2011 MARKET REVIEW & 2012 OUTLOOK

Presented by
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CEO, The Nigerian Stock Exchange

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Outline

• Economic Review
• 2011 Market Review
• 2011 Major Achievements
• 2012 Outlook
• 2012 Key Initiatives
• Questions & Answers
2011 Economic Review

- **GDP**
  - 7.40% in Q3; averaged 7.60% (Q1-Q3)
  - Non-oil sector contributed 85.73% in Q3
    - Other Major contributors: Agriculture, Wholesale/Retail Trade
  - Oil & Gas sector contributed 14.27% in Q3
    - -0.34% in real terms

- **Inflation**
  - Averaged 10.9% compared to 13.8% in 2010

- **Tight monetary policy**
  - MPR up six times to 12% in November
  - Multiple banking reforms
2011 Economic Review contd.

• Credit
  – Public sector credit increased 30%
  – Prime lending rate rose to 16.75% from 15.73% (Jan-Dec)
  – Max. lending rate rose to 23.21% from 21.75% (Jan-Dec)

• Foreign Reserves
  – $32.92 billion in December as a result of steady oil prices

• Exchange rate
  – N156.70\(^1\) to $1 on December 30\(^{th}\) from N148.67 the previous year

\(^1\) Daily exchange rates provided by CBN. Figure based on published selling rate. Figure does not include 1% commission fee charged by banks.
2011 Economic Review contd.

- **Unemployment**
  - Rose to 23.9% in 2011 from 21.1% in 2010
  - Youth 15-24 largest group at 37.7% of total

- **S&P Rating (Dec)**
  - Credit rating raised to ‘Positive’
  - Long- and short-term issuer credit rating raised to B+/B

- **World Economic Forum Ranking**
  - Nigeria ranked 127 of 139 countries on 2010-2011 Global Competitive Index
  - Nigeria ranked 125 in ethical behavior of firms
2011 Economic Review contd.

• Fiscal Policy
  – Unchanged with new presidency
  – Recurrent expenditures account for over half of government spending
  – Critics advocate leaner government structure and non-oil (price) based fiscal policy that includes economic growth and development from a policy perspective
    – 24-member *Economic Management Team* (EMT) tasked with nation’s economic policy

• Capital Market Policy
  – No clear policy on uplifting the capital market
2011 Market Review

- Volatile market conditions
- Investors’ appetite for shares marred by financial market events
- Equity exposure cut by funds and asset managers to cover positions in the US and Eurozone
- Local institutional investors on the sidelines
  - Prefer debt products offering double-digit returns
- Large companies not in the market
- Margin loan overhang and absence of loan facilities
## 2011 Market Snapshot

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Capitalization (Equities)</strong></td>
<td>N7.92 trillion</td>
<td>N6.54 trillion†</td>
<td>-17.42</td>
</tr>
<tr>
<td></td>
<td>$53.40 billion</td>
<td>$43.06 billion</td>
<td></td>
</tr>
<tr>
<td><strong>NSE All Share Index</strong></td>
<td>24,770.52</td>
<td>20,730.63</td>
<td>-17.07*</td>
</tr>
<tr>
<td><strong>Bloomberg NSE 30 Index</strong></td>
<td>1,081.95</td>
<td>923.77</td>
<td>-14.92*</td>
</tr>
<tr>
<td><strong>Bloomberg NSE Food/Beverage Index</strong></td>
<td>778.47</td>
<td>589.60</td>
<td>-26.70*</td>
</tr>
<tr>
<td><strong>Bloomberg NSE Banking Index</strong></td>
<td>399.08</td>
<td>274.26</td>
<td>-34.69*</td>
</tr>
<tr>
<td><strong>Bloomberg NSE Insurance Index</strong></td>
<td>168.34</td>
<td>143.54</td>
<td>-14.67*</td>
</tr>
<tr>
<td><strong>Bloomberg NSE Oil/Gas Index</strong></td>
<td>338.85</td>
<td>220.11</td>
<td>-42.03*</td>
</tr>
<tr>
<td><strong>Total Volume (units)</strong></td>
<td>93.34 billion</td>
<td>89.58 billion++</td>
<td>-4.03</td>
</tr>
<tr>
<td><strong>Total Value</strong></td>
<td>N797.55 billion</td>
<td>N 634.92 billion+++</td>
<td>-20.39</td>
</tr>
<tr>
<td></td>
<td>$5.38 billion</td>
<td>$4.18 billion</td>
<td></td>
</tr>
<tr>
<td><strong>Avg. Daily Volume (units)</strong></td>
<td>377.87 million</td>
<td>364.15 million</td>
<td>-3.63</td>
</tr>
<tr>
<td><strong>Avg. Daily Value</strong></td>
<td>N3.23 billion</td>
<td>N2.58 billion</td>
<td>-20.12</td>
</tr>
<tr>
<td></td>
<td>$21.78 million</td>
<td>$16.99 million</td>
<td></td>
</tr>
</tbody>
</table>
### 2011 Market Snapshot contd.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Ratio</td>
<td>12.51</td>
<td>8.36</td>
<td>-33.17</td>
</tr>
<tr>
<td>No. of New Issues</td>
<td>31</td>
<td>34</td>
<td>+12.90</td>
</tr>
<tr>
<td>Value of New Issues</td>
<td>N2.44 trillion</td>
<td>N2.03 trillion</td>
<td>-16.80</td>
</tr>
<tr>
<td></td>
<td>$16.45 billion</td>
<td>$13.37 billion</td>
<td></td>
</tr>
<tr>
<td>No. of Listed Companies</td>
<td>217</td>
<td>198</td>
<td>-8.76</td>
</tr>
<tr>
<td>No. of Listed Equities</td>
<td>220*</td>
<td>201</td>
<td>-8.64</td>
</tr>
<tr>
<td>No. of Listed Bonds</td>
<td>44</td>
<td>48</td>
<td>+9.09</td>
</tr>
<tr>
<td>No. of Listed ETFs</td>
<td>0</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>No. of Listed Securities</td>
<td>264</td>
<td>250</td>
<td>-5.30</td>
</tr>
<tr>
<td>No. of Trading Days</td>
<td>247</td>
<td>246</td>
<td>-</td>
</tr>
</tbody>
</table>

| Avg. Exchange Rate (Naira : $) | 148.31          | 151.82          | -           |

† Figure includes shares listed on ASeM (N4.07b market cap) and preference shares listed on the Main Board (N16.29b market cap) in 2011.

* Performance of each index is calculated using the percentage change in the index value on a daily (day-by-day) basis, not year-on-year.

†† Figure includes units of ETFs traded in 2011.

††† Figure includes the value of ETFs traded in 2011.

†††† Figure revised to include preference shares listed on the Main Board (3 preference shares).

§ Exchange rate based on CBN’s published mean central rate.
2011 Market Capitalization

• Securities
  – 250 securities with market cap of N10.28 trillion (-0.48%)

• Equities
  – 201 equities with market cap of N6.54 trillion (-17.42%)
    • 63.62% of total market cap
  – 20 most capitalized stocks with market cap of N5.46 trillion
    • 53.11% of total market cap or 83.61% of equities market cap

• Bonds
  – 25 federal bonds with market cap of N2.09 trillion
  – 11 state/local bonds with market cap of N0.31 trillion
  – 12 corporate bonds with market cap of N1.34 trillion (+2,275.89%)

• ETFs
  – One ETF with AUM of N988 million
The Nigerian Stock Exchange

2011 Market Activity

2010
93.34b volume

N797.55b value

Value of transactions = 2.73% of GDP

2011
89.58b volume

N634.92b value

Value of transactions = 2.39% of GDP*

* Based on Q1-Q3, 2011 GDP figures published by the National Bureau of Statistics (NBS) – N26,591.40b.
### 2011 Market Activity contd.

<table>
<thead>
<tr>
<th>Securities</th>
<th>Volume</th>
<th>Value (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>89,576,608,901</td>
<td>634,899,828,730</td>
</tr>
<tr>
<td>ETFs</td>
<td>6,710</td>
<td>17,115,994</td>
</tr>
<tr>
<td>Bonds</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89,576,615,611</strong></td>
<td><strong>634,916,944,724</strong></td>
</tr>
</tbody>
</table>

**2010 Avg. Daily Activity**
377.87m units worth N3.23b

**2011 Avg. Daily Activity**
364.15m units worth N2.58b
2011 ‘Top 20’ Stocks

By Volume
66.79% of total market volume

Oil & Gas 1%
Services 9%
All Others 33%
Financial Services 57%

2 ‘Top 20’ Stocks analysis is based on equities-only data. This analysis does not include companies that were delisted in 2011.
2011 ‘Top 20’ Stocks

By Value
83.32% of total value traded

- Financial Services 57%
- Consumer Goods 15%
- All Others 17%
- Industrial Goods 5%
- Oil & Gas 4%
- Services 2%

By Value
83.32% of total value traded

3 ‘Top 20’ Stocks analysis is based on equities-only data. This analysis does not include companies that were delisted in 2011.
2011 ‘Top 20’ Stocks

By Transactions
67.21% of all transactions

- Financial Services: 47%
- Consumer Goods: 10%
- All Others: 33%
- Conglomerates: 1%
- Oil & Gas: 5%
- Industrial Goods: 4%

4 ‘Top 20’ Stocks analysis is based on equities-only data. This analysis does not include companies that were delisted in 2011.
2009-2011 Indices Performance

Graph based on end-of-month figures for all indices.

5 Graph based on end-of-month figures for all indices.
2011 Market Cap by Sector
Main Board

- **Financial Services**: 31%
- **Consumer Goods**: 31%
- **Industrial Goods**: 29%
- **Oil & Gas**: 3%
- **ICT**: 1%
- **Healthcare**: 1%
- **Natural Resources**: 0%
- **Construction/Real Estate**: 2%
- **Agriculture**: 0%
- **Services**: 1%
- **Conglomerates**: 1%
2011 Market Cap by Sector

ASeM

- CONSTRUCTION/REAL ESTATE: 1%
- CONSUMER GOODS: 6%
- OIL & GAS: 74%
- SERVICES: 14%
- HEALTHCARE: 0%
- INDUSTRIAL GOODS: 5%
- NATURAL RESOURCES: 0%
2011 Market Cap by Sector Bonds

- Corporate Bonds/Debentures: 36%
- Government Bonds--Federal: 56%
- Government Bonds--State & Local: 8%
2011 Listings

• New Issues
  – 34 approvals
  – Valued at N2.03 trillion

• Foreign Portfolio Investment\(^5\)
  – \(~N511.74\) billion in inflows (+34.19%)
  – \(~N334.64\) billion in outflows
  – \(~N177.08\) billion net inflows (+3.53%)

\(^5\) At the time of this report, FPI data was still being compiled by brokerage firms servicing international clients. Information will be made public once all data has been received by the NSE.
2011 Major Achievements

• New Leadership
• Council and Committees
• Restructuring of the Exchange
• Broker-Dealer Regulation
• Issuer Regulation
• Technology Enhancements
• Stakeholder Engagement
• 2011 Market Development Initiatives
2011 Broker-Dealer Regulation

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Requirement</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Minimum Capital Requirement</td>
<td>N70 million</td>
<td>30 firms</td>
</tr>
<tr>
<td>2. Investigation Panel</td>
<td>Regulatory</td>
<td>Reconstituted, Operational</td>
</tr>
<tr>
<td>3. Penalties</td>
<td>Enforcement</td>
<td>7 penalties added</td>
</tr>
<tr>
<td>4. Complaints Resolution</td>
<td>Regulatory</td>
<td>80% resolved</td>
</tr>
<tr>
<td>5. Annual Inspections</td>
<td>Regulatory</td>
<td>50% of firms</td>
</tr>
<tr>
<td>6. Financial Statements (accounts)</td>
<td>Regulatory</td>
<td>~90% compliance</td>
</tr>
<tr>
<td>7. Monthly Meeting with Firms</td>
<td>Relationship Management</td>
<td>On-going</td>
</tr>
<tr>
<td>8. Monthly Meeting with Brokers</td>
<td>Relationship Management</td>
<td>On-going</td>
</tr>
<tr>
<td>9. Compliance Officer Learning Program</td>
<td>Market Development</td>
<td>160 participants</td>
</tr>
</tbody>
</table>
## 2011 Listings Regulation

<table>
<thead>
<tr>
<th>Programs</th>
<th>Requirement</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial Accounts (annual)</td>
<td>Regulatory</td>
<td>97% of firms</td>
</tr>
<tr>
<td>2. Financial Accounts (quarterly)</td>
<td>Regulatory</td>
<td>75% of firms</td>
</tr>
<tr>
<td>3. Penalties</td>
<td>Enforcement</td>
<td>2 stiffer penalties</td>
</tr>
<tr>
<td>4. Suspensions</td>
<td>Enforcement</td>
<td>49 suspensions; 39 complied</td>
</tr>
<tr>
<td>5. Company Secretaries Forum</td>
<td>Relationship Management</td>
<td>On-going</td>
</tr>
</tbody>
</table>
2011 Technology & Stakeholder Engagement

• Technology Enhancements
  – Network enhancements to reduce latency, increase reliability and processing power, and support 99.99% availability (up-time)

• Stakeholder Engagement
  – CEO dinner for listed companies
  – ETF training for broker-dealers
  – Journalist training
  – Investor forums
# 2011 Market Development Initiatives

## Span of Control

<table>
<thead>
<tr>
<th>Term</th>
<th>Within NSE Control</th>
</tr>
</thead>
</table>
| Short         | - Market Segmentation  
                - Introduction of ETFs  
                - Company Share Buy-Back  
                - NSE Web Site  
                - Market Making  
                - Securities Lending  
                - Short Selling  
                - Revised Listing Requirements  
                - Investor Clinics |

| Advocacy on Issues Outside NSE Control | - Government Intervention  
                                      - Tax Breaks on Transaction Fees  
                                      - AMCON Debt Resolution  
                                      - Broker Access to Funding |
2012 Outlook - Global

- Eurozone debt crisis remains a key risk to the world economy
- Concerns surrounding sovereign debt sustainability
- Unrest and volatility in certain regions
- Slower growth in OECD countries*
  - 1.9% (2011), 1.6% (2012), 2.3% (2013)
    - US 2%, Eurozone 0.2%, Japan 2%
- Non-OECD countries to sustain world growth**
  - South Asia 7.7%; Sub-Saharan Africa 5.7%
    - Nigeria 7.5%

* Figures reported by OECD
** Figures reported by World Bank
2012 Outlook - Nigeria

• Potential deregulation of Oil & Gas industry
  – Passage of revised PIB
  – Focus on downstream Oil & Gas sector

• Fiscal policy
  – Sharpened focus on recurrent versus capital expenditures

• Deployment of the SWF funds

• More capital market reforms

• Slight market recovery anticipated
### 2012 Key Initiatives

<table>
<thead>
<tr>
<th>Term</th>
<th>Within NSE Control</th>
</tr>
</thead>
</table>
| Mid  | - Develop Products Liquidity and Depth  
- Attracting and Retaining More Listings  
- E2E Trading Automation  
- Continued Enhancement of Regulatory Programs  
- Financial Literacy  
- IFRS Compliance  
- Demutualization  
- Market Data Services  
- Advocacy  
- Dematerialization |
2011 MARKET REVIEW & 2012 OUTLOOK

Q&A
Thank You

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