

This document is important and you are advised to carefully read and understand its contents. If you are in any doubt about its contents or the action to take, kindly consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance immediately.

**"FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS PLEASE REFER TO THE SECTION ON "RISK FACTORS" ON PAGES 60 – 65**

**INVESTMENT IN THE BONDS IS STRICTLY FOR ELIGIBLE INSTITUTIONAL INVESTORS AND HIGH NETWORTH INDIVIDUALS AS DEFINED UNDER RULE 78(c) (2) OF THE RULES AND REGULATIONS OF THE SECURITIES & EXCHANGE COMMISSION.**



**FSDH Funding SPV Plc**

(RC 1123160)

**₦100,000,000,000**

**DEBT ISSUANCE PROGRAMME**

**(ESTABLISHED PURSUANT TO THE RESOLUTION OF SHAREHOLDERS OF FSDH FUNDING SPV PLC DATED JULY 10, 2013)**

Under this Debt Issuance Programme ("the **Programme**"), FSDH Funding SPV Plc may from time to time issue Bonds or any other type of debt securities, in separate series, in amounts, at prices, and on terms to be set out in any accompanying Pricing Supplement.

The maximum aggregate nominal amount of all Bonds or any other type of securities issued from time to time and outstanding under this Programme shall not exceed ₦100,000,000,000 over the two years that this Shelf Prospectus, including any amendments thereto, remains valid. This Shelf Prospectus is to be read and construed in conjunction with any supplement hereto and all documents which are incorporated herein by reference and, in relation to any series of the Programme, together with the Applicable Pricing Supplement.

A decision to invest in the Bonds or any other type of securities offered by the Issuer should be based on consideration by the Investor on the Shelf Prospectus, the Applicable Pricing Supplement and any document incorporated by reference as a whole. An investment in certain Bonds may entail a risk of loss of all or a portion of the principal amount of the Bonds, which may be directly caused by fluctuation of interest rates, devaluation of the currency of issue; value of Bonds at a securities market, or other indices or by a change in the condition of the business or assets of the party selling the Bonds or other parties.

**Lead Issuing House/Book Runner:**



RC: 446599

**Joint Issuing Houses/Book Runners:**



RC 444999

RC: 1031358

This Shelf Prospectus and the securities which it offers have been cleared and registered with the Securities & Exchange Commission ("Commission"). It is a civil wrong and a criminal offence under the Investments and Securities Act (No. 29) 2007 to issue a Prospectus which contains false or misleading information. Clearance and registration of this Shelf Prospectus and the securities, which it offers, do not relieve the parties from any liability arising under the Act for false and misleading statements contained herein or for any omission of a material fact.

This Shelf Prospectus has been issued in compliance with the Rules and Regulations of the Commission and contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Programme.

The Registration of this Shelf Prospectus and any Pricing Supplement thereafter does not in any way whatsoever to suggest that the Securities & Exchange Commission endorses or recommends the securities to be issued under the programme or assumes responsibility for the correctness of any statement made or opinion or report expressed therein. No Bonds will be allotted or issued on the basis of this Prospectus read together with a Pricing Supplement later than two years after the date of the issue of this Shelf Prospectus.

The Directors of the Company accepts responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**This Shelf Prospectus is dated October 7, 2013**

This Programme is valid for 2 years from the date of issue

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## KEY TERMS AND ABBREVIATIONS

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“Applicable Pricing Supplement”	The Pricing Supplement applicable to a particular Series of Bonds issued under the Programme.
“Allotment Date”	The date on which the Bonds are allotted to the Allottees by the Issuer/ Issuing Houses.
“Board” or “Directors”	Board of Directors of the Company.
“Bonds”	The registered bonds issued by the Issuer from time to time under the Programme with aggregate value not exceeding ₦100,000,000,000.
“Bondholder”	Any registered owner or beneficial owner of Bond units to be issued under the Programme.
“Business Day”	Any day except Saturdays, Sundays and Public Holidays on which banks are open for business in Nigeria.
“CAMA”	Companies and Allied Matters Act Cap C20, LFN, 2004.
“CBN”	Central Bank of Nigeria.
“CITA”	Companies Income Tax Act Cap C21, LFN, 2004 (As amended by Act No. 11 of 2007).
“Conditions” or “Terms and Conditions”	Terms and conditions in accordance with which the Bonds will be issued, set out in the section headed “ <i>Terms and Conditions of the Bonds</i> ” and in the Programme Trust Deed.
“Coupon Commencement Date”	The first date from which interest on a Series of the Bonds will accrue, as specified in the Applicable Pricing Supplement.
“Coupon Determination Date”	The date falling no later than two Business Days prior to the Interest Payment Date on which the Trustees determine the interest rate applicable on a Bond (other than a Fixed Rate Bond) for that Interest Period.
“Coupon Payment Date”	The date on which coupon is to be paid to Bondholders as specified in the Applicable Pricing Supplement.
“Coupon Period”	The period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next Interest Payment Date.
“Coupon”	The interest rate payable to Bondholders as specified in the Applicable Pricing Supplement.
“CSCS”	Central Securities Clearing System Plc.
“Daily Official List”	The daily official list of The NSE which provides information on a daily basis on transactions that take place on the floor of The Exchange.

## KEY TERMS AND ABBREVIATIONS

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“Debt Issuance Programme” or the “Programme”	The Debt Issuance Programme described in this Shelf Prospectus pursuant to which FSDH Funding SPV Plc may issue Debt Securities from time to time, the aggregate value of which may not exceed ₦100,000,000,000 (One Hundred Billion Naira only).
“Debt Securities”	Any securities, which include registered bonds, promissory notes, certificates, debentures and other obligations authorized to be issued under the Programme by FSDH Funding SPV Plc.
“EPS”	Earnings per Share.
“Face Value”	The nominal value of the Bond.
“FBN Capital” or “Lead Issuing House/Bookrunner”	FBN Capital Limited.
“Federal Government” or “FGN”	Federal Government of Nigeria.
“FIRS”	Federal Inland Revenue Service.
“Fixed Rate Bonds”	Bonds in respect of which interest is to be calculated and paid on a fixed rate basis.
“Fixed Rate”	The rate of interest payable in respect of Fixed Rate Bonds.
“Floating Rate Bonds”	Bonds in respect of which interest is to be calculated and paid on a floating rate basis.
“FSDH” or “Sponsor”	FSDH Merchant Bank Limited.
“GDP”	Gross Domestic Product.
“Index Linked Coupon Bond”	A Bond on which the payments of interest will be calculated by reference to an index and/or formula or to changes in the prices of securities or commodities or to such other factors as may be prescribed in the Applicable Pricing Supplement.
“ISA”	Investments and Securities Act No 29, 2007.
“Issue Date”	The date upon which the relevant Series of the Bonds is issued, as specified in the Applicable Pricing Supplement.
“Issue Price”	The price at which the Bonds are issued as specified in the Applicable Pricing Supplement.
“Issuer” or the “Company”	FSDH Funding SPV Plc or “FSDH Funding”.
“Issuing Houses/Bookrunners”	FBN Capital, Stanbic IBTC Capital and UBA Capital and any other professional party that may be appointed by the Company to perform such duties from time to time.
“Joint Issuing Houses/Bookrunners”	Stanbic IBTC Capital and UBA Capital.
“LFN”	Laws of the Federation of Nigeria.
“Listing Rules”	The Listing Rules of The Nigerian Stock Exchange.

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**KEY TERMS AND ABBREVIATIONS**

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“Maturity Date”	The date as specified in each Applicable Pricing Supplement on which the Principal Amount is due.
“Master Notes Issuance Agreement”	This is the Agreement dated on or about the 7th day of October, 2013, between FSDH, UBA Trustees Limited and FSDH Funding SPV Plc under which FSDH issues Notes to FSDH Funding SPV Plc.
“Naira” or “ <del>N</del> ”	The Nigerian Naira.
“NAV”	Net Asset Value.
“Nigeria”	The Federal Republic of Nigeria, and the term “Nigerian” shall be construed accordingly.
“Notes”	The registered debt securities issued by FSDH from time to time with aggregate value of such debt securities not exceeding ₦100,000,000,000.
“NSE” or the “Exchange”	The Nigerian Stock Exchange.
“Pension Act”	Pension Reform Act Cap P4, LFN 2004.
“PFA”	Pension Fund Administrator and its plural form shall be construed accordingly.
“Pricing Supplement”	The document(s) to be issued pursuant to the Shelf Prospectus which shall provide final terms and conditions of a specific issue of Debt Securities under the Programme.
“Principal Amount”	The nominal amount of each Bond, as specified in the Applicable Pricing Supplement.
“Professional Parties”	Professionals engaged by the Issuer to advise on the establishment of the Debt Issuance Programme and the issuance of Bonds thereunder.
“Programme”	The Debt Issuance Programme described in this Shelf Prospectus pursuant to which the Issuer may issue several separate Series of Bonds from time to time with varying maturities and variable rates of interests provided however that the aggregate principal value of Bonds outstanding does not exceed ₦100,000,000,000 (One Hundred Billion Naira Only).
“Rate of Interest”	The applicable rate of interest on any Bond (other than a Fixed Rate Bond) to be determined on an Interest Determination Date for each Interest Period by the Trustee.
“Record Date”	The date on which the list of Bondholders eligible to receive Coupon payment is determined by reference to the Register.
“Redemption Amount”	The aggregate Principal Amount outstanding in respect of a series of Bonds on the Maturity Date as specified in the Applicable Pricing Supplement.

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**KEY TERMS AND ABBREVIATIONS**

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“Register”	The record kept at the specified office of the Registrar into which shall be entered the names and addresses of each Bondholder and the particulars, transfers and redemption of the Bonds held by each Bondholder.
“Registrar”	Market Operator appointed by the Issuer and authorized by the SEC to maintain the Register of Bondholders.
“Related Parties”	Any body corporate, which is the Issuer’s subsidiary or holding Company or a subsidiary of the Issuer’s holding Company.
“SEC” or “the Commission”	Securities & Exchange Commission.
“Series”	A Tranche of Bonds together with any further Tranche or Tranches of Bonds which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.
“Series Trust Deed”	Means a deed supplementing or modifying the provisions of the Programme Trust Deed entered into by the Issuer and the Trustee with regards to a specific Series and empowering the Trustee to hold, administer and manage the applicable assets.
“Shelf Prospectus”	The document issued in accordance with the Rules and Regulations of the SEC, which details the aggregate size and broad terms and conditions of the Programme.
“Stanbic IBTC Capital”	Stanbic IBTC Capital Limited.
“Tranche”	Bonds which are identical in all respects.
“Trust Deed” or “Programme Trust Deed”	The Trust Deed between FSDH Funding SPV Plc and the Trustee dated [•] as may be amended, supplemented or restated from time to time.
“Trustees”	UBA Trustees Limited.
“Trustees Act”	Trustees Investments Act Cap T22, LFN 2004.
“UBA Capital”	UBA Capital Plc.
“USD” or “US\$”	United States Dollar, the lawful currency of the United States of America.
“Validity period”	A period not exceeding two (2) years after the date of the issue of this Shelf Prospectus.
“WHT”	Withholding Tax as provided for in section 78(2) of CITA.

## 1. Presentation of Information

The information set forth herein has been obtained from official sources that are believed to be reliable, but is not guaranteed as to the accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Shelf Prospectus nor any issue made hereunder or any future use of this Shelf Prospectus shall, under any circumstance, create any impression that there has been no change in the affairs of the Sponsor since the date hereof.

All financial and other information presented or incorporated by reference in this Shelf Prospectus has been provided by the Sponsor from its records, except for information expressly attributed to other sources. The presentation of certain information, including tables of receipts and other revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Company. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

A wide variety of other information concerning the Sponsor, including financial information, is available on the Sponsor's website [www.fsdhgroup.com](http://www.fsdhgroup.com) and authorized publicly available publications. Any such information that is inconsistent with the information set forth in this Shelf Prospectus should be disregarded. No such information is a part of, or incorporated into this Shelf Prospectus.

## 2. Financial Information

Unless otherwise indicated, the financial information regarding the Sponsor indicated in this Shelf Prospectus has been derived from the Reporting Accountants' Report on the Sponsor's audited financial statements for the five years ended December 31, 2012. The Sponsor's financial statements for the years ended 30 June 2008, 2009, six months ended 31 Dec 2009 and the year ended 31 December 2010 were prepared under the historical cost convention in accordance with the Statement of accounting standards as issued by the Nigerian Accounting Standards Board, while the financial statements for the year ended 31 December 2011 and 2012 have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB) and are presented in Naira.

## 3. Rounding

Certain numerical figures included in this Shelf Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown in totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## 4. Forward Looking Statements

Certain statements included herein and in any Pricing Supplement may constitute forward looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward looking statements can be identified by the use of forward looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward looking statements include all matters that are not historical facts and include statements regarding the Issuer's intentions,

beliefs or current expectations concerning, amongst other things, the Issuer's operating results, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates.

Prospective investors should be aware that forward looking statements are not guarantees of future development of the industry in which the Sponsor operates, as this may differ materially from those made in or suggested by the forward looking statements contained in this Shelf Prospectus. In addition, even if the Sponsor's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward looking statements contained in this Shelf Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Sponsor's expectations are contained in the cautionary statements in this Shelf Prospectus and include, among other things, the following:

- Economic and political conditions in international markets, including governmental changes;
- Changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- Overall political, economic and business conditions in Nigeria;
- Changes in government regulations, especially those pertaining to the Sponsor's industry; competitive factors in the industries in which the Sponsor and its customers operate;
- The demand for the Sponsor's products and services;
- Interest rate fluctuations and other capital market conditions;
- Possible hostilities and disruptions in the Northern region;
- The timing, impact and other uncertainties of future actions; and
- Exchange rate fluctuations.

The sections of this Shelf Prospectus titled "Risk Factors", "Description of FSDH Group" and "Statutory and General Information" contain a more detailed discussion of the factors that could affect the Sponsor's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward looking events described in this Shelf Prospectus may not occur.

The Issuer does not undertake any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Shelf Prospectus.



## INCORPORATION OF DOCUMENTS BY REFERENCE

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This Shelf Prospectus should be read and construed in conjunction with:

1. Each Applicable Pricing Supplement relating to any Series of the Bonds issued under this Shelf Prospectus; and
2. The audited annual financial statements (and notes thereto) and any audited interim financial statements published subsequent to such annual financial statements of the Sponsor for the five financial years prior to each issue of Bonds under this Programme, which shall be deemed to be incorporated in, and to form part of, this Shelf Prospectus and which shall be deemed to modify and supersede the contents of this Shelf Prospectus as appropriate.

The Issuer will provide at no cost to each prospective investor upon request, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents shall be directed to the Issuer at its registered office as set out in this Shelf Prospectus or the Issuing Houses/Book Runners at the address stated below:

Head, Capital Markets

**FBN Capital Limited**

16, Keffi Street

South West Ikoyi

Lagos

Tel: +234-1-2798300 ext 2306

Head, Debt Capital Markets

**Stanbic IBTC Capital Limited**

3rd Floor, Building A

I.B.T.C Place

Walter Carrington Crescent, V/I

Tel: +234-01-4228139

Head Capital Markets

**UBA Capital Plc**

UBA House

57, Marina

Lagos

Tel: +234-1-2807822

#### ISSUE OF PRICING SUPPLEMENT

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Following the publication of this Shelf Prospectus, a Pricing Supplement shall be prepared by the Issuer for the approval of the SEC in accordance with Rule 40(c) 6(b) of the SEC Rules and Regulations, in relation to any series of Bonds issued under The Programme.

Statements contained in any such Pricing Supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Shelf Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Shelf Prospectus.

In the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Shelf Prospectus which is capable of affecting the assessment of the Bonds, the Issuer will prepare an addendum to this Shelf Prospectus or publish a new Shelf Prospectus for use in connection with any subsequent issue of Bonds.

## **DECLARATION BY THE ISSUER**

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### **DECLARATION BY THE ISSUER**

In compliance with SEC Rule 50 (3) (Declaration by the Issuer on full Disclosure), we hereby affirm that this Shelf Prospectus and any Pricing Supplement thereto have been prepared with a view to providing a description of the relevant aspects of FSDH Funding SPV Plc (the "Issuer") in connection with the Programme and the investment in the securities issued therein.

On behalf of the Issuer, we hereby make the following declarations:

1. We confirm that we have taken all reasonable care to ensure that the information contained in this Shelf Prospectus and any Pricing Supplement, is to the best of our knowledge and belief, in accordance with the facts and contains no omission likely to affect its import.
2. We confirm that there has been no significant change in the financial condition or material adverse change in the prospects of the Issuer since the date of the Shelf Prospectus.
3. We confirm that the Issuer has not during the 12 (twelve) calendar months immediately preceding the date of the application to the Securities & Exchange Commission for registration of this Shelf Prospectus, breached any terms and conditions in respect of borrowed monies which has resulted in the occurrence of an immediate recall of such borrowed monies.

Signed for and on behalf of  
**FSDH Funding SPV Plc**

By its duly authorized representative:

A handwritten signature in blue ink, appearing to read 'Adekunle Awojobi', written over a horizontal line.

**ADEKUNLE AWOJOBI**  
(Director)

A handwritten signature in blue ink, appearing to read 'Irene Otiike-Odibi', written over a horizontal line.

**IRENE OTIKE-ODIBI**  
(Company Sec.)

DIRECTORS: TAIWO OKEOWO, PATRICK MGBENWELU, ADEKUNLE AWOJOBI

35 Marina Lagos  
Tel: +234-1-4622673, 4622834

## THE PROGRAMME

This Shelf Prospectus and the documents specified herein have been delivered to the SEC for clearance and registration. The registration of this Shelf Prospectus and any subsequent Pricing Supplement shall not be taken to indicate that the SEC endorses or recommends the Bonds to be issued under the Programme or assumes responsibility for the correctness of any statements made or opinions or reports expressed herein.

This Shelf Prospectus is issued pursuant to the Rules and Regulations of the Commission and contains particulars in compliance with the requirements of the SEC for the purpose of giving information to the public with regard to the ₦100,000,000,000 Debt Issuance Programme established by the Company. The specific terms of each Series of the Bonds in respect of which this Shelf Prospectus is being delivered will be set forth in the Applicable Pricing Supplement and shall include the specific designation, aggregate principal amount, the currency or currency unit for which the Bonds may be purchased, maturity, interest provisions, authorised denominations, issue price, any terms of redemption and any other specific terms. If a specific issue under the Programme requires a listing, an application will be made to the Governing Council of The NSE for the admission of such Bonds to its Daily Official List.

Each of the Directors of the Company represents that he has taken all reasonable care to ensure that the information concerning the Company contained in this Shelf Prospectus is true and accurate in all material respects, on the date of this Shelf Prospectus and that as of the date hereof there are no other material facts in relation to the Company, the omission of which would make misleading any statement herein, whether in fact or opinion.



ON BEHALF OF



**FSDH Funding SPV Plc**  
(RC: 1123160)

**are authorized to issue this Shelf Prospectus in respect of  
THE ₦100,000,000,000 DEBT ISSUANCE PROGRAMME**

This Shelf Prospectus contains:

1. on page 11, the declaration to the effect that the Issuer did not breach any terms and conditions in respect of borrowed monies which resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the twelve calendar months immediately preceding the date of filing an application with the SEC for the registration of this Shelf Prospectus;
2. on pages 82 – 114, the Reporting Accountants' Report prepared by Akintola Williams Deloitte for the years ended June 30, 2008 – 2009, six months ended December 31, 2009 and years ended December 31, 2010 – 2012 historical audited financial information by the Sponsor for incorporation in this Shelf Prospectus;
3. on page 115, an extract of the Rating Report on the Sponsor by Agosto & Co. Limited for incorporation in this Shelf Prospectus; and
4. on page 117, the legal opinion issued by the Solicitors to the Programme, F. O. Akinrele & Co., on the effect of claims and litigation against the Sponsor on the Programme.

This Shelf Prospectus is valid until October 6, 2015; No Bonds shall be issued on the basis of this Shelf Prospectus read together with the Applicable Pricing Supplement later than two years after the Issue Date indicated on the cover of this Shelf Prospectus. This Shelf Prospectus can be obtained at the office of the Issuer and the Issuing Houses and is also available on the Company website: [www.fsdhgroup.com](http://www.fsdhgroup.com), throughout its validity period.

## TRANSACTION OVERVIEW

*The information contained in this section is a summary of certain aspects of the Programme and the principal features of the Bonds. This summary does not contain all of the information that you should consider before investing in the Bonds nor does it purport to be a complete or professional review of the investment situation regarding the possible acquisition of the Bonds, which you may currently be considering. Therefore, it should be read in conjunction with, and is qualified in its entirety by, reference to the detailed information presented in the remainder of this Shelf Prospectus and to the detailed provisions of each of the Offer Documents and the applicable Pricing Supplement. Investors should read the entire Shelf Prospectus carefully, especially the risks involved in investing in the Bonds which are discussed under "Risk Factors".*

### Description of Transaction Structure

The Issuer is a special purpose vehicle, set up to issue bonds to the public in order to provide funding to the Sponsor. Therefore, the net proceeds of all issuances under the Programme will be onlent to the Sponsor via the purchase of promissory notes and any other debt securities issued by the Sponsor to the Issuer ("the Notes") as may be agreed from time to time.

### Utilisation of the Issue Proceeds

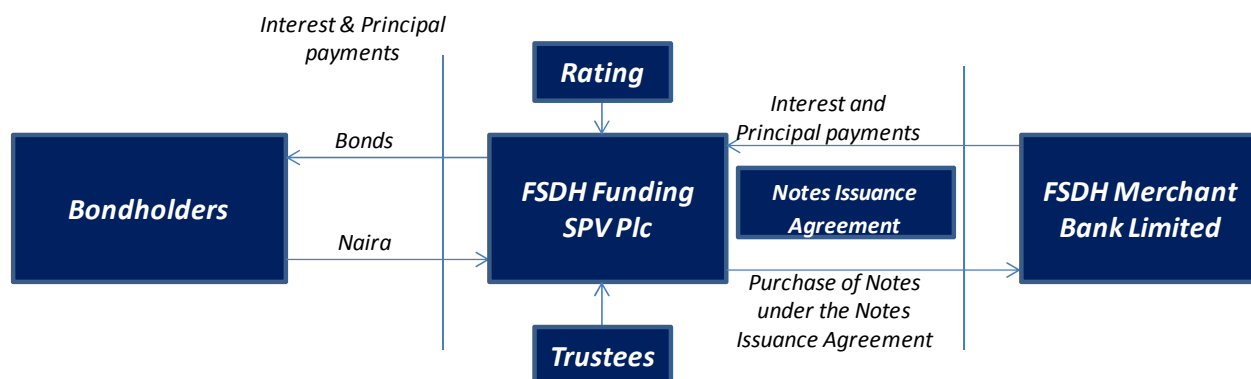
Pursuant to the Notes Issuance Agreement, entered into between the Sponsor, the Issuer and the Trustee, the Issuer shall purchase the Notes from the Sponsor, with the proceeds from the Bond Issuance.

### Servicing of the Bonds

The Coupon and the principal payable on the Bonds to the Bondholders will be serviced with the payments received by the Issuer from its investments in the Notes of the Sponsor in accordance with the terms of the Note Issuance Agreement.

### Deed of Undertaking

The Bonds are backed by a Deed of Undertaking entered into by the Sponsor and the Trustees on behalf of bondholders supporting the due discharge of all the obligations of the Issuer under the Programme



## SUMMARY OF THE PROGRAMME

*The following summary should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Shelf Prospectus. Prospective investors in the Bonds should see "Risk Factors" that should be considered in connection with an investment in the Bonds.*

Terms	Definitions
<b>Issuer</b>	<b>FSDH Funding SPV Plc.</b>
<b>Sponsor</b>	FSDH Merchant Bank Limited.
<b>Programme Description</b>	<p>Programme of non-convertible medium-term (with a minimum of 3 years) senior or subordinated debt instruments to be issued in Series. The Programme covers Fixed Rate Bonds, Floating Rate Bonds, Reverse Floating Bonds, Zero Coupon Bonds and any combinations thereof, all of which shall be denominated in Naira or in such other currency as may be agreed between the Issuing Houses and the Issuer and specified in the Applicable Pricing Supplement.</p> <p>No Bonds shall be offered on the basis of this Shelf Prospectus or a Pricing Supplement after the expiration of the two (2) year validity period of the Shelf Prospectus.</p> <p>The Bonds shall be constituted by the Programme Trust Deed and a Series Trust Deed. The provisions of the Programme Trust Deed shall apply separately and independently to the Bonds, provided that any terms and conditions relevant to additional Bonds, if any, under the Programme shall be governed by the relevant Series Trust Deed.</p>
<b>Programme Size</b>	₦100,000,000,000 (One Hundred Billion Naira Only).
<b>Lead Issuing House/Book Runner</b>	FBN Capital Limited.
<b>Joint Issuing Houses/Book Runners</b>	Stanbic IBTC Capital Limited UBA Capital Plc.
<b>Trustee</b>	UBA Trustees Limited.
<b>Use of Proceeds</b>	Proceeds from all issuances under the Programme will go towards purchasing Notes issued by the Sponsor.
<b>Maturity Date</b>	As specified in the Applicable Pricing Supplement.
<b>Payment Date</b>	As specified in the Applicable Pricing Supplement.
<b>Method of Issue</b>	The Bonds may be offered and sold by way of a public offer, private placement via book build process, or any other methods permitted by the SEC as specified in each Applicable Pricing Supplement.
<b>Issuance in Series</b>	The Bonds will be issued in series and each Series may comprise one or more tranches issued on different dates. The Bonds in each Series will have the same maturity date and identical terms (except that the Issue Dates, Issue Price, Interest Commencement Dates and related matters may be different). Details applicable to each Series will be specified in the Applicable Pricing Supplement.
<b>Issue Price</b>	The Bonds may be issued at their principal amount or at a premium or discount to their principal amount, as specified in the Applicable Pricing Supplement.
<b>Coupon</b>	Refers to both the specified rate of interest on a Bond.

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**SUMMARY OF THE PROGRAMME**

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<b>Currency of Debt Securities</b>	Nigerian Naira or any other currency as may be agreed between the Issuer and the Issuing Houses and specified in the Applicable Pricing Supplement, subject to compliance with all applicable legal and regulatory requirements.
<b>Fixed Rate Bonds</b>	Fixed Rate Bonds will bear Coupons which will be payable in arrears on each Coupon Payment Date as may be specified in the Applicable Pricing Supplement.
<b>Floating Rate Bonds</b>	Floating Rate Bonds will bear interest at a rate on such basis as may be agreed between the Issuer and Issuing House(s) as is specified in the Applicable Pricing Supplement, and will be calculated on such basis as may be specified in the Applicable Pricing Supplement.
<b>Index-Linked Bonds</b>	The Issuer may offer Bonds which provide for payments of principal or premium or interest which are linked to a currency, securities exchange or commodities exchange index or other index as stated in the Applicable Pricing Supplement. Specific provisions regarding the manner in which such payments are to be calculated and made will be set forth in the Applicable Pricing Supplement.
<b>Denominations</b>	The Bonds will be issued in such denominations as specified in the Applicable Pricing Supplement.
<b>Tenor</b>	The Bonds may be issued with maturities of three years or longer as indicated in the Applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the Issuer or any laws or regulations applicable to the Issuer.
<b>Other Terms and Conditions</b>	Terms applicable to each Series as specified in the Applicable Pricing Supplement other than those specifically contemplated under this Shelf Prospectus which the Issuer and the Issuing Houses may agree to issue under the Programme subject to compliance with all relevant applicable laws and regulations.
<b>Interest and Principal Payment</b>	The Issuer will pay interest and principal on each Series to applicable unit holders of record on the last Business Day of the calendar month preceding the applicable Payment Date; All such payments will be payable by the Issuer as stated in the Applicable Pricing Supplement.
<b>Principal Redemption</b>	Each Series will be redeemed on the date(s) specified in the Applicable Pricing Supplement.
<b>Early Redemption</b>	Early redemption will be permitted only to the extent specified in the Applicable Pricing Supplement and then only subject to any applicable legal or regulatory limitations.
<b>Redemption Amounts</b>	The Applicable Pricing Supplement will specify the redemption amount or, if applicable the basis for calculating the redemption amounts payable.

<b>Taxation</b>	The Bonds issued under the Programme are tax exempt in line with the tax exemptions (valid for a period of ten (10) years) granted by the President of the Federal Republic of Nigeria from December 9, 2011 – as contained in the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 and the Personal Income Tax (Amendment) Act 2011. Please refer to the section on Tax Considerations on page 31 for a detailed description of the tax considerations.		
<b>Sponsor's Rating</b>	<b>Rating Agency</b>	<b>Year</b>	<b>Credit Rating</b>
	Agusto & Co. Limited	2013	A-
<b>Bond Ratings</b>	Rating for each Series under the Programme will be defined in the relevant Pricing Supplement.		
<b>Ranking</b>	The Bonds may be Senior or Subordinated Bonds as indicated in the Applicable Pricing Supplement.		
<b>Listing</b>	Each Series of the Bonds may be listed on The NSE, and/or admitted to listing, trading and are quoted by a listing authority and a stock exchange as specified in the Applicable Pricing Supplement.		
<b>Negative Pledge</b>	The Issuer hereby covenants that, while any portion of the Bond remains outstanding; it shall not create any charge, mortgage, lien, pledge or other security interest upon any of its assets or any other party or any other indebtedness guaranteed by it without the prior written consent of the Trustee. Where the Trustee so consents, the Issuer shall at the same time as the creation of such indebtedness grant to the Trustee (for the benefit of the Bondholders) the same or equivalent security as is granted in relation to the indebtedness.		
<b>Governing Law</b>	The Bond Issue, the Trust Deed and related documents (the "Transaction Documents") will be governed by the laws of the Federal Republic of Nigeria.		



## TERMS AND CONDITIONS OF THE PROGRAMME

*The following is the text of the terms and conditions which (subject to amendment and as completed, modified, supplemented, varied or replaced, in whole or in part, by the conditions which form part of the relevant Series Trust Deed, Supplementary Shelf Prospectus and/or Pricing Supplement) will be deemed incorporated into the Bonds.*

*The provisions of these Terms and Conditions which are applicable to the Bonds issued under the Programme shall be deemed to be completed by the information supplied in the relevant Series Trust Deed. Any provisions of the Series Trust Deed, Pricing Supplement or Supplementary Shelf Prospectus modifying supplementing or replacing in whole or in part, the provisions of these Conditions shall be so construed, and all provisions of these Terms and Conditions which are inapplicable to the Bonds of any Series shall be deemed deleted from these Conditions as required to give effect to the relevant Series Trust Deed, Pricing Supplement or Supplementary Shelf Prospectus.*

### **The Bonds**

The Bonds are constituted by a Programme Trust Deed ("the Programme Trust Deed") dated xxx 2013 (the "Trust Deed") between FSDH Funding SPV Plc ("the Issuer") and UBA Trustees Limited ("the Trustee", which expression shall include all persons who for the time being are trustee or trustees under the Trust Deed) as Trustee for the purpose of acting on behalf of the Bondholders. The statements set out in these Terms and Conditions (the "Conditions") and in the relevant extracts from the Programme Trust Deed on pages 65 – 81 of the Shelf Prospectus, include summaries of, and are subject to the detailed provisions of the Programme Trust Deed. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Programme Trust Deed and the relevant Series Trust Deed applicable to them. The Programme Trust Deed and any Series Trust Deed are hereinafter collectively referred to as "the Trust Deed". Copies of the Trust Deed are available for inspection during normal business hours at the specified offices of the Trustee throughout the tenor of the Programme.

These Terms and Conditions include summaries of, and are subject to the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed (as some have been or may be amended, varied or supplemented from time to time with the consent of the parties thereto) are expressly and specifically incorporated to and shall apply to these Conditions.

Terms in capital letters used but not defined in the Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

#### **1. Form of the Bonds**

The Bonds shall be issued in uncertificated dematerialised/book entry form constituted by this Trust Deed and the applicable Series Trust Deed and shall be credited to Holders' Accounts on the CSCS. There shall be no paper certificates.

#### **2. Title to the Bonds**

Except as may subsequently be agreed between the Parties in a Series Trust Deed, the Bondholder (or his legal representative) shall be deemed and regarded as the absolute owner of the Bonds registered in his name on the Register and, credited into his CSCS account for all purposes including but not limited to the payment of principal, premium (if any), and Coupon (if any).

#### **3. Status of the Bonds**

The Bonds shall constitute direct, unconditional obligations of the Issuer and shall rank *pari passu* and without any preference among themselves (subject to modifications in any Series Trust Deed). The payment obligations of the Issuer in respect of principal and interest

thereon shall save for such obligations as may be preferred by applicable legislation relating to creditor's rights, at all times rank at least equally with all other unsecured indebtedness and monetary obligations of the Issuer, present and future.

**4. Interest and other Calculations**

In this Clause:

**"Coupon Accrual Period"** means the period beginning on (and including) the Coupon Commencement Date and ending on (but excluding) the first Coupon Period Date and each successive period beginning on (and including) a Coupon Period Date and ending on (but excluding) the next succeeding Coupon Period Date;

**"Coupon Amount"** means

- (i) in respect of a Coupon Accrual Period, the amount of coupon payable per Calculation Amount for that Coupon Accrual Period and which, in the case of Fixed Rate Bonds, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Coupon Payment Date ending the Coupon Period of which such Coupon Accrual Period forms part; and
- (ii) in respect of any other period, the amount of coupon payable per Calculation Amount for that period;

**"Coupon Determination Date"** means, with respect to a Rate of Interest and Coupon Accrual Period, the date specified as such in respect of the Bonds;

**"Coupon Period"** means the period beginning on (and including) the Coupon Commencement Date and ending on (but excluding) the first Coupon Payment Date and each successive period beginning on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

**"Coupon Period Date"** means each Coupon Payment Date unless otherwise specified in the applicable Supplemental Trust Deed and/or Pricing Supplement in respect of the Bonds;

**"Coupon Rate" or "Rate of Interest"** means the rate of interest payable from time to time in respect of Coupon-bearing Bonds of a Series or Tranche and that is either specified or calculated in accordance with the provisions in respect of such Bonds;

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest on Bonds of a Series for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Coupon Period or latest Accrual Period, the "Calculation Period");

**"Determination Date"** means the date specified in respect of the Bonds of a Series or, if none is so specified, the Coupon Payment Date;

**"Determination Period"** means the period from and including a Determination Date in any year to but excluding the next Determination Date;

**“Kobo”** means the sub-unit of the Naira.

(a) Coupon on Fixed Rate Bonds

The Bonds shall bear Coupon on the outstanding nominal amount at the relevant Fixed Coupon Amount for the applicable Coupon Period. The amount of Coupon payable shall be determined in accordance with Condition 4(e).

(b) Coupon on Floating Rate Bonds:

(i) Coupon Payment Dates: Floating Rate Bonds shall accrue Coupon on the outstanding nominal amount from the Coupon Commencement Date at the rate per annum (expressed as a percentage) equal to the Coupon Rate, such Coupon being payable in arrears on each

(ii) Coupon Payment Date.

The Coupon amount payable shall be determined in accordance with Condition 4(e).

Such Coupon Payment Date(s) is/are either shown in the relevant Supplemental Trust Deed and/or Pricing Supplement as Specified Coupon Payment Dates or, if no Specified Coupon Payment Date(s) is/are shown in the relevant Supplemental Trust Deed and/or Pricing Supplement, Coupon Payment Date shall mean each date which falls the number of months or other period shown in the relevant Supplemental Trust Deed and/or Pricing Supplement as the specified period after the preceding Coupon Payment Date or, in the case of the first Coupon Payment Date, after the Coupon Commencement Date.

(iii) Business Day Convention: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iv) Coupon Rate: The Coupon Rate in respect of Floating Rate Bonds for each Coupon Accrual Period shall be determined in the manner specified in the relevant Pricing Supplement.

(c) Zero Coupon Bonds

Where any Zero Coupon Bonds is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Bonds. As from the Maturity Date, the interest for any overdue principal of such Bonds shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).

- (d) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts Rate Multipliers and Rounding
- (i) If any Margin is specified in respect of the Bonds (either (i) generally, or (ii) in relation to one or more Coupon Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (i), or the Rates of Interest for the specified Coupon Accrual Periods, in the case of (ii), calculated in the manner specified in the Supplemental Trust Deed and/or the relevant Pricing Supplement by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.
- (ii) If any maximum or minimum rate of interest, instalment amount or redemption amount is specified in respect of any series of the Bonds, then any rate of interest, instalment amount or redemption amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (ii) all figures shall be rounded to seven significant figures (with halves being rounded up); and (iii) all amounts that fall due and payable shall be rounded to the nearest Kobo (with halves being rounded up).
- (e) Calculations  
The Coupon Amount payable in respect of each Bond shall be specified in (an amortisation/payment schedule appended to), or determined in accordance with, the applicable Supplemental Trust Deed and/or Pricing Supplement. The Coupon Amount payable in respect of any Bonds for any Coupon Accrual Period shall be calculated by multiplying the product of the Rate of Interest and the Principal Amount Outstanding of such Bonds as specified in the applicable Supplemental Trust Deed and/or Pricing Supplement ("the Calculation Amount") by the Day Count Fraction for such Coupon Accrual Period and rounding the resulting figure to the nearest sub-unit of the Naira, unless a Coupon Amount (or formula for its calculation) is specified in respect of such Coupon Accrual Period, in which case the Coupon Amount payable per Calculation Amount in respect of such Bonds for such Coupon Accrual Period shall equal such Coupon Amount (or be calculated in accordance with such formula). Where any Coupon Period comprises two or more Coupon Accrual Periods, the Coupon Amount payable per Calculation Amount in respect of such Coupon Period shall be the sum of the Coupon Amount payable in respect of each of those Coupon Accrual Periods. In respect of any other period for which Coupon is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which Coupon is required to be calculated.
- (i) if "Actual/365" or "Actual/Actual-ICMA" is specified in respect of the Bonds, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (ii) if "Actual/365 (Fixed)" is specified in respect of Bonds of a Series, the actual number of days in the Calculation Period divided by 365;
- (iii) if "Actual/360" is specified in respect of Bonds of a Series, the actual number of days in the Calculation Period divided by 360;
- (iv) if "30/360", "360/360" or "Bond Basis" is specified in respect of the Bonds, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if "30E/360" or "Eurobond Basis" is specified in respect of the Bonds, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

and

- (vi) if "Actual/Actual" is specified in respect of the Bonds:
  - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

## 5. Redemption, Purchase, Cancellation and Options

In this Clause:

**"Instalment Amount"** means the amount on the Bond which may be redeemed on a specified instalment;

**"Instalment Date"** means the date at which a specified Instalment Amount becomes redeemable;

**"Investor Put"** means the option available to any of the Bondholders to redeem the Bond prior the Maturity Date;

**“Issuer call”** means the option available to the Issuer to redeem the Bond prior to the Maturity Date;

**“Maximum Redemption Amount”** means the maximum specified price at which the Bond may be redeemed at the option of the Issuer or Bondholder as the case may be;

**“Minimum Redemption Amount”** means the minimum specified price at which the Bond may be redeemed at the option of the Issuer or the Bondholder as the case may be;

**“Optional Redemption Amount”** means the price at which the Bond may be redeemed at the option of the Issuer or Bondholder as the case may be prior to the Maturity Date;

**“Optional Redemption Date”** means the specified date on which the Bond may be redeemed at the option of the Bondholder or the Issuer as the case may be;

**“Relevant Date”** means the date on which a specified amount first becomes due.

(a) Redemption by Instalments and Final Redemption

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 5, Bonds of a Series that provide for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in respect of such Bonds. The outstanding nominal amount of such Bonds shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Bonds, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, the Bonds shall be finally redeemed on the Maturity Date specified in the relevant Supplemental Trust Deed and/or Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in respect of the Bonds, is its nominal amount) or, in the case of Bonds falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption

(i) Zero Coupon Bonds:

(A) The Early Redemption Amount payable in respect of Zero Coupon Bonds, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Bonds pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Bonds unless otherwise specified in respect of the Bonds.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of such Bonds shall be the scheduled Final Redemption Amount of such Bonds on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in respect of the Bonds, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Bonds if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Bonds upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as

provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Bond shall be the Amortised Face Amount of such Bond as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Bonds becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Bonds on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Supplemental Trust Deed and/or Pricing Supplement.

- (ii) Other Bonds:  
The Early Redemption Amount payable in respect of Bonds of a Series (other than Zero Coupon Bonds described in (i) above), upon redemption of such Bonds pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified in the Supplemental Trust Deed and/or Pricing Supplement in respect of the Bonds.
- (c) Redemption for Taxation Reasons  
The Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any Coupon Payment Date (if the Bonds are Floating Rate Bonds) on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) (together with the Coupon accrued to the date fixed for redemption), if:
  - (i) the Issuer satisfies the Trustee and the SEC immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Nigeria or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Series or Tranche of the Bonds; and
  - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee and the SEC a certificate signed by two Directors stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Redemption at the Option of the Issuer (Issuer Call)

If an Issuer Call or call option is specified in the applicable Supplemental Trust Deed and/or Pricing Supplement, the Issuer may, having given not less than 30 nor more than 45 days' irrevocable notice to the Bondholders (or such other notice period as may be specified in respect of the Bonds), redeem, all or, if so provided, some of the Bonds on any Optional Redemption Date. Any such redemption of Bonds shall be for an Optional Redemption Amount together with coupon accrued to the date fixed for redemption.

Any such redemption or exercise must relate to Bonds of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in respect of the Bonds and no greater than the Maximum Redemption Amount to be redeemed specified in respect of the Bonds. All Bonds in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition. In the case of a partial redemption the Bonds that are to be redeemed will be selected on a pro rata basis.

(d) Redemption at the Option of Bondholders (Investor Put)

If an Investor Put or put option is specified in the applicable Supplemental Trust Deed and/or Pricing Supplement, the Issuer shall, at the option of the Bondholders, and upon the Holders of such Bonds giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in respect of the Bonds), redeem such Bonds on the Optional Redemption Date(s) at its Optional Redemption Amount together with Coupon (if any) accrued to the date fixed for redemption.

In order to exercise the put option, the Bondholder must deposit with the Issuer at its specified office (with a copy to the Trustee), a duly completed put option exercise notice ("Exercise Notice") in the form obtainable from the Trustee within the notice period and give the Registrar such instructions as may be necessary to give effect to the exercise of the put option. Once such option has been exercised by the deposit of an Exercise Notice, it may not be withdrawn without the prior consent of the Issuer.

(e) Purchases

The Issuer may at any time purchase Bonds at any price in the open market, by tender or otherwise.

(f) Cancellation and right to re-issue the Bonds

Where the Issuer has redeemed or repurchased any Bond(s) under this Condition 5, such Bonds shall be cancelled and the Issuer shall not resell or reissue such Bonds.

The Aggregate Principal Amount on the Bonds of each Series shall be finally redeemed in accordance with the terms of the applicable Series Trust Deed.

**6. Tax Considerations**

Under current legislation in Nigeria, the tax consequences of an investment in the Bonds to be issued under the Programme are quite broad and extensive. These include exemption from Companies Income Tax, Value Added Tax and Personal Income Tax respectively, by virtue of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, the Value Added Tax (Exemption of Proceeds of the Disposal of



Government and Corporate Securities) Order 2011 and the Personal Income Tax (Amendment) Act 2011.

In addition, the Bonds qualify for a waiver from Capital Gains Tax by virtue of the ten (10) year tax waiver approved by the Federal Government in March 2010.

Please note that this information about the tax exempt status of the Bonds and income accruing therefrom is meant to serve only as a guide and should not be considered as or deemed to be tax advice which can be acted upon by an investor. Investors are advised to seek specific tax advice regarding investment in the Bonds from their professional tax advisers.

### **Fees, Duties and other Taxes**

Unless otherwise stated in the relevant Shelf Prospectus and the Relevant Supplementary Shelf prospectus or Pricing Supplement, the Issuer shall pay:

- (i) any stamp, issue, registration, documentary and other similar fees duties and taxes including interest and penalties payable on or in connection with (a) the execution and delivery of this Deed and (b) the constitution and issuance of the Bonds and
- (ii) any stamp, issue, registration, documentary and other similar fees duties and taxes including interest and penalties payable on or in connection with any action taken by or on behalf of the Trustee or (where permitted under this Deed) any Bondholder to enforce this Deed.

### **Events of Default**

- 7.1 The Trustee may at its discretion and shall, upon the request in writing of the registered Bondholders of at least one-fifth of the nominal amount of the Bond for the time being outstanding or upon being so directed by a Special Resolution of the Bondholders by notice in writing to the Issuer declare the Bond to have become immediately repayable, provided that one of the following Events of Default has occurred:
  - 7.1.1 If the Issuer defaults for more than five (5 ) Business Days in the payment of any principal monies and Coupon owing on any Series of the Bond, or any premium thereon and the Principal Amount payable under any provisions of this Deed;
  - 7.1.2 If any law, governmental regulation or an extraordinary situation shall have arisen, the continuance of which in the opinion of the Trustee shall make it improbable that the Issuer will be able to perform its obligations hereunder.
  - 7.1.3 If there shall be any release of the Sponsor from its obligations under the Deed of Undertaking, other than with the approval of the Trustee and a Special Resolution of the Bondholders, including any release by operation of law, or any failure by the Sponsor to make payment when demanded by the Trustee in accordance with the Deed of Undertaking aforesaid.

PROVIDED that on the happening of any event specified in sub-clauses 8.1.1 or 8.1.2 the Bonds shall not be declared immediately payable unless and until the Trustee shall have first served on the Issuer and the Sponsor a preliminary notice requiring the Issuer and/or the Sponsor as the case may be, to make the relevant payment in arrears, with interest or to remove, discharge or pay out to the satisfaction of the Trustee or to perform and observe the covenant or provisions the breach whereof has been committed, or threatened and the Issuer and the Sponsor shall have failed or neglected for a period of thirty (30) days to comply with such notice.

**Notices**

- 8.1 Any notice or notification to be given by or to either of the Parties hereto shall be deemed to have been sufficiently given if it is delivered by hand or sent by courier, facsimile or electronic mail transmission to the principal place of business of the other party to be notified or to such other address, facsimile number or electronic mail address as the Party to be notified shall have earlier given in writing to the other Party.
- 8.2 Any notice sent by hand or by courier shall only be deemed to have been given if the parties receiving the notice shall have signed an acknowledgement of receipt of same.
- 8.3 Any notice sent by facsimile shall only be deemed to have been given upon confirmation or a receipt that the facsimile has been successfully transmitted.
- 8.4 Any notice sent by electronic mail shall only be deemed to have been given upon receipt of an electronic mail from the recipient, confirming that the notice has been duly received.
- 8.5 The address of the Parties for delivery of notices is as set forth below:

**The Issuer:**

The Managing Director  
FSDH Funding SPV Plc  
16, Keffi Street  
South West Ikoyi  
Lagos  
Attention: Frederick Obodozie  
Telephone: 234-1-2798300  
Email address: [fobodozie@first-trustees.com](mailto:fobodozie@first-trustees.com)

**The Trustee:**

The Managing Director  
UBA Trustees Limited  
UBA House, 57, Marina, Lagos  
Attention: Oluwatoyin Sanni  
Email: [oluwatoyin.sanni@ubagroup.com](mailto:oluwatoyin.sanni@ubagroup.com)  
Telephone: 234- 1-2807032

- 8.6. Notice may be given by the Issuer or by the Trustee to any Bondholder by sending same through the post in a prepaid letter addressed to such Bondholder at his address appearing on the Register of Bondholders.

**9 Register of Bondholders**

A register of Bondholders shall be maintained by the Issuer at the office of the Registrars, its registered office or at such other place as may be approved by the Trustee and there shall be entered in such register:

- a. The names and addresses of the Bondholders for the time being of the Bond;
- b. The amount of the Bonds held by every registered Bondholder;
- c. The date on which the name of every registered Bondholder is entered in respect of the Bonds standing in his name;
- d. The Issue price of the Bonds and the amount paid up on the issue price.
- e. The date on which each Bondholder's name was registered
- f. The date on which each Bondholder ceased to be a Bondholder;
- g. Where there has been a transfer of any of the Bonds, the particulars of such transfer.

**10 Change in Name and Address of Bondholder.**

Any change of name or address on the part of the Bondholder shall forthwith be notified to the Issuer and subsequently, the Register shall be altered accordingly.

**11 Right To Inspect Register**

The Trustee, Bondholders and any person authorised by either of them shall be entitled at all reasonable times during office hours to inspect the Register and to make copies of or take extracts from same.

**12 Rights against Predecessor in Title**

Except as required by law, the Issuer will recognise the registered Bondholder of the Bonds as the absolute owner thereof and shall not be bound to take notice, or see to the execution of any trust whether express, implied or constructive, to which any units of the Bonds may be subject, and the receipt of such registered Bondholder, or in the case of joint registered Bondholders the receipt by any of them, for the Coupon from time to time accruing due, or for any other monies available in respect thereof, shall be a good discharge by the Issuer notwithstanding any notice it may have whether express or otherwise of the right title, interest or claim of any other person to or in such units of the Bonds, interest or monies. No notice of any trust, express or constructive shall be entered in the Register in respect of any units of the Bonds.

**13 Transfer of Bonds**

The Bonds are transferable by instrument in writing in the usual common form of transfer in accordance with the provisions of the Programme Trust Deed.

**14 Instrument of Transfer**

Every instrument of transfer of units of the Bonds must be signed by both the transferor and the transferee and the transferor shall be deemed to remain the owner of the units of the Bonds to be transferred until the name of the transferee is entered in the Register in respect thereof.

**15 Suspension of Registration**

The registration of transfers may be suspended at such times and for such periods as the Registrar may determine, provided that registration shall not be suspended for more than 14

days in a year.

**16 Liquidation of Bondholder**

In the event of the winding up of a registered Bondholder, the liquidator and/or receiver manager, shall be the only authorised persons recognised by the Issuer as having any title to such Bonds.

**17 Transmission of Bonds**

Any person becoming entitled to any units of the Bonds in consequence of the death, bankruptcy, winding-up or dissolution of the Bondholder may, upon producing such evidence of his title as the Issuer or the Registrar shall think sufficient, be registered himself as the holder of the Bond, or subject to the preceding conditions as to transfer may transfer the same. The Issuer shall be at liberty to retain the interest payable upon any of the Bonds which any person is entitled to transfer under the preceding conditions until such person shall be registered or duly transfer the same as aforesaid.

**18 Payment of Coupon etc.**

Any principal, coupon or other monies payable on or in respect of any units of the Bonds shall be paid into the account of the Bondholder or person entitled thereto, or into the account of such person as the Bondholder may in writing direct. Such credit into the accounts shall be satisfaction of the monies represented thereby.

**19 Receipt of Joint Bondholders**

If several persons are entered in the Register as joint holders of the units of the Bonds, then without prejudice to Condition 17 with respect to the Payment of Coupon, the receipt of any one of such persons for any interest or other monies payable on or in respect of such Bonds shall be as effective a discharge to the Registrar and or the Issuer as if the person signing such receipt were the sole registered holder of those Bonds.

**20 Meetings of Bondholders**

The Deed contains provisions for convening Meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Special Resolution of a modification of any of these Conditions.

The quorum for any meeting of the Bondholders shall be two or more persons holding or representing by proxy at least two-fifths of the nominal amount of the Bonds of any Series ("the Bonds") unless the business of the meeting includes the consideration of a Special Resolution, in which event the necessary quorum shall be two or more persons holding or representing by proxy a simple majority (51%) of the nominal amount of the Bonds for the time being outstanding and no business shall be transacted at any meeting unless the requisite quorum shall be present when the meeting proceeds to business., PROVIDED THAT at any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by a special resolution):

- (a) to sanction any modification or compromise or any arrangements in respect of the rights of the Bondholders against the Issuer whether such rights shall arise under the Programme Trust Deed, any applicable Series Trust Deed or otherwise;

- (b) to assent to any modification of the provisions contained in this Trust Deed proposed or agreed to by the Issuer;
- (c) to amend the dates of maturity or redemption of the Bonds or any Coupon Payment Date;
- (d) to reduce the Coupon rates in respect of the Bonds or to vary the method or basis of calculating the Coupon rates or any amount payable as Coupon in respect of the Bonds;
- (e) to give any sanction, direction or request which under any of the provisions of this the Programme Trust Deed is required to be given by Special Resolution;
- (f) to authorize and empower the Trustee to concur in and execute all such deeds or instruments, and perform all such acts as may be necessary to carry out and give effect to any Special Resolution;
- (g) to give any release to the Trustee in respect of anything done or omitted to be done by the Trustee hereunder before the giving of the release;
- (h) to sanction a scheme for reconstruction or amalgamation of the Issuer; or
- (i) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass a Special Resolution, the necessary quorum shall be two or more persons holding or representing not less than three-fourths (75%) or at any adjourned meeting not less than one quarter (25%) in nominal amount of the Bonds for the time being outstanding.

Any Special Resolution duly passed shall be binding on the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

**21 Governing Law**

This Deed shall be governed by and construed in all respects in accordance with the laws of the Federal Republic of Nigeria.

## **TAX CONSIDERATIONS**

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*Please note that this information about the tax exempt status of bonds and income accruing there from is meant to serve only as a guide and should not be considered as or deemed to be tax advice which can be acted upon by an investor. Investors are advised to seek specific tax advice regarding investment in the Bonds from their professional tax advisers.*

Under current legislation in Nigeria, the tax consequences of an investment in the Bonds to be issued under the Programme are quite broad and extensive. These include exemption from Companies Income Tax, Value Added Tax and Personal Income Tax respectively, by virtue of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011 and the Personal Income Tax (Amendment) Act 2011.

In addition, the Bonds qualify for a waiver from Capital Gains Tax by virtue of the ten (10) year tax waiver approved by the Federal Government in March 2010.

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**PARTIES TO THE PROGRAMME**

---

**DIRECTORS OF THE ISSUER****MR. TAIWO OKEOWO (DIRECTOR)**

16, Keffi Street  
South West Ikoyi  
Lagos

**MR. ADEKUNLE AWOJOBI (DIRECTOR)**

35, Marina  
Lagos

**MR. PATRICK MGBENWELU (DIRECTOR)**

16, Keffi Street  
South West Ikoyi  
Lagos

**COMPANY SECRETARY:****MS IRENE OTIKE-ODIBI**

16, Keffi Street  
South West Ikoyi  
Lagos

**DIRECTORS OF THE SPONSOR****MR. OSARO ISOKPAN**

(CHAIRMAN)  
UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MR. RILWAN BELO-OSAGIE**

(MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER)  
UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MR. DAVID SOBANJO (NON-EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MR. BELLO GARBA (NON-EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**DIRECTORS OF THE SPONSOR (Contd)****MRS. HAMDAR AMBAH (EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MS. OLUFUNSHO OLUSANYA (EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**DR. MYMA BELO-OSAGIE (NON-EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MRS. MUHIBAT ABASS (NON-EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MR. DAN AGBOR (NON-EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MR. VINCENT OMOIKE (NON-EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**MR. OLUFEMI AGBAJE (NON-EXECUTIVE)**

UAC House (5th Floor)  
1 / 5, Odunlami Street  
Lagos

**LEAD ISSUING HOUSE/LEAD BOOK RUNNER:****FBN CAPITAL LIMITED**

16, Keffi Street  
South West Ikoyi  
Lagos

## **PARTIES TO THE PROGRAMME**

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### **JOINT ISSUING HOUSES/JOINT BOOK RUNNERS:**

#### **STANBIC IBTC CAPITAL LIMITED**

3rd Floor, Building A  
I.B.T.C Place  
Walter Carrington Crescent, Victoria Island  
Lagos

#### **UBA CAPITAL PLC**

UBA House  
57, Marina  
Lagos

### **AUDITORS:**

#### **PRICEWATERHOUSECOOPERS**

252E, Muri Okunola Street  
Victoria Island  
Lagos

### **REPORTING ACCOUNTANTS:**

#### **AKINTOLA WILLIAMS DELOITTE**

235 Ikorodu Road  
Ilupeju  
Lagos

### **SOLICITORS TO THE PROGRAMME:**

#### **F. O. AKINRELE & Co.**

188, Awolowo Road  
Ikoyi  
Lagos

### **SOLICITORS TO THE TRUSTEES:**

#### **GEORGE IKOLI & OKAGBUE**

864B, Bishop Aboyade Cole  
Victoria Island  
Lagos

### **TRUSTEES:**

#### **UBA TRUSTEES LIMITED**

UBA House  
57, Marina  
Lagos

### **SOLICITORS TO THE ISSUER:**

#### **UDO UDOMA & BELO-OSAGIE**

St Nicholas House, (10th & 13th Floors)  
Catholic Mission Street  
Lagos

### **REGISTRARS:**

#### **FIRST REGISTRARS NIGERIA LIMITED**

Plot 2 Abebe Village Road  
Iganmu  
Lagos

### **RATING AGENCIES;**

#### **AGUSTO & Co. LIMITED**

UBA House (5th Floor)  
57 Marina  
Lagos



## **NIGERIA – AN OVERVIEW**

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*The Information in this section has been extracted from publicly available data obtained from organizations such as the CBN, the Economist Intelligence Unit (EIU), the World Bank, the International Monetary Fund and other sources believed to be reliable. The Issuer and its advisers have relied on the accuracy of this information without independent verification and make no representation as to its accuracy.*

### **Introduction**

According to the International Monetary Fund (IMF), Nigeria has the second largest economy in Sub-Saharan Africa (after the Republic of South Africa). It is the eighth largest oil producing country and holds the third largest natural gas reserves in the world, with an estimated GDP in 2012 of US\$257 billion. Nigeria's exports are dominated by petroleum products which account for 95% of the country's foreign exchange earnings and approximately 81% of budgetary revenues.

The Nigerian economy faced numerous challenges which impacted overall economic activity in 2012. Declines in the real growth rates of economic activity were experienced in both the oil and non oil sectors. Oil production was less than expected due to lower production volumes arising from theft and communal tensions leading to shutdown of some production infrastructure, while the non oil sector (notably Agriculture, Wholesale and Retail Trade) was mostly affected by floods and weaker consumer demand.

On an aggregate basis, the economy when measured by the Real Gross Domestic Product (GDP) grew by 6.99% in the fourth quarter of 2012, as against 7.76% in the corresponding quarter of 2011 as shown in the table below. This growth rate was also slightly lower than the initial forecast for the fourth quarter of 2012 at 7.09 %. Relative to the third quarter of 2012, the economy experienced an uptick as growth increased by 0.44% points from the 6.48% recorded in the third quarter of 2012. The nominal GDP for the fourth quarter of 2012 was estimated at ₦10,593,714,64 million (\$68.35 billion) as against the ₦9,554,854.69 million (\$61.64 billion) during the corresponding quarter of 2011.

The average daily crude oil production was 2.14 million barrels per day ("mbpd") in the fourth quarter of 2012 based on information provided by the Nigerian National Petroleum Corporation ("NNPC"), as against 2.44 mbpd in the corresponding quarter of 2011. These figures, with their associated gas components, resulted in a contraction, in real terms of -0.79% in oil GDP in the fourth quarter of 2012 compared with the -0.08% for the corresponding period in 2011. Production in this sector was also in decline compared to the third quarter of 2012. In the third quarter, the sector grew by 0.08% as against -0.79% recorded in the fourth quarter as earlier stated. The Oil sector contributed 12.59% to real GDP in the fourth quarter of 2012, lower than the 13.57% recorded in the corresponding quarter of 2011. Again, the contribution of this sector was relatively low compared to third quarter of 2012, which was 13.42%.

On the other hand, the non-oil sector continued to be a major driver of the economy. On a year-on-year basis, growth in the sector was marginally lower by 0.89% as the sector recorded 8.21% growth in real terms in the fourth quarter of 2012 compared with 9.10% in the corresponding period in 2011. Relative to the third quarter of 2011 however, growth was marginally higher as this sector recorded a growth rate of 7.55% during the period. The growth in the nonoil sector decreased in the fourth quarter of 2012 when compared with the corresponding quarter of 2011 as indicated in Table 1 below. This decline was largely attributed to activity slow down in the wholesale and retail trade and real estate sectors. The tables (1 and 2) below highlight the sectoral contribution and growth rates in the real GDP for years 2011 and 2012:

Table 1: 2011 &amp; 2012 GDP Sectoral Growth

	2011					2012				
Sectoral Growth (%)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Agriculture	5.31	5.70	5.76	5.68	<b>5.64</b>	4.37	4.21	3.89	3.62	<b>3.97</b>
Solid Mineral	12.9	11.85	12.43	12.85	<b>12.50</b>	11.65	11.72	12.61	13.59	<b>12.52</b>
Crude Petroleum and Natural Gas	0.05	0.98	-0.26	-0.08	<b>0.14</b>	-2.32	-0.73	0.08	-0.79	<b>-0.91</b>
Manufacturing	6.13	7.20	7.84	7.63	<b>7.50</b>	5.17	7.59	7.78	7.70	<b>7.55</b>
Telecommunication and Post	32.14	34.10	35.00	36.39	<b>34.58</b>	34.06	29.38	31.57	32.44	<b>31.83</b>
Finance and Insurance	4.07	4.37	4.04	3.42	<b>3.98</b>	3.57	5.01	4.08	3.48	<b>4.05</b>
Wholesale and Retail Trade	10.06	11.43	11.80	11.92	<b>11.34</b>	8.42	8.65	9.62	11.19	<b>9.61</b>
Building and Construction	13.19	11.98	10.88	12.09	<b>12.11</b>	13.28	12.73	11.52	12.55	<b>12.58</b>
Hotel and Restaurants	12.2	12.39	11.96	12.01	<b>12.13</b>	11.45	12.30	12.33	12.54	<b>12.15</b>
Real Estate	9.51	10.54	10.86	11.16	<b>10.55</b>	9.34	10.81	10.24	11.09	<b>10.41</b>
Business and Other Services	8.62	11.03	8.52	9.81	<b>9.52</b>	7.67	11.26	9.11	10.46	<b>9.69</b>
Others	4.68	4.60	5.04	5.50	<b>4.99</b>	4.97	4.84	5.25	5.57	<b>5.18</b>
Real Growth at Basic Prices	6.96	7.50	7.37	7.76	<b>7.43</b>	6.34	6.39	6.48	6.99	<b>6.58</b>
Non – Oil Growth	8.52	8.72	8.76	9.10	<b>8.80</b>	8.14	7.63	7.55	8.21	<b>7.88</b>

Source: National Bureau of Statistics

Table 2: 2011 &amp; 2012 GDP by Sector Contribution

	2011					2012				
Contribution to GDP in (%)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Agriculture	35.12	41.54	43.68	39.44	<b>40.19</b>	34.47	40.69	42.62	38.20	<b>39.21</b>
Solid Mineral	0.30	0.36	0.41	0.35	<b>0.36</b>	0.32	0.38	0.43	0.37	<b>0.38</b>
Crude Petroleum and Natural Gas	17.20	14.85	14.28	13.57	<b>14.80</b>	15.80	13.86	13.42	12.59	<b>13.76</b>
Manufacturing	1.13	3.91	3.49	7.07	<b>4.16</b>	1.12	3.96	3.53	7.12	<b>4.20</b>
Telecommunication and Post	5.79	5.98	5.45	5.67	<b>5.70</b>	7.29	7.28	6.73	7.01	<b>7.05</b>
Finance and Insurance	4.18	4.04	2.98	2.93	<b>3.45</b>	4.07	3.98	2.92	2.83	<b>3.37</b>
Wholesale and Retail Trade	22.94	16.76	18.27	19.88	<b>19.37</b>	23.39	17.12	18.81	20.66	<b>19.92</b>
Building and Construction	2.83	2.09	1.61	1.99	<b>2.08</b>	3.01	2.21	1.68	2.09	<b>2.19</b>
Hotel and Restaurants	0.66	0.53	0.50	0.45	<b>0.52</b>	0.69	0.56	0.53	0.47	<b>0.55</b>
Real Estate	1.98	1.95	1.67	1.64	<b>1.79</b>	2.03	2.03	1.73	1.70	<b>1.85</b>
Business and Other Services	1.05	1.07	0.82	0.81	<b>0.92</b>	1.07	1.12	0.84	0.83	<b>0.95</b>
Others	6.82	6.91	6.84	6.21	<b>6.67</b>	6.74	6.81	6.76	6.13	<b>6.58</b>

Source: National Bureau of Statistics

**Foreign Direct Investment (FDI)**

Nigeria has benefitted from accelerated Foreign Direct Investment (“FDI”). FDI inflows have been motivated by the need for new infrastructure along with the perceived stability in Nigeria. The Nigerian Investment Promotion Commission (“NIPC”) estimates FDI was in the region of US\$35 billion over the last 8 years.

## **NIGERIA – AN OVERVIEW**

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According to the African Development Bank (AfDB), Nigeria's total value of FDI was approximately US\$6.8 billion in 2012. The amount which showed an increase of circa 17.24%, would have been significantly higher, but for the lingering security challenges in some parts of the country.

Nigeria has pushed its growth rates up to the 6–8% range on the back of policy reforms and the vibrancy of the unbanked sectors. With the ongoing reforms in key sectors of the economy (such as power, infrastructure and agriculture), FDI is expected to further increase in the coming years.

The President of the Federal Republic of Nigeria, Goodluck Jonathan, made the power sector one of his three priorities and launched a roadmap for the sector in August 2010. The unbundling of the state-owned Power sector company has commenced, and concurrently the Power Holding Company of Nigeria (PHCN) is being wound up as part of reforms in the power sector. The Bureau of Public Enterprises (BPE) opened tenders in mid 2012 for sale of 17 generation companies (GENCOs) and distribution companies (DISCOs). Bids have been accepted for all but 2 of the 17 successor companies to the PHCN, and down payments made. Successful bidders were predominantly local players supported by some international partners contributing equity and technical capacity. A management contract for the Transmission Company of Nigeria (retained under federal government ownership) has been awarded to Canada's Manitoba Hydro.

As a result of these reforms the two major constraints to investment in generation and distribution of power are being addressed, and more investors, comprising private sector companies as well as foreign parastatals and Development Finance Institutions, are keenly observing developments in the sector with a view to potential future participation. Additionally, the World Bank is to offer partial risk guarantees to enable prospective investors source for financing, whilst a bulk trader (purchaser, primary off-taker and market maker) has been set up and the regulatory framework tightened. Two of the largest challenges remaining are the infrequent supply of gas to power plants and resolution of the future of PHCN workers.

With renewed confidence thus generated in the sector, the government and financial institutions in Nigeria have started making bold steps towards addressing the gas supply issue. In 2012, financial institutions were involved in restructuring and financing a US\$ 225 million project finance facility for a private sector led gas processing plant by the name AccuGas in Akwa Ibom State. The facility is to be utilized towards refinancing the existing US\$55 million debt secured for the Akwa Ibom gas pipeline project, with the balance of US\$170 million to be used towards part financing the cost of expanding its gas processing facilities and building a new gas pipeline to supply gas to the Calabar National Integrated Power Plant. The Calabar project is the second phase in AccuGas' gas processing and distribution development programme aimed at bringing in substantial gas reserves from the South East Niger Delta to market to meet the growing energy demand from power plants and industrial users in the region

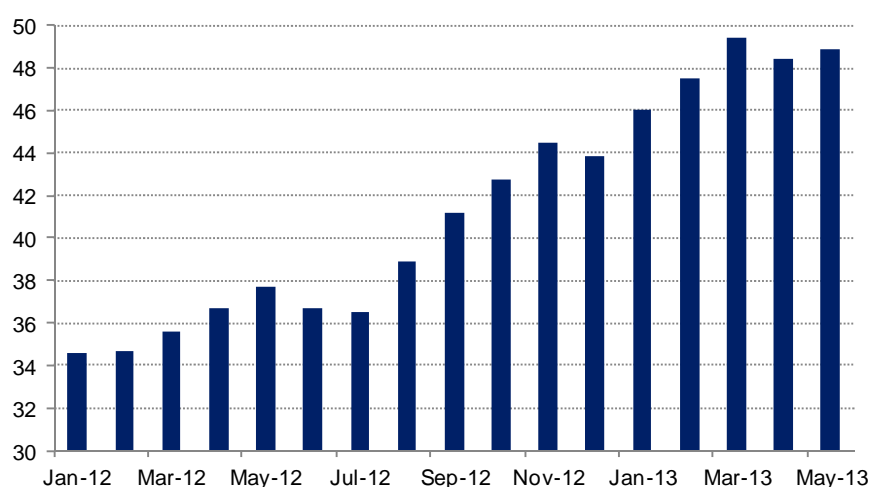
### **Credit Rating**

Fitch Ratings revised the outlook on Nigeria's credit rating to 'BB' stable from 'BB' negative in October 2011 based on Nigeria's improved reform policies which include the adoption of tighter monetary policies, fiscal discipline, and the appointment of a strong economic team after the April 2011 elections. Standard & Poor's Ratings Services (S&P) also revised its outlook on Nigeria to positive from stable. At "BB–", Nigeria is two notches below the minimum investment grade rating score of "BBB–", and S&P also cautioned that the rating for Nigeria is constrained by the country's internal political tensions, weak political institutions and low levels of development.

**Foreign Reserves**

According to the CBN, external reserves stood at US\$48.47 billion as at June 2013, representing an increase of US\$ 4.06 billion or 10.59% over the level of US\$43.83 billion at end December 2012. At US\$48.9 billion, this position is deemed to be at a healthy level and is sufficient to accommodate 13 months of imports. The healthy growth has been on the back of strong oil prices and significant foreign investment portfolio inflows. The healthy foreign reserves position has also supported the stability of exchange rates. Riding on the back of increased market liquidity and portfolio inflows, increased demand pressure for the Naira has been witnessed at all foreign exchange market segments. The maintenance of the current tightening stance by CBN would help to ensure the continued stability of the exchange rate and sustained build-up of foreign reserves.

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**Trend in Foreign Reserves (US\$bn)**

Source: CBN, FBN Capital Research

Recent periods of high oil prices, unlike for example the first Gulf War, have sustained a rebound in the non-oil economy. However, oil continues to generate an excessively high proportion of federal government revenue and of foreign exchange inflows. Oil accounted for 80% of federally collected revenues in 2011 and 76% in 2012.

The Excess Crude Account (ECA) was introduced in 2004 to iron out oil price fluctuations by setting aside savings for the proverbial rainy day. However, it has no constitutional basis and is therefore not a genuine buffer against external shocks.

**Nigeria's Eurobonds**

The Debt Management Office (DMO) on behalf of the Federal Government of Nigeria issued Nigeria's first Eurobonds on January 21, 2011, a US\$500 million issue which followed in the footsteps of West African neighbours – Ghana and Gabon. Despite concerns on political instability in the run up to the April 2011 elections and fiscal indiscipline as reflected in the depletion of the Excess Crude Accounts, the issue was 250% oversubscribed by investors from about 18 countries spanning Europe, America, Asia and Africa. The Eurobond, offered at a coupon of 6.75% was priced to yield 7.00%. The bond was trading in the secondary markets at an average yield of 5.141% as at 11<sup>th</sup> of June, 2013.

The Nigerian Government stated that the bond issuance was strategic and the key motivation was to provide a benchmark for future borrowings by sub-nationals and corporate bodies within the country given the

## **NIGERIA – AN OVERVIEW**

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significant funding requirements of state governments for infrastructure projects and the private sector for expansion. The other objective of the bond issuance was to show case Nigeria's economic status to potential international investors. The Federal Government believes that the publication of a prospectus with comprehensive information on Nigeria and the interactions with diverse investor groups during the road show presentations has significantly contributed towards achieving this objective.

### *FGN Bond Market:*

FGN bonds are Federal Government of Nigeria securities issued under the authority of the DMO. Since 2003, the DMO has been responsible for managing the debt of the Nigerian central government, while the CBN acts as the Fiscal and Paying Agent and Registrar of the bonds. The bonds are listed and traded on the floors of The Nigerian Stock Exchange (NSE). The Central Securities Clearing Systems Plc acts as the depository of the bonds listed on The Nigerian Stock Exchange.

In terms of demand for the FGN bonds, the hike in the Monetary Policy Rate ("MPR") to 12.0% in October 2011, following the extra-ordinary meeting of the Monetary Policy Committee ("MPC") does not appear to have shut the banks out of the debt market although it may have reduced their new purchases and their new lending to the real economy. For all investors, the fiscal stance acts as a secondary reason for entry into this market. Although the cost of servicing the domestic debt has increased rapidly, the debt management team recognises its gravity and are putting in place strategies to address the debt burden. The 2013 budget provided for a sinking fund of ₦75bn for the retirement of FGN bond issues, and in May 2013, the DMO launched its medium term strategy to change the mix of domestic and external obligations in public debt from the current 87/13 to 60/40, thus rebalancing the debt portfolio in favour of increased external borrowing in order to reduce interest cost.

The FGN bond market is also underpinned by strong domestic institutional demand at auctions. In 2012 the DMO raised an average of ₦71bn (US\$460m) each month at auctions and received bids averaging ₦143bn (US\$920m).

### *Fixed Income Market:*

The Fixed income market in 2012 had a decent year. For starters, the hawkish stance of the MPC – and therefore the liquidity tightening measures through second half of the year – provided a boost to the market. A further helping hand came in the form of the inclusion of Nigerian FGN bonds in the JP Morgan Government Bond Index. The attractive yields available on Nigerian fixed income instruments as a result of these developments relative to developed and some emerging markets proved too difficult to ignore for offshore investors. The increased demand for these treasury instruments has led to a narrowing of yields but it is believed by research experts that these instruments will continue to prove to be a draw for investors through 2013, especially offshore investors.

Oil prices have played a supportive role in the development of the markets in Nigeria. Given Nigeria's high dependence on oil revenue, there is ultimately an impact on the equities and fixed income markets. Prices for Nigeria's Bonny Light crude averaged US\$113/b in 2012, well above the US\$72/b which underpinned the government's expenditure budget for the fiscal year.

Even after allowing for leakages and other offsetting issues, the surplus oil revenue over the benchmark price has been a real positive factor. This has resulted in a slight improvement in Nigeria's fiscal position amongst other things, and ultimately, a stable Naira.

**Inflation**

Despite the economic challenges the country witnessed in 2012, the headline inflation rate on average showed a downward trend as at May 2013. In line with the target of the Central Bank of Nigeria, the headline rate has met the objective of single-digit inflation for five successive months. From 9% recorded in January and 9.5% recorded in February, it reached a record of low of 8.6% in March. It rose further to 9.1% in April before falling slightly to 9.0% in May. As a result, the average inflation for the year to date stands at 9.04%. On a month-on-month basis, the headline inflation experienced its sharpest drop in March (0.9%). According to the National Bureau of Statistics (NBS) relative to March, the rise in the headline index is primarily attributed to an increase in the price levels of food products due to declining inventories. However, the CBN may raise this rate if there is an increase in government spending ahead of the upcoming elections in 2015.

**Interest Rates**

The official interest rate is the MPR and is reviewed periodically by the MPC to control money supply in the economy and ensure financial stability. Historically, from 2007 until 2013, interest rates in Nigeria averaged 9.10% reaching an all time high of 12% in May of 2013 and a record low of 6% in July of 2009. In Nigeria, interest rate decisions are taken by the MPC.

The current MPR rate reflects the CBN's implementation of a tight monetary policy aimed at containing the growth of monetary aggregates in order to achieve monetary and price stability. It has also been the MPC's stance to combat inflation and bring it down to single digit following a persistent increase in food prices and also combat the effect of the fuel price deregulation of January 2012.

**External Debt**

In 2006, Nigeria fully repaid its Paris Club debt and became the first African nation to exit the list of Paris club debtors. The country is also committed to restructuring its US\$2.5 billion debt owed to the London Club of Creditors.

As at December 31, 2012, Nigeria's external debt was estimated at US\$6.53bn, which represents 13.7% of the total debt stock of US\$47.65bn. The breakdown of the debt showed that 83.28% was owed to multilateral, which includes the World Bank Group, International Fund for Agricultural Development (IFAD), African Development Bank Group (ADB), International Development Bank (IDB) and Economic Development Fund (EDF); 8.26% was owed to Non-Paris Group of creditors and 8.46% from to the international capital markets.

**Recent Reforms**

Over the last two years, the government through the CBN has strengthened the banking sector. The CBN, as part of its strategic initiatives for reforming the Nigerian financial system and promoting a healthy financial sector took steps to safeguard depositors' funds and maintain market confidence in the banking industry by ring-fencing the deposits of the commercial banks, from deployment towards investment banking and other non core activities that were deemed to be riskier.

The FGN is pursuing its transformation agenda. Execution depends on the strength of the vested interests in opposition. Progress is greater where those interests are weaker (such as agriculture and power), and slower where they are stronger (such as the Petroleum Industry Bill (PIB) and the Sovereign Wealth Fund (SWF). Also sharp improvement in power supply would help transform the economy. The gains are likely to be more modest.

The agriculture sector was pre-eminent in Nigeria before the start of crude oil production but has suffered four decades of official neglect and largely reverted to subsistence farming. Consequently, farm productivity is

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## **NIGERIA – AN OVERVIEW**

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very low and the importation of food products has soared at a rate that has become unsustainable. Two figures highlight the weight of the sector: It engages about 70% of the country's labour force and is the largest contributor to GDP, with a share of 40.2% of constant price GDP in 2011. The sector has suffered badly from the insecurity in the north, which has driven away farmers, transporters and middlemen. The sector's growth slowed to 3.8% year-on-year in Q3 2012 from 5.8% in the prior period. There has also been a negative impact on food prices.

The government has instituted key policy reforms to establish staple crop processing zones aimed at attracting the private sector into areas of high production, reducing post harvest losses, and adding value to locally produced commodities.

There are plans to improve predictability and transparency in the oil sector through the enactment of the Petroleum Industry Bill (PIB). The PIB, which establishes a new framework for good governance in the industry, will lead to increased revenues for Nigeria and opportunities for Nigerians to participate at every level of new development within the sector.

The passage of the Nigerian Sovereign Investment Authority ("NSIA") Act in May 2011 for the establishment of NSIA and three funds was encouraging. These funds were designed to set aside monies for infrastructure development (the "Infrastructure Fund"), create savings for future generations (the "Future Generation Fund"), and build a reserve to cover exceptional budgetary pressure (the "Budget Stabilisation Fund"). It is expected that these reforms, once completed, will bring an increase in FDI, and ultimately growth in GDP.

### **Political Trends**

The presidential election in April 2011 resulted in a comfortable victory for Goodluck Jonathan of the Peoples Democratic Party (PDP). Jonathan had been vice, and then acting president under the administration of the late Umaru Yar'Adua but was subsequently elected head of state. Furthermore, the elections were adjudged broadly "free and fair" by the consensus of regional and international observers. They were considered the best since the return of civilian rule in 1999, and some observers went further with their positive comparisons with previous polls.

In February 2013 four opposition parties announced a proposed merger to form the All Progressives Congress (APC), in order to contest the next election under a united front. The history of such unions in Nigeria has resulted in little success for the merged parties, but the APC may have a higher probability of success as it does include the two main opposition parties, Action Congress of Nigeria and the Congress for Progressive Change. The APC does cross the religious divide and could be a formidable challenger to the incumbent administration if it materializes. This could provide the opposition with a platform upon which to consolidate and build for the future. Jonathan's share of the presidential vote in 2011 was 57%, compared with Yar'Adua's 70% four years previously. PDP won a simple majority in both houses of the National Assembly but remains short of the two-thirds majority required to amend the constitution.

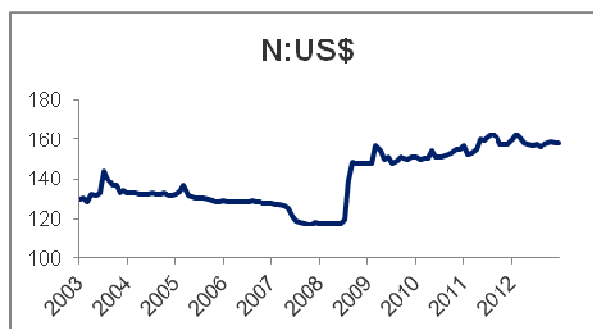
### **Foreign Exchange**

The value of the Nigerian Naira continues to depreciate as a consequence of the anticipated drop of oil prices and lower foreign reserves with the new Dollar-Naira mid rate at ₦155 and the extension of the band around the Naira, allowing it to trade within ₦150 – ₦160 to the dollar. One of the primary functions of the CBN is the attainment of price stability, in doing this the CBN maintains exchange rate policies. Before the emergence of Asset Management Company of Nigeria, the CBN had held rates in an attempt to encourage credit extension and thus growth. It then moved to address inflation, seeking to counter perceived loose fiscal policy by introducing tightening measures in September 2010. The tightening peaked at a landmark extraordinary

## **NIGERIA – AN OVERVIEW**

meeting in October 2011 when it hiked the policy rate by 275bps to 12.00% and doubled the cash reserve requirement (CRR) for banks to 8%. The move, however, has been vindicated by its impact on market psychology, and rewarded with an easing of core inflationary pressures. As with budget revenues, foreign exchange inflows are highly dependent on oil earnings. Oil and gas provided US\$90bn or 97% of merchandise export earnings in 2012, with the small balance comprising mostly agricultural products.

A second point about the foreign exchange market is that Nigeria has a healthy appetite for imported goods and services. These range from agricultural products which the country could produce itself (such as sugar and rice), to non-consumer products which Nigeria has tried and largely failed to produce (such as steel and refined petroleum products), and to services sought after by the emerging middle class (such as cable television). This demand is relatively constant while the supply of foreign exchange clearly hinges on oil and gas export revenues.



Source: Bloomberg

Looking at the figures, Foreign exchange inflow and outflow amounted to US\$10.50 billion and US\$6.44 billion, respectively, resulting in a net inflow of US\$4.06 billion during the first quarter of 2013. Foreign exchange sales by the CBN to the authorized dealers amounted to US\$4.65 billion, compared with US\$4.27 billion in the preceding quarter.

The average exchange rate of the Naira versus the US dollar appreciated marginally by 0.1% to ₦157.30 per US dollar relative to its levels at the end of Q4, 2012 and Q1, 2012. Non-oil export earnings of Nigerian exporters, at US\$1,136.33 million, rose by 15.1% above Q4, 2012.

### **The Asset Management Corporation of Nigeria (AMCON)**

There was a major shakeup in the banking system following the sack of the Managing Directors of banks that failed the joint audit test conducted by the Nigerian Deposit Insurance Corporation (NDIC) and CBN on August 14, 2009. In response to the need for a resolution of the banking crisis, the CBN and the Federal Ministry of Finance (FMF) spearheaded the establishment of the Asset Management Corporation of Nigeria (AMCON) to purchase non-performing loans from Deposit Money Banks (DMBs) and recapitalize the affected banks. AMCON's share capital of N10bn was contributed equally by the FMF and the CBN. The bill establishing AMCON was signed into law by President Goodluck Jonathan on July 19, 2010 after which AMCON commenced operations.

The main purpose of AMCON is to stimulate the recovery of the Nigerian financial system by:

- Providing liquidity to the intervention banks and other banks that have huge non-performing assets
- Providing capital to the intervention banks and the remaining banks
- Facilitating merger and acquisition transactions, strategic partnership and attracting institutional investors
- Increasing confidence in the banks' balance sheets and thereby increasing credit creation, and
- Increasing access to restructuring/refinancing opportunities for borrowers

The CBN recently announced that it has reached an agreement with AMCON, whereby CBN will be the sole holder of the N3.6trn bonds that will be issued by AMCON, proceeds of which, along with funds from debt



## NIGERIA – AN OVERVIEW

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recovery, would be used by AMCON to settle obligations to all private sector investors in the N5.7trn Zero Coupon Bonds that were issued by AMCON (between December 2010 and October 2011). The first set of maturing obligations will be due in December 2013. Following this, it is expected AMCON would refinance the bulk of additional maturities in 2012 by issuing further bonds to CBN, for tenors not exceeding 10 years and at single digit interest rates. The CBN noted that the repayments and refinancing arrangements would have no adverse monetary policy implications, but rather increase confidence in the financial system. It is envisaged that by October 2014, the CBN will be the sole creditor to AMCON, holding bonds guaranteed by the FGN. Having cleaned the balance sheets of banks of bad loans, the industry is now well positioned to support strong economic growth through financial intermediation. Although the commendable activities of AMCON have helped tremendously to repair the balance sheet position of banks, there is still a dearth of long-term debt capital in the system. Most commercial banks operate in the short-end of the market thus increasing the finance cost of corporate institutions that rely on bank loans to fund expansion. The banking industry review carried out by Fitch Ratings assigned a “B” range viability rating on Nigerian Banks. The institution said there was a marked improvement in banks’ asset quality during 2011, following the sale of problem loans to AMCON.

Available data from the CBN indicates that the total assets and liabilities of the Deposit Money Banks (DMBs) stood at ₦22.32trn at the end of the Q1 2013, representing an increase of 4.8% above the level at the end of the preceding quarter. The funds, which were sourced, largely, from accretion to capital account and increased mobilization of deposit liabilities, were used mainly to extend credit to the private sector and the acquisition of unclassified assets. CBN’s credit to the DMBs which comprises largely of loans and advances, increased by 4.7% to ₦238.79bn at the end of Q1 2013. At ₦13.79trn, DMB’s credit to the domestic economy rose by 4.5% above the level in the preceding quarter. The development was attributed, largely, to the 19.7% increase in claims on the Federal Government. Total specified liquid assets of the DMBs stood at ₦6.72trn, representing 44.6% of their total current liabilities. At that level, the liquidity ratio, fell by 5.1% points below the level in the preceding quarter, but was 14.6% above the stipulated minimum ratio of 30%. The loans-to-deposit ratio, at 38.3%, was 4% below the level at the end of the preceding quarter, and 41.7% below the prescribed maximum ratio of 80%. The major gap in the industry is the availability of long-term credit to the private sector. Most of the credits in the system at the moment are short term while the federal government and some state governments are the only beneficiaries of long term debt. Activities of merchant banks may help attract more long-term debt capital to the banking system.

## **DEVELOPMENTS IN THE NIGERIAN BANKING INDUSTRY**

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*The Information in this section has been extracted from publicly available data obtained from organizations such as the CBN, FBN Capital research, the International Monetary Fund and other sources believed to be reliable. The Issuer and its advisers have relied on the accuracy of this information without independent verification and make no representation as to its accuracy.*

### **Historical Background**

The Nigerian Market has been predominantly driven by equities with the banking sector making up an important proportion of total market capitalization. Prior to 2008, the market enjoyed a decade of phenomenal growth, driven particularly by the banking industry. Following the Financial crisis that took place Q1, 2008, the capital market felt the greatest impact which resulted in a negative impact on the banks' balance sheets through increased provisioning for bad debts, lower profitability, and deterioration in the quality of banks' assets which immediately led to concerns over the liquidity of banks.

The distress in the banking industry led to the introduction of several measures by CBN, which included a reduction in MPR, cash reserve ratio and liquidity ratio. The MPR rate was reduced from 10.25% to 6%, the CRR from 4% to 2% and LR from 40% to 25% (source: CBN). In June 2009, the CBN took different approaches to assess the financial conditions of the 24 banks in the country. The exercise highlighted deficiencies in capital adequacy ratios and liquidity ratios as well as weaknesses in the corporate governance and risk management practices of 9 banks. The results of the assessments revealed that the 9 banks failed to meet the required minimum of 10% in capital adequacy ratio and a 25 % minimum liquidity ratio, as well as generally being in a weak financial state. Furthermore, illegal activities were found to be taking place in 5 out of the 9 banks

The measures taken by the CBN included the injection ₦620 billion into the 9 banks, and the replacement of the chief executive directors of 8 of the banks. Consequently, the management took numerous actions under the CBN's guidance to ensure that the banks operated effectively with particular emphasis on improving transparency and operations. The industry also witnessed several mergers and acquisitions such as Oceanic Bank which was acquired by Ecobank, merger of Finbank with FCMB, acquisition of Equitorial Trust Bank by Sterling Bank in order to meet the required share capital. The central bank revoked the licences of Springbank ( now Enterprise Bank), Afribank (now Mainstreet Bank) and Bank PHB ( now Keystone Bank) which failed to meet the requirements as at the deadline. AMCON was set up to absorb the bad bank loans, exchanging them for government-backed bonds.

### **Recent Developments**

#### **Cashless Policy**

The Central Bank of Nigeria introduced a new policy based on cash transactions which stipulates a charge on daily cash withdrawals or cash deposits that exceed ₦500,000 for individuals and ₦3,000,000 for corporate entities. This policy is aimed at reducing the amount of physical cash circulating within the economy and encouraging more electronic based transactions. This new policy has resulted in the following;

- Modernization of the payment systems in line with Nigeria's 2020 goal of being amongst the top 20 economies by the year 2020.
- Reduction in the cost of banking services
- Improvements in the effectiveness of monetary policy in managing inflation and driving economic growth

This policy started on 30<sup>th</sup> March, 2012 in Lagos and has gradually been introduced in other states.

**Mobile Money**

Mobile money was introduced by CBN to allow deposits, withdrawals, settlement of bills and also payment for goods and services rendered with the use of mobile phones. After identifying person to person payments (over the mobile phone infrastructure) as a practical strategy for financial inclusion of the un-banked, the Central Bank of Nigeria opted for the creation of an enabling regulatory environment as a policy path towards achieving availability, acceptance and usage of mobile payment services in Nigeria. The overriding vision is to achieve a nationally utilized and internationally recognized payment system.

**Recapitalization of Foreign Subsidiaries**

The CBN issued the following clarifications on the recapitalization of foreign subsidiaries. The CBN will continue to consider applications for recapitalization in the following cases:

- Where the capital of a subsidiary is impaired in the normal course of business due to operational and other losses
- Where it is demonstrated that the increase in capital is commensurate with the level of business and profitability of normal banking operations such that there is no incentive to take unfair risks in the quest for returns.
- Where a Nigerian bank is setting up a new subsidiary in another country with the reasonable capital requirement
- Where the host regulator requires an increase in capital that is reasonable and realistic, gradual and consistent with economic realities of the environment.

**Universal Banking Guidelines****Repeal of the Universal Banking Model**

With the aim of providing clarity on the conduct of banking practices, the Central Bank of Nigeria repealed the Universal Banking Guidelines. Under CBN Regulation on the scope of Banking Activities and Ancillary matters No.3 of 2010, it was expected that banks adopt a financial holding company which can be defined as “other financial institution” licensed and regulated as such by the Central Bank of Nigeria for the purpose of making and managing, equity investments in companies engaged in the provision of financial services. Commercial banks can operate at regional, national and international levels with capital of ₦10billion, ₦25billion and ₦50billion respectively. Banks such as First Bank of Nigeria, Stanbic IBTC and First City Monument Bank Plc (FCMB) have adopted the (“HoldCo”) structure.

Merchant banks are required to have a capital base of ₦15bn. The CBN believes the erstwhile universal banking regime exposed banking business to greater risks that challenge the stability of the financial system. The risks arose because most banks have limited skills to cover the entire banking spectrum in the banking group, resulting in increased risk from affiliate transactions, improper allocation of depositors’ funds to high risk businesses such as proprietary trading and investments, and weak group corporate governance structures. The objective of the new model is to make banks focus on their core banking business and develop specialization.

**Merchant Banking License**

The Central Bank of Nigeria issued the first merchant banking licenses in more than a decade to FSDH Merchant Bank Limited and South Africa's FirstRand Merchant Bank in 2012. These two banks are the first merchant banks to be licensed since the Central Bank of Nigeria reintroduced merchant banks which were phased out following the advent of universal banking in 2004.

### Introduction

The Issuer was incorporated in Nigeria on the 20<sup>th</sup> of June, 2013 (registered number 1123160) as a public limited company under the name of FSDH Funding SPV Plc. The Issuer carries on business at 16 Keffi St. Off Awolowo Road, S.W Ikoyi, Lagos. The Issuer has no subsidiaries or affiliates. The Issuer has been established as a special purpose vehicle for the purpose of issuing bonds to fund working capital, enhance liquidity and enhance its capital base of the Sponsor.

The authorized share capital of the Issuer is ₦500,000 divided into 1,000,000 ordinary shares of 50k each. The issued share capital of the Issuer is ₦250,000 divided into 500,000 ordinary shares of 50k each, and are held through its nominees; 249,999 shares are held by First Trustees Nigeria Limited (the "Share Trustee") under the terms of a declaration of trust (the "Share Trust Deed") dated [•], and made by the Share Trustee for the benefit of the Bondholders of the Issuer (as to the exercise of voting rights attaching to such shares) and for the benefit of certain charitable purposes. One(1) share is held by FBN Securities Limited ("FBN Sec") as nominee pursuant to the deed of trust made by nominee shareholder of the Share Trustee in respect of such share (Nominee Share Trust Deed).

The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares.

The principal objects of the Issuer are set out in clause 3 of its Memorandum and Articles of Association and, amongst other things, is to issue bonds to the public under the terms of the Programme and to purchase Notes from FSDH Merchant Bank Limited, therefore to raise or borrow money and to grant security over its assets for such purposes and to enter into arrangements for such purpose. Neither the Sponsor nor any associated body of the Sponsor owns directly or indirectly any of the shares in the share capital of the Share Trustee or the Issuer.

### Principal Activities

The principal activities of the Issuer will be to purchase Notes from FSDH under the Notes Issuance Agreement and in accordance with the terms of the transaction documents.

Copies of the Memorandum and Articles of Association of the Issuer may be inspected at the specified offices of the Issuer.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company, the authorization and issue of the Bonds and of the other documents and matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

The Issuer's activities are restricted by its Memorandum and Articles of Association and the terms of the Trust Deed, and other related documents.

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**DESCRIPTION OF FSDH FUNDING SPV PLC**

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**Directors and Secretary**

The nominee directors of the Issuer, and their respective business addresses:

<b>Name</b>	<b>Business Address</b>
Taiwo Okeowo	16, Keffi Street, South West, Ikoyi
Adekunle Awojobi	35, Marina, Lagos
Patrick Mgbenwelu	16, Keffi Street, South West, Ikoyi
Irene Otiike-Odibi (Company Secretary)	16, Keffi Street, South West, Ikoyi

**Director's Interests**

No director has any interest in the promotion of the Sponsor and/or the Notes to be purchased or proposed to be purchased by, the Issuer.

**Profile of the Directors****Taiwo Okeowo – Director**

Taiwo joined FBN Capital Limited in 2006 from First Bank Nigeria Plc where he was Head of the Corporate Finance Group from 2001–2005. Prior to joining First Bank of Nigeria Plc, he was the Head, Corporate Banking in Investment Banking and Trust Company Limited (IBTC) from 1989–2001. He is a seasoned professional with over 23 years experience in investment banking and has considerable experience in project finance, mergers, acquisitions, restructuring, and securities underwriting.

Taiwo obtained his first degree in Computer Science from the University of Ibadan in 1985 and a Masters of Science degree in Management Science from the prestigious London Business School (LBS) in 2001. He is a member of the CFA Institute and a Fellow of the Institute of Chartered Accountant of Nigeria (ICAN). He is currently the Deputy Managing Director & Head, Investment Banking Division in FBN Capital Limited.

**Adekunle Awojobi – Director**

Mr. Awojobi is a Fellow of the Institute of Chartered Accountants of Nigeria, Nigeria Institute of Management, Certified Fraud examiner and Member Institute of Internal Auditors. He also holds a Bachelor of Science degree In Economics with First Class Honours from Ogun State University (now Olabisi Onabanjo University) Ago-Iwoye, Ogun state. Prior to joining First Trustees Nigeria Limited in 2002, he was an Audit senior with KPMG audit (1996 – 1997); Internal Auditor CarnaudMetalbox (Now Nampak) Nigeria Plc (2000 – 2002).

On joining First Trustees he was employed as a Manager, Operations Department and later promoted to Senior Manager, Operations based on outstanding performance. He was then moved to head the Capital Markets & Projects Unit of the Investment Department. In February 2007, he was appointed Head, Operations & IT and promoted to Assistant General Manager. In 2012, he was appointed the Acting Managing Director/CEO and holds the position till date.

**Patrick Mgbenwelu – Director**

Patrick is a Director and the Head of Project & Structured Finance unit of FBN Capital. He has over 20 years banking experience, with a primary focus on financial advisory, structuring, debt arranging/lending and closing PPP and project finance transactions in the UK, Portugal, Saudi Arabia, Qatar, Oman, Kuwait, U.A.E, other GCC countries, and most recently in Nigeria.

Prior to his current role, he worked with Stanbic IBTC Bank Plc where he was a Director within the Standard Bank Group leading the deal team originating, structuring and closing of project financings in Nigeria from

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**DESCRIPTION OF FSDH FUNDING SPV PLC**

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2008. He also worked as Assistant Manager, Project & Trade Finance Department at Arab Petroleum Investments Corporation ("APICORP") in Saudi Arabia (2000 – 2004), Senior Corporate Banker at the National Commercial Bank, Saudi Arabia (2004 – 2006) and Managing Director, Project and Corporate Finance of Gulf One Investment Bank in Bahrain from 2006 – 2008. His academic qualification includes M.Sc Finance & Investment – University of the South Bank, London and MBA – Middlesex University Business School, London. He is an Associate member of the Chartered Institute of Bankers ("ACIB"), London and is an Associate of the Institute of Financial Services, ("AIFS") London.

**Irene Otiike-Odibi – Company Secretary**

Irene is the Legal and General Counsel for the FBN Capital Limited. She has over 18 years of legal practice (with a particular bias for company and commercial law), Irene has worked in several of the top ten commercial law firms in Lagos including Olaniwun Ajayi & Co. from 1996–2000 and Aluko & Oyeboode from 2001–2003, where she gained extensive experience in project finance, capital market operations (particularly in collective investments), advising core investors in the privatization process, and mergers and acquisition.

She joined the Commercial Law Group of Adepotun, Caxton–Martins, Agbor & Segun as a Senior Associate in 2004 where she led various teams that conducted due diligence and provided advice to the firm's international clients in various sectors of the economy including telecommunications and banking. Until recently, Irene was the Corporate Counsel in First Funds Limited from 2006–2011, providing legal advice to the Company and served as Secretary to Board and Executive Committees. Irene holds an LL.B from the University of East–Anglia, Norwich in 1989 and was called to the Nigerian Bar in 1995. Recently awarded LL.M In Company and Commercial Law Queen Mary University of London.

**Employees**

The Issuer has no employees. The directors are directors of the Share Trustees. The Secretary of the Issuer is the Company Secretary of the Share Trustees.

**Indebtedness**

The Issuer has no indebtedness as at the date of this Shelf Prospectus other than that which the Issuer has incurred or shall incur in relation to the transactions contemplated herein.

**Material Contracts**

Apart from the Transaction Documents to which it is a party, the Issuer has not entered into any material contracts other than in the ordinary course of its business.

**No Material Adverse Change**

Since the date of the Issuer's incorporation, there has been no material adverse change, or any development reasonably likely to involve any material adverse change, in the condition (financial or otherwise) of the Issuer.

**Financial Information**

Since the date of incorporation, the Issuer has not commenced operations and no financial statements have been compiled or published as at the date of this Shelf Prospectus.

**Litigation**

The Issuer is not and has not been since its incorporation engaged in any litigation or arbitration proceedings which may have or have had during such period a significant effect on its respective financial position and, as far as the Issuer is aware, no such litigation or arbitration proceedings are pending or threatened.

### Introduction

FSDH Merchant Bank Limited (“FSDH” or “Sponsor”) formerly First Securities Discount House Limited is one of the first merchant banks to be awarded a license in Nigeria in this new era. First Securities Discount House Limited was incorporated in 1992 as the first discount house in Nigeria and it commenced operations in 1993 having as its core competence in the issuance and trading of Financial Securities. FSDH is owned by a diverse group of Financial Institutions, including The International Finance Corporation (“IFC”), UNICO CPFA Limited, Trust Fund PFA Limited (formerly NSITF), AICO Insurance and five Nigerian Banks namely: Stanbic IBTC Plc, Unity Bank Plc, Ecobank Nigeria Plc, Enterprise Bank Limited (formerly Spring Bank Plc) and Mainstreet Bank Limited (formerly Afribank Plc).

Over the years FSDH has operated as a primary dealer and market maker in Government Securities (FGN Bonds, and Treasury Bills). FSDH has also acted as an issuing house and trader in commercial securities, corporate Bonds, commercial bills, promissory notes and bankers’ acceptances and in November 2012, FSDH got the final approval from the Central Bank of Nigeria to exchange its Discount House license for a Merchant Banking license.

FSDH’s product offerings include:

- Financial Advisory and Corporate Finance (Debt and Equity)
- Short, Medium and Long Term Finance Facilities (Naira and US Dollars)
- Structured and Project Finance Facilities
- Foreign Exchange, Trade Finance and International Trade Services
- Securities Trading (Treasury Bills, Federal Government and State Government Bonds)
- Securities Creation and Trading (Corporate Bonds, Commercial Notes, Bankers Acceptances and Promissory Notes)
- Investment outlets for clients with excess liquidity
- Asset Management (Pension Funds, Gratuity Schemes, Unit trust Schemes etc).

Some of FSDH’s achievements are listed below;

- Started trading in bonds as far back as 1997 with investments in Federal Government Development Stocks under the book entry arrangement that existed at that time.
- Consummated the first secondary market Federal Government of Nigeria “FGN” Bond trading recorded on the floor of the Stock Exchange through the CSCS in August 2004.
- Pioneered the Open Buy-Back product in the Nigerian Financial Markets in 1993.
- Broker/Dealer for the first Open Market Operation of the Central Bank of Nigeria in 1993.
- Arranged the first secondary market transaction recorded for the 2<sup>nd</sup> FGN Bond Series between GTBank Plc and Access Bank Plc in April 2005.
- Consummated the first repo and outright sale transactions amongst the PDMMs with UBA in July 2006.
- Consistently ranked by the Debt Management Office (“DMO”) in the top five in secondary market FGN bond trading.
- Focused on and committed to partnering with government and corporate clients to expand the domestic debt markets.

## FSDH Group

The FSDH Group (“The Group”) consists of four companies all engaged in the provision of investment banking, fund and asset management services in different segments of the Nigerian financial markets. The group collaborates to provide holistic financial solutions based on superior products, product knowledge and specially tailored advice.

### Group Structure



## Key Financial Highlights

### Revenue (2008–2012)

Revenues generated from the core activities of the group are fees on financial services rendered to clients as well as brokerage and commission fees. The table below shows gross earnings generated from 2007–2012;

The steep increase in revenue in the year 2008 is as a result of the increase in interest rates due to inflationary pressures and an increase in management fees from the assets under management. Year on year inflation rose steadily from 4.8% in July 2007 to 12% in June 2008. The Monetary Policy Rate increased four times between June 2007 and June 2008 in order to curb inflation.



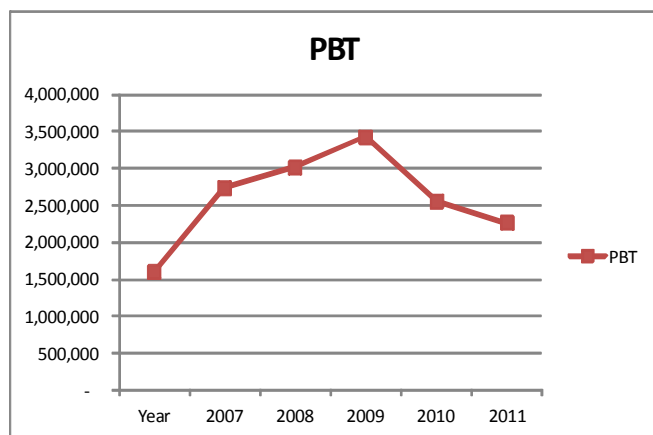
The sharp decline in the year 2009 was a result of the global financial crisis. During the financial year (June 2008–June 2009) inflation ranged between 12.5% p.a. and 15.1% p.a. falling short of Government’s target rate of 8.2% p.a. set at the beginning of 2008. The situation was further aggravated by the announcement of December 31 as uniform year end for all deposit money banks and discount houses as this led to a scramble



## DESCRIPTION OF FSDH MERCHANT BANK LIMITED

for deposits with tenors that would cross over the yearend. This drove rates as high as 30% p.a. In recent times, there has been an exponential growth in the gross revenues of the company.

### Profit before Tax (2007–2012)



The group achieved a profit before tax (PBT) of N2.27billion for the financial year ended 31 December 2012. This represents a decline of 11.46% from the position of N2.56billion for the year ended 31 December 2011. Profit after tax (PAT) attributable to the group was N3.186billion, which is 43.06% above the position of N2.23billion for the year ended 31 December 2011. This increase is accounted for by an income tax credit of N918m due to deferred tax assets resulting from the investment activities in fixed income securities.

The decline in the profit levels for the year ended December 2012 is the direct result of the restrictive monetary policy thrust of the Central Bank in 2012. This caused yields on fixed income securities, the major investing activity, to remain high for most part of the year, putting pressure on fixed income securities trading. This effect was however moderated with the inclusion of the FGN Bond in the JP Morgan Emerging Market Government Index (GBI-EM) in Q4 of 2012 which influenced demand and lowering of yields recorded in Q4 2012.

### Corporate Governance Report

Corporate governance in FSDH is based on the philosophy of building a structured organization, anchored on core values, with well defined systems and processes that are adaptive to changes in the environment and resilient enough to cope with succession at all levels. This philosophy has been the guidepost in navigating the organization through its various phases of growth. It has ensured stability for the company, even as the economy as a whole and the financial services industry, in particular, went through various cycles of boom and burst.

At FSDH, corporate governance is not just about adopting national and international codes of best practices – it is rooted in shared values and a culture that aims to bring out the best in the company's staff members. This culture is well articulated in a **"Culture Wheel"** and well known to all members of staff. The culture wheel defines who the FSDH person is in terms of personal attributes and relationship with stakeholders, especially the customer. It is anchored on five pillars which are High Performance, Customer Orientation, Learning, Collaboration, and Image Building. The interplay of these five pillars defines the Company and its way of doing business. It is reinforced by the company's Code of Conduct, the policies and procedures in place in the company, the examples set at the top by the Board and senior management, and the reward system.

The FSDH Culture serves as a powerful tool in shaping the company's control and risk management environment and has continued to play an important role in improving the governance system in the organization. It is the glue that binds all the stakeholders together and has resulted in the alignment of the external and the internal environments towards a common objective which is meeting and exceeding the needs of its customers. The Company's unique ownership structure has combined with a responsive board

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**DESCRIPTION OF FSDH MERCHANT BANK LIMITED**

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and has produced a highly empowered management and staff, resulting in a governance structure that promotes accountability and transparency throughout the whole organization.

Over the years, the Company has taken deliberate steps towards improving the structures. There are four Board Committees including the three Board Committees stipulated in the Central Bank of Nigeria (CBN) Code of Corporate Governance. Directors and staff are regularly trained and have continued to increase capacity in the key Departments involved in the governance process. The Company's Enterprise wide Risk Management Framework (ERM) provides the platform for the management of risks in the organization. The ERM is regularly reviewed and updated in line with changing business and operational circumstances. In addition, the company has set up a whistle blowing procedure and adopted a code of professional conduct for directors and members of staff. The whistle blowing procedure provides a confidential channel for stakeholders to report wrong doing, through hotlines and confidential email. Details are contained on the company's website: [www.fsdhgroup.com](http://www.fsdhgroup.com)

**Ownership**

FSDH has continued to be the result of a successful partnership between local banks and non bank financial institutions on one hand and offshore financial institutions on the other hand. This ownership structure makes FSDH unique in the country's financial services industry. At present, the shareholding structure consists of 2 foreign financial institutions (9%), 5 local banks (29%) and 7 local non-bank financial institutions (62%). One of the two foreign shareholders is the International Finance Corporation (IFC), i.e. the private-sector arm of the World Bank.

**The Board**

FSDH's Board is composed of experienced and knowledgeable professionals who have made their mark in key sectors of the economy. The Chairman heads the board. The position of the Chairman of the Board is separate from the position of the Chief Executive Officer and therefore both positions are not occupied by the same person. The board is composed of the Chairman, the Managing Director, 2 Executive Directors, 2 independent non-executive directors (who do not represent the interest of any shareholder), and a maximum of 8 other non-executive directors representing the interests of various shareholders. At least once a year, an evaluation of the effectiveness of the board is performed by an External Consultant, in line with the requirements of the CBN's Code of Corporate Governance. PricewaterhouseCoopers served as external Consultant for the performance appraisals of 2008 to 2010. However, following the appointment of the firm as external Auditors, KPMG Professional Services, an international advisory/consulting firm, was appointed the external consultant for the board performance appraisal from year 2011. The board has continued to receive good ratings on its effectiveness in the performance of its duties.

The Board has four standing committees comprising of the Audit Committee, the Risk Management Committee, the Credit Committee and the Nomination and Remuneration Committee. Together with the four committees, the Board provides effective oversight over the operations of the company. The duties of the board are:

- Determination of the company's strategic direction and business objectives necessary to ensure long term growth and sustained creation of value for customers
- Ensuring the existence of plans and policies for the achievement of the company's strategic business objectives
- The establishment of an effective risk management framework to identify, measure, and manage risks in the company
- The establishment of a good system of internal controls to ensure the integrity of financial reporting and compliance with laws and regulations

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**DESCRIPTION OF FSDH MERCHANT BANK LIMITED**

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- Fostering a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values
- Selection, compensation and monitoring of senior management staff and ensuring the existence of a good system of succession planning
- Approval of major capital expenditure, changes to the company's capital structure, annual budgets, changes to accounting policies and dividend policy

**The Board Committees**

The CBN's Code of Corporate Governance for banks and discount houses requires every bank or discount house to have at least three Standing Committees namely the Audit Committee, the Risk Management Committee, and the Credit Committee. Accordingly, FSDH has constituted the three Committees. In addition to the three Committees, FSDH has also constituted the Nomination and Remuneration Committee. The committees have the following terms of reference.

**The Audit Committee**

This is a statutory Committee and its duties are contained in section 359(6) of CAMA namely:

- Ascertaining whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices.
- Reviewing the scope and planning of the external audit
- Reviewing the findings of external auditors as contained in their management letter
- Reviewing the effectiveness of the company's system of internal controls.
- Making recommendations to the Board regarding the appointment, remuneration, and removal of external auditors
- Overseeing the activities of the Internal Auditor and authorizing him/her to carry out investigations into any activities of the company which may be of interest or concern to the Audit Committee.

The Audit Committee is made up of 4 members, one of which (the Chairman) is a representative of shareholders and is not a member of the Board. The Internal Audit Unit is independent of management and reports directly to the Audit Committee.

**The Risk Management Committee**

The Committee is made up of 4 members and its duties include:

- Approving and reviewing the Enterprise Wide Risk Management Framework
- Determining the risk areas that will be subject to regular review and to specify the frequency of review.
- Establishing of policies on risk oversight and management of the company
- Approving appointments/promotions of senior management staff, review of staff salaries, review of human resources policies and discipline
- Other assignments as may be given by the Board of Directors from time to time

The Risk Management Department, which is independent of the operating departments, presents regular reports to the Risk Management Committee.

**The Credit Committee**

The Credit Committee, which is made up of 5 members, has as its functions the following:

- Formulation of credit policies for the organization
- Review and approval of credit policies on a regular basis
- Approval of credit limits in accordance with the credit policies of the company

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**DESCRIPTION OF FSDH MERCHANT BANK LIMITED**

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- Approval of credits that exceed the Management's credit limits

The Risk Management Department also presents regular reports to the Committee.

**The Nomination and Remuneration Committee**

The Nomination and Remuneration Committee was constituted on the 30th of June, 2011. The Committee is made up of three non-executive directors, one of whom is an independent director. The terms of reference are:

- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its present position and make recommendations to the Board on any changes the Committee may deem necessary.
- Give full consideration to succession planning for directors and top management in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are needed on the Board in the future.
- Be responsible, subject to the Company's MemArt, for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise.
- Make recommendations to the Board on matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract.
- Make recommendations to the Chairman on the membership of other Board Committees, taking into consideration the skills, knowledge and experience required to function effectively in those Committees.
- Make recommendations to the Board for appointments and promotions of staff from the position of Assistant General Manager and above.
- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and Chairman. (To avoid conflict of interest, the remuneration for nonexecutive Directors shall be determined by the Chairman and the Executive Directors).
- Determine and agree with the Board the policy for the terms of employment of the Executive Directors.
- Reviewing and approving the remuneration structure for the Company.
- Review the ongoing appropriateness and relevance of the Company's Remuneration policies.
- Review annually the remuneration trends across the company and the industry in which the company operates with a view to ensuring that the Company remains competitive in order to retain and attract the right talents.
- Determine and agree policy for the reimbursement of the expenses of the Chairman and the Executive Directors.
- Ensure that the disclosures in the audited accounts regarding directors' remuneration are adequate and consistent with the requirements of the law.
- Review and approve the design and structure of all retirement benefit schemes.

**Management**

The management is charged with the day-to-day running of the company. It is headed by the Managing Director, who is also the Chief Executive Officer (CEO). He is supported by two Executive Directors and heads of departments. In addition, the company makes use of standing committees in the performance of certain key functions whose processes cut across different departments. The standing committees are as follows:

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**DESCRIPTION OF FSDH MERCHANT BANK LIMITED**

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**The Executive Committee**

The committee is made up of the Managing Director, the Executive Directors and all the Heads of Departments and the Branch Managers. This is the principal decision making organ of the company and the committee meets on a weekly basis.

**The Senior Executive Committee**

The Committee meets formally every six months to review performance appraisals and approve promotions. It also has exclusive approval powers for some types of expenditure. It is composed of the three most senior members of staff of the organization.

**The ALCO Committee**

The Committee, which meets weekly, is composed of all the heads of departments and key officers of the Business Units, Financial Control and Risk Management. The Committee makes decision on the structure and composition of the company's assets and liabilities and also sets the guidelines on interest rates.

**The Credit/Watch-list Committee**

The Committee meets monthly to consider and approve credits and also to review existing credits for performance and classification. The Managing Director, the Executive Directors, the Head of Risk Management Department, the Head of Financial Control Department, the Head of the Internal Audit Unit, and the Heads of the Business Units together with other key staff in the Business Units are members.

**The IT Steering Committee**

The Committee meets to discuss and make recommendations on major IT implementations and strategies. It meets whenever there is a major IT implementation in the company. All the Heads of Departments are members.

**Profile of Board of Directors****Mr. Osaro Isokpan – Chairman**

He started his banking career with the American Merchant Bank Limited (Bank of Boston affiliate) as a Relationship Officer in 1980. After 13 years of meritorious performance in the bank, he was made the Managing Director in 1993 and held the position till 2005. He has over Thirty years of banking experience. He is currently a Solicitor and Barrister of the Supreme Court of Nigeria and runs a private consultancy business.

He holds a 1975 Bachelors of Science Degree from the University of Nigeria, an LL.B (Hons) from the University of Lagos in 1989 and a B.L. (Hons) from the Nigerian Law School in 1991. He is an alumnus of Strathclyde, Stanford, and Harvard Business Schools and obtained an MBA (Masters in Business Administration), FMP (Finance Management Programme) and AMP (Advanced Management Programme) in the years 1979, 1983 and 1994 respectively from the three business schools. He has participated in several local and foreign professional banking courses.

**Mr. Rilwan Nosawaru Belo-Osagie – Managing Director**

Mr. Belo-Osagie is a founding member of staff of FSDH and was appointed the Managing Director and CEO in 1998 after serving as the General Manager and Chief Operating Officer for two years. He is a graduate of the renowned Imperial College of Science and Technology, London and Strathclyde University, Glasgow and holds a Master in Business Administration from the London Business School. Prior to joining FSDH, Mr. Belo-Osagie had worked with African International Bank Ltd and Chartered Bank Nigeria Ltd in managerial positions.

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**DESCRIPTION OF FSDH MERCHANT BANK LIMITED**

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For over twenty six (26) years now, Mr. Belo-Osagie has been a key player in the Nigerian Financial Market, especially in the Fixed Income Securities Market. He has served in the Nigerian Discount Market Association in several executive positions and was Chairman between 1998 and 1999. He also sits on the Board of Pensions Alliance Limited (a Pension Fund Administrator), a member of FSDH group where he is the current Chairman. Mr. Belo-Osagie, who is an alumnus of the prestigious Harvard Business School's Advanced Management Programme also attended several Executive Management programmes in banking at INSEAD and the Lagos Business School.

**Mrs. Hamda Ambah – Executive Director**

Mrs. Ambah holds an MSc in Management Science from the Imperial College of Science and Technology (1982) and a Bachelors degree in Computer Science from the University of Lagos, Nigeria (1980). She is a member of the Nigerian Chartered Institute of Stockbrokers and was awarded the 1999 IBTC award for the best examination candidate in Corporate Finance.

Prior to joining FSDH in 1993, Mrs. Ambah began her banking career at the International Merchant Bank (IMB) in 1982 and after 6 years moved on to work at Reuters Limited until she joined FSDH. Since joining as an Assistant General Manager with responsibility for the Corporate and Energy Group, she has moved up the Corporate ladder as her responsibilities grew to include Corporates (comprising multinational, middle tier corporations, telecoms and energy sector), Investors group (comprising Non-bank Institutional Investors and Private Clients) as well as the Port-Harcourt and Abuja Regional Offices. The Operations Group and the Human Resources and Administration Unit are also directly under her supervision.

In October 2009, having served as the General Manager for nine (9) years, Mrs. Ambah was appointed an Executive Director. She was also appointed to the boards of three subsidiaries of FSDH. These are: FSDH Asset Management (an Asset Management company), FSDH Securities Limited (Issuing House, Stock broking and Financial Advisory Services), and Pensions Alliance Limited (a Pension Fund Administrator). Mrs. Ambah is an alumnus of the Advanced Management Program at Insead, France and has attended a Senior Management Programme at the Witts Business School in South Africa.

**Ms. Olufunsho Olusanya – Executive Director**

Olufunsho Olusanya is the Executive Director in charge of Treasury and International Banking Division. She has over 20 years banking experience in diverse areas of Treasury, Securities Trading, Asset & Liability management, Retail Banking, Cash Management, Product Development, Management Control, and Research.

Olufunsho holds a a Bachelor of Science degree (B.Sc.) from the University of Lagos in 1988, Masters in Business Administration (MBA), majoring in Banking and Finance from Ogun State University in 2000 and a Masters of Science Degree (M.Sc) in Corporate Governance from Leeds Metropolitan University, United Kingdom in 2009. She is an alumnus of London Business School at the executive education level.

Prior to rejoining FSDH, Olufunsho was the Group Treasurer of UBA Plc where she was charged with developing an Integrated Treasury which was responsive to the Group's needs, profitable, focused on cost optimization with enhanced liquidity and good risk management practices (Basle II compliant). She was also responsible for formulating trading strategies, coordinating effective trading in the various domestic markets, seeking new markets and business opportunities, managing a portfolio of over \$19 Billion assets and institutionalizing the modalities for providing quality treasury services to the institution's diverse customers. She was also instrumental to the successful raising of over \$300 million tier 2 Capital for the Bank (the first ever in Nigeria).

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Olufunsho's experience in the Banking Industry and in major structured finance transactions prepared her fully for the current role as Executive Director in charge of Treasury and International Banking Division of FSDH, where she formulates and implements strategic business decisions of the Bank and positions the treasury division to be the most innovative and efficient treasury in the market.

**Dr. Myma Belo-Osagie – Non-Executive Director**

Dr. Myma Belo-Osagie, a Ghanaian by birth is married to a Nigerian and has practiced Law in Nigeria for many years. She is a Senior Partner in the Nigerian Law firm of Udo Udoma & Belo-Osagie and head of its Corporate and Investments Law and Energy & Natural Resources Departments. Her main areas of specializations are investments, corporate advisory, mergers and acquisitions, oil and gas and telecommunications' law. In over 21 years of practice, Dr. Belo-Osagie has advised both local and foreign organizations as well as project sponsors and lenders in both the upstream and downstream oil industry on a wide range of issues, in connection with projects proposed and/or executed in the Nigerian oil and gas sectors.

Dr. Belo-Osagie graduated from the University of Ghana in 1975 and was called to the Ghanaian Bar in 1977. She obtained her Masters of Law degree from Harvard Law School in 1978, after which she was called to the New York Bar in 1983 and the Nigerian Law School in 1984. She returned to Harvard Law School and attained her SJD doctorate in 1985. She is a founding member of the Telecommunications Lawyers Association of Nigeria, and was also one of the founding members of the Nigerian Economic Summit Group, which was set up on 1996. The Group was responsible for preparing an Economic Policy for Nigeria (the Vision 2010 Policy). She was also a member of the Federal Government Study Group that advised on the Monetization of the Public Sector Fringe Benefits in 1992.

**Mr. Vincent Omoike – Non-Executive Director**

Mr. Omoike is an Associate of the Chartered Institute of Bankers of London (1977) and a Fellow of the Institute of Chartered Accountants of Nigeria (1995). He started his career in banking in 1977 at the Central Bank of Nigeria where he started out as a Senior Supervisor and rose through the ranks to the position of Director, Banking Operations in 1997. As Director of Banking Operations, Mr. Omoike had direct responsibility for three major divisions; namely Banking, Public Debt and Payment Systems.

After twenty six (26) years of Service to the Apex Bank, Mr. Omoike retired in November 2003 and was appointed to the Board of FSDH in March 2007 as an independent Director. Prior to this, he was at various times on the boards of several financial institutions such as Nigeria Inter-bank Settlement Systems Plc (Chairman), Nigeria Social Insurance Trust Fund (2000), Continental Trust Bank (2004 – 2005), UBA Trustees (2006) and Societe Generale Bank (2006). He was also appointed by the Central Bank of Nigeria in November 2005 as Executive Chairman of the defunct Assurance Bank of Nigeria Limited. Apart from being an independent Director in FSDH, Mr. Omoike is also involved in a number of other Private Sector activities amongst which is the Operation of a UAC Foods Mr. Bigg's Franchise.

**Mr. Dan Agbor – Non-Executive Director**

Mr. Dan Agbor is the Managing Partner in the prestigious law firm of Udo Udoma & Belo-Osagie and his area of specialization is law relating to banking and finance. He attended the University of Calabar where he obtained a degree in Political Science in 1983 and Master in Public Administration (MPA) in 1984. He also attended the University of Benin where he obtained a Bachelor of Law Degree in 1985. Mr Agbor attended the Nigerian Law School and was admitted to the Nigerian Bar as a Barrister and Solicitor of the Supreme Court of Nigeria in 1986. He has advised on a wide range of matters including Nigeria's earliest Global Depository Receipt Programme, its first independent power project, the establishment of Nigeria's first Discount House, Nigeria's first Eurobond transaction and the structuring of an international debt fund that is listed on the

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Nigerian Stock Exchange. He has also assisted a power sector regulator with the drafting of captive power regulations for that sector. He worked in the Corporate Finance Department of Citibank (known at the time as Nigeria International Bank).

Mr. Agbor was the co-head of the team that advised Stanbic IBTC Bank on the optimal structure to adopt in order to comply with the regulations issued by the Central Bank of Nigeria that have restricted the ownership by banks of non-banking subsidiaries. He also led the team that advised Ecobank Transnational Incorporated on its acquisition of Oceanic Bank International Limited, and the subsequent merger between Oceanic Bank and Ecobank Nigeria Limited. Mr. Agbor delivers and publishes articles across his practice areas, including papers on banking, secured credit transactions, the Nigerian Debt Conversion Programme, Global Depository Receipts, Foreign Investment, International Joint Venture Agreements and Guarantees. He chairs and serves on the boards of various companies including FSDH Securities Limited, a subsidiary of First Securities Discount House Limited.

**Mrs. Muhibat Omobolanle Abbas – Non-Executive Director**

Mrs. Abbas holds a B.Sc. Business Administration degree of the University of Lagos in 1982 and is a fellow of the Chartered Institute of Accountants of Nigeria (1987). She is currently the Managing Director of UNICO CPFA Limited. The Company is in charge of the administration of the Pension Schemes of UAC of Nigeria Plc's, its subsidiaries and associated companies.

Mrs. Abbas started her career in UAC in 1988 when she joined Bordpak Premier Packaging, a division of UAC Plc. She was later appointed Commercial Director, UAC Foods and by 2000, Group Treasurer of UAC Plc. Mrs. Abbas was appointed Managing Director of UNICO CPFA Limited in September 2006, a position she currently holds. She was appointed to the board of FSDH in 2006 where she is also a member of both the Credit and Remuneration Committee of the Board.

**Mr. David Sobanjo – Non-Executive Director**

Mr. Sobanjo holds a B.Sc. degree in Actuarial Sciences and a M.Sc. in Business Administration (General Management) from the University of Lagos in 1981 and 1995 respectively. He also holds a Master degree in Business Administration (Marketing) from Enugu State University of Science and Technology in 1999. He was an Officer at the Pension and Insurance Department of Union Bank of Nigeria Plc and Executive Assistant, SCIB Nigeria & Co. He rose from the position of Manager to General Manager, Glanvill Ethoven Life and Pension Consultants. He was Managing Director, Highgate Insurance Brokers Limited, Deputy General Manager Life Operations, AllCO Insurance Plc, Managing Director/Chief Executive, African Alliance Insurance Company Limited before assuming his present position as Managing Director/Chief Executive, AllCO Life Insurance. He holds the membership of the Chartered Insurance Institute of London and Membership of the Nigerian Institute of Management.

**Mr. Olufemi Agbaje – Non-Executive Director**

He is a Chartered Accountant with over 30 years of experience in Audit and Banking. He is a 1990 Fellow of the Chartered Association of Certified Accountants, United Kingdom. He obtained a degree in B.A History & Political Science from the University of Ife in 1979.

He started his working career as a consultant with Peat Marwick Casselton Elliot & Co., Lagos in 1979 as an Audit Trainee and began his career in the Financial Services Industry with the Nigeria – American Merchant Bank in 1986 as an Assistant Manager, Corporate Banking. He was the Managing Director of Industrial & Capital Markets Development and Midas Merchant Bank between 1993 to 1996 and 2002 to 2006



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respectively. He is currently the Group Chief Financial Officer of a major Fertilizer Company, a position he assumed in 2007.

**Mr. Bello Garba – Non-Executive Director**

He began his career with the New Nigerian Development Company Limited (NNDC) Kaduna, (a Development Financial Institution) as Assistant Financial Executive between 1978 and 1979. Prior to joining the Kaduna North branch of United Bank for Africa Plc (UBA) in 1983, he worked with the NTA Kaduna Zone D Zonal Headquarters from 1980 to 1983. Due to his outstanding performance at UBA, Bello Garba rose to the position of Acting Managing Director/Chief Executive between June 2005 – September 2005. Prior to this time, he was the Executive Director, Wholesale Bank Group, Retail Bank Group and Head North Bank between 2003 to 2004, 2004 to 2005, and 2005 to 2007 respectively. He was actively involved in all the turnaround activities in UBA from 1995 up to the time of his voluntary retirement.

He started his academic pursuit with the Kaduna Polytechnic in 1975 to 1978 and obtained a Diploma Certificate in Accounting. He also obtained a Masters Degree in Banking and Finance from the Nnamdi Azikiwe University, Akwa in 2002. He is a Professional Accountant and Chartered Banker with over 35 years of working experience. He became an Associate member of the Institute of Financial Accountants, UK in 1980 and is currently a Fellow of the Institute. He is also an alumni of INSEAD, Fountainebleau, Paris (a leading European Business School) 2004 and the prestigious Harvard Business School in Boston, USA in 2006.

**Profile of Management and Key Staff****Mr. Bamidele Ojo – Chief Financial Officer**

Bamidele Ojo is the Chief Financial Officer of FSDH Merchant Bank Limited. Prior to joining FSDH in May 2007, Mr. Bamidele Ojo was an Assistant Bank Examiner with the Banking Supervision Department of the Central Bank of Nigeria (CBN) from 2003 to 2007. In this role, he was responsible as part of the team of examiners charged with the responsibility of supervising various commercial banks under the team's purview in order to ensure the soundness and smoothness of the financial system. He also worked in National Bank of Nigeria (now part of Wema Bank Plc) from 2000 to 2003 with responsibilities covering the areas of Corporate Banking, Loans Administration, Financial and Regulatory Reporting; Performance Management and Reporting and Fixed Assets Administration.

Mr. Bamidele Ojo holds a Higher National Diploma qualification in Accountancy from the Federal Polytechnic, Ilaro (1998) and also a Bachelor of Science degree in Applied Accounting from Oxford Brookes University, United Kingdom (2003). He is an Alumnus of Edinburgh Business School of Heriot-Watt University, Edinburgh, UK where he graduated with an MBA in Strategic Planning in 2007. He is a graduate of the Senior Management Program (SMP) of the Lagos Business School (LBS) of the Pan African University, Lagos, Nigeria. Bamidele Ojo is a Fellow of Association of Certified Chartered Accountants (ACCA) UK and an Associate of Institute of Chartered Accountants of Nigeria (ICAN).

**Mr. Robert Ajiamah – Chief Risk & Compliance Officer**

Mr. Ajiamah is the Chief Risk and Compliance Officer. In this capacity he is responsible for ensuring FSDH's business growth plans are supported by an efficient risk management function that helps Board and Management improve the control and coordination of risk taking across the group. He is also accountable for establishing, implementing and maintaining sound compliance risk management practices in all aspects of the business and ensuring that business is conducted in accordance with applicable statutory, regulatory and supervisory requirements.

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He has over two decades of banking experience in Credit, Treasury, Marketing, Public Sector and Risk Management. He was the pioneer Manager of our Abuja Regional Office and the Head of Public Sector. Mr. Ajiamah was responsible for introducing the unique discount house bouquet of service offerings to both High Net Worth individuals and government agencies in the Federal Capital and its environs. He is a graduate of the University of Ife (now Obafemi Awolowo University – 1985), University of Lagos and Othman Danfodio University, Sokoto (Bsc. Political Science – 1982). Prior to joining FSDH in January 1998, he had worked with several financial institutions including United Bank for Africa (UBA – 1986– 1987) and Ecobank in Senior Treasury Management positions (1989 – 1991). Mr. Ajiamah holds a Masters degree in International Relations and an MBA. He is also an alumnus of INSEAD, Fontainebleau France (2008), and the Lagos Business School (2001) where he is the class President for SMP 15.

**Richard C. Osuagwu – Head, Internal Audit**

Mr. Osuagwu heads the Internal Audit Department of FSDH. He is a Chartered Accountant and a graduate of IESE (Spain) Executive MBA programme of the Lagos Business School (1998). He joined FSDH in 1994 and has worked in both Operations and Financial Control Departments of the company. He was the Financial Controller prior to his appointment to head the Internal Audit Department. Before joining FSDH he worked as a Senior Accountant at SCOA Nigeria Plc (Equip Division (1990–1993).

**Ms. Stella-Marie Omogbai – Head, Corporate and Investment Banking Group**

Ms. Omogbai heads the Corporate and Investment Banking Group of FSDH. Ms. Omogbai has over 21 years banking experience. Prior to this, she was the Head Energy Group and deputized for the Head, Corporate Bank at Keystone Bank Limited (previously Bank PHB) (2007 – 2012). She had oversight functions over key corporate relationships in Energy, Power, Aviation and Transportation sectors. She has also worked in several financial institutions including Magnum Trust Bank Limited (now Sterling Bank) (1992–1996), Access Bank Plc (1998–2000), Lead Merchant Bank Limited (2000–2006), United Bank of Africa Plc (2006), Ecobank Plc (2006–2007), Bank PHB Plc (now Keystone Bank Limited (2007–2012) with the latter 5 in Senior Management positions.

She is a graduate of the University of Benin (1989) where she obtained a Bachelor's Degree in Law, the Nigerian Law School (1990) and a Masters in Business Administration from the University of Wales (Holborn College), United Kingdom (2005).

**Ms. Olufola Wiltshire – Head, Human Resources & Administration**

Ms. Wiltshire heads the Human Resources and Administration Department. She is an alumnus of the Kings College, University of London (1987) as well as the Lagos Business School (2004); having attended the Senior Management Programme (SMP). Prior to joining FSDH, She was with the Nigerian American Merchant Bank NAMBL (1990–94). She has a career background in Credit Analysis and Marketing, Credit Administration and Risk Management.

**Mr. Gibson U. Mba – Head, Information Technology**

Mr. Mba heads the Information Technology function of FSDH. He obtained his B. Sc. in Computer Science from the University of Nigeria, Nsukka (1987), his MBA from Enugu State University of Science and Technology (1998) and completed his M. Sc in Information Technology (Information Security Concentration) from the University of Liverpool, England in 2011. He also attended the Senior Management Programme (SMP) of the Lagos Business School (2005). Prior to joining FSDH in 1993 as its pioneer Head of I.T., Gibson worked briefly in the Information Technology Unit of Diamond Bank (1992–1993). He joined Diamond Bank from International Computers Ltd (ICL), where he worked for more than three years as senior technical support personnel (1990–1992). Over a period of 20 years that Gibson has worked for FSDH, he has supervised the

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successful implementation of many cutting-edge technology projects including two core banking applications and an ERP.

#### **Mr. Babatunde A. Obidare – Head, Operations**

Mr. Obidiare heads the Operations department. He is an alumnus of the University of Benin (1989), a Chartered Accountant and Certified Documentary Credit Specialist. Prior to joining FSDH, Tunde had extensive experience in banking operations, process improvements and Internal Controls with Citibank Nigeria, Stanbic IBTC Bank and Standard Bank of South Africa.

## **RISKS AND MITIGATING FACTORS**

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*The following section does not describe all the risks of an investment in the Bonds. Before making any investment decision, prospective investors should carefully read this Shelf Prospectus in its entirety, including the risk factors set out below.*

### **Independent Review and Advice:**

*Each prospective investor in the Bonds must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Bonds is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Bond. A prospective investor may not rely on the Issuer(s) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Bond or as to the other matters referred to above.*

### **Legality of Purchase:**

*Neither the Issuer, the Book Runners nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Bonds by a prospective investor of the Bonds, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.*

## **General Risks Relating to the Bond**

### **Modification, waivers and substitution:**

The conditions of the Bonds contain provisions for calling General Meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders including Bondholders who did not attend and vote at the relevant General Meeting and Bondholders who voted in a manner contrary to the majority.

### **Credit ratings may not reflect all risks:**

The Bonds will be assigned a rating by Augusto & Co. Limited, and or any independent rating agencies may decide to rate the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### **There is no established trading market for the Securities:**

There may not be an active trading market for the Securities when issued and if such a market does develop, it may not be very liquid. Therefore, Investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. However an over the counter market exists for state government and corporate bonds, and the continuous development and deepening of the Bonds market will help ensure that the Bonds have liquidity.

**Risks Relating to Nigeria****Political and regional instability in the Niger Delta region:**

Oil exports constitutes the major source of government revenue to Nigeria and Nigeria's major oil producing area is the Niger Delta region. Up until recently, there have been various political disturbances and intermittent security incidents in the Niger Delta region which substantially affected the country's oil production. This disruption if it resurges, could adversely affect oil production and economic activity in the main oil producing region of Nigeria. Although, the political and regional instability in the Niger Delta region has had a material adverse effect on investment and confidence in, and the performance of, the Nigerian economy, the Federal Government has embarked on a number of initiatives to address the instability and unrest in the region. Part of these initiatives include granting unconditional amnesty to former militants who surrendered their armory.

The worsening security situation in northern Nigeria carries substantial political and policy risks to the Nation. The Boko Haram crisis reinforces policy stasis, weakens President Jonathan's political standing (and capital) and accelerates expectations of broader downside risks materialising. Policy-wise, the security crisis and ongoing power struggle between President Jonathan and governors reinforces scepticism about fuel subsidy cuts this year or the smooth operation of a robust Sovereign Wealth Fund (SWF) that can safeguard oil revenue heading into the 2014/15 election cycle. The political and security dynamics further complicate passage of the Petroleum Industry Bill (PIB) this year, which looks increasingly unlikely despite enormous opportunity costs for industry, oil-fuelled growth and government revenues.

**Risks related to the economic stability of Nigeria:**

The Nigerian economy slowed down from 6.99% growth in Q4 2012 to 6.6% in Q1 2013. The oil sector continues to drive the economy, with average growth of about 8.0%, compared to -0.35% for the non-oil sector. Agriculture and the oil and gas sectors continue to dominate economic activities in Nigeria. The fiscal consolidation stance of the government has helped to contain the fiscal deficit below 3.0% of gross domestic product (GDP). This, coupled with the tighter monetary policy stance of the Central Bank of Nigeria (CBN), helped to keep inflation at around 9.0% in 2013. The outlook for growth remains positive. Short and mid term downside risks include security challenges arising from religious conflict in some states, costs associated with flooding, slower global economic growth (particularly in the United States and China) and the sovereign debt crisis in the euro area.

The economic growth has not translated into job creation or poverty alleviation. Unemployment increased from 19.7% in 2011 to 23.9% in 2012 because the sectors driving the economic growth are not high job-creating sectors (the oil and gas sector, for example, is a capital intensive "enclave" with very little employment generating potential). The major policy issue is employment generation, particularly among the youth, and inclusive growth.

The economic growth was not accompanied by a structural change of the Nigerian economy. The economy lacks diversification and agricultural production lacks modernisation. To address this, the government is encouraging the diversification of the Nigerian economy away from the oil and gas sector. It is addressing the infrastructure deficit in the country and the development of the agricultural sector through modernisation and the establishment of staple-crop processing zones, with the value chain model to provide linkages to the manufacturing sector.

### **Global prices of oil have a significant impact on the Nigerian economy:**

The Nigerian economy is almost solely dependent on its oil sector which accounts for 95% of the country's total export earnings. Any changes in oil production or global price of oil will have wide reaching impact on all other sectors of the Nigerian economy. The present administration remains committed to economic reforms aimed at diversifying Nigeria's economy and increasing macroeconomic stability whilst promoting a private sector market-driven economy. In addition, the government's annual budget is pegged at a rate lower than the average trading price of crude oil. This reduces the country's exposure to the volatility in oil price.

### **Emerging markets such as Nigeria are subject to greater risks than more developed markets, and financial turmoil in any emerging market could cause the price of the Securities to decrease:**

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with investing in emerging markets. Investors should also note that emerging markets such as Nigeria are subject to rapid change and that the information set forth in this Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity markets of all emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Nigeria and adversely affect the Nigerian economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Nigerian economy remains relatively stable, financial turmoil in any emerging market country could adversely affect the Issuer's business, as well as result in a decrease in the price of the Securities.

### **Risks Relating to the Issuer**

#### **The Issuer is a special purpose entity with no operations or significant assets:**

The Issuer is a restricted purpose entity incorporated as a public limited liability company and domiciled in Nigeria. The Issuer has no operations, staff and no significant assets other than the bonds. The Issuer is a funding special purpose vehicle of FSDH Merchant Bank Limited with no business operations (or subsidiaries) of its own, other than borrowing, advancing funds to, and receiving funds from FSDH Merchant Bank Limited.

#### **Change in Law**

The Terms and Conditions of the SPV are based on Nigerian law in effect as at the date of this Shelf Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Nigerian law or the official application or interpretation of Nigerian law after the date of this Shelf Prospectus.

#### **Repayment Risk**

There is likelihood that the Issuer may not be able to repay outstanding Principal and Interest on the bond on a payment date.

### **Risks and Mitigating Factors of the Sponsor**

The following is a description of the risk factors which are material in respect of the financial situation of FSDH. The sequence in which they are listed is not an indication of their likelihood of occurrence or the extent of their commercial consequences. The following statements are complete but not exhaustive, thus prospective investors must consider all of the information provided in this prospectus.

### Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Examples of these risks and their associated losses include: rogue trading, fraud/forgery, settlement failures, inappropriate sales practices, poor accounting processes, lapses in financial control, and legal settlements involving significant payments for losses alleged to have been caused by the financial institution.

### Mitigating Factors:

The key principles of operational risk management at the FSDH Merchant Bank Limited (FSDH) are as follows:

- i. The existence of standards for defining, evaluating, measuring, monitoring and reporting operational risks through an integrated operational risk management framework;
- ii. Decentralised ownership of operational risks into the business units;
- iii. Centralised operational risk coordination function; and
- iv. Ensuring the responsibility of the business units include prompt accurate and complete reporting of operational risk/loss through the operational risk reporting system.
- v. FSDH's success depends on its highly skilled, well trained and motivated workforce in addition to its overall growth strategy which includes the adoption of the merchant banking business model. FSDH aims to continue to attract and retain the best talents in the industry and operates an effective employee succession plan. Notwithstanding, with competition, the likelihood of losing key personnel cannot be ruled out.

### Credit Risk

As a financial institution that engages in creation of risk assets, trading in government and financial securities such as treasury bills, bond, commercial papers, bankers' acceptances and promissory notes, FSDH Merchant Bank is exposed to credit risk, through the lending and trading activities.

FSDH Merchant Bank may incur a loss if a borrower, trading counterparty (such as a bank, corporate or sovereign) or an issuer of securities or other instruments that the Group holds if it fails to perform under its contractual obligations or upon a deterioration in the credit quality of third parties whose securities or other instruments FSDH holds. The credit risk may be either a default or downgrade risk.

### Mitigating Factors

- i. FSDH Merchant Bank adheres to the process for conducting rigorous screening, detailed credit risk analysis, risk rating and approval. FSDH analyses every credit request in order to determine the credit worthiness of the customer and the ability of the customer to fulfil the loan obligations. The Risk Management Department conducts the assessment of the credit-worthiness of the customer:
- ii. All credit requests are rated using FSDH's risk rating model. Credit risk rating is a grade assigned to a loan or a group of loans reflecting its quality. It is categorised into customer risk rating and facility risk rating.
- iii. To minimise the risk of credit loss to FSDH in the event of a decline in quality or delinquency, FSDH ensures that all credit exposures have appropriate collateral. Security documents are reviewed to ensure the continuous enforceability of contracts, collateral and guarantees.
- iv. FSDH regularly conducts stress analysis of its credit portfolio to reveal previously undetected areas of potential credit risk exposure that could arise in times of crisis. Stress testing shall be in two categories: scenario testing and sensitivity to stress testing.

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**RISKS AND MITIGATING FACTORS**

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- v. FSDH risk management framework ensures that concentration risk is reduced to its barest minimum. This is achieved by setting limits to sectoral or industry exposure in its loan books.

**Liquidity Risk**

This is the risk that FSDH would be unable to meet its obligations as they become due. This may arise where the cushion provided by liquid assets is not sufficient to meet outstanding obligations. It may be triggered by consequences of other financial risks like credit risk and market risk such as interest rate risk, foreign exchange risk and security price risk.

**Mitigating Factors**

The Bank's strategies for the management of liquidity risk are as follows:

- i. Maintaining a well-defined asset and liability mix – This shows the proportion of each asset and liability component that the institution shall hold at all times;
- ii. An unrestricted access to financial markets to raise funds – Management ensures that FSDH has sufficient and unhindered access to funding from a range of sources in the financial market.
- iii. Diversification and maintenance of a well-diversified and stable funding base – This requires a clear definition of the maximum levels of funding concentrations in terms of volume and sector. Specifically, limits are set for each source of funds in order to avoid undue reliance on large individual depositors.
- iv. Maintenance of a sufficient stock of liquid assets without impinging profitability – strike an adequate balance between liquidity and profitability by ensuring that adequate liquid assets are maintained. We ensure that it meets CBN's minimum liquidity ratio at all times.
- v. Limits on maturity mismatches. The Group shall specify the limits to maturity mismatches in its books.
- vi. Establishment of market triggers – Market triggers are internal or external market or economic factors that may indicate a change in liquidity or ability to raise funds from the market. FSDH's Asset and Liability Management Committee (ALCO) approves the market triggers as part of the bank's funding and liquidity plan.
- vii. Establishment of strong and long lasting relationships with fund owners depositors and other liability holders.
- viii. Communication of the liquidity risk objectives and control limits to all relevant staff members.
- ix. Conducting regular weekly ALCO Meetings.

**Market Risk**

FSDH actively trades in money market instruments such as treasury bills, bonds, commercial papers and bankers acceptances. The Group holds all forms of securities for both trading and banking purposes. The trading book represents instruments that are actively traded by the group and therefore subject to volatilities in market factors. The banking book represents instruments that are held primarily till maturity and therefore create risk for the Group as a result of a mismatch between maturing assets and liabilities.

**Mitigating Factors**

In order to minimize possible losses in capital and earnings arising from volatilities in market factors, FSDH ensures that a sound framework is in place for managing market risk.

**Interest Rate Risk Mitigation and control**

- i. FSDH seeks to protect its Net Interest Margin from fluctuations in interest rates by establishing limits for interest rate risk. The bank uses the interest rate risk limits for setting



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**RISKS AND MITIGATING FACTORS**

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- boundaries for the level of interest rate risk it is capable of accepting. The limit system also ensures that positions that exceed certain predetermined levels are escalated to ALCO and Senior Management for necessary attention.
- ii. All limit exceptions must be approved by ALCO in advance. No limit exceptions shall be granted where there is already a breach of specified limits. All exceptions granted must be reported by the Treasury Department to the Risk Management department, as they are approved. The ALCO will review material and/or frequent limit exceptions at its meetings.

**Foreign Exchange Risk:**

This is the risk of losing earnings and capital arising from adverse movements in foreign exchange rates.

**Mitigating Factors**

FSDH seeks to control and manage its exposure to foreign exchange risk through the establishment of key foreign exchange risk indicators and limits. The following key limits are established to aid the control of foreign exchange risks: Net open position limit; Open foreign exchange position ratio; Dealing and dealers' limits; Overnight position limit by currency and for all currencies combined; intra-day limits; single currency limits; maturity gap limits; stop loss/take profit limits, value at risk limits and counterparty limit.

**Political Risks**

Nigeria is an emerging democracy, and is not completely immune from the normal uncertainties attached to the development of democracy. Political instability, election crisis and other related crisis may destabilize the micro and macro-economy which may have adverse impacts on FSDH Merchant Bank's business. Although FSDH has no control over the risks related to political instability, the current administration is doing all it can to curtail any problem in the country that can have any adverse impact on the economy.

**Environmental Risks**

FSDH operates in compliance with all applicable environmental standards/regulations. FSDH is also a signatory to the CBN's Sustainable Banking Principles, which seeks to avoid, minimize or offset the negative impacts of business operations on the environment and communities in which FSDH operates.

**2.0 APPOINTMENT OF TRUSTEE AND DECLARATION OF TRUST**

- 2.1 The Trustee is hereby appointed as the representative of the Bondholders in accordance with the provisions of this Deed and will hold the benefit of the covenants herein for the Bondholders and itself in accordance with this Deed.
- 2.2 Any sums received by the Trustee whether as principal or interest or otherwise from the Issuer shall be received by the Trustee on trust to apply same towards indemnities, costs and charges in accordance with this Deed and thereafter apply the remainder in accordance with the rights of each Bondholder as set out in this Deed and the relevant Series Trust Deed.
- 2.3 The trust created herein shall be a continuing obligation and shall be of full force and effect until terminated in accordance with the provisions of this Deed, the provisions of which shall be binding on the Issuer, the Trustee and the Bondholders and all persons claiming through them respectively as if such Bondholders and persons are parties to this Deed.

**3.0 ACCEPTANCE OF TRUST**

- 3.1 By execution hereof, the Trustee has accepted and agreed to be bound by the powers, duties and obligations of the Trustee specifically set forth herein or under the ISA, the Trustees Act and CAMA.
- 3.2 The Trustee shall have no duty, responsibility or obligation for the issuance of the Bonds or for the validity or exactness thereof, or of any document relating to such issuance.
- 3.3 The Trustee shall have no duty, responsibility or obligation for the payment of Bonds except in accordance with the terms and provisions hereof or any agreement to which they are party.
- 3.4 Prior to an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee shall not be liable except for the performance of such duties as specifically set down herein.
- 3.5 The Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Trustee's gross negligence and/or willful misconduct.
- 3.6 The duties and obligations of the Trustee shall be determined solely by the express provisions hereof, and no implied powers, duties or obligations of the Trustee, save as mandated by the ISA, and the Trustees Act, shall be construed into this Deed.
- 3.7 Upon the occurrence of an Event of Default, the Trustee shall subject to the provisions of this Deed, exercise such rights and utilise such powers vested in the Trustee under this Deed and the ISA and shall use the required degree of care and skill in the exercise of its duties.
- 3.8 The Trustee shall not be required to expend or risk its own funds or otherwise incur any liability in the performance of its duties or in the exercise of its rights or powers as Trustee, except such liability as may result from the Trustee's gross negligence, general breach of trust and willful misconduct.

- 3.9 The Issuer shall pay to the Trustee any extra costs and expenses properly incurred in the negotiation, preparation and execution of this Deed and any other document relating to any of the foregoing or constituted by this Deed (in each case including legal fees and stamp duties) and all value added tax and similar taxes charged or chargeable in respect thereof.
- 3.10 The Issuer shall indemnify the Trustee and keep it indemnified against all liabilities, and reasonable costs, claims, demands, charges and expenses (including in each case value-added tax and any similar tax charged or chargeable in respect of such costs, charges and expenses to which the Trustee becomes subject) by reason of being the Trustee or properly incurred by it or by any person appointed by it in accordance with this Deed to whom any right may be delegated by it in the execution of the rights vested in it by this Deed and in respect of any matter or thing done or omitted in any way relating to this Deed except to the extent that any of the above are sustained or incurred as a result of the negligence or willful misconduct of the Trustee.
- 3.11 Notwithstanding any other provisions hereof, the Trustee shall have no liability for
- (a) an error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; or
  - (b) any action taken or omitted to be taken by it in good faith in accordance with the lawful direction of the holders of not less than a majority in principal amount of Bonds then outstanding.

#### **4.0 OBLIGATIONS OF ISSUER**

- 4.1 The Issuer may issue Bonds from time to time in one or more series in an aggregate nominal amount not exceeding the Programme Limit through public offering, book building, private placement or any other methods approved by the SEC. The specific terms of each Series will be supplemented where necessary with supplemental terms and conditions as may be deemed necessary.
- 4.2 It shall be an obligation of the Issuer to appoint a Registrar for the efficient administration of the Bond. Accordingly, the Issuer confirms that it has, *vide* a letter of instruction dated the 30<sup>th</sup> day of April, 2013, appointed First Registrars Nigeria Limited as the Registrar for the purposes of the Bonds and said appointment has been duly accepted by the Registrar.
- 4.3 The Issuer covenants and agrees that:
- 4.3.1 Until the entire Bond shall have been redeemed, the Issuer shall pay to the Trustee in the Designated Account, for immediate direct credit to the Bondholders through the Registrar, coupon as and when due on the outstanding balance of any Series of the Bond at the rate stipulated in the applicable Series Trust Deed.
  - 4.3.2 Coupon shall be payable periodically in each year in which the Bond remains outstanding. The Issuer shall ensure that all payments due to the Bondholder shall be paid as and when due in accordance with the applicable Series Trust Deed. It will ensure the fulfillment of its obligations towards the Coupon payment and principal repayment to the Bondholders and every payment to the Bondholders shall in respect of the principal, coupon or premium (if any), on the Bond operate in satisfaction *pro tanto* of the covenants of the Issuer contained in this clause as they relate to the Bond.

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- 4.3.3 Every payment of principal, Coupon or premium (if any), of and on the Bond shall be made free of all costs, commissions, charges, fees, or other payments or deductions, other than any tax on income which the Issuer may by prevailing Nigerian law be required to deduct.
- 4.3.4 It shall faithfully perform at all times, any and all covenants, undertakings, stipulations, and provisions on its part to be performed as provided in this Deed and in the relevant Series Trust Deed for every issue of Bonds or Series executed and delivered hereunder and in all proceedings of the Issuer pertaining thereto.
- 4.3.5 It shall pay the Trustee such fees as may be agreed between the Parties, and reimburse the Trustee for all agreed reasonable and proper out of pocket costs and expenses as it may incur in connection with the performance of its duties under this Deed including the agreed costs for convening and holding meetings of Bondholders.
- 4.3.6 It shall advise the Trustee upon the occurrence of an event which it is aware constitutes a Force Majeure Event, the steps being taken and proposed to be taken in relation to such event and the date on which the Force Majeure Event impedes the Issuer's ability to discharge its obligations under this Deed or in relation to the Bonds.
- 4.3.7 So long as any of the Bonds remains outstanding, the Issuer shall:
- a) at all times carry on and conduct its affairs in a proper and diligent manner;
  - b) ensure that the rating of the Bonds is renewed annually by a rating agency duly registered with the SEC;
  - c) give or procure to the Trustee such opinions, certificates and information as they shall require and in such form as they shall reasonably require for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in them under this Deed by operation of law;
  - d) keep all books of account and allow the Trustee and any person appointed by the Trustee to whom the Issuer shall have no reasonable objection, free access to such books of account at all reasonable times during normal business hours;
  - e) send to the Trustee (in addition to any copies to which the Trustee may be entitled as holders of any securities of the Issuer) two copies of every report, circular and notice of general meeting and every other document issued or sent to its shareholders within 10 (ten) Business Days after the issue or publication thereof;
  - f) forthwith give notice in writing to the Trustee of the coming into existence of any security interest which would require any security to be given to the Bonds pursuant to the applicable Series Trust Deed or of the occurrence of any Event of Default or any Potential Event of Default;
  - g) send to the Trustee true copies of every financial report (including its annual accounts, semi-annual accounts and quarter accounts) sent to the Nigerian Stock Exchange and the SEC not later

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- than one hundred and eighty (180) days after the end of each financial year and thirty (30) days after the end of each half year and financial quarter respectively;
- h) at all times ensure that the Registrar maintains a Register in accordance with the Conditions;
  - i) use its best endeavours to maintain the quotation or listing on the relevant Stock Exchange of those of the Bonds which are quoted or listed or, if it is unable to do so having used such endeavours, use its best endeavor to obtain and maintain a quotation or listing of such Bonds on such other stock exchange or exchanges or securities markets or markets as the Issuer may decide and also upon obtaining a quotation or listing of such Bonds issued by it on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to this Deed as the Trustee may require or as shall be requisite to comply with the requirements of any stock exchange or securities market;
  - j) give notice to the Bondholders, the Trustee and the SEC of the appointment, resignation or removal of the Registrar (other than the appointment of the initial Registrar) at least thirty (30) days prior to such event taking effect; provided always that so long as any of the Bonds remain outstanding in the case of the termination of the appointment of the Registrar no such termination shall take effect until a new Registrar has been appointed by the Issuer on terms previously approved in writing by the Trustee;
  - k) send to the Trustee not less than ten (10) days or such other shorter notice period as may be agreed by the Trustee and the Issuer prior to which any such notice is to be given, the form of every notice to be given to the Bondholders and obtain the prior written approval of the Trustee and to promptly give the Trustee two (2) copies of the final form of every notice to be given to Bondholders;
  - l) in order to enable the Trustee ascertain the nominal amount of the Bonds of each Series for the time being outstanding, deliver within ten (10) Business Days upon being so requested in writing by the Trustee, a certificate in writing signed by two (2) Directors setting out the total number and aggregate nominal amount of the Bonds of each Series or tranche issued:
    - i. up to and including the date of such certificate have been purchased by the Issuer, any Subsidiary of the Issuer, any holding company of the Issuer or any other Subsidiary of such holding company;
    - ii. are at the date of such certificate held by, for the benefit of, or on behalf of the Issuer, any Subsidiary of the Issuer, any holding company of the Issuer or any Subsidiary of such holding company.
  - m) give prior notice to the Trustee of any proposed redemption and, if it has given notice to the Bondholders of its intention to redeem any Bonds, duly proceed to redeem the Bonds accordingly;
  - n) prior to making any modification or amendment or supplement to this Deed, procure the delivery of legal opinion(s) as to the applicable provisions of the relevant Nigerian law, addressed to the Trustee, dated the date of such modification or amendment or supplement, as the case may be, in a form acceptable to the Trustee from legal advisers acceptable to the Trustee.

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- 4.4 The Issuer will ensure the fulfillment of its obligations towards the Coupon payment and principal repayment to the Bondholders and every payment to the Bondholders shall in respect of the Principal Amount, Coupon or premium (if any), on the Bond operate in satisfaction *pro tanto* of the covenants of the Issuer contained in this clause as they relate to the Bond.

**6.0 TERMS OF THE BONDS****6.1. Issuance**

- 6.1.1 The Issuer may issue the Bonds in accordance with the Offer Documents and to the extent provided by the Memorandum and Articles of Association of the Issuer and the resolutions of the Shareholders and the Directors of the Issuer.

**6.2. Terms**

- 6.2.1 **Amount of Bond:** The aggregate principal amount of the Bond issued pursuant hereto is limited to ₦100,000,000,000 (One Hundred Billion Naira only) (comprising of 100,000,000 (One Hundred Million) registered Bonds at a par value of ₦1,000 (One Thousand Naira) each.

- 6.2.2 **Type of Bond:** The Bonds may be non-convertible, secured, unsecured, redeemable, non-redeemable, coupon bearing, zero coupon bonds, fixed rate, floating rate, or such other bonds as may be set out in the applicable Series Trust Deed.

- 6.2.3 **Status of Bonds:** The Bonds are the irrevocable obligation of the Issuer. The Bonds shall constitute direct, unconditional obligations of the Issuer and shall at all times rank *pari passu* (subject to any modifications in any Series Trust Deed) and without any preference among themselves. The payment obligations of the Issuer in respect of principal and interest thereon shall save for such obligations as may be preferred by applicable legislation relating to creditor's rights, at all times rank at least equally with all other unsecured indebtedness and monetary obligations of the Issuer, present and future. The Bonds shall bear the terms specified in this Deed and other Offer Documents.

**6.2.5 Coupon Payment**

Coupon on the Bond shall be payable on each Coupon Payment Date each year during the Tenor of the Bond which date shall be as specified in the Terms and Conditions of the Programme and in the relevant Series Trust Deed and/or Pricing Supplement.

**6.3 Redemption**

The Principal Amount and Coupon (accrued up to but unpaid as of the Maturity Date, if any) shall be paid as set out in the Terms and Conditions of the Programme and in the relevant Series Trust Deed and/or Pricing Supplement. The Principal Amount following redemption will be credited to the account designated by the Bondholder by the Registrar acting on behalf of the Issuer and the Trustees.

**6.4 Utilisation of Bond Proceeds**

- 6.4.1 The Issuer shall apply the net proceeds of the Bond in furtherance of the purposes set out in the Offer Documents.

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6.4.2 The Trustee shall not be bound to enquire as to the application by the Issuer of the proceeds of the Issue nor shall the Trustee be responsible for such application or for the consequence of such application.

**6.5 Form of the Bond**

6.5.1 The Bond shall be issued in uncertificated dematerialised/book entry form at the CSCS, and shall be credited to Bondholders' accounts on the CSCS. There shall be no paper certificates.

**6.6 Currency, Medium and Place of Payment**

(a) The Principal Amount, premium (if any), and Coupon on the Bond shall be payable in the official currency of the Federal republic of Nigeria.

(b) Payment of the Principal Amount, premium and Coupon shall be made by the Trustee in the manner specified herein.

(c) Any payment made pursuant to (a) and (b) above shall be deemed valid and shall satisfy and discharge the Issuer of any obligation to make payment on such Bond to the extent of the amount paid.

**6.7 Persons Deemed Owners**

Except as may subsequently be agreed between the Parties in a Series Trust Deed, the Bondholder (or his legal representative) shall be deemed and regarded as the absolute owner of the Bonds registered in his name on the Register and, credited into his CSCS account for all purposes including but not limited to the payment of principal, premium (if any), and Coupon (if any).

**6.8 Transfer of Bonds**

(a) The Bonds shall be transferable in accordance with the rules governing transfer of title in securities held by CSCS.

(b) The Issuer shall cause the Register with respect to each Series of the Bond, to be maintained at the offices of the Registrar and the Registrar shall provide for the registration of any Bonds or its transfer as shown on the records of CSCS

**7.0 FURTHER BOND ISSUES**

7.1 The Issuer shall be at liberty from time to time without the consent of the Bondholders to issue Bonds either (i) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) with outstanding Series , or (ii) having the same terms and conditions in all respects (or in all respects save for the amount and date of the first payment of interest thereon) with outstanding Series , or (iii) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may at the time of the issue thereof determine.

7.2 Any series created pursuant to the provisions of the sub-clause 7.1 shall be constituted by a Trust Deed supplemental to this Trust Deed ("a **Series Trust Deed**"). In any such case, the Issuer shall prior to the creation of such Series execute and deliver to the Trustees a Series Trust Deed (in relation to which all applicable stamp duties or other documentation fees, duties or taxes have been paid and if applicable, duly stamped or denoted accordingly) containing a covenant by the Issuer in the form *mutatis mutandis* of sub-clause 16.1.2 hereof in relation to the Principal and Coupon in respect of

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such Series (whether or not corresponding to any of the provisions contained in this Trust Deed) as the Trustees shall require including making such consequential modifications to this Trust Deed in order to give effect to such issues of a Series.

- 7.3 The Provisions for Meetings of the Bondholders and the Terms and Conditions of the Bonds shall be attached to the Series Trust Deed in respect of any series in the form set out in the First and Fourth Schedules of this Trust Deed respectively.
- 7.4 A memorandum of every Series Trust Deed shall be endorsed by the Trustees on this Trust Deed and by the Issuer on duplicates of this Trust Deed.
- 7.5 For the avoidance of doubt, each issue of Bonds shall form a separate Series. The provisions of this Deed shall apply *mutatis mutandis*, separately and independently to the Bonds of each Series. A series may however be issued in tranches and each tranche of a Series shall be governed by the same terms and conditions of that Series.

**8.0 PRIORITY OF PAYMENTS**

8.1 All moneys received by the Trustee from the Issuer under this Deed shall, unless and to the extent attributable, in the opinion of the Trustee, to a particular Series of the Bond, be apportioned *pari passu* and rateably between each Series of the Bonds, and all moneys received by the Trustee under this Deed from the Issuer shall be held by the Trustee upon trust to apply them in the following order of priority:

8.1.1 FIRSTLY in payment or satisfaction of all costs, charges, expenses and liabilities incurred and payments made in, or about the execution of the trusts hereof, including all remuneration payable to the Trustee with interest thereon;

8.1.2 SECONDLY in or towards payment *pari passu* and rateably of the aggregate Principal Amount and Coupon, then due and unpaid in respect of the Bonds of that Series or tranche;

8.1.3 THIRDLY in or towards payment *pari passu* and rateably of the Aggregate Principal Amount and Coupon or return (as applicable), then due and unpaid in respect of the Bonds of other Series or tranche; and

8.1.4 FOURTHLY in payment of the balance (if any) to the Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the Issuer shall be dealt with as between the Issuer and any other person).

**11.0 UNDERTAKING TO ASSUME PAYMENT OBLIGATIONS UNDER THE BONDS**

- 11.1 The Sponsor has, under a Deed of Undertaking on or about the date of this Deed irrevocably and unconditionally, and notwithstanding the release of any other person under the terms of any composition or arrangement with any creditors of the Issuer or any of the Sponsor's other subsidiaries, undertaken in favour of the Trustee:



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11.1.1 the due and punctual payment of the Principal Amount and Coupon on the Bond and together with any other amounts payable by the Issuer under these presents and

11.1.2 the due and punctual performance and observance by the Issuer of each of the other obligations of the Issuer under these presents.

**17.0 POWERS, RIGHTS, DUTIES, RELIEFS OF THE TRUSTEE**

17.1 The Trustee shall have all the rights and powers conferred upon Trustees by the Trustee Act, as amended from time to time as though same were expressly set out herein by way of supplement hereto, in addition to the other powers conferred on the Trustee and provisions for its protection herein. Not by way of limitation or derogation of anything contained in this Deed, nor of any statute limiting the liability of the Trustee, it is hereby declared as follows:

17.2 The Trustee shall have the power to do any act in accordance with this Deed, the relevant Series Trust Deed, the ISA and any applicable law which shall be on behalf of and for the benefit of the Bondholders.

17.3 The Trustee may acting reasonably and in good faith rely on the opinion or advice of or any information obtained from any solicitor, valuer, surveyor, broker, auctioneer, accountant or other experts, whether obtained by the Issuer or by the Trustee or otherwise and shall not be responsible for any loss occasioned by so acting provided however that the Trustee has exercised due care and diligence in relying on any such advice opinion or information; and any such advice, opinion or information may be obtained or sent by letter, telex, e-mail or fax.

17.4 The Trustee shall be at liberty to accept a certificate signed by the chief executive or any officer of the Issuer authorised to do so as to any fact or matter *prima facie* within the knowledge of the Issuer as sufficient evidence thereof and a like certificate that any properties or assets are in the opinion of the persons so certifying worth a particular sum or suitable for the Issuer's purpose is sufficient evidence that they are worth that sum or suitable. Also, a like certificate to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying expedient and in particular, the Trustee shall be at liberty from time to time to accept as conclusive evidence of the fact a certificate so signed to the effect that all such parts of the fixed assets as ought to be insured in accordance with the provisions hereof are so insured and that all premiums have been paid and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by its failing to do so.

17.5 Without prejudice to the provisions of this Deed and to its obligations contained herein to the Bondholders and the Issuer, the Trustee shall not be bound to give notice to any person or persons of the execution hereof of any acts or deeds made or done by virtue of this Deed.

17.6 Save as herein otherwise expressly stated and provided it has acted reasonably, the Trustee shall as regards all trusts, powers, authorities and discretions hereby vested in it, have necessary discretion as to the exercise thereof and in the absence of fraud, shall in no way be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof and in particular it shall not be bound to act at the request or discretion of the Bondholder under any provision of this Deed, unless the Trustee shall first be indemnified to its satisfaction against all

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- costs, charges, expenses and liabilities which may be incurred in complying with such request or discretion. The Trustee in the exercise of the powers and discretions vested in it pursuant to this Deed shall comply with the provisions of the ISA and any other applicable law.
- 17.7 The Trustee shall have the power to summon, as and when necessary, meetings of all Bondholders whereat a Statement of Affairs on the management of any funds standing to its credit on behalf of the Bondholders shall be presented, and or any other necessary business and or matter shall be presented and determined. A meeting shall be convened by the giving of at least twenty-eight (28) clear days written notice to all the Bondholders (specifying the agenda at the meeting) and the said notice shall also be published in at least two (2) national newspapers. The procedure of and regulations for such a meeting of the Bondholders shall be in accordance with Schedule 1 of this Deed.
- 17.8 The Trustee shall not be responsible for having acted upon any resolution passed at a duly convened, properly constituted meeting of the Bondholders in respect whereof minutes have been made and signed, even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution with the effect that the resolution was not valid or binding upon the Bondholders except where the Trustee had knowledge of such defect; in which case the Trustee shall become liable for acting upon such resolution.
- 17.9 The duties and obligations of the Trustee shall be determined solely by the express provisions hereof, and no implied powers, duties or obligations of the Trustee, save as mandated by the ISA or any other applicable law, shall be construed into this Deed.
- 17.10 The Trustee shall not be required to expend or risk its own funds or otherwise incur any liability in the performance of its duties or in the exercise of its rights or powers as Trustee, except such liability as may result from its gross negligence and/or misconduct.
- 17.11 The Trustee shall not be concerned and need not enquire as to whether or not any Bonds or Series thereof are issued in breach of the Programme Limit.
- 17.12 Without prejudice to the provisions of this Deed and the jurisdiction of any competent court, the Trustee shall have full power to determine all questions and doubts arising in relation to any of the provisions hereof, and every such determination *bona fide* made (whether or not the same shall relate in whole or in part to the acts or proceedings of the Trustee hereunder) shall be conclusive and binding upon all interested parties hereunder.
- 17.13 The Trustee shall not be responsible for the monies subscribed by applicants for the Bond or be bound to know the application thereof PROVIDED nevertheless that nothing contained in this clause shall exempt the Trustee from or indemnify it against any liability for breach of trust where the Trustee fails to show the degree of care and diligence required of it, having regard to the provisions hereof conferring on it any powers, authorities or discretions.
- 17.14 Upon the occurrence of an Event of Default, the Trustee shall subject to the provisions of this Deed, exercise such rights and utilise such powers vested in it under this Deed, and the ISA, and shall use the required degree of care and skill in the exercise of its duties.

**18.0 TRUSTEE'S DISCRETION AS TO ENFORCEMENT**

- 18.1 Except as herein otherwise expressly provided, the Trustee is hereby authorised to assume, without enquiry, in the absence of knowledge or express notice to it to the contrary, that the Issuer is duly performing and observing all the covenants and provisions herein contained and on its part to be performed and observed. Notwithstanding knowledge by, or notice to the Trustee, of any breach of covenants or obligations by the Issuer, it shall be at the discretion of the Trustee whether or not to take action or proceedings, or to enforce the performance thereof, and the Trustee shall not be bound to declare the Bond immediately repayable or to take any steps to enforce payment thereof, or any of the provisions of these presents. The Trustee shall not be bound to enforce the powers herein conferred, or by any other provisions of this Deed unless and until in any of such cases the Trustee is required to do so by the Bondholders; and PROVIDED that provision shall have been made to the satisfaction of the Trustee, for the costs, charges and expenses of the Trustee, or if incidental to the exercise of any such powers, or the taking of any such steps; and PROVIDED ALSO that the Trustee shall in any case inform the Bondholders of the occurrence of any Events of Default that comes to its knowledge.

**27.0 EVENTS OF DEFAULT**

- 27.1 The Trustee may at its discretion and shall, upon the request in writing of the registered Bondholders of at least one-fifth of the nominal amount of the Bond for the time being outstanding or upon being so directed by a Special Resolution of the Bondholders by notice in writing to the Issuer declare the Bond to have become immediately repayable, provided that one of the following Events of Default has occurred:

27.1.1 If the Issuer defaults for more than five (5) Business Days in the payment of any principal monies and Coupon owing on any Series of the Bond, or any premium thereon and the Principal Amount payable under any provisions of this Deed;

27.1.2 If any law, governmental regulation or an extraordinary situation shall have arisen, the continuance of which in the opinion of the Trustee shall make it improbable that the Issuer will be able to perform its obligations hereunder.

27.1.3 If there shall be any release of the Sponsor from its obligations under the Deed of Undertaking, other than with the approval of the Trustee and a Special Resolution of the Bondholders, including any release by operation of law, or any failure by the Sponsor to make payment when demanded by the Trustee in accordance with the Deed of Undertaking aforesaid.

**PROVIDED** that on the happening of any event specified in sub-clauses 27.1.1 or 27.1.2 the Bonds shall not be declared immediately payable unless and until the Trustee shall have first served on the Issuer and the Sponsor a preliminary notice requiring the Issuer and/or the Sponsor as the case may be, to make the relevant payment in arrears, with interest or to remove, discharge or pay out to the satisfaction of the Trustee or to perform and observe the covenant or provisions the breach whereof has been committed, or threatened and the Issuer and the Sponsor shall have failed or neglected for a period of thirty (30) days to comply with such notice.

**28.0 PROCEEDINGS TO ENFORCE PAYMENT**

28.1 At any time after any payment on the Bond shall have become due and payable after the expiry of the notice periods specified in Clause 27 above, the Trustee may at its discretion and shall upon the request in writing of the registered holders of at least one-fifth of the nominal amount of the Bond for the time being outstanding or upon being so directed by a Special Resolution and without further notice, institute such proceedings as the Trustee may think fit to enforce payment of any unpaid coupon which have accrued, premium (if any) or the principal amount of the Bond.

28.2 No Bondholder shall in any circumstance be entitled to any remedy (whether by way of action, petition, arbitration or otherwise howsoever) for the recovery of any payment of principal or Coupon on the Bond unless the Trustee having become bound to take proceedings in accordance with this Deed, fails to do so, in which case the Bondholder may then initiate such proceedings:

28.2.1 in a representative capacity on behalf of himself and other Bondholders, for the recovery of the payments due on the Bond; or

28.2.2 in his name for the recovery of his own units of the Bond only.

**30.0 REMOVAL AND RESIGNATION OF TRUSTEE**

30.1 The Trustee may resign as trustee at any time, by giving not less than sixty (60) days prior written notice to that effect to the Issuer, SEC and the Bondholders, PROVIDED THAT such resignation shall not be effective until a successor(s) is appointed in accordance with this Deed; and the Trustee shall continue to hold the rights conferred and perform the obligations imposed on it by this Deed until the resignation is effective.

30.2 The Trustee may be removed by the Issuer or the Bondholders by a Special Resolution but only for the reasons stated in Clause 31 hereof and only so long as

(a) no Event of Default shall have occurred and be continuing and;

(b) the removal of the Trustee shall not have any adverse effect upon the rights and interests of the Bondholders.

30.3 Where the Trustee gives notice of its resignation as trustee pursuant to Clause 31.1 hereof or in the event that the Trustee is dissolved or otherwise becomes incapable of acting as Trustee or is removed as Trustee pursuant to Clause 30.2 herein, the Issuer shall with the approval of the SEC, immediately appoint a successor Trustee. In such event, the successor Trustee shall cause written notice of its appointment to be issued to the Bondholder of the entire Bond and the SEC shall be promptly notified provided that no successor Trustee may be appointed unless approved by the Bondholder. If the Trustee is removed, is dissolved, or becomes incapable of acting as trustee, the Issuer shall bear the cost of giving such notice; if the Trustee ceases to act for any other reason, the Trustee shall bear the cost of the notice.

30.4 Unless otherwise ordered by a court or SEC or any other regulatory body having competent jurisdiction, or unless required by law, any successor Trustee appointed by the Issuer shall be a company authorised to carry on trust business in Nigeria and duly registered with the SEC to provide corporate trust services.

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- 30.5 Every successor Trustee shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing, accepting such appointment hereunder and shall also execute and lodge with the Issuer a Deed of Adherence to the terms of this Deed in the form set out in Schedule 3 hereof, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to the successor trustee all the rights, powers and trusts of said predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee promptly shall deliver all records relating to the trust hereby created and copies thereof and communicate all material information they may have obtained concerning the trust to the successor Trustee and shall duly provide the successor Trustee with a full and updated statement of affairs and accounts of the trust hereby created in respect of the Bonds.

## **SCHEDULE 1**

### **PROVISIONS FOR MEETINGS OF THE BONDHOLDERS**

#### **1. Who May Convene Meetings**

The Issuer or the Trustee respectively may at any time at their discretion, or the Trustee shall, on the requisition in writing of the Bondholders holding not less than ten percent (10%) of the aggregate principal amount of the Bonds Outstanding in respect of any relevant Series of Bonds and upon being indemnified to its satisfaction against all costs and expenses to be thereby incurred, convene a meeting or meetings of the Bondholders in accordance with the provisions of this schedule to discuss and determine any matter affecting the Bond. Any such meeting shall be held at such place as the Trustee shall determine or approve.

#### **2. Notice of Meeting of Bondholders**

- 2.1 A meeting of the Bondholder may be called by giving not less than twenty-one (21) days notice in writing.
- 2.2 A meeting may be called after giving shorter notice than that specified in paragraph 2.1 if consent is accorded thereto by Bondholders holding not less than seventy-five per cent (75%) of the nominal amount of the Bonds for the time being outstanding.
- 2.3 The Trustee shall not be held liable for failure to give notice to a Bondholder **provided** that said failure is as a result of an accidental omission on the part of the Trustee.

#### **3. Content and Manner of Service and Persons on Who Notice May be Served**

- 3.1 Every notice of meeting shall specify the place, day and hour of the meeting and shall contain a statement of the business to transact and the terms of every Resolution to be proposed thereat.
- 3.2 Notice of every meeting shall be given:-
- 3.2.1 to every Bondholder in the manner specified for the service of notice herein;
- 3.2.2 to the person entitled to be entered in the Register in consequence of the death, insolvency, winding-up or dissolution of a Bondholder, by sending it

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through the post in a prepaid letter addressed to him by name or, by title of the representative of the deceased or assignee of the insolvent, or by any like description at the address (if any) supplied for this purpose by the person claiming to be so entitled or until such an address has been supplied by giving the notice in any manner in which it might have if the death, insolvency, winding up or dissolution had not occurred;

3.2.3 to the Auditors for the time being of the Issuer;

3.2.4 to the Issuer, when the meeting is convened by the Trustee; and

3.2.5 to the Trustee, when the meeting is convened by the Issuer.

#### **4 Explanatory Statement to the Notice**

4.1 There shall be annexed to every notice convening a meeting of the Bondholders a statement setting out the material facts concerning each item of business, including in particular the nature and extent of any interest thereon of every Director of the Issuer or Trustee.

4.2 Where any item of business consists of the granting of approval to any document by the meeting, the time and place where the documents can be inspected shall be specified in the statement aforesaid.

#### **5 Quorum for meeting**

5.1 Any two or more persons holding or representing by proxy at least two-fifths of the nominal amount of the Bond shall form a quorum unless the business of the meeting includes the consideration of a Special Resolution, in which event the necessary quorum shall be two or more persons holding or representing by proxy a simple majority of the nominal amount of the Bonds for the time being outstanding and no business shall be transacted at any meeting unless the requisite quorum shall be present when the meeting proceeds to business.

5.2 If within an hour from the time appointed for holding the meeting a quorum is not present the meeting if called upon the requisition of Bondholders, the meeting shall stand dissolved. In any other case the meeting shall stand adjourned to such day and time not being less than fourteen days thereafter and to such place as the Chairman may determine.

5.3 At least seven days notice of any adjourned meeting shall be given in the same manner as for an original meeting from which the adjournment took place.

#### **6 Chairman of Meeting**

6.1 Such person nominated by the Trustee shall be entitled to take the chair at every meeting and if no such nomination is made or if at any meeting the person nominated shall not be present within five minutes after the time appointed for holding the meeting the Bondholders personally present shall on a show of hands elect one of themselves to be the Chairman thereof.

6.2 If a poll is demanded on the election of the Chairman, it shall be taken forthwith. The Chairman elected on a show of hands shall exercise all the powers of the Chairman until the result of such poll is declared. If some other person is elected Chairman as a result of the poll, he shall be Chairman from that point to the end of the meeting.

**7. Persons Entitled to Attend**

The Trustee and its solicitors and any director or officer of a body corporate being a trustee, and any director of the Issuer and the secretary and auditors or any other person authorised in that behalf by the Trustee may attend any meeting but shall not be entitled to vote thereat.

**8. Evidence of Passing of Resolution**

At any meeting, a resolution or any question put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded in a manner hereinafter mentioned, and unless a poll is so demanded, a declaration by the Chairman that on a show of hands the resolution has been carried either unanimously or by a particular majority or lost or not carried either unanimously or by a particular majority, which is entered to that effect in the books containing the minutes of the proceedings of the meeting, shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against such resolution.

**9. Demand for a Poll**

9.1 Before or on the declaration of the result of the voting on any resolution or question on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken on demand made by at least five Bondholders having the right to vote on the resolution and present in person or by proxy or by the holder or holders of not less than one-twentieth of the nominal amount of the Bond for the time being outstanding.

9.2 The demand for a poll may be withdrawn at any time by any person or persons who made the demand.

**10. Time of taking a Poll**

10.1 A poll demanded on a question of adjournment shall be taken forthwith.

10.2 A poll demanded on any other question (not being a question relating to the election of a Chairman as provided for in Paragraph 6 hereof) shall be taken in such a manner and at such time not being later than thirty days from the time when the demand was made as the Chairman may direct.

**11. Votes**

On a show of hands the representative of the Bondholder if present in person or by proxy or (being a body corporate) is present by its duly authorized representative shall have one vote in respect of the Bonds of which he is the holder. On a poll, every Bondholder shall have one vote in respect of every unit of Bond of which he is the holder.

**12. Representation of Body Corporate**

Anybody corporate, which is a Bondholder, may by writing under the hand of a duly authorized officer authorize such person as it thinks fit to act as its representative at any meetings of the Bondholders and the person so authorized shall be entitled to exercise the same powers on behalf of the body corporate which he represents as the body corporate could exercise if it were an individual Bondholder.

**13. Proxies**

- 13.1 The registered Bondholders or in case of joint holders, any one of them shall be entitled to vote in respect thereof either in person or by proxy and in the latter case as if such joint holder were solely entitled to such Bond. A registered Bondholder shall be entitled to appoint another person (whether a Bondholder or not) as his proxy to attend the meeting and vote in his stead.
- 13.2 In every notice calling a meeting of the Bondholders there shall appear with reasonable prominence a statement that a Bondholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a Bondholder.
- 13.3 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, and a notarially certified copy of the power or authority affixed with ₦50 Stamp, shall be deposited at such place as may be specified in the notice convening the meeting or in some document accompanying same or if no place is so specified then at the principal office of the Registrar for the time being, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll not less than twenty-four (24) hours before the time appointed for taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- 13.4 No instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of execution. An instrument appointing a proxy shall be deemed to confer authority to demand or to join in a demand for a poll.
- 13.5 Every Bondholder entitled to vote at a meeting of the Bondholders or on any resolution to be moved thereat shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting to inspect himself, or through a duly authorized person, the proxies lodged at any time during the business hours of the Registrar, provided that not less than three days notice in writing of the intention to so inspect is given to the Registrar.
- 13.6 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Registrar at its registered office before the commencement of the meeting or adjourned meeting at which the proxy is used.

**14. Entitlement of a Bondholder to Cast Votes differently**

On a poll taken at a meeting of the Bondholders, a Bondholder entitled to more than one vote, or his proxy or other person entitled to vote on his behalf, as the case may be, need not, if he votes, use or cast all his votes in the same way.

**15. Scrutineers at Poll**

- 15.1 Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him.



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- 15.2 The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and to fill vacancies in the office of the scrutineer arising from such removal or for any other cause.
- 15.3 One of the two scrutineers appointed under this provision, must be a Bondholder present at the meeting, provided that such Bondholder is available and willing to be appointed.
- 16. Manner of taking a Poll and result thereof.**
- 16.1 The Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- 16.2 The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.
- 17. Voting in case of Joint Holding**
- In the case of joint Bondholders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Bondholders.
- 18. Power to Adjourn Meeting**
- The Chairman of a meeting of the Bondholders may with the consent of (and shall if directed by) any such meeting at which a quorum is present, adjourn same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business which might lawfully have been transacted at the meeting from which the adjournment took place.
- 19. Casting Vote**
- In the case of equality of votes whether on a show of hands or a poll the Chairman of the meeting of which the show of hands took place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as or on behalf of a Bondholder.
- 20. Business May Proceed Notwithstanding Demand for Poll**
- The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.
- 21. Chairman to be Sole Judge**
- The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting, and the chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.
- 22. Meaning of "Special Resolution"**
- A resolution shall be deemed a Special Resolution if the resolution is passed at a meeting of the Bondholders duly convened and held in accordance with the provisions herein contained and carried by a majority consisting of not less than three-fourths in value of the votes given on such poll.
- 23. Powers of General Meeting of Bondholders**
- A meeting of the Bondholders shall *inter alia* have the following powers exercisable by Special Resolution:–

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- 23.1 to sanction any modification or compromise or any arrangements in respect of the rights of the Bondholders against the Issuer whether such rights shall arise under this Deed, any Series Trust Deed or otherwise;
- 23.2 to assent to any modification of the provisions contained in this Deed proposed or agreed to by the Issuer;
- 23.3 to give any sanction, direction or request which under any of the provisions of this Deed is required to be given by Special Resolution;
- 23.4 to authorize and empower the Trustee to concur in and execute all such deeds or instruments, and perform all such acts as may be necessary to carry out and give effect to any Special Resolution;
- 23.5 to give any release to the Trustee in respect of anything done or omitted to be done by the Trustee hereunder before the giving of the release; and
- 23.6 to sanction a scheme for reconstruction or amalgamation of the Issuer.

**24. Resolution Binding**

A resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of this Deed shall be binding upon all the Bondholders whether present or not present at such meeting, and each of the Bondholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof, the intention being that it shall rest with the meeting to determine without appeal whether or not the circumstances justify the passing of such resolution.

**25. Minutes**

Minutes of all proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Issuer, and every such minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which resolutions were passed, or proceedings had, or by the Chairman of the next succeeding meeting of the Bondholders, shall be conclusive evidence of the matters therein contained, and until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been signed as aforesaid shall be deemed to have been duly held and convened and all resolutions passed thereat, taken to have been duly passed and taken.

**26. Resolutions in Writing**

A resolution in writing duly signed by all the Bondholders for the time being outstanding, shall be as effective for all purposes as a Special Resolution duly passed at a meeting of the Bondholders. Such resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

**PROVIDED ALWAYS, AND IT IS HEREBY AGREED**, that where the Bondholders shall be less than 2 (two) in number, the above provisions shall not apply, and it shall be sufficient for the Bondholder to communicate any notice or decision to the Trustee or the Issuer in writing and to receive notice from the Issuer or the Trustee in the same manner. Such decision as aforesaid shall for the purposes of this Deed be deemed to be made by a Special Resolution.

## HISTORICAL FINANCIAL INFORMATION

### LETTER FROM THE REPORTING ACCOUNTANT



Akintola Williams Deloitte  
235 Ikorodu Road, Ilupeju  
P. O. Box 965, Marina  
Lagos  
Nigeria

Tel: +234 (1) 271 7800  
Fax: +234 (1) 271 7801  
www.deloitte.com/ng

21 June 2013

The Directors  
FSDH Merchant Bank Limited  
UAC House (5th - 8th Floors)  
1/5 Odunlami Street  
Lagos

and

The Directors  
FBN Capital Limited  
16 Keffi Street  
Off Awolowo Road  
Ikoyi S. W  
Lagos

We have examined the audited financial statements of FSDH Merchant Bank Limited (formerly First Securities Discount House Limited) and its subsidiaries (together "the Group") for the years ended 30 June 2008, 2009, six months ended 31 December 2009 and the years ended 31 December 2010, 2011 and 2012. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, summary of significant accounting policies and other explanatory notes. The financial statements for the years ended 30 June 2008, 2009, six months ended 31 December 2009 and year ended 31 December 2010 were prepared under the historical cost convention, modified by the valuation of certain investment securities while the financial statements for the year ended 31 December 2011 and 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

The financial statements for the years ended 30 June 2008 and 2009, six months ended 31 December 2009 and year ended 31 December 2010 were audited by KPMG Professional Services while the financial statements for the years ended 31 December 2011 and 2012 were audited by PricewaterhouseCoopers. The auditors issued clean audit opinions on these financial statements. The parent company, FSDH Merchant Bank Limited, operated as a discount house throughout the period under review as it officially commenced operations as a merchant bank on 15 January 2013.

The financial statements on which the financial information is based, are the responsibility of the Directors of the Group while our responsibility is to issue a report on the financial information, based on our examination. The Directors are also responsible for the contents of the prospectus in which this report is included.

Our examination was conducted in accordance with International Standards on Review Engagements 2400. This standard requires that we plan and perform our examination to obtain moderate assurance as to whether the financial statements are free from material misstatement. The examination was limited primarily to inquiries from representatives of the Group, analytical procedures applied to financial data and a review of evidence obtained by the statutory auditors and therefore provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our examination, nothing has come to our attention that causes us to believe that the accompanying financial information does not give a true and fair view of the state of affairs of FSDH Merchant Bank Limited in accordance with International Financial Reporting Standards for 2011 and 2012 financial statements, generally accepted accounting principles in Nigeria for 2008, 2009 and 2010 financial statements, the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council Act.

Yours faithfully  
For: Akintola Williams Deloitte

Bosede A Odeloye [Mrs]  
FRC/2013/ICAN/0000000846

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## HISTORICAL FINANCIAL INFORMATION

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### 5 . STATEMENT OF ACCOUNTING POLICIES

#### 5 .1 Summary

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (i) Basis of preparation

These financial statements are the consolidated financial statements of FSDH Merchant Bank Limited (formerly First Securities Discount House Limited), and its subsidiaries (herein collectively referred to as "the Group").

##### 2011 and 2012 Financial statements

The financial statements for the year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB with relevant restated comparatives for 2011. Additional information required by national regulations is included where appropriate. These are the first financial statements of FSDH Merchant Bank Limited and its subsidiaries, prepared in accordance with IFRS and IFRS 1, First-time Adoption of IFRS (IFRS 1) has been applied. The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets held at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

##### 2008 – 2011 Financial statements

The Financial statements for the years ended 30 June 2008 and 2009, six months ended 31 December 2009 and the years ended 31 December 2010 and 2011 were prepared under the historical cost convention modified by the valuation of certain investment securities and complied with Statement of Accounting Standards issued by the Nigerian Accounting Standards Board and the requirements of the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and Central Bank of Nigeria circulars and guidelines.

#### i. Standards, amendments and interpretations effective on or after 1 January 2012

The following standards, amendments and interpretations, which became effective in 2012 are relevant to the Group:

- Amendment to IAS 12: Income taxes – Deferred tax (effective for periods beginning on or after 1 January 2012)  
This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value, namely the inclusion of a rebuttable presumption that investment property measured at fair value is recovered entirely by sale.
- Amendment to IFRS 7: Financial instruments: Disclosures – Transfers of financial assets (effective for periods beginning on or after 1 July 2011).  
This amendment expands the disclosure in respect of transfers of financial assets with the aim of improving users' understanding of the risk exposures relating to such transfers and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- Amendment to IFRS 1: First time adoption – Fixed dates and hyperinflation (effective for periods beginning on or after 1 July 2011).  
The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRS for the first time to restate de-recognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional.

#### ii. Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods and are expected to be relevant to the Group: Management is in the process of assessing the impact of the guidance set out below on the Group and the timing of its adoption by the Group

- Amendment to IAS 19: Employee benefits (effective for periods beginning on or after 1 January 2013).  
This amendment eliminates the corridor approach and calculates funding costs on a net funding basis.

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- IFRS 9: Financial instruments: Classification and measurement (effective for periods beginning on or after 1 January 2015).  
IFRS 9 addresses the recognition, de-recognition, classification and measurement of financial assets and financial liabilities. In respect of financial assets, IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The classification and measurement of financial liabilities have remained as per IAS 39 with the exception of financial liabilities designated at fair value through profit or loss where the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.
- IFRS 10: Consolidated financial statements (effective for periods beginning on or after 1 January 2013)  
This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

### 5. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

- IFRS 11: Joint arrangements (effective for periods beginning on or after 1 January 2013)  
This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has right to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12: Disclosures of interests in other entities (effective for periods beginning on or after 1 January 2013)  
This standard includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities.
- IFRS 13: Fair value measurement (effective for periods beginning on or after 1 January 2013)  
This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

The following guidance is not expected to have a material impact on the Group's financial statements:

IAS 27 (revised 2011): Separate financial statements (effective for periods beginning on or after 1 January 2013)

IAS 28 (revised 2011): Associates and joint ventures (effective for periods beginning on or after 1 January 2013)

#### iii. Early adoption of standards

The Group did not early adopt new or amended standards in 2012.

### 5.2 Consolidation

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

#### (i) Subsidiaries

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all consolidated subsidiaries, including certain special purpose entities as of 31 December 2012. Subsidiaries are companies in which the Group directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases or qualify to be accounted for as Held for sale under IFRS 5.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity. Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

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Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances. Even if there is no shareholding relationship, Special Purpose Entities (SPEs) are consolidated in accordance with Standing Interpretations Committee (SIC) 12, Consolidation—Special Purpose Entities if the Group controls them from an economic perspective. When assessing whether the Group controls a SPE, in addition to the criteria in IAS 27 it evaluates a range of factors, including whether:

- (a) the activities of the SPE are being conducted on the Group's behalf according to its specific business needs so that the Group obtains the benefits from the SPE's operations;
- (b) the Group has the decision-making power to obtain the majority of the benefits of the activities of the SPE, or the Group has delegated these decision-making power by setting up an 'autopilot' mechanism, or
- (c) the Group has the rights to obtain the majority of the benefits of the activities of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
- (d) the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits from its activities.

Whenever there is a change in the substance of the relationship between the Group and the SPE or the Group performs a re-assessment of consolidation. Indicators for a re-assessment of consolidation are especially changes in ownership of the SPE, changes in contractual arrangements and changes in the financing structure.

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

- (ii) Transactions and non-controlling interests  
The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-

- (iii) Separate Financial Statements:  
In line with Nigerian company regulations, the company prepares separate financials. In the separate financial statements, investments in subsidiaries are accounted for at cost.

### 5.3 Foreign currency translation

- (i) Functional and presentation currency  
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands (Naira), which is the Group's presentation and functional currency.
- (ii) Transactions and balances  
Foreign currency transactions which are transactions denominated, or that requires settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are re-measured. Foreign exchange gain and losses resulting from the settlement of such transactions, and from the translation of year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences relating to amortised cost are recognised in income statement and other changes in the carrying amount are recognised in Other Comprehensive Income.  
  
Translation differences on non-monetary financial assets and liabilities (such as equities) which are held at fair value through profit or loss are recognised in statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available for sale, are included in Other Comprehensive income.

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### 5.4 Sale and repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The counterparty liability received is recognised in the statement of financial position as a liability and classified as collateralised borrowings from banks or from customers with an obligation to return it, including accrued interest. The financial assets are used as collateral on securities lent and repurchase agreement, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the Effective interest rate (EIR). When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to 'Financial assets held for trading pledged as collateral' or to 'Financial investments available for sale pledged as collateral', as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as collateralised lending and classified under loans and receivables. The securities pledged under such agreements are not included in the statement of financial position. Securities repossessed under a reverse repo transaction are recognised in the books of the Group. The instruments are classified in the financial statements according to their nature and purpose.

### 5.5 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the consolidated statement of financial position and measured in accordance with their assigned category.

#### 5.5.1 Financial assets

The Group allocates financial assets to the following IAS 39 categories: (a) financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for sale financial assets. Management determines the classification of its financial instruments at initial recognition.

##### (i) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading, unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper and equity instruments. They are recognised in the consolidated statement of financial position as 'Financial assets held for trading'.

Financial instruments included in this category are initially measured at fair value; transaction costs are taken directly to profit or loss and subsequently measured at fair value with gains and losses arising from changes in fair value recognised in 'Net gains / (losses) from financial instruments classified as held for trading' in the Statement of Comprehensive Income. Interest income and dividend income on financial assets held for trading are included in 'Discount and similar income' and 'other income' respectively.

The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising. The Group did not designate financial assets upon initial recognition as at fair

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (1) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (2) those that the Group upon initial recognition designates as available for sale; or
- (3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration."

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost. Loans and receivables are reported in the Consolidated statement of financial position as loans and receivables. Interest on loans is included in the Consolidated statement of comprehensive income and is reported under 'Discount and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the commercial bill and recognised in the Consolidated statement of comprehensive income as 'impairment charge for credit losses'.

The Group's loans and receivables include the following, 'Cash and bank balances', 'Placements with banks', 'Placements with other financial institutions', 'Loans and receivables to customers', 'Loans and receivable to staff which is included in "Other Assets" and 'Receivables balances included in "Other Assets"'.

(iii) Held-to-maturity financial assets

"Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- (1) those that the Group upon initial recognition designates as at fair value through profit or loss;
- (2) those that the Group designates as available-for-sale; and
- (3) those that meet the definition of loans and receivables."

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the Consolidated statement of comprehensive income and reported as 'Discount and similar income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the Consolidated statement of comprehensive income as 'Net gains/(losses) on investment securities'. Held-to maturity investments are currently made up of Federal Government of Nigeria bonds.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not classified in any other category. Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the consolidated statement of comprehensive income, and cumulated in a separate reserve in equity, available for sale reserve, until the financial asset is derecognised. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income in 'Other income'

### 5.5.2 Financial liabilities

The Group's holding in financial liabilities represents mainly 'Call borrowings from banks', 'Due to banks', 'Due to customers' and certain balances

'Other liabilities'. These liabilities are recognised on date of transaction and are all classified as financial liabilities, measured at amortised cost. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the proceed net of transaction costs and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowing, using the effective interest method. Fees paid on the establishment of the liabilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

### 5.5.3 Determination of fair value

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets. Subsequent to initial recognition, for financial instruments traded in active

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the Consolidated statement of financial position. However, for illiquid financial instruments, the fair values are further adjusted to compensate for the credit risks attached to the issuers.



The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the consolidated statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

### 5.5.4 De-recognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks rewards have not been transferred, the entity tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the entity retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition are therefore not met.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as pledged assets, if the transferee has the right to sell or repledge them.

### 5.5.5 Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### 5.5.6 Recognition

Financial assets are recognised on settlement dates. The varying class and nature of the financial assets determines the settlement which may be different from the trade date. Financial instruments such as debt and equity securities are recognised on settlement date other than the trade date while loans and receivables are recognised on trade date which represents its settlement date.

## 5.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**5.7 Impairment of financial assets**

The Group assesses at the end of each reporting period, whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. "Objective evidence that a financial asset is impaired includes observable data that comes to attention about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial

recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- (i) adverse changes in the payment status of borrowers in the group ; or
- (ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

**5.7.1 Assets carried at amortised cost**

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and receivables to banks and customers are classified in "Impairment charge for credit losses" whilst impairment charges relating to investment securities (Held to maturity categories) are classified in 'Net gains/(losses) on investing securities'.

**5.7.2 Assets classified as available for sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of comprehensive income.

Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

**5.8 Discount income and expense**

Discount income and expense for all interest-bearing financial instruments are recognised within 'discount and similar income' and 'discount and similar expense' in the Consolidated statement of comprehensive income, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**5.9 Fees and commission income**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

**5.10 Dividend income**

Dividends are recognised in the Consolidated statement of Comprehensive income when the entity's right to receive payment is established.

**5.11 Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have been separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**5.12 Cash and cash equivalents**

For the purposes of statement of cash flow, Cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. Hence, this includes cash in hand and cash equivalents that are readily convertible to known amount of cash, are subject to insignificant risk of changes in value and whose original maturity is three months or less. This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less (Treasury bills with less than 3 months maturity).

**5.13 Property and equipment****(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. An asset is recognised when it is probable that economic benefits associated with the item flow to the Group and the cost of the item can be reliably measured. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognized net within other operating income in profit or loss. The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the consolidated statement of financial position.

Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount. (See note 5.11 on impairment of non-financial assets).

**(ii) Subsequent costs**

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual value over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held-for-sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held-for-sale.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	-	25% or over the lease period
Motor vehicles	-	25%
Office furniture & fittings	-	12.5% – 25%
Office equipment	-	20% – 33.33%
Work-in-progress	-	0%

#### **5.14 Intangible assets**

Intangible assets comprise computer software licenses. Intangible assets are initially recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for the measurement after initial recognition.

Amortisation of intangible asset is calculated on a straight line basis over a useful live of 3 – 5 years.

#### **5.15 Income tax**

(a) Current income tax

Income tax payable is calculated on the basis of the tax law in Nigeria and is recognised as an expense (income) for the period except to the extent that current tax relate to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the Consolidated statement of financial position. The Group does not offset current income tax liabilities and current income tax assets.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the Consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for gratuity and carry-forwards. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. Deferred tax related to fair value re-measurement of available for sale instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in the Statement of Comprehensive income together with the deferred gain or loss. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **5.16 Employee benefits**

The Group operates two retirement benefit schemes in the form of pension costs and gratuity benefits. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees, the benefits relating to employee service in the current and prior periods.

##### **(a) Pension costs**

In line with the Pension Reform Act 2004, the Group operates a defined contribution scheme; employees are entitled to join the scheme on confirmation of their employment. The employee and the Group contributes 5% and 10% respectively of the employee's basic, transport and rent allowances respectively. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### **(b) Gratuity benefits**

The Group operates a non-contributory defined benefits scheme. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary and conditions of service. The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on Federal Government of Nigeria bonds of medium duration denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past-service costs are recognized immediately as profit or loss.

#### **5.17 Provisions, contingent liabilities and assets**

Provisions are liabilities that are uncertain in amount and timing. Provision are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

## HISTORICAL FINANCIAL INFORMATION

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of a past event. It is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount can not be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised as assets in the Consolidated statement of financial position but is disclosed if they are likely to eventuate.

### 5.18 Share capital

#### (a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

#### (b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the Consolidated statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Companies and Allied Matters Act 1990.

#### (c) Treasury shares

Where the company or any member of the Group purchases the Company's shares, the consideration paid is deducted from shareholders' equity as treasury shares until the shares are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

#### (d) Statutory reserve

Central Bank of Nigeria regulation requires the Company to make an annual appropriation to a statutory reserve. As stipulated by Paragraph G(1) of the Revised Guidelines for Merchant Banks, an appropriation of 15% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid up share capital. For purposes of this appropriation, 'Profit for the year' as reported in the Statement of comprehensive income is used. This appropriation is reported in the statement of changes in equity.

#### (e) Credit risk reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. These apply objective and subjective criteria towards providing for losses in risk assets. Assets are classed as performing or non-performing. Non-performing assets are further classed as Substandard, Doubtful or Lost with attendant provision as per the table below, based on objective criteria.

Classification	Basis	Percentage provided (%)
Substandard	Interest and/or principal overdue by 90 days but less than 180 days	10
Doubtful	Interest and/or principal overdue by more than 180 days but less than 365	50
Lost	Interest and/or principal overdue by more than 365 days	100

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the Statement of comprehensive income. Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve called "Credit Risk Reserve". Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in the Statement of Comprehensive Income.

All provisions determined under prudential guideline are compared with that of IFRS in line with the CBN circular reference BSD/DIR/GEN/LAB/06/014 dated 19 March 2013.

### 5.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period excluding treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

### 5.20 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.

## 6 . CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies

### 6.1 Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

### 6.2 Fair valuation techniques and assumptions

#### Cash and balances with central bank

The fair value of cash and balances with the Central bank is their carrying amounts.

#### Bonds, Treasury Bills, Loans and Receivables, and Equity Investments

Treasury bills are short term debt instruments issued by the Central Bank of Nigeria, while bonds are debt instruments or contracts issued for an agreed period of time and can be issued by corporations and government. The investor lends an amount of money to the issuer and earns interest on the investment until the maturity of the bond when the principal will be repaid. The fair value of actively traded bonds or bills, through profit and loss, is determined with reference to quoted prices (unadjusted) in the two-way quote market for Nigerian bonds. For a treasury bill to be actively traded, it has to meet a minimum amount of ₦50 billion in issue size. Within the Group, we have a policy that states that we can only

Bonds whose fair value cannot be obtained from quoted sources are estimated using valuation models. In coming up with a price, a multiple linear regression model is derived by plotting the current yields on the Federal Government of Nigeria bonds against their respective tenors to maturity. After estimating the yields of the unquoted/illiquid bonds, a risk premium is added to the yield estimate. The yield estimate is then used to arrive at a fair value price. The risk premiums derived are as per ratings and are derived in-house. This risk premium represents the amount of return we expect in order to be exposed to the risk related with the issuer of the instrument. The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) from the Nigerian Stock Exchange. However, fair value of unquoted equity investments have been derived from the last OTC (over the counter) transaction.

Loans and receivables which comprise of Commercial bills and Margin accounts are carried at amortized cost net of provision for impairment. The estimated fair value of loans and receivables represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.



### **Impairment losses on loans and advances**

The Group reviews its commercial bills portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recognized, the group makes judgement as to whether there is any observable data indicating that there is a measureable decrease in the estimated future cash flows from any loan in our portfolio. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment to those in the portfolio when scheduling their cash flow. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The specific component of total allowance for impairment applies to credits evaluated individually for impairment and is based upon management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, management makes judgement about a customer's financial situation and the net realizable value of any underlying

### **6.3 Statement of Prudential Adjustments**

In accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria, the Bank transferred the sum of ₦322,485,803 from its retained earnings to a non-distributable regulatory reserve called Credit risk reserve for the year ended 31 December 2012. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guideline issued by the CBN, and the impairment reserve as determined in line with IAS 39 as at the year then ended.

## HISTORICAL FINANCIAL INFORMATION

### STATEMENT OF COMPREHENSIVE INCOME

		<----- IFRS ----->	
		<----- Year ended 31 December ----->	
	Notes	2012 N'000	2011 N'000
Discount and similar income	7.2	9,671,611	8,295,007
Discount and similar expense	7.3	(8,248,695)	(5,630,065)
<b>Net discount income</b>		<b>1,422,916</b>	<b>2,664,942</b>
Reversal of impairment charge/ (impairment charge) for credit losses	7.4	-	18,531
<b>Net discount income after impairment charge for credit losses</b>		<b>1,422,916</b>	<b>2,683,473</b>
Fee and commission income	7.5	1,768,728	1,465,102
Net gains on financial instruments held for trading	7.6	616,392	349,716
Net gains on investment securities	7.7	1,785,944	994,274
Other income	7.8	53,810	52,282
Operating expenses	7.9	(3,380,133)	(2,983,814)
<b>Profit before taxation</b>		<b>2,267,657</b>	<b>2,561,033</b>
Income tax credit/(expense)	7.11	918,042	(334,204)
<b>Profit after taxation</b>		<b>3,185,699</b>	<b>2,226,829</b>
<b>Other comprehensive income:</b>			
Actuarial gains/(losses) in defined gratuity scheme (net of tax)		62,069	(3,903)
Net gains/(losses) on available for sale financial assets:			
– Unrealised net gains/(losses) arising during the period		4,021,858	(1,433,570)
– Net reclassification adjustment for realised net gains		(1,785,944)	(987,952)
Other comprehensive income/(loss) for the year net of tax		<b>2,297,983</b>	<b>(2,425,425)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>5,483,682</b>	<b>(198,596)</b>
<b>Profit after tax attributable to:</b>			
Equity holders of the parent entity		3,008,709	2,112,962
Non-controlling interest		176,990	113,867
		<b>3,185,699</b>	<b>2,226,829</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent entity		5,306,692	(312,463)
Non-controlling interest		176,990	113,867
		<b>5,483,682</b>	<b>(198,596)</b>
Earnings per share – basic (kobo)	7.38	118k	83k
Earnings per share – diluted (kobo)	7.38	118k	83k

## HISTORICAL FINANCIAL INFORMATION

### PROFIT AND LOSS ACCOUNTS

		<----- N-GAAP ----->			
	Notes	December 2010 N'000	31 December 2009 N'000	<--- Year ended 30 June --->	
		2009 N'000	2008 N'000		
<b>Gross earnings</b>		<b>8,019,998</b>	<b>7,543,490</b>	<b>32,242,418</b>	<b>13,161,534</b>
Securities discount and similar income	7.2	6,693,237	7,057,596	30,928,242	11,490,881
Securities discount and similar expense	7.3	(2,497,159)	(3,482,493)	(24,422,938)	(8,608,939)
<b>Net discount income</b>		<b>4,196,078</b>	<b>3,575,103</b>	<b>6,505,304</b>	<b>2,881,942</b>
Other income	7.8	1,326,761	485,894	1,314,176	1,670,653
<b>Operating income</b>		<b>5,522,839</b>	<b>4,060,997</b>	<b>7,819,480</b>	<b>4,552,595</b>
Operating expenses	7.9	(2,448,481)	(1,333,654)	(2,638,162)	(1,776,997)
Write-back/(provisions) for risk assets	7.10	351,204	287,602	(859,694)	(37,604)
<b>Profit before taxation</b>		<b>3,425,562</b>	<b>3,014,945</b>	<b>4,321,624</b>	<b>2,737,994</b>
Taxation	7.11	(318,904)	(366,883)	(469,972)	(377,278)
<b>Profit after taxation</b>		<b>3,106,658</b>	<b>2,648,062</b>	<b>3,851,652</b>	<b>2,360,715</b>
<b>Other comprehensive income:</b>					
Actuarial gains/(losses) in defined gratuity scheme (net of tax)					
Net gains/(losses) on available for sale financial assets:					
Unrealised net gains/(losses) arising during the period					
Net reclassification adjustment for realised net gains					
<b>Other comprehensive income/(loss) for the year, net of tax</b>					
<b>Attributable to:</b>					
Parent company		3,050,026	2,626,758	3,838,054	2,344,126
Non-controlling interest		56,633	21,304	13,598	16,589
<b>Profit attributable to equity holders</b>		<b>3,106,659</b>	<b>2,648,062</b>	<b>3,851,652</b>	<b>2,360,715</b>
<b>Appropriation of parent company share:</b>					
Transfer to statutory reserve		449,846	390,684	626,997	267,832
Transfer to retained earnings		2,600,180	2,236,074	3,211,059	2,076,294
		<b>3,050,026</b>	<b>2,626,758</b>	<b>3,838,056</b>	<b>2,344,126</b>
Earnings per share – basic (kobo)	7.38	109k	94k	137k	84k
Earnings per share – diluted (kobo)	7.38	109k	94k	137k	84k

**HISTORICAL FINANCIAL INFORMATION**  
**STATEMENT OF FINANCIAL POSITION**

		←----- IFRS -----→			----- N-GAAP -----→		
		As at 31 December			As at 30 June		
Notes		2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
<b>ASSETS</b>							
Cash and bank balances	7.12	913,900	528,479	3,769,107	462,823	652,808	1,299,767
Treasury bills	7.13	-	-	1,796,845	17,193,081	5,346,309	35,690,176
Placements	7.14	16,415,697	694,386	-	-	-	-
Assets on repurchase agreements	7.15	-	-	28,865,889	31,916,736	69,007,425	14,370,857
Financial assets held for trading	7.16	11,504,477	-	-	-	-	-
Loans and receivables to customers	7.17	8,559,695	8,099,015	-	-	-	-
Margin accounts	7.18	-	-	21,272	31,018	130,936	1,550,730
Investment securities	7.19	30,280,755	35,143,058	11,734,873	23,560,740	11,767,755	16,876,652
Pledged assets	7.20	22,819,716	28,965,871	-	-	-	-
Other assets	7.21	1,348,250	1,246,242	978,682	1,101,196	767,656	719,039
Retirement benefit assets	7.22	55,515	10,411	-	-	-	-
Deferred tax assets	7.23	1,490,219	159,455	150,918	199,458	226,340	201,643
Intangible assets	7.24	236,102	175,785	-	-	-	-
Property and equipment	7.25	393,159	396,532	639,452	562,735	304,862	293,293
<b>Total assets</b>		<b>94,017,486</b>	<b>75,419,234</b>	<b>47,957,038</b>	<b>75,027,786</b>	<b>88,204,091</b>	<b>71,002,157</b>
<b>LIABILITIES</b>							
Due to banks	7.26	40,504,336	35,628,397	-	26,600,000	1,500,000	45,440,000
Due to customers	7.27	29,599,538	20,911,208	-	-	-	-
Liabilities on repurchase agreements	7.28	-	-	29,498,750	32,155,600	71,751,890	12,791,016
Current income tax liability	7.11	887,142	701,215	583,603	836,669	573,656	551,274
Other liabilities	7.29	260,030	257,313	671,494	870,732	1,330,484	1,115,007
Deferred tax liability	7.23	-	-	39,149	-	-	-
Short-term borrowings	7.30	-	-	-	-	-	1,454,896
Retirement benefit obligations	7.22	-	-	16,405	-	-	-
<b>Total liabilities</b>		<b>71,251,046</b>	<b>57,498,133</b>	<b>30,809,401</b>	<b>60,463,001</b>	<b>75,156,030</b>	<b>61,352,193</b>
<b>Net assets</b>		<b>22,766,440</b>	<b>17,921,100</b>	<b>17,147,637</b>	<b>14,564,785</b>	<b>13,048,061</b>	<b>9,649,964</b>
<b>EQUITY</b>							
Share capital	7.31	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794
Share premium	7.32	1,539,587	1,539,587	1,539,587	1,539,587	1,539,587	1,539,587
Retained earnings	7.32	14,624,282	12,693,806	9,634,658	7,593,436	6,335,540	3,823,179
Statutory reserve	7.32	3,565,277	3,241,131	2,848,061	2,398,216	2,007,532	1,380,535
Treasury share reserve	7.32	(450,040)	(450,040)	-	-	-	-
Available for sale reserve	7.32	(328,391)	(2,564,305)	-	-	-	-
Credit risk reserve	7.32	322,486	144,672	-	-	-	-
Revaluation reserve	7.33	-	-	94,939	102,062	255,222	10,081
		<b>22,067,995</b>	<b>17,399,645</b>	<b>16,912,039</b>	<b>14,428,095</b>	<b>12,932,675</b>	<b>9,548,176</b>
<b>Non-controlling interest in equity</b>		<b>698,445</b>	<b>521,455</b>	<b>235,598</b>	<b>136,690</b>	<b>115,386</b>	<b>101,788</b>
<b>Total equity</b>		<b>22,766,440</b>	<b>17,921,100</b>	<b>17,147,637</b>	<b>14,564,785</b>	<b>13,048,061</b>	<b>9,649,964</b>
<b>Total equity and liabilities</b>		<b>94,017,486</b>	<b>75,419,234</b>	<b>47,957,038</b>	<b>75,027,786</b>	<b>88,204,091</b>	<b>71,002,157</b>

# **HISTORICAL FINANCIAL INFORMATION**

## **CASH FLOW STATEMENTS**

		<----- IFRS ----->			<----- N-GAAP ----->		
		<----- Year ended 31 December ----->			6 months to 31 December	<--- Year ended 30 June --->	
Notes		2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
<b>Cash flows from operating activities</b>							
Cash generated from operations	7.34	19,846,308	(935,618)	(23,006,652)	27,892,718	4,995,324	7,647,281
Interest received		9,365,598	8,287,127	-	-	-	-
interest paid		(8,262,671)	(5,568,314)	-	-	-	-
Gratuity paid		-	-	(32,030)	-	(11,620)	(11,541)
Income taxes paid		(253,394)	(163,344)	(484,281)	(76,988)	(472,287)	(181,689)
<b>Net cashflows from operating activities</b>		<b>20,695,841</b>	<b>1,619,851</b>	<b>(23,522,963)</b>	<b>27,815,730</b>	<b>4,511,417</b>	<b>7,454,051</b>
<b>Cash flows from investing activities</b>							
Net changes in investment securities		1,775,436	(4,629,295)	12,210,704	-	-	-
Acquisition of property, plant and equipment		(199,959)	(163,534)	(267,592)	(330,085)	(162,392)	(140,094)
Acquisition of intangible assets (including work in progress)		(168,548)	(74,405)	-	-	-	-
Interest income on long term investments		-	-	4,761	27,612	302,563	-
(Purchase)/sales of investments		-	-	-	(14,881,062)	4,785,735	(5,939,595)
Proceeds from sale of property, plant and equipment		19,256	11,807	1,822	2,770	15,155	5,056
<b>Net cash used in investing activities</b>		<b>1,426,185</b>	<b>(4,855,427)</b>	<b>11,949,695</b>	<b>(15,180,765)</b>	<b>4,941,061</b>	<b>(6,074,633)</b>
<b>Cash flows from financing activities</b>							
Dividend paid		(698,698)	(698,698)	(558,958)	(978,178)	(698,698)	(524,024)
Rights issue proceeds from non-controlling interest		-	171,990	42,275	-	-	153,725
Repayment of short-term borrowings		-	-	-	-	(1,454,896)	-
<b>Net cash (used in)/generated from financing activities</b>		<b>(698,698)</b>	<b>(526,708)</b>	<b>(516,683)</b>	<b>(978,178)</b>	<b>(2,153,594)</b>	<b>(370,299)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>21,423,328</b>	<b>(3,762,284)</b>	<b>(12,089,951)</b>	<b>11,656,787</b>	<b>7,298,884</b>	<b>1,009,120</b>
<b>Cash and cash equivalents at end of year/period</b>	7.35	23,226,996	1,803,668	5,565,952	17,655,904	5,999,117	1,299,767
<b>Cash and cash equivalents at start of year/period</b>		1,803,668	5,565,952	17,655,904	5,999,117	1,299,767	290,647
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>21,423,328</b>	<b>(3,762,284)</b>	<b>(12,089,951)</b>	<b>11,656,787</b>	<b>7,298,884</b>	<b>1,009,120</b>

# **HISTORICAL FINANCIAL INFORMATION**

4 . CONSOLIDATED STATEMENT OF CHANGES IN EQUITY										
Notes	IFRS		N-GAAP		As at 30 June					
	2012	2011	2010	2009	2009	2008				
	N'000	N'000	N'000	N'000	N'000	N'000				
Share capital	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794				
Share premium	1,539,587	1,539,587	1,539,587	1,539,587	1,539,587	1,539,587				
Retained earnings	14,624,282	12,693,806	9,634,658	7,593,436	6,335,540	3,823,179				
Statutory reserve	3,565,277	3,241,131	2,848,061	2,398,216	2,007,532	1,380,535				
Treasury share reserve	(450,040)	(450,040)	-	-	-	-				
Available for sale reserve	(328,391)	(2,564,305)	-	-	-	-				
Credit risk reserve	322,486	144,672	-	-	-	-				
Revaluation reserve	-	-	94,939	102,062	255,222	10,081				
Total	22,067,995	17,399,645	16,912,039	14,428,095	12,932,675	9,548,176				
Non controlling interest	698,445	521,455	235,598	136,690	115,386	101,788				
Total equity	22,766,440	# 17,921,100	17,147,637	14,564,785	13,048,061	9,649,964				
					Treasury share				Non controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Statutory reserve	reserve	Available for sale reserve	Credit risk reserve	Total		
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
(i) Statement of Changes in equity - 2011										
As at 1 January	2,794,794	1,539,587	11,571,157	2,848,061	(450,040)	(142,783)	189,675	18,350,451	235,598	18,586,049
Profit after tax for the year	-	-	2,112,962	-	-	-	-	2,112,962	113,867	2,226,829
Actuarial gains/(losses) in defined gratuity scheme	-	-	(3,903)	-	-	-	-	(3,903)	-	(3,903)
Unrealised net gains/(losses) arising during the period	-	-	-	-	-	(1,433,570)	-	(1,433,570)	-	(1,433,570)
Net reclassification adjustment for realised net losses	-	-	-	-	-	(987,952)	-	(987,952)	-	(987,952)
Total comprehensive income or loss	2,794,794	1,539,587	13,680,216	2,848,061	(450,040)	(2,564,305)	189,675	18,037,988	349,465	18,387,453
Payment for right issue	-	-	-	-	-	-	-	-	171,990	171,990
Dividend paid	-	-	(638,343)	-	-	-	-	(638,343)	-	(638,343)
Transfer to statutory reserves	-	-	(393,070)	393,070	-	-	-	-	-	-
Transfer to credit risk reserves	-	-	45,003	-	-	-	(45,003)	-	-	-
At 31 December	2,794,794	1,539,587	12,693,806	3,241,131	(450,040)	(2,564,305)	144,672	17,399,645	521,455	17,921,100
(ii) Statement of Changes in equity - 2012										
As at 1 January	2,794,794	# 1,539,587	12,693,806	# 3,241,131	(450,040)	(2,564,305)	144,672	17,399,645	521,455	17,921,100
Profit after tax for the year	-	-	3,008,709	-	-	-	-	3,008,709	176,990	3,185,699
Actuarial gains/(losses) in defined gratuity scheme	-	-	62,069	-	-	-	-	62,069	-	62,069
Unrealised net gains/(losses) arising during the period	-	-	-	0	-	4,021,858	-	4,021,858	-	4,021,858
Net reclassification adjustment for realised net losses	-	-	-	-	-	(1,785,944)	-	(1,785,944)	-	(1,785,944)
Total comprehensive income or loss	2,794,794	1,539,587	15,764,584	3,241,132	(450,040)	(328,391)	144,672	22,706,338	698,445	23,404,783
Dividend paid	-	-	(638,343)	-	-	-	-	(638,343)	-	(638,343)
Transfer to statutory reserves	-	-	(324,145)	324,145	-	-	-	-	-	-
Transfer to credit risk reserves	-	-	(177,814)	-	-	-	177,814	-	-	-
At 31 December	2,794,794	1,539,587	14,624,282	3,565,277	(450,040)	(328,391)	322,486	22,067,995	698,445	22,766,440

## HISTORICAL FINANCIAL INFORMATION

### 7.1 Background & History

FSDH Merchant Bank Limited (*formerly First Securities Discount House Limited*) ("the Bank" or "FSDH") was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act 1990. It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993. The principal activity of the Company and its subsidiaries (the Group) is the provision of discount house services, investing, stock broking and pension fund administration services to its customers. Discount house services principally involve trading in and holding of marketable securities such as treasury bills, government bonds, commercial bills and other eligible instruments.

In July 2011, the Bank applied for a license to operate as a merchant bank pursuant to the banking reforms in Nigeria. Final approval for the conversion was granted on 22 November 2012 and on 15 January 2013; FSDH formally ceased to operate as a discount house and converted to a merchant bank. The Bank's name was officially changed on 31 December 2012 from First Securities Discount House Limited to FSDH Merchant Bank Limited. Upon conversion, FSDH's operations has expanded to include trade services, Foreign currency (FX) trading and term loans.

The Bank holds a 99.7% interest in an asset management company – FSDH Asset Management Limited. FSDH Asset Management Limited holds a 99.9% interest in FSDH Securities Limited (FSL), a company involved in stock broking and issuing house operations. In addition, the Bank has a 51% interest in Pensions Alliance Limited, which is involved in pension fund administration. The Bank controls the FSDH Staff Cooperative scheme, which was set up by the Bank to enable its staff partake in the benefits of share ownership. The scheme invests in shares of the Company and other entities. The Bank prepares consolidated financial statements and the financial results of all the subsidiaries have been consolidated in these financial statements. The consolidated financial statements for the year ended 31 December 2012 were approved for issue by the Board of Directors on 15 March 2013.

	IFRS			N-GAAP		
				6 months to 31		
	Year ended 31 December			December	Year ended 30 June	
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
<b>7.2 Discount and similar income</b>						
Bonds	4,445,030	2,916,066	3,833,526	3,512,809	3,497,659	1,128,856
Treasury bills	2,473,359	1,794,564	381,733	287,243	1,706,285	1,570,495
Commercial bills	2,408,765	3,405,147	2,392,589	3,257,545	25,724,299	8,791,531
Placements and investment income	296,596	125,483	85,390	-	-	-
Others	47,861	53,747	-	-	-	-
	<u>9,671,611</u>	<u>8,295,007</u>	<u>6,693,237</u>	<u>7,057,596</u>	<u>30,928,242</u>	<u>11,490,881</u>
<b>7.3 Discount and similar expense</b>						
Liabilities under repurchase agreement	6,864,806	5,022,403	-	-	-	-
Interbank borrowings	1,383,889	607,662	-	-	-	-
Bonds	-	-	200,885	548,154	1,686,547	1,044,231
Treasury bills	-	-	79,155	104,721	1,396,257	139,172
Commercial bills	-	-	1,862,816	2,223,837	20,602,627	5,595,346
Call expenses	-	-	354,303	605,781	737,507	1,830,190
	<u>8,248,695</u>	<u>5,630,065</u>	<u>2,497,159</u>	<u>3,482,493</u>	<u>24,422,938</u>	<u>8,608,939</u>
<b>7.4 Impairment charge for credit losses</b>						
Reversal of impairment/(Impairment charges)	-	18,531	-	-	-	-
<b>7.5 Fee and commission income</b>						
Fiduciary fees	1,649,372	1,236,806	-	-	-	-
Brokerage commissions	103,356	54,554	-	-	-	-
Fee Income	16,000	173,742	-	-	-	-
	<u>1,768,728</u>	<u>1,465,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group provides corporate administration, investment management and advisory services to third parties, which involves the Group making allocation, purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

## HISTORICAL FINANCIAL INFORMATION

### 7.6 Net gains on financial instruments held for trading

Equity securities	30,260	(9,773)	-	-	-	-
Federal Government of Nigeria Bonds	149,746	359,489	-	-	-	-
Nigerian Treasury Bills	436,386	-	-	-	-	-
	<u>616,392</u>	<u>349,716</u>				

### 7.7 Net gains on investment securities

Bonds	1,651,224	962,198	-	-	-	-
Treasury bills	134,720	32,076	-	-	-	-
	<u>1,785,944</u>	<u>994,274</u>				

### 7.8 Other income

Profit on disposal of property & equipment	9,105	2,097	1,822	2,770	15,155	5,056
Dividend income on available-for-sale financial assets	43,960	41,327	-	-	-	-
Dividend income held for trading financial assets	1,804	885	-	-	-	-
Management fees	-	-	972,796	366,710	539,602	640,935
Brokerage commissions	-	-	93,679	34,612	80,317	251,609
Interest on margin account	-	-	4,942	8,176	187,207	391,705
Interest on long-term investments	-	-	4,761	27,612	302,563	-
Securities trading income	-	-	5,543	1,000	-	232,085
Financial Advisory fees	-	-	121,725	-	5,100	84,116
Administration fees	-	-	-	-	146,163	58,751
Other sundry income/(losses)	(1,059)	7,973	121,493	45,014	38,069	6,395
	<u>53,810</u>	<u>52,282</u>	<u>1,326,761</u>	<u>485,894</u>	<u>1,314,176</u>	<u>1,670,652</u>

<----- IFRS ----->----- N-GAAP ----->

6 months to  
31

<----- Year ended 31 December -----> December <--- Year ended 30 June --->

2012 2011 2010 2009 2009 2008  
N'000 N'000 N'000 N'000 N'000 N'000

### 7.9 Operating expenses

Staff related expenses (note (i) below)	1,946,677	1,679,353	1,493,508	835,699	1,288,683	663,863
Depreciation	186,062	180,982	190,006	72,111	142,170	123,292
Amortisation	115,350	114,383	-	-	-	-
Unrealised loss on quoted dealing securities	-	-	-	2,178	219,468	-
Securities trading loss	-	-	-	1,443	219,137	-
Auditors' remuneration	31,636	26,525	22,210	20,950	24,110	19,840
Directors' emoluments (note (ii) below)	186,916	141,799	87,559	23,770	45,328	19,351
Administrative and other operating expenses	913,492	840,772	655,198	377,503	699,266	950,651
	<u>3,380,133</u>	<u>2,983,814</u>	<u>2,448,481</u>	<u>1,333,654</u>	<u>2,638,162</u>	<u>1,776,997</u>

#### (i) Staff related costs (excluding executive directors)

Wages, salaries and related costs	1,821,644	1,592,297	1,384,270	672,432	1,144,864	605,010
Pension costs	81,467	55,535	67,153	32,282	44,359	17,939
Gratuity costs	43,566	31,521	42,085	130,985	99,460	40,914
	<u>1,946,677</u>	<u>1,679,353</u>	<u>1,493,508</u>	<u>835,699</u>	<u>1,288,683</u>	<u>663,863</u>

#### (ii) Directors' remuneration

Fees and sitting allowances	100,830	72,875	41,813	18,370	21,773	9,151
Executive compensation	86,086	68,924	45,746	5,400	23,555	10,200
	<u>186,916</u>	<u>141,799</u>	<u>87,559</u>	<u>23,770</u>	<u>45,328</u>	<u>19,351</u>

The directors' remuneration shown above (excluding pension and other benefits) includes:

Chairman	10,500	7,550	7,763	3,700	7,250	1,404
Highest paid director	<u>47,001</u>	<u>37,641</u>	<u>10,164</u>	<u>5,082</u>	<u>5,875</u>	<u>2,742</u>



## HISTORICAL FINANCIAL INFORMATION

(iii)	The average number of persons employed by the Group during the year:	Number	Number	Number	Number	Number	Number
	Executive	2	2	4	4		
	Management staff	38	38	31	26	29	25
	Non-management staff	164	167	209	168	168	149
		<u>204</u>	<u>207</u>	<u>244</u>	<u>198</u>	<u>197</u>	<u>174</u>
(iv)	The number of employees of the group, other than directors, who received emoluments (excluding pension contributions and other benefits) in the following ranges were –						
	Below ₦3,000,000	91	113	221	175	192	174
	₦3,000,001 – ₦5,000,000	40	36	8	9	3	–
	Above ₦5,000,000	73	58	15	14	2	–
		<u>204</u>	<u>207</u>	<u>244</u>	<u>198</u>	<u>197</u>	<u>174</u>
		<div> <div> <div>&lt;-----</div> <div>IFRS</div> <div>-----&gt;</div> </div> <div> <div></div> <div>N-GAAP</div> <div></div> </div> </div>					
		<div> <div></div> <div>6 months to 31</div> <div></div> </div>					
		<div> <div>&lt;-----</div> <div>Year ended 31 December</div> <div>-----</div> </div>					
		2012	2011	2010	2009	2009	2008
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
7.10	Write-back/ provisions for risk assets						
	<b>Commercial bills:</b>						
	Specific write-back during the year	–	–	–	83,796	32,815	13,873
	Specific provision during the year	–	–	(223,240)	(52,463)	(669,407)	–
	Write-back on general provision during the year	–	–	12,378	–	–	–
	General (provision)/write-back during the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,716</u>	<u>(30,175)</u>	<u>(26,282)</u>
				<u>(210,862)</u>	<u>55,049</u>	<u>(666,767)</u>	<u>(12,409)</u>
	<b>Assets on repurchase agreements:</b>						
	Specific write-back during the year	–	–	370,433	413,867	–	–
	Specific provision during the year	–	–	–	(241,520)	–	–
	Write-back on general provision during the year	–	–	239,371	35,924	–	–
	General (provision)/write-back during the year	<u>–</u>	<u>–</u>	<u>(46,333)</u>	<u>–</u>	<u>(141,916)</u>	<u>(23,356)</u>
				<u>563,471</u>	<u>208,271</u>	<u>(141,916)</u>	<u>(23,356)</u>
	<b>Other assets:</b>						
	General (provision)/write-back during the year	<u>–</u>	<u>–</u>	<u>(1,516)</u>	<u>(387)</u>	<u>(2,327)</u>	<u>5,954</u>
	<b>Margin accounts:</b>						
	General (provision)/write-back during the year (note 7.18)	<u>–</u>	<u>–</u>	<u>111</u>	<u>24,669</u>	<u>(48,684)</u>	<u>(7,793)</u>
	Total			<u>351,204</u>	<u>287,602</u>	<u>(859,694)</u>	<u>(37,604)</u>
7.11	Income tax						
7.11.1	Income tax (credit)/expense						
(i)	Income tax charge:						
	Company income tax	425,217	202,376	216,640	316,921	461,942	487,757
	Education tax	14,104	10,515	14,575	23,080	32,727	34,268
		<u>439,321</u>	<u>212,891</u>	<u>231,215</u>	<u>340,001</u>	<u>494,669</u>	<u>522,025</u>
(ii)	Deferred tax:						
	Deferred tax charge	–	–	39,149	26,882	(24,697)	(144,747)
	Origination and reversal of temporary differences	898	119,640	48,540	–	–	–
	Amount of unused tax losses	<u>(1,331,659)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>(1,330,761)</u>	<u>119,640</u>	<u>87,689</u>	<u>26,882</u>	<u>(24,697)</u>	<u>(144,747)</u>
	Total	<u>(891,440)</u>	<u>332,531</u>	<u>318,904</u>	<u>366,883</u>	<u>469,972</u>	<u>377,278</u>
	Tax effect on other comprehensive income	<u>(26,602)</u>	<u>1,673</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	Tax on profit for the year	<u>(918,042)</u>	<u>334,204</u>	<u>318,904</u>	<u>366,883</u>	<u>469,972</u>	<u>377,278</u>

## HISTORICAL FINANCIAL INFORMATION

(iii)	The average number of persons employed by the Group during the year:	Number	Number	Number	Number	Number	Number
	Executive	2	2	4	4		
	Management staff	38	38	31	26	29	25
	Non-management staff	164	167	209	168	168	149
		<u>204</u>	<u>207</u>	<u>244</u>	<u>198</u>	<u>197</u>	<u>174</u>
(iv)	The number of employees of the group, other than directors, who received emoluments (excluding pension contributions and other benefits) in the following ranges were –						
	Below N3,000,000	91	113	221	175	192	174
	N3,000,001 – N5,000,000	40	36	8	9	3	–
	Above N5,000,000	73	58	15	14	2	–
		<u>204</u>	<u>207</u>	<u>244</u>	<u>198</u>	<u>197</u>	<u>174</u>
<div style="display: flex; justify-content: space-between; align-items: center;"> <span>&lt;----- IFRS -----&gt;</span> <span>N-GAAP</span> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 10px;"> <span>&lt;----- Year ended 31 December -----&gt;</span> <span>6 months to 31 December</span> <span>&lt;--- Year ended 30 June ---&gt;</span> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 10px;"> <span>2012</span> <span>2011</span> <span>2010</span> <span>2009</span> <span>2009</span> <span>2008</span> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 10px;"> <span>N'000</span> <span>N'000</span> <span>N'000</span> <span>N'000</span> <span>N'000</span> <span>N'000</span> </div>							
<b>7.10</b>	<b>Write-back/ provisions for risk assets</b>						
	<b>Commercial bills:</b>						
	Specific write-back during the year	–	–	–	83,796	32,815	13,873
	Specific provision during the year	–	–	(223,240)	(52,463)	(669,407)	–
	Write-back on general provision during the year	–	–	12,378	–	–	–
	General (provision)/write-back during the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,716</u>	<u>(30,175)</u>	<u>(26,282)</u>
		<u>–</u>	<u>–</u>	<u>(210,862)</u>	<u>55,049</u>	<u>(666,767)</u>	<u>(12,409)</u>
	<b>Assets on repurchase agreements:</b>						
	Specific write-back during the year	–	–	370,433	413,867	–	–
	Specific provision during the year	–	–	–	(241,520)	–	–
	Write-back on general provision during the year	–	–	239,371	35,924	–	–
	General (provision)/write-back during the year	<u>–</u>	<u>–</u>	<u>(46,333)</u>	<u>–</u>	<u>(141,916)</u>	<u>(23,356)</u>
		<u>–</u>	<u>–</u>	<u>563,471</u>	<u>208,271</u>	<u>(141,916)</u>	<u>(23,356)</u>
	<b>Other assets:</b>						
	General (provision)/write-back during the year	<u>–</u>	<u>–</u>	<u>(1,516)</u>	<u>(387)</u>	<u>(2,327)</u>	<u>5,954</u>
	<b>Margin accounts:</b>						
	General (provision)/write-back during the year (note 7.18)	<u>–</u>	<u>–</u>	<u>111</u>	<u>24,669</u>	<u>(48,684)</u>	<u>(7,793)</u>
	<b>Total</b>	<u>–</u>	<u>–</u>	<u>351,204</u>	<u>287,602</u>	<u>(859,694)</u>	<u>(37,604)</u>
<b>7.11</b>	<b>Income tax</b>						
<b>7.11.1</b>	<b>Income tax (credit)/expense</b>						
(i)	Income tax charge:						
	Company income tax	425,217	202,376	216,640	316,921	461,942	487,757
	Education tax	14,104	10,515	14,575	23,080	32,727	34,268
		<u>439,321</u>	<u>212,891</u>	<u>231,215</u>	<u>340,001</u>	<u>494,669</u>	<u>522,025</u>
(ii)	Deferred tax:						
	Deferred tax charge	–	–	39,149	26,882	(24,697)	(144,747)
	Origination and reversal of temporary differences	898	119,640	48,540	–	–	–
	Amount of unused tax losses	<u>(1,331,659)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>(1,330,761)</u>	<u>119,640</u>	<u>87,689</u>	<u>26,882</u>	<u>(24,697)</u>	<u>(144,747)</u>
	<b>Total</b>	<u>(891,440)</u>	<u>332,531</u>	<u>318,904</u>	<u>366,883</u>	<u>469,972</u>	<u>377,278</u>
	Tax effect on other comprehensive income	<u>(26,602)</u>	<u>1,673</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	Tax on profit for the year	<u>(918,042)</u>	<u>334,204</u>	<u>318,904</u>	<u>366,883</u>	<u>469,972</u>	<u>377,278</u>

## HISTORICAL FINANCIAL INFORMATION

The current tax charge has been computed at the applicable rate of 30% plus education tax of 2% on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as depreciation on property and equipment, donations to non-qualifying entities etc, which are not allowed as a deduction by the tax authorities. Tax exempt income include dividend income, interest income on Federal Government, municipal and corporate bonds and the Nigerian Treasury Bills, which are not taxable.

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
<b>7.11.2 Tax liability</b>						
At beginning of period	701,215	651,668	836,669	573,656	551,274	210,938
Tax paid	(253,394)	(163,344)	(484,281)	(76,988)	(472,287)	(181,689)
Income tax charge	439,321	212,891	231,215	340,001	494,669	522,025
At end of period	<u>887,142</u>	<u>701,215</u>	<u>583,603</u>	<u>836,669</u>	<u>573,656</u>	<u>551,274</u>
<b>7.12 Cash and bank balances</b>						
Cash in hand	642	1,009	483	281	156	44
Balances held with other banks:						
- Net operating balance with Central Bank of Nigeria	783,274	404,399	-	-	-	-
- Current account with banks in Nigeria	129,984	123,071	3,768,108	461,489	651,599	-
- Domiciliary account	-	-	516	1,053	1,053	1,299,723
	<u>913,900</u>	<u>528,479</u>	<u>3,769,107</u>	<u>462,823</u>	<u>652,808</u>	<u>1,299,767</u>
<b>7.13 Treasury bills</b>						
Gross value	-	-	1,847,887	17,294,907	5,373,732	35,816,621
Discount receivable	-	-	-	-	77	28,609
Unearned discounts	-	-	(51,042)	(101,826)	(27,500)	(155,054)
	<u>-</u>	<u>-</u>	<u>1,796,845</u>	<u>17,193,081</u>	<u>5,346,309</u>	<u>35,690,176</u>
<b>7.14 Placements</b>						
Placements with banks and discount houses	16,357,112	667,421	-	-	-	-
Placements with other financial institutions	58,585	26,965	-	-	-	-
	<u>16,415,697</u>	<u>694,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current	16,357,112	667,421	-	-	-	-
Non-current	58,585	26,965	-	-	-	-
	<u>16,415,697</u>	<u>694,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Placements with other financial institutions represents Pensions Alliance Limited's statutory reserve account with UBA Pension Fund Custodian in compliance with the Pension Reform Act of 2004. This was not included in cash and cash equivalents for the purpose of the cashflows statement.

Included in placements are promissory notes of various banks discounted from FSDH Asset Management Limited and FSDH Securities Limited by FSDH Merchant Bank Limited amounting to ₦15.34 billion as at 31 December 2012.

## HISTORICAL FINANCIAL INFORMATION

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
<b>7.15 Assets on repurchase agreements</b>	-	-	-	-	-	-
Treasury bills	-	-	4,978,521	4,984	6,129,479	190,616
Bonds	-	-	19,333,097	7,222,424	35,178,587	1,702,068
Commercial bills	-	-	4,554,271	24,689,328	27,699,359	12,478,173
	<u>-</u>	<u>-</u>	<u>28,865,889</u>	<u>31,916,736</u>	<u>69,007,425</u>	<u>14,370,857</u>

### 7.16 Financial instruments held for trading

Quoted equity securities	34,820	-	-	-	-	-
Treasury Bills	11,469,657	-	-	-	-	-
Bonds	-	-	-	-	-	-
	<u>11,504,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current	11,469,657	-	-	-	-	-
Non-current	34,820	-	-	-	-	-
	<u>11,504,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
<b>7.17 Loans and receivables to customers</b>						
Commercial bills at amortised cost	9,119,537	8,646,630	-	-	-	-
Margin facilities at amortised cost (note i)	6,743	50,429	-	-	-	-
Interest receivable on share-backed facilities	-	-	-	-	-	-
Allowance for impairment (note ii)	(566,585)	(598,044)	-	-	-	-
	<u>8,559,695</u>	<u>8,099,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current	8,559,695	8,099,015				
Non-current	-	-				
	<u>8,559,695</u>	<u>8,099,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(i) Margin facilities are share-backed facilities, which represent the value of credit facilities availed to customers that are backed by shares of companies listed on the Nigerian Stock Exchange. The fair value of the quoted equity securities pledged as collateral were ₦28.21 million and ₦54.79 million as at 31 December 2012 and 31 December 2011 respectively.

(ii) Allowance for impairment

Commercial bills	566,585	566,585	-	-	-	-
Margin accounts	-	31,459	-	-	-	-
	<u>566,585</u>	<u>598,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Allowance for impairment in 2011 and 2012 is further reconciled as follows:

	Commercial bills N'000	Margin accounts N'000	Total N'000
Balance at 1 January 2011	627,746	31,489	659,235
Reversal of impairment	(18,501)	(30)	(18,531)
Provision written off during the year	(42,660)	-	(42,660)
At 31 December 2011	<u>566,585</u>	<u>31,459</u>	<u>598,044</u>
Amount written off during 2012	-	(31,459)	(31,459)
At 31 December 2012	<u>566,585</u>	<u>-</u>	<u>566,585</u>

## HISTORICAL FINANCIAL INFORMATION

		IFRS			N-GAAP	
		As at 31 December			As at 30 June	
		2012 N'000	2011 N'000	2010 N'000	2009 N'000	2008 N'000
<b>7.18 Margin accounts</b>				-	-	-
Share backed facilities		-	-	52,969	62,041	185,510
Interest receivable on share-backed facilities		-	-	-	785	1,903
Loan loss provision (note i)		-	-	(31,697)	(31,808)	(56,477)
		<u>-</u>	<u>-</u>	<u>21,272</u>	<u>31,018</u>	<u>130,936</u>
		<u>-</u>	<u>-</u>	<u>21,272</u>	<u>31,018</u>	<u>1,550,730</u>
<b>(i) Loan loss provision</b>						
Balance at beginning of year		-	-	31,808	56,477	7,793
Provision/(write back) during the year (note 7.10)		-	-	(111)	(24,669)	48,684
Balance at end of year		<u>-</u>	<u>-</u>	<u>31,697</u>	<u>31,808</u>	<u>56,477</u>
		<u>-</u>	<u>-</u>	<u>31,697</u>	<u>31,808</u>	<u>7,793</u>
Margin facilities are share-backed facilities, which represent the value of credit facilities availed to customers that are backed by shares of companies listed on the Nigerian Stock Exchange.						
<b>7.19 Investment securities</b>						
Debt securities (note i & note ii)		29,134,608	34,270,299	3,948,720	2,235,748	5,353,552
Equity securities (note iii)		1,146,147	872,759	934,817	1,091,283	805,781
Short-term investments (note iv)		-	-	551,720	1,722,739	1,825,355
Long term investments (note v)		-	-	6,299,616	18,510,970	3,783,067
		<u>30,280,755</u>	<u>35,143,058</u>	<u>#####</u>	<u>23,560,740</u>	<u>11,767,755</u>
		<u>30,280,755</u>	<u>35,143,058</u>	<u>#####</u>	<u>23,560,740</u>	<u>16,876,652</u>
<b>(i) Debt securities</b>						
<b>Classified as available for sale</b>						
Nigerian treasury bills		244,842	5,700,133	-	-	-
Federal Government of Nigeria Bonds		8,329,138	8,051,810	-	-	-
State Government and Corporate Bonds		7,439,803	5,467,882	-	-	-
		<u>16,013,783</u>	<u>19,219,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>16,013,783</u>	<u>19,219,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Classified as held to maturity</b>						
Federal Government of Nigeria bonds at amortised cost		13,120,825	15,050,474	-	-	-
Commercial bills		-	-	-	-	-
		<u>29,134,608</u>	<u>34,270,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>29,134,608</u>	<u>34,270,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(ii) Debt securities</b>						
Federal Government of Nigeria Bonds		-	-	485,427	422,010	521,670
Commercial bills		-	-	3,463,293	1,813,738	4,831,882
		<u>-</u>	<u>-</u>	<u>3,948,720</u>	<u>2,235,748</u>	<u>5,353,552</u>
		<u>-</u>	<u>-</u>	<u>3,948,720</u>	<u>2,235,748</u>	<u>3,735,077</u>
<b>(iii) Equity securities (classified as available for sale)</b>						
Quoted		1,010,190	736,445	-	-	-
Unquoted		135,957	136,314	-	-	-
Trading securities		-	-	-	-	-
Dealing securities		-	-	934,817	1,091,283	805,781
		<u>1,146,147</u>	<u>872,759</u>	<u>934,817</u>	<u>1,091,283</u>	<u>805,781</u>
		<u>1,146,147</u>	<u>872,759</u>	<u>934,817</u>	<u>1,091,283</u>	<u>824,232</u>
<b>(iv) Short-term investments</b>						
Corporate Bonds		-	-	-	301,956	-
FGN Bonds		-	-	551,720	1,420,783	1,825,355
		<u>-</u>	<u>-</u>	<u>551,720</u>	<u>1,722,739</u>	<u>1,825,355</u>
		<u>-</u>	<u>-</u>	<u>551,720</u>	<u>1,722,739</u>	<u>4,003,300</u>

## HISTORICAL FINANCIAL INFORMATION

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
Per Consolidated statement of financial position:						
Asset/(liability) (note iii)	55,515	10,411	(16,405)	-	-	-
Charge per Statement of Consolidated Income:						
Staff gratuity plan	43,566	36,521	42,085	130,985	99,460	40,914
	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
(iii) Defined benefit obligation						
<b>Plan assets</b>						
At the beginning of the period	462,331	416,000	358,437	227,452	139,612	110,239
Expected return on plan assets	55,406	46,000	-	-	-	-
Actuarial gains/(losses)	8,962	3,379	-	-	-	-
Benefits paid	-	(3,048)	(32,030)	-	(11,620)	(11,541)
Additions	-	-	25,680	130,985	99,460	40,914
At the end of the period	526,699	462,331	352,087	358,437	227,452	139,612
<b>Defined benefit obligation</b>						
At beginning of period	(451,920)	(368,492)	(358,437)	(227,452)	(139,612)	(110,239)
Current service cost	(39,948)	(36,521)	-	-	-	-
Interest cost	(59,024)	(41,000)	-	-	-	-
Actuarial (gains)/losses	79,708	(8,955)	-	-	-	-
Benefits paid	-	3,048	32,030	-	11,620	11,541
Charge for the year	-	-	(42,085)	(130,985)	(99,460)	(40,914)
	(471,184)	(451,920)	(368,492)	(358,437)	(227,452)	(139,612)
Retirement benefit /(liability)	55,515	10,411	(16,405)	-	-	-
<b>7.23 Deferred tax</b>						
<b>Deferred tax liabilities</b>						
Fixed assets	-	-	69,165	-	-	-
General provision on commercial bills	-	-	(30,016)	-	-	-
	-	-	39,149	-	-	-
<b>Deferred tax assets</b>						
Fixed assets	-	-	-	26,182	37,129	23,038
General provision on commercial bills	-	-	-	91,186	107,121	49,467
Provision for gratuity	-	-	-	-	-	17,365
Accelerated tax depreciation	3,958	(10,600)	68,828	-	-	-
Tax loss carry forward	1,359,652	27,992	82,090	82,090	82,090	111,773
Gratuity post retirement benefit	108,975	135,576	-	-	-	-
Others	17,634	6,487	-	-	-	-
	1,490,219	159,455	150,918	199,458	226,340	201,643
<b>Net deferred tax asset</b>	1,490,219	159,455	150,918	199,458	226,340	201,643

## HISTORICAL FINANCIAL INFORMATION

### 7.24 Intangible asset

#### Cost:

At beginning of period	400,118	332,722	-	-	-	-
Additions	950	74,405	-	-	-	-
Reclassifications	83,942	-	-	-	-	-
Work in progress	167,598	(7,009)	-	-	-	-
At end of the period	652,608	400,118	-	-	-	-

#### Accumulated amortisation:

At beginning of period	(224,333)	(116,959)	-	-	-	-
Charge for the year	(115,351)	(114,383)	-	-	-	-
Reclassifications	(76,822)	-	-	-	-	-
Write offs	-	7,009	-	-	-	-
Disposals	-	-	-	-	-	-
At end of the period	(416,506)	(224,333)	-	-	-	-

#### Net book amount at 31 December

236,102	175,785	-	-	-	-
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The sum of ₦167,598,000 in work-in-progress relates to capital expenditure incurred on a new banking software by the Parent company as part of its transformation project to a merchant bank for which it was granted approval by the Central Bank of Nigeria on 22 November 2012.

IFRS			N-GAAP		
As at 31 December			As at 30 June		
2012	2011	2010	2009	2009	2008
N'000	N'000	N'000	N'000	N'000	N'000

### 7.25 Property and equipment

#### Cost:

Leasehold improvement	123,648	147,419	117,477	53,841	53,577	86,435
Office equipment	343,370	404,344	713,399	387,381	405,490	385,908
Furniture, fittings & equipment	135,639	126,239	133,196	115,324	114,214	106,344
Motor vehicles	424,580	359,209	347,218	302,019	256,944	196,449
Work-in-progress	-	-	5,990	217,521	-	-
	1,027,237	1,037,211	1,317,280	1,076,086	830,225	775,136

#### Accumulated depreciation:

Leasehold improvement	73,213	69,932	53,202	42,421	39,273	56,665
Office equipment	276,960	309,353	388,072	291,991	322,450	274,438
Furniture, fittings & equipment	95,932	77,911	64,883	49,894	39,110	34,676
Motor vehicles	187,973	183,483	171,671	129,045	124,530	116,064
Work-in-progress	-	-	-	-	-	-
	634,078	640,679	677,828	513,351	525,363	481,843

#### Net book value:

Leasehold improvement	50,435	77,487	64,275	11,420	14,304	29,770
Office equipment	66,410	94,991	325,327	95,390	83,040	111,470
Furniture, fittings & equipment	39,707	48,328	68,313	65,430	75,104	71,668
Motor vehicles	236,607	175,726	175,547	172,974	132,414	80,385
Work-in-progress	-	-	5,990	217,521	-	-
	393,159	396,532	639,452	562,735	304,862	293,293

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	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012	2011	2010	2009	2009	2008
	N'000	N'000	N'000	N'000	N'000	N'000
<b>7.26 Due to banks</b>						
Call borrowings	17,371,115	-	-	24,000,000	-	24,440,000
Liabilities under repurchase agreements	23,133,221	35,628,397	-	-	-	-
Term borrowings	-	-	-	2,600,000	1,500,000	21,000,000
	<u>40,504,336</u>	<u>35,628,397</u>	<u>-</u>	<u>26,600,000</u>	<u>1,500,000</u>	<u>45,440,000</u>

The Bank engaged in repurchase agreement transactions with various banks during the period. The financial assets are transferred in exchange for cash and a concurrent obligation to re-acquire the financial asset at a future date for a pre-determined consideration. The transferred asset have not been de-recognised in the books and form part of the financial assets in the Statement of financial position disclosed as pledged assets (Note 7.20).

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012	2011	2010	2009	2009	2008
	N'000	N'000	N'000	N'000	N'000	N'000
<b>7.27 Due to customers</b>						
Liabilities under repurchase agreements (note i)	29,475,259	20,569,605	-	-	-	-
Other customer balances	124,279	341,603	-	-	-	-
	<u>29,599,538</u>	<u>20,911,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 7.28 Liabilities under repurchase agreements

Treasury bills	-	-	5,227,482	5,000	6,274,187	195,000
Bonds	-	-	19,677,325	6,700,000	36,800,000	-
Commercial bills	-	-	4,593,943	25,450,600	28,677,703	12,596,016
	<u>-</u>	<u>-</u>	<u>29,498,750</u>	<u>32,155,600</u>	<u>71,751,890</u>	<u>12,791,016</u>

The Bank engages in collateralised borrowing agreements (liabilities under repurchase) with non-bank clients. The terms and conditions relating to the assets pledged against the liabilities typically retains the rights and benefits on the assets with the Bank. The pledged assets have not been de-recognised in the books and form part of the Group's financial assets in the Statement of financial position.

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012	2011	2010	2009	2009	2008
	N'000	N'000	N'000	N'000	N'000	N'000
<b>7.29 Other liabilities</b>						
<b>Financial liabilities:</b>						
Accounts payable	252,951	226,224	324,991	391,164	332,386	-
Accrued expenses and discount payable	-	1,608	99,189	309,906	466,393	553,947
	<u>252,951</u>	<u>227,832</u>	<u>424,180</u>	<u>701,070</u>	<u>798,779</u>	<u>553,947</u>
<b>Non-financial liabilities:</b>						
Due to customers	-	-	235,679	164,610	483,911	561,060
Other payables	7,079	29,481	11,635	5,052	47,794	-
	<u>7,079</u>	<u>29,481</u>	<u>247,314</u>	<u>169,662</u>	<u>531,705</u>	<u>561,060</u>
<b>Total</b>	<u>260,030</u>	<u>257,313</u>	<u>671,494</u>	<u>870,732</u>	<u>1,330,484</u>	<u>1,115,007</u>

### 7.30 Short-term borrowings

At end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,454,896</u>
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Short term borrowings represent commercial papers and promissory notes issued to institutional investors with maturity ranging from 30 days to 60 days



## HISTORICAL FINANCIAL INFORMATION

### 7.31 Share capital

#### Authorised

3,100,000,000 Ordinary shares of ₦1 each	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
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#### Issued and fully paid

2,794,793,730 Ordinary shares of ₦1 each	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794
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### 7.32 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

#### (i) Share premium

Premiums from the issue of shares are reported in share premium.

#### (ii) Treasury share reserve

This represent 241.42million units of the Bank's shares held by FSDH Staff Co-operative Society. The Co-operative Society holds 8.64% of the issued share capital of the bank and are held by the trustees to the scheme. The statement of affairs of the scheme have been consolidated into this financial statements.

#### (iii) Retained earnings

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves.

#### (iv) Statutory reserve

In accordance with the statutory guidelines for discount houses, 10% of profit after taxation has been transferred to statutory reserve. In addition, Pension Alliance Limited, a subsidiary company in the group, has transferred 12.5% of its profit after taxation to statutory reserve account which is required to be done on an annual basis under existing legislation.

#### (v) Available –for–sale reserve

The revaluation reserve shows the effects from the fair value measurement of financial instruments of the available for sale category (AFS). Any gains or losses on this class of financial instruments are not recognised in the Consolidated income statement until the asset has been sold or impaired.

#### (vi) Credit risk reserve

Under Nigeria GAAP, loan loss provisioning is made in accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria for each account that is not performing in accordance with the following terms; (1) 90 days but less than 180 days (10%); (2) 180 days but less than 360 days (50%) and over 360 days (100%). In addition, a minimum of 1% general provision is made on all risk assets and which are deemed performing and have not been specifically provided for. The excess of the impairment under N-GAAP over the impairment under (IAS 39) IFRS has been transferred to a non-distributable regulatory reserve in line with the requirements of the Central Bank of Nigeria.

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
At the beginning of period	144,672	189,675	–	–	–	–
Charge/(wite-back) to retained earnings	177,814	–45,003	–	–	–	–
At end of period	322,486	144,672	–	–	–	–
A further reconciliation of credit risk reserve for 2011 and 2012 is as follows:						
Prudential guideline provision:	566,585	566,585	–	–	–	–
– Specific provisions	322,486	144,672	–	–	–	–
– General provisions	889,071	711,257	–	–	–	–
IFRS impairment allowance:						
– financial assets calssified as loans and advances	–566,585	–566,585	–	–	–	–
<b>Credit risk reserve</b>	<b>322,486</b>	<b>144,672</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### 7.33 Revaluation reserve

## HISTORICAL FINANCIAL INFORMATION

### 7.33 Revaluation reserve

At the end of period	-	-	94,936	102,062	255,222	10,081
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Revaluation reserve represents unrealised gain from the recognition of long term investments and trading bonds at market value

### 7.34 Cash generated from operations

Profit before income tax	2,267,657	2,561,033	3,425,563	3,014,945	4,321,626	2,360,715
Adjustments for:						
- Depreciation	186,061	180,982	190,006	72,111	142,170	123,292
- Amortisation	115,351	114,383	-	-	-	-
- (Profit) on disposal of property and equipment	(9,105)	(2,097)	(955)	(2,669)	(6,501)	(2,801)
- Benefit plan charge	43,566	31,521	42,085	130,985	99,460	40,914
- Net interest income	(1,328,264)	(2,656,071)	(4,761)	(27,612)	(302,563)	377,278
- Write-back on assets	-	-	(351,204)	(287,602)	859,694	37,604
- Write-back in provision for long term investments	-	-	(6,474)	-	463	1,261
- Dividends on treasury shares	60,355	60,355	-	-	-	-
- unrealised loss on dealing securities	-	-	-	-	219,468	-
Changes in working capital:	-	-	-	-	-	-
- Placement with other financial institutions	(31,620)	(19,093)	-	-	-	18,390,000
- Loans and receivables	(94,705)	133,333	-	-	-	-
- Financial assets held for trading	(920,654)	(4,387,254)	-	-	-	-
- Comparative adjustments to opening balance of cash equivalents	-	755,022	-	-	38,289,711	-
- Pledged assets	6,146,155	(24,529,393)	-	-	-	-
- Other assets	(100,191)	(294,397)	127,349	(464,913)	(138,784)	326,292
- Due to banks	4,875,939	30,976,961	(26,600,000)	25,100,000	(43,940,000)	-
- Due to customers	8,633,045	(3,840,252)	-	-	-	-
- Trading securities	-	-	93,049	(185,843)	969,300	6,893,736
- Commercial bills	-	-	(1,860,417)	3,073,195	(1,220,794)	(21,041,660)
- Short-term investments	-	-	1,171,019	102,616	2,177,945	-
- Assets on repurchase agreements	-	-	3,614,318	37,298,960	(57,023,332)	18,407,720
- Margin accounts	-	-	9,857	124,587	1,371,110	(68,326)
- Short-term borrowings	-	-	-	-	-	546,405
- Liabilities on repurchase agreements	-	-	(2,656,850)	(39,596,290)	58,960,874	(17,784,909)
- Other liabilities	2,717	(20,651)	(199,237)	(459,752)	215,477	(960,240)
	<u>19,846,308</u>	<u>(935,618)</u>	<u>(23,006,652)</u>	<u>27,892,718</u>	<u>4,995,324</u>	<u>7,647,281</u>

### 7.35 Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less (Treasury bills with less than 3 months maturity).

	IFRS			N-GAAP		
	As at 31 December			As at 30 June		
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
Cash and bank balances	913,900	528,479	3,769,107	462,823	652,808	1,299,767
Placements with banks and discount houses in Nigeria (Note 7.14)	16,357,112	667,421	-	-	-	-
Treasury bills classified as held for trading maturing in less than 3 months	5,711,142	-	1,796,845	17,193,081	5,346,309	-
Treasury bills classified as available for sale maturing in less than 3 months	244,842	607,768	-	-	-	-
	<u>23,226,996</u>	<u>1,803,668</u>	<u>5,565,952</u>	<u>17,655,904</u>	<u>5,999,117</u>	<u>1,299,767</u>

## HISTORICAL FINANCIAL INFORMATION

### 7.36 Contingent liabilities and commitments

#### (i) Legal proceedings

The Group has litigation and claims which arose in the normal course of business and they are being contested by the Group. The directors, having sought professional legal counsel, are of the opinion that no loss will eventuate, hence no provision has been made for them in these financial statements, nor contingent liabilities. There were no contingent liabilities not disclosed in these financial statements.

<----- IFRS ----->			----- N-GAAP ----->		
As at 31 December			As at 30 June		
2012	2011	2010	2009	2009	2008
N'000	N'000	N'000	N'000	N'000	N'000

#### (ii) Capital commitments

Outstanding capital expenditure commitments on intangible assets not provided

7,875	-	-	-	-	-
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The sum of ₦167.60 million in work-in-progress under Note 7.24 on intangible assets relates to paid capital expenditure in respect of new banking software acquired by the parent company as part of its transformation project to a merchant bank. The ₦7.87million disclosed represents unpaid commitments (not provided for) as at 31 December 2012.

### 7.37 Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include advisory, investments and securities' transactions. In line with IAS 24, the Group categorised its shareholders, directors, members of its executive management committee and their related entities or persons of influence with which the Group had transactions for disclosure purposes.

#### (i) Key management personnel and their related entities

<----- IFRS ----->			----- N-GAAP ----->		
Year ended 31 December			6 months to 31 December	Year ended 30 June	
2012	2011	2010	2009	2009	2008
N'000	N'000	N'000	N'000	N'000	N'000
<i>(a) Compensation</i>					
Wages and salaries	326,842	271,895	-	-	-
Pension costs	21,647	18,412	-	-	-
	<u>348,489</u>	<u>290,307</u>	<u>-</u>	<u>-</u>	<u>-</u>

Key management staff has been defined as members of the management executive committee of the Group.

#### *(b) Loans and advances*

Loans outstanding	<u>196,362</u>	<u>216,084</u>	<u>-</u>	<u>-</u>	<u>-</u>
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The loans issued to key management personnel as disclosed above represent staff loans and payable between tenors ranging from 1 to 15 years depending on the loan type. The significant loan type is the mortgage loans advanced to qualifying staff in employ of the Group over 5 years. The mortgage loans are collateralised by the underlying property. There were no loan loss provision related to the amounts outstanding.

#### (ii) Directors and related entities

##### *(a) Transactions*

- The Bank contracts the legal services of the law firm of Udo Udoma & Belo-Osagie, a law partnership firm related to Mr. Dan Agbor and Mrs Myma Belo-Osagie (non-executive directors) on a retainership basis. The retainership also covers the secretarial services provided by Alsec Nominees Limited to the bank. The retainership fees is included in the expenses in the Statement of consolidated income
- The Bank used Swift Networks as one of its Internet Service Providers (ISP), a company in which Mr. Dan Agbor is a director. The related connectivity costs is included in the expenses in the Statement of consolidated income

#### (iii) Subsidiaries

##### *(a) Deposits*

This represents liabilities under repurchase agreement investments balances of the subsidiaries with FSDH Merchant Bank Limited. The discount expense and balances due to customers have been eliminated in the consolidated group figures.

## HISTORICAL FINANCIAL INFORMATION

### (c) Transactions

The Bank has a technical service agreement with FSDH Asset Management Limited and FSDH securities Limited. The agreement provides for the provision of technical management assistance to both companies for a fee of 7.5% of total earnings. 10% of profit before tax in 2011 and 7.5% of total earnings in 2012. The fees earned in 2011 and 2012 are shown below:

	<---- Year ended 31 December ---->	
	2012	2011
	N'000	N'000
FSDH Asset Management Limited	27,239	16,780
FSDH Securities Limited	15,612	3,497

### 7.38 Earnings per share

#### (i) Basic

Basic earnings per share is calculated by dividing the the net profit after tax attributable to the equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares held as treasury shares.

	<----- IFRS ----->			N-GAAP -----		
	<----- Year ended 31 December ----->			6 months to 31 December	<-- Year ended 30 June -->	
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2009 N'000	2008 N'000
Profit attributable to equity holders of the parent Bank	3,008,709	2,112,962	3,106,659	2,648,062	3,851,652	2,360,714
Weighted average number of ordinary shares	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794
Treasury shares	(241,419)	(241,419)	-	-	-	-
Weighted average number of ordinary shares excluding treasury shares	2,553,375	2,553,375	2,794,794	2,794,794	2,794,794	2,794,794
Basic earnings per share (expressed in kobo per share)	118k	83k	109k	94k	137k	84k

#### (ii) Diluted

The Bank does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders

Diluted earnings per share (expressed in kobo)	118k	83k	109k	94k	137k	84k
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### 7.39 Compliance with banking regulations

The Bank was penalised by the Central Bank of Nigeria (CBN) during 2012 for the following infraction:

- Infraction of Section 60 (1) of BOFIA 1991 as amended to date - contravention of single obligor limit (fine: ₦2million).

In line with the Central Bank of Nigeria circular reference FPR/DIR/CIR/GEN/01/020, the Bank did not have any customer complaint during the year ended 31 December 2012.

There were no contraventions in all the other years.

### 7.40 Events after statement of financial position date

FSDH Merchant Bank Limited officially commenced operations as a merchant bank on 15 January 2013. There are no other events, which may impact the financial statements.

**Agusto & Co.**

RESEARCH, CREDIT RATINGS, CREDIT RISK MANAGEMENT

**RATING****FSDH Merchant Bank Limited**

Rating Assigned: "A"

Outlook: Stable

Issue date: 7 June 2013

Expiry date: 30 June 2014

Previous rating: "A"

**ANALYSTS****Onyebuchi Mbanusi**

onyebuchimbanusi@agusto.com

**Yinka Adelekan**

yinkaadelekan@agusto.com

UBA House (5th Floor)  
57 Marina.  
+234 1 2707222-4**Bank Ratings**© COPYRIGHT 2013  
AGUSTO & CO. LIMITED**RATING RATIONALE**

The rating of FSDH Merchant Bank Limited ('FSDH' or 'the Bank') is upheld by the Bank's strong capitalization, good liquidity profile and stable and experienced management team. The rating takes into cognizance the Bank's weak profitability, satisfactory asset quality and the challenges it faces in the new merchant banking terrain. FSDH became a merchant bank in November 2012 after operating as a discount house for the last nineteen years.

The Bank exceeded the minimum Basel ratio requirement of 10% with a capital adequacy ratio of 67.4% as at 31 December 2012. FSDH's capital base of ₦19.3 billion is in excess of the required minimum of ₦15 billion for merchant banks. Q1 2013 unaudited reports also show an enhanced capital base with Tier 1 capital standing at ₦20 billion. In our opinion, FSDH's capitalization is strong.

Profitability has declined in the last three years. Profit before tax declined by 24.9% to ₦1.6 billion in 2012 resulting in pre-tax Return on Average Asset (ROA) dipping to 2.1% (2011: 3.7%) while pre-tax Return on Average Equity (ROE) also declined to 9.8% from 14.3% in 2011. Unaudited figures for the quarter ended 31 March 2013 show that both annualized ROA and ROE further declined to 1.6% and 7.4% respectively. Profitability has been adversely affected by funding and operating costs. With the change in operational scope (merchant banking), Agusto & Co. expects a more diversified earning stream for the Bank in the medium term. However, cost profile would increase as the Bank expends on upgrading its people, processes and systems to strategically position itself in its new market. The next two years (2013–2014) poses considerable challenges given that the Bank will be positioning itself in its new market. However, Agusto & Co. believes that management has the expertise needed to steer FSDH in this new era.

Liquidity profile is upheld by the Bank's sizeable investments in government securities. With the change to merchant bank, the Bank is better able to grow its deposit portfolio from non-bank sources. FSDH plans to issue a three year Bond in 2013. Should the Bond be successful, we believe that it will give the Bank access to stable and adequately priced funding. Agusto & Co. considers the asset quality of FSDH to be satisfactory. The Bank is investing in enterprise risk management and this should be operational by July 2013. As risk assets expand in the medium to long-term, Agusto & Co. believes that it is imperative that the Bank de-emphasizes concentration in its loan book as well as keep loss norms low.

Agusto and Co. hereby assigns an 'A-' rating to FSDH Merchant Bank Limited.

**Strengths**

- Strong capitalisation
- Good Liquidity.
- Experienced and stable management
- Expertise in capital market and securities trading business.

**Weakness**

- Weak Profitability

**Challenges**

- Ability to gain market share in a banking industry with intense competition.
- Deposit mobilization given the minimum deposit requirement.
- Ability to keep costs moderated.

FINANCIAL DATA	December 2012	December 2011
Total assets & contingents	₦91.1 billion	₦73.1 billion
Total Borrowings	₦71.0 billion	₦57.1 billion
Net earnings	₦3.5 billion	₦4.0 billion
Pre-tax return on average assets & contingents (ROA)	2.1%	3.7%
Pre-tax return on average equity (ROE)	9.8%	14.3%

Page 2

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**Incorporation and Share Capital History of the Sponsor**

The Sponsor was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act. It started operations on 1 July 1992 and was granted a licence to carry on discount house business on 10 February 1993. It was granted an approval to convert to a merchant bank on 22 November 2012 and officially changed its name to FSDH from First Securities Discount House Limited on 31 December 2012. The Bank ceased to operate as a discount house and commenced banking and financial services on 15 January 2013.

The Sponsor's principal activity during the year ended December 31, 2012 was the provision of discount house services to its customers. Such services principally involve trading in and holding of marketable securities such as treasury bills, government bonds, commercial bills and other eligible instruments. The Sponsor holds a 99.7% interest in an asset management company – FSDH Asset Management Limited. FSDH Asset Management Limited holds a 99.9% interest in FSDH Securities Limited (FSL), a company involved in stockbroking and issuing house operations. In addition, the Sponsor has a 51% interest in the Pensions Alliance Limited, which is involved in pension fund administration. The Sponsor prepares consolidated financial statements and the financial results of all the subsidiary companies have been consolidated in these financial statements. As at December 31, 2012, FSDH had an authorized share capital of ₦3,100,000,000 and a paid up capital of ₦2,794,793,730. The change to the Company's authorized and paid up capital since it was incorporated as follows:

Year	Authorised (₦)		Issued (₦)		Consideration
	Increase	Cumulative	Increase	Cumulative	
23/06/1992	175,000,000	175,000,000	162,750,000	162,750,000	₦1.00 each
14/10/1993	75,000,000	250,000,000	38,500,000	201,250,000	₦1.00 each
20/5/1998	350,000,000	600,000,000	301,875,002	503,125,002	Bonus shares
28/10/2004	1,000,000,000	1,600,000,000	1,006,250,004	1,509,375,000	Bonus shares
13/10/2005	500,000,000	2,100,000,000	503,125,002	2,012,500,008	Bonus shares
26/10/2006	1,000,000,000	3,100,000,000	782,293,722	2,794,793,730	₦3.00 each

**Shareholding Structure**

As at December 31, 2012, the shareholders holding above 5% of the issued share capital of FSDH are:

Shareholders	Holding	Percentage (%)
KMC Investment Limited	878,990,844	31.45
UBA Asset Management Limited	301,875,000	10.80
Ecobank Nigeria Plc	297,819,622	10.66
FSDH Staff Co-operative Society	241,419,452	8.64
Unity Bank Plc	197,123,862	7.05
International Finance Corporation (IFC)	175,000,000	6.26
Mainstreet Bank Limited	151,164,660	5.41



## STATUTORY & GENERAL INFORMATION

### Directors' Interests

The direct and indirect interests of the directors of FSDH in the issued share capital of the Company recorded in the Register of Members as at December 31, 2012 as confirmed by the Company were as follows:

Director	Holding		Percentage (%)
	Direct	Indirect	
Mr. Osaro Isokpan	Nil	Nil	Nil
Mr. Sobandele Sobanjo (Representing AIICO Insurance Plc)	Nil	45,578,701	1.63
Mr. Rilwan Belo-Osagie	Nil	Nil	Nil
Mrs. Hamdah Ambah	Nil	Nil	Nil
Mrs. Muhibat Abass (Representing UNICO CPFA Limited)	Nil	53,165,255	1.90
Mr. Daniel Agbor (Representing KMC Investment Limited)	Nil	878,990,844	31.45
Mrs. Myma Belo-Osagie (Representing KMC Investment Limited)	Nil	878,990,844	31.45
Mr. Vincent Omoike (Independent Director)	Nil	Nil	Nil
Mr. Olufemi Agbaje	Nil	Nil	Nil
Mr. Bello Garba	Nil	Nil	Nil
Ms. Olufunsho Olusanya	Nil	Nil	Nil

### Subsidiaries and Associated Companies

As at the date of this Shelf Prospectus, the Sponsor had the following Subsidiaries:

Subsidiaries:	Holding (%)
Pension Alliance Limited	51
FSDH Asset Management Limited	99.7

*FSDH Asset Management Limited in which the bank holds 99.7% interests, holds a 99.9% interest in FSDH Securities Limited, a company involved in stock broking and issuing house activities.*

### Claims & Litigation

The Solicitors were provided with a number of claims and litigation files in relation to the Sponsor, which revealed that as at the 6th of June 2013, the Company was involved in three (3) cases which all relate to the failure to repay loans or fees arising in the ordinary course of business, two of which were instituted by the Sponsor.

The total amount claimed in litigation against the Sponsor is ₦750,000.00 (Seven Hundred and Fifty Thousand Naira) inclusive of claims for interest payable on the stated sum. The total amount being claimed by the Company against its debtors is ₦679,436,026.53 (Six Hundred and Seventy Nine Million, Four Hundred and Thirty Six Thousand, Twenty Six Naira and Fifty Three Kobo).

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**STATUTORY & GENERAL INFORMATION**

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In the absence of any information to the contrary, it is therefore our opinion that to the best of our knowledge and belief as at the date hereof, that none of the aforementioned cases is likely to have a material adverse effect on the Company or the Issue.

**Off Balance Sheet Items**

As at December 31, 2012 the Sponsor had no Off Balance Sheet Items other than in the ordinary course of business.

**Declarations**

Except as otherwise disclosed in this Shelf Prospectus:

- (a) No share of the Company is under option or agreed conditionally or unconditionally to be put under option;
- (b) No commissions, brokerages or other special terms have been granted by the Company to any person in connection with the Debt Issuance Programme or sale of any securities of the Company;
- (c) Save as disclosed herein, the directors of the Company have not been informed of any holding representing 5% or more of the issued share capital of the Company;
- (d) There are no founders', management or deferred shares or any options outstanding in the Company;
- (e) There are no material service agreements between the Company or any of its Directors and employees other than in the ordinary course of business;
- (f) There are no long-term service agreements between the Company or any of its Directors and employees other than in the ordinary course of business;
- (g) No Director of the Company has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Company in the five years prior to the date of this Shelf Prospectus;
- (h) No prosecution has commenced against the Company or any of its subsidiaries in respect of any breach of any securities or banking laws or CAMA;
- (i) No action has been taken against the Company by The NSE in respect of any breach of the listing requirements of The Exchange.

Further declarations/information in respect of shareholders/key management staff

It is further declared that to the best of knowledge of Directors as at the January 31, 2012:

- (a) None of the above is under any bankruptcy or insolvency proceedings in any court of law;
- (b) None of them has been convicted in any criminal proceeding;
- (c) None of them is subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty.

**Material Contracts**

The following agreements have been entered into and are considered material to this Programme:

- A Programme Trust Deed dated October 7, 2013 between FSDH Funding SPV Plc and UBA Trustees Limited in connection with the Programme. The extracts of the Programme Trust Deed are set out in pages 66 to 82 of this Shelf Prospectus.
- A Master Notes Issuance Agreement dated October 7, 2013 between FSDH Merchant Bank Limited, UBA Trustees Limited and FSDH Funding SPV Plc.
- Deed of Undertaking dated October 7, 2013 between FSDH Merchant Bank Limited, FSDH Funding SPV Plc and UBA Trustees Limited.
- A Share Trust Deed dated October 7, 2013 between FSDH and First Trustees Nigeria Limited.

Other materials contracts in respect of any issuance of Bonds under the Programme will be disclosed in the Applicable Pricing Supplement issued in respect of that Series of Bonds.



## STATUTORY & GENERAL INFORMATION

### Costs and Expenses

The costs and expenses of and incidental to the establishment of this Programme and the issuance of Bonds under the Programme, including fees payable to the regulatory authorities, brokerage commission, professional parties, printing and distribution expenses, would be determined at each issuance and will not exceed the maximum amount stipulated by the regulatory authorities. In addition, these costs and expenses shall be borne by the Issuer and will be specified in the Applicable Pricing Supplement.

### Relationship between the Sponsor, Issuing Houses and Other Advisers

Dr. Myma Belo-Osagie and Mr. Daniel Agbor are members of the Board of Directors of the Sponsor and are also Partners in the law firm of Udo Udoma & Belo-Osagie (Solicitors to the Issuer).

Save as disclosed, there is no relationship between the Sponsor, the Issuing Houses and the other Professional Parties as at the date of the Shelf Prospectus other than in the ordinary course of business.

### Related Party Transactions

As stated in the Reporting Accountants Report on page 25.

### Mergers or Takeovers

As at the date of this Shelf Prospectus, the Directors were not aware of the following during the preceeding financial year or current financial year:

- a merger or takeover offer by third parties in respect of the Sponsor's securities; and
- a merger or takeover by the Sponsor in respect of another Company's securities.

### Consents

The following have given and not withdrawn their written consents to the issue of this SP with their names and reports (where applicable) included in the form and context in which they appear:

Taiwo Okeowo	<b>Director of the Issuer</b>
Patrick Mgbenwelu	"
Adekunle Awojobi	"
Irene Otike-Odibi	<b>Company Secretary</b>
Mr. Osaro Isokpan	<b>Director of the Sponsor</b>
Mr. Rilwan Belo-Osagie	"
Mrs. Hamdah Ambah	"
Ms. Olufunsho Olusanya	"
Mrs. Muhibat Abass (Representing UNICO CPFA Limited)	"
Mr. Daniel Agbor (Representing KMC Investment Limited)	"
Dr. Myma Belo-Osagie (Representing KMC Investment Limited)	"
Mr. Vincent Omoike (Independent Director)	"
Mr. Sobandele Sobanjo (Representing AIICO Insurance Plc)	"
Mr. Olufemi Agbaje	"
Mr. Bello Garba	"
FBN Capital Limited	<b>Lead Financial Adviser/Issuing House</b>

**STATUTORY & GENERAL INFORMATION**

Stanbic IBTC Capital Limited	<b>Joint Financial Adviser/Issuing House</b>
UBA Capital Plc	<b>Joint Financial Adviser/Issuing House</b>
PricewaterhouseCoopers	<b>Auditors</b>
Akintola Williams Deloitte	<b>Reporting Accountants</b>
UBA Trustees Limited	<b>Trustees</b>
George Ikoli & Okagbue	<b>Solicitors to the Trustees</b>
F. O. Akinrele & Co.	<b>Solicitors to the Issue</b>
Udo Udoma & Belo-Osagie	<b>Solicitors to the Issuer</b>
First Registrars Nigeria Limited	<b>Registrars</b>
WSTC Financial Services Limited	<b>Lead Stockbrokers</b>
FSDH Securities Limited	<b>Joint Stockbrokers</b>
Agusto & Co. Limited	<b>Rating Agency</b>
Stanbic IBTC Bank PLC	<b>Joint Receiving Bank</b>
UBA Plc	<b>Joint Receiving Bank</b>

**Documents available for Inspection**

Copies of the following documents may be inspected at the Issuing Houses' respective addresses as listed on page 9 between 8.00 a.m. and 5.00p.m. on any Business Day throughout the validity of the Programme:-

- Certificate of Incorporation of the Issuer;
- Memorandum and Articles of Association of the Issuer;
- Reporting Accountants' Report on the audited accounts of the Sponsor for the five years ended December 31, 2012;
- Board Resolution dated 8<sup>th</sup> July 2013 authorising the Debt Issuance Programme;
- Resolution of the shareholders at the Annual General Meeting held on the 10<sup>th</sup> July 2013 approving the Debt Issuance Programme;
- Letter from the Securities & Exchange Commission dated September 4, 2013 approving the registration of the Shelf Prospectus;
- Audited Financial Statement of the Sponsor for the years ended December 31, 2008 to 2012;
- Statement of Affairs of FSDH Funding SPV Plc for the period ended 30<sup>th</sup> June 2013;
- Shelf Prospectus issued with respect to the Debt Issuance Programme;
- Consents of Parties referred to on page 119;
- The list of outstanding claims and litigation referred to herein;
- Material contracts referred to on page 118; and
- Letter of no objection from the CBN

## FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be prepared by the Issuer for each Series of Notes issued under the Programme:

### Pricing Supplement To the Shelf Prospectus dated [•]



### Offer for Subscription of [•] Due [•] Under the ₦100,000,000,000 FSDH Funding SPV Plc Debt Issuance Programme

### Issue Price: [•] per unit Payable in full on Application

This Pricing Supplement is prepared for the purpose of Rule 40(C) of the Rules and Regulation of the Securities & Exchange Commission ("the Commission" or SEC) in connection with the ₦100,000,000,000.00 Debt Issuance Programme established by FSDH Funding SPV Plc ("the Issuer"). This Pricing Supplement is supplemental to, and should be read in conjunction with, the Shelf Prospectus dated [•] and any other supplements to the Shelf Prospectus to be issued by the Issuer. Terms defined in the Shelf Prospectus have the same meaning when used in this Pricing Supplement.

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Shelf Prospectus, the provisions of this Pricing Supplement shall prevail. This Pricing Supplement may be used to offer and sell the Bonds only if accompanied by the Shelf Prospectus. Copies of the Shelf Prospectus can be obtained from any of the Issuing Houses.

The registration of the Shelf Prospectus and this Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the Securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Shelf Prospectus or this Pricing Supplement. No Securities will be allotted or issued on the basis of the Shelf Prospectus read together with this Pricing Supplement later than two years after the date of the issue of the Shelf Prospectus.

This Pricing Supplement contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder (the "Series 1 Bonds" or "Bonds"). Application has been made to the Council of the Exchange for the admission of the Bonds to the Daily Official List of the Exchange. The Bonds now being issued will upon admission to the Daily Official List qualify as a security in which Trustees may invest under the Trustee Investments Act (Cap T22) Laws of the Federation of Nigeria, 2004. The Bonds also qualify as a Government Security under Section 20(1)(g) of the Personal Income Tax Act, Cap P8, LFN, 2004 as well as Section(19)(2) of the Companies Income Tax Act, Cap C21, LFN, 2004.

The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information and that save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Shelf Prospectus has arisen or has been noted, as the case may be, since the publication of the Shelf Prospectus. Further, the material facts contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

### FINAL TERMS OF SERIES [•] BONDS

- |    |   |                      |
|----|---|----------------------|
| 1. | Issuer:   | FSDH Funding SPV Plc |
| 2. | Series Number:  | [•]                  |
| 3. | Aggregate Principal Amount of Series:                       | [•]                  |
| 4. | (i) Issue Price:  | [•]                  |
|    | (ii) Net Proceeds:  | [•]                  |
| 5. | Denomination(s):  | [•]                  |
| 6. | (i) Issue Date:   | [•]                  |
|    | (ii) Interest Commence Date (if different from Issue Date): | [•]                  |
| 7. | Maturity Date:  | [•]                  |
| 8. | Principal Moratorium:                                       | [•]                  |

**FORM OF PRICING SUPPLEMENT**

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9. Interest Basis: ☐ % Fixed Rate  
☐ % Floating Rate
10. Redemption/Payment Basis: ☐
11. Status: ☐
12. Security: ☐
13. Listing(s): ☐
14. Method of Distribution: ☐
15. Offer Period ☐

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Note Provisions ☐
- (i) Interest Rate ☐
- (ii) Interest Payment Date(s) /Payment Dates: ☐
- (iii) Interest Amount(s): ☐
- (iv) Business Day Convention: ☐ [Following Business Day Convention/  
Preceding Business Day Convention/  
Modified Business Day]
- (v) Business Day: ☐
- (vi) Other terms relating to method of calculating interest for Fixed Rate Notes: ☐ [Not Applicable/Give Details]
17. Floating Rate Note Provisions: ☐ *(if not delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Payment Date(s): ☐
- (ii) Reference Banks: ☐
- (iii) Spread (if applicable): ☐
- (iv) Party responsible for calculating interest rate and interest amount(s): ☐
- (v) Relevant Time (if applicable): ☐
- (vi) Screen Rate Determination: ☐
- Benchmark: ☐
- Interest Determination Dates(s): ☐
- Relevant Screen Page ☐
- (vii) Day Count Fraction ☐ Actual/Actual; Actual/360

**PROVISIONS RELATING TO REDEMPTION**

18. Optional Early Redemption (Call Option): ☐ [Applicable/Not Applicable]
19. Optional Early Redemption (Put Option): ☐ [Applicable/Not Applicable]
20. Scheduled Redemption/Amortisation: ☐ [Applicable/Not Applicable]
21. Redemption Amount(s): ☐
22. Scheduled Redemption Dates: ☐
23. Final Redemption Amount: ☐

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |  |   |
|--|---|
| 24. Form of Notes:                     | Dematerialized Notes                    |
| (i) Form of Dematerialized Notes:      | [Registered/Certificate/Dematerialized] |
| (ii) Registrar:                        | [•]                                     |
| 25. Trustee(s):                        | [•]                                     |
| 26. Record Date:                       | [•]                                     |
| 27. Other terms or special conditions: | [•]                                     |

**DISTRIBUTION, CLEARING AND SETTLEMENT PROVISIONS**

- |  |  |
|--|--|
| 28. Underwritten/Book-building:            | [•]                                    |
| 29. If Underwritten, names of Underwriters | [•]                                    |
| 30. Clearing System:                       | Central Securities Clearing System Plc |

**GENERAL**

- |                   |         |
|-------------------|---------|
| 31. Rating:       | [•]     |
| 32. Taxation:     | [•]     |
| 33. Governing Law | Nigeria |

**APPENDICES**

- |                 |  |
|-----------------|--|
| 34. Appendices: | [List and Attach Appendices if applicable] |
|-----------------|--|

**USE OF PROCEEDS**

[Insert details of use of proceeds]

**MATERIAL ADVERSE CHANGE STATEMENT**

Except as disclosed in this document and in the Shelf Prospectus dated [●], there has been no significant change in the financial or trading position of the Issuer since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer since [insert date of last published annual accounts].

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Shelf Prospectus referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer: