



Nigeria

COUNTRY PROFILE

LOCATION:

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

POPULATION:

138,283,240 (July 2008 est.)

GEOGRAPHY:

The Niger enters the country in the northwest and flows southward through tropical rain forests and swamps to its delta in the Gulf of Guinea

INDEPENDENCE:

1 October 1960 (from UK)

GDP - real growth rate:

6.4% (2007 est.)

GDP - composition by sector:

agriculture: 17.6%
industry: 52.7%
services: 29.7% (2007 est.)

EXPORTS:

\$62.42 billion f.o.b. (2007 est.)

Source: CIA: The World Factbook

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

Intercom UK Ltd

Regus - St James's Park
50 Broadway
London, SW1H 0RG
Tel: +44 20 7629 5870
Fax: +44 20 7629 5337
www.intercom-uk.com

Project Director:

Leo Brenner

Project Coordinator:

Megha Joshi

Project Coordinator:

Lorraine O'Hagan

▶▶▶ THE SUCCESSFUL OVERHAUL OF THE BANKING AND INSURANCE INDUSTRIES HAS LAID FIRM FOUNDATIONS FOR A FINANCIAL SECTOR CAPABLE OF SERVING AS A CATALYST FOR SUSTAINABLE ECONOMIC GROWTH

An emerging African finance center

ECONOMIC growth and per capita income in Nigeria have doubled in the last five years, and look set to continue to rise rapidly. A comprehensive program of reform adopted over the past four years has set Africa's most populous nation, and one of its biggest oil and gas producers, on the path to becoming one of the top twenty economies in the world by the year 2020.

The governments of Olusegun Obasanjo and his successor, President Umaru Yar'Adua, have focused on macroeconomic stability and fiscal stabilization, and on making the country more investor-friendly. Steps have been taken to create a sound and healthy financial system with the capacity not only to achieve sustainable economic development for Nigeria itself, but also, in the longer term, to make Nigeria the financial hub of Africa.

Enforced recapitalization of first the banking sector and, more recently, the insurance industry has led to the emergence of leaner and stronger financial institutions following a process of consolidation through mergers and acquisitions.

The aim of reform has been to increase the size, improve the efficiency and raise the diversity of the sector. Nigeria faces important challenges, including establishing vital infrastructure, such as power, transport and water, and strengthening its business environment. For this it needs an effective financial system to spur economic growth through the mobilization of finan-

cial resources and financial intermediation.

As a result of the implementation of higher minimum-capitalization requirements by the Central Bank of Nigeria, the banking sector has been transformed. Indeed, it is now one of the fastest growing in the world, and Nigerian banks are ranked on the list of the world's top 1000 banks.

The 89 banks that crowded the sector four years ago – many of them with a capital base of less than \$10 million – have been cut down to 24 well-capitalized institutions, almost half with an equity base of more than \$1 billion, and many of which count major international financial institutions among their shareholders.

"We now have banking institutions that are well positioned to take advantage of globalization, operating with branches in major financial capitals of the world," says Remi Babalola, Minister of State for Finance.

Nigerian banks have become avenues for the inflow of foreign investments into the country, sourcing equity from abroad. "Given their significant capital bases, they can tap into global financial markets, enabling them to partake in big-ticket transactions in infrastructural development, energy, communications, construction, and the hospitality business," the minister adds.

The banks now account for approximately

'We now have banking institutions that are well positioned to take advantage of globalization'



Nigeria's population remains insurance-shy – the sector accounts for only 0.5% of GDP – but increased awareness and an emerging middle class are opening up the industry.

65 percent of total market capitalization and 70 percent of market value. Financial size has become a key competitive factor, and they have been scaling up, accessing fresh funds from local and international markets through public offerings, issues of eurobonds, shares on the London Stock Exchange, and global depository receipts (GDRs).

Twelve of the 24 banks sought additional resources from the stock market last year, raising more than \$10 billion. Almost all saw their shares oversubscribed, in some cases massively so.

With huge funds at their disposal, the banks have expanded their branch networks and invested in the latest technology, taking banking in Nigeria to a new level. In local currency terms, total assets, total loans and total deposits went up by 58, 96 and 60 percent, respectively, last year. Loan/deposit, loan/asset and loan/GDP ratios all rose.

The banks have surged into the economies of other West African countries, notably Ghana and Liberia. Chukwuma Soludo, Governor of the Central Bank of Nigeria, and chief architect of the banking reform, says expansion into other countries is a viable way for the banks to manage their huge capital inflow. Looking to the long term, he says, "We want to make Nigeria the financial hub of Africa in 2020." And he adds, "We will achieve it."

The insurance industry has been similarly rejuvenated. Here too, the era of small, often underfunded and unstable firms is over. Recapitalization and consolidation have left the sector with 49 companies equipped with enhanced underwriting and risk-retention capacities. Average capitalization has risen from 300 million naira to 5 billion naira (\$42.5 million).

Public awareness and market penetration are still relatively low; the industry currently contributes just 0.5 percent of Nigeria's gross domestic product, while in South Africa, by comparison, it contributes 15 percent of GDP. But that only serves to

demonstrate the huge potential for expansion, especially given the rapid pace of economic development and the emergence of a Nigerian middle class.

Babalola says new business worth 25 billion naira (\$212 million) a year could be generated by enforcement of insurance cover for buildings, fire, and public liability. The government recently ordered ministries, departments, and agencies to insure all government assets, properties, and buildings under construction, as well as public buildings. "We as a government must help the insurance industry, we must now ensure that insurance becomes a key provision in our budgeting process at federal, state, and local levels."

Furthermore, it has been estimated that by 2010, thanks to the local content law brought in by the government, Nigerian companies could retain as much as 70 percent of insurance business in the oil and gas sector – once they acquire sufficient capacity to take it on. Like the banks before them, the insurance companies have been looking to the markets for extra funds.

INTERVIEW: SEBASTIAN ADIGWE

'Most of the objectives we have set for ourselves have been reached'

Afribank Group's Managing Director explains how consolidation has aided the bank's organic growth

NIGERIA achieved the amazing feat of consolidating the whole sector in less than eighteen months. As a banker, how do you view this consolidation process, and how has Afribank emerged from it?

The interesting thing was that at the time, bankers said it would be impractical given the timelines set. They didn't say it was impossible, but they said it was impractical to achieve it in eighteen months. Given the number of banks in existence at the time – there were 89 – and that the level of capitalization of each bank, on average, was between 3 billion naira and 5 billion naira, and that we were meant to grow from that to 25 billion, more or less a four-to-seven hundred percent increase, there was considerable skepticism. But then, as this was not just about recapitalization but also about consolidation, banks were able to pool their resources, which was what eventually saved the day. And that is how the sector was whittled down from eighty-nine banks to the twenty-five we have today.

More foreign investors are being drawn to Nigeria, and will therefore need a strong banking partner on the ground. Why would they choose Afribank?

Afribank Capital Markets, in addition to



SEBASTIAN ADIGWE
Group Managing Director of Afribank

being active in the capital markets, also have a very high-quality and experienced advisory role. Using that platform we can play a substantial role in terms of advising, but also in terms of promoting any business. They are very well versed and equipped to handle that role. But the commercial bank can also play a key role, as we operate accounts worldwide and can therefore help to intermediate financial transactions across the continents.

How can Afribank help foreign investors establish themselves in the Nigerian market?

The depth and breadth of our network will extend significantly over the next five years, so we can help foreign clients penetrate the Nigerian market.

To what extent would Afribank be open to a partnership or joint venture with a major international financial institution?

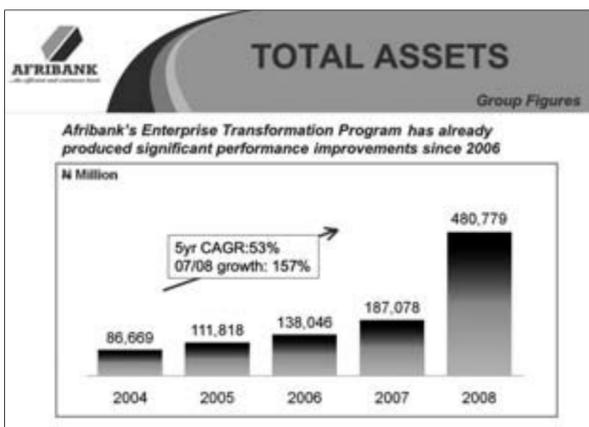
We are very open to partnerships – with the right kind of partner, of course. This would help the bank, as well as help the Nigerian economy achieve its objectives. So we have been talking to various investors.

How rewarding is it for you personally being the Group Managing Director of Afribank?

I would say that, so far, most of the objectives we have set for ourselves under my tenure have been reached. Those objectives were primarily to achieve organic growth and change the face of the institution within the banking community. Our mission is to bring out that value. For instance, we have invested in a very important oil and gas services firm, African Petroleum (AP). We have an excellent relationship with AP, and they give us most of their business. When that investment was made, it was at 55 naira per share, and today the shares are worth over 150 naira, and we have not even taken the income into the bank. So these values are not yet reflected in the balance sheet. We have close to one hundred and fifty million shares in AP, so you can see the kind of unrealized income we are talking about. I believe that, generally speaking, the public feels we are beginning to bring out the implicit value of the bank.

How would you describe your management philosophy and style?

I have been in banking for twenty-two years, and all through my career I have been an all-rounder. I was a marketing officer for half that time and then a risk manager for the other half, at the highest level. So I have brought operational and risk-management experience to Afribank, giving me a sound overview of the entire institution, which has allowed me to balance issues, and inculcate the right discipline throughout the bank. The challenge is to balance the eagerness of the marketing department with required and standard risk management guidelines, but these are principles well ingrained in the Afribank procedural culture and that is how we will continue to achieve sustainable growth and great customer service.



Skye Bank
www.skyebankng.com

We say yes! to your dreams

Skye Bank is ready and willing to tackle new challenges and opportunities. Nigeria is well positioned to become a leading West African shipping center. With a dedicated maritime desk, we are well placed to be your partner in Nigerian shipping finance.

Clear Sailing with Skye Bank
BANKING THAT FITS YOUR NEEDS

Nigeria

Insuring the future of the industry

New regulations protect insurance holders as the industry grows nationwide

THE FEDERAL GOVERNMENT is planning to further galvanize Nigeria's insurance sector with a new insurance act that will tighten up on regulation. Remi Babalola, Minister of State for Finance, blames a weak regulatory environment and insufficient capacity for holding back a sector with huge potential.

The minister says the new law will position solvency rules and risk-based supervision to ensure more market-relevant insurance regulation. He argues that existing legislation has acted as a brake on growth and promises a total overhaul to boost confidence in the industry.

Crucially, he wants to make the sector more attractive to investors. "We want an industry that will attract foreign investment and more domestic investment that will help us achieve the level of relevance we require of the insurance sector," he says.

While the industry is still relatively small in comparison with its counterparts in other developing countries, the main insurance companies have been ringing up impressive profits.

Leading the field is Industrial and General Insurance, which reported a pre-tax profit of 2.7 billion naira (\$23 million) for 2007, an increase of 177 percent over the 975.64 million naira (\$8.2 million) it registered for 2006. Crusader Insurance (Nigeria) announced a pre-tax profit of 1.44 billion naira, as against 267 million naira recorded in 2006, while Custodian and Allied Insurance raised its pre-tax profit to 1.056 billion naira from 627.4 million naira in 2006.

The regulatory authority, the National Insurance Commission (NAICOM), has been working to clean up the image of the industry and ensure that genuine claims are paid promptly. A special consumer-protection unit has been established, and any insurance company that fails to act ethically and professionally will face the commission's wrath, according to Fola Daniel, the Commissioner for Insurance.

Daniel says the industry has entered an era

of strict market discipline in which prompt payment of claims is now the norm. "The most effective advertisement you can give an insurance industry is the settlement of obligations as and when due," he insists. He is confident that by 2010, the mere exchange of insurance papers should resolve any accident or damage dispute.

NAICOM has been working to clean up the image of the insurance industry and to ensure claims are paid promptly

"The insurance industry is coming from a background of an average 300 million naira capital base. Now the average is 5 billion naira. Some insurance companies have gone to the realm of 15 billion naira, so we cannot have this huge investment and still have a negative image. We are using part of the money to clean up the image of the industry, so that people in Nigeria can trust the insurance industry the way it is trusted in America, in South Africa, and in Britain."

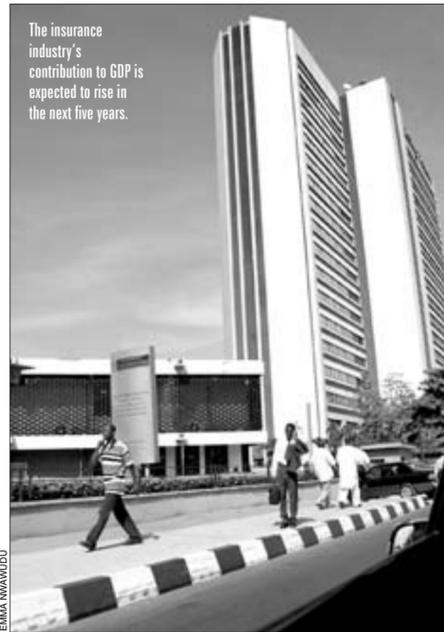
Daniel says next year will be a turning point in the industry's progress from its current po-

sition as a fringe player to a driving force in the economy within five years. He foresees a bright future in which the industry ceases to be the poor relation of banking and is able to help to drive the economy by investing substantially in sectors such as banking, real estate, telecoms, and oil.

Solomon Onafowokan, president of Lagos Chamber of Commerce and Industry (LCCI), has even suggested that the recapitalized industry could come to be regarded as a more reliable source of long-term finance than the banking sector.

NAICOM has launched an intensive awareness campaign to bring about what amounts to a cultural change by persuading Nigerians and Nigerian businesses of the benefits of insurance. By 2020, Daniel expects to see the industry's contribution to gross domestic product rise from the current one percent to 10 percent, with insurance penetration increasing from 8 percent to 20 percent.

The insurance industry's contribution to GDP is expected to rise in the next five years.



SKYE BANK

Nigeria's newest bank takes the reins

Market newcomer Skye Bank hopes to act as Nigeria's largest lender for telecommunication and housing projects

SKYE BANK PLC. is one of Nigeria's newest banks, and also one of its fastest growing. Established in January 2006 by the merger of five banks, the lender's focus on customer service and its successful investing in growth industries led to a jump in profit within its first year of operations.

In the first nine months of 2006, after Prudent Bank, EIB International Bank, Bond Bank, Reliance Bank and Cooperative Bank combined to form Skye, the new entity posted profits of 2.5 billion naira. Skye's management, led by Chief Executive Officer and Managing Director Akinsola Akinfemiwa, was able to more than double that to 5.5 billion naira (\$46.75 million) by the end of the same period in 2007.

That remarkable result was made possible by Skye's experienced management team, their hard work and their dedication to offering its customers the innovative products that they need to improve their lives and their financial situations.

"We want Skye Bank to be known as a provider of solutions for clients' problems," says Akinfemiwa. "Skye Bank has fresh ideas and prioritizes all its clients. We will bring about practical solutions, which are derived from our experiences and skills in the market."

Skye is also concentrating on lending in areas that it knows well, that are growing and that offer excellent opportunities for profit. Nigeria's oil industry makes that sector a clear target for investments. Other, less obvious, markets include shipping and real estate.

According to the bank's estimates, Nigeria needs 96 trillion naira in long-term investment in real estate to expand the country's housing stock and improve the quality of the country's homes, said Timothy Oguntayo, General Manager of Investment at the Bank.



Skye Bank's new headquarters in Lagos. The bank was formed from the merger of five institutions in 2006.

"Industry sources estimate that less than 20 percent of Nigeria's population of 140 million live in their own homes, and most Nigerians live in sub-standard accommodation," he said during an investors' forum in Abuja in January.

That represents a huge opportunity for lenders, and Skye is ahead of its competitors in many respects in this area. For example, the bank recently introduced the first real estate investment trust unit, or REIT, to be listed on the Nigerian Stock Exchange, helping investors benefit from growth throughout the market while at the same time reducing their risk.

The shipping industry is another area Skye has targeted for investment. It was the first bank in Nigeria to set up a department dedicated to the maritime business, and has already made several successful forays into the market.

In January the bank financed the purchase of the Seaway Rover Panama from Peacegate Group, a Nigerian oil-and-gas services company. The ship will

be used for offshore maritime and logistics-support activities.

The lender isn't limiting its financing activities to heavy industry and real estate, however. Skye is investing in other areas as well, industries that will help make life easier for millions of regular Nigerians while also spurring economic growth, according to Akinfemiwa.

"We also need to put strong emphasis on the ongoing projects like infrastructures and telecommunications," he asserts. "We believe that with the empowerment of the middle class of this country, the people would be more assertive and require more from the various sectors."

The growing middle class is another target for Skye, and the bank has moved quickly to take advantage of that market's opportunities. The bank's deposits and current accounts rose to 269 billion naira on Sept. 30, 2007, up from 125 billion naira on the same date a year earlier. "Nigeria has a fast growing, new middle class, estimated by JPMorgan at

15 to 25 million," says Oguntayo. "However, consumer lending represents less than one percent of the gross domestic product, compared to 15 percent in South Africa."

The bank is already working hard to expand within Nigeria, the most populous country in sub-Saharan Africa, but it has set its sights abroad as well, with plans to enter the Namibian and Angolan markets.

The lender has the financial strength to work in these many areas at the same time because of its strong investor base, which actively supports Skye's investments and strategies, Akinfemiwa explains.

Skye has also recently taken measures to further strengthen its finances. In January it launched a 50 billion naira share sale in a hybrid offering that included a rights issue and the sale of shares to the public. The money will be used to boost capital and support expansion, helping the bank become even more competitive.

In the end, though, it all comes down to giving customers what they want and need, according to Akinfemiwa. "The bank's strength comes from looking after all its clients, the big ones and the small ones, and helping them to improve their own lives," he says.

"We want to reach out to the common people and expand their dreams and allow them to realize their aspirations. There is a unique joy that comes from customers coming back to us, saying they are very satisfied."

INTERVIEW: AKINSOLA AKINFEMIWA

'Skye Bank, as the youngest in the emerging market, is just at the beginning of our niche'

What is Skye's guiding principle in the market?

We have a natural advantage because we have five banks joining forces – Prudent Bank, EIB International Bank, Bond Bank, Reliance Bank and Cooperative Bank – to create a unified Skye Bank. This, of course, poses the need for more skills and infrastructure to support the organization. A very reputable and strong group, which is playing a good role in the economy, owns Skye Bank. We also have oil companies and tie-ups with the port authorities. We are backed up by a powerful group of investors working to our advantage and supporting the endeavors of the bank. We also have an advantage of having the strength of the economy, particularly that of Lagos.

We also have capacities to invest in information technology and of course in our skilled personnel. This is an advantage that we also have, and which most of our competitors do not have. It is wonderful to learn and realize that you have a very good and skilled group of people working closely with you. Another reason for celebrating is that our country is in fact experiencing a very good economic moment. Our economy is doing very well. All the channels are doing well and moving forward.

What are your corporate advantages?

In my opinion, the Nigerian people are able to smell things quickly. They have strong initiative in terms of direction. Nigerians think clearly in terms of what to prioritize. Aside from that, we also have other nationalities like Filipinos, who contribute to the working capacity of the sector aside from the Nigerian people who commit to the success and growth of the economy.

Why should investors choose Skye Bank over the other banks in the country?

Nigeria is a good money market. Around the globe, there are few markets which maintain a very good money market. I think the trend nowadays is to focus more within the African continent, which has shown considerable growth in the past few years. Nigeria is on the top list of countries moving forward. The banking and financial sectors of this country are doing very well. Skye Bank, as the youngest in the emerging market, is just at the beginning of our niche. The other banks are almost there. A lot of investments in the market are

overvalued. The prospects of Skye Bank are very good. Look at the figures and the fundamentals of what this bank is made of. I am very proud to say that our bank is excelling in areas where prospects are very good. The customers are satisfied with our services and whenever we create a campaign, people respond to it.

What are you doing to educate consumers?

I once had a chance to do a lecture in one of the schools here, from where I come from. I would like to think that we are introducing the true product to the market. We have used the hands of a child as a marketing tool. We do have campaigns for schools. We try to go to areas where we think we would be a leader or would be different. We want to go to areas where we can begin the market.



AKINSOLA AKINFEMIWA
CEO and MD of Skye Bank

What are Skye's ambitions at the international level?

The international perception about our group is quite strong. There is a need for the world to know about us. The Governor of the Central Bank of Nigeria wants the world to know that Skye Bank is a competent bank. We believe that we have very good products to offer the market. We believe in our capabilities to come up with viable products for telecommunications, housing, and finance. Admittedly, we are new in the playing field though we put much emphasis on integrity. We plan to branch into Namibia and Angola soon. We want to tap this part of the world and proudly introduce our products.

...emPOWERing
the people.

Geometric Power is a private sector owned power solutions provider that develops and invests in sustainable power projects that make economic and environmental sense and have positive socio-economic impact within Sub-Saharan Africa. Our goal is to provide reliable, stable, affordable and environmentally sustainable electricity, thereby transforming the socio-economic landscape of the communities we operate in and beyond.

GEOMETRIC POWER

www.geometricpower.com

Be in touch

Be in tune

Be independent

EKO HOTEL & SUITES

Nesting international standards with African hospitality.

EKO HOTEL & SUITES

Nesting international standards with African hospitality

Plot 1415, Adetokunbo Ademola Street, PMB 12724 Victoria Island, Lagos, Nigeria. Tel: +234 1 2624600-19. Fax: +234 1 2615205, 2618083. E-mail: reservation@ekohotels.com / info@ekohotels.com / www.ekohotels.com

Nigeria

UNIVERSAL INSURANCE PLC

Mastering the risk cycle

Universal Insurance Plc lives up to its name, protected by a large asset base and ability to make prompt payments

NIGERIA'S ECONOMY is expected to grow robustly in 2008-09. Its commodity exports are in demand worldwide and interest rates remain low. Inflation, meanwhile, is well below the central bank's target.

But low core inflation is only part of the story. In a mostly low-profile affair, the non-oil sector is stealing the show from the oil industry. The resultant improved macroeconomic stability, meanwhile, has given rise to new players, especially after the banking consolidation of 2007. Banks have cleared the way for bold insurance companies that are masters at spreading risk. Universal Insurance is one of these.

First established in 1961 by a regional government, the company's operations were suspended during the country's civil war and until 1970. Without a clear mandate, Universal Insurance saw its capitalization fall to 16 million naira (\$128,000) by 2003.

The entrance of core investor Conau Ltd., led by Cyril Ajagu, changed all that. In 2004, its capitalization had spiked to more than 400 million naira (\$3.45 million). By mid-2007, the revived insurance company had absorbed three others – United Trust Assurance Company, Oriental Insurance Company, and African Safety Insurance Company.

A bold strategy

Growth-by-acquisition is now the corporate maxim. With a diversified portfolio, the up-and-coming insurance specialist believes in acquiring assets in the country's key growth areas. Universal Insurance thus branched into construction, hotels and transportation, as well as food-processing and beverages. According to Ajagu, Universal Insurance thereby inoculated itself against the ups and downs of the business cycle.

"Universal Insurance has interests in different sectors. We have basically insured ourselves using our other businesses, so we are very robust. We allow our assets to sweat for us," Ajagu said earlier this year.

oil and gas firms. Its fleet ranges from small river barges to modern tugs for ocean-going vessels. It also owns stakes in MTN Nigeria, a mobile telecommunications company.

A market of 138 million consumers

"Nigeria is ready to be explored in so many areas. The market here is comprised of over 100 million people who want to do business with us. We don't believe in putting money into something just for the sake of it. At Universal Insurance, we are aiming for over 40 percent returns on investment within a year. Nigeria is one of the few places where this is actually possible," says Ajagu.

Timing has been critical to bring the different projects to fruition. Nigerian policymakers recognized the need to carry out structural reforms to boost long-term growth and reduce poverty. The government began to privatize state-owned assets and introduce new regulatory frameworks, especially in key sectors like energy and telecommunications. The company is also part of a consortium that underwrites 10 percent of insurance for the state-owned National Petroleum Corporation (NNPC). Ajagu is looking for simi-

lar deals in mining and aviation. As a result, Universal Insurance has skillfully positioned itself where opportunities arise almost organically.

Insurance: a paradigm shift

In February 2008, the company was listed on the Nigerian Stock Exchange (NSE), after a very successful private placement that generated 5 billion naira (\$42.3 million) in capital for internal growth. It used its newfound confidence to acquire African Alliance, another big-ticket domestic insurer. Market capitalization following the move shot up to 16 billion naira (\$136 million).

The gross premium income at Universal Insurance has been forecast to reach 3 billion naira (\$25.4 million) by the end of 2008. But analysts think it is a conservative figure, given the pre-tax profits already available.

Ajagu is ready to make Universal Insurance true to its name. His mission is to convince people about the need to manage risk intelligently. Security in all its universal facets is why the insurance industry exists in the first place. That is why payments are prompt and total exposure to claims is low. Universal Insurance is able to shield itself through its large asset base.

According to Ajagu, the company's renaissance is no fluke, but the product of strategic planning. After 18 years at large multinationals, he has learned the virtues of mapping out a realistic trajectory. And that is the mindset he introduced among his staff.

Meanwhile, the company has become the subject of interest by international groups seeking a foothold in the Nigerian market. This is good news for Ajagu, who sees partnerships with foreign companies as a tool to enhance the company's competitiveness. Part of the preparation work involves the deployment of new software by Indian-based 3i Infotech.

"We've signed a contract with 3i Infotech to deploy their software at all our offices. It is a modern insurance package system that will position us globally. We've also hired a professional human-resources firm to source experienced hires, as well as young and vibrant graduates of different backgrounds, and fill the observed gaps at our company. Equally, some of the existing staff unable to cope with the new challenges will be encouraged to go or simply be paid off," says Ajagu.

Q&A WITH CYRIL AJAGU, VICE CHAIRMAN OF UNIVERSAL INSURANCE PLC.

'We want to get things right, now and in the future'

IN NIGERIA, the insurance sector is staking out new territory in the economy's main growth areas. With GDP growth projected by the IMF at 9.07 percent in 2008, investment targets include real estate, equity markets, the food & beverage sector and the hospitality industry. Cyril Ajagu highlights the company's mid-term strategy.

How would you describe your company's growth strategy?

Universal Insurance Plc has always invested in key growth areas of the economy, which is essential for sustainable value creation. These include real estate, a sector in which we will continue to invest. We have also acquired 25 hectares of land on the Lekki corridor. This is in addition to our estates in Enugu, comprising 10 fully developed duplexes and about 20 others at different stages of construction.

In addition to Ghana, we plan to move into three or four countries in West Africa – a virgin territory waiting to be explored

Are you favoring residential over commercial space?

No, it is a broad portfolio of real estate products. For example, we acquired 20 duplex apartments in Abuja, specifically at Vine Estate, which will be completed by November 2008. We have also bought a model office complex along the popular Aba Road in Port Harcourt. There is also the new corporate office building in Lagos. Many other transactions are currently being negotiated.

What segments of the hospitality industry are you focusing on?

In terms of hotels, the portfolio is highly diversified. Our four-star hotel in Enugu will be operational by October 2008. We hired professional hotel managers to run these operations. We are also working

together with partners to make sure that both Universal Hotels in Enugu and Abuja come on-stream in the course of 2008. Our Abuja hotel is being equipped to become one of the best in the country, catering to the high end of the market.

How have the latest acquisitions by Universal Insurance shifted the company's perception among foreign investors?

Because we are putting money into high-growth industries, and thus helping to create value, we are able to better assist foreign investors and financial organizations. They now perceive Universal Insurance as a vehicle to enter Nigerian real estate, the hotel sector, and domestic food & beverage. Despite market trends elsewhere, these continue to be coveted areas of the real economy. They offer strong returns on investment.

Do you also foresee expansion into neighboring markets?

In addition to Ghana, we plan to move into three or four other countries in West Africa. Foreign investors will then be able to leverage our regional presence and local market knowledge. Our experience has shown that this part of Africa is like a virgin territory begging to be explored.

What is the ultimate goal for a highly diversified insurance company?

We want to get things right, now and in the future. True to that tenet, we are putting the structures in place that will drive our brand. This includes solid IT infrastructure, good corporate governance and healthy investments that can support claims settlements.



Universal Insurance's growth-by-acquisition strategy has produced a broad portfolio of investments.

relax

You're in Good Hands

Universal Insurance offers an extensive range of insurance and financial services products to commercial, institutional and individual customers throughout Nigeria. As a leader in an industry with very high potential, Universal Insurance is raising the bar in terms of quality, coverage and customer service. Since you have worked hard to build up your financial legacy, you should choose only the best to ensure it.



Universal Insurance Plc

Plot 1204, Amodu Ojikutu Street, off Bishop Oluwole Street, Victoria Island, Lagos, Tel.: +234 1471 6243, www.universalinsuranceplc.com



Nigeria

INSURANCE

Investing in value and boosting life assurance in fast-growing market

The acquisition of African Alliance Insurance Plc by Universal Insurance Plc reflects the momentum of the Nigerian insurance sector

AFTER his successful takeover of African Alliance Insurance Plc, Cyril Ajagu can finally sit back and relax. The portfolio of the company chairman (he is also vice chairman of Universal Insurance Plc) now includes the oldest and largest life-insurance firm in West Africa. In 47 years, African Alliance has provided coverage for millions of Nigerians – with 140 million inhabitants, Africa's most populous country. His goal is to take the insurance sector to the next level.

"It's part of our overarching strategy to transform the insurance sector in Nigeria and bring it up to international standards. We initially acquired 50 percent of African Alliance and it took our board a whole year to decide to take on the remaining 50 percent at a cost of over \$60 million. We're al-

most there," says Ajagu. Universal Insurance is backed by its diversified portfolio of investments, as well as a capitalization of 5 billion naira (\$42.3 million).

Insurance is an under-developed sector of the economy, in contrast to the needs of Nigeria's growing middle class. According to the IMF, GDP will grow by 9 percent in 2008, with consumer index prices below 8.5 percent this year and in 2009. The current oil boom is a market signal for insurance firms to deepen their role in the economy. They are also aided by IMF-backed structural reforms.

Universal Insurance Plc wants to see globalization deepen the insurance sector and thus create value. The argument is that Nigeria sells its crude oil to customers worldwide. If it does so, it should also replicate global market trends that will diversify the economic base. If life insurance is seen as a driver for fast-paced economic development in the developed world, why should Nigeria be an exception?

In an address to brokers and shareholders at Universal Insurance's headquarters in La-



Universal Insurance's viewpoint is that life insurance should act as a driver for swift economic development in Nigeria, as it does in the wider world.

gos last April, Ajagu pledged to infuse new life into the insurance sector. Every Nigerian should be encouraged to buy life insurance policies that generate long-term funds. It is not only about transactions; rather it is about tangible satisfaction and future assets. Life insurance is not only about taking out policies that can benefit families on the death of a client. It can be a pragmatic solution for educational goals, home ownership, retirement benefits and effective financial planning.

The acquisition of African Alliance is Ajagu's fourth corporate venture into the insurance market. The other three companies already under Universal Insurance management are African Safety, United Trust and Oriental Insurance. According to Ajagu, all outstanding claims of insurers acquired earlier have been paid off after consummation of the acquisition. "We want to maintain a low-claims profile and make sure we are transparent at all times. This is the only way foreign partners will be interested in taking equity in the business," he says.

Nigerian President Umaru Yar'Adua has

vowed to unleash the country's potential as an emerging market by achieving double-digit growth. Ajagu takes this as a reason to expand from the insurance market into related financial services further down the line. So far, he is confident that both his sales and IT teams are highly motivated. The group has been hiring staff through an international HR agency. "In fact, we are partnering with a number of foreign consultants to meet needs such as due diligence, developing a product portfolio and devising a more efficient legal structure," he says.

For now, the plan is to use African Alliance to provide a competitive edge to the company. One of the first steps after the acquisition was to develop African Alliance's branch network and equip offices with the latest IT infrastructure. Its staff, business process and execution should conform to the highest standards in the market.

Essentially, only the board at African

Alliance has changed hands. The company will otherwise run independently. One issue to surface post-acquisition was the new priority on claims payments. The objective here is to emphasize that it should be standard practice to make prompt claims payments. African Alliance will not only strengthen its position in the Nigerian market in this way, but also attain global standing.

Ajagu and his team are planning ahead for their next venture. Recently they acquired 70 percent in Ghana Life, the leading life

insurer in Ghana, and are planning further expansion and acquisitions in the region. So far, they are allocating resources to high-performing sectors of the economy by looking at recent history and trying to make sense of where markets can go in 10 to 20 years. That is where future value calculation comes in. "Although we're not strictly a private equity fund, investing in value is at the core of our business," explains Ajagu.

"Our overarching strategy is to transform the insurance sector in Nigeria and bring it up to international standards"



ALPHONSE OKPOR
Managing Director of African Alliance Insurance



CYRIL AJAGU
Chairman of African Alliance Insurance

MERGERS & ACQUISITIONS

Amalgamation places Nigerian insurance sector at center of attention

African Alliance's ambitions for growth mean that product development and better services will form part of the sector's future

WHY IS the acquisition of African Alliance by Universal Insurance so important for Nigeria? It may have to do with the emergence of an entirely new economic sector that had previously kept a low profile. With the current boom in commodity prices, however, Nigeria is poised to become an emerging market capable of affecting change in the rest of Africa. This means that any large acquisition signals a long-term trend. And the trend in the insurance

sector is expansion, both domestically and globally.

According to Oladipo Bailey, a former Nigerian commissioner for insurance, the merger has set the stage for more strategic alliances that are poised to take advantage of opportunities in the marketplace. For Bailey, mergers and acquisitions act as spark plugs for sectors like insurance, otherwise low in glamour. The surprise factor is that insurance is no longer a behind-the-scenes actor, but one that can bring local businesses in line with international standards. So far, the National Insurance Commission (NAICOM) is encouraging the wave of mergers and acquisitions.

"The move by Universal Insurance is

quite commendable and is in the right direction. I was looking forward to the day when two big insurance companies here in Nigeria would come together to form a major company as we have seen repeatedly in the US, UK and other European countries," Bailey told the Nigerian Tribune recently. On an African scale, such moves not only build robust capital, but also attract key human resources to an erstwhile little-known sector of the economy.

Partnering with foreign insurance specialists is part of Cyril Ajagu's expansion dream. As the new Chairman at African Alliance, he is targeting companies with a low-claims track record and strong business ethics. It should also be an entity that is open to diversification of

its own portfolio, such as the emerging markets in Africa. With its strong position in the West African market, Ajagu thinks African Alliance is ready for association with a leading global brand.

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

To fund long-term growth, African Alliance will be putting its profits to work. Proceeds from the private placement will be used to expand the company

and develop its operational infrastructure, particularly in IT. According to Ajagu, organic growth will be more sustainable with the right people in place. Input from new faces will help prepare African Alliance for the challenge of a global insurance market.

There is a whole universe of instruments that can be developed to meet all the new requirements in the market. Life insurance, after all, is a very particular business with long trajectories. "We need to expand our product portfolio. It has to be a portfolio that accommodates clients from one to 80 or more years. The portfolio must be structured in such a way that, at any point in time, a client can make a justifiable claim and be reimbursed," asserts Ajagu.

A NEW ALLIANCE

Expansion will put new capital to work

WHEN Universal Insurance Plc announced it had acquired 100 percent of African Alliance Insurance, something moved in the bedrock of Nigeria's financial establishment. This was not only an acquisition of yet another insurance company—it was an industry development with key ramifications.

New ownership at African Alliance will affect how the company expands its coverage and integrates aspects of innovation that had previously been beyond its reach. According to local media, the capital injection has turned around the company's fortunes. At a press conference in April, Managing Director Alphonse Okpor told reporters that the influx also covered ambitions in the banking sector.

"The new tempo we are witnessing has transformed our performance and service delivery platforms. The influx of tried-and-tested professionals, meanwhile, has boosted our product development, asset management, financial advisory and Information and Communication Technology (ICT) departments," Okpor told the Nigerian Tribune.

The equity takeover was also good news for products like micro-insurance schemes. Designed for low-income customers, micro-insurance is a low-premium and low-coverage instrument popular in South Africa and Kenya. The risk-pooling concept helps shield communities in the aftermath of natural catastrophes. In Nigeria, the formula could prove highly profitable.

But in the long-term, African Alliance's Chairman Cyril Ajagu is interested in the larger yields of cross-selling services and investment-linked premiums. Part of his interest in African Alliance is to sell the services of the insurer to Universal Insurance's corporate clients. He sees African Alliance moving into asset management and low-risk investments in the hospitality industry, for example. That is what he calls putting capital to work.

"It's an integral part of our re-engineering strategy. All the company employees we serve are part of Nigeria's emerging middle class. They need superior types of insurance products. African Alliance will be able to meet these needs and this new demand," says Ajagu.

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

As for investment-linked premiums, it is largely a matter of educating the public. Four years ago, few understood the complexities of an insurance premium, so Ajagu came up with the winning formula of investing premiums in low-risk, high-yielding assets.

Nigeria

STANDARD ALLIANCE INSURANCE GROUP

Top-10 insurer's growth benefits blue-chip clients

Over the past 10 years, SAIG has foreseen market changes to put it at the top of the field, providing its clients with services and big returns

STANDARD ALLIANCE INSURANCE GROUP, or SAIG, is intent on getting bigger and better. The company, which was Nigeria's 104th biggest insurer in 1996, has moved into the country's top 10 and is in the middle of an ambitious expansion plan that will permit it to offer its clients more services and give its investors greater returns.

"Standard Alliance Insurance is in the growth area of the Nigerian Financial services," says Olorogun O'tega Emerhor, SAIG's Chief Executive Officer. "We want to be seen as an aggressive, competent and well-focused organization that is dealing with existing opportunities in Nigeria in a very efficient manner."

The petroleum industry is the most important sector in Nigeria's economy, and SAIG can count the biggest oil companies in the world among its clients, including ExxonMobil, Royal Dutch Shell and Chevron.

From its base in business insurance, the company has moved into new areas to take advantage of growth opportunities, including life insurance, asset/wealth management, pension-fund administration, mortgage banking, and property and real estate development.

SAIG has set up six operating units to work in those areas, along with its traditional business insurance. All those units will soon move into a new headquarters the company is building near Lagos. The overall goal is to make life easier for its clients by offering them a wide range of products from one source.

"We saw that what we needed to run is an integrated financial service company, because when you do that your customers, which are the same customers that the banks are chasing, want their car insured and also want to buy that car if you offer them leasing," says Emerhor. "So you have the same opportunity to cover

the needs of your customer, and that is why we decided that we must become a full-fledged, one-stop financial services institution."

SAIG wants to take on the country's banks in various arenas. It has already bought stakes in First Inland Bank Plc and in mortgage bank Lagoon Home Savings and Loans Ltd. The company is currently being rebranded to fit into SAIG's overall marketing vision.

The insurer is an expert marketer and retailer, with a large and ever-expanding branch and salesman network, and it plans to use those assets as it moves into new areas. The purchase of stakes in the banks will help SAIG as it enters the real estate sector — an area that is ripe for growth.

The company is going after the real estate market from two directions: development and mortgage lending, according to Emerhor. SA Property is working with international investors on development, and SA Capital is offering affordable loans to buy homes by seeking lower-interest funds from outside the country — lessen-

ing the impact of the high cost of borrowing within Nigeria.

"The problem of funding that sector is the high interest rates that we still have in Nigeria," Emerhor explains. "So if you have a blend of international and local funding you can almost moderate the rate you eventually pass on to your customers to a tolerable level below at least double digits. That way you will be able to get people who can afford taking up a mortgage and paying it off over a period of time."

Not that SAIG has had any problems raising money within Nigeria. A share sale in March, which raised more than 20 billion naira (\$167 million), was 106 percent oversubscribed. International investors such as Renaissance Capital Group, Stanlib Asset management of South Africa, Enso Capital LLC, and IBTC Pensions demonstrated their confidence in the company by buying shares.

Those funds are being used to finance SAIG's expansion within Nigeria, and into other West African countries including Ghana and The Gambia. The insurer is in talks to

buy an insurance company based in the Ghanaian capital of Accra, and to open a banking institution there as well. The plan for the Gambia is similar, Emerhor says.

"Our next stage of expansion, other than the organic growth that we envisage happening in the next couple of years, is to look at our neighbours, particularly the English-speaking countries like Ghana and The Gambia," he says. "Our economies are very much linked together."

Even with all the efforts to enter new business areas and expand abroad, SAIG hasn't lost sight of what its main business is. The company has remained focused on its insurance activities, where its strong record of prompt claims settlement originally won it a reputation for efficiency and reliability.

SAIG is ready to continue its rapid growth, within Nigeria and internationally, by using the newest technology to fully automate its operations and maintain its emphasis on customer service, and by offering its shareholders a solid return on their investments.



From being Nigeria's 104th biggest insurer 10 years ago, SAIG has risen into the top ten, counting the big oil majors such as ExxonMobil and Chevron among its clients.

INTERVIEW: OLOROGUN O'TEGA EMERHOR

'We are positioning ourselves to address the middle tier of the market'

To what extent do you believe that Nigeria can become a financial services hub by the year 2020?

Basically, the structures for Nigeria to be able to play that role are being laid on a day-to-day basis. I think this commenced effectively with the consolidation that happened in the banking sector.

Then the second preparation towards the objective you mentioned was the consolidation that also took place in the insurance industry. Today a number of Nigerian insurance companies are well capitalized and are moving beyond Nigeria to neighboring countries, like Ghana, to begin to acquire and grow globally.

How far has SAIG advanced in its plan to become a fully integrated financial services provider?

We are now well set up to begin to pursue the various aspects of the financial 'supermarket' that we have set up. The idea is not to compete with the really big banks because we also saw that there was an opportunity. After consolidation the big banks have created a gap between the very middle and top level of financial service consumers. We are actually positioning ourselves to address the middle tier of the market. Often those people are frustrated when they want to access the very big banks, and they may not have the financial statement to support the transaction that they want.

What makes SAIG a better choice for investors entering the Nigerian market than your competitors?

I will start by trying to point out the areas I would think international investors who are interested in Nigeria should come and see. Five years ago the telecommunication sector was a low-hanging fruit waiting to be plucked, but for country-risk considerations nobody took that opportunity. MTN from South Africa did take that opportunity and you can see what they have done with it today and now it is a very competitive area to go into.

But there is still the energy sector, which



OLOROGUN O'TEGA EMERHOR
Chief Executive Officer of SAIG

again is going to be the future of growth in Nigeria. The housing sector is of course another growth opportunity. Most people that can afford houses don't have decent houses. If you take major cities like Lagos, Abuja and Port Harcourt, there is a lot of potential for that growth.

Is SAIG seeking product development expertise by way of international partners?

Yes, those are some of the things I wish to highlight. Regarding the mortgage market, for example, it's an open book in Nigeria and naturally we need to learn what has happened in other countries, how they have been able to design products to address specific groups of individuals. That is an area where we actively seek foreign experience and investors who have played in the mortgage and housing areas.

Related to that is infrastructure, construction and funding. Apart from the expertise required in the construction and provision itself, there is going to be a need for complex financial instruments to fund this construction. Specific products will need to be designed to attract both government participation and financial advisers to design products that can address these issues while being profitable enough to attract investors.

INVESTMENTS & ALLIED ASSURANCE

Protecting Nigeria's new wave of investors across the board

IAA is becoming a model of growth, with increased sales, a new stock subsidiary and local understanding

INVESTMENTS & ALLIED ASSURANCE PLC (IAA) is ready for the next steps on its path to faster growth. The insurance company has finished a process of consolidation and raised almost 11 billion naira (\$93.5 million) in a public share sale, leaving it in an excellent position to expand both within Nigeria and into neighboring countries.

IAA, which was previously known as Milverton Insurance, is now prepared to take advantage of the vitality of the Nigerian economy and the growing number of foreign investors coming to the country to boost profit.

"The opportunities here are clear," says Funmi Adenmosun, IAA's Vice Chairman. "There is an increase in the amount of people entering the country to set up businesses and create investments here, in particular from the East. The development of the economy in Nigeria has been an explosion, and the increase in investors entering is evidence of this."

IAA's financial results for 2007 show that the company is already improving its performance. Sales increased 69 percent last year to 2.7 billion naira, while profit after tax jumped 63 percent to 917

million naira in the same period.

To build on that success, the company is now investing more in selling personal lines of insurance to Nigerians, who are typically underinsured. IAA intends to sell more to rural markets, and expects to gain as people become more aware of the uses and benefits of insurance.

"We are not at the stage where the individual feels the need to acquire insurance as a matter of course, we must still reach that stage and satisfy the needs of the public and develop products for them," says Adenmosun. "There is a vast population in Nigeria, which is huge market. The public is slowly beginning to understand the insurance sector."

Another area where IAA wants to expand its operations is the sale of non-insurance financial services. The goal is to provide a whole series of services and offer a one-stop shop for clients. The company will do this partly with the help of strategic alliances, and it is targeting real estate and investment services for a start. Some of the proceeds from the recent share sale will be used to fund this expansion.

"We have outlined certain key areas where we want to deploy these funds to," says Segun Akinyemi, IAA's Managing Director. "We have set up some separate subsidiary companies, for example real estate and asset management, where we will deploy these funds. We also want to develop our branch base very well."

The success of the sale of 28 billion shares in May through a private placement has been key to the company's plans. On the one hand it provides the funds for expansion, and it also shows that investors approve of the growth plan.

IAA plans to carry out another share sale in the next year to ensure that it has sufficient funding to grow into the new markets it has targeted. The company is confident that it can use the new funding in a way that will benefit clients and investors, Adenmosun says.

"Within the next six to twelve months we plan to do a full IPO, to raise ad-

ditional funds," he explains. "We believe we can do more and grow, that is why we are applying for the life insurance license and seeking further partners. We want to ensure we have a superior performance and create additional value added services for our stakeholders."

One of the ways IAA is focusing on creating added value is through alliances. The insurer wants to enter the life insurance and pension fund management markets, and is currently in discussions with some companies in South Africa that are already active in those areas, Adenmosun says.

IAA is also looking at opening a stock brokerage subsidiary, and will consider other paths to growth as well, such as mergers and acquisitions, he added.

"Yes, this would be considered; it would depend on what is involved," Adenmosun confirms. "If it meant increasing value for our shareholders, we would certainly be interested."

IAA is working on increasing value right now through its training programs, and through its investments in superior technology. The goal is to improve customer service and to offer clients new and better products that more closely match their needs.

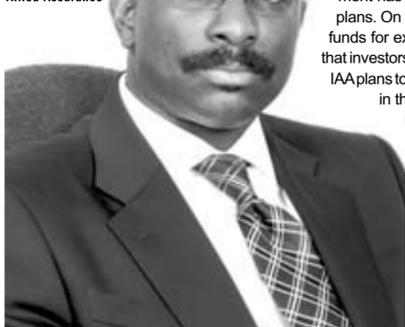
The new technology is already reaching new clients and spreading knowledge of the company's technology online. The site gives clients direct price quotes, and also helps provide unique solutions to their requirements.

"We have established an exceptionally advanced technology system that we have applied to our company, in order to have an A-class insurance company so that our customers can reach us on the web," says Akinyemi.

IAA is also preparing to move into other countries with less developed insurance markets, including nearby Ghana. The expansion plan will initially include seeking partners in other African countries, but could eventually grow and lead to the company entering markets outside Africa.

"We look forward to reaching all parts of the world in a few short years," Adenmosun says. "Although we are taking very small steps in terms of partnering with our immediate environment in Africa, we believe that the world should watch out for IAA."

FUNMI
ADENMOSUN,
Vice
Chairman of
Investments &
Allied Assurance



The new face of Standard Alliance



A one-stop financial services group

INSURANCE GROUP
...one key multiple access

324A, Akin Ogunlewe Street, Off Younis Bashorun Street,
Off Ajose Adeogun Street, Victoria Island, Lagos. P. O. Box 73659.
Tel: 01-4616201-2, 7741644-5, 0700-Insurance Fax: 01-4619199
E-mail: info@sainsurancegroup.com Website: www.sainsurancegroup.com

Nigeria

The oil majors' partner in the field

Training programs, new technologies and a full-service approach to on-site operations mark Relentech out as a solid partner

THE OIL AND GAS industries are by far the most important part of Nigeria's economy, together providing nearly 80 percent of the government's revenue. Relentech Specialists Nigeria Ltd., a 100 percent Nigerian-owned oil field services supplier, is one of the many companies that is working to keep that oil wealth within the country, rather than have most of it go to foreign-owned businesses.

With proven crude oil reserves of 35.2 billion barrels and plans to increase that amount to 40 billion barrels by 2010 – according to the Nigerian National Petroleum Corporation (NNPC) – the industry has enormous further potential to enrich the country and provide more jobs and opportunities for Nigerians.



SERGIUS I. O. OGUNS
CEO and MD of Relentech

Three new refineries are expected to come online this year, and the government has issued 13 licenses to build new, private refineries. About \$7 billion in new investments will be necessary to increase crude output to meet production targets, the NNPC says, providing companies such as Relentech with fertile ground for growth.

The natural-gas industry is another area that is overflowing with opportunities for companies that are positioned to provide services. Nigeria has gas reserves of 185 trillion cubic feet, and the NNPC estimates that \$15 billion in investment will be needed to meet the goal of boosting revenue

from natural gas to 50 percent of the level of revenue from oil by 2010.

Relentech can provide oil and gas producers with much of what they need to start or boost production, including installing casing and tubing in oil wells, electrical equipment installation and a series of training and consulting services. The company can work at sites on drilling platforms, in swamps and other onshore areas.

Relentech's emphasis on constant innovation is a big plus for its clients, says Sergius I.O. Oguns, the company's chief executive officer and managing director.

"Our core business, which is casing and tubing running, is dogmatic – our competitors as well as the operators do not see the need for any new technology. As a company we have a policy of introducing a new technology once we have gained client acceptability. This usually gives a whole lot of comfort to our clients as our job is done safely and in less time."

Nigeria is the eleventh-largest oil producer in the world, and the second biggest in Africa, and the world's biggest oil companies all have operations there. Relentech counts ExxonMobil Corp., the Shell Group, Chevron Corp. and Total (Elf) among its clients.

While plans to expand production will boost sales for Relentech, the Nigerian government's latest program to spur greater use of local providers by foreign operators will also help. The program was first proposed in 2005 and is currently nearing approval in the National Assembly.

The energy industry in Nigeria spends about \$12 billion annually, with more than half – 54 percent – channeled into procurement. Another 26 percent is spent on fabrication and installation, and the remainder goes to engineering and construction. These are all areas where Relentech can offer its services, and the company is in fact already benefiting from the increased emphasis on local content.

"The Nigeria Local Content Policy is no doubt bearing fruit," Oguns asserts. "With the advent of the Local Content Policy,



Relentech provides top-to-bottom services in the field, gaining the company a reputation for excellence.

where operators were required to advertise their services, we tendered for services and won and we are working for most of them today. The barrier that was hitherto present was lifted by the Local Content Policy."

Even with the boost from the policy, Nigerian companies face various hurdles. One is a lack of qualified local workers. Relentech's solution to that problem is to provide extensive training programs in areas including basic well-engineering technology, well-casing design, drilling management, project management and, of course, advanced safety leadership.

Another difficulty is financial. As with businesses anywhere in the world, Nigerian companies need funding to expand, and with high domestic interest rates, that can be a problem, Oguns explains.

"I would say the greatest need of the domestic sector at the moment is operating capital. The interest rate stands at 17 percent per annum. Given that local companies do not have access to foreign funds, it becomes very difficult for firms to get a breakthrough as this is a barrier to growth."

Nigeria's reputation as a country where it is difficult to do business also gets in the way. That reputation is undeserved, Oguns

says, as there are already many businesses that are operating profitably in the country and that can use outside investment from around the world.

"There are so many companies in Nigeria doing legitimate business, these companies know that the world is a global village and that they cannot go it alone, so they are open to foreign investors," Oguns says. "Nigeria, like any country in the world, has laws. If any genuine foreign investor takes the time to check the law relating to foreign investors before tying up with any legitimate existing business concern in Nigeria, 100 percent of the time it will be win-win."

Companies such as Relentech, which are dedicated to excellence, are the proof of that statement. Since it was founded in 1989, it has gained a reputation for high-quality work, innovation and an openness to new ideas and methods that continue to gain it new clients and projects.

"At Relentech we do not claim to know it all, and we are always willing to learn," Oguns states. "When the operators we service recognized that, despite our high standards, we are always willing to exceed their expectations, we get maximum cooperation in the field whenever we are called out to work."

GEOMETRIC POWER LTD

State funding helps Geometric Power to light Nigeria's path

2009 will see several of Geometric's projects come to fruition thanks to domestic resources and investment

GEOMETRIC POWER LTD is in a business with huge potential for growth. This Nigerian power company is building privately owned power plants around the country to make up for the shortfalls of the national grid.

Many Nigerian businesses are forced to supply their own electricity, usually through running their own generators, because of the erratic supply from the national electricity company. Geometric is working to improve that situation by building generating plants in carefully targeted areas that will guarantee supply to the company's clients.

"Power is Nigeria's top priority today and we need to ensure that it's adequate in order for the country to progress," says Bart Nnaji, Geometric's chairman and chief executive officer. "There is no reason Nigeria's power sector cannot stand on its own two feet, and we are determined to make this happen."

The company already has one generating plant operating near the capital city of Abuja that provides power to a dedicated distribution network – including the Abuja central business district, the International Conference Center, the Federal Secretariat and the Nigerian National Petroleum Corporation headquarters, among others.

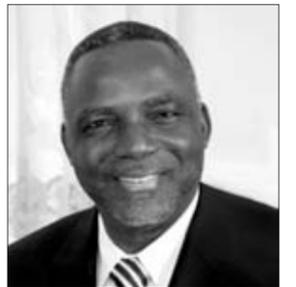
Geometric initially faced some difficulties in financing that project. After the company arranged a group of solid sponsors and a partial guarantee from the government, Geometric was able to convince their investors that it was a solid plan, and have since been proven right.

After completing the Abuja project in three years, the company moved on to one in the city of Aba, in the state of Abia in the southeastern part of the country. Aba is Nigeria's third-biggest industrial city, and its businesses are sorely in need of

a reliable supply of electricity to keep their many factories running efficiently and continuously.

The Aba power plant, which will have a minimum installed capacity of 188 megawatts and will use Nigerian natural gas as fuel, is scheduled to be finished in the first quarter of 2009. The generating plant will provide energy to a power network that is completely independent of the national grid, ensuring an uninterrupted supply of power.

The Abia state government was instrumental in helping encourage funding for the \$300 million project by providing incentives for financing. Investors in the Aba project include the International Finance Corporation, the European In-



DR BART NNAJI
Chairman and CEO of Geometric Power

vestment Bank and the Emerging Africa Infrastructure Fund.

Geometric is currently in talks with Nigeria's federal government about building a 1000-MW power plant, this time in the vibrant commercial capital of Kaduna. The company expects to be able to build on its previous successes and attract more prestigious investors, Nnaji says.

"The backing we have received from world-class organisations is in itself a testimony to the high quality standards we embrace at Geometric Power," he says. "We are also very keen to partner with organizations that will help improve our local human capital."

Go · Achieve · Be
We are by your side.

IAA

Investments & Allied
Assurance Plc
www.iaapl.com



Relentech Specialists Nigeria Limited is an indigenous oilfield services company that provides a range of services in engineering, design, oil and gas and in the construction industries. Over the years Relentech's team of professional engineers, technicians and seasoned project managers has been giving its clients the very best in terms of quality, reliability and efficiency. There are many reasons why our clients call us "the Specialists" – as number one in our sectors, we truly are the most experienced, most reliable and most successful company.

The Best in the Business

RELENTECH
www.relentechltd.com

Building an even business against the odds

In a challenging regulatory environment and faced with double-digit loan rates, Grant Properties is striving to meet housing needs

OLAJIDE AWOSEDO should not be smiling. He's just given us a whirlwind tour of the real estate development spectrum in Lagos these days and there is, frankly, little to smile about. CEO and President of Grant Properties, one of the largest development outfits in Nigeria, Awosedo should be fuming over the status quo, maybe even slamming his fist against the desk to vent his frustration. Reluctant bankers, venal officials and poor management have consistently held up one real estate project after another, costing him millions of dollars in lost profit.

Yet he evinces nothing but deep-seated aplomb, answering questions in a steady tone, claiming that the entire issue can be reduced to a lack of 'will' on behalf of heads of banks and governments. He speaks as though the obstacles he has faced over the past few years in getting Goshen Beach Estates, Victoria Park Estates and Beautiful Gate Estates, a few of his company's medium and high-income development projects, off the ground have become so commonplace that he now finds them frustratingly comical.

Finance is the most challenging area for developers in Nigeria, Awosedo claims. "There are so many things missing," he says. "Developers do not have access to the funds required to develop houses. Our access is the same as that of any importer — it's all short-term financing."

Developers and entrepreneurs alike have struggled for access to long-term funding from Nigerian banks. Financial institutions across the country have severely limited how much credit they extend to real estate developers — even when demand for housing is far greater than supply — for fear of a distant slowdown, an inauspicious sign of the state of the economy.

Nigerians like Awosedo are left borrowing money at exorbitant rates. In 2001 Grant Properties launched its Goshen Beach Estates project — 86 dwellings, the majority of which were four-bedroom detached houses — using Nigerian funding. "We borrowed money at 39 percent and 35 percent for 18 months," Awosedo said. "My friends said that I was crazy at the time, but what choice did I have? Today, the rates have come down, but they are still in the double digits."

The Nigerian economy has improved in recent years thanks to reforms and debt relief. In November 2005 Nigerian officials brokered a deal with the Paris Club to eliminate \$18 billion of debt; nevertheless, Africa's most populous country continues to outspend itself, even with increased income from record oil prices. Furthermore,



OLAJIDE AWOSEDO
CEO and President of Grant Properties

persistent corruption and banking scandals in recent years have darkened an already ominous shadow lingering over the economy.

A seasoned banker himself, Awosedo says Nigerian banks need to start freeing up capital for those with serious business plans to pump life into the economy. "I think the entire banking system needs to examine its commitment to long-term economic development; after all, they would only be required to devote a fraction of their entire loan portfolio toward such long-term lending."

Record-high oil prices across the world have given Nigerian officials, through the country's chief export — crude oil — an important opportunity to secure its future and reach its 2020 goals. Awosedo says officials must take advantage of the new reserves of petrodollars and convert them into funding for entrepreneurs and long-neglected infrastructure projects like highways, and sea and rail transport.

"If by 2020 we don't have a rail system connecting the north and south, then there's no vision," states the CEO. "We need to ask ourselves: what are we doing right now to ensure that in the year 2020 whoever wants to go to a government school

can do so for free and whoever is ill can get good medical care? Any system that doesn't do that is useless."

While a long list of things need to happen to improve Nigerians' physical and economic well-being — the average Nigerian lives for 48 years and earns \$2,000 per year — it is important that the government supports the initiatives of businessmen like Awosedo, whose projects address serious issues such as lack of housing.

The current housing shortage in Nigeria is no secret, nor has it been for many years. "In the WHO report of 2000 (an independent assessment of Nigeria), they set the shelter target for Lagos alone at 470,000 units per annum. Several years later, the government and private sector working together have built less than 2,500," the CEO reported.

Bottlenecks in local bureaucracy and empty promises are just as much to blame for the present economic stagnation as the disinclined banking system, according to Awosedo. "I bought 100 hectares (247 acres) of land in 2003 to build 4,000 housing units, 500 of which were to be for employees of the American embassy and the rest were to be for the general public. When we started planning in 2004, the Governor at that time assured the Counsel-General of the American Embassy that within 15 days the relevant title would be issued. Well, four years have since passed and we still don't have the title."

Despite the endless obstacles and hardships, Awosedo has sold hundreds of houses and more importantly refuses to give up, refuses to stop smiling. He thinks the current president's vision will help alleviate some of his and many other Nigerians' woes. "I think that the Yar' Adua administration has done very well," he said. "Personally, I would love to work with him. I admire his courage. He is the man that a developing nation like Nigeria needs."

Grant Properties' Goshen Beach Estates project was developed in spite of loans taken out at nearly 40%. Awosedo says that banks need to think longer term.



EKO HOTELS

An oasis of calm in the business heart of Nigeria

Away from the bustling metropolis of Lagos, the Eko Hotel and Suites offers a sanctuary for harried professionals

AS THE NIGERIAN government scrambles to tap the lucrative oil trade, it has called upon international drilling experts to collaborate in the upstream extraction processes at various locations around the country, hoping their expertise will expedite the time it takes to turn crude oil into crisp nairas. Along with the arrival of drillers, engineers, planners, and oil foremen come financiers, bankers, bondsmen, insurance saleswomen, and just about everyone else involved in managing the billions of dollars being made in Nigerian petroleum.

Accustomed to working in fast-paced, demanding settings around the world, these international businessmen and women choose their accommodations very carefully. Hotels must offer top-of-the-line business facilities, such as high-speed Internet, courier services, and conference rooms, but also need to double as sanctuaries, offering services and facilities where over-worked professionals can unwind in peace.

While in Lagos, many oil industry professionals elect to stay at the Eko Hotel and Suites located on Victoria Island. Consisting of three buildings and facing the Atlantic Ocean and Kuramo Lagoon, the 650-room hotel is surrounded by lush gardens and unique African landscaping, helping camouflage the nearby metropolis of Lagos.

Panos Panayis, Eko's General Manag-



PANOS PANAYIS, General Manager of Eko Hotels and Suites.

er, says the hotel boasts a high rate of return guests because of its unique facilities and staff. "Having a big name brand may attract customers at the beginning simply because people are curious," he says. "I have seen it many times: a new hotel opens and everyone rushes to see it, but eventually they come back to us because we offer unique qualities and a personal touch."

The Eko's pursuit of outstanding services has earned it a broad customer base. Guests can choose from recently refurbished signature rooms like the Eko Garden, which offer wireless access, mini-fridges and spectacular views, up to the Eko Suites, the hotel's most-prized rooms, which come complete with kitchenettes, king-sized beds and satellite television. The Eko offers no shortage of culinary options: patrons can choose from eight dining options, from a traditional Italian restaurant to a steak house. While the range of rooms and dining fa-

ilities is spectacular, Panayis says the hotel is in for more amenities. "In October we will start work on a four-year project, which, when finished, will integrate a 640-bedroom hotel into our current premises," the managing director said. Business travelers can also look forward to a major new addition. "We are working on what is to be the second-biggest conference expo hall in Africa — It will seat 4,000 people. We are also building 120 business-executive suites. Both of these projects are to be completed in June 2009."

The additional rooms and conference hall are certain to boost hotel business but, according to Panayis, are being built with the end focus on the guest. "We intend to improve our guests' stay by diversifying services and offering new facilities. In 2009 customers can look forward to more room options, restaurants, and conference and banqueting facilities."



Full Speed Ahead

We say **yes!** to your dreams

Skye Bank is ready and willing to tackle new challenges and opportunities. Nigeria is well positioned to become a leading West African shipping center. With a dedicated maritime desk, we are well placed to be your partner in Nigerian shipping finance. With Skye Bank, your investments can move full speed ahead.



Skye Bank

Expanding your world

BANKING THAT FITS YOUR NEEDS

www.skyebankng.com



Walk tall... with Afribank

Imagine the experience and expertise of nearly half a century of top-flight banking at your disposal. Benefit from our firm ideals of integrity and corporate governance that enable us to deliver banking services that you can trust.

When you've got a bank like Afribank, there's good reason to hold your head high and tower above all, because you've got one of Nigeria's oldest and strongest banks behind you.



AFRIBANK

...the effective and courteous bank

HEAD OFFICE
Afribank Plaza, 51/55
Broad Street
P.M.B. 12021, Lagos, Nigeria.
Tel: 234-1-2641566-9
Fax: 234-1-2669763
Website: www.afribank.com
E-mail: info@afribank.com

Branches Nationwide