an enabling environment; its role should be to regulate private business. Fortunately, this realization is part of the reforms, as the government is privatizing many businesses. The government is reforming the sector through new regulatory policies. I strongly believe that we are getting there. A lot of reforms are being brought about by bringing in people with skills that bring us up to the international standard.

Is awareness of the insurance industry finally beginning to grow here?

Awareness is on the upswing, and is gradually spreading. As our name suggests, Universal is interested in bringing about a paradigm shift in which everyone understands that they need to be covered. We, as individuals, need security, which is why the insurance industry exists in the first place.

What distinguishes Universal from other players in Nigeria's insurance sector?

In terms of claims, we have the least number. Our payment is prompt, and our total exposure is now less than N50 million ($430,000). So we have a large asset base, and little or no claims outstanding, including from the companies that we acquired one year ago. We are very robust, in terms of assets, investments and shareholder interest, and we are looking for partners who can genuinely add value to our business.

What are you looking for from potential partners?

We need to partner up with companies that have been in the insurance industry at a high level, which is why we are actively discussing options with foreign partners who can add value. We are not just looking at Nigeria or Africa, but at the global village. Companies that are already participating on this global scale could add value in terms of claims management, strategic management, and other areas. If the price is right, we will strike a deal.