

Nigeria

The star of West Africa

Recent agreements have further strengthened the cooperation between Nigeria and China

Bilateral trade and diplomatic relations between Nigeria and China reached a new high earlier this year when the two continental giants signed a series of agreements to further enhance economic, cultural, trade, financial and technical ties.

Following talks between the two leaders in Beijing in July, Nigerian President Goodluck Jonathan and his Chinese counterpart, Xi Jinping, attended a signing ceremony for several landmark agreements that marked the latest chapter in a successful and long-established partnership.

The signing ceremony also underlined Nigeria's enviable position as Africa's leading investment destination, as eager business people race to take advantage of the country's wealth of natural resources that include vast oil and gas reserves and invest in its huge population of around 160 million.

China accounts for around a quarter of all foreign direct investment, FDI for short, in Nigeria with

more than \$6 billion flowing into the resource-rich west Africa republic from China in 2011.

At the same time, around \$4.6 billion of goods arrived in Nigeria from the Asian economic heavyweight, making China the second largest exporter to Nigeria after the United States.

Bilateral trade between China and Nigeria in 2013 is expected to top \$13 billion versus a relatively small \$2 billion just over a decade ago.

Addressing a large audience at the Nigeria-China Business Forum during his trip to Beijing this summer, President Jonathan said the agreements signed between Chinese and Nigerian companies will lead to stronger economic ties in the short and medium term and underlined his country's robust and stable macro-economic environment.

He added Nigeria is now strategically positioned as the preferred investment destination in Africa and the world, but warned there is a need

for economic diversification and less reliance on oil and gas revenues.

"Trade between Nigeria and China accounts for nearly one third of the trade between China and West Africa, and this will continue to grow, indicating the importance of Nigeria to China in the regional market," he said.

"Beyond trade, China has been instrumental to supporting Nigeria with financial arrangement and investment in strategic infrastructure projects like rail, road and free trade zones, among others.

"Nigeria is currently the preferred destination for Chinese companies in Africa and more than 200 Chinese firms are now operating in Nigeria and they are doing very well," said Jonathan.

"Nigeria is open for business as we have some of the best incentives in the world for investors to take advantage of. Our tax policies are quite robust and the business environment is exceptional."



Sola David-Borha, chief executive of Stanbic IBTC

Stanbic IBTC drives growth

Created in 2007 from the merger of Standard Bank Group's Nigerian operations, Stanbic Bank Nigeria, with that of IBTC Chartered Bank Plc, Stanbic IBTC Bank Plc is a leading name in Africa's banking and financial services sector. The bank plays a significant role in some of the largest capital markets deals, not only in Nigeria, but in the continent as a whole.

Stanbic IBTC, through its wholly owned stockbroking and asset management subsidiary, IBTC

Asset Management Ltd, has several excellent mutual funds including the IBTC Nigerian Equity Fund, which is Nigeria's largest mutual fund.

The bank's corporate and investment banking services include global markets, project and structured finance, equities trading, corporate finance, global custody and a myriad of transactional and electronic banking solutions.

The company is now working hard to strengthen its position in the fast-growing sector and will increasingly play a significant role in the personal and business banking retail environment.

Stanbic IBTC currently has more than 60 branches across the country and over 1,500 staff, meaning it is well positioned to take care of Nigerian's banking requirements.

"Stanbic IBTC is a full service bank, so it provides the entire range of financial services — that is what makes us so unique in this market; we are the only international bank that offers full financial services," said the bank's Chief Executive Sola David-Borha. "We have a long-term focus and as such we are very much interested in building our asset base across

the small and medium enterprises. We also lend to the corporate sector.

"We have strong project finance capabilities and have been involved in several landmark transactions, including the Lekki Toll road. Our core business grew in 2012 and we expect that we will continue to grow in 2013."

The senior executive believes her bank is the perfect platform for Chinese investors seeking lucrative business openings in Nigeria.

"We think that the infrastructure opportunity in Nigeria is a natural avenue for Chinese investors," she said. "China has execution capabilities in addition to long term funding which are key requirements in delivering a large infrastructure project in a few months."

"We provide professional advice, useful information, networks and access to key people in the government and because of our Pan-African footprint, we know other investors who are looking for opportunities and partners."

"We are here to help and support Chinese investors and we believe that Nigeria's time is now."

Booming banking and financial services attract interest

Solid economic growth is supported by financial reforms and robust regulations

Boasting one of the strongest economies in Africa thanks to its vast natural resources, Nigeria's GDP jumped by more than 6 percent year-on-year in 2012 as more than two million barrels a day of crude oil flowed from its massive oil fields and foreign reserves reached more than \$44 billion.

As the country looks to achieve its aim of becoming one of the world's top 20 economies by 2020, Nigeria's banking sector is becoming more powerful thanks to better management that has improved its performance and increased security for international investors.

"If we can get China to invest in the private sector, to build refineries, develop the petrochemicals sector or build factories, the financial flows will be well provided by banks because banks just follow the money," said Sanusi Lamido Sanusi, governor of the Central Bank of Nigeria.

The Federal Mortgage Bank of Nigeria, FMBN for short, was estab-

lished in 1956 and operates as an effective vehicle for increasing the mobilization of long-term funds, lending volume and expansion of mortgage lending services to Nigerians.

The FMBN created the management and administration of the National Housing Fund, NHF for short, contributory savings scheme — a pool that mobilizes long-term funds from Nigerian workers, banks, insurance companies and the federal government to advance loans at soft interest rates to its contributors.

Under housing sector reforms a few years ago, the FMBN began to concentrate more on secondary mortgage and capital market functions.

This change of focus has shifted operational emphasis to expand its functions from only social housing lending under the NHF to include commercial lending for housing, commercial mortgages refinancing, mortgage purchasing and ware-

housing and mortgage-backed securitization.

The bank's overall mandate is to promote the delivery of affordable and modern houses to Nigerians and the forward-thinking organization is keen to team up with Chinese companies and benefit from their expertise in the housing sector and affordable solutions.

Profitable solutions

Following a change to the business model and substantial investment in new technology, the bank recently made a profit for the first time in 21 years.

"The home ownership ratio in Nigeria is just 25 percent which is one of the lowest in the world," said FMBN Managing Director and Chief Executive, Gimba Ya'u Kumo. "The deficit is between 16 and 17 million housing units. Nigeria has huge housing needs, so for Chinese companies producing building materials — house ceramics, furniture, electricals, roofing materials — Nigeria is an excellent market to tap into, and is the only market that can guarantee continued sustainability for their production for the next 20 years."

"We have the largest population and the highest income. The market is here and the time is now."

The Lagos-based Central Securities and Clearing System Plc, CSCS for short, launched operations in 1997 and has since become one of the key operators in the Nigerian stock market as stock transactions cannot



Mohammed Mustapha Bintube, managing director and CEO of Jaiz Bank

be completed without the clearing house's cutting edge interface.

The organization's depository, clearing, settlement and delivery functions ensure the speedy and transparent conduct of share transactions through the use of advanced technology that enables stocks to

be processed in an electronic book-entry system to substantially reduce the time it takes a transaction to be completed.

The company has also designed a range of other innovative products which provide value added services to boost capital market growth.

CSCS Managing Director and CEO, Kyari Bukar, said "our mission is to create value by providing securities, depository, clearing, settlement and other services driven by innovative technology and highly skilled workforce".

"We are a critical component and the backbone of the Nigerian capital market and, by extension, a critical financial market infrastructure globally that helps facilitate services. We are a critical part of the modern global economy."

Currently Nigeria's only Islamic banking institution, Jaiz Bank Plc is a young and ambitious institution that commenced operations in January 2012. With a core focus

on Muslim customers, the highly ethical bank is open to people of any religion and is expanding its domestic branch network. With best practice corporate governance and sound risk management framework, around 50 percent of the company's annual budget is invested in new technologies and Jaiz Bank is eager to develop its international network and is already working with several businesses from China.

"We want to be renowned for our ethical practices and want Jaiz Bank and non-interest banking to be practiced all over Nigeria," explained Jaiz Bank Managing Director and Chief Executive Officer, Mohammed Mustapha Bintube. "We have a lot of customers that have proposals for infrastructure development and openings in the oil and gas and energy sectors. I extend our hand of friendship to the enterprising people of China."

Interest assured

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TELECOMS 2011 Over ₦36.5 billion (\$228.1m) medium-term transactions for refinancing and expansion of coverage in West Africa	INFRASTRUCTURE 2011 Over ₦27.8 billion (\$173.5m) medium-term finance transactions for retail mall infrastructure development

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Moving Forward™

Gas fuels GDP growth

Vast oil and gas reserves are the driving forces for Nigeria's future economic, social progress

Although Nigeria's socioeconomic development has accelerated in recent years, one inhibiting factor is the outdated power and energy sector that struggles to generate sufficient energy for business and residential premises.

This weakness in power generation and distribution infrastructure is being rectified with the help of foreign partners like China. Indeed, in September this year, the Nigerian government reached a favorable funding arrangement with the Export-Import Bank of China for the \$1.3 billion 700 Mega Watts Zungeru hydroelectric power plant.

"We are committed to turning Nigeria's power sector into a success story," said former minister of State for power, Hajjia Zainab Ibrahim-Kuchi. The largest power-generating station in Nigeria with an installed capacity of 1320MW, Egbin Electric Power Plc is controlled by the state-owned Power Holding Company of Nigeria Plc.

With a mission to innovate, motivate and generate reliable and cost effective power, the company is striving to provide a regular and uninterrupted supply of electricity to millions and is keen to partner with Chinese investors for infrastructure development and the sharing of skills and knowledge.

"Given the limited amount of investment that we have and the very low power capacity, we can only grow. We are at very low levels. There is room for foreign investors and for Chinese investors," said Egbin Electric Power Managing Director and Chief Executive Officer Mike Uzoigwe.

"There are challenges, but those who have the guts to start now will be the masters in the future. I invite Chinese investors to look beyond the challenges and tap into our potential. Just look at the telecoms sector, which is now one of the most profitable after its privatization a few years ago. The same thing will happen in the power industry. Nigeria is a huge market opportunity; the country is about to explode in terms of potential. We have some hurdles, but privatization will bring positive changes. There will be power and gas purchase agreements and as power becomes more stable and more available, the big companies and investors will come back to Nigeria."

The National Power Training Institute of Nigeria was established in 2009 with the goal of providing training for power sector personnel and coordinating training activities in the sector through knowledge sharing.



It is important for us to have the support of the major oil players, and working with SAPETRO as the local partner has added value for them."

MARTIN TRACHSEL
CEO, SAPETRO

An integral part of the power sector, mandated with training skilled and competent workers to boost the industry, NAPTIN boasts world-class standards of operations and has a memorandum of understanding with a Chinese company.

"Addressing these technical and managerial human capital requirements needed to drive the power sector can only be achieved through a structured learning and capacity building process. Learning in itself cannot be achieved without training," said NAPTIN Director General, Reuben O. Okeke.

With a focus on continued strategic growth in sub-Saharan Africa, South Atlantic Petroleum is a leading figure in Nigeria's upstream oil and gas industry through a balanced portfolio of assets that provide a strong platform for growth.

In 1998, the Ministry of Petroleum Resources awarded the Oil Prospecting License 246 to the indigenous Nigerian oil and gas exploration and production company. Exploration drilling commenced in 1999, leading to the discovery of the Akpo condensate (oil) field in 2000. Several other fields – Egina Main, Egina South, Preowei and Kuro were subsequently discovered.

In 2005, 50 percent of the OPL was converted to an Oil Mining Lease to cover Akpo, Egina Main, Egina South and Preowei fields.

The Akpo oil and gas field has

produced more than 200 million barrels of oil and the block's second multi-billion dollar deep water project, Egina, is expected to come on-stream in 2017. In June 2006, SAPETRO divested part of its contractor rights and obligations to China National Offshore Oil Corporation.

As Martin Trachsel, CEO of the company, said: "SAPETRO, as a partner of major international oil companies, is committed to guaranteeing not only the best technical and operational practices, but also the best environmental and safety practices.

"It's important to build and maintain strong partnerships. It's been important for us to have the support of the major oil players and working with SAPETRO as their local partner has been added value for them.

"We have an excellent partnership with CNOOC and we work very closely together.

"China has a huge role to play in Nigeria, not only in the upstream oil and gas sector, but also, for instance, in the industrial and agrochemical sector.

"We would certainly welcome further partnerships with Chinese firms, not only in Nigeria, but also elsewhere on the continent, for instance in the Mozambique Channel, where our acreage is 25 times larger than our Nigerian concession with potential for billion-barrel discoveries."

Incorporated 20 years ago, Damagix Group has grown into Nigeria's leading indigenous supplier of pipes to the oil and gas industry through its focus on the three "Cs": customers, competition and change. Managed by a team of professionals with more than six decades of industry experience, Damagix stocks supplies of all sizes and grades of casings, tubings and line pipes and offers engineering and consultancy services. Its expansion plans include the construction of state-of-the-art manufacturing facilities. Chairman and CEO, Dahiru Mohammed, said: "We are the most experienced pipes supplier in the oil and gas sector. I want Damagix to supply the entire African continent and am also looking at projects in other countries."



We are cleaning up the sector to allow a debt-free environment for investors. There is a huge liability out there, and our main challenge is funding."

SAMUEL J. AGBOGUN
MANAGING DIRECTOR AND CHIEF EXECUTIVE, NELMCO

Powering the economy

With a view to becoming a world-class manager of liabilities and stranded assets in a transitional electricity market, Nigeria Electricity Liability Management Ltd is powering ahead to create a clean and safe environment for investors in the sector.

Created by the National Council on Privatization to assume the Power Holding Company of Nigeria's liability and non-core assets during its privatization, NELMCO is a special-purpose entity with a clear mandate and timeframe.

The State-owned entity has been tasked with raising enough resources to settle the liabilities so that, rather than carry the burden, investors receive clean account statements and bill-free assets.

As Samuel J. Agbogun, NELMCO's managing director and chief executive explained:

"We are very clear about our vision and mission: we are cleaning up the sector to allow a debt-free environment for investors. This is not an easy process. There is a huge liability out there, so our main challenge is with funding.

"Our objectives for 2013 are to support the reform process, to begin the repayment of creditors, and to work with the various agencies—with the Ministry of Finance, the Ministry of Power, the Presidential Task Force on Power, as well as with Nigerian Bulk Electricity Trading Plc, and the Nigerian Electricity Regulatory Commission—to

resolve pending issues."NELMCO wants to bring confidence to the sector, and reassure investors that they are coming to a debt-free industry and a clean power sector environment.

"We are dealing with the issues of the past, and giving the sector a total overhaul. Investors can rest assured that their investment will be safe."

Huge potential

With China emerging as one of the strongest leaders in terms of know-how, technologies and financing, for both traditional and renewable fuels, NELMCO is keen to get this Asian country on board.

The Chinese have already engaged in several endeavors in Nigeria, particularly within the power sector, where they are very visible.

Two major power plants have already been developed by Chinese firms, for example, and they are also involved in a study of the construction of hydropower projects in Nigeria.

"Going forward, we are hoping that China will become even more engaged in the sector," Agbogun said.

"Nigeria has proven potential for hydropower and China has proven expertise and leadership in that sector.

"I believe Chinese firms could partner with us in the fields of generation, transmission and distribution, where there is huge demand.

"The Chinese have lots of technologies that we could use in Nigeria—our government is very aware of that and therefore trying to explore opportunities with our Chinese partners."

Agbogun, who has been involved in Nigeria's power transformation process since 1990, highlights the huge untapped potential that still exists in the country.

"We are only just beginning to scratch the surface," he said.

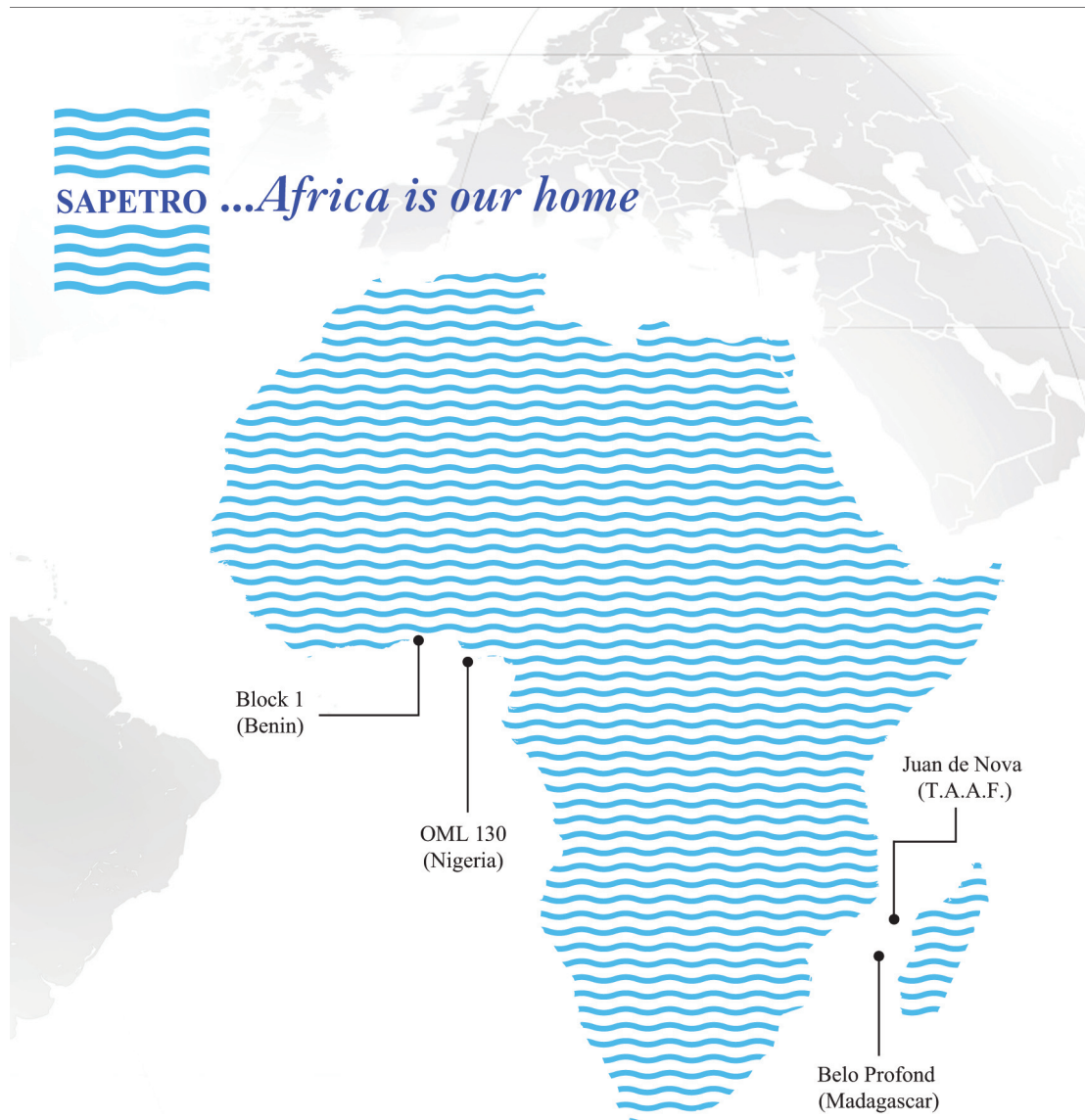
"We will see lots of changes in the near future, and I personally like to drive changes in institutions where I find myself.

"Attitude is everything: if we can get that right, everything else will fall into place.

"I would like to thank Chinese investors and partners for their participation in Africa's development so far, and invite them to look more closely at Nigeria. "There are many opportunities in the power sector, and also with regards to infrastructure, agriculture, oil and gas."



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South Atlantic Petroleum has made significant contributions to the development of oil and gas in the Gulf of Guinea through our participation in the Total-operated Akpo and Egina developments in OML 130 deep offshore Nigeria, and the ongoing redevelopment of the SAPETRO-operated Seme oilfield in offshore Benin. We are also actively exploring our Juan de Nova and Belo Profond assets in the Mozambique Channel, where we have acquired more than 12,000 kilometers of 2-D seismic data using state-of-the-art solutions that are among the most technologically sophisticated in the world. We continue to expand our interests in Africa, and look forward to long-lasting partnerships in our ventures.

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