

World Materials Perspectives Summit

“Which Materials Policy in 21st Century?”

Ecobank Capital

June 2015



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I. INTRODUCTION

I. Introduction

African potential overview

An unrevealed potential

- 30% of the world's reserve and production of 60 metals and minerals
- 6,5% of the world's mineral export
- Growing interest in Africa's untapped natural reserves
- Only 16% of this untapped natural resources have acquired explorations licenses
- Improved business environment as to respect to environmental regulatory
- 64% of total financing in Sub-Saharan Africa

Sector's weaknesses & challenges

- Resource full, but not yet attended power full potential;
- Huge exposition to the world economics conditions;
- Fluctuation of commodities market;
- Difficult local business environment;
- Limitation to water, energy and infrastructure access;
- Weak transparency of the sector

I. Introduction

Abundance of resources



- Oil and Gas
- Precious Metals
Gold
Diamonds
Platinum
- Coal
- Base Metals
Iron
Copper
Zinc
- Uranium

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II. AN IMPROVED ENABLING ENVIRONMENT

II. An Improved Enabling Environment

The extractive industry in Africa

The renaissance of African extractive industry since the beginning of the 21st century drives economic growth, investment and trade

Keys considerations of the African extractive sector

- License/permit acquisition and duration
- Exports taxes
- Environmental Impact Assessment
- Environmental covenants
- Compliance requirements
- Investment attractive index

Typical characteristics

- A significant contribution to the national GDP
- Some reforms to attract Foreign Direct Investments (FDIs)
- Increased international attention to African resources

Weaknesses

- Poor contribution to sustainable development
- Inadequate infrastructure
- Foreign currency restrictions on repatriation of profits

Country	Latest mining code	duration of mining lease	duration of exploration license	Investment attractive index-2014
Botswana	1999	25	n/a	71,5
Burkina Faso	2003	20	3	59,5
Cameroon	2001	25	3	n/a
CAR	2010	25	3	34,0
D. R. Congo	2002	30	n/a	52,8
Congo	2005	25	3	n/a
Ethiopia	1994	20	3	35,0
Ghana	2006	30	5	60,4
Guinea	1995	10	n/a	48,5
Ivory Coast	1995	20	3	55,3
Liberia	2000	25	3	51,1
Mauritania	2008	n/a	3	43,7
Namibia	2006	20	3	72,4
Niger	2006	20	3	36,5
Nigeria	2007	25	3	30,4
South Africa	2004	30	3	52,6
Uganda	2003	21	3	42,6
Zambia	2008	25	n/a	66,2

II. An Improved Enabling Environment

An improved environment in terms of political risk

Several initiatives have been done towards ensuring an effective sustainable development in the materials sector...

Political stability in more countries

- An entrenched democracy, with peaceful transfers of power
- The emergence of civil society as a potent counterbalance

Attractive business environment

- An environment where monetary laws, taxes and inflations level attract foreign and local investments
- Some reforms concerning mining laws and regulations.
- Improving commercial adjudication

Specific regulatory initiatives

- National policies like the Extractive Industry Transparency Initiative (EITI) encouraging transparent, equitable and optimal exploitation of resources.
- Some international Initiatives to promote sustainable development and new mining-vision like the International Council on Mining and Metals (ICMM) with the 21 largest mining companies.

II. An Improved Enabling Environment

Common issues

Despite the implementation of several codes across Africa, the extractive industry does not efficiently contribute to sustainable development

Political Issues

- Too much red tape and a dense web of overlapping international initiatives
- Lack of transparency on goods management
- Land tenure and security integrity
- Lack of harmonization of policies

Economic Issues

- Difficult business environment
- Outdated market regulations
- Weak economical integration

Environmental Issues

- Asymmetric negotiations
- Quality of regional infrastructure is a constraint
- Compliance and implementation issues

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III. A SUSTAINABLE APPROACH TO EXTRACTIVE INDUSTRY

III. A sustainable Approach to Mining Industry

Responsible materials financing for Africa's long term prosperity

Africa's extractive sector is in need of responsible capital intensive investments to unlock economic potential

Key sectors in needs of investments and materials use

- Infrastructure (Roads, Rails, Bridges, Airport, Maritimes, Other Social, etc.)
- Energy (Power, Biomass)
- Oil and Gas
- Commodities

Key investment requirements

- Establishment of a strategic framework for sustainable development
- Programming of Materials industry's investments (short to long term)
- Development of an Environmental strategy financing model
- Focus on under-developed resources and commodities in Central Africa

Services and products offer

- Merger & Acquisition
- Project finance
- Financed advisory and debt capital market
- Structured trade & commodities finance
- Carbon origination and renewable energy



III. A sustainable Approach to Mining Industry

Adopted Environmental Social Governance (ESG) Frameworks

Ecobank also makes it an obligation to ensure that clients in this industry also conduct their activities in accordance with the environmental social governance (ESG) frameworks that Ecobank has either subscribed or adopted. These frameworks, include

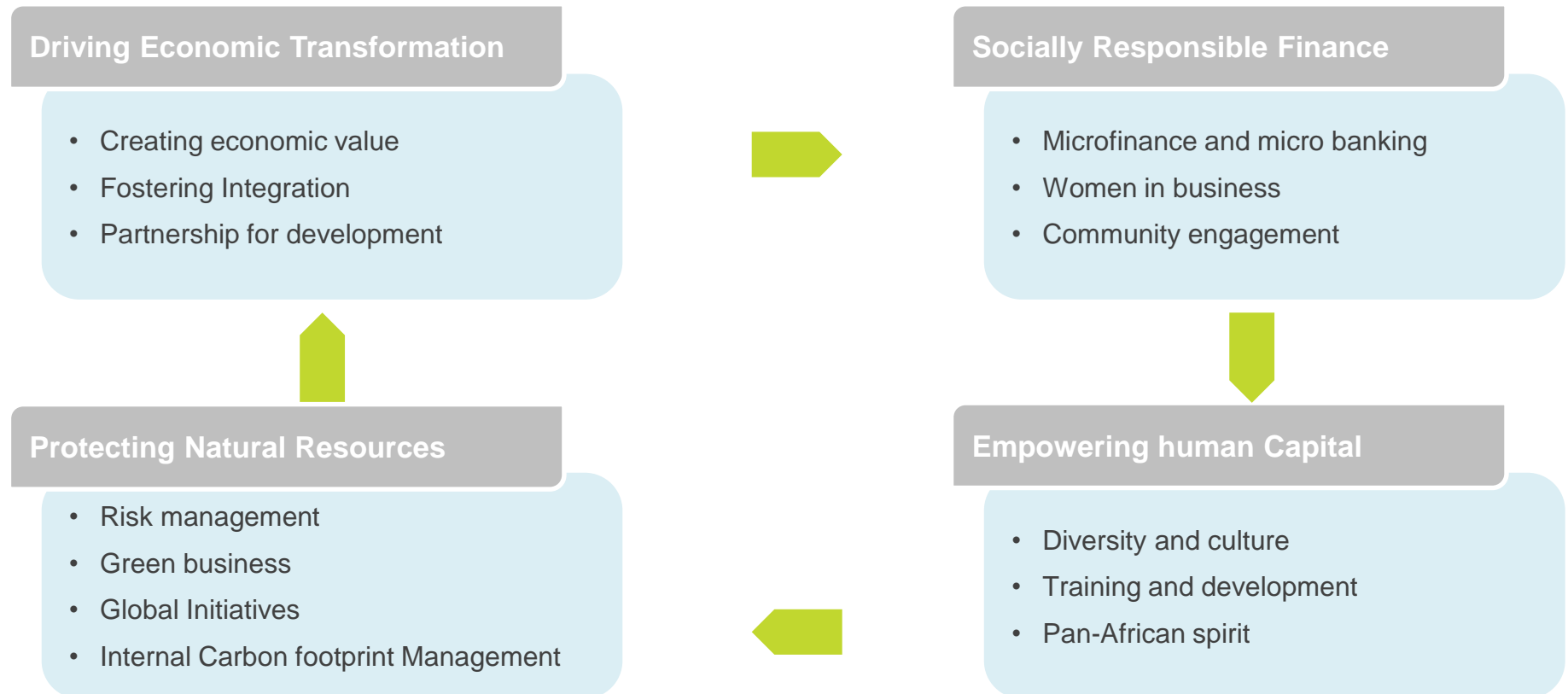
- The Nigeria Sustainable Banking Principles (NSBP).
- Kenya Bankers Association's Sustainable Finance Initiative.
- The Equator Principles, which provide a framework for assessing and addressing the environmental and social risk in financing projects.
- UNEP-FI, a partnership between the financial sector and the United Nations Environment Program (UNEP).
- UN Global Compact, a voluntary commitment by companies towards supporting principles relating to labor standards, human rights, environmental responsibility & anti-corruption.



III. A sustainable Approach to Mining Industry

The sustainable approach by Ecobank

Ecobank has develop an internal Environmental and Social Management System (ESMS) to provide to its clientele a regulatory framework through 4 basic pathways...



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IV. INVESTING IN MINING RELATED INFRASTRUCTURE

IV. Investing in Mining Related Infrastructure

Overcoming Africa's infrastructure deficit to bolster mining

The need for infrastructure to mining development in Africa is critical ...

Sector overview

- Significant Capex requirements with high entry barriers
- Predominantly private financing
- Highly Leveraged
- Value upside through risk reduction and financial restructuring

Related risk and issues

- Long delay before exploitation
- Deal closing
- Inability to exploit the fully potential
- Balance sheet

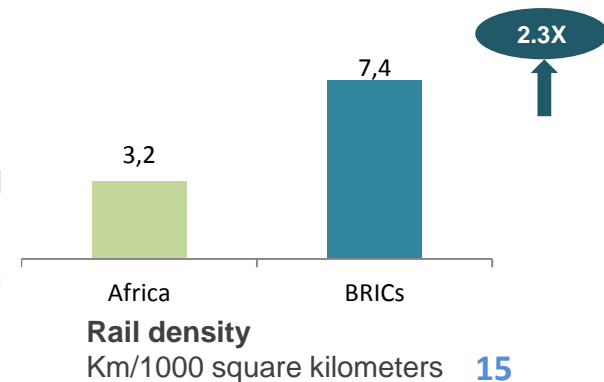
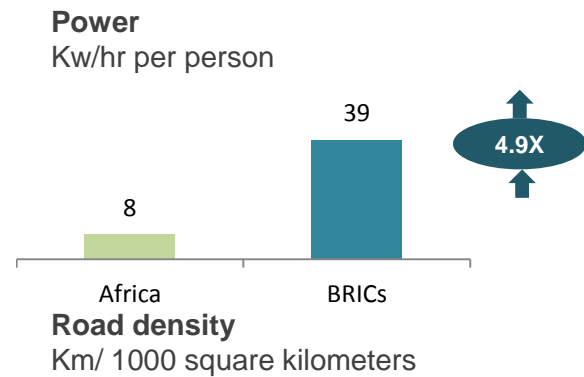
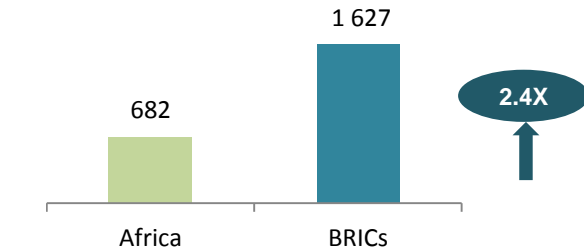
The Cameroon Iron Ore project Example

- Estimated to 35 Mt/y, the project is at a standstill
- The project included the construction of 510 km rail line
- It faces challenges with raising the estimated USD 5bn required for this first stage, lack of infrastructure
- The government signed four separate infrastructure concession agreements in 2014

African needs infrastructure estimated to **75 billion** per year

4,000 Km additional rail to fully exploit the potential

Only **9,5%** GDP Investment in building infrastructure between 1960-1994



IV. Investing in Mining Related Infrastructure

.... But African governments could develop a collaborative approach and consider infrastructure sector as a key instrument to realize the corridor development concept.

1

Multi-purpose and Multi-backed Projects

- Development of a sector-wide vision (large scale, viable project, regional component)
- Improvement of Public and Private Partnership (PPP)
- Development of inter- and intra-government cooperation
- Collaborative approach through national initiatives developmental and donors funding

2

Lessening Costs

- Strengthening infrastructure sector finance by reinvesting the added-value of mining projects
- Integration of mining requirements in power planning
- Pre-construction engineering to avoid costly mistakes
- Clear set of objectives by separating infrastructure requirements to the mining project
- Clear execution strategy

IV. Investing in Mining Related Infrastructure

Investments in Infrastructure that benefits from mining revenue can be separated into three specific classifications

<p>Direct Infrastructure Services to serve wider public</p>	<p>✓ Oversizing projects during development allows for the servicing of a customer base wider than the mining industry and the benefit of economies of scale</p> <p><i>Ex: the building of the 1,070 Mw Nam Theun II Hydropower plant in the Lao People's Democratic Republic</i></p>
<p>Indirect Infrastructure Services supported by the mining revenues</p>	<p>✓ Project development with a ready and creditworthy off-takers as an anchor customer</p> <p><i>Ex: the agreement between Mozambique and South African for the upstream development of natural gas of the Inhambane Province facilitate the financing of the infrastructure for the project.</i></p>
<p>Unrelated Infrastructure Services</p>	<p>✓ By capitalizing mining revenue via taxes, dividends and/or royalties and converting from an annual income flow into a lump-sum capital.</p>

Key Takeaways

- Africa's overall political risk has improved for the benefit of its extractive industries
- But to release the potential of the sector, further regulatory improvements are needed
- With a focus on capacity building, industrial policy and regional integration
- The WMF is ideally placed to raise awareness and identify solutions to those issues
- And banks like Ecobank are desirous to play their part in financing new projects

Thank You.

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V. ANNEX

V. Annex

Ecobank as key African partner for infrastructure financing

Focus on Middle Africa.

- Footprint in 35 African countries
- One of the fastest growing region in the world
- Low financial development and access
- Emerging middle class
- Improving socio-political environment
- Relatively limited competition
- International capital markets platform

SSA Deal Table since 2011

Borrower		Value USD m	Country	Year
SNPC		914	Congo	2014
Orion		580	DRC	2013
SIR		360	Côte d'Ivoire	2013
Orient Petroleum Resources		130	Nigeria	2013
London Mining Plc		200	Sierra Leone	2013
Oando		77	Nigeria	2012
Olam Palm Gabon		228	Gabon	2012
TOR		900	Ghana	2012
SONARA		204	Cameroon	2011
KPDC		180	Cameroon	2011
Suneor		100	Senegal	2011

Investment Banking Capabilities

- Ecobank Capital providing corporate finance and investment banking solutions
- #1 African Loans Arranger
- Unparalleled knowledge and understanding of African markets
- One-Stop Shop for Global Institutions
- Leveraging on Ecobank's balance sheet and extensive footprint
- More than **USD 5.0 billion raised** over the last 2 years for infrastructure
- Ability to structure and advise clients through notable track record in loan syndications in both local and hard currencies across its footprint

V. Annex

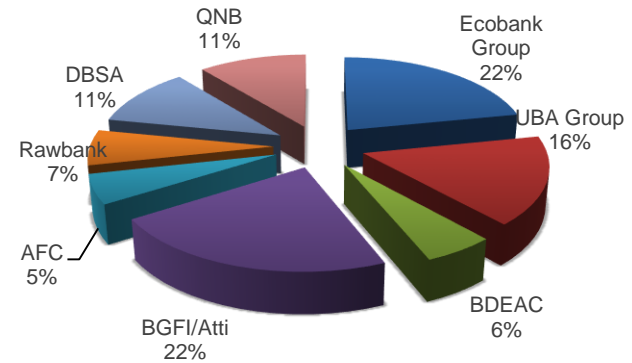
Case study – Société Nationale des Pétroles du Congo (“SNPC”)



Financing Structure Terms & Conditions

Borrower	SNPC
Sector	Oil
Amount Raised	<p>USD 914 million in USD & FCFA</p> <ul style="list-style-type: none"> • USD Tranche: USD 569 million • XAF Tranche: USD 345 million equivalent
Maturity	Five (5) years including 2-year grace
E&S Covenants	<ul style="list-style-type: none"> - Compliance with all Environmental laws - Obtaining, maintenance and insurance of compliance will all requisite environmental permits - Implementation of the procedures to monitor compliance with - Prevention of liability under any environmental law, where failure to do so has or is reasonably likely to have a material adverse effect.

Deal Notes



- In 2014, Ecobank Capital, was appointed as Mandated Lead Arranger by SNPC - the National Oil Company of the Republic of Congo, to raise up to USD1.5 billion Medium Term Loan to finance its 2014-2016 Capital expenditure program.
- A medium term (5 year) facility of USD914 million was effectively raised from a syndicate of banks, majorly composed of African financial institutions, local and international banks during the first closing ceremony held on October 31st 2014 in Paris, France.
- This landmark transaction in the Oil and Gas space has been nominated as one the best African structured and finance deal in 2014 by EMEA Finance.