



## DEBT MANAGEMENT OFFICE NIGERIA

### **NIGERIA: USD500M 10-YEAR SOVEREIGN BOND ISSUED IN THE INTERNATIONAL CAPITAL MARKET**

#### **1.0 HISTORY/PROCESS**

The Federal Republic of Nigeria successfully issued its debut sovereign bond in the International Capital Market (ICM) following Roadshows in the week of January 17, 2011.

The Bond Issuance process which started with obtaining the required/statutory approvals from the Federal Executive Council and the National Assembly between 2008 and 2010, was followed by the appointment of Legal Advisers and Financial Advisers in September 2010 and Joint Lead Managers in November 2010.

Working closely together, the Debt Management Office, the Transaction Parties and several Ministries, Departments and Agencies produced a standard Prospectus in line with the requirements of the ICM between November 2010 and early January 2011 (see [www.dmo.gov.ng](http://www.dmo.gov.ng) for a copy). Simultaneously, approvals were being processed with the United Kingdom Listing Authority for the listing of the Bonds on the London Stock Exchange.

In line with the practice for such international Offerings, Nigeria embarked on Roadshows in Europe and the United States of America starting in the week of January 17, 2011. For maximum impact within the one week allocated for the Roadshows, whose purpose was to sensitise major international institutional investors about the Bond Offering and to sell "Nigeria's Credit Story", a two team approach was adopted. One Team headed by the Honourable Minister of Finance Mr. Olusegun Aganga was responsible for the United States of America, and covered Los Angeles, New York and Boston while the other Team headed by the Honourable Minister/Vice Chairman of the National Planning Commission Dr. Shamsudeen Usman, OFR, headed the European Team which covered Frankfurt, Munich and London. Included in both Teams were senior officials of the Federal Ministry of Finance, Central Bank of Nigeria, Debt Management Office and legislators, amongst others. The Roadshows proved to be a very effective vehicle for providing explanations and clarifications on various aspects of the Nigerian economy and polity, which international investors were keen to know more about.

## 2.0 INVESTORS RESPONSE

The Pricing of the Bonds was fixed for January 21, 2011, which was the day following the completion of the Roadshows. The highlights of the data at the Pricing Session were as follows:

- i. **Level of Subscription:** Total bids received were USD1294.215 million, which translates to a subscription level of 2.6 times.
- ii. **Number of Subscribers:** 70 from 18 countries.

- iii. **Distribution by Investor Category:**

Fund Managers	70%
Banks and Private Banks	12%
Hedge Funds	10%
Insurance	5%
Others	3%
Total	<u>100%</u>

- iv. **Distribution by Geographic location of Investors:**

United Kingdom	42%
United States of America	38%
Europe (excluding the United Kingdom)	15%
Others	5%
Total	<u>100%</u>

## 3.0 SUMMARY OF THE OFFER

<b>Issuer:</b>	Federal Republic of Nigeria
<b>Amount Offered:</b>	USD500million
<b>Tenor:</b>	10 years
<b>Type:</b>	144A/Reg S
<b>Security:</b>	Senior Unsecured Debt
<b>Rating:</b>	B+ (Standard & Poors) and BB- (Fitch)
<b>Total Subscription:</b>	USD1,294.215m
<b>Issue Date:</b>	January 28, 2011
<b>Maturity Date:</b>	January 28, 2021
<b>Coupon (Fixed):</b>	6.75% p.a.
<b>Interest Payment:</b>	Semi-Annually
<b>Interest Payment Dates:</b>	July 28 and January 28
<b>Listing:</b>	London Stock Exchange

The Bonds were listed on the London Stock Exchange on January 31, 2011.

## 4.0 TRANSACTION PARTIES

The Transaction Parties who were appointed on the basis of open competitive bids were:

<b>Legal Advisers:</b>	White & Case LLP – London and Banwo & Ighodalo –Nigeria
<b>Financial Advisers:</b>	Barclays Capital – London and FBN Capital – Nigeria
<b>Joint Lead Managers:</b>	Deutsche Bank AG and Citigroup Global Markets Limited

## 5.0 BENEFITS TO NIGERIA

The principal reasons for the Bond Issuance are entirely strategic and include the following:

- i. **To present Nigeria's Economic Status and Potentials to the International Community:** This has been achieved through the comprehensive information on Nigeria (economic, social, political and judicial) contained in the Prospectus and the Meetings with major international investors in Europe and the United States of America during the Roadshows. The Meetings revealed that the international community was very interested in several aspects of the Nigerian economy and needed a good understanding/interpretation of several macroeconomic variables. The high powered Teams that undertook the Roadshows ensured that the investors had first hand and detailed knowledge about Nigeria's economic strengths and potentials.
- ii. **To provide a Benchmark for Future Borrowings:** Through the Bond Issuance and the secondary market trading of the Bond, a benchmark for future borrowings by the sovereign, sub-nationals and corporates has been created. The importance of having a benchmark in the ICM is underscored by the large need for funding by governments and the private sector to raise large amounts of capital to finance infrastructure, expansions, acquisitions, etc. The detailed information about Nigeria contained in the Prospectus and the yield on the Sovereign Bond, together, provide a sound basis for the efficient pricing of any new Bond issue in the ICM coming out of Nigeria.
- iii. **To attract Foreign Direct Investments:** The availability of comprehensive information about Nigeria in a concise manner (the Prospectus) and the existence of a sovereign benchmark in the ICM, are expected to attract foreign investments into various sectors of the Nigerian economy including participation in Public Private Partnership opportunities that are expected to emerge from various government initiatives.

Overall, the Bond Issuance represents a significant landmark in Nigeria's history as the country aspires to become one of the top 20 economies in the world by the year 2020.

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